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Tesla joins Chinese auto market

Car company puts "fair and risky" \$121,000 price tag on Model S sedan

By YU WEI in San Francisco
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Tesla Motors Inc, the California-based maker of electric vehicles, has announced a \$121,000 price tag for its Model S sedan in China as it begins its foray into the world's largest auto market.

The price of the battery-powered Model S sedan is approximately 50 percent above the price in the US. The difference between the Chinese and US prices is due to "unavoidable" charges, including taxes, import duties and transportation charges, the company said on its website Thursday.

The price was described by Tesla - which opened its first Beijing showroom late last year - as both fair and risky. The company chose to treat Chinese customers as well as it would treat customers in any other country, instead of charging twice as much, it said.

"I think the right long-term strategy is do the right things for customers," CEO

Elon Musk told China Daily in an interview. "If you treat customers well and fairly, then in the long term, I think they reward you with loyalty."

Sales in China, the world's biggest auto market by sales, surged 13.9 percent in 2013 to 21.98 million units, according to the China Association of Automobile Manufacturers. However, Musk said he expects just 5,000 Model S deliveries in China this year, reaffirming the company's earlier projections.

"Our production is relatively limited. As for the last year, we were not limited by sale, we were limited by production," Musk said. "Our production will catch up with the demand in a few years, but I think for this year and probably next year, the demand will be higher than our production."

Musk said he would encourage anyone who wants to order a Tesla car to do so quickly "as we will not have any production left for the year."

SEE "TESLA" PAGE 2



CHANG JUN / CHINA DAILY

A Tesla service center in Fremont, California. The electric car maker announced the price in China on Thursday.



NEW YEAR'S DIPLOMACY

PHOTO BY SUN CHENBEI / CHINA DAILY

Minister Lu Kang of the Chinese Embassy in Washington DC (second left), and Meridian International Center Board Chairman James Blanchard (second from right), President and CEO Stuart Holliday (first right) and Senior Vice President for Arts and Cultural Program Curtis Sandberg applaud while watching a puppet show during a Chinese New Year celebration held at the center on Thursday.

Lenovo to buy IBM server unit

By GAO YUAN in Beijing and JACK FREIFELDER in New York

Lenovo Group Ltd, the world's largest personal computer maker, said it agreed to buy IBM Corp's low-end server unit for \$2.3 billion in what would be the largest technology acquisition by a Chinese company.

The deal would surpass Baidu Inc's \$1.85 billion acquisition of 91 Wireless from NetDragon Websoft Inc last year. It would add \$5 billion to Lenovo's annual operating revenue and give the Beijing-based company a bigger say in the global IT hardware space, Chairman and Chief Executive Yang Yuanqing said.

The acquisition, announced Thursday, is expected to be completed in the next few months, after passing a US regulatory review.

"We're satisfied with the price

of the deal, because we believe the company has acquired a very good-quality asset," Yang said.

Although the x86 server business barely turned a profit for IBM in past quarters, Yang said Lenovo is confident about the unit's long-term earning potential. Many x86 servers are used in key areas in the US, including government, telecommunications and financial system offices.

"We'll enjoy a sharper growth curve in the server sector than in the PC market, because Lenovo has become a global company and is more experienced now," Yang said.

Lenovo's decision to purchase IBM's ThinkPad PC unit in 2005 for \$1.75 billion helped the Chinese company become a PC industry standard-bearer.

Vernon Turner, a senior vice-president with the enterprise servers research team at International Data Corp, a New York-

based market research, analysis and advisory firm, said IBM's most recent earnings report could have spurred the deal.

The report, which beat analysts' per-share estimates, "probably accelerated the mutual interest", Turner told China Daily. "First of all, this deal has been in the works for some time so it was just a matter of getting to the bottom line. IBM is not selling any of its proprietary technology and it's just offloading a technology that is common across the server landscape. I think IBM is doing the right thing."

Lenovo will become the third-largest x86 server maker globally and the biggest in China when the deal closes, IDC said. It was the world's seventh largest x86 server maker as of third-quarter 2013, with 2.6 percent of the global market.

Texas-based Dell Inc was the top server provider in China as

of the third quarter, with more than 20 percent of the x86 server market in the country, according to IDC data.

Turner said he sees the deal as an opportunity for Lenovo to shake up the balance of power in the server market.

"There will be some shifts in the absolute market in terms of volumes and Lenovo could move into a top-five player," Turner said. "The landscape will change and Lenovo is picking up the slack because it's really good at distribution and price points, not to mention it's within a different profit margin than IBM."

Once the deal wins approval, Lenovo will take on about 7,500 former IBM employees.

"The acquisition was a huge bargain for Lenovo, which is eyeing a bigger presence in the information and communication technology market," said Antonio Wang, associate direc-

tor and project leader for IDC China's client system research department. "Lenovo will recover its investment in about five years as the unit is able to generate \$300 million to \$500 million in annual profit."

Yang said that integrating units of this size will not be a problem for Lenovo because the company is strong and flexible enough to quickly merge new units into its global structure.

Gene Cao, senior analyst at Forrester Research Inc, said Lenovo needs to find ways to keep its R & D team from leaving and to better integrate its sales channels. "This new IBM-Lenovo deal may potentially receive more attention from US authorities than the PC business acquisition years ago," Cao said.

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IN THE NEWS

ACROSS AMERICA

Panel war heats up
The US-China solar industry war escalated when the US Commerce Department announced the start of a new investigation of certain solar industry products from the Chinese mainland and Taiwan. > p2

Bosideng pops up

Bosideng, known in China for its line of down jackets, launched a pop-up shop in New York, with plans to expand into the US market in the coming years. > p2

Diversified topic

Canadian Chinese TV news producer and author Ding Guo joined a discussion about how Chinese communities could better exercise their strengths as a "key minority" in politics in both the US and Canada. > p2

CHINA

Confusing rules
A lack of efficiency and clarity deter expatriates from participating in China's social security network. > p6

Flu alert

A low vaccination rate and multiple active virus strains result in a more serious flu control situation this winter, experts say. > p7

Kickbacks probe

A former senior manager at Taiwan's technology giant Foxconn has been detained in an ongoing probe into kickbacks from suppliers, prosecutors said. > p7

Shanghai Disney

Shanghai Disney Resort will have completed operational plans this year for traffic and safety, as well as coping with

a flock of visitors ahead of the resort's opening at the end of 2015. > p7

BUSINESS

Accounting appeal
The Chinese units of the Big Four accounting firms said they intend to appeal a ruling that could suspend their operations in the US for six months. They promised their services to clients won't be interrupted. > p17

Sales surge

Coach Inc, the New York-based fashion brand, saw sales grow 25 percent in the latest quarter, while North American sales fell 9 percent. > p19



Global hunt for top skills accelerates

More talent to be sought as the nation eyes special policy to boost its appeal

By HE DAN and CAO YIN

China will speed up the exploration of immigration policies this year to attract skilled foreign workers, a senior official said on Thursday.

However, Zhang Jianguo, head of the State Administration of Foreign Experts Affairs, did not give details on when the policies will be introduced.

Experts said Zhang's remarks show that China may, for the first time, single out

skilled workers as a special category in its general immigration policies, as the country faces a shortage of such workers.

Wang Huiyao, director of the Center for China and Globalization, said the government urgently needs to revise its immigration policies to attract more highly skilled foreigners.

"China's population is aging quickly and we also need more skilled workers for our economic upgrading," he said. China needs to loosen its immigration policies, including giving citizenship to skilled foreign nationals, he added.

Such immigration policies are common in Western countries, which roll out favorable measures for the skilled foreign workers they lack.

China has experienced a talent "deficit" for years. In 2012

alone, more than 148,000 Chinese obtained overseas citizenship, while just 1,202 expatriates were granted permanent residency in China, according to a report by Wang's center on Wednesday.

China usually grants its version of green cards to foreigners in certain categories: Businessmen who have invested at least \$500,000 in the country; technical personnel such as managers; people with skills "needed by the State" and spouses of Chinese nationals, providing their marriage has lasted at least five years and they have lived in China for at least nine months in each of those years.

Zhang said his administration will seek global talent this year to help China achieve a green economy, better environmental governance, agricultural modernization, and to boost Chinese companies'

KEY NUMBERS

6,000
expatriates have received "green cards" in China since the country started to grant foreigners permanent residency in 2004.

911
foreigners in Beijing had permanent residency cards by December.

Wang said only 6,000 expatriates have received "green cards" in China since the country started to grant foreigners permanent residency in 2004.

SEE "TALENT" PAGE 3



HU HAIDAN / CHINA DAILY

NEW YORK

CONSULATE CELEBRATES

Sun Guoxiang (fifth from right), Chinese consul general in New York; Liu Jieyi (fifth from left); and Wu Hongbo (fourth from right) attend a Chinese New Year reception at the consulate general on Monday. The Chinese New Year falls on Jan 31.



ZHANG YUWEI / CHINA DAILY

UNITED NATIONS

NEW YEAR AT THE UN

Liu Jieyi (right), China's permanent representative to the United Nations, and Wu Hongbo, under-secretary-general at the UN's Department of Economic and Social Affairs, open a Chinese New Year of the Horse celebration event at the Chinese Mission to the UN on Wednesday evening.



SUN CHENBEI / CHINA DAILY

WASHINGTON

NEW YEAR'S SPEECH

Minister Lu Kang of the Chinese Embassy speaks at a Chinese New Year reception held on Thursday at the Meridian International Center in Washington. On his right are Meridian International Center Senior Vice-President for Arts and Cultural Program Curtis Sandberg, President and CEO Stuart Holliday and Board Chairman James Blanchard.



CHEN QIN / FOR CHINA DAILY

LOS ANGELES

WEST COAST RECEPTION

Chinese Consul General in Los Angeles Liu Jian receives a student-created horse oil painting at a reception that the consulate general hosted on Jan 19 for Chinese American faculties and international students in Southern California to celebrate the Year of the Horse.



CHEN JIA / CHINA DAILY

SAN FRANCISCO

FIXING DAMAGES

A worker repairs ruined parts of the main entrance of the Chinese consulate general in San Francisco, in ongoing efforts to undo damages caused by an arson attack on New Year's Day.



SUN CHENBEI / CHINA DAILY

WASHINGTON

POLICY TIPS

Ted Piccone (first right), acting vice-president and director of foreign policy of The Brookings Institution, kicks off a seminar at the institute on Thursday regarding foreign policy recommendations for President Barack Obama in 2014. From left are Brookings specialists Bruce Ridel, Vanda Felbab-Brown, Steve Pifer, Suzanne Maloney, Tamara Cofman Wittes, Jonathan Pollack and the New York Times' Chief Washington Correspondent David Sanger, who moderated the event.



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HOUSTON

WORLD AFFAIRS

Chinese Consul General Xu Erwen receives board members from The World Affairs Council of Dallas and Fort Worth on Jan 17 in Houston.