spondingly enormous. Made-to-order, which is popular in Europe, would tie the assembly location to North America.

Even though a lot of components are currently outsourced to low cost countries, this has not happened with finished vehicles. Two Chinese firms are planning to start exporting finished vehicles from China to North America (Gheely in 2007 and Chery in 2008) and Honda is exporting its Fit subcompact car from Guangzhou to Europe. While the labour cost in assembly is too small a fraction of the total cost of a cart to justify producing it in a low-wage country like China, the trade-off changes once firms would be able to leverage the lower wages over the entire supply chain and produce most components at the low Chinese wage as well. The rapid development of the Chinese domestic industry is quickly making this a possibility. For example, the engines installed in the Chevrolet Equinox in the CAMI plant are shipped from China.

It took Japanese producers only 10 years after their first sales success in North America to establish local assembly capacity, although this choice was accelerated by the voluntary export restraints. Hyundai did not even wait this long to (entirely voluntarily) open up its first assembly plant in Alabama; its second plant, for its Kia subsidiary, has been announced at a time when it is not even certain it will be able to operate the plant at full capacity[65]. An important distinction is that the much larger labour pool in China is likely to keep wages depressed for a longer time than in Japan or Korea. It might make China an attractive assembly location for exports to North America in the future. The major Chinese car and component producers are currently benefiting a lot from their collaboration with leading western automotive companies. They are unlikely to anger their joint venture partners by challenging them in their home market. However, once they feel they have learned what they wanted to know, their incentives will change.

A final issue that has come up repeatedly in this report is the future division of labour between OEMs and suppliers. Many tier 1 suppliers are playing an increasing role in R&D and

---

[65] An earlier venture in Quebec in 1989 was of a much lower scale.