

There are also much more rigorous restrictions on Japan's auto trade with Europe. While these are not the subject of this paper they do create a spill-over effect on the relatively much more open North American markets because the Europeans are not taking their fair share. Rodney Grey has argued that the Japanese export controls to Europe discriminate against North America and are inconsistent with Japan's MFN obligations under GATT. It is our view that the unequal treatment of North America and Europe by Japan in automotive export policies exacerbates the problems of North American producers.

The North American automobile market is probably the most mature and volatile in the world. It is the easiest market for foreign producers to enter because of the organization of the retail distribution system. In Europe and Japan retailers are either owned by the automobile manufacturers or have exclusive agreements which require that a dealer may only sell a particular manufacturer's automobiles or lose its franchise. In the United States the validity of exclusive franchise arrangements have been struck down by the courts. In Canada, automobile dealerships appear to operate in a similar manner. Foreign producers can and do find well established dealers who wish to expand their business beyond their existing lines. Off-shore manufacturers therefore enjoy a cost advantage in becoming established in Canada and the United States, often through distribution systems that have been developed by local producers.

There are also differences between North American and Japanese production organization, systems, in supplier relations, financial resources and labour