

Perhaps the largest current exporter of Canadian-built vehicles to Europe is Chrysler Corporation, which is currently scheduling the shipment of 9 000 minivans (assembled at Windsor, Ontario) and 6 000 Jeeps (Brampton, Ontario) per annum to EC countries.

Currently, the only European manufacturer with a significant presence in the small and middle-range car market in Canada is Volkswagen of West Germany, which accounted for 3.4 per cent of total vehicle sales in 1988. The firm's principal European competitors, Fiat, Peugeot and Renault have never enjoyed sustained success in penetrating the Canadian market. Their failures, however, have had more to do with ill-conceived marketing strategies and an inability to establish a stable sales/service network than with cost/price competitiveness.

Apart from Volkswagen, most passenger car imports into Canada from EC countries fall into the luxury or luxury/sports categories (Audi, BMW, Mercedes-Benz, Jaguar, etc.).

c) Automotive Parts Trade

Statistics Canada does not maintain separate trade figures for original equipment parts and aftermarket parts. In 1988 Canada registered a trade deficit with the EC in automotive parts that outstripped even the deficit in vehicles -- \$558 million versus \$555 million. This deficit represents the difference between exports of \$88 million and imports of \$647 million. The trade figures are further broken down into engines and engine parts (exports of \$8 million and imports of \$168 million for a deficit of \$160 million) and other automotive parts (exports of 81 million and imports of \$479 million resulting in a deficit of \$398 million).

Much of the deficit is accounted for by imports of replacement parts for the

European vehicle fleet on Canadian roads. Also, vehicle assembly facilities in Canada source some types of components -- fuel injection systems, anti-lock braking systems (Bosch-West Germany) and manual transmissions (Getrag-West Germany), engine heads (Teksid -- Italy) -- from European-based parts suppliers. Although most of these components are actually manufactured at North American subsidiary plants, a considerable amount of sub-componentry is nonetheless imported from the home countries. In addition, the Volvo assembly plant in Halifax imports significant quantities of parts, and thus adds to the European parts import total. (Volvo is based in Sweden, which is not an EC country, but it purchases significant volumes of parts from Community Member States.)

Many Canadian aftermarket producers export small percentages of their output to the European Community, but these exports account for only a minuscule proportion of total aftermarket production. Many branch plants are restricted by the parent company in pursuing overseas export markets. The smaller Canadian firms frequently encounter difficulties obtaining national channels of distribution, let alone markets overseas. As is the case in the motor vehicle and OE parts sectors, differences in predominant vehicle types, driving conditions and consumer tastes also present a barrier to expanded European exports.

d) EC Investment in Canada

Investments in Canada by European Community-based parts suppliers have not received as much publicity as those undertaken by their Japanese counterparts. Nonetheless, a number of EC companies have sought to exploit Canadian competitive advantages and/or gain access to North American assemblers by establishing production capacity or entering into joint ventures in this country (see Table 2).