

THE DEVELOPMENT OF THE INDUSTRY

The 1950s and 1960s were periods of continued growth in world-wide demand for automobiles. Rising real incomes and the emergence of substantial consumer demand in Europe and later in Japan contributed to the growth of the automobile industry in these countries. Because of higher gasoline prices and lower per capita income, demand in Europe and Japan was met by more fuel efficient and lower-cost automobiles than those produced in North America. America was not much taken with these small cars; despite the popularity of the VW "Beetle" and their love affair with big cars became stronger than ever, urged on by cheap energy and rising incomes. The automobile industry in each of these major market areas operated almost entirely within their respective boundaries for assembly. The sourcing of components was largely restricted as well. Indeed the North American economies grew less by innovation during these years than by expanding basis scales of production to reduce unit costs. There were relatively few breakthroughs in new products or processes and very little real competition. But the market in North America was generally very bouyant. This was particularly true in automobile production and demand which permitted the North American industry to preserve its position as the world's leading automobile producer. It was against this positive market trend that the Automotive Agreement was negotiated.

Although Canadian demand for automobiles grew throughout the period leading up to the Automotive Agreement, automotive production in Canada was