

On the occasion of signing a 25-year contract with China

Overview of the Structure of China's Automotive Industry

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These days, the discussion of the 25-year agreement with China is very hot. Regardless of the nuances of this discussion, China is now the second largest economy in the world and will rise to the first place in the world's economy in the not-so-distant future. One of the most important industries for the Chinese, after IT and electronics, as well as the clothing industry, is the automotive industry. In the 1990s, the Chinese tried to develop their automotive industry using the national car manufacturing model. For this reason, they asked reputable German and American automotive companies to design a national car for them that would suit the characteristics of this country and their society. Chrysler, General Motors, Volkswagen, Porsche, etc. each presented their proposals to the Chinese. This time is exactly equivalent to the first half of the seventies when the development of the Iranian automobile industry was started! At the same time, several articles were written in "Majleh Mashin" about the proposed concept projects for the Chinese national car. In the end, the car designed by Porsche was chosen as the winning and selected model, a four-door car in the C segment that was most consistent with the national car desired by the Chinese. In an article in "Machine Magazine" in the first half of the 1970s, Shamshi fully introduced this car and the story of its design. However, the Chinese government suddenly changed its policy regarding the production of national cars and concluded that the era of national car production was over. Thus, instead of producing national cars and forcing the majority of society to

use one or two specific car models, it adopted policies to encourage product development and car production by Chinese companies and to strengthen the private sector in the automobile industry. In this way, the nascent Chinese private sector, which had just been formed since the late 1980s, entered the automobile industry, so that a competitive environment was created in the automobile industry and, through this, the Chinese automobile industry could develop. A policy that has been implemented since the mid-1990s until now. With this introduction, we will examine the types of Chinese automobile companies to see what structural differences they have.

Generally, Chinese automobile companies can be divided into four groups or categories. The first category includes state-owned automobile companies that were established by the government and, before the change in the approach of the Chinese communist economy to capitalism, they mainly produced cars for government officials and met the needs of government and military organs. The ownership and establishment of these companies are in the hands of the government, and a large part of their shares are still in the hands of the central government of China. The oldest of these companies is FAW, which stands for First Automobile Works. This company was founded in the 1960s and its purpose was to produce cars needed by Communist Party officials and also cars needed by government institutions. Other examples of these state-owned companies include Great Wall and its subsidiary, Haval. Car manufacturers that still maintain their affiliation with the government or government institutions through a portion of their shares. If we want to make comparisons between Chinese and Iranian car companies, these companies are the equivalent of Iran Khodro and Saipa in China. Today, these companies also supply most of their products to the domestic Chinese market, and in addition to supplying vehicles required by government,

governmental, and military institutions, their main target market is Chinese buyers. Their foreign partners are also very valuable and include world-class and leading automakers. For example, FAW's main partner is Volkswagen. If you have traveled to China in major cities such as Beijing or Shanghai, you will have noticed that at least one out of every three cars is branded Volkswagen or Audi. Most of these cars are manufactured by FAW. Of course, these state-owned companies also have their own domestic and local brands and are seriously pursuing their development. For example, in the list of **Top Ten Best-Selling Brands in China** over the past decade, the only local Chinese brand that has always been on the list is Great Wall or Haval (a subsidiary of Great Wall SUV manufacturer).

But the second group of Chinese companies are companies that, after the policy of creating free trade zones and then the policies of supporting the private sector to enter the automotive industry in the 1990s, were formed in China's free trade zones to take advantage of the tax and trade exemptions of these zones and at the same time have the possibility of attracting foreign investors. However, today these companies themselves have become major shareholders of foreign brands in the automotive industry. These companies were mainly formed in free trade zones in southern China. The most important of them are SAIC Motors, Geely, BYD, GAC Trumpchi, etc. In addition to focusing on the domestic Chinese market, these companies are looking to enter the world's first-class markets, including North America and Europe, and have made huge investments in this field. For example, SAIC Motors, which is the main partner of General Motors in China, purchased the MG and Rover brands of England about two decades ago, and these brands have been owned by SAIC for years now. Geely has been the main shareholder of Volvo for about a decade and owns the rights to produce Volvo passenger cars and its factory in Sweden.

Although these companies supply their products to the domestic Chinese market, their main focus is on entering the world's premium market.