



China: Automobile Industry and Sustainable Development



**Some Annotations from an
European Perspective**

GIES 2007 Workshop



China: Automobile Industry and Sustainable Development

- **The Chinese Car Industry: Some Facts, Figures and Targets**
- **The EU Environmental Policy – Some Lessons from Experience**
 - **Development**
 - **Actual Issues Regarding the Car Industry**
- **Automobility for the 21th Century**
 - **What is a Reasonable Car?**
- **CARS 21: A Blueprint for a Sustainable Development of China's Automobile Industry?**

(At the end of each section, some questions and considerations will be raised for further discussion)



The Chinese Car Industry

Some Facts, Figures and Development Targets:

- Since 1978, average increase in GDP of about 9% annually
- Annual average increase in sales of ordinary passenger cars since 2001 of about 40%.
- In 2006: Automobile sales in China exceeded sales in Japan and China became the world's second largest car market
- Increase of the Chinese middle class from now 5% of the population (65 million people) to 45% (585 million) until 2015 (forecast of the National Statistical Bureau)
- Based on today's consumption behavior: market for 54 million cars per year in about 10 years time!



The Chinese Car Industry

Some Facts, Figures and Development Targets:

- Car owners per 1000 people
 - America: 800 people
 - Germany: 550 people
 - China: ~20 people (approx. the level of Europe in the 1930th)
- China's Targets (as expressed in the economic plans)
 - Automobile industry is declared 'Pillar Industry' for the whole industrial development of China
 - Become **the** worldwide production location for automobile parts (world market share over 25% until 2010)
 - Develop three manufacturers into global players



The Chinese Car Industry

Considerations and Questions:

- China is only standing at the beginning of its motorization and its development into a stronghold of the automobile industry: **⇒ Therefore preventive actions are in need (other than in the developed countries)**
- The Chinese authorities (central government, local government, party etc.) are not only issuing the development plans, but they are also directly involved in the companies: **⇒ Therefore: To what extent are they able to be 'independent' regulators?**
- Europe's environmental movement started from the bottom (interest groups, Green Parties, alternative movements) **⇒ Therefore: Can and will the Chinese public be a driving force for environmental protection?**



The EU Environmental Policy

Development of Common EU Environmental Policy:

- March 1957: Foundation of the EEC (Treaty of Rome)
- First environmental concerns beginning in the late 1960s in developed countries (USA, Europe and also Japan)
- First Environmental Declaration of the EC at the Paris Summit in 1972
- 'First Environmental Action Plan' in 1973
- No legal foundation until 1987 (Single European Act)
- Aim of 'Sustainable Development' first formulated in 1992



The EU Environmental Policy

Development of Common EU Environmental Policy:

- 1990s begin of EC/EU active automobile policy and environmental legislation: Euro 1 norm (92), Euro 2 (96), Euro 3 (2000), Euro 4 (2005)
- 1999: Recommendation regarding CO₂ emissions issued
- Target until 2004: Lowering CO₂ emissions to 175g/km on average for all newly registered cars in the EU
- Free-will commitment of all producers belonging to ACEA, JAMA, and KAMA car producers associations



The EU Environmental Policy


Actual Issues Concerning the Car Industry:

- Introduction of Euro 5 norm decided for 2009 and Euro 6 norm for 2014
- Projected target for CO₂ emissions for 2008 of 140g/km very likely not to be reached (only Renault's and Fiat's fleet might clear the hurdle on average)
- Target of 120 g/km to be reached until 2012 under discussion: Especially German premium maker are urging for a more flexible approach.
- Threat of the EU commission to push for a binding legislation if car makers fail to meet the targets



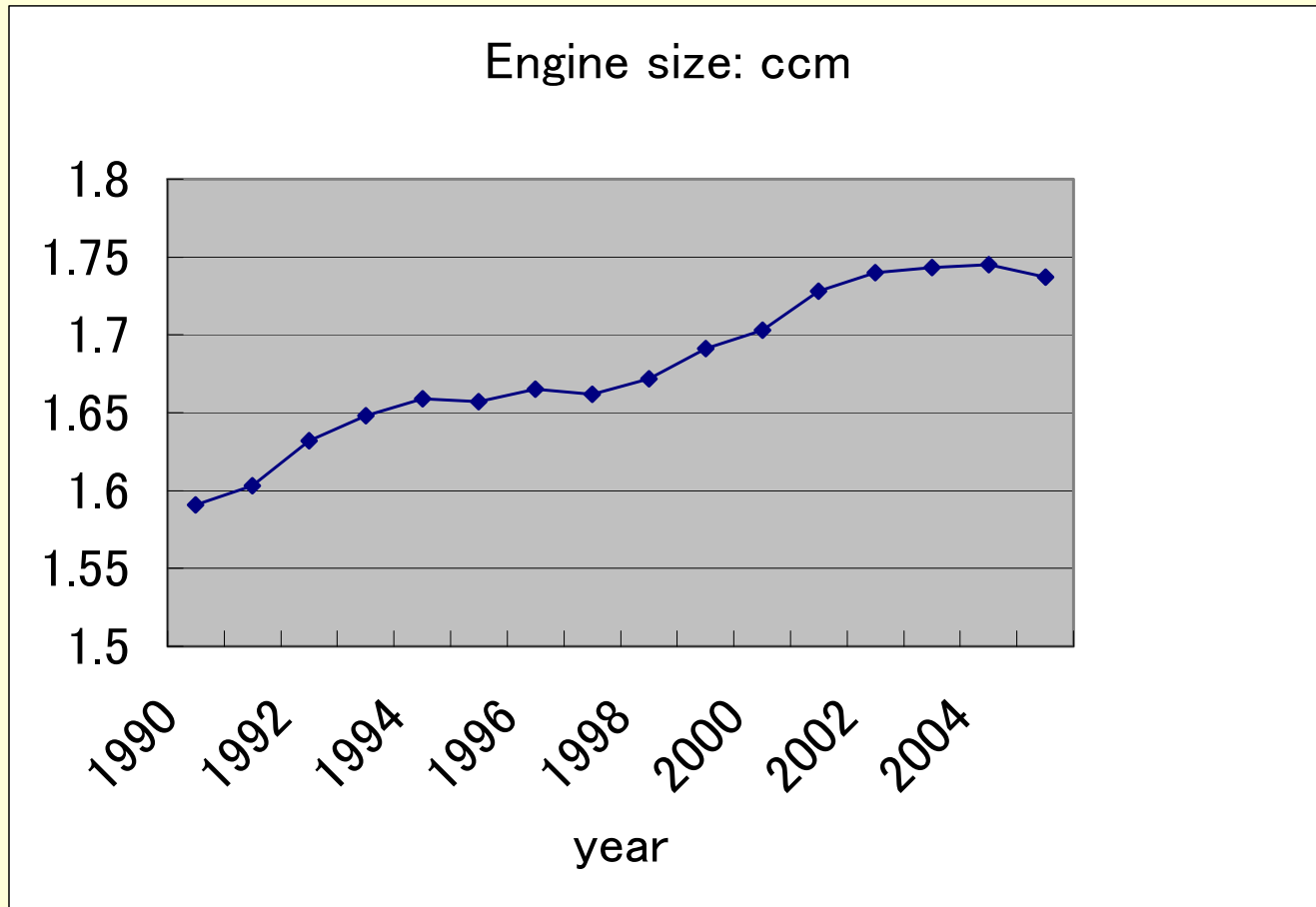
The EU Environmental Policy

- **Considerations and Questions:**
- The success of Europe's integration is based on commonly shared values: Western style democracy, social market economy, freedom and human rights:
⇒ What would be the shared values of an Asian Alliance?
- The (relative) success of the environmental policy of the EU is based on its supranational organization, especially the independence of the EU Commission and the Parliament: ⇒ Therefore: To what extent would the Asian nations be willing to give power to supranational institutions?
- Europe's environmental policy developed as a part of an ongoing market integration: ⇒ Therefore: What would be the basis of a common Asian policy?



Automobility for the 21th Century

- Engine Size of New Registered Cars in Europe

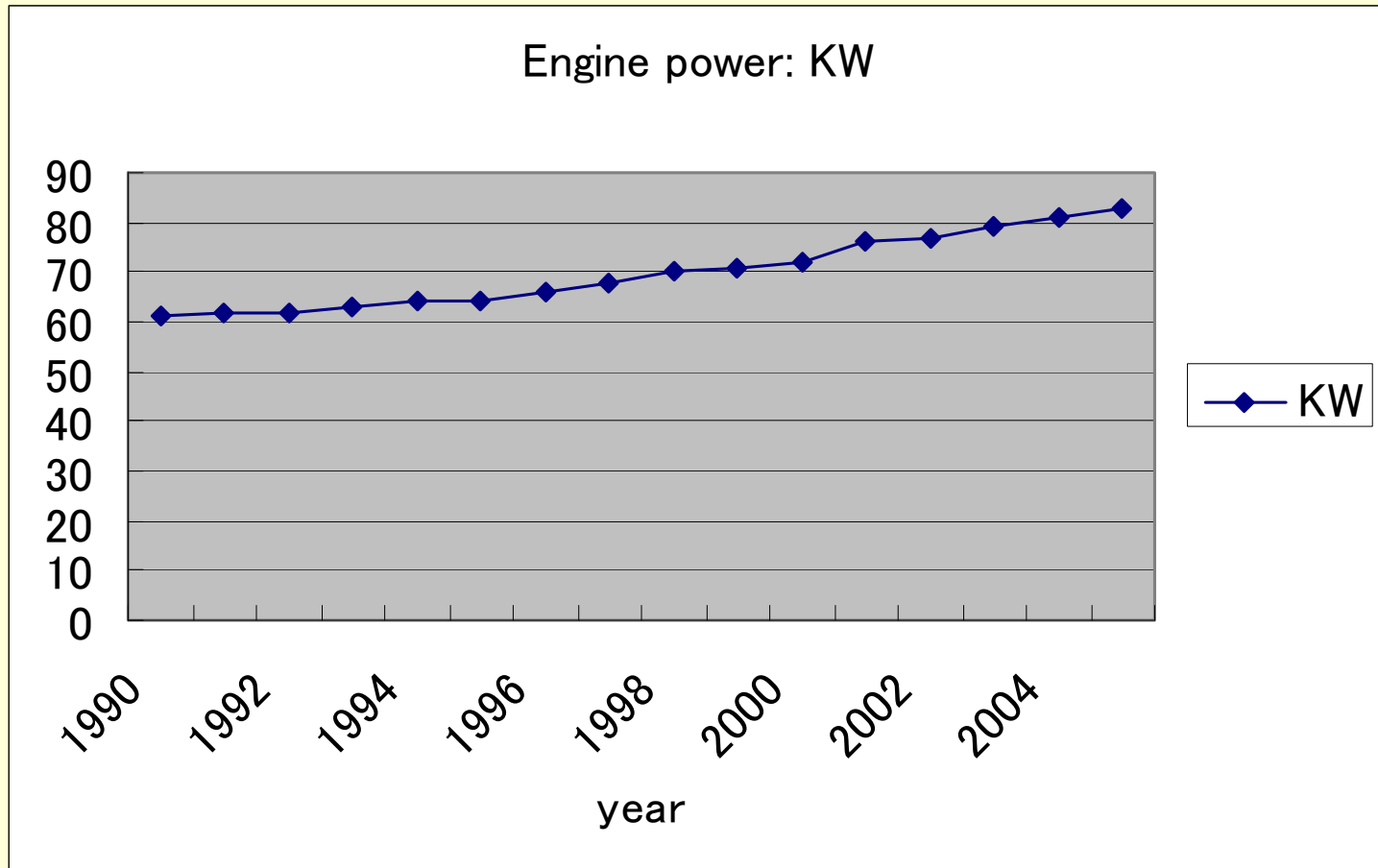


Increase in engine size of more than 10% within 15 years



Automobility for the 21th Century

- Engine Power of New Registered Cars in Europe



Increase in engine power of 35% within 15 years



Automobility for the 21th Century

- **Considerations and Questions:**
- Countries can quite easily take influence on the product range that is sold on the market (i.e. emission taxation like in some northern European countries) ⇒ Why does China not take a more active role in fostering a more 'reasonable' development of its motorization?
- Regardless the fierce competition between the car manufacturers, are there no common interests, not in preserving the environment, but in not wasting money? ⇒ Why couldn't there an agreement be reached amongst the manufacturers to stop the production of SUV cars?
- Is there really no competitive advantage in producing environmentally friendly cars? ⇒ Why do the car manufacturers not as much energy in pushing 'clean cars' as they do in marketing other cars?



CARS 21: Blueprint for a Sustainable Development of China's Car Industry

CARS 21: Competitive Automotive Regulatory System for the 21th Century

- High level group of the EU to make recommendations for the public policy and regulatory framework for the European automotive industry that enhances
 - global competitiveness and
 - employment in the industry, while sustaining
 - further safety
 - environmental performance
 - and price competitiveness
- Formed in January 2005, final report in 2006
- Roadmap for a new regulatory system within 10 years



CARS 21: Blueprint for a Sustainable Development of China's Car Industry

CARS 21: Competitive Automotive Regulatory System for the 21th Century

- Integrated approach aiming at improving:
 - Regulations
 - Environment
 - Safety
 - Trade
 - Research and Development
 - Taxation
 - Property rights
 - Competition



CARS 21: Blueprint for a Sustainable Development of China's Car Industry

CARS 21: Competitive Automotive Regulatory System for the 21th Century

- Main proposals:
 - Harmonizing technical standards
 - Implementing stricter environmental norms
 - Fostering the development of safety technology
 - Fostering the research of alternative energies and engines
 - Change to a taxation depending on CO2 emissions
 - Gain international competitiveness with new product and product policies (clean, safe, light)



CARS 21: Blueprint for a Sustainable Development of China's Car Industry

Considerations and Questions:

- With respect to developing its car industry, China's orientation is on Japan and Korea of the 1960s and 1970s respectively. With regard to motorization it is focusing on the American model that has developed even much earlier. **⇒ China should develop its own model focusing on sustainable development. CARS 21 could be a blueprint for that.**
- The car will be also in the future one important means of transport, but it won't be the only one. **⇒ China as other developing countries with a very large population should focus on modern and effective public transport systems that are supplemented by the car, not the other way round.**



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謝謝

Thank you

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