

A solution along these lines did not seem unreasonable, given the fact that all our large motor-vehicle producers had plants on both sides of the border and many of our parts producers were subsidiaries of United States manufacturers.

The Canadian Government made soundings in Washington to see if we couldn't find a way of doing this that would avoid any danger of running foul of United States law. The United States Government expressed sympathy with the Canadian position. Officials met to explore the possibilities and, in a surprisingly short time, draft proposals were placed before the two Governments suggesting a free-trade agreement covering most types of motor vehicle - cars, trucks and buses - and the parts needed to produce them.

In a few more weeks of intensive negotiations an agreement was reached in January last year by the two Governments and signed and placed by the President before Congress, where it was ratified in October 1965. The Agreement is now in full effect.

The Agreement provides basically for the removal of tariffs between the two countries on motor vehicles and original equipment parts, although there are one or two limitations.

For our part, we have extended duty-free treatment to imports from all countries but we have limited the right to import vehicles free of duty into Canada to our motor-vehicle producers. To qualify as a Canadian producer, a manufacturer must manufacture vehicles in Canada. He must also continue to spend at least the same amount each year on Canadian labour and materials as in 1964 and must continue to assemble in Canada at least the same proportion of vehicles as he did in that year. Firms that were not in production in 1964 can qualify for free entry if they meet similar conditions.

Why did we think these provisions were necessary? We were concerned to avoid too drastic and too rapid changes in the structure of the industry in Canada. We wanted to retain a certain basic volume of assembly work in Canada. We also wanted to ease the problems that would otherwise face some of the numerous parts manufacturers in Canada. Moreover, without these safeguards, Canadian consumers would have been free to buy their cars and trucks in the United States and the future of both parts-production and assembly production in Canada would have been highly uncertain. This was recognized by the United States when we negotiated the Agreement.

We have also sought certain additional commitments from our vehicle producers to ensure that we will not only retain basic automotive production facilities in Canada but that production of Canadian automotive products will expand with the growth in the North American market. We hope that we shall be able to correct some of the imbalance that at present exists between Canada's share of production and consumption within that market.

Accordingly, the Canadian Government asked Canadian vehicle manufacturers for firm assurances that they will increase their purchases of Canadian labour and materials between 1964 and 1968 in