

Trend Watch

The **Newest** Chinese Takeout

JIM KOSCS

Cars are coming from China, but you may be surprised by what will be the first to arrive. It might just be wearing a Dodge badge.

News that DaimlerChrysler would like to sell the second half of its name has tended to overshadow another recent announcement from the company: that it will enter a joint venture with Chinese carmaker Chery Automobile to produce a new b-segment small car for the North American and other markets. That car will likely look something like the Dodge Hornet concept car the company unveiled last year.

That's big news, and maybe even bigger than the other "Chinese car" stories that have been making the

rounds. You've seen reports that Chinese cars were just around the corner. Now, it appears that the corner is at the intersection of 2008 and 2009, at the earliest.

Just trying to sort out the players in the Chinese domestic market is a challenge, never mind trying to figure out who's got export plans. Let's start with a quiz: In a conversation about Chinese cars, which of the following does not belong: Hebei Zhongxing, Buick, Rong Wei, Cadillac, Dodge, Wang Chung, and MG sports cars.

OK, that's a trick question. You already know about the Dodge. And Wang Chung was a pop music group that scored a few hits in the 1980s, including "Everybody Have Fun Tonight." Everything else in that list is being manufactured (or soon will be),

in some form, in the Peoples Republic of China.

The Chinese car market – the world's second-largest at eight million a year and exploding – is a mishmash of homegrown entities like Chery and Geely, and large joint ventures between Chinese manufacturers and American, European, Japanese and Korean carmakers. See if you recognize any of the names: BMW, DaimlerChrysler, Ford, General Motors, Honda, Hyundai, Mitsubishi, Suzuki, Toyota, and Volkswagen. The

Cadillac SLS

While some in the U.S. want to import inexpensive cars from China, the Chinese consumers are lining up for American and European luxury models built there. General Motors' joint venture in China will build a more luxurious, longer-wheelbase version of the Cadillac STS, to be called SLS.



Chinese, it seems, want the same cars we have here – and more, as we'll see.

All these companies build in China to meet the government's local-content regulations. Carmakers get access to the burgeoning Chinese market, and the Chinese share the profits and gain car-building know-how. All told, there are over a dozen carmakers with joint ventures in China. One Chinese company might have joint ventures with several foreign companies. And one foreign carmaker might have joint ventures with more than one Chinese company. They're not just building for the Chinese market, either. Honda, for example, will build about 400,000 vehicles in China this year and will export about a tenth of them to Europe.

Now, back to our quiz. That first name, Hebei Zhongxing is a homegrown Chinese automaker that builds a pickup truck and an SUV. A New Jersey-based group, CHAMCO, plans to bring both to the Mexican market this year (under the brand "ZX Auto"), and then the U.S. in mid-



Dodge Hornet

Chrysler unveiled the Dodge Hornet concept last year and this year announced it would build the car in China in partnership with Chery Automobile and sell it in North America. It's a b-segment subcompact, a potential competitor to Toyota's successful Scion models.

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2008. Bill Pollack, Chairman & CEO of CHAMCO, told me, "We were blown away with the crowd attracted at NADA and the PR 'word of mouth' that followed." CHAMCO says a sedan and crossover will arrive in 2009.

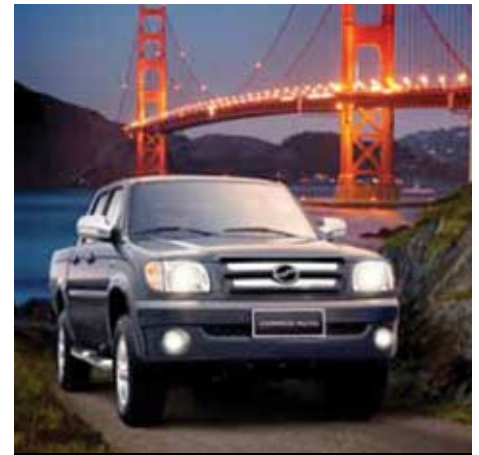
That brings us to the second name in our quiz, Buick. It's a Chinese success story. General Motors is a major player in the Chinese market, building a mix of models under the Buick, Cadillac and Chevrolet brands. Shanghai GM, one of the country's largest joint ventures, sold more than 400,000 cars in 2005. The Buick Century and Regal sedans found success in China, as did a model called the Excelle. We know that model here as the Suzuki Forenza. Now, Buick also offers the LaCrosse (same as ours) and a new rear-drive luxury full-sizer, the Royaum. The Royaum is a version of GM's Holden Statesman, built and sold in Australia.

The "Shanghai" in that partnership with GM is the Shanghai Automotive Industrial Corp. (SAIC), China's second-largest carmaker. SAIC also

recently introduced its own new model – name number three in our quiz – the Rong Wei. That's no joke – it's how you say the car's name (Roewe) in Chinese.

Name number four is Cadillac. It turns out Cadillac's STS model was neither roomy nor luxurious enough for the Chinese market. So Cadillac will instead build a long-wheelbase version there, called SLS and featuring a more luxurious interior than we get in the current U.S. model. The roots of the current Chinese car industry really got started in 1983, when American Motors entered a joint venture, the Beijing Jeep Corporation (BJC). At the time, there was no consumer car market in China to speak of – most citizens rode bicycles. Today, that joint venture produces just a few thousand Jeeps a year. However, the growing DaimlerChrysler presence in China is already building Mercedes-Benz E-Class sedans and will next build the new C-Class and the Chrysler 300.

It seems ironic that when Chinese cars are discussed here, it's usually in terms of "cheap." At least one company



CHAMCO Trucks

New Jersey-based CHAMCO has high hopes for an SUV and pickup truck it will import from China under the "ZX Auto" brand. A sedan and a crossover are expected to follow in 2009.

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claims to see that full-spectrum potential for the U.S. market. We first heard the name Chery in connection with New York-based Visionary Vehicles. Visionary had been promising a whole line of cars from China, with Chery as the manufacturer. But Visionary cancelled the deal, and the company's web site indicates that it is working with other Chinese manufacturers to deliver vehicles to its dealers by 2009. Visionary has set a lofty goal: to introduce a range of 15-20 models over the first five years, priced from \$15,000-\$50,000, and benchmarked against European and Japanese models in the \$25,000-\$90,000 range. There is also talk of a 100-mpg hybrid vehicle.

Visionary's founder, Malcolm Bricklin, is no stranger to importing cars from faraway lands. He helped launch Subaru in the U.S. in the 1960s, when it offered a tiny, cartoonish model called the 360. He departed Subaru in 1971 to start his own sports car company, building about 2,800 cars in Canada in the mid-1970s. Later, when Fiat departed the U.S. market, Bricklin stepped in to import its two sports cars, the X1/9 and the Spider. And then in 1985, he introduced America to a car from the former Yugoslavia, the Fiat-based Yugo.

Yes, there was one more name in our quiz – MG. Yep, the same MG that sold creaky, leaky British sports cars in the U.S. until 1980. Chinese carmaker Nanjing Automobile Group bought what was left of the MG Rover company from BMW, including the mid-engine MG-TF sports car we never saw here. (BMW sold the rights to the Rover brand name to Ford, which had already bought the Land Rover brand from BMW a few years before.) Well, now we'll apparently see the MG back in the U.S., with final assembly of the TF sports car taking place at a small facility in Oklahoma. How's that for global?

Some enthusiasts may take umbrage in the new Chinese parent changing the historical name behind the MG initials from "Morris Garages" to "Modern Gentleman." That's not a joke, either.

But it is another piece of evidence that you need to take cars from China seriously, and be cautious about your own business approach to them.



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BMW
DaimlerChrysler
Ford
General Motors
Honda
Hyundai
Mitsubishi
Suzuki
Toyota
Volkswagen

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