CHINESE INVESTMENT IN GERMANY

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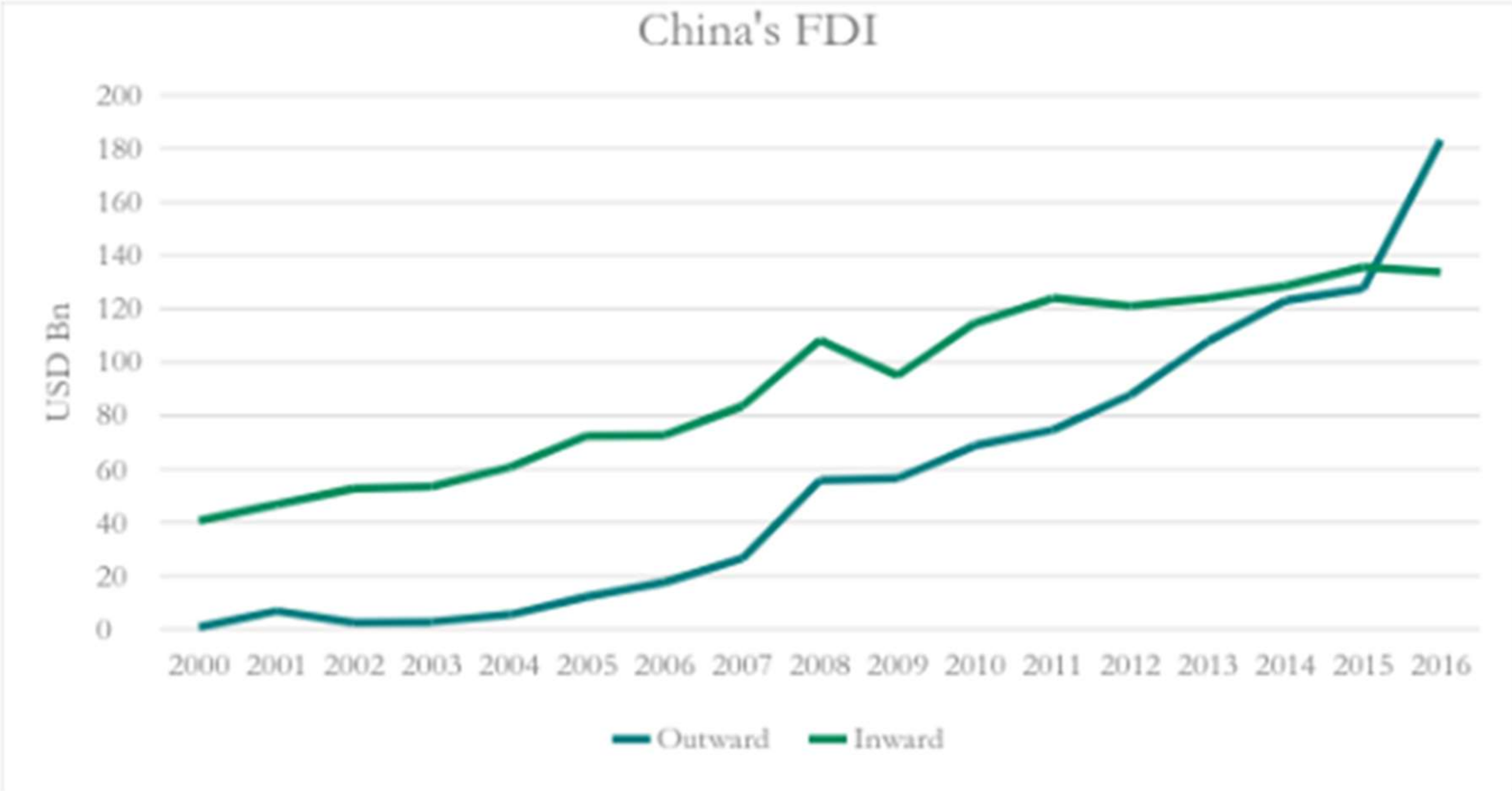
BACKGROUND – AN EXPANSION OF CHINESE OVERSEAS INVESTMENT.

- Since the launch of the 'going global' strategy in 1999, the Chinese government has promoted Chinese companies investing overseas.
- Outbound investment really took off from mid-2000s globally.
- By 2015, China had become the world's second largest source of FDI.
- The launch of the BRI in 2015, six economic corridors and the maritime silk road linking Asia, Africa and Europe, can be seen as representing a political upgrading in Chinese overseas expansion.
- Investment in Europe was slower at first, but has increased substantially since 2009 in aftermath of the economic crisis.


China's FDI
USD Bn
200
180
160
140
120
100
80
60
40
20
0
2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016
Outward
Inward

INVESTMENT IN GERMANY

- Among European countries, Germany has been one of the major recipients of Chinese ODI.
- Between 2000 and 2015, Germany received a cumulative total of 7,905 million Euros in Chinese FDI.
- Initially this was mostly in small greenfield investments, but more recently there has been increasing acquisition of Germany companies by Chinese investors.
- In 2016, 68 acquisitions were made by Chinese companies in Germany.

Examples of notable Chinese acquisitions in Germany

- 2011: Lenovo acquired a 51% stake for US$900 million technology and consumer electronics company Medion.
- 2012: Weichai Power acquired a 25% stake in truck maker KION for 738 million euros. At the time it was China's largest direct investment in Germany.
- 2014: AVIC Systems (a subsidiary of aerospace and defence conglomerate AVIC) acquired automotive systems manufacturer Hilite International for 473 million euros.
- 2016: China National Chemical Corporation (ChemChina) acquired a two-thirds stake in machinery manufacturer Kraus-Maffei for 925 million euros.
- 2017: Midea acquired a 94.55% stake in robot manufacturer Kuka for 4.5 billion euros.
- 2017: China's HNA Group acquired a 700 million euros (3.04%) stake in Deutsche Bank AG. Later that year it was revealed that HNA's stake had risen to just under 10%.
- 2018: China's Geely Group acquired a 7.3 billion euros (9.7%) stake in Daimler – the biggest Chinese investment in a global automobile manufacturer to date.

WHY IS GERMANY AN ATTRACTIVE LOCATION FOR CHINESE INVESTMENT?

- An attractive location for FDI more generally (not just from China)
- Advanced manufacturing capabilities
- Advanced knowledge and expertise in line with China's 'Made in China 2025' strategy
- Access to other European markets through investing in Germany
- The good reputation of the 'Made in Germany' label with customers.
- A strategic location for the BRI initiative.

HOW IS CHINESE INVESTMENT BEING RECEIVED?

- Investment is still comparatively welcomed by the German government and the BRI continues to be described as an important project.
- However there have been a cooling in attitudes, particularly amidst fears over loss of technology and technological advantages.
- The acquisition of KUKA, as a major company in a strategic sector, was seen as a turning point in causing caution and concern. Contributed to atmosphere in which the German government tightened regulations on all non-EU investment.
- Questions are being raise about whether some investments are more political than economic in nature.

INVESTMENT IN MANUFACTURING

Situation of the 4 companies:

- 1 acquired by a Chinese SOE, 2 by private mainland companies, 1 by a HK company connected to mainland Chinese capital.
- Experiencing financial difficulties, investment was seen as something positive for securing the company's future.
  - although due to the length of time to obtain permissions in China acquisition could be a lengthy process.
  - Knowledge/involvement of worker representatives varied (one case strikes were threatened)
- Experiences since acquisition have varied substantially.

CHALLENGES/PROBLEMS ENCOUNTERED POST ACQUISITION

- Communication: little direct contact with the new owners, lack of a direct line of communication with decision makers, language barriers when dealing with Chinese management.
- Lack of understanding of democratic decisions making, the German legal system and laws. and protection of workers' rights.
- Job security: After initial (5 year) commitments, e.g. to protect jobs and the location of the workplace, expired, more changed were noted e.g. management, risks to job security, relocation of production.
- Financial issues: stability hasn't always been readily achieved; some of the companies continued to experience losses or other financial difficulties .
- Lack of experience of the company, European market, customer base.

Employee Situation by November 2018

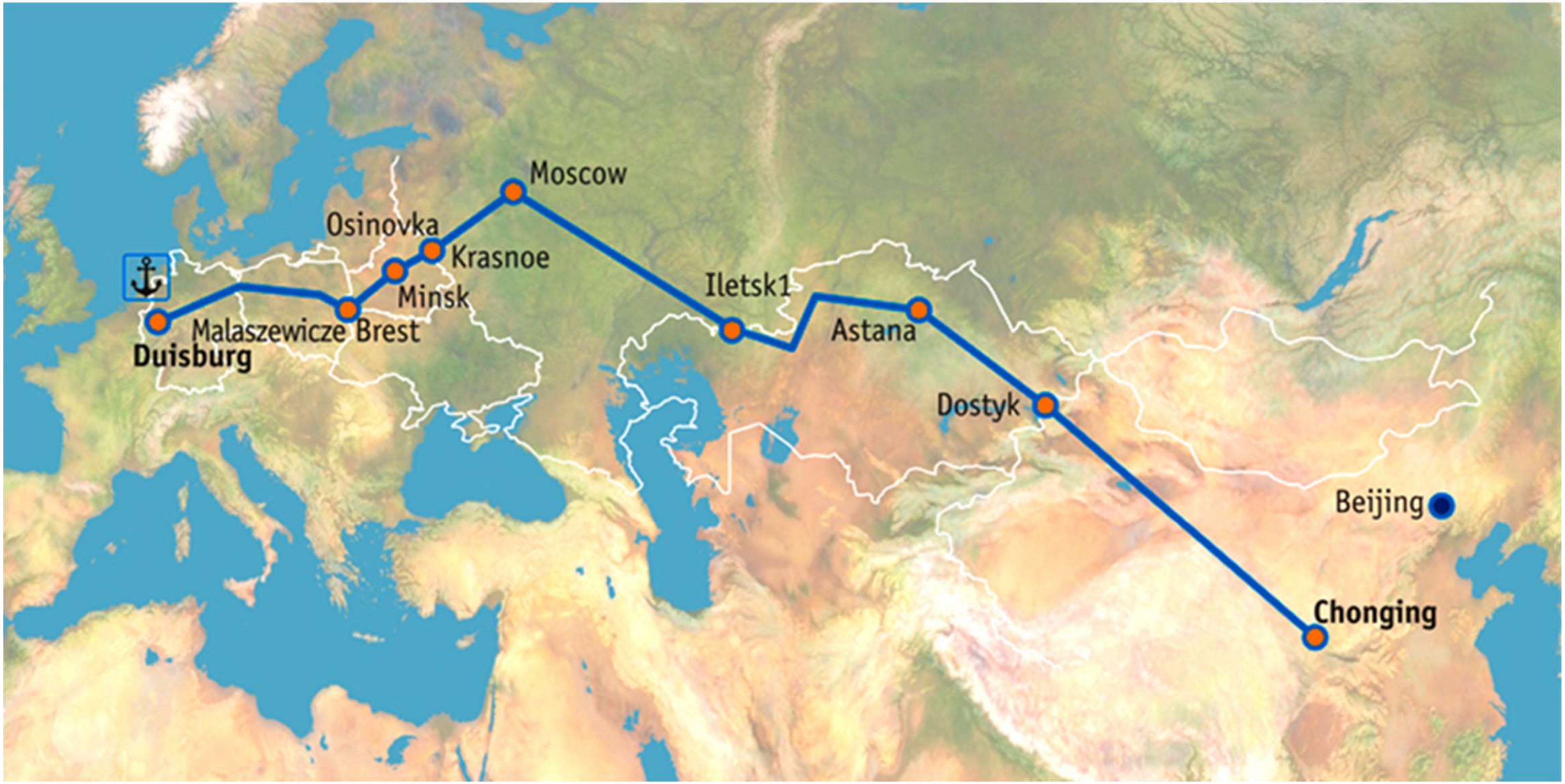
Company	No. Employees in Nov. 2018	Redundancies and workforce reductions
Company A	270	The company was preparing to reduce the workforce by 50 workers.
Company B	350 (280 permanent and 70 contract workers)	
Company C	200	There had been 700 employees at the time of acquisition. The workforce was reduced to 350 in 2015 and then to 200 in 2017.
Company D	480	There had been 594 employees at the time of acquisition.

LOGISTICS AND INFRASTRUCTURE INVESTMENT

Duisburg

“China’s Gateway to Europe”

- Largest inland port even before it became the Western Terminus of China’s New Silk Road.
- Launched in 2011: 10,000 km rail route starting in Chongqing. Regular cargo since 2015.
- Sending cargo is almost twice as expensive as shipping but takes 12 instead of 45 days.
- Created jobs in a city with high unemployment.
- Expansion of Chinese business: the no. of Chinese businesses has doubled since Xi Jinping’s visit in 2014.


Moscow
Osinovka
Krasnoe
Minsk
Malaszewicze Brest
Duisburg
Iletsk1
Astana
Dostyk
Beijing
Chonging

LOGISTICS AND INFRASTRUCTURE INVESTMENT

The Hamburg Port Development Plan

- In 2017 the Hamburg Port Authority initiated an ideas competition to develop a part of the Hamburg port.
- Shanghai Zhenhua Port Machinery (ZPMC) and its parent company CCCC were declared the winner with a plan to build a new fully automated container terminal at an estimated cost of 1.2 to 1.4 billion.
- Under the proposal ZPMC/CCCC will gain control over the constructed terminal and its operation. In previous practices, the city of Hamburg has been responsible for providing and maintaining the infrastructure

INCENTIVES FOR CHINESE INVESTMENT IN HAMBURG PORT?

- Strategic location: Hamburg is a significant location for trade and logistics. The largest port in Germany and the third largest in Europe.
- China is an important trading partner of Hamburg. According to some reports, despite an overall decline in throughput, China is amongst countries with which there has been an increase.
- Support for increased Chinese investment and expansion of Chinese companies.
- BRI integration: expansion of political and economic influence. Chinese companies have been expanding their investments in ports globally.

IS THERE A NEED?

- Hamburg already has four major existing container terminals.
- The port has been shrinking in size (land and volume of cargo handled).
- Insufficient business: losing ground to other ports such as Antwerp and Rotterdam.

MOUNTING CONCERNS

- Increased competition?
- Adverse impacts on jobs?
- Fears about poor working conditions ?
- Rationale for declaring this bid the winner?
- Lack of transparency and democratic discussion.

CONCLUSION?

- Chinese investments have been growing rapidly and investment is being made in strategic sectors.
- Chinese investment IS a cause for concern.
- Investments may be driven by financial need and may seem positive at first. But what are the longer term implications?
- Impact of the character of the Chinese state and the degree that its overseas investment is driven and shaped by the one-party state.
- Implications for international labour solidarity.