

Global Aftermarket Trends: China

China's accession into the World Trade Organization (WTO) in 2001 has presented tremendous potential for growth in the automotive industry. The WTO stipulation for the removal of various trade barriers has facilitated an increase in commercial activity between China and other foreign nations. The automotive industry is one of the areas that have been affected the most as a result of the agreements and concessions made by the Chinese in order to enter the WTO. The rapid development of this market is unprecedented. In just a few short years, China has transformed from a small player in the automotive industry to one of the biggest competitors in the market.

The growing Chinese economy has also aided in the expansion of its automotive industry. Chinese consumers are now enjoying an economic improvement in their standard of living, which has resulted in higher wages for most employees and a growing middle class with a desire to own a car. Based on the sheer size of its population, China has the potential to become the largest vehicle market in the world and companies from across the globe are scrambling for a piece of this lucrative market.

Need for In-Depth Analysis

The Chinese automotive industry clearly has asserted itself as a global force. However, what exactly are its capabilities? What kinds of future gains can the rest of the world expect from this new power? AAIA's market research department has sought to

answer these and other questions by conducting a thorough investigation into the Chinese automotive industry and aftermarket.

Global Aftermarket Trends: China reviews and analyzes primary data from numerous U.S. and Chinese sources. This study provides data and analysis to assist companies that wish to gain a better understanding of China's market, products and services. Companies considering doing business in China, or with Chinese businesses, can use *Global Aftermarket Trends: China* to help establish operations in China, evaluate the potential customer base and identify possible market competitors or strategic partners in the region.

Did you know?

- China is the fourth largest motor vehicle producer in the world, following the United States, Japan and Germany, with 4.4 million vehicles produced in 2003.
- China has the third largest motor vehicle market in the world, following the United States and Japan, with 4.3 million vehicles sold in 2003.
- Out of the top 10 motor vehicle producing countries in the world, China has by far the highest growth rate of motor vehicle production in the past five years (140.3 percent).

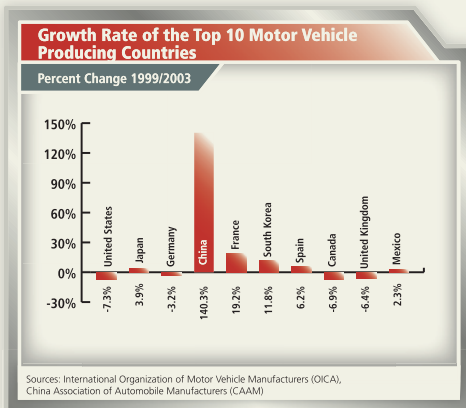
New Opportunities... or Pitfalls?

As China's automotive parts market is still developing, the aftermarket is inef-



ficient and underdeveloped. In the past, Chinese automakers were required to purchase at least 80 percent of their parts needs from local suppliers in order to protect domestic industries. In part because of this policy, the industry suffered from parts suppliers' lack of incentives to improve their products. However, after making a number of concessions to enter the WTO, the Chinese government has relaxed the content requirements, helping spur unprecedented growth.

Although demand for passenger vehicles has soared in recent years, current Chinese aftermarket distribution channels and repair services remain limited. China has a large demand for imported parts because of a small domestic supplier industry. Additionally, many Chinese suppliers are still small-scale domestic companies that lack the capital and resources for proper research and development of their products. This often leads to use of cheap, counterfeit parts in order to compete



in the rapidly developing industry. Nevertheless, Chinese suppliers are constantly striving for improvement to compete on an international level with other parts manufacturers.

Valuable Data

Global Aftermarket Trends: China provides an in-depth analysis of these and other trends. The report contains several key pieces of information:

- “Overview of China” outlines the country’s social, political and economic climate in relation to the ratification and subsequent implementation of agreements that China made upon accession to the WTO.
- “Motor Vehicle Production in China” reviews recent trends that define China’s motor vehicle production today.
- “Motor Vehicle Sales in China” looks at the changes taking place

in China’s booming motor vehicle market.

- “Automotive Parts Production/Sales” highlights current trends in the Chinese automotive parts and components market.
- “U.S.-China Automotive Trade” examines the flow of goods and services between the United States and China.
- “Appendices” contain comprehensive tables on U.S.-China parts and trade data, key government, business and media contacts, business and cultural practices, historical make/model sales and production data and automotive parts supplier lists.

Global Aftermarket Trends: China is available to AAIA members for \$295 and to non-members for \$795. For more information about this and other AAIA market research publications, visit www.aftermarket.org or call 301-654-6664. ■



Automotive Products in High Demand in China

KEY TECHNOLOGY

- Auto Safety Technology
- Auto Environmental Protection Technology
- Auto Energy Efficiency Technology
- Auto Anti-Theft Technology
- Auto Electronic Technology

ENGINE (INCLUDING SPEED REGULATORS)

RELATED PARTS

- Inlet and Outlet Valves
- Car Cylinder Head Blank, Inlet Pipes
- Fuel Injector Systems
- Automatic Gearcase, Aluminum Alloy Die-Castings
- Automatic Gearcase Gears and Bearings

CHASSIS PARTS AND COMPONENTS

- Shock Absorbers
- Aluminum Alloy Wheels
- ABS Systems
- Aluminum Radiators

AUTO BODY RELATED PARTS AND COMPONENTS

- Seats
- Rear Mirrors
- Auto Body Mold Development
- Auto Lighting and Bulbs

OTHER PRODUCTS

- Small and Medium Sized Plastic Parts and Components
- Tires

SOURCE: U.S. DEPARTMENT OF COMMERCE