CHINESE MACHINE TOOL MARKET - WEEKLY BULLETIN

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Desk ICE-UCIMU in CHINA

Strategies work together to generate business growth

Industrial automation and internet-connected technologies, encouraged by the Made in China 2025 strategy and Germany's Industry 4.0 concept, will generate new growth momentum for companies in both countries to build closer partnerships, according to senior company executives.

In 2012, the German government set up Industry 4.0 working groups as a means of pushing its companies to utilize new technology and thinking to maintain its pre-eminence in manufacturing.

The "third generation" of manufacturing refers to the use of automation and early computers; thus, the phrase 4.0 refers to a phase of manufacturing in which automation and interconnection play a far greater role in making the manufacturing process more efficient.

For its part, China has been implementing the Made in China 2025 plan to modernize the country's manufacturing through technological upgrades, knowledge-based industries and environmentally friendly development.

Edouard Bouee, chief executive officer of Roland Berger Strategy Consultants, pointed out that China has set out to improve and upgrade its industries, and that as a result, the Chinese economy is increasingly developing into a complex business environment. Part of that complexity, he said, is based on disruptive innovation in manufacturing.

Many countries are also pursuing similar strategies. The United States has proposed a manufacturing industry renaissance program. Japan, France and the United Kingdom also have their own strategies or programs to revitalize manufacturing and thereby stimulate exports.

Eager to enhance its developing ability, China will completely open up its general manufacturing sector, and access to sectors such as high-tech industrial products, telecommunications, medical services, education, elderly care and new-energy vehicles will be expanded, according to the annual government plan announced in early March.

"The Made in China 2025 strategy brings equal opportunities to foreign and domestic companies and the Industry 4.0 concept is definitely welcomed," said Tu Xinquan, director of the China Institute for WTO Studies at the University of International Business and Economics in Beijing.

Stephan Kothrade, president and chairman of BASF China, said the German group found that innovation in chemistry enables economic, environmental and social development to play a key role in meeting the needs of China's growing population in a period of rapid urbanization.

With a total investment of 200 million euros ($236.54 million), BASF will begin to operate new research and development facilities including a new automotive application center and a process catalyst research center in Shanghai by the end of this year.

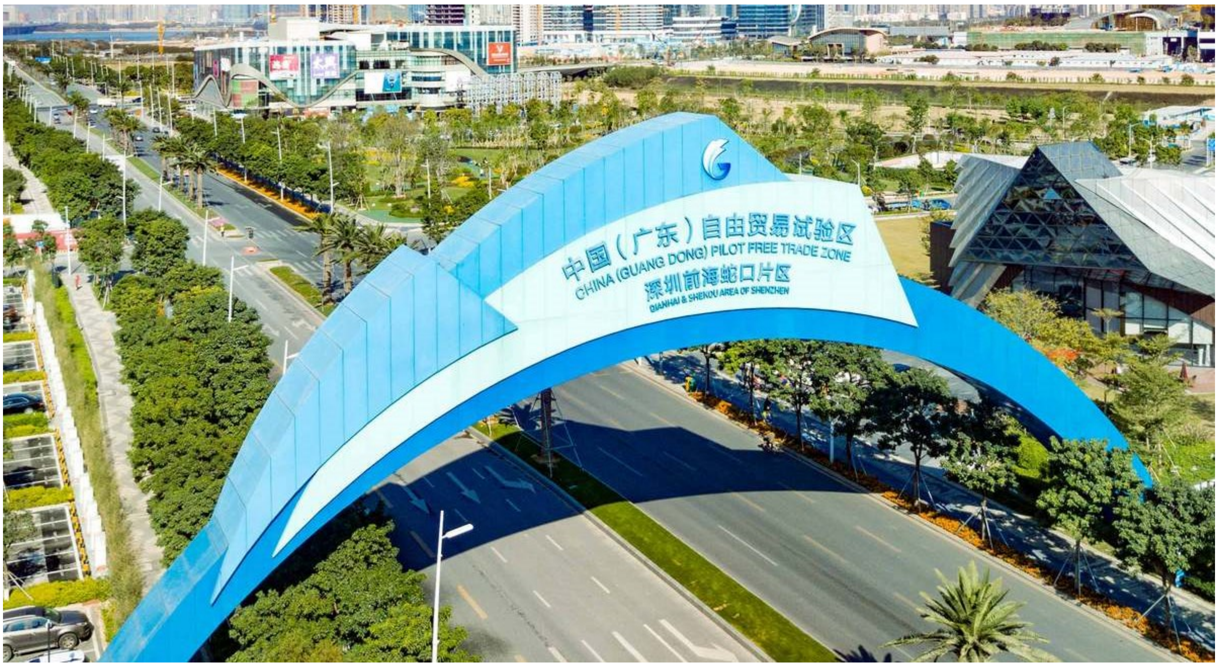
"In recent years, a number of Chinese local champions have expanded their markets globally. From infrastructure building to automotive manufacturers, we are excited to bring our innovative solutions and international experience to support them along this journey," Kothrade said.

Chen Yudong, president of Bosch in China, said with the transformation and upgrade of manufacturing towards connected production, industrial big data will play a crucial role for the foreseeable future.

"Collecting and analyzing big data and exploring its potential value can help companies truly achieve smart manufacturing by increasing efficiency and flexibility, improving quality and reducing costs," he said.

Dozens of Industry 4.0 projects are already running in Bosch's manufacturing sites at 15 locations across China, including the cities of Suzhou, Changsha, Wuxi, Nanjing, Shanghai and Changzhou.

China to replicate FTZ practices nationwide



Chinese authorities are looking to replicate the latest successful practices in its pilot free trade zones (FTZs) around the rest of the country.

In a circular published on May 23rd, the State Council asked local authorities to adopt 27 practices that are now applied in the existing 11 FTZs as a way to pursue high-quality development and develop a modernized economy.

The practices include expanding the transport area of intenational ships, offering online registration for general taxpayers, facilitating inspection and quarantine for empty cargo containers shipped by sea, and sharing of enterprise information.

The State Council also ordered three practices to be replicated in particular sectors like regulation innovation for customs.

FTZs are a way of testing new policies to explore new development models and better integrate the economy with international practices.

China established its first FTZ in Shanghai in 2013. The total number of FTZs was brought to 11 after seven new FTZs were launched in April last year.

Up to 153 practices piloted in the FTZs have so far been replicated to other regions or sectors, the State Council said.

Second-quarter GDP growth seen easing to 6.7%

THE country's economy will likely expand around 6.7 percent in the second quarter this year, the State Information Center (SIC) said in an article in the China Securities Journal on May 19th.

The forecast was slightly slower than the 6.8-percent expansion posted in the first quarter of the year. The SIC is an official think tank affiliated with the National Development and Reform Commission, the country's top economic planning agency.

April activity data released last week suggested that the world's second-largest economy is starting to lose some momentum, as analysts have long predicted, as the government continues a crackdown on riskier types of financing.

While still expanding at a good clip, retail sales and fixed asset investment grew more modestly than expected while property sales fell for the first time in six months in the face of continued government curbs on speculation and rising mortgage rates.

The lone bright spot was a rebound in industrial output.

Despite stronger-than-expected first-quarter growth, economists polled previously still expect a gradual slowdown to around 6.5 percent this year, which is also the government's target, assuming there are no trade shocks.

The official think tank expects U.S. dollar-denominated exports to grow around 8 percent in the second quarter of the year versus a year earlier and imports to rise about 10 percent.

It forecast consumer inflation of around 2 percent and expected producer price inflation would pick up to about 3.8 percent in the second quarter of the year from a year earlier.

The think tank suggested the government "maintain flexibility in macro economic policy ... to ensure a steady and healthy development of the country's broader economy."

In the same article, the SIC said it expects China's industrial output to grow about 6.6 percent in the April-June period from a year earlier, with fixed-asset investment growth of around 7.2 percent and retail sales seen rising about 10 percent.

China's statistics bureau said last week that steady economic growth in April made a good foundation for achieving the full-year growth target.

Old industrial base in Northeast China attracts global investors

A freight train carrying containers of imported auto parts from Germany whistled as it slowly stopped at the BMW Brilliance Automotive's Tiexi plant in Shenyang, capital of Northeast China's Liaoning province.

Undergoing checks by customs officers on the site, the auto parts were transferred to a production line for assembly. Traditionally, the containers arrived at a railway station before they were transported by trucks to the plant.

"The new logistics service can not only increase the clearance efficiency, but also save our logistics costs," said Tian Lihua, director of the company's import and export department.

Allowing freight trains to stop at the door of a company's plant is one of the latest moves Liaoning has made to attract global investors to rejuvenate its economy.

In early May, Liaoning issued a guideline on rejuvenation through all-round opening up, promising to further ease market access for foreign investors.

It will completely open up its general manufacturing sector to foreign investors, while market access to sectors like telecommunications, medical services, education, elderly care and new energy vehicles will also be expanded.

Northeast China—Liaoning, Jilin and Heilongjiang provinces—have been struggling for growth following the decline of their traditional heavy industries.

"Investment does not go beyond the Shanhaiguan Pass," it is said, referring to a geographical division between Northeast China and the rest of the country.

BMW Group is a pioneer foreign investor going beyond the Shanhaiguan Pass and doing well in Shenyang.

It set up the joint venture BMW Brilliance Automotive with Brilliance China Automotive Holdings in 2003 when China launched the first round of its strategy to turn its rust belt into modern industrial zones.

BMW's performance in China so far this year is promising, with sales of BMWs and Minis in the Chinese market up 7.1 percent year-on-year to 152,942 vehicles in the first quarter, a record high.

The automaker has invested more than 52 billion yuan ($8 billion) in its Shenyang facilities since 2009. The city has become BMW Group's largest production base worldwide.

Johann Wieland, president and CEO of BMW Brilliance Automotive, said that the key to BMW's success in China is its localization strategy.

In addition to BMW, Liaoning has been making efforts to attract other global investors to various sectors.

Last year, Michelin, the world's leading tire maker, invested 300 million euros ($353 million) to expand its factory in Shenyang, a city of 8.3 million residents.

New Zealand company Richina started a leather industry project with a total investment of $900 million in Fuxin.

The central government rolled out new measures to revitalize its old industrial base in Northeast China in 2016, and set up a free trade zone in Liaoning last year.

The economy of Liaoning is showing signs of recovery, and a growing number of global investors have started taking root.

Statistics released from the provincial department of commerce showed that Liaoning's actual inflow of foreign investment reached $5.34 billion in 2017, up 77.9 percent year-on-year.

The province also saw the arrival of 512 new foreign-funded companies last year, up 20.8 percent.

China's auto tariff cuts a sign of further opening-up

China's decision to slash its automobile import tariffs has been welcomed by consumers and carmakers as another milestone in the country's four decades of reform and opening-up.

Beginning July 1, China's average tariff rate on vehicles will be 13.8 percent, while that for auto parts will be 6 percent, lower than the average of developing economies and in line with China's reality.

Some foreign auto heavyweights such as Audi have promptly reacted with plans to lower prices in order to benefit Chinese consumers.

Commitment to free trade

China's automobile tariffs were significantly reduced to 25 percent by 2006 after its accession to the WTO in 2001, a relatively low rate for a developing economy.

The 25-percent duties may seem high compared with auto-making powerhouses like the United States, but it was necessary for the healthy development of China's car industry, said Xu Haidong, assistant to the secretary general of the China Association of Automobile Manufacturers (CAAM).

China remains a developing country, Xu said.

By 2010, China had fulfilled its tariff-cutting promises for WTO membership by cutting overall tariff levels from 15.3 percent to 9.8 percent by 2010, said Liu Shangxi, head of the Chinese Academy of Fiscal Sciences.

The latest voluntary tariff cut will directly benefit the economic growth and employment of car exporters, Liu said. "Many positive effects will be felt in the global economy." Most of China's car imports last year were from the United States, Germany, Japan and UK.

The auto tariffs cuts are important measures that comply with trade liberalization, as the world witnesses a broad reduction in automobile tariffs driven by economic globalization and global trade.

Upgrading consumption

The Ministry of Finance said the tariff cut will enrich domestic market supply and meet the diverse needs of the people to provide more plentiful and affordable consumer experiences.

China has been the world's largest car market for nine consecutive years, with vehicle production and sales in 2017 reaching 29 million units and 28.8 million units, respectively, CAAM data showed.

Last year, China imported 1.22 million vehicles, most of which were high-end SUVs, to account for some 4.2 percent of total sales, while domestic brands saw growing market share.

Industry analysts expect the remarkable tariff cut to meet domestic demand for imported high-end cars, as rising income has led to a burgeoning market for luxury cars.

Over 670,000 luxury cars were sold in China during the Jan.-April period, up 22.3 percent year-on-year, data from the China Passenger Car Association showed.

China's domestically produced cars are more internationally competitive than they were five or 10 years ago, meaning that the country's recent opening-up measures in the auto sector will have a smaller impact, according to Paul Gong, executive director of UBS Investment Research Asia Autos.

Continued opening-up

The tariff cuts come after China unveiled a plan last month to phase out equity caps for automotive joint ventures in the world's largest car market amid a broader push for further opening.

"The development of China's auto industry was enabled by the country's reform and opening-up and economic globalization," said Dong Yang, deputy head of the CAAM.

Opening-up has been key to China's economic growth over the past 40 years, and the future high-quality development of China's economy can only be achieved with greater openness, as China promised at the Boao Forum for Asia in April that its doors will only open wider.

The promise has quickly materialized in the form of landmark opening measures launched this year, including opening the car-making sectors wider to foreign investors and introducing a plan to establish a free-trade port system in the country's southernmost island province of Hainan.

"China safeguards a multilateral trade system. Lowering auto import tariffs is a major step to expanding reform and opening-up," the Ministry of Finance said.

New $600m fund to push SME global trading

The Electronic World Trade Platform Ecosystem Fund was launched on May 23rd to help enterprises that promote innovation and quality consumption, with Alibaba Group and Ant Financial as its anchor investors.

The eWTP Ecosystem Fund unveiled its initial fund, the $600 million eWTP Technology & Innovation Fund. The fund's mission is to drive strategic investments that help companies accelerate their international expansion and support ideas that drive technological innovations around the world, including projects and plans closely related to the Belt and Road Initiative.

The eWTP Fund will facilitate the continued development of eWTP by providing diversified and targeted support for companies in several areas, such as raising capital, innovation, strategy and management.

"It is our hope that eWTP becomes a private sector-led initiative that will help advance the Belt and Road Initiative," Ma said.

"The vision of our eWTP Fund is to redefine 'local' by eliminating barriers to global expansion for local companies," said Yu Yongfu, a member of the Alibaba Partnership, who has been appointed founding partner and chairman of the eWTP Fund.

The eWTP was proposed by Jack Ma in 2016 to build a more inclusive and innovative global trading platform for SMEs, young people and consumers. The aim is to complement the work being carried out by the World Trade Organization and reduce barriers making it easier for small and medium-sized enterprises to expand their trading capabilities worldwide.

Bosch seeking to continue double-digit growth in China

The Bosch Group is looking to continue its growth in China, where the Germany-based supplier of technology and services achieved sales of EUR14.9 billion (US$17.44) in 2017 - a double-digit increase year on year - and where it has just opened a new plant for infotainment systems in the eastern city of Wuhu.

"China remains a driving force for the global economy and is an absolute pioneer, especially in the field of connectivity. We continue to see tremendous growth potential and are steadily expanding our capacity," said Peter Tyroller, the member of the Bosch Group board of management responsible for Asia Pacific.

Today, Bosch employs more than 60,000 associates in China, which is its largest market outside Germany. Roughly 30% of Bosch's worldwide sales come from Asia Pacific, and over 60% of this is generated in China, according to the company. Bosch also sees good long-term opportunities in the region, especially in the Chinese market.

All the company's business sectors contributed to the positive business development in China in 2017. Around EUR11 billion was generated with mobility solutions - 25% more than in the previous year, and business with home appliances and HVAC equipment continued to perform particularly well, according to the company.

New plant drives connected mobility in China

Bosch said it has been present in China since 1909, and focuses on strong localization in all areas. In addition to local partnerships, the focus is on local manufacturing and research and development for the Chinese market. With the new location in Wuhu, a city in China's Anhui province, Bosch said it is continuing this successful strategy.

On a surface area of 18,000 square meters, infotainment systems, instrument clusters, and connectivity control units (CCUs) for vehicles will be manufactured for the Chinese market. By the end of 2018, the new plant will employ around 900 people - 160 of them in research and development. Bosch said it invested around EUR36 million in this plant, which will expand its local expertise in connected mobility. Just this March, the Bosch Group signed a strategic alliance with the infotainment startup Banma, a joint venture between Alibaba and the Chinese automaker SAIC.

Mobility services and Industry 4.0 drive IoT business forward

Overall, China is a strategic growth market for Bosch's connectivity strategy. Reasons for this include the Chinese government's goals of expanding intelligent connected driving in the world's largest car market and of becoming the world's leading industrial nation. Above all, with the establishment of the two new operating units Connected Mobility Solutions and Connected Industry at the beginning of 2018, Bosch is also making significant progress in its internet of things (IoT) solutions business in China.

The Connected Mobility Solutions division will focus primarily on solutions specifically tailored to local traffic conditions, such as intelligent parking, predictive diagnostics, and advanced fleet-management systems. For the Bosch Connected Industry business unit, China is one of its three main locations alongside Germany and Hungary. In this new unit, the company said it is pooling its Industry 4.0 activities, also in the areas of software and services. The demand for connected manufacturing solutions is increasing in China. For example, Bosch has supplied Weichai Power with intelligent technologies for its manufacturing operations. Today, half the 38 Bosch plants in China are equipped with Industry 4.0 solutions. In the northwestern Chinese city of Xi'an, a Bosch Rexroth lead plant for Industry 4.0 is scheduled to go on line at the end of 2018.

From electromobility to AI

Bosch said it has invested a total of more than EUR4.6 billion in its Chinese locations over the past 10 years. In 2017 alone, the sum was almost EUR840 million - nearly one-quarter more than in the previous year. In Wuxi, the company has begun construction of a new mobility solutions facility, which it said will be the world's first manufacturing facility for 48-volt batteries for electric cars. In early 2018, the power tool factory in Chengdu was expanded. In November 2018, the first Bosch iBooster manufacturing site in Asia Pacific will be officially inaugurated in Nanjing. Also this year, the second phase of the automotive electronics plant in Wujin, Changzhou, will be completed.

Moreover, it is planned to open a center for artificial intelligence (AI) in China in 2018. "China aims to play the leading role in artificial intelligence. Anyone who wants to have a say in this area must also be active in China," Tyroller said. It is estimated that AI in China will be worth EUR120 billion by 2030. By 2017, the Bosch Group had already invested around EUR300 million AI centers in Renningen (Germany), Sunnyvale (USA), and Bengaluru (India).

Foxconn unit to raise $4.26b from public float in Shanghai

Foxconn Industrial Internet Co Ltd, a subsidiary of the world's largest contract manufacturer Foxconn Technology Group, has announced plans to raise up to 27.1 billion yuan ($4.26 billion) in what will be the Chinese mainland's biggest initial public offering in almost three years.

The Foxconn unit, which is known as FII and makes electronic devices, cloud service equipment and industrial robots, is offering up to 1.97 billion shares at 13.77 yuan per share in Shanghai, according to a statement it filed to the stock exchange late on May 22nd.

With 10 percent of its enlarged capital offered in the IPO, Shenzhen-based FII would have a valuation of about $43 billion at listing.

The listing is widely seen as a step for Terry Gou's Foxconn, a major Apple Inc supplier formally known as Hon Hai Precision Industry Co, to wean itself off heavy reliance on manufacturing smartphones for the California-based iPhone maker and to diversify into new areas.

Foxconn said previously it plans to use the proceeds to fund eight projects focused on industrial internet, cloud computing, data centers, communication networks, 5G mobile communications, the internet of things, intelligent manufacturing and industry upgrades.

At around $43 billion, the unit's valuation would not be far behind parent company Foxconn's market capitalization of about $49 billion.

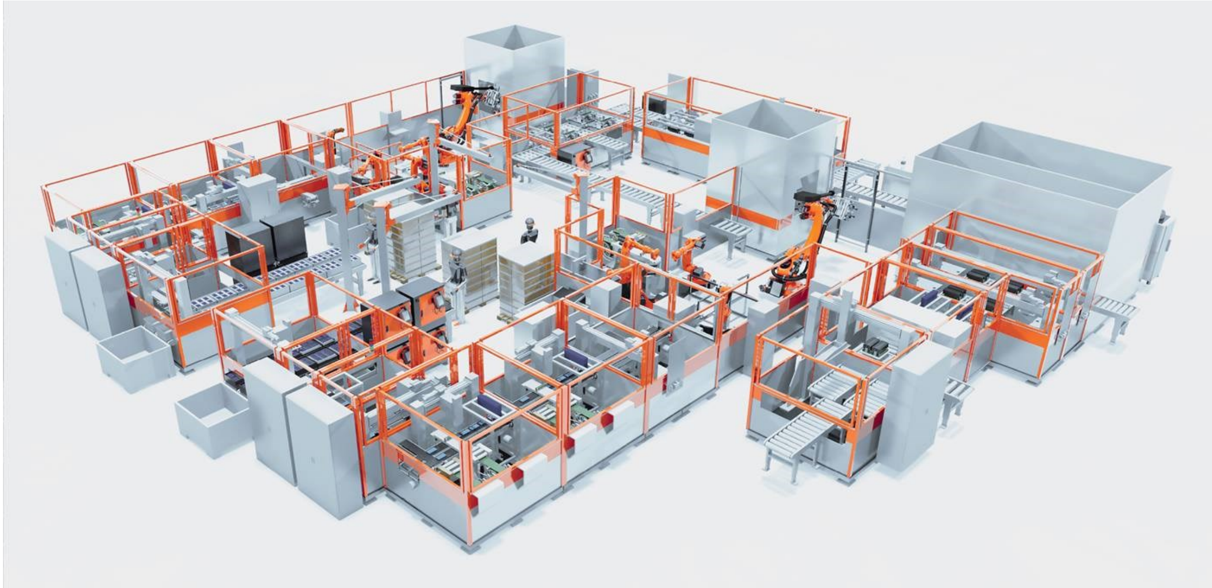
FII plans to sell 30 percent of its public share offering to a group of strategic investors. The strategic investors are not being called cornerstones－investors who accept a lock-up period in return for large allocation, which is a practice common in other Asian markets such as Hong Kong to bolster demand for large deals.

However, the group will function as such, with its investments tied up for between one and three years. In an additional unusual move, 70 percent of institutional investors' allocated shares will also be locked up for 12 months.

The unit's major clients include Amazon.com Inc, Apple Inc, Dell Inc, Huawei Technologies Co Ltd and Lenovo Group Ltd.

On May 11, the Foxconn unit received an official IPO approval document from the China Securities Regulatory Commission, which said in a statement that Foxconn and its underwriters will confirm the dates and publish the prospectus following discussion with the Shanghai Stock Exchange.

KUKA at the China International Battery Fair (CIBF) 2018



At CIBF 2018 held during 22 - 24.05.2018 in Shenzhen, KUKA presented highly automated battery assembly solutions that give customers the decisive advantage in battery production. High product consistency in battery production can be achieved through efficient material processing and assembly. As a reliable partner in the automotive industry, KUKA guarantees product results in premium quality through the best technological know-how and many years of practical experience in robot automation.

Automation experts explained the technical details of a battery assembly series based on KUKA's many years of experience in the fields of robotics, automation technology, technological know-how in materials processing and customer requirements in the battery industry.

KUKA also demonstrated a practical application of the safe and flexible Cobot KUKA LBR iiwa in battery production. The operator is relieved by the collaboration with the sensitive 7-axis robot, which is already increasingly used in the automotive industry, electronics industry and other industries.

"Electric drive" is an important development in the automotive industry. The market needs demand efficient automation of the battery production. KUKA provides customers the decisive competitive advantage through future-oriented solutions based on many years of automation experience and expertise in battery production.

Siemens Supports Guangdong Transformation and Development

Siemens signed a framework agreement for comprehensive strategic cooperation with the Guangdong Provincial Government in Guangzhou on May 24th, to embark on cooperation with Guangdong in such areas as intelligent manufacturing, vocational education, transportation, energy and new area construction to help the province conduct transformation and upgrading, and deepen the reform and opening up. This is Siemens' further promotion of comprehensive cooperation in Guangdong Province after its signing with Guangzhou. Ma Xingrui, Deputy Secretary of the provincial Party committee, Governor of Guangdong Province, and Cedrik Neike, a member of the Managing Board of Siemens AG, attended the signing ceremony, witnessing the signing of the agreement. Huang Ningsheng, Vice Governor of Guangdong Province, and Shang Huijie, Senior Vice President, General Manager of China City CoC and General Manager of South China Region, Siemens Ltd., China, signed the Momorandum of Understanding (MOU) on behalf of both parties.

"As a trustworthy partner taking root in Guangdong for nearly 90 years, Siemens has deepened our cooperation with the province on the occasion of the 40th anniversary of China's reform and opening up, which is profoundly significant," said Shang. "We will continue to provide Guangdong with the experience, technologies, digital solutions and talent support needed for intelligent manufacturing and intelligent infrastructure construction to fully boost Guangdong's industrial transformation and upgrading, energy structure adjustment and intelligent infrastructure construction."

Under the comprehensive strategic cooperation agreement with Guangdong Province, Siemens will build public services, innovation platform and digital factory demonstration center for intelligent manufacturing and robotics with its latest technologies to provide digitalization and automation transformation solutions and technical support for Guangdong's manufacturing industry. Meanwhile, it will help the province build the intelligent manufacturing-related academic programs and highly skilled talent training bases, offer technical and talent support to the province for its implementation of the 13th Five-Year Plan and the industrial transformation and upgrading action plan. In transportation, Siemens will actively cooperate with Guangdong to jointly promote development of the whole industrial chain including rail transit vehicles, key core components and systems in the province to serve the local and “Belt and Road” markets.

On the same day, Siemens also signed a framework agreement in Zhuhai for further deepening cooperation with the Zhuhai Municipal Government.

World Manufacturing Convention Sets to Kick Off In Hefei

The three-day World Manufacturing Convention ("the Convention"), a major gathering of global leaders in the manufacturing sector, is set to kick off on May 25 in Hefei, Anhui Province, China. Organized by the Anhui Provincial Government, the United Nations Industrial Development Organization (UNIDO), the Global Alliance of SMEs (GASME), and the Chinese People's Association for Friendship with Foreign Countries, the Convention will bring together representatives from world-leading companies to an international platform for discussions on current developments and future trends of the industry.

2018 World Manufacturing Convention

With representatives from Fortune Global 500 companies including Volkswagen, HP, General Motors and Microsoft and more, the Convention will feature forums on the advancement of manufacturing technologies in the areas of artificial intelligence, smart homes, integrated circuits and smart manufacturing.

"Hefei is pleased to host such an important convention," said Zhu Ce, Deputy Mayor of Hefei. "The continued development of global manufacturing and logistics chains is vital to the growth of the world's economy. This event highlights Hefei's role in supporting this development, and will help to integrate our local economy into these ever-evolving channels."

"Among the participating companies from over 70 countries and regions, 21 of them are from countries participating in China's 'One Belt One Road' Initiative," said Liu Guang, Deputy Director of the Anhui Provincial Department of Commerce. "The Convention provides more opportunities for companies in Hefei to cooperate with industry leaders from other countries and regions."

Exhibitors at the Convention will showcase the latest products and technologies in the manufacturing industry. The Convention will feature six exhibitions in total, including the Integrated Exhibition, the International Smart Manufacturing Exhibition, the Domestic Smart Manufacturing Exhibition, the Anhui Import and Export Commodity Fair, the Financial Services Exhibitions, and the Anhui Human Resources Exhibition. The exhibitions will cover 43,000 square meters in the main exhibition hall of the Hefei Binhu International Exhibition & Convention Center.

To create business opportunities for attendees, and to foster deeper international cooperation, the organizing committee will hold a matchmaking event, putting 200 to 250 overseas companies in touch with almost 2,000 Chinese businesses on-site.

Additionally, the Convention will welcome renowned world leaders and officials, including Christian Wulff, former President of Germany and Global Chairman of GASME; Ban Ki-moon, former Secretary-General of the United Nations and President of the Boao Forum for Asia; and Philippe Scholtès, Managing Director at UNIDO, among others.