

**Transnational strategies in the automotive industry workshop**  
**Centre for Innovation Management Research (CIMR)**  
**Birkbeck, University of London**  
**6th February 2015**

## **Beyond overcapacity: the new rules of the European automobile game**

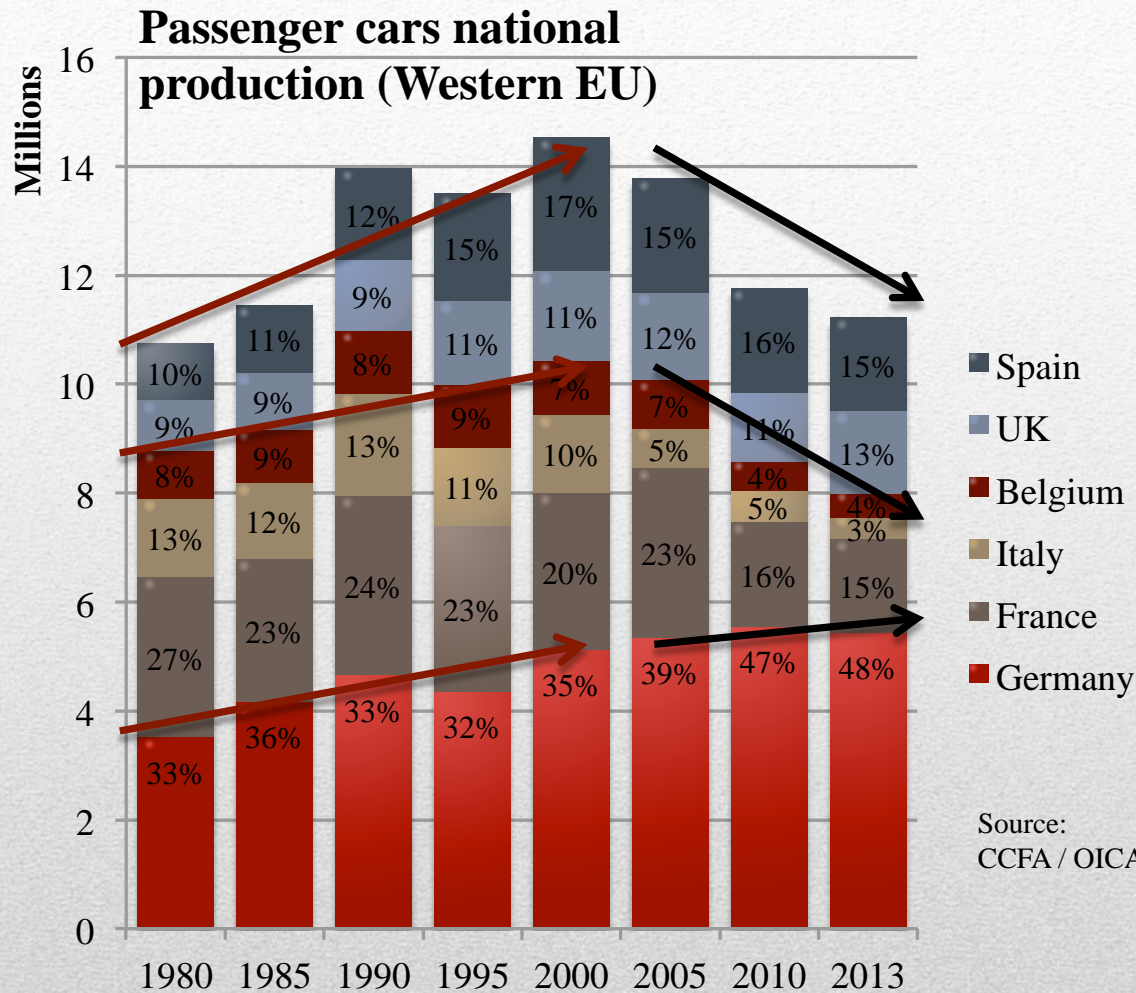
Tommaso Pardi (IDHES-CNRS / Co-Director GIS GERPISA)

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- *The past*: the European automobile industry balanced development up to the 2000s → reflected specific political rules of the automobile competitive game
- *The present*: since the 2000s destabilisation of the European automobile industry (German hegemony + Eastern relocation) → new political rules of the automobile competitive game
- *The focus*: the integration in the EU of Central European Countries (CEE) and their “missing markets” for new cars:
  - Why the expected markets for new cars in CEE have failed to emerge?
  - Why the main stakeholders of the European automobile industry (in particular in France and Italy) have not even tried to protect those markets against massive imports of second hand cars?
  - Is there a new balance emerging, and how does it look like?

## Introduction

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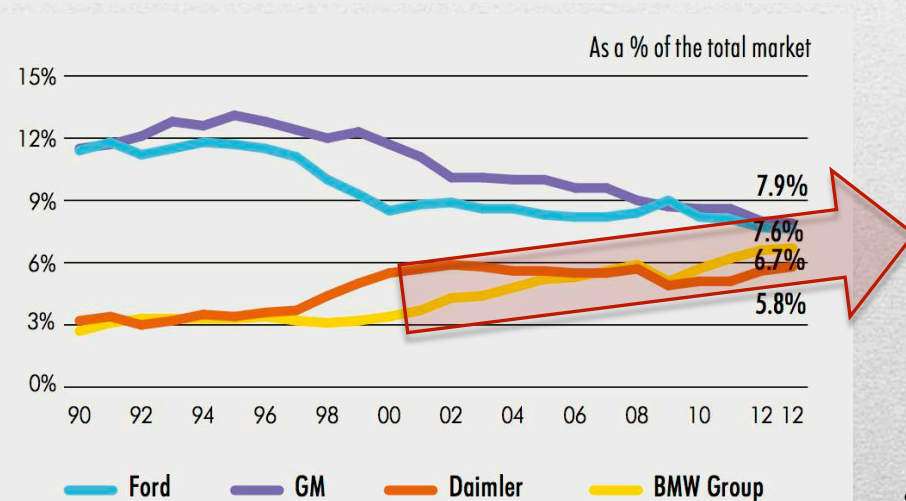
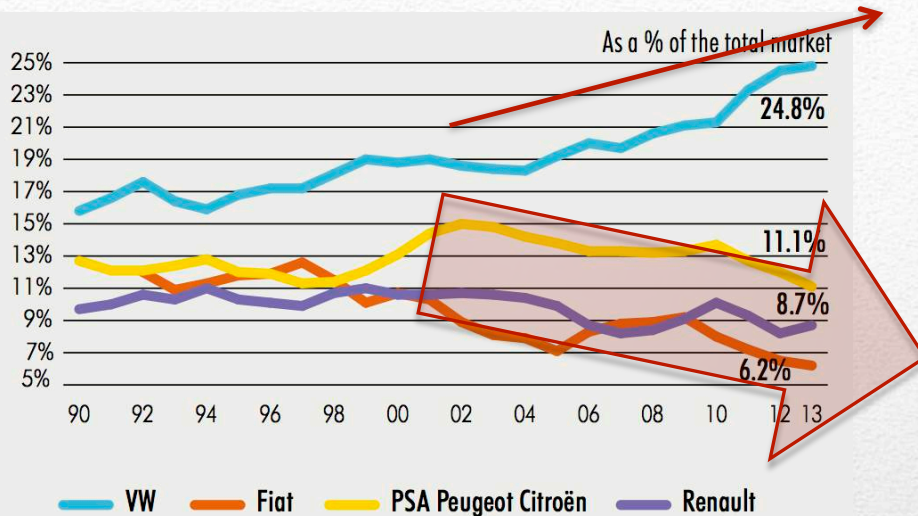


- The historical balance was based on the subordination of the European economic integration to the preservation of national industries and national champions

- → Old “rules” aimed at preserving this balance:

- Indirect competition
- The double exemption in distribution
- State aids and ad-hoc fiscal policies
- Comité des Constructeurs du Marché Commun (CCMC)

**The historical balance (up to 2000)... is destabilised**

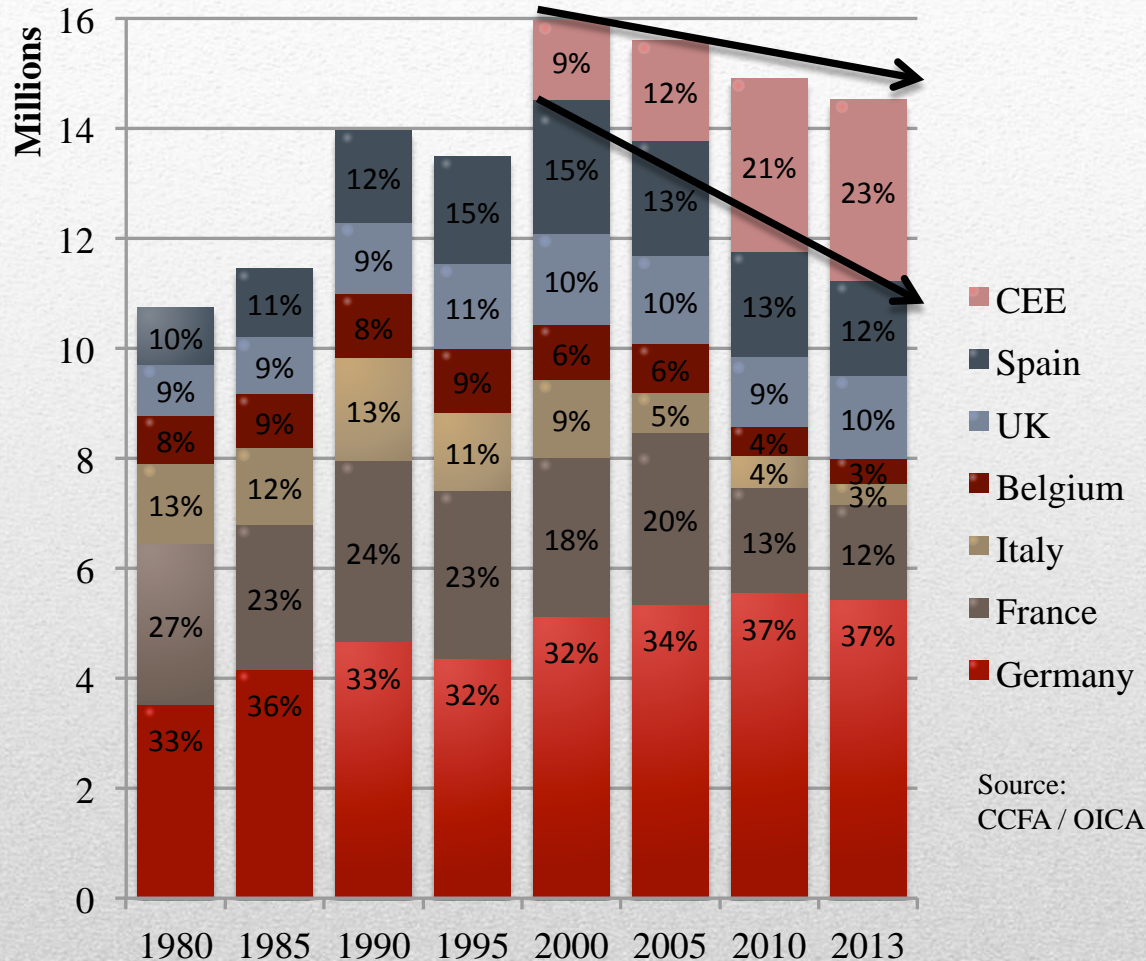


- Fast growing market share of German carmakers (direct competition) → eviction of French and Italian carmakers from the premium segment + exports to China

- → New “rules” are build around the principle that « **salvation is upmarket** » → to preserve domestic production in high wages countries / to export to emerging markets / to introduce expensive green technology

Source: CCFA

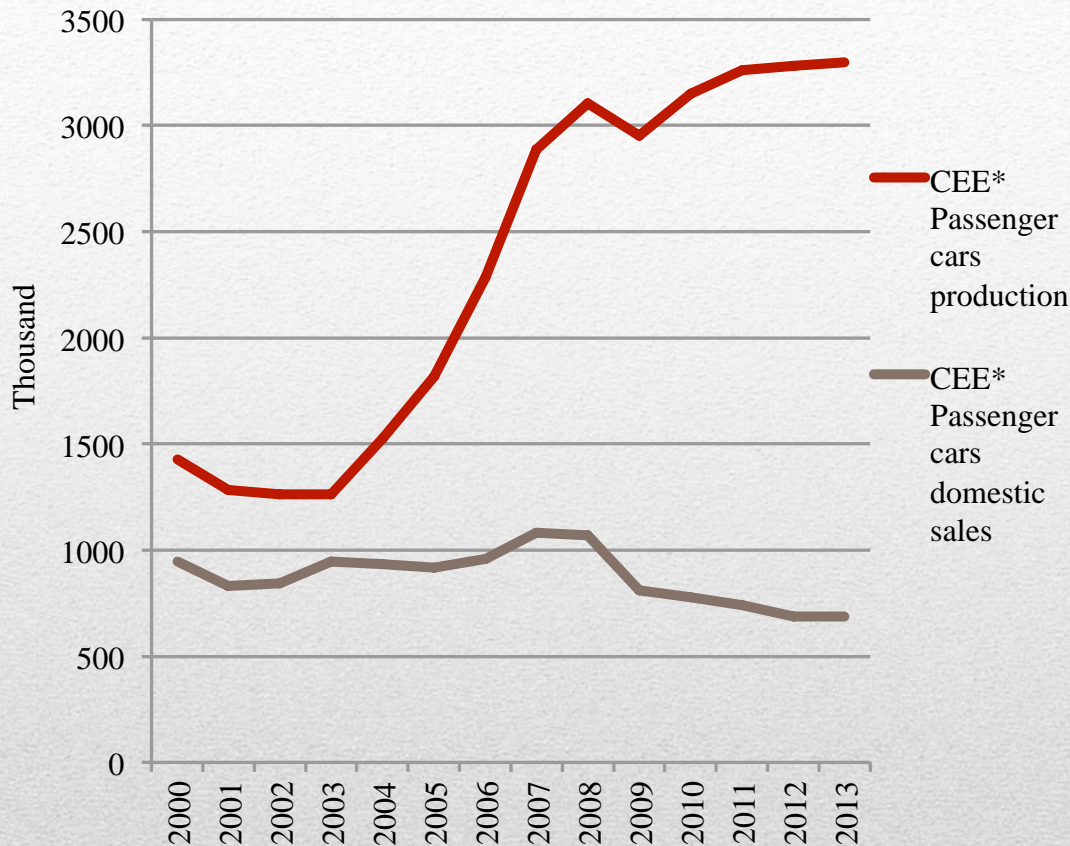
## First destabilising trend: German hegemony



- Massive relocations of production from France, Italy (to less extent from Belgium and Spain) to CEE after their 2004 integration in the EU

- New “rules” are built around the notions of **competitiveness** and **overcapacity** → political and economic support to FDI in CEE / A-B segment production cannot be profitable in high wages countries... unless...

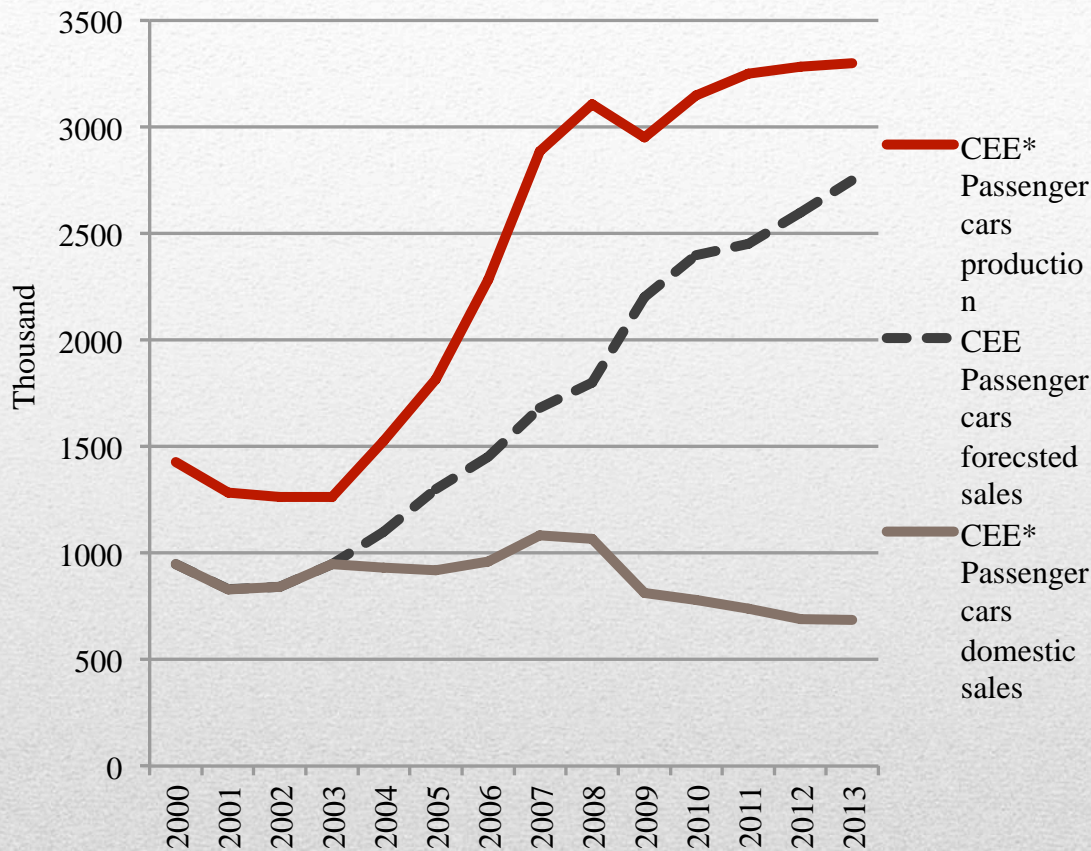
## Second destabilising trend: Eastern relocation



*“Most of the specialists anticipate a regional demand of 2,4 million new cars for 2010. In the long term, and taking into account the population of these countries, the region has a potential of 4 millions new car sales per year. [...] The region represents a strategic stake in the medium term where the die has not been cast yet.” (Boillot & Lepape 2004).*

\* Poland, Hungary, Czech Republic, Slovakia, Romania and Slovenia  
Sources: CCFA

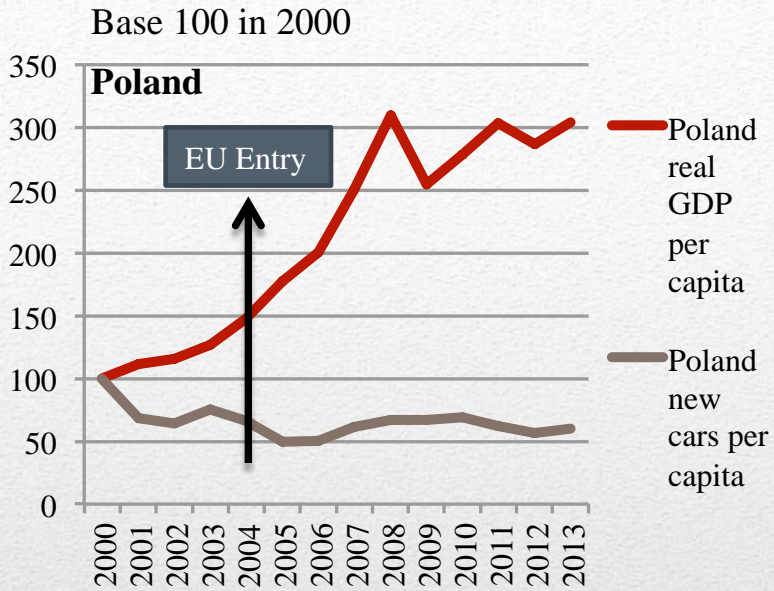
## Focus: The « missing markets » in CEE



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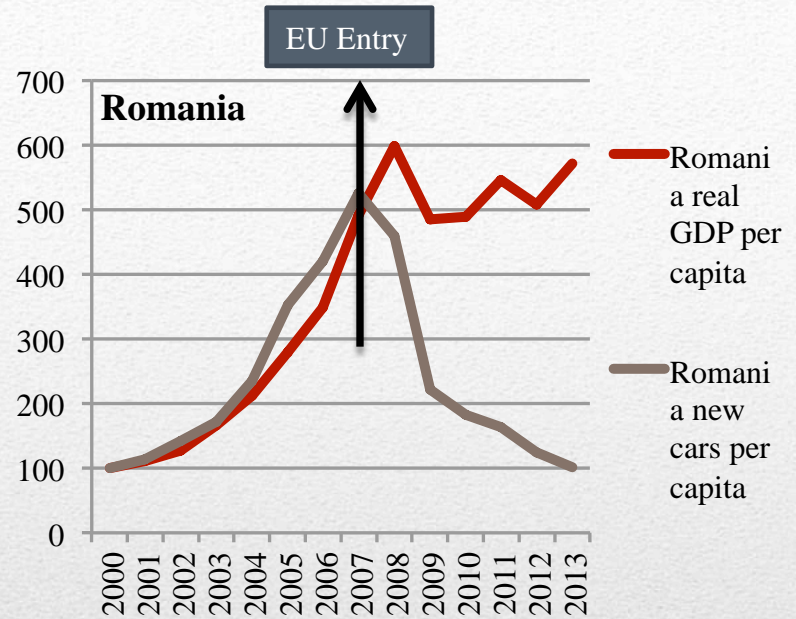
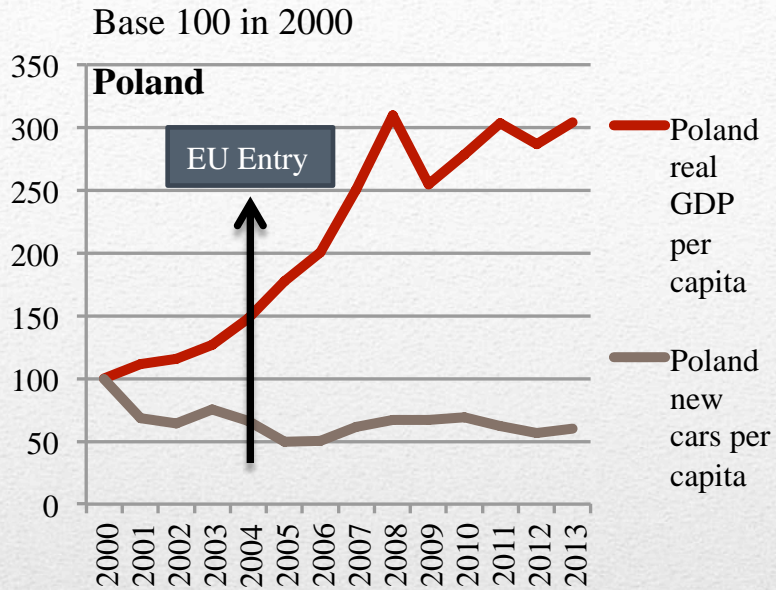
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## Focus: The « missing markets » in CEE



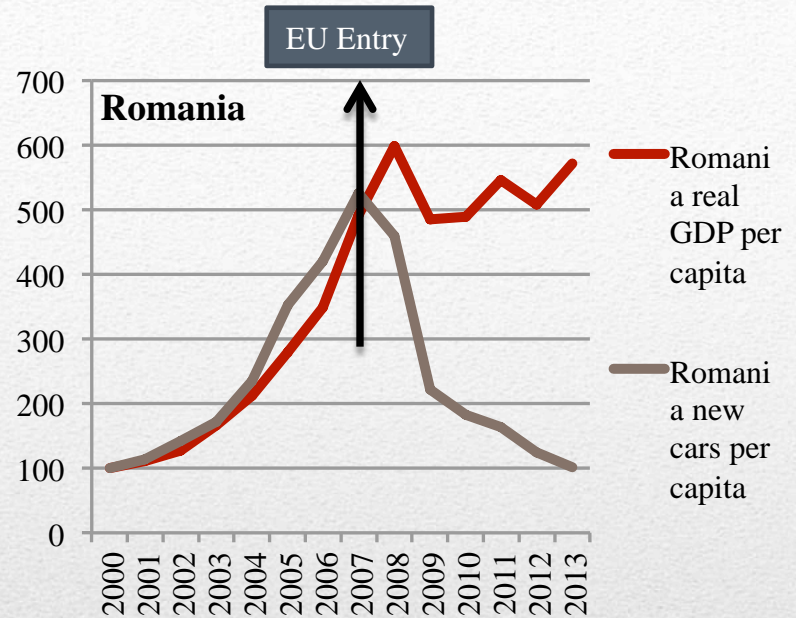
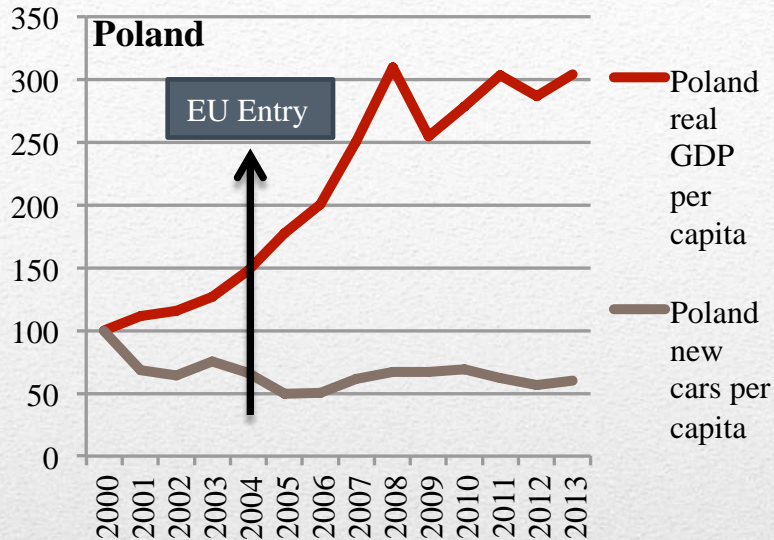
Sources: World Bank / CCFA / OICA





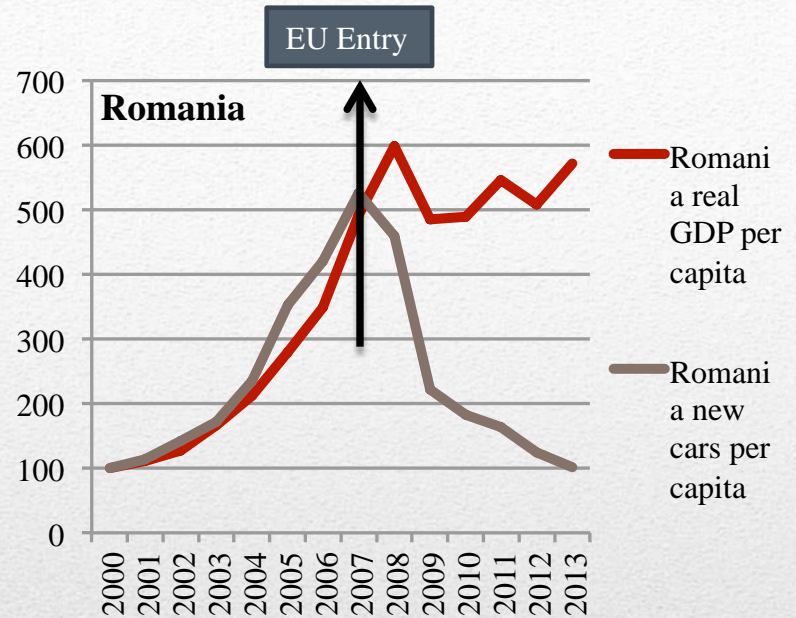
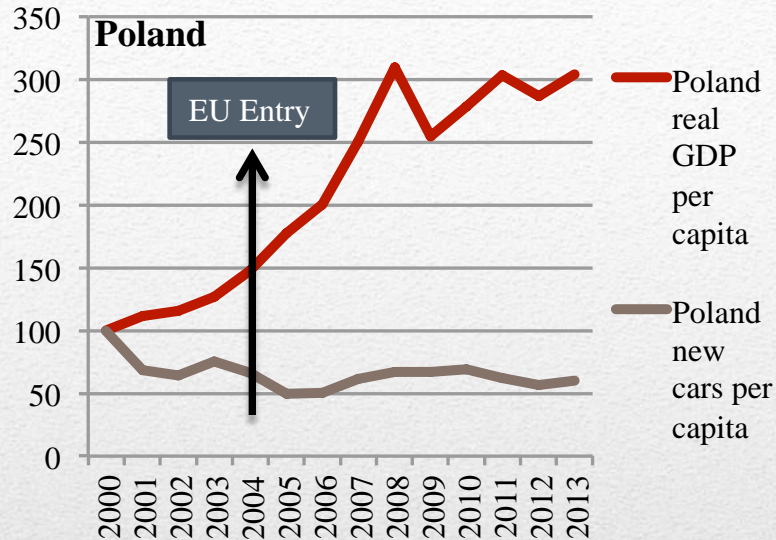
Sources: World Bank / CCFA / OICA

Base 100 in 2000



Sources: World Bank / CCFA / OICA

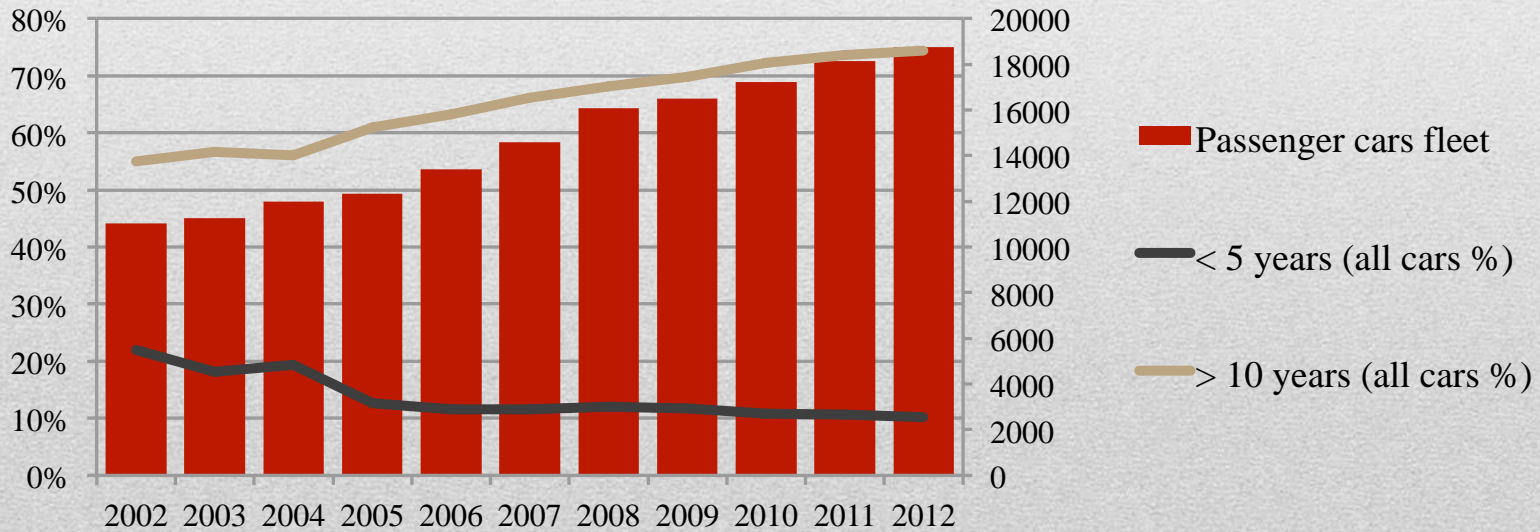
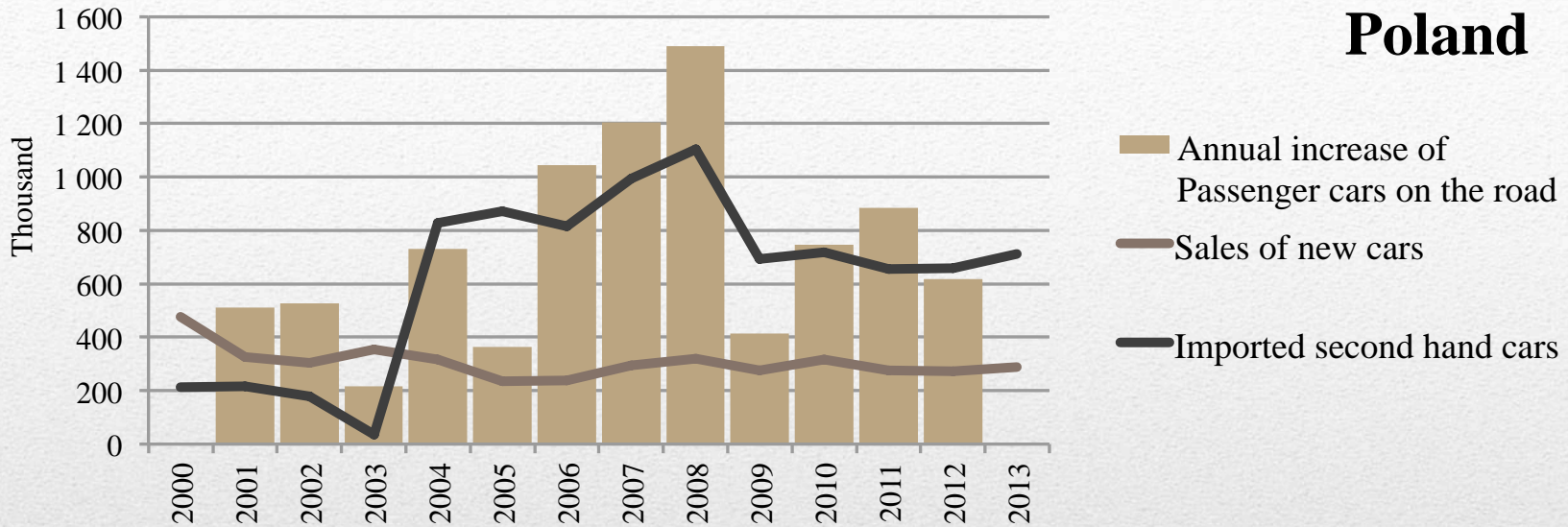
Base 100 in 2000



2013	Real GDP per Capita	New cars sold per 1000 people
Poland	13648 \$	7,5
Romania	9499 \$	2,9
Russia	14611 \$	18,1

Sources: World Bank / CCFA / OICA

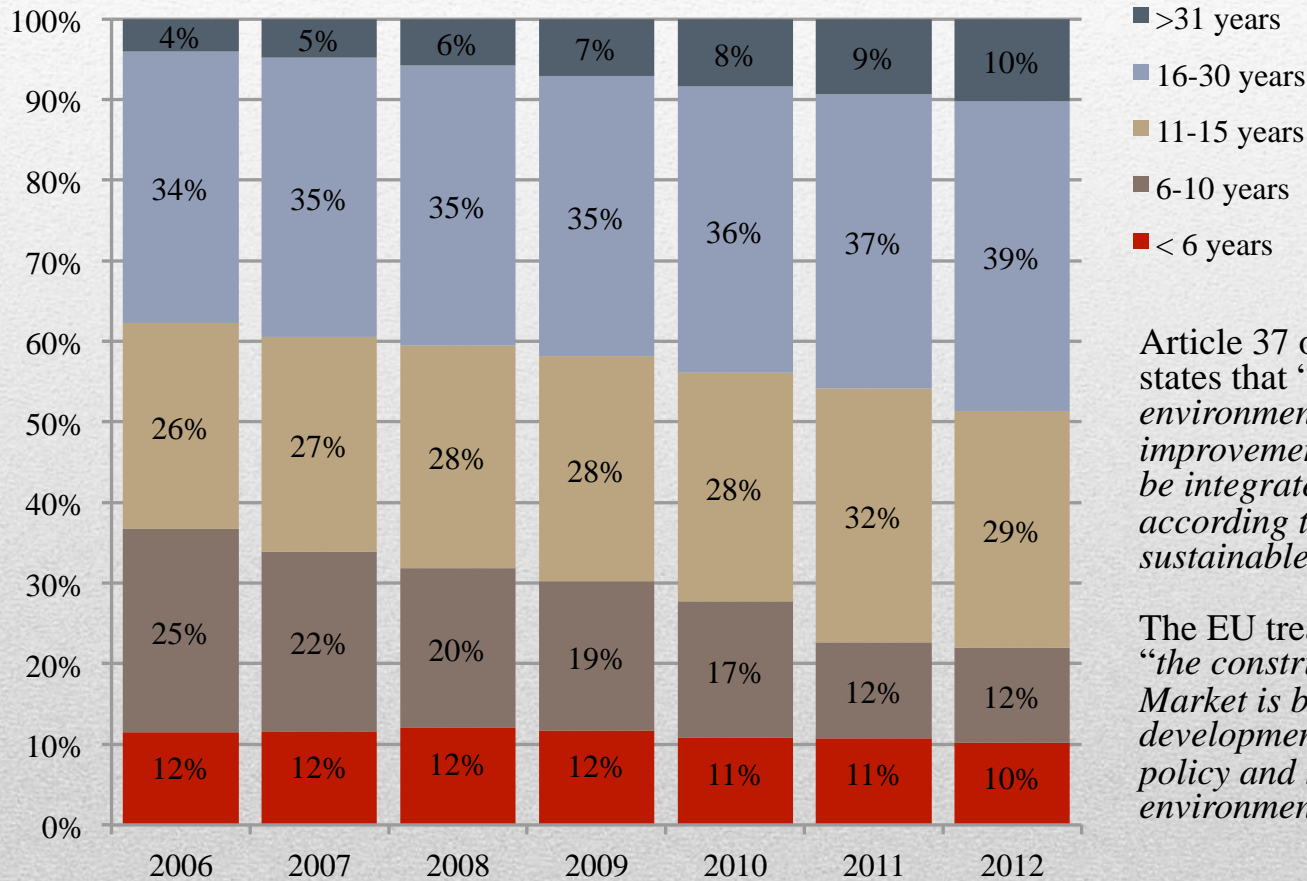
# Poland



Source: Polish Automotive Industry Association

# Poland

## Polish passenger cars fleet



Article 37 of the EU Charter states that “a high level of environment protection and the improvement of its quality must be integrated in the EU politics according to the principle of sustainable development”

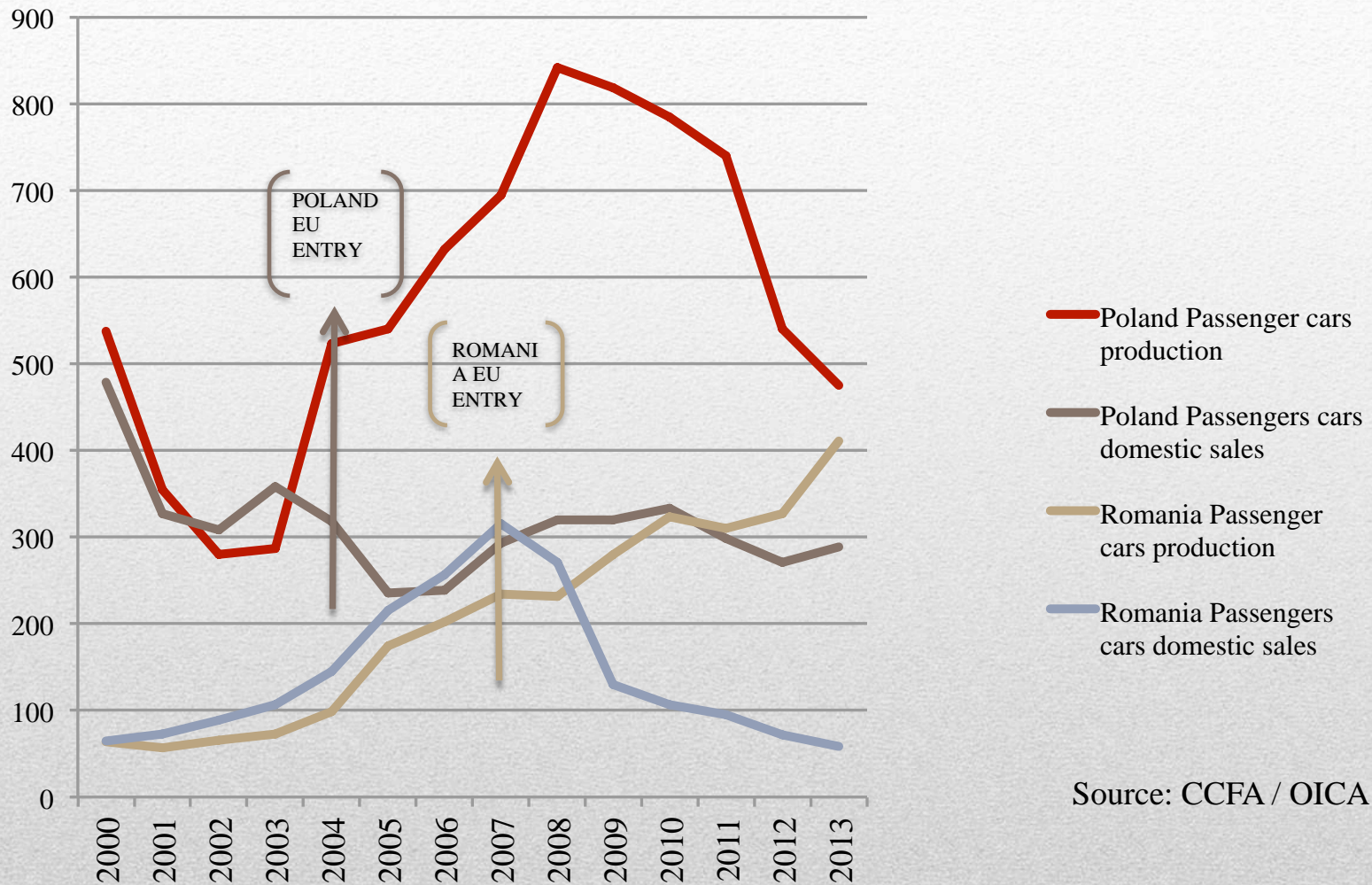
The EU treaty also states that “the construction of the Common Market is based both on the development of competition policy and the reinforcement of environmental protection”

Source: Polish Automotive Industry Association

- **Before 2004:** ban on imports of second-hand cars not compliant with Euro II standards and 22% VAT
- **January 2004:** introduction of an excise duty on the imports of second-hand cars (up to 65%)
- **September 2006:** the General Advocate of the EU tribunal states that the excise duty discriminates customers
- **December 2006:** reduction of the excise duty by the Polish government
- **January 2007:** the ECJ rules against the excise duty with retroactive effect
- **February 2007:** withdrawal of the ecological tax bill by the Polish government
- **2009-2011:** the impact of the crisis pushes the Polish lobby of foreign carmakers and suppliers to demand from the government new measures to develop domestic sales (« *Poles deserve newer cars!* »)

**Poland: some attempts to resist,  
systematically neutralised by Brussels**

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Source: CCFA / OICA

## Romania: the failed alternative

- The alliance between Dacia-Renault and the Romanian State
  - The launch in 2004 of a 5 000 € family car (the Logan) – around 40% of the market
  - Registration tax in 2004 (declared in infringement of the article 90 of the EC treaty by the EU in 2004 and 2006)
  - Pollution tax in 2010 (declared illegal by the ECJ in 2011)

→ A failed attempt to defend an alternative “fordist” path

## **Romania: the failed alternative**

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- The issue of second-hand cars imports in the CEE is nonexistent at the EU level
- The 2012 final report of “Cars21” (DG enterprise)
  1. Consensus on “overcapacity”
  2. Key targets: reduction of CO<sub>2</sub> emissions and improvement of road safety
  3. Renault, PSA and Fiat participate to the consensus / trade unions and environmental NGOs too
- Why?
  - The new rules consolidate the German (Northern) hegemony and the southern Europe restructuring:
    - Exports of second hand cars are mainly from Germany (>50%)
    - The new car sales left in the CEE are dominated by VW (30%)
    - ACEA is not effective to raise such an issue and Fiat, Renault and PSA see relocation as an opportunity to reduce capacities in high wages countries, to transform their employment relationships and maximize short-term profitability according to the upmarket strategy...

## **The elephant in the EU « Cars21 »'s room**

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