business

CHINA DAILY 中国日报 CHINADAILY.COM.CN/BUSINESS

ONE U$D EQUALS

SOURCE: REUTERS, 9PM FRIDAY

▼RMB	▼HKD	▲JPY	▼EUR	▼GBP	▼AUD	▼INR	▼CAD	▼KRW	■THB	▲BRL
6.3600	7.7565	78.42	0.8145	0.6407	0.9497	55.32	0.9926	1130.37	31.47	2.0140

LIU GUANGMING / XINHUA

Folk dancers at the 8th China-ASEAN Expo, held in Nanning, capital of Guangxi Zhuang autonomous region, in October, 2011. The annual expo was initiated by Premier Wen Jiabao in 2003 as a platform to promote trade ties and good-neighborly relations. During the first half of the year, Chinese companies invested as much as $1.49 billion in ASEAN, up by 34.3 percent year-on-year.

Nation's investments into ASEAN to surge

Opportunities abound for two sides to cooperate on tourism, mining

By DING QINGFEN

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ODI

China's investments into members of the Association of Southeast Asian Nations will increase greatly in the long term, a result in part of Chinese companies' greater determination to invest abroad, said Gao Hucheng, vice-minister of commerce, on Friday.

"Greater cooperation on investment will lead to mutual benefits for China and ASEAN," Gao said during a news briefing at the 9th China-ASEAN Business and Investment Summit.

Gao said there is a "possibility that some individual Chinese projects could be affected by the world economic situation and foreign governments' policies and markets for some definite period of time". Even so, he said, the effects will be "temporary" and will not overshadow China's investments in ASEAN.

Some ASEAN countries, including the Philippines and Vietnam, have entered into disputes concerning the sovereignty over islands in the South China Sea. The disagreements could affect economic and trade relations between China and ASEAN, experts said.

During the first half of the year, Chinese companies invested up to $1.49 billion in ASEAN, up by 34.3 percent from a year earlier, according to the Ministry of Commerce.

By the end of June, China's cumulative investment in the region reached $18.8 billion, of which "more than 70 percent" was made during the past four years, Gao said.

"From the long-term perspective, we are confident that China's investments in ASEAN will increase quickly, in light of the trust" that exists between the two sides and the ways in which their economies strongly complement each other, Gao said.

China and ASEAN signed the Framework Agreement on Comprehensive Economic Cooperation in November 2002, marking the beginning of the China-ASEAN free trade agreement.

The pact called on China and ASEAN to remove restrictions that limit their investments into each other.

There are vast opportunities for the two sides to cooperate more on transport, tourism, power, machinery, household appliances, textiles and mining, Gao said.

China and ASEAN are "discussing or moving toward establishing a series of large cooperative projects in infrastructure, agriculture, manufacturing and processing".

As part of its 12th Five-Year Plan (2011-2015), the Chinese government is encouraging domestic companies of all types to invest abroad through mergers and acquisitions.

In 2011, China's outbound direct investment increased by 1.8 percent year-on-year to $60 billion. And the first half of this year has seen it rise by 48.2 percent year-on-year to $35.42 billion.

Also in the first half, countries and regions including Hong Kong, ASEAN, the United States and Russia witnessed the amount of capital they receive from China increase by double-digit percentages.

"Indonesia, Thailand and Cambodia led the way in the ASEAN region" in absorbing Chinese investment, Gao said.

Gao attributed the increase to Chinese companies' greater ability to compete in capital, technology, design and management, the "comprehensive policy system" established by the Chinese government, "strong complementary areas" and the "dynamism of Southeast Asian economies".

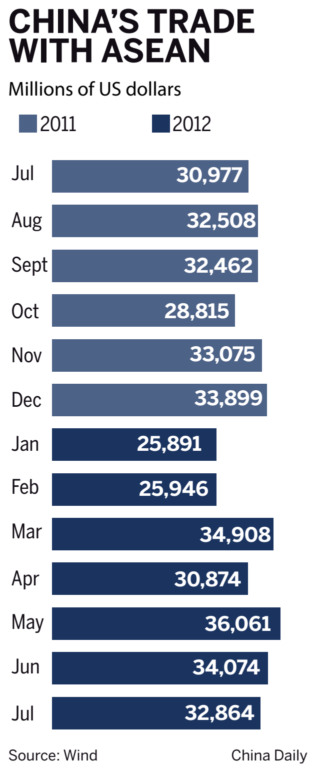
While Chinese ODI is expected to increase in the years ahead, emerging markets in the ASEAN region, Africa and Latin America will be attractive to Chinese companies, Chinese experts and officials said.

By 2011, China had been the largest trade partner for ASEAN for three consecutive years, and ASEAN has overtaken Japan to become the third- largest trade partner of China. China is also the fourth-largest export market for ASEAN, and its third-largest source of imports.

Meanwhile, ASEAN's direct investments into China have been increasing. In 2002, the region invested $3.26 billion in China, and the amount increased to $7 billion in 2011.

Chinese financial institutions have been adopting financing conveniences to encourage investment between China and ASEAN members.

In 2009, the Chinese government announced it would provide $15 billion in loans to ASEAN nations in the next three to five years. Last year, the country said it would add $10 billion to that total.



Shipbuilder seeks chance for overseas acquisition

By ZHOU SIYU

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SHIPPING

China Shipbuilding Industry Corp, one of the country's two major shipbuilding conglomerates, has expressed an interest in acquiring shipbuilding companies in Europe to make itself a stronger technological competitor.

China Shipbuilding has held "advanced talks" with a European company in recent months, Sun Bo, senior executive of China Shipbuilding, said on Wednesday during a news conference in Beijing, declining to name the company.

"The talks did not bear any fruit but they did help us gain experience in negotiating with European companies," Sun said.

"We will continue pursuing the idea (of mergers and acquisitions of European shipbuilding companies)," he added.

The sluggish economic recovery seen in developed economies, which comes amid a market glutted with vessel supplies, has severely dented the demand coming from shipyards across the world.

The deepening eurozone crisis, meanwhile, has made it more difficult for shipowners to borrow from Europe's debt-ridden banking system, putting a further strain on European shipyards, analysts said.

Clarksons Plc, a leading provider of shipping services, estimated the volume of vessels ordered from the world shipbuilding industry dropped to 20.9 million deadweight tons during the first half of the year, down 59.5 percent from last year, one of the lowest figures seen in recent years.

In China, the industry has experienced widespread losses and numerous small shipyards are now teetering on the brink of bankruptcy.

According to data from the China Association of the National Shipbuilding Industry, orders for 2.58 million deadweight tons of vessels were withdrawn from the country's shipyards during the first half of this year, more than the amount for the previous year.

Official data also show the value of the country's vessel exports decreased by 2.1 percent to $16.7 billion from January to May. That was the first such decline seen after 11 years of rapid increases.

Analysts said the difficult market conditions could give big Chinese companies an opportunity to acquire European companies.

But Sun expressed concerns about the shipbuilding industry's prospects in the near future.

"The difficult market conditions are expected to continue for three to four years, and next year is likely to be the worst," he said.

To prevail over the gloomy market, China Shipping Industry announced plans last year to expand its business into manufacturing equipment for non-maritime industries such as the wind and solar energy industries.

During the first half of the year, the company made 42.8 percent of its income from its non-maritime business, surpassing for the first time what it made from its shipbuilding business, the company said.

Auto parts firm making bid for US battery maker

By LI FANGFANG

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DEALS

Wanxiang Group Corp, a Chinese producer of automobile parts, plans to invest up to $450 million in A123 Systems Inc, a US-based producer of lithium-ion batteries, to take advantages of opportunities in China's booming electric battery industry.

On Thursday, the two parties signed a non-binding memorandum of understanding that could give Wanxiang an 80 percent stake in A123, which has reported losses for at least 12 straight quarters. For the quarter that ended on June 30, A123 reported a loss of $82.9 million.

Wanxiang and its related companies, for their part, had more than $13 billion in revenue in 2011.

Wanxiang's proposed investment in A123 is intended to give the ailing US company the capital it needs to continue expanding its main business.

"We believe the memorandum will provide long-term value to the investors and other stakeholders in both companies, as well as to their customers," said Lu Weiding, CEO of Wanxiang, one of China's largest private companies measured by revenue.

Lu said both companies are good at manufacturing equipment used in electric vehicles and energy storage, and the agreement will allow them to find ways to complement each others' strengths.

David Vieau, CEO of A123, had similar thoughts.

"Substantial capital investment from Wanxiang would not only provide financial stability to A123 as we continue to grow, but it would also align us with a large, successful global brand in the automotive and green technology industries," he said.

"We expect that a strategic agreement with Wanxiang would help enhance our competitive position in the global market, especially in China."

China is in the vanguard of countries that produce electric vehicles. Policymakers are calling for more investment to go into alternative energy vehicles and infrastructure as worries about the country's dependence on oil imports become more intense.

In July, China said it aims to produce and sell 500,000 energy-efficient and alternative-energy vehicles annually by 2015, most of them being pure electric and plug-in hybrids vehicles. That number is to increase to 5 million by 2020.

The plan came after the government said it will provide 26.5 billion yuan ($4.16 billion) in subsidies to stimulate purchases of energy-saving products — mainly automobiles and household appliances.

The central government also plans to provide as much as 2 billion yuan in annual subsidies, starting this year, to support the manufacture of new-energy vehicles.

Li Shengmao, automotive analyst with the research institute CIConsulting, said having 1 million electric vehicles on the road would be enough to support a 70 billion yuan market for lithium batteries, saying the cost of equipping a single electric vehicle with a battery system can be as much as 70,000 yuan.

Medical device producer announces M&A strategy

By LIU JIE

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PHARMA

Medtronic Inc plans to bolster its presence in China via mergers and acquisitions of local companies, becoming the first multinational medical equipment provider to announce such a strategy in the world's fastest-growing medical device market.

Simon Li, vice-president of the US-based company and president of Medtronic Greater China, said that the medical device producer already has some candidates and is still looking for others.

He refused to provide names of the potential targets.

Medtronic, the largest producer of heart pacemakers in the world, develops and manufactures devices and therapies for more than 30 chronic diseases, including cardiovascular illnesses, Parkinson's disease, diabetes, chronic pain and osteoarthropathy.

Medtronic is assessing the market potential of the products and technologies of the targeted companies. Li also said that the targeted companies "must have a common vision and business philosophy" with Medtronic.

Medtronic is the first multinational medical device company that has publicly said it will make M&A one of its key strategies in China.

Cai Tianzhi, director of the medical device department under the China Chamber of Commerce for Import & Export of Medicine and Healthcare Products, said the gap between foreign giants and domestic companies in terms of research-and-development capability and consuming groups are rather large, so M&A may face a series of challenges, including branding, quality control and staff training.

On the other hand, this kind of M&A will help foreigners enrich their product portfolio, tailor to local markets and get access to distribution networks and sound government relations set up by local counterparts, Cai said.

Multinational medical equipment providers are adopting various strategies to develop business in China.

St Jude Medical Inc, Medtronic's archrival in development and production of cardiovascular equipment, had said that it will continue organic growth in China. It set up two technology centers to introduce its technologies to the emerging market and provide training for local doctors in a bid to promote its sophisticated products to Chinese hospitals.

GE Healthcare, the medical care arm of General Electric Co, launched an R&D center in Chengdu and doubled its sales staff in 2011 to penetrate China's grassroots market.

Johnson & Johnson Medical China will expand its presence in China by cooperating with government departments and academic institutions.

Medtronic had tested the waters for M&A in China. In 2008, it set up a joint venture with Shandong Weigao Group Co Ltd, one of China's major medical equipment companies. The US company holds a 51 percent stake, and the joint venture has been developing and marketing Medtronic's vertebral and joint products.

In September, Medtronic-Weigao Orthopedic Technological Support Center, using a 20 million yuan ($3.14 million) investment in R&D equipment, was set up in Beijing to focus on the development of orthopedic technologies and devices.

China's medical equipment sales will hit 400 billion yuan this year and is expected to continue to rise more than 20 percent annually through 2015, compared with around 7 percent in developed markets, according to Fan Yubo, chairman of the Chinese Society of Biomedical Engineering.

Li said that Medtronic's annual sales in China increased by 27 percent to 30 percent on average over the last six years, while profits jumped 20 percent a year. "China contributes 40 percent of Medtronic's growing market sector so far, and our global CEO hopes the sector will rise 20 percent annually," said Li.