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New Cars for \$3,000: Get Ready!

After WWII, Germany's Volkswagen began to show up in the U.S., lovingly called "the Bug." In English, "Volkswagen" means "the people's car," very much what is now being manufactured by the Tata Motor company in India to serve Asian markets, in which industrialization is creating the world's fastest-growing demand for automobiles. The Tata car is designed to sell in India for \$2,500.

Before the Volkswagen became popular in the U.S., it was a Spartan car: well made but small in size and with few of the amenities of domestically produced cars. Its popularity was as a counterpoint to the large, comfortable and more expensive American car. While it never reached the top four or five sellers, it has endured for more than two generations as "the Bug," even though it has become more costly, more comfortable and somewhat larger.

Will low-cost Indian cars, designed and produced for domestic consumption, find their way to the U.S.? There are some major obstacles, among them meeting U.S. safety standards without destabilizing the price structure of the car. Another is that Asian manufacturers may not wish to enter the U.S. market, given the robust domestic markets they enjoy and the cost of meeting safety and emissions standards. Still, a \$3,000 or even \$5,000 car may catch the fancy of

Americans, given a need to ratchet down automotive costs in the face of rising gas prices and a willingness on the part of many Americans to modify their driving habits.

As competition among manufacturers in Asia heats up, what now may be an offbeat U.S. market may become sufficiently attractive to do business in the U.S. If the downsized, down-stripped Asian car takes on an aura of fashion in the American market, it would become difficult for Asian manufacturers to resist pursuing the opportunity for global expansion of their product. As India moves quickly to raise its own safety and emissions standards, exports are likely to be encouraged. Look for some oddball little cars to make their way to American cities and roads.

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