

incorporation into a number of Rover models and has co-operated in developing new models. Honda has also built an engine plant in Britain. Toyota has already announced its intention to set up EC production in the U.K. for another 200 000 cars by 1992.

Other Japanese producers, notably Mitsubishi and Subaru, are evaluating car production in Europe. A number of them are already active in light commercial vehicle assembly. The European industry is keen that the European content of the cars produced by Japanese producers should be as high as possible, so as to encourage the maximum participation of the EC component industry.

Japanese Components Production in the EC

There are as yet relatively few Japanese parts investments in Europe (almost 30 plants in 1989) but the number is increasing steadily as the rapid increase in Japanese automotive production and assembly in Europe continues. At first many of these investments will be joint ventures with European companies. These suppliers will not just be content with supplying Japanese transplants, but will try for a bigger share of the total European market.

It has been predicted that over the next decade as many as 100-150 of the largest parts suppliers in the EC will be Japanese companies.

Cars Exported from the U.S. by Japanese Producers

The Japanese will have the capacity to produce 2.3 million cars in North America by 1990. In view of the spare capacity available in the U.S. coupled with a possible continued fall in the

value of the dollar, some of these cars could be exported to Europe.

Honda has taken the lead in this respect. It is now committed to exporting 70 000 units per year from its U.S. plant by 1991. Some 50 000 of these are scheduled to go back to Japan, but most of the remaining 20 000 are thought to be destined for Western Europe.

Japanese-Designed Cars Exported from Eastern Europe

The possible production of Daihatsu cars by FSO in Poland, and their subsequent export to Western Europe has highlighted the potential for the Japanese producers to take advantage of low-cost Comecon countries as a means of improving the competitiveness of their cars in Western Europe. At the moment the East Europeans produce only very basic, outdated models, and hold about 1.5 per cent of the EC market. However, it is clear that their producers are seeking to improve the quality of the next generation of vehicles to make them more attractive to Western markets.

Korea and Other NICs

By the early 1990s, Korean car production capacity will total 1.7 million units. Hyundai sold 325 000 cars in North America in 1988 (from 62 000 in 1985) and Kia and Daewoo are now supplying small cars to Ford and GM in the U.S. market.

Currently the Korean manufacturers have only a small presence in the European market (about 20 000 vehicles) but their low costs, coupled with the crowded U.S. market, could soon make them serious competitors in Europe, either as independent producers (especially Hyundai) or as low-cost sources of cheap cars for the U.S. or Japanese multinationals.