

likely to affect Canadian production levels at least initially because of the product mix of automobiles assembled and the influence of other factors mentioned earlier. As the contraction in demand for North American type automobiles deepens automobile producers and their parts suppliers will be consolidating production facilities and adopting new production techniques which will impact on the level of production on both sides of the border. The safeguards may serve to impede disinvestment in Canada although their effectiveness may be influenced by other variables.

Declining demand for North American automobiles in the Canadian market will reduce the number of automobiles required to be assembled in Canada to meet the ratio to sales requirement and the absolute dollar amount of Canadian value added will also be reduced as the total cost of North American type automobiles sold in Canada declines. This will lessen the pressure on the companies to maintain production and employment in Canada and reduce the effectiveness of the safeguards as an impediment to disinvestment. Other factors may also influence the effectiveness of the safeguards. Canada's labour cost advantage is likely to be reduced over time and the exchange differential will fluctuate and the gap narrow as the United States takes measures to cause the dollar to fall in value in relation to other currencies.

The level of the Canadian tariff on motor vehicles and original equipment parts could influence decisions by companies on the importance of meeting the safeguards. In 1965 the Canadian tariff on motor vehicles was 17.5 per cent