

production and employment in Canada. If the safeguards and the tariff are removed Japanese automobiles assembled in the United States would have more favourable access to the Canadian market. If the Automotive Agreement is raised it should be to determine how it might be positioned in relation to any comprehensive arrangement.

The danger of retaining the Automotive Agreement outside any comprehensive trade arrangement with the United States is the risk, which has always existed, of a substantial shift in United States commercial policy. This is a disincentive to the automobile companies investing in Canada as they must always hedge against the possibilities of unexpected tariff or non-tariff barriers against cross-border shipments. A change in United States laws or rulings could affect the profitability of the Canadian operations. The possibility of abrogation of the Agreement on one year's notice is an important consideration to future investment and production planning in the automotive industry.

There could be some advantage to Canada in this period of structural adjustment and down-sizing of the industry if the Agreement had a greater perceived degree of permanence and there was an established monitoring organization to oversee actions under the Agreement. This must be weighed against the international and bilateral risks in re-opening the agreement and/or including it in a comprehensive agreement.