Wolfgang Niedermark – Chief Representative, German Industry and Commerce Ltd, HK



25.09.2018

Tags: Hong Kong, Germany, GIC, AHK, Chamber of Commerce, Association, Investment, China, GBA

Wolfgang Niedermark of GIC in Hong Kong, part of the AHK network of German Chambers of Commerce worldwide assesses the business relationship between Germany and Asia and how Hong Kong compares to its regional competitors as an investment destination

What is your assessment of the business relationship between Germany and Asia?

There is a strong relationship between both the East and the West, and currently, we are in the final steps for preparations for the 16th Asia-Pacific Conference of German Business (APK), held bi-annually and organised by the German Federal Minister for Economic Affairs and Energy, the Asia-Pacific Committee of German Business, and German Chambers of Commerce Abroad (AHK) in the Asia-Pacific region.. This conference will bring up to 1000 participants to Jakarta in November 2018.

Part of the conference is focusing on healthcare and related businesses, which falls under the umbrella of digital business models. Digitalization is one of the core topics this year at the conference because all areas and sectors are affected by digital processes and developments. This conference is our signature event and we are collaborating not only with our colleagues in the AHK network but also with our partners in specialized business associations including some government institutions. There is a big effort to bring together key German and Asian partners and stakeholders, creating a better ecosystem for the business community.

What are the key characteristics that make Hong Kong an attractive investment destination?

The classic characteristics, such as a low degree of bureaucracy and low tax regime still remain a vital asset to Hong Kong. As long as companies do not interfere with local businesses, using the HKSAR as an international business hub is relatively easy and uncomplicated. This makes it the perfect destination as a gateway into mainland China and a stepping stone to other regions in the Asian Pacific.

It is without a doubt that Hong Kong is a favorable environment. Nevertheless, this comes with an increasing level of cost, which is relatively high compared to other locations and is still rising. Office rents alone underwent a 12 percent increase in the first half of 2018, in addition to an increase in labor costs.

Although there is some political discussion ongoing about the status of Hong Kong, they are not affecting the business environment at the moment. Companies are aware of certain aspects of discussions, but we are simply keeping an eye on changes and are not worried about this for the time being. The question if German companies are leaving Hong Kong due to costs or political issues can be answered clearly: no.

How does Hong Kong remain competitive against other financial centers in the region?

To remain an attractive investment destination over the like of Singapore and Shanghai, Hong Kong is reinventing itself again. We have been observing key projects, such as the new Central Harbor Front and development of the Western Kowloon Cultural Area, as part of a major wave of projects to continue development.

After the handover to mainland China in 1997, there was a big push to become avant-garde in the region. However, places like Shenzhen and Shanghai, as well as smaller remote places, are catching up. Their infrastructure and lifestyle advantages are competing with Hong Kong on a high level. Consequently. I feel that we have become somewhat complacent in this regard. There are some with the mindset that we have been at the top of the world already, but we must continue to develop to remain at the forefront.

Carrie Lam, Chief Executive of Hong Kong, has a strong vision and ambition to promote Hong Kong's attractiveness and she is working hard to solve domestic problems, such as housing, education, and general livability in Hong Kong, in addition to prioritizing healthcare and aging, pushing this development to remain an elite force to be reckoned with in the region.

Looking at the Greater Bay Area initiative, how are German companies capitalizing on this?

The German business community understands that there is a buzz and momentum behind this initiative, so we at the German Chamber would like to integrate more. With some hundreds of German companies in the Pearl River Deltawe do not have to attract new companies in this regard, there are many successful investments in the GBA. However, the question now is how can we connect the businesses from the two sides and profit from new developments in the region?

Looking at the infrastructure, we need to analyze the effects of the new bridge and the bullet train, in addition to the movement of people and capital between Hong Kong and Shenzhen and how easy this will become in the future. Moreover, we hope to educate and inform German companies about these developments and explain the opportunities for their businesses. This will be efficiently executed through our new AHK Innovation Hub in Shenzhen, allowing us to collaborate with our colleagues in Guangdong. Institutional wise, this new workspace is a subsidiary of AHK Guangdong office, but we want to go the extra mile and focus on innovation from this location and scout for good technologies and trends that are interesting for all of our members in the Greater Bay Area. With this office, we aim to find new partners and innovation, which is also fitting to Hong Kong's ambition to become a leader in innovation.

Furthermore, the government is fully onboard with molding Hong Kong into an innovation hub, with one-third of the huge budget surplus being invested into innovation and its promotion. This is evident when we look at the science and technology parks and their expansion, providing a substantial ecosystem for life science companies. For fundamental research there is a lot of cooperation between the science park and universities, however, companies are reluctant to move and prefer to be located in industrial areas where their clients are, highlighting the transitional gap from research to the market.

What are the main success stories for German companies operating in Hong Kong and the Greater Bay Area?

In Hong Kong all the big German pharmaceutical players like Bayer and Fresenius Kabi are aleady present, but their successes stem from the mainland Chinese pharmaceutical market because the HK market is too small for them. However, as aforementioned, Hong Kong is a stepping stone to many important markets, and many companies had their first operations here before moving to the mainland. The major players in the healthcare and pharmaceutical sector have their research facilities and manufacturing plants in mainland China, so the Greater Bay Area is a huge chance for Hong Kong to become better connected.

Quite surprisingly though, we see many Chinese success stories in the industry, for example, iCarbonX, a Chinese big-data start-up which sits in Shenzhen, has prospered and now has new model clinic in the area.

What are some of the differences and similarities between German and Hong Kong companies?

Hong Kong is very internationalized, and this is visible in new German companies setting up operations in Hong Kong. These new companies have a unique, twenty-first century, international and multi-lingual business culture, in addition to being technology orientated. A key feature of Hong Kong is this arrangement of eastern and western behaviors, which is advantageous for companies compared to more isolated national behavior which we have seen in the past.

What are the strategic priorities for the German Chamber of Commerce in Hong Kong?

There are two pillars of our strategy: further collaboration within the Greater Bay Area and a continued focus on innovation and new technologies. The classical business services that we have been offering over the past three decades are becoming less important because there are not as many industrial companies looking to invest in the area. This is because most of them are already here, and we see SMEs and hidden champions standing strongly alongside multinational companies. The new developments for the Chamber will stem from high technology, innovation, and digital business models.

Our strategy is to become better connected in the innovation sphere and to have a better connection with the start-up scene. An example of this is the AHK’s program to invite German start-

ups to many different places around the world, including Hong Kong. Along with this, our new office in Shenzhen will help to promote innovation and find new partnerships for our customers. We are offering quarterly delegation trips for our members to visit Chinese companies in the Pearl River Delta region, and we hope to see a lot more integration of the two sides.

See more interviews