OPENING STATEMENT MADE BY THE REPRESENTATIVE OF CANADA AT THE MEETING OF 16 MARCH 1965

My delegation is glad to join with the other members of this Working Party in an examination of the Agreement concerning automotive products concluded on 16 January 1965, by my Government and the Government of the United States. We do so very much in the spirit ascribed to us by the Executive Secretary at the plenary session, that is, in the belief that this Agreement, which is technically somewhat complicated, is of interest to other contracting parties and that it will be useful for us all to have as clear an understanding as possible both of its detail and its broad objectives.

I will begin by saying that while the Automotive Agreement is couched, as is usual in bilateral treaties of this kind, in terms of undertakings entered into by the two parties vis-à-vis each other, the Canadian Government is implementing the Agreement in a non-discriminatory manner. As is stated in L/2339, the Agreement will only come into definitive effect after necessary legislative action is taken, but my Government has, by Order-in-Council PC 1965-99 of 16 January (copies of which are available to you), brought the new free-entry conditions envisaged in the Agreement into force with effect from 18 January in so far as Canada is concerned. You will notice that the first paragraph of the Order-in-Council clearly states that the free rates apply to the goods specified when imported "from any country entitled to the benefit of the British Preferential Tariff or Most-Favoured-Nation Tariff". The coverage of the Order parallels that of Annex "A", which is the Canadian Annex of the Agreement. We thus are extending to each and every contracting party the same tariff benefits, on the same terms, as we have undertaken to grant the United States under the Agreement. My Government has no doubt that its implementation of the Agreement is consistent with both the spirit and letter of Article I of the GATT.

Questions about the Agreement will no doubt occur to members of the Working Party and we will do our best to reply to them. At this stage, it might be most helpful if I simply indicated the Canadian background of the Agreement and the broad objectives it is intended to achieve.
The environment within which the Canadian automotive producer operates is, by virtue of economic, social and geographical factors, essentially North American in scope although he has not, for a variety of reasons, been able to adapt production to the logic of this situation. Among the characteristics of the Canadian market that are relevant, perhaps the most fundamental is that both Canadian production and consumption of automotive products is made up almost wholly of North American type vehicles. This is a quite distinctive product, differentiated by size, horsepower and many other features from vehicles constructed in other parts of the world. Within the general category there is, of course, a considerable range of models and the Canadian consumer has become used to, and expects, a choice between the wide variety of makes and models which are available to the consumer south of the border.

The market for automotive products in Canada is a substantial one. Last year, Canadians bought about 600,000 automobiles and about 100,000 buses and commercial vehicles. Nevertheless, this market rests upon a population base approximately one tenth that of the United States. Considering that the total North American production in 1964 was nearly 10 million units, it is hardly surprising that our market by itself does not permit the economic production of the full range of North American vehicles. In automotive production, considerable advantages derive from economies of scale. One of our problems in Canada is that vehicle producers - and therefore producers of components for these vehicles - have much shorter production runs than in the United States. The consequence is that our unit costs are higher than in the United States with all that this implies in terms of the final cost of the product in Canada.

Another factor of some importance in our situation is that virtually all Canadian companies producing vehicles are subsidiaries of United States automotive companies. We thus have essentially the same companies on the two sides of our common border producing virtually identical models of North American vehicles.

The objective of our Agreement with the United States is to find a constructive and liberal solution to the problems posed by this situation. It is our hope that the reduction of the various barriers on both sides of the border that have impeded the more rational production of automotive vehicles on a North American basis and, in particular, the provision for duty-free entry under the terms stipulated in the Agreement, will enable our manufacturers of vehicles and original equipment parts to concentrate on production of a more limited range of products for a substantially enlarged market. It follows that we anticipate considerable changes in our production patterns in Canada and that we look forward to a large increase in the two-way flow of trade in automotive products between Canada and the United States with beneficial effects upon efficiency and costs of automotive production in Canada and advantages to the industry as a whole.
Canadian imports of non-North American vehicles totalled about 70,000 in 1964 and consisted mainly of smaller and specialized cars imported from European countries. As I have hinted above, the market for such vehicles is, in our opinion, largely independent of the market for North American type automobiles and responds to rather different factors. Thus the competitive position of these vehicles will not be directly affected by the changes flowing from the Canada-United States Agreement, particularly as we anticipate the structural adjustments required in the Canadian industry will not permit significant changes in the pricing of Canadian vehicles for the time being.

In summary the Agreement is designed to meet a need to rationalize production in Canada in the interests of economic efficiency. The solution we have adopted is, we believe, the most constructive one available and is designed both to conform to our obligations under the GATT and to protect the interests of our trading partners in the Canadian market.