

Auto Pact

American automobiles (such as Fords, Chevys and Plymouths) have been manufactured and purchased in Canada for decades, but by the early sixties Canadians were buying a great many more cars than the Canadian plants produced. Autos made in the US cost less, even though the wages paid there were thirty per cent higher. Canada had a growing deficit in its related balance of payments. Rather than adopt restrictive solutions, the two governments concluded that the best remedy

was to negotiate an agreement to free trade for autos in North America.

The 1965 Automotive Agreement removed duties and created an integrated market for the manufacturers. The new freedom allowed the Canadian plants to specialize production and consequently increase efficiency, lower costs and become competitive.

Automotive trade (now one third of all US-Canadian trade) increased eightfold, and the in-

