

step with their domestic sales. The Canadian producers have also undertaken to make further purchases of Canadian labour and materials over and above these amounts.

I hope that this brief account of one of the major developments in Canadian-American economic relations in the past three years justifies my assertion about drama and suspense in the relations between our two countries. I trust, too, that I have successfully conveyed some idea of the significance of this Agreement to both our countries.

What is happening is an integration of the North American automotive industry, but an integration that provides time for the Canadian industry to adjust to more competitive conditions and, equally important, one which also provides the basis for a relative shift in output in Canada to compensate for the historically slower development of the Canadian industry and the Canadian market. It is not perhaps the kind of free-trade agreement that the purists would have advocated; it is not something that you would find in the textbooks. But it is an important step forward. Indeed, in this imperfect world and given the particular circumstances of Canadian-American relations, it is really a remarkable achievement.

I believe that this Agreement is bound to benefit consumers on both sides of the border. It is possible now for producers to plan their production operations on a more rational basis and to achieve higher levels of efficiency in both their Canadian and American plants.

The net effect on our balance of payments remains to be seen. Certainly, there has already been an enormous increase in the two-way flow of trade in automotive products between our two countries. This will increase as the programme goes forward. One should not focus just on the future course of our automotive deficit with the United States, since many of our exports in this sector go to other countries. On a world-wide basis, I should look for a significant improvement in Canada's import-export performance in this sector. At the very least we have already restrained the rapid growth in the automotive deficit.

It would, of course, be a mistake to read too much into the Agreement. There is no other North American industry quite like the automotive industry and, therefore, the Automotive Agreement, at least in its present form, should not necessarily be looked on as a pattern for other industries. However, there can be no doubt that the successful working of the Agreement will encourage efforts to find new ways and means by which Canadian and United States industry can participate more equally in the North American market. Such solutions could go beyond the conventional processes of mutual tariff cutting; the search will also lie in the direction of finding selective measures that take account of the unique structural features of industrial and corporate relations in particular industries.