

"China Says Renault Espionage Link Reports 'Baseless' (Update1)
2011-01-11 13:41:51.504 GMT

(Updates with power company name in third paragraph,
comment from executive's lawyer starting in 12th.)

By Bloomberg News

Jan. 11 (Bloomberg) -- China rejected media reports linking its companies to a suspected leak of Renault SA electric-car secrets that led to the suspension of three senior executives by the French automaker.

"The accusations are baseless and irresponsible, and the Chinese side cannot accept them," Hong Lei, a spokesman for the foreign ministry, told reporters in Beijing today.

The Chinese government commented following French newspaper reports over the past week that said investigations pointed to Chinese involvement. Le Figaro said today that Renault had uncovered payments by China State Grid Corp., the state-owned power distributor, into accounts held by two of the executives in Liechtenstein and Switzerland.

Caroline De Gezelle, a spokeswoman for Renault, declined to comment on the report. Lu Jian, a Beijing-based spokesman for China State Grid, did not answer calls to his office.

Renault has fallen victim to an "organized, international ring" that passed on vehicle designs and commercial data, Chief Operating Officer Patrick Pelata said in an interview published Jan. 9 in Le Monde and confirmed by the company. Battery technologies "appear" to be safe, he said.

Renault, based in the Paris suburb of Boulogne-Billancourt, and Japanese partner Nissan Motor Co. have invested a combined 4 billion euros (\$5.2 billion) to develop and manufacture electric vehicles and power packs.

NEC, LG Chem

Nissan produces lithium-ion cells in a venture with NEC Corp. for the Leaf electric car and models planned by its French alliance partner. LG Chem Ltd., a South Korea-based unit of LG Group, has a contract to supply Renault with batteries in excess of the alliance's manufacturing capacity.

Nissan and LG are checking whether any of their technology was compromised by the Renault leaks, the companies said Jan. 8.

Renault has said its next step will be to interview the three suspended executives prior to the possible termination of their employment. The meetings may take place today, Les Echos reported, citing union sources.

The highest-ranking of the accused Renault managers is Michel Balthazard, a vice president for long-term product development who is on the 27-member management committee chaired

by Chief Executive Officer Carlos Ghosn, two people with knowledge of the matter said Jan. 5.

Accused Await Explanation

Another suspended executive, Matthieu Tenenbaum, previously worked at Nissan before overseeing development of four battery-powered Renault models as deputy head of its electric-vehicle program.

Tenenbaum has received no explanation for his suspension, his lawyer Thibault de Montbrial said in a telephone interview.

"He can't defend himself because he doesn't even know what he's accused of," Montbrial said. "He obviously denies being a Chinese spy. The accusation would be ridiculous if it weren't so serious."

While the French carmaker has never confirmed the identity of the three executives, legal director Christian Husson said Jan. 6 they had "knowingly and deliberately endangered the company's assets."

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--Michael Forsythe in Beijing and Laurence Frost in Paris.
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