

Building Competitive Advantage in China

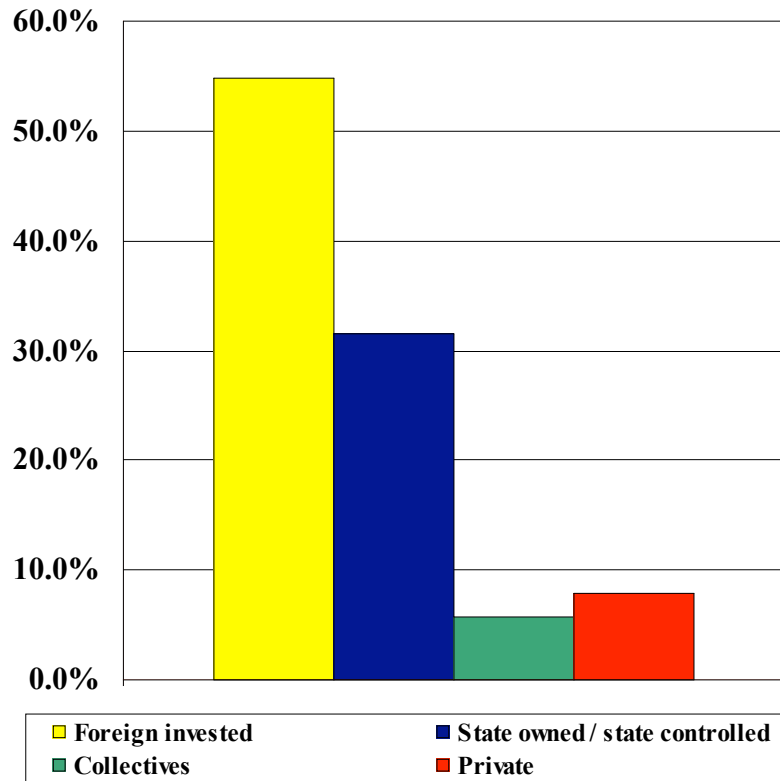
Eric Thun

Saïd Business School

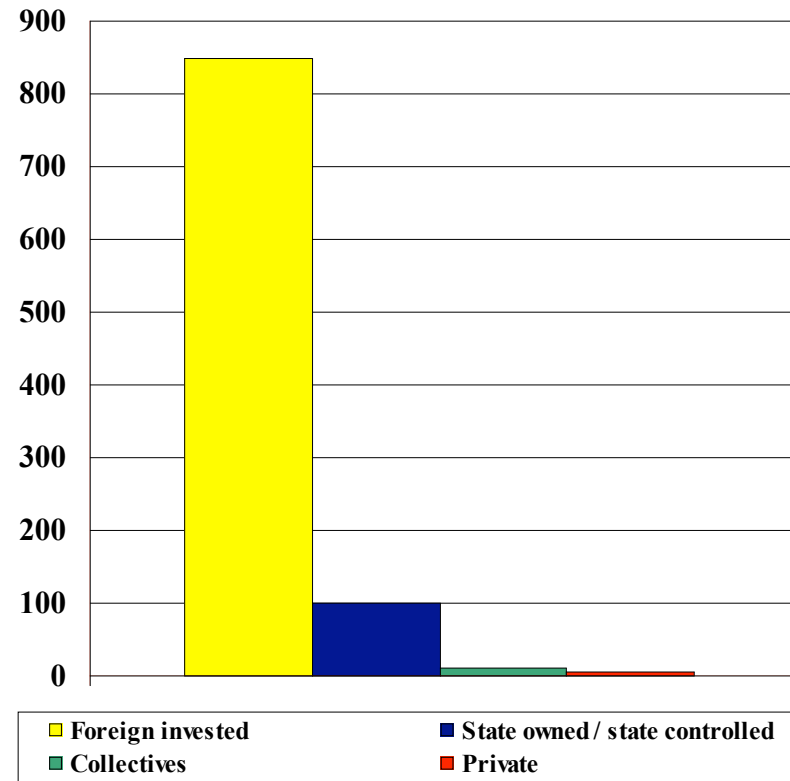
University of Oxford

Exports by form of ownership, 2003

% of Total



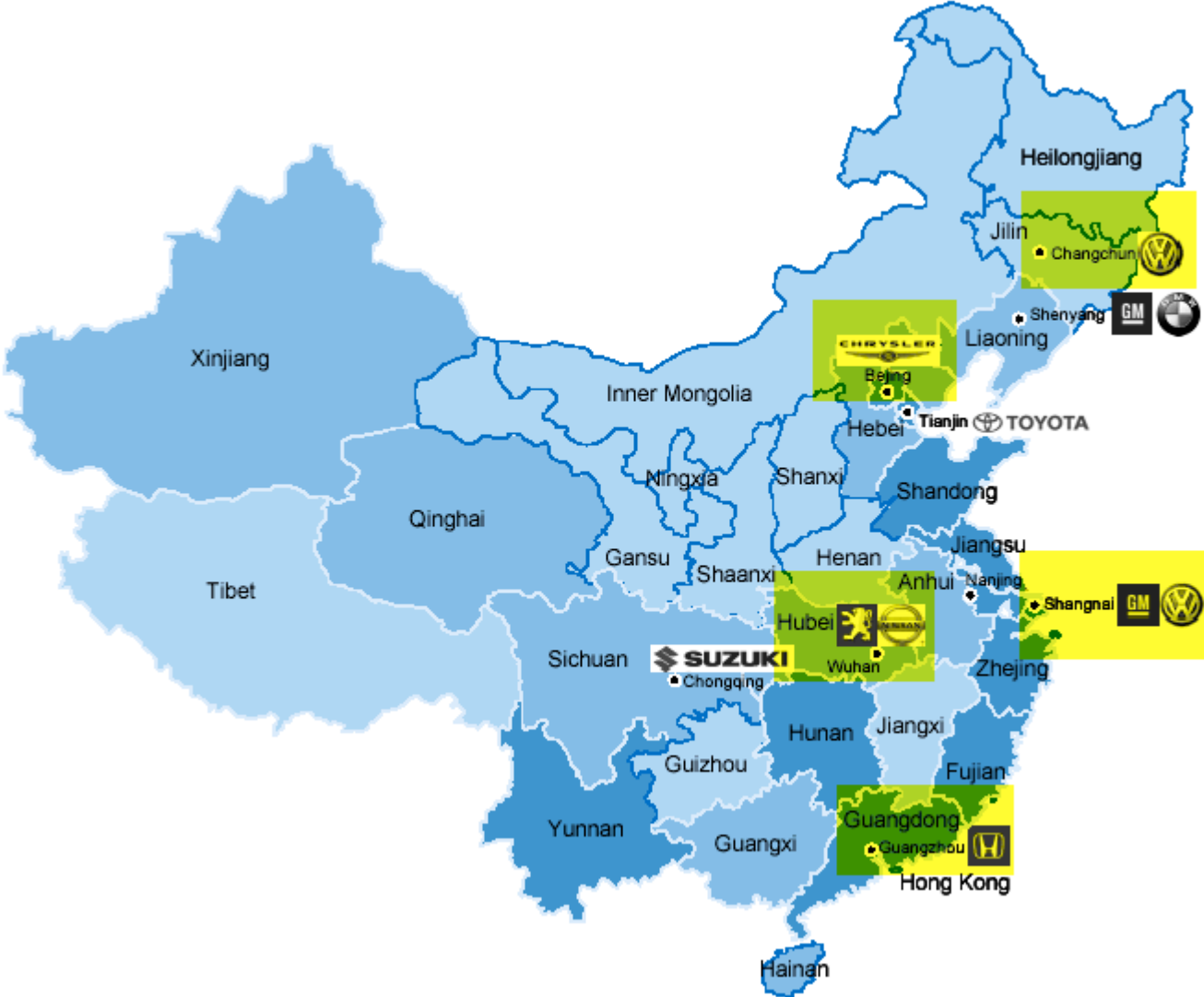
Average per enterprise, 2002
US\$ '000



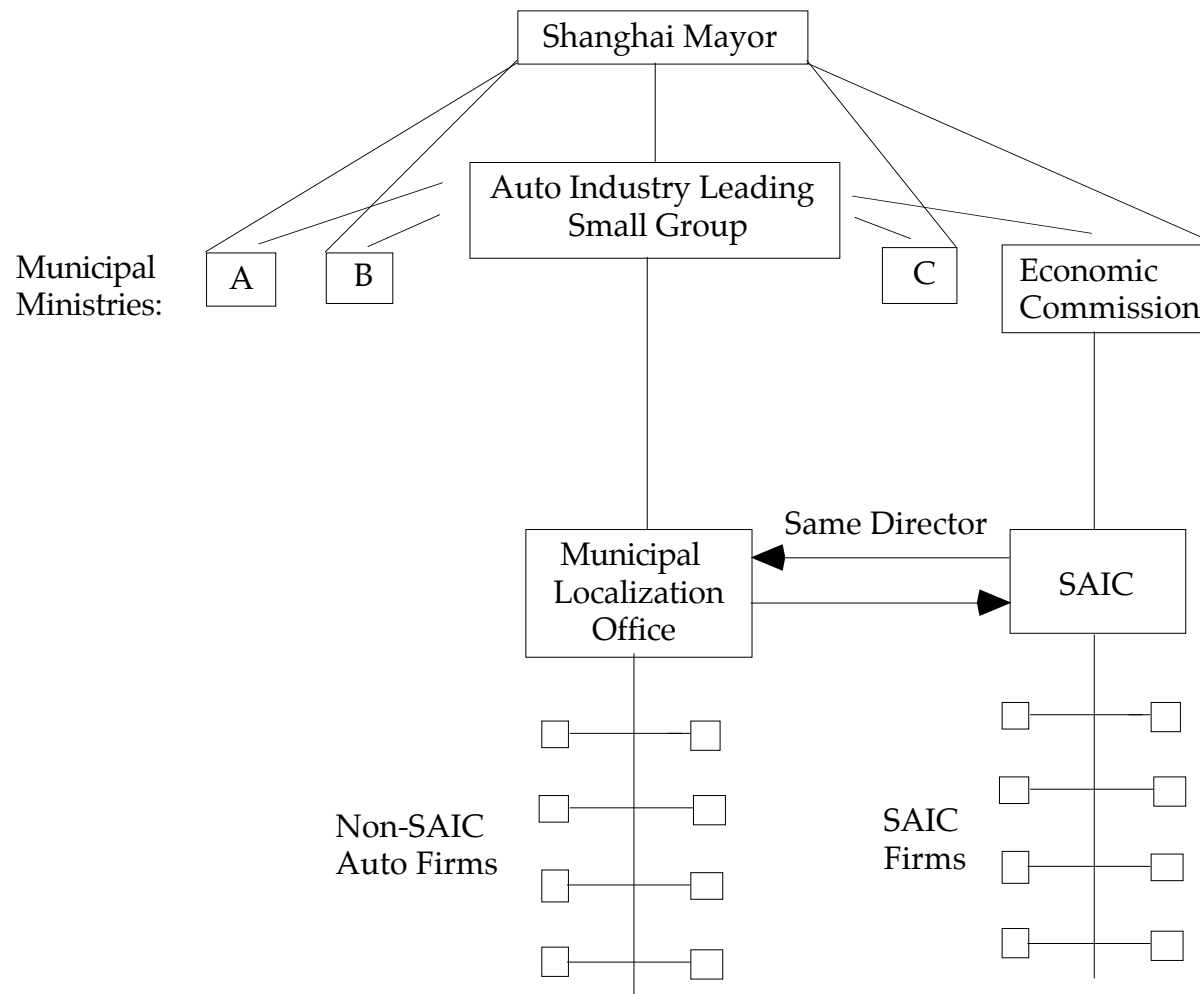
Hybridization of Japanese Production Networks

- Japanese firms shift to the south and east
- Push: Competitive pressure to lower costs
- Pull: Presence of highly qualified SMEs

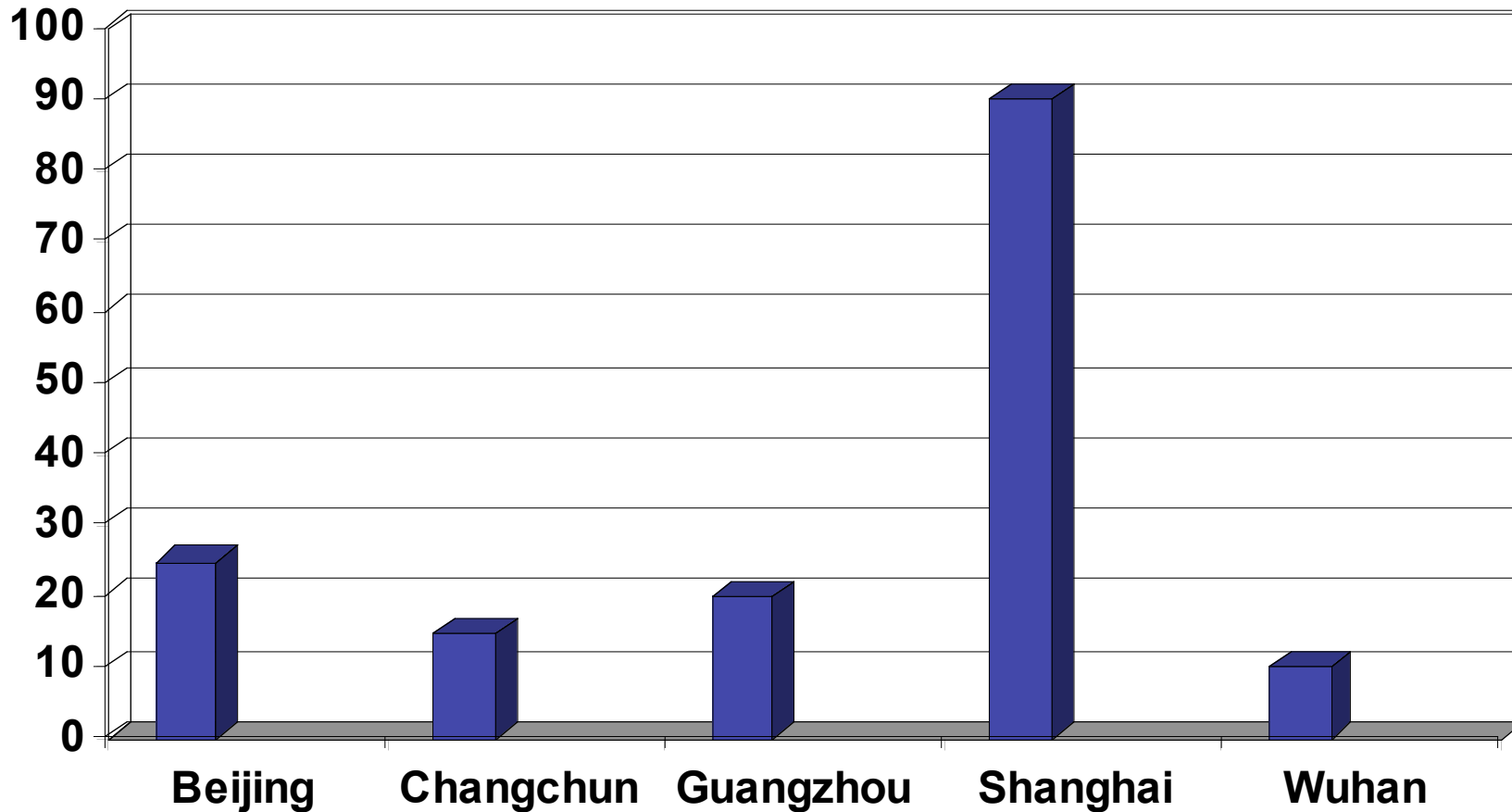
Regional Automotive Clusters



Shanghai Municipal Government and Auto Sector until mid-1990s

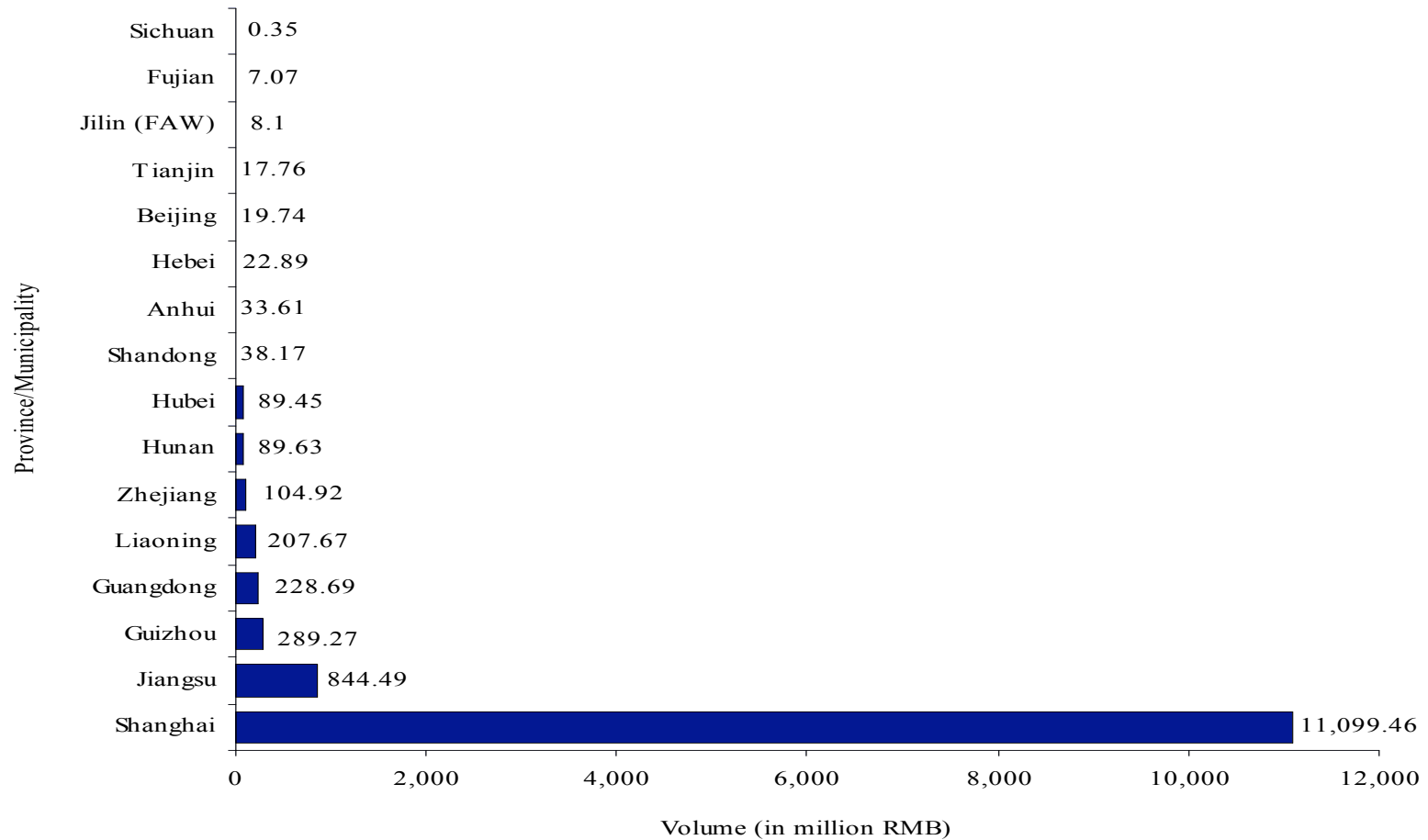


Percentage of Components Sourced within Home Municipality in 1997 (by value)



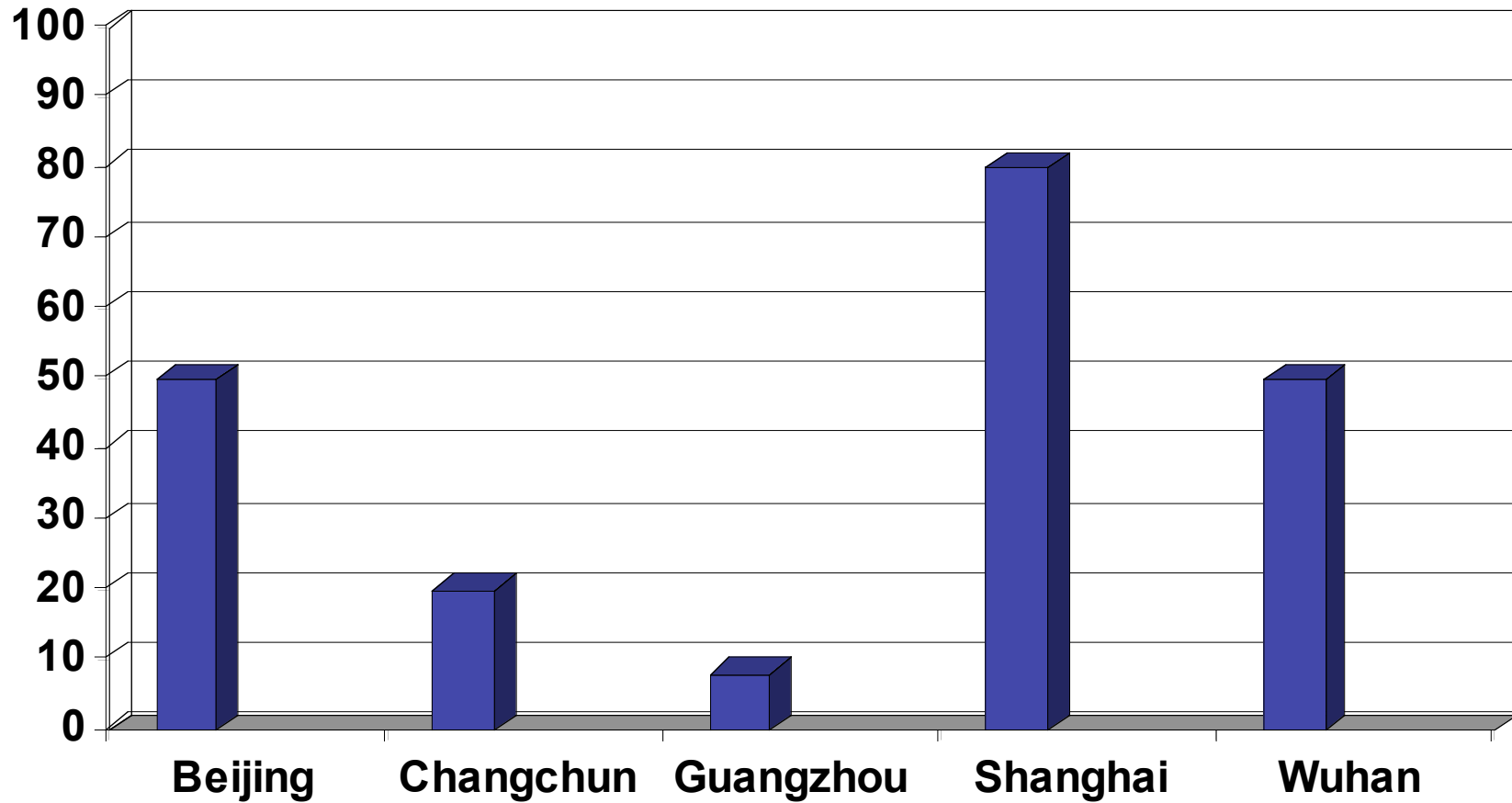
Source: Firm Interviews

Shanghai Volkswagen Purchasing Volume by Province, 1997

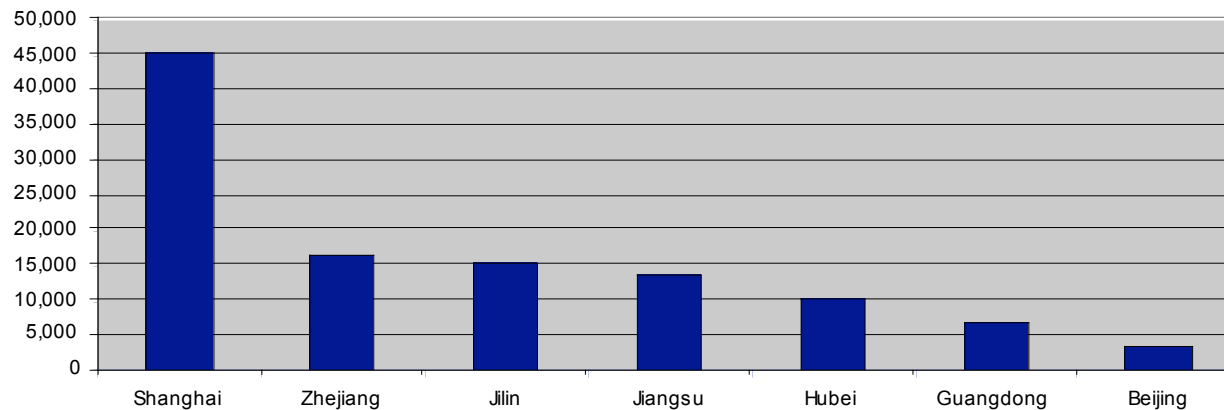


Source: Shanghai Volkswagen

Percentage of Components Sourced from Shanghai in 2003 (by value)



Output of Automotive Parts by Region in 2003 (in Million RMB)



Source: "Auto Industry Development by Region," *Fourin China Auto Weekly*, January 24, 2005, p. 2.

Note: Production of FAW and Dongfeng firms from *all* regions is counted under the location of their head offices (Jilin and Hubei, respectively). This is not a complete list; also in the top ten are Shandong (10,900), Chongqing (8,300), Liaoning (8,000), and Hunan (6,200).

Conflicting Priorities

- China's desire to cultivate the growth of Chinese firms with independent technologies.
- Multinational auto firm's desire to rationalize supplier relationships, raise quality, and cut costs.

Emergence of Indigenous Firms

- Chinese firms that were created in late-1990s: Chery, Geely, Great Wall.
- Utilize cheap local supply firms for simple components.
- Lean heavily on global suppliers for design and development.
- Poach talented engineers from JVs.