

**Best Export Markets  
For  
U.S. Automotive Parts and Accessories, 2006**

**Best Export Markets for U.S. Automotive Parts and Accessories** was compiled by Mario A. Calderon, under the supervision of Maurice Kogon, Director of the El Camino College Center for International Trade Development (CITD) in Hawthorne, California. The report is based largely on 2006 Country Commercial Guides (CCGs) prepared by United States Commercial Service (USCS) posts abroad. All CCGs include a standard chapter "Leading Sectors for U.S. Exports." This report drew from those CCGs which specifically recommended Automotive Parts and Accessories as a best prospect for U.S. exports.

The entire report is also available as a Word document, in print or electronically, for \$25.00. To order, contact the El Camino College CITD at: 310-973-3173 or **mkogon@elcamino.edu**.

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## **I. Export Market Overview**

### **U.S. Automotive Parts and Accessories -- HS 8708**

This Market Brief provides an overview of the world market for Automotive Parts and Accessories (HS 8708), based on an analysis of the latest trade statistics and market research.

**Export growth:** U.S. exports of HS 8708 products rose from \$28.8 billion in 2002 to \$31.2 billion in 2005, an increase of 8.26% over the four-year period.

**Leading Export Markets:** Canada is by far the leading market for U.S. exports of HS 8708 products (\$18 billion in 2005, or 57.95% of total). Other top markets (all valued above \$400 million) were: Mexico (20.13 % of total), Germany (2.7 %), Japan (2.41 %), Austria (1.82 %), Korea (1.39 %), United Kingdom (1.39 %), Brazil (1.37 %), and Australia (1.34%). Other significant markets (above \$200 million) were: China (1.18 %), Venezuela (1.01%), France (0.82 %), and Spain (0.64%).

**Leading Importing Countries:** Total world imports of HS 8708 products by all countries reached \$205 billion in 2005, up from \$141 billion in 2002 (+46%). The top foreign importers of HS 8708 products in 2005 were USA (\$42.6 billion, or 20.8 % of total), Canada (9.9 %), Germany (9.4 %), Spain (7.3%), United Kingdom (6.3%), and France (6.2%). Other significant importers (all above \$5 billion) were Mexico (5.2%), Belgium (4.79 %), China (3.3%), Italy (2.7%), and Sweden (2.5%).

**World Market Size & U.S. Share:** Total world exports of HS 8708 products by all countries reached \$209 billion in 2005, up from \$143 billion in 2002 (+47%). The U.S. had a 14.9 % share of the total world market in 2005, topped only by Germany (15.2 %). Other world suppliers with significant market shares were Japan (12.1 %), France (7.4 %), Canada (6.4 %) and Italy (5.7%).

**Best Market Prospects:** The markets listed below appear to be particularly promising for U.S. exports of Automotive Parts and Accessories over the next two years, based on recommendations of in-country USCS industry specialists. Specific U.S. export and foreign export/import statistics for HS 8708 products are available from the CITD for all countries, including those listed below (Sources: U.S. Census Bureau and United Nations COMTRADE). The CITD also has access to relevant trade opportunities and market research on each country:

- Australia
- Austria
- Belgium
- Bulgaria
- Brazil
- Canada
- China
- Colombia
- Costa Rica
- Czech Republic
- Egypt
- France
- Germany
- Guatemala
- Haiti
- Honduras
- Hong Kong
- Hungary
- Israel
- Italy
- Jamaica
- Kuwait
- Mexico
- Morocco
- Netherlands
- Nicaragua
- Philippines
- Poland
- Russia
- Saudi Arabia
- Slovakia
- South Africa
- South Korea
- Sweden
- Switzerland
- Thailand
- Trinidad and Tobago
- Tunisia
- Turkey
- United Kingdom
- Venezuela

## II. Market Potential Indicators

**A. Top 30 U.S. Export Markets for Automotive Parts and Accessories, 2002-2005 (HS 8708) by Country.** These tables show the leading and fastest growing markets for the U.S. products in the specified categories. *Source: U.S. Census Bureau.*

**B. Top 30 World Exporters: Automotive Parts and Accessories, 2002-2005 (HS 8708), by Country.** This table shows the leading and fastest growing world exporters of Automotive Parts and Accessories *Source: United Nations COMTRADE*

**Top 30 World Importers: Automotive Parts and Accessories, 2002-2005 (HS 8708), by Country.** This table shows the leading and fastest growing world importers of Automotive Parts and Accessories. *Source: United Nations COMTRADE*

**C. Market Sizes & U.S. Share: Automotive Parts and Accessories, 2003-2005, by Country.** This table shows each “best prospect” country’s total market, total imports, and imports from the U.S. for products in this sector. *Source: U.S. Commercial Service*

## II. Market Potential Indicators

### A. Top 30 U.S. Export Markets 2002–2005

(Values in \$ Thousands)

#### 1. HS 8708: Automotive Parts and Accessories

Country	2002	2003	2004	2005	Percent Change	Percent Change	Percent Share
	<i>In 1,000 Dollars</i>				2002-2005	2004 - 2005	2005
Canada	16,284,891	15,918,061	17,532,040	18,073,428	10.98%	3.10%	57.95%
Mexico	6,468,977	5,902,356	6,285,293	6,277,104	-2.97%	-0.10%	20.13%
Germany	622,925	602,134	780,072	842,448	35.24%	8.00%	2.70%
Japan	1,212,257	1,063,002	885,387	750,115	-38.12%	-15.30%	2.41%
Austria	818,543	407,165	341,615	566,621	-30.78%	65.90%	1.82%
Korea	238,099	212,049	359,653	435,037	82.71%	21.00%	1.39%
United Kingdom	401,953	419,705	506,201	432,093	7.50%	-14.60%	1.39%
Brazil	243,300	295,218	421,618	427,557	75.73%	1.40%	1.37%
Australia	383,611	446,704	489,024	416,567	8.59%	-14.80%	1.34%
China	184,767	324,639	402,170	369,033	99.73%	-8.20%	1.18%
Venezuela	194,242	95,796	236,773	314,558	61.94%	32.90%	1.01%
France	225,664	238,492	302,857	256,545	13.68%	-15.30%	0.82%
Spain	66,521	96,974	85,289	200,970	202.12%	135.60%	0.64%
Netherlands	220,661	195,233	204,820	196,951	-10.74%	-3.80%	0.63%
Belgium	254,539	220,267	206,402	145,617	-42.79%	-29.50%	0.47%
Sweden	119,599	169,036	193,814	136,904	14.47%	-29.40%	0.44%
Argentina	27,716	54,259	102,115	129,732	368.08%	27.00%	0.42%
Saudi Arabia	74,459	74,126	77,214	81,899	9.99%	6.10%	0.26%
Italy	79,325	109,258	101,738	74,156	-6.52%	-27.10%	0.24%
South Africa	36,174	39,757	49,392	73,163	102.25%	48.10%	0.23%
Chile	57,741	58,840	57,828	68,024	17.81%	17.60%	0.22%
Taiwan	38,111	76,407	63,175	59,044	54.93%	-6.50%	0.19%
Thailand	27,174	35,254	49,322	52,763	94.17%	7.00%	0.17%
Colombia	22,755	27,544	41,566	49,973	119.61%	20.20%	0.16%
Singapore	50,843	50,705	48,816	48,065	-5.46%	-1.50%	0.15%
Hungary	49,391	60,312	55,868	47,917	-2.98%	-14.20%	0.15%
Egypt	16,047	37,136	28,987	47,786	197.79%	64.90%	0.15%
Ireland	14,232	19,513	31,735	44,501	212.68%	40.20%	0.14%
United Arab Em	19,440	30,779	40,368	43,635	124.46%	8.10%	0.14%
Peru	16,275	19,614	17,174	31,914	96.09%	85.80%	0.10%
<b>Subtotal :</b>	<b>28,470,231</b>	<b>27,300,336</b>	<b>29,998,325</b>	<b>30,694,121</b>	<b>7.81%</b>	<b>2.30%</b>	<b>98.42%</b>
<b>All Other:</b>	<b>338,348</b>	<b>410,739</b>	<b>439,489</b>	<b>493,510</b>	<b>45.86%</b>	<b>12.30%</b>	<b>1.58%</b>
<b>Total</b>	<b>28,808,579</b>	<b>27,711,075</b>	<b>30,437,815</b>	<b>31,187,631</b>	<b>8.26%</b>	<b>2.50%</b>	<b>100.00%</b>

\* Source: US Census Bureau

**B. Top 30 World Exporters, 2002-2005**  
**HS 8708: Automotive Parts and Accessories**  
(Values in \$ Thousands)

Exporting Country	2002	2003	2004	2005	% Share
Germany	\$19,156,228,096	\$24,906,268,000	\$31,272,272,000	\$31,659,515,000	15.15%
USA	\$28,808,577,884	\$27,710,973,566	\$30,520,345,864	\$31,187,631,144	14.92%
Japan	\$16,881,379,918	\$19,840,746,873	\$23,618,831,762	\$25,277,385,880	12.09%
France	\$11,935,865,856	\$13,845,101,568	\$15,316,623,542	\$15,362,788,671	7.35%
Canada	\$10,753,950,776	\$11,842,227,936	\$12,393,077,345	\$13,405,271,847	6.41%
Italy	\$7,329,981,952	\$9,489,579,931	\$11,542,541,181	\$11,994,575,890	5.74%
Spain	\$6,829,615,104	\$8,748,375,410	\$10,193,450,085	\$10,563,770,517	5.05%
Mexico	\$6,577,668,608	\$6,960,126,220	\$8,299,563,818	\$9,752,287,064	4.67%
Rep. of Korea	\$2,288,304,128	\$3,694,457,856	\$5,271,326,024	\$7,718,956,963	3.69%
United Kingdom	\$6,045,124,096	\$6,880,377,623	\$7,720,307,719	\$7,575,984,561	3.62%
China	\$1,840,103,044	\$2,412,871,537	\$4,403,234,356	\$6,566,790,204	3.14%
Belgium	\$3,762,401,024	\$4,532,554,694	\$5,863,655,005	\$6,190,008,188	2.96%
Sweden	\$2,750,818,048	\$3,374,853,376	\$3,766,575,073	\$3,929,859,176	1.88%
Poland	\$1,394,440,960	\$2,150,488,064	\$3,067,301,593	\$3,714,859,223	1.78%
Austria	\$2,053,206,210	\$2,477,454,256	\$2,873,306,019	\$3,097,848,174	1.48%
Brazil	\$1,160,100,480	\$1,489,539,072	\$1,963,032,622	\$2,463,716,980	1.18%
Netherlands	\$1,742,308,611	\$1,831,009,986	\$2,054,910,443	\$2,436,813,652	1.17%
Hungary	\$1,152,913,024	\$1,593,352,000	\$1,961,451,000	\$2,336,878,142	1.12%
Thailand	N/A	\$960,959,828	\$1,412,019,662	\$2,120,009,748	1.01%
Turkey	\$694,839,936	\$934,337,920	\$1,198,879,613	\$1,460,005,552	0.70%
Singapore	\$515,406,499	\$907,456,834	\$1,238,465,245	\$1,428,577,761	0.68%
Slovakia	\$622,554,560	\$1,226,128,508	\$1,188,703,810	\$977,790,675	0.47%
Switzerland	\$572,387,776	\$674,315,008	\$795,345,849	\$881,087,821	0.42%
Romania	\$240,374,000	\$360,053,536	\$574,720,311	\$860,855,162	0.41%
Argentina	\$431,296,232	\$495,283,538	\$658,787,121	\$788,279,228	0.38%
Denmark	\$507,736,768	\$568,201,216	N/A	\$783,332,152	0.37%
South Africa	\$408,460,800	\$523,663,040	\$634,246,343	\$625,103,171	0.30%
Slovenia	\$253,287,408	\$334,807,823	\$446,375,367	\$535,221,152	0.26%
Norway	\$413,329,088	\$490,791,256	\$516,244,782	\$522,493,690	0.25%
Australia	\$571,770,112	\$639,474,944	\$580,037,956	\$513,081,779	0.25%
<b>Top 30 Subtotal</b>	<b>\$137,694,430,998</b>	<b>\$161,895,831,419</b>	<b>\$191,345,631,510</b>	<b>\$206,730,779,167</b>	<b>98.90%</b>
<b>All Other</b>	<b>\$4,944,493,762</b>	<b>\$7,056,867,884</b>	<b>\$9,025,291,710</b>	<b>\$2,302,801,804</b>	<b>1.10%</b>
<b>Total To World</b>	<b>\$142,638,924,760</b>	<b>\$168,952,699,303</b>	<b>\$200,370,923,220</b>	<b>\$209,033,580,971</b>	<b>100.00%</b>

\*Source: COMTRADE

**Top 30 Importers, 2002-2005**  
**HS 8708: Automotive Parts and Accessories**  
(Values in \$ Thousands)

Importing Country	2002	2003	2004	2005	% Share
USA	\$30,137,162,028	\$33,260,140,498	\$38,436,142,115	\$42,623,182,308	20.79%
Canada	\$17,583,086,438	\$17,641,846,905	\$19,768,616,099	\$20,233,483,820	9.87%
Germany	\$12,001,133,568	\$14,990,981,000	\$18,192,509,000	\$19,258,353,000	9.40%
Spain	\$10,206,919,680	\$13,318,386,216	\$15,367,398,671	\$14,923,070,250	7.28%
United Kingdom	\$9,792,882,688	\$11,491,261,731	\$13,153,935,170	\$12,926,108,429	6.31%
France	\$7,904,524,288	\$10,031,502,336	\$12,248,777,247	\$12,684,781,373	6.19%
Mexico	\$9,674,663,936	\$9,013,972,208	\$9,349,383,006	\$10,600,598,276	5.17%
Belgium	\$6,513,211,392	\$7,308,040,039	\$9,134,731,270	\$9,264,508,241	4.52%
China	\$2,976,423,320	\$6,129,064,216	\$7,305,377,738	\$6,712,918,205	3.27%
Italy	\$3,884,007,680	\$4,755,984,143	\$5,234,069,126	\$5,572,984,185	2.72%
Sweden	\$2,875,576,320	\$3,853,111,296	\$4,575,977,526	\$5,033,610,687	2.46%
Austria	\$2,676,702,004	\$2,749,957,725	\$4,048,528,514	\$4,588,834,422	2.24%
Japan	\$2,545,424,448	\$3,029,818,189	\$3,488,703,785	\$3,793,873,007	1.85%
Turkey	\$1,029,376,384	\$1,729,617,536	\$3,109,808,906	\$3,382,246,896	1.65%
Netherlands	\$2,299,203,268	\$2,678,055,538	\$3,053,207,346	\$3,168,320,608	1.55%
Poland	\$1,070,950,976	\$1,608,219,008	\$2,628,384,619	\$2,903,611,775	1.42%
Thailand	N/A	\$2,127,470,551	\$2,494,279,246	\$2,737,409,073	1.34%
Slovakia	\$1,060,489,344	\$1,927,115,223	\$2,244,279,951	\$2,276,765,457	1.11%
Brazil	\$1,460,068,480	\$1,581,210,880	\$1,909,642,469	\$2,249,240,441	1.10%
Rep. of Korea	\$1,536,820,224	\$1,772,309,760	\$1,965,656,047	\$2,197,077,900	1.07%
Australia	\$1,149,081,728	\$1,399,770,112	\$1,500,462,983	\$1,648,330,324	0.80%
Russian Federation	\$311,944,895	\$507,491,571	\$858,282,494	\$1,300,739,651	0.63%
Hungary	\$858,590,016	\$1,007,255,000	\$1,109,060,000	\$1,260,824,219	0.62%
Argentina	\$438,408,590	\$557,746,574	\$955,798,686	\$1,256,139,078	0.61%
Singapore	\$735,397,024	\$936,376,235	\$1,138,384,218	\$1,218,376,615	0.59%
Malaysia	\$332,537,434	\$471,901,216	\$564,274,730	\$991,334,589	0.48%
Saudi Arabia	\$551,469,280	\$592,465,648	\$751,793,279	\$925,436,855	0.45%
Finland	\$707,853,824	\$642,447,360	\$672,914,879	\$860,014,568	0.42%
South Africa	\$376,234,688	\$494,032,064	\$611,268,341	\$812,105,073	0.40%
Slovenia	\$412,960,576	\$436,279,638	\$594,134,799	\$776,343,099	0.38%
<b>Top 30 Subtotal</b>	<b>\$133,103,104,521</b>	<b>\$158,043,830,416</b>	<b>\$186,465,782,260</b>	<b>\$198,180,622,424</b>	<b>96.68%</b>
<b>All Other</b>	<b>\$7,705,059,760</b>	<b>\$11,317,452,363</b>	<b>\$12,070,901,646</b>	<b>\$6,799,310,806</b>	<b>3.32%</b>
<b>Total To World</b>	<b>\$140,808,164,281</b>	<b>\$169,361,282,779</b>	<b>\$198,536,683,906</b>	<b>\$204,979,933,230</b>	<b>100.00%</b>

\*Source: COMTRADE

## C. Market Sizes & U.S. Share, by Country

The Table below provides comparative data on total market, import market, and import from the U.S. for 42 countries considered “best prospects” for U.S. exports of Automotive Parts and Accessories. The countries are listed in alphabetic order, not in rank order. The data are based on local sources and reflect best estimates of USCS commercial officers of each country. Statistical accuracy and comparability to other sources (e.g., “USDOC Bureau of Census”) are affected by a number of factors, including lack of published figures in certain markets, variances in data collection techniques, sources of data, and industry definitions.

### Automotive Parts and Accessories, 2003 - 2005 (Values in \$ Millions)

Country	Total Market			Total Imports			Imports from US		
	2003	2005	% Change	2003	2005	% Change	2003	2005	% Change
Australia	8,110	9,698	19.6%	2,797	3,375	20.7%	706	851	20.5%
Austria	4,083	5,925	45.1%	3,159	4,373	38.4%	515	450	-12.6%
Belgium	28,815	N/A	N/A	21,811	N/A	N/A	521	N/A	N/A
Brazil	12,400	17,200	38.7%	4,318	5,900	36.6%	750	840	12.0%
Bulgaria	95	N/A	N/A	90	N/A	N/A	8	N/A	N/A
Canada	35,121	41,153	17.2%	27,773	33,083	19.1%	23,887	27,513	15.2%
China	22,600	35,800	58.4%	5,940	6,800	14.5%	510	620	21.6%
Colombia	1,159	1,303	12.5%	917	1,043	13.7%	341	387	13.6%
Costa Rica	157.6	161.5	2.5%	144.7	156	7.8%	47.5	47	-1.1%
Czech Republic	10.6	12.3	16.0%	6.5	8.5	30.8%	0.054	0.058	7.4%
Egypt	1,150	N/A	N/A	950	N/A	N/A	150	N/A	N/A
France	26,531	30,951	16.7%	16,203	20,176	24.5%	572	627	9.6%
Germany	35,492	37,000	4.2%	9,878	11,000	11.4%	1,801	1,900	5.5%
Guatemala	347	N/A	N/A	371	N/A	N/A	167	N/A	N/A
Haiti	N/A	35	N/A	N/A	35	N/A	N/A	25	N/A
Honduras	80	114.2	42.8%	80	114.2	42.8%	52.4	74.7	42.6%
Hong Kong	574	410	-28.6%	2,501	2,899	15.9%	46	55	19.6%
Hungary	208	201	-3.4%	4,076	3,955	-3.0%	N/A	N/A	N/A
Israel	198	253	27.8%	166	220	32.5%	12	14	16.7%
Italy	23,781	22,810	-4.1%	8,695	8,870	2.0%	280,202	325	16.0%
Jamaica	28	32	14.3%	26	30	15.4%	4	6	50.0%
Kuwait	180	199	10.3%	180	199	10.3%	54	60	10.4%
Mexico	19.5	24.1	23.6%	18.3	21.3	16.4%	N/A	N/A	N/A
Morocco	332	363	9.3%	225	247	9.8%	6.4	7.7	20.3%
Netherlands	4,529	4,670	3.1%	17,020	17,254	1.4%	183	400	118.6%
Nicaragua	98.59	149.94	52.1%	98.59	149.94	52.1%	16.69	20.44	22.5%
Philippines	2,200	2,000	-9.1%	1,478	1,400	-5.3%	96	70	-27.1%
Poland	2,958	N/A	N/A	1,615	N/A	N/A	14.9	N/A	N/A
Russia	4,500	5,500	22.2%	1,800	2,250	25.0%	500	800	60.0%
Saudi Arabia	678	685	1.0%	623	630	1.1%	162	158	-2.5%
Slovakia	4,512	9,700	115.0%	3,799	5,500	44.8%	3	8	166.7%
South Africa	650	N/A	N/A	465	N/A	N/A	42	N/A	N/A
South Korea	30,302	32,081	5.9%	2,410	3,036	26.0%	N/A	N/A	N/A
Sweden	7,151	9,388	31.3%	3,862	5,053	30.8%	143	91	-36.4%
Switzerland	973	1,058	8.7%	865	953	10.2%	30	44	46.7%
Thailand	5,680	5,416	-4.6%	3,190	2,956	-7.3%	53	51	-3.8%
Trinidad & Tobago	161	170	5.8%	161	170	5.8%	8.7	9.1	4.6%
Tunisia	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Turkey	5,794	9,000	55.3%	3,904	7,000	79.3%	42	60	42.9%
United Kingdom	24,400	24,600	0.8%	15,200	15,800	3.9%	420	450	7.1%
Venezuela	56	N/A	N/A	44	N/A	N/A	8	N/A	N/A

\*Source: US Commercial Service

### III. Best-Prospect Market Assessments

Following are overviews of “best prospect” markets for Automotive Parts and Accessories, based on observations of USCS posts in each country. The countries appear in alphabetical order. For more detailed market research on Automotive Parts and Accessories in these and other specific markets, see relevant Market Research Reports listed in Chapter V. For general commercial and economic information on individual countries, see the relevant Country Commercial Guides (CCGs).

#### Australia

Four main automotive companies dominate the Australian auto industry, valued at \$12.75 billion in 2005. Toyota remains the market leader holding 20.3%, Holden with 17.8%, Ford with 13.1%. Mazda, Mitsubishi and Nissan collectively representing 18.7% followed these. The Federal Chamber of Automotive Industries advises that the forecast for 2005 is 1,000,000 vehicles.

The automotive components and accessories market is valued at around \$6 billion. If one includes tires, engines and engine parts that value increases to around \$12 billion. The largest proportion of this is in vehicle servicing which accounts for 34% followed by other parts and accessories with 32%. The remainder is made up of crash repair parts, oils, lubricants, additives and electrical accessories.

Growth in Australia’s automotive aftermarket has averaged more than 5% over the past nine years. The aftermarket for replacement parts and accessories is a very significant element of Australian component producers’ total sales. This part of the market is estimated to be worth almost \$5 billion and is split fairly evenly between local producers and imports. Japan is the leading supplier, accounting for 30.62% of imports, while the United States is the second most important source of supply, with 24.04% of the market or \$ 394 million.

The Australia-U.S. Free Trade Agreement immediately eliminated the 15% Australian tariff on U.S. imports. This is perhaps the most significant tariff reduction in the AUSFTA. When coupled with the larger number of U.S.

suppliers, this fact should contribute to a boost in U.S. exports.

Additionally, the economic stimulus expected from the FTA would likely lead to an improved Australian market for motor-vehicle parts. As a result, vehicle and parts producers may also reevaluate component-purchasing patterns to determine optimal sourcing, which could raise U.S. export volume. This growth potential however, may be limited by the modest size of the Australian market. Although the United States is Australia’s second-largest import source of these components, U.S. exports to Australia represent less than 2% of total U.S. exports of motor-vehicle parts.

The Australian automotive market provides excellent opportunities for U.S. suppliers of both specialty aftermarket equipment as well as the necessary aftermarket parts such as: tires, carburetors, piston rings, fuel injection products, transmission and ignition products, lubricants and fuel pumps, body repair kits and products, along with automotive tools and aftermarket accessories. In general, high-quality and competitively priced accessories are always in demand. In addition, the Free Trade Agreement should improve the ability of U.S. exporters to compete with other suppliers, particularly from Asia, to capture a greater share of this growing market for other parts and accessories.

#### Opportunities

In May 2004 Australia’s Prime Minister announced that the Australian Government will support investment stimulation in the State of South Australia. To bring this to fruition the Australian and South Australian Governments are working in partnership to promote the advantages of South Australia as an investment

destination with initiatives such as the \$34 million Structural Adjustment Fund for South Australia (SAFSA). The maximum grant available under the Fund is \$7.6 million and funding cannot exceed more than 50% of the total capital cost of the project. The minimum threshold for investment is \$760,000.

U.S. automotive companies are strongly encouraged to apply. The automotive industry is South Australia's largest single manufacturing industry with more than 13,000 people directly employed. Of the 350,000 cars made every year in Australia, over half are manufactured in South Australia at the GM Holden and Mitsubishi plants in Adelaide. Supporting the two assemblers is a vibrant automotive components industry of about 40 firms supplying national and international manufacturers with a range of components, rear-view mirrors, seats, suspension modules, moldings and exhaust systems.

A team has been established at Invest Australia's head office in Canberra to support the SAFSA. Applications from U.S. Automotive companies for funding under this program are welcomed. Further information on the fund can be obtained by emailing: [safsa@investaustralia.gov.au](mailto:safsa@investaustralia.gov.au) or Richard Niven, Senior Manager of the South Australia team on Tel: 61 2 6213 6725 or at [richard.niven@investaustralia.gov.au](mailto:richard.niven@investaustralia.gov.au).

### **Resources**

- Australia United States Free Trade Agreement Business Group (AUSTA): [www.austa.net](http://www.austa.net)
- Australian Automotive Aftermarket Association: [www.aaaa.com.au](http://www.aaaa.com.au)
- Australian Customs Service: [www.customs.gov.au](http://www.customs.gov.au)
- Federation of Automotive Parts Manufacturers: [www.fapm.com.au](http://www.fapm.com.au)
- Federal Chamber of Automotive Industries: [www.fcai.com.au](http://www.fcai.com.au)
- Invest Australia: SAFSA: [www.investaustralia.gov.au](http://www.investaustralia.gov.au)

U.S. companies seeking information on the Australian automotive industry are encouraged to contact Kate Wilkie at the U.S. Commercial Service in Melbourne

(Email: [kate.wilkie@mail.doc.gov](mailto:kate.wilkie@mail.doc.gov)).

### **Austria**

The Austrian market for automotive parts and equipment has grown sporadically over the past few years, due largely to its unusual structure. Around half of the market is domestic OEM production and the other half is the aftermarket. While the aftermarket has grown slowly with the leveling off of new car sales since 2001, the OEM market has risen and fallen quite dramatically in response to domestic assembly operations and manufacturer demand.

The aftermarket in Austria was valued at \$2.3 billion in 2004. This figure is large for a small country, but the American share of the aftermarket is very low at around 5%. This is mainly because there are very few U.S. cars on Austria's roads (1.2% including high U.S. content vehicles assembled in Austria). It should be noted that the "Holland effect", i.e., the entrance of U.S. imports into Austria via another EU country, results in an understating of the percentage of U.S. parts and accessories in Austria because these imports do not show up in the statistics. The aftermarket has been dampened significantly by a trend on the part of manufacturers to offer new cars fully equipped with the latest accessories.

The OEM market in Austria grew by around 40% in 2004, after weak results in 2003. This sharp increase in orders can be explained by retooling at the Magna assembly facilities, as two new models came online (more below), and by production increases at the BMW motor production facility. Auto and auto parts and systems production is the second largest industry in Austria, after machinery and steel construction, and it is the most important export industry in Austria. The two largest operations are Opel Austria Powertrain, which produces around 1 million power trains, 400,000 engines, and around 300,000 cylinder heads yearly and a BMW facility that produces over 700,000 engines annually. Nearly 100% of this production is exported, primarily to the EU 25 countries.

Auto assembly is becoming an increasingly important economic factor in Austria.

Operations in this country are unique in the world, because there is no OEM assembly. Instead, the Magna facilities in the Austrian city of Graz produce several makes and models of cars on a contract basis. This means that the product mix is constantly shifting according to manufacturer needs. Magna's first and most important customer is Daimler-Chrysler, for whom several high U.S. content vehicles have been and are being produced. Chrysler models currently being assembled in Graz are the Voyager and Grand Voyager, the Jeep Grand Cherokee, and the Chrysler 300c (production for this model started last year). Production of the Jeep Commander is expected to begin this year. All of these automobiles have high U.S. content -- for most models it is between 50-60%. Mercedes assembles the G and the E 4-matic models in Graz, though the latter will move to Germany in 2007.

In 2002-2003, Daimler-Chrysler withdrew assembly contracts for two high U.S. content models -- the Mercedes M model and the PT Cruiser. This resulted in a dramatic fall in exports of U.S. auto parts to Austria. Magna put the freed capacity to work by starting relationships with BMW and Saab. The company currently produces the Saab 9-3 Cabriolet and the BMW X3, reportedly very successfully.

A small plateau in production is expected for 2005 after the enormous growth of 2004, and another jump is predicted in 2006, reflecting the addition of the Chrysler 300c in 2005 and the Jeep Commander in 2006 to the Magna assembly operation. This will likely have a positive impact on the level of U.S. exports in automotive parts and systems to Austria, as both of these models have a high U.S. content -- around 60%.

#### **Resources**

- Austrian Automotive Cluster:  
[http://www.automobil-cluster.at/index\\_eng.php](http://www.automobil-cluster.at/index_eng.php)
- Automotive Trade Association:  
<http://www.wk.or.at/fahrzeuge/>

#### **Belgium**

Belgium's automotive industry has always been one of the strongest components of its economy. Belgium is a world leader in the car assembly industry; with more than 96% of its output destined for export, Belgium has the highest per capita production in the world. Belgium's car assembly industry, including Ford, Opel, Volvo and Volkswagen, employs 70,000 direct employees, yielding an average annual output of almost one million vehicles. This production is valued at \$10.6 billion. Investor confidence is strong as reflected in the impressive \$350 million annual investments by Ford, GM, Chrysler and Volkswagen. Currently, Volvo cars and Ford are restructuring their production lines.

In addition to passenger cars, Belgium assembles trucks, buses and trailers. Van Hool, Volvo Europa, Daf, and Jonckheere are the major manufacturers, employing over 10,000 and generating an annual turnover of \$2.7 billion.

There is a fairly high replacement rate of cars in Belgium and there are 5.9 million motor vehicles registered in the country. In 2004, 484,000 new cars, excluding 56,000 utility vehicles were on the road. 666,000 used cars and 72,000 utility vehicles were resold. Each year 485,000 vehicles fail to pass technical inspections and cannot be driven. 190,000 of these cars are stripped for parts, recycled and crushed while the rest are resold abroad.

#### **Best Products/Services**

Best prospects for auto equipment include anti-theft devices, fast-rotating replacement parts, and gadgets for in-car entertainment, customizing and sport accessories, car maintenance chemicals, and GPS devices. In addition, quality American garage and test equipment is also highly respected.

In the repair and service equipment market, the most promising products are air conditioning maintenance equipment, electronic diagnostic devices, emission testing equipment and testing equipment for technical inspection stations.

Environmental awareness is the most recent trend in the Belgian automotive industry, especially regarding vehicle recycling. By 2005, 85% of a newly registered car's weight must be recyclable, by 2015, 95%. Currently, 75% is the standard.

## **Resources**

FEDERAUTO: [www.federauto.be](http://www.federauto.be)

## **Brazil**

Brazil has a long-established competence in automotive manufacturing, aided in no small part by a relatively large consumer class, a culture that reveres Formula I racing, and decades of protectionist policies that continue to favor domestic production. GM, Daimler-Chrysler, and Ford all have large manufacturing installations in Brazil and compete vigorously in the small car market against Fiat, Peugeot, Renault-Citroen, VW, Toyota, and Honda. In addition, a variety of small trucks, large rigs, and busses are manufactured in Brazil by most of the world's leading automotive companies. Finally, a complex tax structure that encourages innovative fuel use and energy independence has led Brazilian companies to become innovators in natural gas and sugar cane-derived fuels for internal combustion engines.

Brazil is one of the top ten automotive manufacturers in the world by volume, with over million units produced in 2004. Of the top ten countries manufacturing cars, Brazil's per capita income is by far the lowest. However, cars are relatively easy for Brazilian consumers to purchase, with generous financing packages offered due to clear laws governing car ownership as collateral. Car manufacturers are among the most sophisticated television and print advertisers, and car sales have in recent years proven to be sensitive to slight changes in the prime rate set by the Central Bank of Brazil.

Automotive manufacturers increasingly see Brazil as an export platform for smaller models, typically with less than 2-liter displacement engines. In just one example, Ford recently opened a \$1.2 billion plant in Bahia, in NE Brazil, which together with OEM suppliers

employs over 5,000 people. It is manufacturing a small sport-utility, the Amazon, for export worldwide.

Given the scale of the Brazilian automotive production market, most suppliers tend to maintain operations in Brazil as well. The automotive parts market in Brazil is expected to reach \$ 17.2 billion in 2005, a growth of 12% compared with 2004.

We estimate a significant portion of this growth will come from new vehicle production, which is projected to increase 9.4% in Brazil. OEM assembly is responsible for 56% of the total market size of auto parts in Brazil, while exports represent 22% of it. New investments reached \$ 600 million, 20% more than 2003. The return on sales, which has been negative during the last couple of years, with some exceptions, is expected to continue to grow in 2005.

Automotive market imports and exports are expected to grow slightly in 2005. The imports are expected to reach \$ 5.9 billion and the exports \$ 6.3 billion and the sector is expected to employ 172,000 people, modest growth compared to last year's figures.

We believe that much of the increase in sales of automotive parts will come from increased exports of vehicles from Brazil. That said, the actual percentage increase that we project for US imports is relatively flat. The challenge for US exporters of automotive parts is Brazil's burdensome tax structure on imports. However, US companies should note that US market share of imported parts is less than 25%, leaving room to increase sales at the expense of other foreign suppliers to Brazil. In addition, we believe that the fact that many auto parts suppliers in Brazil are running at 90% capacity could force carmakers to consider expanding imports overall. For more information on taxes, duties, and tariffs, please consult our report on regulations and customs at <http://www.focusbrazil.ora/br/cca>

## **Best Products/Services**

- Subassemblies and accessories for tractors and automotive vehicles.

- Parts and accessories of stampings. Gearboxes.
- Spark ignition and internal combustion engines. Subassemblies and parts for explosion engines. Roller bearings.
- Gearings and friction wheels, ball axles and rollers. Breaks and parts for tractors and vehicles. Injection pumps parts for liquids.
- Parts for diesel and shaft engines.
- Joints, gaskets and alike of soft vulcanized rubber. Ignition key for vehicles engines.
- Diesel and shaft engines of vehicles.
- Vulcanized rubber other than hard rubber. Ball bearings with integral shafts.
- Engines (compression ignition internal combustion piston engines).
- Transmission housing, fixes speed, multiple and variable speed.

#### **Resources**

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Roberto Muhlbach at: roberto.muhlbach@mail.doc.gov.
- ANFAVEA (National Association of Vehicle Manufacturers): <http://www.anfavea.com.br>
- SINDIPECAS (National Association of Autoparts Manufacturers): <http://www.sindipecas.org.br>.
- SINDIREPA (Brazilian Association of Mechanical Shops): <http://www.oficinadeveiculos.com.br>
- ANDAP (National Association of Autoparts Distributors): <http://www.andap.org.br>

#### **Bulgaria**

The automotive market in Bulgaria is characterized with steady growth of new car imports and sales, and decreasing imports of used cars. In 2004 new car sales registered a 50% growth, and in 2005 sales were up 40%. Despite the upward trend, automobiles in Bulgaria tend to be very old with the continued import of used cars at a rate of about 170,000 cars per year.

Almost 20% of the cars registered in Bulgaria are older than 20 years. Since 2000 Bulgarian families prefer to buy cars not older than 10

years. Now almost 70% of Bulgarian families own a car and almost 80% of the firms with business activities have motor pools, which depending on their activities, consists of cars, vans, minibuses, jeeps and light trucks.

Many Bulgarian car owners do their own service, such as oil changes, filter replacement, simple adjustments, rubber belts replacement, and brake and brake shoe lining replacement. This is done after the car owners buy the spare parts from independent auto part stores or go directly to some of the many small independent garages or auto repair shops.

Companies, which own and operate a motor pool, prefer to assign to their drivers only car cosmetic and simple car care activities, while the regular alignments, maintenance, overhaul and repair is done in service stations.

The automotive and especially the accident repair car business is one of the fastest growing in Bulgaria. The growth in numbers of European cars will lead to a need for more sophisticated service and car body repair equipment, both mechanical and electronic, paint products and application methods at an affordable price. The official distributors of all new car models maintain warranty service and repair stations within their company structures. The new, sophisticated electronic car equipment requires special analyzers, testers and experts to deal with it.

#### **Best Products/Services**

Best prospects include oil and air filters, wiper blades, rubber blades, hoses, gaskets and rings, engine parts, brake parts, exhaust system parts, car body parts, wheel covers, car/truck bed covers, car batteries, exterior accessory lights, security alarms, steering wheel locks, service equipment for electronic diagnosis, monitoring, testing and analyzing, wheel balancing, tire changing, oil changing, battery chargers, quick repair kits, tools, paints and auto cosmetics.

#### **Opportunities**

In near and medium term, greater opportunities exist in import of second hand cars, year of manufacture after 2000, import of monitoring,

testing devices and servicing equipment for the younger generation of cars, testers for the electronic car components, antitheft car devices, car safety and security devices.

### **Resources**

- Union of Car Importers in Bulgaria (UCIB) – [www.svab.bg](http://www.svab.bg)
- Bulgarian Customs – [www.customs.bg](http://www.customs.bg)
- Expoteam (organizer of the largest automotive market and aftermarket show in Sofia) – [www.expoteam.org](http://www.expoteam.org)
- Bulgarreklama (organizer of the International Plovdiv Fair) – [www.bulgarreklama.bg](http://www.bulgarreklama.bg) and [www.fair.bg](http://www.fair.bg)
- For more information on market entry strategies contact:  
Uliana.Kanelli@mail.doc.gov

### **Canada**

Canada's \$41 billion automotive parts/equipment market and U.S. exports to Canada are expected to grow 3-5% in 2006 and beyond as production stays on target (2.7 million vehicles in 2005) and as 7 million older vehicles start needing aftermarket repairs. U.S. exports have a 67% share of the market and a 91% share of imports. Statistics indicate that Canada's auto sector continues to outperform its much larger U.S. counterpart.

The Canadian automotive aftermarket offers U.S. suppliers the best opportunities in this sector, with annual growth of 3-4% forecast for 2006-2008. As the use of embedded (such as engine control systems) and external (such as GPS) computer systems in automobiles grows exponentially, computer-based technology will also continue to be a major area of growth.

### **Best Products/Services**

Best prospects in this sector being in the aftermarket, the demand for technology to improve fuel efficiency and for replacement parts for vehicles manufactured between 1999 and 2003 will offer excellent sales prospects. Also, much of the aftermarket parts market is being driven by the increase in the number of mechanically installed (MI) and Do-It-Yourself (DIY) purchases and repairs. U.S. suppliers of automotive accessories, performance and

appearance products, garage tools, diagnostic service and repair equipment will also continue to find lucrative export opportunities. Ontario offers the largest aftermarket retail potential at US \$7.1 billion followed by Quebec at US \$4.2 billion, the Prairie Provinces at US \$3.5 billion, British Columbia at US \$2.6 billion, and the Atlantic Provinces at \$ 1.2 billion.

### **China**

China is trying to develop its automotive industry into a key industry of the national economy by 2010. China now has 6,224 automotive enterprises, which are scattered in five sectors: motor vehicle manufacturing (145), vehicle refitting (536), motorcycle production (1,162), auto engine production (58), and auto parts manufacturing (4,323).

Chinese output of motor vehicles reached 5.075 million in 2004, according to statistics from the China Association of Automobile Manufacturers (CAAM). As of Q3 2005, China had already produced 4.5 million vehicles, a 10% rise from Q3 2004. The automotive industry generated total industrial output value of approximately \$106 billion by Q3 2005, a 5.7% increase year on year.

China's accession to the WTO has had a great impact on the automotive industry. By July 1, 2006, tariffs on imported automobiles will be reduced to 25%, which is the 5th reduction since 2001 and tariffs on imported automotive parts will fall to 10%. The gradual reduction of tariffs on automotive parts and China's agreement to eliminate local content requirements after WTO entry, have placed domestic automotive parts manufacturers in direct competition with their international counterparts.

The main goals for automotive components, parts, and accessories manufacturers are to improve technology and quality and to develop design capability. Most of the domestic automotive parts manufacturers' R&D capabilities are limited due to the small scale of their operations and a shortage of capital as compared to international companies. In the next

five years, the Chinese Government will continue to encourage foreign investment in automotive component development and manufacturing. In the meantime, there is a growing market for imports and American products are generally highly regarded by Chinese customers.

Many U.S. firms have already begun exporting to this quickly growing market. U.S. automotive component firms enjoy a good reputation for quality and many U.S. firms are already well known to Chinese end-users. Domestic OEM firms encourage U.S. suppliers to establish plants in China or work more closely with local firms to upgrade product quality. As more parts are sourced locally, the total cost of production decreases, as there is no import tariff on locally made products. The reductions in automobile tariffs will make it much more cost effective for U.S. firms to export finished vehicles to China, and reduced tariffs on parts will allow companies to import essential components that cannot currently be found domestically. Additionally, as China's restrictions on trading and distribution are reduced, American companies are gaining the right to distribute most products, including automobiles and related parts, in any part of China, whereas formerly, foreign companies could only distribute parts to one interior destination in China and they were not allowed to ship or distribute products between cities without employing a Chinese freight company.

The Shanghai area is the center for component manufacturing, representing around 20% of national production. Shanghai is also home to Shanghai General Motors, Delphi, Visteon, and other notable American automotive companies and, as such, provides a good starting point for US automotive component exporters to begin to explore the Chinese market.

#### **Best Products/Services**

Best prospects include engines for motor vehicles and motorcycles, auto and motorcycle casting blanks, key automotive parts and components including disc-type breaking assembly, drive axle assembly, automatic transmission box, diesel engine fuel pump,

engine admission supercharger, engine displacement control device, electric servo steering system, viscous continuous shaft device (for four-wheel drive), air shock absorber, air suspension frame, hydraulic tappet, and compound meter, auto electronic devices and instruments (including control systems for engine, chassis and vehicle body), fuel cell technology, automotive accessories.

#### **Resources**

- China Association of Automobile Mfrs  
Tel: (86-10) 6859-5239  
Fax: (86-10) 6959-5234
- China Automotive Technology/Research Ctr.  
Tel: (86-10) 6328-3523  
Fax: (86-10) 6346-2256  
[http://www.catarc.ac.cn/index\\_english.htm](http://www.catarc.ac.cn/index_english.htm)
- Auto Intelligence (China Oriental Auto Publishing House)  
Tel: (86-21) 6289-4477  
Fax: (8621) 6289-2608  
[www.oauto.com](http://www.oauto.com)

U.S. Commercial Service Contact Information in China:

- Beijing:  
Tel: (86-10) 8529-6655  
Fax: (86-10) 8529-6558/9  
Mr. David Murphy  
[David.Murphy@mail.doc.gov](mailto:David.Murphy@mail.doc.gov)
- Shanghai:  
Tel: (86-21) 6279-7930  
Fax: (86-21) 6279-7639  
Mr. Yu-Chien Chen  
[Yuchien.Chen@mail.doc.gov](mailto:Yuchien.Chen@mail.doc.gov)
- Guangzhou:  
Tel: (86-20) 8667-4011  
Fax: (86-20) 8666-6409  
Ms. Ying Liu  
[Ying.Liu@mail.doc.gov](mailto:Ying.Liu@mail.doc.gov)
- Chengdu:  
Tel: (86-28) 8558-3992  
Fax: (86-28) 8558-9221  
Ms. Chen Ling  
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- Shenyang:  
Tel: (86-24) 2322-1198x8142  
Fax: (86-24) 2322-2206  
Ms. Liu Yang  
[Yang.Liu@mail.doc.gov](mailto:Yang.Liu@mail.doc.gov)

## **Colombia**

The Colombian automotive sector has experienced a significant recovery during the 2004-2005 period. It continues to be strong and solid. It is the fourth most important and dynamic industry in Colombia. The demand for automotive parts and accessories and service equipment is noteworthy, taking into consideration that the average lifespan of most of the 3.4 million motor vehicles running in Colombia is twelve to fifteen years.

Another factor favoring the automotive market is that approximately 80% of cargo transportation and passengers are moved in Colombia by land. Thus, transportation companies need to keep their vehicles in optimum condition to perform efficiently. Also, the approximately 80,000 motor vehicles produced and imported annually create a demand for after-market parts.

The development and growth of the automotive parts and accessories sector depends directly on the sale of motor vehicles in Colombia. Demand for automotive parts and accessories from the three local manufacturing plants (GM, Mazda, and Renault) showed significant signs of recovery in 2005 with a growth of 34.9%. Local carmakers are active in the market and have captured market-share by increasing the variety of models produced in country and for exports to Venezuela, Ecuador and other Andean countries. Imports of automotive parts and accessories and maintenance equipment are expected to grow as a result of the large number of vehicles imported and produced during the last five years. These vehicles are beginning to demand replacement parts and maintenance, and especially because of the permanent demand of parts and accessories for the maintenance and repair of the Bogotá mass passenger bus transportation system, "Transmilenio," and similar systems that will be developed for Cali, Barranquilla, Medellin, the coffee growing region (Eje Cafetero) and other major cities.

### **Best Products/Services**

Best prospects over the short and medium term will be determined very much by the continued

demand of the aftermarket and by the demand for parts generated by the equipment already in operation. According to industry and trade sources, local manufacturers plan to manufacture those automotive parts and accessories that will have the largest demand in the local market. Demand for imported equipment will continue the same trend, but the growth brought on by expanded markets created by international trade agreements (such as the CAN-Mercosur, G-3, ALADI, and the U.S. etc.) could mean more opportunities for U.S. imports.

### **Opportunities**

Tires for small vehicles, trucks and buses, gasoline and diesel engines, piston rings, cast-iron engine parts, carburetors, engine valves, other cast-iron engine parts, fuel-injection pumps, parts of fans, ventilating hoods, air conditioning and parts for motor vehicles, filters, ball bearings, tapered roller bearings, roller bearings, gaskets and similar joints of metal sheeting, electrical storage batteries, nickel-cadmium storage batteries, electrical distribution parts, terminals, electrical splices and electrical couplings, boards, panels, consoles, cabinets for motor vehicles, bodies for passenger automobiles, body stampings, gear boxes, drive axles with differential, suspension shock absorbers, radiators, clutches, suspension systems, parts for power trains, brake parts.

### **Resources**

- CS Bogota contact: Soledad Salguero, Commercial Specialist  
Email: soledad.salguero@mail.doc.gov
- National Statistics Department-Dane:  
www.dane.gov.co
- Colombian Association of Automotive Parts Manufacturers-Acolfa: www.acolfa.com.co

## **Costa Rica**

The Costa Rican market for auto parts, as evidenced by recent import data, increased from 2002-2004. Nonetheless, due to a slowing Costa Rican economy, total imports in this sector increased in 2004 by only 1.5% over the previous year, to about \$148.8 million.

The consensus within the local automotive parts industry is that the sector will grow at an annual rate of 6-8% from 2006-2007. Competition from used automobile imports from Korea increased sharply during 1998-2003 due to lower duty rates for these vehicles from this country. This surge led to an increase in auto parts imports from Korea, which reduced the U.S. market share. As a result, industry sources indicate that the U.S. share of the import market is expected to improve only slightly from 2005-2007. U.S. market share for automotive parts for 2004 was 30.7%.

### **Best Products/Services**

Many Costa Rican importers of automotive parts and accessories purchase their products in the U.S., although a significant portion of the items do are not U.S. made. Local production is limited to small electrical and metal parts, batteries, electrical copper cable, hydraulic seals, filters (air/gasoline), steel leaf springs, aluminum and steel wheels, windshields, carpets, hoses, mufflers, bus bodies, and tires. Major U.S. competitors in this sector are Japan, South Korea, Brazil, Taiwan, and France. High quality, durability, availability and assortment of vehicle parts, fast delivery, and favorable prices are the main factors for increasing U.S. sales of these products.

### **Opportunities**

According to most Costa Rican importers of automotive parts, good sales opportunities continue to be projected for virtually all categories of products in this sector.

### **Resources**

- U.S. Commercial Service Costa Rica Industry Specialist: Victor Cambroner, Victor.Cambroner@mail.doc.gov <http://www.buyusa.gov/costarica/en/staffusembassy.html>
- U.S. Commercial Service Costa Rica: <http://www.buyusa.gov/costarica/en/>
- Costa Rican Association of Importers of Automotive Parts -AIPA [aipacr@racsa.co.cr](mailto:aipacr@racsa.co.cr)
- Costa Rican Importers of Used Vehicles – CCA [jose\\_carb@racsa.co.cr](mailto:jose_carb@racsa.co.cr)

- Costa Rican Association of Importers of Vehicles –AIVEMA [aivema@racsa.co.cr](mailto:aivema@racsa.co.cr)
- Costa Rican Customs Directorate, Ministry of Finance: <https://www.hacienda.go.cr/Msib21/Espanol/Direccion+General+de+Informatica/ArancelTI CA.htm>

## **Czech Republic**

Central Europe, and the Czech and Slovak Republics in particular, are fast becoming known as the “Detroit of Europe.” More than half of the world’s 50 leading suppliers already have facilities in the Czech Republic, and others are entering the market every year. The proposal in late 2005 for a new Hyundai plant (if the project is finalized, construction is expected to begin this year) highlighted the continuing growth in the Czech automotive sector. Current estimates predict that the three major car manufacturers in the Czech Republic—Skoda Auto, PSA Peugeot Citroen/Toyota Motor Corporation, and Hyundai– will produce 1.1 million cars by 2009. This would make the Czech Republic one of the European Union’s two leading auto producers in the number of cars produced per capita, second only to the Slovak Republic.

### **Best Products/Services**

Best prospects for U.S. exporters are in lighting equipment, filters, bumpers, shock absorbers, electronic equipment parts, in-car entertainment, security equipment, and car care products, general manufacturing equipment and supplies, equipment for large-scale automotive parts manufacturing, special manufacturing equipment and materials, service suppliers for global manufacturers

### **Opportunities**

The weak dollar makes U.S. suppliers highly competitive in the Czech auto sector. Excellent opportunities exist for U.S. automotive suppliers interested in setting up manufacturing facilities in the Czech Republic or establishing a joint-venture with Czech partners.

## Resources

- Association of Automotive Industry of the Czech Republic Opletalova 55, 110 00 Praha 1, Czech Republic web:  
<http://www.autosap.cz/default-e.asp>
- U.S. Commercial Service:  
Zdenek Svoboda, Commercial Specialist  
Tel: (+420) 2-5753-1162, ext. 2310; fax:  
(+420) 2-5753-1165  
E-mail: [Zdenek.Svoboda@mail.doc.gov](mailto:Zdenek.Svoboda@mail.doc.gov)

## Egypt

Currently, the roads of Egypt are occupied with 4 million vehicles with an expected lifetime of more than 10 years. This long ownership results in a deteriorating general vehicle condition and lends to an increase in the need for aftermarket products and services.

### Best Products/Services

Best prospects include modern garage equipment, performance accessories, service equipment, comfort & entertainment accessories, and tires & wheels

### Opportunities

The Egyptian authorities are currently taking aggressive steps to meet international challenges and nurture a local market that has faced many difficulties. As one example, customs duties on car parts and accessories were lowered to a minimum of 10% in many cases. As a result of these changes, industry specialists and major players are expecting this industry to flourish in the coming years.

## Resources

- Commercial Service in Egypt:  
<http://www.buyusa.gov/egypt/en/>
- U.S. Embassy: <http://usembassy.egnet.net>
- USAID: <http://www.usaid-eg.org/>
- World Bank: <http://www.worldbank.org/>
- American Chamber of Commerce in Egypt:  
<http://www.amcham.org.eg>
- Egyptian Government Web Portal:  
<http://www.egypt.gov.eg/english/>
- The Egyptian Auto-feeders Union:  
<http://www.eafa-egypt.com/home.asp>
- Egypt's Official Automotive Portal:  
<http://www.motoregypt.com/>

Contact for the Commercial Specialist in charge of the Automotive Aftermarket Sector:  
Essam Tabarak, [essam.tabarak@mail.doc.gov](mailto:essam.tabarak@mail.doc.gov)

## France

France is the fourth largest European automotive market after Germany, the U.K. and Italy. With an estimated registered 2,013,709 new light vehicles (passenger and light commercial cars) in 2004, France has seen a positive trend concerning its automotive market.

Renault, PSA, Toyota, Fiat and General Motors (Heuliez) produced 3,227,416 passenger vehicles in 2004 in France. The two French car manufacturers Renault and PSA built 2,892,106 passenger cars out of the total (Toyota, Fiat and GM represented 335,310 passenger vehicles in 2004). Renault and PSA manufactured 2,276,224 passenger vehicles destined for export. Nearly 55% of Renault and PSA passenger vehicle production remains in France with 80% being exported elsewhere in Europe.

In 2004, the automotive component supplies industry as a whole employed some 320,000 people and posted sales of USD 63 billion. On average, automotive suppliers are responsible for 75% of the industrial cost price of a passenger car produced in France. The remaining 25% corresponds to assembly (USD 10.5 billion for mechanical parts; USD 7.7 billion for plastics; USD 4.7 billion for tires; USD 4 billion for electronics; USD 3.4 billion for foundry products and USD 2 billion for rubber).

French automotive parts suppliers' sales reached approximately USD 30.4 billion in 2004 (+4% compared to 2003). The main categories of automotive parts included in this figure are: locks, volumetric oil and fuel pumps, miscellaneous machines, electrical equipment, measuring and checking instruments, transmission units, fuel supply and exhaust equipment, engine components, steering, suspension and braking systems, climate control equipment, seats and diagnostic instruments. This equipment is sold to the OEM market (Original Equipment Manufacturers) and the

aftermarket, which includes the OES market (Original Equipment Suppliers) and the IAM market (Independent Market). It is very difficult to break down sales by product categories and even the French Vehicle Equipment Industries Association (FIEV <http://www.fiev.fr>) has not been able to provide us with this information.

OEM automotive part sales reached \$25.8 billion, a 4% increase over 2003, mainly due to the increase in French car production (the production of vehicles for the French market increased by 1.3% in 2004). Automotive parts suppliers increased their exports by 10% in 2004 compared with 2003.

Automotive parts suppliers' sales to the aftermarket (OES + IAM) increased by 3.5% to reach more than USD 4.6 billion in 2004. This evolution is mainly due to two factors: 1) the increase in the number of registered light vehicles (passenger and light commercial cars which also includes second hand vehicles), which exceeded 35 million units in 2004, and 2) the average age of light vehicles, which exceeded 8 years in 2004.

The automotive parts market in France is dominated by big multinational firms, many of them American with French or European operations. The FIEV (The French Vehicle Equipment Industries Association) is made up of the main parts and equipment suppliers in France. Large U.S. suppliers are already present in France and are doing well. Among the twenty top listed suppliers, eight are American (Delphi, Visteon, Johnson Controls, Lear, TRW Automotive, Dana, Arvin Meritor, Federal Mogul). There is little or no room for mid-sized exporters in this very closed market, as competitive requirements, transportation costs, etc., make it very difficult for firms not physically established here to sell their products to OEM and OES. The majority of the U.S. industry is supplying the French market from its European subsidiaries and pursuing joint ventures in France.

The automotive industry association FIEV (French Vehicle Equipment Industries) has mapped the evolution of the supply chain, and it is obvious that French manufacturers encourage

their key suppliers to co-locate to manufacturing plants adjacent to the assembly operations in France or elsewhere in Europe. Since France's exports and imports of parts and components and assembled vehicles are largely within the Euro zone, the use of Euro as a transaction currency is a determining factor in source selection.

Most of the larger vehicle manufacturers have rationalized their suppliers' component bases and sub-assemblies and have stopped manufacturing parts in-house wherever possible. The trend is toward Tier One suppliers that provide complete sub-assemblies of parts sourced from a variety of Tier Two and Tier Three component manufacturers. Key suppliers are gaining greater competence in modules, systems, and even complete vehicle manufacture and have to meet the highest standards to be able to compete in this industry.

Domestic parts suppliers are playing an increasingly greater part in the new world order as 42% of total sales is made outside of France and the level of imports between France and other EU countries is still increasing, especially with Germany, Italy, Spain and Central Europe. In 2004, imports of parts from the U.S. reached USD 628 millions, a 0.3% decrease compared with 2003. The recent tendency has been to source in foreign countries such as China, Japan, Taiwan and India to the detriment of the U.S.

### **Opportunities**

Opportunities for U.S. suppliers will be on highly technological or innovative products in the context of the environment, security and recyclable materials, air conditioning products for the aftermarket, techniques and tools for cost savings and quicker collision repair services.

### **Resources**

- Website: [<http://www.equipauto.com>]
- French Vehicle Equipment Industries Association  
Website: [<http://www.fiev.fr>]
- Embassy U.S. Commercial Service Trade Specialist: [[Stephanie.Pencole@mail.doc.gov](mailto:Stephanie.Pencole@mail.doc.gov)]  
– Phone: (33-1) 43 12 29 38  
Website: [<http://www.buyusa.gov/france/en>]

## Germany

The automobile industry remains one of the driving forces behind potential economic growth in Germany. While the domestic market for automobiles has remained stagnant, German exports increased slightly. Because of increased global sourcing by German manufacturers, and a favorable EUR-USD exchange rate, U.S. parts manufacturers were able to increase their exports to Germany. Orders for new vehicles have increased over the last months, indicating that the market may be starting to recover.

### Best Products/Services

Best prospects include, engine electronics, multi-media products, forged and pressed parts

### Resources

- VDA (German Automobile Association): [www.vda.de](http://www.vda.de)
- ZKF (Central Association for Car and Body Technology): [www.zkf.de](http://www.zkf.de)
- Central Association for German Motor Trades and Repair: [www.kfzgewerbe.de](http://www.kfzgewerbe.de)
- Commercial Service Contact:
- Paul.Warren-Smith@mail.doc.gov

## Guatemala

The Guatemalan market for Automotive Parts, Accessories and Service Equipment continues to grow steadily. Around 95% of used vehicles are purchased directly from U.S. salvaged car auctions and are repaired locally. On average, Guatemalans keep their automobiles for 5-7 years before purchasing a newer model. Import taxes for new cars are considered high (between 15-20%); hence purchasing new models is not common. Given these factors, there are a large number of used vehicles on the roads every day. These cars require continuous maintenance and replacement services.

Importers of automotive equipment for service stations have reported good sales in the past two years and expect to continue doing so. Equipment is sold to local mechanic shops, service stations and gas stations. The enormous amount of used vehicles circulating has stimulated the need for this kind of equipment.

Automotive parts importers have to keep up with the demand from local importers of used cars, which need parts to repair, sometimes, severely damaged cars.

Imports from the U.S. enjoy a privileged position in the market. Almost 50% of all Automotive Parts, Accessories and Service Equipment are imported from the U.S. Asian manufacturers are entering aggressively into the market with low-priced products and considering the fact that almost 80% of the cars circulating in Guatemala represent Asian brands. For this reason, the other 50% of imports come from Asia, as well as Brazil and Europe.

Customs records for Guatemala report that the U.S. has a 50% market share, but this does not necessarily mean that products are manufactured in the U.S., but rather sold through an American distributor. U.S. auto parts exports to the Central American region surpassed \$213 million in 2005.

CAFTA Impact: Once CAFTA is implemented, there will be immediate elimination of automotive parts tariffs, which had ranged from 1-20%, which provides immediate cost savings. Origin rules under CAFTA will allow remanufactured parts to qualify for duty free treatment, potentially expanding the market for these products in the CAFTA region.

### Best Products/Services

The most promising sub-sectors for U.S. products within the industry include aftermarket products such as: bumpers, spoilers, tail lights, wheels, sound systems, alarms, tires, batteries, suspension kits, mufflers, filters, chips, exhaust systems, brakes, windshield wipers, spark plugs, wheel covers, steering wheels, etc.

Other promising products are service equipment such as: lifts, tire repair, electronic diagnosis, tire balancing, compressors, and all necessary equipment and tools for service stations.

### Opportunities

There are more than 100 spare parts and service agents in the country. Due to the large demand for aftermarket products and service tools and

equipment, the majority of these agents and distributors, whether they are large-sized companies or a small entrepreneur, are always open to look at new alternatives to offer their customers. It is very important to note that this market is completely price-driven and that Asian brands are well positioned in the market, so the innovative, high-tech, unusual products are a good opportunity for U.S. manufacturers as long as prices remain competitive. Market Size: 1,258,500 vehicles (2003) U.S. Auto Parts Exports: \$213 million (2004)

### **Resources**

- US Commercial Service in Guatemala [www.buyusa.gov/guatemala](http://www.buyusa.gov/guatemala)
- Official website for Government Tenders [www.guatecompras.gt](http://www.guatecompras.gt)
- Guatemalan Chamber of Commerce [www.negociosenguatemala.com](http://www.negociosenguatemala.com)
- Tax information official website [www.sat.gob.gt](http://www.sat.gob.gt)
- Statistical information [www.sieca.org.gt](http://www.sieca.org.gt)

### **Haiti**

The market for new automobiles remained static in 2004, following a slowdown in the economy. This has had a direct impact on the demand for automotive parts and service equipment since car owners tend to keep their old cars and spend more on maintenance.

### **Best Products/Services**

Imports of used vehicles from the United States are expected to rise 35% in 2005 and could continue to increase in 2006.

### **Opportunities**

The passenger car market is dominated by Japanese brands, particularly Mitsubishi, Toyota and Nissan. American brands have penetrated the market, especially late model used vehicles. There is an increasing market for used U.S. trucks and buses for public transportation.

### **Honduras**

Market demand for U.S. products in this sector looks promising, with an expected growth rate of 10% over the next three years. An aging car

population continues to fuel demand for automotive parts and accessories in Honduras. An estimated 70% of the total vehicle population is at least 5 years old and in need of constant repairs. The introduction of U.S. manufactured vehicles has also increased significantly over recent years, posing greater opportunities for American exporters. Honduras has no local production of automotive parts & accessories. The United States is one of the major suppliers in this sector, along with Japan, Taiwan, Korea, China, Brazil, Mexico, Germany and the U.K.

Public service transportation units represent one of the major end-users of automotive parts and accessories in Honduras. Most of the urban transportation fleets use buses of low operational quality, which are 80% obsolete. The replacement needs for urban buses alone is estimated at \$60 million.

There are more than 300 retailers of automotive parts and accessories in Honduras who buy directly from overseas or through local distributors. Japanese cars and light trucks dominate the market but parts are often purchased through the United States. American-made pickups, SUVs, heavy trucks and buses have stronger shares of the local market. Recent tariff changes for automotive vehicles include an overall reduction in tariffs, elimination of the disadvantage to U.S. vehicles vs. Japanese models as Honduras rescinded the tariff based on engine size, and the implementation of a complete ban on the importation of used vehicles more than seven years old.

### **Best Products/Services**

Best prospects include all types of engine spare parts, electrical and brake system, components, transmission and suspension parts, tires, wheels, bumpers, spoilers, tail lights, mobile electronics, alarms, sound systems, repair shop, paint, tools & equipment, emission control equipment, batteries, automotive accessories.

### **Opportunities**

In order to comply with the "Regulation of Hazardous Gas Emissions of Automotive Vehicles" enacted in 2001, aimed at reducing the increasing air pollution levels generated by

tailpipe emissions in the major cities of Honduras, all passenger motor vehicles need to be fitted with an emissions control system or catalytic converter. This important regulatory measure, coupled with the growing demand for effective emissions control devices, should positively influence the demand for automotive parts and accessories through local repair shop services.

The Commercial Service Office in Tegucigalpa annually recruits and leads a delegation of Honduran automotive aftermarket leaders to the AAIW (Sema/AAPEX) show in Las Vegas, Nevada, the most important retail and specialty automotive aftermarket trade event in the U.S.

### **Resources**

- Honduran Association of Automotive Dealers and Distributors of Automotive Parts & Accessories: <http://www.ahdiva.com>
- Honduran Customs Directorate: <http://www.dei.gob.hn>
- Honduras Trade Portal: <http://www.hondurastradeportal.com>
- Regional Trade Statistics: <http://www.sieca.org.gt>
- National Statistics Institute: <http://www.ine-hn.org>
- CAFTA-DR Website: <http://www.export.gov/cafta>

### **Hong Kong**

Hong Kong's automotive parts and accessories imports in 2004 reached \$2.6 billion, a 5% increase over 2003. Although the U.S. had only 2% of the market share, Hong Kong's imports from the U.S. increased 13% from \$46 million in 2003 to \$52 million in 2004.

### **Best Products/Services**

There are potential opportunities to sell high-value and high technology products into the Hong Kong market for upgrading or enhancing automobile functions, security, safety and enjoyment. For Mainland China, the best selling products are electrical and electronics parts; chassis parts and components; engines and parts; auto safety technology; environmentally friendly

and energy saving products; anti-theft products; and tires and tubes.

### **Opportunities**

Since Hong Kong does not have its own automobile industry, imported automotive parts are mainly for the local aftermarket and re-export markets of Mainland China and other parts of the world. The local after-market for U.S.-made parts remains small, as Japanese and European cars hold 65% and 35% market shares, respectively. Hong Kong, however, is an important trading hub for automotive parts into Mainland China, which does import U.S. vehicles. In 2004, over 31% of Hong Kong's total exports of automotive parts and accessories went into Mainland China, totaling approximately \$770 million.

Mainland China's automotive/auto parts market 2003 was a watershed year for Mainland China's automotive industry. Sales of new vehicles increased 70% over 2002. The Chinese Government has since then undertaken measures to cool the industry down, including the tightening of the automotive loan policy. That being said, Mainland China's vehicle sales still grew by 30% in the first half of 2004. The steady increase of vehicle import quotas and a reduction in import tariffs in the beginning of 2005 to 30% from the previous 34.3- 37.6% is expected to increase demand for imported cars. At the same time, Mainland China's automotive component industry is also enjoying steady growth and is expected to continue as import tariffs continue to decline due to the WTO provision. Statistics showed that Mainland China imported \$16 billion worth of automotive parts and components in 2004. As many Chinese automotive parts and components manufacturers are still not competitive in terms of quality and reliability, demand for overseas automotive parts and components will continue. Due to its geographical proximity to Mainland China and its experience in Mainland China trade, Hong Kong will continue to be an ideal place for U.S. exporters who would like to sell into Mainland China.

### **Hungary**

The market for automobiles in Hungary has been robust since the mid-1990s, helped by the rise of personal disposal income and the easing of available credit. Although new car sales have stagnated recently, due to an influx of used cars from Western Europe, following the elimination of import tariffs when Hungary joined the EU in 2004, the trends still augur well. In 2004, Hungary had about 281 cars per 1,000 people, versus 362 cars per 1,000 people in Greece, which has the lowest per-capita car ownership in the EU-15. So there is room to grow, especially since the average age of vehicle is 11.7 years.

In 2005, Hungarians bought roughly 201,413 new cars, versus 207,055 in 2004. Another 600,000 used cars were sold. Smaller cars, which are versatile and inexpensive, are most popular. Hungary is home to a large automotive components industry, as well as some assembly plants. Suzuki, with a manufacturing facility in Esztergom, is the market leader. But U.S. automakers are also faring well. GM's Opel and Chevrolet brands comprise over 18% of the market, while Ford – which recorded an impressive 20% growth rate in 2005 – holds about 9%. High end models, such as Cadillac and Corvette, sell in small volumes but with high visibility and profits.

#### **Best Products/Services**

U.S. automotive brands are well regarded and are in demand. But more than that, consumption is growing for automotive after-market products, especially those that improve a car's appearance or increase comfort and security. Hungarian consumers are increasingly buying American-style chrome wheels, seat covers, spoilers, racks and performance enhancing electronics like audio and GPS systems. In addition, with car theft a major problem, alarm systems and security devices are big sellers. Specialty metal and engine parts, AC systems, automotive-related chemicals and diagnostic products should also fill a niche.

Of course, competition is fierce in these areas, but U.S. suppliers are very much in the game. In general, as more and more cars fill the roads, including those from American automakers, the

need for U.S. auto parts and supplies should increase concurrently.

#### **Resources**

- Central Statistical Office [www.ksh.hu](http://www.ksh.hu)
- Hungarian Automotive Industry [www.gepjarmuipar.hu](http://www.gepjarmuipar.hu)
- Vehicle Part Manufacturing Association [www.majosz.hu](http://www.majosz.hu)
- Hungarian Automotive Engineering Industry [www.autotechnika.hu](http://www.autotechnika.hu)
- Hungarian Association of Automobile Dealers [www.gemosz.hu](http://www.gemosz.hu)
- Pannon Automotive Cluster [www.autocluster.hu](http://www.autocluster.hu)
- Automobil International Exhibition [http://www.automobil.hungexpo.hu/2005k\\_kiallitas\\_eng.php](http://www.automobil.hungexpo.hu/2005k_kiallitas_eng.php)
- Commercial Specialist, U.S. Commercial Service Hungary - Csilla.vegh@mail.doc.gov

#### **Israel**

The automotive aftermarket sector in Israel consists of original equipment manufacturer (OEM) parts and their substitutes. Industry sources predict sales of \$1.1 billion in 2005, 5% more than 2004. There are about 2.3 million cars on Israeli roads of which 4.8% are built in the United States, and the balance from Europe (50.4%) and Asia (44.8%). In 2004, total imports of aftermarket products amounted to \$191 million, of which \$13 million was from the U.S., \$43 million from Germany, \$17 million from Japan, \$18 million from France, \$16 million from Italy, and the balance from China, Korea and Taiwan. There are presently between 600–700 importers of aftermarket products and around 20 local manufacturers of aftermarket parts and accessories in Israel.

About six years ago new legislation was passed by the Anti-Trust Authority to stop car importers from forcing garages and car owners from using only OEM parts. American spare parts are recognized for their high quality although over the years Israel has progressively adopted European standards as the bulk of cars being imported are from Europe and the Far East. The Government of Israel has recently appointed an interministerial committee to review the Israeli

car market in general. One of the committee's main objectives is to open up the Israeli car market to competition and to eventually reduce taxes on cars from 90% to 65%. Taxes in Israel are among the highest in the world, which industry sources blame as the main factor preventing the car market from reaching its potential. Discounting taxes, car prices in Israel were among the lowest in the world, up to 40% less than in Europe.

### **Best Products/Services**

Best prospects includes car security and anti-theft devices, anti-theft electronic systems, locking devices, car body, bumpers, radiator grills, hood and trunk lids, wings, front and rear lamps (i.e. the parts most vulnerable in car accidents), service parts, disc break pads, shock absorbers, front suspension parts, filters for oil and lubrication, air conditioning parts, replacement service parts, tires, fan belts, water hoses, water pumps, brake components, engine and transmission components, electrical components, undercarriage items that need replacing at the end of the warranty period, vehicle accessories, car care products, polish, wax, upholstery spray, water-coolants (Glycol) for radiators, electronic accessories, TV screens for the rear seats, GPS systems, sound systems etc, universal lubricants, well-known brand names of high-grade oils, lubricating, glycol, wax. The market demands well-known brand names.

### **Opportunities**

Israeli importers are always on the look out for quality products at competitive prices usually in that order.

### **Resources**

Central Bureau of Statistics Israel

### **Italy**

Recent data (01/03/2006) from CSP (Centro Studi Promotor), one of the major automotive research organizations in Italy, (<http://www.centrostudipromotor.com>), notes that sales of new cars in Italy in 2005 totaled 2,234,174 units (-1.35% over 2004). The result is to be rated as positive, when taking into

account the increased gasoline prices, the weak economic situation and the fiscal burden on car ownership. In particular, this is the ninth consecutive year that new car sales in Italy exceed 2,230,000, which testifies that the market is relatively stable. Whereas the trend in the latest six months was positive, December 2005 showed a reduction of 6.3% over December 2004.

Italian brands lost 1.46%, while foreign competitors lost 1.30%. Complete data relative to single makes is not available yet. Fiat should have been around 625,000 units (28.09% of the market). Fiat was recovering in the last part of 2005 due to the introduction of some new models.

As a comparison, we can highlight that domestic Italian makes' sales totaled 634,429 units in 2004 with a share of 28.09% (27.95% in 2003). In 2004, the local dominant group, Fiat Auto SpA (Fiat, Lancia, and Alfa Romeo), had 28.04% of market share and manufactured 4 out of 10 best selling cars: Fiat Punto (1st), Fiat Panda (2nd), Lancia Ypsilon (5th) and Fiat Seicento (10th). Fiat SpA owns the Ferrari and Maserati sporting car makes. The Fiat brand had more than 20% of the Italian market.

In 2005 the situation should be similar to 2004, when foreign brands sold 1,624,432 cars, or 71.91% of the market (down from 72.05% in 2003). According to the first data released, the top competitors of Fiat Group should have been the groups GM (Opel + Chevrolet), Ford (Ford + Mazda + Land Rover + Volvo) and Volkswagen (Volkswagen + Audi + Seat + Skoda).

Ford, GM and Daimler-Chrysler operate in the Italian market through their European subsidiaries. They usually manufacture their cars in Europe so direct imports from the U.S.A. are not relevant. SUV's are the most recent craze in Italy, but they are facing severe criticism due to their environmental impact and the difficulties in driving and parking them in the often small and crowded Italian cities. Some U.S. SUV's are directly imported into Italy by local specialized importers and they cater to the requests of fashion leaders and the wealthy.

It may be helpful to highlight that Italians have a preference for diesel cars. Italian drivers prefer diesel cars due to the lower fuel price. Diesel engines equip not only larger cars, but also smaller ones like city car Smart and top selling Fiat Punto.

Some information on the Fiat Group: In the first part of 2005, the Group has ended most of its financial and manufacturing agreements with General Motors Corp., Detroit, MI, which were signed in March 2000. In particular, the most important agreement has been terminated, included some joint companies in the procurement and manufacturing fields, i.e. GM-Fiat Worldwide Purchasing, and GM-Fiat Powertrain. Some collaboration has been kept, both in the manufacturing field and in the development of some vehicle programs. To terminate the joint ventures, GM paid around \$2 billion to Fiat.

In November 2005, Fiat struck an agreement with Ford Europe, a branch of the U.S. manufacturer Ford Motor Co., Detroit, MI, to develop jointly a small car, (engine and transmission supplied by Fiat), to be produced in a Polish Fiat plant (quantity 240,000 per year) and marketed from 2007-2008, with the commercial names 'Fiat Nuova 500', and 'Ford Ka'.

The market for automotive parts and service equipment declined during recent years, due to a decrease in passenger car production. The automotive parts market constantly changes, so it is difficult to speculate how it will develop in the future as it depends heavily on car sales, and the Italian makers are facing a significant challenge from foreign (particularly Asian) brands.

Domestic production covers approximately two thirds of the demand compared to one third covered by imports. Sales of original equipment (OE) account for around 65% of the total components demand, while aftermarket (AM) sales account for 35%. The turnover of the Italian automotive aftermarket industry was in 2004 about \$9.8 billion. This represents around

35% of the global turnover of the automotive components industry worth around \$29 billion.

Big multinational firms control the tier-one parts market in Italy, many of them American with operations located in Italy. The need for proximity to the manufacturer, delivery requirements, transportation costs, etc., makes it very difficult for firms not physically located in Italy to enter this competitive market.

Many U.S. groups operating in the OE and AM sectors have therefore factories in Italy, among them American Standard Companies, Inc. (Piscataway, NJ), ArvinMeritor Inc. (Troy, MI), Collins & Aikman Co. (Troy, MI), Dana, Inc. (Toledo, OH), Johnson Controls, Inc. (Milwaukee, WI), Key Plastics, LLC (Northville, MI), Lear, Co. (Southfield, MI), Oxford Automotive, Inc. (Troy, MI), Tower Automotive, Inc. (Novi, MI), TRW Inc., (Livonia, MI), Visteon, Co. (Van Buren Township, MI), etc.

Imports are in general higher in AM rather than in OE, due to the development of modern distribution channels and transnational operators, improved performance of foreign automotive organizations and greater competitiveness of imported products. Products are imported from European countries like Germany (around one third) and France (about one fifth). Imports from the U.S. account for fewer than 5% of overall imports.

Italy has reportedly one of the highest auto densities in the world (with Europe's highest, 1.69 inhabitants per car), and one of the oldest circulating auto fleets in Europe, (more than one third is older than 10 years). Consequently, the budget and subsequent expenses related to maintenance repair equipment have continued to increase during the last few years. Approximately, 34 million cars are circulating on the roads (2004 data).

The higher frequency of periodic compulsory motor vehicle inspections and stricter pollution control regulations in Italy have forced the replacement of parts and the use of more modern service equipment than was common some years

ago. Furthermore, as the electronic systems on cars become increasingly sophisticated, service shops have to invest in new equipment and technologies to provide suitable maintenance. The new European standards on auto servicing, implemented in 2003, have opened some interesting prospects for independent repair professionals. Due to the new rules, the independent professionals will be entitled to receive from car manufacturers any technical information and training needed to repair any kind of automobile. This may represent a significant market opportunity for Italy's more than 50,000 independent repair professionals who, along with more than 4,000 garages belonging to the official networks, make up the Italian auto repair industry.

All the car manufacturers have been recently forced by new, mandatory EU regulations to extend to two years the minimum period of warranty for cars. As a result, customers are paying more periodic visits than before to the official garage networks. This strengthens the manufacturers' relations with the customers and allows the manufacturers to recover some of the profits that they lost in car selling, due to the increasing competition on the production side and increasingly favorable sales terms.

The aftermarket is characterized by two big trends: on one side, the so-called liberalization of the distribution, allow the possibility of using spare parts, "complying with the original" and of "equivalent quality" to those made by manufacturers. This fact has had relevant consequences on the market, by reducing the hold on it by manufacturers. On the other side, manufacturers reacted through the extension of the products' warranty, for up to five years. Warranty extension is one of the few marketing tools, which manufacturers can use to differentiate their competitive offer (being the others discounts and consumer grants).

Due also to the fact that some independent experts believe that there are minimal quality differences among the top brands and that non-genuine offer comparable quality at a lower price, part of the car manufacturers' control of

the market has been shifted to distributors and users.

A slight increase in American aftermarket imports can be expected, due to automotive maintenance, embellishment and additive products for the automotive market. In particular, alloy wheels, advanced material body kits and sport utility vehicle (SUV) accessories might be the products with the highest sales growth potential. In general, the increased sales of SUVs and other 4x4 vehicles are creating a lucrative market for automobile accessories.

Some niche sectors may supply U.S. manufacturers with interesting opportunities.

**Auto accessories and tuning:** the yearly turnover of this sector in Italy is more than \$360 million. This market is growing and may be of real interest for U.S. manufacturers. The Italian regulations, rather strict, are undergoing a trend towards their adaptation to EU standards.

**Automotive info-mobility solutions:** One of the latest craze for Italians is info-mobility. Tools as navigators are quickly spreading into the consumer goods market, and are now available in most of the department stores. From dashboard GPS to fleet management solutions, the market is growing and many U.S. manufacturers are already present here. Some opportunities may certainly arise also for new to market companies offering cutting-edge new products.

**Natural gas (CNG) vehicles:** Italy ranks second in the world after Argentina, and is the first country in Europe as regards LPG vehicles. Italy has been using natural gas as a vehicle fuel since the 1920's and has about 340,000 NGVS. The Italians have a network of 340 filling stations to support their use of compressed natural gas (CNG). There is no fuel tax on natural gas, as a vehicle fuel, making it very economical compared to other competitive fuels. U.S. manufacturers might find interesting opportunities in this market. For more information, please refer to the ENGVA website, <http://www.engva.net/bolzano2005/ExhibitionIntro.aspx>, which refers to the 11th annual

European NGV's and H2V's Conference and Exhibition organized, together with the 1s World Fair of NGV's, in June 2005 in Bolzano, Italy.

### **Best Products/Services**

Best prospects include a range of passive and active security components/accessories, environmentally friendly features, diagnostic apparatus and light weight/acoustic insulation and advanced materials, as well as auto tuning components, info-mobility solutions, and equipment for NGV's.

In general, all products with high technology content can be placed into the Italian market. This is valid both for electronic apparatuses and for accessories. All U.S. companies that can promote the quality of their products may try to access the market. As a rule, Italians are ready to take into consideration new products and to pay extra money for something that is, or seems to be, really innovative and new (fashion is also an important decision factor in this sector). Currently, U.S. exports may also be boosted by the favorable exchange rate between the dollar and the euro. Growth in U.S. auto parts, accessories, components and service equipment shipments to Italy is not expected to exceed a 2% average annual increase for the next couple of years.

### **Opportunities**

Public tenders: in the automotive sector, local transport authorities, police forces, etc., may issue public tenders for additional equipment, accessories and parts. Companies wanting to participate in bids are strongly encouraged to establish an organization in Italy, to help them in dealing with the sometimes-complicated public tenders process.

### **Resources**

- Andrea Rosa, Automotive Specialist
- American Congen, Commercial Service  
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20121 Milan, Italy  
Tel. +39/02/62688-523 (direct phone number)  
Fax +39/02/6596561  
Andrea.Rosa@mail.doc.gov  
<http://www.buyusa.it/>

- ANFIA (Associazione Nazionale fra Industrie Automobilistiche – The National Association of car manufacturing companies):  
<http://www.anfia.it/english/default.htm>
- ACI (Automobile Club of Italy):  
[http://www.aci.it/wps/portal/.cmd/cs/.ce/155/.s/1102/\\_s.155/1102](http://www.aci.it/wps/portal/.cmd/cs/.ce/155/.s/1102/_s.155/1102)
- Centro Estero Camere di Commercio Piemontesi - Foreign Trade Office - Piemonte Chambers of Commerce:  
[http://www.centroestero.org/EN/Page/t04/view\\_html?idp=31](http://www.centroestero.org/EN/Page/t04/view_html?idp=31)
- Centro Studi Promotor, an automotive research organization:  
<http://www.centrostudipromotor.com/>
- GIPA, an automotive research organization,  
<http://www.gipa-auto.com/>
- UNRAE (Unione Nazionale Rappresentanti Autoveicoli Esteri – The National Union of the representatives of foreign vehicles), <http://www.unrae.it/>

### **Jamaica**

Although in Jamaica, one drives on the left hand side of the road, the United States remains an important source of automobile parts and accessories. The auto parts and accessories market is, of course, closely tied to the automobile market. Prior to the mid 1990's, there were severe restrictions on importing motor vehicles. After the restrictions were lifted, the sudden liberalized environment led to a big surge in the variety and number of motor vehicles imported.

### **Best Products/Services**

Best prospects include wheel rims, shock absorbers, clutch parts, brake parts, tires, and fancy accessories.

### **Opportunities**

The market for automobile parts and accessories is expanding. There is also increased vigilance by Jamaican authorities to monitor the quality of the imports coming in – this includes keeping an eye on imports from certain countries as well as the growing trend of importing used parts. There could be increased demand for high quality products approved by Jamaican Standards authorities.

**Resources**

Ministry of Commerce, Science and Technology  
www.mct.gov.jm

**Kuwait**

Automobile owners in Kuwait seek models that have been built rugged to meet the road conditions and climate of the country. With summer temperatures reaching or exceeding 50 degrees Celsius (120 F), the wear on air conditioning, transmission systems, braking units and tires can be excessive. Kuwait traffic volume is increasing and many drivers do not adhere to the "rules of the road," therefore creating an excellent market in sheet metal and body repair, as small accidents are very common on highways and city streets.

The auto parts market in Kuwait exhibits an excellent opportunity for U.S. firms to supply OEM and factory direct products to service the large number of Suburbans, Yukons, Jeeps, Chryslers, Ford and GM products. In addition to consumers purchasing U.S.- made automobiles, the Government of Kuwait has exhibited a high propensity of buying "made in the USA" for its fleet of police and military vehicles.

**Best Products/Services**

U.S. auto part manufacturer or dealers will find opportunity for replacement and spare parts for SUVs and luxury automobiles made in the United States. In particular, components for engines, transmissions, brakes, air conditioning units, shock absorbers and tires. These products show extreme wear in current driving conditions and need regular maintenance or replacement.

**Resources**

CS Kuwait automotive industry specialist  
Bassam.Adham@mail.doc.gov

**Mexico**

Mexico's auto parts industry is intimately related to the U.S. industry. There are approximately one thousand auto parts manufacturers in Mexico and about 70% of them are subsidiaries of foreign corporations, mainly from the United States.

Mexico's auto parts industry is relatively healthy as evidenced by its main performance indicators. There was an increase of 17% in year 2004 compared to 2003, which attests to the robustness of Mexico's auto parts foreign trade. Mexico's main trade partner is the United States, where 75% of the exports go to and 71% of the imports come from.

58% of the automobiles sold in Mexico are imported, of which, 75% come from the United States. During 2000, automotive production reached a record high of 1,889,486 units, by 2004, that amount was reduced to 1,568,430 vehicles. The Mexican Association of the Automotive Industry (AMIA) stated that exports were over 1,434,110 units in 2000 and of only 1,132,504 in 2004. During the first semester of 2005, vehicle production was 7.1% lower compared to the same period in 2004.

U.S. exports of parts, equipment and first and second tier components have experienced a slowdown in the first part of year 2004. However, increased Mexican production of new models that have shifted from U.S. assembly plants is now also increasing U.S. exports for auto parts.

Kaso y Asociados, a consulting firm specialized in the automotive sector, indicated that with the introduction of new automotive platforms, Mexico could stop the fall of the vehicle production and in addition, have an increase of 6.6% by the end of 2006. This is basically due to the introduction of new models such as Ford's Fusion and Zephyr, as well as the HHR-5 General Motors new model, and an increase of Daimler Chrysler's PT Cruiser.

**Best Products/Services**

The greatest opportunities for automotive aftermarket parts will still include: collision repair parts, catalytic converters, steering wheels and sound systems and generally all types of accessories.

**Opportunities**

U.S. parts, component and equipment manufacturers will see increased export sales to

the assembly plants being relocated in Mexico. A larger number of used vehicles was recently authorized to be imported. This will provide ample opportunities for exports of repair equipment and parts.

### **Resources**

- Ernesto De Keratry,  
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- State of Jalisco Autoparts Distributors  
Association: <http://www.rujac.com>
- The National Association of the  
Manufacturers of Buses, Trucks and Tractor  
Trailers:  
<http://www.expotransporteapact.com.mx>
- National Autoparts Industry Association:  
<http://www.ina.com.mx>
- Mexican Association of Automobile  
Distributors: <http://www.amda.org.mx>
- Mexican Association of Automotive  
Industries: <http://www.amia.com.mx>
- National Association of Bus and Cargo Trucks  
Producers: <http://www.anpact.com.mx>
- National Chamber of Cargo Transports:  
<http://www.canacar.com.mx>

### **Morocco**

Moroccan roads were used by 1.85 million vehicles in 2003, showing a steady 4% increase over the last 5 years. The automotive market (49, 617 units in 2003) is largely dominated by European brands. Car imports from Asia are growing quickly, accounting for 15% of the 2003 market, whereas U.S. market share remains under 1%. While 45% of the vehicles in use were introduced between 1991 and 2003, more than 50% of circulating cars have an average age of 17 years. This translated into a spare parts and equipment market of \$332 million for the year 2003, which represents an annual expenditure of \$293 per car. U.S. imports for 2003 represent 2.84% of total imports and a value of \$6,403,000. With 500 points of sale, 13 local

spare parts manufacturers are responsible for the distribution over 20% of the market.

Importers are divided in two categories, 20 importers of well-known brands, made by Original Equipment Manufacturers (OEM), with a market share of 13%, and more than 200 importers of adaptable products, with a market share of 46%. Their retail prices generally run 20% below the OEM distributors. Car manufacturers with assembly plants in Morocco also have a distribution network of 150 points of sale and represent 12 % of the total. Car scraps provide most of the remaining market. The end user retail channels, which account for 1500 points of sale, is largely dominated by neighborhood repair shops, auto parts retailers, specialized garages, manufacturers' network, and gas stations.

Although the local market is fairly price sensitive, the increased access to new cars (6% annual growth), thanks to better financing options, is encouraging the end user to demand high quality parts for longer maintenance of their vehicles. However, the complete absence of quality and safety standards, and control mechanisms, makes it easy for some low quality and counterfeited Asian products to access the market with their low prices.

Customs duties imposed on automotive parts and accessories range from 2.5% to 10% depending on from where the product originates. Moroccan regulations do not allow the import of used parts. The FTA implementation intends to eliminate the pricing advantage that the Morocco-EU agreement granted to main imports from EU countries.

### **Best Products/Services**

Best prospects for U.S. companies include car electrical supplies, tires, lubricants and testing equipment used by car servicing businesses, as well as automotive equipment and testing instrument used by local car assembly plants.

### **Opportunities**

The Moroccan market offers a large growth potential for U.S. products based on the following:

- Improved retail prices as a result of the elimination of import reference prices in 2003, following the different bilateral agreements that Morocco signed and the WTO. The list fixed the minimum import prices for duties declaration.
- The complete deregulation of the sector
- Improved purchasing power in an under-equipped population (1 car per 15 persons).
- Competitive financing offered by the local banks.

The recently implemented U.S.-Morocco FTA puts U.S. products on the same playing field given to EU products.

### **Resources**

<http://www.amica.org.ma>

### **Netherlands**

Increasing competition, EU market expansion, changing regulations, technological innovation, environmental and safety concerns, and consumer demands are forcing suppliers of automotive products to work more efficiently. During this phase, where suppliers and buyers are evaluating and re-establishing their market position, opportunities exist for U.S. suppliers able to provide competitively priced and/or innovative products.

### **Best Products/Services**

In the short term, a continued increase is expected in the use of computers, software, data storage on diskettes, in-car navigation, electronic maps (CD-ROM), infrared blind spot detectors, radar enhanced cruise control (HS-903289900), and speed/distance displays. As a result of the car-customizing trend, best prospect sub-sectors include: high quality and price competitive audio equipment (HS-852721910, HS-852721990); alloy wheels (HS-870870500); wooden trimmings (HS-442010190); seat covers (HS-630493000) and; other interior and exterior accessories. The increased value of cars and higher theft rates has created demand for a wide range of durable and high quality anti-theft products.

### **Opportunities**

Opportunities: In the 2000-2006 timeframe, the annual market size of garage equipment is estimated at \$129 million while the market for hand-tools is estimated at \$29 million.

Increasingly complex and high-tech applications, engine innovation, customer demand for quick service, an increase in efficiency, stricter Dutch APK roadworthiness tests and growing environmental concerns is causing a growth surge in the garage equipment sub-sector. Opportunities exist for suppliers of: garage testing lanes; brake-testing beds; electronic testing and measuring equipment; diagnostics equipment; sophisticated infrared testing equipment (HS-903180390) and micro-electronic exhaust testers; sealed and recyclable batteries (HS-850710810); asbestos-free brake (HS-870831990) and friction materials; exhaust gas extraction equipment; paint thinner; recycling products; products for waste oil and other waste materials storage, and transportation; and special filter installations for auto paint spraying.

### **Resources**

Local commercial specialist:  
Natasha.Keylard@mail.doc.gov

### **Nicaragua**

The increased availability of financing and the country's economic growth has spurred demand for vehicles. Japanese and Korean vehicles remain popular. In 2004, there were approximately 290,000 vehicles registered (63% in Managua), up from 250,000 in 2003 (67% in Managua). Because of unsafe and unreliable public transportation, a car is essential in Managua. At present, there is one NAPA auto parts store in Managua, and many other auto shops carry US parts. One GM distributor in Managua sells Chevrolet vehicles. There is also a Ford distributorship. A local Mercedes dealer represents Jeep, Chrysler and Dodge.

### **Best Products/Services**

The most popular cars are small-sized, four- or six-cylinder, US, Japanese or Korean models. Many people find four-wheel-drive vehicles very useful on Nicaragua's road system. High-

ground clearance for speed bumps and potholes is also an asset. Good gas mileage is also a priority for many consumers. There is also considerable demand for the servicing of vehicles, and spare parts are increasingly available on the local market. There is a high demand for heavy and light US trucks, buses and sport-utility vehicles, as well as for tires on all motor vehicles.

### **Opportunities**

Since there is no local production, good sales opportunities continue to be projected for virtually all categories of products in this sector.

### **Resources**

- US Commercial Service Nicaragua:  
<http://www.buyusa.gov/nicaragua/en>
- Nicaraguan Association of Vehicles and Automotive Distributors:  
Tel: (505) 268-3861 / 268-3743. Fax: (505) 266-4831.  
Email: [andiva@hotmail.com](mailto:andiva@hotmail.com)

### **Philippines**

New motor vehicle sales in the Philippines grew by 10.3% in 2005. Over 97,000 new motor vehicle units were sold compared to 2004's 88,003 units. This is the highest sales figure for the industry in five years. Given this current uptick in new vehicle sales, combined with growth in U.S. market share of new vehicles, prospects for U.S. suppliers of automotive aftermarket parts and services are bright for the foreseeable future, despite an overall leveling off of total market size.

Information released by the Chamber of Automotive Manufacturers of the Philippines, Inc. (CAMPI) shows that the commercial vehicle (CV) segment dominates total motor vehicle sales with 63% share. CV sales hit 61,432 units while passenger car sales had 35,631 units.

The Philippine motor vehicle industry has been dominated by Japanese brands (Toyota, Honda, Mitsubishi). Since 2003, however, the Japanese market share has taken a downturn, with U.S. producers gaining share.

Industry insiders believe that motor vehicle sales would have reached past the 100,000 level again as before the 1997 Asian crisis had it not been for the entry, sale, and resale of used cars. In the last quarter of 2005, the Philippine automotive industry's major associations -- CAMPI, Motor Vehicles Parts Makers Association of the Philippines (MVPMAP), Philippine Automotive Association (PAA), Automotive Industry Workers Alliance (AIWA) and Motorcycle Parts Producers and Exporters Association (MCPPEA) -- expressed alarm over recent developments in government policy regarding used vehicle importation. A Regional Trial Court decision allowed the importation and entry of used motor vehicles into the Subic Special Economic Zone, subject only to the payment 4 Source: Chamber of Automotive Manufacturers of the Philippines, Inc. (CAMPI) of the required customs duties. The appeal is now awaiting final disposition by the Supreme Court.

### **Best Products/Services**

Average vehicle life in the country ranges from 10 to 15 years; hence there will be strong market potential for replacement parts in coming years. The market is dominated by low-end buyers (70% of the market) who strongly favor third party rather than OEM products. The best prospects for U.S. aftermarket manufacturers include, engine replacement- engines and associated parts including hoses, belts, filters,, transmission parts, radiators, etc. to keep aging vehicles on the road, body parts and mechanical replacement such as fenders, axles, clutches (predominantly a manual transmission market), brakes, brake pads, mufflers and exhaust systems, auto electric- batteries, light bulbs, air conditioners and compressors, oils and lubricants.

### **Opportunities**

With growth of U.S. share for new cars, demand for U.S. aftermarket products will remain strong in the future. Given the old age of registered vehicles, U.S. manufacturers should also consider providing after market products for Japanese models, particularly for older model Toyotas.

Strong demand and less than expected competition are seen in lower end market segments, such as in low-end batteries.

Demand for service equipment and accessories, such as brake lathes, is growing as inventory ages.

### **Resources**

For additional information on telecommunication policies and technology update, please refer to [www.dotc.gov.ph](http://www.dotc.gov.ph), [www.lto.gov.ph](http://www.lto.gov.ph) and [www.boi.gov.ph](http://www.boi.gov.ph)  
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### **Poland**

The market for automobile parts and components has grown significantly over the past several years. This trend will continue as the number of cars registered in Poland grows. Investments by some of the world's major car manufacturers (Fiat, General Motors-Opel, and Volkswagen) have significantly expanded the market for car parts. American automobile parts and accessories enjoy an excellent reputation for reliability and quality in Poland.

There are over 11 million passenger cars registered in Poland. This number is likely to grow to 15 million by 2010. After several years of significant annual growth in sales of cars in the 1990's (reaching 640,000 in 1999), the industry has been experiencing a decline. In 2003 sales of new cars reached 358,400, while imports of used cars reached 35,700. After Poland's accession to the EU on May 1, 2004 imports of used cars increased significantly, reaching almost 1 million cars with an average age of 8 years. At the same time sales of new cars in 2004 reached 316,013. The number of cars produced in Poland in 2003 totaled 333,725 while in 2004 the number reached 482,014 vehicles. Fiat is the biggest producer (57.9% of the market), followed by GM-Opel (22%) and Volkswagen (11%). 80% of the cars produced in Poland are exported. The market for automotive

parts has not suffered from the same decline as with new car sales in recent years. In fact, the growing number of used cars imported into Poland has led to an increased need for car parts/maintenance products -- which have almost doubled in the last two years.

Experts estimate that the Polish car market is capable of absorbing some 500,000- 600,000 passenger cars annually. More than half of the cars registered in Poland rolled off assembly lines more than six years ago. This translates into significant market potential for replacement parts over the next five to seven years.

Poles buy much smaller cars than Americans do and tend to keep them much longer. Unlike in the U.S., cars in Poland are almost exclusively equipped with manual gearboxes and diesel fuel engines are popular to a much greater degree. Poland has also attracted significant foreign capital investing in car parts production in Poland (Delphi, Dana, Gates, Suzuki, Goodyear, Michelin and others).

After Poland's accession to the EU on May 1, 2004 the duty for cars and car parts went down adopting the EU external tariff. This should result in an increase of imports from the USA.

The new regulations introduced in the EU called "Block Exemption" (or in German GVO) which concern the sales of new cars, service, and sales of car parts were expected in lower the prices of aftermarket parts and service. Poland fully adopted these regulations on November 1, 2004. It is too early to report on the changes in the market influenced by these regulations.

### **Best Products/Services**

Aftermarket parts  
Service Station equipment

### **Opportunities**

This sector has already attracted U.S. investors, who are very active in the auto parts industry in Poland. They include: Delphi, TRW, Gates, Lear, Eaton, Dana, Federal Mogul, Tenneco, Visteon and others. These companies cooperate with local car manufacturers as well as export.

## Resources

- Ministry of Economy: <http://www.mg.gov.pl/>
- American Chamber of Commerce in Poland: <http://www.amcham.com.pl/>
- Ministry of Infrastructure: <http://www.mtigm.gov.pl/>
- **Commercial Specialist** at the U.S. Commercial Service Warsaw, Poland: [Joanna.Chomicka@mail.doc.gov](mailto:Joanna.Chomicka@mail.doc.gov)

## Russia

In recent years, the Russian automotive market has grown at an annual rate of 10-15%. This market offers good opportunities for new car sales despite substantial import tariffs. Many imported car dealers reported record results by increasing sales of new cars from 350,000 vehicles in 2004 to almost 450,000 in 2005. In 2006 the import market for new cars is expected to exceed 500,000 units. The import of used cars and trucks has remained relatively stable over the past three years. These trends are expected to continue in the next few years.

The market for car components and aftermarket replacement parts is likely to become stronger as car ownership steadily increases and customers demand higher performance from domestically produced cars. Russia represents a large potential market for the U.S. automotive industry. Currently, the rate of car ownership in Russia is only 20% of the U.S. rate. The total Russian motor vehicle fleet is estimated at 33 million units, including 23 million cars (50% of which are 10 years or older, and another 30% are between 5 and 10 years old).

The Russian auto industry represents a major force in the domestic economy because of highly competitive pricing, but quality must improve if the industry is to maintain its position. Russian vehicle assembly and component manufacturing factories remain plagued by outdated equipment, a lack of capital for modernization, and underdeveloped distribution systems. Nonetheless, the automotive sector of Russia's economy is in better shape than many other industries. In 2001-2002, two influential business groups acquired several Russian automotive companies: Basic Element (formerly

Sibal), the largest Russian aluminum manufacturer, and Severstal, the leading Russian steel producer. Both Basic Element and Severstal successfully started restructuring of their automotive assets and started investing in the modernization of these outdated facilities. A majority of component manufacturing assets was acquired by the SOK Group.

There are several projects underway to assemble foreign cars in Russia. Ford's new plant began operation in July 2002 in a suburb of St. Petersburg, and the demand for Russian-manufactured Focuses exceeded even the best expectations. This high demand for the new Focus model made Ford one of the sales leaders in 2004 with 36,000 vehicles sold. Sales for 2005 reached an estimated 60,000 vehicles. The GMAvtoVAZ joint venture, which launched production of the Chevrolet-Niva SUV in September 2002, sold 58,000 cars in 2004, and set 75,000 vehicles as a sales target for 2005. Recently, Renault started manufacturing a new low-cost Logan vehicle at a Moscow-based facility.

In 2005, the Russian company SOK started assembly of the KIA Spectra in Izhevsk with planned annual output of 40,000 vehicles. Toyota also started construction of an assembly facility in St. Petersburg, which is projected to start manufacturing the Camry model in 2007.

Other smaller foreign CKD car assembly projects in Russia include BMW, Kia and Hyundai in Kaliningrad and Taganrog, and bus projects by Scania and Volvo. The major obstacle to successful development of foreign assembly projects in Russia is the lack of local component suppliers.

### Best Product/Services

Engine and engine components, steering components, brake system components, power train components, seats, tires, interior components, new car dealerships.

### Opportunities

The best opportunities for U.S. firms are in the establishment of local manufacturing facilities or the formation of joint ventures with Russian

firms and the supply of components to foreign vehicle assembly projects in Russia. Those projects' operators are so interested in developing component supplier bases that they are ready to financially support interesting projects. International financing institutions, such as EBRD (European Bank for Reconstruction and Development), are also inclined to provide financing for automotive projects in Russia.

Another good prospect is to supply upgraded equipment and technology to Russian manufacturers. Opportunities also exist in the licensing and transferring of modern technology to Russian component manufacturers.

Aftermarket sales of replacement parts and accessories are dynamic, with high customer receptivity to U.S. products. Many U.S. brand names are very well known and sold in Russia. Some of the "Made in the USA" products, which Russian motorists seem to favor, are: lubricants, automotive chemicals and off-road accessories. There are no known trade barriers affecting imports of U.S. automotive products; tariffs for many imported spare parts are a relatively low 5%.

In March 2005, the Russian government decided to significantly decrease import taxes for automotive components imported by OEMs. The government decision envisages that import taxes will eventually be either abolished (engines, power trains, exhaust systems, and body parts) or cut to as low as three% (starters and spark plugs) for components supplied to assembly projects.

In order to enjoy these new tariffs, assembly projects must meet the following criteria:

- The project must have a minimal annual capacity of 25,000 vehicles and employ a two-shift operation.
- The assembler must put a greenfield project into operation within 30 months or a brownfield within 18 months.
- The assembly process must include body welding, painting and assembly.
- Assemblers must achieve 10% localization within the first 24 months of operation, 20%

within the following 18 months, and 30% within the following 12 months, so that, after the first 4.5 years of an automotive assembly project's operation the localization reaches at least 30%.

### Resources

- <http://www.motorshows-ite.com>
- <http://automechanika.messefrankfurt.com/petersburg/en/>
- <http://www.interauto-expo.ru>
- [http://www.ey.com/global/Content.nsf/Russia\\_E/International\\_Automotive\\_Supplier\\_Industry\\_in\\_Russia\\_-\\_Executive\\_Summary](http://www.ey.com/global/Content.nsf/Russia_E/International_Automotive_Supplier_Industry_in_Russia_-_Executive_Summary)
- <http://www.ifc.org>

### Saudi Arabia

Saudi Arabia still commands the largest automotive market in the Near East. Saudi Arabia imported more than \$630 million worth of parts and service equipment in 2005, almost unchanged from the 2004 figure.

On average, car lifetime has doubled to almost ten years over the past few years, but the surge in oil prices is making its footprint on Saudi purchasing power. The latest figures reveal that per capita income went up to \$13,000 and a royal directive hiked civil employees' salaries by 15%. These will translate into additional spending, including on new vehicles.

In the meantime, the market for parts and service equipment will remain relatively strong. Consumers will have to maintain and fix any deficiencies with their cars and SUVs before exchanging them with newer models or selling them to used car dealers. In terms of the automobile population, parts are mainly sourced in Japan, USA, Australia, Germany, and South Korea. Presently, Japan, USA, Germany, Australia, and South Korea, are the major suppliers of automobiles, and spare parts, but tires come from dozen of countries around the world. Industry sources expected that Saudi Arabia imports of automobiles increased 10% in 2005, from 312,000 vehicles in 2004 to 343,000 vehicles in 2005.

For used cars, the United States and Germany still lead in used cars sales to Saudi Arabia, while Japan retains a relatively good share of this market. There are over 350 dealers supplying automotive parts for U.S., Japanese, European, Australian and Asian automobiles in Saudi Arabia. U.S. companies command a leading position in the supply of transmission, steering, suspension, and braking components and parts. The favorable U.S. dollar exchange rate against the Euro and Japanese Yen is boosting the U.S. market share. Nonetheless, Japanese car manufacturers and spare parts suppliers still command the lion share of the Saudi market at more than 40%. There are a number of local factories that manufacture filters, radiators, and batteries, exhaust systems, and converters.

### **Best Products/Services**

Many used vehicles imported from the United States are repaired and refurbished for resale. Although some spare parts are manufactured locally under license, the bulk of automotive parts are imported. There are good opportunities for U.S. companies in the following areas, service Equipment, Body and chassis parts, Automobile transmissions and spare parts, Auto chemicals.

### **Slovakia**

In 2004, The American research company World Markets Research Center (WMRC) has identified five new hubs for automotive industry: India, Thailand, Iran, Czech Republic and Slovakia. Slovakia has become one of Europe's most attractive locations for automotive industry investments in the past five years, following sweeping reforms by pro-western leaders that have included invitations to join the EU and NATO on May 1, 2004.

### **Best Product/Services**

- SUVs and other motor vehicles principally designed for the transport of persons (other than those of heading 8702), incl. station wagons and racing cars
- Tractors (other than works trucks, self-propelled, not fitted with lifting or handling equipment, of the type used in factories,

warehouses, dock areas or airports for short distance transport of goods; tractors of the type used on railway station platforms; parts of the foregoing vehicles

- Parts and accessories of the motor vehicles, like tractors, and special purpose motor vehicles, other than those principally designed for the transport of persons or goods (for example, breakdown lorries, crane lorries, fire fighting vehicles, concrete-mixer lorries, road sweeper lorries, spraying lorries, mobile workshops and mobile radiological units - R&D mainly in braking systems, adaptive speed control, intelligent parts of passive and active safety (radar security systems, video transfer systems, automatic stirring control of vehicles in a traffic jam, etc.), global navigation, use of satellites, etc.
- E-technology and education

### **Opportunities**

#### **Suppliers and subcontractors**

There are three car producers in Slovakia: Volkswagen in Bratislava (one of its largest production units), PSA Peugeot in Trnava and Hyundai Kia Motors in Zilina which will produce over 100,000,000 cars starting 2007. In Slovakia, there are over 134 automotive manufacturers and main components suppliers in Slovakia. In regards to Slovakia's geographical location (Slovakia is at the very center of EU with a combined market 3/13/2006 potential of over 350 million people. Several principal transport routes cross its territory.

Over 220 million people live within a 600 miles radius of Slovakia, which is a gateway to Easter Europe and another 440 million people.) and with more foreign investors coming, the current supplier chains and services offered cannot meet production capacity needs.

#### **Local Infrastructure**

In order to maintain and improve the quality of automotive industry in Slovakia, it is inevitable to reconstruct highways, airports, railways, to use river transport more effectively and to implement a policy mechanism for linking these pieces of infrastructure together for bigger benefits. (Much of that infrastructure in the form

of rail and river facilities is in poor stage however, physically close to one another. Airport itself and the railway line run along the new motorway and are not far away from the area between the railway marshalling yard and the docks and container terminal on the river Danube.)

### **Research and Development**

Fast technological changes will be the characteristic for automotive industry in the next years. Changes are expected mainly in the following areas: breaking systems, adaptive speed control, intelligent parts of passive and active safety (radar security systems, video transfer systems, automatic stirring control of vehicles in a traffic jam, etc.), global navigation, use of satellites, etc.

Slovak research has to be fully EU compatible till 2010. In order to support the Slovak centers for technological intelligence, Slovakia needs to complete its R&D centers. Their cost is calculated for USD 32-48 million. Slovakia is also in need of instrumental and technological equipment. Any U.S. high-tech companies, know-how, new technologies and innovative research supporting realization of auto products and services with high added value will be welcome.

### **E-technology**

Slovakia requires new communication technologies. Foreseeable is the need to speed up and geographically expand Slovakia's communication networks and Internet access.

### **Professional Education**

According to statistical calculations, by the year 2007 Slovakia will be employing almost 100 000 people in the automotive sector. This is a 50% increase within 24 months, out of which 6-8percent should be academics. Higher education must thus focus more on the following areas: machinery, electronics, electrical engineering, chemistry and control of automotive industry.

Since there is a miscommunication between the auto industry and the educational system, Slovakia lacks high schools offering courses meeting specific needs of the car manufacturers.

Requested are also courses on new automotive professions. Missing are capacities which would provide lifetime competitive education for automotive employees.

### **Petrol to gas reconstruction**

Due to a continuous growth of crude oil prices on the world market, petrol price lists have become a depressing image for Slovak drivers. (E.g. to fill a 50-litre tank. Slovaks spend twelve% of their average monthly salary, in comparison with Germans, who can fill their tanks for 2.1% of their monthly income.)

Petrol industry experts claim that the State should respond to climbing prices with cuts in the excise tax on fuels. The Slovak Finance Ministry claims that Slovakia's excise tax rates are already close to the lowest limits on mineral oils set by the directive of the European Commission on energy products taxation and that it would consider tax cuts only if the ongoing rise in fuel prices prevails and imperils the country's inflation target of 8.1% for this year.

Seven of the eight biggest fuel distribution chains in Slovakia (controlling 70% of the petrol stations (563 of 800) and supplying 80% of the cars in Slovakia) solved the unfavorable situation on their own– by mixing the petrol with water they were selling cheaper and low-quality petrol.

To save money, motorists started rebuilding their cars with oil engines for cars with compression ignition oil engines. Currently in Slovakia only 1 out of 100 cars runs on alternative oil. With a 40% growth in interest for engine reconstruction (reported in March 2004) the situation will rapidly change in the coming years.

The facts that alternative oil is cheaper than petrol and that economic return on reconstruction costs is quickly realized (reconstruction costs is paid back within 6250 miles driven) there is a bright future for companies specializing in this area.

## **Recycling**

As an EU member, Slovakia follows all EU regulations. Regulation 53/2000 on recycling closely describes three areas. It is: Prohibited materials can under no conditions be used in a vehicle's construction. It is the car manufacturer's duty to recycle vehicles produced by that company. Specific recycling quotas, mandated by the government, have to meet minimum percentages for each auto manufacturer.

This regulation has been applied through Slovakia's Law on Waste and the Amendment of Certain Acts 223/2001 and the establishment of a Recycling Fund. This fund has 12 sectors, one being the Vehicle Sector. Every car producer and car importer must contribute 3000SK (\$10) for each vehicle produced and/or imported.

The collection and assessment of vehicles is currently being implemented in Slovakia. Since this is a new business requirement, best prospect for U.S. companies are in the consulting, technical field and also in environmental auto clean up.

## **Obsolete Domestic Car Market**

Analysts expect Slovakia's domestic car market to show strong growth over the next five years. The new passenger registrations forecast an increase by over 6% per annum (the global average growth rate expected over the same period is 3.3%). Paradoxically Slovakia will become the world's largest per capita automotive producer by 2007 but is the last one in Europe in vehicle ownership. (Slovakia's ratio is 4.8 people/car while the EU average is 1.76 people/car.)

The average age of cars registered in Slovakia was estimated to be 13 years in 2000, so the need to replace older models will contribute to the growth in the local car market, in the local motor finance and fleet management sectors.

## **Conclusion**

In the near future, Slovak economy will be driven by the automotive industry. Slovak automotive industry already represents 30percent from the total exports of Slovakia.

26.5percent from Slovakia's total industry production comes from automotive industry. Since some new facilities will launch their production, significant acceleration is expected chiefly in pro-export oriented automotive industry. Automotive industry is along with foreign demand expected to greatly influence the GDP growth in 2006. (5.7 to 6.2percent) It currently employs over 55 000 people and additional 50 000 are projected till 2010.

With \$1.1 billion (61% investment growth in 2004 compared to 2003) invested into automotive sector, the much cheaper labor costs, ongoing fine tuning of various reforms Slovakia will become the world's largest per capita automotive producer by 2007, overtaking Belgium as the current global leader.

## **Resources**

- Slovak Automotive Association [www.zapsr.sk](http://www.zapsr.sk)
- Slovak Investment And Trade Development Agency [www.sario.sk](http://www.sario.sk)
- Ministry of Economy of Slovak Republic [www.economy.gov.sk](http://www.economy.gov.sk)

## **South Africa**

South Africa is by far the dominant vehicle market on the African continent, with most of the major world brands represented by either their multinational source companies or by independent distributors. At present, the broader automotive industry represents the largest manufacturing sector in the South African economy and accounts for about 28% of the country's manufacturing output. However, compared to industrialized countries, the local vehicle market is still relatively small.

The assemblers in South Africa are similar to those in the rest of the world, i.e., they hold a strong position in the total industry. The major assemblers include: BMW South Africa; Daimler Chrysler; General (Delta) Motor Corporation; Toyota; Ford Motor Company; Nissan; Volkswagen; Fiat, Renault, and Volvo. Medium & heavy commercial assemblers include: Iveco South Africa, MAN Truck & Bus S.A.; Scania South Africa (Pty) Ltd; Erf South Africa and Tyco Truck Manufacturers. There are

over 1,000 retail dealers representing the different franchises, with high standards of sales and after sales support facilities.

Record vehicle sales reflect booming domestic economic conditions. It bodes well for the automotive industry's future contribution to gross domestic product, which measured 6.4% in 2003. Medium and heavy commercial vehicle sales grew 36% and 22% respectively. Industry experts state that 2004 could go down in the record books as the best year to date for the South African new vehicle market (previously 1981's 453,541 units) following record sales in November 2004. Industry sources estimate that assemblers will produce between 60-80 thousand vehicles per model by 2005.

The South African component and OEM market's five-year outlook is very positive, which reflects world economic conditions. The number of cars manufactured locally will increase two-fold – almost doubling the local content. With this increase in volume, it could become viable to manufacture a whole new range of components and subcomponents. International patents tie up a large part of the local component industry. A majority of these international connections have decided to source certain products from South Africa and do reciprocal imports.

The automotive manufacturing and supplier industry employs 90,000 people and has fixed investments of over \$4 billion. The total automotive turnover in South Africa, including sales and servicing, amounts to \$20 billion annually.

### **Best Product/Services**

The United States, behind Germany and Japan, is the third largest exporter of parts and components into South Africa. Top ten imports include: automotive tooling; engine parts; tires; stitched leather seat components; gauges/instrument parts; brake parts; transmission shafts; catalytic converters; and lighting equipment.

### **Opportunities**

Due to the South African motor industry's capability to supply increasingly sophisticated

parts to the international market, there are niche market opportunities for U.S. companies to export to South Africa, which include the aforementioned best products and automotive accessories.

Successful foreign involvement is centered, however, on partnerships with local firms in the form of joint ventures. Component manufacturers seek contact with foreign partners for market access, technology, process know-how, production rationalization and joint venture benefits.

Under the Motor Industry Development Program (MIDP) export complementation scheme, component exports qualify for Import Rebate Credit Certificates (IRCCs) which can be used to offset customs duty on automotive imports. For example, if a local manufacturer exports vehicles worth \$ 10 billion, of which 50% were locally produced, the manufacturer can then import vehicles duty-free to the value of \$ 5 billion. Many component makers have arrangements for these credits with the local assembly plants that they supply.

A trend, which has increased since 2002, is OEM preference for doing business with component makers who are subsidiaries of, or have strong ties with major international suppliers. Consequently, independent South African companies are forming links with the leading foreign players.

### **Resources**

- The Dept. of Trade and Industry South Africa  
Tel. +27 (0)12 394 9500  
Fax. +27 (0)11 394 2166  
<http://www.dti.gov.za/>
- National Association of Automobile Manufacturers of South Africa (NAAMSA)  
Tel. +27 (0)12 323 2980  
Fax. +27 (0)12 323 32323  
<http://www.naamsa.co.za/>
- National Association of Automotive Component and Allied Manufacturers (NAACAM)  
Tel. +27 (0)11 454 0250  
Fax. +27 (0)11 454 0320  
<http://www.naacam.co.za/>

- The U.S. Commercial Service point of contact in South Africa for the automotive sector is:  
Jaisvir Sewpaul  
Commercial Specialist – Cape Town, South Africa  
Tel: +27 (0)21 421 4280 extension 2227  
Fax: +27 (0)21 421 4269  
Email: Jaisvir.Sewpaul@mail.doc.gov  
Website: <http://buyusa.gov/southafrica/en> or  
<http://www.ussatrade.co.za>

## South Korea

In 2005, Korea manufactured 3.6 million automotive vehicles, making it the fifth largest car manufacturer in the world after the U.S., Japan, Germany, and China.

The total size of the automotive parts market was estimated to be USD 32 billion in 2005, a nominal 4% decrease from 2004. However, imports increased accounting for 9.5% of the total market demand from 8% in 2004. Also, parts supplied by U.S. and other foreign firms in Korea represented a significant and growing segment of the market. The OEM market segment accounted for about 93% of total market demand and the aftermarket represented about 7% of total market demand. The import market share, currently about 9.5% of total market demand, is dominated by imports from Japan (33%), followed by imports from Germany (23%) and the U.S. (13%). CS Korea forecasts that imports will increase by 10% annually over the next two years to reach a value of USD 3.7 billion in 2007.

Automobile manufacturers operating in Korea are expected to expand global outsourcing practices in their procurement of parts and accessories in order to improve competitiveness in this age of industry consolidation and globalization. Korean industry sources predict that the launch of Hyundai Motors' manufacturing plant in Alabama will accelerate the trend toward global procurement of auto parts for automobile manufacturers in Korea. However, since price competitive products made in Korea currently dominate the market, U.S. auto parts manufacturers need to address price as

a key competitive factor for success in the market.

## Best Products/Services

- For OEMs:
  - Leading-edge engine designing, engine control units (ECU), electronic engine parts
  - Advanced core parts including automatic transmissions, anti-lock brake systems and air bags
  - Hybrid car and pollution-free car related technologies
- For aftermarket:
  - Road wheels
  - Replacement parts
  - Spark plugs
  - Ignition cables
  - Timing belts
  - Wiper blades
  - High-end car audio systems and components
  - High-performance automotive chemicals, such as wax and rust-proofing solutions and accessories like window films.

## Opportunities

To take advantage of growing market opportunities, several non-Korean parts suppliers have established wholly owned manufacturing plants or joint ventures with local Korean companies. According to the latest statistics, there are 915 auto parts manufacturers operating in Korea, and non-Korean companies own 207 of them, either wholly or partly. Japan is the biggest investor in Korea's auto parts industry owning equity in 94 parts manufacturers, followed by the U.S. and Germany investing in 50 and 25 parts manufacturers, respectively. Out of the 207 companies, 43 are wholly owned subsidiaries and the remaining 164 are joint ventures with local Korean companies.

## Resources

Ministry of Construction and Transportation  
<http://www.moct.go.kr/EngHome/>

## Local Contact

(Mr.) Young Wan Park  
Commercial Specialist  
Commercial Service Korea  
U.S. Embassy  
32 Sejong-ro Jongro-gu

Seoul 110-710 Korea  
Tel: 82-2-397-4130  
Fax: 82-2-739-1628  
Email: young.park@mail.doc.gov  
Website: www.buyusa.gov/korea

## **Sweden**

Sweden, with a population of about 9 million, had 4.1 million cars at the end of 2005. This corresponds to one car to every 2.2 people. Among the EU15 countries, Sweden has the third oldest car population after Finland and Greece. Four out of ten cars in the Swedish car population are older than 10 years old.

The total import of automotive parts and accessories (HS 87.08) was worth \$4.5 billion in 2004. Major supplying countries were Germany (36 %), Belgium (9%) and U.K (9%). U.S. suppliers accounted for 3% of the import market.

## **Best Products/Services**

The best sales prospects exist for products within the "safety" and "environment" sectors. Swedes are very safety conscious and the automotive manufacturers are known to follow high safety standards. In the aftermarket sector, products that are related to the Swedish climate enjoy good prospects. Examples are engine heaters for the winter and roof boxes for skis. Steering wheels, rims, mirrors and decorations for the exterior of the car also sell well. Extra lights are also popular, especially as it is very dark for 6 months of the year in Sweden. Areas where US suppliers are doing well are within brake systems, steering systems, body parts and gearboxes/transmissions. Car care products and automotive chemicals are other segments where U.S. firms are strong

## **Resources**

- Bil Sweden [www.bilsweden.se](http://www.bilsweden.se)
- The Wholesalers' Association of Automotive Parts [www.bildelsgrossisterna.se](http://www.bildelsgrossisterna.se)
- Commercial Trade Specialist: Hakan Vidal [hakan.vidal@mail.doc.gov](mailto:hakan.vidal@mail.doc.gov)

## **Switzerland**

The total Swiss market demand for automotive parts, equipment and accessories was valued in 2004 at USD 1.050 billion. With high gasoline prices and relatively slow economic growth of 1.6% in 2005, market demand was flat. The overall Swiss economy is projected to grow 1.8% in 2006. However, industry sources predict growth in market demand of 3 to 6% in 2006 as more disposable income is likely to bolster consumer spending and spur the sale of new automobiles, thereby adding impetus to the demand for automotive parts, equipment, accessories and aftermarket products. Imports from Germany have traditionally had a solid stronghold in the market with the lion's share, exceeding 47%. In the past few years, U.S. imports have had a modest market share, valued at an estimated USD 44 million in 2005. The demand for U.S. imports should rise modestly in 2006 as Swiss importers and distributors of parts, components and aftermarket products are showing a growing interest in purchases of U.S. automotive parts and equipment. The present exchange rate of 1 USD equals 1.30 Swiss francs makes U.S. products competitive and affordable for the Swiss. Nonetheless, U.S. suppliers should carefully evaluate their pricing and sales terms to remain competitive.

Overall Swiss automotive market demand, including sales of new and used automobiles and tucks, gasoline stations, repair and service facilities and providers of related services, registered a total volume of USD 60 billion in 2004, reflecting the market's importance and might in the Swiss economy. The Swiss automotive market was liberalized on January 1, 2005, giving greater choice in buying new automobiles to consumers. Many Swiss car dealers and repair facilities note that liberalization is bringing more competition into the market and beginning to put downward pressure on prices. Although U.S. automobiles garnered only a one-percent market share in 2004, demand for U.S. automobiles could also increase as a result of liberalization of parts distribution and the availability of more U.S. and other foreign auto parts, whose product lines could be incorporated into the distribution

networks of independent parts dealers. A larger U.S. automotive market share would spur demand for both OEM and aftermarket products. With no indigenous Swiss automobile manufacturers, demand is strongest for aftermarket equipment and accessories.

### **Best Products/Services**

As economic growth picks up in 2006, demand will increase for luxury items, including hi-fi equipment, aluminum wheel rims, wider tires, etc. Products that bear a high degree of receptivity on the Swiss market include bearings, garage equipment, diagnostics and emission control equipment, engines and parts, and accessories. U.S. suppliers are encouraged to explore the possibility of penetrating the highly competitive and potentially lucrative Swiss market at this time.

### **Resources**

- Swiss Federal Roads Authority:  
<http://www.astra.admin.ch/>
- Swiss Motor Trade and Repair Association (AGVS): <http://www.agvs.ch/>

### **Thailand**

Thailand has the largest vehicle assembling capacity, and the highest quality parts manufacturing capability in ASEAN. In 2005, vehicle production reached 1.1 million units, an increase of nearly 20 % from the previous year. Complete built-up (CBU) exports likely exceeded 400,000 units, a 45% increase over the first nine months from the same period last year.

The country's domestic market in 2005 is expected to reach 680,000 units, a more than 8% increase from sales of 626,024 units in 2004. One-ton pickup trucks lead the market at 58% of vehicles, with Isuzu and Toyota, the two leading manufacturers together commanding a 71% share of the segment. Passenger cars, mostly subcompact and small family cars, share 33% of the market with Toyota and Honda sharing more than 83% of that market segment. Market growth of Ford and GM in Thailand has been impressive, despite their small share with GM (Chevrolet) 3% and Ford 0.5%. Both Ford and

GM have regional assembling facilities in Thailand, of which the majority of their products are for exports.

Thailand promises growing potential for U.S. exports in both the original equipment market (OEM) and after-market parts and services. The industry is expected to grow at an annual average of 15% over the next five years bringing the country's assembling capacity to 1.8 million units by 2010. Meanwhile, the growing demand for vehicles among local Thais along with an increasing affluence of the market in general should provide key export opportunities to U.S. exporters of relevant products and services in the after-sale markets.

### **Best Products/Services**

Best prospects for the automotive parts and service equipment sector include:

- Accessories & Performance parts
- General automotive service equipment & tools
- Tire (wheel) & brake service equipment
- Body and paint repair service equipment

### **Resources**

- Thailand Automotive Institute,  
<http://www.thaiauto.or.th>
- The Customs Department of Kingdom of Thailand, <http://www.customs.go.th>
- Office of Industrial Economic,  
<http://www.oie.go.th>

### **Trinidad and Tobago**

The importation of automotive parts and service equipment is moderate in Trinidad and Tobago. Most vehicles are imported from Japan and Europe. Because they are right hand drive, the models and parts often differ from those sold for U.S. versions. However, because of the proximity to the U.S. and brand familiarity, distributors prefer U.S. sources when they can get matching parts, supplies and accessories. Total imports in 2003 were \$160.7 million. In 2004 the amount grew by 2% to \$164 million. Total imports from the U.S. were \$8.7 million in 2003 and \$9 million in 2004. This represents a market share of a little over 5% for the U.S.

### **Best Product/Services**

Vehicle tires with HS code 401.11.000 and 401.12.000 are listed in the top 100 items imported into Trinidad & Tobago. Motorcar batteries also provide an opportunity for business. Although, a local company, Automotive Components Ltd., manufactures batteries, a large number are also imported. Lubricants and other accessories like care products and different lights and parts also provide an opportunity for U.S. exporters to explore. Trinidad & Tobago auto dealers are becoming more and more interested in the annual automotive after-market show held in the U.S.

In 1996 stiff competition in the automotive industry caused lower prices and better packages to consumers. New and used car dealers continued to vie for a larger stake in the market. That pushed new car dealers to increase their offerings on vehicles and services amidst growing competition from foreign used car sellers who continued to pull down car prices with their less expensive Japanese and European used vehicles. There was a progressive increase in the sale of foreign used cars so that in 2003 the foreign used car industry accounts for about 40% of car sales in Trinidad & Tobago. However, fraud in this industry is prevalent. Due to poor government standards and lax enforcement, the flood of “roll-on-roll-off” used cars from Japan in the last 5-7 years includes many vehicles that require repairs to be road-worthy (by U.S. standards), but are licensed without proper inspection. The U.S. market share is about 5%.

### **Opportunities**

A dealership in Port of Spain began selling new Chevrolet models in 2004. Its success could be a barometer for future demand for American vehicles and parts. Ford vehicles have a secure share of the local new car market. Otherwise, opportunities exist for U.S. manufacturers of parts usable in a variety of Japanese models.

### **Resources**

- American Chamber of Commerce: [www.amchamtt.com](http://www.amchamtt.com)

- T&T Chamber of Industry and Commerce: [www.chamber.org.tt](http://www.chamber.org.tt)
- Trinidad & Tobago Manufacturers' Association: [www.ttma.com](http://www.ttma.com)
- T&T Bureau of Standards: <http://www.ttbs.org.tt>

### **Tunisia**

During the past two years, the U.S. passenger car has begun to penetrate the Tunisian market. In the past, due to very high taxes on big engine vehicles, the Tunisian market did not offer much potential for U.S. automobile manufacturers. Additionally, Tunisians who can afford expensive cars tend to choose top-of-the line European models.

### **Opportunities**

The Tunisian automobile market is diversifying away from the traditional European brands and there is room for U.S. manufacturers and suppliers of spare parts. Both Chevrolet and Ford are now moving into the automobile car market. A Tunisian company that already assembles GM's Isuzu trucks represents Chevrolet; this company has now begun to market smaller engine GM cars. Ford's representative in Tunisia already markets smaller automobiles and has plans to start assembly of pickup trucks. Investment in manufacturing automobile components for export is a priority sector for the Government of Tunisia (see Chapter 6, Statement). Several U.S. companies have successfully invested in this sector.

### **Resources**

- Tunisian Government (Ministry of Commerce) [www.ministeres.tn](http://www.ministeres.tn)
- Investment Promotion Agency (FIPA) [www.investintunisia.com](http://www.investintunisia.com)
- Tunisian Industry (government site) [www.tunisieindustrie.nat.tn](http://www.tunisieindustrie.nat.tn)

### **Turkey**

The Turkish automotive parts/service equipment industry has expanded as Turkish automotive production and imports have increased. Year 2004 was a record year in production, exports,

and sales. Exports continue the same trend in 2005, however the domestic market does not increase that aggressively this year. Today Turkey produces spark plugs, carburetors, fuel injection systems, and several transmission parts. The sector provides parts to the new vehicles as well as the existing automobile fleet exceeding 8.3 million units. Of the 8.3 million automobiles on Turkish roads, nearly 31% are commercial vehicles.

Currently, share of locally manufactured parts in the production of OEMs is around 40%. Parts manufacturers chose the way to be more aggressive in the export markets, in the last three years, due to the two major economic crisis resulting in shrinking local market, and they were successful. Currently, 51% of the local parts production is exported.

### **Best Products/Services**

Tires, brake linings, gearboxes, and clutches are the major imported items in the parts industry. Generally, imported parts are used in supplying imported vehicles, to OEMs for vehicles to be exported, or where there is no local production, such as for CV drive shafts, catalytic converters and tapered roller bearings. Imports are also found where production shortages occur. Examples include power steering hydraulic systems, bearings, and v-belts. Parts, which need to be replaced frequently because of poorly maintained roads, heavy traffic, traffic accidents, and poor fuel quality, can also be considered as "best prospects." Examples include: shock absorbers, brakes, clutches, rings, filters, bumpers, lights, and signaling equipment to name but a few.

### **Opportunities**

As Turkey continues to move towards European Union integration, equipment meeting stricter EU guidelines from emission control to automobile safety and standards tests, will equate to increased sales of advanced auto parts.

### **Resources**

- Automotive Distributors' Association: [www.odd.org.tr](http://www.odd.org.tr)
- Automotive Industry Association: [www.osd.org.tr](http://www.osd.org.tr)

- Vehicle Sellers' Association: [www.oyder.tr.com](http://www.oyder.tr.com)
- Auto Parts Association: [www.taysad.org.tr](http://www.taysad.org.tr)

### **United Kingdom**

There are approximately 27 million cars, vans, and trucks registered in Britain, with 2.5 million existing vehicles replaced by new vehicles each year. Sales of new vehicles generally exceed those retired from service in most years, so there is a small annual increase in the vehicle 'parc' (i.e., the base of registered vehicles in the UK). Maintaining these 27 million vehicles gives rise to the annual \$24.5 billion parts and components aftermarket. Sales of spare parts and materials constitute 35% (roughly \$8.5 billion) of this total, and sales of related inspection and fitting services constitute 65% (roughly \$16 billion).

Historically, most of the motor components used by vehicle producers in the UK have been locally manufactured, but the major car companies are lessening their reliance on local production, and now source much of their components and assemblies needs from lower cost countries in Europe (including Central and Eastern Europe) and the Far East. This trend has put considerable pressure on all of the international parts suppliers, in the U.S., in Western European countries, and in the UK, to retain their market share.

### **Best Product/Services**

U.S. exporters should explore opportunities for sales of test and inspection equipment for use in garages and service stations that are authorized to undertake the increasingly stringent annual checks mandated by legislation. This included laser and optical alignment systems, and diagnostic equipment for engine, fuel, emission and electronic systems, used in more specialized service and repair facilities. Performance parts, in-car entertainment, security and safety systems, and car care products all have potential. Vehicle-specific accessories are not universally accepted, as (except for 4x4 and SUVs) there are comparatively few American-built cars registered in the UK. This is largely because Britain still drives on the left, and has a road system designed for smaller vehicles.

## Resources

- The Society of Motor Manufacturers & Traders  
Forbes House  
Halkin Street  
London  
SW1X 7DS  
Tel: 011 44 20 7235 7000  
Fax: 011 44 20 7235 7112  
[www.smmt.co.uk](http://www.smmt.co.uk)
- The Motor sport Industry Association  
Federation House  
Stoneleigh Park  
Warwicks CV8 2RF  
Tel: 011 44 2476 692 600  
Fax: 011 44 2476 692 601  
[www.the\\_mia.co.uk](http://www.the_mia.co.uk)
- The Garage Equipment Association  
2-3 Church Walk  
Daventry NN11 4BL  
Tel: 011 44 1327 312616  
Fax: 011 44 1327 312606  
[www.gea.co.uk](http://www.gea.co.uk)
- Department of Trade and Industry (DTI)  
1 Victoria Street  
London SW1H 0ET  
Tel: 011 44 20 7215 5000  
[www.dti.gov.uk/sectors\\_automotive.html](http://www.dti.gov.uk/sectors_automotive.html)
- Department for Transport (DfT)  
Great Minster House  
76 Marsham Street  
London SW1P 4DR  
Tel: 011 44 20 7944 9643  
[www.dft.gov.uk](http://www.dft.gov.uk)

For further information about the UK automotive market, please contact:

Mr. Colin Moore  
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U.S. Commercial Service  
American Embassy  
24 Grosvenor Square  
London W1A 1AE  
UK  
Tel. 011 44 20 7894 0425  
Fax. 011 44 20 7408 8020  
Email: [Colin.moore@mail.doc.gov](mailto:Colin.moore@mail.doc.gov)

## Venezuela

Venezuela has a motor vehicle population of about 3 million cars, trucks and buses, plus an estimated half a million motorcycles. Between locally assembled and imported vehicles, the yearly increase is about 200,000 vehicles. Local assemblers include General Motors, Ford Motors, Daimler-Chrysler, Hyundai, Mitsubishi, Toyota and Daewoo. Mercedes-Benz, IVECO, Mack and several bus builders use locally made or imported chassis and engines.

At this time, roughly 30% of the components of assembled vehicles are locally made. The estimated average age of motor vehicles in circulation is above 10 years. This makes Venezuela an excellent market for spare parts for older cars. For a number of years in Venezuela there was a local content law which resulted in the growth of a rather impressive and diversified local components industry. While such a requirement no longer is in force, local assemblers are still prominent and there are manufacturers who export chassis parts, alternators, steel and aluminum wheels, suspension parts, air conditioners, radiators and many other parts. Many local manufacturers have been able to achieve ISO certification or quality certifications from Ford Motors or General Motors.

Statistics are generally not available on the production or sales volume of local manufacturers of auto parts and accessories, nor are there reliable import figures for this year or last year. However, trade sources estimate that total imports of automotive components, not counting CKD kits for local assembly, are probably above \$600 million/year. There is a good, but again not officially quantified, market for accessories, performance kits, and products such as sound equipment.

In spite of the growing imports from Brazil and Mexico, Venezuela seems to have a preference for U.S. parts, especially those manufactured for a specific model of vehicle. So-called generic parts, while being sold because of their normally lower price, are not preferred. The market for re-manufactured or re-conditioned parts is poor.

This does not include re-manufactured transmissions and large truck engines, both of which are in demand by truck and bus fleets.

Engine overhauls as well as brake drum, clutch, alternator and repair of other components are available at reasonable prices and at good quality from local plants. There is an excellent import market for parts and components for older cars for which "original" parts are no longer available. Import duties vary from 5% to 20% to which a 1% customs-handling fee and a 16% VAT must be added. No import licenses are required.

Since bank financing is expensive, importers prefer to buy with irrevocable letters of credit or, when a longer standing relationship exists, by open account or a line of credit. The exchange controls currently in effect have made it more difficult for companies in this sector as well. Venezuelan importers do receive dollars, and dollar earnings are being repatriated, but the approval process is frequently very slow.

A total of 10,775 units were sold in June of 2004, reflecting a 107.81% increase compared to June 2003. The accumulated sales for 2004 are 52,741 units, showing a 93.57% increase compared to 2003 for the same period. More statistical analysis for 2004 will be available by December of this year.

### **Resources**

For more information, please contact Commercial Specialist Mr. Luis Mulet at [luis.mulet@mail.doc.gov](mailto:luis.mulet@mail.doc.gov).

## **IV. Trade Events**

Trade events, such as trade shows, trade missions and catalog shows, offer excellent opportunities for face-to-face interaction with foreign buyers and distributors. Of the many U.S. and international events held throughout the year, some are vertical (single industry theme) and some horizontal (many industries represented). The events organized or approved by the U.S. Department of Commerce can be especially useful for first-time or infrequent participants – they require less lead time to register and typically involve more handholding.

The Trade-Event Scheduling Web sites listed below allow selective searches for upcoming events by industry, location, type and date. They typically provide the event organizer, event descriptions and costs, and people to contact for more information. The Trade-Event Scheduling Web sites listed below allow selective searches for upcoming events by industry, location, type and date. They typically provide the event organizer, event descriptions and costs, and people to contact for more information.

To find upcoming events for U.S. automotive products and service equipment, use industry search terms relating to automotive, motor vehicles, and the like.

### **Schedules for U.S. Government Organized or Sponsored Events**

**Domestic USDOC Events:** [http://www.export.gov/comm\\_svc/us\\_event\\_search.html](http://www.export.gov/comm_svc/us_event_search.html)

**International USDOC Events:** [http://www.export.gov/comm\\_svc/us\\_event\\_search.html](http://www.export.gov/comm_svc/us_event_search.html)

### **Schedules for Commercially Organized Events**

**TSNN** (<http://www.tsnm.com/>)

**ExpoWorldNet** (<http://www.expoworld.net/>)

**Exhibition Center - Foreign Trade Online** (<http://www.foreign-trade.com/exhibit.htm>)

## V. Available Market Research

### Automotive Parts and Accessories

The reports listed below provide more detailed information about the market for the Automotive Parts and Accessories in the listed countries, such as demand trends, the competition, business practices, distribution channels, promotional opportunities, and trade barriers. These market research reports are written by resident U.S. commercial staff in each country.

All the reports are accessible on line, at no cost, from <http://www.buyusainfo.net/adsearch.cfm?loadnav=no>, or can be obtained in print or on disk for \$25.00 from:

**CENTER FOR INTERNATIONAL TRADE DEVELOPMENT**  
13430 Hawthorne Blvd, Hawthorne, California 90250 USA  
Phone: (310) 973-3173 Fax: (310) 973-3132 Email: [mkogon@elcamino.edu](mailto:mkogon@elcamino.edu)

Austria: Automotive Market Brief.	Austria	8/17/2006
Automotive Parts and Equipment Market Brief - Austria	Austria	9/27/2005
Automotive Parts and Accessories	Barbados	9/30/2005
The Belgian Automotive Market - Auto Accessories and Specialty Equipment	Belgium	9/5/2006
The Automotive Market in Bulgaria	Bulgaria	4/24/2006
New Opportunities for U.S. Automotive Parts	Canada	6/21/2006
Automotive Aftermarket Parts, Accessories & Service Equipment	Canada	5/13/2005
Chile's Auto Parts Sector	Chile	5/29/2005
Automotive Electric Parts and Accessories	Colombia	8/24/2005
Automotive Accessories & Specialty Equipment Market in the Czech Republic	Czech Republic	8/17/2006
An Overview of the Automotive Spare Parts Market in the Dominican Republic	Dominican Republic	10/28/2005
Automotive Parts and Accessories in Ecuador	Ecuador	9/30/2005
Automotive Parts, Accessories and Service Equipment Profile for Central America	El Salvador; Honduras; Costa Rica; Guatemala; Nicaragua	5/16/2005
Automotive Accessories and Specialty Equipment 2006	France	8/31/2006
Automotive Parts and Equipment Market in France 2005	France	9/2/2005
Automotive Original Parts and Equipment (OE)	Germany	10/10/2005
Automotive Parts And Components	Hong Kong	9/30/2005
Update on the Market for Auto Parts and Accessories in Jamaica	Jamaica	10/28/2005

Auto Parts & Accessories for Aftermarket in Japan	Japan	3/15/2006
Automotive Parts in Morocco	Morocco	3/24/2005
Overview of Used Car Spare Parts in Nigeria	Nigeria	8/2/2005
Automotive Repair Equipment	Poland	2/24/2005
Automotive Parts and Accessories.	Poland	3/13/2006
Romanian Auto Parts Market.	Romania	2/8/2006
Automotive Service Equipment Market in Russia	Russia	5/30/2006
Automotive Parts, Equipment, Accessories and Aftermarket Products.	Russia	9/5/2006
Russian Automotive Industry Update	Russia	2/27/2006
Automotive Aftermarket - Specialty Equipment (Styling and Tuning)	South Africa	8/29/2006
South African Market for Automotive Components and Parts.	South Africa	3/10/2005
Automotive Repair & Maintenance Equip.	Spain	5/31/2005
Automotive Aftermarket - Specialty Equipment (Styling and Tuning)	Sweden	7/5/2006
Automotive Parts and Accessories including Aftermarket and OEMs	Sweden	4/28/2006
Russian Automotive Aftermarket.	Switzerland	5/8/2005
Turkey: Automotive Accessories & Specialty Equipment Market	Turkey	8/11/2006
The Auto Parts Market in Turkey - A Market Brief	Turkey	9/9/2005
Auto Spare Parts and Accessories	United Arab Emirates	5/26/2005
The UK Automotive Parts Aftermarket	United Kingdom	9/16/2005
Palestinian Automotive Brief	West Bank	8/31/2005

## APPENDIX

### Products in Automotive Parts and Accessories by Schedule B Code

#### HS 8708

Schedule B Code	Description
8708100010	Stampings Of Bumpers And Parts Of Headings 8701 To 8705
8708100050	Bumpers And Parts, Nesoi, Of Headings 8701 To 8705
8708210000	Safety Seat Belts For Motor Vehicles Of Headings 8701 To 8705
8708290010	Stampings Of Bodies (Including Cabs) And Parts Of 8701 To 8705
8708295025	Truck Caps For Motor Vehicles Of Headings 8701 To 8705
8708295070	Parts And Accessories, Nesoi, Of Bodies (Including Cabs) Of Heading 8701 To 8705
8708310000	Mounted Brake Linings Of Motor Vehicles Of Headings 8701 To 8705
8708390000	Brakes And Servo-Brakes And Parts, Of Motor Vehicles Of Headings 8701 To 8705
8708401000	Gear Boxes For Road Tractors, Public-Transport Type Vehicles, And Vehicles For The Transport Of Goods
8708402000	Gear Boxes For Passenger Motor Vehicles
8708406000	Gear Boxes For Vehicles, Nesoi, Of Headings 8701 To 8705
8708500010	Drive Axles With Differential For Tractors (Except Road Tractors For Semi-Trailers), Whether Or Not Provided With Other Transmission Components For 8701 To 8705
8708500050	Drive Axles With Differential For Vehicles, Nesoi, Whether Or Not Provided With Other Transmission Components Of Headings 8701 To 8705
8708600010	Non-Driving Axles And Parts For Tractors (Except Road Tractors For Semi-Trailers) Of Heading 8701 To 8705
8708600050	Non-Driving Axles And Parts For Vehicles, Nesoi Of Headings 8701 To 8705
8708700010	Road Wheels And Parts And Accessories For Tractors (Except Road Tractors For Semi-Trailers) Of Headings 8701 To 8705
8708700050	Road Wheels And Parts And Accessories For Vehicles, Nesoi, Of Headings 8701 To 8705
8708801000	Suspension Shock Absorbers For Tractors Suitable For Agricultural Use
8708805000	Suspension Shock Absorbers For Vehicles, Nesoi
8708911000	Radiators For Tractors Suitable For Agricultural Use
8708915000	Radiators For Vehicles, Other Than Tractors For Agricultural Use
8708921000	Mufflers And Exhaust Pipes For Tractors Suitable For Agricultural Use
8708925000	Mufflers And Exhaust Pipes For Vehicles, Nesoi
8708931000	Clutches And Parts For Tractors For Agricultural Use
8708935000	Clutches And Parts For Vehicles, Nesoi
8708941000	Steering Wheels, Steering Columns And Steering Boxes For Tractors Suitable For Agricultural Use
8708945000	Steering Wheels, Steering Columns And Steering Boxes For Vehicles, Nesoi

8708990010	Parts And Accessories, Nesoi, For Tractors (Except Road Tractors For Semi-Trailers) Of Headings 8701 To 8705
8708995800	Double Flanged Wheel Hub Units Incorporating Ball Bearings For Motor Vehicles Of Subheading 8701.20 And Headings 8702 To 8705
8708996100	Airbags For Motor Vehicles Of Subheading 8701.20 And Headings 8702 To 8705
8708998015	Double Flanged Wheel Hub Units Not Incorporating Ball Bearings For Motor Vehicles Of Subheading 8701.20 And Headings 8702 To 8705
8708998030	Slide-In Campers For Motor Vehicles Of Subheading 8701.20 And Headings 8702 To 8705
8708998075	Parts And Accessories, For Motor Vehicles Of Headings 8701 To 8705, Nesoi

\*Census.Gov

For more specific codes you may try any of the links above or the following website:

<http://hotdocs.usitc.gov/docs/tata/hts/bychapter/0500c87.pdf>