

under the MFN and in 1987 the rate will be 9.2 per cent. This reduction in rate has placed continuing pressure on the industry to improve its efficiency and has had a salutary affect on the price of automobiles to the consumer. This reduction in the tariff has affected the vehicle producers differently. Initially Ford and Chrysler experienced the most cost benefit under the Automotive Agreement through rationalization of production on a North American basis. These companies, however, continue to experience relative cost penalties in meeting their production requirements in Canada. The incentives to maintain production may be increasingly marginal against the level of the tariff as the companies experience downturns in automobile demand and find it more difficult to justify meeting the production safeguards. The balance of advantage will vary from company to company. In a declining market environment any further reduction in the tariff could reduce the incentive to maintain production in Canada.

There are potential costs and risks and no discernible benefits from rolling the Automotive Agreement into a more comprehensive trade arrangement. There is the risk that if the Agreement should become an element in the discussions of a comprehensive trade arrangement that the United States would seek removal of the safeguards. The United States is certain to be unwilling to consider any proposal to improve Canada's access to the United States automotive market. The United States has taken the decision to remove any impediments to entry into its automobile market and would not look favourably on any attempt by Canada to gain more favourable access to the United States market or to take