

# Analysis of Automotive Parallel Import in China in 2021

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## Abstract

Since 2020, the global pandemic of COVID-19 shows far-reaching influences on the world economy and the automobile market and international trade. China's parallel imported car market has seen a further decline in 2021 due to multiple factors, including the COVID-19 pandemic, the implementation of the new national emission policy and so on. With the clearance of the first batch of China 6 parallel imported automobiles in May 2021, parallel imported automobile market development ushered in a new stage. Enterprises and relevant government departments should analyze industry changes and jointly promote the sustainable development of parallel imported automobiles in China.

## Keywords

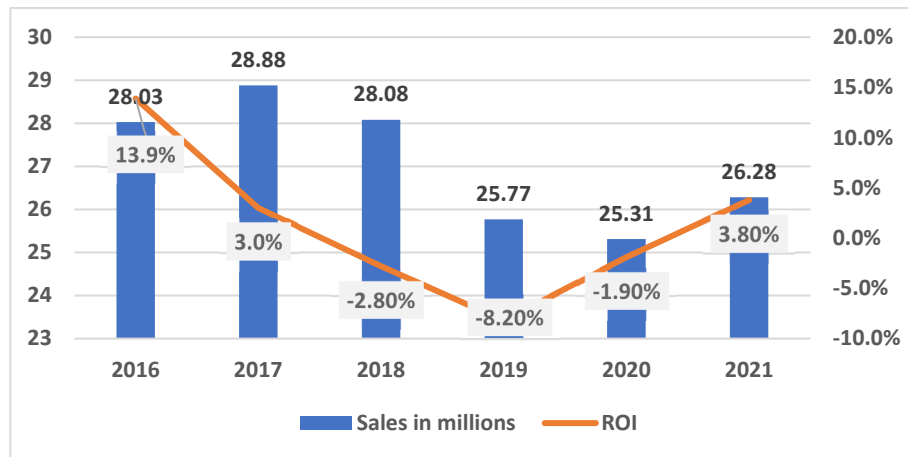
Parallel Import; Automobile Import; Parallel Import; Automobile Market; Import Policy.

## 1. Introduction

With the rapid development of China's automobile market during the past decades, consumers' demand for diversified and personalized of automobile products is constantly improving. Since the year 2014, the Ministry of Commerce of China, under the relevant arrangements of the State Council, jointly promoted the work of parallel import pilot of automobiles with other departments. The parallel import automobile market in China is developing rapidly and becoming more and more mature. As an important part of the automobile market, consumers' cognition and recognition of parallel import cars have been constantly improving. From 2014 to 2019, China's parallel imported automobile market experienced a stage of rapid development. Since 2020, the development of the parallel import automobile has undergone tremendous changes due to the COVID-19 epidemic, the implementation of the CHINA 6 emission policy and other factors. In 2020 and 2021, the import volume of parallel import cars in China experienced a significant decline compared with that before, and the import source country composition has also changed. The development of the parallel import automobile industry presents new characteristics, these changes will also bring a new impact on the coming development of the parallel import automobile market.

## 2. Overview of Parallel Automobile Import and Automotive Market in China

Affected by various factors such as international policy and the macroeconomy, China's auto market has entered a stage of deceleration and adjustment. Auto sales fell for three straight years after peaking at 28.88 million units in 2017. In 2021, the annual sales of automobiles reached 26.275 million units, a year-on-year increase of 3.8%, ending the three consecutive years of decline since 2018. In terms of imported cars, the scale of car imports has remained at around 1 million since 2011. In 2020, affected by the global spread of COVID-19 and the China 6 Emissions Standard, China imported about 930,000 vehicles, a year-on-year decrease of 11.4%. This is the first time since 2011 that parallel car imports have fallen below 1 million. In May 2021, with the clarification of the relevant policies of CHINA 6, parallel import has been "restarted" and 29,000 parallel imported vehicles have been imported in the year 2021.



**Figure 1.** China's auto sales from 2016 to 2021

With the expansion of the scale of China's automobile market and the continuous improvement of policies, parallel import cars have become an important part of the imported automobile market, and play an indispensable role in realizing the diversified development of the automobile industry, meeting consumer needs, and improving the automobile circulation system. As an important international trade model of the automobile industry, automotive parallel import has maintained a relatively stable development for many years. However, with the implementation of the latest national emission standards for heavy-duty diesel vehicles and light-duty vehicles in the sixth stage (hereinafter referred to as the "CHINA 6 Standard") in July 2020, the parallel-imported car industry hit the "pause button" and experienced a year-long stagnation. In June 2021, with the clarification of relevant policies, China's automobile parallel import industry has been restarted, and the import scale gradually resumes, but the development of the industry still faces severe challenges.

### 3. Policy Analysis of Parallel Automobile Import

#### 3.1. Continuous Improvement of the Pilot Policy for Parallel Import of Automobiles

Since the pilot work launched in 2014, China has gradually established a relatively complete policy system around the parallel import automobiles, including the scope of the pilot area, automatic import license application, and CCC certification requirements for parallel imported automobiles.

In terms of the determination of the pilot area of parallel import vehicles, relevant policies have been relaxed and the pilot area has been expanded. In 2014, the pilot work of parallel import was first allowed in China (Shanghai) Pilot Free Trade Zone. Under the overall plan for pilot free trade zones in 2015, Tianjin, Guangdong and Fujian have been further allowed for pilot projects. In 2016 and 2018, the Ministry of Commerce and other departments supported four provinces and eight regions, including Sichuan and Inner Mongolia, to carry out parallel automobile import trials. In 2019, the Ministry of Commerce issued the Opinions on Further Promoting the Development of Parallel Import of Automobiles, which clarified that the parallel import policies can be implemented after submitting relevant work plans if the total import quantity of automobiles reaches 1000 at the ports approved by the State Council.

In terms of license application, the relevant procedures have been simplified and the level of facilitation has been improved. In 2016, the Ministry of Commerce issued Opinions on Promoting the Pilot Parallel Import of Automobiles, simplifying the automatic import license application and management for automobiles. It is clear that pilot enterprises do not need

authorization from automobile suppliers to import automobiles and establish distribution networks. They can apply for automatic import licenses of automobile products according to the actual needs of business activities. In 2019, the Ministry of Commerce issued the *Opinions on Further Promoting the Development of Parallel Import of Automobiles* to further simplify the process of issuing automatic import licenses for parallel import automobile products. After the licenses are examined and issued by the Ministry of Commerce, provincial commercial administrations of the regions are entrusted to print and issue them.

The management of compulsory product certification for parallel imported automobiles is more flexible. In 2015, the announcement of *Pilot Management for CCC Certification Reform of Parallel Imported Automobiles in Free Trade Zone*, and the *Opinions on Promoting the Pilot of Parallel Imported Automobiles* in 2016 allowed the relevant requirements on the original factory authorization documents can be relaxed, and the requirements on the quantity of non-mass production vehicle certification mode can be cancelled, as well as CCC certification factory inspection can be carried out on the modification places in the Free Trade Zone. In 2020, a new version of the CCC certification rules *Mandatory Product Certification Implementation Rules of vehicles (CNCA-C11-01:2020)*, clearly allows parallel imported vehicles to take the environmental self-commitment to implement procedures to obtain certification, which becomes convenient for enterprises.

In addition, with the continuous development of the parallel import automobile market, China's parallel automobile import industry management is constantly strengthened and improved. According to the *Opinions on Further Promoting the Development of Parallel Import of Automobiles* issued by the Ministry of Commerce in 2019, the rectification of parallel import automobiles' standard compliance can only be carried out in rectification places, and the rectification projects are limited to 16 items in 5 categories including vehicle marks. At the same time, pilot enterprises are allowed to carry out the bonded warehousing business of vehicles within the special customs supervision area for a period of 3 months. This policy reduces the financial pressure on enterprises and benefits the improvement of the industry.

### **3.2. Emissions Standards are Increasingly Stricter**

In December 2016, the Ministry of Environmental Protection and the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) issued the *Emission Limits and Measurement Methods of Pollutants from Light Vehicles (China's Sixth Stage)* (referred to as the "CHINA 6 Emission Standards"), specifying that the new emission standards will be implemented from July 1, 2020. The emission standards of China 6 have been comprehensively tightened based on the emission standards of China 5, integrating and absorbing the relevant requirements of European and American standards. At the same time, some parameter requirements have been raised according to China's actual situation. Both the actual driving pollutant emission test (RDE), which is similar to the European standard, and the onboard diagnostic system (OBD) control and fuel volatilization control, which are similar to the American standard, are required. Compared with the Emission standards of Europe and Japan, CHINA 6 have greatly increased the control requirements of various tests and put forward higher requirements for parallel imported vehicle sources and import related tests.

In June 2018, The State Council issued a notice on the *Three-year Action Plan for Winning the Battle against Blue Skies*, requiring key regions, the Pearl River Delta and Chengdu-Chongqing regions to implement national VI emission standards in advance from July 1, 2019. In April 2020, 11 departments issued *Notice about Stability and Some Measures to Expand Automobile Consumption*, allowing light vehicles manufactured and imported before July 1 2020, to be sold and registered before January 1, 2021, in regions that have not yet implemented national VI emission standards. The policy created a half-year window for parallel import industries and allowed time for relevant policies to be rolled out. Since May 2021, with the re-opening of the

CHINA 6 environmental protection information disclosure, the import of parallel imported vehicles has been resumed, but the relevant emission rectification and exemption policies still need to be further eased.

#### 4. Analysis of Parallel Automobile Import Market

##### 4.1. Monthly Import of Parallel Imported Automobiles

Due to the impact of the COVID-19 pandemic and CHINA 6 standard implementation, the import volume of parallel imported vehicles in 2021 is significantly lower than that in 2020 and pre-epidemic. In July 2020, the parallel import automobile business was suspended due to the implementation of the CHINA 6 emissions standard. Since May 2021, China's parallel import auto industry has restarted as the policy becomes clear. The monthly volume of parallel imported cars remained above 1,000, and the import peak of the year was reached in November and December due to the influence of factors such as the coming Spring Festival and year-end shopping spree. A total of 29,000 parallel imported cars were declared, down more than 40 percent from 2020.

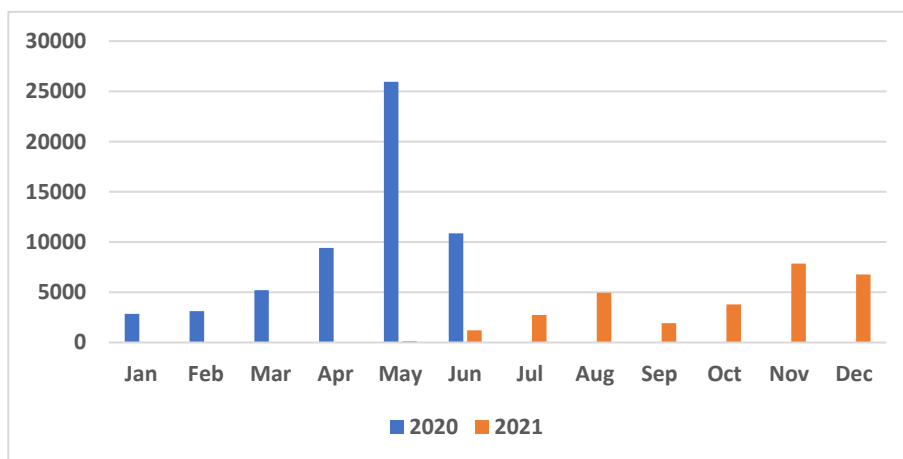


Figure 2. Number of monthly declaration of parallel imported automobiles in 2020-2021

##### 4.2. Sales Analysis of Parallel Imported Automobiles

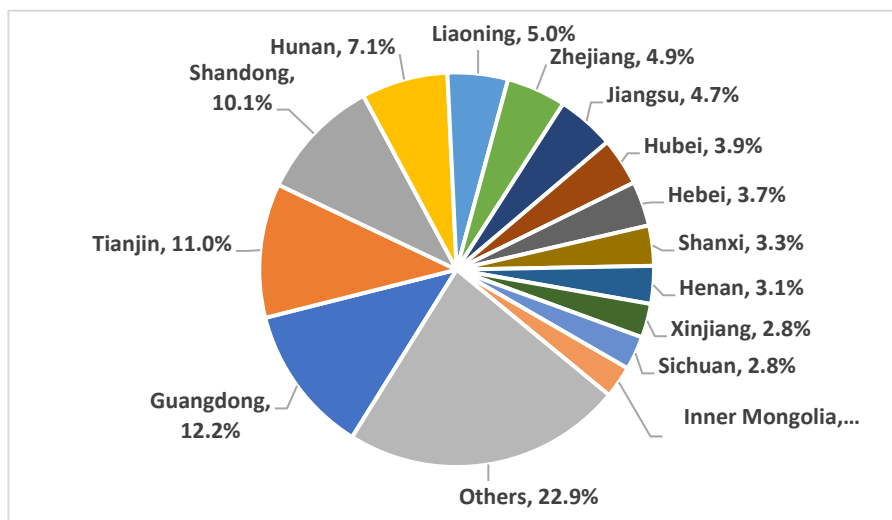


Figure 3. Parallel imported automobiles market shares by regions in 2021

Affected by multiple factors such as the reduction of terminal sales outlets due to COVID-19, cancellation or postponement of car purchases by consumers and insufficient supply of parallel

imported cars, a total of 8,300 parallel imported cars were sold in China in 2021, a significant decrease compared with 2020. The monthly sales trend is like the import data, showing a recovery trend since July 2021. Guangdong, Shandong and Tianjin ranked the top three in the sales volume of parallel imported cars, with a total market size accounting for one-third of the total sales of parallel imported cars. The sales volume of parallel imported automobiles in other provinces is relatively scattered, followed by Hunan, Liaoning, Zhejiang, and Jiangsu, with a sales scale of 400-700 units. There is still a large space for recovery and improvement in the future.

### 4.3. Analysis of Popular Brands and Models

Affected by changes in the domestic market and the CHINA 6 policy, the number of parallel imported car brands has dropped significantly compared with before. In 2021, the imported parallel imported cars were distributed in 14 brands, and half of the brands sold less than 100 vehicles during the year 2021. The sales volume of the top three Mercedes-Benz, Toyota and BMW in 2021 accounted for 87% of the total sales of parallel-imported vehicles, which showed a high level of brand concentration. From the perspective of specific brands, Mercedes-Benz will rank first in the number of parallel imported cars in 2021, with sales of more than 4,000 vehicles. Toyota came in second with a sales of about 3,000 units. BMW's sales of parallel imported cars in 2021 declined significantly, with sales of about 500 vehicles, which is significantly fewer than the previous two. In addition, Land Rover, Porsche, Lexus and other brands also sold more than 200 vehicles.

In terms of specific models, both the Toyota Sienna and the MB GLS-Class has become the main models of parallel imported car sales in 2021 with an annual sales volume of more than 2,800 units each, contributing 65% of the total sales. In addition, MB GLE, BMW X5, Porsche Cayenne, Land Rover Range Rover and other models have also achieved relatively good sales results, with sales reaching more than 200 units in 2021. Affected by the emission policy and the standard difference of the origin country, the parallel imported car models have undergone large changes compared with the previous.

## 5. Suggestions

With the easing of the CHINA 6 problem in 2021, the automotive parallel import in China has entered a new stage, and it also presents different characteristics. Under the new situation, China's automobile parallel import industry will still face a series of challenges. Therefore, it is suggested that enterprises should quickly establish new vehicle sources and cooperate with large European and American dealer groups and refitting enterprises in-depth. At the same time, it will actively expand the import of pure electric vehicles and other models, and establish a resource of parallel imported vehicles that can meet the emission requirements of China. At the same time, it is recommended that relevant government sectors can further ease the restrictions on emission and rectification restrictions related to parallel imported vehicles, and explore ways to rectify emissions in places such as customs supervision zones to support the further development of parallel import industries.

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