

said that neither Toyota or Honda would be able to obtain enough parts in Canada to meet the minimum content requirements of the Automotive Agreement. "Toyota and Honda won't be part of the auto pact. They would like to be but they can't". The Japanese Ambassador also indicated that Canada might see more automotive investment but not because of any restrictions on imports from Japan. Japanese automobile assemblers "are investing in all foreign markets because there is no room to expand in the mature Japanese market". There also would be little incentive for Japanese companies to meet the conditions of the Automotive Agreement because to export automobiles to the United States market will mean overcoming a U.S. tariff of only 2.5 per cent by 1987. These moves into the Canadian and United States market should be viewed as the next step in increasing the Japanese industry's earnings and will in turn increase Canada and United States automotive trade deficits with Japan.

Japanese producers have obtained concessions from the UAW which will add to their cost advantage. Also because the Japanese in North America have recruited production workers in their early twenties they will delay for many years payment of pensions to retired workers. According to industry executives and analysts, current pension payments by the established North American producers to retired workers adds about seven hundred dollars to the average cost of an automobile.