



Australian Government
Refugee Review Tribunal

Country Advice

China

China – CHN36300 – Inner Mongolia –
Motor vehicle repairs – Spare parts industry
– Government directives

26 March 2010

- 1. Please advise if the Chinese authorities issued a directive on 1 June 2009 that motor vehicle repair businesses are only allowed to purchase auto spare parts from the government. Please also provide information about the spare parts industry in Inner Mongolia and China generally.**

A) Directive that motor vehicle repair businesses are only allowed to purchase auto spare parts from the government

Searches of English and some Chinese sources failed to locate such a directive. Such a directive may exist in Chinese but such decrees are very difficult to locate as there are a large number of national, provincial and local bodies, all of which issue regulations, decrees and directives. The only 2009 legislation relating to auto spare parts which was identified was General Administration of Customs (GAC) Order No.185 (effective 01/09/2009) which abolished higher duties on imported spare parts.¹

The Vehicle Administration Department (VAD)² is part of the Traffic Management Department (TMD)³ of the Public Security Bureau (PSB).⁴ Although no comprehensive list of responsibilities for the TMD and the VAD was found, the 2004 *Law of the People's Republic of China on Road Traffic Safety* states that the TMD is responsible for the registration and safety of motor vehicles, licensing of drivers and the control of traffic.⁵ It is possible that VAD officials would, as part of their role in ensuring vehicle safety, be involved in monitoring auto spare parts.

¹ 'China abolishes the Administrative Measures for the Import of Automobile Components and Parts Featuring Complete Vehicles' 2009, KPMG, September

http://www.kpmg.com.cn/en/virtual_library/Tax/china_alert/2009/Issue74_0909.pdf – Accessed 11 March 2010 – Attachment 1; 'Analysts: Change to auto parts imports regulation has limited market impact' 2009, *Xinhua*, 2 September, China Ministry of Commerce website

<http://english.mofcom.gov.cn/aarticle/newsrelease/commonnews/200909/20090906492871.html> – Accessed 11 March 2010 - Attachment 2.

² 车辆管理所. Also translated Department of Motor Vehicle Administration.

³ 交通管理局 / 交通管理部门 Also translated as Traffic Administration/Control Department/Bureau.

⁴ The PSBs are the local offices of the Ministry of Public Security (公安部).

⁵ *Law of the People's Republic of China on Road Traffic Safety* (Order of the President No.8) 2004, (adopted at the 5th Meeting of the Standing Committee of the Tenth National People's Congress of the People's Republic of China on October 28, 2003, effective as of May 1, 2004), GOV.cn Chinese Government's Official Web Portal http://www.gov.cn/english/laws/2005-09/07/content_29966.htm – Accessed 25 March 2010 – Attachment 3.

Articles 8-18 covers registration, Articles 19-24 covers drivers' licensing and Chapter 6 establishes responsibility for maintaining traffic safety.

The Ministry of Public Security (MPS) web site, which is only in Chinese, has a list of policies and regulations for the MPS Traffic Management Department.⁶ This list does not include any directives on spare parts, nor any directives that came into force on 1 June 2009. The most recent directive in the list is dated 2 July 2009, but it concerns traffic accidents.⁷ The list includes mainly directives on traffic safety and vehicle registration such as:

- “Road safety violations dealing with the procedural requirements” (Ministry of Public Order No. 105), adopted November 17, 2008 and effective April 1, 2009⁸;
- The revised “motor vehicle registration requirement” (Ministry of Public Order No. 102) – adopted April 21, 2008 and effective October 1, 2008⁹.

The Batou City Vehicle Administration office¹⁰ does not seem to have its own website but information about it is included on the Chinese language only Inner Mongolia Public Security Bureau (PSB) website <http://www.nmgat.gov.cn/> and the Batou City website www.baotou.gov.cn. A report from the Inner Mongolia PSB website¹¹, notes that the Batou City Vehicle Administration office covers nearly 200 acres and employs 85 staff responsible for the city’s 226,000 vehicles and 326,000 cars. No decrees from 1 June 2009 were found on these websites.

B) Information about the spare parts industry in China

Background

Both production and domestic sales of cars and car parts have grown rapidly in recent years:

- In 2008, China produced 9.5 million vehicles, while the U.S. produced 8.7 million vehicles. China had doubled its domestic automobile production in five years.¹² Of the automobiles produced, 44.3% are local brands (BYD, Chery, Geely, Hafei, Jianghuai (JAC), Chang’an (Chana), Great Wall, Roewe etc.), the rest being produced by joint ventures with foreign car makers such as Volkswagen, General Motors, Hyundai, Nissan, Honda, Toyota etc. Most of the cars manufactured in China are sold within China, with only 369,600 cars being exported in 2009.¹³

⁶ ‘Ministry of Public Security Traffic Management Bureau “Policies and Regulations”’ (in Chinese) (undated), Chinese Ministry of Public Security website <http://www.mps.gov.cn/n16/n85753/n85885/index.html> – Accessed 24 March 2010 (with Google translation) – Attachment 4.

⁷ ‘Road Traffic Accident Information System Use’ (in Chinese) 2009, Chinese Public Security Department Traffic Management Bureau, 2 July (directive effective 1 July 2009), Chinese Ministry of Public Security website <http://www.mps.gov.cn/n16/n85753/n85885/1987696.html> - Accessed 26 March 2010 (in Chinese – not attached)

⁸ <http://www.mps.gov.cn/n16/n85753/n85885/1851099.html> (in Chinese – not attached)

⁹ <http://www.mps.gov.cn/n16/n85753/n85885/1549747.html> (in Chinese – not attached)

¹⁰包头车辆管理所

¹¹ Google Translation of ‘Baotou City Traffic Police Detachment solid advance the pace of building the national first-class Vehicle Administration Office’ 2007, Inner Mongolia PSB website, 7 December (in Chinese) <http://www.nmgat.gov.cn/jfts/jjzd/1058.htm> – Accessed 25 March 2010 – Attachment 5.

¹² ‘China surpasses US in auto production in 2008’ 2009, CyberMedia India Online Ltd, 30 March <http://www.ciol.com/Semicon/Biz-Watch/News-Reports/China-surpasses-US-in-auto-production-in-2008/30309117725/0/> – Accessed 25 March 2010 – Attachment 6.

¹³ ‘Automobile industry in China’ 2010, Wikipedia, Updated 19 March

http://en.wikipedia.org/wiki/Automobile_industry_in_China – Accessed 25 March 2010 – Attachment 7.

Wikipedia is a Web-based free-content encyclopaedia which is compiled collaboratively by volunteers. Many Wikipedia articles can be highly reliable, especially in regards to non-controversial historical or factual matters, and Wikipedia uses preventative measures against vandalism, bias and inaccuracy. However, the collaborative nature of Wikipedia makes it vulnerable to contributors with overt or covert agendas, and Wikipedia articles are thus prone to unacknowledged bias.

- Domestic car sales in China passed the 13 million mark in 2009 as China overtook the US as the world's biggest auto market.¹⁴
- There are a large number of auto-repair and maintenance workshops, estimated at 300,000 in 2005.¹⁵ These included many maintenance centres connected to large foreign car and spare parts manufacturers, such as Volkswagen, Ford, Mercedes-Benz, US auto repair giant ACDelco and Autobacs and Japan's biggest auto after-sales service supplier.

Auto-Parts Production Industry

The Chinese auto-parts production industry is expanding at a similar rate – reports indicate that there are a large number of auto-parts suppliers who have made bumper profits in recent years.¹⁶ The value of auto-parts production tripled between 2002 and 2007.¹⁷ According to a 2008 report on China's auto-parts industry, there are three markets for auto-parts: the original vehicle (production) market, the aftermarket (repairs and maintenance) and the export market, of which the first is the most important.¹⁸

The 2008 report noted that the numbers of auto-parts suppliers was increasing. A 2009 news report on the thriving auto-parts industry notes the existence of industrial zones containing clusters of hundreds of auto-parts companies.¹⁹ 2009 news reports differed on whether the Chinese auto-parts production industry would be threatened by the 2009 reduction in tariffs on imported parts, but one report noted that Chinese auto-parts makers have grown larger and stronger in recent years because joint ventures invested in their factories.²⁰ The reports noted “An official from the Ministry of Industry and Information Technology said the central government will closely monitor the spare parts issue but no new policies are expected any time soon”.²¹

China is also the world's main producer of counterfeit auto-parts which are sold domestically and abroad, according to a number of reports.²² In 2007 US Senator Carl Levin stated that “China is the primary source of counterfeit auto parts and components”.²³ A guide to driving

¹⁴ ‘Car sales and output pass the 12 million mark in China’ 2009, BBC News Online, 7 December <http://news.bbc.co.uk/2/hi/8398635.stm> – Accessed 25 March 2010 – Attachment 8.

¹⁵ ‘Auto after-sales market is booming’ 2006, *People's Daily Online*, 13 December http://english.people.com.cn/200612/13/eng20061213_331953.html – Accessed 25 March 2010 – Attachment 9.

¹⁶ ‘A Report on the Development Trend of China's Auto-parts Industry: Parts I. II & III’ 2008, Gasgoo.com Auto Industry Institute, 5 May http://autonews.gasgoo.com/AutoNews/Autobiz_print.aspx?id=6335, http://autonews.gasgoo.com/AutoNews/Autobiz_print.aspx?id=6359 & http://autonews.gasgoo.com/AutoNews/Autobiz_print.aspx?id=6386 – Accessed 15 March 2010 – Attachment 10.

¹⁷ ‘A Report on the Development Trend of China's Auto-parts Industry... – Attachment 10.

¹⁸ ‘A Report on the Development Trend of China's Auto-parts Industry... – Attachment 10.

¹⁹ ‘Auto parts industry continues to drive growth in district’ 2009, *Shanghai Daily*, 28 December – Attachment 11.

²⁰ ‘Analysts: Change to auto parts imports regulation has limited market impact’ 2009, *Xinhua*, 2 September, China Ministry of Commerce website

<http://english.mofcom.gov.cn/article/newsrelease/commonnews/200909/20090906492871.html> – Accessed 11 March 2010 - Attachment 2; ‘Consumers win with tariff cuts’ 2009, *Shanghai Daily*, 15 Sept. – Attachment 12.

²¹ ‘Consumers win with tariff cuts’ 2009, *Shanghai Daily*, 15 September – Attachment 12.

²² Muller, Joann 2004, ‘Counterfeiting cars in China: Manufacturers step up countermeasures worldwide’, MSNBC (Source: *Forbes*), 1 February <http://www.msnbc.msn.com/id/4131724/> – Accessed 22 March 2010 - Attachment 13; ‘Counterfeit Car Parts Market Worth US\$16 billion Warns New Report’ 2008, PR Log, 18 August <http://www.prlog.org/10106617-counterfeit-car-parts-market-worth-us16-billion-warns-new-report.html> – Accessed 22 March 2010 – Attachment 14.

²³ ‘Statement of Senator Carl Levin before the U.S.-China Economic and Security Review Commission Hearing on The U.S. China Relationship’ 2007, US Senator Carl Levin's website <http://levin.senate.gov/newsroom/release.cfm?id=268284> – Accessed 22 March 2010 – Attachment 15

in China warns that “Some workshops make and use counterfeit car parts, which could compromise the quality and life of your vehicle”.²⁴

Attachments

1. ‘China abolishes the Administrative Measures for the Import of Automobile Components and Parts Featuring Complete Vehicles’ 2009, KPMG, September http://www.kpmg.com.cn/en/virtual_library/Tax/china_alert/2009/Issue74_0909.pdf – Accessed 11 March 2010.
2. ‘Analysts: Change to auto parts imports regulation has limited market impact’ 2009, *Xinhua*, 2 September, China Ministry of Commerce website <http://english.mofcom.gov.cn/aarticle/newsrelease/commonnews/200909/20090906492871.html> – Accessed 11 March 2010.
3. *Law of the People’s Republic of China on Road Traffic Safety* (Order of the President No.8) 2004, (adopted at the 5th Meeting of the Standing Committee of the Tenth National People’s Congress of the People’s Republic of China on October 28, 2003, effective as of May 1, 2004), GOV.cn Chinese Government’s Official Web Portal http://www.gov.cn/english/laws/2005-09/07/content_29966.htm – Accessed 25 March 2010.
4. ‘Ministry of Public Security Traffic Management Bureau “Policies and Regulations”’ (in Chinese) (undated), Chinese Ministry of Public Security website <http://www.mps.gov.cn/n16/n85753/n85885/index.html> – Accessed 24 March 2010 (with Google translation).
5. [Google Translation](#) of ‘Baotou City Traffic Police Detachment solid advance the pace of building the national first-class Vehicle Administration Office’ 2007, Inner Mongolia PSB website, 7 December (in Chinese) <http://www.nmgat.gov.cn/jfts/jjzd/1058.htm> – Accessed 25 March 2010.
6. ‘China surpasses US in auto production in 2008’ 2009, CyberMedia India Online Ltd, 30 March <http://www.ciol.com/Semicon/Biz-Watch/News-Reports/China-surpasses-US-in-auto-production-in-2008/30309117725/0/> – Accessed 25 March 2010.
7. ‘Automobile industry in China’ 2010, Wikipedia, Updated 19 March http://en.wikipedia.org/wiki/Automobile_industry_in_China – Accessed 25 March 2010.
8. ‘Car sales and output pass the 12 million mark in China’ 2009, BBC News Online, 7 December <http://news.bbc.co.uk/2/hi/8398635.stm> – Accessed 25 March 2010.
9. ‘Auto after-sales market is booming’ 2006, *People’s Daily Online*, 13 December http://english.people.com.cn/200612/13/eng20061213_331953.html – Accessed 25 March 2010.
10. ‘A Report on the Development Trend of China’s Auto-parts Industry: Parts I. II & III’ 2008, Gasgoo.com Auto Industry Institute, 5 May http://autonews.gasgoo.com/AutoNews/Autobiz_print.aspx?id=6335, http://autonews.gasgoo.com/AutoNews/Autobiz_print.aspx?id=6359 &

²⁴ ‘Car and Driving: Driving in Shanghai’ (undated), EnterShanghi website <http://www.entershanghai.info/shininfo/car-driving.php> – Accessed 22 March 2010 – Attachment 16.

http://autonews.gasgoo.com/AutoNews/Autobiz_print.aspx?id=6386 – Accessed 15 March 2010.

11. ‘Auto parts industry continues to drive growth in district’ 2009, *Shanghai Daily*, 28 December. (Factiva)
12. ‘Consumers win with tariff cuts’ 2009, *Shanghai Daily*, 15 September. (Factiva)
13. Muller, Joann 2004, ‘Counterfeiting cars in China: Manufacturers step up countermeasures worldwide’, MSNBC (Source: *Forbes*), 1 February <http://www.msnbc.msn.com/id/4131724/> – Accessed 22 March 2010.
14. ‘Counterfeit Car Parts Market Worth US\$16 billion Warns New Report’ 2008, PR Log, 18 August <http://www.prlog.org/10106617-counterfeit-car-parts-market-worth-us16-billion-warns-new-report.html> – Accessed 22 March 2010.
15. ‘Statement of Senator Carl Levin before the U.S.-China Economic and Security Review Commission Hearing on The U.S. China Relationship’ 2007, US Senator Carl Levin’s website <http://levin.senate.gov/newsroom/release.cfm?id=268284> – Accessed 22 March 2010.
16. ‘Car and Driving: Driving in Shanghai’ (undated), EnterShanghi website <http://www.entershanghai.info/shininfo/car-driving.php> – Accessed 22 March 2010.