

manufacturers (Daimler-Benz, BMW, Porsche, Jaguar) to which Volvo and Saab must be added, since both of them also produce in the Community with claimed EC content in excess of 50 per cent.

The European specialists have been highly profitable over the past few years, due in no small measure to their important and highly profitable sales in the U.S. during the period of the high dollar. However, the fall in the value of the dollar clearly has had a negative impact on profits, particularly for those producers who were highly dependent on North America sales.

The European specialists have up to now been largely unaffected by Japanese competition. However, in the U.S. market, the Japanese are upscaling rapidly. Honda has established an up-market dealer network called Acura; Toyota and Nissan are following with Lexus and Infiniti. The Japanese will compete with the EC producers, at least

at the bottom end of the luxury segment, and this could have a significant effect on prices and profit margins.

c) The Automotive Parts Sector in the EC

Size and Structure

The EC automotive components sector employs around 0.6 million people in about 1 500 major supplier firms. There are an additional 10 000 minor suppliers to the EC assembly sectors. The turnover of the sector is estimated at around 66 billion ECU in the Community of which 60 per cent is of original equipment and 40 per cent of replacement parts. This sector also generates a significant trade surplus (primarily with EFTA, North America and the developing countries) which in 1986 amounted to 7.4 billion ECU.

Six European parts suppliers have more than \$2 billion worth of automotive sales (see Table 6).

TABLE 6

Sales of Six European Parts Suppliers, 1988
(in billions of C\$)

<u>Company</u>	<u>1988 Parts Sales</u>
Bosch	9.0
Valéo	3.2
Magneti Marelli	2.9
GKN	2.4
Lucas	2.4
ZF	2.4

Source: Richard Lamming, *The Causes and Effects of Structural Change in the European Automotive Components Industry*, 1989.