

Upstate builds China momentum

Activity increases as investment nears

RICHARD BREEN, EDITOR

Alfred Bergbauer stepped to the podium at Carolina First Center for a talk about the future of Chinese corporate investment in the United States.

At the back of the room sat a prominent example of that trend – and the Upstate's potential role in it.

Representatives from Yuncheng Plate Making Group just so happened to be in the area that day. They made their way over to Carolina First Center for the Upstate Alliance's annual meeting, and one of their hosts says they were pleasantly surprised by the gathering's Chinese theme.

"They're interested in South Carolina and the Upstate in particular," says Greenville Mayor Knox White, who had lunch with the Yuncheng officials.

White was part of an Upstate Alliance group that traveled to China in November 2006.

"The No. 1 issue we heard from every company we met was, 'How can we obtain visas to come invest in your country?'" says Hal Johnson, president and chief executive of the Upstate Alliance.

Since that trade mission, five Chinese firms, including Yuncheng, have made a total of 10 visits to the Upstate. Local business leaders hope Yuncheng will be the first of many Chinese companies to invest here.

"For economic and political reasons, the Chinese are now looking to expand capital investment in the United States," says local construction executive Doug Harper, who joined White and others on the 2006 China trip as chairman of the Upstate Alliance.

Bergbauer, a senior vice president with insurance company ACE USA and a veteran of doing business in Asia, says China invested \$12.3 billion in foreign countries in 2005.

"That number is expected to be \$60 billion in outbound investment by 2011," he says. "And 21.5 percent of all outbound Chinese investment is coming to America."

Evidence of the trend is already being seen in South Carolina. Haier Group, an electronics conglomerate that could be considered the Chinese equivalent of General Electric Co., has invested \$40 million in a manufacturing facility in Camden.

In Greenville, Pacific Gateway Capital LLC is developing a business incubator for Chinese companies exploring opportunities in America. Vivian Wong of Pacific Gateway assisted the Yuncheng officials during their recent visit.

In addition, the city of Greenville has established a sister-city relationship with Tianjin Port Free Trade Zone, a huge industrial development in northeast China.

Bergbauer points out the importance of White's presence in meeting with companies that are accustomed to involvement by government officials in economic matters.



Photo provided by Womble Carlyle

Greenville attorney Rory Whelehan (at far right) was part of a recent Chinese trade mission organized by the Womble Carlyle law firm.

"I think that resonates with their Chinese counterparts," he says.

Likewise, former North Carolina Gov. Jim Hunt headlined a delegation organized by Winston-Salem-based Womble Carlyle Sandridge & Rice PLLC that visited China in late March. Rory Whelehan, an attorney in the law firm's Greenville office, was part of that delegation.

Womble Carlyle is seeking to develop relationships that will help its clients "capitalize on the reality that China is no longer the future - it is now," says Keith Munson, an attorney in the Greenville office. "The Southeast/Mid-Atlantic region is emerging as a hotspot for Chinese foreign investment," he says.

The region may have some competitive advantages.

"You have a labor force with experience in cross-cultural integration," Bergbauer says. The Upstate, for example, has spent decades working with European companies.

Economic development officials expect Chinese investment to follow a familiar path.

First, Chinese manufacturers establish sales offices. Many have already done so throughout the United States.

Next, some will establish distribution facilities. Those facilities may include light assembly functions.

China's largest auto parts manufacturer is Wanxiang Group Cos., whose American subsidiary opened a 160,000-square-foot office and warehouse in 2001 in suburban Chicago. Bergbauer expects a manufacturing operation to follow.

"South Carolina would be a great place to start that," he says.

Ultimately, some companies will build manufacturing facilities, as Haier has done.

Haier is based in Qingdao, a planned community on China's coast which is also home to Yuncheng's headquarters.

"It is drop-dead beautiful," White says of Qingdao, which features lush landscaping and German architectural influences.

If the Upstate could land a company such as Yuncheng, he adds, "it would be a real good foothold, because one will beget many more."

There is also an expectation that as the Chinese population grows in size and affluence, a desire to purchase American goods will grow as well. Johnson says that presents another business opportunity for the Upstate.

"The numbers are staggering," Johnson says.

As Bergbauer points out, China is home to 1.4 billion people and 20 percent of the world's children.

"In some way, shape or form, China will impact your business," he says, "no matter what business you're in." 65