China Aviation Oil (Singapore) Corporation Ltd
中国航油（新加坡）股份有限公司

Joining Hands To Build Business Together - Speech At Eu-China Business Forum, Brussels, Belgium

06/05/04

Joining Hands to Build Excellence Together

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(May 6, 2004)

Distinguished guests, ladies and gentlemen:

Good morning!

My name is Chen Jiulin, Vice President of China Aviation Oil Holding Company, as well as Managing Director and CEO of China Aviation Oil (Singapore) Corporation Ltd. It is a great honor to be invited to participate in this EU-China Business Forum, co-organized by the Ministry of Commerce of China and the Directorate General for Trade of the European Commission. First of all, on behalf of all Chinese entrepreneurs, may I convey my best wishes and salutations to our counterparts from the European Union. We are glad to have this opportunity to join EU entrepreneurs to together chart a prosperous future of collaboration between Chinese and European enterprises.

China and Europe enjoy a long history of communication and exchange, and this lays a good foundation for further cooperation.

Historically, Europe has received China's cultural influence for a very long time. As early as the thirteenth century, a Venetian businessman, Marco Polo served as a missionary for friendship and economic and cultural exchange between China and Europe. Today, more than seven hundred years later, people still honour this great man in a number of different ways. The past few centuries have seen steady Sino-European exchange at all levels. In particular, since the late 1970s when China first endorsed reform and its open-door policy, Chinese-European economic cooperation has entered a new phase, one that is gaining ever-increasing increasing. Now, China pursues a strategy of encouraging Chinese enterprises to venture overseas, and foreign partners to invest in China. Such a strategy embodies great business opportunities for European firms wishing to enter the Chinese market. It also offers a platform for Chinese firms to step outside China and compete internationally.

At present, most EU countries are developed or rapidly developing nations. Modern European companies enjoy substantial advantages in technology, human resources, capital and management. Last year, a national consulting firm concluded that Chinese companies hope to work with European counterparts when selecting foreign partners. A number of Chinese companies have chosen European firms as their partners. Sino-European economic cooperation is fortunate to have good social foundations. The social, cultural and commercial concepts of Europe have won high recognition in China. The consulting firm also noted the achievements of European firms in the Chinese market.

Examples include Siemens, Nokia, Volkswagen, Airbus, Lufthansa and Carrefour. Chinese government statistics show that last year, the number of European firms investing in China grew by 40% compared with 2002, whereas the number of American firms in China increased only 20%. Though both European and American firms recorded USD 4 billion investments in China individually, European companies are predominantly in China's fastest-growing sectors.

Cooperation between Chinese and European firms can take place in many sectors, with significant upside.

In accordance with the commitments that China made upon joining the WTO, China will further open up a number of sectors to foreign investors. This is also in line with the reform and open-door policies. The trend offers broad opportunities and room for European firms.

The year 2004 is a critical time in the reform of China's state-owned enterprises (SOEs). The government encourages foreign investors to participate in restructuring SOEs through joint ventures, partnerships and mergers and acquisitions (M&A). The advantages of large SOEs in China are in technology, skilled workers, good front-line management, access to the domestic marketing network, relatively new equipment, strong branding, and low labor costs. The participation by European firms in SOE restructuring will effectively integrate and utilize such resources, and optimize experience and cost curves. For example, maximum synergy may be achieved by combining European technology with skilled Chinese workers, domestic marketing channels and local branding. The manufacturing sector in particular has seen many EU companies established alliances with Chinese SOEs in the form of joint ventures for many years and generated remarkable returns. Now, by buying into Chinese SOEs, European firms can realize greater gains and achieve better synergies through M&A.

Chinese Premier Wen Jiabao reiterated in his Government Work Report this year that the Government will continue to strive to develop Western China, to reinvigorate old industrial base of the Northeast, to grow Central China, and to accelerate the development of Eastern China. As a result, a new strategic layout will be formed, featuring uniform development between the Eastern and Western China, each balancing the other with its own advantages. Market analysis indicates that sectors attractive for investment purposes in the central and western parts of China may include machinery equipment, environmental protection, infrastructure, bio-medical, textile, and information technology. In the northeast, the focus is on restructuring SOEs. The "hot spots" in the coastal regions center on electronics, IT and logistics. All of these areas offer unlimited business opportunities for EU firms.

Exchange and cooperation between Chinese and European firms may take many forms. A broader and more solid platform may be well built.

More dialogue between Chinese and European firms should be encouraged, including periodic seminars on trade, science and technology, finance, human resources, and management. Government officials, well-known Chinese and European entrepreneurs, and scholars can be invited to discuss hots topics and difficult issues regarding collaboration from different perspectives. I propose setting up a China-EU CEO forum for sustainable growth and cooperation. At the same time, we may expand the scope of talent exchange and dispatch management staff amongst ourselves, so as to better understand each other's society and culture, market environment, laws and regulations, and commercial operating models.

I personally believe that closer collaboration between EU companies and overseas Chinese firms can be a good shortcut to expanding business in China.

Since the 1980s, the Chinese Government has been encouraging Chinese companies to venture overseas in order to participate in international cooperation. To date, a number of outstanding overseas Chinese firms have emerged. They have accumulated relatively strong capital, and have picked up vital experience in expanding international market share, strategic growth, and cultivating core competencies. At the same time, they are familiar with local situations and customs, laws, and markets in China. In a word, overseas Chinese enterprises encompass the cream of both China and the West. Therefore, if EU entrepreneurs cooperate with overseas Chinese firms, they may incur lower risks and satisfactory results relatively quickly.

My company, China Aviation Oil Holding Company (CAOHC), hopes to contribute to China-EU economic cooperation and become a model of the friendly collaboration.

As a large state-owned company, CAOHC owns jet fuel supply facilities at over 100 civilian airports in China, providing jet fuel supply service to 108 Chinese and foreign airlines. It is the eighth-largest jet fuel supplier in the world. A subsidiary of CAOHC, China Aviation Oil (Singapore) Corporation Ltd (CAO), was listed on the Main Board of the Singapore Exchange in 2001. This year CAO was included in the Dow Jones Singapore blue-chips index, and soon after, in the FTSE All-World Asia Pacific ex-Japan Index. In mid-March 2004, according to the "Industry Perception Survey" of Asia-Pacific petroleum trading companies, by the US-based Applied Trading Systems Inc., CAO was ranked for a second time as one of the fastest-growing and most-improved players within a niche market.

The collaboration between China Aviation Oil and EU enterprises covers a number of sectors. Within China, CAOHC has entered joint ventures with BP, and Shell. Outside China, China Aviation Oil has collaborated with the EU in the sectors of international trading, investment, financing, and shipping, among others. Trading in 2003 alone reached USD 2.85 billion. Its investment in Compania Logistica de Hidrocarburos (CLH) was, so far, the largest-ever in Spain by a Chinese firm. The collaboration between China Aviation Oil and EU enterprises creates business opportunities and arrives at a win-win result. In future, China Aviation Oil aims to enter into more extensive cooperation with the EU firms in integrating and developing overseas oil resources.

The prospects for China-EU enterprise cooperation are bright and promising.

Such co-operation may include both jointly developing the Chinese market, and joint investment in the EU nations and third countries. In April 2004, when the President of the European Commission, Romano Prodi, visited Beijing, he made a bet with Premier Wen Jiabao, saying "EU is going to be the largest partner of China in 10 years". Whether President Prodi is going to win this bet depends primarily on the whether the well-known entrepreneurs from EU nations, including those present today, can succeed in the Chinese market. I would like to stand by Mr. Prodi on this bet, and hope his dream comes true.

Thank you.