

BENEFITS OF CANADA-U.S. AUTO PACT

Addressing the Canadian Industrial Management Association in London, Ontario, on November 16, Mr. Paul Martin, the Secretary of State for External Affairs, described the Canadian-United States Automotive Agreement, which was introduced in January 1965, as "one of the most important and imaginative trading arrangements ever made" between the two countries.

The facts that, under the Agreement, Canadian motor vehicles and original parts now entered the U.S. free of duty, that Canadian manufacturers who met certain production requirements could import vehicles and parts free of duty, and that automobile parts for use in the production of Canadian vehicles could enter duty-free from the U.S. constituted, according to the Minister, "a unique development in our trade relations with the United States". "It is an arrangement," Mr. Martin said, "which recognizes that the differences in size, financial strength and the relative development of our industries require special provisions to ensure that Canada, in fact as well as in theory, derives equivalent and reciprocal benefits from trade agreements between our two countries." He went on to say that this arrangement recognized the necessity of removing "institutional barriers to trade as well as formal governmental barriers", if Canadian industries were "to be able to participate effectively in the United States market".

Excerpts from Mr. Martin's speech follow:

...Already substantial benefits have been achieved under this programme. To date, the industry has announced plans for expansion of 169 existing plants. In addition, it has announced the establishment of 95 new plants in Canada, making a total of 264 plant expansions or new plants. Many of these new and enlarged facilities are being designed to service not only the Canadian market but the United States and other markets as well. Expansions are also taking place in the materials, supplying and service industries which rely upon the automotive industry as one of their major customers.

Production during 1966 totalled over 900,000 motor vehicles, a 34 percent increase over 1964. The value of shipments of parts and accessories for 1966 amounted to \$800 million, or approximately \$200 million more than 1964. Employment over the same period increased by 23 per cent.

INCREASED EXPORTS

Exports of automotive products have increased substantially under the programme. In 1966, exports exceeded \$1 billion, an increase of 43 per cent, compared with a 95 percent increase in imports. While there continues to be a trade deficit in respect to this sector, in the absence of the automotive programme Canada's adverse trade balance would certainly have been greater. At the same time, there has been a significant narrowing of the differential between the United States and Canadian prices for automobiles at the factory wholesale level.

Despite the progress which has been made so far, it cannot be expected that deeply-rooted customs

and practices of doing business in this industry can be changed in a relatively short time. Purchasing agents in the United States have for many years been in the habit of obtaining practically all their needs from the large United States parts industry. Until the introduction of the automotive programme they hardly ever considered parts-producers in Canada as a source of supply. Consequently, during this period of transition, problems will inevitably emerge which will have to be dealt with to ensure that the purposes of the programme are achieved and further progress is made in reducing institutional barriers which still exist.

FINANCIAL ASSISTANCE

Many companies will have to make substantial investments to re-equip and expand their facilities if they are to be fully competitive on a North American basis. In this regard, the Government has established an adjustment assistance fund which is administered by a board under the chairmanship of Professor Bladen of the University of Toronto. The board is authorized to make loans to enable Canadian automotive parts manufacturers to adapt their production facilities to the new and expanded market conditions in an orderly manner. To date, 40 loans amounting to approximately \$32 million have been made.

The Government has also made provision for transitional financial assistance to workers laid off as a result of adjustments caused by the Agreement. As I have already mentioned, however, there have been significant increases in employment and the market for skilled labour of this type remains buoyant, and as a result a relatively small number have applied for benefits.

The auto programme has brought major new facilities to the London area, such as the Ford plant at Talbotville and others. These are providing and will provide new jobs for many people in the region. These developments speak forcefully for the success of the programme.

HIGHWAY SAFETY

The auto pact has also had an effect on highway safety programmes because an expanding and interdependent market leads us to the realization that automobile safety standards on the North American continent are very much a matter of continental concern. If certain safety features are deemed necessary in the United States, the same reasoning naturally has some relevance to the balance of the North American market, namely Canada.

The Federal Government, along with private organizations and provincial governments, has been concerned with automobile and highway safety for some time. Although the provinces have legislative jurisdiction in many areas of this problem, within the past month the Federal Government has taken an initiative in deciding to set up a public advisory board in highway safety composed of representatives from the provinces, the industry, safety organizations and other interested groups. In addition, a committee has been established in the Department of Transport