

# Research on Optimization Strategies for China's Automobile Parts Export

Weiming Chen

Fuzhou University of International Studies and Trade, Fuzhou, China

## Abstract

**With the continuous improvement of manufacturing technology and development capabilities of China's automobile parts, as well as continuous acceleration of globalization and internationalization, automobile parts industry has not only formed a complete industrial chain with domestic automobile enterprises, but also continuously exported its products to all over the world every year, China is already the world's leading manufacturer and exporter of automobile parts at present. The industry size of automobile manufacturing industry is large, with high technology content, long industry chain, strong stimulus, it has a prominent strategic position in the national economy, however, there have also been some non-negligible problems in the development process of China's automobile parts export. This paper will start from the relevant export data, analyze the market structure, the scale of export trade, the industry development of China's automobile parts, etc., find out the problems that hinder the internationalization of China's automobile parts and offer corresponding countermeasures and suggestions.**

## Keywords

**Automobile Parts; Existing Problems; Export Optimization; Strategy Research.**

## 1. Introduction

Automobile parts are all components and parts except automobile frames, components are individual components that cannot be disassembled, and parts are parts combination that realize a certain action or function. As the upstream of the automobile industry, automobile parts industry is an important part of the automobile industry, it promotes each other and develops together with the automobile industry. In the context of economic globalization and market integration, the motor vehicle ownership continuously rises in recent years, the demand for parts of the aftermarket, such as automobile maintenance and automobile modification, has also widened, and the performance requirements for automobile parts have become higher and higher. As the foundation of the automobile industry, the automobile parts industry is an important factor supporting the continuous and healthy development of the automobile industry.

China's automobile parts manufacturers are huge, which started improving in the field of automobile parts at the end of the twentieth century, supported by the relevant documents proposed by the government to vigorously develop the automobile parts industry, the automobile parts industry paid special attention to high-efficiency production, began to do a large number of production and management activities primarily composed by advanced materials and manpower in large quantities, and gradually formed a perfect production mechanism and international occupancy rate pattern. At present, there are more than 1000 automobile parts industrial parks in China, and there are more than 30000 automobile parts enterprises. At this stage, the development direction of China's automobile parts industry is mainly to improve the specialization of enterprises, there are many enterprises with strong

specialization degree which have gained good development in succession, and also occupied an important position in the international stage.

## 2. Export State of China's Automobile Parts

Currently, the market concentration of China's automobile parts manufacturing enterprises is relatively low, there are many smaller enterprises in the lower-end market, at first small and medium-sized enterprises can rely on cost and price advantage to obtain a certain profit margin, but as market competition become fiercer, the enterprise's own innovation capacity is insufficient, external dependence become strong, profit margins are gradually compressed, therefore, it will cause a large number of smaller suppliers to be eliminated at risk. Overall, China's automobile parts industry has a trend of further increasing market concentration.

With the rapid development of China's automobile industry, six major automobile industry clusters have been formed in China, they are the Yangtze River Delta cluster, the Pearl River Delta cluster, the Beijing-Tianjin-Hebei cluster, the Central Delta cluster, the Chengdu-Chongqing Western cluster and the Northeast cluster, respectively. Automobile parts manufacturing enterprises are usually built around vehicle manufacturers, forming six major industrial clusters, mainly including the Yangtze River Delta industry cluster with Shanghai, Jiangsu and Zhejiang at the core, the Chengdu-Chongqing western industry cluster with Chongqing and Sichuan at the core, the Pearl River Delta industry cluster with Guangdong at the core, the Northeast industry cluster with Jilin, Liaoning and Heilongjiang at the core, the Central Triangle industry cluster with Hubei, Hunan and Anhui at the core, and the Beijing-Tianjin-Hebei industry cluster with Beijing, Tianjin and Hebei.

Asia (this paper is other areas of Asia excluding China, the same below), North America and Europe are China's main export market for parts. The first largest market for China's key automobile parts export is Asia, exports is 7.494 billion dollars, accounting for 32.6%; followed by North America, exports is 6.076 billion dollars, accounting for 26.4%; exports to Europe are 5.902 billion dollars, accounting for 25.6%. In accessories, exports to Asia account for 42.9%; exports to North America are 5,065 billion dollars, accounting for 25.8%; and exports to Europe is 3.371 billion dollars, accounting for 17.2%. Other countries which more export key parts and accessories include Japan, South Korea and Mexico. The exports of China's automobile parts are mainly key parts and accessories. In the structure of automobile parts exports, the exports of automobile key parts are 31.864 billion dollars, accounting for 42%; the exports of automobile accessories are 27.983 billion dollars, accounting for 37%; the exports of automobile tire are 14.344 billion dollars, accounting for 19%; the exports of automobile glass and mirrors are 1.387 billion dollars, accounting for 2%. China's automobile key parts increased by 38.5% year-on-year in 2021.

## 3. Problems in Export Trade of China's Automobile Parts

### (1) Insufficient Independent Innovation Capacity of Enterprises and Strong External Dependence

Since the development of China's automobile industry starts late, as a result, the products produced by matching automobile parts enterprises mainly belong to the low-tech low value-added, labor-intensive or material-intensive products. For example, seats, batteries, wheels, bumpers and windshields, etc., most of the parts enterprises with small investment scale, simple equipment, the quality requirement for the staff is not high, so the foundation of technology research and development is poor, and most of China's parts enterprises lack technology research and development platforms and technical talents, therefore, some high and new core technologies are still mastered in the hands of foreign manufacturers, the core technology they master is very little, international competitiveness is severely restricted. The

development methods of some Chinese brand automobile parts enterprises use imitation development, independent research and development is less, they take imitation as the main means, because imitation research and development is less expensive and quicker, they believe that the core technologies of the product can be grasped by imitation, so they attach importance to the introduction of manufacturing equipment and do not attach importance to research and development investments, as a result, the product quality level is not high, it is difficult to reach the supporting requirements of vehicle, most enterprises can only come onto the low-end market. Enterprises' independent innovation is insufficient, difficult in developing talents, and parts enterprises lack high-end talents.

#### (2) Unreasonable Export Offer

The technological innovation capacity of automobile parts industry is the development power of automobile industry and the premise of enhancing the international competitiveness of automobile industry, and also the key to get the reasonable profit return from the export market. It is also the key to get the reasonable profit return in the export market. We need to take the enterprise as the main body and the market as the orientation, build the perfect technology research and development innovation system. technology and research and development capacity is the main means to enhance core competitiveness for enterprises, in the process of technology research and development system construction, the "industry-university-research" combination is valued, the government can provide some policy support, give full play to the leading role of enterprises, integrate innovative resources, work in cooperation with a due division of labor, and promote cooperation among universities, research and enterprise. This link is weak in China at present. Automobile parts enterprises strengthen the absorption capacity of new technologies, according to the development law of market, and constantly improve the technological re-innovation capacity. Moreover, the premium capacity of export brand is generally poor. The investments of China's automobile parts enterprise are divided into foreign capital, state-owned and private enterprises. Because foreign automobile parts enterprises have the absolute advantage in brand reputation, output, production capacity, in recent years, some automobile parts private enterprises are rapidly developing and acquiring some well-known foreign brands. Especially in the field of new energy automobile industry, private enterprises have the market share by their flexible management modes, but the price management and profit acquisition capacity are still insufficient.

#### (3) Stubbornly High External Trade Barriers

For a long time, the United States, the European Union and other developed countries have imposed "anti-dumping", "countervailing" and other protective measures on automobile tires, wheel hubs, automobile glass and other parts from China, and anti-dumping investigations are intensifying as China's automobile parts exports increase. In China, although the parts enterprises can get enough support from the relevant government agencies, but for export enterprises, there is still a decline in the purchasing power of another country, the profitability of their own sales decline and other problems, the multi-party trade protectionism they face in the international market has not been effectively resolved for a long time.

#### (4) Traditional Trade Ways Have Been Impacted

At present, some enterprises are eager to open up the international market, so the offer is far below the international average price. Firstly, this thing will cause their profit margin to be very low and is not conducive to the long-term development of the enterprise; secondly, lower offer is not better in the eyes of some companies, some companies may believe that a product without a reasonable profit margin may be compromised in quality. Price competition in the domestic market has been expanded to the international, some enterprises do not win by product quality and high-quality service, in order to squeeze out domestic competitors to take foreign orders, the offer is getting lower and lower, as a result, the enterprise is not only unable to obtain a

certain economic benefit, the quality cannot be guaranteed, it will directly damage the international reputation of China's automobile parts enterprises, causing them to suppress each other and lead to the phenomenon of "bumper harvest but not abundant harvest". There are many export enterprises, chaotic order, poor organization, which are important reasons for overseas price to suppress each other. In particular, some small and medium-sized enterprises do not have long-term overseas market strategy, they gain the market share of leading pioneers at low prices, impact the normal export order of China's automobile parts, and it is one of the reasons why the industry has been subject to anti-dumping lawsuits from other countries.

#### **4. Countermeasures and Suggestions to Optimize and Enhance China's Automobile Parts Export**

##### **(1) Increasing Research and Development Investment and Encouraging Independent Innovation**

Although there are some strong enterprises or enterprises with large exports in China in recent years, but the scale of these enterprises are relatively single. Many of them are only one or two production lines, therefore, the economic cost of the product is not only high but also the efficiency is difficult to rise, they basically lack certain competitiveness, and there are some phenomena of imitating foreign products. Furthermore, our own domestic market is gradually expanding, some foreign parts products are slowly expanding into our market.

The outbreak of the pandemic in 2020 has more or less affected the traditional trade ways. For a long time, most of the domestic automobile parts foreign trade is the traditional trade ways where foreign buyers place orders, buyers send orders to manufacturers, manufacturers produce and pack, organize containers and freight transport, and deliver successfully as required. This way is relatively simple, small risk, the manufacturer does not need to overstock, reduces inventory pressure, but the product delivery cycle is longer, the manufacturer is not very profitable, the order amount is not stable. Increasing investment research and development can master the market initiative.

##### **(2) Studying the International Market Condition and Make Reasonable Offer**

Given the chaotic situation of export order in recent years, the relevant state departments should further improve the qualification management of automobile export, execute classification management for manufacturing enterprises and chassis authorization management for modified vehicle enterprises. Relevant government departments should play a guiding role, moreover, play the role of China's institution functioning abroad, accelerate the introduction of policies to promote the sustainable and healthy development of China's automobile export, build and improve the automobile industry regulations. The government should also provide more policies and financial support for export enterprises while raising the export tax rebate rate, constantly improve the macro-control capacity for the automobile industry, give full play to the role of enterprises in foreign trade, create a comparatively competitive trade environment for foreign trade in, create an external environment in favor of fair competition for domestic enterprises, and implement economic and trade policies in favor of the optimal allocation of resources. China's automobile enterprises have successfully entered overseas markets with price advantages, in order to continue healthy development in the international market and solve the problem of low-priced competition, and joint efforts of many forces are needed. Firstly, enterprises must understand the international market conditions when quoting foreign merchants, and avoid the adverse consequences caused by chaotic quotation. Secondly, the industry associations should also organize export enterprises to carry out price self-discipline, oppose low-priced exports to avoid the formation of vicious competition. Once there are anti-dumping complaints against China's automobile parts industry, the relevant departments of the automobile industry need to organize enterprises to

actively respond. In order to strengthen enterprises' self-discipline, the market access threshold for automobile exports should be raised appropriately, and an access condition should be set up in the export market.

### (3) Developing Market in Diversity to Cope with Trade Protectionism

Facing all kinds of trade protection measures in overseas markets, firstly, the industry and enterprises should actively respond to strive for and claim their legitimate rights. In order to avoid the risk of international trade, industry associations and enterprises need to develop diversification strategy of export market. The association can coordinate the export of parts from different regions and different industry, then guide the export market and the price of export products, and control the price and quantity of export products within a reasonable range. Enterprises should focus on diversifying the export markets and spreading risks, it is recommended that Chinese automobile parts enterprises with favorable conditions can directly invest and build factories in overseas markets, produce and sell products locally, reduce direct exports, which can ease trade frictions between Chinese and foreign automobile parts. Secondly, given situations where bar is intentionally set on China's automobile parts export, it is necessary to take measures at the national level to counter them, and take effective measures to improve the international trade environment. The country needs to establish export risk early warning system of automobile parts to prevent international trade friction. The core of the early warning is to change the response after the event into prevention before the event, which require establishing the "trinity" warning mechanism for the government, associations, and enterprises to play their respective roles. The relevant departments should do a good job in early warning of automobile parts export in time, predict potential trade protection measures which possibly encounter, and assess the impact on parts export in order to make plans in advance.

### (4) Changing Traditional Trade Modes and Gradually Vigorously Developing Cross-Border E-Commerce

Cross-border e-commerce is the most rapidly developing trade mode in the Internet era, which can break through time and space limitations, reduce intermediate links, solve the problem of information asymmetry between supply and demand, and provide new development opportunities for more countries, enterprises and groups. To develop cross-border e-commerce, firstly, the country should solidly promote the construction of comprehensive pilot zones for cross-border e-commerce, better play the demonstration and leading role of comprehensive pilot zones for cross-border e-commerce, solve the deep-rooted contradictions and institutional problems with innovation, develop the new competitive advantages of foreign trade, promote the fusion of the foreign trade industry and the trade industry, and drive the development of the open economy everywhere. Secondly, enterprises should make good use of the international large-scale B2C platform, on the one hand, from the platform customers can first get the relevant product information through image, enterprises can also quickly establish linkages with potential customers, on the other hand, if customer needs, enterprise can also provide samples or customized services, use international logistics to transport products to customers, achieve the vertical transaction mode between suppliers and customers, which greatly reduce transaction costs, moreover, this transaction mode is that enterprise connects directly with customer, there is no middleman to earn price differences and raise prices, inventory pressure is greatly reduced, and this significantly reduces costs for automobile parts exporters.

## 5. Conclusion

With the rapid development of the automobile industry, as the front end of the industrial chain, the parts industry has a broad prospect, automobile parts enterprises are gradually entering

the mature stage, and the international competitiveness of their exports is also gradually increasing. In the past few years, the competitiveness of China's automobile parts industry in the international market has been significantly strengthened, and the export market has also developed from single to diversified. However, we cannot be satisfied with the status quo, to further improve the competitiveness of automobile parts export enterprises, seize the opportunity, optimize the domestic industrial structure, improve technology, research and development level, and constantly improve the independent innovation capacity, quality management level to improve export competitiveness. China's automobile parts enterprises should fully realize the significance of transforming from "Made in China" to "Created in China", based on improving the quality of China's automobile parts product, constantly meet the needs of the export market, create international competitiveness which meets the requirements of their own development.

## References

- [1] Yunqin Liu. Exploration of the Development of China's Automobile Parts Export Trade [J]. *Pioneering With Science & Technology Monthly*, 2021,34 (06): 17-19.
- [2] China's Exports of Automobile Parts Increased by 9 Times from January to August, [J]. *For Repair & Maintenance*, 2021 (10): 18.
- [3] Fuyao Zhu. The Research on the Impact of FDI on the Export Competitiveness of Chinese Auto Parts Industry[D]. Sichuan University, 2021. DOI: 10.27342/d.cnki.gscdu.2021.000447.
- [4] Wei Liu. Exploration of Issues and Countermeasures of China's Automobile and Parts Export Trade[J]. *China Circulation Economy*, 2021(24): 29-31. DOI: 10.16834/j.cnki.issn1009-5292.2021.24.009.
- [5] Mingjing Zhu. The Research on the Influence Factor of China's Auto Parts Trade -Analysis Based on the Panel Data in OECD Countries[D]. University of International Business and Economics, 2020. DOI: 10.27015/d.cnki.gdwju.2020.000688.
- [6] Ming Jiao. Research on the Development Strategies of China's Automobile Parts Industry under the Background of RCEP - Based on a Comparison between China and Japan [J]. *Business & Economy*, 2022 (09): 58-60. DOI: 10.19905/j.cnki. syjj1982.2022.09.032.
- [7] Hengye Wang. The Development and Prospect of Auto Parts Export Trade[J]. *Internal Combustion Engine & Parts*, 2023, No.373 (01): 109-111. DOI: 10.19475/j.cnki.issn1674-957x.2023.01.032.
- [8] Zhuohong He. Research on the Strategy and Economic Consequences of Cross-border M&A of Auto Parts Enterprises---Take Jifeng Acquisition of Grammer as an Example[D]. Sichuan Normal University, 2022. DOI: 10.27347/d.cnki.gssdu.2022.001085.
- [9] Yunchao Du, Xueling Jiao. Research on the High-Quality Development Strategy of Automobile Parts Industry Cluster in Yinzhou District[J]. *Ningbo Economy (Sanjiang Forum)*, 2022 (07): 10-12+32.
- [10] Ming Yang. Analysis of Cost Reduction and Efficiency Increase Strategies for Automobile Parts Manufacturing Enterprises [J]. *Money China*, 2022 (21): 47-49. DOI: 10.19887/j.cnki.cn11-4098/f.2022.21.015.
- [11] Chinese Automobile Parts are Winning More Korean Market[J]. *Auto Maintenance*, 2022 (07): 13.
- [12] Yuqiong Jiang. Discussion on Issues Related to the Future Development of Automobile Parts Enterprises [J]. *Market Modernization*, 2022 (12): 95-97. DOI: 10.14013/j.cnki.scxdh.2022.12.037.
- [13] Junyi Shu. Impact of Sino-U.S. Trade War on Export of China's Auto Products to the U.S. and Countermeasures [D]. Jiangxi University of Finance and Economics, 2021. DOI: 10.27175/d.cnki.gjxcu.2021.001714.