

- greater plant and product specialization and increased industry productivity and profitability as Canadian and U.S. tariffs are eliminated and producers on both sides of the border rationalize;
- creation of new market opportunities for many products and for specialized services related to production and after sales service;
- creation of a more internationally competitive industry in Canada as the elimination of tariffs on certain inputs leads to a decrease in investment costs and production costs;
- more stable and predictable investment environment in North America;
- improved opportunities for access to state of the art technology, management skills and marketing practices; and
- more scope for identification and exploitation of market niches and new production processes and products.

The Agreement will not alter the ability of Canadians to manage their affairs. The responsibility for determining the pace and conditions of change will rest with individual firms who will need to factor the FTA into their decision-making processes.

## **AUTOMOTIVE**

In 1986, Canadian workers produced nearly \$37 billion worth of cars, trucks, auto parts, tires and trailers. That makes auto manufacturing Canada's biggest single business. It is also the biggest export earner. In 1986, we shipped over \$34 billion in auto products to the U.S. That's one export dollar in three.

Canada's auto industry is an immense engine of growth. From 1985 to 1987, \$3 billion was invested in auto assembly and parts plants. This gave huge spin-offs to our economy. More than 140,000 Canadians earn their living directly from the auto industry. Many work for companies that supply the automakers with metal, rubber, textiles, glass and plastic. Many more Canadians earn their living by producing, selling and servicing auto related products.

Much of our prosperity comes from 23 successful years operating under the Canada-U.S. Auto Pact, signed in 1965. Canada's FTA with the U.S. follows the spirit of the original Auto Pact. But it also builds on the older foundation. The Auto Pact and its safeguards will stay in place under Free Trade. The Pact covers new vehicles built by the Big Three automakers - Chrysler, Ford and General Motors - plus Volvo and a number of truck producers. It also includes original parts made for these producers. Under the Auto Pact, these companies can import duty-free from any place in the world as long as they meet the safeguard requirements.

Ten years from now imports from the U.S. will enter Canada duty-free. But the Big Three will still have to meet the safeguards if they want to import duty-free from plants outside North America. This duty-free benefit - currently worth \$300 million and growing - gives the Big Three a real incentive to keep meeting Canadian standards.