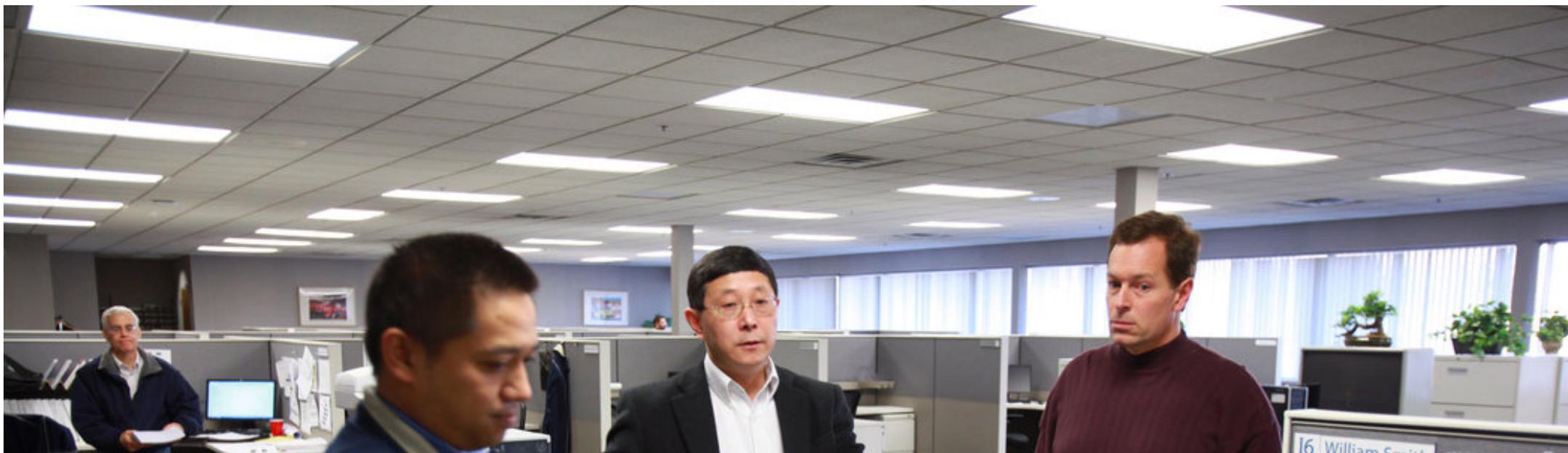




GLOBAL BUSINESS

# *Chinese Creating New Auto Niche Within Detroit*

By BILL VLASIC MAY 12, 2013





Hong Su, center, heads a research center in Plymouth, Mich., set up by Changan, a Chinese automaker. Changan hired about 20 Detroit engineers, some laid off from Detroit auto companies. Fabrizio Costantini for The New York Times

DETROIT — Dozens of companies from [China](#) are putting down roots in Detroit, part of the country's steady push into the American auto industry.

Chinese-owned companies are investing in American businesses and new vehicle technology, selling everything from seat belts to shock absorbers in retail stores, and hiring experienced engineers and designers in an effort to soak up the talent and expertise of domestic automakers and their suppliers.

While starting with batteries and auto parts, the spread of Chinese business is expected to result eventually in the sale of Chinese cars in the United States.

“The Chinese are well behind the Japanese when they hit our shores 30 years ago,” said David E. Cole, a founder of the Center for Automotive Research in Ann Arbor, Mich. “They lack the know-how, and they’re coming here to get it.”

As businesses sprout up with little fanfare, Chinese companies seem to be trying to avoid the type of public opposition experienced by the Japanese automakers Toyota and Honda in the 1980s, when the sudden influx of foreign cars competing head-on with cars from General Motors, Ford and Chrysler was perceived as a threat to American jobs.

In contrast to the Japanese, Chinese auto companies are assiduously avoiding the spotlight. Last year, the biggest carmaker in China, Shanghai Automotive Industries, [opened new offices](#) in suburban Detroit without any publicity, which is almost unheard-of in an industry that thrives on media coverage.

But China's growth in the American auto industry is drawing notice in Washington. Last year, the Obama administration [filed a complaint](#) with the World Trade Organization that China's government was unfairly subsidizing the production of some parts shipped to America. And the country's inroads into American-made batteries and [electric vehicles](#) have drawn scrutiny because that sector of the industry has been heavily subsidized by the United States government.

The American industry's overall resurgence has drawn a growing Chinese population to Detroit, with Chinese-owned suppliers bringing executives from their country and American automakers adding new talent. About 50,000 Chinese, many of them engineers and other professionals who work at General Motors and the Ford Motor Company, live in the metropolitan area.

Business networks are growing too. The [Detroit Chinese Business Association](#) boasts a flourishing membership, and counts about 100 Chinese-owned businesses, mostly auto-related, in the region.

The Ford Chinese Association, with 650 white-collar workers, predominantly from mainland China, has become one of the largest employee groups at the company. Its president, Raymond Xu, recalled that in 1999, when he came to Detroit to attend college, there were very few Chinese in the area.

“I think people are going to get more and more comfortable with it,” Mr. Xu said.

Typical of the Chinese expansion are the nondescript offices of Changan Automotive in an industrial park in the suburban city of Plymouth. Changan, a major carmaker in China, set up a [research center](#) to better understand the structural chassis of a vehicle — then hired about 20 Detroit engineers, some of whom had been laid off from Detroit’s auto companies, to staff the project.

“Most of the engineers are very young in China,” said Hong Su, the Changan executive heading the American facility. “They know how to make vehicles,

but they don't know how to develop them.” One of his employees is Alan Wall, 54, a former contract engineer at Chrysler who lost his job during the recession.

“It was an opportunity,” he said. “And those tend to come from a company that is trying to expand.”

Last year, China exported about \$13 billion in automotive goods to the United States — tires, wheels and radios that are sold as replacement parts — according to AlixPartners, a consulting firm.

But many Chinese suppliers are pursuing direct business with the Detroit car companies, which now get many of their most common parts from low-wage nations like Mexico. One supplier, [Brilliance Auto](#), an industrial giant with about 500,000 employees in the city of Shenyang in northeast China, is still an underdog in Detroit, trying to crack an intricate network of suppliers that

have long relationships with G.M. and the other carmakers.

“We have been exporting our parts to North America for 15 years for the aftermarket,” said Dongbin Chen, a Brilliance executive, referring to retail sales of replacement parts. “Now our biggest opportunity is with G.M. and the other big companies.”

Brilliance scored a coup last year by supplying lightweight engine mounts for the new Cadillac ATS sedan made by G.M. in Lansing, Mich., which has whetted the company’s appetite for more.

At a United States-China conference held here in November, Brilliance displayed a large exhibit showcasing a range of mundane parts — including seat belts, steering wheels and shock absorbers — that it hopes to export to America.

“We have the ability and the capacity to supply these kinds of parts,” Mr.

Chen said. “And I think right now, it is very important for us to be here.”

In addition to Chinese companies locating in Detroit, a cottage industry of lawyers, accountants and corporate advisers has grown up to assist them. Their numbers are small now, but the impact of the Chinese on the local economy is slowly expanding.

Industry analysts are hard-pressed to put a number on the Chinese suppliers operating in the United States. “We simply don’t know how many there are,” said David Andrea, an official with the Original Equipment Suppliers Association, a trade organization for auto parts makers.

In one of the more prominent deals, the Wanxiang Group [bought most of the assets](#) of the battery maker A123 Systems, which filed for bankruptcy last year despite receiving \$132 million of \$249 million in federal grants to build two factories in Michigan.

Congressional Republicans criticized the deal, saying A123's technology could support military applications in China. Still, the buyout was approved this year by the Committee on Foreign Investment in the United States, a federal government panel.

Wanxiang, which has its [United States headquarters](#) near Chicago, has acquired several American auto parts and solar companies in recent years. But it attracted little attention until it took an interest in A123 Systems.

“I wasn't surprised by the negative reaction,” said Pin Ni, president of the company's American unit. “The reality is we grow here like a small seed into a bigger tree, and we cannot avoid this type of response.”

He said that Wanxiang employed several thousand American workers, and kept local management in place at companies it had bought. “We act, talk and walk like an American company,” Mr. Ni said. “In the end, it's all about

making money.”

Other Chinese companies are averse to publicity. Shanghai Auto is the largest carmaker in China and has major joint ventures there with G.M. and the German automaker Volkswagen. But when the company opened its new Detroit-area offices last year, even G.M. was surprised.

“Since we do not do business with SAIC in the U.S., there is no connection between G.M. and the SAIC office in the U.S.,” said Dayna Hart, a G.M. spokeswoman.

The arms-length reaction underscores the sensitivity surrounding China’s presence in the American industry. Only about 4 percent of Chinese-made light vehicles are exported now, mostly to countries in Africa and the Middle East. But the Detroit automakers are bracing for the day when competitive Chinese cars hit the American market.

“The Chinese have a lot of money and they are moving fast,” said Mr. Cole. “We’re going to see a lot more of them here.”

The growth in the Chinese professional class has had a ripple effect on the broader community, as well, with Chinese community groups sponsoring youth soccer leagues, basketball tournaments and musical performances at Detroit Tigers games. [One organization](#) runs a Chinese soup kitchen every year at a local homeless shelter.

Frank Chiu was an engineer for an auto supply company when he saw the growing number of Chinese professionals entering the industry and saw an opportunity. He left his job to open a Chinese grocery store in Canton, Mich, a bedroom community not far from Ford headquarters.

“The timing was very good for this type of business,” said Mr. Chiu, whose store features Chinese delicacies like chicken feet, snow fungus and pork uterus.

As customers roamed the store around him, Mr. Chiu reflected on how much had changed since he moved from Taiwan more than 20 years ago. “What was it like then?” he said. “Lonely is the first word that comes to mind.”

At Ford, Chinese employees play an integral part in the company’s expansion in China, where it is building several new factories. They also help prepare American executives for transfers to China, and play host to Chinese car dealers when they visit Ford’s headquarters.

On Feb. 14, hundreds of Ford employees celebrated the Chinese New Year at the stately Dearborn Inn, which was conceived by Henry Ford in the 1930s as a replica of an early American village, with guest cottages that copied the homes of historical figures like Walt Whitman and Patrick Henry.

“We definitely see more openness to the Chinese culture,” said Mr. Xu, the Ford Chinese Association president. “We started small here, but we are coming on strong.”

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