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At one time, the answer was, "on a white tablecloth, it ain't bad", but today, many people are thinking about red China. The Peoples Republic of China has a market potential that will be extremely important to world economy in the last two decades of the twentieth century, and beyond. The population of the PRC is about one-quarter of the world's total, and 25 percent of the world cannot long be ignored.

Since its founding in the late 1940's, until last year, the PRC did not officially exist in the eyes of the United States government. Our country maintained that the only legitimate government representing the Chinese was based on Taiwan. Since the normalization of relations with the PRC, and the appointment of Leonard Woodcock as Ambassador, the 25 percent of the world that had been ignored is now the object of much attention.

Much of the attention in the automotive industry is centered on the Chinese appeal for help in developing a similar industry in their country. General Motors, Ford, American Motors, and Chrysler have all expressed interest in exploiting the potential that exists in the PRC. The only difference between the automakers, at this point, is the degree



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of interest.

The interest expressed by U.S. automakers is directly proportional to their ability to get involved in the development of the PRC's auto industry. The U.S. automakers seem to break down into two sections; those who have the resources to get heavily involved (if some agreement can be reached), and those who are prohibited by internal factors from much involvement.

Leading the interest in the PRC's call for help in their automotive industry are Ford and General Motors. Last year, Henry Ford II traveled to China, and met with the political leadership of that country, as did Thomas A. Murphy, GM's Chairman. Officials of American Motors have also traveled to Peking. At present Chrysler has not sent any of its personnel to visit the Peoples Republic of China.

Because of its financial position, Chrysler has not been able to get involved, as have other U.S. automakers, in Chinese automobile and truck production potential. A spokesman for Chrysler says, "Chrysler is concentrating its efforts in other areas. Chrysler does have an interest in future China trade, but is unable to take advantage of it at this time."

It is unfortunate Chrysler is unable to move into the PRC automotive industry at this time. Chrysler has an interesting history with the Chinese. The late Premier Chou En-Lai's personal car was a 1940's era Chrysler, and the Chinese are still using World War II vintage Dodge Power Wagon trucks. When the Chinese first approached U.S. officials about help for their automotive industry, they did not know the name Chrysler, but they did know the name Dodge, or "Dodgee", as they pronounced it. Those Dodge Power Wagon trucks are now almost forty years old, yet they still perform day-to-day activities on Chinese roads (see related story on Power Wagon trucks in China, page 19).

To find out what the U.S. automakers who are negotiating with the Chinese think about that country's automotive potential, Car Biz sur-

WHAT DO YOU THINK OF RED CHINA?

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veyed international representatives of U.S. carmakers.

One of the questions asked was, What is the future of China's automotive industry? At present, the Chinese industrial capacity is hampered by the lack of a sufficient transportation system. All the U.S. auto companies agreed, the first requirement for the Chinese automotive industry is the development of a truck capability. One of the ways in which the PRC is going to pay for the development of its automotive industry is through the exploitation of its rich natural resources. To develop those resources, China needs heavy-duty transportation, both road and rail.

All the automakers surveyed agreed, the Chinese have what was called a "bicycle economy" by one of the U.S. auto officials. There is a need, in the words of John Quick, Vice President and General Director-Pacific Operations for General Motors, "to start almost from scratch" in the development of China's automotive industry.

countries that are assisting them. The Chinese will not have to put up the entire amount for the development of their automotive industry, but will retain control.

One of the fears of U.S. automakers is the history of the Peoples Republic of China. Since its founding in 1947, the PRC has been less than stable in a political and economic sense. There was the Chinese civil war, and the Hundred Flowers campaign. There was the Great Proletarian Cultural Revolution, and the Gang of Four Conspiracy following the death of Mao Tse Tung.

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David Sparling, vice president of Ford, and general manager of its Trade Development Operations, indicated there will have to be "assurances and guarantees from the PRC" before any agreement can be reached. As Sparling put it, "China has to join the world", and that means honoring international trade agreements. Honoring international trade agreements means there has to be a greater degree of political stability than has existed to this point in the PRC, but all four of the major U.S. automakers agree that such a point has been reached.

China is, at present, hard-currency poor. It is also rich in natural resources, but those resources are still undeveloped. It is the hope of the PRC to pay for the development of their automotive capacity by selling what they have in the ground to pay for the technology they need. Helping with the development of the automotive industry is foreign exchange, loans, grants, and other aid. The Chinese have taken a pragmatic approach to this problem of financing their plans; they wish to develop the industry on a joint-venture basis.

In this manner, the Chinese will retain majority ownership of the industries, and still be able to tap the financial resources of the developed

models and technology. Similar agreements have already been reached, or are in various stages of development, between the PRC and Ford and General Motors. For the time being, Chrysler is not pursuing any business or trade agreements with the PRC.



David Sparling, Ford: "China has to join the world."

What does it all mean? Quite simply, it means the U.S. automotive industry is attempting to get onto the ground floor in the PRC. Some of the floor-space has already been taken up by Japan and western Europe, but with almost 25 percent of the world's population situated in one country, and that country in desperate need of western technology, there seems to be room enough for everybody. The prospects of further trade were heightened recently, when the U.S. and the PRC agreed to settlement of debts that grew out of seized assets during the Chinese civil war. This action by the two governments means China and the U.S. can proceed toward a full-fledged trade agreement, maybe even leading to 'most-favored nation status' for the PRC. If, and when, that happens, the U.S. automakers fully expect to be right in the middle of a new, and vast, market. ■