

Most-Favoured-Nation basis which allows only motor vehicle manufacturers to import complete vehicles and original equipment parts duty free from MFN sources provided the production share conditions are met. The United States obtained a waiver under the GATT and restricts duty free entry of motor vehicles from Canada provided the motor vehicles have fifty per cent North American content.

The second provision was designed to maintain the proportion of vehicles assembled in Canada in relation to vehicles in each class sold in Canada. The third condition was designed to establish a floor under the amount of Canadian value added in absolute terms (1964 model year) achieved by each vehicle producer and has been largely eroded as inflation has diluted these fixed amounts.

In the letters of commitment the motor vehicle manufacturers undertook two additional commitments. They undertook to ensure that in each model year the value added in Canada would amount to at least 60 per cent in the value of automobiles sold in Canada and 50 per cent of the growth in the value of commercial vehicles sold in Canada. Further the Canadian vehicle manufacturers collectively agreed to increase the amount of CVA being produced in Canada by the 1968 model year by a further \$260 million annually. The Canadian industry executives are unanimous in their view that the production to sales ratio and the CVA provisions in the Automotive Agreement and the undertakings in the Letters of Commitment continue to influence