

ECONOMICS, POLITICS & BUSINESS ENVIRONMENT

Case collection update – December 2007

DANONE AND WAHAHA: CHINA-STYLE DIVORCE (A)

ECCH Reference No.	207-021-1
Teaching Note	
Author	Liu, G; Liu, D
Setting	Hangzhou; Wahaha Group; More than 20,000 employees; 2007
Topic	China; Joint venture; Danone Group; Wahaha Group; Zong Qinghou; Contract; Ethics; Business environment; Economics; Politics
Pub. Year	2007
Length	10 pages
Source	Published sources
Abstract	This is the first of a two-case series (207-021-1 and 207-022-1). In 1996, Hangzhou Wahaha Group, the largest food and beverage enterprise in China, signed an agreement with Danone Group to establish five joint venture companies. On 3 April 2007, Mr Zong Qinghou, the Founder and Chairman of Wahaha Group, disclosed to the media that Danone threatened to acquire non-joint venture subsidiaries of Wahaha Group at a price of RMB 4 billion, which had assets of RMB 5.6 billion and a profit of RMB 1.04 billion in 2006. Mr Zong was irritated by Danone's threat. Instead of going to the court, Mr Zong resorted to the media and tried to turn a commercial dispute into a public issue, thus playing the nationalism card. The case is tailored for illustrating the complexity of establishing a joint venture as well as the challenging institutional environment in China.

DANONE AND WAHAHA: CHINA-STYLE DIVORCE (B)

ECCH Reference No.	207-022-1
Teaching Note	
Author	Liu, G; Liu, D
Setting	Hangzhou; Wahaha Group; More than 20,000 employees; 2007

Topic	China; Joint venture; Danone Group; Wahaha Group; Zong Qinghou; Contract; Ethics; Business environment; Economics; Politics
Pub. Year	2007
Length	6 pages
Source	Published sources
Abstract	This is the second of a two-case series (207-021-1 and 207-022-1). In 1996, Hangzhou Wahaha Group, the largest food and beverage enterprise in China, signed an agreement with Danone Group to establish five joint venture companies. On 3 April 2007, Mr Zong Qinghou, the Founder and Chairman of Wahaha Group, disclosed to the media that Danone threatened to acquire non-joint venture subsidiaries of Wahaha Group at a price of RMB 4 billion, which had assets of RMB 5.6 billion and a profit of RMB 1.04 billion in 2006. Mr Zong was irritated by Danone's threat. Instead of going to the court, Mr Zong resorted to the media and tried to turn a commercial dispute into a public issue, thus playing the nationalism card. The case is tailored for illustrating the complexity of establishing a joint venture as well as the challenging institutional environment in China.

CHINA AUTOMOTIVE INDUSTRY IN 2004

ECCH Reference No.	207-006-1
Teaching Note	207-006-8 (11 pages)
Author	Park, Sam; Shu, Jinsi
Setting	China; Automotive; 2004
Topic	China; Automotive industry; Industry analysis; Competition analysis; Rivalling dynamics; Manufacturing; Supply chain; Major players; Trend
Pub. Year	2007
Length	47 pages
Source	LIBRARY
Abstract	China's automobile industry enjoyed dazzling high-speed growth recently, with national production and sales almost doubling in the last three years. Already the world's third largest automobile market and expected to surpass Japan very soon, China was attracting all the major players, domestic and international, to reach for the big pie. But for those in hope of success, their adventure in this land turned out to be a fight rather than a feast. None could secure its share or establish the leading position, thus each tried every effort to be one step ahead. The interlaced interests of different strategic groups or single forces, added by the uncertainty caused by the inconsistent government policies and World Trade Organisation impact, made it hard to find out the right way. Everything was changing fast, and the power balance was broken time and again. It was both opportunity and threat for everyone, who would rise and who would fall? This case is a comprehensive analysis of China's automobile industry. It consists of: (1) descriptions of China's

economic environment; (2) regulations; (3) foreign and domestic manufacturers; (4) buyers; (5) supply chain; (6) technology; (7) rivalling dynamics; and (8) future trends and brief introductions to the major players in China.

**GM CHINA VERSUS CHERY: DISPUTES OVER INTELLECTUAL PROPERTY RIGHTS
(A)**

ECCH Reference No.	206-017-1
Teaching Note	206-017-8 (14 pages)
Author	Fernandez, Juan; Liu, Shengjun
Setting	2004 Automobile Shanghai, China 14,000 employees
Topic	Automobile; China; Intellectual property rights; Government; Local firms; Multinationals
Pub. Year	2006
Length	14 page(s)
Source	LIBRARY
Abstract	This is the first of a two-case series (206-017-1 and 206-018-1). Chery, a Chinese domestic carmaker launched a new mini car model, the QQ in July 2003. This was several months earlier than the planned launch date for General Motors' (GM's) new mini car, the Chevrolet Spark. The QQ looked very similar to the Chevrolet Spark but was priced much cheaper. GM claimed that the Chery QQ was a knockoff of the Matiz, a model owned by GM Daewoo. The QQ turned out to be a real hit with consumers while Chevrolet Spark sales were much lower than expected. To make matters worse for GM, Chery was aggressively expanding into other countries where GM had a presence. Intellectual property rights (IPR) disputes were common in China's automotive industry; several multinational carmakers had also brought infringement cases forward. GM had its hands full: it had to compete with Chery head to head in the market while deciding what actions to take in regards to their IPR infringement claim. They considered: (1) asking for the mediation of the Chinese government; (2) private negotiations; (3) suing Chery in China; and (4) going to trial in other countries.

**GM CHINA VERSUS CHERY: DISPUTES OVER INTELLECTUAL PROPERTY RIGHTS
(B)**

ECCH Reference No.	206-018-1
Teaching Note	206-017-8 (14 pages)
Author	Fernandez, Juan; Liu, Shengjun
Setting	2004 Automobile Shanghai, China 14,000 employees
Topic	Automobile; China; Intellectual property rights; Government; Local firms; Multinationals
Pub. Year	2006
Length	5 page(s)

Source LIBRARY

Abstract This is the second of a two-case series (206-017-1 and 206-018-1). Chery, a Chinese domestic carmaker launched a new mini car model, the QQ in July 2003. This was several months earlier than the planned launch date for General Motors' (GM's) new mini car, the Chevrolet Spark. The QQ looked very similar to the Chevrolet Spark but was priced much cheaper. GM claimed that the Chery QQ was a knockoff of the Matiz, a model owned by GM Daewoo. The QQ turned out to be a real hit with consumers while Chevrolet Spark sales were much lower than expected. To make matters worse for GM, Chery was aggressively expanding into other countries where GM had a presence. Intellectual property rights (IPR) disputes were common in China's automotive industry; several multinational carmakers had also brought infringement cases forward. GM had its hands full: it had to compete with Chery head to head in the market while deciding what actions to take in regards to their IPR infringement claim. They considered: (1) asking for the mediation of the Chinese government; (2) private negotiations; (3) suing Chery in China; and (4) going to trial in other countries.

CARREFOUR CHINA: REVAMPING BUSINESS TO FOLLOW LOCAL RULES (A)

ECCH Reference No. 204-187-1

Teaching Note 204-187-8 (9 pages)

Author Fernandez, Juan A. ; Liu, Shengjun

Setting China; Retailing; 23,000 employees

Topic International business; Business-government relations; Public relations; Gaming; Crisis management; Chinese culture

Pub. Year 2004

Length 15 page(s)

Source LIBRARY

Abstract This is the first of a two-case series (204-187-1 and 204-188-1). China was a market full of temptation for MNCs (multinational corporations). However, it set strict restrictions to protect domestic retailers. Though China did have a plan of opening the domestic market to foreign retailers step-by-step, it seemed to be beyond the patience of retail giants like Carrefour. As a result, many foreign retailers managed to expand in a secret but illegal way in China. Carrefour found that local governments had a strong motivation for introducing foreign retailers for the sake of employment and taxation benefits. With the help of local governments, Carrefour quickly established footholds in China's major business cities and developed itself into the No 1 foreign retailer in China. It was not hard to imagine that the illegal expansion irritated local retailers and the central government. Then the central government issued circulars and regulations one after another to warn foreign retailers and local governments, who just turned a deaf ear to the warnings. In 2001, rumours spread that Carrefour would be shut out and the central government would not appease any more. It seemed that

Carrefour would have to do something to avoid disastrous outcomes.

CARREFOUR CHINA: REVAMPING BUSINES TO FOLLOW LOCAL RULES (B)

ECCH Reference No.	204-188-1
Teaching Note	204-187-8 (9 pages)
Author	Fernandez, Juan A. ; Liu, Shengjun
Setting	China; Retailing; 23,000 employees; 2002
Topic	International business ; Business-government relations ; Public relations ; Gaming ; Crisis management ; Chinese culture
Pub. Year	2004
Length	7 page(s)
Source	LIBRARY
Abstract	This is the second of a two-case series (204-187-1 and 204-188-1). China was a market full of temptation for MNCs (multinational corporations). However, it set strict restrictions to protect domestic retailers. Though China did have a plan of opening the domestic market to foreign retailers step-by-step, it seemed to be beyond the patience of retail giants like Carrefour. As a result, many foreign retailers managed to expand in a secret but illegal way in China. Carrefour found that local governments had a strong motivation for introducing foreign retailers for the sake of employment and taxation benefits. With the help of local governments, Carrefour quickly established footholds in China's major business cities and developed itself into the No 1 foreign retailer in China. It was not hard to imagine that the illegal expansion irritated local retailers and the central government. Then the central government issued circulars and regulations one after another to warn foreign retailers and local governments, who just turned a deaf ear to the warnings. In 2001, rumors spread that Carrefour would be shut out and the central government would not appease any more. It seemed that Carrefour would have to do something to avoid disastrous outcomes.

OVERHEATING WITH CHINESE CHARACTERISTICS

ECCH Reference No.	204-152-1
Author	Pastor, Alfredo ; Xu, Amber
Setting	China, 2004
Topic	Sustainable growth ; Economic policy ; China
Pub. Year	2004
Length	20 page(s)
Source	LIBRARY
Abstract	The case is set in the first half of 2004 in China. A Swiss banker must decide whether to buy into a Chinese bank which the authorities are putting up for sale. The answer depends largely on whether the Chinese economy is headed for a

moderate slowdown or for a severe recession. The case provides a description of economic developments in 2002-2003 and proceeds to ask the questions: is the Chinese economy overheating? If so, what should the authorities do? Analysis of the data should lead toward the conclusion that the Chinese economy is not so much overheating as over-investing. The case concludes with an analysis of the main constraints on economic policy and the options open to the authorities.

FUJIAN INDUSTRIAL SECURITIES COMPANY

ECCH	200-008-1
Reference No.	
Author	Vanhonacker, Wilfried R. ; So, Sherman; Hackler, David
Setting	China; Securities industry; 1997-1998
Topic	Securities ; Financial services ; De-regulation ; Marketing financial services
Pub. Year	2000
Length	18 page(s)
Source	FIELD
Abstract	This case describes the competitive environment and positioning of Fujian Securities in China's developing securities industry. This case contains color inserts.