Footnotes for *Designated Drivers: How China Plans to Dominate the Global Auto Industry*

Chapter One

1. Bricklin's negotiations with Chery were the subject of a documentary film released in 2009. Jonathan Bricklin, The Entrepreneur, Documentary, 2009, www.hulu.com/watch/85122/the-entrepreneur.
2. Gordon Fairclough, "In China, Chery Automobile Drives an Industry Shift," *wsj.com*, December 4, 2007, http://online.wsj.com/article/SB119671314593812115.html.
3. This fact was confirmed to me in no uncertain terms by a member of Chery's senior management team.
4. Surprisingly, even a few supposed auto industry experts whom I interviewed seemed confused as to whether Chery's status was public or private.
5. "8,000 Chinese officials quit business posts," *People's Daily Online*, December 29, 2004, http://english.people.com.cn/200412/29/eng20041229_168987.html.
6. Michael J. Dunne, *American Wheels, Chinese Roads: The Story of General Motors in China* (Hoboken, NJ: John Wiley & Sons, 2011), Ch. 14; Peter Hessler, *Country Driving: A Journey through China from Farm to Factory*, 1st ed. (New York: Harper, 2010), 65.
7. Lu Feng, "中国汽车工业的自主开发道路行得通吗? [Is the Chinese auto industry's path toward self-development achievable?], Unirule, 2007, www.unirule.org.cn/symposium/c258.htm.
8. As of this writing, Wu serves as chairman of the National People's Congress (NPC).
9. Lu Feng, "中国汽车工业的自主开发道路行得通吗?" [Is the Chinese auto industry's path toward self-development achievable?].
10. Peter Hessler, "Letter from China: Car Town," *The New Yorker,* September 26, 2005, www.newyorker.com/archive/2005/09/26/050926fa_fact_hessler. The three-dimensional spaces into which the doors of a car fit are, according to automotive experts, as unique as fingerprints.
11. Dunne, *American Wheels, Chinese Roads*, 134.
12. Ibid., 135.
13. In addition to the failed negotiations with Malcolm Bricklin, Chery also negotiated separately with both Chrysler and Fiat in 2007, but failed to establish a venture with either company.
14. In 2008 Chery received 10 billion yuan in funding from China's (state-owned) Export-Import Bank, and in 2009 Chery received another 2 billion yuan from a private equity arm of the Bank of China. Then, in the spring of 2011, Chery was granted a 43 billion yuan (US$6.6 billion) credit line by the China Development Bank to use for research and development (R&D) over the course of the 12th Five-Year Plan (2011 – 2015).
15. Dunne, *American Wheels, Chinese Roads*, 131.
16. The following Chinese sources contain passages accusing foreign multinationals of "垄断" or monopoly over China's auto industry. The first source is an influential former bureaucrat in the auto industry, the second is from China's Ministry of Science and Technology, and the third is from the Development Research Council, a think tank attached to the State Council. Wu Facheng, 汽车强国之梦 [*Dream of an automobile super power*], (Beijing: Xinhua Chubanshe, 2009), 151; Tang Jie, Yang Yanping, and Zhou Wenjie, 中国汽车产业自主创新战略 [*China auto industry indigenous innovation strategy*], (Beijing: Kexue Chubanshe, 2009), 84; Chen Xiaohong, 中国企业国际化战略 [*China enterprise internationalization strategy*], 149.
17. The following are but a portion of the literature that deals with this topic: Alice H. Amsden, *Asia's Next Giant: South Korea and Late Industrialization* (New York: Oxford University Press, 1989); Kent E. Calder, *Strategic Capitalism: Private Business and Public Purpose in Japanese Industrial Finance* (Princeton, N.J: Princeton University Press, 1993); *The Political Economy of the New Asian Industrialism, Cornell Studies in Political Economy* (Ithaca, N.Y: Cornell

University Press, 1987); Richard F. Doner, “Limits of State Strength: Toward an Institutionalist View of Economic Development,” *World Politics* 44, no. 3 (April 1992): 398 – 431; Evans, *Embedded Autonomy*; Alexander Gerschenkron, *Economic Backwardness in Historical Perspective: A Book of Essays* (Cambridge: Belknap Press of Harvard University Press, 1966); Chalmers Johnson, *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925 – 1975* (Stanford Calif.: Stanford University Press, 1982); Dani Rodrik, *One Economics, Many Recipes: Globalization, Institutions, and Economic Growth* (Princeton, NJ: Princeton University Press, 2007); Robert Wade, *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization* (Princeton, NJ: Princeton University Press, 1990); Meredith Woo-Cumings, *The Developmental State, Cornell Studies in Political Economy* (Ithaca, NY: Cornell University Press,1999).

18. Joshua Cooper Ramo, *The Beijing Consensus: Notes on the New Physics of Chinese Power* (London: Foreign Policy Centre, 2004); Stefan A. Halper, *The Beijing Consensus: How China's Authoritarian Model Will Dominate the Twenty-First Century* (New York: Basic Books, 2010).
19. John Williamson, “Democracy and the ‘Washington Consensus’,” *World Development* 21, no. 8 (1993): 1329 – 1336. The “Washington Consensus” is so named, not necessarily because its prescriptions have been promoted by the U.S. government, but because the group of economists who devised this “consensus” just happened to have been meeting in Washington, D.C.
20. Yasheng Huang, “Rethinking the Beijing Consensus,” Asia Policy 11 (January 2011): 1 – 26.
21. John Williamson, “Beijing Consensus versus Washington Consensus?,” November 2, 2010, www.piie.com/publications/interviews/pp20101102williamson.pdf.
22. Wade, *Governing the Market*, xv, fn. 5.; Barry J. Eichengreen, *Exorbitant Privilege: The Rise and Fall of the Dollar and the Future of the International Monetary System* (New York: Oxford University Press, 2011).
23. Kellee S. Tsai finds that entrepreneurs in China, far from agitating for democracy, seem to be content to work within the existing system. See *Capitalism without Democracy: The Private Sector in Contemporary China* (Ithaca,NY: Cornell University Press, 2007).
24. Ian Bremmer, *The End of the Free Market: Who Wins the War between States and Corporations?* (New York: Portfolio, 2010). Among countries that have adopted a form of state capitalism, Bremmer also lists Saudi Arabia, the United Arab Emirates, Egypt, Algeria, Ukraine, Russia, India, Mexico, Brazil, and Venezuela, among others.
25. Ibid., 51 – 52.
26. Ibid., 129.
27. Ibid., 144 – 145.
28. Gallup Poll results from: www.gallup.com/poll/120842/disapprove-majority-government-ownership.aspx.
29. William L Megginson, *The Financial Economics of Privatization* (New York: Oxford University Press, 2005); Armen Albert Alchian, *Economic Forces at Work* (Indianapolis: Liberty Press, 1977); Avinash Dixit, “Power of Incentives in Private versus Public Organizations,” *The American Economic Review* 87, no. 2 (May 1997): 378 – 382; John Vickers and George Yarrow, “Economic Perspectives on Privatization,” *The Journal of Economic Perspectives* 5, no. 2 (Spring 1991): 111 – 132; Eytan Sheshinski and Luis F. Lopez-Calva, “Privatization and Its Benefits: Theory and Evidence,” *CESifo Economic Studies* 49, no. 3 (January 1, 2003): 429 – 459; Maxim Boycko, Andrei Shleifer, and Robert W. Vishny, “A Theory of Privatisation,” *The Economic Journal* 106, no. 435 (March 1996): 309 – 319; Andrei Shleifer, “State versus Private Ownership,” *The Journal of Economic Perspectives* 12, no. 4 (Autumn 1998): 133 – 150; János Kornai, *The Socialist System: The Political Economy of Communism* (Princeton, NJ: Princeton University Press, 1992).
30. Carl Walter and Fraser Howie, *Red Capitalism: The fragile financial foundation of China’s extraordinary rise* (Hoboken, NJ: Wiley, 2011), 14 – 21.
31. Yang Guang, “消失的利益链” [Disappearance of the chain of interests], *Economic Observer*,

October 23, 2009, http://eeo.com.cn/eeo/jjgcb/2009/10/26/153709.shtml.

32. In a series of four posts on my blog, *ChinaBizGov*, in the spring of 2010, I analyzed this phenomenon along with several Chinese sources which are linked in the accompanying posts. http://chinabizgov.blogspot.com/2010/03/is-china-really-re-nationalizing.html.
33. "China's state-owned enterprises: Nationalisation rides again," *The Economist*, November 12, 2009, www.economist.com/node/14859337; "Guojin mintui," *Caixin Online*, December 24, 2009, http://english.caing.com/2009-12-24/100102800.html.
34. Jason Dean, Andrew Browne, and Shai Oster, "China's 'State Capitalism' Sparks a Global Backlash," *Wall Street Journal*, November 16, 2010, http://online.wsj.com/article/SB10001424052748703514904575602731006315198.html.
35. Figures from *China Auto*, Tianjin, 2005, 2006, 2007. China Auto Bluebooks, 2008, 2009. China Association of Automobile Manufacturers.
36. The two highest growth rates among the top dozen were achieved by Great Wall and BYD.
37. Sheshinski and Lopez-Calva, "Privatization and Its Benefits."
38. GDP per capita figures are all expressed in 1990 Geary-Khamis dollars as compiled by Angus Maddison. Maddison's data are available at www.ggdc.net/MADDISON/oriindex.htm.
39. As a condition of WTO entry, China's auto import tariffs were gradually lowered from 80 – 100 percent in 2001 to 25 percent in 2006.
40. Though foreign automakers have subsequently invested in existing Japanese and Korean companies.
41. Gerschenkron, *Economic Backwardness in Historical Perspective*.
42. As two different China representatives of the American "Big 4" auditing firms acknowledged to me, there exists the probability that the profitability of at least some state-owned automakers may be overstated due to losses being absorbed by state-owned parts manufacturers whose losses are in turn being absorbed by the state. (In accounting parlance, this is a "transfer pricing" issue.) The concept of the "complete listing" (整体上市), by which all subsidiaries of exchange-listed enterprises are supposed to be consolidated on the balance sheet of the listed entity, was intended to alleviate this problem, but thus far only a handful of automakers have done a "complete listing"— and this still does not address the probability that unrelated state-owned entities could be selling parts to the listed automakers at a loss. Of course, the private automakers, which are listed on overseas markets (primarily Hong Kong), are less likely to benefit from such state generosity, and are, therefore, more likely to be genuinely profitable.
43. Profitability in 2004 and 2005 was affected by an overall tightening of credit in China as well as selling price decreases that had got ahead of related cost reductions in response to increasingly lower import tariffs required under WTO membership.
44. Xinhua News Agency, China Economic Information Service, "Profile of China's Passenger Vehicle Industry in 2010," January 14, 2011. Accessed through ISI Emerging Markets.

Chapter Two

1. On "too many mothers-in-law" (婆婆多) see Susan L. Shirk, *The Political Logic of Economic Reform in China* (Berkeley: University of California Press, 1993), 179; Edward S. Steinfeld, *Forging Reform in China: The Fate of State-Owned Industry* (Cambridge, UK: Cambridge University Press, 1998), 91.
2. David Shambaugh, *The Modern Chinese State* (Cambridge: Cambridge University Press, 2000), Ch. 5.
3. According to Shambaugh, "[The CCP' s] principal goal is to strengthen its rule and remain in power as a single ruling party." David Shambaugh, *China's Communist Party: Atrophy and Adaptation* (University of California Press, 2008), 3; Richard McGregor, *The Party: The Secret World of China's Communist Rulers* (New York: Harper, 2010), 26 – 30.

4. The consensus around this goal for the auto industry may not have been as solid during the 1980s when the central government was still feeling its way through early reforms, but it has been an unquestioned goal since at least the time of Deng Xiaoping' s 1992 *nanxun* or "southern tour" that firmly entrenched economic growth as a goal for the country. On Deng' s southern tour, see: Richard Baum, *Burying Mao: Chinese Politics in the Age of Deng Xiaoping* (Princeton, NJ: Princeton University Press, 1994), 341 – 345.
5. According to Thun, the auto industry was first designated as a "pillar" industry in 1986. Eric Thun, *Changing Lanes in China: Foreign Direct Investment, Local Government, and Auto Sector Development* (New York: Cambridge University Press, 2006), 55.
6. The term "NEVs" or "new energy vehicles" will be used frequently throughout this book. It refers to vehicles that do not run primarily on traditional ICE (internal combustion engine) technologies (i.e., purely gasoline-driven engines). It is the translation of the Chinese term "新能源汽车" (*xin nengyuan qiche*). Examples include hybrids, plug-in hybrids, pure electric vehicles, hydrogen fuel-cell vehicles and vehicles that run on alternative fuels such as ethanol, compressed natural gas (CNG), and liquefied petroleum gas (LPG).
7. O'Brien and Li describe the "cadre responsibility system" through which higher levels of government measure the job performance of lower level officials. They contend that the most quantifiable of measures (such as economic growth) become the most important factors for promotion. Kevin J. O'Brien and Lianjiang Li, "Selective Policy Implementation in Rural China," *Comparative Politics* 31, no. 2 (January 1, 1999): 167 – 186.
8. Hongbin Li and Li-An Zhou, "Political Turnover and Economic Performance: the Incentive Role of Personnel Control in China," *Journal of Public Economics* 89, nos. 9 – 10 (September 2005): 1743 – 1762.
9. McGregor, *The Party*.
10. A 2009 report by GaveKalDragonomics noted the NDRC' s "obsession with *Fortune* 500 rankings." Yuxin He, "Chinese auto makers: The search for a car of one' s own," GaveKalDragonomics *China Insight*, July 9, 2009.
11. The list of key industries was updated by SASAC chairman Li Rongrong in December of 2006. He said the state should "solely own, or have a majority share in" power generation, oil, petrochemicals, natural gas, telecommunications and armaments. The state must have a "controlling stake" in coal, aviation and shipping, and "become heavyweights" in machinery, automobiles, IT, construction, iron and steel, and non-ferrous metals. See: Zhao Huanxin, "China names key industries for absolute state control," *China Daily*, December 19, 2006, www.chinadaily.com.cn/china/2006 – 12/19/content_762056.htm.
12. Among the advantages that SOEs enjoy over private firms is access to bank lending. For example, Ferri and Liu find that private Chinese firms pay interest rates that are, on average, more than 700 basis points greater than that charged to SOEs. Giovanni Ferri and Li-Gang Liu, Honor Thy Creditors Beforan Thy Shareholders: Are the Profits of Chinese State-Owned Enterprises Real? (Hong Kong Institute for Monetary Research, April 2009), http://ideas.repec.org/p/hkm/wpaper/162009.html.
13. The theory of "three represents" (三个代表) explained: Richard Baum, *China Watcher: Confessions of a Peking Tom* (Seattle: University of Washington Press, 2010), 262.
14. *CAIY*, 2009, 447.
15. Bernard Simon, Shannon Bond, and Emma Saunders, "In depth — Interactive graphic: The decline of US autos," *Financial Times*, *FT.com*, May 29, 2009, www.ft.com/cms/s/0/655892fa-4c83 – 11de-a6c5 – 00144feabdc0.html. The "Big Three," General Motors, Ford and Chrysler, were formerly the three largest American automakers in terms of U.S. market share. Now that this is no longer the case (Japan's Toyota and Honda both outsold Chrysler in the United States in 2010), the former "Big Three" are now known as the"Detroit Three."
16. I would like to thank Barry Naughton for his suggestions on measuring technology transfer.
17. According to internal analysis shown to me by the China head of a foreign auto parts

manufacturer.

18. Michael Dunne, "Launch a new brand in China — Whether you like it or not," *Automotive News China*, April 12, 2011,www.autonewschina.com/en/article.asp?id=6807; John Reed and Patti Waldmeir, "Foreign groups told to make Chinese cars," *Financial Times, FT.com*, March 20, 2011, www.ft.com/cms/s/0/4a5c8d82-5328-11e0-86e6-00144feab49a.html.
19. Toyota's Prius and Honda's Insight, both hybrids, had been available in Japan since the late 1990s and in the United States since the early 2000s, but neither was of the plug-in variety. Toyota's third generation Prius is a plug-in hybrid, but it would not be released for nearly two years following BYD's announcement about the F3DM.
20. "2010 Green Car Round Sales Round Up," *China Car Times*, January 13, 2011, www.chinacartimes.com/2011/01/13/2010-green-car-round-sales-round-up/.
21. This target, set by policy in 2009, will be discussed in Chapter Three.

Chapter Three

1. Eric Harwit, *China's Automobile Industry: Policies, Problems, and Prospects* (Armonk, NY: M.E. Sharpe, 1995), 17.
2. Ibid., 19.
3. Ibid., 17 – 18. China never produced more than 100 passenger cars in a single year prior to 1965.
4. Barry Naughton, "The Third Front: Defence Industrialization in the Chinese Interior," *The China Quarterly* 115 (1988): 351 – 386.
5. Kelly Sims Gallagher, *China Shifts Gears: Automakers, Oil, Pollution, and Development* (Cambridge, MA: MIT Press, 2006), 36.
6. Harwit, *China's Automobile Industry*, 50.
7. Ibid.
8. *CAIY*, 1986, 138. Harwit, *China's Automobile Industry*, 51.
9. Gallagher, *China Shifts Gears*, 36.
10. *CAIY*, 2009, 46.
11. Richard Baum, *China Watcher: Confessions of a Peking Tom* (Seattle: University of Washington Press, 2010), 68 – 69.
12. On Deng Xiaoping's consolidation, see Richard Baum, *Burying Mao: Chinese Politics in the Age of Deng Xiaoping* (Princeton, NJ: Princeton University Press, 1994), 27 – 47.
13. Jim Mann, *Beijing Jeep: The Short, Unhappy Romance of American Business in China* (New York: Simon and Schuster, 1989), 37 – 42. AMC would later be bought by Chrysler in 1987.
14. Martin Posth, *1,000 Days in Shanghai: The Story of Volkswagen: The First Chinese-German Car Factory* (Singapore: John Wiley & Sons (Asia), 2008), 4 – 5.
15. Baum, *Burying Mao*, 54 – 56.
16. Wu Facheng, 汽车强国之梦 [*Dream of an automobile superpower*] (Beijing: Xinhua Chubanshe, 2009), 5.
17. Baum, *Burying Mao*, 110 – 113. This was the beginning of one of the *shou*, or pullback, phases of the *fang*/*shou* cycles that Baum describes.
18. Barry Naughton, *Growing Out of the Plan: Chinese Economic Reform*, 1978 – 1993 (New York: Cambridge University Press, 1995), 119 – 125.
19. Posth, *1,000 Days in Shanghai*, 17.
20. Harwit, *China's Automobile Industry*, 52.
21. The full quote was: "只要市场有销路，当然允许生产，不要限制." Wu Facheng, 汽车强国之梦 [*Dream of an Automobile Superpower*], 9.
22. From digest of a speech delivered by Chairman of CNAIC, Rao Bin, to the CNAIC Board of Directors on November 8, 1985. *CAIY*, 1986, 13. The document, entitled《关于发展汽车工业几个问题的意见》had been forwarded to central authorities by CNAIC in November of 1982.

23. 中国汽车工业公司 ,“中国汽车工业公司关于组建中国汽车工业联合会的报告,” paragraph 1. *CAIY*, 1988, 36.
24. “李鹏副总理在中国汽车工业联合会成立大会上的讲话,” *CAIY*, 1988, 38. Such concern for foreign exchange seems out of place now that China has become the world's largest holder of foreign exchange with over $3 trillion equivalent of foreign reserves.
25. Posth, *1,000 Days in Shanghai*, 156 – 158.
26. Annual Work Report of CNAIC General Manager, Chen Zutao, November 11, 1985, “团结奋斗，努力实现‘七五’汽车工业发展目标,” *CAIY*, 1986, 20.
27. Ibid, *CAIY*, 1986, 21.
28. Ibid, *CAIY*, 1986, 19.
29. A comprehensive 2010 report by James McGregor discusses China's policies of “co-innovation” and “re-innovation” of foreign technologies. James McGregor, “China's Drive for ‘Indigenous Innovation’: A Web of Industrial Policies” (Global Intellectual Property Center, U.S. Chamber of Commerce, APCO Worldwide, July 28, 2010), www.uschamber.com/reports/chinas-drive-indigenous-innovation-web-industrial-policies.
30. Posth, *1,000 Days in Shanghai*, 162.
31. As of this writing, only two major joint ventures, Guangzhou Honda and SAIC-GM, export cars. So far, China's major car exporters are the “independents” (automakers without joint venture partners) — yet another reason the central government would begin to appreciate the role of the private players in the future.
32. *CAIY*, 2009, 47. Guowuyuan fazhan yanjiu zhongxin, 中国汽车产业发展报告 [*China automotive industry development report*] (Beijing: Shehui kexue wenxian chubanshe, multiple years), 2010, 256. Of course, exports did increase significantly after WTO entry in 2001, peaking at 241,316 in 2008. Exports later fell by more than half in 2009 due to the global recession.
33. Annual Work Report of CNAIC General Manager, Cai Shiqing, February 11, 1990, Section 2.2.5. *CAIY*, 1991, 9.
34. *CAIY*, 2009, 45. Though records do not clarify this point, I assume at least part of those investments included working capital for purchases of foreign-made parts and components.
35. *CAIY*, 2009, 45.
36. Annual Work Report of CNAIC General Manager, Cai Shiqing, February11, 1990, Section 1. *CAIY*, 1991, 6.
37. Baum, *Burying Mao*, Chapter 13.
38. Annual Work Report of CNAIC General Manager, Cai Shiqing, January 22, 1991, Section 2.2. *CAIY*, 1991, 13.
39. *People's Daily* online database, http://oriprobe.com/peoplesdaily.html.
40. The notice, entitled《关于严格控制轿车生产点的通知》or “Notice regarding strict control of passenger car production sites,” was summarized in “汽车工业大事记,” *CAIY*, 1991, 32.
41. This is not necessarily an indication that these local governments directly disobeyed orders from the central government. There exists the possibility that these local authorities appealed to central authorities for an exception, though I was unable to find documentation to that effect. Among these possibly “illicit” manufacturers, only the enterprises located in Chongqing and Xi'an produced more than 1,000 cars per year at the time. These were Chang'an, at the time a military-owned vehicle manufacturer located in Chongqing, and Qinchuan, a small car manufacturer owned by the city of Xi'an. Chang'an is now indirectly owned by central SASAC and is a joint venture partner with Suzuki, Ford, Mazda and PSA Peugeot-Citroen. Qinchuan ultimately went bankrupt and was sold in 2003 to BYD, a private company located in Shenzhen that, at the time, had never before manufactured automobiles.
42. Annual Work Report of CNAIC General Manager, Cai Shiqing, January 22, 1991, Section 3.3.3. *CAIY*, 1991, 15.
43. *CAIY*, 1995, 73.

44. Harold Katz, *The Decline in Competition in the Automobile Industry, 1920 – 1940*, Dissertations in American Economic History (New York: Arno Press, 1977), 15.
45. 《汽车行业贯彻执行国家产业政策实施办法》[Method of carrying out implementation of national automotive industry policy], Section 2.3.5.1. *CAIY*, 1991, 21.
46. Target mentioned in Annual Work Report of CNAIC General Manager, Cai Shiqing, January 21, 1992, Section 2: “关于‘八五’发展的任务和目标,” *CAIY*, 1993, 10. Production numbers from 1995: *CAIY*, 2009, 46.
47. This complaint about “second-rate” technology obtained from foreign multinationals has persisted to the present day. A similar complaint may also be seen in a book on auto industry innovation strategy published by China's Ministry of Science and Technology in 2009. Tang Jie, Yang Yanping, and Zhou Wenjie, 中国汽车产业自主创新战略 [*China auto industry indigenous innovation strategy*] (Beijing: Kexue Chubanshe, 2009), 88.
48. “中央财经领导小组对汽车工业发展的指标(要点) [Central finance leading small group instructions for development of the auto industry (main points)],” CAIY, 1995, 11. Emphasis added.
49. “1994 年 7 月,《汽车工业产业政策》真是颁布实施 这是我国汽车工业的一部政策性法规，也是我国工业行业第一部出台的政策性法规 .” *CAIY*, 2000, 8.
50. Preamble, 《汽车工业产业政策》, “Automotive Industry Policy,” *CAIY*, 1995, 12.
51. Ibid.
52. Chapter 3, Article 8, “Automotive Industry Policy,” *CAIY*, 1995, 12.
53. Chapter 3, Article 10, “Automotive Industry Policy,” *CAIY*, 1995, 12.
54. Chapter 3, Article 12, “Automotive Industry Policy,” *CAIY*, 1995, 13.
55. An economist who had advised the NDRC on planning policy described to me how similar orders given to China's copper industry years earlier had merely led producers to add production capacity that they would never use.
56. Chapter 4, Article 14, “Automotive Industry Policy,” *CAIY*, 1995, 13.
57. Chapter 6, Article 32, “Automotive Industry Policy,” *CAIY*, 1995, 14.
58. Chapter 6, Article 29, “Automotive Industry Policy,” *CAIY*, 1995, 14.
59. *CAIY*, 1998, 64.
60. Chapter 1, Article 2, “Automotive Industry Policy,” *CAIY*, 1995, 12. China would still have 117 automakers by the end of 2008, *CAIY*, 2009, 447.
61. At the time, the Ministry of Machinery Industry (MMI or 机械工业部) was responsible for the certification process. As of this writing, this process is now managed by the Ministry of Industry and Information Technology (MIIT or 工业和信息化部), which has assumed most functions previously owned by MMI.
62. Chapter 2, Article 6, “Automotive Industry Policy,” *CAIY*, 1995, 12. China's arrangement is similar to that of the United States. Each state’s Department of Motor Vehicles issues license plates for new cars, but those cars must be approved for on-road use by federal agencies, including the Environmental Protection Agency and the National Highway Traffic and Safety Administration.
63. Summary of speech given by MMI Auto Office Director, Zhang Xiaoyu to the China Automobile Association, Section 2. *CAIY*, 1996, 5.
64. *CAIY*, 2009, 46.
65. Excerpt of speech by MMI Auto Office Director, Zhang Xiaoyu to the All-China industrial quality work meeting in October of 1996. *CAIY*, 1997, 7.
66. While the Auto Industry Yearbooks show sales figures for all vehicles by year, it has not done so for passenger cars only. As a proxy I began with passenger cars produced, added imports and subtracted exports to get an approximate figure for annual passenger car sales. I then divided passenger cars produced domestically (less exports) by annual passenger car sales to get an approximate market share figure. See calculation in Appendix B, Table B.1.

67. 《中国汽车工业与可持续发展战略(节选)》 [China automotive industry and sustainable development strategy (excerpt)], Section 2(2), *CAIY*, 1997, 11.
68. Ibid, Section 2(3).
69. Ibid, Section 2(4).
70. 《关于进一步加强汽车工业项目管理的意见》 [Opinions regarding further strengthening project management in the auto industry], *CAIY*, 1998, 8.
71. Or, as the document termed it "先斩后奏" — literally, "to behead first and report later."
72. A thorough search of both automobile industry documents and publicly available news sources has revealed neither a revocation of an auto company' s certifications, nor news that any companies had been investigated for these types of violations.
73. *CAIY*, 1998, 6 – 14.
74. *CAIY*, 1999, 63 – 74.
75. *CAIY*, 2000, 13 – 40.
76. 《2000 年国家重点扶持的汽车企业仍是 3 家》 [In 2000, the state reiterates its support for (the big) three auto fi rms], *CAIY*, 2000, 40.
77. Ibid.
78. Ibid.
79. "'十五' 计划纲要全文 [Tenth Five-Year Plan, complete text]" March 15, 2001, www.chinaemb.or.kr/chn/zgzt/zgjj/t81068.htm. Emphasis added.
80. Iain Carson and Vijay V. Vaitheeswaran, *Zoom: The Global Race to Fuel the Car of the Future* (Penguin, 2008), 270 – 271.
81. On Detroit's resistance to hybrid technology, see Micheline Maynard, *The End of Detroit: How the Big Three Lost Their Grip on the American Car Market* (New York: Currency/Doubleday, 2003), 288.
82. Standing Committee to Review the Research Program of the Partnership for a New Generation of Vehicles, Board on Energy and Environmental Systems, Transportation Research Board, National Research Council, *Review of the Research Program of the Partnership for a New Generation of Vehicles: Seventh Report* (Washington, DC: The National Academies Press, 2001).
83. PNGV was replaced by the "FreedomCAR" project under the Bush administration, and is now part of the Department of Energy's Office of FreedomCAR and Vehicle technologies. See www1.eere.energy.gov/vehiclesandfuels/.
84. Tang Jie, Yang Yanping, and Zhou Wenjie, 中国汽车产业自主创新战略 [*China auto industry indigenous innovation strategy*], 198 ff .
85. 《汽车工业'十五'规划》 [Auto industry Tenth Five-Year Plan, Section 1], *CAIY*, 2001, 23 – 24.
86. Because Volvo is now owned by a Chinese company. See Geely case in Chapter Five.
87. 《汽车工业'十五'规划》 [Auto industry Tenth Five-Year Plan, Section 2.1.1], *CAIY*, 2001, 25.
88. Euro II and III standards went into effect in the EU in 1992 and 1996, respectively. China eventually enforced Euro II and III standards for passenger cars in 2004 and 2007, respectively.
89. 《汽车工业'十五'规划》 [Auto industry Tenth Five-Year Plan, Sections 6.1 – 6.7], *CAIY*, 2001, 29 – 30.
90. Ibid, Section 3, 26.
91. Joseph Fewsmith, *China Since Tiananmen: The Politics of Transition* (Cambridge, UK: Cambridge University Press, 2001), 204 – 214.
92. Ibid., 208.
93. "China's Agreement with the United States on WTO accession," Chinability, 2001, www.chinability.com/WTO.htm#auto%20package.
94. Ibid.
95. Eric Harwit, "The Impact of WTO Membership on the Automobile Industry in China," *The China*

Quarterly 167, no. 1 (2001): 655 – 670.

96. *CAIY*, 2009, 456.
97. *CAIY*, 2009, 326. And vehicle imports into China had previously reached as high as 310,099 in 1993, a figure that would not be reached again until 2007, a year in which China would manufacture 8.9 million vehicles. See Table B.2 in Appendix B.
98. Kenneth Lieberthal, *Governing China: From Revolution through Reform*, 2nd ed. (New York: W. W. Norton, 2004), 259 – 260.
99. 《汽车产业发展政策》[Automotive Industry Development Policy], Chapter 2, Article 5. *CAIY*, 2005, 14. Dominik Declercq, Chief Representative of the European Auto Manufacturers Association in Beijing, helpfully provided a complete English translation of the 2004 Automotive Industry Development Policy (saving the author many hours of translation work).
100. 《汽车产业发展政策》 [Automotive industry development policy], Chapter 2, Article 6. *CAIY*, 2005, 14.
101. *CAIY*, 2005, 6.
102. 《汽车产业发展政策》 [Automotive industry development policy], Chapter 1, Article 4. *CAIY*, 2005, 14.
103. As of 2010, China's top three automakers, SAIC, FAW, and Dongfeng are all listed among the *Fortune* Global 500.
104. *CAIY*, 2005, 525 – 526.
105. *CAIY*, 2002, 451 – 452, and 2003, 449 – 450. The 10 percent figure is the author’ s estimate based on analysis of production and sales figures by car model as presented on the foregoing pages in the Auto Industry Yearbooks. The first report breaking out aggregate sales by domestic and foreign brands did not appear in an Auto Yearbook until 2006, and such reports have still not become a regular feature of the yearbooks, though they have been published in the China Auto Bluebooks which are published jointly by the Development Research Council of the State Council, the China Society of Automotive Engineers and Volkswagen Auto Group (China). Guowuyuan fazhan yanjiu zhongxin, 中国汽车产业发展报告 [*China automotive industry development report*], 2010, 252. See Tables B.3 and B.4 in Appendix B.
106. Since promulgation of the 1994 Auto Policy, by law, no foreign partner in an automotive joint venture could hold more than 50 percent of the equity, and most held the maximum 50 percent.
107. The Chinese term “自主” is commonly translated as “independent.” In this context, it means “independent of foreign countries.” There are a number of ways to express the above terms in English, and how I translate them at various points in this book often depends on what sounds better in the English context. The terms “indigenous brands,” “Chinese brands,” “own brands,” and so on are all translations of 自主品牌.
108. 《汽车产业发展政策》 [Automotive industry development policy], Chapter 7, Article 29. *CAIY*, 2005, 16.
109. 《汽车产业发展政策》 [Automotive industry development policy], Chapter 4, Article 17. *CAIY*, 2005, 15.
110. By 2009 Chinese consumers had yet to take universal advantage of available credit facilities. The Finance Manager at a Beijing auto dealership revealed to me that, according to his company’s statistics, in the southern part of China, about 40 percent of consumers financed their transactions, whereas only five percent of northerners did.
111. *CAIY*, 2006, 5. According to the figures presented, among passenger vehicles (including sedans, MPVs, and SUVs, but not crossover vehicles) Chinese brands held a 20 percent market share in 2004, increasing to 24 percent in 2005. This manner of reporting was repeated in the following year (*CAIY*, 2007,4), but was discontinued thereafter. See Table B.3 in Appendix B.
112. 《2005 年汽车工业发展概览》 [2005 Overview of auto industry development], Section 3.2. *CAIY*, 2006, 4. “中方较少有话语权 .”
113. 《中国汽车产业’十一五’发展规划纲要》 [China auto industry Eleventh Five-Year

Development Plan outline], Part 1, Chapter 2. *CAIY*, 2006, 42.

114. 《中国汽车产业’十一五’发展规划纲要》 [China auto industry Eleventh Five-Year Development Plan outline], Part 3, Chapter 1. *CAIY*, 2006, 43.
115. Though evidence indicates that SOEs are still motivated primarily by size, as will be demonstrated in some of the cases in later chapters.
116. Great Wall had been building SUVs for a number of years, but this would be its first attempt to make cars.
117. *CAIY*, 2008, 47.
118. *CAIY*, 2008, 52.
119. The following Chinese sources contain passages accusing foreign multinationals of “垄断” or monopoly over China's auto industry. The first source is an influential former bureaucrat in the auto industry, the second is from China's Ministry of Science and Technology, and the third is from the Development Research Council, a think tank attached to the State Council. Wu Facheng, 汽车强国之梦 [*Dream of an automobile superpower*], 151; Tang Jie, Yang Yanping, and Zhou Wenjie, 中国汽车产业自主创新战略 [*China auto industry indigenous innovation strategy*], 84; Chen Xiaohong, ed., 中国企业国际化战略 [*China enterprise internationalization strategy*] (Beijing: Renmin Chubanshe, 2006), 149.
120. Peter Hays Gries, “Narratives to Live By: The Century of Humiliation and Chinese National Identity Today,” in *China's Transformations: The Stories Beyond the Headlines* (Lanham: Rowman & Little field, 2007), 117 – 118; David M. Lampton, *Same Bed, Different Dreams: Managing U.S.-China Relations, 1989 – 2000* (Berkeley: University of California Press, 2001), 255 – 257.
121. *CAIY*, 2008, 48 – 49.
122. Cars tested were all indigenous brands. A search for “Chinese crash test” on YouTube will yield many of these videos.
123. Guowuyuan fazhan yanjiu zhongxin, 中国汽车产业发展报告 [*China automotive industry development report*], 2010, 256.
124. *CAIY*, 2009, 56.
125. “汽车产业调整和振兴规划” [Auto industry adjustment and stimulus plan], The Central People’ s Government of the PRC, March 20, 2009, http://www.gov.cn/zwgk/2009-03/20/content_1264324.htm.
126. Guowuyuan fazhan yanjiu zhongxin, 中国汽车产业发展报告 [*China automotive industry development report*], 2010, 48.
127. “New energy vehicle sales in China disappoint automakers,” *Global Times*, December 6, 2010, http://autos.globaltimes.cn/china/2010-12/599331.html. China Association of Automobile Manufacturers.
128. Guowuyuan fazhan yanjiu zhongxin, 中国汽车产业发展报告 [*China automotive industry development report*], 2010, 29.
129. “New guidelines for mergers in auto industry expected at year end,” *People’s Daily* Online, September 14, 2010, http://english.peopledaily.com.cn/90001/90778/90860/7139873.html.
130. “私人购买新能源汽车补贴试点工作正式启动” [Subsidy pilot for individual purchase of NEVs formally begins], Ministry of Finance, PRC, June 1, 2010, www.mof.gov.cn/zhengwuxinxi/caizhengxinwen/201006/t20100601_320713.html.
131. The seven “new strategic industries” include high-end equipment manufacturing, alternative energy, biotechnology, new generation information technology, energy-saving technology, environmentally friendly technology and new energy vehicles.
132. Liang Dongmei, “China to Forgo Five-Year Plan for Auto Industry,” *Caixin* Online, April 7, 2011, http://english.caing.com/2011-04-07/100245836.html.

Chapter Four

1. Jim Mann, *Beijing Jeep: The Short, Unhappy Romance of American Business in China* (New York: Simon & Schuster, 1989).
2. Ibid., 48.
3. Ibid., 68.
4. Kelly Sims Gallagher, *China Shifts Gears: Automakers, Oil, Pollution, and Development* (Cambridge, MA: MIT Press, 2006), 47.
5. Mann, *Beijing Jeep*; Eric Harwit, *China's Automobile Industry: Policies, Problems, and Prospects* (Studies on Contemporary China) (Armonk, NY: M.E. Sharpe, 1995).
6. Harwit, *China's Automobile Industry*, 87.
7. Ibid., 75 – 76.
8. Gallagher, *China Shifts Gears*, 57.
9. Ibid., 54 – 55.
10. Photos comparing BAIC's Qishi with the Jeep Cherokee may be viewed at www.designateddrivers.co.
11. Zhongguo qiche jishu yanjiu zhongxin, 中国汽车工业年鉴 [*China automotive industry yearbook*] (Beijing: Zhongguo qiche gongye xiehui, multiple years), 2009, 501. Hereafter, *CAIY.*
12. "First BAIC Sedan, BC301Z, Rolls Off Production Line in Zhuzhou, Hunan," *ChinaAutoWeb*, December 28, 2010, http://chinaautoweb.com/2010/12/first-baic-sedan-bc301z-rolls-off-production-line-in-zhuzhou-hunan/.
13. Hyundai ranks third behind Volkswagen and General Motors brands, and ahead of Toyota in China. J.D. Power statistics, December 2010. Automotive News China website, www.autonewschina.com.
14. *CAIY*, 2009, 497.
15. At the end of 2010, BAIC was a distant fifth place behind SAIC, Dongfeng, FAW and Chang'an. (See market share graph in Figure 6.1.)
16. For a more in-depth look at the early experiences of Volkswagen in China, I would recommend Martin Posth's highly readable chronicle, *1,000 Days in Shanghai: The Story of Volkswagen: The First Chinese-German Car Factory* (Singapore: John Wiley & Sons, 2008).
17. Harwit, *China's Automobile Industry*, 95.
18. Posth, *1,000 Days in Shanghai*, 8 – 9.
19. Posth, *1,000 Days in Shanghai*.
20. Ibid., 91. Note that, at the time these discussions were taking place between Volkswagen and FAW (October of 1987), Chrysler had already bought AMC and was thus responsible for the Beijing Jeep JV. From Zhu's point of view, a Chrysler JV with FAW would not have been anti-competitive as the new JV would produce sedans, not SUVs. A Volkswagen JV with FAW, again, from Zhu's point of view, *would* have been anti-competitive as both major sedan JVs in China (at the time) would have been partners with the same foreign company, Volkswagen.
21. Ibid., 93. The (black) Audi 100 would go on to become the car of choice for Chinese officials.
22. Eric Thun, *Changing Lanes in China: Foreign Direct Investment, Local Government, and Auto Sector Development* (New York: Cambridge University Press, 2006), 24 – 34.
23. See Michael Dunne's recent book for a well-researched and highly engaging in-depth account of the GM experience in China. Michael J. Dunne, *American Wheels, Chinese Roads: The Story of General Motors in China* (Singapore: John Wiley & Sons (Asia), 2011).
24. William Holstein, *Why GM Matters: Inside the Race to Transform an American Icon* (New York: Walker, 2009), 173.
25. Ibid.
26. Holstein, *Why GM Matters*, 174.
27. By December of 1996 GM had already spent $100 million on the plant even though the contract would not be signed for another three months.

28. Michael J. Dunne, *American Wheels, Chinese Roads*, 46.
29. Gallagher, *China Shifts Gears*, 65.
30. Gallagher, *China Shifts Gears*, 69.
31. "GM' s China Sales Run Down," *China Car Times*, January 5, 2011, www.chinacartimes.com/2011/01/05/gms-china-sales-run-down/.
32. Steve Schifferes, "Cracking China's Car Market," BBC, May 17, 2007, http://news.bbc.co.uk/2/hi/business/6658583.stm.
33. Norihiko Shirouzu, "In China, Making Cars on a Budget," *wsj.com*, December 20, 2010, http://online.wsj.com/article/SB10001424052748704610904576031293046766076.html.
34. Personal email communication, March 22, 2011.
35. Michael Dunne, "Launch a New Brand in China — Whether You Like It or Not," *Automotive News China*, April 12, 2011, www.autonewschina.com/en/article.asp?id=6807.
36. Ibid.
37. This was no off-the-cuff remark. The SAIC executive emphasized to me his company' s *Fortune* ranking as a primary motivation on two separate occasions. Also, recall from Chapter Three that the 2004 Auto Industry Development Policy included the aim to establish Chinese automakers large enough to be listed in the *Fortune* ranking.
38. Steven Rattner, *Overhaul: An Insider' s Account of the Obama Administration' s Emergency Rescue of the Auto Industry* (Boston: Houghton Mifflin Harcourt, 2010), 203.
39. David Barboza and Nick Bunkley, "G.M., Eclipsed at Home, Soars to Top in China," *The New York Times*, July 21, 2010, www.nytimes.com/2010/07/22/business/global/22auto.html.
40. China Association of Automobile Manufacturers.
41. Jianshe Kong, "SAIC Sold Record 3.58 Million Vehicles in 2010," *ChinaAutoWeb*, January 6, 2011, http://chinaautoweb.com/2011/01/saic-sold-record-3-58-million-vehicles-in-2010/.
42. "SAIC Invests $1.5 Billion to Boost Own-Brand Car Capacity," *Reuters*, December 27, 2010, www.reuters.com/article/2010/12/27/retire-us-saic-idUKTRE6BQ0IS20101227.
43. See Chapter Three. The "big three" were FAW, SAW, and SAIC, and the "small three" were Beijing Jeep, Guangzhou-Peugeot, and Tianjin Auto.
44. Susan L. Shirk, *The Political Logic of Economic Reform in China* (Berkeley: University of California Press, 1993), 166 – 167.
45. Harwit, *China's Automobile Industry*, 117.
46. Ibid.
47. Juan Fernandez and Liu Shengjun, *China CEO: A Case Guide for Business Leaders in China* (Singapore: John Wiley & Sons, 2007), 78.
48. Harwit, *China's Automobile Industry*, 118.
49. Ibid., 119.
50. Ibid.
51. Fernandez and Liu Shengjun, *China CEO*, 84 – 85.
52. Harwit, *China's Automobile Industry*, 121.
53. Fernandez and Liu Shengjun, *China CEO*, 80.
54. Thun, *Changing Lanes in China*, 143.
55. Ibid.
56. Fernandez and Liu Shengjun, *China CEO*, 83.
57. Harwit, *China's Automobile Industry*, 127.
58. Ibid., 127 – 128.
59. Fernandez and Liu Shengjun, *China CEO*, 76.
60. Ibid., 91.
61. *CAIY*, 2008, 38. This is, so far, the only Chinese-foreign auto joint venture in which the foreign partner owns more than 50 percent. The reason for this exception is that the 2004 auto policy allowed for foreign partners in auto JVs to hold more than 50 percent if the JV makes autos primarily for export. Honda also has a 50:50 JV with Dongfeng Auto in Wuhan that produces the

Honda CR-V.

62. China Association of Automobile Manufacturers.
63. See discussion of the "big four, small four" toward the end of Chapter Three.
64. Kong, "SAIC Sold Record 3.58 Million Vehicles in 2010."
65. Though, as mentioned above, BAIC continues to sell SUVs descended from its old Soviet designs, and both BAIC and GAC have introduced Chinese-branded sedans which the companies had planned to offer to the market in 2011 or 2012.
66. And interim 2011 figures indicate that domestic-branded passenger cars may have actually lost market share in 2011. Guowuyuan fazhan yanjiu zhongxin, 中国汽车产业发展报告 [*China automotive industry development report*] (Beijing: Shehui kexue wenxian chubanshe, multiple years), 2010, 29. Xinhua News Agency, January 14, 2011.
67. Jianshe Kong, "FAW-VW to Launch ' Kaili' Brand EV," *ChinaAutoWeb*, May 9, 2011, http://chinaautoweb.com/2011/05/faw-vw-to-launch-kaili-brand-ev/.
68. Norihiko Shirouzu, "Train Makers Rail against China's High-Speed Designs," *wsj.com*, November 17, 2010, http://online.wsj.com/article/SB10001424052748704814204575507353221141616.html; John Gapper, "China Takes a Short-Cut to Power," *Financial Times, FT.com*, December 8, 2010, www.ft.com/cms/s/0/d3da8b78-0309-11e0-bb1e-00144feabdc0.html; Dexter Roberts and Stanley Reed, "China Wants Nuclear Reactors — Fast," *BusinessWeek*: Online Magazine, December 2, 2010, www.businessweek.com/magazine/content/10_50/b4207015606809.htm; Keith Bradsher, "To Conquer Wind Power, China Writes the Rules," *New York Times*, December 14, 2010, www.nytimes.com/2010/12/15/business/global/15chinawind.html.
69. Richard McGregor, *The Party: The Secret World of China's Communist Rulers* (New York: Harper, 2010), xvi.
70. Tang Jie, Yang Yanping, and Zhou Wenjie, 中国汽车产业自主创新战略 [*China Auto Industry Indigenous Innovation Strategy*], (Beijing: Kexue Chubanshe, 2009), 85. Note: the original table contained four columns, one of which contained redundant information when translated into English.
71. 2010 ranking, JD Power, China.
72. At least this is what those involved in the negotiations have said. There also exists the possibility that Toyota was brought into the negotiations by the Chinese as a foil to "encourage" AMC and Volkswagen to be more generous in their negotiations.
73. See discussion of this pilot project in Chapter Three.
74. In the years 2007 – 2009, only 3,465 Priuses were sold in China. *CAIY*, 2007, 485; 2008, 512; 2009, 493.
75. "Prius Does Not Qualify for China's Green Car Subsidies," *ChinaAutoWeb*, June 24, 2010, http://chinaautoweb.com/2010/06/prius-does-not-qualify-for-chinas-green-car-subsidies/. "New Toyota Prius Won't Be Made in China Due to Government Policies," *China Car Times*, November 1, 2010, www.chinacartimes.com/2010/11/01/new-toyota-prius-wont-be-made-in-china-due-to-government-policies/.
76. Yoshio Takahashi and Kazuhiro Shimamura, "Toyota to Make Prius in Thailand," *wsj.com*, October 21, 2010, http://online.wsj.com/article/SB10001424052702304023804575566062996581490.html.

Chapter Five

1. Because Chery is also an independent automaker, it will be summarized at the end of this chapter along with the five case studies to be presented here.
2. Bruce J. Dickson, *Wealth into Power: The Communist Party's Embrace of China's Private Sector* (Cambridge: Cambridge University Press, 2008); Kellee S. Tsai, *Capitalism without Democracy:*

The Private Sector in Contemporary China (Ithaca, NY: Cornell University Press, 2007).

3. Dickson, *Wealth into Power*, 99.
4. Tang Hongqiong, "浙江吉利汽车有限公司李书福简介 [Zhejiang Geely Auto and Li Shufu, Introduction]," *Business World — Financial Watch* (商界财视网), December 5, 2008, www.caistv.com/html/2008-12-05/113110.shtml; Tian Weihua and Li Min, "生死李书福 [Li Shufu, life and death]," Sina Finance (from 中国企业家), March 3, 2005, http://finance.sina.com.cn/leadership/crz/20050303/13501400563.shtml.
5. Photos comparing Toyota's logo with Geely's Merrie logo may be viewed at www.designateddrivers.co.
6. Mark O' Neill, "Toyota Loses Logo Suit in China," *South China Morning Post*, November 25, 2003.
7. "Car Sector Attempt to Stop Plagiarism in China Fails," *Expansion*, November 25, 2003.
8. Photos comparing the Mercedes-Benz C-Class with Geely's Merrie may be viewed at www.designateddrivers.co.
9. Geely's HK listing came via a "back-door" purchase of an already-listed Hong Kong property company into which Geely eventually injected many of its mainland assets. Jane Cai and Candy Wong, "Geely's Aspirations Stuck in Low Gear," *South China Morning Post* (Hong Kong, March 11, 2009).
10. "Geely Shares Jump on Goldman Sachs Fundraising," *MarketWatch*, September 22, 2009, http://www.marketwatch.com/story/geely-shares-jump-on-goldman-sachs-fundraising-2009-09-22.
11. Tak-Wing Ngo, "Rent-Seeking and Economic Governance in the Structural Nexus of Corruption in China," *Crime, Law and Social Change* 49, no. 1 (February 2008): 37 – 38.
12. Ibid.
13. Ibid.
14. Here I have translated "give instructions" from the Chinese "批示" (pishi), the same term used to describe handwritten instructions from China's senior leaders in the margins of policy documents sent back down to the various ministries. See explanation of the term *pishi* in Chapter Three. "温家宝考察吉利: 国家要支持 企业要努力 [Wen Jiabao inspects Geely: The state will give support . . .]," *Wangyi Caijing* (from *Dongfang Ribao*), June 15, 2009, http://money.163.com/09/0615/05/5BQTUVOM00252KFB.html.
15. "吉利汽车李书福: 自主创新 60% 资金应投向民间 [Geely's Li Shufu: 60% of funds for independent development should go to private enterprise]," *Sina Auto* (from 21 世纪经济报道), March 22, 2006, http://auto.sina.com.cn/news/2006-03-22/0942174875.shtml.
16. Liu Zhaoqiong, "Private Business Sidelined by China's Stimulus," *Economic Observer*, March 16, 2009, www.eeo.com.cn/ens/Industry/2009/03/16/132582.shtml.
17. "李书福: 国内银行不愿借钱给吉利 [Li Shufu: Domestic banks unwilling to lend money to Geely]," *China News Service*, September 13, 2010, www.chinanews.com.cn/auto/2010/09-13/2529099.shtml.
18. A summary of China's "going out" (走出去) policy (in Chinese) may be found on the central government website, www.gov.cn/node_11140/2006-03/15/content_227686.htm.
19. "Geely to Set Up DSI Transmission Factory in Jining," *China Car Times*, June 12, 2010, www.chinacartimes.com/2010/06/12/geely-to-set-up-dsi-transmission-factory-in-jining/.
20. "Geely Interested in Volvo," *Autocar.co.uk*, December 15, 2008, www.autocar.co.uk/News/NewsArticle/Volvo-XC60/236484/.
21. Wang Jing, "吉利成功迎娶北欧新娘李书福的三道必答题 [Geely successfully escorts its Scandinavian bride, three questions Li Shufu must answer]," *Sina Auto* (from 中国经济报), August 7, 2010, auto.sina.com.cn/news/2010-08-07/1006635977.shtml.
22. This is confirmed in a document posted by the Board of Directors of Geely Auto Holdings on the Hong Kong Stock Exchange website:

www.hkexnews.hk/listedco/listconews/sehk/20100803/LTN20100803009.pdf.
23. Keith Bradsher, "Volvo in a Deal to Be Sold to Company in China," *New York Times*, March 28, 2010, www.nytimes.com/2010/03/29/business/global/29auto.html.
24. "Volvo's New Factory to Settle in Chengdu, Shanghai, Daqing," *People's Daily Online*, November 11, 2010, http://english.peopledaily.com.cn/90001/90778/90860/7196280.html.
25. Zhao Yi, "外资欲越持股 50%红线,中方担忧车企空心化 [Foreigners want to surpass 50 percent ownership, Chinese worry about hollowing out of their auto industry]", Yicai.com (*First Finance*), November 1, 2010, http://auto.ifeng.com/news/domesticindustry/20101101/454675.shtml.
26. Ibid.
27. "The Stars of Asia — Entrepreneurs: Wang Chuanfu," *Bloomberg BusinessWeek*, June 9, 2003, www.businessweek.com/magazine/content/03_23/b3836610.htm.
28. Marc Gunther, "Warren Buffett Takes Charge," *Fortune*, April 13, 2009, http://money.cnn.com/2009/04/13/technology/gunther_electric.fortune/index.htm.
29. Li Xiang, "王传福: 成本创新之王 [Wang Chuanfu: The king of cost innovation]," 金融界 [Finance World (from *Economic Observer*)], December 27, 2008, http://finance.jrj.com.cn/people/2008/12/2702123179514.shtml.
30. Hua Wang and Chris Kimble, "Betting on Chinese Electric Cars? — Analyzing BYD's Capacity for Innovation," *International Journal of Automotive Technology and Management* 10, no. 1 (2010): 79.
31. "Wang Chuanfu: Building Electric Dreams in China," *CNN.com*, April 20, 2009, www.cnn.com/2009/WORLD/asiapcf/04/20/byd.wangchuanfu/index.html#cnnSTCText.
32. Zheng Xianghu, 比亚迪之父王传福 [*Wang Chuanfu, Father of BYD*] (Beijing: Zhongyang bianyi chubanshe, 2009), 68 – 69.
33. The four spinoffs were Qinchuan in Xi'an, Chang'an in Chongqing, Jiangnan in Hunan Province and Jiangbei in Jilin Province.
34. Zheng Xianghu, 比亚迪之父王传福 [*Wang Chuanfu, father of BYD*], 69 – 70.
35. According to the *China Automotive Industry Yearbook*, the Ministry of Commerce is responsible for approvals of foreign investment. Zhongguo qiche jishu yanjiu zhongxin, 中国汽车工业年鉴 [*China automotive industry yearbook*] (Beijing: Zhongguo qiche gongye xiehui, multiple years), 2007, 15. Hereafter, *CAIY.*
36. Winston Yau, "BYD Draws Flak over Purchase of Carmaker," *South China Morning Post* (Hong Kong, January 24, 2003).
37. Zheng Xianghu, 比亚迪之父王传福 [*Wang Chuanfu, father of BYD*], 64 – 65.
38. Li Jiayi, 王传福与比亚迪 [*Wang Chuanfu and BYD*] (Hangzhou: Zhejiang Renmin Chubanshe, 2008), 71.
39. Li Fangfang, "BYD Guns for Top Slot before 2015," *China Daily*, September 17, 2009, http://www.chinadaily.com.cn/cndy/2009-09/17/content_8701131.htm.
40. Norihiko Shirouzu, "Safer Battery Technology Gives China an Edge in Developing Affordable Electric Cars," *WSJ, China Real Time Report*, March 23, 2009, http://blogs.wsj.com/chinarealtime/2009/03/23/safer-battery-technology-gives-china-an-edge-in-developing-affordable-electric-cars/.
41. Photos comparing BYD's F3 with the Toyota Corolla may be viewed at www.designateddrivers.co.
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Chapter Six

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Chapter Eight

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