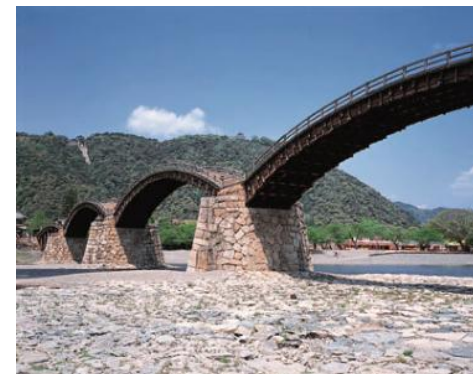


# The Shift of Automobile Production to Central Europe and Hollowing-Out in Germany: The Case of the Automotive Components Industry



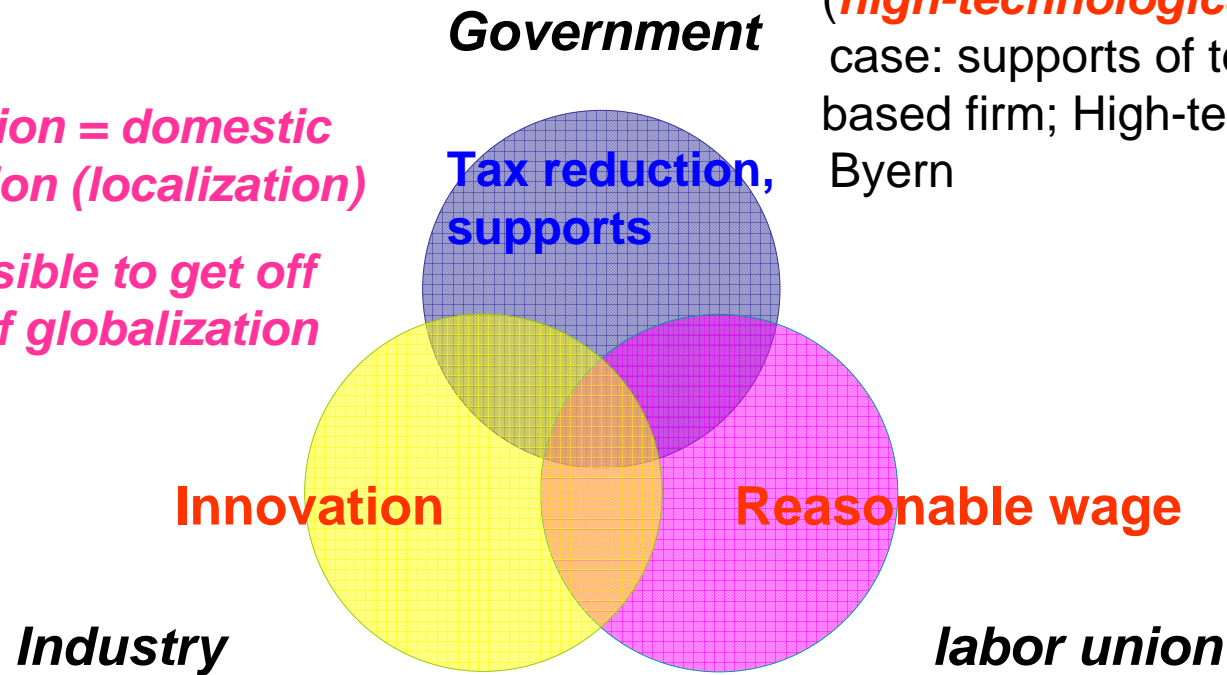
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# German domestic parts manufactures have a bright future: Revolutionary way!

## key word

- ① *Globalization = domestic globalization (localization)*
- ② *It's impossible to get off the train of globalization*



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

- ① Reduction of labor cost
  - ② Development Investments
  - ③ Specialist, Innovator, Integrator
- (*Survival race*)

- ① Capital-labor cooperation policy: working hours, wage, other conditions.
  - ② *Management-oriented* industrial democracy
- (*world record of labor cost*)

## Image on the Survival Strategy of the German Parts Suppliers and Germany's Position as a Business Location

Strategic Behavior of Parts Suppliers	Car Manufacturer					Parts Suppliers			Shifting to Low Cost Countries
	Module Strategy	Platform Strategy	Globalisation	Shifting to Central Europe	Environment, Safety, IT	Major	Medium	Small	
Major Parts Suppliers (Tier 1) →	active, aggressive; proposal	active, aggressive; proposal	actively accompanying; aggressive	actively accompanying	active development; proposal	alliance, tie-up	tie-up, dominant	dominant	active : Labor intensive parts
Medium-standing Parts Suppliers (T1,T2) →	T1 or T2	T2 positioning	unavoidable, as active as possible	unavoidable, as active as possible	unavoidable, active	sub-ordinate	alliance, tie-up	dominant or tie-up	unavoidable, as active as possible
Small-standing Parts Suppliers (T3,Lower) →	T3, regional standing	T3 positioning	passive, negative, regional	passive, negative, regional	unavoidable, active	sub-ordinate	sub-ordinate	tie-up	passive, negative, regional
Government →	-	-	-	domestic: employment, tax reduction	supports, encouragement	-	-	supports, tax reduction	domestic: employment, tax reduction
Labor Union →	-	-	international labor alliance	reasonable wages, wage reduction	-	-	-	-	reasonable wages, wage reduction



Hollowing-Out ?

unavoidable cooperation between capital and labor

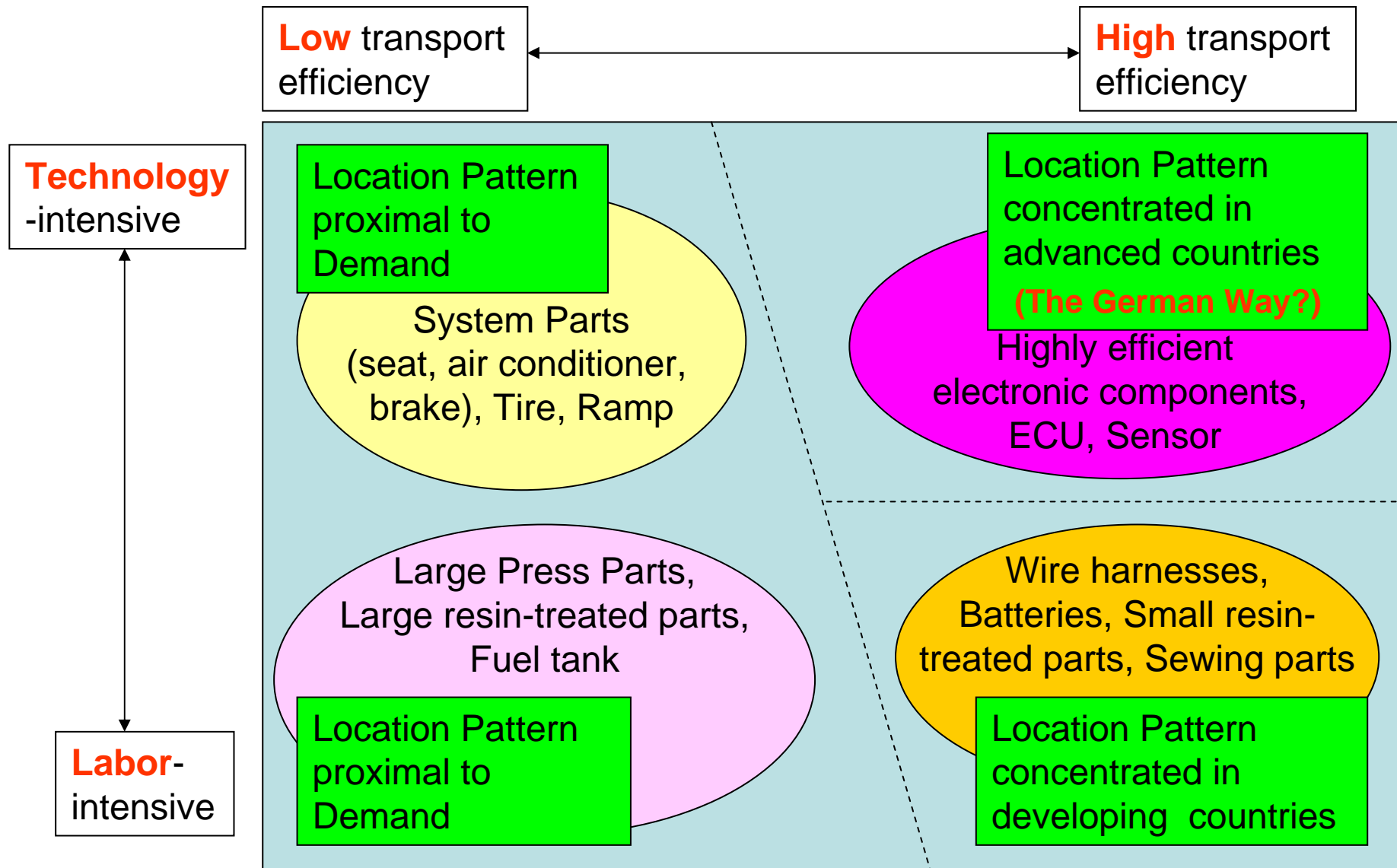
**A Way of Survival: Ceaseless Innovation**

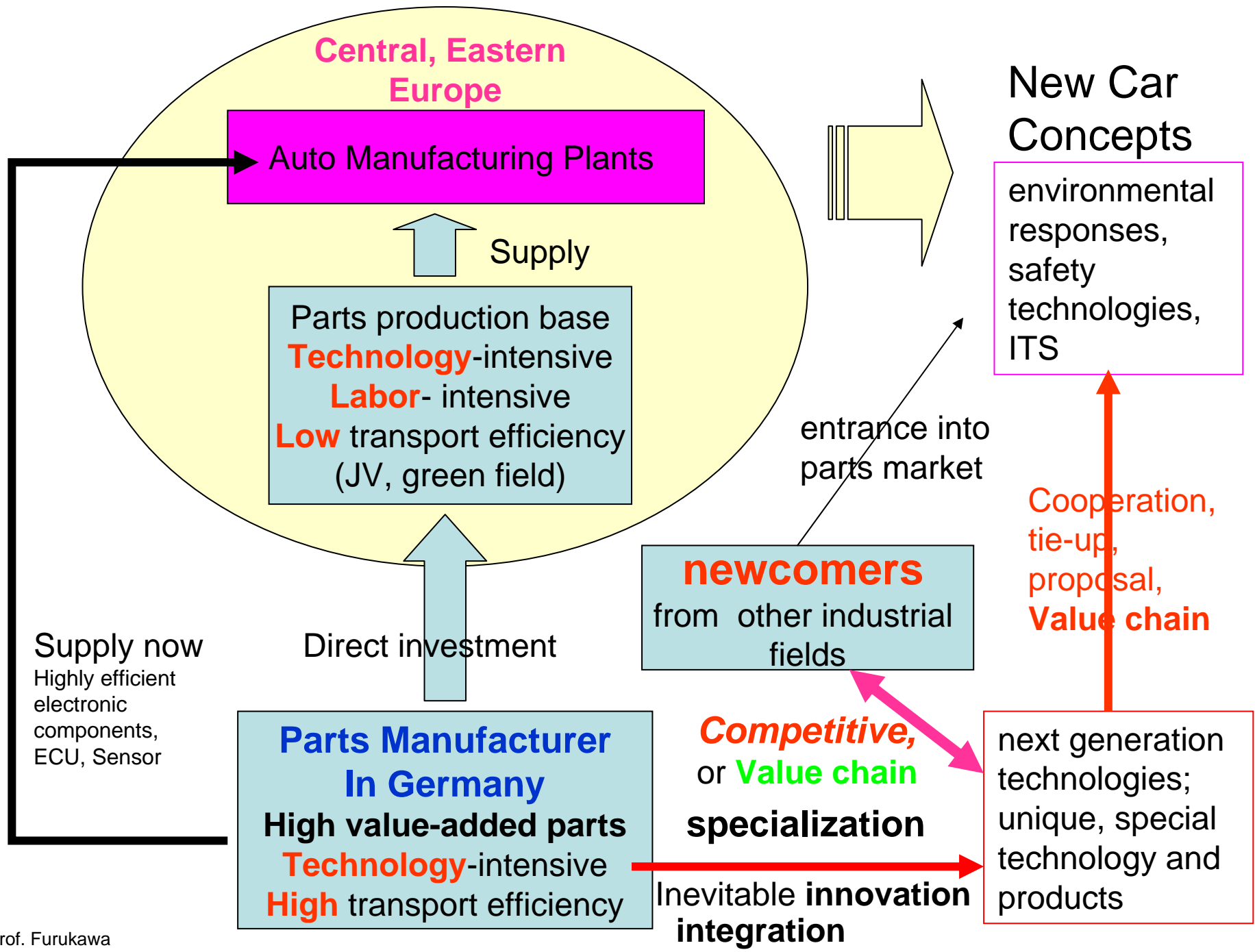
**Lowered the corporation tax, but local tax rate is high!**

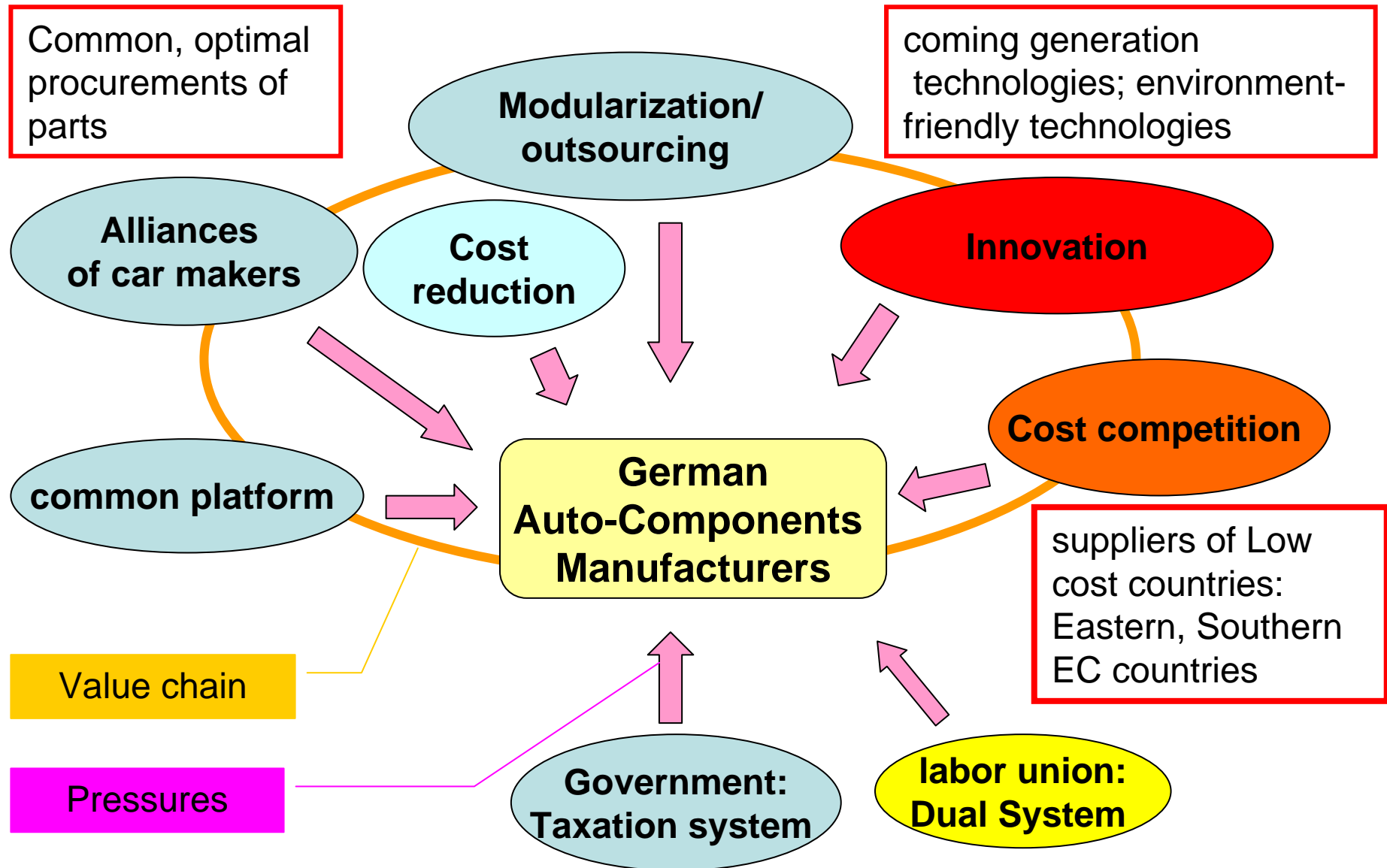
**Is German wage system a straitjacket?**



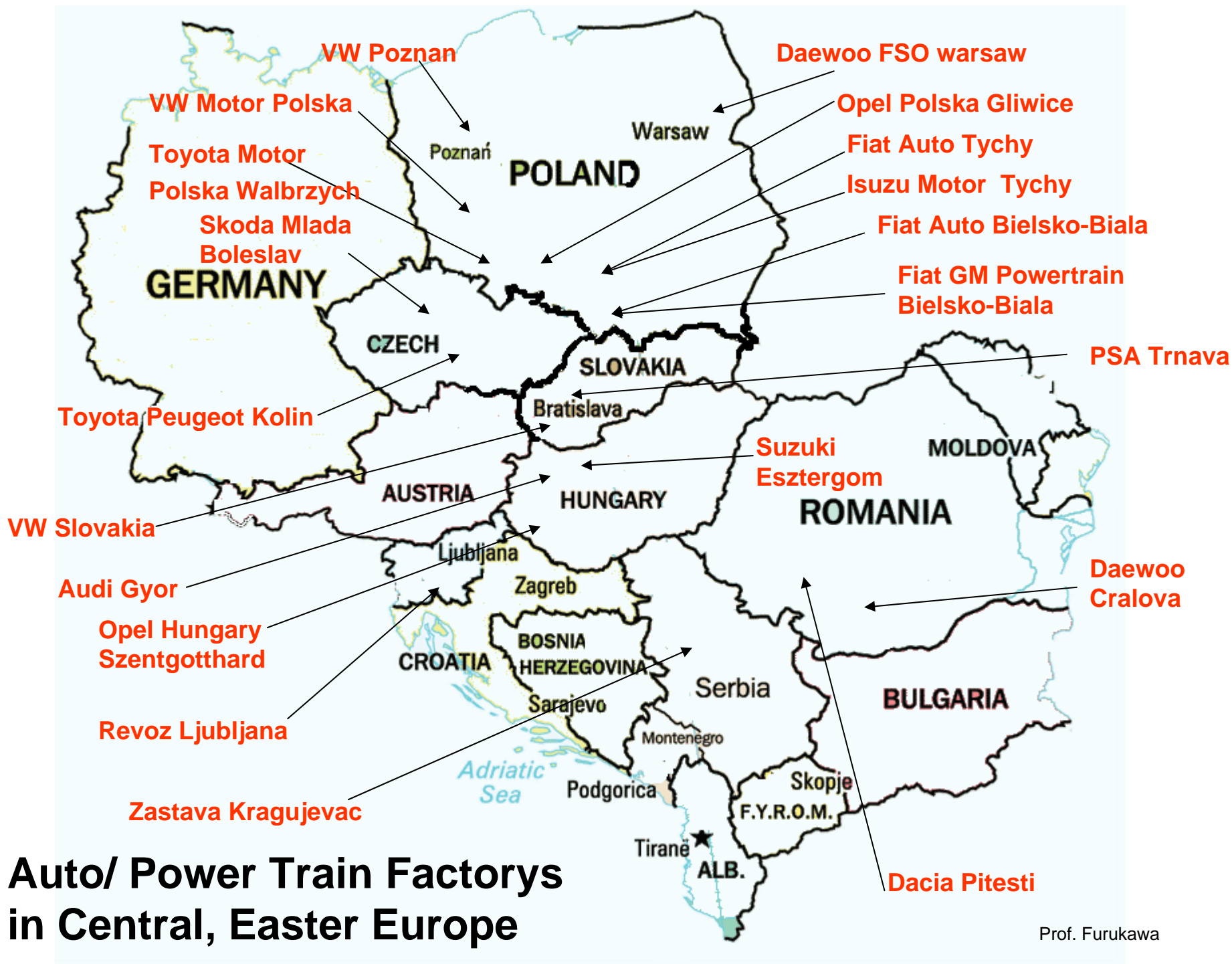
# Optimal Location of Parts Manufacture Schema





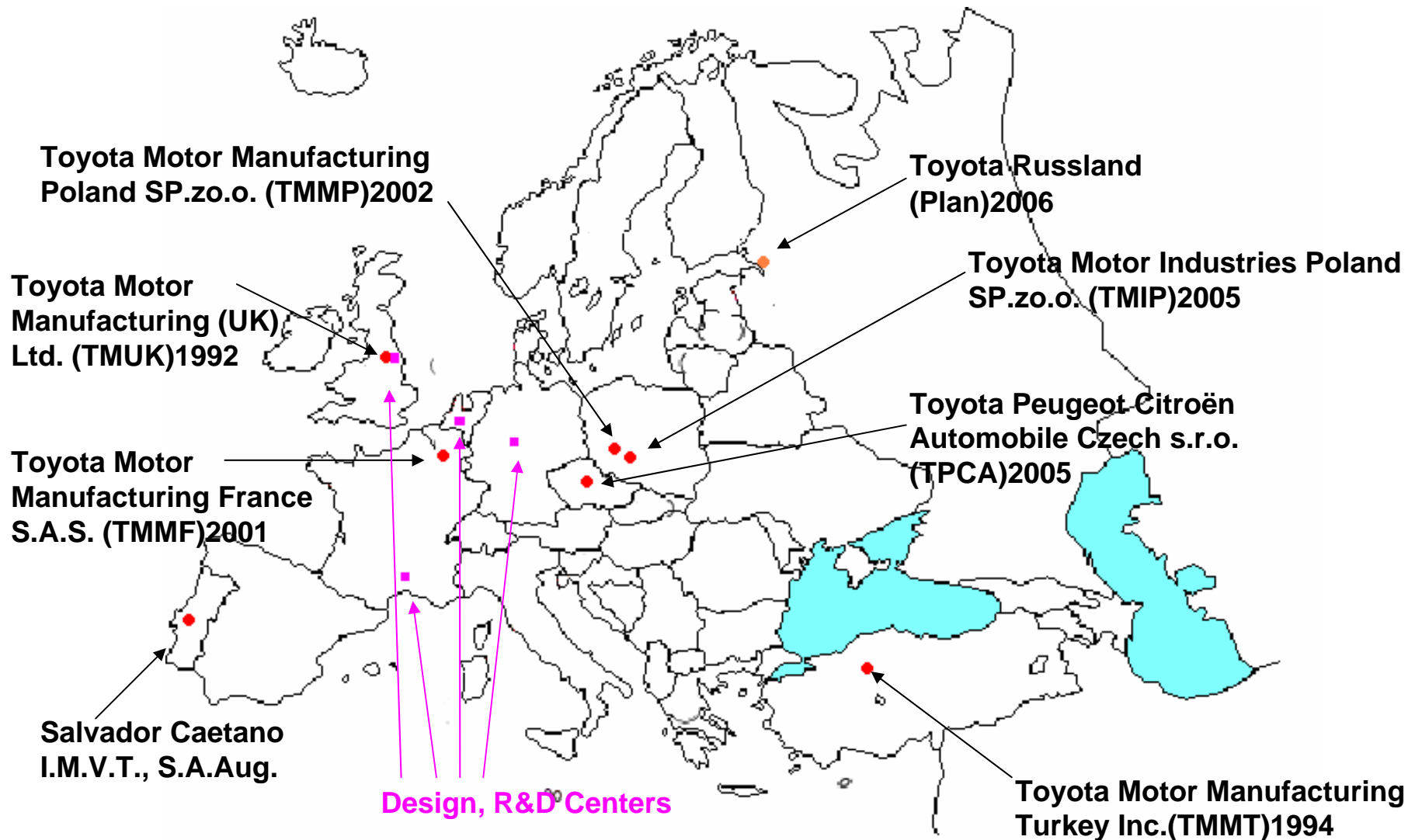


Business circumstances in which German auto parts manufacturers find themselves leave them no alternative but to act as they do aggressively.



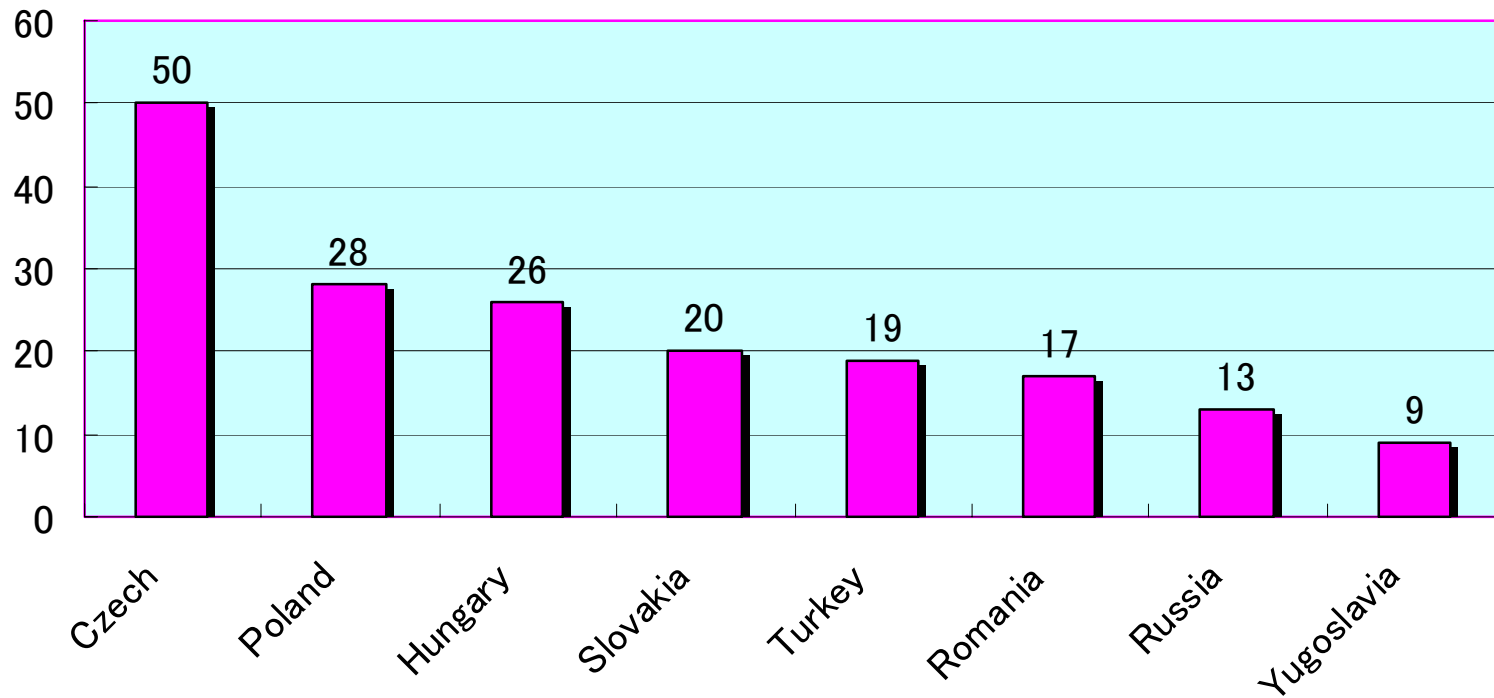
# Auto/ Power Train Factorys in Central, Easter Europe

# Design, R&D Centers and Manufacturing Plants of Toyota in Europe

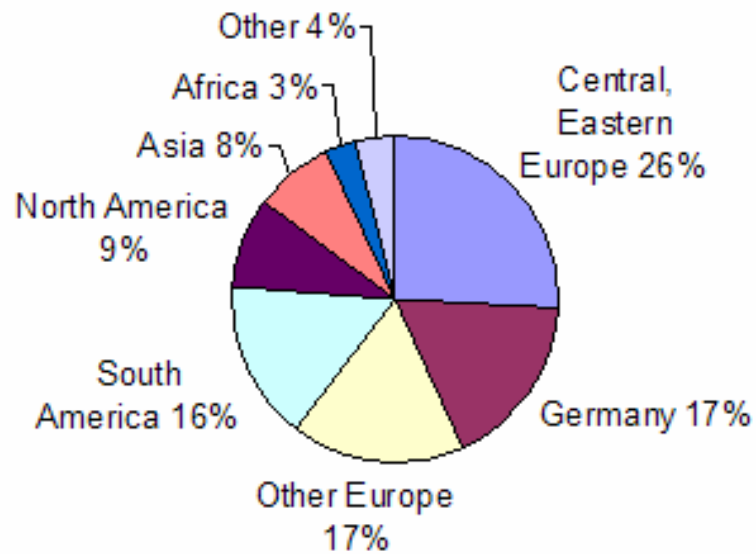




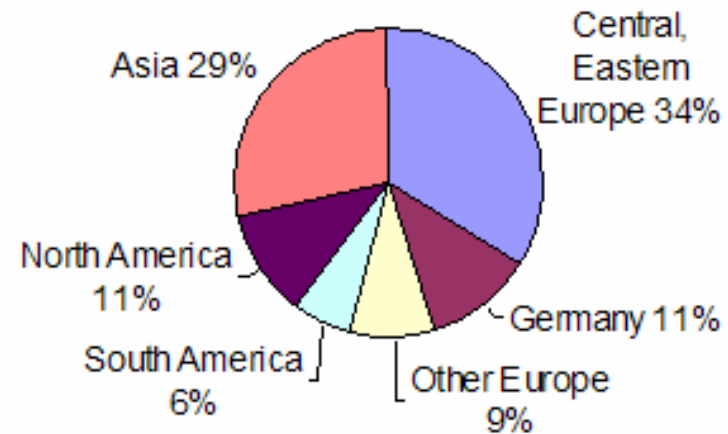
### Western Parts Manufacturing Plants operating in Central and Eastern Countries (70 leading Companies, excluding Japanese)



**New manufacturing Investment of German Suppliers  
(1998-2002)**

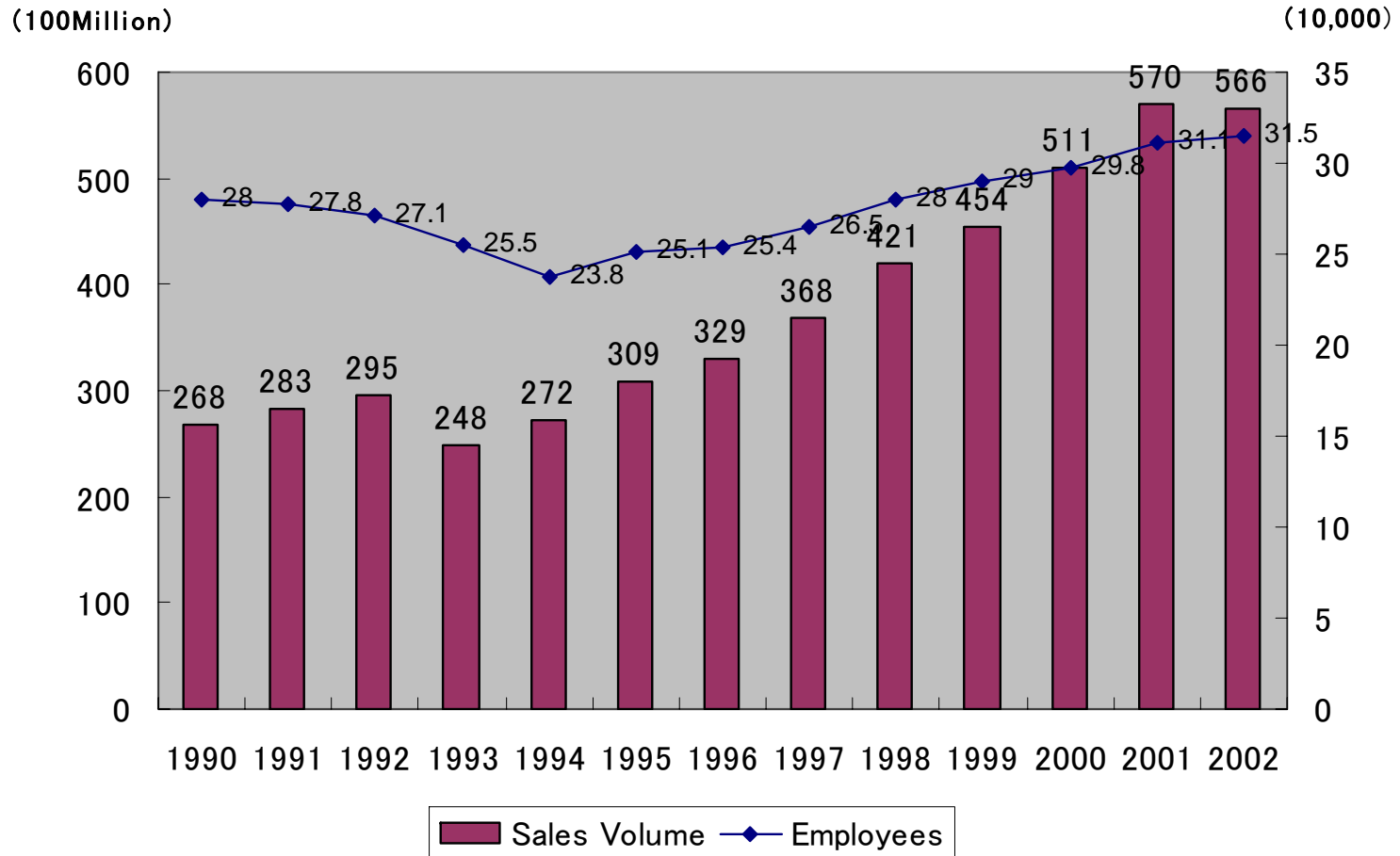


**New Manufacturing Investment of German Suppliers  
(2003-2005)**



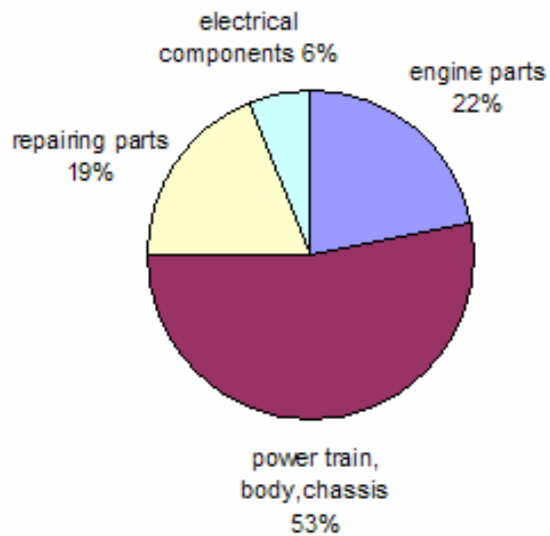
The direct investment of German Parts Suppliers are shifting from Western Europe to Asia, and also to Central and Eastern Europe.

## Gross Sales Volume and Employees of German Automotive Components Industry (1990–2002)

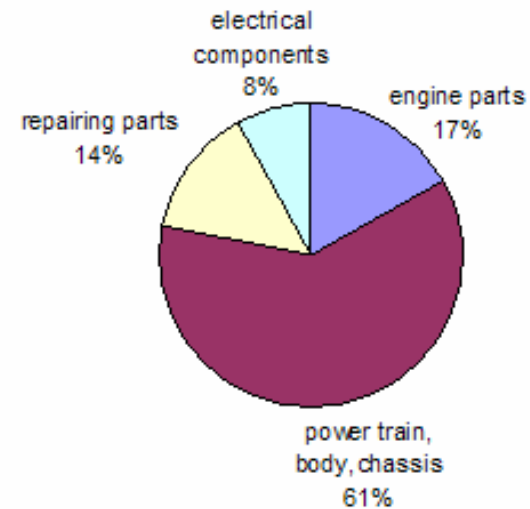


German Parts Industry has continued to grow since 1994.

**Expot of Car Components from Germany  
(Export ratio: 2002)**



**Import of Car Components to Germany  
(Export ratio: 2002)**



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.

ending

Parts Suppliers  
from Korea, Japan,  
USA

Auto Manufacturer  
GM, Toyota,  
VW

direct

By way of direct  
invest. to Germany

supply

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

Central, Eastern  
Europe

High transport efficiency,  
**Labor-** intensive

Turkey should  
not go unheeded!