

any action that is likely to direct production away from the United States. Canada could be under pressure to abandon the status quo. Past experience would suggest that there is a real risk that United States interests would try to eliminate the safeguards if the Agreement is included on the agenda of more comprehensive trade discussions. The wisdom and prudence of inviting such demands should be weighed very carefully.

There is the prospect that if the Automotive Agreement is raised the United States will seize the opportunity to draw attention to the current favourable Canadian trade balance in the automotive sector and to the need to redress the automotive trade balance given Congressional concerns about the growing overall unfavourable United States trade balance. In 1984 Canada had a favourable trade balance of almost \$6 billion in automotive trade with the United States the highest annual surplus recorded by either country under the Automotive Agreement. Motor vehicle trade was in surplus by \$10.8 billion in that year and automotive parts in deficit by \$5.1 billion. Canada's automotive trade with the United States has been in surplus since 1982 although with the exception of a three-year period in the early 1970s the United States has had an annual favourable trade balance in automotive products with Canada. The United States continues to experience a small overall trade balance in this sector. The balance in automotive trade has been the most visible and ready symbol of relative economic activity in the automotive industry. Movement of the balance in favour of either Canada or the United States had tended to raise the interest and intensity of concern of the side experiencing the deficit.