THE MODERN DEVELOPMENT VECTORS OF CHINESE AUTOMOTIVE MARKET

The article examines the essence and aspects of the Chinese car market development. The effect of this development on the structure of supply and demand for cars in different countries is analyzed. The features of the government sponsorship policy for new energy vehicles are characterized. It is estimated that China’s automotive industry ranks the first place in the world ranking for the number of manufactured and sold cars. The need to explore current tendencies in Chinese automotive sector and its impact on the global car market in general has been determined. There are made conclusions regarding measures to maintain China’s position on the global automotive market.

Key words: the automotive market of China, government sponsorship policy, subsidies, joint ventures, new energy vehicles.
The purpose of the study is to identify the features of China’s automotive market, analyze its positive and negative characteristics and suggest ways to solve the problems.

The formulation of the problem. At the stage of in-depth international economic relations development, the question of defining China as one of the globalization locomotives arises. Essential components of China’s success are the export of car products, transport infrastructure improvement, investment in the automotive industry and benefits gained since joining the WTO (World Trade Organization).

At present, Chinese car brands are in great demand on foreign markets and within China itself, with a balance between sales volumes and optimal product prices.

China is the single largest market for many global brands, which is a consequence of the foreign competitors’ desire to gain a foothold in the Chinese market by means of gradual integration with local manufacturers.

The analysis of recent research and publications. The works of the following scientists are dedicated to the study of the Chinese car industry: Jin Chen, C.-Y. Cynthia Lin Lawell, Yuan Chen, Yunshi Wang. Jin Chen considers the integration of China’s automotive companies with European, American, Japanese and Korean car brands as one of the trends on the modern global automotive market. He points out that in order to adapt to changing conditions on the Chinese car market, European and American manufacturers, such as Volkswagen and General Motors, have developed strategies, which are focused on compact cars with annual model range production and purchase of separate parts from local suppliers.

Yunshi Wang, C.-Y. Cynthia Lin Lawell and Yuan Chen analyze the situation on the car market of China and government policy controlling the operation activity of automotive enterprises, as well as measures to encourage local manufacturers. In their work, they noted that Chinese vehicle manufacturers can be divided into two types: manufacturers of indigenous brands such as BYD,
Geely and Chery; and joint ventures between domestic and foreign manufacturers, such as Shanghai Automotive Investment Company (SAIC) with Hyundai, Dongfeng with Honda, etc. Researchers also signalize that market and non-market mechanisms are implemented in major Chinese cities with vehicle licenses as the main way to deal with pollution and congestions.

**Presentation of the main results and their justification.** China is one of three global leaders in car production and sales and significantly ahead of the USA and Japan (Figure 1). Accordingly, the amount of cars manufactured in China was 25,721m units in 2019, which has grown by 7,456m units for 10 years. Taking into consideration this fact, it is necessary to point out, that Chinese automotive sector development is due to scientific and technical achievements applying the experience of the Western European countries, the USA and Japan.

![Fig. 1. The car production dynamics in the leading countries of the world in 2010–2019 (million units)](image)

*Source: formed according to [6].*

The largest car manufacturers in China are Dongfeng Motors, Changan Automobile, FAW Group, SAIC-Wuling Automobile-GM, Zhejiang Geely Holding Group, Great Wall Motors, Byd Auto Co. Ltd., Brilliance Auto Group, Chery Automobile Company Ltd., Lifan Group (Figure 2). The vehicle sales success of these companies is a consequence of the combination of prudent government policy to support car industry development and tactical steps of companies, relatively implemented to the production, marketing and management strategies.

It should be mentioned the important peculiarity. When entering the Chinese market, foreign firms establish joint ventures with local companies, this allows the manufacturers in China to gain access to new production technologies.

According to the policy governing the car market, local firms, on the one hand, can set up joint ventures with several foreign companies. So, Dongfeng Motors works with Nissan, Honda, Kia and PSA; Shanghai Auto cooperates with General Motors and Volkswagen. On the other hand, a foreign carmaker is allowed to set up joint ventures with two Chinese automotive companies. Accordingly, Honda cooperates with both Dongfeng Group and Guangzhou Auto; Toyota cooperates with both FAW and Guangzhou Auto (Yuan Chen, C.-Y. Cynthia Lin Lawell, Belinska Yu. V., Fedorova T. Yu. The Modern Development Vectors of Chinese Automotive Market
Yunshi Wang, 2020) [8]. Joint ventures with leading car firms are two-thirds of the passenger car market, the rest are local brands.

It should be noted, that the government pursues the active policy to support the development of automotive sector in China, which includes the use of tax incentives, subsidies, reduced export quotas and public investment to expand the production base of «new generation cars».

Within the framework of this policy, China pays attention to new energy vehicles as one of the overcoming environmental problems aspects (Figure 3). Thus, their sales in 2015 reached 295k units, in 2019 – 1,019m units and took China to a qualitatively new level. Experts predict an increase in the number of sold cars to 1,508m units in 2022.
Regarding to the approved plan, China continues the subsidies on purchase of new energy cars until 2022 and tax exemption for two years. However, the subsidies will be provided when purchasing passenger cars that cost less than 300k yuan ($ 42,376). Overall, China plans to reduce the subsidies by 20 % to 2021 and 30 % to 2022, added the Ministry of Finance in China [1]. «At the whole, the formal studies on NEV policy mainly focus on the two-way interaction between two of the three aspects (technology, market, and policy), similar to how the customer demand determines the policy and the decision role of technical efficiency to the market» (Peng Yu, Jian Zhang, Defang Yang, Xin Lin, Tianying Xu, 2019, p. 3) [5].

Concerning the activity of enterprises, Chinese carmakers implement the promotion and copycat strategies, which are focused on compact cars with limited bandwidth. «Chery, BYD and Geely, which are «new big three», study the structure, functions and basic technologies of foreign manufacturers using the observation and analysis method of components by means of dismantling products» (Jin Chen, 2017, p. 250) [3]. After that these companies research the information about the production methods, operating principles and drawings. When Chinese manufacturers imitate foreign cars, they consider the terms of intellectual property registration in advance to avoid lawsuits.

Another important aspect is marketing strategy realization, which is aimed at the fact that consumers increasingly require additional connection to modern technologies, it represents the growing integration of cars and the Internet navigation programs. It was estimated that in 2015 there were 600m people who used mobile phones in a car. It is forecast that by 2021 60 % of the population will live in populous urban centers and need more connectivity with telecommunication networks [7, p. 5]. Baidu, Alibaba and Tencent are reviewing their strategies on the automotive market, and this process plays a considerable role in the design and application of digital marketing. But, it is necessary to emphasize, there are challenges to the car sector in China:

1) interregional trade barriers, which protect local manufacturers from competition with foreign firms – in this case joint ventures and national enterprises have major market shares in the country of headquarters, than at the national level, beside this local protectionism, such as subsidies for domestic brands, is a factor restricted automotive industry development in China;

2) the risk of significant losses in the process of production and product promotion, which is divided into the strategic, structural, operational and cultural risks (Table 1).

| Strategic                      | Structural                                | Operational                                      | Cultural                                      |
|-------------------------------|-------------------------------------------|--------------------------------------------------|-----------------------------------------------|
| 1) Presence in different      | 1) Too many locations;                    | 1) Lack of know-how transfer in certain areas    | 1) Non-compliance with engineering ethics;    |
| markets;                      | 2) lack of the corporate control mechanism;| (freezing);                                      | 2) large reliance on the historical experience of cost understatement. |
| 2) international expansion;   | 3) lack of proper personnel management in different locations. | 2) outsourcing without understanding the consequences; |                                               |
| 3) the cost of improving      |                                           | 3) high transport costs between subsidiaries;    |                                               |
| production technology.        |                                           | 4) lack of cost structure transparency.          |                                               |

*Source* [7, c. 17].

*Belinska Ya. V., Fedorova T. Yu. The Modern Development Vectors of Chinese Automotive Market*
In order to solve the problems mentioned above, a number of the following steps are to be carried out:

1) to look over the existing subsidy accrual system;
2) to modernize the business structure at the company level;
3) to determine new ways of increasing the benefits and cutting the costs.

Conclusions. The car market of China is the biggest market in the world and has enormous potential for growth. Measures that are actively carried out by the government – investment, subsidies, export stimulation - contribute to the new energy cars market development, which is an indicator of the qualitative transition of the automotive industry to the modern standards of quality, environmental friendliness and safety. Chinese companies rely on innovative research and the introduction of the latest technologies to modernize car production and marketing, thus ensuring the creation of «smart transport». However, there are negative trends such as excessive domestic production subsidies, the trade barriers (quotas) and high cost of cars due to the significant structural, operational and other costs in the production process. Therefore, domestic companies have to give attention to such key aspects as rising brand competitiveness, giving preference to electric and eco-cars, cost optimization through the modeling an optimal value chain to keep the position on the global automotive market.

Further exploration on this topic is promising, because China’s car sector is rapidly developing and encourages foreign counterparties to invest in this industry.

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Я. В. Белинская, Т. Ю. Фёдорова. Тенденции развития автомобильного рынка Китая

В статье исследована сущность и аспекты развития автомобильного рынка Китая. Проанализировано влияние данного развития на структуру спроса и предложения на автомобили в разных странах мира. Охарактеризованы особенности государственной политики поддержки нового энергетического транспорта. Определено, что автомобильная отрасль Китая занимает первое место в мировом рейтинге по количеству произведенных и проданных автомобилей. Выявлена необходимость исследовать современные тенденции развития автопрома Китая и его влияние на мировой автомобильный рынок в целом. Сделаны выводы касательно мер для сохранения положения Китая на мировом рынке автомобильной продукции.

Ключевые слова: автомобильный рынок Китая, государственная политика поддержки, субсидирование, совместные предприятия, новые энергетические транспортные средства.

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