



Current Investments **in** Emerging Markets of Car Manufacturers

compiled by Fastener World Inc.

Volkswagen Plans to Establish 5 Plants in China



According to the reports of German media, Volkswagen is planning to set up 7 car manufacturing plants and auto part plants in China, 5 of which will be open at the end of 2013.

5 Plants Will Open Before the Year End

President and CEO of Volkswagen China (as well as Director of Volkswagen Group) reaffirmed that the company will accelerate the expansion in China and said, "7 car manufacturing plants and auto part plants have been put into the schedule." In the plan made 2 years ago, Volkswagen already decided to build 10 plants worldwide and 7 of them would be in China.

Deutsche Welle and Industriemagazin pointed out that the 7 plants include 4 car manufacturing plants in Foshan, Urumqi, Ningbo, and Changsha and 3 auto part plants in Foshan, Changchun, and Tianjin. Volkswagen said 5 of the plants will be put to use before the end of 2013. German media said, according to the info released by Volkswagen, the plants in Foshan and Urumqi is likely to operate in Q3 this year, which will be no later than September 2013. As for the plant in Ningbo, it will be open at the year end and the plant in Changsha will begin to operate in the next half of 2015. Auto part plants in Foshan and Changchun will also operate this year and the transmission plant in Tianjin will be put to use in 2014.

Detroit 3 Car Manufacturing Giants Consider Building Plants in Saudi Arabia



According to "Arab News", the 3 largest car manufacturers in Detroit including GM, Ford, and Chrysler are considering setting up plants in Saudi Arabia. The message originated from a meeting held by USSABC, attended by over 200 directors from Saudi Arabian government and industries plus several U.S. automobile and petrochemical producers.

A Ford representative in the meeting said they were considering setting up a plant in Saudi Arabia. As it takes a long time and requires complicated procedures to set up a plant in Saudi Arabia, Ford once rejected to set a plant there. However, the situation has changed, so the company changed, too. It is reported that Ford has set up an office in Saudi Arabia, which will begin to operate soon. On the other hand, GM and Chrysler are also considering the proposal of setting up local plants.

In 2012, the sale of passenger cars in Saudi Arabia reached over 0.7 million vehicles, up 18% over last year. The sale of passenger cars this year is expected to grow 24% over last year.

Renault Schedules to Build 2nd Auto Parts Export Center in India



According to the report of "Wall Street", Renault plans to build its 2nd auto parts export center in India, in order to purchase more low-cost auto parts. General Manager of Renault India Marc Nassif said that the company plans to set up a new auto parts center in Chennai, Southern India, as the increasing number of suppliers in Chennai makes it the best location for a new center.

As auto parts made in India are cheaper than those from West Europe and USA, GM, Ford, Honda, and Toyota all increased the purchase of auto parts from India to realize the goals of cost reduction and increasing competitiveness, providing supports to sales networks worldwide.

So far, Renault has an auto parts center in Talegaon near Prune. The center was founded in 2007. It purchases a large amount of auto parts from local suppliers every year. Marc Nassif said, the value of auto parts Renault exports from India every year is up to US\$ 90 million to US\$ 0.128 billion. These parts are delivered through the export center in Talegaon to the other plants of Renault-Nissan alliance.

Mitsubishi Begins Pajero Sport SUV Production in Russia



Mitsubishi Motors announced that the production of Pajero Sport SUV in Russia has been started. The company hopes to increase the sale of this model in the local market.

The Kaluga-based PCMA Rus for manufacturing Pajero Sport SUV was built by PSA Peugeot Citroën and Mitsubishi Motors.

Hyundai Motor Completes Turkish Plant Expansion and Expects 0.5 Million Annual Capacity in Europe



Hyundai Motor announced that the plant expansion in İzmit has been completed, making the annual capacity in Europe reach 0.5 million vehicles.

The İzmit plant was established in 1997 and is the oldest plant Hyundai established outside Korea. Its annual capacity in the beginning was only 60,000 vehicles. After the expansion, the annual capacity was increased to 125,000 vehicles in 2007. Through the expansion and facility upgrade, the İzmit plant will begin to produce the i10 model and the annual capacity will go up to 200,000 vehicles by 2014.

After the İzmit plant was completed, Hyundai then built

another plant in Nošovice, Czech, the 2nd plant of the company in Europe. The plant reached the capacity of 114,000 vehicles in the 1st year and can manufacture 300,000 vehicles per year after the gradual expansion. In addition, Hyundai has a plant in St. Petersburg with the annual capacity of 150,000 vehicles, mainly supplying Russia and East Europe.

Even though the European automobile market continues to shrink, Hyundai still demonstrates a growth in the market, which is attributed to the high localization of the company in Europe. By the end of this year, 90% of Hyundai's sale in Europe will come from cars produced in the local plants.

Tata Plans to Redevelop Indonesia Into Its Southeast Asia Export Center



According to the Bloomberg, Indonesia shows a great potential to outpace Thailand as the largest auto market in the future due to its fast growing auto market. Indian Tata plans to redevelop Indonesia as its export center for Southeast Asia. CEO Biswadev Sengupta of Tata Indonesia said that the company has begun to sell cars in Indonesia and plans to set up a local assembly base after the sale reaches a certain level. This goal is expected to be realized in 3-4 years. In addition, when Tata begins to produce cars in Indonesia, the localization of Tata there will climb to over 40%, helping it enjoy the zero tariff when exporting cars to ASEAN.

According to the forecast of HIS Automotive, Indonesia will become the largest auto market in Southeast Asia by 2014. The population of ASEAN amounts to 0.6 billion, similar to the sum of the U.S., Germany, and Brazil. According to another forecast by Bain & Co, most of the population in ASEAN will become the middle class by 2020.

LMC Automotive analyst Ammar Master, based in Bangkok said, "Indonesia can be the bridgehead for Tata to promote its ASEAN strategy and help increase the sales outside India."

Biswadev Sengupta said, Tata plans to redevelop Indonesia as the largest auto market of the company outside India and will make further investments. However, he did not make it clear if the plan is going to be achieved with operational income or sales. In the next 2 months, Tata schedules to arrange 7 dealers in Indonesia and the focus in the beginning will be Java and Bali.

China Saic Motor to Begin Production Next June and Invest in New R&D Center



According to “Bangkok Post”, China Saic Motor's joint venture plant in Thailand will be put to use in June 2014 for manufacturing the “MG” right steering model. The joint venture project will include the car manufacturing plant and R&D center with the total investment of roughly RMB 4 billion, about double over the last investment reported by the media.

Ready to Be Built and Begin to Produce Next Year

In December 2012, Saic Motor and Charoen Pokphand Group announced together that they established a joint venture SAIC Motor-CP Co in Thailand for production and sales in ASEAN. Saic Motor agreed that two of its subsidiaries in Hong Kong and UK would hold 51% of shares and Charoen Pokphand Group would hold 49%.

In the end of June 2013, SAIC Motor-CP Co President Wu Huan said to Bangkok Post that the construction of a new car manufacturing plant located in (Rayong) Hemaraj is going to be started soon and is expected to be put to use in June 2014. Saic Motor will authorize the joint venture to produce and sell “MG” branded right steering models under its technical approval and brand permission.

Saic Motor will export auto parts for MG from China and complete the assembly in Thailand. The annual capacity of the plant is 50,000 vehicles per year. By 2014, the MG models produced in Thailand will be available in the market, including MG3, MG5, and MG6. The local plant can create over 200 jobs. Wu added, “The plant in Thailand manufacturing right steering models will provide services to the entire southeast market.” Moreover, the joint venture company can also utilize the favorable tax policy within ASEAN to introduce more car models favored by customers in Southeast Asia. After completion of the 2nd phase project, the capacity of the plant will jump to 200,000 vehicles per year.

MG entered the market in 2005. The sale is expected to display a spike after the local production. Saic Motor has 6 plants in China and UK. The additional plant in Thailand shows a strategic significance to Saic’s business expansion to Southeast Asia.

Investment of Nearly RMB 4 Billion

The 1st phase investment of the joint venture is 10 billion bahts (about RMB 1.98 billion). Wu said that Saic Motor plans to double the project investment in Thailand to 20 billion

bahts (about RMB 3.97 billion). In addition to building a car manufacturing plant, Saic Motor will also build a R&D center and design studio in Thailand and recruit 300 automobile designers.

Saic Motor will cooperate with SAIC Motor-CP Co to establish a dealers network and is auditing qualified dealers now. It is expected to have 15-20 dealers by 2014, half of which are located in Bangkok.

The cooperation between Saic Motor and SAIC Motor-CP Co includes manufacturing motorbikes and providing air compressors to Chinese automobile market.

China Foton Motors to Build 2nd Plant in Brazil and Will Begin Production in 2015



China Foton plans to build its Brazilian headquarters in Rio de Janeiro and set up a manufacturing plant, which will be used for production in 2015. Director Julio Bueno of Economic Development, Energy, Service Bureau of Rio de Janeiro, said that Foton will place its Brazilian headquarters in Rio de Janeiro and will also set up a plant with the annual capacity of 20,000 vehicles. Bueno added, with the start of production in 2015, it will become the second car assembly plant of Foton in Brazil (the other is located in São Paulo).

The capital of the new Foton plant is expected to be 0.25 billion reais (roughly US\$ 0.11 billion) and the establishment can create 450 jobs. Executive Vice President Orlando Merluzzi of Foton plant in Brazil said that Foton will extend the production line in 2018, responsible for manufacturing heavy and super heavy trucks, which will then attract new suppliers to invest in the state. Merluzzi added, Foton plans to get a loan from Brazilian Development Bank (Rio de Janeiro Branch), which can be used to cover 80% of the project investment. In the first 2 years after the plant is put to use, 75% of parts will be from China. After 2017, 65% of parts will be produced in local Brazil.

On the other hand, Foton Motors do Brazil has signed a memorandum with the government of Bahia on Sep.07, 2012, which states that a plant will be set up in Camaçari. The annual capacity by 2017 may reach 30,000 vehicles and there will be up to 1,000 employees. According to the letter of intent, the plant floor will be 1 million sq. meters and will be used to manufacture two kinds of commercial vans. ■