percentage of Canadian replacement parts and accessories production after 1992.

A minority of branch plants have mandates to export overseas (though this situation may gradually change under the Free Trade Agreement as the operations of branch plants are rationalized). In addition, many Canadian producers are currently feeling intense pressure from parts proliferation in the North American market. The European market, with its even greater array of competitors in the motor vehicle sector and wider range of engine and drivetrain types, is perceived as a difficult market by many firms. Finally the EC-wide Eurowarranty system which will be put in place after 1992 could serve as a tool for vehicle manufacturers who might wish to tighten their control over the aftermarket (which is already considerably stronger than that exercised by the Big Three in North America) and block access to non-OE suppliers.

The best Canadian aftermarket export prospects, then, are non-branded components and accessories. The U.K. market is seen as the most open to import penetration at present, due to the high import share of the passenger car market (50 per cent). Another potential source of added export business may be the growth of vehicle exports to the EC after 1992, which will translate some years down the road into a demand for replacement parts. Due to rigid inspection and certification requirements, those aftermarket suppliers with OE business will be in an advantaged position to serve this market.

Because of the niche-specific nature of many aftermarket components, opportunities will continue to exist in other areas. Accessories, in particular, display prime potential for export growth, due to the flexibility they offer in creating and developing niche markets. With the exception of power-enhancing accessories, testing standards should not represent a serious barrier to entry. The growth and upscaling of the EC new car market will generate considerable expansion of the accessories market in the EC over the next several years.

On the other hand, imports of aftermarket parts and accessories from EC countries have the potential to increase significantly after 1992. Many of the leading EC aftermarket exporters to the North American market are large OE-oriented firms such as Bosch, Hella, Lucas and Valéo which might benefit significantly from rationalization of the European market. They may thus emerge in a strengthened position to compete in Canada.

### 3.5 Joint Ventures

Canadian manufacturers who wish to be more than niche marketers in the European Community will have to consider investments in Europe, often in a joint venture form with European companies who are already accredited suppliers to the European assemblers.

Clearly in order to proceed with a joint venture it will be a prerequisite that a Canadian supplier have something "to bring to the table" in addition to high quality at low price. A key factor for Canadian parts manufacturers wishing to establish a major presence in Europe will be proprietary technology.

While there is only a small number of Canadian manufacturers such as Magna, the Woodbridge Group and Alcan that have the capabilities to act as "full-service" suppliers in Europe, opportunities will exist for smaller firms. These opportunities are more likely to be in the form of technology licensing than direct investment.

The rationalization of the European Community's parts subsector, which will be accelerated by the Single Market