

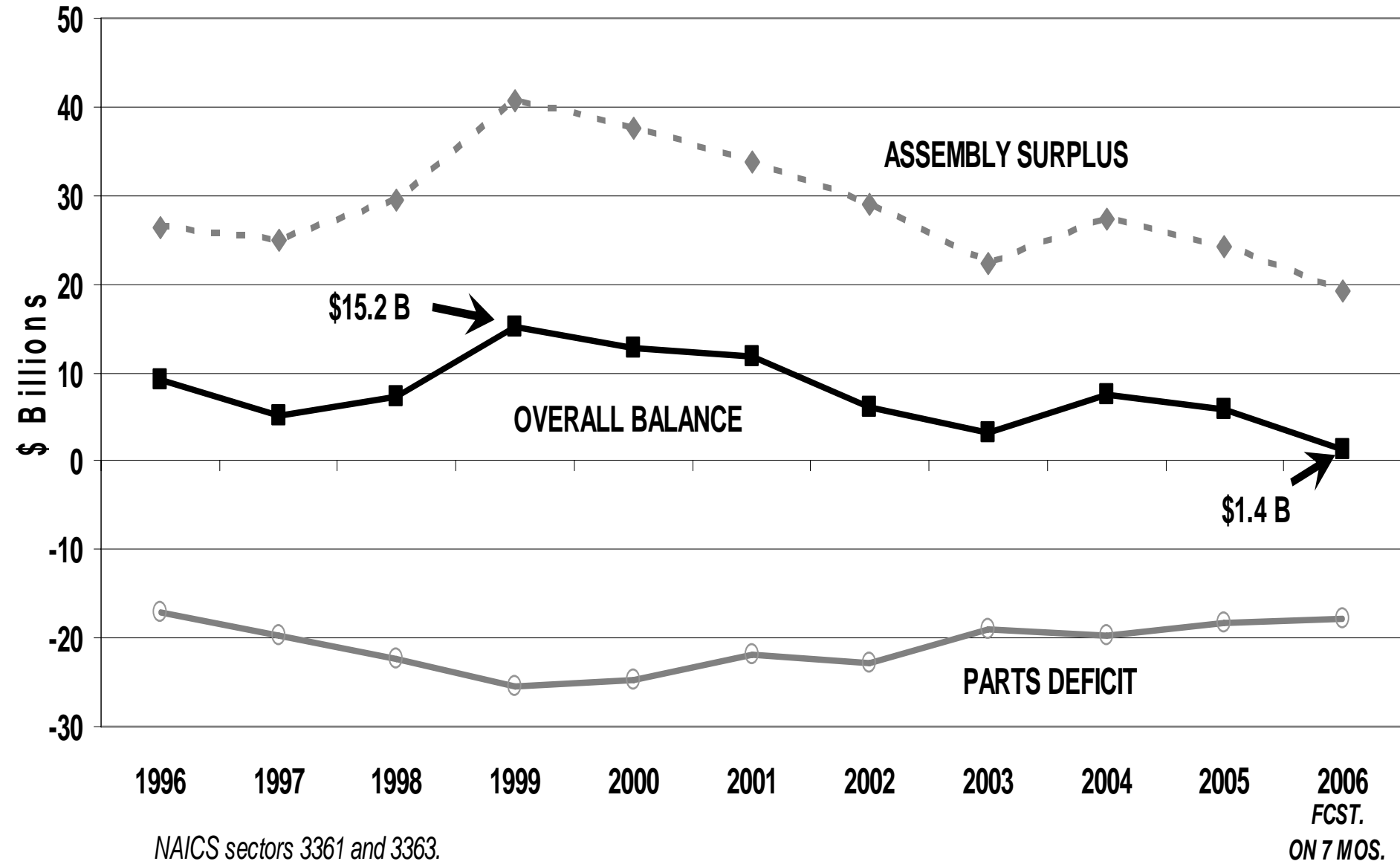
CAPC International Trade Working Group

- One meeting: May 30, 2006
- Continuing Items:
 - evolution of automotive trade (Canada's traditional auto trade surplus has now mostly disappeared)
 - continuing impact of high dollar
 - continuing strong concern re Korea FTA talks
- DFAIT presentation on auto issues at WTO
- Agreed to send "information kit" on developments in automotive trade to Bank of Canada officials, other policy-makers with interest in auto trade

Dollar Still near 90 cents



Disappearing Auto Surplus








Korea FTA Talks

- Negotiations continue
 - 7th round in September 2006
- DFAIT “ad-hoc” consultative committee
 - CAPC members participate independently there
 - Working Group provides information-sharing, discussion opportunities
- Continuing strong concern expressed by all automotive stakeholders
 - eg. statement from Ontario automotive mayors
- Research reports: different findings
 - federal studies: as few as 5 lost assembly jobs
 - CAW study: as many as 4000 lost auto jobs
 - all agree: FTA will stimulate automotive imports from Korea far more than automotive exports to Korea

CAPC

International Trade Working Group

October 2005

Initiative	Action Plan Item	Owner	Timing	Status
Canadian Dollar	<i>Monitor/Address impacts of currency appreciation on automotive investment & trade balance.</i>	<i>AUTO; Bank of Canada</i>	<i>ST/MT</i>	
Bilateral FTA with Korea	<i>Continuing strong concern re proposed bilateral FTA with Korea.</i>	<i>FED; AUTO</i>	<i>ST</i>	
Strategic Trade/ Investment Policy	<i>Explore opportunities to use active trade policy to leverage and enhance Canadian automotive investments.</i>	<i>FED; AUTO</i>	<i>MT</i>	
WTO Round	<i>Monitor multilateral trade negotiations through the WTO, and consider potential impacts on the Canadian auto industry.</i>	<i>FED; AUTO</i>	<i>MT</i>	
Bilateral Automotive Trade with Asia / Other Emerging Markets	<i>Monitor bilateral imbalances; explore/develop strategies to boost automotive exports to Asia / other emerging markets</i>	<i>FED; AUTO</i>	<i>MT</i>	



Addressed - implementation underway and on-time.
 Fed - Federal Government
 Prov - Provincial Government



Plans, commitments and timelines not clear - attention needed.
 Auto - Auto Manufacturers, Suppliers



Immediate attention.

MT - Medium Term
 ST - Short Term

Report of the CAPC International Trade Working Group

October 2006

The International Trade Working Group has met once since the last full CAPC meeting. This meeting occurred on May 30, 2006. The meeting considered several issues, including:

- Report on automotive trade patterns to the end of 2005
- Impacts of the continuing appreciation of the Canadian dollar
- Continuing strong concern of Working Group members regarding the negotiation of a free trade agreement with Korea, and an update on the progress of those talks
- Presentation by Dept. of Foreign Affairs and International Trade official on automotive issues at the WTO (including auto-related issues in the now-suspended Doha negotiations, and WTO actions regarding China's import tariffs on automotive parts)

The International Trade Working Group scorecard contains five items. There are two "red" lights given on the issues of the Canadian dollar appreciation and the FTA negotiations with Korea. Three "yellow" lights reflect the Working Group's desire to monitor other trade-related issues, including developments at the WTO level, bilateral imbalances (including with emerging markets), and potential uses of strategic trade policy to reinforce the incentive for Canadian automotive investments.

On the Korea issue, most working group members have been participating in DFAIT's ad-hoc consultative committee on the Korean negotiations, and have expressed their strong concerns regarding the proposed Korean agreement directly to the federal government. The CAPC Working Group does not endeavour to engage directly in those discussions, but rather has operated as an information-sharing forum for Working Group members.

We note the publication of several different reports and forecasts concerning the likely impacts of a Korean FTA on the Canadian auto sector. Two studies conducted or commissioned by the federal government expect that impact to be minimal (with the loss of as few as 5 Canadian assembly jobs), although they confirm that the existing bilateral automotive trade imbalance with Korea will significantly worsen under an FTA. A study conducted by the CAW expects more negative results: over 500 lost automotive jobs using a traditional "elasticity" model to estimate post-FTA changes in trade flows, and over 4000 lost automotive jobs if trade flows with Korea behave similarly to trade flows under Canada's other five FTAs.

The Working Group has also prepared an information package to update relevant policy-makers (including senior officials with federal and provincial governments, and the Bank of Canada) regarding developments in Canada's automotive trade performance, and our continuing view that the strong Canadian dollar has had a significant negative impact on that performance.