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AUTOMOTIVE AGREEMENTS BETWEEN CANADA AND THE UNITED STATES

Speech by the Honourable Paul Martin, Secretary of State for External Affairs, to the Economic Club of Detroit, Montreal, May 15, 1967.

...This year offers a special opportunity for all Canadians to reflect on their country's past, on its achievements, and on its future destiny. In 1867, there were only four provinces; now there are ten, stretching over four thousand miles from the Atlantic to the Pacific.

Two hundred years ago, the French philosopher Voltaire described Canada as "a few acres of snow". Surely, there are few people who would dismiss Canada so lightly today!

It has been said that Canada is bounded on the North by gold, on the West by the East, on the East by history, and on the South by friends. Ever since the founding of the Canadian Confederation in 1867, the fact that Canada is bounded "on the South by friends" has been of immense significance.

The fact that you are all here today is abundant testimony to the friendship which prevails between our two countries, between Americans and Canadians. Our centennial celebrations will be all the more meaningful because they are shared by so many people from outside Canada -- by Americans and by people from many lands around the world.

Expo '67 is both the centre-piece of our centennial celebrations, and a great international occasion.

I am sure that you will find your visit to Expo '67 an exciting and stimulating experience. Perhaps nowhere else is it possible to see such impressive and dramatic evidence of the rapid, scientific and technological changes taking place in our modern world.

This rapid and accelerating pace of change has led to growing interdependence, not only between neighbouring countries such as Canada and the United States but among all countries and continents. Increasingly, people throughout the world are coming to realize that nations are not rivals in their efforts to grow and prosper but necessary partners. This represents a marked change from conceptions that prevailed even a few years ago.

The foundations for this new vision of international economic co-operation were established at the end of the Second World War. It has been given institutional form in the World Bank and the International Monetary Fund, the General Agreement on Tariffs and Trade, the Economic and Social Council of the United Nations, and the Organization for Economic Co-operation and Development.

The same conception of international economic interdependence is now beginning to find modest expression and recognition in relations with the countries of Eastern Europe. And, of course, it is reflected in a particularly significant way in the international effort to meet the challenge of development in co-operation with the developing countries of Asia, Africa, and Latin America.

Nowhere in the world is economic co-operation between two countries closer or more varied than between Canada and the United States. Although this may sometimes give rise to special problems, I think both our countries are greatly enriched by the co-operative arrangements which prevail between us.

This co-operation covers many fields. To mention only a few:

- (1) Water resources, as exemplified by the Columbia River Treaty;
- (2) the utilization of energy, including electricity, petroleum and natural gas;
- (3) the special arrangements for the automotive industry.

Coming from the Detroit area, as you do, co-operation in the field of automobile manufacturing is of particular interest to you. I should like, therefore, to say a few special words about it.

The Canadian automotive industry has always been closely linked with that in the United States, but has traditionally faced higher costs because of the limited Canadian market. In an effort to find a solution to the problems arising from short runs, and high costs in the industry, and the rapidly-expanding trade imbalance which resulted, the Canadian Government entered into discussions with the industry and the United States Government. The result, as you all know, was the Automotive Products Agreement, concluded in January 1965.

This agreement is one of the most important and imaginative trading arrangements ever made between our two countries. For the first time in the history of our trade relations, we have concluded an agreement which recognizes that in certain cases differences in size, financial strength and the relative development of our industries may call for special provisions to ensure that Canada, in fact as well as in theory, derives genuine, reciprocal benefits from its trade with its larger neighbour.

Between 1963 and 1966, automobile production in Canada increased from 633,000 units to 902,000 units, and employment from about 60,000 to almost 85,000. At the same time, Canadian exports of automobiles and original parts to the United States increased from \$40 million to \$845 million. Imports from the United States, which were \$605 million in 1963, reached \$1,501 million in 1966. Far from diverting trade, the agreement has clearly proved beneficial to both Canada and the United States.

While the Canada-United States agreement is of unlimited duration, it will be subject to a comprehensive review next year. At that time, we will be looking for evidence that the Canadian automotive industry will have adequate opportunities to participate fully and equitably in the expanding North American market.

I am sure that the North American market will expand, even though in recent months demand in both countries has diminished somewhat, and production has had to be curtailed. The automotive industry is one which tends to be characterized by fluctuating demand, and we should not allow this factor to influence our judgment as to the true value of the agreement.

The Automotive Products Agreement is one example of a specialized response to a special, bilateral problem, affecting trade relations between Canada and the United States. However, both our countries have a major interest in the freeing of trade on a world-wide, non-discriminatory basis. For this reason, we have been paying close attention to the final stages of the "Kennedy round" tariff negotiations which have been taking place in Geneva....

As you tour Expo, you will see many vivid examples of what man can achieve through co-operation. In this sense, Expo, with its theme: "Terre des Hommes" (Man and His World), has an important lesson for us all.

Expo began as an idea, as a dream. It is now a reality. I hope that it may serve to inspire individuals and nations to work together, in our increasingly interdependent world, so that the dream of a better future for all mankind will become reality.

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