

Fair Trade Not Free Trade

Why is "Free Trade" such a one-way street?

A different kind of union

International trade and foreign investment are obviously critical to the auto industry. All of Canada's auto assembly plants are foreign-owned. And our industry would not exist without trade..

As long as trade occurs in a two-way, broadly balanced manner, then it can strengthen our auto industry. That was the whole idea behind the 1965 Auto Pact – which allowed companies to import vehicles and parts tariff-free to Canada, so long as they invested proportionately in Canadian production and jobs.

Canada still benefits immensely from automotive trade within North America. We export about \$80 billion of automotive products a year to our NAFTA partners (the vast majority of our output). And for every dollar we export, we import about 80 cents back. Within North America, automotive trade is a two-way, mutually beneficial flow.

Look outside of North America, however, and automotive trade is no longer very mutual, or very beneficial. Canada's automotive trade deficit with non-NAFTA countries widened to over \$11 billion last year – the biggest ever. It now offsets most of our auto trade surplus within North America.

For every dollar of automotive products we import from Europe, we sell 13 cents back to them in automotive exports.

For every dollar we import from Japan, we sell two cents back in exports.

And for every dollar we import from Korea, we sell less than half of one cent back. Meanwhile, booming auto exports from China are just around the corner.

This is not the two-way, mutually beneficial trade pictured in the economic textbooks. It's one-way. It's exploitation of our market. And it's destroying thousands of Canadian jobs.

North America's vehicle market is uniquely open.

Imports from outside of NAFTA captured 22 percent of our continental market last year (double the import share in 1996).

In Europe, imports get less than 10 percent of the market.

In Japan, less than 5 percent.

In Korea, less than 1 percent.

Is it any wonder that the market share of traditional North American automakers (the Big Three) has plunged by 13 percentage points since 1996? They are the only producers in the world who do not have the luxury of protected turf in their home market. The increase in import penetration explains 93 percent of the loss in Big Three sales since 1996.

And like it or not, Canada's auto industry depends on the fate of the Big Three.

They account for two-thirds of our vehicles

assembled, three-quarters of our assembly and powertrain employment, and 85 percent of our parts shipments. Directly and indirectly, the Big Three support at least 300,000 Canadian jobs.

Will we let the North American industry sink beneath a one-way tide of offshore imports? We need a new North American Auto Pact: one that requires foreign countries to buy fair levels of North American auto exports as a condition of their access to our market – or else face limits on their ability to sell in North America.

The Canadian government has done a lot to build Canada's auto industry in recent years. On trade, however, it has been silent. In fact, by negotiating a free trade deal with Korea, they will make things worse.

Who will stand up for a fair deal in international automotive trade?

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