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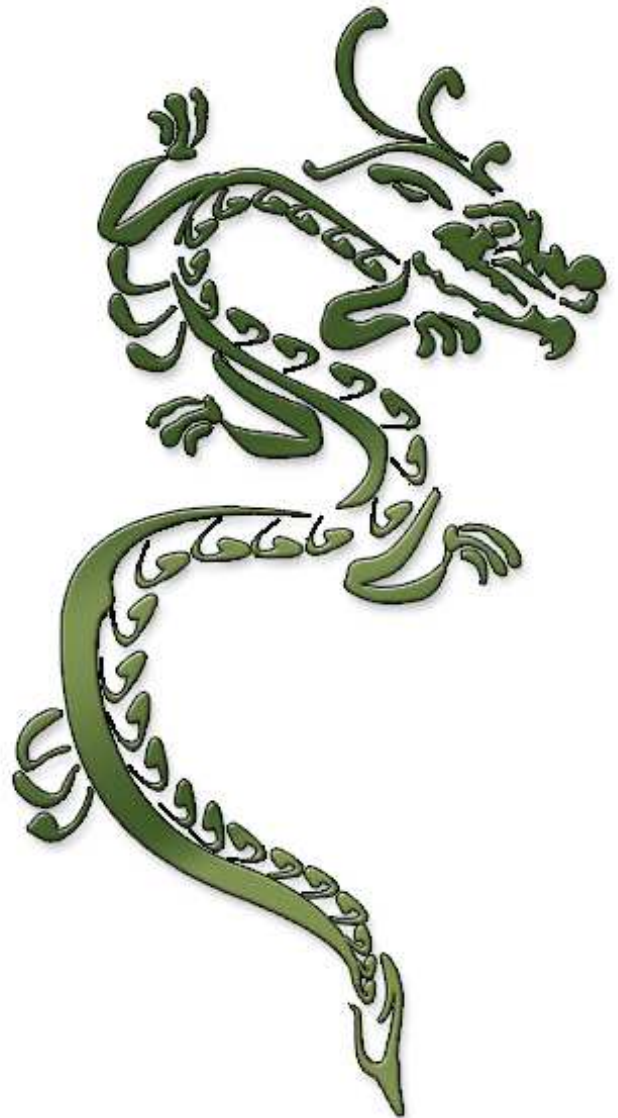
## NEWSLETTER Nr 20

October 2011

*To our Subscribers ...*

*Welcome in our Newsletter Nr 20!*

Every third month, cast a quick glance at  
ENERGIE 7 International main activities,  
but first and foremost,  
find general information on China,  
its Economy, Science and Culture,  
with a focus on  
French companies doing business in China



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## **EDITOR'S NOTE**

### **China-Africa Booming Relations: Boom For Both China and Africa?**

Present in Africa since the 1950's, then to support anti-colonialist movements, China got closer to Angola from 1980 through Macao enclave. The great conference held in Beijing on 4 November 2006 with 57 heads of State or Government only was a prelude to a broad cooperation plan, initiated by the top Chinese leaders and mainly aimed at:

- Doubling financial aid in 2009 from 2006
- Giving preferential loans and buyers' credits
- Setting up a 5 billion USD Chinese-African Development Fund
- Largely funding the African Union Conference Center
- Wiping off tariffs to foster African products imports in China
- Opening economic and commercial cooperation areas
- Teaching many African people on agricultural, medical and educational skills.

This strategy turned at once in force, with President HU Jintao visiting West Africa January 2007 and Prime Minister WEN Jiabao visiting East Africa March 2007! The results ascertain the validity of these options, with a boom on commercial trade: 12 million USD in 1950, 7.3 billion in 2000 and 127 billion USD today. Among the main reasons for that:

- Africa is tempted by the Chinese growth model and the lessons to be learned of it, as well as by the big contracts China signs, allowing this country to finance its infrastructures (roads, railroads, ports, power plants and networks, etc.)
- In order to answer the needs created by its economic growth and strong of its huge foreign exchange reserves (3 000 billion USD), China finds in Africa what it misses: acquisition of oil&gas exploitation rights, other natural and mining resources (water, copper, nickel, gold); China will quite certainly import from Africa an increasing number of food products through the

acquisition of agricultural land, in order to answer the diversification of the diet of its population.

The launching of this dynamic and voluntarist policy brought spectacular results:

- broad coverage (49 countries to date);
- strong presence in strategic sectors (mining, oil, finances, building, tourism, agriculture);
- investment of 1 600 Chinese companies supported through the Sino-African Development Fund;
- reduction of African debts (35 countries for 2 billion euro);
- fostering of the financial cooperation (with 3 billion USD preferential loans);
- intensification of exchanges in education (107 schools, 30 000 students sponsored to study in China and 100 Chinese agricultural engineers sent to Africa);
- improvement of sanitary and medical conditions (54 hospitals and 30 centres against malaria built in 2009);
- development of tourism (300 000 Chinese visitors every year), etc.

China is accordingly ranking first among the commercial partners of Africa, before the United States and France, thanks in particular to the infrastructures build (1 860 km railroad connecting Tanzania to Zambia, the International Center of Cairo on 58 000 m<sup>2</sup>, more than 500 other projects any kind). China granted important financial help, with 10 billion USD loans on preferential rate to finance the building of airports, housing, hydroelectric plants, by wiping debts off and by injecting money in 2 African banks: African Development Bank and West African Development Bank.

Conversely, Africa gained opportunities to export its products to China, such as cotton, phosphates, steel, copper, artificial fertilizers and electronic products!

Agriculture is however a special case because China, with 20 % of the world population, only has 8 % of farmlands, thus remaining highly

dependent on other countries to feed its population. The export of African food products to China grew dramatically: citrus fruits from Egypt, red wine from South Africa, cocoa beans from Ghana and Cameroon, coffee from Uganda, olive oil from Tunisia ... In spite of the financial crisis of 2007, the import of African food products into China experienced a 25 % growth. At the same time, the government urged Chinese companies to invest in projects of farming and processing of farm products: rice, vegetables and manioc in Cameroon, tea and sugar in Mali, sesame in Senegal, palm oil in Democratic Republic of the Congo, or wheat and corn in Sudan ...

This cooperation policy, in spite of the important financial basket devoted to it, nevertheless features excesses and weaknesses: the very strong Chinese immigration (7 or 9 times higher than some 100 000 French nationals historically settled in Africa) generates a certain hostility, kindles sometimes xenophobic feelings and often fuels demagogic speeches. Not all the exchanges are free of any dissonance in a continent that experienced a lot of scandals, corruptions and disputes. Moreover, since the crisis of 2007, China, pursuing its strategy of food safety, was sometimes even accused of monopolizing farmlands.

In the course of time and with the expected development of Africa (in 2011, 10 African countries will have a growth rate over 7 %!), the respective and right complementary interests of China and Africa will probably allow for a rebalancing and adjusting of respective positions. In this respect, interesting and mutually winning tripartite plays arise: aware of the actual influence France holds in Africa, China is keen to lean on it, as WU Bangguo (number 2 in China) reminded during a recent visit to France. Some cooperation projects materialize in this spirit, such as Pont-à-Mousson working with Chinese seller companies (CMEC for the drinking water production from the river Djiri (Congo) funded for 20 million euro by China Exim Bank)!

A “New Deal” is coming up!

**Pierre DHOMPS**  
**Chief Executive Officer**  
**ENERGIE 7 International**



## **ENERGIE 7 International** **in a few words...**

### **Our Stakes in China:**

- 28 years constant presence in China
- 3 establishments (Beijing, Nanjing and Shanghai)
- 1 Business Center in Shanghai
- Connecting Agents in the main cities and Experts for different economic sectors
- Official Representative in China for the French Federation of Mechanical Industries (FIM), and for the French Regions Alsace, Brittany and Champagne-Ardenne.

### **What we propose:**

- Validating your project and giving strategic advise,
- Setting up your own mission,
- Our support for your negotiations,
- Customized follow-up of your project,
- Assistance for your settlement,
- Help for your recruiting and intercultural coaching,
- Our experience with sourcing,
- Setting up seminars, training sessions or conferences

**... tailored solutions**  
**for your development in China!**

--ooOoo--

**Assistant Editor:** Benjamin RAYNAL  
**Chief Editor:** Peggy MINTOFF  
**Publishing Editor:** Pierre DHOMPS

## OUR PARTNERSHIPS IN ALPHABETICAL ORDER



### China in the Air

After the 1<sup>st</sup> mission to China proved to be a success, many other projects in various economic sectors are scoring progress in their negotiations. From mid-September on, these projects should come through and the corresponding missions take place.



### CBSOA is concerned about China's African policy

Pierre Dhomps held a conference at Bordeaux Chamber of Commerce (CCI) for the Company Club Bordeaux-Africa (CBSOA, created for more than 20 years), on the theme "China's African Policy". He tried to trust the many managers who attended, advising them to consider tripartite agreements (France, China, African Country).



### One-Day Seminars on a Country to Foster International Action

Held in Rheims, these seminars gave the opportunity to meet regional companies and to prepare the mission that have taken place since June. Other missions are following since September. It is worth to underline President Bachy's efforts to develop Vatry Airport and to give it an international dimension, with a line to Chengdu, in Sichuan Province.



FÉDÉRATION  
DES INDUSTRIES  
MÉCANIQUES

### FIM Appoints an International Director to Help Member-Companies to Export

The wish to help member-companies to export was stressed at last FIM general assembly (FIM= Federation of Mechanical Industries). It leads to many new developments, among which:

- launching a newsletter "L'International", featuring views and reports based on the network formed by the 24 FIM's Private Correspondants;
- setting up a comprehensive mission on Railways rolling stock; operated by ENERGIE 7, this mission to China takes place from 26 November to 3 December.



### High Level Seminars on Competitive Intelligence for Paris Region Employers' Union

The Competitive Intelligence Club of MEDEF IdF (Paris Region Employers' Union) organises Monday Talks to raise managers' awareness on Competitive Intelligence questions, to give them tools and train high level experts. In this increasingly competitive world, some of these Talks were very interesting.

Till the end of the year 2011, these Monday Talks will feature:

- 22 September (3:30 to 7:30 pm) in École des Mines de Paris, “**Prepared for Internet?**”, jointly organised by Société Européenne de l’Internet and Forum ATENA, with teachers at Collège de France and École Polytechnique
- 3 October (6 to 8 pm) at MEDEF IdF : “**Business Continuity Planning**” with Bruno HAMON, AFNOR’s chairman on this matter (AFNOR = French national organization for standardization)
- 14 November (6 to 8 pm) at MEDEF IdF : “**Information Leakage Prevention**” with Christophe d’Arcy, Telecom engineer
- 14 December : (5:30 to 8pm) at MEDEF IdF : Seminar “**Influence Helps your International Development**”, with 2 sessions:
  - Foreign competitors’ strategies to gain Influence
  - How to deal with emerging countries? (Pierre Dhomps takes part).
- The same day (9 am to 5 pm), an other seminar takes place: “**Human Resources and Competitive Intelligence**”

### **Conferences– Seminars- Symposia**

In the past few months, Pierre Dhomps took part to these events:

- ATENA Forum (ICT – Business)
- Federation of Mechanical Industry General Assembly
- Groupama Roundtables held by “Carrefour France-Sichuan” association
- Groupe Proeco 2 Board
- “China-Africa Relationships”, Conference held at Bordeaux Commerce Chamber for CBSOA (Company Club Bordeaux-Africa)
- MEDEF End of Summer Conference
- Competitive Intelligence meetings of the MEDEF IdF Club.



**Focus on a French SME,  
Successful in China:**

**RBOURGEOIS China Ltd.**



Established 1999 in China, RBOURGEOIS SA is one of the world leaders in the production and supply of magnetic steel rotor and stator lamination stacks and assemblies for the electric motor and generator industries. The company is presently relocating its Shanghai facilities into a new 30 000 m<sup>2</sup> plant in Haining, Zhejiang province

RBOURGEOIS SA has become the first western stamper on the Chinese market, implementing a follow-up strategy with its European and American customers.

Considering its strong growth over the last 10 years and the lack of free space on its Shanghai site, RBOURGEOIS SA began late 2010 building new facilities in the recently created high tech industrial park Haining. ENERGIE 7 brought in assistance and experience by selecting a site and then by negotiating with Haining local authorities. First equipments will be installed early 2012. These new facilities, especially designed to optimise industrial efficiency, associate RBOURGEOIS with highest standards organisation and toughest requirements.

Contractor for such industries as automotive, electro domestic, ventilation or power tool, RBOURGEOIS China can grow further in energy sector, providing windmill producers, Western or Chinese, with assemblies.

RBOURGEOIS SA owes its growth to innovation in its industrial processes as well as to commercial synergy resulting from its presence in NAFTA and Asia regions, along with its European ancient customers.

Scoring a turnover of 185 million euros with 900 people, RBOURGEOIS group processes yearly 170 000 tons magnetic steel on 5 production sites.

The new industrial facilities in China is certainly to absorb half the money the group will invest over the next two years, but the

mother company in Besançon (East of France) also features growth potential on new automotive applications (electrical or hybrid powerplants) or windmills systems. The works to extend by 10 000 m<sup>2</sup> the French premises for these purposes have begun last summer.

## GENERAL INFORMATION

### Recordbreaking China

- China is the **3<sup>rd</sup> biggest country** in the world, with 9.6 million km<sup>2</sup> area
- China's GDP makes it the **2<sup>nd</sup> larger economic power** in the world
- China became 2010 the **world's largest manufacturer**, topping USA for the first time (source: IHS Global Insight)
- China is the **3<sup>rd</sup> power** in International Monetary Fund (source: La Tribune)
- China's **Foreign Exchange Reserves** were 3,050 billion USD high by end of 2010, accounting for **more than 30 % of the world's** reserves (source: PeopleDayly)
- China's population is 1.339 billion high
- China counts **534,000 Chinese** people weighing more than **one million USD**
- China filed **12,337 Patent applications** in year 2010 (+56 % over 2009)
- China had **485 million Internet users** (as end of June 2011)
- For the **2<sup>nd</sup> year** in a row, China's automotive market is the world's largest
- China's fashion and luxury goods market is the world's **2<sup>nd</sup> largest**
- China's **wine market** is the largest in Asia
- China is the world's **2<sup>nd</sup> producer** for sustainable energy
- China ranked 2010 **1<sup>st</sup> for wind power** (source: Le Figaro)
- China's **hydroelectricity** is the most advanced in the world (Source : La Tribune)

- **Most of the nuclear power plants** being build in the world are located in China (source: China Daily)
- China is also ranking first for energy consumption
- China is **world's 1<sup>st</sup> shipbuilder**, with 45 % market share
- From the 15 world's highest skyscrapers, 6 are located in China.

### Chinese Economy

**China, 25 % of world's GDP in 20 years, to be a laboratory for mass urbanisation. Chongqing as an example!**

The example of Chongqing, a megalopolis of 30 million people, complying to the policy "Go West", is a good symbol of the governmental will to better urbanize China while re-localising the activities in an effort to balance the dramatic development of the East coast.



The "internal outsourcing" is developing with the settlement of companies seeking much cheaper salaries. At the same time, local authorities are displaying creativity and imagination to make urban life better and more sustainable. It is the very laboratory to prepare the China of 2030, with 350 million more city dwellers, reaching then the one billion mark! This involves building 50,000 new skyscrapers, ten times New York!

## China: Overheating at Risk?



China's economy features worrying weaknesses. For example, inflation is in the magnitude of 5 % with a peak of 6.4 % last June. From the debts contracted by provinces, municipalities and districts is to infer that the local authorities massively invested to finance many projects. The Chinese government posted 2010 debts at 1,163 billion euro, 27 % of the GDP (according to Moody's rating agency, they would make as much as 36 % of the Chinese GDP!). Moreover, the Chinese money stock is 2.6 times higher as it was four years ago. The building sector makes presently 13 % of the Chinese GDP, twice the rate at the top of the real estate bubble in the United States!

Despite the strong exposure of banks, with 905 billion euro loans granted to the local governments (from a 1.163 billion euro total), China's debts remain low compared to most developed countries. China also takes strict measures to slow down some activities.

## Growth Slightly Slowing down in the 2<sup>nd</sup> Quarter



The Chinese government announced in the 2<sup>nd</sup> quarter a slight drop in GDP's growth from 9.6 % to 9.5 %. This slowing down is a consequence of both the monetary measures taken to curb a high inflation and of industrial production, which grew by 14.3 % on the first half of the year, slightly less than the 15.7 % over the same period last year.

## Chinese Society

### Better Medical Services and Extension of Free Care



Chinese medical services are growing better. According to the Chinese Ministry for Health, 4.6 billion USD are earmarked this year to finance basic care services. This amount should improve 10 medical programs and extend the offer of free care to the public (children aged less than 6 years, pregnant women, elderly persons over 65... but also migrant workers and their families). The government also announced an increase of the amount devoted to care services from previously 1.60 € to 2.70 € per capita.

### Beijing-Shanghai High Speed Train Line Opened



The HST line Beijing-Shanghai opened on 29 June. The two megacities are now connected within five hours thanks to a 1,318 km line, the longest in the world. Unfortunately, a little more than two weeks after the opening of this line, China revised its ambitions downwards. The speed of trains was slowed down in order to reduce the fare. A few breakdowns occurred, but this giant project remains a success. China already holds the largest HST-network in the world, with 8,358 km, and intends to reach 20,000 km by 2020.

## 485 million Internet Users in China



China counted end of June 485 million Internet users. If the growth continues, its pace nevertheless slows down from 9.8 % in the first half of 2010 to 6.1 % in 2011. Today, 318 million Chinese surf on Internet with their mobile phones, that is about three on four. Furthermore, 40 % of the Internet users have a micro-blogging account (“weibo” in Chinese). These micro-blogs really hit success, the number of microblogging providers having grown up from 17 to 88 in the course of year 2010 according to a report of the Social Science Academy.

## International

### A Chinese Economist Joins Christine LAGARDE with IMF



Christine Lagarde, the new President of the International Monetary Fund decided to enrol a 3<sup>rd</sup> Deputy Chief Executive Officer, Zhu Min, former special Adviser with Dominique Strauss-Kahn and former deputy governor of the Chinese central bank. Asia has now two posts within the Management of IMF, the Japanese Naoyuki Shinohara assuming the post of 2<sup>nd</sup> Deputy Chief Executive Officer.

This appointment is welcome by the developing countries, who yearned a stronger influence within the IMF. According to Christine Lagarde, this will “ensure that the IMF gets a better understanding of Asia and emerging markets”.

## China and Iran signed Cooperation Agreements more than 4 bn USD Worth



While the western countries keep applying an embargo against Iran to sanction its nuclear policy, a Chinese delegation signed Saturday 16 July 2011 in Teheran agreements worth 4 billion USD in the domains of energy, water, industry, mining and environment.

China has become Iran’s 1<sup>st</sup> economic partner with an exchange volume of 30 billion USD in 2010, over 40 billion USD this year and probably up to 100 billion USD in the years to come.

## Industries

### Eco-Cities: an Opportunity for French Companies



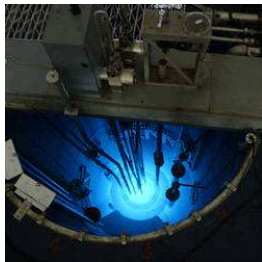
In order to comply with the environmental requirements of the 12<sup>th</sup> five-year-plan, China is looking for innovative solutions in eco-cities. There are thus many opportunities for the French companies acting in environment, urban planning, building and civil engineering works, transport and efficiency. Beijing Changxindian, North Lake Changchun and Taichung Hsinchu in Taiwan are three developing projects.

## **Chinese Authorities to adopt a Nuclear Safety Plan**



China is now drafting a nuclear safety plan and decided not to launch for a while the construction of new nuclear power plants. The consequences of the Fukushima accident are really a matter of concern for the Chinese. The government has already chosen to strengthen safety measures for nuclear power. China presently has 13 nuclear reactors in service and 28 under construction. By 2020, China should be equipped with more than 100 reactors...

## **China Puts in Service its First Fast Breeding Reactor**



The first Chinese fast breeding reactor, so-called 4<sup>th</sup> generation nuclear plant, entered service. It can use not fissile Uranium 238, after its transformation in Plutonium 239 thanks to the capture of fast neutrons within the reactor. China hopes to reduce its uranium consumption thanks to this prototype with sodium cooling.

## **Yantai: an Attractive Key Industrial Area in China**



The Yantai high-tech industrial park, in the province of Shandong, East of China, keeps

developing so as to become today one of the most attractive areas in China for the advanced and emerging industries. The R&D work concerns 13 Chinese key projects for a budget deemed at 30 billion yuans (3.3 billion euro). The area will gather, among others, the Shandong international park for biotechnologies, a 6 billion yuan investment (652 million euro), and the new Titanium centre for R&D and production of binding parts, a 800 million yuan investment (87 million euro) and a key asset for aeronautics. Moreover, the area will host other capabilities (computing, engineering, mechanics) represented by dedicated centres.

## **A 2 Digit Growth for Chinese Automotive Industry till 2016**



According to an AlixPartners study (an American consulting firm), the Chinese automobile should keep growing between 12 % and 16 % a year till 2016, in spite of a strong slowing down induced by the end of Chinese government's incentive measures.

The market growth for the equipment manufacturers is estimated at 30 % a year till 2016 because of the ageing car fleet.

The main challenges for the automotive sector concern production costs, in particular the increase of salaries, and the shortage of qualified personnel.

## **Chinese Manufacturing Slightly Slowing Down**

The Chinese industrial activity experienced a slight slowdown in June, in relation with the Chinese government's measures to control inflation. The purchase managers' SMI index of the Chinese Federation for logistics and purchases (CFLP) fell in June at 50.9 (52 in May). An index under 50 means a contraction of industrial activity and an index over 50 an

expansion of it. The Chinese economic growth should then slow down in the coming months.



### **China, Tomorrow's Green Lungs?**



China might be, beside the United States, the first pollutant of the planet, it has also been running a voluntarist reforestation policy for several years. More than 6 billion trees were transplanted in thirty years. The Chinese territory is now to 20 % covered with wood (against 12 % 30 years ago), and the government committed to attain 23 % by 2020. Moreover, according to a FAO study, while the whole planet lost about 3 % of its forests over the last decade, China's developed by 31 %.

### **Lower Tariffs for Luxury Goods?**



China, the second market in the world for luxury goods, intends to reduce soon by 2 to 15 % the customs duties on cosmetics, liqueurs and tobacco. Automobiles, jewels and watches could also be concerned. To date, import taxes amount to 50 % on cosmetics and to 30 % on top watches. As a consequence, according to a Chinese Ministry of Trade survey, the prices for 20 luxury brands are 45 % higher in China than in Hong-Kong, 51 % than in the United States and 72 % than in France.

No wonder if Chinese customers prefer to purchase such goods in Hong-Kong or Paris!

### **Miscellaneous**

#### **Two Trains Collide in East China: 35 Deads and 210 Injured**



A collision between two trains occurred in the night of 23 July in eastern China. At least 35 persons were killed during this accident. Minister of railroad Transport, Sheng Guangzu, ordered "a thorough investigation" on its causes. At first sight, it seems that a high speed train, stopped on the open track, was collided behind by another convoy, this causing the fall of four carriages down from the viaduct.

#### **China: Oil Slick Pollutes Bohai Gulf**



An oil leak off the Chinese coast, first reported beginning of June, polluted more than 4.200 km<sup>2</sup> of sea. The State Oceanic Administration (SOA) ordered to hold for a while the activities of several oil platforms operated by ConocoPhillips. Besides, ChinaDaily reports that the oceans observatory sounded the alarm about the "long term effects" of this oil leak on marine environment.

## Chinese Dairy Cows Produce Mother's Milk



Chinese scientists managed to give birth to transgenic cows capable of producing mother's milk. Out of cow embryos getting human genes, the researchers could obtain a milk with the same nutritional qualities as breast milk.

Laboratory tests are now ongoing, with the aim to sell this milk as an alternative to cow milk, less nourishing than human milk.

## Chinese Sportsmen (and Women)



China was successful in sports these last months. Li Na won Roland-Garros (Paris tennis tournament) in June. She thus became the first Chinese tennis player to win a Grand slam tournament.

The Chinese football also made the buzz. The Guangzhou Evergrande FC club hit the headlines, with Dario CONCA's transfer from the Brazilian club of Fluminense. To be noted: the salary of the Argentine player who will earn 10.6 million euro, the fifth salary in the world! Where is China aiming at in football? Dario CONCA might be the first one of a long list...

Finally, Yao Ming, a basketball star player and one of the most famous sportsmen in Asia, announced at the age of 30 the end of his sports career.

## Hallstatt's Chinese Copy



Hallstatt, an Austrian village of 800 people listed in the world heritage by Unesco since 1997, has now a clone in China. The Austrian village was indeed entirely duplicated in Huizhou (Guangdong province) by China Minmetals Corporation, a Chinese State company. The 20 km<sup>2</sup> reproduction of the alpine village required several working years for the Chinese team of photographers and architects, which had invested the village to catch the slightest details in order to reproduce them at best afterward. An investigation is now in progress, to decide whether the copy of the protected village is legal or not.

## A Ghost Town seen on a Chinese River



After heavy rainfall in June, the residents of Huanshan had the surprise to see a mirage of a "ghost town" dominating the river Xin'an. A real city seemed to emerge through the falling mist. The local population took advantage of this "magic" moment to take pictures (cf. photo above).

Abashed by the images, experts came to the city to check that there were no buildings in this place. According to them, it would be a mirage reflecting a near-by city, they could not identify for the moment. This phenomenon occurs when the sunbeams cross cold air in warmer air. They then refract and provoke a mirage. That of this Chinese ghost town seems to be the clearest and most incredible ever registered!

## EXHIBITION SCHEDULE

- **Metro Expo:** 7 to 9 September 2011, Guangzhou (Railways)
- **China International Optics Fair:** 14 to 16 September 2011, Beijing (Optics)
- **Top Marques:** 21 to 23 October 2011, Shanghai (Jewelry, Cosmetics, Fashion)
- **Canton Fair:** 15 October to 4 November 2011, Guangzhou (Import-Export)
- **China Foodtech:** 2 to 4 November 2011 (food processing and packaging machinery)
- **Airshow China:** 16 to 21 November 2011, Zhuhai (Aviation and Aerospace)
- **Intersolar Asia:** 7 to 9 December 2011, Beijing (Solar Energy)
- **Automechanika:** 7 to 10 December 2011, Shanghai (Automotive Industry)
- **China Med:** 23 to 25 March 2012 (Medical Instruments and Equipment)
- **China Sustainable Building:** 27 to 29 March 2012, Shanghai (Sustainable Building)
- **China International Boat Show:** 19 to 22 April 2012, Shanghai (Boats & Luxury Yachts)
- **Auto China:** 25 April to 2 May 2012, Beijing (Automotive Industry)
- **Aeromart Tianjin:** 25 to 29 June 2012 (Aeronautics)
- **SIAL China:** 9 to 11 May 2012, Shanghai (Food Products and Beverage)
- **Vinexpo Asia:** 29 to 21 May 2012, Hong Kong (Wine and Spirits)

## CHINESE COMPANIES

### **BAIDU, a New Platform for Legal Downloading**



The 1<sup>st</sup> search engine in China, Baidu, has just signed agreements with Sony, Universal Music and Warner Music to offer for download pieces out of their catalogs. The 3 record majors created therefore a common company One-Stop China, rich of some 500,000 Chinese and international music pieces, to be proposed for free download or for streaming on Ting, Baidu's musical platform.

### **The Chinese Bank ICBC to support Antwerp Diamond Sector**



According to an important agreement signed with Antwerp World Diamond Centre (AWDC), the main bank of China, ICBC will bring its financial support for the Antwerp

diamond sector. AWDC is to organize this fall a tour in China to present the Antwerp place to the biggest Chinese jewelers.

### **HAIER Opens a Research Center in Germany**



The Chinese group Haier is going to open in Nuremberg (Germany) a R&D centre dedicated to dishwashers. Opening this highly specialized centre in Europe means a "strategic development" of the household electrical appliances company, underlining the creation of its European identity for the Chinese brand, declared the group in a press release. Haier hopes to count among the first five household electrical appliances manufacturers in Europe before 2015. Haier is presently the world's leading brand for large electrical appliances, with a 6.1 % retail market share in volume. The world turnover amounted to 20.7 billion dollars in 2010 (+9 %).

## **CHERY's new Factory in Jacarei (Brazil)**



Chery, the main Chinese car manufacturer, held on 19 July an official ceremony to mark the opening of its first plant in Jacarei, Brazil. It is the first time a Chinese automotive group establishes a factory in this country.

The investment is 400 million USD worth for an annual production capacity of 150,000 vehicles. The factory should produce 50,000 cars from 2013. Brazil is an attractive market for Chery; who sold 7,800 cars 2010 in Brazil, a 1,309 % growth over 2009 and wishes to sell 25,000 cars in 2011. Chery thus takes position on a growing market, to become the third in the world.

## **China-Russia: Joint-Venture Between Two Vehicle Manufacturers**



Beijing Automotive Group (BAIC) and the AMS automobile company of Russia are going to create a joint-venture. The joint venture, BAW-RUS Automotive Co. Ltd, with a 20 million USD share capital, is to invest 176 million USD. This joint-venture will produce logistic transport trucks which will be sold under the BAW brandname in Russia. The common entity could produce 60,000 trucks a year before 2017.

## **TRINITY Attacks European Brands**



The Chinese distributor of male luxury clothes, Trinity, who has acquired Cerutti last year, is presently seeking other European top brands to meet a strengthening demand. The Chinese market for luxury goods will become the first in the world within the next decade. CLSA investment group even considers that this market should grow from 9 billion euro in 2010 to 74 billion before 2020. It then seems essential for Trinity as for its competitor YGM Trading to acquire foreign brands, in particular European ones. Trinity therefore raised 95 million USD in January to finance its coming acquisitions.

## **ZTE Settles in France**



ZTE strives for more emancipation in Europe, in particular in France. Up to now, the Chinese equipment manufacturer supplied operators with cheap phones. From now on, ZTE wants to become a full brand. The company already entered the world's top 5 of phone manufacturers. ZTE intends to create in France its own distribution channel and thus to offer its own telephones. Nevertheless, ZTE will keep its partnerships with local operators such as Bouygues Telecom. The Chinese manufacturer hopes to sell 120 million mobile phones in 2011 (against 90 million in 2010), among which 12 million Smartphones and tablets.

## **WESTERN COMPANIES IN CHINA**

### **APPLE Wants More Sales in China**



Apple should be close to an agreement with China Mobile, the first local mobile phone operator, to increase the sales of its iPhone in the country. To date, China Unicom is the only partner of Apple for the iPhone, with 200 million customers, compared to

600 millions for China Mobile. Apple thus tries to widen its market share in China: Apple is there only the fourth actor of the sector with about 8 %, whereas it has more than 16 % in the world.

Meanwhile, Apple discovered that a quasi perfect replica of an Apple Store existed in Kunming, China. This clone had almost all the pledges of authenticity and this copy would seem not to be an isolated case...

### **China: Audi's 1<sup>st</sup> market**



The brand with the rings scores well on the Chinese market. The sales in China increased by 28 % in the first half of 2011 with 140,699 cars sold. 80 % of the models sold in China (A4, A6, Q5) are produced locally, in Changchun. Audi sells now more sedans in China than in Germany. Volkswagen group, to which Audi belongs, intends to deliver this year more than 2.2 million cars on the Chinese market.

### **BEKAERT Buys a Plant in China**



Bekaert, wire drawing world leader, acquired for about 30 million euro the Chinese wireworks Qingdao Hansun from the Korean group Hankuk Steel Wire. The plant is equipped to manufacture wire products for a vast range of applications in sectors such as building industry, paper industry and mining industry. Located near the seaport of Qingdao, the 9<sup>th</sup> container port in the world, and employs 233 persons at present. This acquisition gives the Belgian company the opportunity to strengthen its position on the Chinese market, and in Asia in general.

### **BETTER PLACE: Strategic Agreement in China**



Better Place announced the signature of a strategic agreement on 27 April with China Southern Power Grid (CSG), the world's 7<sup>th</sup> energy provider, about the implementation of electric vehicles and associated infrastructures. Both companies wish to open a batteries exchange station and a demonstration centre in Guangzhou by year end.

China, who strives to become the world leader in conceiving and building battery-driven vehicles, consider this sector as a strategic mainstay.

### **CATERPILLAR Buys Bucyrus**



Caterpillar announced that Chinese authorities had approved its acquisition of Bucyrus. Indeed, the MOFCOM (Chinese Ministry of Commerce) validated the operation. The American giant has been waiting for this last major agreement from the regulation authority before officializing the acquisition of the mining equipments manufacturer for 8.8 billion USD which had been announced in November, 2010. The deal should be finalized very soon.

### **China: MERCEDES Agrees with BAIC**



Mercedes-Benz

The German manufacturer has just signed a partnership with Beijing Automotive Industry Corporation (BAIC) worth 2 billion euro. Through this collaboration, Mercedes should develop its sales on the Chinese market and try to rank with Audi. Four new models should be built through this partnership and a new site should be opened before 2013 to manufacture

4-cylinder gasoline engines, with an objective of 250,000 units a year. In 2010, Mercedes increased sales by 112 % with 148,000 units sold in China and should grow further this year with the opening of 30 new showrooms above the existing 160.

### **DAIMLER takes off in China**

## **DAIMLER**

After several difficult years on the Chinese market, Daimler experiences improving sales with 148,000 vehicles sold over the year 2010, + 112 % over 2009. This increase seems to continue in the year 2011. The German manufacturer sold 75,000 cars over the first five months of the year, an increase of 62 % over last year. Besides, the recent visit in Berlin of the Chinese Prime Minister ended with the signature of a new agreement between BAIC and Daimler, including a 2 billion euro investment in their joint venture BBAC (Beijing-Benz Automotive Co) to manufacture new models in China.

### **ESTÉE LAUDER Opens in Shanghai an Innovation Centre**



## **ESTÉE LAUDER**

Estée Lauder group just opened in Shanghai an Asian centre for innovation, aiming at creating cosmetics suited to the skin of Asian people and at developing top cosmetics, in order to meet at best the expectations of Asian consumers, in particular Chinese ones, who are very demanding in this domain.

Many brands of the group are today on the market: Estée Lauder, Clinique, La Mer, as well as licensed brands such as Tommy Hilfiger or Donna Karan. All these brands are for sale in luxury perfume shops and department stores in more than 39 Chinese cities. Some brands like Estée Lauder, La Mer or Clinique are also available on the Internet.

Since skincare makes two thirds of the beauty care in China, this segment is very important.

### **MICROSOFT: Bing Partner with Baidu**

## **Microsoft®**

Microsoft's search engine Bing recently took an important first step in China by sealing an agreement with Baidu, who holds a 75 % market share of the Chinese Internet sector. Bing thus strengthens its presence on a market with 485 million Internet users and Baidu gets a view on international markets via Microsoft. This partnership will offer to Baidu users results in English stemming from Bing and will thus allow the Chinese search engine to widen its visibility through an English version.

### **NESTLÉ Takes the Offensive in China**



The Swiss world leader of the food industry started discussions to buy the Chinese confectioner Hsu Fu Chi International, established 1992 in Taiwan, which scored 2010 a turnover of 4.3 billion RMB. Nestlé already approached the Chinese confectioner a few years ago but in vain. The Swiss group now announces its intention to acquire 60 % of the Chinese confectioner for 1.2 billion euro whereas the Hsu family would keep the remaining 40 %. The acquisition should occur in two phases, with an initial participation of 43.5 %, then 16.5 if the procedure is accepted by the shareholders. Two shareholders presently support the Swiss group. Nestlé's initiative is part of its will to strengthen its presence on emerging markets because the food giant wishes to make there 45 % of its sales by 2020. Nestlé has the means of its ambitions: The group indeed had 13 billion euro cash at the end of 2010, and it generates about 6.3 billion euro free cash flow every year. In case of success, this operation would be one of the most important Chinese company acquisitions by a foreign competitor.

## **Opel Soon Under Chinese Flag?**



The Chinese car manufacturer, who had already tried 2009 to buy Opel brand during the world economic crisis, submitted a new offer to General Motors.

Despite the fact that General Motors succeeded in making profits last year, Opel again scores bad results (280 million losses for year 2010) and GM sees it today as the “bad pupil of the class”. The American manufacturer who has been holding Opel since 1929 and did not deny the new rumours of transfer, is facing a hard choice. Three ways can be followed:

- To transfer Opel to GM’s English subsidiary Vauxhall
- To sell Opel to the Chinese manufacturer BAIC, who tries to seep into European car market by acquiring a top brand and would get access to a technology it does not have
- GM could also “wait and see” because the German brand increases in the beginning of 2011 its market shares (7 %), what would make the American manufacturer think about the long-term relevance of such a decision : for GM, this transfer would mean a withdrawal from the European market.

To be continued...

## **Agreement PFIZER - ZHEJIANG HISUN**



Pfizer Inc and Zhejiang Hisun signed a draft agreement to create a joint venture specialized in the leading generic medicines in China, which represent 60 % of the pharmaceuticals. Furthermore, with 1.339 billion people and a rapidly expanding urbanization rate, China should, according to Pfizer, become the second pharmaceutical world market before 2015.

## **VOLVO Considers Building 2 New Factories in China**



Volvo intends to invest 496 million euro to build a second factory in China, with a capacity of 80,000 vehicles before 2015. Another site is also considered in the southwest of China, with a capacity of 125,000 vehicles from 2013. The aim of the Swedish brand, acquired by the Chinese Geely, is to grow from 373,000 units sold 2010 in the world to more than 800,000 in 2020.

## **FRENCH COMPANIES IN CHINA**

### **CEVA SANTÉ ANIMALE Agrees with HUADU**



Ceva Santé Animale (veterinary health) has just signed a joint-venture agreement with the

Chinese company CAG Huadu Group, a subsidiary of Beijing Capital Agribusiness Group specialized in food, avian production and pharmaceutical industry. The joint venture, named Beijing Ceva Huadu Biological, will operate from next January on with the mission to produce and market veterinarian products and vaccines “to help Chinese producers of pigs, poultry and cattle to face the increasing number of serious illnesses”.

**AXA Invests 500 Million Euro in a Partnership with ICBC**

The French insurer formerly gave up to ICBC the control of its life insurance subsidiary Axa-Minmetals Assurance, with the ambition having to accelerate its development on the huge Chinese market. Axa now decides to invest 500 million euro over the next 5 years in an agreement with the Chinese bank. Axa is presently the 16<sup>th</sup> foreign operator on the Chinese life insurance market, with a 0.1 % market share.

Through this partnership, Axa could market its products in more than 5,000 ICBC branches and thus help their common company to the 1<sup>st</sup> rank on the Chinese life insurance market by 2015.

**SCHNEIDER ELECTRIC : Partner with China's NVC Lighting**

Schneider Electric group announced a new partnership with the Chinese company NVC Lighting Holding Limited (NVC Lighting), in order to accelerate its development in the small cities in China, thanks to the well established distribution channels of NVC Lighting. "The number of homes, small offices and buildings in smaller Chinese cities and townships is rising continuously and presents a huge potential market for Schneider Electric's LifeSpace business", explains the Group. The partnership with NVC Lighting is materialized by a mutually beneficial distribution agreement to sell LifeSpace products throughout NVC Lighting's vast distribution network, the acquisition of 9.2 % of NVC Lighting's capital, the acquisition of some of the assets of Chongqing Enlin Electric Co Ltd that manufactures NVC brand wiring devices and low voltage products under licensing agreement.

**FAURECIA Signs a New Agreement with its Chinese Partner**

Faurecia deepens its cooperation with Changchun Xuyang, a Chinese automobile equipment manufacturer it holds 18.75 % of the shares. This new agreement involves creating a new joint venture and 3 plants to manufacture seats, interior equipments and acoustic modules for the coming vehicles to be produced by FAW group in Foshan, South of China.

Both equipment manufacturers plan to build a technical center for car seats and interior equipments in Changchun, North-East of China. They are also considering cooperation projects for other industries than automobile.

**IPSEN Is China-Minded**

Ipsen, after some 20 years presence in China, is selling there 9 products, 2 of which considered as strategic: Diphereline, a treatment of prostate cancer, and Smecta, an anti-diarrheic. China is henceforth the second market for the group, with 87 million euro turnover in 2010 (+ 16 % over 2009), and an expected growth for 2011 from 10 to 20 %.

The pharmaceutical market should strongly progress by 2020 because of Chinese health system reform (access to care for the whole population) and because of the population ageing (170 million persons more will be over 50 in 2020). Health expenses will then probably triple in the years to come. McKinsey consultants forecast that health market should exceed the 600 billion USD in 2015 (against 345 billion this year) and cross the 1,000 billion USD mark in 2020.

**PLASTIC OMNIUM Speeds up its Development in China**

French automobile equipment manufacturer Plastic Omnium Auto Inergy, wholly-owned subsidiary of Plastic Omnium group, announced the creation of a joint venture with Beijing Hainachuan Automotive Part (BHAP), a subsidiary of BAIC.

BHAP will hold 40 % of the common company, Plastic Omnium Auto Inergy subsidiary the remaining 60 %. This operation strengthens the growth potential in Asia for Plastic Omnium, already present in China with 12 factories, and allows it to get closer to BAIC and its partners Mercedes and Hyundai.

### **Beijing Allows PSA to Create a 2<sup>nd</sup> JV in China**



The creation of a 2<sup>nd</sup> PSA joint venture in China was approved by the Chinese national Committee of development and reform on Tuesday 12 July. The French car manufacturer had to wait up to one year before launching its new joint-venture with the commercial vehicle specialist, Changan. Total initial investment amounts to 935 million euro. Named Changan PSA Automobile (CAPSA) and held in parity by both groups, the 2<sup>nd</sup> joint venture of PSA is expected to allow introducing the Citroën DS range in China and preparing a new low-cost brand specific to the joint venture. The new structure, implanted in Shenzhen, Guangdong province, South China, will have at first an annual production capacity of 200,000 vehicles and engines. PSA hopes this way to push its market share in the country to 8 % by 2015, compared to somewhat more than 3 % at present.

### **French Car Equipment Manufacturers Pushing in China**



Building on its first Geely contract signed July 2010 and worth 150 million euro turnover by 2013, Faurecia is seeking alliances with the

other Chinese car manufacturers already tied to foreign groups, such as FAW, SAIC, Changan or Dongfeng, and to other independent manufacturers like Chery; with the aim to bring to 20-25 % by 2015 the part of these manufacturers in Chinese sales.

Valéo, already associated with Chery for manufacturing tough clutches and starters, shares the same ambitions. This offensive is naturally justified by the growth potential of these manufacturers, which did not exist fifteen years ago, but also by the Chinese government's wish, that the local brands should soon represent 40 % to 60 % of sales.

### **French Wines Booming in China**



Chinese imports in wine sector are more than twice higher than six years ago. Today, wines and spirits make 63 % of French exports of food products to China. The total amount of French food products sold last year in China amounted to 908 million euro, with Bordeaux wines and Cognac as mainstays of this dynamics.

### **VISIODENT: Important Contract in China**



Visiodent, a dental software editor (management and digital imaging for dentists), has just won a supply contract worth 720,000 euro for dental radiology digital sensors, thanks to its Chinese partner who answered a Chinese government's call for tender. With first delivery according planned end of June, this agreement strengthens the brand –software and hardware- on Chinese market in general, and particularly with private and public hospitals, which could use French company's technology.

