



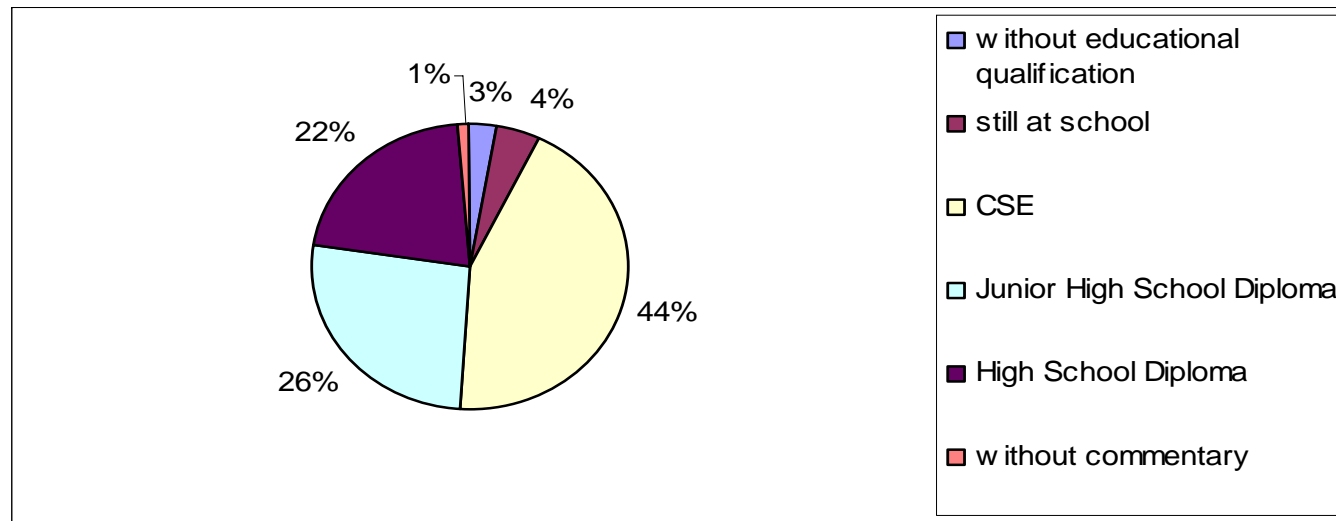
CO-OPERATION PROGRAMME  
FOR A SUSTAINABLE PARTNERSHIP BETWEEN  
SMES OF THE MECHANICAL INDUSTRY  
FROM E.U. AND CHINA

# GUIDE FOR BUSINESS GERMANY



## SOCIO-CULTURAL ANALYSIS

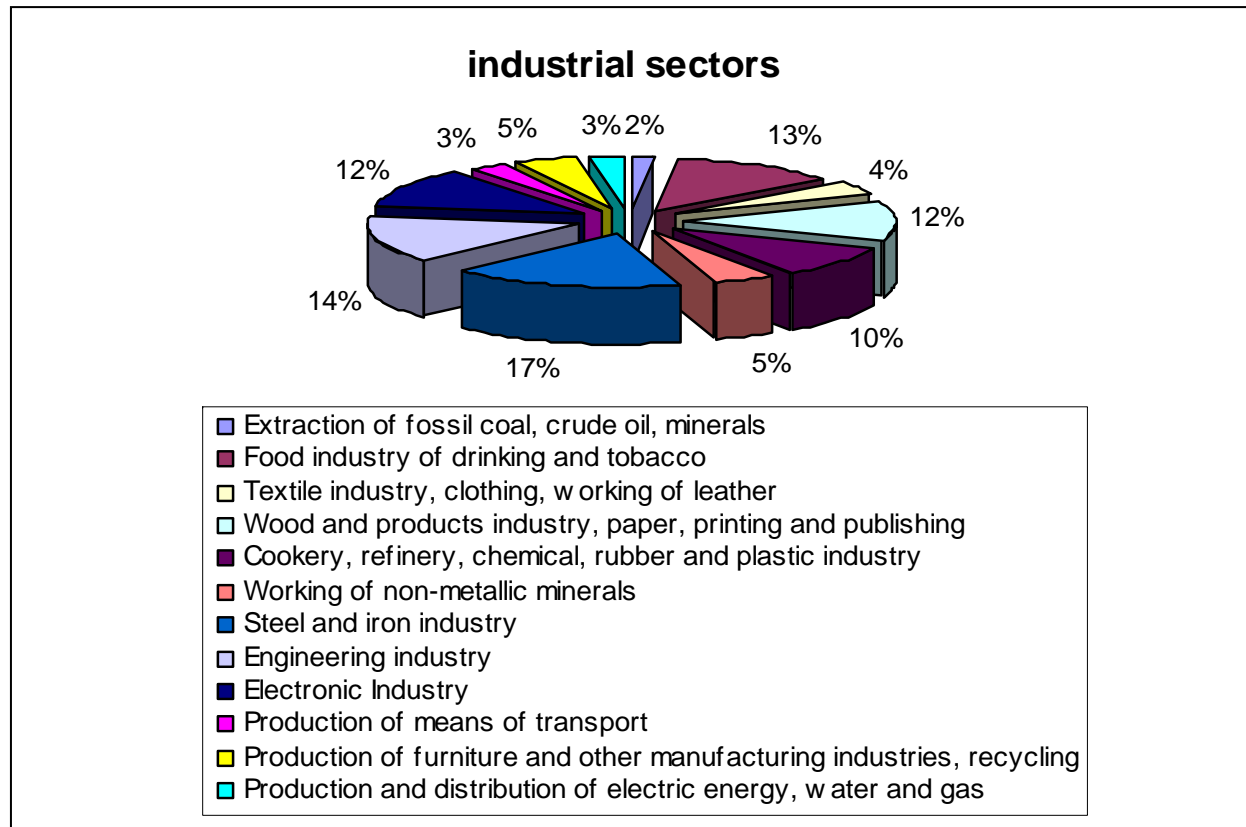
- FAMILIES (Average number of family members in 2004) **2,12**
- HOUSING (in 2002)  
Average surface **41.6 m<sup>2</sup>**  
Percentage of owned houses **42,2%**  
Percentage of rented houses **57,8%**
- EDUCATIONAL DEGREE (in 2004)





# INDUSTRIAL SECTORS OF THE DISTRICT

Percentage of enterprises of different industrial sectors of the district

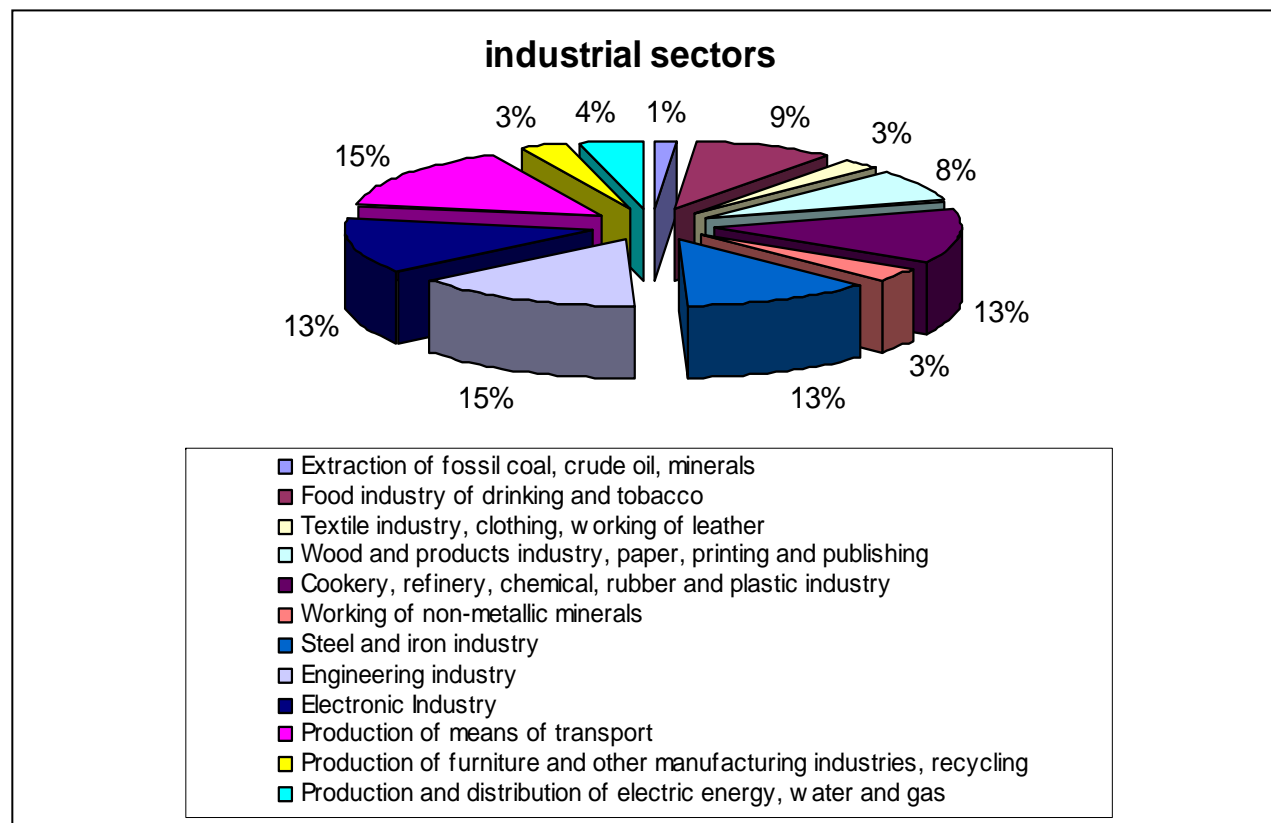


**Total Enterprises:  
41.211**



# INDUSTRIAL SECTORS OF THE DISTRICT

Percentage of employees of industrial sectors in the district

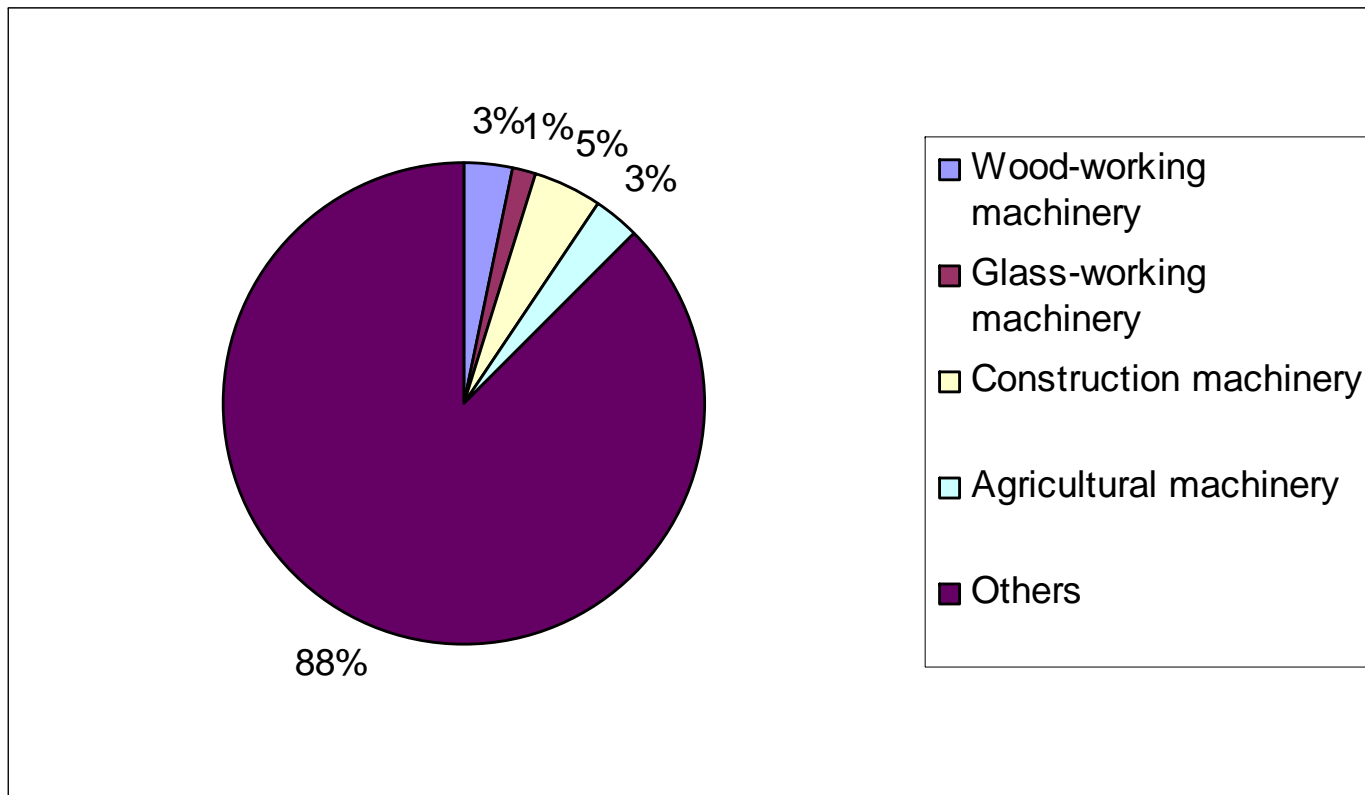


**Total employees:  
6.529.000**



# THE MECHANICAL SECTOR: ENTERPRISES

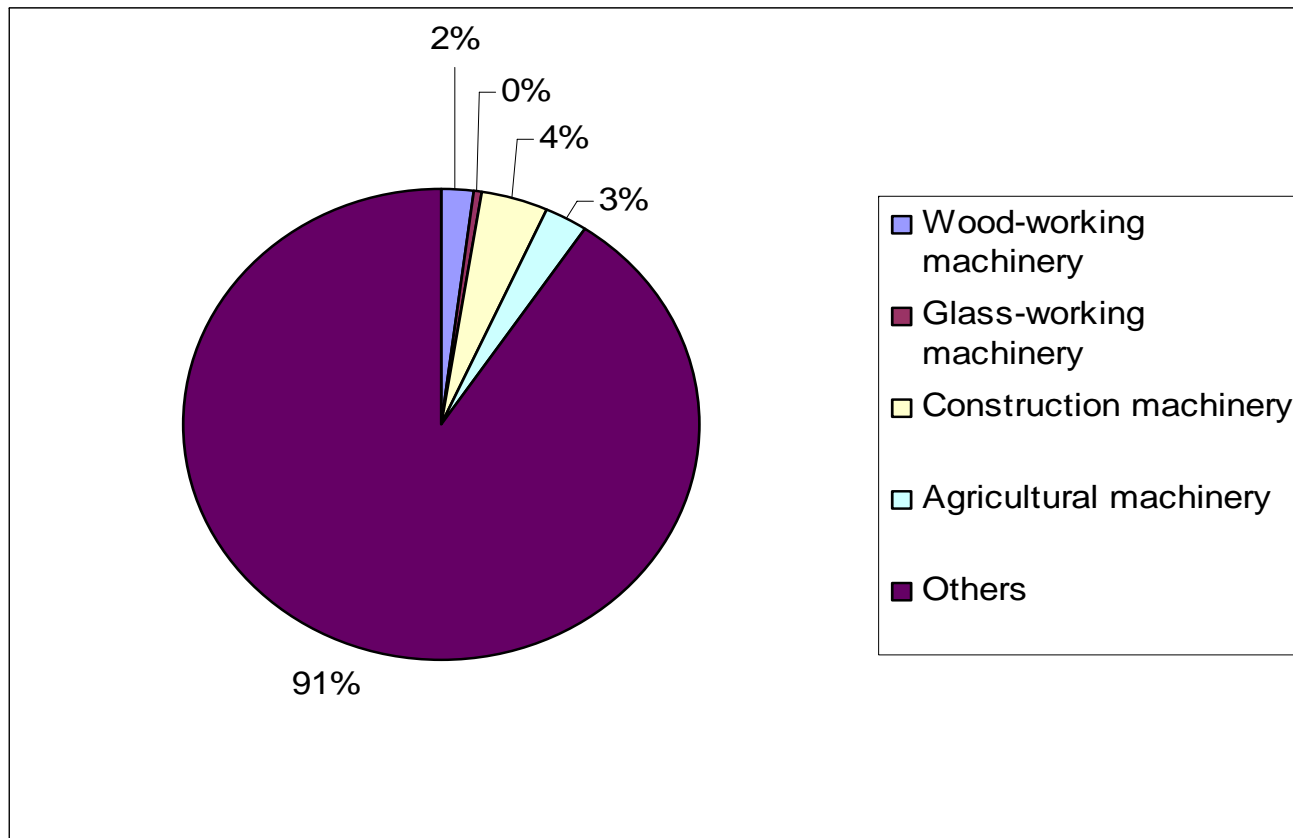
Percentage of enterprises in the mechanical sector of wood/glass-working machinery, construction machinery and agriculture machinery





# THE MECHANICAL SECTOR: EMPLOYEES

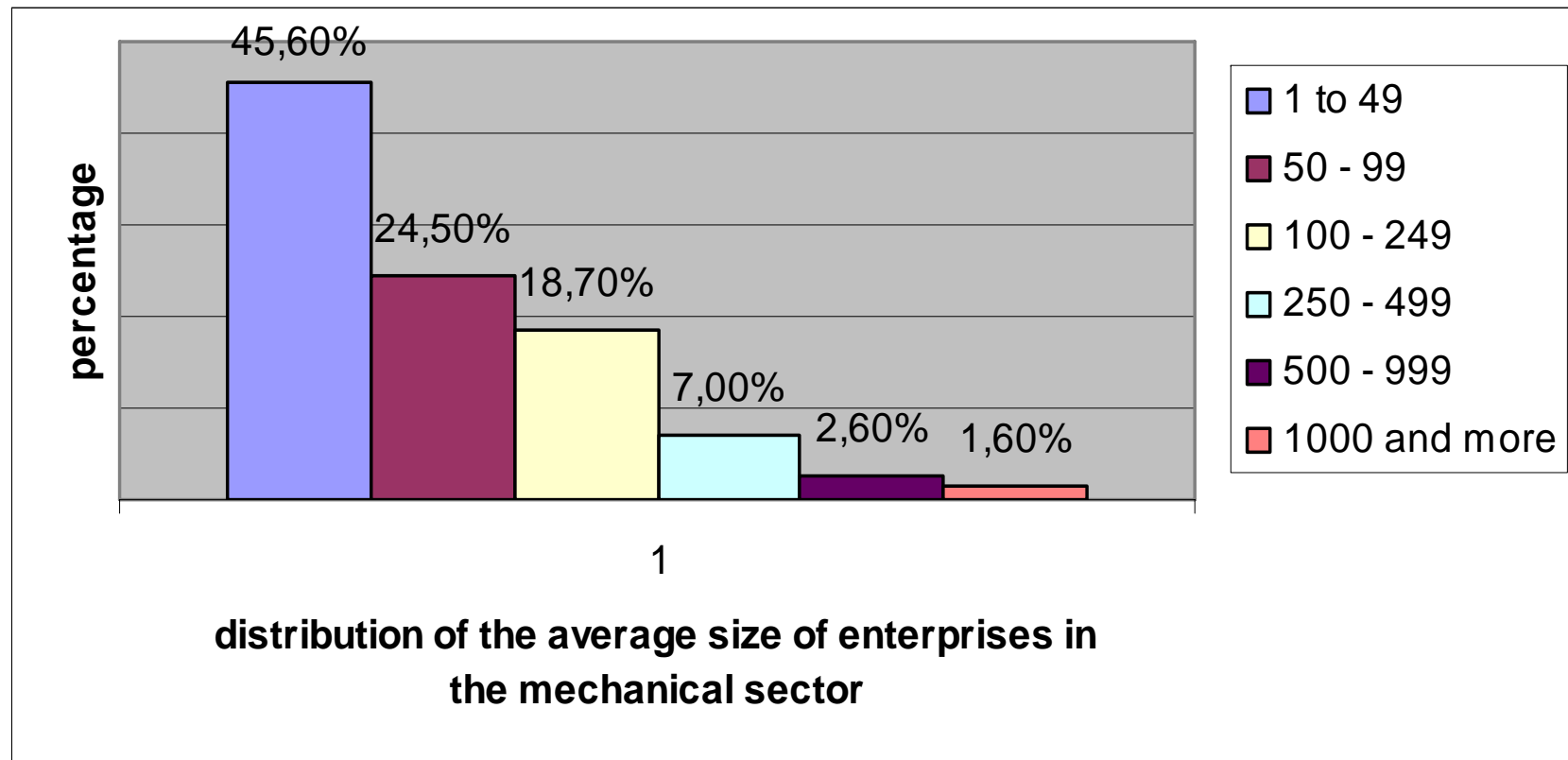
Percentage of employees in the mechanical sector of wood/glass-working machinery, construction machinery and agriculture machinery





# THE MECHANICAL SECTOR: ENTERPRISES' FEATURES

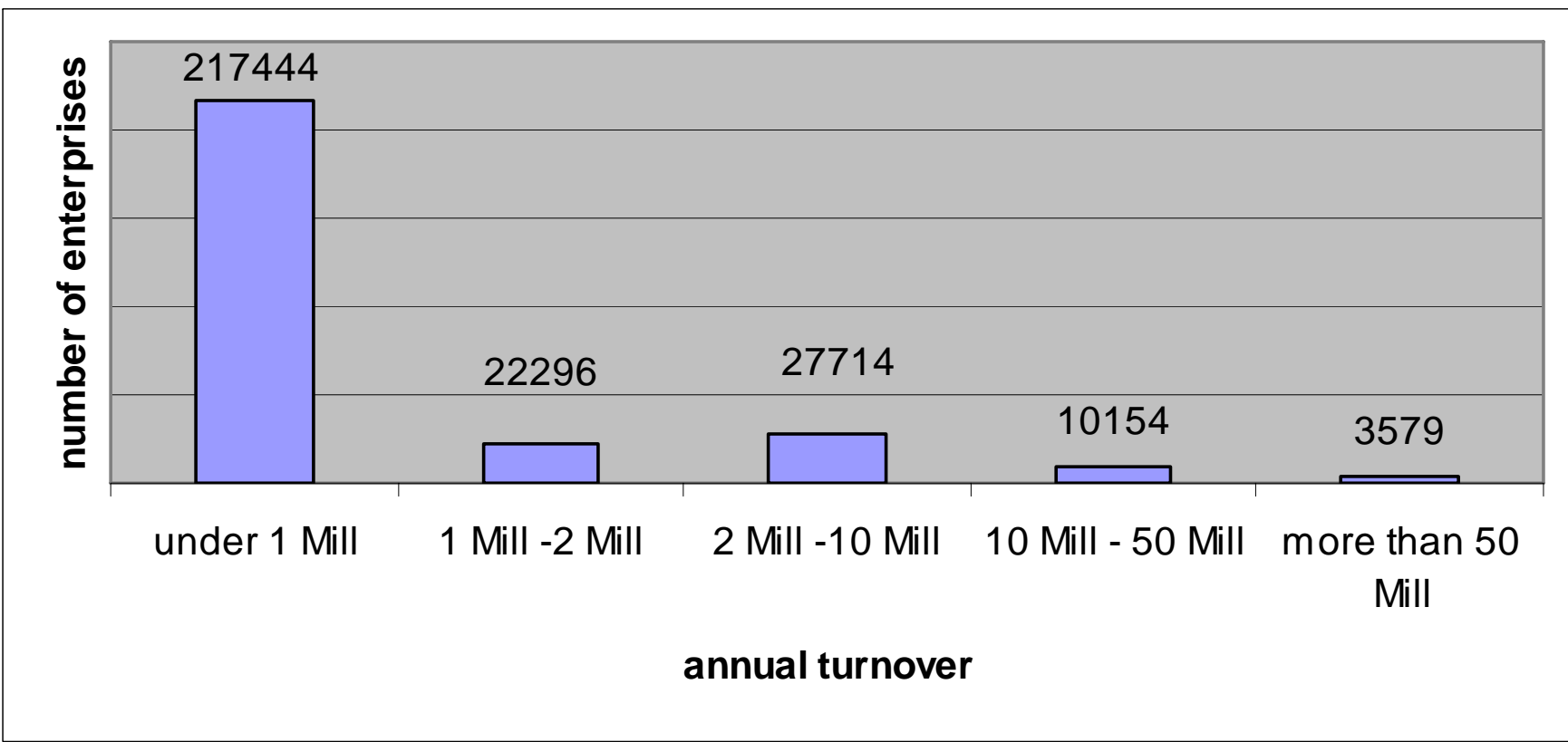
Number of employees





# THE MECHANICAL SECTOR: ENTERPRISES' FEATURES

Annual turnover (manufacturing industry)





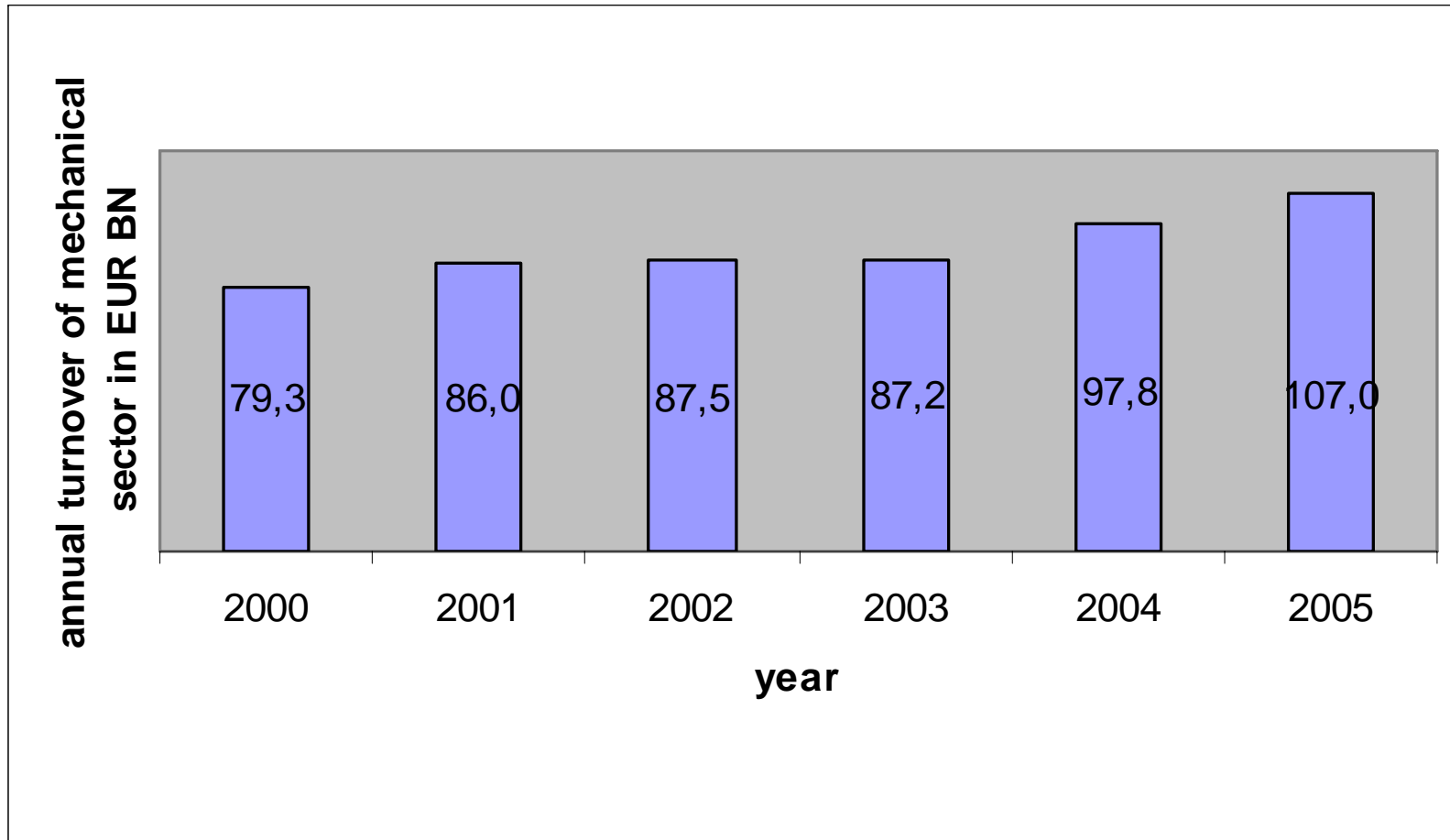
## ECONOMIC ANALYSIS

- DENSITY OF ENTERPRISES – nr. of enterprises/surface **8,89**  
(enterprises per km<sup>2</sup>)
- ENTREPRENEURSHIP INDEX – tot. nr. enterprises/res. pop. **3,9**  
(10 entrepreneurs on 100 inhabitants)
- BIRTH RATE – nr. new enterprises/tot. nr. enterprises **0,3**
- DEATH RATE – nr. ceased enterprises/tot. nr. enterprises **0,43**



# THE MECHANICAL SECTOR: EXPORT

Export trend in the mechanical industry from 2000 to 2005





# THE MECHANICAL SECTOR: EXPORT

The first outlet countries, by absolute value (in Euro), for mechanical enterprises in 2005.

Country Group	2001		2005	
	Billion Euro	% Market Share	Billion Euro	% Market Share
Europe	52,6	60,1	63,5	59,4
EU-25	42,5	48,6	49,9	46,6
EURO-12	27,7	31,7	32,4	30,3
Africa	2,1	2,5	2,7	2,5
Asia	16,8	19,2	22,5	21
North-America	11,1	12,7	12,7	11,9
Latin-America	3,3	3,8	3,8	3,5
Australia-Oceania	1,1	1,3	1,6	1,4
<b>All together</b>	<b>87,5</b>	<b>100</b>	<b>107</b>	<b>100</b>



## THE MECHANICAL SECTOR : EXPORT

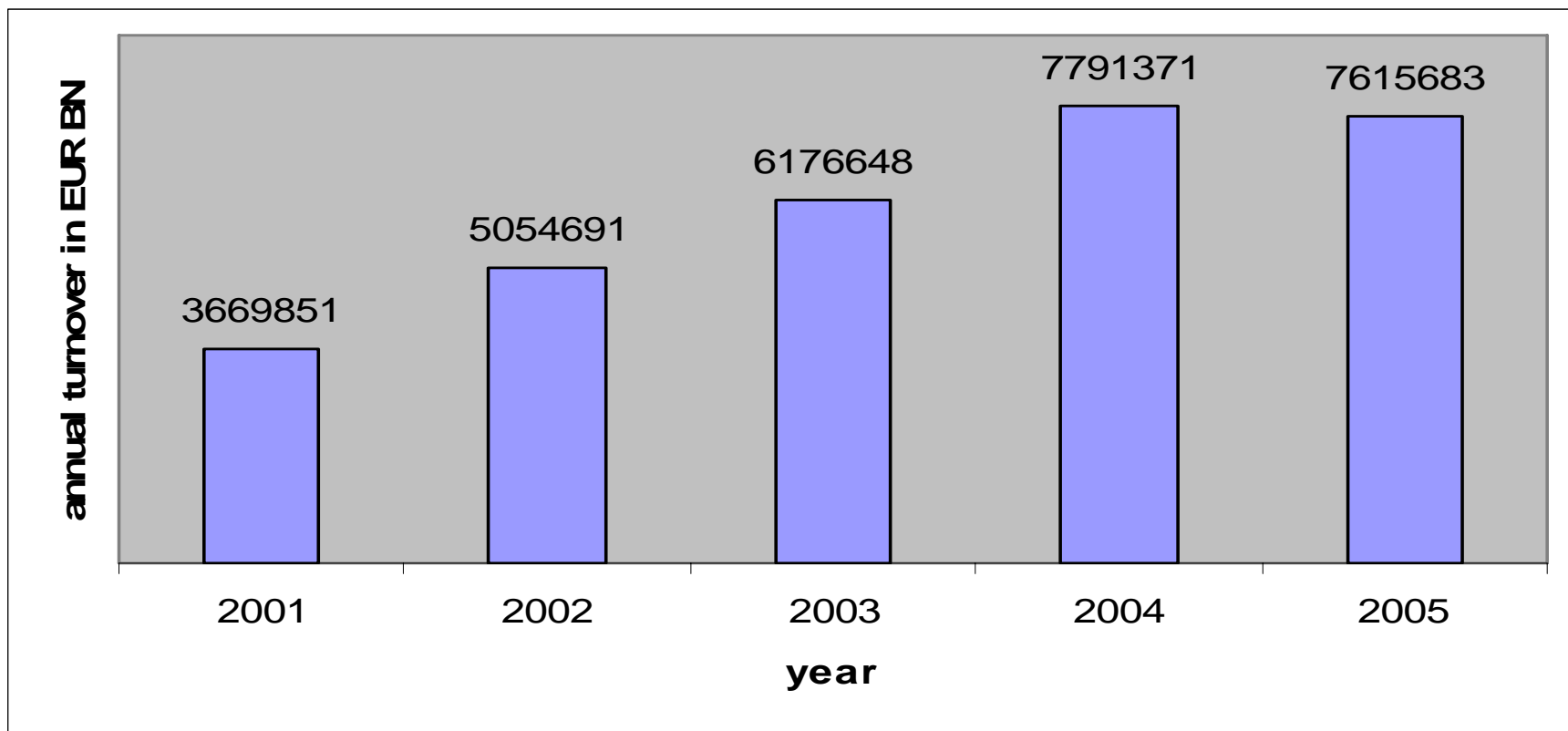
- Expectations of mechanical sector's entrepreneurs about the commercial activities abroad in the period 2006-2007.

The expectations of the mechanical sector's entrepreneurs about commercial activities between 2006-2007 are in increase.



# THE MECHANICAL SECTOR: EXPORT

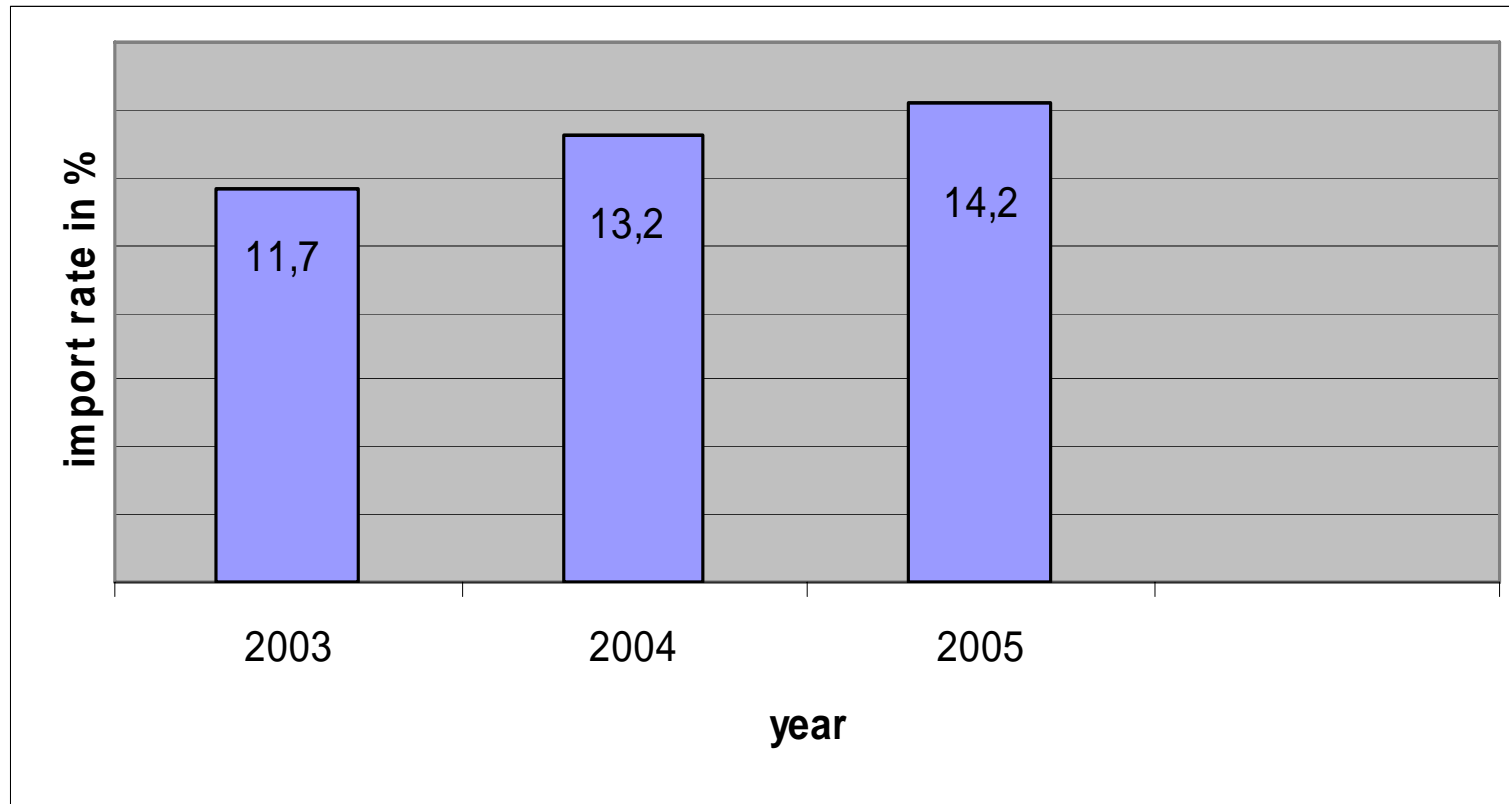
Mechanical industry exports trend (2001-2005) from Germany to China





# THE MECHANICAL SECTOR: IMPORT

Mechanical industry imports trend (2003-2005) from China to Germany





## RELATIONSHIPS WITH CHINA

During the last 10 years the growth of economic relationship between China and Germany has been significantly accelerating. For example, in 1972 the amount of German exports to China was €270 Mill, whereas in 2005 it was €18,2 BN. In other words, the export rate has increased 70 times. As a matter of fact, since 2002 China is Germany's second most important export market besides the US. Since 1998 the percentage of the German export rate towards China is growing in double figures. German enterprises mainly deliver plant and machinery, electrical products, special equipment and automobiles. China exports especially electrical products, textiles, clothing and plant and machinery to Germany. However, German enterprises' import rate is much higher than the export rate. Therefore, the German trade deficit is €5 BN up to €9 BN every year. At the same time, Germany is the most important European investor in China since 1999.

The highest amounts of investment are recorded in the mechanical and the chemical sector. Until 2003 \$ 9,5 BN have been directly invested by German enterprises.

As for the mechanical sector, China is Germany's most important Asian market, although the sharp increase of export rates has been dampened during the last two years. In 2005 the German mechanical sector's export rate increased by 2,8%. Nevertheless, Germany is China's second most important supplier of machines. Especially tool making machines, smelting and roller plants and printing and paper technology were highly demanded goods.



## HOW WE SEE CHINA

A survey of the German CCI in China amongst 300 German enterprises with a branch in China shows the following data:

38% of the enterprises had reached break-even after 1-3 years, 41% had reached this point after 3 years and more and 8% already after 1 year (13% did not answer). Furthermore, the survey shows that 87% of the enterprises intend to extend their business. At the same time, 82,5% describe their commitment in China as being fruitful.

In addition, the delegation of German Industry and Commerce in Shanghai stresses that great progress in the implementation of WTO rules and regulations has been made. Accordingly, China's political elite has proven its ability to successfully manage the transformation process China is going through at the moment.

Nevertheless, there are still problems that need to be resolved. For instance, the transparency of the regulatory system in China has to be improved and the communication between Chinese authorities and the German business community in China has to be further optimised.



## MAJOR ASSETS

The mechanical sector is one of Germany's strongest industrial sectors. Since 2004 the sales increases have been growing. The development is mainly due to the export success. In 2005 the export quota went up to 74 per cent. Most demanded were plant engineering and construction. Therefore, the mechanical sector is Germany's greatest employer. Within the manufacturing industry 15% of all employees work in the mechanical sector.

Another asset is the mechanical sector's relationship to research and development. As a matter of fact, no other branch invests as much as the mechanical sector in this field.

Furthermore, the mechanical sector benefits from its production flexibility.



## MAJOR WEAKNESSES

The biggest problem of Germany's mechanical sector is its heterogeneity. First, the sector's various branches differ in strength. Whereas branches such as plant construction benefit from the global boom, other branches suffer from troubles of their sales markets.

Second, there is no equality between the German market and the markets abroad. Of course, the export rate is high. At the same time there is less demand for the sector's goods on the German market. This is due to the difficult economic situation in Germany. In other words, the German mechanical sector is highly dependent from export rates.