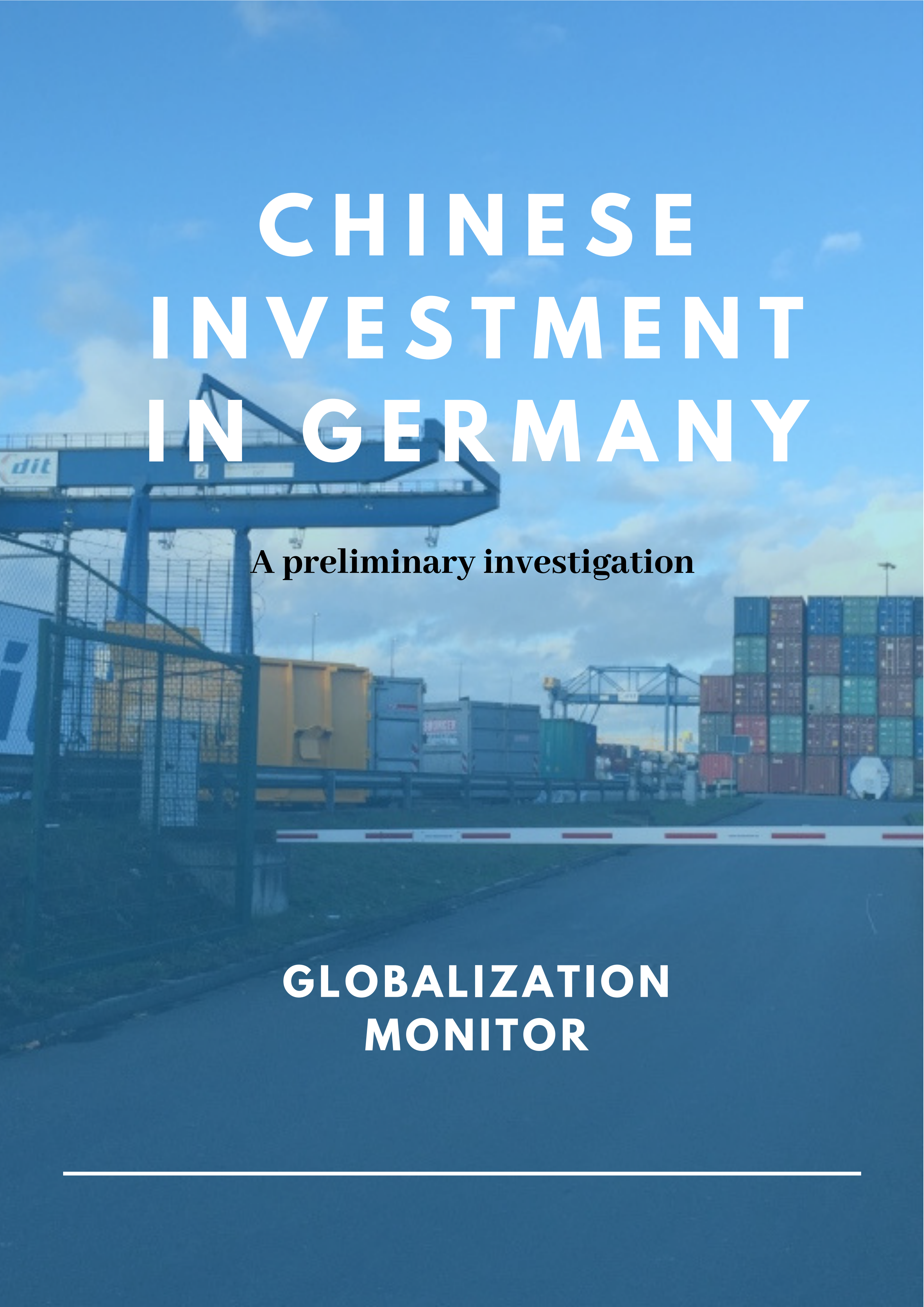

CHINESE INVESTMENT IN GERMANY

A preliminary investigation

GLOBALIZATION MONITOR

Chinese Investment in Germany: A Preliminary Investigation.

Globalization Monitor

Email: info@globalmon.org.hk

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China’s Investment in Germany: An Introduction

Following the launch of its “going global” strategy from 1999, the Chinese government has promoted Chinese companies going out and investing overseas. This is something which since then has resulted in a significant growth in Overseas Direct Investment (ODI) and other forms of investment by China. Indeed, China’s ODI has grown to such an extent that by 2015 it had become the world’s second largest source of Foreign Direct Investment (FDI). In Europe, although growth was slow at first, Chinese investment has increased substantially since 2009 in the aftermath of the global economic crisis. With the launch of the Belt and Road Initiative (BRI) in 2015, the political importance of Chinese overseas investment has been upgraded as China draws on the legacy of the ancient Silk Road to create six economic corridors and a maritime silk road connecting Asia, Europe and Africa[1].

Germany has been one of the major recipients of Chinese overseas investment amongst European countries and, despite the increasing diversification of its investments more recently to other European countries, it is still considered one of the most appealing destinations for Chinese ODI. Between 2000 and 2015, Germany received a cumulative total of EUR 7,905 million in Chinese FDI, ranking fourth in the EU for this period in terms of investment received (Hanemann and Huotari 2016).[2] In the mid-2000s investment was mostly in small greenfield projects, however since 2011 in particular investments have soared (Hanemann and Huotari 2015). From 2011 to 2016 the value of Chinese investments in German companies grew from 690 million Euros to 7 billion Euros (although 4.5 billion of this resulted from Midea’s acquisition of Kuka) (Fernández 2018). In 2018, even while an overall decline in investment into Europe was reported, Chinese investment in Germany still grew in terms of total value (Reuters 2019). As China has sought to expand international connectivity and transportation routes to Europe as part of the BRI, Germany has also been integrated as a destination for trains departing from China to Europe.

Since Germany is a country which has been so important to China as it has expanded its investments into Europe, Globalization Monitor was keen to learn more about how Chinese is viewed there and the impacts it has had so far, particularly in the workplace. For this reason, in November 2018 we visited Germany for two weeks to meet with works council members, trade unionists and other activists and experts about their experiences related to Chinese investment and visited strategic sites of interest for Chinese investment activity. Our visit took us to two different locations in Germany. The first was North Rheine-Westphalia[3], an early industrial area, where Chinese companies have been acquiring manufacturing plants in various industries and where the city of Duisburg has received recent attention in relation to its role for China’s new silk road as the terminal of its rail route from Chongqing. The second location was Hamburg, a city which has been an important location for the establishment of the European headquarters of Chinese companies – 500 such headquarters are now located there - and where plans to construct a new container terminal at its port, to potentially be built and operated by Chinese companies, have become a cause for concern. This report draws on our discussions and findings from this visit as well relevant recent

[1] Latin America has also subsequently been drawn in to the initiative.
[2] This is actually a decline in position from second place if only data from 2000-2014 is included. See Hanemann and Huotari’s earlier 2015 report.
[3] Our visit took us to several cities including Cologne, Bochum, Düsseldorf, Duisburg and Monheim am Rhein.

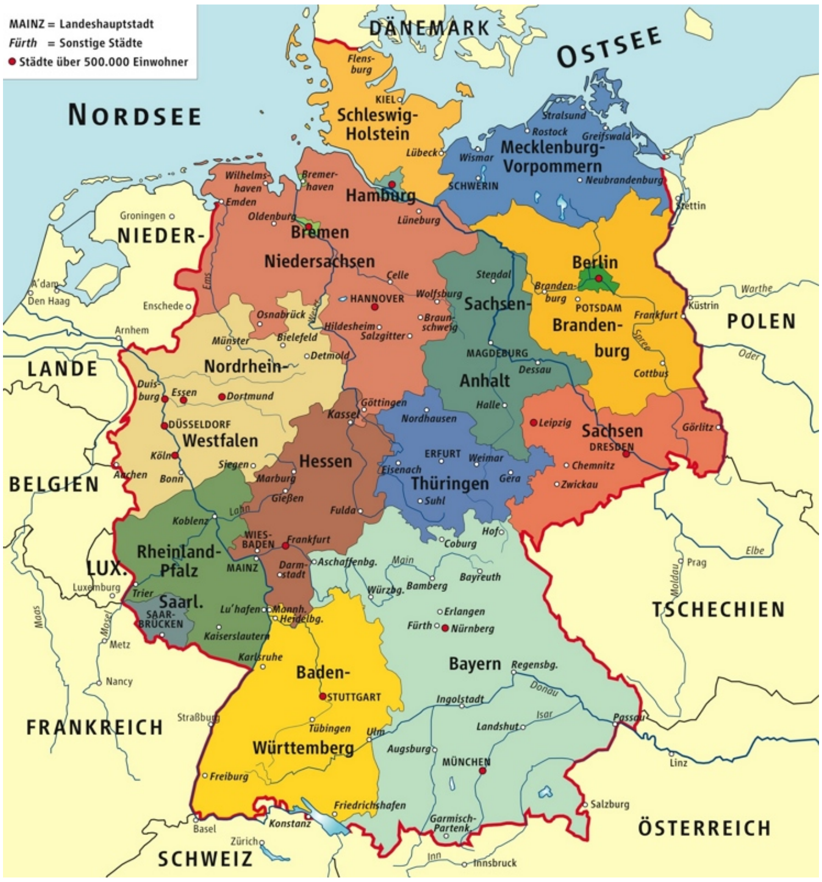
reports and literature to explore some of the important emerging issues for understanding implications of Chinese investment in Germany, as well as potentially further afield.

How has China been investing in Germany?

Germany, a country which is considered an attractive destination for FDI more generally[4], has also been viewed as an important location for Chinese investors to invest in Europe. Chinese companies have made numerous investments in Germany of various sizes. In 2016, for instance, 68 acquisitions were made by Chinese companies in Germany (Deutsche Welle 2018). One of the main reasons is its advanced manufacturing capabilities. Germany has been seen as a location from which China might not only benefit from the acquisition of industrial assets but also from the related advanced knowledge and expertise. Acquiring knowledge and production expertise from Germany is in line with China's 'Made in China 2025' strategy, which aims at the upgrading of manufacturing capabilities so as to meet China's goal of becoming a leading industrial nation by 2049. Other related reasons that have also contributed to Germany's popularity with Chinese investors include Germany's leading international position and competitiveness, the ability to open up access to other European markets, as well as the good reputation of the 'Made in Germany' label (Bian and Emons 2017), something which is advantageous for attracting customers to buy finished products.

Related to these aims, the most important sectors for Chinese FDI in Germany have been automotive and industrial equipment. Between 2000 and 2014, automotive and industrial equipment accounted for more than 65% of total Chinese investment to the country (Hanemann and Huotari 2015). Other important sectors have included renewable energy, consumer products and finance and transportation services. The majority of these investments in Germany take the form of acquisitions ---according to one 2015 report this had accounted for 82% of Chinese FDI (Hanemann and Huotari 2015) --allowing for a quick way to enter the market and to acquire knowledge and assets. Nevertheless, Germany has lagged behind some European countries as a recipient of Chinese FDI in certain areas. These include the biggest sector for Chinese overseas investment in Europe, namely energy. Despite deals in renewable energy, overall investment is small in this sector when compared to other types of investments in energy (for instance energy extraction and utilities) in other European countries. Investment is also smaller in transportation, infrastructure, basic materials, metals and minerals (Hanemann and Huotari 2015).

[4] Several other EU countries, the United States and Japan are amongst top investors.



Map of Germany
Source: http://ontheworldmap.com/germany/germany-political-map.html

The industrial regions of Germany are amongst those to receive the greatest proportion of Chinese FDI. Between 2000 and 2014, southern and western Germany (states of former West Germany) received the greatest amount of Chinese FDI. Bavaria, Hesse and North Rheine-Westphalia were the states that received the most, each receiving a cumulative value of FDI projects from Chinese companies in excess of one billion Euros (Hanemann and Huotari 2015).

Emerging concerns and cooling attitudes

Although still comparatively welcomed by the German government[5], concerns about the nature and consequences of Chinese investment in Germany have been growing. One of the major causes of this relate to fears over loss of technology and technological advantage. This has particularly been the case as the scale of investment has increased and coincided with China's stated ambition of catching up and competing with advanced manufacturing companies such as Germany. A Bertelsmann Stiftung foundation study found that between 2014 and 2017 almost two-thirds of China's mergers and acquisitions in Germany involved the ten sectors outlined in Beijing's 'Made in China 2025' plan (Fernández 2018). It is not just the German government that is potentially concerned about this. According to one trade union consultant that we spoke to, while sometimes German trade unions viewed Chinese investment as being preferable to other types on investment, there was some fear about the future impact of technology transfer and the potentially resulting

[5] German Chancellor Angela Merkel has recently described the BRI as an "important project" and commented that, "We, as Europeans, want to play an active part and that must lead to certain reciprocity…. We are seeing the project as a good visualization of interaction, interrelation and interdependence". Cited in Escobar 2019.

subsequent competition. Meanwhile, at the same time that Chinese FDI to Germany has been growing, German FDI to China has been declining in recent years (Bian and Emons 2017).

Examples of recent notable Chinese acquisitions in Germany

- 2011: Lenovo acquired a 51% stake for US$900 million technology and consumer electronics company Medion.
- 2012: Weichai Power acquired a 25% stake in truck maker KION for 738 million euros. At the time it was China's largest direct investment in Germany.
- 2014: AVIC Systems (a subsidiary of aerospace and defence conglomerate AVIC) acquired automotive systems manufacturer Hilite International for 473 million euros.
- 2015: China's Zhongding Sealing Parts Co. Ltd acquired 100% of shares in injection moulder company Wegu Holding GmbH for 95 million euros.
- 2016: China National Chemical Corporation (ChemChina) acquired a two-thirds stake in machinery manufacturer Kraus-Maffei for 925 million euros. At the time it was the largest Chinese acquisition of a German company.
- 2016: Beijing Enterprises Holding Limited acquired 100% of waste management company EEW Energy from Waste for 1.4 billion euros. The acquisition was agreed only a few weeks after the acquisition of Kraus-Maffei.
- 2016: investment group Fosun International Ltd. acquired 99.91% of equity interest in private bank Hauck & Aufhäuser for 210 million euros.
- 2017: Midea acquired a 94.55% stake in robot manufacturer Kuka for 4.5 billion euros.
- 2017: Biotest Pharmaceuticals agreed to a 1.3 billion takeover deal by China's Create Group Corp.
- 2017: China's HNA Group acquired a 700 million euros (3.04%) stake in Deutsche Bank AG. Later that year it was revealed that HNA's stake had risen to just under 10%.
- 2018: China's Geely Group acquired a 7.3 billion euros (9.7%) stake in Daimler – the biggest Chinese investment in a global automobile manufacturer to date.

The acquisition of German robotics manufacturer KUKA in 2016 by Chinese electrical appliance manufacturer Midea has been seen as a significant turning point in Chinese-German investment relations, causing concern from the government and workers alike. When the news was announced approximately 3,000 employees gathered at the Augsburg factory, worried about what the new ownership would mean for the company. However, two years later, according to the head of the

Works Council at KUKA, Midea had committed to keeping the factories open and preserving jobs. The union IGMetall had also unsuccessfully sought to find alternative buyers for the company. Nevertheless, the acquisition also alarmed the government due to Kuka's position as a major company in a strategic sector of the economy. Indeed, the company has been described as, "a pioneer of Industry 4.0, the digitally networked economy" (Hanemann and Huotari 2015). Although the government eventually conceded that the acquisition did not harm national interests, it did face opposition from some officials in Berlin and contributed to a political atmosphere in which the German government tightened regulations on all non-EU foreign investment in 2017 (Goetker and Ningelgen 2017). Under the new regulations the government granted itself the power to intervene if a foreign company obtained a 25% stake or higher in a German company.

In line with growing global trends, more recently there have been some additional signs that the German government has been growing warier of Chinese investment. In July 2018, Chancellor Angela Merkel's cabinet for the first time moved to veto the takeover of a German company by a Chinese company, when it signalled that it would block the acquisition of Leifeld Metal Spinning by Yantai Taihai group on "security grounds". Leifele Metal Spinning makes equipment for the nuclear energy and aerospace industries (Fernández 2018).

Exacerbated by the Chinese government's Made in China 2025 plan, the perceived political implications of Chinese investments are perhaps a related reason for the cooling attitudes towards it. This has particularly been so given the connection that many Chinese companies have to the Chinese state. This may not only include China's State-owned Enterprises (SOEs), which have been responsible for a significant proportion of China's overseas investment, but also companies with a sometimes unclear ownership structures, even where they claim a lack of connection. The growing global concern over the security of Huawei's technology and the way that the company is believed by many to be linked to the Chinese Communist Party (something that Huawei has denied) and the allegation that such technology could be used to spy for the Chinese government has not helped to improve this image. It should be noted that at the time of writing, however, Germany has not so far bowed to US pressure to ban Huawei (Whittaker 2019). Nevertheless, Chinese investments in small or medium sized German companies that specialise in advanced technology have sometimes been viewed more as political than economic acquisitions.

Restrictions have not just come from the German government however. In 2017 the Chinese government also introduced new restrictions to regulate or restrict certain types of overseas investment by Chinese companies, partially in an attempt to limit capital flight. This led to a decline in Chinese ODI internationally and to some investors in restricted sectors, such as the hotel industry, withdrawing their investments. Following the introduction of new restrictions by China, German sellers have also reportedly sometimes been more cautious about Chinese investment and have asked for higher sums of money as collateral or other payment requirements that have contributed to the failure of some deals (Deutsche Welle 2019).

Investment in Manufacturing in North Rhine-Westphalia

View from the Alsumer Berg in Duisburg Marxloh: the North Rhine-Westphalia area was an early industrial centre. Photo Globalization Monitor.

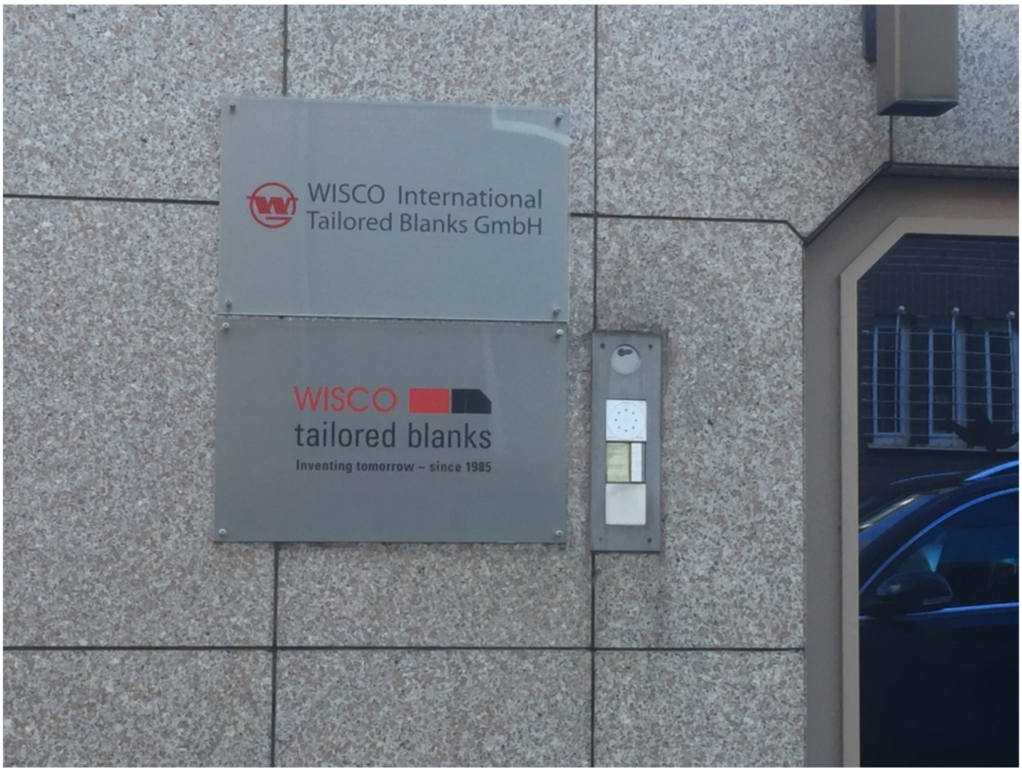
In November 2018 we visited the industrial region of North Rhine-Westphalia, an area where a number of companies have been acquired by Chinese investors.

On our visit we met with representatives from works councils and trade unions associated with four companies that had been acquired by Chinese investors. We also learned about additional cases of Chinese investment in the region from other trade union researchers and consultants. All the companies were involved in manufacturing industries.

The Chinese companies that had acquired the four companies in Germany that we focused on had different ownership types. While Company A, Tailored Blanks, had been acquired by the State-Owned Enterprise (SOE) WISCO in 2013, which itself had subsequently been merged with central SOE, the Baosteel Group, in late 2016, two of the companies (Companies B and C) had been acquired by private mainland Chinese capital, one in 2010 and the other in 2014. The fourth company (Company D) had been recently acquired in 2017 by a Hong Kong company that had itself only recently been established in 2016. While Hong Kong capital is subject to different rules and different patterns of behaviour may be observed when compared to mainland Chinese capital, a significant proportion of 'Hong Kong' capital likely has its origins in the mainland.[6] Indeed, as far as Company D

[6] Hong Kong has long received by far the largest proportion of mainland Chinese ODI. In 2016, for instance, Hong Kong accounted for 58% of China's total ODI stocks according to official statistics. While some of this capital invested in Hong Kong is intended for reinvestment in mainland China, a significant proportion is also widely believed to be being redirected and invested overseas.

was concerned, on more closely examining the investing company's ownership structure and tracing it up to higher levels, it became evident that ultimately the Hong Kong company that had acquired Company D was very much connected to mainland Chinese capital. In addition, the chairperson of the investing company also held senior positions (chairperson and vice-chairperson respectively) in two mainland Chinese companies that, like Company D, also produced equipment for the railway industry.



Outside the office of Chinese invested company WISCO tailored blanks in Duisburg. Photo: Globalization Monitor.

Acquisition

All four of the companies were experiencing some degree of financial difficulties at the time of acquisition and so the Chinese investment was largely, at least initially, viewed as something positive for securing the company's future by those we interviewed. In some cases, further investment in the company was promised for the future and so this was seen as a positive sign. For Company D, financial worries had been exacerbated due to China, which had been a major location for the sale of its products that were manufactured in Germany, changing its policy such that products produced in China were favoured over those from overseas. This had resulted in a loss of customers for the company. Acquisition by the Chinese company, which was linked to other companies producing for the Chinese market, was seen as a way to continue to access the Chinese market and improve the financial situation of the company. Experiences since the four companies were acquired by Chinese investors have varied however. While some companies had experience layoffs, for others the further expected investment in the company had not always been forthcoming. In one case, concern was expressed that the financial system had changed and that the works council had little insight into the activities of the Chinese investor's holding company. Moreover, credits were being used to pay off old debts instead of for new investment as had been promised. Meanwhile some of the companies we visited or learned about had continued to experience losses and/or other financial difficulties since being acquired. In this respect, initial optimism and expectations had not been realized.

One complaint that emerged from one of the cases was that the acquisition process had taken much longer than had originally been hoped, due to the long time needed for necessary permissions to be obtained in China for the Chinese investor to acquire the German company. The degree of knowledge of the Chinese acquisition by worker representatives prior to the takeover seems to have varied however. This may in part be affected by the size of the company. Larger companies are entitled to greater representation, for instance the size of the company affects the number of works council members; in companies where there are over 500 employees, workers are represented on a company's supervisory board and so may participate directly in decisions about the acquisition process. Regardless, works councils should be informed about the economic situation of the company and changes that could adversely impact the workforce (ETUI n.d.).

Amongst companies that we visited, one works council chairperson said that the works council had only become involved in negotiations around the acquisition after the workers had threatened to go on strike. At another company, works council members told us that they had learned about the potential acquisition when the Chinese investor company had sent a team of 40 to 50 people from China to the factories in Germany to carry out an investigation. At this company, the procedure was said to have taken about half a year, and, following the agreement of the sale of a majority stake in the company, an assembly was held to inform the company's employees that involved a video call with the Chairperson from the investing group company. At Company D, as a company which at the time of acquisition had more than 500 employees, there was a trade union representative on the governing board of the company who was aware and involved during the acquisition process. Regardless of involvement in the process, however, other research has previously found that after a purchase has been completed, it is not uncommon for works councils and employees to have little contact with the new owners, and this is something which has not sat well with employee representatives (Bian and Emons 2017).

When companies in Germany are acquired by Chinese companies, it is common for agreements to be made protecting jobs and securing the location of the workplace lasting for five years. During this first period, relatively few changes are made by the Chinese investing company. After the five-year period, some changes were noticed by some of those we spoke to however, including adding more Chinese management and reducing the size of the workforce. At Company C it was noted that in the first five years, other than paying salaries, the Chinese company had largely left it alone and it did not invest a lot in machinery. Company B also had an agreement lasting five years protecting job security and was in the process of beginning to negotiate a new agreement. In one case, where a collective bargaining agreement for a 35 hour work week existed, it had been agreed to extend the work week by three hours with the same pay in exchange for guarantees of job security. At Company D, the most recently acquired of the companies, we were told that there had been some small-scale conflicts over reducing costs and the arrangement of shifts and rest time, but the trade union representative seemed keen to point out that this type of conflict was not unique to the period since there had been Chinese investment.

Workforce reductions

A number of the Chinese invested companies in the region have continued to experience significant losses and have started to cut the number of workers. Tailored Blanks is one such example. Beginning in March 2018, it had started a layoff program with the aim of cutting 50 of its 270 workers and had begun to negotiate conditions with the works council. According to the Works

Council Chairperson, the management did not initially understand that it had to negotiate with the works council or that it would have to pay compensation for laying people off. Two weeks before our meeting with him in mid-November, an agreement on the redundancies had been signed over the amount of compensation. There would be 40 voluntary redundancies, while the workforce would be reduced by a further 10 as a result of the expiration of existing contracts. The amount of compensation agreed seemed to be very appealing to workers. As a result, 60 workers had volunteered for the redundancy even though they had only needed to find 40 workers to volunteer. We were told that the total cost for reducing the number of employees would be around 5 million euros, and that the money for this would come from Baosteel, the Chinese owner, directly. An additional condition was that there would be no more layoffs in 2019. Interestingly, according to the works council chairperson, the company had previously been presented to them as a big company with lots of money that never laid people off. Baosteel is one of the world's biggest steel producers and in 2017 was ranked by the World Steel Association as the second largest steel producer in the world in terms of volume (World Steel Association 2018).

Employee Situation by November 2018

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

Tailored Blanks was not the only case that we heard about in the region where the workforce had been downsized or faced that prospect in the near future. Company C had also faced significant job losses since being acquired by a Chinese company. This company had 700 employees at the time of its acquisition by the Chinese investor in 2010. In 2015 the number of employees was reduced to 350 and in 2017 to just 200. One of the main threats to employment at this factory was the relocation of production. Due to the cheaper costs, the company was moving manufacturing to its factory in Serbia and had been sending machinery and equipment from this factory there. When we looked around the factory, we saw large empty spaces where there was once machinery. Amongst remaining machinery, there were additional items already packed up and ready to send. We were told by a works council member that the company seemed to intend to make the components in

Serbia and then assemble them in Germany so that the “made in Germany” label could still be used. He believed, however, that the ultimate aim was to produce everything in China. Five years after acquiring the company, copies of everything at the factory had been made and sent to China. The Chinese company had then started to produce some motors in China, although the quality was described as being “different” to those produced in Germany. The same fate (concerning employment and the relocation of production) was said to be facing the company’s other two German factories.

Company D had also experienced a reduction of its workforce. At the time of the sale to the Hong Kong company there had been 594 employees, but when we visited Germany in November 2018 this had fallen to 480. The trade union representative that we spoke to about this case did not attribute the workforce reduction to resulting from the Chinese investment. Accordingly, there had already been plans in place to reduce the workforce by 120 in order to level out company losses. The workforce had been reduced through not replacing workers who retired due to old age and through voluntary redundancies.

During our visit, we also heard about difficulties at engineering company KHD Humboldt WEDAG following its acquisition. A 90% stake in the company, which provides products and services to the cement industry, was acquired by Chinese SOE AVIC International Beijing Co. Ltd, a member unit of the central aerospace and defence SOE the Aviation Industry Corporation of China (AVIC Group), in 2011. In discussing the current situation, the company was described by a trade union consultant that we spoke with as facing a critical situation, lacking new strategy from China and having made losses in the last couple of years. With KHD having already reduced the workforce by 19% (Bian 2018), on 12th March 2019, the company announced that Humboldt Wedag, a major subsidiary of KHD Humboldt Wedag based in Cologne, was planning to cut approximately 80 jobs and that it would be discussing this with the works council in the coming weeks (KHD 2019).

The experiences that we heard about during our fieldwork in Germany and from local media reports, in which despite the initial positive expectations of the investment the workforce was subsequently reduced, are consistent with a recent study published by the Hans Bockler Foundation that records 14 cases of high job losses at Chinese invested companies, the majority (12) of which had been acquired between 2011 and 2013. Two of these cases involved 100% of the workforce being cut as the companies became insolvent (Bian 2018).

Changes and new challenges encountered

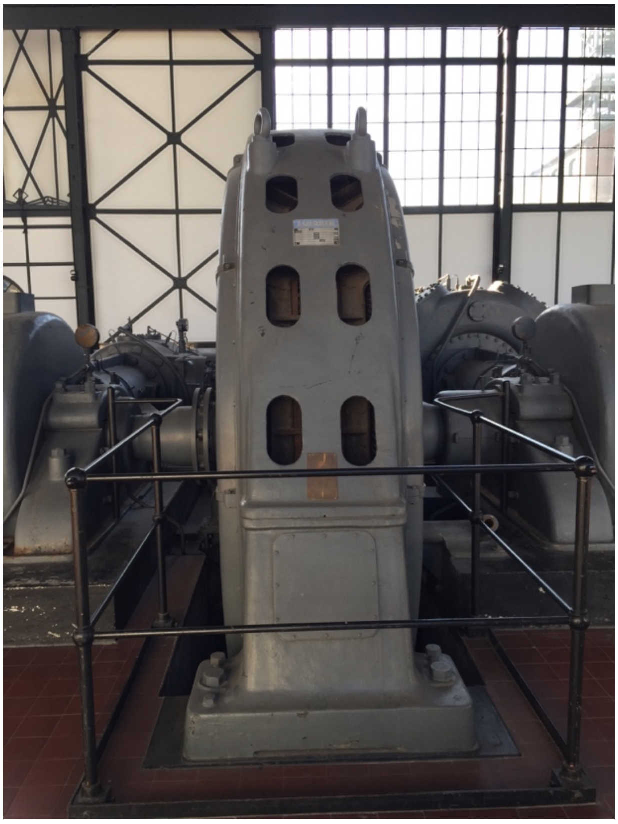
While as a recent acquisition it was too early to tell concerning the company acquired by the Hong Kong investor, at the other three companies, although relatively little changed immediately following acquisition, after a period of time some changes had occurred. One of the major changes was to the management. Although initially management mostly stayed the same, over time Chinese managers were brought in, either alongside or replacing German management. Not all of the Chinese managers could speak German. Even where companies retained some German management, one additional problem was that there was no direct line of communication with those responsible for decision making in China. One works council chairperson said that it, “is nearly impossible to deal with them”, and that any decisions took months to come back from China. He told us that there was very little information about what was getting reported back to China and he suspected that the Chinese management were not reporting anything back about what had been discussed with them.

“Cultural differences” and relevant knowledge of how things worked in Germany were also identified as a big problem. Translation problems were one issue that was highlighted, however a lack of understanding of procedures, how meetings were run, democratic decision making as well as inadequate understanding of the German legal system and its protection of workers’ rights were also reported. One works council chairperson commented on his impression that if a company is doing badly the Chinese management just expect the workers to take a pay cut. He commented that even if this might be normal in China, it is not in Germany. Some interviewees noted the Chinese managers’ concern about losing face in China when they encountered difficulties in running the company Germany. One of the Chinese companies had also run into problems when it had started to renovate a building only for it to be discovered that it had not sought relevant planning permissions. The building in question was standing vacant and unused when we visited.

While one of the aims of Chinese companies investing in Germany is to obtain access to European markets, this has not always been a straight forward process. Overconfidence or lack of experience by the Chinese investing company have resulted in some difficulties. This has included inexperience on the part of the Chinese investors in selling to relevant customers. In the case of Wisco and Tailored Blanks, for instance, while the original intention was for Tailored Blanks to use Wisco’s steel in its manufacturing following the acquisition, according to interviewees Wisco’s steel was reportedly not good enough to use in Germany’s auto industry and this had meant they had to buy steel from other companies, contributing to financial losses. Fortunately for this case, we were told that following Wisco’s merger with Baosteel, Baosteel had been able to send over good quality suitable steel and so there was more room for optimism about the future. Indeed, the works council chairperson believed that if Baosteel had not taken over then the company would have had to close; instead they would now have the chance to be more competitive. A lack of familiarity with the European market was also identified as being a problem at Company C. Although everything at the factory in Germany was custom made, the Chinese investing company was used to producing serial models and had little understanding of the scales involved. This was said to have led to the loss of a lot of customers.

Other than the reduction of the workforce and some additional pressure from the management, working conditions at the factories were said to have changed very little if at all at the companies that we visited since they had been acquired by Chinese investors. Nevertheless, it was observed that some of the Chinese investors were more concerned about profit margins than the previous owners had been. Works council members at Company B, for instance, commented that the new investors had expected higher profit margins, however due to an increase in the secondary costs of production such as energy prices its profits had fallen, and so this was experienced as a pressure to the works council.

At one of the workplaces, the company had previously sent a small number (10-20) workers from China to Germany to work on the production line, however this stopped when it was discovered that the workers only had tourist visas (and so did not have permission to work in Germany). These workers had been accompanied by a translator, but it was nonetheless still unclear to the works council whether they had been properly introduced to the relevant safety procedures at the factory.



Machinery for mining produced by Schorch on display at the Zollern colliery museum in Dortmund.
The company has a long history dating back to the nineteenth century. It was acquired by the Chinese Wolong Group in 2010.
Photo: Globalization Monitor.

Future prospects

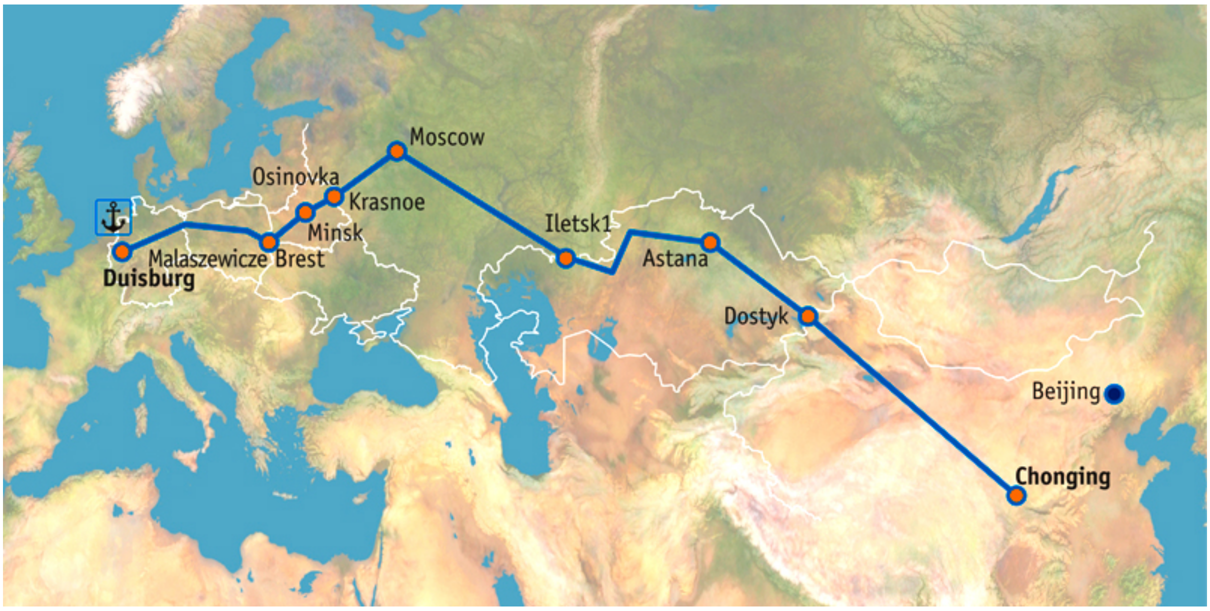
Overall, there were different degrees of optimism concerning the future of work at the four companies that we visited. While at Company C, with the workforce significantly reduced and machinery and production increasingly being shifted elsewhere, the outlook seemed bleak, at the other companies there was still a higher degree of optimism remaining. Works council members from Company B, for instance, said that they felt relatively positive about the future. They expressed the hope that the holding group company would buy up more companies that could make use of the products that they produced, thereby helping to safeguard work. According to a representative from the local trade union that we spoke to about Company D, workers at this company were initially worried about the takeover and what would happen in 5 to 6 years time. Nevertheless, he claimed that although there are a lot of changes going on in the industry as well as big competition, for now, thanks to the Chinese investment the company was relatively stable.

Duisburg – China's 'Gateway to Europe'?

"Whoever owns Duisburg, owns western Europe"

--- a popular saying about the city according to a local activist --

Interested by all the media hype around the new role of Duisburg and its significance to China, we also visited the city and the railway container terminal for the transportation route originating in China. The city of Duisburg, a steel and coal town for much of the twentieth century, was already considered the world's largest inland port before Beijing's plans to revive the Silk Road. Now, with the China Railway Express railway service linking Duisburg to China, the port is reportedly fast becoming one of Europe's central logistics hub. For China, as the Western terminus of the new Silk Road, Duisburg marks a very important strategic location in its Belt and Road initiative. The route from Chongqing to Duisburg, which was first launched in 2011, with regular cargo trains travelling between the two cities since 2015, covers more than 10,000 kilometres, passing through Xinjiang, Kazakhstan, Russia, Belarus and Poland. The train runs to the river Rhine arriving at the Duisburg Intermodal Terminal (DIT), where the goods can then be loaded onto ships.



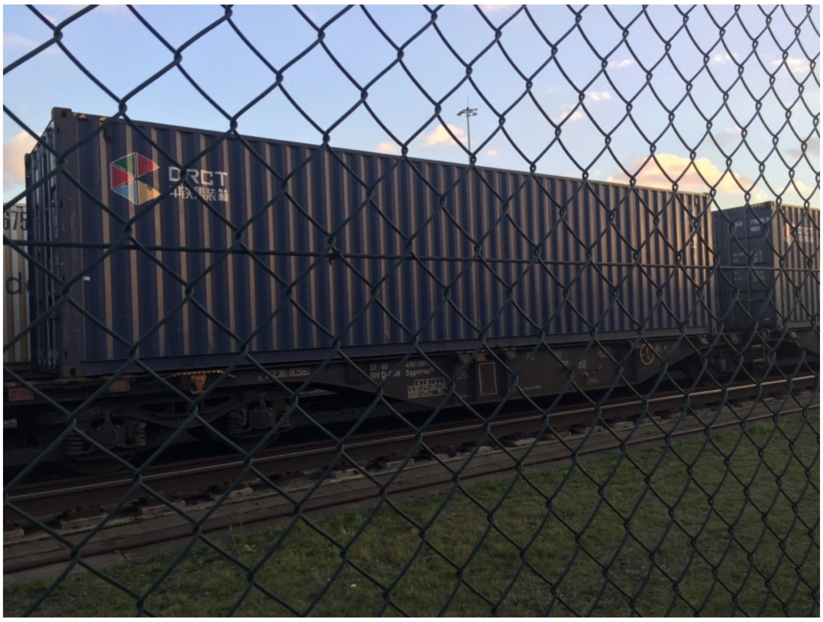
The rail route between Chongqing and Duisburg. Source: Belarusian Railway.

According to reports, it is the first stop of about 80% of trains from mainland China and around 25 to 30 trains arrive at Duisburg's inland port from China every week (Oltermann 2018; Xinhua 2018). Last year DIT reportedly leased an additional 200,000 square metres of land from Duisburg port due to growing Chinese business (Chazon 2019). According to the port's CEO, Erich Staake, freight sent by rail between Chongqing and Duisburg costs almost twice as much as shipping it, however it is much faster and only takes 12 instead of 45 days (Oltermann 2018). Nevertheless, in terms of cargo volumes, trade is not equally balanced or beneficial for the German side. Only half the number of full containers return to China as those that arrive in Duisburg from China, and the port only earns a fifth of the fee for empty containers sent back to China (Oltermann 2018).

The DIT container terminal in Duisburg. Photo: Globalization Monitor.

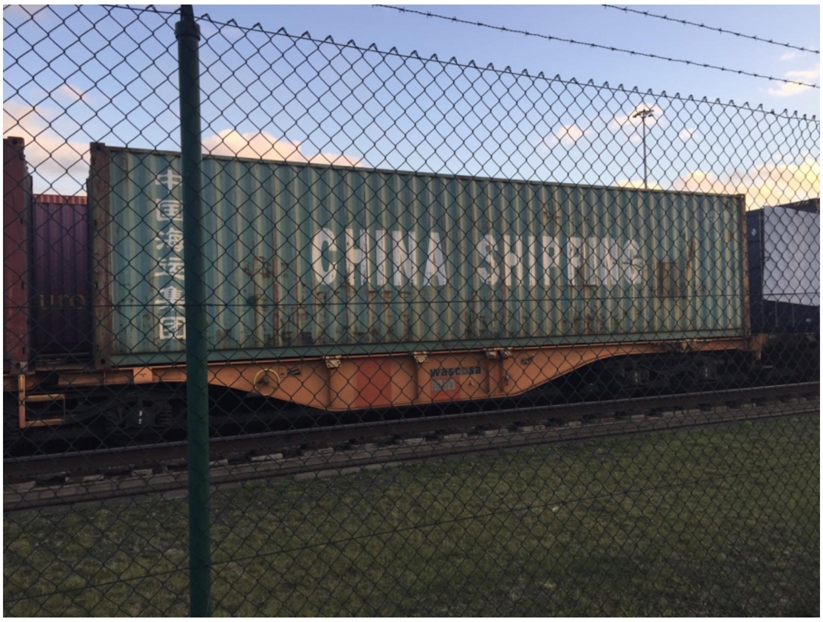
Duisburg is a city with high unemployment, standing at 12% in 2018, a rate almost four times the national average. With this in mind, the rail link has been presented as beneficial to the city for its potential to create employment. Indeed, since the rail link first began operation, additional drivers and workers have been hired to deal with the increased container transportation. A 2018 Xinhua report cites Duisburg's city official for Chinese affairs, Johannes Pflug, as claiming that the rail transport business from this route has created over 6,000 jobs (Xinhua 2018). This is something which may continue as additional land is purchased for warehouses and a logistics centre connected to the rail link, although we were told by a local activist that the plan was to construct this some distance from Duisburg and so potential benefits to the city might be questionable. At the same time, there has also been some impact for Chinese business in the city. Since Xi Jinping visited Duisburg in 2014 on his state visit to Germany, the number of Chinese businesses in the city have reportedly doubled to 100 companies. With the potential prospects for new business and to gain further market access, there are also plans for Chinese developer, the Starhai Group, to build a 260 million Euro 'China Trade Centre Europe' in at the Niederrhein Business Park in Duisburg (Grey and Schlautmann 2018).

Nevertheless, despite the presentation of the rail link's significance in both Western and Chinese media, other than job creation, the idea that the rail link might have much significant impact for the city was met with a certain degree of scepticism by some local activists who did not see it as such an important issue for the city. In speaking about Chinese investment in the city more generally, one activist did raise concern about data security and the city's planned partnership with Huawei over digitalization. In January 2018, Duisburg and Huawei had signed a Memorandum of Understanding to work together on ‘smart city’ development.



A China Railway Container Transport Corp. Ltd. (CRCT) container on a train at the terminal in Duisburg. Photo: Globalization Monitor.

Unlike in some countries where China has invested, however, Chinese investment in the city was described as something that was accepted and not something that was a cause of conflict or opposition. Indeed, in contrast to some other cities along the New Silk Road, the port remains German run (Grey and Sclautmann 2019). The independence of the city is something that local officials are reportedly keen to maintain. Aware of the fate of Sri Lankan Hambantota Port, Chinese affairs official Johannes Pflug has said that, “we must preserve our independence and at all costs avoid falling into a debt trap with the Chinese” (cited by Chazon 2019).

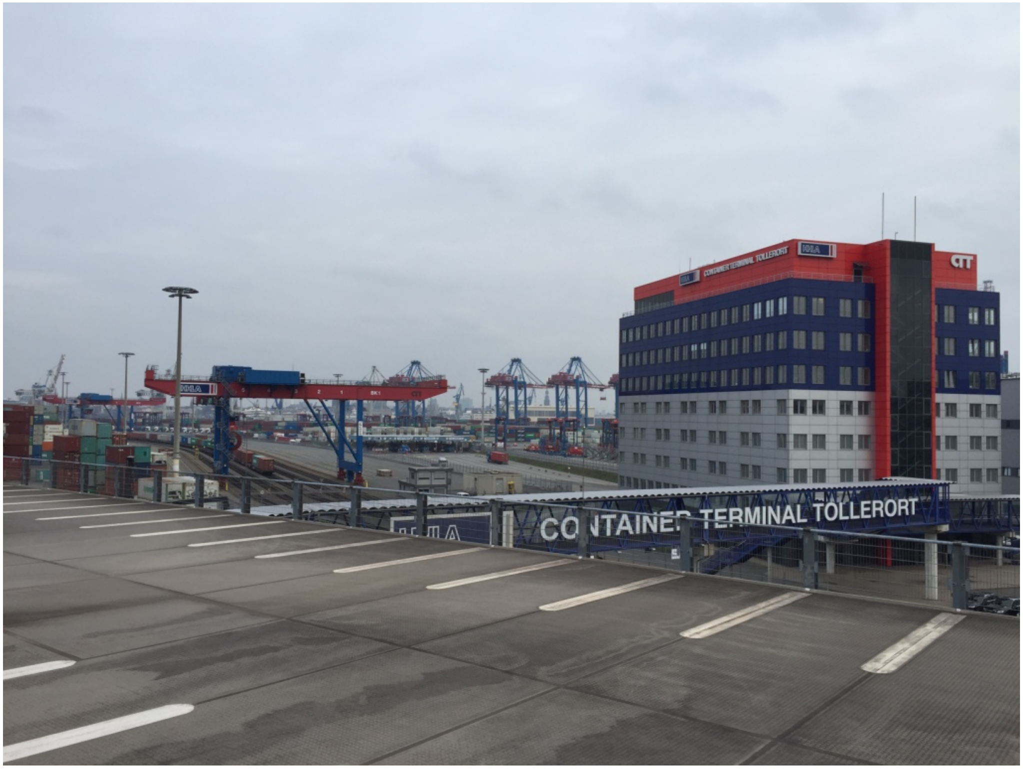


A China Shipping container on a train at the terminal in Duisburg. Photo: Globalization Monitor.

The Hamburg Port Investment Plan

In Hamburg a very different story appears to be unfolding. Proposed plans for Chinese companies to develop part of the port there are a significant cause for concern according to local activists and works council representatives.

Hamburg port is the largest port in Germany and the third largest in Europe. Handling 8.9 million TEUs of containers in 2016, it ranked 17th globally in terms of the volume of container throughput (World Shipping Council n.d.). It is therefore a significant location for trade and logistics. Hamburg Port already has four major existing container terminals: Container Terminal Altenwerder, Container Terminal Burchardkai, Container Terminal Tollerort and EUROGATE Container Terminal. Apart from the EUROGATE terminal, the other three terminals are operated by Hamburger Hafen und Logistik AG (HHLA), a logistics and transportation company that the state of Hamburg has retained a 68.4% stake in (HHLA 2017), after it was partially privatized and made an IPO on the Frankfurt Stock Exchange in 2007. Container Terminal Altenwerder is considered 'state-of-the-art' (HHLA n.d.) and is notable for its high degree of automation.



Container Terminal Tollerort: one of the four existing main container terminals in Hamburg. Photo: Globalization Monitor.

Despite its significance in Europe and globally as a major transportation and logistics hub, Hamburg port has been shrinking in size, both in terms of land used for port activities and the volume of cargo handled. As a result, some of the port area has been given over to real estate. This includes land for the development of Hafen City – a 157 hectare area of decommissioned harbour space that is expected to have 12,000 residents by 2025 (Foster 2014). The number of containers handled has also been declining especially since 2008 and it has begun to lose some ground to other ports such as Antwerp and Rotterdam.

Nevertheless, in response to declining throughput at the port of Hamburg in the first quarter of 2018, it was noted that a growth in container traffic with some countries had occurred. China was one of these countries. According to Ingo Egloff, Joint CEO of Port of Hamburg Marketing:

> "China is by a wide margin the Port of Hamburg's most important trading partner. We can report a distinct advance of 4.5 percent in container traffic with the Peoples' Republic. Substantial growth also occurred on container services with Brazil (up 37.7 percent), Sweden (up 38.5 percent) and Israel (up 63.8 percent). New or expanded liner services between Hamburg and these countries are one reason for the positive trend." (Cited in World Maritime News 2018).

New Development Plans

Even though the port has been experiencing a decline, in January 2017 the Hamburg Port Authority opened a five month initial ideas competition to develop Steinwerder-Süd, a 42 hectare area of the port. Later that year, Shanghai Zhenhua Port Machinery (ZPMC) Germany GmbH and its parent company the Chinese multinational engineering and construction company China Communications Construction Company Ltd. (CCCC)[7] were declared the winner of the competition with a proposal to build a new fully automated container terminal. The potential construction costs associated with this proposal are estimated to be between 1.2 and 1.4 billion euros. According to one interviewee from a port related works council, the Chinese bid was unusual as it for the first time proposed to "include everything", both the superstructure and infrastructure. This would mean that CCCC would be responsible for all of the construction work thereby gaining greater control over the constructed terminal and its operation. In previous practice, the city itself would have been responsible for providing and maintaining the infrastructure. Second place in the competition reportedly went to a plan to develop a shortsea terminal at the site by Dutch company the C Steinweg Group (Louppova 2017). The City of Hamburg had also put in an unsuccessful bid for the development of the port area.

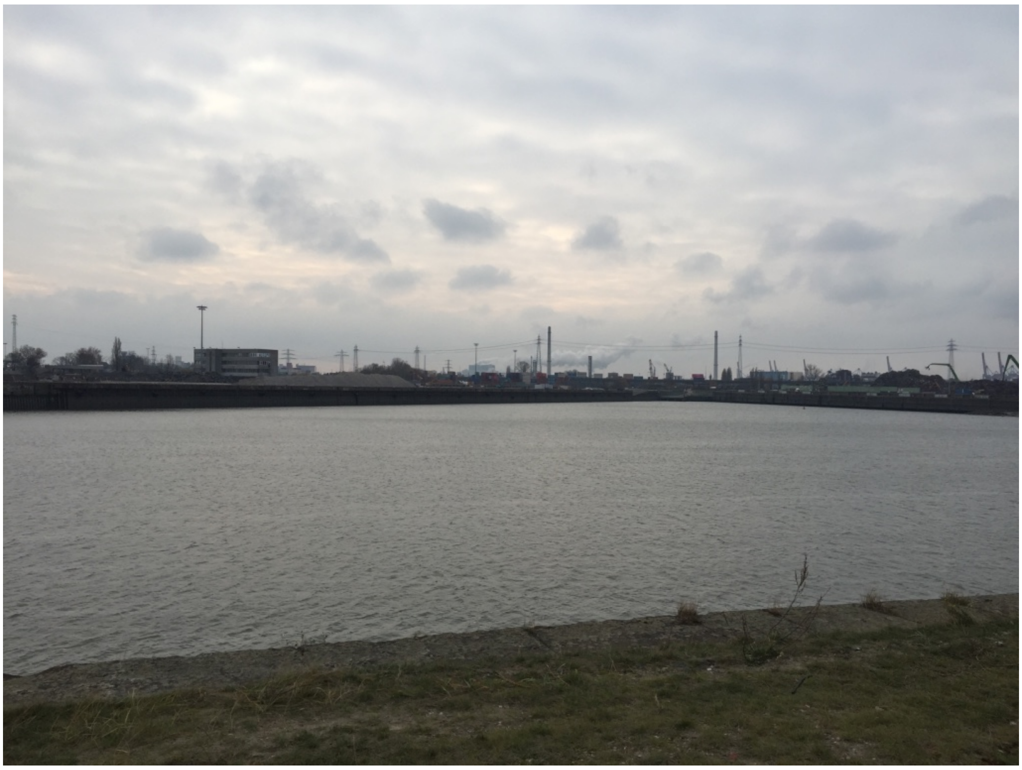
The plans by CCCC to construct the new terminal have been met with criticism from existing businesses at the port, which claim that there is insufficient business at the port for an additional terminal that would only result in the redistribution of existing business and lead to job instability (Schlautmann 2017), and port related works council members who also said that it will adversely impact on jobs. Indeed, the Hamburg Port Authority's own development plan had estimated that the existing terminals and their projected expansion could cope with forecasted volumes up until at least 2025 (Schlautmann 2017). The reasons for declaring the CCCC project the winner have been questioned.

Representatives from all three of the works councils that we spoke with in relation to the port expressed scepticism about the need for a new container terminal, especially in light of the fact that the existing terminals are not currently operating to full capacity and the decline in the volume of containers that the port has been handling since 2008. One estimate suggested that the port has the capacity to deal with an additional 5 million TEU above what it currently handles. According to Hamburg Port Authority works council chair, Doris Heinemann-Brooks, since the 2008 crisis there has been so little capacity that cranes have simply remained parked. They have not yet been successful at getting the cargo to return to the port. Some of it now goes to Poland and Rotterdam

[7] CCCC is a publicly traded company listed on the Hong Kong stock exchange (SEHK: 1800) since 2006 and on the Shanghai stock exchange (SSE: 601800) since 2012.

and possibly Croatia, as labour is deemed cheaper and faster elsewhere in Europe. While Cargo has been lost from the port, so far there has been little impact on jobs, although there have been some cuts and short time work in the past two years. Concern was expressed about potential salary reductions in the future, something that increased competition, for instance as a result of the proposed new terminal, might exacerbate. Another works council chairperson estimated that plans for the new terminal would cost a couple of hundred jobs, both due to the intensification of competition and the fact that the proposed new terminal would be fully automated. Meanwhile HHLA Works Council chairperson, Norbert Paulsen, estimated that the plans could cost as many as 400 jobs.

For jobs that were not expected to be cut, the perceived potential threat to labour rights and to jobs that paid well was another issue worrying the works councils. Specifically referencing cases of poor working conditions in Chinese invested workplaces elsewhere in Europe, such as in textiles in the Italian region of Tuscany as well as problems at the Port of Piraeus in Greece, one interviewee expressed concern that similar problems could occur in Hamburg. Indeed, prompted by concerns around the experiences of Chinese investment elsewhere, German activists had already begun to have exchanges with trade union activists in Greece, who had been affected by Chinese state-owned shipping and logistics company COSCO's investment in the port of Piraeus, about their experiences.

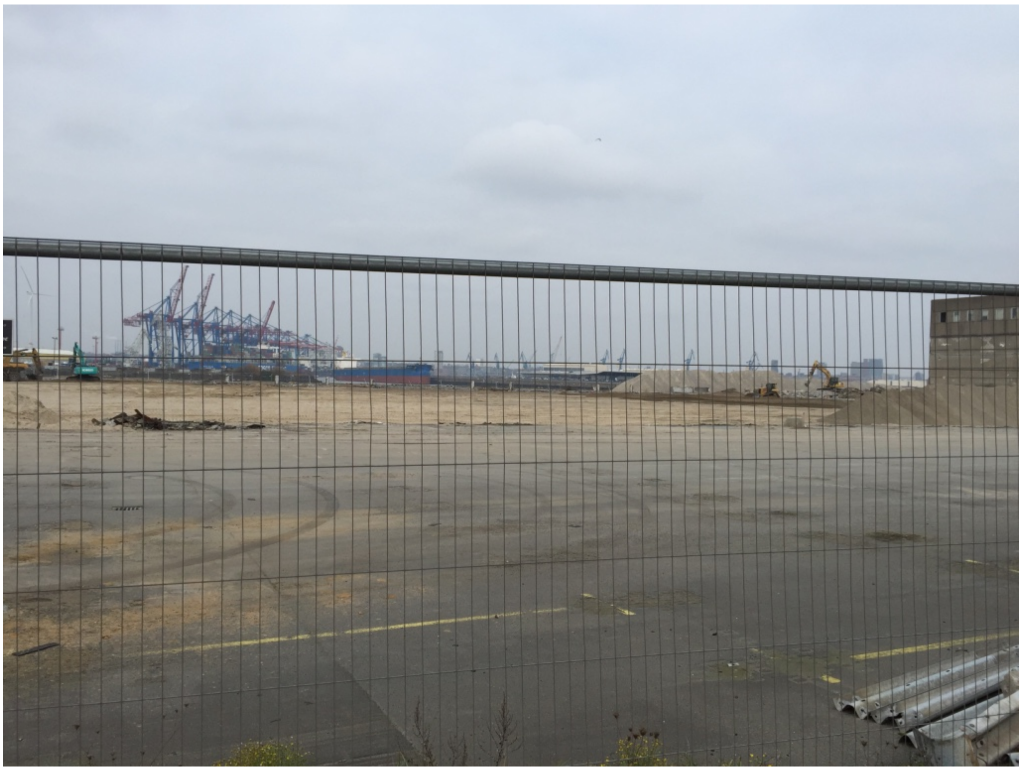


The proposed site for the new container terminal in Hamburg. Photo: Globalization Monitor.

The Hamburg activists are most likely right to be concerned. In our subsequent visit to Athens to learn more about the COSCO case, we heard from trade unionists there about how labour conditions had been affected since COSCO had taken over the port[8]. They reported deteriorating working conditions, inadequate health and safety training procedures resulting in accidents, difficulties negotiating with the management to conclude collective bargaining agreements, as well as the problem of decisions no longer being taken at the port but instead far aware in China. Anti-union activity was another reported problem. According to Anastasia Frantzesaki from the Greek Federation for Port Employees, some trade union members had faced retaliation or refused promotion while others had been sacked as a result of their activity. At the same time, recently a yellow union had been established and was racing with existing unions to sign a collective bargaining agreement. Meanwhile, Giorgos Gogos, General Secretary of the Greek Dockers Union, also expressed the fear that the management were trying to reduce the number of dockworkers they employed in preparation for a situation where the company would make greater use of subcontract and agency workers. In considering the working conditions at Piraeus, it should be noted that the labour law in Greece was also described as having deteriorated following the Greek debts crisis and signing of the Memorandum[9]. This had allowed for a situation in which working conditions had declined despite the company not necessarily having violated the law.

A lack of discussion and dialogue was another issue that was discussed both concerning the sale of the port (one of the trade unionists that we spoke to had learned of the sale of the port from the Chinese media) and in sharing knowledge of aspects of the port operations. Meanwhile the earlier privatization of part of the port in 2009 had led to a situation where COSCO's permission was needed to make certain changes around the port, for instance moving a fence, even though the rest of the port was still owned by the state. Although these factors in themselves might not be unique to Chinese investment and are greatly influenced by Greece's own political and economic situation, it was observed that Chinese investment was different compared with that from other countries regarding the extent that agreements involved top political officials from both countries. It was also alleged by one interviewee that during an earlier strike COSCO and the Chinese ambassador had together tried (unsuccessfully) to persuade the government to send in special forces to end the strike.

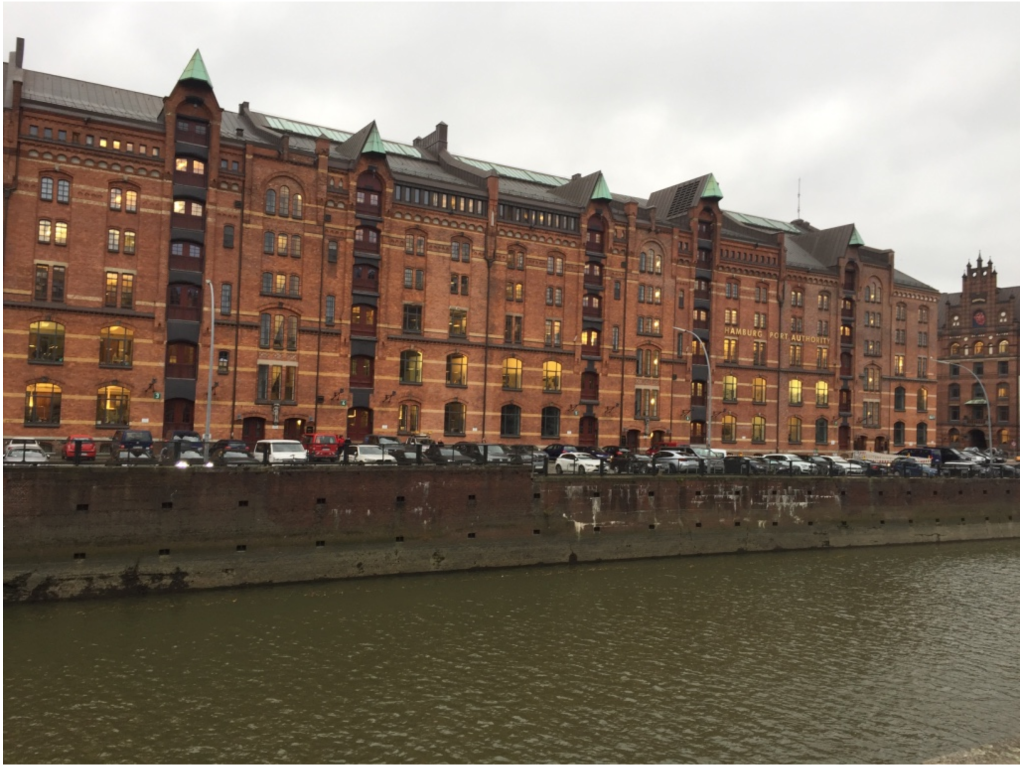
[8] COSCO first took over pier 2 in 2009, followed by newly constructed pier 3. In 2016 it gained control of the entire port.
[9] This refers to the Third Economic Adjustment Programme agreed by Greece with the European Commission, IMF and European Central Bank in July 2015. In exchange for a financial bail-out, Greece had to agree harsh austerity conditions and privatization of state assets. The port had been fully sold-off to COSCO in this context in 2016.



The proposed site for the new container terminal in Hamburg. Photo: Globalization Monitor.

In the Hamburg case, while at the time of our visit plans for the Chinese investment were still not finalized, the circumstances related to the competition and development plans for the construction of the new terminal were considered unusual and a break with past decisions. One reason was that the whole process around the plans was considered undemocratic and lacking in transparency. One works council member noted that while there was a long tradition of democratic discussions, experiences so far with this plan differed. He labelled it an "outrageous coup d'état" to give away such an important piece of the port without a democratic process. He also commented that a rumour existed that some sort of secret deal might have been done during the G20 summit the previous year. Regardless of whether or not there is any degree of truth behind such a rumour, the existence of such a rumour might be considered to reflect a lack of trust in the decision making procedures concerning the development plans.

Significantly, the plans to develop the port also coincided with changes to the length of land leases. Whereas previously port land could only be leased for 40 years, following the competition the maximum length for a possible lease was changed to 99 years. According to those we interviewed, the parliament passed this change to the law with little discussion. The fact that whoever eventually was given the go-ahead to develop the area might be able to do whatever they wanted to with it, for instance to close access to it or to import workers, was also viewed as alarming.



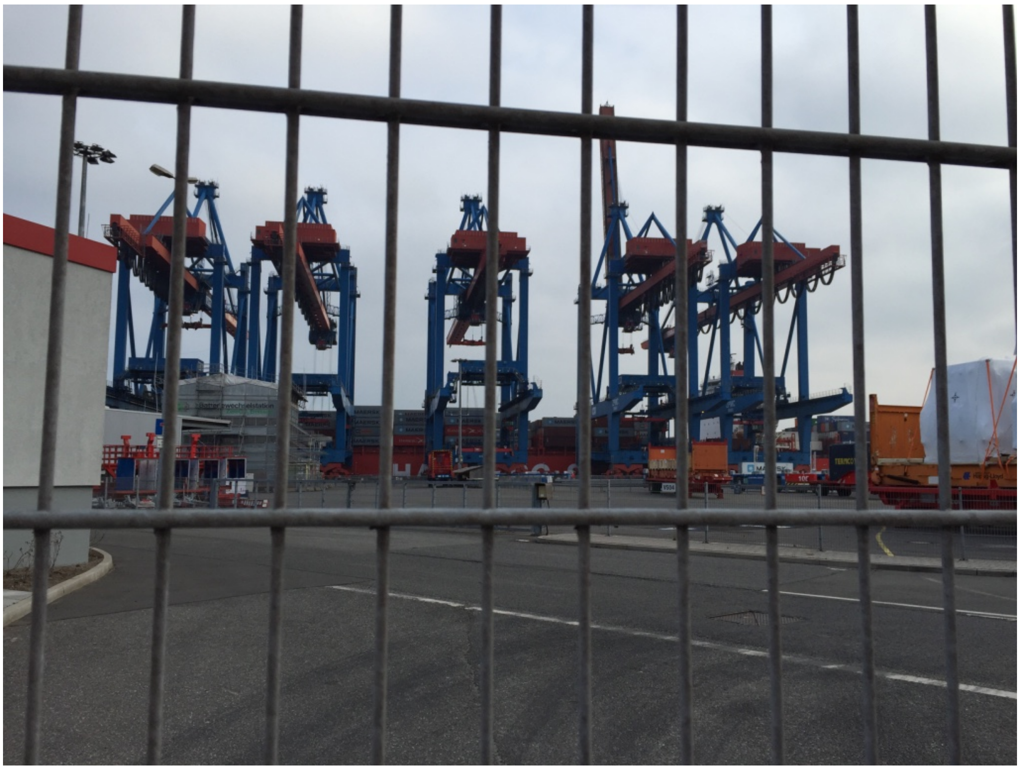
The Hamburg Port Authority. Photo: Globalization Monitor.

Indeed, another factor that was deemed unusual about development plans was that it did not provide room for money from the use of the land to flow back to the city to benefit the public, as by giving up the land in this way the state would lose a potential source of revenue. Such investment was viewed as problematic, regardless of the country where the investor came from. One explanation for the change in approach was the political and economic situation in Hamburg and behaviour of the banks. Accordingly, the large amount of money lost through speculation was believed to have led to a situation where the city lacked money to invest in the port itself.

At the same time, while the procedures and plans for the potential new developments were considered alarming due to the potential for it to set a precedent for other investment to follow in a similar manner (threatening labour rights and eroding democracy), concerns were also raised about the negative impact that privatization had already had elsewhere. Meanwhile, the problem of lack of space and a lack of affordable housing in Hamburg was contrasted with the proposal to develop an unnecessary additional container terminal.

Despite these concerns, it was noted that the local trade unions were largely unopposed to the plans for the port due to their traditional ties to the social democrats who supported the proposed development. This was viewed as factor that made it more difficult to challenge the plans. There had been some small-scale opposition both in the local parliament and attempts outside the parliament to inform the general public, however what was perceived by interviewees as a lack of interest in labour matters had, they believed, meant that it had so far been difficult to attract more widespread attention to challenge problematic aspects of the development plan. It was hoped that in the future they would be able to find a way to inform the public and create resistance, such as by holding a big public demonstration to display the strength of the opposition to the plans.

We also learned that a new law which is expected to change the management of the Hamburg Port Authority was under preparation and was expected to be ready by summer 2019. This was considered alarming in light of the plans to develop the port, however little was so far known about the details.



Another existing container terminal in Hamburg. This container terminal is automated. Photo: Globalization Monitor.

Conclusion

This report has looked at some of the outcomes, experiences and concerns resulting from Chinese investment in Germany, drawing on the observations and experiences of works council representatives, trade unionists and other activists or experts with direct knowledge of Chinese invested workplaces and workplaces that may potentially be affected by Chinese investment in the future. While this preliminary exploration that draws on our visit to Germany in November 2018 is not an in-depth study and is only able to consider some of the issues stemming from a small number of examples, it does begin to give an indication of some patterns emerging concerning Chinese investment and identifies challenges being faced by some Chinese invested companies in Germany, amongst which are issues that are a cause for concern. Such issues include a lack of understanding of local laws and procedures by the investors, an inability by the investor to fully grasp the operations of the company and/or customers, communication difficulties and cultural differences, a potential threat to labour rights, and a lack of transparency and erosion of democratic decision-making processes. Moreover, while investments may at first appear to offer solutions to financial difficulties and protect jobs, in some cases they seem to have faced limits and subsequent changes in behaviour and management on the part of the investor may occur after only a few years. The long-term intentions and plans of investors may also be unknown. While earlier research by Bian and Emons (2017) concluded that, despite some negative impacts, Chinese investment had so far been more positive than originally feared, our own preliminary research suggests a need for caution when considering the long-term impacts.

Learning about experiences elsewhere, as labour activists in Hamburg and Greece have been trying to do, is one way to gain greater awareness and become better prepared for any potential challenges that similar types of investment might bring. Although Chinese investments in some developing countries have increasingly been criticized for their potential adverse impacts on labour, local people and the environment amongst other issues, investments in developed countries such as Germany have sometimes been viewed as comparatively less problematic. The experiences that we learned about on our visit to Germany suggest that this is not something that should be so readily assumed. That is not to say that issues faced are necessarily the same -- investments and how they are viewed and experienced are often greatly affected by the economic and political situation of the countries concerned -- however comparing and sharing experiences may be greatly beneficial to those who are affected.

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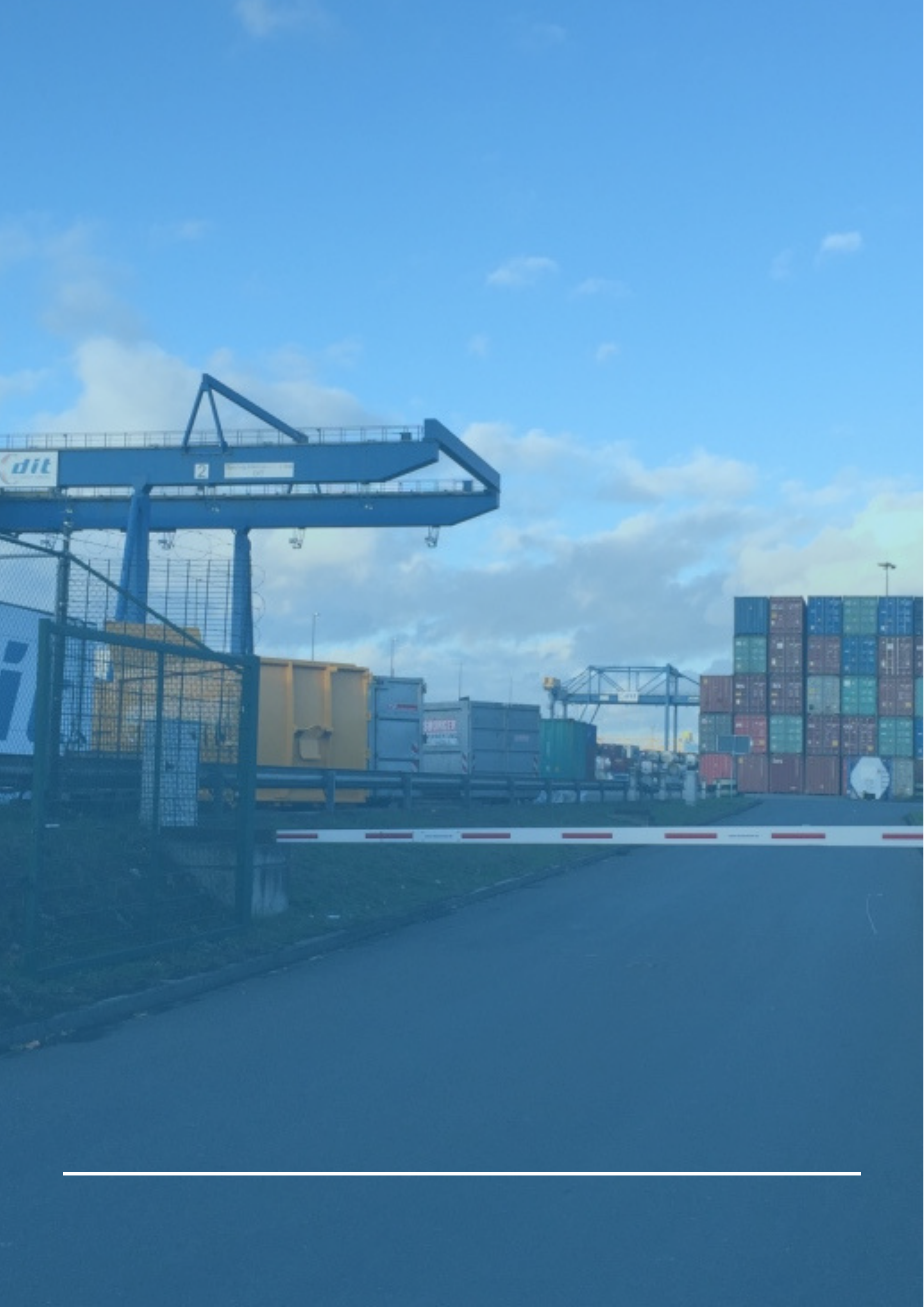
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