

GENERAL AGREEMENT ON TARIFFS AND TRADE

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UNITED STATES IMPORTS OF AUTOMOTIVE PRODUCTS

Fourth Annual Report by the United States

The following report on the operation of the Decision of 20 December 1965 (BISD, Fourteenth Supplement, pages 37-42) has been transmitted by the Government of the United States.

The Decision of the CONTRACTING PARTIES of 20 December 1965 (BISD, Fourteenth Supplement, pages 37-42) authorized a waiver of United States obligations under paragraph I of Article I of the General Agreement to permit the United States to accord duty-free treatment to certain automotive products imported from Canada under the United States-Canada Automotive Products Agreement. In accordance with the provisions of that Decision and the procedures adopted by the CONTRACTING PARTIES on 1 November 1956, the following report covering 1969 is submitted to the CONTRACTING PARTIES.

I. Summary

Automotive products trade between the United States and Canada continued to expand rapidly in 1969, reaching a level of \$6.3 billion for the year, compared with \$4.9 billion in 1968 and \$731 million in 1964.¹

Production in the United States and Canadian automotive industries has now been largely integrated. Some car models are no longer produced in Canada, and Canadian demand for such lines is supplied entirely from the United States. Productivity, particularly in the Canadian auto industry, has improved.

Canadian assembly plants now specialize in fewer models with longer and more efficient production runs. The differential between higher Canadian and lower United States vehicle prices has narrowed. Considerable progress has been made toward the goal identified in the Agreement of a single motor vehicle industry serving the needs of the combined United States-Canadian automotive market.

¹These and other statistics in this report are drawn from the President's Fourth Annual Report to the Congress on the Operation of the Automotive Products Trade Act of 1965, the statute which permitted United States implementation of the Agreement.

United States automotive imports from countries other than Canada increased by 10.4 per cent to \$1.82 billion in 1969. About 85 per cent of total United States automotive imports from countries other than Canada in 1969 consisted of passenger automobiles.

The United States has no evidence that expanded automotive trade with Canada has damaged the interests of our trading partners. No requests have been received for consultation under paragraph 2 of the Decision of 20 December 1965.

II. Production in the motor vehicle industry, United States and Canada

Motor vehicle production in Canada was at a record level of 1.35 million units in 1969, an increase of 14 per cent from 1968 and 101 per cent above 1964. United States production totalled 10.2 million units in 1969. Although this was a decline of 6 per cent from 1968, it was the fourth largest vehicle production year in history. Combined United States-Canadian motor vehicle production amounted to nearly 11.6 million units in 1969, a decrease of 4 per cent from 1968.

A. Trade in motor vehicles and parts between the United States and Canada

Total automotive products trade between the United States and Canada grew to \$6.3 billion in 1969, an increase of 29 per cent over 1968 and 763 per cent higher than 1964, the year prior to the implementation of the Agreement. United States automotive exports to Canada were \$3,186 million in 1969, and imports were \$3,089 million. These amounts represented increases of 23 and 36 per cent, respectively. United States imports from Canada as well as exports to Canada increased for passenger cars, trucks, buses and chassis, and parts and accessories.

The Automotive Agreement has also influenced production and trade of products closely allied to the automotive industry but not covered by the Agreement and thus not reflected in the statistics for automotive products. It is not possible to identify statistically the extent to which trade in such related products as tyres and tubes, raw and semi-finished material, and machinery and equipment has been stimulated by the Agreement.

B. Trade Statistics

In the Third Annual Report (L/3256), the export trade of each country was measured by the import data from the other country to present a more accurate measure of total automotive trade. This was desirable because the export parts classifications of both countries are not as detailed as are the import classifications, and significant exports of automotive parts are not identified as automotive in export statistics. Hence, both United States and Canadian automotive parts export figures are understated. There remained a significant problem on the proper valuation of vehicles.

United States import statistics for vehicles are overstated in value because the United States Customs Bureau by law assesses value for customs purposes as the wholesale market value in the country of origin. However, in actual practice,

intra-company transfers under the Agreement occur at prices approximately 15 per cent lower than the wholesale market value. A similar situation obtains with respect to the values placed on vehicle imports by the Canadian Dominion Bureau of Statistics. Therefore, in the Fourth Annual Report, actual transaction values have been used in order to obtain a more accurate measure of trade under the Agreement.

The following table encompasses all automotive trade between the two countries, including both duty-free trade under the provisions of the Agreement and dutiable as well as duty-free automotive products such as replacement parts and special purpose vehicles not covered in the Agreement.

United States-Canadian Trade in Automotive Products

(US\$ million - transactions values)^{1/}

	1964	1965	1966	1967	1968	1969 ^{2/}
<u>US exports to Canada</u>						
Passenger cars	45.4	114.0	275.6	563.0	703.6	748.8
Trucks, buses, chassis	17.4	45.5	83.6	138.3	166.6	249.7
Parts and accessories ^{3/}	597.1	771.1	1,037.9	1,254.3	1,716.0	2,187.4
TOTAL EXPORTS	659.9	931.1	1,397.1	1,955.6	2,586.2	3,185.9
<u>US imports from Canada</u>						
Passenger cars	17.9	68.5	316.0	692.1	1,114.2	1,550.3
Trucks, buses, chassis	3.8	19.3	135.0	228.3	369.2	580.0
Parts and accessories	49.3	139.2	360.2	474.1	753.0	958.9
TOTAL IMPORTS	71.0	227.0	811.2	1,394.5	2,266.4	3,089.2
US net exports	588.9	704.1	585.9	561.1	319.8	96.7

^{1/} Tyres and tubes not included. Figures may not add to totals due to rounding.

^{2/} Preliminary and subject to revision

^{3/} As measured by Canadian import statistics

Source: US exports

Cars, trucks: United States Bureau of Census.

Parts and accessories: Canadian Dominion Bureau of Statistics.

(Parts imports from United States used as measure of United States parts exports to Canada, converted to United States dollars, (0.925.)

US imports

Cars, trucks: United States Bureau of Census directly reported transaction values for 1969; prior year reported by industry.

Parts and accessories: United States Bureau of Census.

C. United States automotive trade with countries other than Canada

Imports of automotive products from third countries amounted to \$1,820 million in 1969, an increase of 10.4 per cent over 1968. Imports of passenger cars alone totalled \$1,550 million. United States automotive exports to countries other than Canada were \$1,261 million in 1969, a 7.4 per cent increase over 1968.

The largest non-Canadian suppliers of automotive imports to the United States during 1969 were the Federal Republic of Germany, Japan and the United Kingdom. Imports from these countries during 1969 were \$955 million, \$436 million, and \$159 million, respectively.