

Rödl & Partner

BUILDING BRIDGES

Success in Germany: China



Building bridges

“Germany is one of the most popular investment destinations of Chinese companies. There are sufficient reasons! Extensive know-how, highly-developed machines or even the good infrastructure. When it comes to legal, tax or other economic issues concerning a foreign investment, we are the first address to deliver customised solutions in your language and from one single source. We know the legal parameters and political conditions, because we are ingrained in Germany. Nevertheless, our international experience enables us to build bridges between many cultures!”

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ECONOMIC RELATIONS BETWEEN CHINA AND GERMANY

In Europe Germany is by far the most important trading partner for China. The establishment of diplomatic relations in 1972 was the starting point for a success story that has connected both countries more strongly than ever before. In 2018, exports from Germany to China amounted to about EUR 93,1 billion whereas imports from China to Germany reached a value of EUR 106,2 billion. With a trading volume of around EUR 200 billion, Germany is the Middle Kingdom's sixth most important trading partner worldwide. And the numbers also demonstrate that the strong economic relations also work the other way around – China ranks third worldwide among Germany's trading partners.

Given this background, it is all the more astonishing that German companies have invested much more in China than vice versa. Whereas there are currently round about 900 Chinese investors in Germany, China recorded already in 2017 over 5200 German companies with a direct investment volume of about EUR 80 billion. The change in old Chinese traditions is barely perceptible, but it will nevertheless lead to a continuous increase in the activities of Chinese investors on the German market. In order to foster the economic relations between Germany and China and to further stimulate investment in both countries, the first Chinese Chamber of Commerce in Europe was opened in Berlin in 2014.



Germany – creativity and talents

Germany has always been known as the land of inventors and discoverers, of poets and thinkers. This creativity has been embodied not only in such inventions as the magnetic levitation train (Herrmann Kemper, 1934), the airbag (Mercedes Benz, 1971) or the spark plug (Robert Bosch, 1902). Also the works of highly creative personalities such as Albert Einstein, Johann Wolfgang v. Goethe, Thomas Mann or Ludwig v. Beethoven have become an inseparable part of the German cultural heritage. Today, Germany with a population of nearly 82 million, occupies the second place on the worldwide patent ranking list.

Equally indisputable is the country's international competitive strength, which would be hardly possible without creativity and a tinkering approach to problem solving. This all results in the continuous success of German industry.

German companies and the goods and services they offer enjoy worldwide renown thanks to their high quality standards. Thus, the importance of the “made in Germany” label cannot be overestimated. Germany has already managed to attract more than 55,000 foreign enterprises. This shows the degree of internationalisation of business relations on the German market. Germany is home to a large number of global market leaders and often also to hidden champions, in particular those operating in the mechanical engineering and electrical engineering sectors, in automotive and automotive supply industry, and in medical equipment industry.



Why Germany?

The success of the German economy would be unthinkable without the excellent education system producing highly-qualified specialists and managers in all disciplines. As a transit country with its many neighbouring countries, Germany offers fast and efficient transport connections, be it by road, rail, air or even inland water routes. The excellent transport infrastructure is evidenced not least by German international ports, such as the port of Hamburg. Direct flights from the largest German passenger and cargo airport in Frankfurt allow for smooth and easy travelling to the major Chinese cities.

Located in the heart of Europe, Germany has an excellent legal system and a competitive tax system. In addition, the protection of Chinese and German investments is underpinned by the bilateral treaties on the avoidance of double taxation and the investment protection treaty. Investment in Germany, being an EU-member state, opens up opportunities for gaining access to the entire EU Single Market! In this context, the EU has started negotiations with China aimed at ratifying a comprehensive investment protection treaty.



Cultural aspects

Nevertheless, it must be borne in mind that every beginning is difficult and the cultural differences between Germany and China are still surprisingly large. Despite China's opening about over 40 years ago, mentality differences still affect the economic collaboration between both countries. During business negotiations a lot of patience is required, discrepancies in contract interpretations may very quickly lead to misunderstandings and, in worst cases, even to legal disputes. The frequently invoked language barrier issue is only one of the reasons why many German enterprises hesitate to take a Chinese partner on board. The cultural differences refer not only to the price consciousness of both business partners. German enterprises are much more pragmatic and interested primarily in the efficiency of their undertaking. They want negotiations to be completed as quickly as possible in order to be able to return to and focus directly on their core business. This is also reflected in the structure of German companies. Their flat hierarchy enables quick decisionmaking processes and demonstrates respectful and trustbased relations between staff members. The cultural differences also play a role during the collaboration between business partners – whenever the “employee / staff” issue is on the negotiation agenda, it should be handled with extreme sensitivity and discussed in every detail. You need to act tactfully in this process and have on hand a consultant who is well versed in the German and Chinese culture.

Munich



Attractive business acquisition opportunities

For Chinese companies, particularly attractive industries include mechanical engineering and plant construction, electronics industry, high-quality consumer goods and IT and communications. Accordingly, the Chinese machine builder, XCMG, acquired the German concrete pump manufacturer Schwing. Putzmeister, also an pump manufacturer was acquired by Chinese Sany Group. But also the acquisitions in other sectors, such as that of the supplier of intelligent automation solutions KUKA or the automotive supplier Kiekert and the computer trader Medion, are a harbinger of the future trend. Meanwhile, the volume of Chinese investment in Germany and Europa is constantly increasing, which is best evidenced by the purchase of the Swiss chemical group, Syngenta, by Chem-China involving a transaction volume of nearly EUR 40 billion.



Rödl & Partner in Germany and China

We have provided onsite assistance to clients operating on the German market since as early as 1977. From our own experience, we are well familiar with the requirements, concerns and needs of our clients – including especially German-speaking clients with international operations. We have been assisting enterprises in their business ventures in Germany and worldwide for almost 40 years now. For 25 years of this period, we have been present with our wholly owned locations in the People's Republic of China. From our Chinese offices, we advise a large number of clients in their business transactions both from China to Germany and from Germany to China. As one of the first German professional services firms to be granted a business licence for China, we operate on the Chinese market through our interdisciplinary team of Chinese and German experts. You can also contact our German locations maintaining connections with China and Asia. Our German and Chinese experts in Stuttgart, Nuremberg and Munich are on hand whenever you need support in your operations. And if you select another location for your project in Germany, our expert colleagues will be happy to coordinate your engagements.

Our comprehensive (industry) know-how combined with a profound understanding of the Chinese and German culture are only two of many factors that make us a reliable partner for you. We assist you in your business ventures all the way from planning and market entry through handling of tax, legal and accounting issues in Germany or other European countries. The service portfolio offered by us includes all elements of our comprehensive consulting approach.



Our services for Chinese companies in Germany

We advise our clients on all issues of audit, Business Process Outsourcing, law and taxation. We have many years experience in advising Chinese and other foreign investors in almost all legal and tax issues related to their business ventures in Germany. The most popular services include:

- Company formation
- Handling of M&A transactions (business acquisitions and disposals)
- Due diligence
- Restructuring
- Joint venture-related advice
- Drafting of commercial agency contracts
- Representation in court proceedings
- Resolving of labour law related matters
- Accounting in accordance with the German and international standards (HGB, IFRS)
- Preparation of tax returns and assistance during tax audits by a revenue authority
- Audits of annual financial statements
- All services in the area of employee taxation
- Advice on visa and residence issues

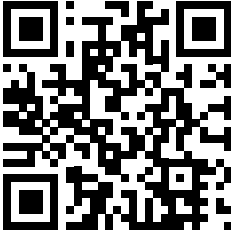


Nuremberg

About us

Rödl & Partner – The agile caring partner for Mittelstand shaped world market leaders

www.roedl.com/about-us



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