

of duty drawbacks create a significant incentive for these assemblers to increase their sourcing of North American parts to qualify for the reduced tariffs. The fact that the duty remission arrangements based on production carry on until 1996 gives the transplants in Canada good reason to source in Canada.

New assemblers in Canada will gain secure access to their biggest market, with strong incentives to operate within North America on a specialized, efficient basis.

Elimination of the customs user fees will benefit all segments of the industry which export to the U.S.

There has been mounting concern on both sides of the border about the potential use of the provisions of the Auto Pact by new producers as a "back door" to the U.S. market, assembling vehicles in Canada with little Canadian or even North American parts content, and in the process taking away North American markets and jobs. This agreement responds to that concern by limiting the benefits of duty-free entry from third countries to current Auto Pact participants.

The Americans would have liked us to drop the whole Auto Pact and the safeguards. We made it clear to them that the Auto Pact is an important thing in Canada, both real and symbolic, and that we wanted to keep it in place.

So we keep the Auto Pact, as well as the penalties to be imposed in the unlikely event a company should fail to meet the requirements. But how do we answer Bob White, who says if we take away the Canada-U.S. tariffs the companies don't have to maintain their Canadian activity?

Until the end of the transition period, the safeguards are backed by the declining tariff for imports from the U.S., and the MFN tariff for imports from third countries.

After the transition period, even though the tariff will have been eliminated on product of U.S. origin, Auto Pact companies will still have to meet the requirements to retain their eligibility for duty-free imports from third countries. This is a substantial benefit, one that they would not willingly give up.

The truth of the matter is that we are so far above the threshold levels that the question of enforcement is theoretical. The Big Three achieve almost double the vehicle production required to meet the assembly ratio safeguard. Their CVA performance is also well over their commitments.

If the industry were to decline, the degree of decline would be disastrous before the safeguards had any meaning. Any government faced with that kind of situation would have