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APECC Analysis and Partial Translation of the New China Auto Policy

The National Development and Reform Commission last month launched a long-awaited new policy for China's fast-growing auto industry. APECC obtained a copy of this new policy and conducted a thorough analysis. Our analysis specifically focused on its implications on energy conservation and environmental protection. We concluded that this policy, in comparison with the last one that issued ten years ago (1994), showed significant progress in promoting and emphasizing measures related to energy conservation and environmental protection. While we doubt these measures alone are strong enough to derail the collision course between the rapid proliferation of automobiles and deterioration of environment and energy shortage faced by China, many of them are steps forward in right direction. In the following we translate and highlight some items we believe to be relevant to oil savings and pollution reductions from rapid growing motor vehicle population in China.

汽车产业发展政策 Automotive Industry Development Policy

第一章 政策目标 Chapter 1 Policy Goals

第二条 促进汽车产业与关联产业、城市交通基础设施和环境保护协调发展。创造良好的汽车使用环境，培育健康的汽车消费市场，保护消费者权益，推动汽车私人消费。在 2010 年前使我国成为世界主要汽车制造国，汽车产品满足国内市场大部分需求并批量进入国际市场。

Item 2. Promote coordinated development among automotive and its related industry, urban transportation infrastructure, and environment protection. Establish good conditions for automobile usage, develop healthy market for automobile consumers, protect consumers' right, and promote personal car market. Before 2010 China becomes major automobile manufacture country in the world, and its automobile production satisfy most demand of domestic market and enter international market in mass-scale.

第二章 发展规划 Chapter 2 Development Plan

第六条 凡具有统一规划、自主开发产品、独立的产品商标和品牌、销售服务体系管理一体化等特征的汽车企业集团，且其核心企业及所属全资子公司、控股企业和中外合资企业所生产的汽车产品国内市场占有率在 15%以上的，或汽车整车年销售收入达到全行业整车销售收入 15%以上的，可作为大型汽车企业集团单独编报集团发展规划，经国家发展改革委组织论证核准后实施。

Item 6. Auto company with integrated planning, own developed product, independent trademark and brand, and systematic management control of sales and services etc. can prepare its own group development plan separately as a large automobile group after verified and certificated by National Development and Reform Commission if its domestic market share of automobile products from the company's core factories, subsidiary companies, holding companies, and joint ventures, is higher than 15%, or annual sales revenue of vehicles is higher than 15% of the total annual sales revenue of the industry.

第三章 技术政策 Chapter 3 Technology Policy

第七条 坚持引进技术和自主开发相结合的原则。跟踪研究国际前沿技术，积极开展国际合作，发展具有自主知识产权的先进适用技术。引进技术的产品要具有国际竞争力，并适应国际汽车技术规范的强制性要求发展的需要；自主开发的产品力争与国际技术水平接轨，参与国际竞争。国家在税收政策上对符合技术政策的研发活动给予支持。

Item 7. Insist on the principle of combination of introducing advanced technology and self-development and research, track and study cutting-edge technology in the world, carry out international cooperation actively, and develop advanced and applicable technologies with own intellectual property. **Transferred or imported technologies and products should be competitive in the global market, and meet the mandatory requirements and trends of international automotive technical regulations.** Indigenously developed products should close the gap with the current technologies used in the international market and take part in the international competition. The state provides tax benefits to research and

development activities that meet the requirement of national automotive policy.

第八条 国家引导和鼓励发展节能环保型小排量汽车。汽车产业要结合国家能源结构调整战略和排放标准的要求，积极开展电动汽车、车用动力电池等新型动力的研究和产业化，重点发展混合动力汽车技术和轿车柴油发动机技术。国家在科技研究、技术改造、新技术产业化、政策环境等方面采取措施，促进混合动力汽车的生产和使用。

Item 8. State encourages and promotes the development of environmental-friendly and energy-efficient automobiles with small sized engine. Automotive industry should adopt national strategy for reconfiguring energy structure and the requirement of emission standards, actively carry out R&D and commercialization of new technologies, such as electric vehicles and battery technologies, especially hybrid electric automobile technologies and diesel engine technologies. The state encourages the production and usage of hybrid electric vehicles in the areas of research, technology renovation, commercialization of new technologies, and policies etc.

第九条 国家支持研究开发醇燃料、天然气、混合燃料、氢燃料等新型车用燃料，鼓励汽车生产企业开发生产新型燃料汽车。

Item 9. State supports the research and development of new vehicular fuels, such as alcohol, natural gas, synthesis fuels, hydrogen etc., and encourages automobile companies to develop and produce vehicles using new fuels.

第十条 汽车产业及相关产业要注重发展和应用新技术，提高汽车的燃油经济性。2010年前，乘用车新车平均油耗比2003年降低15%以上。要依据有关节能方面技术规范的强制性要求，建立汽车产品油耗公示制度。

Item 10. Automotive industry and related industries should pay more attention on the development and application of new technologies, and increase vehicle fuel economy. Before 2010, the average fuel consumption of new passenger cars should be more than 15% lower than that of 2003. Automobile oil consumption labeling system

should be established, based on related mandatory requirements of energy conservation regulations.

第十一条 积极开展轻型材料、可回收材料、环保材料等车用新材料的研究。国家适时制定最低再生材料利用率要求。

Item 11. Actively carry out researches and development of new materials for automobile usage, such as light-weighted materials, recyclable materials and environmental friendly materials. The state will establish the minimum usage rate of recycling materials at proper time.

第十二条 国家支持汽车电子产品的研发和生产，积极发展汽车电子产业，加速在汽车产品、销售物流和生产企业中运用电子信息技术，推动汽车产业发展。

Item 12. The state supports researches and development of electronic products for automobile usage, actively progresses industrialization of automobile electronics, accelerates application of electronic information technology in automobile products, sales, logistics, and factories, and promotes the development of automobile industry.

第四章 结构调整 Chapter 4 Structure Adjustment

第十七条 建立汽车整车和摩托车生产企业退出机制，对不能维持正常生产经营的汽车生产企业（含现有改装车生产企业）实行特别公示。该类企业不得向非汽车、摩托车生产企业及个人转让汽车、摩托车生产资格。国家鼓励该类企业转产专用汽车、汽车零部件或与其它汽车整车生产企业进行资产重组。汽车生产企业不得买卖生产资格，破产汽车生产企业同时取消公告名录。

Item 17. Establish exit (bankrupt) mechanism for vehicle and motorcycle manufacturers; publicize the manufactures who can't maintain normal production and management, including vehicle re-assembling manufacturers. These manufacturers can't transfer the vehicle and motorcycle production certification to other manufacturers or individuals who don't previously produce vehicles or motorcycles. The state encourages these manufacturers to produce special-purpose vehicles, automobile parts, or merge with other vehicle manufacturers.

Vehicle manufacturers can't sell and buy production certification. Bankrupt vehicle manufacturers will be deleted from the publication permission list.

第五章 准入管理 Chapter 5 Entrance Administration

第十九条 制定道路机动车辆安全、环保、节能、防盗方面的技术规范的强制性要求。所有道路机动车辆执行统一制定的技术规范的强制性要求。要符合我国国情并积极与国际车辆技术规范的强制性要求衔接，以促进汽车产业的技术进步。不符合相应技术规范的强制性要求的道路机动车辆产品，不得生产和销售。农用运输车仅限于在3级以下（含3级）公路行驶，执行相应制定的技术规范的强制性要求。

Item 19. Establish mandatory requirements for vehicles in auto safety, environment protection, energy conservation and anti-theft. All vehicles on roads should meet these universally established mandatory requirements and vehicle technical standards. These requirements should be consistent with current situation in China and be as close as possible to the mandatory requirements of international automobile technology in order to promote the advancement of technology in automobile industry. Vehicles not satisfying the mandatory requirements are not permitted to be produced and sold. Rural agricultural vehicles can only run on roads of grade three or less. And related mandatory requirements are applied.

第二十二条 政府有关职能部门要按照准入管理制度对汽车、农用运输车和摩托车等产品分类设定企业生产准入条件，对生产企业及产品实行动态管理，凡不符合规定的企业或产品，撤消其在《道路机动车辆生产企业及产品公告》中的名录。企业生产准入条件中应包括产品设计开发能力、产品生产设施能力、产品生产一致性和质量控制能力、产品销售和售后服务能力等要求。

Item 22. Related departments of the government should set entrance conditions for manufacturers based on entrance administration system of vehicles, rural transportation automobiles and motorcycles, dynamically manage the manufacturers and products. All manufacturers and products not satisfying the conditions will be deleted from the list, vehicle

manufacturers and products list. Entrance conditions should include the ability of product development and design, the ability of production, the ability of product consistence and quality control, and the ability of sales and services etc.

第十一章 进口管理 Chapter 11 Import Administration

第五十九条 国家禁止以贸易方式和接受捐赠方式进口旧汽车和旧摩托车及其零部件，以及以废钢铁、废金属的名义进口旧汽车总成和零件进行拆解和翻新。对维修境外并复出境的上述产品可在出口加工区内进行，但不得进行旧汽车、旧摩托车的拆解和翻新业务。

Item 59. The state forbids import of used vehicles, motorcycles and parts by trade or acceptance of donation, and forbids import of assembly of used vehicles and parts and then disassemble and regenerate. For products above which are fixed and then export again, they can be finished in export process area. But disassembling and regenerating used automobiles and used motorcycles are forbidden.

第十二章 汽车消费 Chapter 12 Automobile Consumption

第六十一条 培育以私人消费为主体的汽车市场，改善汽车使用环境，维护汽车消费者权益。引导汽车消费者购买和使用低能耗、低污染、小排量、新能源、新动力的汽车，加强环境保护。实现汽车工业与城市交通设施、环境保护、能源节约和相关产业协调发展。

Item 61. Cultivate an automobile market with personal usage as the major component, improve automobile usage environment, protect consumer's right. Encourage consumers to buy and use automobiles with low energy consumption, low pollution, small engine, new energy or new power to strengthen environmental protection. Fulfill coordinated development between automobile industry and urban transportation infrastructure, environment protection, energy conservation and other related industry.

第六十三条 国家统一制定和公布针对汽车的所有行政事业性收费和政府性基金的收费项目和标准，规范汽车注册登记环节和使用过程中的政府各项收费。各地在汽车购买、登记和使用环节，

不得新增行政事业性收费和政府性基金项目 and 金额，如确需新增，应依据法律、法规或国务院批准的文件按程序报批。除国家规定的收费项目外，任何单位不得对汽车消费者强制收取任何非经营服务性费用。对违反规定强制收取的，汽车消费者有权举报并拒绝交纳。

Item 63. State sets and publicizes all kinds of fees related to administration or government funds, and their levels to standardize the cost during automobile registration and usage. Local government can't add more fees related to administration or government funds during automobile purchase, registration and usage. If more fees are really needed, it should be reported based on laws, rules of laws or documents approved by State Department. No other fees can be charged compulsively by any organizations except fees required by the state, running expenses and service fees. For compulsive charge, consumers have the privileges to refuse to pay and report the case to related departments.

第七十一条 国家有关部门统一制定和颁布汽车排放标准，并根据国情分为现行标准和预期标准。各省、自治区、直辖市人民政府根据本地实际情况，选择实行现行标准或预期标准。如选择预期标准为现行标准的，至少提前一年公布实施日期。

Item 71. Related departments of the State coordinately establish and publicize automobile emission standards. The standards should include both "current phase" and "future phase" based on reality of national condition. Local government should decide and choose to adopt either the standards for current phase or the standards for future phase, based on the local conditions. If the standards for future phase will be adopted, the implementation date should be publicized at least one year before.

第七十三条 公安交通和环境保护管理部门要根据汽车产品类别、用途和新旧状况商有关部门制定差别化管理办法。对新车、非营运用车适当延长检验间隔时间，对老旧汽车可适当增加检验频次和检验项目。

Item 73. Department of Public Safety, Transportation and Environment Protection should establish different management methods with other related departments of the

government based on the automobile difference, such as category, usage purpose, and usage status. Inspection interval can be increased for new vehicles and vehicles not used for business. And inspection frequency and items inspected can be increased for old vehicles.

China new auto rules explained by the China Daily

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BEIJING, June 2, (Xinhuanet) -- The National Development and Reform Commission Tuesday launched a long-awaited new policy for China's fast-growing auto industry, according to Wednesday's China Daily.

The new policy release comes just a year after the commission, one of the major watchdogs for the auto industry, issued a draft policy seeking public opinion.

The new auto policy will substitute for the old one issued in 1994 by the State Council, China's cabinet.

It will both loosen and tighten restrictions on foreign investors in the auto industry from different perspectives.

Foreign investors will be allowed to control stakes of more than 50 per cent in automobile and motorcycle joint ventures (JVs) with Chinese partners "if their JVs are built in China's export processing zones and shoot at overseas markets," the new policy states.

Japan's Honda Motors has a 65 per cent share in a JV with China's Dongfeng Motor Corp and the Guangzhou Automobile Group.

All cars to be produced by the JV, located in the export processing zone in Guangzhou in South China's Guangdong Province -- will be exported.

The new policy will permit foreign investors to create more than two JV plants in China to produce same categories of vehicles, if they join forces with their existing Chinese partners to merge other companies in China.

General Motors (GM), the world's No 1 automaker, has four car JVs in China through mergers of local companies jointly with the Shanghai Automotive Industry Corp (SAIC) -- one of China's top three automakers.

Big Chinese automakers will be encouraged to team up with foreign partners to merge both domestic and foreign vehicle producers to "expand business boundaries in line with the auto industry's globalization," according to the new policy.

SAIC in late 2002 joined hands with GM and Japan's Suzuki to take over South Korea's Daewoo Motors.

This is the first overseas auto merger involving a Chinese vehicle maker.

The new policy also expects some internationally competitive Chinese automakers to join the ranks of the world's top 500 multinationals by 2010.

SAIC, which also runs a JV with Germany's Volkswagen, has attempted to become one of the top 500.

"These regulations are in accordance with the auto industry's latest development during the period after China's entry into the World Trade Organization and will speed up the restructuring of the fragmented sector," said Jia Xinguang, an analyst of the China National Automotive Industry Consulting and Development Corp.

There are now some 120 vehicle plants in China.

However, if a foreign automaker controls a relatively majority stake in another foreign firm, they will be treated as one entity when it comes to the requirement on the number of Sino-foreign JVs in China, the new policy states.

One of Chinese shareholders must have a stake bigger than the total of all foreign investors, if a Chinese listed automobile, motorcycle or other special-purpose vehicle producer sells its corporate shares, according to the new policy.

"The two requirements are intended to protect Chinese automakers through measures not violating the nation's commitments to the WTO," Jia said.

Foreign automakers appear cautious to comment on the new policy.

"We are studying the new policy and not yet available for comment," said Ye Wen, a communications manager for Volkswagen's China operations.

The new policy will enhance barriers on domestic non-auto investors in the industry.

Automakers in China that "could not maintain normal operations" will be forbidden to transfer their production permits to non-auto and motorcycle enterprises and individuals, it said.

The State will encourage these automakers to regroup assets with other vehicle producers.

If an automaker goes bankrupt, its production permit will be removed.

State to ensure health of auto market

The new policy said total investment of any new auto project should stand at 2 billion yuan (US\$241 million) or more.

Such a project must include a product research and development organization with an investment of no less than 500 million yuan (US\$60.4 million).

"The government hopes to use these regulations to cool overheating investment and overcapacity in the auto industry," said Yale Zhang, a Shanghai-based manager of CSM Worldwide, the US auto industry consulting firm.

"Plans of many non-auto enterprises in China, especially privately owned firms, to enter the industry will be derailed by these regulations."

The auto industry is widely seen as one of the overheated industrial sectors in China, thanks to massive investment from foreign automakers, and domestic State and privately owned enterprises.

Total investment in building new auto-making capacity will amount to 216.6 billion yuan (US\$25.5 billion) by 2007 in China, according to figures released by the commission earlier.

Annual auto manufacturing capacity will total almost 15 million units in China by then.

Sales of domestically-made vehicles grew by 34 per cent to 4.39 million units last year.

The new policy also aims to foster a national united and open auto market mainly depending on private consumption.

All local governments will be forbidden to take discriminatory action on vehicles produced in other regions, the policy said.

"The State will carry out a national unified vehicle registering and checking system, and local governments cannot do likewise in their own ways," it added.

The Shanghai municipal government still imposes much higher charges on private car buyers than in the other regions in China by auctioning car plates in an effort to control car sales and prevent traffic jams in the city.

Average charges for a car plate in Shanghai stood at more than 34,000 yuan (US\$4,100) last month.

A senior official from the Ministry of Commerce claimed around 10 days ago that Shanghai municipal government's action "violates related clauses of the law of road transportation security".

But the municipal government said it will not mend its ways any time soon.

(China Daily)