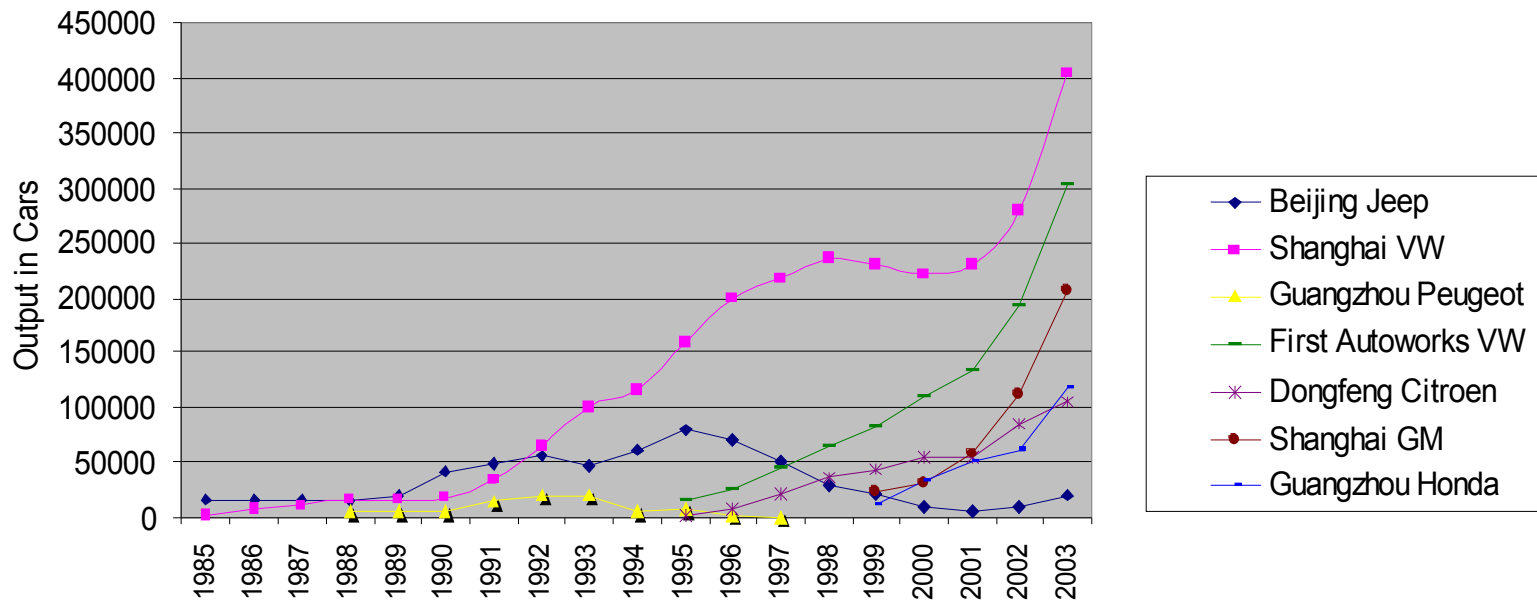


German and Japanese Auto JVs in China: The Last Shall Enter First?

**Eric Thun
Princeton University**

12 October 2004

Auto JV Production Volumes, 1985 to 2003



Source: Chinese Auto Industry Yearbook, various years; Automotive News (20

Shanghai VW Market Share

1996: 54%

2002: 26.8%

2003: 21%

2004 (January - August): 15.5%

The Argument

- All assembly operation in China must be 50/50 joint ventures with a Chinese SOE.
- Foreign firms have had widely varying ability to neutralize the influence of the Chinese partner.
- The ability to neutralize (and/or isolate) the influence of the Chinese partner becomes a key determinant of success.

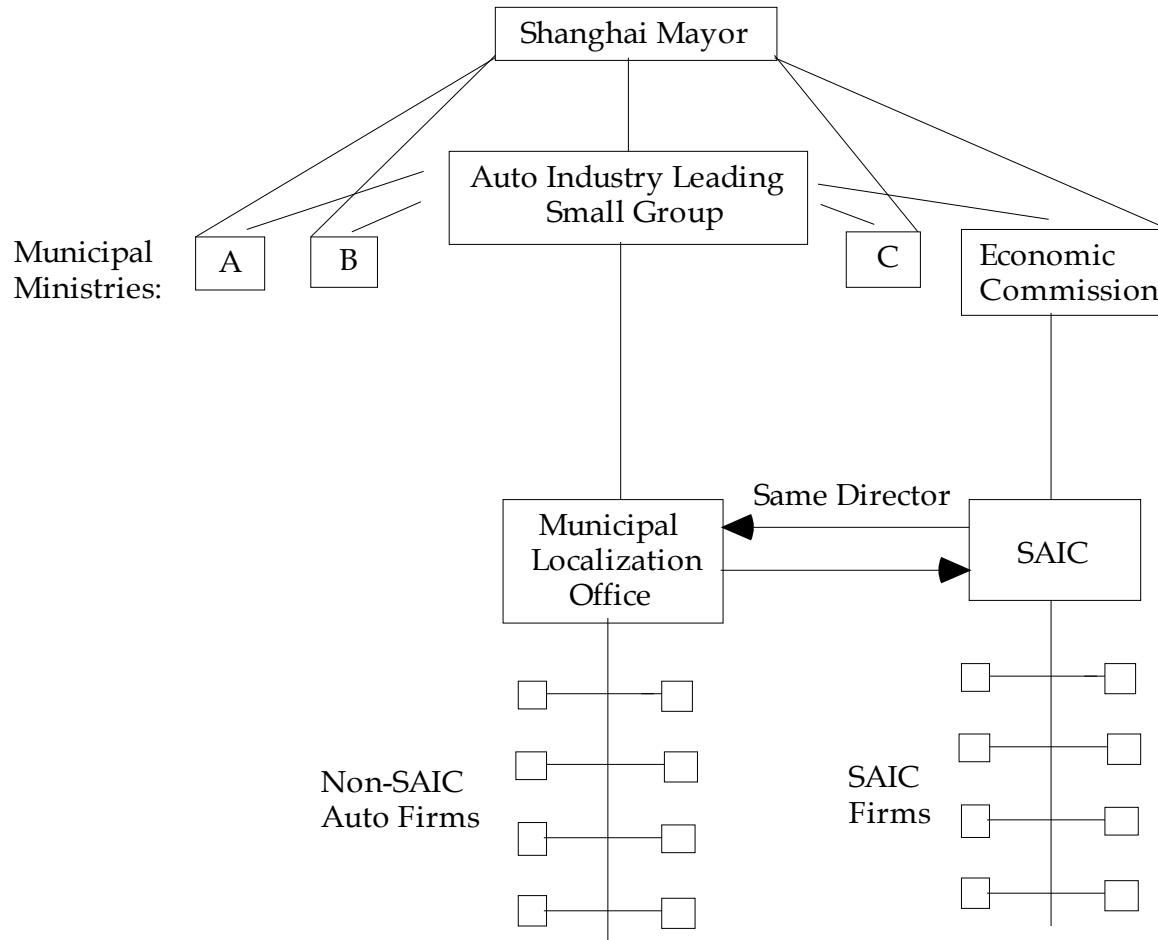
3 Forms of JV Partnerships

- Developmental Partners (SVW)
- Equal Partners (SGM)
- Silent Partners (Guangzhou Honda)

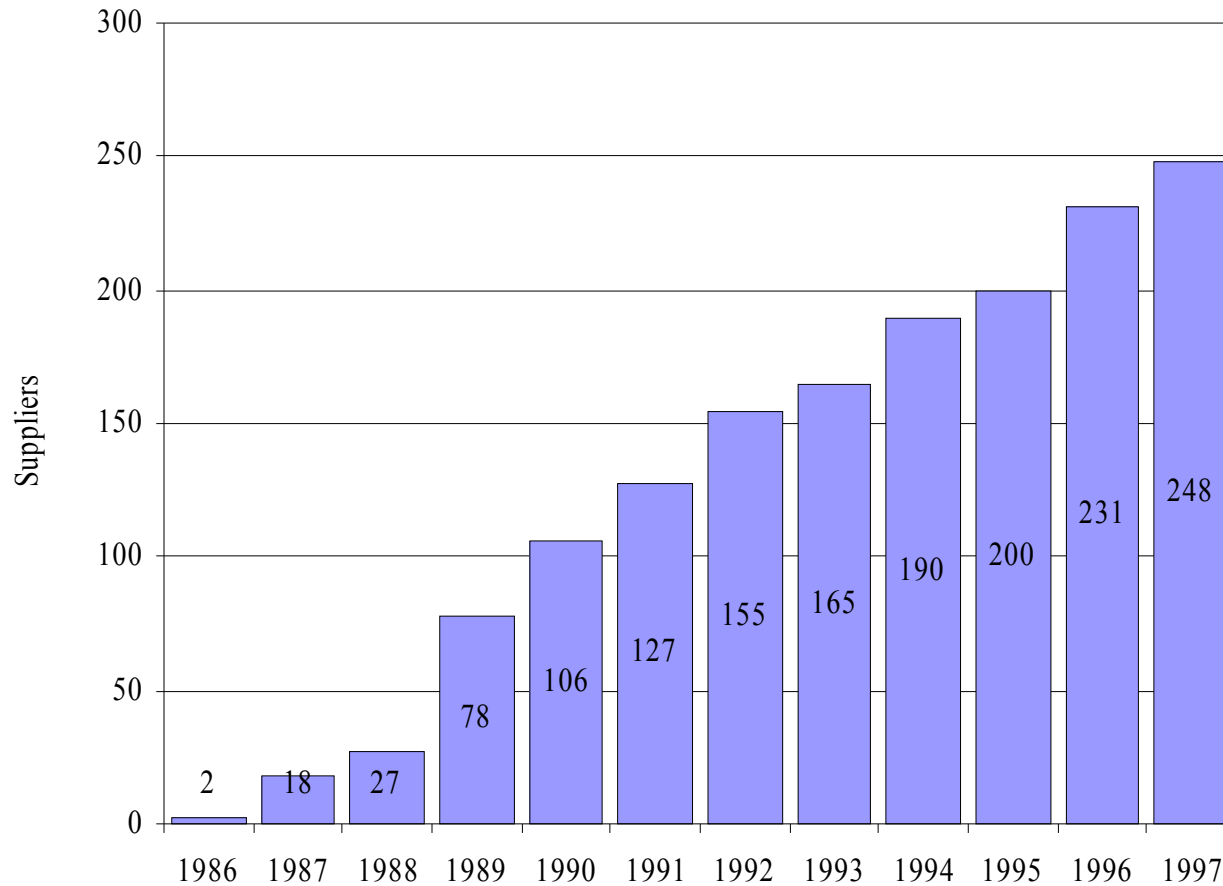
Volkswagen and the Shanghai
Auto Industry Corporation:

Developmental Partners

Shanghai Municipal Government and Auto Sector, 1997

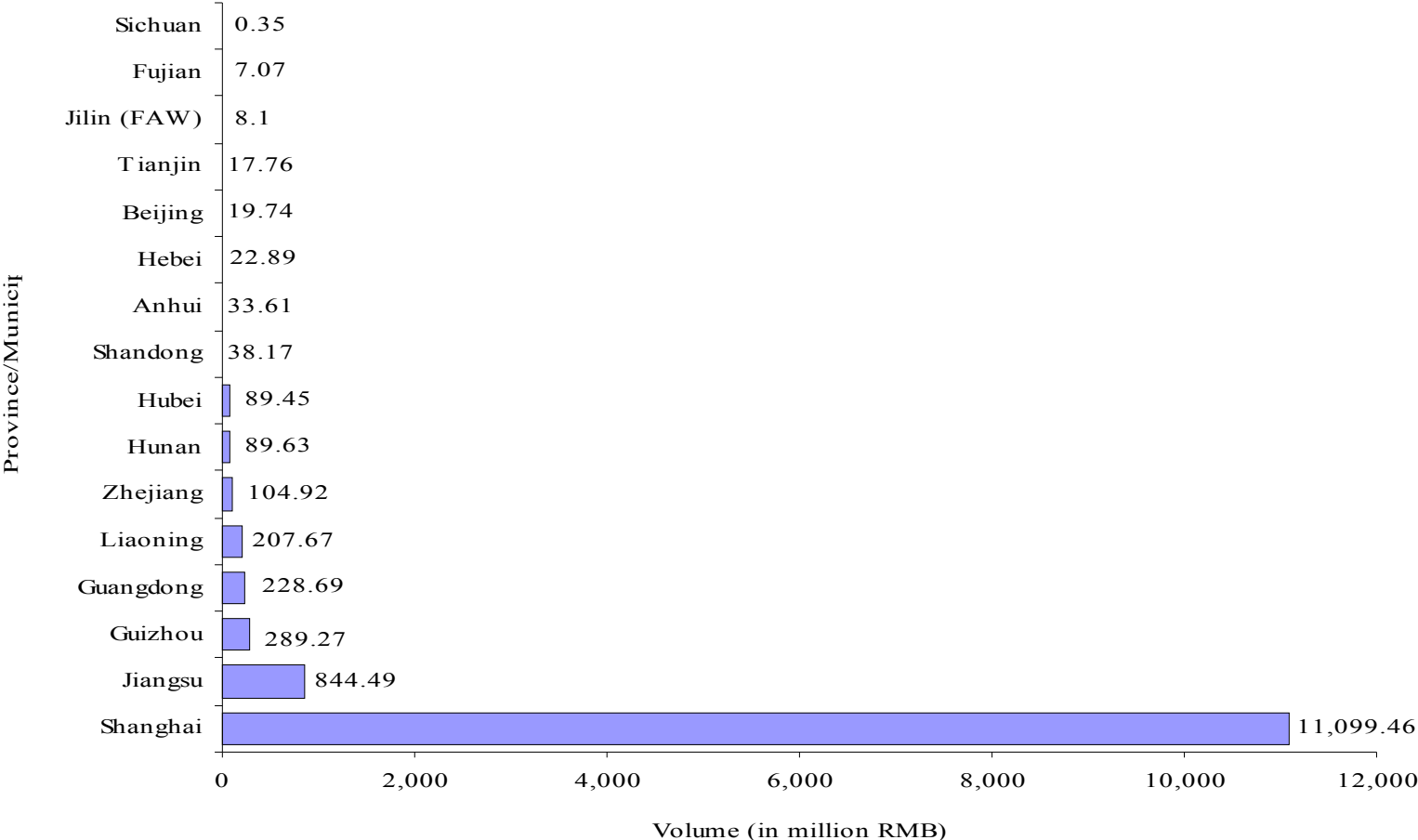


Development of Active Suppliers at Shanghai Volkswagen



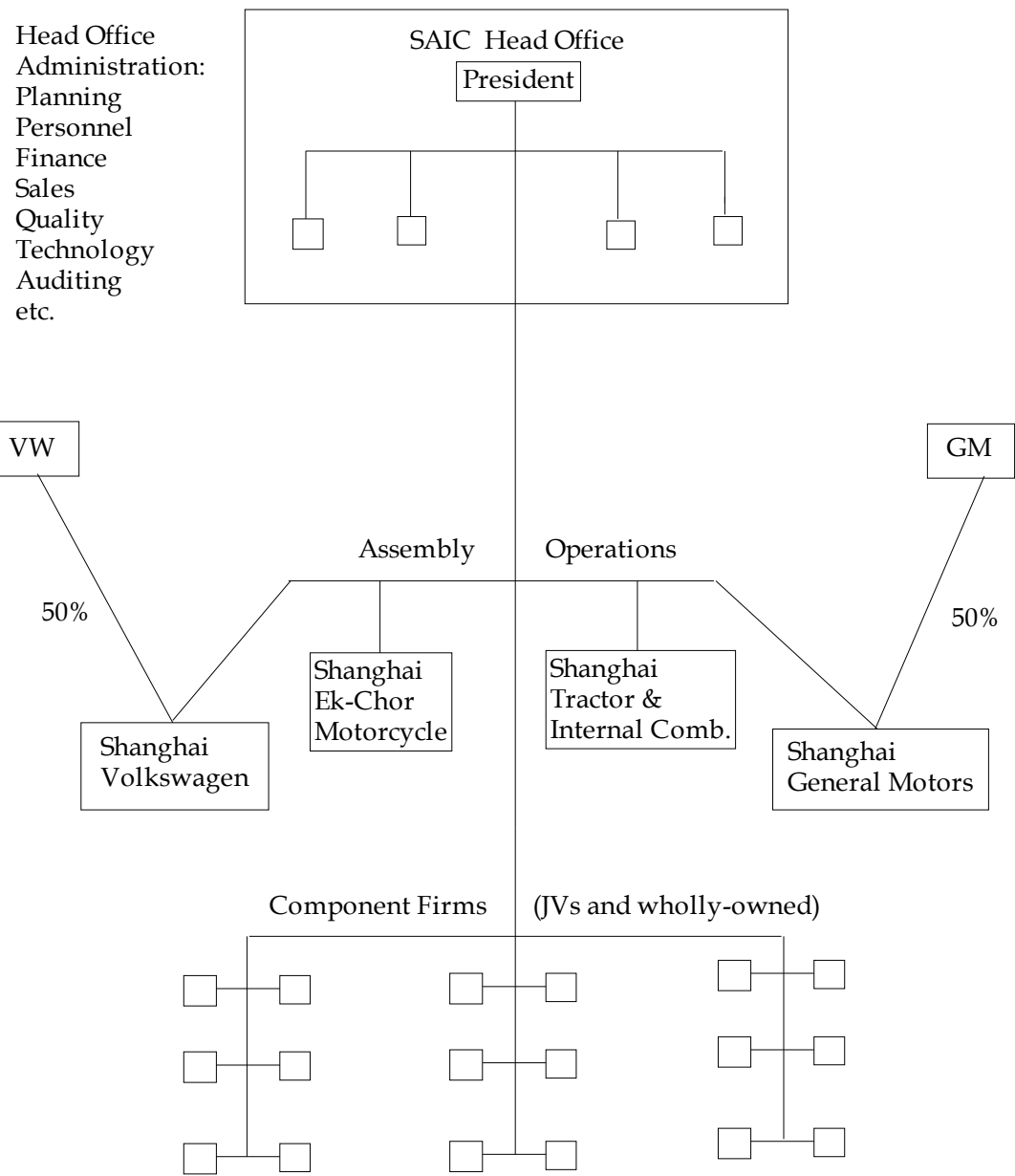
Source: Shanghai Volkswagen

Shanghai Volkswagen Purchasing Volume by Province, 1997



Source: Shanghai Volkswagen

SAIC's Auto Operations



General Motors and the SAIC: Equal Partners

Guangzhou Honda:

The Benefits of a Silent Partner



Mongolia

Heilongjiang

Jilin

Nei Menggu

Liaoning

Xinjiang

(Uighur
Autonomous
Region)

Gansu

Beijing

Hebei

Ningxia

Shanxi

Shandong

Qinghai

Shaanxi

Henan

Jiangsu

Shanghai

Xizang

(Tibetan
Autonomous
Region)

Sichuan

Hubei

Anhui

Zhejiang

Jiangxi

Hunan

Fujian

Guizhou

Yunnan

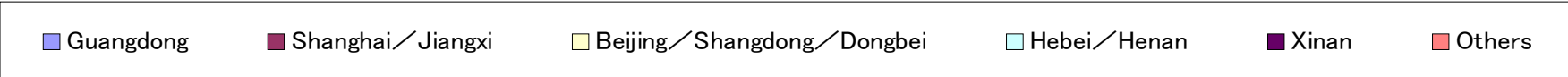
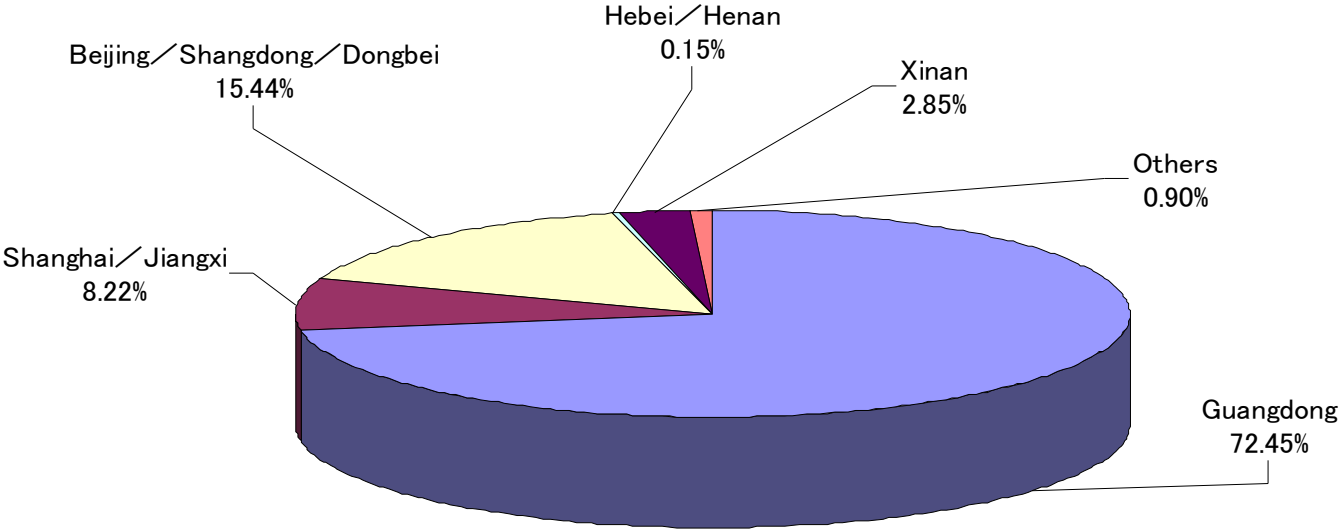
Guangxi

Guangdong

India

Location of Guangzhou Honda Suppliers (by value)

Based on PartsPrice



Guangzhou Municipal Government and Auto Sector (pre-1994)

