

## The ambition of Geely

*A Chinese carmaker shrugs off the global downturn.*



*Another show, another concept – Bloomberg*

At a time when most carmakers are struggling to cope with the worst crisis the industry has experienced in living memory, the ambitions of Geely, China's biggest privately owned car firm, are breathtaking. The company is simultaneously developing six modern platforms—an astonishing number even for a global giant such as Toyota—and is committed to launching nine new cars in the next 18 months and up to 42 new models by 2015. Its technical director, Frank Zhao, claims that Geely will have the capacity to make 2m cars a year by then.

Whether Geely will be able to sell anything like that number of cars is another matter. The firm says its sales for the six months to the end of June reached 138,000, fuelled partly by government tax breaks aimed at boosting demand for the smaller cars made by China's indigenous manufacturers. That implies a rise from a year ago of no less than 52%, nearly three times the rate at which the China Association of Automobile Manufacturers (CAAM) estimates the market grew in the same period. But the numbers are confusing: J.D. Power Asia, an automotive market-research firm, reckons Geely sold more cars than that, but from a higher base, leaving its growth slightly below that of the market as a whole. Geely itself uses different figures in different statements.

At the Shanghai motor show in April, no exhibitor had a bigger stand. On display were three new sub-brands—Gleagle (affordable saloons and small utility vehicles), Emgrand (sporty and prestige vehicles) and Shanghai Englon (“heritage” designs)—embracing more than 20 models and their variants, including six that were all new. Among them were the outrageous Shanghai Englon GE concept, a mini-me of the Rolls-Royce Phantom with a single throne-like seat in the back; the Emgrand EX825, a blingy SUV scheduled for launch next year; and the Gleagle EK2, a small battery-powered hatchback that is said to be close to production. Also on the stand was Geely's version of the London black cab, the product of a joint venture with Manganese Bronze Holdings, the British company that owns London Taxi International.

Geely appears to have no difficulty funding its expansion. Under Mr Zhao, a former Chrysler executive recruited in 2006, Geely has not only increased the number of engineers it employs from 350 to 1,200, but has established an entire university, the Zhejiang Automotive Engineering Institute, to turn out lots more. It has also bought assets abroad.

Yet there is a lurking suspicion that Geely's cars are not developed to the same the standards as Western ones. Geely's chairman and founder, Li Shufu, the self-styled Henry Ford of China, has frequently boasted that his firm would quickly become an export champion, selling 1.3m cars abroad by 2015. To that end, in 2005, the year after its initial public offering in Hong Kong, Geely exhibited its entire range of cars at the Frankfurt motor show, followed up with an

appearance at the Detroit show in 2006. Mr Li talked about entering the European market in 2007 and breaking into North America by 2008, but even now those remain fairly distant goals.

Mr Li's world-conquering plans were badly dented when a Russian car magazine crash-tested a Geely CK small saloon at 64kph (40mph). Both driver and passenger were given a survival chance of only 10%. Geely sold about 30,000 units outside China last year and assembles cars from kits in Russia, Ukraine and Indonesia. It also plans to build factories in South Africa and Mexico. Mr Zhao thinks Geely's cars can now pass the strict emissions and safety standards of the rich world. The problem, he argues, is more to do with reputation than the firm's latest products.

There are also persistent rumours that Geely is negotiating to buy a European car company. A few weeks ago, Geely was said to be casting an eye over GM's Swedish unit, Saab, but nothing came of it. Now, Geely is supposed to be preparing to buy Volvo, a much bigger outfit than Saab, from Ford. But Ford would be a very wary seller, fearing that Geely might run off with too much valuable intellectual property. It is, after all, a carmaker in a hurry.

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