

Nissan Plans \$8B China Expansion

Joe McDonald, AP Business Writer

BEIJING (AP) — Nissan announced an \$8 billion expansion plan for China on Tuesday as part of a global strategy to focus on faster-growing emerging markets and reduce reliance on the United States.

Nissan's plan with its local partner, Dongfeng Group, calls for opening new factories to meet surging demand and introducing 30 new models by 2015. They include a China-produced electric car to be sold under the low-priced Venucia brand that Nissan Motor Co. is creating for the Chinese market.

"China is key to our total growth," said Nissan CEO Carlos Ghosn at a news conference.

Global automakers are looking to China, the biggest auto market by number of vehicles sold, to drive revenue amid weak demand elsewhere. Auto sales in China jumped 32 percent last year to 18 million vehicles, defying global economic malaise.

Nissan hopes to nearly double its annual sales in China to 2.3 million vehicles by 2015, up from 1.3 million last year, Ghosn said.

The Japanese automaker was a latecomer to the Chinese market but has succeeded with a wide range of offerings, from Infiniti luxury models to the cheaper Venucia brand, said Masataka Kunugimoto, auto analyst at Nomura Securities Co.

"Nissan has scored great success in China," he said. "Its key strategy in recent years has focused on strengthening its lineup and presence in China."

Ghosn said Nissan's China expansion is part of an effort to expand in faster-growing markets. It includes new factories and other initiatives in Russia, Brazil, India and Southeast Asia.

"We used to be extremely dependent on one market — it was the U.S. market," said Ghosn, who also heads Nissan's alliance partner Renault SA of France.

The global strategy is "moving Nissan from too much dependence on one region to depending on different pillars and different regions," he said.

Nissan's ambitions reflect a broader trend among global automakers, which are creating models for China or incorporating Chinese tastes into global designs. General Motors Co. also has launched its own low-cost China brand, Baojun.

Ghosn said Nissan wants to expand its China market share from 6.2 percent today to 10 percent by 2015. He said its market share has eroded because its factories

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cannot meet demand despite operating at full capacity.

"I'm afraid that even with the capacity we announced today, we might be short," he said.

Ghosn said plans to produce an electric car in China were driven both by expected strong demand buttressed by government promises of subsidies to buyers and other support for clean vehicles and by explicit pressure from Beijing on automakers.

The government has told producers "new energy cars should be under a Chinese brand," he said.

The first Venucia model is due to go on sale next year.

Nissan plans to export about 40,000 Chinese-made vehicles next year to South Asia, Latin America and other developing markets, Ghosn said. He said that should rise to 80,000 by 2015 but exports would be a small share of production because Nissan needs to meet strong domestic demand.

All development of Venucia-brand vehicles will be carried out in China, where Nissan has a design studio in Beijing and 3,500 employees in research and development. Ghosn said that staff should grow to 6,000 in five years.

Nissan's plans call for building a new factory in the eastern city of Changzhou in Jiangsu province.

Another factory for passenger vehicles is due to open next year in Guangzhou in southern China, where Nissan already has one factory. A factory for commercial vehicles is slated to open this year in Shiyan, a city southwest of Shanghai in Hubei province.

Nissan also plans to expand its sales network in China from 1,400 dealerships to 2,400 by 2015, Ghosn said.

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