The Shift of Automobile Production to Central Europe and Hollowing-Out in Germany: The Case of the Automotive Components Industry

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government labor union
industry innovation reasonable wage

tax reduction, supports

- Capital-labor cooperation policy: working hours, wage, other conditions.
- Management-oriented industrial democracy

key word

1. Globalization = domestic globalization (localization)
2. It’s impossible to get off the train of globalization

innovation reasonable wage

1. Reduction of labor cost
2. Development Investments
3. Specialist, Innovator, Integrator

(survival race)

industry

tax reduction, supports

1. Tax reform (National, local)
2. High-tech Innovation policy (high-technological lag) case: supports of technology based firm; High-tech cluster of Byern

labor union

1. Capital-labor cooperation policy: working hours, wage, other conditions.
2. Management-oriented industrial democracy

(world record of labor cost)

german domestic parts manufactures have a bright future: Revolutionary way!
**Image on the Survival Strategy of the German Parts Suppliers and Germany’s Position as a Business Location**

<table>
<thead>
<tr>
<th>Strategic Behavior of Parts Suppliers</th>
<th>Car Manufacturer</th>
<th>Parts Suppliers</th>
<th>Shifting to Low Cost Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Module Strategy</td>
<td>Environment, Safety, IT</td>
<td>Major</td>
</tr>
<tr>
<td>Major Parts Suppliers (Tier 1)</td>
<td>active, aggressive; proposal</td>
<td>active, accompanying; aggressive</td>
<td>active development; proposal</td>
</tr>
<tr>
<td>Medium-stading Parts Suppliers (T1,T2)</td>
<td>T1 or T2 positioning</td>
<td>unavoidable, as active as possible</td>
<td>unavoidable, as active as possible</td>
</tr>
<tr>
<td>Small-stading Parts Suppliers (T3,Lower)</td>
<td>T3, regional standing</td>
<td>passive, regional</td>
<td>passive, regional</td>
</tr>
</tbody>
</table>

- **Government**: supports, encouragement, reasonable wages, wage reduction
- **Labor Union**: international labor alliance, reasonable wages, wage reduction

**Lowered the corporation tax, but local tax rate is high!**

**Hollowing-Out?**

Is German wage system a straitjacket?

**A Way of Survival:** Ceaseless Innovation
Large Press Parts, Large resin-treated parts, Fuel tank

System Parts (seat, air conditioner, brake), Tire, Ramp

Location Pattern proximal to Demand

Location Pattern concentrated in advanced countries (The German Way?)
Highly efficient electronic components, ECU, Sensor

Wire harnesses, Batteries, Small resin-treated parts, Sewing parts

Location Pattern concentrated in developing countries

Low transport efficiency

High transport efficiency

Technology-intensive

Labor-intensive

松岡純一「環境変化に直面する自動車部品業界」『調査月報』(東京三菱銀行)2002年5月、8頁参照。
Central, Eastern Europe

Auto Manufacturing Plants

Supply

Parts production base
Technology-intensive
Labor-intensive
Low transport efficiency
(JV, green field)

Newcomers from other industrial fields

Direct investment

Parts Manufacturer In Germany
High value-added parts
Technology-intensive
High transport efficiency

Supply now
Highly efficient electronic components, ECU, Sensor

Inevitable innovation integration

Competitive, or Value chain specialization

Next generation technologies; unique, special technology and products

Cooperation, tie-up, proposal, Value chain

environmental responses, safety technologies, ITS

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Business circumstances in which German auto parts manufacturers find themselves leave them no alternative but to act as they do aggressively.

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Design, R&D Centers and Manufacturing Plants of Toyota in Europe
Western Parts Manufacturing Plants operating in
Central and Eastern Countries
(70 leading Companies, excluding Japanese)

Czech: 50
Poland: 28
Hungary: 26
Slovakia: 20
Turkey: 19
Romania: 17
Russia: 13
Yugoslavia: 9
The direct investment of German Parts Suppliers are shifting from Western Europe to Asia, and also to Central and Eastern Europe.
German Parts Industry has continued to grow since 1994.

Fourin:『欧州自動車部品産業2004/2005』2004年・24頁から英訳転載
Import and export of the German Parts Industry is now balanced. But, it is faced with imminent competitions from Central and Eastern European Newcomers will soon catch up with German industry.
Auto Manufacturer
GM, Toyota, VW

Central, Eastern Europe

Parts Suppliers from Korea, Japan, USA

By way of direct invest. to Germany

Supply

Location:
High transport efficiency,
Technology-intensive,
High value-added parts

High transport efficiency, Labor-intensive

Turkey should not go unheeded!

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