

smaller production volumes. The problems of short runs have also been compounded by the proliferation of automobile style and variety. The duty payable on imported parts of course has also been a factor.

In the period before the Auto Agreement, as a consequence of these factors, prices were appreciably higher in Canada than in the United States. The motor vehicle industry was also becoming increasingly more dependent upon imported components because the limited volume of Canadian production made it uneconomic to produce many parts in Canada. Consequently, imports of vehicles and parts into Canada were increasing rapidly while, because of foreign tariffs and institutional barriers to trade, exports were relatively small. Employment in the industry was prevented from expanding to levels which might be reasonably expected if these obstacles were removed. To overcome some of these problems, the Automotive Program was negotiated with the United States and introduced in January of 1965.

The Canada-United States Automotive Agreement is one of the most important and imaginative trading arrangements ever made between our two countries. Under its provisions, Canadian-made motor vehicles and original equipment parts enter the United States free of duty. On the Canadian side, vehicles and original equipment parts may be imported duty free by Canadian vehicle manufacturers who meet a number of specific production requirements. Duty free entry of auto parts is also available to parts makers if they are for use in Canadian vehicle production.