

# German economy minister faces battle in Beijing over takeovers



German Vice Chancellor Sigmar Gabriel and China's Vice Premier Ma Kai (R) address the media prior to touring the CeBIT trade fair in Hanover March 16, 2015. REUTERS/Morris Mac Matzen/Files

By [Caroline Copley](#) | BERLIN

Germany's outspoken economy minister, Sigmar Gabriel, heads to China next week having ratcheted up tensions with Beijing by putting the brakes on the latest Chinese takeovers of German technology companies.

The five-day trip with 60 business executives comes a week after his ministry withdrew approval for Fujian Grand Chip Investment Fund (FGC) to buy chip equipment maker Aixtron ([AIXGn.DE](#)), citing new security concerns.

The government is also scrutinizing the sale of Osram's ([OSRn.DE](#)) general lighting lamps business Ledvance to a consortium of Chinese buyers.

Gabriel has been making protectionist noises since Chinese home appliance maker Midea ([000333.SZ](#)) made overtures back in May for robot-maker Kuka ([KU2G.DE](#)) - a national champion in Germany's push to hook up machinery to the internet.

Despite his efforts to conjure up an alternative buyer, that deal went ahead. But the latest moves to stall Chinese acquisitions have unsettled some in business who regard it as a setback for Germany's image as an open economy.

"For many German companies, China is now the single most important market," said Thomas Heck, head of the China business group at PwC in Germany

"It may not be wise to pick a battle and tell China 'If you don't open up your markets like we have, then we will shut down our economy for you'."

The decision to put the Aixtron deal on hold followed a U.S. warning that the takeover could give Beijing access to technology that could be used for military purposes, Handelsblatt newspaper reported.

Chinese Foreign Ministry spokesman Lu Kang said on Friday that any third-party interference on deals "harms the China-Germany relationship".

One German M&A adviser said he was "astonished and concerned" about the move and would give Gabriel a piece of his mind at a meeting in Beijing next week.

Home to thousands of industrial firms, Germany is one of the most open and attractive markets in Europe for Chinese investors. They have racked up deals worth more than \$10 billion in Germany so far this year, about 40 times as much as in 2015 as a whole, according to Thomson Reuters data.

## **RUFFLED FEATHERS**

It is not the first time this year that Gabriel has ruffled feathers ahead of a high-profile business trip abroad. After stressing the need for reform in Iran, he was snubbed by the speaker of the Iranian parliament.

Ahead of the China trip - where he will meet Chinese Premier Li Keqiang before heading to the Asian-Pacific conference in Hong Kong - Gabriel has protested against Chinese steel dumping and called for a more level playing field for foreign firms.

David Vos, capital goods analyst at Barclays, said it was right for Germany to try to keep its best companies: "They've already given too much away. It's German companies, it's German technology, it's German jobs, it's German capital."

Germany has benefited from China's rapid expansion - its automakers, in particular, enjoy access to the world's largest car market. But they complain they are only allowed to manufacture cars domestically in China through joint ventures with local partners.

While Beijing has repeatedly pledged to increase market access for foreign firms, critics accuse it of not following through on its reform agenda and introducing new regulations that are restricting market access even further.

For example, Beijing's Made in China 2025 plan calls for a progressive increase in domestic components used in priority sectors such as advanced information technology and robotics to 70 percent by 2025 from a target of 40 percent by 2020.

With Chinese appetite for German technology unlikely to abate, Bjoern Conrad, deputy head of the MERICS think tank in Berlin, said Gabriel had a duty to not shy away from confrontation.

"Europe still has a lot to offer in the field of high technology at present, which China needs. Germany and Europe must make use of this strength in the negotiations with China."

(Additional reporting by Georgina Prodhan in Frankfurt and Sue-Lin Wong in Beijing; Editing by Jeremy Gaunt and Alison Williams)