

# Cover story

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is also becoming more and more important for China."

So both countries could benefit if they improve their coordination in this field instead of fighting trade wars, for example over solar panels, Schmucker says.

Just days before Xi's visit to Europe, China and the European Union agreed to end a dispute over European wine exports to China.

Beijing opened an inquiry last year into whether Europe was selling wine in China at unfairly low prices. The move was seen in Europe as retaliation over EU efforts to impose punitive import duties on Chinese solar panels.

The solar panels dispute was resolved, but China pressed ahead with the wine case, saying it was a separate issue despite European expectations that the inquiry would also be dropped.

Yet for the various matters of dispute there are many areas in which both countries have a lot of scope to work together. Peter Hefele, head of the China office of the Konrad-Adenauer-Stiftung, a foundation linked to the Christian Democratic Union party, says: "Providing highly qualified services around products is a huge advantage of German companies and a weakness of most Chinese producers. In this field one could see some potential for deeper cooperation."

"Apart from hard products like cars, the demand for soft products such as media and culture is increasing among China's middle class."

China and Germany have enjoyed increasingly closer exchanges in culture, education and people-to-people engagement.

Every week, more than 60 direct flights go to and from the two countries, and in 2012 the number of tourists traveling between China and Germany exceeded 1.1 million.

China is becoming an important hub for German companies' research and development activities, too. But, Hefele says, shortcomings in intellectual property rights regulations and enforcement remain an obstacle to fully unleashing the potential of China's creativity.

More opportunities will emerge in areas where German companies have a lot to offer and China's respective industries are in high demand, for example in the medical industry, Voss says.

China provides growing sales opportunities in these areas and German companies are eager to supply products and services to help advance them.

"For German companies China is not merely a place to sell modern technology," Voss says. "It is also a partner for technology cooperation."

Chinese companies are increasingly becoming global actors in innovation. Germany has a high interest in a China with a strong innovation capacity because Germany's economic success is particularly effective in working with countries that are technologically strong.

Zhou Xiangqian, managing director of the Sino-German Innovation Center in Duesseldorf, is fostering innovation projects that attract talent, technology, capital and market from both countries together.

Both sides have strengths and requirements in many areas, Zhou says, and the most important thing is to create innovation projects by analyzing and fully mobilizing resources.

Germany also plays a leading role in China's relationship with Europe, analysts say.

"Germany plays a dominant role in promoting China-EU ties," says Gu, of the Chinese

Academy of Social Sciences. "In the future, Berlin can contribute more to removing the differences over trade issues, including solar energy products, between China and EU."

Schmucker says Germany will play a central role in discussions on the EU's relationship with China. Germany tends to speak out against trade sanctions towards China and is interested in fostering a closer economic relationship.

Besides trade disputes, experts expect Germany to take a leading role in negotiations for an EU-China investment agreement that began recently.

"Berlin can also play a more positive role in conducting EU-China

negotiations on an investment agreement," says Chen Zhimin, chair of the department of International Relations and Public Affairs at Fudan University.

Investment by Chinese companies in Germany and Europe is still relatively low compared with German and European investment in China. Investment by China in Germany is relatively small and is still in its infancy, according to figures from the Chinese embassy in Berlin.

By the end of September, accumulative investment in German non-financial sectors by Chinese enterprises had reached \$3.8 billion, accounting for just 0.2 percent of foreign investment in Germany, only 10 percent of German investment in China.

"We believe that an increase of Chinese investment in Germany is a positive development because it generates growth and employment," Duan says.

*Philipp Neumann contributed to this story.*



PROVIDED TO CHINA DAILY

Petra Wassner, CEO of North Rhine-Westphalia Invest, says the region is a big logistics hub for Chinese companies.

## First choice for investment

### NORTH RHINE-WESTPHALIA REGION CONFIDENT OF ATTRACTING MORE HIGH-TECH INVESTMENT

By ZHANG CHUNYAN  
in Dusseldorf, Germany

Though several nations in Europe are rolling out the red carpet for Chinese firms, the North Rhine-Westphalia region in Germany is banking on its inherent strengths to attract more investment.

North Rhine-Westphalia expects to use Chinese President Xi Jinping's visit to Duisburg and the strong connection it has with some Chinese companies to channel more high-tech investment, say provincial officials.

Located in the heart of Europe and bordering the Netherlands and Belgium, the NRW is the most developed and densely populated of the 16 federal states in Germany.

According to official figures, NRW accounted for 22 percent or 582.1 billion euros of German GDP in 2012. Internationally, NRW occupies 18th position in the world, ahead of Turkey, and generates 4.5 percent of the total European GDP.

More importantly, it is also the top investment destination for Chinese companies in Europe. There are about 800 Chinese companies in NRW now, compared with just 100 in 2003, says Petra Wassner, CEO of North Rhine-Westphalia Invest, the economic development agency of the NRW.

Besides many small and medium Chinese enterprises from all kinds of industries, there are also big players like Hisense, Huawei, ZTE, Lenovo, Minmetals, Sany, Wuhan Iron and Steel Corporation and construction machine manufacturing giant Xuzhou Construction Machinery Group.

Many of these Chinese enterprises are setting up manufacturing bases and R&D centers, Wassner says.

"Last year was kind of a boom with 63 new Chinese companies setting up shop. A lot of them started slowly in Europe, but have since expanded quickly."

When it comes to the reasons behind such achievements, she says, "the NRW offers many favorable business factors to Chinese companies" besides its good location and excellent infrastructure for transport.

A good flight, road, rail and waterway network ensures good connections all over the world. She says that Duisburg, which handles more than 125 million tons of goods a year, is also the world's largest inland port.

Starting in Chongqing, the Chongqing-Xinjiang-Europe International Railway passes through Xi'an, Lanzhou, Urumqi and the Alataw Pass, where it enters Kazakhstan, before continuing through Russia, Belarus and Poland, finally ending in Duisburg.

Stretching 11,179 kilometers, it takes just 16 days on average to transport goods from China to Europe by rail, 20 days fewer than by sea from China's eastern ports, making the rail link ideal for goods with shorter shelf lives.

"The NRW is a big logistics hub for Chinese companies and it is important that Chinese companies have access to the huge German and European market," Wassner says.

What's more, she says, "We have more than 14,000 foreign companies here, who are potential partners for a lot of Chinese businesses. And 17 of the 50 largest German companies like Bayer, Deutsche Post DHL, Deutsche Telekom are also based here."

NRW's economy is strong in sectors like chemicals, heavy machinery, automotive components, steel and metals and high-tech clusters, such as micro-tech, bio-tech and medical technology, she says. Most of the recent Chinese merger and acquisition activities, Wassner says, have taken place in sectors such as heavy industries and machines, energy and automotive.

Last year, China Railway Tunneling Equipment Co Ltd acquired intellectual property rights ownership of Wirth TBM and shaft boring machine technology from its German owner Aker Wirth.

To attract more Chinese companies to set up their offices or branches, NRW has three representative offices in China — Beijing, Shanghai and Nanjing. It also has 14 full-time employees to provide various services for Chinese investors.

"They have good language skills in Chinese, German and English, can give assistance to Chinese investors, engage in data research, and guide investments from China to the NRW in Germany," Wassner says.

The headquarters in Dusseldorf then provides them with more consultancy work.

"We inform them with regard to site selection by showing investors where they can find specific sites they need, provide them with business plans, information about incentives, and also answers to how to start a business, how to start a chain etc. We also have project managers who can speak Chinese."

"We have a big network of German and Chinese companies. Together with the good services we offer and the favorable location advantages of NRW, it is a win-win situation for Chinese investors."

According to an NRW survey, most of the Chinese investors are from Shanghai, Beijing, Jiangsu, Zhejiang, Shandong, Liaoning and Guangdong province.

"Our business culture and behavior is totally different from that in China," she says, adding that the laws, labor costs and labor skills are all different. It is not easy to find the services, engineers, co-workers and members that Chinese companies need for their business, Wassner says.

"The best thing that Chinese companies can do to be successful is to understand the German business behavior and work closely with German managers and employees," she says.

Some Chinese companies like Huawei have started scholarship programs like the AWOT Aachen to harness the required local and Chinese talent in technical fields like engineering. It is important for the Chinese companies to start early with scholarship programs at universities in order to find qualified and highly skilled employees, Wassner says.

The NRW survey indicates that Chinese companies have created more than 8,000 local jobs till date. Wassner feels that the number will increase considerably in the future.

She says, "We are honored and proud that President Xi will visit NRW and Dusseldorf. We expect new investments and new businesses on both sides, which will further strengthen our business relations in the future."

*Philipp Neumann contributed to this story.*