

DIXIÈME RENCONTRE INTERNATIONALE DU GERPISA
TENTH GERPISA INTERNATIONAL COLLOQUIUM

La coordination des compétences et des connaissances dans l'industrie automobile
Co-ordinating competencies and knowledge in the auto industry

6-8 Juin 2002 (Palais du Luxembourg, 15, rue Vaugirard, 75006 Paris, France)

**INTERNATIONALISATION STRATEGIES OF AUTOPARTS INDUSTRY:
THE PORTUGUESE CASE**

Mário VALE , Márcia VILA

In the light of the Single Market, AutoEuropa joint venture (Ford/VW), which was established in the early nineties, gave the second boost to the Portuguese industry. The AutoEuropa project was considered the major foreign direct investment made in Portugal. The plant not only gave a new development to auto industry, but it also contributed effectively to the growth of GDP and exports. This growth seems to be accomplished partially though the increase in the added value of the products manufactured in Portugal.

Specially, due to the local content agreement between the government and the consortium that aimed at pushing the level of the national autoparts companies to 45%, components industry had a strong stimulus for development itself. To prepare firms to supply AutoEuropa, a number of quality and productivity initiatives were enacted with help of the major industrial policy instrument in Portugal, PEDIP funds.

Among this improvement, 12 joint ventures based on technical cooperation agreements with Portuguese firms were established. By mid 1995, 44 national firms had achieved the highest quality certification level (Q1) from Ford, and were supplying parts and components that corresponded to more than 40% of the car added value.

Since the early nineties, exports grew to be the destination of most firm production located in Portugal. These are mostly directed to the European market, with Spain, France and

Germany as the leading nations in terms of destinations. In 1996, 150 firms were listed as auto component suppliers established in Portugal. Out of the total, roughly 65 had the majority of the capital owned by foreigners.

One of the most relevant changes that occurred in the component industry strategies was the significant loss of the price factor. This demonstrates that firms are running increasingly lean operations, which can easily be disturbed by variations in delivery or in the characteristics of the product. Therefore, when assemblers have to decide between bids from their suppliers, the issue of product quality as well as fast and reliable delivery are commanding more importance than just price.

The great investments in R&D, quality, logistics and formation to show a new strategic position, from a competitive strategy less and less established on low labour cost. In spite of the positive evolution, a large number of suppliers, still far from a high competitive performance level in the international markets.

With the fast transformation at the European automobile system, especially the eastern expansion, the main auto components firms have to develop international strategies, so as to take part of supply chains of carmakers. Portugal attains a successful competitive advantage as a result of concentrating foreign firms activities and exporting components or finished goods to foreign markets in Europe or overseas. This occurs in the autoparts industry because there are significant economies of scale in manufacturing and there are advantages in locating related manufacturing activities in the same place to allow better coordination. No doubt, Renault was the first stimulus in the eighties, followed by AutoEuropa project in the nineties, was crucial for the development of scale economies, growth in product quality and organization innovation. However, the success in the Portuguese autoparts industry is hardly dependent on internationalisation strategies.

In this communication, we pretend to discuss the recent autoparts international strategies in Portugal, at first place, identifying the factors leading to internationalisation (direct exportation, international subcontracting or foreign direct investment) and factors concerning specific geographic areas as seen as privileged (Europe and Brazil). The following part, we will analyse the main key barriers or obstacles to the international configuration of the Portuguese companies (coordination costs, alliances and coalitions, engineering capability, product differentiation, or sub-system assembly). Finally, we will discuss the major industrial policy implications and the contribution of competitive strategies for the statement on the Portuguese automobile cluster by internationalisation of auto parts industry rather than strategies based in low factor costs.