

## **MPC – MIGRATION POLICY CENTRE**

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### ***Chinese Investment Strategies and Migration – Does Diaspora Matter? A Case Study on Germany***

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**EUROPEAN UNIVERSITY INSTITUTE, FLORENCE  
ROBERT SCHUMAN CENTRE FOR ADVANCED STUDIES  
MIGRATION POLICY CENTRE (MPC)**

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## **The Migration Policy Centre (MPC)**

### Mission statement

The Migration Policy Centre at the European University Institute, Florence, conducts advanced research on global migration to serve migration governance needs at European level, from developing, implementing and monitoring migration-related policies to assessing their impact on the wider economy and society.

### Rationale

Migration represents both an opportunity and a challenge. While well-managed migration may foster progress and welfare in origin- as well as destination countries, its mismanagement may put social cohesion, security and national sovereignty at risk. Sound policy-making on migration and related matters must be based on knowledge, but the construction of knowledge must in turn address policy priorities. Because migration is rapidly evolving, knowledge thereof needs to be constantly updated. Given that migration links each individual country with the rest of the world, its study requires innovative cooperation between scholars around the world.

The MPC conducts field as well as archival research, both of which are scientifically robust and policy-relevant, not only at European level, but also globally, targeting policy-makers as well as politicians. This research provides tools for addressing migration challenges, by: 1) producing policy-oriented research on aspects of migration, asylum and mobility in Europe and in countries located along migration routes to Europe, that are regarded as priorities; 2) bridging research with action by providing policy-makers and other stakeholders with results required by evidence-based policy-making, as well as necessary methodologies that address migration governance needs; 3) pooling scholars, experts, policy makers, and influential thinkers in order to identify problems, research their causes and consequences, and devise policy solutions.

The MPC's research includes a core programme and several projects, most of them co-financed by the European Union.

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## **Abstract**

This paper studies the role that Chinese migrants play in the development of investment relations between China and Germany. We assume that Chinese migrants can help to overcome the psychic distance that exists between the two countries, a distance that results in high information costs for Chinese companies with regard to investment opportunities, government regulations and/or the trustworthiness of potential business partners in Germany. We also look at Chinese diaspora networks assuming that they can reduce transactions costs and can have foreign direct investment (FDI)-creating effects.

Based on a discussion of the linkages between migration and FDI, our research design includes both qualitative and quantitative methods. Alongside the outlining of the patterns of Chinese investments and migration to Germany, we also present findings from semi-structured interviews and a questionnaire survey directed specifically at the managing personnel and owners of Chinese-invested companies in the city of Hamburg. Based on our preliminary findings from the questionnaire survey, we argue that diasporic networks do still matter in the FDI context and that Chinese employees working in Chinese-invested companies or German institutions do play an important bridging role. However, we also posit that nowadays not many Chinese people seem to enter into formal diaspora networks, preferring instead personal and informal networks.

## 1. Introduction

Research on the linkages between migration, investment and trade has focused on both the host and home countries of migrants. Numerous academic studies argue that immigration can be beneficial for host countries, especially when skilled migrants use their entrepreneurial talents for innovation and the creation of jobs (Briggs and Moore 1994). Genc et al. (2010) find evidence in their meta-analysis that immigration is a complement to, rather than a substitute for, trade flows between host and home countries. The research by Ivlevs and Melo (2008) on the influence of skill composition of exports on FDI supports this finding. They conclude that the emigration of skilled labour is complementary with FDI. That education matters is also demonstrated in the study on migration and FDI conducted by Gheasi et al. (2011). Using the United Kingdom as an example, they study the relationship between the size of foreign population (by nationality) and the bilateral volume of both inward and outward FDI. The authors find a positive and significant relationship between migration and outward FDI. The more educated migrants were, the stronger the impact on both inward and outward FDI was. In their research on the role that human mobility plays in promoting Chinese outward FDI, Gao et al. (2013) show that the two-way mobility of highly skilled Chinese students and scholars has a significant impact on Chinese outward FDI.

Taking Germany as a case study, Buch et al. (2007) analyse the relationship between migration and FDI. They find a higher volume of inward FDI in those German federal states hosting a larger foreign population from the same country of origin. In their investigation of the migration, FDI and trade nexus, Kugler and Rapoport (2011) argue that migrants are able to reduce transaction costs associated with selling and producing overseas through the formation of business networks and as a consequence of information diffusion. Their study indicated that the ratio of FDI to exports is higher the larger the number of migrants from the buying country living in the seller country is. They also conclude that migration has a stronger impact on FDI than it does on export. Focusing on transnational diaspora entrepreneurship in emerging markets, Riddle et al. (2010) stress that migrants and their descendants can bridge the institutional divides that exist between countries having strongly different institutional and business environments.

Although the statistical data on the number and geographical patterns of distribution of the skilled migrants' countries of origin is still fragmentary, those from Asian countries, and especially China and India, count among the larger groups of expatriates currently present in the OECD countries (Wogart and Schüller 2011). These groups are characterized by a comparably high level of education and training and strong diasporic networks. In the United States, a large number of highly-skilled immigrants from China and India are employed as scientists and engineers in Silicon Valley. At the beginning of the last decade, they accounted for one-quarter of all engineers working in the region (20,000 Indian and 20,000 Chinese, of whom 5,000 came from Taiwan). Their numbers have risen even further more recently (Saxenian 2005: 2; Kuznetsov 2008: 269).

Chinese migrants have traditionally preferred Southeast Asian countries as their destination, where about 80 per cent of the estimated 25 million 'overseas Chinese' (*huaqiao*, 华侨) are currently living. People of Chinese descent living in Hong Kong, Macao and Taiwan are not included in this figure by the Chinese government as they are not counted as being *huaqiao*. Population statistics of Chinese living in the European Union, however, often mix up these different groups (Latham and Wu 2013: 15). The US and certain European countries are the other most popular destinations for migrants from China (Song 2003: 37–40).

Although the first wave of Chinese migrants already arrived in Germany at the end of the 19<sup>th</sup> century, their number then remained rather small. It is only since the inception of China's economic reform policy in the 1980s – and especially during the last decade – that a substantial influx of Chinese

migrants to Germany can be observed.<sup>1</sup> Closely related to the term ‘migrant’ is the concept of ‘diaspora’. Originally, this term was used only for specific historical groups such as the Jews. However, in more recent studies it has been applied rather loosely and has been used to denote any group residing outside its place of origin (Gamlen 2008).<sup>2</sup> In this study, we use the term ‘Chinese diaspora’ to refer specifically to those Mainland Chinese citizens and naturalized Chinese living outside of China who still maintain economic and psychological ties with their native country, and especially their home regions in it. We focus on members of the Chinese diaspora who are living in Germany, with or without Chinese citizenship – and not including those from Hong Kong, Macao or Taiwan.

The important networking function of migrant associations for trade and FDI has been discussed by different authors. Rauch (2001), for instance, stresses the supply of better information on potential business partners by organized migrant associations than is otherwise available on the market, or available only at a higher cost. According to Casella and Rauch (2002), organized migrant networks also reign in any opportunistic behaviour of their members. While Saxenian (2000) points to the importance of Indian professional associations for establishing international contacts, Mitchell and Hammer (1997) study the evolvement and type of Chinese overseas networks. Referring to the differentiation between organized and non-organized migrant associations made by Rauch (2001), Baghdadi and Chepte (2010) analyse the impact of migrant associations on trade and FDI in France and find a positive role of migrants in both fields as well. They conclude that non-organized networks affect trade via preference and information channels, whereas organized ones have an important informational role. Both types of networks, however, affect FDI via the provision of information to French companies investing abroad.

The term ‘foreign direct investment’ is based on the internationally accepted definition of FDI, which does not include portfolio investment but, rather, the goal of long-term engagement overseas and having an influence on the management of a company (OECD website).<sup>3</sup> Chinese outward foreign direct investment (OFDI) has increased rapidly in the last few years, making the country the fifth-largest investor worldwide in terms of OFDI flows in 2011. Germany has become one of the main target locations of strategic asset-seeking companies from China that strive to acquire ownership of high-tech firms, famous brand names and distribution networks in developed countries. Alongside this development, there has been a significant growth in the Chinese population living in Germany, particularly students from China, and in Chinese diaspora networks. This study focuses on the question of what role this Chinese diaspora plays in the FDI of Chinese companies in Germany. To answer this question, Section 2 provides an overview of the pattern of Chinese investments in Germany in terms of size and sectoral as well as geographical distribution, the ownership structure of

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<sup>1</sup> Following UNESCO’s definition of a ‘migrant’, we use the term to denote a person living temporarily or permanently in a country where he or she was either born or not born, and who has acquired some significant social ties to this country. This group does not include refugees, but only those persons who made voluntary choices about when to leave and where to go.

<sup>2</sup> The International Organization for Migration (IOM) provides a broad definition for those considered part of a diaspora as being ‘members of ethnic and national communities who have left, but maintain links with their homelands. The term “diaspora” conveys the idea of a transnational population, living in one place, while still maintaining relations with their homeland, being both “here” and “there”.’ The European Commission (EC) shares the same understanding of the term, and stresses the diaspora’s ‘commitment to and/or interest in the country of origin’ (Wickramasekara 2009: 3).

<sup>3</sup> In the analysis of the patterns of Chinese outward foreign direct investment (OFDI) we differentiate between ‘greenfield investment’, relating to the set-up of companies, and ‘mergers and acquisitions’ (M&A), which include the takeover of companies. Greenfield investment is regarded as the most effective means for transferring a company’s competitive advantages to foreign countries. In contrast, acquisition is seen as being more effective when the absorption of knowledge from the acquired foreign company is intended (Sarala & Sumelius 2005). Following this line of argument, companies which are more technologically developed, such as the telecommunications giants Huawei or ZTE, will have a preference for greenfield investment. In contrast, M&A investment will be chosen by Chinese companies when they invest in a country with mature industries in order to gain access to strategic assets. Acquisitions in developed countries provide Chinese firms with the opportunity to access higher value-added markets and to catch up with global market leaders. This also bolsters their ability to compete with multinationals in their home market (Child & Rodrigues 2005: 389).



Chinese investors (state-owned companies vs. privately-owned ones) and the impact that Chinese investments in Germany have had (in particular, their contribution to employment creation). Next, Section 3 investigates how Chinese migration to Germany has unfolded. It presents statistics on the types of migrants, their skill set and professional focus, as well as on the fields of study of Chinese students. Section 4, then presents the different Chinese diaspora networks in Germany. Finally, Section 5 offers some preliminary findings concerning the role that Chinese migrants play as facilitators for FDI from China, and the implications therein for the business climate and development of the labour market in Germany. The paper concludes with a short discussion of the findings and implications in Section 6.

## 2 Chinese FDI in Germany

Bilateral economic relations are characterized by a strong growth in trade and investment in both directions. China is Germany's third-largest trading partner and its most important market in Asia, with exports focusing on high- and medium-tech products. Most of the direct investment made by German companies in China takes place in the same industries, in order to overcome export barriers and so as to better adapt to local markets. The volume of bilateral trade almost tripled between 2004 and 2011, with the value increasing from 53.6 billion euros to 144.2 billion euros. Many German companies have taken advantage of the opportunities for the further global division of labour and have thus relocated parts of their value chains to China (Erber 2012: 28). By the end of 2011 total FDI from Germany amounted to 26.6 billion euros, which is comparatively more than the Chinese statistics report (GTAI 2012) and represents a contribution of only around 1 per cent toward Chinese total FDI inflow (GTAI, May 2012). In contrast, the cumulative value of Chinese FDI in Germany amounted to only 1,234 million euros at the end of 2011 (German Central Bank 2013).

### 2.1 Flows and Stocks of Chinese FDI in Germany

Although Chinese companies have rapidly expanded their overseas investment operations in recent years, direct investment in Germany is still well below the volume of FDI made by German companies in China. After China's accession to the WTO at the end of 2001, the Chinese government recognized the need to support the internationalization of its domestic companies and thus introduced its 'going global' policy. Due to its strong focus on high- and medium-tech industries, Germany has become a recommended target location for Chinese investors. The trend of Chinese companies investing in technologically advanced sectors has sharpened since the global financial crisis of 2008 and the subsequent economic slump. Chinese investors have been able to take advantage of companies struggling against insolvency as a result of a drop in sales within the European market. Many of the smaller companies who found themselves in financial distress were technological leaders in their fields. This was especially true for those working in the machinery- and equipment-related industries (Schüller and Schuler-Zhou 2012).

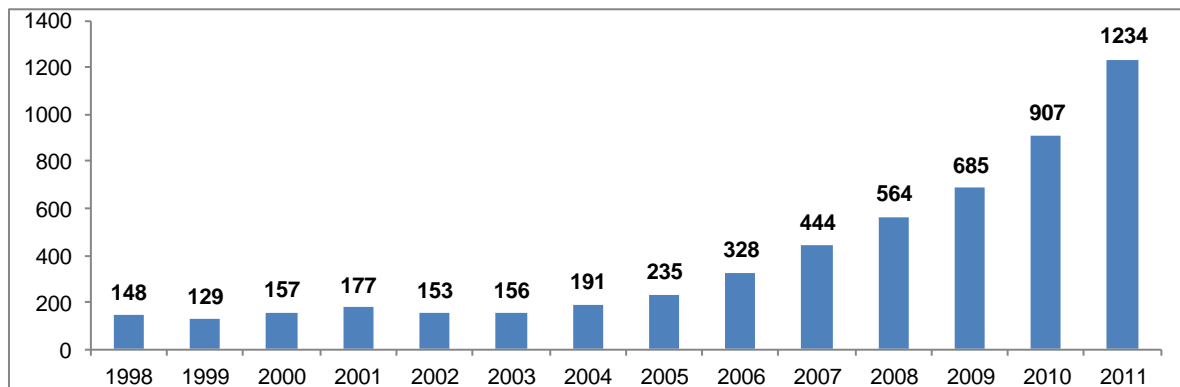
According to the latest statistics of the German Central Bank (GCB),<sup>4</sup> the stock of Chinese FDI in Germany increased from 148 million euros in 1998 to a total volume of 1.234 billion euros in 2011 (GCB 2013). Most of these investments were made between 2007 and 2011 (see Figure 1 below). Unfortunately, the GCB has not yet published data for the year 2012, which witnessed a strong increase in Chinese investment in Germany. In addition to the Chinese Ministry of Commerce (MOFCOM)'s annual *Statistical Bulletin of China's Outward Foreign Direct Investment*, the ministry offers a database on its Chinese-language website that includes those FDI projects that had to be

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<sup>4</sup> Data collected by the GCB on FDI flows to Germany includes foreign companies with a balance sheet total of more than 3 billion euros, and who possess an equity stake of more than 10 per cent.

registered with state agencies.<sup>5</sup> In this database, 306 investment projects had been registered for Germany as of January 2011. This number had increased to 610 projects by March 2013 (MOFCOM database). Based on the MOFCOM's *Statistical Bulletin*, the stock of Chinese investments in Germany amounted to 1.502 million USD (MOFCOM 2012: 89).

**Figure 1. German Statistics on China's Outward Direct Investment in Germany 1998–2011  
(in million euros, stock values)**



Source: German Central Bank (2003, 2005, 2007, 2010, 2013).

According to the German trade and investment promotion agency GTAI (Germany Trade and Invest) China ranked first among the country's foreign investors in terms of the number of investment projects listed by local investment promotion agencies in 2011. While 158 investment projects originated from China, 110 projects were conducted by companies from the US and 91 by companies from Switzerland (GTAI, March 2012). The distribution of these Chinese investment projects (greenfield and expansion investment projects) by sector shows a strong focus on automotive, industrial machinery and equipment (28 per cent), followed by electronics and semiconductors (22 per cent), consumer goods (including foods and beverage) (12 per cent) and ICT and software (8 per cent) in the period 2007–2011. The analysis of the Chinese investment projects according to business activities reveals that the majority of these projects were related to sales, marketing and support (62 per cent), followed by headquarter activities (13 per cent), manufacturing (6 per cent) and logistics, distribution and transportation (5 per cent) (GTAI, March 2012).

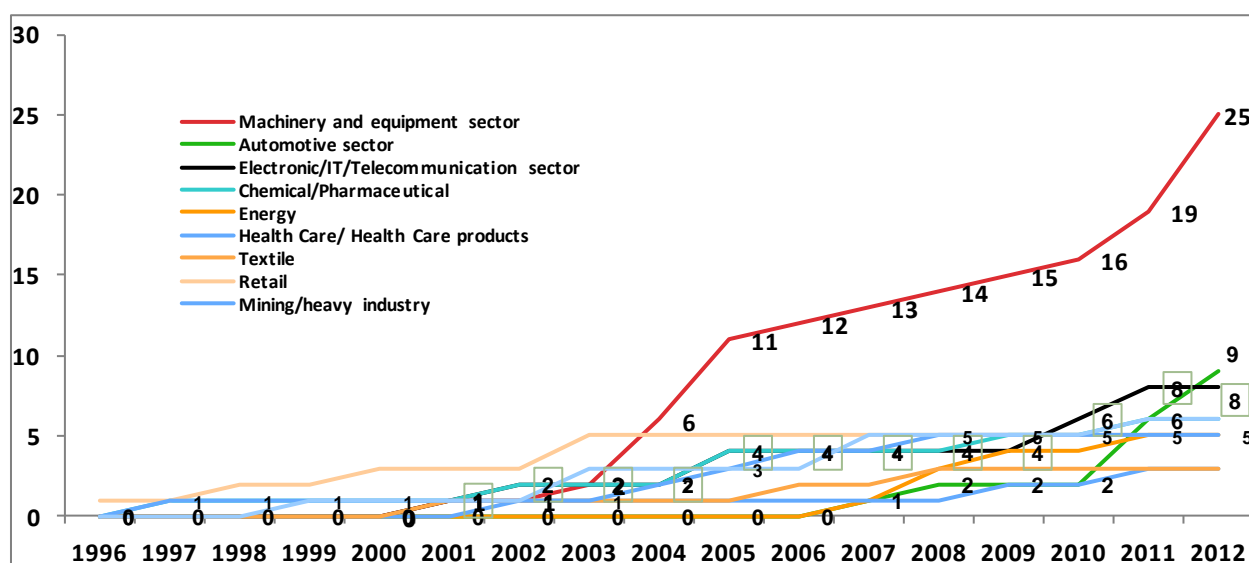
With regard to the geographical distribution of China's investments among the federal states in Germany, GTAI reports that the city of Hamburg ranked first in terms of FDI (greenfield) stock (215 million euros) in 2010, followed by Hessen (186 million euros), North Rhine-Westphalia (110 million euros) and Bavaria (70 million euros). In terms of the number of Chinese investment projects (not including M&A) undertaken between 2007 and 2011, North Rhine-Westphalia was able to attract the largest share (137), followed by Hessen (63), Baden-Württemberg (15) and Bavaria (11) (GTAI, March 2012). This data only allows, however, a first glimpse at the geographical distribution of Chinese investments and is challenged to some extent by the views of representatives from local GTAI agencies (Interview with Bavaria Invest 2013).

<sup>5</sup> The MOFCOM database includes the registration number of the investment project (证书号), the target country of the investment (国家/地区), the Chinese name of the investor (境内投资主体), the name of the overseas company or institution (境外投资企业(机构)), the subordination of the investor to the central government or local government/province (省市), the business activities (经营范围), the date of approval (核准日期) and the registration date overseas (境外注册日期).

## 2.2 Firm-Level Data on Chinese FDI in Germany

In addition to macro-level data, firm-level statistics complement the depiction of patterns of Chinese investment activities in Germany. Based on data collected by the authors and retrieved from the Zephyr M&A database, a total number of 74 Chinese M&A transactions took place in Germany between 1996 and 2012.<sup>6</sup> The geographical distribution of M&A transactions within Germany reveals that most transactions took place in North-Rhine Westphalia, followed by Baden-Württemberg and Bavaria. The machinery and equipment industry attracted most investment (25 M&A cases), followed by the automobile sector (9 cases) and the electronic and IT industry (8 cases). The data also reveals that the number of M&A transactions, especially in machinery and equipment, grew rapidly after 2004 (see Figure 2).

**Figure 2. Chinese M&A in Germany by Sector 1996-2012 (accumulated number of cases)**



Source: Authors' compilation of M&A transactions and Zephyr M&A database.

Most of the Chinese acquirers from the machinery and equipment sector in our sample of M&A transactions were state-owned companies (16 out of 25 companies). They belonged to the group of those state-owned companies that have undergone restructuring and modernization in China in the last few years, increased their international competitiveness and are now looking for high-end and technology-intensive companies to acquire or to cooperate with. In another study, we found that the acquisition of these companies is often driven by the need to increase their own reputation in the domestic market in China, which is extremely competitive. With the latest technology and the 'made or designed in Germany' label, Chinese companies expect to enjoy a better domestic product image and higher sales volumes (Schüller, Meuer and Schüler-Zhou 2012).

With the acquisition of German companies that in many cases faced financial difficulties and were threatened by bankruptcy, Chinese investors contributed to the stabilization of local employment. Looking at the employment record of the German companies acquired, we found that – with the exception of the seven companies which had to shut down after takeover – employment was mostly stabilized at a slightly lower level than before or otherwise increased. Among the companies acquired between 2003 and 2006, for example, a small decrease or increase in employment was recorded for: Dürrkopp Adler, Wohlenberg, Waldrich Coburg, Zimmermann, Wirth, HPTec, and Bullmer and TopCut (Hoppenstedt Company Profiles).

<sup>6</sup> This figure includes seven companies that went bankrupt after a Chinese investor had taken over the German firm.

In contrast to the acquisition strategies of many Chinese investors, the so-called ‘Chinese Champions’ – in other words, technology-intensive companies such as Huawei and ZTE – prefer greenfield investment as the predominant entry mode. To them, greenfield investment represents the most effective means for transferring their competitive advantages to Germany. The telecommunications company Huawei has, for example, established 18 subsidiaries in Germany and employs 1,600 persons, most of them Germans. In addition to these greenfield investments, the company is cooperating in R&D with telecommunications providers such as Deutsche Telekom and certain German universities (Huawei company website).

The creation of new employment through greenfield investment is one of the major policy goals of local German investment promotion agencies. However, there is no systematic reporting of employment figures for Chinese-invested companies by the local or national branches of GTAI. In addition to large M&A transactions and greenfield investment, there are thousands of small-scale Chinese-invested companies and self-employed Chinese persons in Germany – who might not appear in any of the official statistics. Therefore, only broad estimates of the total employment created by Chinese FDI in Germany are possible. For the year 2010, for example, GTAI estimated that the approximately 700 Chinese-invested companies employed about 6,600 people (GTAI, cited in Xu, Petersen and Wang 2012: 31).

In sum, the analysis of Chinese FDI in Germany demonstrates that there has been a significant increase in OFDI from China. Most of the large- and medium-scale investments have been concentrated in Germany’s machinery and equipment, automobile and electronic/IT industries. Although the majority of investment activities are still related to market-seeking pursuits, we can observe a growing interest in manufacturing and R&D endeavours on the part of Chinese companies.

In order to analyse the linkages between foreign investment and migration, the following section studies the historical development of Chinese migration to Germany. First, we look at the overall size of the Chinese population in Germany and its geographical spread across the country. Second, we scrutinize the influx of Chinese students to Germany, focusing specifically on their geographical distribution and chosen fields of study.

### 3. Chinese Migration to Germany

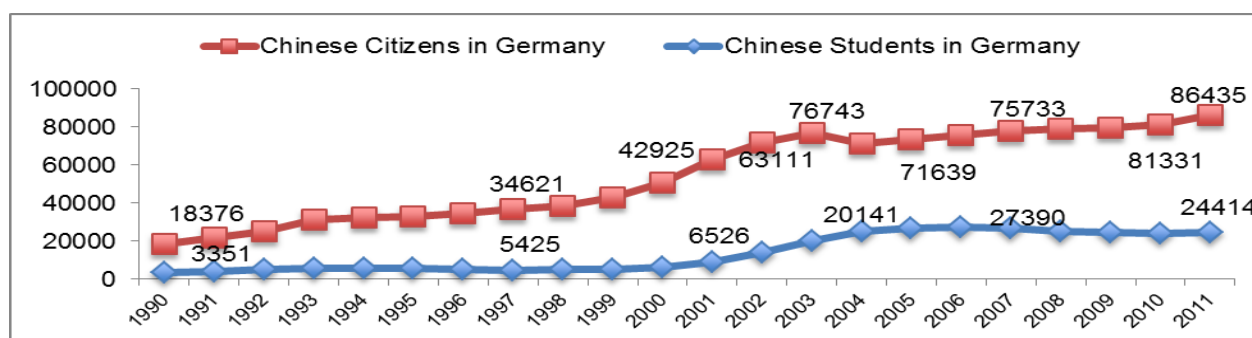
In 1967 the first statistical record of ethnic groups conducted in Germany identified around 2,400 persons as having an ethnic Chinese background, with four-fifths of them noted as coming from Taiwan. Another key group of ethnic Chinese are the so-called ‘boat people’ who came from Vietnam. In the 1960s and 1970s, most of these migrants worked in Chinese restaurants or as nurses. They lived in close communities with strong family ties and interactions took place mostly within their territorial associations (*Landsmannschaften*). Some of the successful businessmen among them established internal saving associations that provided loans to fellow ethnic Chinese on the basis of trust (Yü-Dembski 2005: 40–48). Traditionally, many Chinese migrants in Germany came from Zhejiang Province in China, especially from the cities of Wenzhou, Qingtian and Lishui. Most of the Zhejiang Chinese diaspora worked in the catering industry and used their strong family networks to help other Chinese family and non-family members to migrate to Germany (Giese 2005: 105–112).

In contrast to this group of migrants, who fit into the traditional concept of the diaspora, those (mainland) Chinese people coming to Germany in the 1990s were characterized by their belonging to transnational communities. The reform and opening up policy of the Chinese government since the 1980s triggered a new wave of migration by students, both with the assistance of government scholarships and through self-funding. After the Tiananmen Square incident of 1989, a larger number of them decided to seek permanent residence in Germany. The new generation of migrants (called *Xinyimin*) commute between China and Europe, are spread across different cities and regions in Germany and pursue attractive work or housing conditions instead of looking for the solace of close ethnic communities (Yü-Dembski 2005: 48–51).

### 3.1 Trends in Chinese Migration to Germany

Data on the Chinese population and Chinese students in Germany is based on the statistics released by the Federal Statistical Office Germany (FSOG) and the German Academic Exchange Programme (DAAD). These statistics are complemented by the estimations about the extent of the Chinese population in Germany that have been made by various scholars. German statistics differentiate between those members of the population with a so-called ‘migration background’ and the statistics on the overall foreign population. In 2011, the number of people with a migration background totalled 15.96 million. This statistic divides between Germans and foreigners, as well as denoting persons born in Germany with at least one parent who is a migrant. According to the Micro Census of 2011, the total number of the population with a Chinese migration background amounted to 102,000 people. Out of this total, 45,000 persons were registered as being part of the labour force, 7,000 as being self-employed and 32,000 as employees. The distribution of the labour force by sector revealed that the majority of the labour force is engaged in trade, catering and transportation (21,000 persons, 47 per cent), followed by other services (17,000 persons, 38 per cent) and manufacturing (6,000 persons, 13 per cent) (Micro Census 2011). According to FSOG statistics, the number of Chinese citizens in Germany increased from 18,376 in 1990 to 86,436 in 2011 (see Figure 3).

**Figure 3. Chinese Citizens and Students in Germany 1990-2011**



Source: FSOG 2011.

The FSOG offers more demographic details on the sub-group of the Chinese population that includes those registered as foreigners. In the following, we focus specifically on the population statistics for the years from 2004 to 2011. Although Chinese citizens represent only a small proportion of all foreigners living in Germany, their number increased by 20.7 per cent between 2004 and 2011. The gender ratio also changed during this period, with the share of women increasing from 46.3 per cent in 2004 to 51.3 per cent by 2011 (see Table 1).

**Table 1. Number of Chinese Citizens Living in Germany, 2004–2011**

Year	2004	2006	2008	2011
Total	71,639	75,733	78,960	86,435
Male	38,444	39,710	40,067	42,052
Female	33,195	36,023	38,893	44,383
Proportion of women as a %	46.3	47.6	49.3	51.3

Source: GSOG (2011).

The age range of this Chinese population in Germany is characterized by a predominance of people of working age – in other words, those between 15 and 65 years of age. Within this group, the number of people aged between 15 and 35 years is twice as large as that of people aged between 35 and 65 years (see Table 2 below). Compared to the German population at large, Chinese citizens living in Germany are on average much younger.

**Table 2. Age Range of Chinese Citizens Living in Germany in 2011**

	<5–15	15–35	35–65	65–95+	Average
Total	5,357	55,642	24,621	815	31.1
Male	2,746	27,302	11,576	428	31.0
Female	2,611	28,340	13,045	387	31.2

Source: FSO (2011).

Most Chinese people only stay in Germany for a relatively short period of time, typically between one to four years. In 2011, the share of these short-term residencies in the total Chinese population amounted to 43.8 per cent. The second-largest group of Chinese persons living in Germany stay for a period of up to eight years (20 per cent), while 26.4 per cent were registered as having stayed in Germany for up to 15 years or more (see Table 3).

**Table 3. Duration of the Stay of Chinese Citizens Living in Germany as of 2011**

<1–4 years	4–8 years	8–15 years	15–25 years	25–35 years	35–40+ years	Average
37,859	17,249	22,808	7,430	940	149	6.7
43.8 %	20 %	26.4 %	8.6%	1.1 %	0.2%	

Source: FSO (2011).

The geographical distribution of Chinese citizens in Germany shows that there is a strong concentration in those federal states with a vibrant economy and a well-developed higher education system. This distribution is essentially consistent with the demographic spread of the German population across all of the federal states. In 2011, the most populous federal state, North-Rhine Westphalia, attracted 21,813 Chinese, or 25 per cent of all Chinese citizens living in Germany, while Baden-Württemberg and Bavaria each absorbed a share of 14 per cent. Generally speaking, the newer federal states (those which were previously part of the German Democratic Republic) have been less popular destinations for Chinese citizens. Within this group of federal states, Saxony absorbed the highest share of Chinese immigrants (around 3 per cent or 3,571 persons). Among the city-states, Berlin and Hamburg were the most attractive locations for Chinese migrants, absorbing a share of 7.7 and 5.4 per cent respectively (see Table 4).

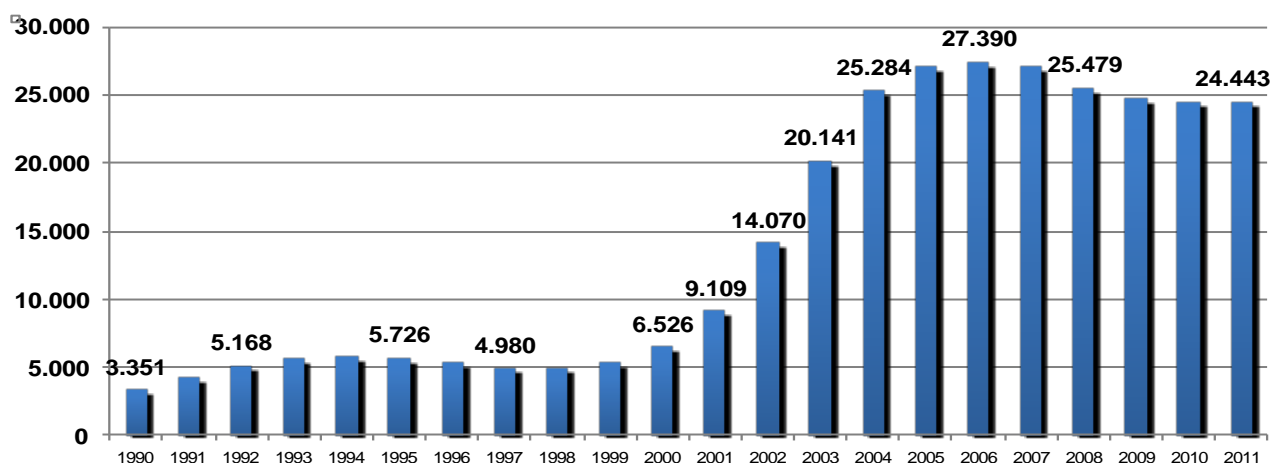
**Table 4. Geographical Spread of Chinese Citizens among German Federal States in 2011**

Baden Württemberg	Bavaria	Berlin	Branden- Burg	Bremen	Hamburg	Hesse	Mecklenburg- West Pomerania
12,360 (14.3%)	12,385 (14.3%)	6,701 (7.7%)	969 (1.1%)	1,085 (1.3%)	4,671 (5.4%)	8,172 (9.7%)	460 (0.1%)
Lower Saxony	North- Rhine Westphalia	Rhineland- Palatinate	Saarland	Saxony	Saxony- Anhalt	Schleswig- Holstein	Thuringia
5,581 (6.6%)	21,813 (25.2%)	2,550 (3.0%)	800 (0.9%)	3,571 (4.2%)	2,416 (2.9%)	1,540 (1.8%)	1,361 (1.6%)

Source: FSO (2011).

### 3.2 Chinese Students in Germany

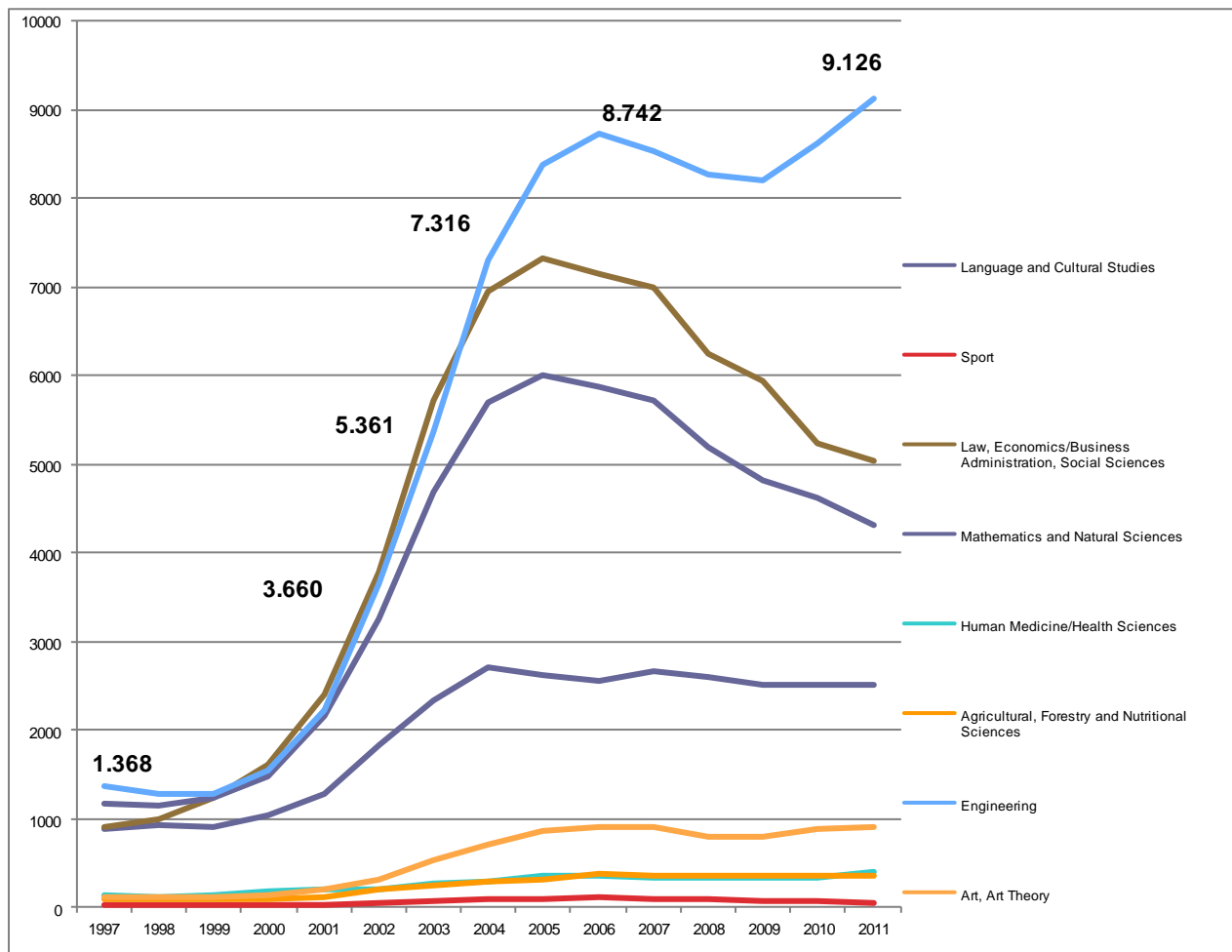
Since the 1980s students have come to represent an important and growing proportion of Chinese citizens living in Germany. The number of Chinese students rose from 3,351 in 1990 to 24,443 persons in 2011, after a peak in 2006 (see Figure 4). They represented the largest group of foreign students studying in Germany.

**Figure 4. Number of Chinese Students in Germany 1990–2011**

Source: Student Statistics Federal Statistical Office (2012).

Note: 2011 represent the Winter Term 2010–2011, this applies also to the other years.

Three federal states absorbed the largest number of Chinese students – namely, North-Rhine Westphalia (22 per cent or 4,697 persons), Baden-Württemberg (15 per cent or 3,259 persons) and Bavaria (11 per cent or 2,350 persons). Within the so-called ‘New Federal States’ the number of Chinese students is still small, but they nevertheless also constitute the largest group of foreign students there as well.

**Figure 4. Chinese Students' Fields of Study in Germany 1997–2011**

Source: Student Statistics Federal Statistical Office (2012).

Chinese students have a strong study focus on engineering. Figure 4 indicates that since 1997 the number of students in this field has significantly increased, rising from 1,368 to 9,126 persons. The next most important fields chosen by Chinese students were law, economic business administration and the social sciences. By 2011 there was a total number of 5,041 Chinese students active in these fields in Germany. Mathematics and the natural sciences ranked third among the most attractive fields of study, with 4,310 such Chinese students in 2011. Analyzing the motives of Chinese students coming to Germany, Chen Hongjie from the Beijing University, German Studies Centre, points out that these individuals are in most cases not laying the foundations for a future academic career at home, but aiming to enhancing their CV with a Master's or doctoral degree from a foreign university in order to increase their competitiveness on the Chinese labour market. Another motive for studying in Germany is the country's strong reputation in China, as well as Germany's comparatively favourable costs for study and living. The country's strong economic presence in China and the perception of good career prospects after the completion of their studies in China or Germany are other motives cited. Chen also explains the increase in the number of Chinese students coming to Germany as the result of the closer cooperation that has taken place between German and Chinese universities in recent years (DAAD 2012).

In sum, we can observe an increase in the number of Chinese citizens and students coming to live and work in Germany since the end of the 1990s. There is a strong concentration of this population in economically developed federal states and in those fields of study which directly relate to Germany's



industrial strength, namely, engineering and the natural sciences. Following the assumption that migrants can reduce transactions costs by establishing business networks and by facilitating the diffusion of information (Kugler and Rapoport 2011), we can expect well-educated Chinese with a strong knowledge of German economic and social institutions to assume a bridging role for Chinese investors coming to Germany as well as for the trade and investment activities of German companies or institutions. After they return to China, there is a strong possibility that they will work in companies who then invest in Germany. During their study time in Germany they might also use their knowledge and understanding of both the Chinese and German business cultures to link companies from the two countries.

That cultural factors are significant for the investment decisions of Chinese companies is also one of the findings of a recent KMPG study undertaken on behalf of the EU. The presence of Chinese diaspora in an EU country as well as the number of Chinese students and the level of Chinese tourism was regarded as key factors that determine the perceived business environment for Chinese investors (KMPG 2013). Furthermore, Chinese graduates in Germany are also entitled to establish their own company. An example of this is Mang Chen, who founded the largest Chinese travel agency in Germany during his time as a student in Germany (see Box 1).

#### **Box 1: Mang Chen: The Founder of Caissa Touristic, Hamburg**

Mr Chen came to Germany to study Business Administration in 1988 and founded the Caissa Touristic (Group) AG in Hamburg in 1993. It is one of 'China's Top 10 Outbound Travel Wholesalers' and is the market leader in terms of inbound tourism from China with 28,000 bookings for traveller from China in 2012. Today, Caissa encompasses more than 10 branches in major European and Chinese cities like London, Paris, Hamburg, Munich, Beijing, Guangzhou and Shanghai. In China, Caissa has nearly 3,000 employees. In Germany, the total number of employees is 70, with 60 per cent of the staff belonging to the Chinese diaspora. Half of the staff consists of Chinese graduates. In addition to the travel agency Caissa Touristic (Group) AG, Mr Chen stressed his involvement in business collaboration and information exchange between both countries.

As a member of the Chinese diaspora, and as someone who has lived in Germany for more than 20 years, Mr Chen is well connected with other members of this diaspora. He is CEO of the German Association of Chinese Entrepreneurs, founded in 1999. This network of Chinese entrepreneurs currently has over 100 members. Almost all of them are small- and medium-sized companies privately owned by members of the Chinese diaspora. These owners are almost all naturalized German citizens, and all do business related with and to China. Only a few of the network's members are state-owned Chinese companies. The main tasks of the association are the promotion of economic and trade cooperation between China and Germany, the engagement in scientific and technical exchange, the improvement of the understanding between the peoples of China and Germany and the organization of economic and trade fairs, exhibitions and professional seminars.

(Source: Interview conducted by the authors in December 2012).

## **4. Chinese Diaspora Networks in Germany**

Traditionally, Chinese migrants used to set up ethnic networks abroad based on mutual assistance so as to better cope with an unfamiliar and often unfriendly environment. Given both the relaxation of immigration policies in the EU and the more international orientation of the new Chinese migrants, the role of diasporic networks might in recent years also have changed as well. Our main research questions with regard to this potential development are as follows:

- What kind of Chinese diaspora networks can be found in Germany?
- To what extent are these networks important for Chinese companies investing in Germany?
- What role do Chinese employees have in the FDI decision-making process of Chinese companies?

The term ‘Chinese diaspora’ has been used by Cheung (2004: 664–665) to describe the nature of specific economic and networking relations, especially those sustained through cross-border activities. He attributes the ‘social capital’ generated among the Chinese diaspora to ethnicity, languages/dialects, social or business associations and Confucian beliefs. Defined as ‘a set of informal values or norms shared among members of a group that permits cooperation among them’ (Fukuyama 1999: 16), social capital can be successfully used within both business and personal networks. Given the challenges posed by certain informational barriers in international transactions – such as a lack of information on trade opportunities, restrictive government regulations or uncertainty about the trustworthiness of potential business partners – networking activities can play an important role in allowing business to take place (Rauch and Trindade 2002).

While the importance of Chinese diaspora networks in Southeast Asia have long been the subject of many different academic studies, to date not much research exists regarding the impact that these networks have in developed countries characterized by a high level of institutional development. Applying a gravity model to the analysis of this question, Tong (2003) concludes that ethnic Chinese networks facilitate FDI not only between China and Southeast Asian economies but also between China and economies in other parts of the world. While these networks offer the better enforcement of sanctions in countries with weak institutions, the core purpose of Chinese networks in countries with strong institutions is to supply information – and thus reduce transactions costs.

Although the Chinese migrants’ identities and diaspora networks are gradually undergoing change, there are nevertheless still quite a significant number of both official and private Chinese overseas organizations that work as a bridge between mainland China and those living abroad. The Chinese government discovered already in the 1960s the important role that the *huaqiao* could play, and thus tried to organize them under the joint leadership of the Communist Party and the government. Up until today, the government pays close attention to the development of overseas Chinese cultural and business associations and supports their development. In April 2012 about 570 representatives from 110 countries and regions attended a global conference of overseas Chinese co-sponsored by the State Council's Overseas Chinese Affairs Office and the China Overseas Exchange Association. That overseas Chinese organizations continue to enjoy a great deal of attention was reflected in the fact that not only Jia Qinglin, Chairman of the Chinese People's Political Consultative Conference National Committee, but also Hu Jintao, Xi Jinping and Li Keqiang met with their delegates (*China Daily* 2012).

According to recent estimates, there are around 10,000 Chinese overseas organizations currently active worldwide – with nearly 1,000 of them focusing on commercial issues (Baike, website). Among the most important of all of them is the China Chamber of Commerce in the USA. It is the biggest overseas chamber, representing more than 100 large Chinese companies and more than 1,200 members (*lanxun*). During his first visit to Germany in May 2013, Chinese Prime Minister Li Keqiang announced the forthcoming establishment of a Chinese Chamber of Commerce in Germany as well. The main goal of this business association will be the promotion of Chinese investment in Germany. According to the president of the chamber, Chen Fei, member companies will be carefully selected, with a focus on ensuring healthy and trustworthy Chinese companies become members (German CRI 2013).

Established in 1992, the European Association of Chinese Organizations unites more than 100 Chinese associations across twenty different European countries. One of its core goals is to strengthen the dialogue between European countries and China (Barabantseva 2005: 20). The ethnic Chinese networks currently active in Germany include various voluntary associations of overseas Chinese businesspeople and academics (see Table 5).

**Table 5. Selection of Chinese Associations in Germany**

Gesellschaft Chinesischer Physiker in Deutschland e.V. (Association of Chinese Physicists in Germany)
Gesellschaft Chinesischer Informatiker in Deutschland e.V. (Association of Chinese Computer Scientists in Germany)
Association of Tongji Graduates and Members in Germany
Chinesischer Verein in Hamburg e.V. (Chinese Association in Hamburg)
Bund der Chinesen in Deutschland e.V. (Chinese Union in Germany)
Federation of Chinese Associations in Germany
Association of Overseas Chinese from Qingtian in Germany
Ningbo Vereinigung (Ningbo Association)
Federation of Chinese Scholars and Students Association in Germany
German Association of Chinese Entrepreneurs
Chinese School Association Germany
Laiyin Chinesisches Kulturzentrum e.V. (Laiyin Chinese Cultural Centre)
Chinesisches Kulturzentrum München (Chinese Cultural Centre, Munich)

Source: World Chinese Public Welfare Organization.

Chinese diaspora networks are often based on a person's native region in China, place of residence in Germany or on alumni networks. These associations offer the opportunity to exchange information and also help to establish connections with home regions in China. Some of them enjoy financial support from the Chinese Embassy or the consulates, from the local governments of their hometowns in China and from overseas Chinese business leaders. One of the most important networks in this regard is the Federation of Chinese Scholars and Students Associations in Germany, founded in 2002 and located in Frankfurt/Main. Its primary mission is to promote communication and interaction between Chinese students, scholars and local Chinese communities and German society at large. It consists of 68 student unions from different cities around the country as well as 11 professional associations (interview with Zhao Dan, President of the Federation of Chinese Scholars and Students Association in Germany, on 9 December 2012).

Gao (2003: 614) underlines that 'many overseas Chinese associations consider establishing connections between members and their ancestral hometowns in China as one of their major goals'. These associations invite delegates from native regions in China to Germany, so as to promote trade and investment opportunities and in order to offer further employment opportunities to Chinese immigrants. Based on the information published by the World Chinese Public Welfare Organization, nearly 60 overseas Chinese associations are currently in existence in Germany.

In sum, we have pointed out in this section that Chinese diaspora networks exist in Germany as well, but have undergone significant changes in the last decades. These changes can be related to the new type of migrants who have recently come to Germany and who seem to be less interested in forming or joining traditional diaspora networks. The newcomers represent a well-educated group of people who belong to transnational communities. They are more mobile and thus less dependent on diaspora networks. Whether these new type of migrants facilitates the inflow of FDI from China to Germany will be discussed in the next sections.

## 5. Chinese Migrants' Role as Facilitators of OFDI from China

The existence of the Chinese diaspora can facilitate Chinese OFDI in Germany in two ways. First, members of the diaspora set up business in Germany and undertake investment themselves. Second, they build bridges between the Chinese and German business community by working for Chinese or German companies, service organizations or non-profit associations. In order to discover what specific role the Chinese diaspora plays for the facilitation of Chinese direct investment in Germany, we have taken a two-tiered approach. First, we conducted semi-structured interviews; second, we carried out a questionnaire survey. In the following part of this section we present the preliminary results from the interviews and the questionnaire survey.

### 5.1 Interviews: The Voices of the Chinese Diaspora

During the five-month period of December 2012 to April 2013 we conducted semi-structured interviews with representatives from various Chinese diasporic networks, Chinese governmental agencies, German investment promotion agencies and other Chinese and German business and cultural associations (see Table 6 below). These interviews focused on the role that the Chinese diaspora networks play with regard to the attracting of Chinese direct investments to the host country, thus acting as a bridge between Chinese companies and the German institutional environment.

The eleven respondents, nine of them ethnic Chinese, represent different aspects of the Chinese diaspora in Germany. Two of them work for German investment promotion agencies with a focus on German–Chinese investment relations, one based in Bavaria and the other in Berlin. One of the respondents is employed by a German company and responsible for the liaison with and support of Chinese clients. Five Chinese respondents are the owners or CEOs of companies based in Hamburg. They have either set up the company in question or acquired it from another ethnic Chinese person. One of the respondents works for a Chinese government agency based in Germany. The Chinese respondents' educational background is also quite diverse – with five out of nine of the respondents having studied in Germany, while three of the other four obtained their university degrees in China. They represent the group of high-skilled Chinese professionals who have good German language skills and multi-cultural experiences, which enables them to take on a bridging role between companies from China and Germany. Due to their strong educational background and their experience of having lived in Germany, they are suited for establishing their own businesses here. They are particularly able to facilitate the flow of knowledge and information between companies from both countries and to set up networks that provide useful platforms for Chinese companies' going global. By diffusing knowledge and information, they help Chinese investors to reduce the risks and uncertainty that are part of the liability of foreignness.

**Table 6. List of Semi-Structured Interviews**

<b>Name</b>	<b>Network Type/Position Therein</b>	<b>Date of the Interview</b>
	<b>Scholarly Network</b>	
Zhao	President of Federation of Chinese Scholars and Students Association in Germany; entrepreneur	December 2012
	<b>Business Networks</b>	
Chen	Founder of Caissa Touristic (Group) AG in Hamburg; CEO of the German Association of Chinese Entrepreneurs	December 2012
Mr. W.	Representative of a traditional network of Chinese restaurant owners, Hamburg	April 2013
Mr. L.	Representative of a traditional business network; owner of a Chinese–invested hotel, Hamburg	April 2013
	<b>Cultural Network</b>	
Mr. C. Q.	Vice President of a German-Chinese cultural association in Hamburg, Managing director of a company in Hamburg	March 2013
	<b>Investment Promotion Agency Representatives</b>	
Mr. N.	Bavaria Invest	February 2013
Mr. H.	Hamburg Invest	February 2013
Cao	Germany Trade and Invest, Berlin	March 2013
Li	Bavaria Invest, Munich	February 2013
	<b>Chinese Government Agency Representative</b>	
Jiang	Head of the educational department at the Chinese embassy in Berlin	March 2013
	<b>Chinese Consultant to German Companies</b>	February 2013
Ms. L. P.	Senior consultant at a German company	April 2013

Source: Interviews conducted by the authors and their China team.

Our interviews confirmed that Chinese diaspora networks are regarded as being highly important. However, they often operate as open platforms for bringing Chinese migrants and companies together. An example of this activity is the organization of job fairs by various networks. According to the president of the Federation of Chinese Scholars and Students Associations in Germany, one of the major functions of his association is to connect Chinese graduates in Germany with prospective employers both in China and Germany. The organization of the ‘Chinese Talent Days’ in Cologne in April 2011 in collaboration with the Campus China organization and the German Overseas Chamber of Commerce is an example of this kind of activity. In 2012 more than 300 German companies participated in this event, demonstrating the keen interest here in the employment of highly-skilled migrants from China. The Beijing Automotive Group has also previously organized a job fair in Germany in tandem with the Federation of Chinese Scholars and Students Associations (interview with Mr. Zhao, Dan).

The Chinese Embassy in Germany also sponsors the organization of such events by Chinese students. According to the head of the educational department at the embassy, students play a bridging role by recruiting personnel for Chinese companies based in China and by becoming managing personnel for Chinese-invested companies in Germany. Due to their high-level qualifications obtained in Germany, Chinese companies openly and enthusiastically welcome these graduates (interview with Mr. Jiang, Chinese Embassy). According to Mr. C. Q., representing a German-Chinese cultural association, the Chinese Embassy and the consulates play an important role in bringing overseas Chinese together and in supporting small and medium-sized Chinese companies as they seek to invest abroad. In his own case, for example, the Chinese Consulate in Hamburg played an intermediary role and introduced his current business partner to him. Together, they established an import and export company here in 2010 (interview with Mr. C. Q.).

That diaspora networks are still important for the diffusion of information about the German investment environment and for other support services was pointed out by Cao, the Chinese representative at GTAI in Berlin (interview in March 2013). She is in close contact with those Chinese companies looking for an appropriate investment location or industry in Germany. In the interview, Cao pointed to the various Chinese associations in Düsseldorf as an example of a well-functioning network that has attracted a large number of Chinese investment projects to the region. The interview conducted with Chen, president of the German Association of Chinese Entrepreneurs and founder and president of Caissa Touristic (Group), also revealed the important role that Chinese diasporic networks play.

Two Chinese diaspora networks in Hamburg – the Association of Chinese Overseas Merchants in Hamburg and the Association of Overseas Chinese in the Catering Industry in Hamburg – are directly concerned with the representation of their members' interests. One of our respondents, who owns a Chinese restaurant, noted that the latter association represents half of the about 130 Chinese restaurants currently existing in Hamburg. On average, they meet once every month and are an important source of information on business regulations and helpful for the purchase of materials. Communication takes place mostly in Chinese because many members' German language skills are limited (interview with Mr. W.). The Association of Chinese Overseas Merchants in Hamburg fulfils an important consultative function for their members, especially in legal affairs, and regarding the diffusion of information (interview with Mr. L.).

Interviews with the Chinese representative from the national GTAI in Berlin and the representative from the local GTAI in Munich, illustrate that these two members of the Chinese diaspora have the ideal attributes to be able to bridge the cultural and information gaps that first-time Chinese investors face in entering the German market. They not only disseminate information to Chinese delegations coming to Germany on investment opportunities and challenges but also coach companies in China and influence these companies' investment decisions.

Our interview results confirm previous studies conducted by the authors on the role of Chinese expatriates. In the case of the machine tool company Schiess/Aschersleben, the Chinese manager from company headquarters played a crucial role as an intermediary between the two different business cultures in the initial take-over period (Schüller and Schüler-Zhou 2008). Another typical example is the role of the Chinese CEO of the machine-building company Wohlenberg in Hannover. After he studied machine building in China he came to Germany in the middle of the 1980s and did his PhD at a German university. He worked in various German companies before he was asked by Shanghai Electric Group to assume the role of CEO at Wohlenberg. His technical knowledge combined with the understanding of both the Chinese and German business cultures helped him to successfully rebuild Wohlenberg following the company going bankrupt in 2005 (Schüler-Zhou and Schüller 2013).

## 5.2 Results from the Questionnaire Survey

We carried out our questionnaire survey in March and April 2013. The questionnaire was formulated in German and Chinese, and directed specifically at the management personnel and owners of Chinese companies in the city of Hamburg. Based on the information from the Investment Promotion Agency Hamburg (HWF) and the Chamber of Commerce Hamburg there are 564 Chinese companies located in Hamburg. The survey was conducted with the help of three Chinese students, who were required to contact each Chinese-invested company at least three times by phone. Some of the questionnaires were filled in directly during a telephone interview. In total, we collected 81 questionnaires from Chinese managerial personnel or owners of Chinese-invested companies in Hamburg. The respondents worked in 70 companies registered in Hamburg, representing a share of around 13 per cent of all Chinese-invested companies in Hamburg (see Appendix). The questionnaire explored:

1. The individual characteristics of the respondents – including gender, age, family status, nationality and residence permit status. The latter reflects the migration background of the respondents.
2. The educational background of the respondents. Questions were related to the educational achievements and the respondents' fields of study in both Germany and China, whether the study was supported through a grant or was self-financed and how important the field of study was for the respondents' later employment or founding of a business. The respondents were also invited to self-appraise their German language skills.
3. The respondents' employment situation and their assessment of the extent of the role that the Chinese diaspora plays in the investment activities of Chinese companies in Germany, or of the company he or she works for. The questionnaire also asked questions related to the time period of foundation of the company, its size (number of employees), legal form and the percentage of company profits reinvested in the company.
4. The importance of diaspora networks. The questionnaire asked participants to evaluate various networks by their contributions to their own professional success. If the respondent was a member of a particular diaspora network, the questionnaire asked how often he or she would meet with network members and what he or she expected from other members of the network. Further, the respondent was required to appraise the importance of his or her individual network for the OFDI decision-making process and whether he or she thought that networks are more important in China than in Germany or, alternatively, equally important in both countries. Complementary to formal networks, informal ones may play a role in the OFDI decision-making process as well. Therefore, the questionnaire asked whether formal or informal networks were more important to the interviewee or if both kinds of networks were equally important and overlapped.

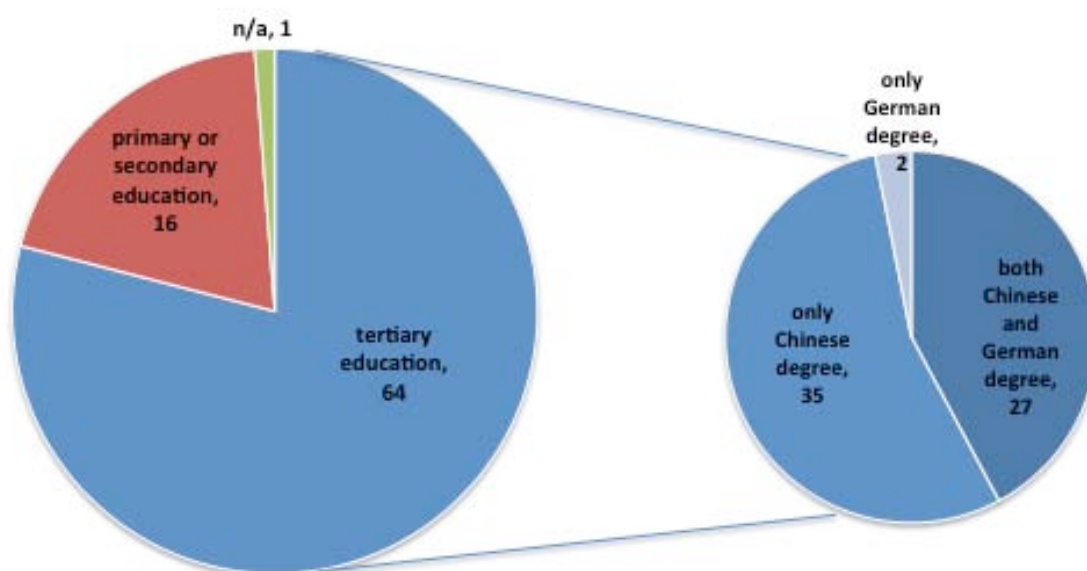
The breakdown of the 81 respondents' individual characteristics reveals that 51 participants were male and 30 were female. The majority of the respondents were less than 50 years old, and were mostly married with their wives or husbands and children living in Germany. Almost all of the respondents were born in China, with 56 of them having Chinese citizenship (see Table 7).

**Table 7. Breakdown of Respondents' Individual Characteristics**

Gender		Age Range		Family Status		Nationality and Place of Birth	
Category	Total	Category	Total	Category	Total	Category	Total
Male	51	Under 30	5	Single	10	Chinese	56
Female	30	31–40	26	Married	71	German	21
		41–50	25			Other Nationality	1
		51–60	22			n/a	3
		over 60	3				

54 of the 56 respondents with Chinese citizenship answered the question about whether they hold a limited or unlimited residence permit. The majority (41 of 54 Chinese citizens) possess an unlimited residence permit. It was revealed that most of the respondents had no particular problems in obtaining a residence permit. Out of the 75 respondents that answered this question, only 11 of them were very unsatisfied or unsatisfied with the application procedure for the residence permit.

The educational background of the respondents (see Figure 5 below) demonstrates that most of them are highly skilled. About 79 per cent of the respondents (64 respondents) had a tertiary education, while nearly 20 per cent (16 respondents) had a primary or secondary education. Among the 64 respondents who held a university or college degree, 27 had graduated from an institution of higher education both in China and in Germany. 35 respondents had only graduated from a university or college in China. The majority of the respondents who had studied in Germany said that they self-financed their study abroad.

**Figure 5. Respondents' Educational Background**



38 respondents received their education in Germany. Among them, 26 established their own company in Germany, while the other 12 respondents worked for a Chinese company (Table 8). 22 of the 35 respondents who graduated only from a university or college in China came to Germany to set up a business. 11 of them were sent to Germany by the Chinese headquarters of their employer.

**Table 8. Breakdown of Respondents' German Educational Background in Relation to Employment**

	<b>Employee</b>	<b>Entrepreneur</b>	
German university degree	11	18	<b>29</b>
German primary or secondary education	0	3	<b>3</b>
Without German university degree	1	5	<b>6</b>
	<b>12</b>	<b>26</b>	<b>38</b>

In total, the survey included 58 entrepreneurs and 23 employees. Among the 64 respondents with a tertiary education, there were 42 entrepreneurs. In other words, more than 70 per cent of those who were self-employed held a university or college degree. Almost all of the employees in managerial positions graduated from a university or college (see Table 9).

**Table 9. Breakdown of Respondents' Educational Background in Relation to Employment**

	<b>Employee</b>	<b>Entrepreneur</b>	
<b>Tertiary education</b>	22	42	<b>64</b>
<b>Primary or secondary education</b>	0	16	<b>16</b>
<b>n/a</b>	1		<b>1</b>
	<b>23</b>	<b>58</b>	<b>81</b>

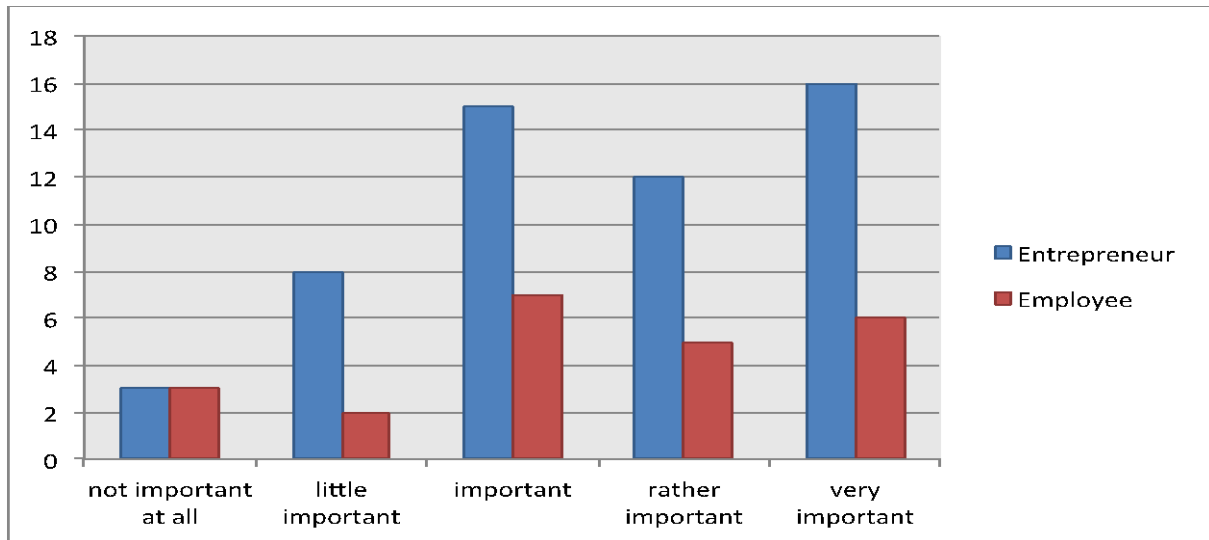
Regarding the self-appraisal of German language capabilities by employees and the entrepreneurs, it is important to note that half of all respondents assessed their German language skills as being good or very good. Only 21 per cent considered their German language skills to be bad or very bad (Table 10).

**Table 10. Breakdown of Respondents' German Language Skills in Relation to Employment**

	<b>Employee</b>	<b>Entrepreneur</b>	
<b>Good</b>	12	28	<b>40</b>
<b>Middle</b>	5	19	<b>24</b>
<b>Bad</b>	6	11	<b>17</b>
	<b>23</b>	<b>58</b>	<b>81</b>

Most of those interviewed said that their field of study had been important for their current employment. Among the group of self-employed respondents who answered the question, 43 out of 54 said that their study had been either very important, important or somewhat important. For the group of employees there was a similar result, with 78 per cent of them rating their study as having been important to varying degrees for their current employment (see Figure 6).

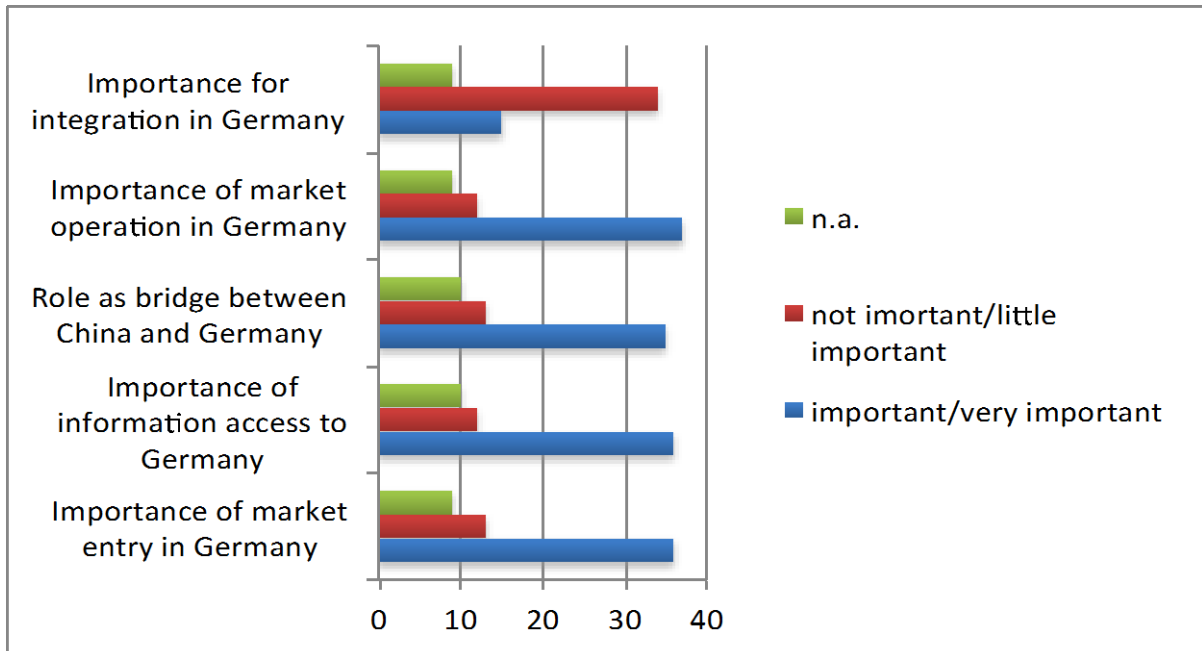
**Figure 6. Respondents' Assessment of the Role of Study for their Current Employment/Self-Employment**



(Note: not all of the interviewees answered the question.)

Assuming that not only the entrepreneurs but also the employees themselves are involved in the process of OFDI decision-making, the questionnaire asked which specific function(s) Chinese migrants had with regard to Chinese investment in Germany.

**Figure 7. Entrepreneurs' Assessment of the Influence of Overseas Chinese on Chinese Investments in Germany**

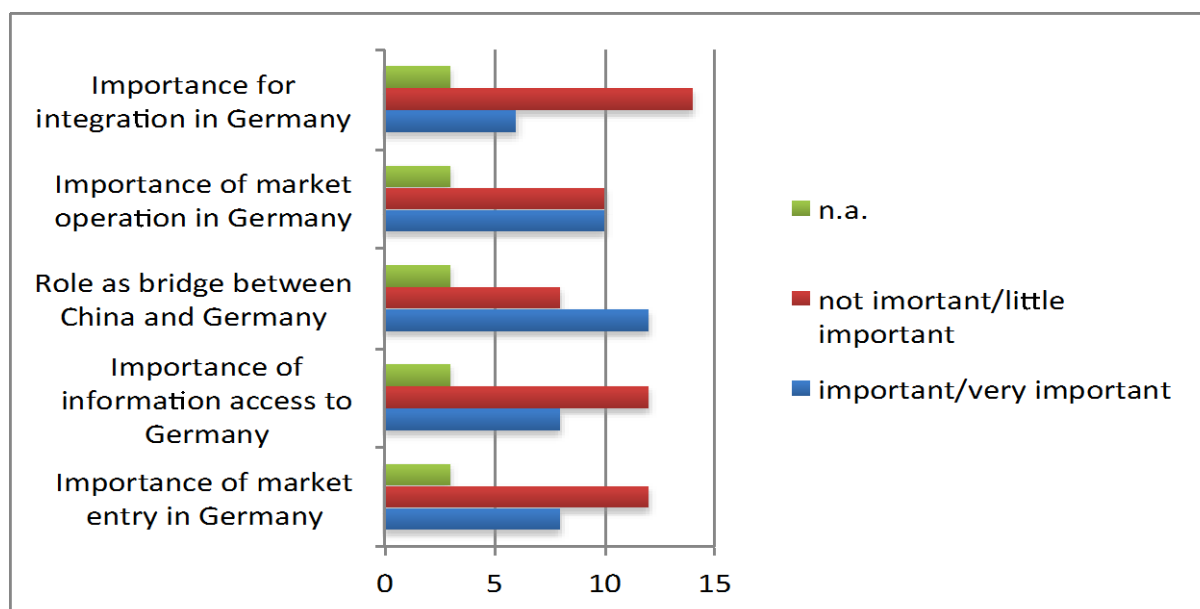


(N=58)

More than half of the entrepreneurs stated that overseas Chinese have an important or very important influence on Chinese investment in Germany. They are crucial for Chinese companies' market entry and operations in Germany, as well as for accessing information on the German domestic market. Consequently, overseas Chinese are seen as being an important bridge between the home

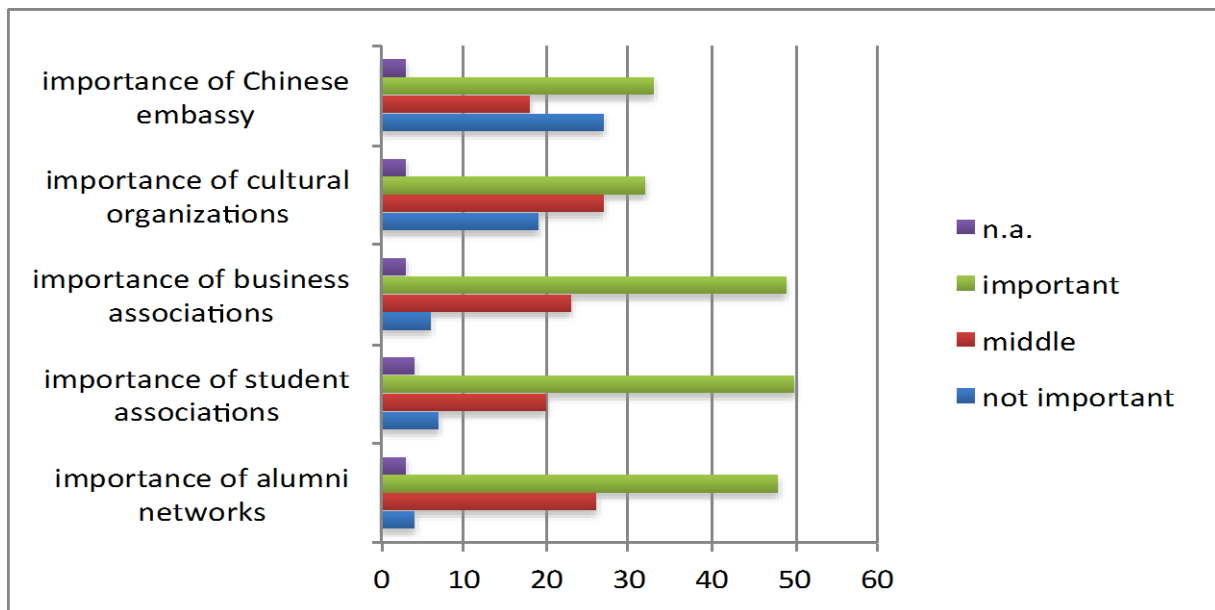
country and the host country. In contrast, only 15 entrepreneurs stated that overseas Chinese could be helpful for the process of integration into Germany (Figure 7). With regard to the employees, similar results were obtained. They consider themselves as taking the role of intermediary within Chinese companies (Figure 8).

**Figure 8. Employees' Assessment of the Influence of Overseas Chinese on Chinese Investments in Germany**



(N=23)

In their assessment of the importance of various diaspora networks, the majority of respondents stressed the crucial role that business and students networks, as well as the alumni ones, play. Cultural associations were regarded by both entrepreneurs and employees as not important (Figure 9). The role of the Chinese Embassy or consulates was assessed very differently. Nearly half of the entrepreneurs viewed the Chinese Embassy and consulates as important or very important for the conducting of business in Germany, while nearly half of the employees assigned Chinese Embassy and consulates less importance.

**Figure 9. The Role of Chinese Diaspora Networks**

(N=81)

To our surprise, only 10 out of 77 respondents stated that they were a member of a formal overseas Chinese network. On the other hand, 63 out of 78 respondents declared that their own personal network was important with regard to business contacts leading to Chinese investments in Germany. Another interesting finding was that 50 respondents (out of the 74 who responded to this question) thought that networks were equally important in both China and Germany. An even larger number of respondents (64 out of 76 respondents) stated that formal and informal networks were difficult to distinguish apart, and often overlap.

## 6. Results and Implications

In sum, the preliminary findings of our questionnaire survey suggest, on the one hand, that diaspora still matters. The success of Chinese migrant entrepreneurs in Germany is an important source of motivation for companies in mainland China. Their business experience helps to reduce the transaction costs – associated with locational choice and information diffusion – that Chinese companies incur. Employees working in Chinese-invested companies or German institutions have an important bridging role as well, and therefore represent a positive diaspora externality. On the other hand, we can observe that many overseas Chinese do not establish or enter into traditional Chinese diaspora networks. This can be explained to some extent by the changes in the type of Chinese immigrants arriving since the late 1980s. The new generation of Chinese migrants are highly qualified, flexible and mobile – and thus less dependent on formal networks. We agree with the findings of Latham and Wu (2013: 12–13), that ‘the Chinese “ethnoscape” has become more complex and diversified in recent years and Chinese communities have become more diverse not only in origin, education, skills and migration experience, but also in economic activity’.

The Chinese migrants participating in our survey reflected the age demographic of Chinese citizens in Germany. They were mostly under 50 years and had a stable family background. They were almost all born in China but had lived in Germany for a long period of time before deciding to stay. Most of them possessed an unlimited residence permit or held a German passport.

Our survey group's educational background is also in line with the strong number of highly-skilled Chinese people living in Germany. Chinese migrants in our survey mostly had a tertiary education. This emphasizes the need to obtain a university or college degree as a precondition for later reaching a managerial position in a Chinese or German institution or company. The field of study played at least an important role for most of the Chinese migrants in our survey. In contrast, having advanced German language skills seems to not be as important for those who are employed or entrepreneurs.

Our paper previously pointed out that the number of Chinese students in Germany increased rapidly after 2001, with a strong focus on engineering, machinery, business and natural sciences. Although most of these students return to China after graduation, they possess specific knowledge about the German business culture and institutions that enables them to fulfil a bridging role between companies from both countries. Those Chinese students who decide to stay in Germany tend to set up their own companies, relying on their acquired expert knowledge and cultural understanding. They too can help Chinese investors who are unfamiliar with Germany and the German business landscape to reduce their transaction costs.

In sum, overseas Chinese people living in Germany and the Chinese diaspora networks are important platforms for the exchange of business information and knowledge. Although formal networks such as business associations can reduce transactions costs for Chinese companies or individuals, most highly-skilled Chinese migrants do not enter into traditional overseas Chinese associations – with the exception of into student associations. To some extent, they rely on the networking function of the Chinese Embassy or consulates – but generally prefer informal, private networks instead.

Assuming that Chinese migrants play a crucial role in facilitating the investment flows heading from China to Germany, the question arises of the appropriate migration policy that both countries should adopt. If the mobility of highly-skilled Chinese people is a key factor in supporting FDI from China to Germany, restrictions on their freedom of communication and movement will need to be loosened even further in the near future.

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## Appendix

### Chinese Investment in the City of Hamburg based on the company registration

Year of establishment	Total number of companies registered	Number of active companies
-1989	49	21
1990-1994	102	32
1995-1999	144	71
2000-2004	351	167
2005-2009	242	165
2010-2012	118	108
2000-2007	496	256
2008-2012	214	184
k.A.	84	
<b>Total</b>	<b>1090</b>	<b>564</b>

### Size of Chinese-invested Companies in Hamburg Based on Registered Capital (in Euro)

Year	Total investment	Number of companies	Active companies' investment	Number of companies	Not active companies' investment	Number of companies
-1989	8.325.000	47	4.425.000	20	3.900.000	27
1990-1994	10.491.300	102	6.015.000	32	4.476.300	70
1995-1999	16.217.000	143	11.927.500	71	4.289.500	72
2000-2004	25.977.300	348	20.202.300	167	5.775.000	181
2005-2009	47.000.112	242	20.387.112	165	26.613.000	77
2010-2012	10.713.146	117	9.351.146	107	1.362.000	10
<b>2000-2007</b>	<b>58.994.550</b>	495	<b>37.731.550</b>	254	<b>21.263.000</b>	<b>241</b>
<b>2008-2012</b>	<b>24.846.008</b>	213	<b>12.209.008</b>	185	<b>12.637.000</b>	<b>28</b>
Total	118.723.858	999	72.308.058	562	46.415.800	437
<b>Total</b>	<b>118.873.858</b>	<b>1000</b>	<b>72.308.058</b>	<b>562</b>	<b>46.565.800</b>	<b>438</b>