

Center for Financial Studies Frankfurt

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**Panel Discussion on Chinese Investments in Germany
in the context of the Dr. Michael Endres Prize, Frankfurt**

Seven theses

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1. Foreign investments are usually highly welcome. There is even fierce competition between locations for such investments. An example are the new German states in the case of a Chinese battery factory.

2. The internationalization strategies of German and Chinese companies are very different. German companies prefer to go to China with greenfield factories. There are 8,500 German companies, which operate about 2,000 factories. In the city of Taicang alone there are 300 German companies. As far as I know, there is only one Chinese factory in Germany, in Halle an der Saale, it has only 210 employees.

3. Chinese companies enter the German market mainly through acquisitions. The first took place in 2005 with the acquisition of Dürkopp Adler, world market leader in industrial sewing machines. In the last three years there have been 162 acquisitions of German firms by Chinese companies, including many hidden champions, e.g. Kuka, Krauss Maffei, Kion. In the opposite direction, 32 acquisitions took place.

4. German direct investments in China are two to three times higher than Chinese direct investments in Germany. Only a small share of Chinese direct investments go to Germany. In the ten largest target countries, the Chinese invested 621 billion dollars until June 2018. Germany accounts for less than 6% of this figure. We rank in 7th place. Even in Brazil, Pakistan and Russia, the Chinese are investing significantly more than in Germany.

5. As far as I can tell, the experience with the Chinese buyers is good. They bring additional money, help open up the Chinese market and let the Germans do their business. In individual cases, however, I have heard that promises have not been kept.

6. I consider the current development in the context of globalisation to be normal. I do not expect Chinese dominance. There were similar fears of American dominance 100 years ago and again 60 years ago; in the 1980s we were afraid of the Japanese. No single country will dominate the growing world economy. China currently accounts for only 15% of the world's gross domestic product.

7. Can one speak of a level playing field? I don't think so. Because there are - at least partially - two systems competing against each other. That is the reality. However, we are unlikely to gain much by keeping Chinese investments away from Germany. The priority should be to achieve free and fair competitive conditions for German companies in China. That is a long road.

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