

on June 27 between delegations headed by the Hon. Herb Gray and Governor Askew and consultations have continued at the levels of officials.

In addition to questions related to the Auto Pact and the emerging global trading environment, a further area of interest and concern in the automotive sector relates to the rising penetration of imports into the North American market, particularly from Japanese vehicle manufacturers. Preliminary indications are that imports of Japanese vehicles into Canada in 1980 were at a level of over 170,000 units--more than double that in 1979, although only about 20% above 1978 imports. Nevertheless, the growth in market penetration by Japanese autos has been less significant in Canada than in the U.S., where Japanese cars accounted for about 21% of total new car sales in 1980 (as compared to under 15% in Canada).

The growth in Japanese exports to several world markets has resulted in pressures for import-restrictive action in both North America and Europe. As a result, the Japanese Government has requested that Japanese auto manufacturers exercise caution in their exports to any area or country, with specific reference to the United States, Canada and certain member states of the European Community. A U.S. import relief investigation under Section 201 of the U.S. Trade Act ended in November 1980 with a decision that increased vehicle imports were not a "substantial" cause of serious injury to the U.S. auto industry, on the basis that the change in consumer preferences and the decline in demand for autos were more important factors. The possibility remains for some action by the U.S. Administration or Congress, however, and Canada is following closely developments on this front, including legislative proposals in the U.S. Congress.

In an effort to seek positive solutions to automotive trading questions with Japan, the Canadian Government has also launched initiatives aimed at enhancing the degree of Canadian content in Japanese cars sold both in North America and world markets by increasing Canadian auto parts sales to Japan and encouraging Japanese firms to consider Canada as a location for North American production facilities. To this end, the Hon. Herb Gray visited Tokyo in August 1980 for discussions with the Japanese Government and private sector. There has been follow-up activity, including exchanges of automotive parts sourcing and investment missions, and, at a meeting between Minister Gray and Japanese Minister of International Trade and Industry, Rokusuke Tanaka, on the occasion of the latter's visit to Ottawa in January 1981, the commitment of the Canadian and Japanese Governments to seeking further progress in this area was reaffirmed.