

important factor in causing North American producers to obtain significant numbers of small cars from off-shore sources while they attempt to develop new approaches to lowering the cost of producing small cars in North America. This situation may be further aggravated by the entry of newly industrialized countries such as Korea and Taiwan in automobile production.

Both the automobile producers and the UAW consider that an important factor favouring the Japanese is improperly aligned currencies (the yen is too weak and the dollar is too strong). While the yen has strengthened in recent weeks, it is not clear how far the realignment may go or how much it may help. Industry representatives consider that the basic structure of the North American industry is a more important factor in creating cost differences.

The "voluntary" restraint arrangements which limit imports of Japanese automobiles and pressures in the Congress to limit trade with Japan have been viewed by Japanese producers as risks, making their access to the North American market less than certain. The establishment of the Japanese assembly plants in North America is a response to restraints on exports and according to analysts will not substantially alter Japan's cost advantage. Initially over 50 per cent of the value added components will be imported from Japan. In recent remarks in Toronto<sup>7</sup> Ambassador Kiyooki Kikuchi of Japan is reported to have

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<sup>7</sup> Toyota's Auto Pact Role Questioned, The Globe and Mail October 29, 1985 Section B.