

CAPC International Trade Working Group Summary of Teleconference Meeting, October 26 2009

The CAPC International Trade Working Group held a brief conference call on October 26, in advance of the CAPC head table session planned for the end of that week. The goal of the call was to reacquaint ourselves, quickly review recent developments in Canada's international automotive trade, identify topics for future inquiry and deliberation, and recommit ourselves to the work of the committee.

The meeting was well-attended, by a good representation of CAPC stakeholders: Michael Robinet (CSM Worldwide, co-chair); Jim Stanford (CAW, co-chair); Vince Guglielmo (APMA); Sandy DiFelice (Toyota); Faye Roberts (GM); Caroline Hughes (Ford); Louis Gaetan (Honda); Rod Gillyat (Industry Canada); Maura Cook (Chrysler); Babi Banerjee (MEDT); John Earl (EDC).

We reviewed the recent evolution of Canada's automotive trade performance, noting the very worrisome trend in trade balances over the last two years. Canada's traditional trade surplus in finished vehicles has now disappeared; for the first 8 months of this year, Canada experienced a trade deficit in finished vehicles for the first time since the Auto Pact was signed in 1965. Canada's traditional automotive trade surplus with the U.S. market has also virtually disappeared. Even within NAFTA, Canada now experiences a significant automotive trade deficit. Canada's deficit with non-NAFTA jurisdictions continues to widen. While cyclical factors (especially the severely depressed state of our major export market, the U.S.) have accentuated these negative developments, the underlying structural trend has clearly deteriorated as well. The dramatic appreciation of the Canadian currency will do further damage to automotive trade balances. On all counts, Canada's automotive trade performance has fallen far below the twin targets set by CAPC in its 2004 'Call for Action' document. (*Those targets were to: 1) Enhance Canada's traditional trade surplus in finished vehicles; and 2) Reduce Canada's traditional trade deficit in parts, relative to the scale of Canadian assembly.*)

We also reviewed the most recent edition of the CAPC International Trade Working Group scorecard (now more than two years old). The committee reaffirmed that the 5 issues featured on that scorecard are still relevant and of concern to the industry. Additional topics to be added to the agenda for future work include the impact of the proposed Canada-EU Free Trade Agreement on the auto industry; the current possibilities (in light of the restructuring of Canadian assembly plants) for stimulating offshore exports of Canadian-built vehicles; and the impact of international regulatory harmonization on vehicle trade patterns and possibilities.

Finally, working group members collectively reaffirmed our shared sense of the importance of continuing to analyze the international trade dimension as part of developing a strategic plan for the Canadian auto industry, and our shared willingness to continue the work of the committee. We intend to hold a full working group meeting in early December.