

and all parts they required free of duty if they met certain Canadian content provisions calculated as a proportion of the total cost of sales by the manufacturer of vehicles sold in Canada whether there were produced in Canada or imported.

In 1962 and 1963 the government introduced remission programs designed to create an incentive for Canadian motor vehicle manufacturers to export components as a means of increasing output and employment and of providing an opportunity for Canadian producers to gain access to larger markets which in turn would enable them to lower their production costs. The success of the second plan in increasing exports of parts to the United States resulted in a petition under United States trade laws claiming that Canadian exports were benefitting from a "bounty or grant" and that a countervailing duty should be imposed. The subsequent investigation was never concluded as both the Canadian and United States governments were concerned about the possibility that an adverse ruling might seriously damage bilateral trade relations. The desire on both sides to resolve this trade dispute provided the incentive to develop a mutually agreeable arrangement covering automotive trade between the two countries.

During the period of rapid growth in world demand, barriers to automotive trade among the major producing countries were progressively dismantled. By 1973 when the "OPEC Shock" brought the trade spiral to a halt the U.S. automotive tariff had been reduced to 3 per cent, the EC external tariff to 10.9 per cent and the Canadian tariff to 15 per cent. In the Tokyo Round further reductions were