

Chinese Investments in Europe – Data, Patterns and Strategies

International Workshop organized by the German Institute for Global and Area Studies (GIGA-IAS) in cooperation with the German Federal Association of Mergers & Acquisition, Hamburg, 28th -29th June, 2009

The overall idea of the workshop was to combine experiences and knowledge about Chinese Outward Foreign Direct Investment (OFDI) in Europe by inviting both practitioners and scholars doing research in this field. The workshop was organised into four topical sessions and provided a platform for a lively discussion.

In the first session which dealt with the overview of research, data problems and the process of mergers and acquisitions (M&A) Margot Schüller (GIGA-IAS) started by giving an introduction to the research topic of the workshop. She pointed out that most of the studies explained Chinese investment in Europe with the goal of asset seeking and involvement in R&D. Moreover, Eastern Europe has been preferred as a manufacturing location and as a “backdoor entry” to the EU. She then presented preliminary results from a quantitative survey conducted together with Magnus Brod directed at investment agencies in Europe. One of the findings was that investments are concentrated in either traditional investments locations or in new R&D centers, scattered around EU countries.

In his presentation on the challenges faced by Chinese companies Kai Lucks explained the current structure of Chinese cross-border M&A activities which is getting access to natural resources and by exploring new markets and buying new technologies. Europe’s importance for M&A transactions is related to its many high tech small and medium-sized enterprises.

Focusing on legal challenges associated with M&A transactions, Nikolaus Schrader (Freshfields Bruckhaus Deringer) analysed the recent development of Chinese M&A. He identified, that traditionally, the preferred investment regions for Chinese companies were Asia, the USA and Australia. The strategic focus was on mining and access brands, management skills and technology. Hence Europe is a new M&A-arena, Chinese investors face some difficulties due to the complexity of transactions in Europe.

The focus of the second session was on Chinese investments and management strategies. Yun Schüler-Zhou (University of Hamburg, GIGA-IAS) presented her preliminary findings of a survey on the level of autonomy, which Chinese companies grant their subsidiaries in Germany. One of the findings has been that the extent of autonomy is strongly related to specific knowledge and resources of the subsidiary. Another outcome has been that high autonomy is granted in personnel and marketing decision-making, a low level of autonomy in financial and manufacturing decisions.

In his presentation on “The Global Financial Crisis and the Strategic Orientation of Chinese TNCs” Dylan Sutherland (University of Nottingham) focused on the

relationship between the government, companies and the financial system in China. He analysed the Chinalco/Rio Tinto-deal as an example of a failure of China's a resource seeking strategy.

Michael Rose (Lovells) focused his presentation "The Impact of Cultural Differences on Chinese Acquisitions in Germany" on the problems that often occur during the M&A transaction process in deals with companies from Mainland China, Hong Kong and Taiwan. He found out that cultural differences like complex hierarchies of Chinese management often lead to a slowing down of the M&A-processes.

A more optimistic view of Chinese M&A was presented by Thomas Wu (MSM Consulting). He claimed that government agencies have a clear strategy in terms of sectors and segments attractive for Chinese investment. According to Wu, the Five-Year plans are important documents, representing official medium-term strategies. In the last Five-Year plan, investments in network technology, chemical industry, biosciences and pharmaceuticals as well as renewable energy were given high priority.

The third session concentrated on the geographical and sectoral patterns of Chinese investment in Europe. Sergey Filippov (UN-University) presented a paper on the market entry of Chinese companies. He stressed that Chinese companies' internationalisation differs from those of traditional investors from developed countries. Instead of capitalising on superior technology or distribution networks as a base for OFDI, Chinese companies enter the European market in order to get access to know how or technology.

Drawing from a questionnaire-based survey among Chinese MBA students Wolf Kersten (CEIBS, BTBU) gave insights into the investment decisions of Chinese business leaders. He concluded that their view was biased due to a general lack of knowledge about Europe, Chinese cultural norms and stereotypes. The fact that they prefer to set up trade offices in Europe correlated with previously voiced comments during the workshop discussion.

Presentations in the last session, targeting the implications for host economies were held mainly by agents of European investment agencies. Susan Handtke from *Germany Trade and Invest* highlighted the role of imports as an indicator for investment, which mostly consist of sales and marketing offices. She pointed out that Chinese companies focus on the investment in the machinery sector and the establishment of headquarters.

Specific insights on the work of investment agencies were presented by Stefan Matz (HBDC). According to his data, around 400 companies are active in Hamburg. While most of them are state-owned, there is a trend of private firms coming to Hamburg. Christina Stercken (EAC-Consulting) presented the preliminary results of her survey on German companies' perception of the competitive pressure from Chinese companies. She assumes that the economic stimulus programme will

support the creation of a strong domestic market and a rising demand for foreign technologies and management know how.

Ulrich Marthaler of *UK Trade and Invest* and Carsten Boyer Thøgersen of *Invest in Denmark* presented lectures on the monitoring of Chinese investment in their respective home countries. Compared to Denmark, the UK has been able to attract quite a number of Chinese companies, mainly due to its liberal investment environment.

In the final discussion the general trends of Chinese foreign investment were discussed. Most participants assumed that more Chinese M&A deals can be expected, due to the global financial crises and the weakened position of many companies looking for foreign investors. It was believed that the state-led “going global”-policy will be further intensified.

To overcome given limitations in research on Chinese companies internationalisation – due to the scarcity of data – the idea of setting up a joint database of experts, national and local statistics on Chinese OFDI and companies and research papers was proposed.

Magnus C. M. Brod

Tagung der Nachwuchsgruppe der Deutschen Gesellschaft für Asienkunde

Bonn, 03.-05. Juli 2009

Seit nunmehr vier Jahren organisiert die Nachwuchsgruppe der DGA eine Tagung im Abstand von einem bis anderthalb Jahren. Vom 03. – 05. Juli fand nun in der Jugendherberge am Venusberg, Bonn, das bereits vierte Treffen statt. Ziel der Tagung ist es, Nachwuchswissenschaftler/innen der Asienforschung ein Forum zu geben, in dem Qualifikationsarbeiten von Experten kommentiert und mit der gesamten Teilnehmerschaft diskutiert werden können. Wie auch bei den drei vorhergehenden Tagungen hatte der *Call for Paper* zu einem breiten Spektrum an Panels geführt, das die ganze Bandbreite der sozialwissenschaftlichen Asienforschung abdeckte. Insgesamt nahmen rund 50 Personen an der Tagung teil, knapp die Hälfte davon waren bislang keine Mitglieder der Nachwuchsgruppe. Diesen bot das Treffen in Bonn eine gute Möglichkeit, die Arbeit der Nachwuchsgruppe kennenzulernen; die Folge waren mehrere Neueintritte in die DGA und Nachwuchsgruppe seit der Tagung.

Den Eröffnungsabends bestritt das Panel „Politikwissenschaft“ mit Dr. Patrick Ziegenhain als Chair. Prof. Jürgen Rüländ von der Universität Freiburg kommentierte die äußerst anspruchsvollen Präsentationen von Ryoma Sakaeda (GIGA Hamburg) zu der Bedeutung Nordkoreas für Japans Sicherheitsstellung und den Vergleich von Magnus Dau (Universität Marburg) zwischen der französischen und deutschen Chinapolitik. Obwohl in diesem ersten Panel noch akribisch genau