The recent changes in the global automobile industry involved, among others, its continuing consolidation, the changes in production strategies, the redefinition of relations between assemblers and suppliers, and, consequently, the major shifts in its geography of production (e.g. Dicken 2003:355-398; Conybeare 2004). Globalization in the automobile industry has been typified by an increasing number of mergers and acquisitions, involving not only car makers but also components producers, and by a growing number of the technology-, research- and market-oriented international strategic alliances and cross-shareholdings among automobile producers. The wave of mergers and acquisitions in the past twenty years has led to an increasing global concentration of the automobile industry. By 2005, the ten largest company alliances (including their affiliates and wholly-owned companies) accounted for 90% of the global market with the top five accounting for 75% (The Economist 2005:63). During this period, the relentless Japanese and, more recently, South Korean competition forced the West European and U.S. auto makers to introduce new production concepts to cut production costs and maximize product and labor flexibility to make car factories lean and flexible. The goals were to free idle capital tied up in stocks of parts and finished cars, streamline the entire production and design process on a continuous basis to minimize production time and waste, and to increase product differentiation (Womack et al. 1990, Lagendijk 1997:10, Dicken 2003:365-366). Car manufacturers have increased their flexibility by producing different sorts of vehicles on the same production line. The market fragmentation caused by rapidly increasing product varieties forced car manufacturers to adopt cost-cutting strategies, such as the platform strategy and modular assembly, to offset the increased costs of producing and marketing a number of small-volume vehicles rather than a few high-volume vehicles (e.g. Lung 2004:148-150; Lung et al. 1999; Sako and Murray 2000).

Two additional possibilities for carmakers to succeed in the highly competitive industry are to either penetrate new markets or to increase their competitiveness by shifting parts of their production to low-cost regions.

Both strategies have been pursued vigorously at the global scale (Humphrey et al. 2000; Dicken 2003). However, despite the globalization drive, the global automobile industry remains typified by the strong regionalization of its production and distribution networks especially in Europe and North America (Dicken 2003:386-397; Freyssenet and Lung 2000:75-76). One of the important regional trends in the past several decades has been the integration of peripheral areas of especially West European and North American cores into the car manufacturing production and distribution networks. These peripheries offer car makers the possibility of cutting production costs by shifting especially labor-intensive parts of the automobile production chain to these locations (Humphrey et al. 2000:8; Humphrey and Oeter 2000:51-55; Lung 2000:23-24). Since the early 1990s, the chances to exploit such a “spatial fix” opened in Central and Eastern Europe (CEE) (Sadler et al. 1993:347; Sadler and Swain 1994:400).

The goal of this book is to examine the development and restructuring of the automobile industry in the Czech Republic (Czechia). The Czech automobile industry is part of the CEE periphery of the European automobile production system. The book concentrates on the post-1990 developments, although it is approaching the Czech automobile industry from a historical perspective and in the context of developments in the automobile industry in CEE as a whole. Therefore, before focusing on the Czech case, this introductory chapter reviews major developments in the CEE automobile industry as a whole. First, the development of the CEE automobile industry during the pre-1989 period is briefly outlined. Second, the post-1990 transformation of the CEE passenger car industry is summarized, followed by a discussion of the role of the CEE passenger car industry in the global and European car industry division of labor. Fourth, the post-1990 developments in CEE truck manufacturing are outlined. The chapter finishes with a brief outline of the book.

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1In this book, CEE denotes the former state socialist countries of Central and Eastern Europe including the European part of the former Soviet Union. Central Europe refers to the Czech Republic (Czechia), Hungary, Poland, Slovakia and Slovenia.