Hong Kong's Key Role in Germany's Relationship with China

As German exports to China surge, Hong Kong remains a top location for companies seeking transparency and strong corporate governance

China looks set to become Germany's number one export customer outside the European Union next year, according to a recent study by the Association of German Chambers of Industry and Commerce. Europe's largest economy is expected to export products and services worth almost US$114 billion to China in 2012, capping five years during which German's yearly exports have almost tripled to US$71 billion in 2010. China is already the origin of most German imports, reaching US$101 billion in 2010.

This dynamic trading relationship has, over the years, prompted many German companies to set up in Hong Kong. "They like to have a presence in Hong Kong to handle their China purchases, local sales, re-exports or to provide services to their ever increasing China activities," Jürgen Kracht, managing director of Fiducia Management Consultant, explained.

An interesting recent development has been the growing presence of German technology companies. "These companies find Hong Kong to be a convenient base from which to tap into local as well as regional opportunities. The key reason is that the corporate governance here is much more transparent than in other neighbouring markets," Kracht added.

A European Leader in China Business

According to the German Chamber of Commerce in Hong Kong, the economic slowdown in Europe has prompted some companies to look for new opportunities in higher growth markets. "Hong Kong sits at the heart – not just geographically, but also commercially – of many of Asia's strongest economies," Wolfgang Ehmann, Executive Director at the chamber, said. "The companies that come to Hong Kong, whatever their size or sector, invariably have an eye on prospects across the whole region," he explained.

"The city is a popular low-risk entry point to the region. Hong Kong's business environment is competitive, efficient and our legal system is transparent and accessible to all. On top of that, the low taxes here are always popular with European companies," Ehmann added.

Today, more than 600 German companies from a range of sectors have offices in Hong Kong, including the major Daimler AG (Mercedes-Benz), Siemens, Adidas, Bayer MaterialScience, BMW, Audi, Porsche, Volkswagen and DHL.

Companies that have recently opened offices in Hong Kong include firms from the engineering and automobile industries, the environment and energy sector, and the retail sector.

ALDI, an international retailer, opened a regional sourcing office in Hong Kong in September 2009 to support its international buying operation. "Hong Kong's geographic location means that travel costs within the region are lower

> "Hong Kong's business environment is competitive, efficient and our legal system is transparent and accessible to all."
>
> *Wolfgang Ehmann, Executive Directors*
> *German Chamber of Commerce in Hong Kong*

than Singapore. The availability of high calibre staff with international business exposure was also an important factor," Alex Foster, ALDI Services Asia's chief operating officer, explained.

Volkswagen has also set up and expanded rapidly during the past three years. It has already set up a subsidiary and supporting offices, opened two showrooms, a new dealership in Macau and three service centres. "Hong Kong is our lighthouse for South China. We estimate that our presence in the city reaches over 300 million potential customers. Despite the recent downturn we have continued to follow our rapid expansion plans and turned an unfavourable market to our advantage," Till Scheer, managing director, Volkswagen Hong Kong, said.

Lion International, part of the LHD Group, recently set up a TotalCare® Centre in Hong Kong to supply, clean and repair the high tech uniforms of Hong Kong's entire force of firefighters. "For both market entrance and sourcing in Mainland China, Hong Kong is the place to be. Ours, and Hong Kong's, potential will, we're sure, write a success story together," Rico Achenbach, managing director of Lion, said.

InvestHK Berlin office:
David Roe
tel: +49 3022 6677 223
email: david_roe@hketoberlin.gov.hk