

Water trade in china

Business



China and Hong Kong in the service industry (mainly leisure-related). The venture is called Yahoo China Limited (HCI). Inside These negotiations concerned an urban water supply system providing potable water to around one million people.

Through an agent in the province, the China subsidiary PAS had secured a contract to construct a water treatment plant for the system. Some time after the completion and commissioning of the plant, PAS learned from the same agent that the municipality was short of funds for some urgent development projects.

One of its options was to privative the municipality water apply facilities. The sale value of the facilities was set by the municipality, and bidders were sought from within its Jurisdiction; there would be no recourse to the central government for approval. HCI, located in the municipality, submitted a purchasing proposal to buy the facilities, to set up a Joint venture with the municipality water company on a 3: 1 ratio, and to operate the facilities on a twenty five-year contract.

Rhea unresolved issues when bids were called for were: Initial water charges.

The only things that had been agreed on up to this date were owe much would be invested in the facilities and spent on improvements. The demand for water. To make the business financially viable, a take-or-pay mechanism Mould have to be introduced, and local wells would have to be closed. The formula to calculate annual water tariff revisions. Devaluation of the Yuan would affect foreign exchange-based investment.

Rhea new company's structure. Who would be the shareholders, board members, and those responsible for its day-to-day management?

Negotiations Begin At the request of the Chinese, a memorandum was signed by HCI and the municipality to record the issues still outstanding. It was only then that P and through it HCI? was monitored by the local P Q agent Who was supposedly very close to high levels in the municipality) that other international competitors had also visited the municipality in connection with the same project. After meeting high-ranking officials in the city, the PAS team was advised to lower its starting price for water supply if it wished to remain the preferred partner.

In a bid not to lose the municipality interest, PAS organized visits to PAS operations in other revisions for a group of municipal officials, whose reaction was positive. Then, believing it a good time to start negotiations, PAS submitted a revised proposal, Inch it followed up by visits requesting discussion.

Rhea mayor's office arranged a negotiating session to be attended by representatives of all the municipal departments concerned, at which PAS and HCI were represented by four people: John King, Hans Christian, Change Penn L', and Xx Jinn.

For several Knees the unresolved issues and other matters were discussed, and every evening he municipality hosted a formal banquet, which lent ambiance to the talks. Change and Xx were the representatives on these social occasions, while King and Christian remained in the background.

Strategy Applied PAS did not begin negotiating using the water rates as the <https://assignbuster.com/water-trade-in-china/>

deciding factor in the belief that, were its ideas not well accepted, the entire project might be placed on hold. Instead, it picked secondary issues with uncritical impact to give both parties some wins to balance the losses.

Discussions started with water demand.

Municipalities are generally optimistic about velveteen and, therefore, ready to accept or propose relatively high demand levels “ here the take-or-pay mechanism is applied. Moreover, PAS believed the municipality would not be in the Joint venture if it were not ready to enforce the laws concerning wells. So an agreement was reached quite quickly on water demand. Next to be negotiated was the tariff adjustment formula. Both parties agreed to an inflation-adjusted tariff, while the provincial government representative insisted that foreign exchange should represent less than five percent of investment and be used for no more than ten years.

Due to Pap’s favorable reputation, agreements on the shareholding structure and management were reached without too much difficulty.

Last came the water rate negotiations. PAS impressed on the municipality that, as an old friend, it was right for the project, being technically and financially sound with a DOD track record in China. Pap’s sincerity was demonstrated by the number of Chinese staff on its team. Rhea toss-up Agreement was reached in two weeks, with the mayor himself voicing his support.

Noshing to give face to their lead negotiator, and aware of Chinese sensitivity to rising, PAS then offered to reduce the starting water rate.

In return, to give face to PAS, the municipality offered preferential tax treatment over a five-year period. Answer questions below: 1 . Brainstorm the culture-related problems which are existing in all along the negotiation process between PAGE/HCI and the local municipalities? 2. What have been done by the European negotiators and their local counterparts (HCI representatives) to overcome and resolve the problems above? 3. How things could have been done better? If any idea, please specify.