

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## UNITED STATES IMPORTS OF AUTOMOTIVE PRODUCTS

### Seventh Annual Report by the United States

The following report on the operation of the Decision of 20 December 1965 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 1 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 1972 is submitted to the CONTRACTING PARTIES.

#### I. Summary

Production in the United States and Canadian automotive industries has now been largely integrated. Automotive products trade between the United States and Canada increased by 17 per cent in 1972, reaching a level of \$9.1 billion for the year, compared with \$7.8 billion in 1971 and \$715 million in 1964<sup>1/</sup>.

The United States has no evidence that expanded automotive trade with Canada has damaged the interests of our trading partners. In fact, United States automotive imports from countries other than Canada increased by 20 per cent over 1971 to \$3,965 million in 1972. No requests have been received for consultation under paragraph 2 of the Decision of 20 December 1965.

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<sup>1/</sup> These and other statistics in this report are drawn from data prepared for the President's Seventh 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.

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

Combined United States-Canadian motor vehicle production amounted to 12.8 million units in 1972, an increase of 6.3 per cent over 1971. Motor vehicle production in Canada totalled 1.5 million units in 1972, an increase of 9 per cent over 1971. United States production totalled 11.3 million units in 1971, an increase of 6 per cent over 1971.

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

Total automotive products trade between the United States and Canada increased by 17 per cent to \$9.1 billion in 1972, compared with \$7.8 billion in 1971. The 1972 total was 1173 per cent higher than that for 1964, the year prior to the implementation of the Agreement. United States automotive exports to Canada were \$4,496 million in 1972, and imports were \$4,595 million.

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

As noted in the Fifth Annual Report (L/3686), the export trade of each country is measured by the import data from the other country to present a more accurate measure of total automotive trade. This is 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.

Also, the 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. In actual practice, intra-company transfers under the Agreement occur at prices approximately 15 per cent lower than the wholesale market value. Therefore, in the Seventh Annual Report, actual transaction values have again 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-CANADA TRADE IN AUTOMOTIVE PRODUCTS, 1964-72

(United States Imports-Canadian Imports)

(Millions of United States Dollars)

	1964	1965	1966	1967	1968	1969	1970	1971	1972
United States exports <sup>2/</sup>									
Cars	34	87	267	544	748	732	631	985	1,075
Trucks	23	55	88	122	175	244	263	334	504
Parts	577	738	1,011	1,216	1,684	2,134	2,019	2,448	2,866
Sub-total	634	880	1,366	1,882	2,607	3,110	2,913	3,767	4,445
Tyres and tubes	6	9	9	7	27	34	23	36	51
Total exports	640	889	1,375	1,889	2,634	3,144	2,936	3,803	4,496
United States imports									
Cars	18	69	316	692	1,114	1,537	1,474	1,924	2,065
Trucks	4	19	135	228	369	560	564	587	713
Parts	49	139	360	474	783	959	1,080	1,481	1,795
Sub-total	71	227	811	1,394	2,266	3,056	3,118	3,992	4,573
Tyres and tubes	5	4	8	12	8	5	14	8	22
Total imports	76	231	819	1,406	2,274	3,061	3,132	4,000	4,595
Net balance	+563	+658	+556	+483	+360	+83	-196	-197	-99

<sup>1/</sup> Preliminary

<sup>2/</sup> Canadian import data. Parts exports (Canadian imports) adjusted to exclude tooling charges in million of United States dollars as follows: 1966 - \$29; 1967 - \$44; 1968 - \$47; 1969 - \$75; 1970 - \$89; 1971 - \$68; 1972 - \$84.9.

**NOTE:** Data exclude United States-Canadian trade in materials for use in the manufacture of automotive parts. Data are adjusted to reflect transaction values for vehicles.

\$1.00 Canadian = \$0.925 United States, 1964-69; \$0.958 United States, 1970; \$0.990 United States, 1971; \$1.009 United States, 1972.

**SOURCE:** United States Department of Commerce.

C. United States automotive trade with countries other than Canada

Imports of automotive products from third countries amounted to \$3,965 million in 1972, an increase of 20 per cent over 1971. United States automotive exports to countries other than Canada were \$1,359 million in 1972, a 3 per cent increase from 1971.

The largest non-Canadian suppliers of automotive imports to the United States during 1972 were Japan, the Federal Republic of Germany, and the United Kingdom. Imports from these countries during 1972 were \$1.6 billion, \$1.6 billion, and \$213 million, respectively.