

# China car dilemma: Beijing wants electric, buyers want SUVs

By Joe McDonald  
AP Business Writer

**B**EIJING — Automakers face a dilemma in China's huge but crowded market: Regulators are pushing them to sell electric cars, but buyers want gas-guzzling SUVs.

The industry is rattled by Beijing's proposal to require that electric cars make up eight percent of every brand's production as soon as next year. Consumers are steering the other way: First-quarter SUV sales soared 21 percent from a year earlier to 2.4 million, while electric vehicle purchases sank 4.4 percent to just 55,929.

"It's tough for someone with an EV to come and take away market share from SUVs," said Ben Cavender of China Market Research Group.

Last month, the Shanghai auto show showcased work on electric models meant to appeal to Chinese drivers who are wary of the unfamiliar technology's reliability and cost.

The pressure for electrification in China is an added headache for automakers at a time when sales growth is slowing and competition is heating up in a market they are counting on to drive global revenue.

Sales growth fell to 1.7 percent in March from last year's 15 percent. SUVs made up 40 percent of sales, while sedan purchases fell 4.9 percent.

At the Shanghai show, the industry's biggest marketing event this year, almost every global and Chinese brand displayed at least an electric concept car, if not a model ready for sale, alongside its latest SUVs and sedans.

General Motors Co.'s Buick unit has announced plans for Chinese sales of its Velite 5 gasoline-electric hybrid sedan. Buick also sells a hybrid LaCrosse in China.

In April, Ford Motor Co. said it would sell an all-electric SUV and a plug-in hybrid Mondeo Energi sedan in China. Ford's joint venture with state-owned Changan Automobile Co. will manufacture the Mondeo.

Ford said by 2025 it plans to offer electric versions of 70 percent of its models sold in China.

"We are prioritizing our electrification efforts on China to reflect its importance as a global electrified vehicle market," Ford CEO Mark Fields said in a statement.

NextEV, a Shanghai-based startup, displayed 11 vehicles in Shanghai from its all-electric NIO brand. They include the two-door EP9, a contender for the title of fastest electric car, with what the



**EVs vs. SUVs.** A visitor looks at a concept electric car system called the ZOE at the Renault stand during the Auto Shanghai 2017 show at the National Exhibition and Convention Center in Shanghai, China. Models on display at the show, the global industry's biggest marketing event of the year, reflect the conflict between Beijing's ambitions to promote environmentally friendly propulsion and Chinese consumers' love of hulking, fuel-hungry SUVs. (AP Photo/Ng Han Guan)

manufacturer says is a top speed of 194 mph (310 kph).

Volkswagen AG announced its electric vehicle plans for China and unveiled an electric concept car. Honda Motor Co. showed its new NeuV, a futuristic concept car the company has suggested might get an electric drivetrain.

Government planners see electric vehicles as a sector where China can lead, and a cabinet technology development plan issued in 2013 calls for two of the top global brands in 2025 to be Chinese.

Hence the proposal, released in September, calling for electric or gasoline-electric hybrids to make up eight percent of every automaker's output next year. That would rise to 10 percent in 2019 and 12 percent in 2020.

Manufacturers failing to meet those targets could buy credits from companies that produce more electrics, helping to subsidize development.

People in the industry say manufacturers have warned Beijing those targets are too ambitious. News reports say regulators might have agreed to lower or delay them in an updated plan due out this year, but there has been no official confirmation.

China's stand-out EV success so far is BYD Auto Co. It sells all-electric vehicles to taxi and bus fleets in China and abroad and gasoline-electric hybrid SUVs and sedans to Chinese consumers.

BYD Auto says last year's sales rose 70 percent over 2015 to 100,183 vehicles. That would make it the biggest electric brand for a second year, with Tesla Inc. in second place at 76,230 vehicles sold.

Other Chinese brands offer plug-in

electrics but most sold only a few hundred vehicles last year. That is partly because their vehicles cost up to 350,000 yuan (\$50,000), or two to three times the price of equivalent gasoline models.

Even Great Wall Motors Ltd., which became China's most profitable auto brand by making almost nothing but SUVs, has unveiled an electric compact sedan, the C30 EV, which looks almost comically small next to the other hulking vehicles. It has yet to say when sales will start.

Some brands promise a range of up to 120 miles on one charge. But industry analysts say that is too much money and too short a distance for most drivers, who have few places to recharge.

"The biggest worries for people buying an electric car are lack of convenience for charging and the miserable range most electric cars have," said Zhang Xin, an independent auto industry analyst.

To ease such "range anxiety," the cabinet has ordered the state-owned power industry to step up installation of charging stations.

Government plans call for China to have 100,000 public charging stations and 800,000 private stations by next year, up from a total of 50,000 at the start of 2016. Longer term, the government wants a network that can support 5 million vehicles by 2020.

The government also is trying to nudge buyers toward electrics by exempting them from sales taxes and from license plate fees and lotteries imposed by Beijing, Shanghai, and some other cities to curb congestion.

Aside from BYD, Chinese manufacturers are waiting to see what price regulators set for credits before

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**NO COKE.** A can of Air Koryo cola, left, produced by Air Koryo, North Korea's flagship airline that recently introduced its own brand of cola on flights to and from Beijing, is seen in Pyongyang, North Korea. Coca-Cola is possibly the world's most recognizable brand, an almost inescapable symbol of the global appeal of American-style consumer culture. There are only two countries in the world where Coke doesn't officially operate, and one of them is North Korea. (AP Photo/Wong Maye-E)

## Coca-Cola in North Korea? It's (usually not) the Real Thing

By Eric Talmadge  
The Associated Press

**P**YONGYANG, North Korea — Coca-Cola is possibly the world's most recognizable brand, an almost inescapable symbol of the global appeal of American-style consumer culture. There are only two countries in the world where Coke doesn't officially operate, and one of them is North Korea.

But even the North is developing quite a taste for cola — though the iconic red-and-white labelled bottles the cola comes in likely are not exactly the Real Thing and their twist tops need a bit more than the usual caution. They have a tendency to leak or refuse to come off at all.

North Korea and Cuba are the only countries where Coca-Cola Co. has no operations, said communications director Ann Moore. Coke doesn't do business with either because of sanctions.

That doesn't stop Coke making its way over the North Korean border, however.

Coke bottled in China and bearing Chinese labels isn't hard to find in North Korea's relatively affluent capital, Pyongyang. It is sold in upscale grocery stores that cater to the capital's elite and a growing number of middle-class residents, who are increasingly earning enough hard cash through entrepreneurial side businesses to purchase more than bare necessities.

Coke from China can also be quaffed in international hotels frequented by both locals who can afford their high prices and foreign tourists and business people, most of them from China as well. Pepsi sightings are rarer.

The cola served at restaurants and lining the shelves in stores where more typical North Koreans shop are likely to be local imitations, though one of the more popular ones could, from a distance, easily pass as a Coke.

Its 1.25-liter bottle has the same Coke shape, the Coke-like red-and-white label, the distinctive red cap. But instead of the usual Chinese phonetic characters for Coca-Cola, it has "Cocoa-flavored Sweet Soda Drink" splashed across its label in yellow Korean lettering.

The label also prominently features a bar code and the universally recognized anti-littering logo of a person responsibly tossing his trash in a bin. It includes a calorie count and the address and phone number of the bottler, the Wonbong Trading Co. in Pyongyang. Such numbers can only be accessed by North Koreans using the North Korean phone network.

So no comment there.

How does it taste?

Not bad, it turns out. Good fizz. Indistinguishable appearance. If you like Coke, it's a very good facsimile. Some other similar sodas claiming to be cocoa-flavored but not aiming to match Coke's taste do in fact taste like chocolate.

Back in 2000, when ties between the U.S. and North Korea were going through something of a thaw, there were widespread rumors that Coke was on the verge of officially breaking into the market. Blame North Korea's decision to develop nuclear weapons for dooming that plan.

The locally bottled versions of Coke-like drinks have filled the vacuum.

Air Koryo, the country's flagship airline, recently introduced its own brand of cola on flights to and from Beijing. That's not quite as odd as it might sound. Like many large state-run enterprises, the airline also operates a fleet of taxis, has at least one gas station in Pyongyang, and puts its name on other soft drinks in order to turn a profit.



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