

production by 60% of the increase in the value of their sales (the "CVA safeguard"). These conditions were established 22 years ago. At that time, the Canadian auto industry was inefficient, producing a great number of models in short production runs for the small Canadian market. The industry benefitted from a 17.5% tariff. Canadian consumers paid significantly more for their cars than did their U.S. neighbours and had fewer models from which to choose.

Since then, costs have fallen and efficiency has improved. Canadian consumers now pay lower prices than their neighbours and a wide range of models are available. Both the companies and the workers have prospered. Employment has nearly doubled.

Investment has increased far beyond the minimums attached to the Auto Pact and the Big Three continue to invest in this country. General Motors, for example, has invested \$7 billion in Canada since 1980, while Ford has invested \$2 billion over the last decade and Chrysler Corporation/AMC has also made substantial investments. With the brief exception of Chrysler Corporation during its troubles in the 1981 recession, the Big Three have exceeded the minimums in the Auto Pact in every year since 1968. Cost advantage and secure access to the U.S. market are what have made Oshawa and Oakville into thriving auto centers.

The Government's position with regard to automotive trade in the negotiations with the U.S. was clear, consistent and reasonable. As required by GATT Article XXIV, all tariffs between Canada and the U.S. will be phased out over 10 years. This includes the auto tariff. But the tariff between Canada and the U.S. was never an issue of substance. It has not been collected for over 20 years. At the same time, the most-favoured-nation tariff against third countries remains in place. It cushions the impact of offshore competition and provides an incentive for further investment. Today, a substantial and increasing portion of North American automotive trade takes place outside the Auto Pact.

That is the real issue: the participation of offshore auto makers in the North American market. When Canada and the United States entered into the Auto Pact in 1965, most North Americans bought cars made on this continent. Today, about a third of the cars sold in Canada are made overseas. Even the Big Three sell cars made offshore. The negotiations, therefore, needed to address imports from third