

COMPETITION IN THE NORTH AMERICAN MARKET

Since 1979 the types of automobiles demanded in the major world markets have converged dramatically. This is particularly true in North America where the market had so long been dominated by the large automobile. Now most manufacturers in the world are a potential threat to every other manufacturer in what is rapidly becoming a largely integrated world market. Intensifying this competitive environment and accelerating change has been a softening of demand and surplus capacity in many markets. The Japanese automobile industry has been the least affected. It has been able to produce high quality automobiles at substantially lower cost than its competitors and has experienced a dramatic export surge particularly to the North American market.

There have also been major changes in automobile buying habits in the United States and Canada. Japan has become a major automobile producing country competing directly with the North American industry. Consumers are purchasing imports from Japan in record numbers. In many cases, the Japanese cars have a perceived quality advantage over North American vehicles. In 1984 almost 2 million automobiles of Japanese origin were sold in the United States and approximately 172,000 in Canada.

The key competitive strength of the North American industry is and will continue to be the very large class of automobiles that are uniquely North American. There are indications that the Japanese will move up their challenge