

# China remains key to VW's global ambitions

SHANGHAI: Volkswagen AG (VW) must maintain its focus on China to continue being one of the world's leading automakers – no matter who its chief executive is – according to the person who's led the company's operations in the nation since 2019.

Stephan Wollenstein, who first came to the country in 2004 and will step down as China CEO at the end of this month, said he's witnessed a "fundamental paradigm shift" in the auto industry, which has forced global car-makers including VW to focus on China, now the world's biggest auto market.

VW has a "pretty solid projection" that China's auto sales will grow to 28 million to 30 million by 2030, accounting for about 30%-35% of the global auto market, Wollenstein said in an interview.

China is a key market for VW, accounting for roughly 40% of its global deliveries in the first quarter.

The company employs about 90,000 people in the country and operates over 40 vehicle and components factories along with partners.

After shipping a record 4.23 million vehicles in China in 2019, VW's sales slid to 3.3 million in 2021 as the pandemic took a toll.

Deliveries have continued on that downward trend, falling 20% to 1.47 million in the first half of this year as Covid outbreaks in Shanghai and Changchun disrupted production.

Nevertheless, the company is sticking to its

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Herbert Diess

annual sales target of 3.8 million as pent-up demand drives a rebound in sales.

Wollenstein said closed-loop systems that enable staff to work during lockdowns by living onsite are "not sustainable at all" if factories can't get parts delivered.

They only work in a situation where a factory is stocked with parts and can keep operating, he said. Supply chain snarls during lockdowns had a knock-on effect on many manufacturers in China.

The changing of the guard at VW's China unit comes amid upheaval at head office, with Herbert Diess last week replaced as CEO by Porsche chief Oliver Blume in an abrupt shake-up.

Diess has called China the company's "second home market," saying VW's business

there generates more than €4bil (RM18.7bil) in profit every year.

The global auto market has changed massively during Wollenstein's 14 years in China, he said.

The nation is now "the powerhouse of the next generation of automotive trends" including electric vehicles (EV) and connected and intelligent cars, he said.

"If you're not in China and if you don't cope with China's speed and treat China specifically, I have my doubts that you will be a leading manufacturer in the next five to 10 years," he said.

To that end, VW is realigning its China management, led by incoming CEO Ralf Brandstatter, to give it more autonomy and streamline decision making. — Bloomberg