

EXECUTIVE SUMMARY

The Government of Canada has decided to enter into discussions with the United States regarding the possibility of establishing a comprehensive bilateral trade arrangement. The question has arisen as to whether the Automotive Agreement should be folded into a comprehensive arrangement with the United States or whether a separate regime for automobiles should be maintained. This paper examines the options relative to the future of the Automotive Agreement, likely United States attitudes and international implications as well as current international trade and industrial developments in the automobile industry.

Our analysis and conclusions were developed following discussions in the United States with senior officials of the Office of the United States Trade Representative, the Department of Commerce, the International Trade Commission, the Motor Vehicle Manufacturers Association, the motor vehicle companies, the union (UAW) and the National Planning Association (USA).

In Canada discussions were held with the major motor vehicle companies, the Motor Vehicle Manufacturers Association, the Automotive Parts Manufacturers Association, the union (UAW) as well as other knowledgeable persons.

The world automotive scene has changed dramatically since the signing of the Canada-United States Automotive Products Trade Agreement (Automotive Agreement) in 1965. Then the world market was dominated by the North American industry. In the 1970's it became a much more competitively balanced world