industry. In the 1980's Japan has gained a significant competitive advantage among world producers particularly over the North American industry. As the tariffs and other trade barriers governing trade in automobiles and automotive products were liberalized in the 1970's it meant easier access to the major automotive consumer markets, rapidly increasing international automotive trade resulting in a major shift in the equilibrium of world automotive production.

The greatest threat to the viability of the North American automotive industry, as we know it, is the efficiency and competitiveness of its Japanese counterpart. By 1990 Japanese assembly capacity either in Canada or the United States plus imports are expected to be in excess of forty per cent of North American market demand for automobiles. Only moderately increased demand is forecast during this period. If these trends continue and the projections are realized the North American automotive industry will have considerable excess capacity and an urgent need to rationalize existing production facilities. There will be a net decline in production and employment in Canada and in the United States. Where the jobs go or stay is the paramount issue for governments and workers.

Our conclusions are as follows:

1. The issues relating to the Automotive Agreement in the context of a comprehensive trade arrangement with the United States must be measured against concerns about the viability of the automobile industry in Canada and in the United States.