

consumed in Canada. Original equipment parts production is at a record high. The level of overall value added in vehicle assembly and original equipment parts production substantially exceeds the minimum levels established by the safeguards in the Agreement. According to the Department of Regional Industrial Expansion total Canadian value added as a percentage of cost of sales was 83 per cent in 1984.

On the assumption that the total Canadian value added as a percentage of cost of sales committed to by all qualified producers was estimated to be 60 per cent, the same as in 1983, the total achieved Canadian value added in 1984 was substantially greater than the minimum required under the Automotive Agreement. Since 1982 high levels of Canadian value added has been achieved in each model year in relation to cost of sales in Canada which may be attributed to the increasing North American demand for medium and larger automobiles that are being assembled in Canada and other factors such as labour productivity, wage rate advantage and the exchange differential. The economic importance of the safeguards in maintaining production and employment in the present buoyant market situation is less of a factor as other considerations tend to have a more important bearing on the level of production in Canada.

The increasing presence of Japanese and other off-shore automobiles in the North American market and the projected decline in demand for North American type automobiles may increase the economic relevance of the safeguards in the future. The projected decline in demand is expected to begin in 1986 but is not