

To be unaware of what is currently going on in China is inexcusable. Gathering information only from the media? A little reductive, *halas*. Running into Alberto Forchielli's *blog*, some time ago, was a real stroke of luck and a breath of fresh air. Its style is quite unique: Forchielli comments current affairs not just for us but also for the Chinese reader. It was not surprising then to discover Alberto's *blog* in the top ten of the most read posts, with 199,012 contacts, among the 150 and more *blogs* gathered in the *Caixin* portal, one of China's most respected business and financial media platforms. But beware thinking that the posts published by *Caixin* are different from those he publishes elsewhere or played down for the Chinese public. Forchielli tells us: "*Chinese readers are simply asking for the truth*" and that: "*the most popular posts are those in which I criticise China*." Primo Piano Scala c couldn't miss the opportunity to

interview him, to talk about its Fund Mandarin Capital Partners of course, but above all about China. We were immediately struck by the difference of key between the answer to our first question, the one about the Fund, in which he is more *institutional* and legitimately proud of his investors' high revenues, and the other three answers where, frankly speaking as a real *Bolognese*, Alberto gets it all out. He enjoys it, it's clear, and he's contagious. China has been a tragedy for Italy indeed, and these harsh words echo the protectionist whining of many Italian entrepreneurs (this we say without disregarding the real *dumping* made by the Chinese Government for years). Forchielli indicates attractive possibilities for who's able to satisfy China's *hunger for technology*, a country full of cash. He says that the Chinese feel lost abroad as we feel lost in China. And his view is confirmed by the recent news about the Chinese photovoltaic giant

Suntech, the largest solar panel manufacturer in the world, which was victim of a fraud of € 554 million in fake German Bonds. Three years ago Suntech planned to build a big photovoltaic power plant in Sicily and Puglia. China Development Bank assessed the operation positively and granted to Puglia Solar II (owned by Suntech) a subsidised loan of € 554 million. Puglia Solar II pledged German Bonds as collateral for the loan. Minority shareholder in this operation was Spanish Javier Romero, Suntech agent in Spain. Then something made Suntech suspicious, and in the end the company discovered that the *Bund* had been forged by Romero. Our only consolation is that, for once, in this fraud Italy is just the geographical scenario and it seems that there were no mafia infiltration at all!

Mariella Palazzolo

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FORCHIELLI

CHINA? IT'S HUNGRY FOR TECHNOLOGY.

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Telos: The challenge of the Mandarin Capital Partners Fund, which you contributed to promote, is to improve the matching between China's productive capacities and Italy's excellence in technology and know-how. Could you explain where this initiative stemmed from, what are its aims and its main achievements?

Alberto Forchielli: Mandarin Capital Partners is the largest Chinese-Italian private equity fund and was born thanks to a lucky meeting with the investments team led by Enrico Ricotta, with an excellent track-record with important international financial entities. The fund was granted € 327.8 M, that were then wisely invested in leading Italian-Chinese enterprises increasing their profitability through internationalisation projects mainly based on the strong economic link recently established between Italy and China. During the investment phase, we focused on the industrial sector, with particular regard to the medical one, which showed clear growth potential on the markets. Our strategy was to act as the link between Italy and China trying to integrate their distinctive competences: on the Italian side creativity, know-how, advanced technology, and access to distribution channels in the developed economies, while, on the Chinese one, leadership in production and exploitation of the expansion of the domestic economy on the Asian market. The management philosophy of the Mandarin is characterised by a hands on approach to its portfolio companies: it doesn't simply take care of governance or financial matters, but proactively supports the management in a wide range of operational and strategic issues, with a particular focus on international expansion. The fund has showed the ability to quickly grasp both the external growth opportunities, through industrial aggregations (that's the case of the portfolio company EUTICALS, a pharmaceutical company active in the production of the API - Active Pharmaceutical Ingredients - which has developed its strategy by acquiring Poli Group and Archimica), and those of domestic growth, as in the case of Gasket International, a company active in the field of components for industrial valves, in which we carried out a greenfield project to accelerate its expansion in the Chinese market. In addition, the implementation of an internationalization strategy in China is facilitated by the presence of two cornerstone investors as CDB and China EXIM Bank, which enhanced our screening skills over of the local industry and, at the same time, our visibility and institutional support. Moreover our



Alberto Forchielli. Recognised expert in international business development, drawing on 30 years of experience around the world, with a focus on China and India, Forchielli is currently Managing Director of Mandarin Capital Partners, which he founded in 2006, in addition to being a Partner and member of the Investment Committee. Holding an MBA with Honours from Harvard Business School and a BA *cum laude* in Economics from the University of Bologna, his other activities include Cleantech srl, a renewable energy company of which he is Founder and President, and Osservatorio Asia, a non-profit Research Centre focusing on Asia of which he is also Founder and President. In his spare time, Forchielli writes a weekly newsletter “Shanghai Notebook” on Radiocor Il Sole 24 Ore, Italy’s leading business newspaper, and holds weekly interviews on the Chinese economy on Radio 24 – Il Sole 24 Ore and on Radio Radicale. In addition he publishes a widely read [blog](#) in both English and Chinese. When he is not traveling across the globe in support of his various activities, he likes to relax at his family home in Imola, Italy. Originally from Bologna, Alberto’s work has brought him all over the world: Singapore with Finmeccanica, Washington DC with The World Bank, Luxembourg with the European Investment Bank, Rome with Gruppo IRI, Boston, London, Santiago and Lima for the Mac Group, and Hong Kong and Shanghai with Mandarin Capital Partners. Forchielli is currently Professor of Business Administration at the University of Bologna.

portfolio companies may benefit from the network of Institutional and private investors supporting Mandarin in its investment activities. In April 2012 our fund concluded its first divestiture operation, of its share in EUTICALS, with an exit cash flow multiple of nearly three an excellent performance given the current economic trend. Strengthened by this successful divestiture and the support of most of our limited partners, we’re now launching a new financial instrument on the market, bigger than the prior, which will include in the scope of its activities not only Italy and China, but Germany as well.

Tackling the trade policy issue when talking about China is unavoidable. The Chinese export is the symbol of globalisation, at times welcomed as the new wave of competition, more frequently represented as the bogeyman for national manufacturers. Beyond rhetoric, is China more a threat or an opportunity? And what is, from your point of view, the best strategy to promote Italy’s interest?

In the past China has been a tragedy for the Italian industry. But the worst is behind us and in the future China will become a great opportunity. It will definitely become so after its easy victory in the war on mature products. In fact, in the sectoral overlap between the two countries, China has a clear advantage coming from its assets. The Italian producers of consumer goods, too many in an industrially advanced country, suffered the Chinese competition based on low costs and acceptable quality. Whereas, when we take the most sophisticated technologies into account, it’s clear that our country still has a lot to teach and to negotiate. China is hungry for technology and Italy is in the best position ever to study a collaboration with a country full of liquidity, as is China today!

Thinking about the threats that our market may pose to Chinese enterprises such as, to mention one, the uncertainty of investments in renewable energy in Southern Italy, is rarely taken into account in our domestic debate. What are the major obstacles met by the Chinese in accessing the Italian market?

The same obstacles we find in China: they are lost, they don’t know the rules, they don’t know who to trust, if not guided they’re going to get hurt. Integration: just imagine a Chinese manager – brought up in a culture of discipline, collaborative trade unions, justice linked to the political power – for the first time in contact with a new, tough context which is often barely understandable to other Europeans as well! For the Chinese it is inconceivable not to have control of the territory, neglecting industrial policy, not playing a leadership role. In Beijing’s view, ruling means not only a right, but also a duty to exercise in the interest of the people.

What about a cultural integration between Europe and China, following the economic one? This is just another field where the dialogue with China is handled by Westerners from a one-sided point of view and with a preference for the purely political aspects: censorship, human rights, single-party system, the form of government... Still, before being a totalitarianism, China is a country with a thousand-year cultural tradition, almost untouched by western influence. From an attentive and passionate observer as you are, is there a chance of building a bridge between these two so far apart mindsets?

A better cultural understanding is not only the result of the economic integration but it’s the prerequisite of its improvement as well. Now that trade relations are established and the political ones are marked by a mutual realism, the cultural field is the one offering more room for improving, even with a view to cementing the economic relations. A big country like China should concentrate its efforts on being accepted and not simply suffered. China has to build a genuine soft power, based on its culture and not just on its size. Only then it will be able to win hearts and minds of citizens, consumers and investors.