

into the medium size class in part as a result of the voluntary export restraints which have limited Japan's access to the United States and Canada.

A series of voluntary export restraint arrangements (VERS) since 1981 have offered a degree of protection to the North American Automotive Industry. These restraints provided a period of time to the North American industry for retooling and restructuring production to bring out smaller and more fuel efficient automobiles which were more competitive with Japanese automobiles. Since 1979 the North American automobile industry has invested more than \$30 billion in new plant and equipment. This investment and the restrictions against import Japanese cars enabled the industry to generate record profits which has made it possible for the automobile companies to undertake the present investment program.

This new and more efficient production capability is not likely to overcome the intense competition which the North American automobile producers are going to face in the small and mid-size segments of the market in North America for the remainder of this decade. The Japanese are now positioned in the market to offer strong competition in the mid-size automobile market as well as having captured almost all of the small automobile market. The North American producers appear to have recognized their vulnerability in the small automobile market. Most of their recent investment has been directed to the production of mid-size automobiles.