

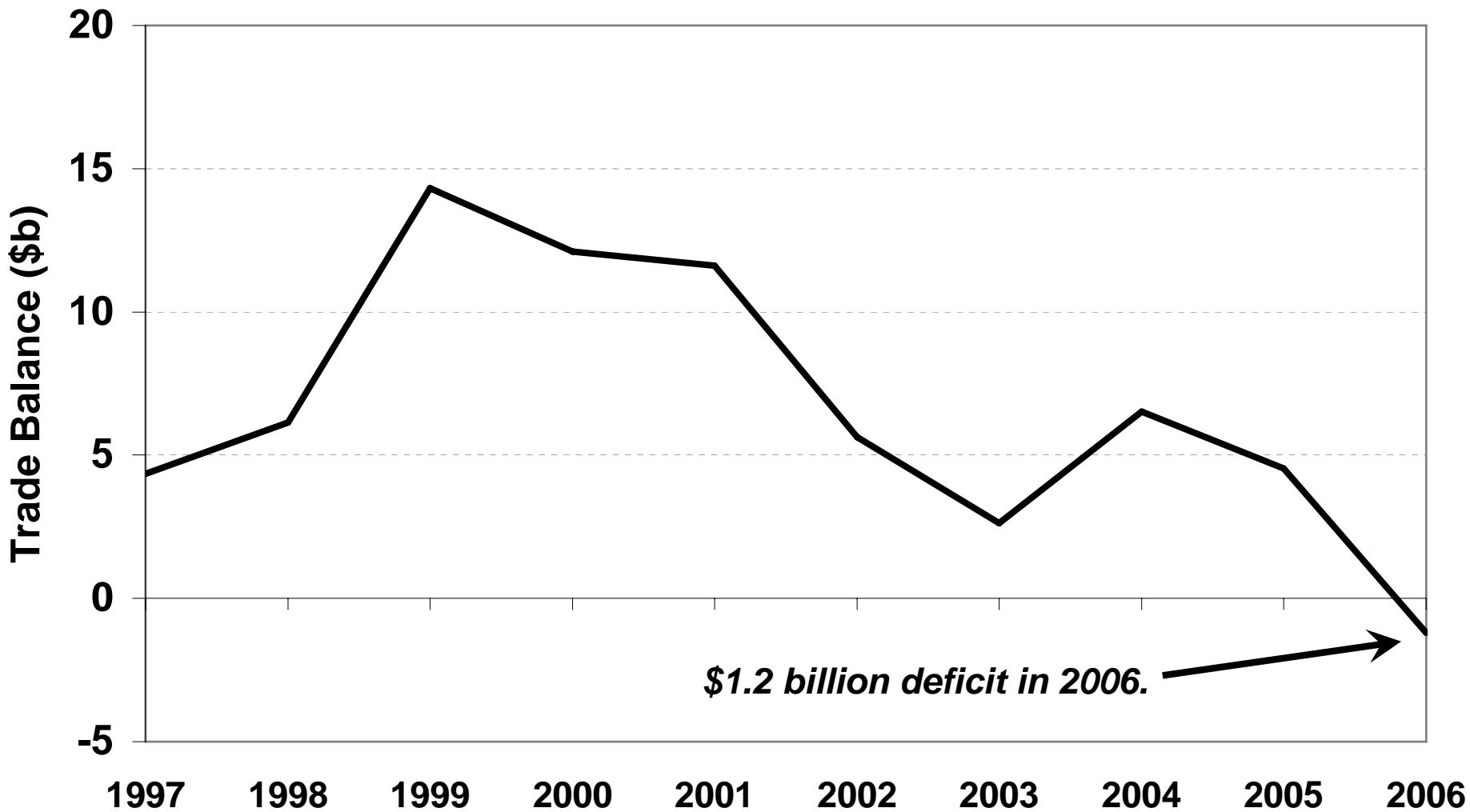
CAPC International Trade Working Group

- One meeting: January 24, 2007
- Agreement on pro-active wording for short-list of three priorities
- Continuing Concerns:
 - deterioration of automotive trade balance (Canada now has an automotive trade deficit!)
 - continuing impact of high dollar
 - continuing strong concern re Korea FTA talks

Deteriorating Trade Performance

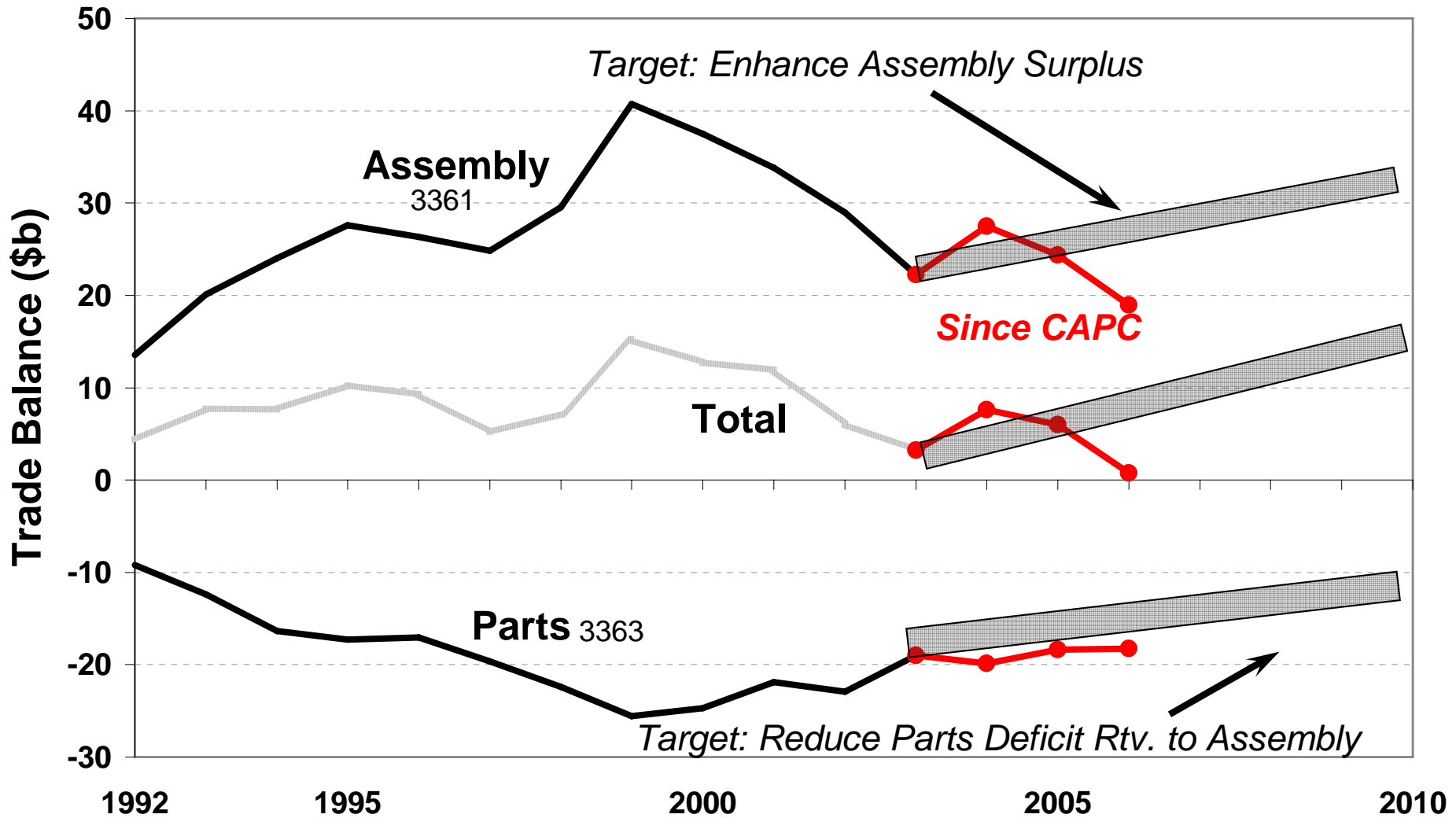
- Canada experienced a \$1.2 billion net deficit in automotive products in 2006
- Mostly due to deteriorating trade balance in finished vehicles (down \$22 billion since 1999)
 1. *more non-NAFTA imports to Canada*
 2. *less exports to U.S. (squeezed out by non-NAFTA imports to U.S.)*
- Some rebound possible if assembly output expands (eg. second Toyota plant)
- We've gone backwards relative to CAPC trade target (to restore Canada as major net automotive exporter)
- Threatens industry's ability to meet other CAPC targets (including assembly & parts targets)

Canada's Automotive Trade



Includes NAICS sectors 3361, 3362, 3363.

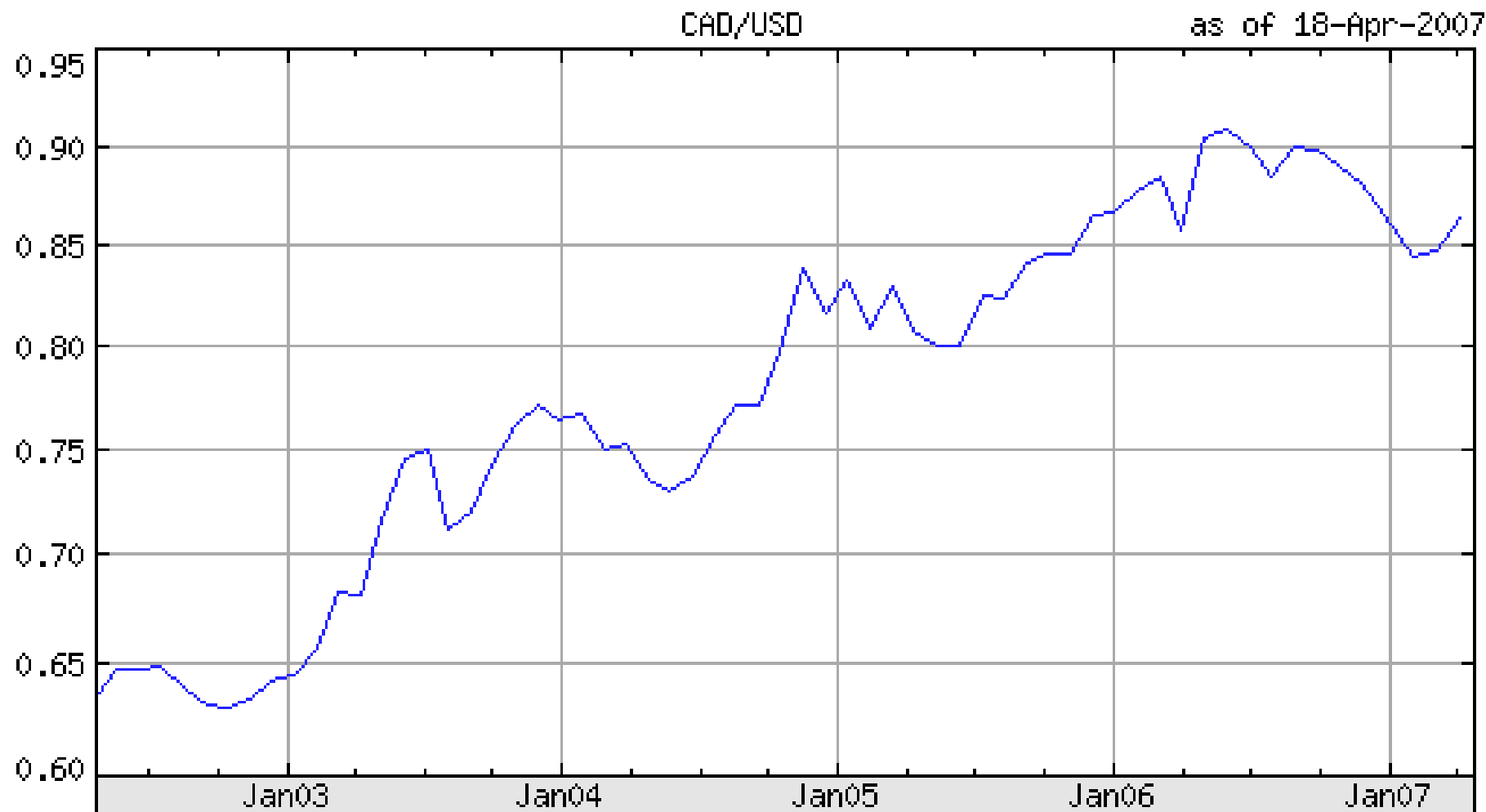
Canada's Automotive Trade



Canadian Dollar

- Some pullback in the dollar late 2006 and early 2007 (below 85 cents)
 - partly a response to deteriorating Canadian trade balances
- Subsequent rebound to 88 cents
 - rebound in world oil price
 - interest rates & inflation
- Manufacturing toll: over 250,000 lost jobs since appreciation began in 2002
- Bank of Canada view: “adjustment to change”
 - unwillingness to intervene or adjust policy

Dollar Still near 90 cents



Korea FTA Talks

- Negotiations continue
 - 9th round in Vancouver end-January
 - 10th round in Seoul end-April
- DFAIT “ad-hoc” consultative committee continues
- Continuing strong concern expressed by Canadian automotive stakeholders
- U.S.-Korea tentative deal reached
 - faces tough ratification battle in Democratic Congress
 - strong concerns expressed by several producers
 - Canadian industry fear: more pressure on Canadian negotiators to sign a “copycat” deal

CAPC International Trade Working Group

Listing of Policy Priorities

Ordering of items does not imply an ordering of importance.

Canadian Dollar

Concern: Rapid appreciation of the Canadian dollar has eroded the cost competitiveness of Canadian automotive production and undermined employment and investment (especially in the auto parts sector).

Desired action: The Bank of Canada should take the relative competitiveness of manufacturing production into better account in determining its interest rate and exchange rate policies.

Action by: Bank of Canada.

Canada-Korea FTA

Concern: A Canada-Korea FTA that provides tariff preference for Korean-made vehicles, but which does not ensure demonstrated, sustainable, fair, and bilateral trade, will negatively affect the competitive position of OEM and parts manufacturers producing and selling in Canada.

Desired action: There must be demonstrated, commercially-meaningful, and sustained market access into Korea for finished vehicles and parts prior to any automotive tariff reductions as part of a proposed Canada-Korea FTA.

Action by: Federal government.

Automotive Trade Imbalances

Concern: Canada's traditional net automotive trade surplus is rapidly eroding, due mostly to a growing trade deficit with non-NAFTA partners.






Desired action: Continue to monitor developments in Canada's automotive trade balances; explore potential uses of strategic trade policy to boost automotive exports to non-NAFTA markets, and to enhance Canadian automotive investment.

Action by: All CAPC stakeholders.

CAPC

International Trade Working Group

May 2007

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



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