Since 2007, the German Chamber of Commerce in China’s business confidence survey has been a key gauge for measuring the business sentiment of German companies operating in China. As of 2017 the German Chamber of Commerce in China has approximately 2,400 member companies, representing about 50% of German companies operating in China. This year’s survey was conducted between August 21st and September 29th 2017. In total the survey comprised 58 questions, focusing on business outlook and performance, market conditions and investment climate, as well as the Belt and Road Initiative. The survey was conducted online among member companies in China. After controlling the dataset for quality, 423 valid responses were collected, resulting in a representative and statistically significant sample for the analysis of German companies in China.
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EXECUTIVE SUMMARY
BUSINESS CONFIDENCE SURVEY 2017/18

Economic and Business Outlook
German companies’ economic outlook has recovered from the low forecasted in 2016. Especially machinery/industrial equipment, as the largest German industry in China, evaluates 2017 as positive for the own industry and significantly better than last year. Automotive and business services keep up last year’s level with optimism for 2018.

Nearly two thirds of German companies in China expect to exceed or achieve their business targets in the current year, with a similarly positive outlook for 2018. Turnover growth sees a strong rebound and the majority expects turnover and profit to increase next year. However, companies remain cautious regarding investment and employment. Despite improvements in the current year and positive expectations for 2018, the share of companies increasing investment and employment is not projected to reach the high levels of 2014 and before. Investment increases are to a large extent driven by the automotive industry.

Market Environment, Reforms and Policies
Overall, the Chinese market is not as significant to German companies as it was a few years ago, but the trend is pointing upwards again. Nearly 40% of German companies feel less welcome than before, but the vast majority has no plans to leave China in the near future.

The economic reforms of the last years tend to be welcomed by German companies, but the initial enthusiasm has faded even more. The majority of respondents finds that reforms in the wake of the Third Plenum in 2013 had no notable impact on them. Of the more recent policies, nearly 40% of German companies attest a negative impact to the restriction of capital flows.

The impact of the Made in China 2025 strategy on their China operations is seen positively by approximately half of respondents over the next five and ten years.

Bilateral relations play an important role for German companies in China: 58% of respondents find bilateral relations extremely relevant or very relevant for their future business. More than half consider market access and a level playing field for foreign business in China urgent for the newly formed German government to act upon.

Business Challenges
Internet and HR issues constitute the Top 5 business challenges of German companies in China. Internet issues are more pressing than ever, two thirds struggle with slow cross-border internet speed and internet access restrictions. HR issues have consistently been among the Top 5 challenges over the years. A lack of qualified staff and increasing labor costs are a problem for nearly 80%.

There is a great deal of uncertainty regarding the new Cybersecurity Law among German companies: one in three companies is unsure about the impact on their business activities in China while one in five expects a negative impact.
Domestic competition ranks 6th among the business challenges which is underlined by the increasing innovation capacity of Chinese companies. More than 40% of respondents expect Chinese competitors to become innovation leaders within five years. For the first time, this share is higher than the share of respondents who think this scenario is unlikely.

Preferential treatment of local companies, IPR issues, administrative hurdles and legal uncertainty also rank among the Top 10 business challenges of German companies. Nearly half of German companies have encountered legal or regulatory obstacles in the past year, with custom issues most prominent. More than one in three companies has found it more difficult to obtain visa and working permits for foreign employees in the past year.

Investment Prospects

German companies remain hesitant regarding investments at new locations in China. A quarter plans to invest at new locations within the next two years, with Jiangsu, Guangdong and Sichuan/Chongqing as the most frequently named locations. However, the share of those not planning investment at new locations has reached more than half.

The main source of financing are reinvestments of earnings from the Chinese market. Of new investments in 2018, more than half will be in new manufacturing facilities as well as in staff development and training. While market growth expectations and strategic business considerations are key reasons to not invest, one in four companies names regulatory reasons for not increasing investment.

More than half of German companies have little or no confidence regarding the further opening of China’s market, with just over 40% feeling optimistic about the opening up in the medium term. The State Council’s Document No. 5 which was published in January 2017 is not very well-known given that it is one of the major recent documents introducing reform measures to further promote foreign investment.

Research and Development

More than 40% of respondents conduct R&D in China. A focus on German R&D as well as concerns regarding intellectual property and technology transfers are the key reasons to stay away for those who do not engage in R&D in China, but in other countries. However, China has stepped up as a location for R&D over the last few years with lower shares of companies stating a lack of local technical expertise and an unfavorable research environment as reasons to not engage in China.

Belt and Road Initiative

An extra part to this year’s survey contains an assessment of German companies’ views of and engagement in the Belt and Road Initiative (BRI). More than one third see a positive effect of BRI on their future business, while more than half of respondents report no significant effect or no opinion about BRI.

30% of German companies are active in or considering to engage in BRI projects. For those who are not, a low relevance to their own industry or business model is the most frequently stated reason to not engage, followed by a lack of suitable projects and insufficient information. Nearly half of those who are active or considering to engage in BRI, are already implementing or planning concrete projects.
Profile of Responding Companies
In which city in mainland China is your company located?

German business in China is concentrated in the main economic clusters of the Yangtze Delta (East), the Bohai Economic Rim (North) and the Pearl River Delta (South) with a smaller number of companies in the Southwest and other regions.

Where is your parent company’s Greater China or Asia headquarters located?

One in three respondents is headquartered in Shanghai. Outside mainland China, the most important locations are Hong Kong and Singapore.

Please indicate the legal status of your company in China.

Most German companies in China are organized as Wholly Foreign-Owned Enterprises (WFOEs). The share has gradually increased over the years and has gone up again slightly from last year.
Please indicate the number of employees working at your company’s local operation.

More than 70 percent of the participating companies employ 250 or less individuals, highlighting the relative importance of small and medium enterprises (SMEs).

Please indicate your local operation’s annual turnover for 2016 in RMB.

Turnover conveys the same message, reflecting the small to medium sized nature of German business. Two thirds of respondents indicate a turnover of less than RMB 250 million in their local operation.

Please specify the main industry of your company.

Companies from a broad range of sectors are represented among German business in China, with machinery/industrial equipment and automotive making up nearly half of respondents. Business services rank third. This distribution has remained stable over the last years.
Manufacturing/Production, services and sales/marketing persist as German business’s main fields of business in China. Half of German companies in China maintain local production facilities.

German businesses possess considerable experience in China. Nearly two thirds of respondents have been in China for more than ten years - a share which has continuously increased over the last years.
Economic and Business Outlook
German companies’ economic outlook has recovered from the low forecasted in 2016. More than half observe an improving Chinese economy in 2017 and the optimism stretches into the coming year. This corresponds with GDP growth picking up slightly to 6.9% in the first three quarters of 2017.

How do you evaluate the development of your industry in China in 2017 and expect its development for 2018?

Companies’ outlook for their respective industries underlines that the low forecasted in 2016 has passed. The trend is especially obvious for machinery/industrial equipment which sees a strong comeback in 2017. Expectations for 2018 show a slight downward adjustment of this year’s enthusiasm, but still remain positive.

Automotive and business services keep up last year’s level, with optimism for 2018.
To what extent were you able to achieve your business targets in 2016, 2017 and what are your expectations for 2018?

The same trend is reflected in the target achievement: 2017 is a strong year, with nearly two thirds forecasting to exceed or achieve their business targets. Companies have equally positive expectations for 2018, with as much as 70% predicting to exceed or meet their targets.
Please indicate the year on year development for your company in China in the following areas.

Share of respondents expecting increases in key business indicators

Turnover growth sees a strong rebound from the previous year, but the other indicators do not keep up to the same degree. Profit, employment and investment have not gone back up to the 2015 or earlier percentages. The 2018 expectations for employment and investment do not reach the high levels of 2014 and earlier, indicating that companies remain cautious in these areas.

However, the share of companies seeing decreases in any of the indicators is low. Half of respondents indicate that they will keep employment and investment at similar levels.

Investment increases are to a large extent driven by the automotive industry.
Market Environment, Reforms and Policies
What is the status of your company’s China business within your parent company’s global turnover, profit and investment?

<table>
<thead>
<tr>
<th></th>
<th>Turnover</th>
<th>Profit</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.3%</td>
<td>42.4%</td>
<td>28.6%</td>
<td>6.8%</td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.1%</td>
<td>35.4%</td>
<td>31.4%</td>
<td>10.1%</td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.4%</td>
<td>34.2%</td>
<td>30.9%</td>
<td>13.7%</td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.3%</td>
<td>35.4%</td>
<td>31.4%</td>
<td>10.1%</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.4%</td>
<td>34.2%</td>
<td>30.9%</td>
<td>13.7%</td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.3%</td>
<td>35.4%</td>
<td>31.4%</td>
<td>10.1%</td>
</tr>
</tbody>
</table>

- **Top 1 market**
- **Among top 3 markets**
- **One among many**
- **Low priority**
- **Not applicable**

Share of respondents indicating that China is their Top 1 market or among Top 3 markets:

- **2012**: 57.3%
- **2013**: 59.6%
- **2014**: 61.5%
- **2015**: 48.4%
- **2016**: 43.9%
- **2017**: 52.6%

China is among the top 3 markets for around half of German companies operating in China.

The Chinese market is not as significant to German companies as it was a few years ago. However, the trend is pointing upwards again.
Does your company plan to leave China within the next two years?

In line with the importance of the Chinese market for German companies, the vast majority has no plans to leave China in the near future, but 12% are considering to leave. For the small share who has already made this decision, cost issues as well as slowing sales and profits were prevalent.

Do you, as a foreign business, feel more welcome or less welcome in China than before?

With nearly 40% feeling less welcome than before and the share of those feeling more welcome down to 6.2%, the feeling has worsened from last year.
Please evaluate how the central government’s economic policies and reforms have impacted your company over the past three years.

<table>
<thead>
<tr>
<th>Economic Policy/Reform</th>
<th>Positive</th>
<th>Neutral</th>
<th>Negative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expanding domestic consumption</td>
<td>53.9%</td>
<td>42.7%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Improving rule of law</td>
<td>44.8%</td>
<td>48.7%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Increasing role of markets</td>
<td>42.0%</td>
<td>55.1%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Anti-corruption drive</td>
<td>38.9%</td>
<td>51.8%</td>
<td>9.3%</td>
</tr>
<tr>
<td>Reduction of bureaucratic hurdles</td>
<td>37.3%</td>
<td>54.1%</td>
<td>8.5%</td>
</tr>
<tr>
<td>Strengthening of environmental legislation</td>
<td>34.7%</td>
<td>45.1%</td>
<td>20.2%</td>
</tr>
<tr>
<td>Tax reform</td>
<td>26.8%</td>
<td>59.1%</td>
<td>14.1%</td>
</tr>
<tr>
<td>RMB exchange rate liberalization</td>
<td>20.8%</td>
<td>56.6%</td>
<td>22.6%</td>
</tr>
<tr>
<td>Reducing industrial overcapacities</td>
<td>17.7%</td>
<td>61.8%</td>
<td>20.5%</td>
</tr>
<tr>
<td>Centralization of state owned enterprises</td>
<td>8.8%</td>
<td>77.7%</td>
<td>13.5%</td>
</tr>
<tr>
<td>Restriction of capital flows</td>
<td>8.5%</td>
<td>52.1%</td>
<td>39.4%</td>
</tr>
</tbody>
</table>

The economic policies and reforms of the last years tend to be welcomed by German companies. However, the majority of respondents finds that the reforms had no notable impact on them.

Expanding domestic consumption ranks first. More than half of German companies find that the government’s efforts in this area have had a positive impact for them.

On the other end of the scale, nearly 40% find that the relatively recent restriction of capital flows has impacted them negatively.

Comparing the evaluation results for key reform items over the years since the Third Plenum in November 2013, it becomes obvious that the initial enthusiasm has faded. Looking back over the past three years, German companies evaluate the reform impact much less positively than in the early days.
How do you evaluate the Made in China 2025 strategy’s impact on your company’s operation in China over the next five and ten years?

Around half of German companies have a positive view of the Made in China 2025 strategy’s impact on their operation in China. While the strategy aims at supporting Chinese companies to become more competitive and move up the value-added chain, it also brings potential benefit to foreign or multinational companies supplying critical technology in the priority sectors.

Respondents’ opinions differ more strongly for the longer time period. Just one in four companies evaluate the strategy’s impact as neutral over the next ten years. The views of the strategy’s impact increase slightly more on the negative side, while also going up on the positive side and overall remaining predominantly positive.

<table>
<thead>
<tr>
<th></th>
<th>Over the next five years</th>
<th>Over the next ten years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive</td>
<td>48.7%</td>
<td>51.1%</td>
</tr>
<tr>
<td>Neutral</td>
<td>13.3%</td>
<td>26.6%</td>
</tr>
<tr>
<td>Negative</td>
<td>34.6%</td>
<td>18.2%</td>
</tr>
<tr>
<td>No opinion</td>
<td>3.4%</td>
<td>4.2%</td>
</tr>
</tbody>
</table>
To what extent do you consider the nature of bilateral relations between China and Germany relevant to your future business in China?

![Pie chart showing the following percentages: Extremely relevant 15.0%, Very relevant 43.0%, Somewhat relevant 32.5%, Not relevant 7.4%, Not relevant at all 2.1%]

What current issues do you consider urgent for a newly formed German government to act upon more strongly after the federal election in September 2017?

<table>
<thead>
<tr>
<th>Issue</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market access for foreign business in China</td>
<td>54.5%</td>
</tr>
<tr>
<td>Level playing field for foreign business in China</td>
<td>53.4%</td>
</tr>
<tr>
<td>Enhanced compliance with WTO regulations</td>
<td>31.3%</td>
</tr>
<tr>
<td>RMB liberalization</td>
<td>26.7%</td>
</tr>
<tr>
<td>IPR issues</td>
<td>26.4%</td>
</tr>
<tr>
<td>Investment reciprocity for Chinese investment in Germany</td>
<td>25.1%</td>
</tr>
<tr>
<td>Financial Market Liberalization</td>
<td>23.2%</td>
</tr>
<tr>
<td>Finalization of a comprehensive agreement on investment (CAI)</td>
<td>13.1%</td>
</tr>
<tr>
<td>Other</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

Bilateral relations play an important role for German companies in China: 58% of respondents find bilateral relations extremely relevant or very relevant for their future business. More than half of German companies consider market access and a level playing field for foreign business in China urgent for the newly formed German government to act upon.
Business Challenges
Two topics dominate the Top 5 of the business challenges of German companies in China: Human resources and internet issues.

Finding and retaining qualified staff as well as increasing labor costs have consistently been among the Top 5 challenges. Nearly four out of five companies find these issues to be a problem or a major problem. Even though wage growth for German companies in China has come down from double digit values several years ago to a projected 5.9% in 2018 [Labor Market & Salary Report 2017/2018], it continues to be a major challenge. At the same time, shortages of skilled professionals and workers continue to pose difficulties for German companies.

Internet issues are more pressing than ever and have entered the Top 5 for the first time since being included in the survey. Two thirds of German companies struggle with slow cross-border internet speed and internet access restrictions.

Domestic competition is a key challenge for German companies, but has not become stronger since last year when it was first included in the survey. With internet issues becoming more prevalent, it has dropped slightly from rank 4 to 6.

In line with the generally positive economic outlook of German companies, the economic slowdown (rank 3 in 2016) is no longer among the Top 10 challenges. However, German companies continue to struggle with regulatory hurdles. Protectionism has jumped back into the Top 10 business challenges this year. Other challenges such as legal uncertainty, bureaucracy/administrative hurdles and protection of intellectual property rights were reshuffled in the list, but overall had a slightly higher rating than in previous years. More than half of respondents indicated these challenges as major problems or problems in the ranking.
Please evaluate the competition your company in China is facing by origin.

![Chart showing competition by origin]

In line with domestic competition ranking among the Top 10 business challenges, over 70% of German companies report increasing competition from mainland China. Over 90% and over 80% respectively report competition from Europe and the US, significantly ahead of other countries in Asia.

Do you think Chinese competitors can become innovation leaders in your industry within the next five years?

![Chart showing competition by origin]

German companies increasingly recognize and acknowledge the innovative potential of Chinese competitors. More than 40% think that Chinese companies can become innovation leaders within five years. For the first time, this share is higher than the share of respondents who think this scenario is unlikely.
Has your company in China experienced obstacles in the legal or regulatory framework over the past year?

- Yes: 46.7%
- No: 53.3%

If yes, in which field did the obstacles occur?

- Customs regulations and procedures: 48.2%
- Capital transfer and cross-border payments: 37.5%
- Licensing requirements and procedures for products and services: 31.0%
- Intellectual property rights protection: 30.4%
- Market access barriers: 26.2%
- Accessibility of public procurement: 9.5%
- Involuntary technology transfer: 9.5%
- Other: 14.3%

Corresponding with legal uncertainty and unclear regulatory frameworks being listed in the Top 10 business challenges, nearly half of German companies state that they experienced obstacles in this area over the past year. Customs issues are most prominent, while over a third of the difficulties stem from problems with capital transfer and cross-border payments late last year and earlier this year.
Has your company been affected by China’s new Cybersecurity Law (effective from June 1, 2017)?

- Yes, we are making or have made adjustments to our IT strategy to stay compliant: 14.2%
- No, we have checked, but the law does not affect our company: 21.1%
- No, but we are currently checking if the law applies to our company: 31.4%
- No, it hasn’t concerned us at all so far: 33.3%

Based on currently available information, what impact are you expecting the Cybersecurity Law to have on your business activities in China?

- Positive impact: 37.3%
- No impact: 22.7%
- Negative impact: 6.9%
- Unsure: 33.1%

One in five companies expects a negative impact on business activities in China. However, there is still much insecurity regarding the law’s impact: One in three respondents states that they are unsure about the impact and one in three companies is checking whether or not it applies. More than half claim that it has not concerned them so far or that they are not affected.

Before taking effect, the law was widely anticipated among German companies along with concerns about possible implications for business activities.
German Business in China

Has it become more difficult for your company to obtain visa/working permits for foreign employees in China in the last year?

No 54.9%
Yes 36.5%
We do not employ foreign nationals in China. 8.5%

Which of the following difficulties has your company encountered when applying for visa/working permits for foreign nationals working in China?

- Higher qualification requirements (e.g. education level, experience, field of expertise) 60.6%
- Unclarity due to frequently changing regulations and processes 56.1%
- Longer processing time for new visa or working permit applications 52.3%
- Longer processing time for visa or working permit extensions in China 47.0%
- Inflexible application system 31.8%
- Discretionary/unclear enforcement by local visa authorities 25.0%
- Other 6.8%

The roll-out of a new nationwide work visa and working permit policy has made things more difficult for a third of companies, but the majority has not been negatively affected. Of those who found it more difficult, more than half struggled with higher qualification requirements, frequently changing regulations and processes as well as longer processing times for new visa or working permit applications.
Do you think that the Chinese leadership is committed to further opening China’s market to foreign investment in the next three years?

- Yes: 41.2%
- Unsure: 31.7%
- No: 27.2%

Are you aware of the State Council’s “Circular Concerning Measures on Further Opening up and Actively Utilizing Foreign Investment” [Document No. 5] issued in January 2017?

- Yes, I am aware of it: 15.9%
- Yes, I have heard about it, but am not aware of its content: 27.9%
- No, I am not aware of it: 56.1%

Have you observed examples of its implementation in your business environment?

- 99.4% No

One in three companies feels uncertain about the opening of China’s market in the medium term, one in four does not think there is commitment for further opening.

The State Council’s Document No. 5 is not very well-known given that it is one of the major recent documents introducing reform measures to further promote foreign investment. Even more so, German companies have not felt any tangible effects, with over 99% indicating that they have not observed examples of its implementation in their business environment. In August 2017, the State Council’s Document No. 39 introduced further measures to facilitate foreign investment.
Is your company increasing investment and what is the most significant source?

<table>
<thead>
<tr>
<th>Source</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reinvestment of earnings from Chinese market</td>
<td>35.7%</td>
<td>39.1%</td>
</tr>
<tr>
<td>Loan from parent company</td>
<td>6.2%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Transfer of capital/assets from parent company</td>
<td>9.6%</td>
<td>10.1%</td>
</tr>
<tr>
<td>Other source</td>
<td>1.4%</td>
<td>2.0%</td>
</tr>
<tr>
<td>No investment expansion</td>
<td>47.0%</td>
<td>43.0%</td>
</tr>
</tbody>
</table>

Reinvestments of earnings from the Chinese market are by far the most common source of financing local investments. It is the main source of financing for over two thirds of investments.

What types of investment is your company planning for 2018?
(Only respondents who plan investment in 2018)

- Staff development and training: 58.8%
- New manufacturing facilities: 57.8%
- Sales, marketing and business development: 46.2%
- Automation and productivity development: 40.2%
- Research and development: 29.6%
- E-commerce and digital: 20.1%
- Environmental compliance: 19.6%
- Distribution channels: 12.6%
- Mergers and acquisition: 11.6%
- Logistics or transportation capabilities: 11.1%
- Corporate social responsibility: 7.5%
- Governance and other compliance: 5.0%
- Other: 3.5%

Of those who plan to make investments in 2018, more than half plan to invest in new manufacturing facilities. Automation and R&D also rank very high. One in five respondents plans to invest in e-commerce and digital - the fastest growing segment of China’s service sector achieving growth rates of over 30%. Staff development and training are on top of the list, since most companies perceive finding and retaining qualified labor to be a major challenge.
What are your company's main reasons for not increasing investment in China in 2018? (Only respondents who do not plan investment in 2018)

- Market growth expectations not strong enough: 42.9%
- Parent company's strategic business considerations: 38.1%
- Lack of regulatory transparency, predictability and impartiality
- Market access barriers
- Missing organizational independence
- Insufficient legal protection of the investment
- Inability to make strategic acquisitions
- Pressure to engage in technology transfer
- Other: 16.3%

While market growth expectations and strategic business considerations are key reasons for the majority of companies not to invest, one in four companies states legal and regulatory reasons for not increasing investment.

Is your company planning any investments at new locations in China within the next two years?

For the first time in recent years, the share of companies not planning investments at new locations has reached more than half. However, a quarter of respondents does plan investments in new locations. This share has declined over the last few years, but has remained stable since last year.
If you are planning new investments within the next two years, please specify the top 3 cities you consider to be the most likely locations:

The most frequently named investment regions are Jiangsu, Guangdong and Sichuan/Chongqing, with each of them being named by more than one in six respondents. Jiangsu and Guangdong (mainly Pearl River Delta) have long been popular investment destinations with German companies. The Southwest, with Chengdu and Chongqing in the center, also attracts much interest.

What types of investment are you considering?

As in previous years, most investments at new locations will be towards manufacturing facilities.
Research and Development
More than 40% of German companies in China conduct R&D locally. Of those who don't already, a quarter is considering to establish R&D activities in China within the next two years. These shares have remained similar from previous years.

Of those who do not conduct R&D in China and have no plans to do so, over 40% state that they do however engage in R&D at other global locations. Key reasons not to engage in China are a focus on German R&D as well as concerns regarding intellectual property and technology transfer.

However, China also steps up as a location for R&D: “lack of local technical expertise” and “unfavorable research environment” have gradually become less important as reasons not to engage, having come down from the 2015 values of 63.8% and 47.5% respectively.
Belt and Road Initiative (BRI)
How do you assess the effect of the Belt and Road Initiative (BRI) on your company’s future business?

More than one third of German companies see a positive effect of the Belt and Road Initiative (BRI) on their future business, while more than half of respondents report no significant effect or no opinion.

Does your company partner with Chinese business partners within BRI affiliated projects or is it in any other way engaged in BRI?

30% of respondents are active in or considering to engage in BRI projects.

What are the main reasons for your company not to engage in any BRI affiliated project?

(Only respondents who are not engaged in BRI or considering to)

Of those who are not engaging in BRI, just over half state a low relevance to their own industry or business model, but a lack of suitable projects and insufficient information are among the top 3 reasons not to engage.
German companies’ involvement in BRI covers a broad range of areas, with automotive, construction and logistics together accounting for more than 50%.

What is your company’s area of involvement in BRI?
(Only respondents who are engaged in BRI or are considering to)

- Automotive: 19.0%
- Construction: 18.0%
- Logistics: 15.0%
- Energy (production, distribution, storage): 11.0%
- Business Services / Financial Services: 10.0%
- Rail and shipping technology: 10.0%
- Agriculture and foodstuff: 2.0%
- Other: 15.0%

What is the current stage of the project?
(Only respondents who are engaged in BRI or are considering to)

- Completed: 2.8%
- Implementation (advanced stages/second half): 5.6%
- Implementation (early stages/first half): 16.8%
- Planning: 19.6%
- No specific project idea yet: 55.1%

Of those who are engaged in BRI or are considering to do so, nearly half are already involved in concrete projects while 55% do not have a specific project idea yet.

Where is the project located?
(This and all following questions: only respondents with specific projects)

- China: 72.3%
- Other: 27.7%

China is the main location for BRI related projects. However, a quarter of respondents engage in BRI projects outside of China, especially in Southeast and Central Asia, but also in Europe and Africa.
How did your company acquire this project?

Over 80% of projects were fully or partially acquired in China.

Acquired within China 58.7%

Acquired within another BRI associated country 2.2%

Combination of both 23.9%

Other 15.2%

"Team up with Chinese partners and have direct contact with other BRI countries"
(Machinery/Industrial Equipment, Beijing)

Is your company engaging as a subcontractor/supplier to another company and is that company of Chinese origin?

Nearly half of German companies engaging in BRI do so as subcontractors or suppliers to Chinese companies.

No, we are not engaging as a subcontractor/supplier. 44.7%

Yes, we are engaging as a subcontractor/supplier to a Chinese company. 46.8%

"Find a suitable partner"
(Machinery/Industrial Equipment, Shanghai)

Yes, we are engaging as a subcontractor/supplier to a non-Chinese company. 8.5%
The majority of respondents find their BRI involvement beneficial as a way to increase market access in China, other BRI associated countries or both. Apart from that it is also perceived as an opportunity to strengthen cooperation with Chinese partners.

“Be more proactive with relevant Chinese stakeholders”
(Machinery/Industrial Equipment, Beijing)

What risks and challenges do you perceive about the project?

More than a third find cooperation with partners at the project location as well as financing to be a challenge and risk.
The German Chamber of Commerce in China

The German Chamber of Commerce in China is the official member organization which represents German companies doing business in China. The German Chamber helps its members succeed by providing up-to-date market information and practical advice. It offers a platform for the Sino-German business community and represents its member’s interests towards stakeholders including governmental and public stakeholders. The Chamber was founded in 1999 and currently has around 2,400 members in mainland China.

The Delegation of German Industry & Commerce (AHK) Greater China

The Delegations of German Industry and Commerce in Beijing, Shanghai, Guangzhou, Hong Kong and Taipei represent the Association of German Chambers of Industry and Commerce in Greater China. On behalf of the Federal Republic of Germany, they represent the overall economic interests of Germany and focus on the promotion of bilateral trade and investment between Germany and our region. Additionally, through the Delegation the German Chamber Network in Greater China is in close contact with the Chinese government and supports political delegations on their visits to China.

German Business in China
Business Confidence Survey

2017/18

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