

with imports of North American-built vehicles, especially if currency values are favourable. North American exports will likely primarily be made up of specialty cars (such as the Honda Accord coupe now being exported from the Marysville, Ohio, assembly facility to Japan), minivans and sport-utility vehicles. Production capacity for the Hyundai Sonata sedan built at the Korean firm's plant at Bromont, Quebec, at 100 000 units annually, exceeds current or projected North American demand. It thus emerges as a prime candidate for export to the EC.

3.3 Export Opportunities — Original Equipment Parts

It has been speculated that Europe 1992 will accelerate the trend towards the "globalization" of the motor vehicle industry, that is, the sharing of components and to some extent, platforms across continents by multinational vehicle companies.

In recent years, the Detroit-based automakers have been seeking to draw on the technological expertise of overseas-based parts suppliers in such areas as fuel injection, anti-lock braking systems and manual transmissions. Ford has taken the notion of globalization one step further by announcing a "world car" program beginning with the 1994 Ford Tempo/Mercury Topaz (North America) and Ford Sierra (Europe), which will share a common platform.

Current initiatives towards globalization offer the potential for expanded trade in original equipment parts between Canada and the European Community. These opportunities will likely focus on areas of comparative technological advantage, such as fuel injection and anti-lock braking systems for European firms, emission control systems and climate control for North American parts suppliers. A particular area of

advantage for Canada is heavy aluminum castings, due to the availability of low-cost electric power.

However, "globalization" will by no means result in identical vehicles being built and sold on both sides of the Atlantic. The wide variations in conditions and consumer tastes between the European and Canadian markets will limit the extent of component sharing.

Export opportunities for original equipment parts will also be restricted somewhat by the changing nature of supplier-assembler relationships. Pressures for rationalization of the European Community's parts sector can be expected, on the one hand, to open up the components market to global sourcing. On the other hand, it will reinforce the perceived need for physical closeness of suppliers to assemblers as a tier structure develops (albeit more slowly than in North America). Also, the expected reduction in the total number of OE parts suppliers can be expected to raise barriers to entry by new players. Consequently, most Canadian parts manufacturers looking at gaining a share of the EC market will likely opt for joint ventures involving a manufacturing presence in Europe.

Despite these general trends toward a rationalization of the supplier base and closer relationships between an assembler and a small number of suppliers, significant opportunities for direct export sales exist for smaller-scale suppliers to niche markets. Glas-Aire Industries, a Langley, B.C., plastics firm that supplies sunroof air deflectors to a number of European luxury vehicle assemblers is a prime example.

3.4 Export Opportunities — Aftermarket Parts

Exports to the European Community will continue to constitute a very small