German Investment in China

Changing Opportunities and Trends 2019

China International Investment Promotion Agency (Germany)

FDI Center

CIPA

FDI Center

Study Contributors

CIIPAG

The China International Investment Promotion Agency (Germany) (CIIPAG) is the German-based office of the China Investment Promotion Agency of the Ministry of Commerce (CIPA). As a platform for investment promotion between China and Germany, it provides information, consultation and investment services to the Chinese government, industrial parks, industrial organizations and enterprises expanding to Germany and other European regions, as well as professional consulting and investment services for enterprises and institutions in Germany and other European regions wishing to enter the Chinese market. The main contents of the work include: promoting the cooperation between small and medium-sized enterprises in China and Europe; organizing Chinese and foreign enterprises to participate in investment promotion activities related to China and Europe; participating in the work of the German-Chinese Enterprise Business Association to safeguard the legitimate rights and interests of Chinese-funded enterprises; publicizing the investment policies and investment environment of the two countries; establishing close ties with international economic organizations and investment promotion agencies and carrying out substantive cooperation policies; planning and organizing two-way investment to promote professional training, research and activities.

The CIIPAG team for this study consisted of Xu Yaojun, Yang Xuan, Qu Yingyu, Andre Meyer, Liang Shuanglin and Haifeng Yang.

FDI Center

FDI Center is a specialized advisory firm in the field of foreign direct investment. We are entirely focused on helping governments, investment promotion agencies and industrial parks to attract investment. We work with countries, regions, cities, special economic zones and industrial parks from around the world to develop and implement successful strategies and approaches for attracting and retaining investment. We know how intensely locations compete to attract investment and we understand what makes a location attractive for foreign investors. FDI Center's support addresses the practical aspects of investment attraction and allows our clients to attract investment more efficiently and successfully. More information about FDI Center can be found at www.fdi-center.com.

The FDI Center team for this study consisted of Andreas Dressler, Paola Suárez Buhrmann and Abbey Heffer.

Introduction

China has become a highly important market for German companies of all sizes and across a range of industries. In addition to the growing levels of trade between the two countries, the German Chamber of Commerce in China estimates that there are about 5,000 German companies present in China to better serve the Chinese market, be close to their customers and take advantage of other advantages that China offers as a business location.

China is in the midst of significant structural changes as its economy transitions to high-value activities and industries while development spreads further inland. China is also becoming a formidable presence in the global economy through initiatives such as Belt and Road initiative. These changes create new opportunities for German companies already in China or those considering their first presence in the country. The rapid pace of China's transformation also increases the complexity of making investment decisions in a country that is already perceived as confusing by some outsiders and first-time investors. At the same time, slowing economic growth in China and the trade dispute with the United States creates uncertainty for existing and potential investors.

This study therefore comes at an important time, both for German companies considering new investments or expansions in China, as well as Chinese government agencies and industrial parks that are seeking to attract German investment. The study aims to provide information to both sides by addressing the following questions:

- What is the status quo of German investment into China?
- What are the key trends in German investment to China?
- What opportunities are current changes in China creating for German companies?
- What are the key challenges faced by German companies investing or operating in China?
- How can Chinese locations more effectively attract and support German investors?

The study was initiated by the China International Investment Promotion Agency (Germany), which is part of the China Investment Promotion Agency within the Chinese Ministry of Commerce (MOFCOM). The study was conducted by FDI Center and is based on secondary data sources as well as interviews with German companies that have already invested in China.

Contents

Foreword by Mr. Liu Dianxun

Director General of the China Investment Promotion Agency of Ministry of Commerce of P.R. CHINA

In 2018, China's utilization of foreign capital increased against the trend of 19% decline in global transnational investment. According to the latest data from the Ministry of Commerce, China's actual use of foreign capital in 2018 was 88.56 billion yuan, an increase of 0.9% (US$134.97 billion), an increase of 3% over the same period of last year. No bank, securities and insurance data are included, as below). Investment from developed economies grew rapidly, of which German investment in China amounted to US$3.68 billion, a 139% increase compared to the previous year. China continues to be the developing economy with the strongest attraction for foreign investment and the second largest FDI inflow country in the world.

Over the years, the Chinese government has been striving to optimize the business environment and continue to relax the restrictions on foreign investment access. At present, restrictive measures have been reduced to 48, and the level of liberalization has increased significantly. At the same time, we are also fully and thoroughly implementing the management system of national treatment plus negative list before admission, improving the level of facilitation, strengthening the protection of the legitimate rights and interests of foreign investment, and firmly promoting the construction of free trade pilot zones.

Thanks to China's relaxation of the restrictions on foreign capital share ratio in the automotive industry, Tesla China's factories have settled in Shanghai's port-side areas, making it the largest foreign-funded manufacturing project in Shanghai at present. BMW has announced a 3 billion euro increase in investment in China to build a third vehicle factory. It can be said that with the release of a series of policies highlighting liberalization and facilitating foreign investment, global investors are confident that China will deepen reform and opening up and maintain long-term sustainable economic growth.

China has a huge market with a population of nearly 1.4 billion and a steadily expanding middle-income group, which holds tremendous market opportunities. With the further improvement of China's economic development level and the ever-expanding market volume, the high-quality demand brought by consumption upgrading will continue to increase, and the attraction of foreign investment will be enhanced accordingly.

The China Investment Promotion Agency of the Ministry of Commerce, as a state-level investment promotion agency, is working to provide pragmatic and effective services and support for foreign-funded enterprises to enter China through the establishment of a cross-border industry investment promotion platform. This report describes the current situation and trend analysis of German-funded enterprises' investment in China, covering a lot of first-hand information, which has a certain reference value for the investment and development of German-funded enterprises in China.

Foreword by Prof. Dr. Dr. h.c. mult. Hermann Simon

Founder & Honorary Chairman, Simon-Kucher & Partners Strategy & Marketing Consultants GmbH

China has become Germany's largest trading partner and economic ties between the two countries continue to grow stronger. At the same time, China is undergoing a major transformation aimed to catapult the country to the forefront of innovation in a range of industries and technologies. This transformation creates both opportunities and challenges for German companies.

Many German companies already have a presence in China. The Chinese market has become vital to the international expansion strategy and performance of both German multinationals and small and medium sized Mittelstand companies, especially the Hidden Champions, many of whom have established a significant footprint in China.

For these companies – as well as those considering a presence in China for the first time – it is essential to observe the many changes occurring in China in order to react quickly and flexibly. In many respects, this requires becoming more "Chinese" and adapting the company's activities, products and services to the diverse and dynamic Chinese market.

This study provides a snapshot of German investment in China and the trends that are likely to have the strongest impact on future investment flows. The aim of the study – as well as the China International Investment Promotion Agency (Germany) and its partners – is to help guide German companies as they consider expansions or new investments in China.

Foreword by Mr. Wang Weidong

Minister-Counsellor of the Economic and Commercial Department of the Chinese Embassy in Germany

In the 40 years since reform and opening up, Sino-German bilateral cooperation in trade and economy has developed particularly quickly. For 44 years, Germany has maintained its position as China's largest trading partner in Europe; bilateral trade between China and Germany accounts for nearly one third of China's total trade volume with the European Union. In 2016, China became Germany's largest trading partner.

Germany is the EU's largest investor in China, with inbound investment of 90 billion USD, accounting for a quarter of EU investment in China. China's large cities and constantly increasing consumption potential provides German companies with limitless commercial opportunity. China has already become Germany's most important high-growth market for the automotive, machinery, chemical, precision equipment and new energy industries. The Belt and Road Initiative has created new opportunities for bilateral economic cooperation. China welcomes and encourages companies from both sides to deepen cooperation in the areas of construction, environmental protection and finance, in order to discuss, work on and enjoy these three forms of cooperation together.

As well as the continued advancement of opening up, China continues to improve its business environment and the protection of intellectual property rights. In the "2019 Doing Business Report" released by the World Bank, the Chinese Mainland occupied the 46th place in the Ease of Doing Business Ranking, moving up 32 places compared to last year, entering the top 50 for the first time. China is one of the economies that has seen the greatest improvement in this ranking. For the first time, China reached the Top 20 of the "Global Innovation Index" released by the World Intellectual Property Organisation, ranking 17th in 2018. As of the end of 2017, foreign applicants have applied for more than 1.77 million invention patents, an 11.24% increase year-on-year. At this time, total cumulative trademark registration applications exceed 2.19 million, with an average annual increase of 15.49%. This shows that foreign-invested enterprises are growing more confident in China's protection of intellectual property rights. China has become a major player in intellectual property rights in reality as well as in name and continues to forge ahead in this aim. For many German companies entering the Chinese market, the country's progress in protecting intellectual property rights is one of the most important factors encouraging reinvestment. German companies are able to enjoy the benefits of China's development.

China recently published the new "Negative Lists" for market access; more and more areas are opening up to foreign investment. More specific initiatives will be launched this year, based on the central belief that all companies should be treated equally in order to promote fair competition. China will continue on the path of stable economic development. Entering China's increasingly standardized market provides international companies with rare opportunities for development. We welcome German companies to take advantage of China's continued process of opening-up by investing in and developing alongside the Chinese economy.

This report by the China International Investment Promotion Agency (Germany) and FDI Center analyses the current situation facing German companies investing in China. It is valuable reading for those wishing to understand the current trends and changes of German investment in China.

1. Current Status

Current status of German investment in China

1. Current status of German investment in China

According to the World Investment Report 2018 published by United Nations Conference on Trade and Development (UNCTAD)[1], China continues to be the largest FDI recipient among developing countries and the second largest worldwide, behind the USA. In 2017, FDI inflows to the country increased by two percent compared to the previous year, from US$134 billion to US$136 billion.

The table below shows the top ten countries and regions with investment in China based on inflows during 2018, which accounted for approximately 95 percent of total foreign investment in the country. Germany is one of the most important sources of investment. FDI from Germany to China has fluctuated in recent years and increased significantly in 2018. The total amount of German investment in China in 2018, US$3.68 billion, was 139 percent higher than during 2017.

Table 1 Top ten countries and regions investing in China in 2018

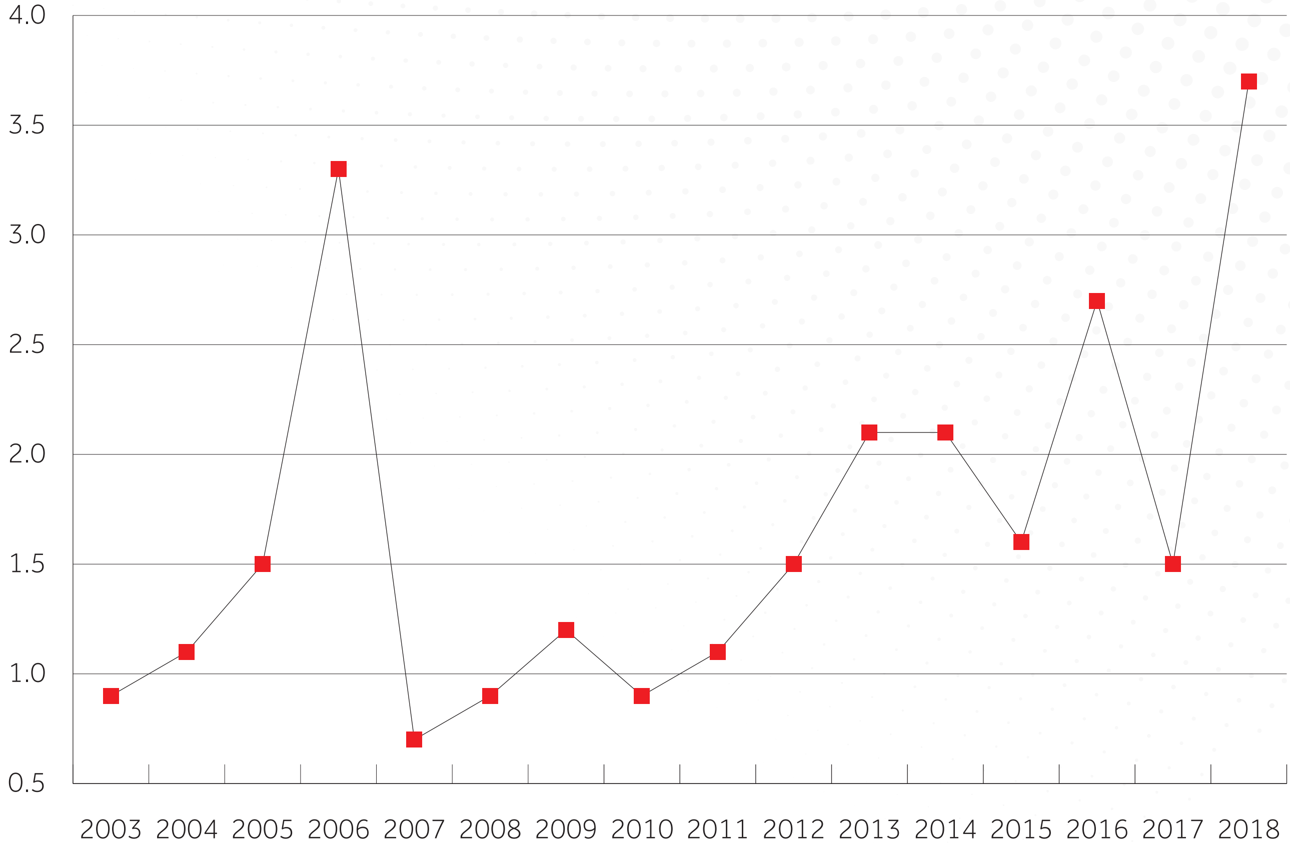
Country	Investment (US$ billion)
Hong Kong	96.01
Singapore	5.34
Taiwan province	5.03
South Korea	4.67
UK	3.89
Japan	3.81
Germany	3.68
USA	3.45
Netherlands	1.29
Macao	1.29

Source: Information by the Foreign Investment Department of the Ministry of Commerce of the People's Republic of China.

[1] UNCTAD World Investment Report 2018.

Graphic 1 shows the evolution of German FDI to China over the last 15 years. The average annual investment inflow over this period was US$1.7 billion, experiencing a peak in 2018 with US$3.7 billion and a low point in 2007 with US$0.7 billion.

Graphic 1 German FDI Flows to China since 2003



Source: UNCTAD, German Chamber of Commerce in China

According to the German Chamber of Commerce in China's German Business Survey 2018/19[2], the majority of German businesses in China are in the machinery/industrial equipment and automotive sectors, followed by business services and plastic and metal products. Geographically, most of the German companies are concentrated in the areas of the Yangtze Delta (East), the Bohai Economic Rim (North) and the Pearl River Delta (South). In addition, more than 70% of German companies in China are organized as Wholly Foreign Owned Enterprise (WFOE) and the majority are small and medium sized enterprises.

[2] German Chamber of Commerce in China, German Business in China, Business Confidence Survey 2018/19

2. Recent Trends

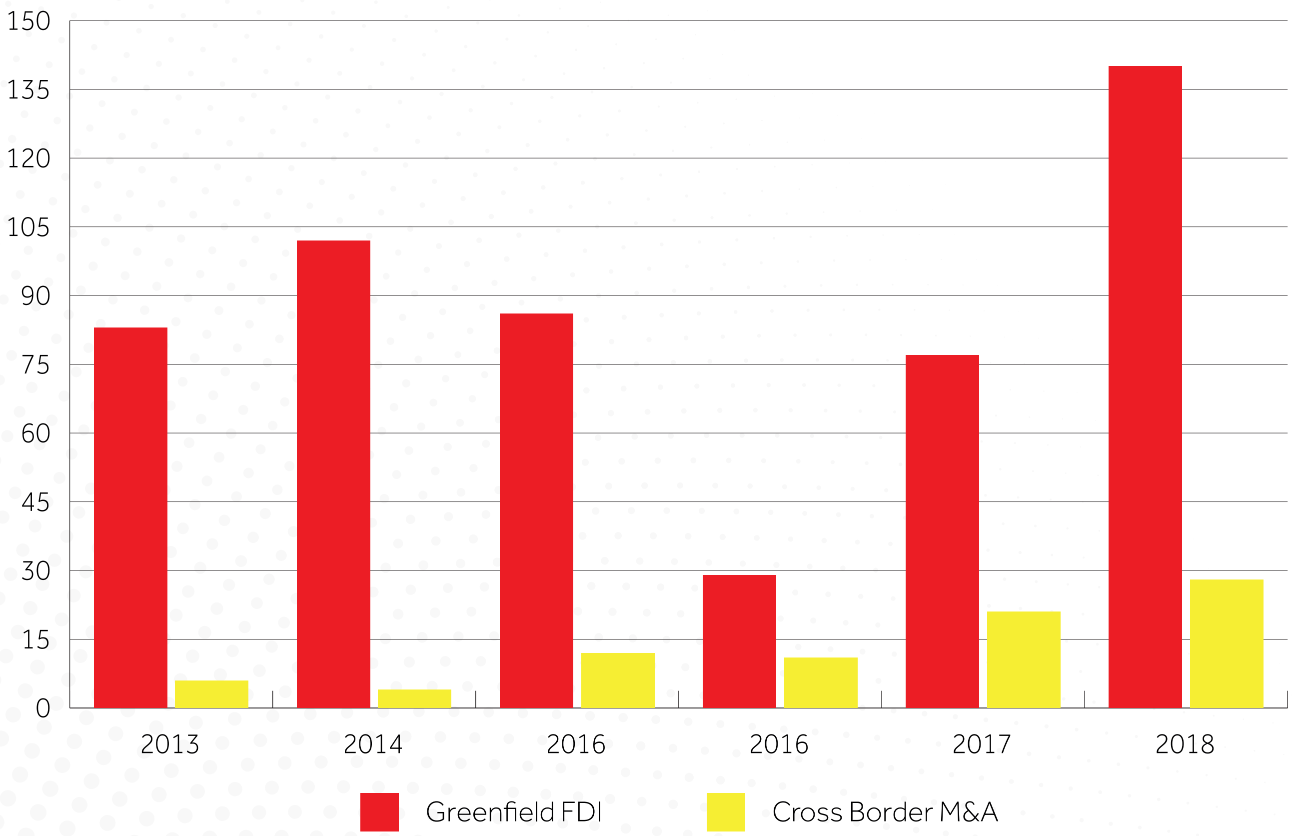
2. Recent trends – how has German investment into China been changing?

This section of the report provides an analysis of German investments into China over the past five years based on individual projects. The source for the project data used in the analysis is Orbis Crossborder Investment, which is a tool that tracks both greenfield foreign direct investment and mergers and acquisitions (M&A) worldwide. Since the tool is based primarily on projects that are publicly announced (for example, through a press release by the company or investment promotion agency), the tool may understate the number of projects in markets where these are not all announced.

Orbis Crossborder Investment estimates the volume of investment and employment for each project in cases where these are not mentioned in the announcement. It is important to note that the Orbis estimates of capital expenditure and employment are based on the overall project, which may span several years. Capital expenditure numbers may therefore differ significantly from official foreign investment statistics, which also include other types of capital flows. The Orbis database currently goes back to 2013 and is updated daily. The data in this section should be seen as indicative of key trends and may not capture all German investments into China.

Total number of German projects to China per year

Graphic 2 Total number of German projects to China from 2013 to 2018



Source: Orbis Crossborder Investment, Bureau van Dijk, 2019.

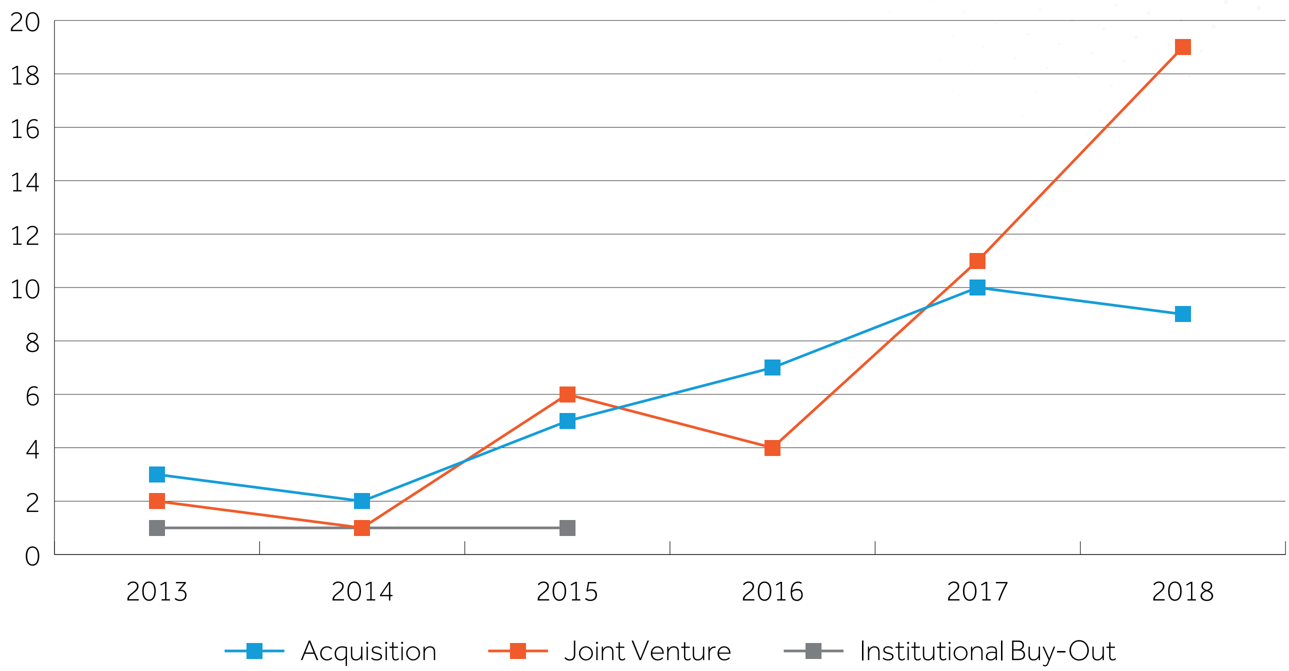
Graphic 2 shows the total number of greenfield FDI and cross-border M&A projects between Germany and China that have been recorded between 2013 and 2018. Greenfield projects involve a German company setting up a new presence or expanding an existing operation (e.g. a sales office, manufacturing plant, R&D center or other type of facility) in China. M&A projects are defined as involving more than 10 percent foreign ownership and include acquisitions, mergers, joint ventures and minority stakes.

A total number of 517 greenfield projects by German companies in China were recorded during this period. The highest number was registered in 2018 with a total of 140 greenfield projects, almost twice the number of projects recorded in 2017. In 2016, the total number of announced projects dropped significantly, presumably due to the economic slowdown in China at that time.

Over the same period, there has been an increase in the number of M&A projects, which have grown from only 4 projects in 2014 to 28 projects in 2018. Although M&A projects still represent less than a quarter of all investment projects recorded, there is a clear increase in the number of M&A projects in the period under review. This is likely to reflect the changing nature of the Chinese market, as German companies increasingly use M&A to seek market access or local know-how (e.g. product development) rather than (or in addition to) establishing their own new operations for sales or production.

Graphic 3 shows the total of 82 M&A projects recorded annually since 2013 classified by the type of deal (i.e. acquisition, institutional buy-out or joint venture). The graphic shows a steady increase in joint venture deals and acquisition projects. There were also a small number of institutional buyouts in 2013 to 2015, which are defined as deals in which a German private equity firm purchased a stake of 50 per cent or more in a Chinese company. The number of acquisitions increased until 2017 but remained stable in 2018. Joint ventures continue to represent a frequent form of investment, although companies in many industries are now able to establish wholly-owned operations in China. The increase in JVs may reflect the importance of a local partner for German companies to access the Chinese market, particularly for first time investors.

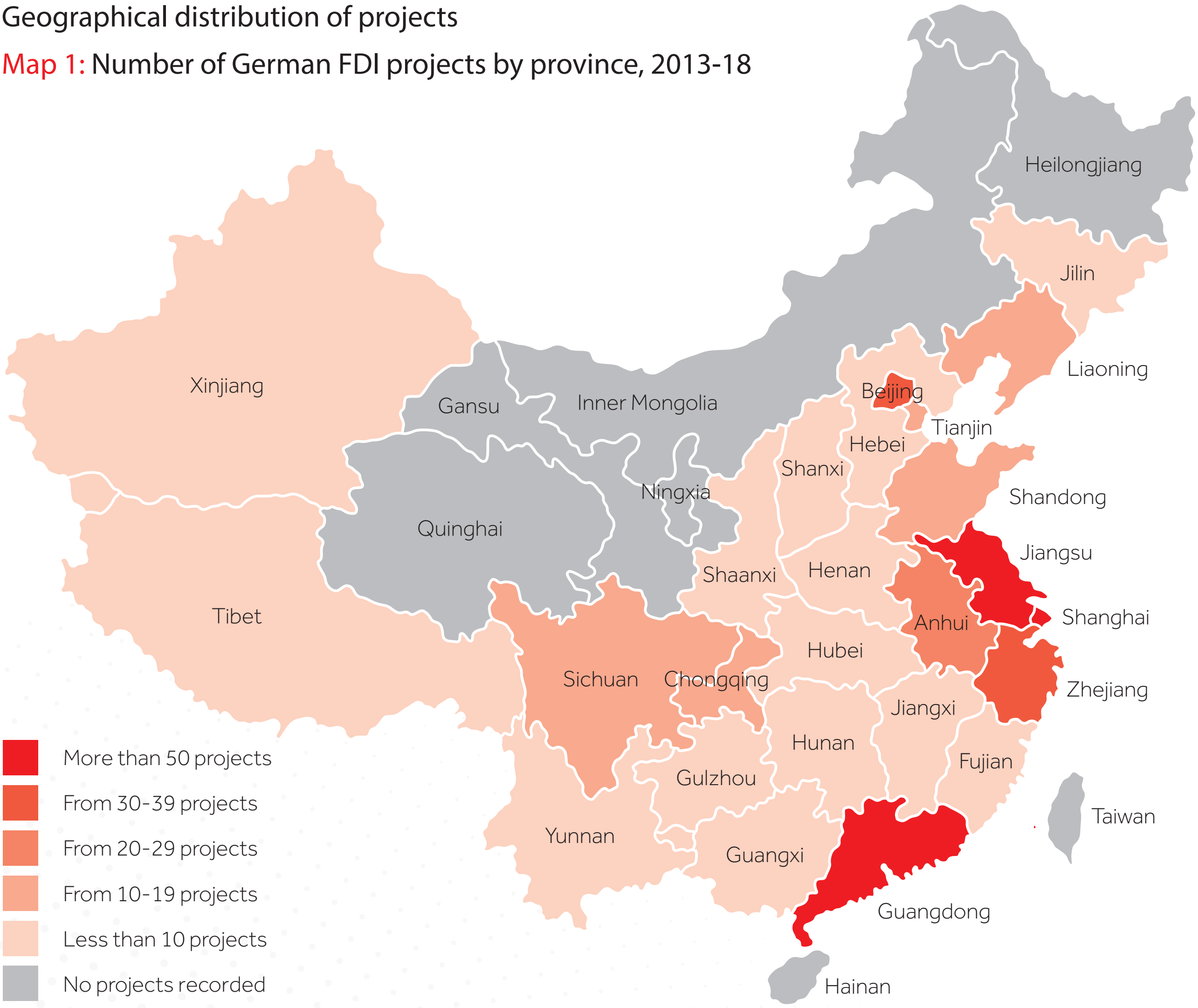
Graphic 3 Deal types of M&A projects between 2013 and 2018



Source: Orbis Crossborder Investment, Bureau van Dijk, 2019.

Geographical distribution of projects

Map 1: Number of German FDI projects by province, 2013-18



Source: Orbis Crossborder Investment, Bureau van Dijk, 2019.

The map above shows the number of German FDI projects (both greenfield and M&A deals) by province while the table on the next page shows the top 10 provinces in terms of German greenfield projects to China between 2013 and 2018. During this period, the majority of companies chose to establish their new operations in Shanghai, Jiangsu and Guangdong, with 138, 89 and 52 projects respectively. Guangdong stands out for attracting a total of 24 projects during 2018, the highest number for this province and the second highest in China during 2018. Anhui also stands out as one of the most important provinces for German investment in China in 2018, recording almost as twice as many projects in 2018 compared to the total number of projects recorded from 2013 to 2017. Zhejiang has also experienced a slight increase in projects over the past couple of years. Other than that, the data does not show any significant shift in the location of German greenfield investments.

Table 2 Top 10 provinces in China for German greenfield projects year by year since 2013

#	Province	2013	2014	2015	2016	2017	2018	Total
1	Shanghai	24	35	17	9	23	30	138
2	Jiangsu	15	11	21	9	12	21	89
3	Guangdong	9	11	4	2	2	24	52
4	Beijing	2	6	7	2	10	9	36
5	Zhejiang	5	4	3	1	7	11	31
6	Anhui	0	2	3	1	1	14	21
7	Shandong	4	4	1	1	6	3	19
8	Sichuan	3	3	7	0	3	3	19
9	Tianjin	0	7	3	0	0	4	14
10	Liaoning	2	3	5	1	1	1	13

Source: Orbis Crossborder Investment, Bureau van Dijk, 2019.

The table below shows the top 10 Chinese cities attracting German investment projects. Shanghai remains the leading location while Guangzhou registered the second highest number of projects in 2018 and has experienced a significant increase in investment projects.

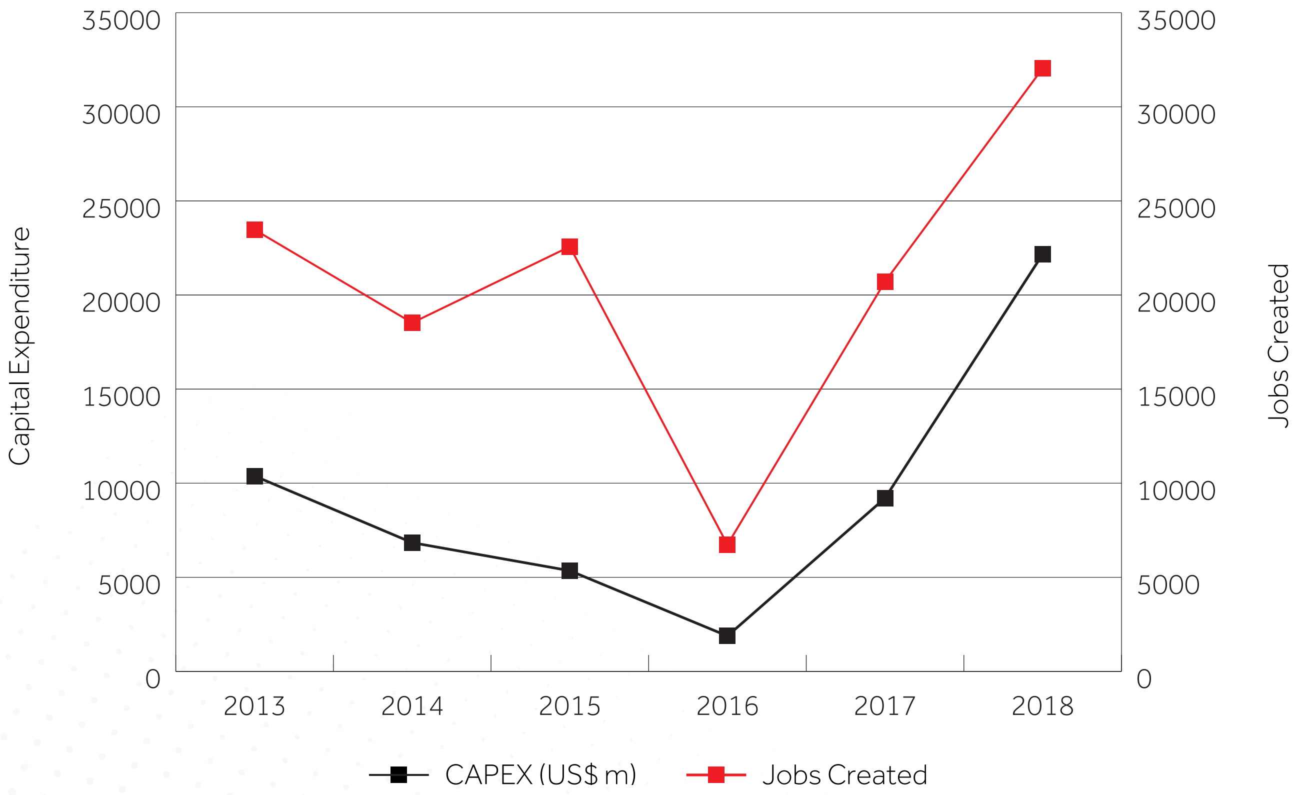
Table 3 Top 10 cities in China for German greenfield projects year by year since 2013

#	Cities	2013	2014	2015	2016	2017	2018	Total
1	Shanghai	24	35	17	9	23	30	138
2	Beijing	2	6	7	2	10	9	36
3	Guangzhou	3	4	2	2	1	13	25
4	Nanjing	3	1	4	2	8	4	22
5	Shenzhen	3	4	0	0	1	7	15
6	Changzhou	4	1	2	1	4	3	15
7	Suzhou	4	3	5	1	0	2	15
8	Tianjin	0	7	4	1	1	5	14
9	Chengdu	1	3	5	0	2	0	13
10	Qingdao	2	3	1	1	3	2	12

Source: Orbis Crossborder Investment, Bureau van Dijk, 2019.

Employment and capital expenditure

Graphic 4 CAPEX and jobs generated by German projects to China between 2013-2018



Source: Orbis Crossborder Investment, Bureau van Dijk, 2019. This graphic includes modelled values for both capital expenditure and job creation if the actual values have not been disclosed.

According to estimates by Orbis Crossborder Investment, the 517 greenfield projects from Germany between 2013 and 2018 represented total capital investment of approximately US$55 billion and created approximately 124,000 direct new jobs in China. As shown in graphic 4, the estimated amount of capital expenditure in 2018 was the highest recorded between 2013 and 2018, more than double the amount in 2013. The estimated number of new jobs was also significantly higher than in recent years, reflecting some of the announcements by German companies in 2018 to establish large new manufacturing plants in China. Most notably, BASF signed a non-binding agreement with Chinese authorities in July 2018 to build a new chemical facility in Guangdong and later in the year announced plans to expand an existing site in Nanjing. The investment in the new site could reach US$10 billion by 2030, representing the company's largest ever investment. Daimler and Beijing Benz have also announced the opening of a new manufacturing facility in Beijing.

Industry breakdown

Table 4 breaks down the number of German greenfield projects, as well as associated capital expenditure and employment, according to the top 10 industries by number of projects. The three main industries in terms of total number of projects are Chemicals, Petroleum, Rubber & Plastic, Industrial, Electric & Electronic Machinery and Transport Manufacturing (which includes automotive). These three industries account for 61 percent of the total projects, 84 percent of the estimated capital expenditure and 74 percent of the estimated jobs created. This reflects the dominance of these sectors in terms of the number of projects, as well as the capital and labor-intensive nature of new investments in these sectors.

Table 4 Top 10 industries by number of projects together with CAPEX and jobs created by German greenfield projects in China between 2013 and 2018

#	Industry	Projects	CAPEX (US$)	Jobs Created
1	Chemicals, Petroleum, Rubber & Plastic	128	20,498,069,584	35,499
2	Industrial, Electric & Electronic Machinery	101	10,147,204,748	25,459
3	Transport Manufacturing	86	16,296,416,169	30,558
4	Textiles & Clothing Manufacturing	33	237,974,762	1,279
5	Business Services	33	961,342,432	3,233
6	Computer Software	20	119,132,866	687
7	Wholesale	19	658,855,036	2,856
8	Metals & Metal Products	16	1.401,011,114	9,062
9	Banking, Insurance & Financial Services	14	383,766,671	1,044
10	Transport, Freight & Storage	13	368,554,620	1,305

Source: Orbis Crossborder Investment, Bureau van Dijk, 2019. This table includes modelled values for both capital expenditure and job creation if the actual values have not been disclosed.

The table below shows the number of German greenfield projects by industry between 2013 and 2018. Despite recent increases in the number of projects in the Industrial, Electric & Electronic Machinery sector and a decrease in the number of Business Services projects, the table shows that the number of projects across most industries has remained relatively stable over this period.

Table 5 Number of German greenfield projects by industry since 2013

#	Industry	2013	2014	2015	2016	2017	2018	Total
1	Chemicals, Petroleum, Rubber & Plastic	13	22	22	10	20	41	128
2	Industrial, Electric & Electronic Machinery	11	25	15	6	14	30	101
3	Transport Manufacturing	14	20	8	2	19	23	86
4	Textiles & Clothing Manufacturing	2	5	7	4	7	8	33
5	Business Services	9	11	7	2	0	4	33
6	Computer Software	4	4	1	0	6	5	20
7	Wholesale	8	3	3	1	0	4	19
8	Metals & Metal Products	4	2	5	0	1	4	16
9	Banking, Insurance & Financial Services	4	2	1	0	4	3	14
10	Transport, Freight & Storage	3	1	5	1	2	1	13

Source: Orbis Crossborder Investment, Bureau van Dijk, 2019.

Type of operation

As shown in table 6, almost 44 percent of the 517 greenfield projects recorded between 2013 and 2018 involved the establishment of a new manufacturing facility. Manufacturing also accounted for more than 85 percent of both investment and jobs generated.

Table 6 Top 10 business functions by number of projects together with estimated CAPEX and jobs created by German greenfield projects in China between 2013 and 2018

#	Business function	Projects	CAPEX (US$ m)	Jobs Created
1	Manufacturing	225	47,036	100,949
2	Sales Office	77	402	2,447
3	Retail	54	152	954
4	R&D Centre	48	3,047	3,728
5	Logistics, Distribution & Transportation	34	1,497	5,755
6	Business Services	15	133	464
7	Testing Centre	13	199	1,042
8	Regional Headquarters	11	605	2,475
9	Banking & Finance	9	96	196
10	Maintenance & Repair	7	442	910

Source: Orbis Crossborder Investment, Bureau van Dijk, 2019. This table includes modelled values for both capital expenditure and job creation if the actual values have not been disclosed.

Table 7 shows the top 10 business functions by number of projects since 2013. It is noteworthy that in 2018, German companies opened more testing centers than in the entire period from 2013 to 2017, perhaps reflecting the increased need to develop products for the Chinese market.

Furthermore, the number of R&D center projects during 2018 was the highest recorded over the five-year period. The number of business services projects has decreased from seven in 2013 to one project recorded in 2018.

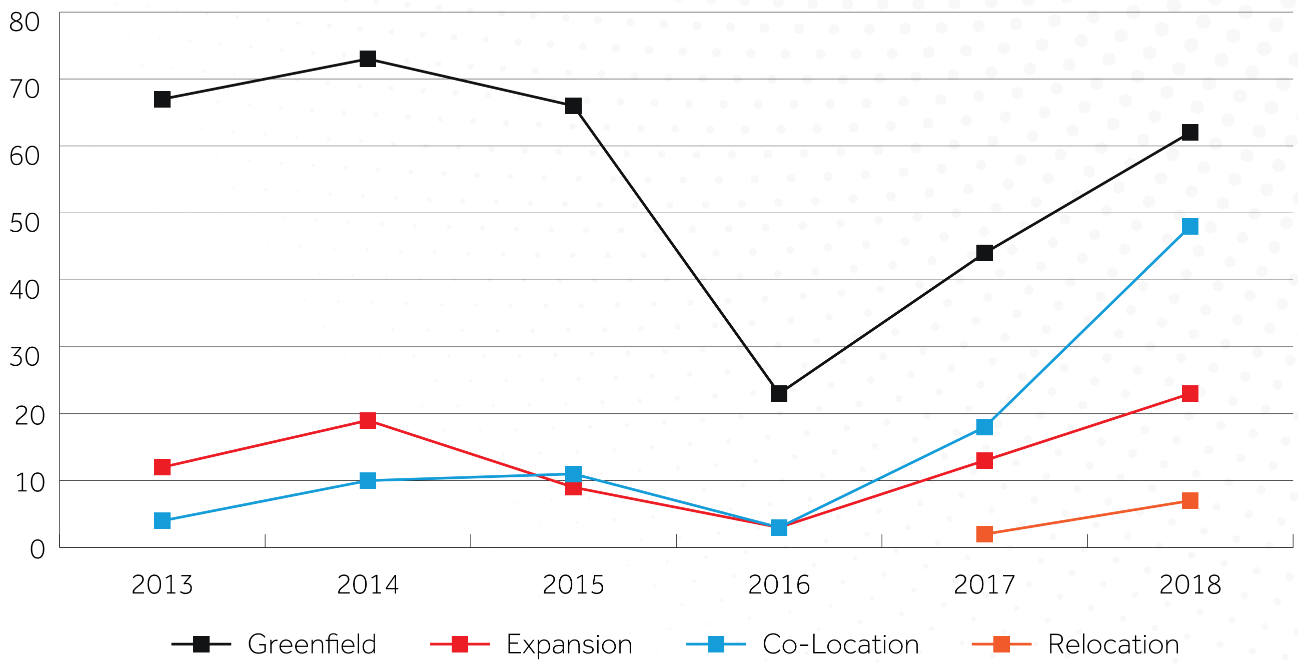
Table 7 Top 10 Business functions by number of projects year by year since 2013

#	Business function	2013	2014	2015	2016	2017	2018	Total
1	Manufacturing	39	41	38	15	38	54	225
2	Sales Office	10	19	10	4	14	20	77
3	Retail	5	7	12	4	9	17	54
4	R&D Centre	7	10	12	1	2	16	48
5	Logistics, Distribution & Transportation	7	8	6	2	2	9	34
6	Business Services	7	4	0	1	2	1	15
7	Testing Centre	0	1	1	1	1	9	13
8	Regional Headquarters	0	2	4	0	3	2	11
9	Banking & Finance	3	1	1	0	3	1	9
10	Maintenance & Repair	4	3	0	0	0	0	7

Source: Orbis Crossborder Investment, Bureau van Dijk, 2019.

Project types

Graphic 5 Project types between 2013 and 2018



Source: Orbis Crossborder Investment, Bureau van Dijk, 2019.

Graphic 5 shows the 517 greenfield investment projects captured from 2013 to 2018 by type of project (i.e. new business, expansion, co-location** or relocation). The data indicates that there has been a decrease in the number of new projects over the five-year period under review, falling slightly from 67 projects in 2013 to 62 in 2018, while the number of co-location projects has increased significantly from 4 projects identified in 2013 to 48 in 2018. In addition, nine relocation projects were recorded between 2017 and 2018. One of these projects is the relocation of MAHLE, an automotive parts manufacturer, from Suzhou to Changshu. The company invested around €24 million to establish a new compressor plant to expand their presence in China. Although the number of relocation projects is still relatively low, it appears that relocations within China are increasing, which also reflects some of discussions held in our interviews for this study.

**Co-location refers to the same company investing into the same location in a different business activity (e.g. a company setting up a distribution center or R&D operation to complement an existing manufacturing plant).

Significant projects

While the Chemicals, Petroleum, Rubber & Plastic industry has been the major source of German investment to China, other sectors have been generating increased activity. Within the Transport Manufacturing industry, there is a notable increase of projects related to electric vehicles and batteries. Some of the projects in this field announced over the past 12 months are:

- Spotlight Automotive, a joint venture between BMW AG and Chinese auto maker Great Wall, announced in July 2018 an investment of US$140 million to establish an electronic vehicle manufacturing facility in Jiangsu. The project will serve the domestic market and is expected to generate around 400 jobs.

- BMZ Batterien-Montage-Zentrum GmbH, a high-tech battery systems manufacturer, announced in April 2018 an investment of €7 million to relocate its regional headquarters within Shenzhen. The project, which will see around 800 employees relocated, will target growth in the domestic market. The new facility is expected to have a total area of 35,000 m² and generate around 37 new jobs.

- Continental AG together with Sichuan Chengfei Integration Technology Corp. Ltd., announced plans in March 2018 to establish a battery manufacturing facility in Changzhou, to serve both the Chinese and international markets. Continental will hold 60 percent of the joint venture. An investment of US$140 million and approximately 400 jobs are anticipated.

- In February 2018, Daimler AG and BAIC announced plans to further expand local production for the Mercedes-Benz brand at their joint venture, Beijing Benz Automotive Co. Ltd. (BBAC). With an investment of RMB11.9 billion (about €1.5 billion), BBAC will prepare to operate another production site for high-quality premium vehicles, including for electric vehicles, in addition to its established local production hub in Beijing's Yizhuang industrial park. The investment also includes the transfer of a BAIC production plant located in the capital city's Shunyi district to BBAC, which will be adapted to facilitate complementary production capacities for Mercedes-Benz cars. Furthermore, both partners will invest in new product localization at the future second Beijing-based Mercedes-Benz production facility.

- BMW Brilliance Automotive (BBA), a joint venture between BMW and Brilliance Auto, is increasing the capacity of its two local production facilities Tiexi and Dadong in Shenyang, Liaoning Province, to a total of 650,000 units by 2020, many of which are expected to be electric vehicles.

3. Key Drivers

3. Key drivers - what is driving German investment into China?

Many of the German companies investing in China are already well-established players in the country, both producing in China for export and supplying goods and services for domestic consumers. Though many have been operating in China for several years, this does not make them immune to the challenges of the 'new era', particularly the challenge of increasingly dynamic and technologically-advanced domestic competitors. And yet, despite the challenges, more and more German investors are entering the Chinese market every year, and very few established players are considering leaving. What is driving this steady influx of investment, how does this investment impact localities across China, and, going forward, how can German companies take advantage of China's current development plans?

Why China?

Since reunification, Germany has continued to enhance political, economic and diplomatic ties with the People's Republic of China both within and sometimes outside of the official framework of Sino-EU strategic relations. Germany is China's biggest trading partner in Europe, and a major source of technology and know-how. Similarly, China is Germany's largest trading partner and an increasingly necessary counterweight to reliance on trade with the United States. The geopolitical uncertainty that currently dominates world trade has made this relationship even more important to both China and Germany, prompting policy changes and a reduction in restrictions on foreign investment, as detailed in China's so-called 'Negative List'.

Moreover, China's domestic market is maturing — both in terms of everyday consumption and industrial sophistication. Natural market developments, such as an increasingly skilled industrial labor force, and new economic policies, such as Made in China 2025 (MIC2025), have provided opportunities for German companies. In many ways, this 'new era' of Chinese development was made for German businesses, with MIC2025 disproportionately benefitting the machinery and equipment manufacturing sector.

Similarly, in 2018, a renewed push for Electric Vehicle (EV) production was the cause for large reinvestments by German automakers such as Volkswagen (partnered with First Automobile Works and SAIC Motor), BMW (partnered with Brilliance Auto) and Daimler (partnered with BAIC) to develop and produce electric vehicles in China. The success of this new industry depends on conditions specific to China's auto-market and will provide German automakers with a unique opportunity to participate in developing a nation-wide EV infrastructure which could later be replicated in other nations. The EV revolution is not only an opportunity for German automakers and suppliers, but also for companies providing much-needed industrial production equipment and supporting software.

China's push to pollution control also brings with it renewed opportunities for environmental equipment and technology suppliers, particularly those small and medium-sized companies providing green energy equipment. It is no surprise that, more than any other country on earth, China is investing in renewable energy technology. However, the greatest opportunity lies in providing transmission and energy storage technology. The majority of China's new energy equipment is generating power in distant, geographically remote locations, and much of the energy generated is simply not used due to insufficient transmission. It is an issue the Chinese government is actively seeking to address. The South China Morning Post estimated in 2017 that the amount of renewable energy wasted in China could power Beijing for a year.[3] Despite the central government cutting subsidies in industries like photovoltaic, to prevent overheating, these

[3] SCMP (2017). Retrieved from https://www.scmp.com/news/china/policies-politics/article/2088865/china-wasted-enough-renewable-energy-power-beijing

subsidies still exist on the county level and more photovoltaic plants are being built.[4] The central government is also seeking to complete the industrial chain in order to make production of photovoltaics more efficient, particularly in hard-to-reach or underdeveloped provinces. Photovoltaic is also expected to form a key feature of the Belt and Road Initiative infrastructural developments.

China's vast geography also provides opportunities for logistics and e-commerce providers. This is supported by the central government's push for the Internet of Things (IoT) to regulate and digitalize the entire industry from production to order to doorstep. Chinese online retailing giants are looking for hardware providers to support this process and gain an advantage over domestic competitors. For example, JD.com partnered with Zebra, an American company, to streamline JD's backend supply-chain processes and improve delivery times.[5]

Similarly, both China's geography and policies such as the Belt and Road Initiative (BRI) provide opportunities in transport industries. The China Railway Engineering Equipment Group (CREG) recently announced a partnership with French Metalliance for cooperation in global tunnel projects and underground space development.[6] The partnership will allow Metalliance to expand within the Chinese market, where it previously only provided ventilation equipment out of Kunshan.

Where in China?

German investment has become the most sought-after foreign investment in China, with cities, townships and special industrial zones competing to attract projects in key strategic industries. Numerous Chinese Investment Promotion Agencies (IPAs) have set up representative offices in Germany with the aim of encouraging yet more German companies to expand or establish their presence in China. But where is German investment currently concentrated, and which regions have, until now, fallen under the radar of German companies?

As shown in sections 2 and 3 of this report, Shanghai is currently the primary location for German companies. Traditionally powerful industrial bases, such as Guangdong and Jiangsu, are also well-established on the map of German investment in China and are likely to attract further investment over the next few years. These locations were the first to properly open to FDI in China, with Guangdong leading the way thanks to a vast diaspora network with ancestral kinship ties to the province. Zhejiang was quick to follow, capitalizing on both its native culture of entrepreneurship and its proximity to Shanghai. Shanghai, as the country's second-largest city and market, became a prime destination for investment. However, after forty years of reform and opening up, these locations have become quite crowded with foreign investors and the central government has been using a range of methods to try and entice investors away from these FDI hotspots.

Provinces in the north-west, however, have received less attention from German companies despite playing a central role in China's Belt and Road initiative. German investors are starting to turn to provinces like Sichuan in the south-west for opportunities in less-developed regional markets. Stricter environmental and industry-based regulations in major coastal cities have also encouraged heavy industrial manufacturers to seek alternative location options in the western provinces. Similarly, our interviews for this study indicate that changing government policies in major cities like Shenzhen are contributing to the relocation of long-standing manufacturers into smaller cities.

[4] Global Times (2018). Retrieved from http://www.globaltimes.cn/content/1105378.shtml

[5] Azfar, R. (2017). Retail Dive. Retrieved from https://www.retaildive.com/ex/mobilecommercedaily/chinese-ecommerce-giant-jd-com-to-form-iot-and-ecommerce-lab

[6] CREG is a Chinese company with a European subsidiary based in Erkelenz, Germany. Tunnel Business Magazine (2019). Retrieved from: https://tunnelingonline.com/creg-metalliance-announce-strategic-partnership/

What benefits do German companies bring to these locations?

One of the primary challenges currently facing German companies operating in China is competition from domestic producers, which are becoming more and more advanced technologically, in many cases becoming global industry leaders. This challenge is in part, paradoxically, a result of German and other foreign investment itself. Clusters of foreign companies in China often generate technological spillover into local firms, improving their competitiveness. More competitive companies also generate greater tax revenue, which local governments can then invest in improving infrastructure to benefit both local communities and potential investors. This snowballing of investment and reinvestment is what makes agglomeration economies such as those in Shanghai, Guangdong and Zhejiang such powerful locations for both foreign investors and home-grown brands.

In the case of German investment, locations have become specialized in certain industries, such as machinery, robotics and automotive. This specialization includes both domestic and foreign producers, and their respective workforces. Again, the strength of local domestic industry — and therefore potential industrial customers — encourages further foreign investment, especially by companies which seek to provide industrial services and equipment to upgrade production lines. A perfect example of this phenomenon is the rising importance of German robotics producers in China, aided by the Made in China 2025 strategy.

Investment Incentives: Made in China 2025

The MIC2025 initiative was inspired by Germany's 'Industry 4.0', a strategy that seeks to push forward a 'fourth industrial revolution' by integrating digital technologies within automated production lines. The Chinese effort, however, would involve effectively skipping the 'third industrial revolution' (automation) and jumping straight into automated, intelligent production. Key industries within this initiative are the Internet of Things (IoT) and robotics, both of which have a strong industrial base in Germany. German industrial know-how in this area makes German companies essential to China's industrial upgrading project.

Policies are in place across China which aim to encourage domestic producers to purchase industrial robots and automate their production lines. In Guangdong, for example, a 'robot revolution' is taking place. So-called Chinese Champions, such as Fortune 500 home appliance giant Midea, headquartered in Shunde, have partnered with German robotics companies to automate their production. In 2016, Midea acquired a controlling share in KUKA Robots to provide themselves and other Chinese producers with automation equipment. The acquisition gave Midea access to cutting-edge robotic technology and allowed KUKA to remain independent while gaining access to the Chinese market, according to Freshfields Brockhaus Deringer, who advised Midea on the deal.[7]

German companies are well positioned to take advantage of the domestic market opportunities for supplying automation equipment to Chinese producers. More importantly, they are also able to take advantage of targeted government policies which seek to help Chinese producers to purchase expensive, top-of-the-range industrial robots and integration systems, such as those produced by German companies. The city of Foshan, Guangdong, has a funding arrangement which offers to pay for 12% of the total equipment purchase costs taken on by local companies, which can be as much as 2 million RMB (approximately €250,000) for a single enterprise. If the robots purchased are manufactured by a company producing in Foshan, this amount can be as high as 3 million RMB (approximately €375,000).[8]

[7] Freshfields Bruckhaus Deringer. Retrieved from https://www.freshfields.com/en-gb/what-we-do/case-studies/midea-kuka-case-study2/

[8] Policy relevant for 2018-2020, available at request. Source: Foshan Bureau of Commerce.

German industry both inspired and is a major part of the MIC2025 policy, and many different regions are now focusing on automation equipment and software, such as Fujian, Zhejiang and Guangdong. Knowing which regions and local governments are implementing MIC2025-specific policies is a major advantage when expanding in or entering the Chinese market.

The Belt and Road Initiative (BRI)

The Belt and Road Initiative (一带一路) combines two modern-day 'Silk Roads', one overland and one maritime, to encourage connectivity and cooperation across Asia, Africa and Europe. First announced in 2013, the BRI has since hit major milestones. In January 2017, a train left Zhejiang bound for the United Kingdom. It took just eighteen days to arrive, covering over 120,000 km. Out of six BRI trade 'corridors', five are already active.

Though China's BRI initiative does not only target German investment, some German companies are choosing to partner with Chinese companies on projects affiliated with the BRI initiative. For example, DHL have been very active in providing logistics services utilizing a wide variety of transportation modes across the BRI region.[9]

Logistics is, however, only one area in which German companies might get involved in BRI projects. Other opportunities exist particularly in the new energy and business services. According to a 2018 Deloitte report on challenges and opportunities of BRI, the risks associated with the BRI are less severe than commonly assumed, as much of the operational risk has fallen on Chinese banks and state-owned enterprises.[10] In order to ensure German participation in these key strategic projects, BRI authorities can work more closely with German officials and industry experts.

For German companies which want to benefit from the infrastructural advantages of BRI, without having to directly invest in projects outside of China, however, the BRI also offers opportunities to invest and expand into relatively untapped northwestern provinces.

Negative Lists & Relaxing Red Tape

The new 'Negative Lists' for foreign investment, published in 2018, represents an ongoing process of opening up and relaxing restrictions on FDI. The number of restrictive measures on FDI under the Special Administrative Measures on Access to Foreign Investment 2018 ('Negative List') have been reduced from 95 to 45. At the same time, the list seeks to make the management of foreign investment more transparent and accessible.[11] The 'Negative Lists' available within China's various pilot free trade zones (FTZs) are generally less restrictive than the national lists, making FTZs an attractive location for industries such as finance and insurance. At the end of 2018, the central government issued a 'Market Access Negative list' which seeks to unify regulations and conditions necessary for market access so that these will apply equally to both domestic and foreign firms.[12]

At the same time, local municipal governments across the country are working to set up "One-Stop Shops" and administrative aftercare services for foreign companies. As both an incentive to invest in a certain location and as a practical means to ensure that a foreign company remains and reinvests, local governments are setting up administrative service centers specifically for foreign companies with multilingual staff and more transparent processes.

[9] Shepard, W (2017). Retrieved from https://www.forbes.com/sites/wadeshepard/2017/03/12/8-new-silk-road-companies-that-you-can-invest-in/#6e3802bf4db9

[10] Deloitte (2018). Retrieved from https://www2.deloitte.com/insights/us/en/economy/asia-pacific/china-belt-and-road-initiative.html

[11] A summary of the 2018 Negative List can be found at: http://www.china-briefing.com/news/how-to-read-chinas-2018-negative-list/

[12] A summary of this updated list can be found at: https://www.china-briefing.com/news/chinas-new-negative-list-targets-unified-market-access/

An Ongoing Process: Reform and Opening Up

The most important thing to remember when considering expansion in or entry into the Chinese market is that different areas of the country are at different stages of development and openness. Government officials working in departments of commerce in China emphasize that the 'reform and opening up' (改革开放) which began in 1978 is very much an ongoing process, even in 2019. This means that new regional opportunities will continue to arise.

Communicating with national and provincial level Bureaus of Commerce and Investment Promotion Agencies has never been more important. These organizations can provide detailed information about current development trends and new market opportunities and can serve as a valuable resource for companies exploring investment and expansion opportunities in China.

4. Experiences

Experiences of German investors

4. Experiences of German investors

To complement the statistical analysis in the previous sections, we conducted telephone interviews with German companies that are already present in China. The open-ended discussions with these companies provided insight into current developments in the Chinese market and the environment for German investors in China.

We interviewed a total of twelve companies, speaking with senior management representatives responsible for the companies' China operations. The companies we interviewed comprised large multinationals as well as medium-sized privately held companies, including automotive suppliers, manufacturers of capital and industrial equipment as well as professional services firms. We believe the interviews are representative of German investors in China and provide valuable insight into their experiences.

Investment drivers

All of the companies we interviewed have been in China for several years, in some cases for as long as 40 years. Most of the companies initially entered China through a joint venture and relied on their JV partner for the original choice of location. However, all of the companies have since established new operations in China with the status of Wholly Foreign-Owned Enterprises. A couple of companies have also bought out their original JV partner to acquire full ownership of the Chinese entity. This seems to reflect a broader trend towards German companies investing into China independently without a local partner, which has been made possible by a gradual opening up of FDI regulations by the Chinese government. This does not imply that JVs are not an effective mode of entry into China, and they can help to provide market access for first-time investors, particularly for companies selling to the public sector.

Some of the companies we interviewed initially set up in China to take advantage of lower costs, either by establishing assembly operations or trading offices. However, in all cases the primary driver of the company's current activities in China is the domestic market and costs have long since ceased to play a role as a location advantage. All the companies we interviewed reported that the Chinese market is developing positively, especially following the slowdown in 2015 and 2016. Despite the current uncertainty with respect to global trade, companies appear cautiously optimistic about future growth in China and several are planning expansions and new facilities.

Growing competition

A clear trend that all companies emphasized is that the Chinese market has become more competitive. Whereas competition in China was initially mostly from other international investors in China, the main competitors are now Chinese companies. This growing competition has also brought with it a heightened focus on quality and technology leadership, which are key to succeeding in a market where customers and consumers have become increasingly sensitive to product quality. Although German products are still considered to have high quality, domestic Chinese companies are quickly catching up in terms of product quality. Greater competition also reflects the growing sophistication of the Chinese industrial landscape, which now offers a solid infrastructure and an increased availability of suppliers for components, tools and services.

One of the side-effects of this competition and the emphasis on technology leadership is what one of the executives we interviewed referred to as "unwanted technology transfer". The companies we spoke to all stated that protecting intellectual property remains a challenge in China, although they have been able to develop methods to mitigate this. According to one company representative, the best protection against the loss of intellectual property is to continue innovating more quickly than local competitors.

In the context of greater local competition, a couple of the companies we spoke with also mentioned preferential treatment of local companies as a challenge to their business, for example in areas such as public procurement processes or the enforcement of certain regulations. This is an issue that has been widely debated in the media and that has contributed to a perception that China does not offer a level-playing field for foreign investors. Interestingly, one of the persons we interviewed who has been in China for many years stated that this appears to be changing, especially in the area of regulatory compliance, where greater efforts are being made to apply standards equally to both foreign and domestic companies.

Workforce availability

All the interviews we conducted highlighted workforce availability as a challenge, particularly with respect to skilled employees such as engineers and technical staff. The expansion of domestic companies and the growing emphasis on technological innovation has contributed to greater workforce demand and rising salaries. The interviews provided conflicting information regarding the availability of workers in so-called 2nd tier cities. While some companies stated that it is easier to find and retain employees in these cities, others reported that skilled Chinese employees prefer the major 1st tier cities and that higher salaries are necessary to attract them to other areas of the country. The strategies used by companies to secure access to talented workers are no different from those found in other countries and include partnerships with universities as well as locating in regions where there are pockets of available workers, for example due to retrenchment in other industries such as steel.

"Becoming local"

A common theme across all of the interviews is that one of the keys to succeeding in the Chinese market is to "become local". In practice, this means developing products specifically for the Chinese market, which creates the need for local R&D and product development, in addition to localized approaches to marketing. Companies also emphasized the importance of engaging local management and stated that that the number of expatriates running their Chinese operations has declined relative to local management. Becoming local also depends on the ability to build a network with local decision makers and influencers, including local government. It will be interesting to observe whether this need to become local contributes to an increase in acquisitions of Chinese companies by German investors, which already appears to be happening based on the trends highlighted in section 2 of this report.

Finally, we asked companies who they would recommend as the first point of contact for German companies planning a first investment into China. In addition to specialized consultants and government agencies such as CIPA, a few companies also mentioned the German Chamber of Commerce (AHK) in China as a source of objective and practical advice for first-time investors.

5. Attracting

Attracting German investors

5. Attracting German Investors

Competition among locations for attracting foreign investment is increasingly global and has intensified in recent years. A growing number of countries, regions, cities, special economic zones and industrial parks around the world are trying to gain the attention of corporate decision makers, often using very similar arguments and methods to convince them of the attractiveness of their location. This competition is particularly pronounced in China, with a multitude of organizations promoting different parts of the country. These include provincial departments of commerce, investment promotion agencies of cities and districts, private industrial parks and state high-tech zones, many of whom are promoting themselves to investors internationally. Germany is one of the main target markets for these organizations, as can be seen by the numerous "Sino-German" industrial parks or zones throughout China. The importance of Germany as a source for attracting investment is also reflected in the growing number of Chinese locations that are setting up representative offices in Germany or sending promotional delegations to visit the country.

The companies we interviewed for this study reported mixed experiences in terms of their support from government in China. While many reported a positive relationship with government, others stated that support could be more targeted to the most important needs of companies, such as finding and training workers. Companies that have recently invested in China also stated that Chinese investment promotion agencies could do more the differentiate themselves and provide relevant information, which would make it easier for German companies to identify the right location.

Based on FDI Center's experience assisting investment promotion agencies from around the world, the following are our recommendations for Chinese investment promotion agencies that are seeking to attract German investment.

1

Focus on specific target sectors

Many Chinese locations appear to be focusing on the same industries and sectors. Common target sectors include industrial machinery, new materials or bio-pharmaceuticals. For German investors from these sectors, it is confusing when dozens of Chinese locations are all claiming to be leaders in the same industry. In some cases, Chinese IPAs define their target industries much too broadly (for example, "manufacturing"), which does not help to provide the location with a clear profile. We believe Chinese IPAs should select specific niches (e.g. "development of drug delivery systems" rather than "bio-pharmaceuticals") that truly reflect their strengths. This will make it easier for them to target potential investors and to differentiate themselves from other Chinese locations.

2

Clearly define your advantages

Selecting specific target sectors also makes it easier to define the advantages of the location for potential investors. Again, most Chinese IPAs use the same advantages (for example, infrastructure, universities, quality of life) in their promotional messages. By being more focused, IPAs can define advantages that truly reflect the requirements of companies in a certain target sector. This helps to differentiate the location and reinforces the location's credibility in the eyes of potential investors.

3

Approach companies directly

Our observation is that Chinese IPAs prefer to work through third parties in their international investment attraction activities. These include government agencies (such as the economic ministries of German states), industry associations or professional service providers such as law firms. While such "multipliers" may be helpful in building networks, they do not necessarily provide access to potential investors. In our experience, IPAs can achieve greater success by contacting and meeting with potential investors directly, for example as part of roadshows. Contacting companies directly requires the ability to select target companies, which should reflect the location's strengths. IPAs that follow this approach should also have the skills and cultural understanding required to contact and develop relationships with decision makers at German companies.

4

Adopt a long-term approach

Decisions regarding foreign investments often take years to be finalized and German companies tend to be cautious and conservative in their investment planning. Given some of the uncertainties in the global business environment, the timeframe for companies to make investment decisions is likely to become even longer. The expectation that a single visit or event in Germany will generate results is unrealistic and Chinese IPAs that wish to attract German investment must commit to a long-term approach. The objective for Chinese IPAs should be to build a "pipeline" of contacts and opportunities that will eventually lead to investments.

5

Understand the company's business

It is important for IPAs to truly understand the business of the German companies that they are trying to attract. This can be achieved through research and discussions with the company and other industry specialists. By demonstrating an understanding of the company's business, the IPA can position itself as a credible and serious partner that can truly bring value to the company's investment plans.

6

Provide valuable support

Developing an understanding of the company's business will also allow the IPA to provide support that reflects the company's most important requirements. Companies are not only interested in financial incentives and are likely to more appreciative of support that relates directly to their operations, such as identifying suppliers and skilled workers, or assistance with customs and other supply-chain issues. Providing this kind of support will allow the IPA to become a trusted partner with whom the company can continue to collaborate for many years.

7 Be transparent and open

German companies value clarity and predictability. Although they have become adept at dealing with uncertainty in many parts of the world, they tend to gravitate towards locations with clear processes and greater transparency, which reflects what they are used to in Germany. This can be seen in some of the clusters of German companies that have developed in China in recent years. For Chinese IPAs, this means being clear and transparent about planning and permitting processes as well as other factors affecting the company's ability to implement an investment. It also means addressing any challenges that an investor may face and proposing solutions in advance, rather than waiting until these come to the surface later and turn into real problems.

8 Focus on aftercare

There are many German companies already in China. As the analysis in this report has shown, many of these companies are expanding, either by growing the size of their operations or by adding new functions such as local R&D. It can sometimes be easier for IPAs to work with existing investors to find opportunities for expansion than to attract entirely new investment. Focusing on existing investors also reduces the risk that they will relocate to another part of China or leave the country altogether.

Conclusions

German investment into China remains strong and the number of German companies in China continues to increase. This reflects the solid economic ties between the two countries, which have become even closer in recent times. German investment in China is mutually beneficial – the Chinese market has become vital for many German companies, whose presence in China provides many benefits to the Chinese locations where they choose to invest.

As China has developed and changed, German companies have also adapted their presence in China to reflect the new conditions. China remains a dynamic environment and it seems that German companies have become highly skilled at navigating this rapidly transforming landscape.

In recent times, this has meant developing responses to challenges that include skilled workforce shortages and rising costs, slowing economic growth and greater local competition. Regulatory uncertainty also remains a concern but this has improved markedly in recent years. At the same time, however, the Chinese market continues to provide new opportunities that will continue to serve as a magnet for German companies of all sizes and from a range of industries. One of the keys to their success in China will be the ability to become as integrated as possible in the local market and economy.

Government agencies and investment promotion agencies at all levels in China can play a key role in fostering the investment of German companies. By developing an understanding of their requirements, these agencies can become partners with German investors and support their continued expansion and success in China.

Annex 1

Profiles of selected Chinese locations

- Tianjin Wuqing Development Area
- Yantai Economic & Technological Area
- Changzhou National High-Tech Industrial Development Zone
- Changshu National High-Tech Industrial Development Zone
- Government of the City Taicang
- Shenzhen Baoan District People's Government
- Foshan Sino-German Industrial Services Zone
- Mianyang National High-Tech Industrial Development Zone

Yantai Economic & Technological Development Area

Type of location: State-Level Economic & Technological Development AreaTotal area: 360 km2

Geographic position: City of Yantai in Shandong Province

Nearest international airport: Yantai Penglai International Airport (within the area) (37km)

Major industries:

1. Industrial machinery
2. Automobiles and parts
3. Electronics
4. Artificial fibers and textiles
5. Bio-pharmaceutics. A Foxconn plant nearby is a large source of employment in the district.

Major investors:

1. Henkel Loctite (China) Co. Ltd.
2. Bosch HUAYU Steering Systems (Yantai) Co. Ltd
3. Metro Warehouse Management (Yantai) Co. Ltd.
4. Siemens (China) Ltd Yantai Branch
5. Thyssen Elevator Co. Ltd. Yantai Branch

Main contact: Investment Promotion Bureau of Yantai Economic & Technological Development Area

Contact name: Mr. Zhang Zhen

Address: No.1 Changjiang Road, Yantai Economic and Technological Development Area, Yantai City, Shandong, China

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M: (+86) 15969665436

F: (+86 535) 6396666

E: zhangzhen@yantaiinvest.gov.cn

www.yeda.gov.cn

Tianjin Wuqing Development Area

Type of location: The State-level Economic & Technological Development Area, Hi-Tech Park, the National Independent Innovative Demonstration Zone

Total area: 1,574 km²

Geographic position: City of Tianjin (between Beijing and Tianjin)

Nearest international airport: Tianjin International Airport (35 km)

Major industries:

1. High-end Equipment Manufacturing
2. Biology Pharmacy
3. Modern Service Industry

Major investors (examples):

1. BHS-Sonthofen (Tianjin) Machinery Co. Ltd.
2. Adolf Würth GmbH & Co. KG

Main contact: UDA German office

Contact name: Mr. Jim Lao

Address: Bockenheimer Landstr. 61, 60325 Frankfurt am Main

T: (+49) (0) 69 2475 68040

M: (+49) (0) 151 1132 8582

F: (+49) (0) 69 2475 68099

E: jim.lao@wuqingdevelopmentarea.com

www.wuqingdevelopmentarea.com

Shenzhen Bao'an District People's Government

Type of location: Administrative District

Total area: 397 km²

Geographic position: Shenzhen Special Economic Zone in Guangdong Province

Nearest international airport: Shenzhen Baoan International Airport (within the area) (16 km)

Major industries:

1. Manufacturing Industry
2. Technological Innovation Industry

Major investors (examples):

1. Special Coatings GmbH & Co. KG (Shenzhen)
2. FRIWO Shenzhen
3. NOLTA GmbH Shenzhen
4. Roeders Shenzhen GmbH
5. Arburg Shenzhen GmbH

Main contact: Shenzhen Bao'an District

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Foshan Sino-German Industrial Services Zone

Type of location: International business park focused on industrial services (trade, mergers and acquisitions, investment and finance, conference and exhibition industries, vocational training)

Total area: 56,000 km²

Geographic position: City of Foshan in Guangdong Province

Nearest international airport: Guangzhou Baiyun International Airport (50 km)

Major industries:

1. Manufacturing industry

Major investors (examples):

1. Foshan Peters Gebäudemanagement GmbH
2. Foshan Deshangpenghan Consulting Co. Ltd.

Main contact: Administrative Office of Demonstration Zone for EU-China Urbanization Cooperation

Contact name: Ms. Stephanie Zeng

Address:

T: (+86) 757 29 39 8675

M: (+86) 139 28 57 7222

E: stephanietsang@126.com

www.sino-german.gov.cn

Changzhou National Hi-Tech Industrial Development Zone

Type of location: State-Level Hi-Tech District

Total area: 439.16 km²

Geographic position: City of Changzhou in Jiangsu Province

Nearest international airport: Changzhou Benniu International Airport (within the area) (26 km)

Major industries:

1. Manufacturing

Major investors (examples):

1. Givaudan
2. Georg Fisher
3. Mettler Toledo
4. Thyssenkrupp
5. Leoni
6. Lanxess
7. Erdrich
8. Bomag
9. Hörbiger

Main contact: CND Investment Promotion Bureau

Contact name: Mr. Jay Jiang

Address: Hengshan Road 8, Xinbei District, Changzhou

T: (+86) 051985127092

M: (+86) 138 6129 5025

F: (+86) 0519 85105029

E: jqj@cznd.org.cn

cznd.changzhou.gov.cn

Contact time in Germany: 09:00 am – 12:00 pm

Government of the City Taicang

Type of location: County-level city under the jurisdiction of Suzhou, Jiangsu province

Total area: 823 km²

Geographic position: In the east of the city, and south of the Yangtze exit into the East China sea

Nearest international airport: Shanghai Hongqiao International Airport (46 km)

Major industries:

1. Precision machinery
2. Petrochemical

Major investors (examples):

1. REHAU Polymers (Suzhou) Co. Ltd
2. EJOT Fastening Systems (Taicang) Co. Ltd
3. BERNSTEIN AG
4. Schaeffler AG

Main Contact: Government of the City Taicang

Name: Tang Yan

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Mianyang National High-Tech Industrial Development Area (MYSHIP)

Type of location: High-Tech Industrial Park

Total area: 105 km²

Geographic position: West part of Mianyang

Nearest international airport: Mianyang Nanjiao Airport (8 km) and Chengdu Shuangliu International Airport (120 km)

Major industries:

1. Advanced materials
2. Auto & parts
3. Biomedical
4. E-commerce
5. Electronic information
6. High-end equipment manufacturing

Major investors (examples):

1. Changhong Smart Home Co. Ltd.
2. Alibaba

Main contact: Investment Promotion Bureau of Mianyang State Hi-tech Industrial Park

Address: No. 167, Mianxing Road East, Mianyang

T: (+86) 816 2532016

F: (+86) 816 2532016

www.myht.gov.cn

Changsu National High-Tech Industrial Development Zone

Type of location: State-Level Hi-Tech District

Total area: 78 km²

Geographic position: City of Changshu in Jiangsu Province

Nearest international airport: Shanghai Hongqiao International Airport (60 km)

Major industries:

1. Auto & parts
2. Automation industry
3. High-end equipment manufacturing
4. High-end electronic information (photoelectricity)
5. High-tech service industry

Major investors (examples):

1. Continental AG
2. Valeo-Siemens eAutomotive (Changshu) Co. Ltd.
3. Fresenius Kabi AG
4. Heraeus Precious Metal Technology (China) Co. Ltd.
5. Mahle Compressors (Suzhou) Co. Ltd., Changshu
6. Kaercher Cleaning Technology (Changshu) Co.Ltd.
7. Kiekert Automotive (Changshu) Co. Ltd.
8. Hilite Automotive Systems (Changshu) Co., Ltd.
9. Isi Automobile Safety System (Changshu) Co., Ltd.
10. Changshu Valeo Automotive Wiper System Co., Ltd.
11. Yanfeng Johnson Controls

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