

## AUTOMOTIVE

Canada's automotive relationship with Japan is continuing to evolve. Our objectives for the sector are somewhat unique in that they are double-tracked: some objectives deal with Japan directly, while others focus on the increasingly-important Japanese automotive interests which are located in the U.S.A. and Mexico. Over the past decade, Japanese direct investment in vehicle assembly plants and auto parts manufacturing plants in Canada has amounted to over \$1.5 billion. Our key objectives for the sector continue to be the following:

- increased sourcing of Canadian-made parts by Japanese assemblers located in Canada, the U.S.A and Mexico;
- increased exports to Japan of Canadian-made vehicles, automotive parts and vehicle servicing equipment;
- additional Japanese investment to achieve increased production capacity in existing Japanese-owned vehicle assembly and parts-manufacturing plants in Canada;
- new Japanese investment in complementary, high-end parts manufacturing facilities;
- further expansion of joint-venture, technology acquisition and licensing activities between Japanese and Canadian companies;
- additional R&D activity in Canada by Japanese companies.

Parts procurement in Canada by Japanese companies is increasing but has not yet reached a level commensurate with the share of the Canadian vehicle market presently enjoyed by Japanese-marque vehicles. It is estimated that parts sales by Canadian manufacturers in 1993 to Japanese vehicle assemblers located in North America as well as in Japan amounted to \$1 billion, and accounted for some 7% by value of total auto parts manufactured in Canada; at the same time, Japanese vehicles enjoyed just over 20% of the Canadian market.

Three major challenges remain:

- to demonstrate to the Japanese assemblers in North America that Canadian auto parts companies are extremely competitive in terms of cost, quality, JIT delivery and so on, shown by the fact that the Canadian industry has experienced a 40% rise in productivity since 1989;
- to point out that the Canadian investment climate has changed in 1994, with the resolution of the MTN auto parts tariff issue;
- to ensure that Canada is not adversely impacted ("side-swiped") by the outcome of the Japan-U.S. Economic Framework Talks (EFT), which encompass 16 sectors including automotive.