

# CHINA AUTO: CROUCHING TIGER, LOOMING GIANT



graphic by semaforoverde

The turmoil in the auto business isn't just with the American manufacturers; it is global, striking even the supposed gold standards such as Toyota and Honda. But in chaos there is opportunity, and China looks to capitalize on that. From the New York Times:

China plans to build up a "Big 10" group of globally competitive automakers, led by General Motor Corp. partner Shanghai Automotive Industrial Corp., an industry association said Wednesday.

The plan, part of a wider stimulus package for the auto industry, is also aimed at boosting sales and production this year to 10 million units and keeping growth at about 10 percent in the next few years, according to a report posted on the Web site of the China Association of Automobile Manufacturers.

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The plan outlined in the report dovetails with the country's long-term strategy of consolidating numerous small regional manufacturers into bigger national auto groups, while at the same time encouraging use of more fuel efficient, lower polluting vehicles.

Foreign-brand cars still dominate the Chinese market thanks to a government policy of inviting foreign automakers to partner, as minority stakeholders, with local companies, such as Shanghai Automotive, also known as SAIC.

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But the final goal has always been for the country to develop its own brand vehicles.

Well, yes, their goal is to develop their own brands, but their real goal is to penetrate the international market, and especially the US. The Chinese have been making noise about this for years; there was talk of bringing the primitive Chery here (by wildcat Malcomb Bricklin no less), but the cars weren't ready for prime time and it was aborted. Make no mistake though, this consolidation is about positioning; the Chinese see the global weakness as an opening. They are right.

Back in November Marcy pondered whether SAIC and other Chinese makers were looking to scoop up the remains if Chrysler and/or GM were forced into liquidation; that is still a relevant inquiry. Anything the empowered, and Chinese government assisted, China auto groups can scoop up is gravy in their quest. Oh, and by the way, even the New York Times doesn't believe that Cerberus has a dog long for the fight with Chrysler, with both an editorial and a story out yesterday questioning their motives. I wonder if Dan Quayle has been to the orient lately?