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Mitglied des Europäischen Parlamentes

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Rede in China zum Thema Private Equity
(Es gilt das gesprochene Wort)

Private Equity

Ladies and Gentlemen,

I have the pleasure of starting with some opening remarks in today's reception dealing with investment opportunities in German private equity and venture capital funds.

As a Member of the European Parliament, in particular a Member of the Committee of Economic and Monetary Affairs as well as a Member of the Delegation for the relations with the People's Republic of China, I first would like to underline the traditionally excellent economic relations between the European Union and China. Meanwhile, China is the EU's second largest trading partner and the main source of imports. The EU's open market has been a large contributor to China's export-led growth. In 2008, the European Union imported goods for €247.6 billion and exported goods to China with an equivalent of €78.4 billion. Imports and exports concentrated on industrial products, machinery and transport equipment as well as miscellaneous manufactured goods. Direct foreign investment to China amounted to €4.5 billion.

The European Union was a strong supporter of China's accession to the World Trade Organisation arguing that a WTO without China was not truly universal in scope. The conclusion of the EU-China Partnership and Cooperation Agreement, which has been negotiated since January 2007, will provide the opportunity to further improve the framework for bilateral trade and investment relations.

Germany is accountable for a large amount of European foreign trade. Germany is by far China's largest European trading partner. In 2008, Germany imported goods from China with an equivalent of €59.38 billion. China has been Germany's second largest export market outside Europe following the USA and ahead of Japan. Since 1999, Germany has been China's largest European investor in terms of annual new investments. The investments have traditionally been made in the automobile sector, chemical industry, machinery and plant constructions.

Why should we not evolve a more intensive relationship in the field of private equity? In Western economies private equity was used to restructure industries accomplishing higher productivity and value. The best example is the flood wave of takeover deals in the 1980ties which pushed productivity figures in the United States, finally increasing the country's competitiveness. A strong private equity industry provides an alternative source of funding for capital-rationed companies. It can re-energise tumbling companies. It injects better management, when better management is required. And finally it also offers investment opportunities for institutional investors capable to deal with associated risks.

The worldwide private equity market suffered in 2008 as a result of the systemic financial crisis caused by the liquidity crisis in the US subprime market. Lending institutions heavily focussed on rebuilding their balance sheets. In consequence, banks became more and more risk-averse. The effects could also be noted to some extent in the private equity market.

The size of the global economic damage and the dramatic efforts to stabilize markets forced governments and regulators to develop new rules of the game. In Europe, initiatives have already been taken to regulate hedge funds and private equity funds. This includes requirements for marketing and depositories, a certain capital base, limits on leverage, increased disclosure and monitoring, demands on remuneration structure. The debate in the European Parliament is still ongoing. A fiscal and regulatory over-reaction has certainly to be avoided. The current discussions, however, have also a positive side-effect: There is an opportunity to familiarise the public with the importance and favourable role of private equity business.

It seems China was withstanding the downturn in the global economy. The private equity market in China has been growing rapidly in number, size and variety of deals. According to recent reports China tripled its share in the Asian private equity market from 8 per cent in 2005 to 29 percent in 2008. A further rise in 2009 is anticipated. Even when considering the declining number of IPO's in 2008, China still represents around 70 per cent of private equity-backed IPO's in Asia. The Chinese market increasingly attracts international investors seeking private equity exposure and Blackstone's set-up of local funds underlines the overall trend.

After a period of sitting on the sidelines the European private equity market also seems to slightly recover from the doldrums. According to recent reports the third quarter 2009 showed significantly improving results with an increase of 11% in the number of transactions and a doubling of the transaction volume. In general, the German market followed the positive trend supported by buyouts in medium-sized companies. The number of financed companies increased from 320 in the second quarter 2009 to 372 at the current level. The growing number of buyouts in medium-sized companies points out that this is an appropriate way for family businesses in Germany to realise the economic value which has often been built up over several generations.

Overall, the German private equity market seems to have bottomed out. A more realistic assessment can be made at the beginning of 2010, when a hopefully robust economic upturn contributes to better business expectations and a growing interest in buyouts. Private equity firms have funds at their disposal and can react flexible to altering conditions.

The investments of Asian investors in European private equity funds amounted to €6.9 billion in 2008 compared with an overall fundraising of €79 billion. The relation already demonstrates the importance of the Asian market for Europe.

Let me conclude and end with an optimistic note.

The private equity industry will remain to be an integral part of the European economic landscape. The expected swift in the regulatory environment should preserve stable conditions for further development in this specific business sector.