Given the significant growth in the size of the Chinese population living in Germany on the one hand and the liability of foreignness for Chinese companies in Germany on the other, we can assume that the diaspora plays an important role for the explanation of the fast increase in Chinese direct investment in Germany. Recent studies have demonstrated that strong links exist between patterns of migration, trade and foreign direct investment (FDI) for both the home and host countries of migrants. Diaspora networks can reduce transactions costs and can have trade- and FDI-creating effects. The involvement of the diaspora in the investment decision-making process might help to overcome the psychic distance that exists between China and the target location, a distance that results in high information costs related to investment opportunities, government regulations and/or the trustworthiness of potential business partners. In our paper, we analyze this diaspora externality by focusing on Chinese migrants living and working in Germany and on their diaspora networks.

**Purpose:** This paper analyzes the role Chinese migrants and diaspora networks play in the FDI of Chinese companies in Germany.

**Design/methodology/approach:** Based on the discussion on the linkages between migration and FDI, our research design includes both qualitative and quantitative methods. Besides the description of the patterns of Chinese investments and migration to Germany, we present findings from semi-structured interviews and a questionnaire survey directed specifically at the managing personnel and owners of Chinese-invested companies in the cities of Hamburg and Düsseldorf.

**Findings:** Based on the preliminary findings of the first questionnaire survey, we argue that diasporic networks 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.

**Keywords:** Chinese OFDI, migration, diaspora, Germany

1. **INTRODUCTION**

Research on the linkages between migration, investment and trade has focused on both the host and home countries of migrants. Genc et al. (2010) found 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 Ivleva 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 studied the relationship between the size of foreign population (by nationality) and the bilateral volume of both inward and outward FDI. The authors found 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.

Taking Germany as a case study, Buch et al. (2007) analyzed the relationship between migration and FDI. They found a higher volume of inward FDI in those German federal states hosting a larger foreign population from the same country of origin. However, an agglomeration effect was only found to exist for a higher-income home federal state. Kugler and Rapoport (2011) found in their investigation of the migration, FDI and trade nexus 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 concluded that migration has a stronger impact on FDI than it does on export.

Numerous academic studies have argued 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). 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 2006).

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 19th 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.\textsuperscript{1} 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).\textsuperscript{2} 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).\textsuperscript{3}

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 size of the Chinese population living in Germany, particularly students from China, and of 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 gives 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 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

\textsuperscript{1} 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.

\textsuperscript{2} 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). In this study, we use the term ‘Chinese diaspora’ to refer 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.

\textsuperscript{3} 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).
Germany. Finally, Section 5 offers some preliminary findings concerning the role that Chinese migrants play as facilitators for FDI from China.

2. CHINESE OFDI 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). This represents a contribution of only 1 per cent toward Chinese total FDI inflow (GTAI, May 2012).

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 currently in financial distress are technological leaders in their fields. This is especially true for those that are working in the machinery- and equipment-related industries (Schüller and Schüler-Zhou 2012).

According to the latest statistics of the German Central Bank (GCB), the total value of Chinese FDI in Germany increased from 53 million euros in 1989 to an accumulated volume of 829 million euros in 2010 (GCB 2012). Most of these investments were made between 2007 and 2010 (see Figure 1 below). Unfortunately, the GCB has not yet published the data for the years 2011 and 2012, which witnessed a strong increase in the level of Chinese investment in Germany.

In addition to the 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 which includes those FDI projects that had to be registered with state agencies.4 In this database, 306 investment projects had been registered for

4 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
Germany as of January 2011. This number had increased to 610 projects by March 2013 (MOFCOM database).

**Figure 1: German Statistics on China’s Outward Direct Investment in Germany 1989–2010 (in million euros, accumulated values)**

![Graph showing Chinese investment in Germany from 1989 to 2010](graph.png)

Source: German Central Bank (2012).

According to the German trade and investment promotion agency GTAI (German Trade and Invest) in 2011 China ranked first among the country’s foreign investors in terms of the number of investment projects listed by local investment promotion agencies. 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 showed 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).

Regarding the geographical distribution of China’s investments among the federal states in Germany, GTAI reported 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).

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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).
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. 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) (see Figure 2).

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

Most of the Chinese acquirers in the machinery and equipment sector were state-owned companies (16 out of 25 companies or 64 per cent), although the number of private investors (6 companies) also increased as well (see Figure 2). State-owned companies in this sector 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. 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, Italy or France’ label, Chinese companies expect to enjoy a better domestic product image and higher sales volumes (Schüller, Meuer and Schüler-Zhou 2012).

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5 This figure includes seven companies that went bankrupt after a Chinese investor had taken over the German firm.

6 The ownership of three Chinese acquirers in the machinery and equipment sector was and is unclear.
With the acquisition of German companies often facing financial difficulties, Chinese investors contribute to the stabilization of employment either at a lower level than before or expanded the labour force of the acquired company after the takeover. Looking at the M&A transactions undertaken between 2004 and 2006, we can observe a positive impact on employment for the companies Dürrkopp Adler, Schiess, Kelch, Wohlenberg, Waldrich Coburg, Zimmermann, Wirth, HPTec and Bullmer and TopCut (Hoppenstedt Company Profiles).

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 because they have also a higher technological development level. The telecommunications company Huawei has, for example, established 18 subsidiaries in Germany employing 1,600 persons, most of them German employees. In addition to these greenfield investments, the company is cooperating in R&D with telecommunications providers such as Deutsche Telekom and certain German universities (from the 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 analyze 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 was 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).

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 from 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 (Ibid.: 519).

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 (16 per cent) as being self-employed and 32,000 (71 per cent) 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 or 47 per cent), followed by other services (17,000 persons or 13 per cent) and manufacturing (6,000 persons or 13 per cent) (Micro Census 2011).

The FSOG offers more demographic details on the subgroup of the Chinese population that contains those registered as foreigners. 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 and amounted to 86,435 persons by the end of 2011. The gender ratio also changed during this period, with the share of Chinese 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**

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2006</th>
<th>2008</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>71,639</td>
<td>75,733</td>
<td>78,960</td>
<td>86,435</td>
</tr>
</tbody>
</table>
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 age demographic of the German population at large, Chinese citizens living in Germany are on average much younger than their peers.

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

<table>
<thead>
<tr>
<th></th>
<th>&lt;5–15</th>
<th>15–35</th>
<th>35–65</th>
<th>65–95+</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>5,357</td>
<td>55,642</td>
<td>24,621</td>
<td>815</td>
<td>31.1</td>
</tr>
<tr>
<td>Male</td>
<td>2,746</td>
<td>27,302</td>
<td>11,576</td>
<td>428</td>
<td>31.0</td>
</tr>
<tr>
<td>Female</td>
<td>2,611</td>
<td>28,340</td>
<td>13,045</td>
<td>387</td>
<td>31.2</td>
</tr>
</tbody>
</table>


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 relative to the length of stay of 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 about 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**

<table>
<thead>
<tr>
<th></th>
<th>&lt;1–4 years</th>
<th>4–8 years</th>
<th>8–15 years</th>
<th>15–25 years</th>
<th>25–35 years</th>
<th>35–40+ years</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>37,859</td>
<td>17,249</td>
<td>22,808</td>
<td>7,430</td>
<td>940</td>
<td>149</td>
<td>6.7</td>
</tr>
<tr>
<td>Male</td>
<td>20%</td>
<td>26.4%</td>
<td>8.6%</td>
<td>1.1%</td>
<td>0.2%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


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

<table>
<thead>
<tr>
<th>Baden-Württemberg</th>
<th>Bavaria</th>
<th>Berlin</th>
<th>Brandenburg</th>
<th>Bremen</th>
<th>Hamburg</th>
<th>Hesse</th>
<th>Mecklenburg-West Pomerania</th>
</tr>
</thead>
<tbody>
<tr>
<td>12,360</td>
<td>12,385</td>
<td>6,701</td>
<td>969</td>
<td>1,085</td>
<td>4,671</td>
<td>8,172</td>
<td>460</td>
</tr>
<tr>
<td>Lower Saxony</td>
<td>North-Rhine Westphalia</td>
<td>Rhineland-Palatinate</td>
<td>Saarland</td>
<td>Saxony</td>
<td>Saxony-Anhalt</td>
<td>Schleswig-Holstein</td>
<td>Thuringia</td>
</tr>
<tr>
<td>5,581</td>
<td>21,813</td>
<td>2,550</td>
<td>800</td>
<td>3,571</td>
<td>2,416</td>
<td>1,540</td>
<td>1,361</td>
</tr>
</tbody>
</table>


Since the 1980s students have come to represent an important and growing proportion of the total number of Chinese citizens living in Germany (see Figure 3 below). According to official statistical data, the number of Chinese students in Germany amounted to 21,070 persons at the end of 2011 – thereby representing the largest group of foreign students currently studying in Germany. Again the three federal states of 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 newer federal states the number of Chinese students is still small but nevertheless constitutes the largest group of foreign students.

Figure 3: Number of Chinese Students in Germany 1990–2011

Chinese students have a strong study focus on engineering. Figure 4 below 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).

**Figure 4: Chinese Students’ Fields of Study in Germany 1997–2011**

![Diagram showing Chinese Students' Fields of Study in Germany 1997–2011](image)


In sum, we can observe a growing number of Chinese citizens and students coming to live and work in Germany when comparing the period 1990 to 2011 with some slow down since 2007. 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.
That cultural factors are significant for the investment decisions of Chinese companies is also one of the findings of a recent KPMG study undertaken on behalf of the EU. The presence or not of a Chinese diaspora in the target EU country as well as the number of Chinese students and the level of Chinese tourism were regarded as key factors that determine how the prospective business environment was perceived by Chinese investors (KPMG 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 travellers 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: interviews 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 has been done regarding the impact that these networks have in those 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 to 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 the huaqiao could play, and thus tried to organize them under the joint leadership of the Communist Party and the government. 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 United States. It is the biggest overseas chamber, representing more than 100 large Chinese companies and more than 1,200 members (lanxun). 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 (for an overview see Table 5). 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 Mr Zhao Dan, President of Federation of Chinese Scholars and Students Association in Germany, conducted on 9 December 2012).

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

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


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 also exist in Germany as well, but have undergone significant changes in the last decades. We can assume that these changes are 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. They represent a well-educated group of people who belong to transnational communities, 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 last section.
5. CHINESE MIGRANTS’ ROLE AS FACILITATORS OF OFDI FROM CHINA

There are two ways in which the Chinese diaspora can facilitate Chinese OFDI in Germany. First, members of the diaspora can set up businesses in Germany and undertake investments themselves. Second, they can build bridges between the Chinese and German business communities 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 OFDI in Germany, we took a two-tiered approach. First, 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 plays as a bridge between Chinese companies and the German institutional environment. Second, we conducted a questionnaire survey in March and April 2013. The questionnaire was formulated in German and Chinese and directed specifically at the managing personnel and owners of Chinese companies in the city of Hamburg. The questionnaire 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 the course of a telephone interview. In total, we collected 79 questionnaires of Chinese managing personnel or of owners of Chinese-invested companies in Hamburg. In the next part of this section we present the preliminary results from the interviews and the questionnaire survey.

Our interviews confirmed that diaspora networks are regarded by all involved 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 that exists in the employment of high-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 Dan Zhao).

Table 6: List of Interviews Conducted by the Authors

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Date of Interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dan Zhao (Mr)</td>
<td>President of Federation of Chinese Scholars and Students Association in Germany</td>
<td>9 December 2012</td>
</tr>
<tr>
<td>Mang Chen (Mr)</td>
<td>Founder of Caissa Touristic (Group) AG in Hamburg; CEO of the German Association of Chinese Entrepreneurs</td>
<td>9 December 2012</td>
</tr>
<tr>
<td>C. Q. (Mr)</td>
<td>Managing director of a company in Hamburg and vice-president of a German–Chinese cultural association in</td>
<td>6 March 2013</td>
</tr>
</tbody>
</table>
embassy, students play a bridging role by recruiting personnel for Chinese companies in China and by becoming managing personnel for Chinese-invested companies in Germany. Due to the high-level qualifications that they have obtained in Germany, Chinese companies openly and enthusiastically welcome these graduates (interview with Mr. Jiang, Chinese Embassy). According to Mr. C.Q. the Chinese Embassy and Chinese 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 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 Yi Cao, the Chinese representative at GTAI in Berlin during an interview conducted 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, Yi pointed out 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 Mr Chen, Mang, president of the German Association of Chinese Entrepreneurs and founder and president of Caissa Touristic (Group) AG also revealed the important role that Chinese diasporic networks play.

Interviews with the Chinese representative from the national GTAI in Berlin, Cao Yi, and Li Weihua, the representative from the local GTAI in Munich, illustrated that these members of the Chinese diaspora have the ideal attributes to bridge the cultural and information gaps that first-time Chinese investors face. They not only disseminate information to Chinese delegations coming to Germany on investment opportunities and challenges but also coach companies in China and influence their subsequent investment decisions.

Our questionnaire survey was directed at Chinese managing personnel and owners of Chinese-invested companies in Hamburg. The questionnaire explored:

- The individual characteristics of the interviewee – including gender, age, family status, nationality and residence permit status. The latter reflected the migration background of the interviewee.
- The educational background of the interviewee. Questions were related to the educational achievements and the interviewee’s 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 interviewee’s later employment or founding of a business. The interviewees were also invited to self-appraise their German language skills.
• The interviewee’s employment situation and their assessment of the role that the Chinese diaspora plays for the investment activities of the company he or she works for or owns. The questionnaire also asked questions related to the time of foundation of the company, its size (number of employees), legal form and the share of company profit reinvested in the company.

• The importance of diaspora networks. The questionnaire invited participants to evaluate various networks according to their contributions to professional success. If the interviewee was a member of a particular diaspora network, the questionnaire asked how often he or she meets with network members and what he or she expects from other members of the network. Further, the interviewee was requested to appraise the importance of his or her individual network for the OFDI decision-making process and whether he or she thinks that networks are more important in China than in Germany – or 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 informal or formal networks are more important for the interviewee – or instead if they considered both kinds of networks to be equally important and to overlap.

The breakdown of the 79 interviewees’ individual characteristics reveals that 49 of the participants were male and 30 (38 per cent) were female. The majority of the interviewees were less than 50 years old and mostly married, with their wives or husbands and children living in Germany. Almost all of the interviewees were born in China, with 54 of them having Chinese citizenship (see Table 7).

### Table 7: Breakdown of Interviewees’ Individual Characteristics

<table>
<thead>
<tr>
<th>Gender</th>
<th>Age Range</th>
<th>Family Status</th>
<th>Nationality and Place of Birth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Category</td>
<td>Total</td>
<td>Category Total</td>
</tr>
<tr>
<td>Male</td>
<td>Under 30</td>
<td>5</td>
<td>Single 9</td>
</tr>
<tr>
<td>Female</td>
<td>31–40</td>
<td>26</td>
<td>Married 68</td>
</tr>
<tr>
<td>Female</td>
<td>41–50</td>
<td>24</td>
<td>Wife/husband in Germany 59</td>
</tr>
<tr>
<td>Female</td>
<td>51–60</td>
<td>21</td>
<td>Children 51</td>
</tr>
<tr>
<td>Female</td>
<td>Over 60</td>
<td>3</td>
<td>Children in Germany 50</td>
</tr>
<tr>
<td></td>
<td>Other Nationality</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

Note: Not all of the interviewees answered all of the questions included. Therefore, figures in the categories do not always add up to the total of 79 interviewees.

Out of the 62 interviewees that responded to the question of whether they hold a limited or indefinite residence permit, the majority (49 interviewees) answered that they are in possession of an indefinite residence permit. The majority of the interviewees had no particular problems in obtaining a residence permit. Out of the 73 interviewees that answered this question, only 10 of them were very unsatisfied or unsatisfied with the application procedure for the residence permit.
The educational background of the interviewees demonstrates that most of them are highly skilled. About 78 per cent of the interviewees hold an academic degree, while 17 per cent have a secondary education; 5 per cent do not possess a school leaving certificate. Among the 78 interviewees, 29 (37 per cent) were graduates from an institution of higher education in Germany. 30 interviewees answered the question related to how they financed their study. The majority (27 interviewees) said that their study in Germany was self-financed.

**Figure 5: Interviewees’ Assessment of the Role of Study for their Current Employment/Self-Employment**

Most of the interviewees said that their field of study was important for their current employment. Among the group of self-employed interviewees, 41 (78 per cent) out of 52 of them responded that their study was either very important, important or little important. For the group of employees there was a similar result, with two-thirds of them rating their study as being important to varying degrees for their current employment (see Figure 5 above).

In contrast, the self-appraisal of the German language capabilities by employees and self-employed showed more marked variations. While only 16 per cent of those who were self-employed assessed their German language skills as being bad or very bad, this percentage was much higher among the group of employees (26 per cent).

Assuming that not only the owners or CEOs but also the employees themselves are involved in the process of OFDI decision-making, the questionnaire asked which specific function the interviewee has with regard to investment decisions in their company and how he or she assesses the impact that they have on these decisions. Altogether, this question was answered by 47 self-employed persons and 21 employees. More than half of the employees stated that their have none at all or very little influence in the investment decision-making process. In contrast, nearly 75 per cent of the owners and CEOs thought that overseas Chinese living in Germany have either an influence or a strong influence on the investment decision-making process. Similar results emerged for the questions regarding their role in the supply of
information on investment opportunities, their bridging role for internal communication within the company and the support for market entry in Germany.

**Figure 7: Interviewees’ Assessment of their Influence on the Investment Decision-Making Process**

In their assessment of the importance of various diaspora networks, the majority of interviewees stressed the crucial role that the Chinese Embassy and Chinese consulates play. While the participation in business networks was regarded as helpful by most interviewees, less importance was attributed to associations of students or scientists or cultural associations. Surprisingly, only 10 (13 per cent) out of 75 interviewees stated that they were a member of a formal overseas Chinese network. On the other hand, 62 out of 76 interviewees stated that their own personal network was important with regard to business contacts that lead to Chinese investments in Germany. Another interesting finding was that 49 (68 per cent) interviewees (out of 72) thought that networks were equally important in both China and Germany. An even larger number of interviewees (63 (85 per cent) out of 74) stated that formal and informal networks were of the same importance for their work, and that they often overlap.

In sum, the preliminary findings of our questionnaire survey suggest that, on the one hand, diaspora still matters in this context. The success of Chinese migrant entrepreneurs in Germany represents an important motivation for companies in Mainland China. The former’s business experience helps to reduce the transactions costs of Chinese companies associated with choice of location and information diffusion. Employees working in Chinese-invested companies or German institutions play 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 in Germany since the late
The new generation of Chinese migrants are highly qualified, flexible and mobile – and thus less dependent on formal networks. Similar to the findings of Latham and Wu (2013: 12–13), we can assert that ‘the Chinese ‘ethnoscape’ has become more complex and diversified in recent years and that as a result Chinese communities have become more diverse not only in their origins, education, skills and migration experience but also in terms of their economic activities.

6. CITATION


German Central Bank (Deutsche Bundesbank) (2012): Foreign direct investment stock statistics, April 2012.


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