



CrossBorder Monitor (CBM)

People's Republic of China < > European Union

Direct Investment

1Q 2019 Update: Public Version

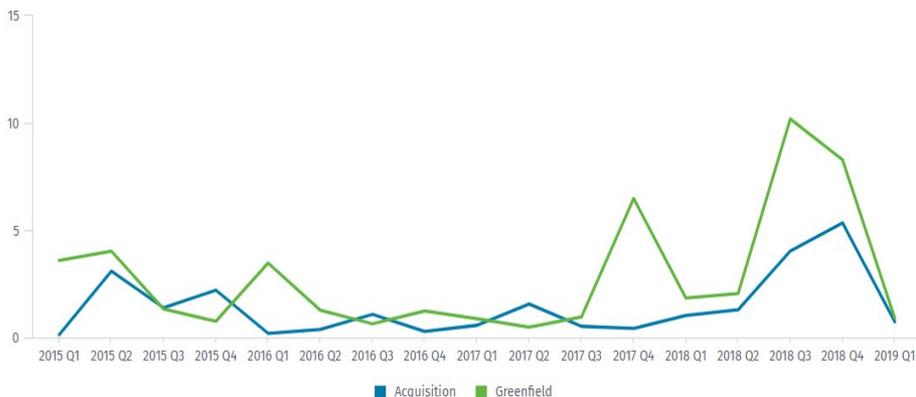
Release Date: **May 29, 2019**

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I. EU FDI in China

Momentum: New and Completed Transaction Value

Value of Newly Announced EU FDI Transactions in China* USD billion



Source: Rhodium Group. *Chart is based on value of newly announced transactions. The remainder of charts in this report is based on completed acquisitions and consummated greenfield projects.

Value of Completed EU FDI Transactions in China USD billion

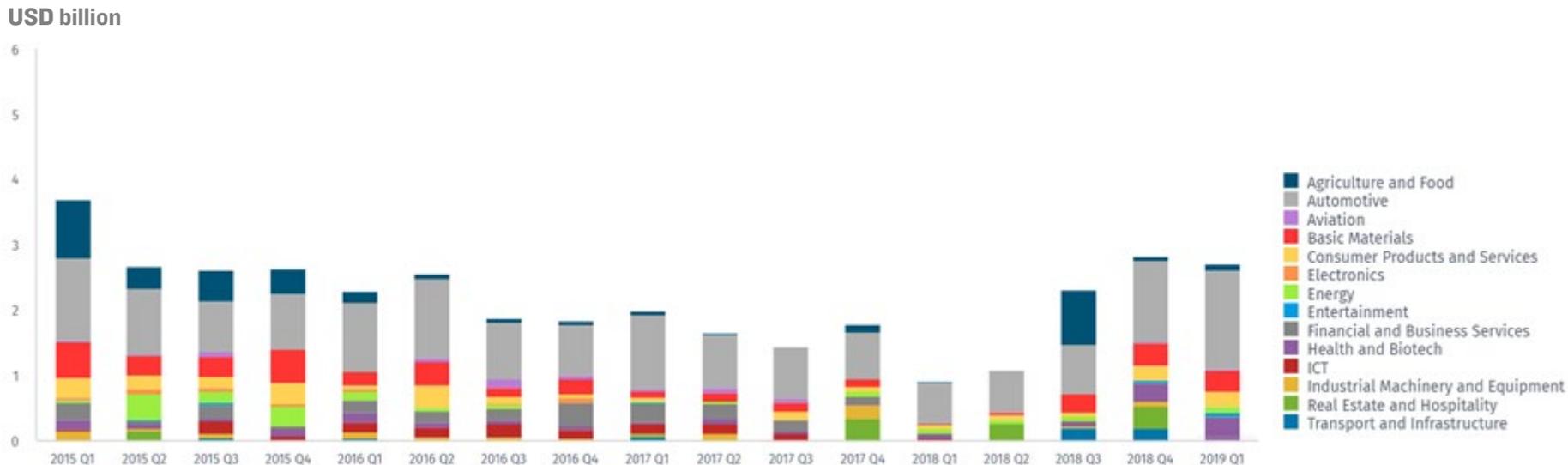


Source: Rhodium Group.

- Our **momentum** indicator shows a sharp drop in the value of newly announced acquisitions and greenfield investments by EU companies in China to only \$1.6 billion in 1Q 2019. This drop follows a big increase in 2018 fueled by several mega deals announced in the context of Chinese inward investment policy liberalization.
- Investment momentum could **bounce back up again next quarter** with several European automakers rumored to be exploring increasing their stakes in local joint ventures. These firms include Daimler (joint venture with BAIC) and Volkswagen (joint ventures with SAIC, FAW, and JAC). Each of these transactions is likely to be worth at least hundreds of millions on the lower end.
- **Completed** acquisitions and greenfield investments by European companies remained elevated in 1Q 2019 at \$2.7 billion, around the same as in 4Q 2018. In addition to a strong base from ongoing multiyear greenfield projects, the biggest transactions were Daimler's \$437 million equity investment in its Chinese JV with BAIC, and DSM's increase of stake in Yantai Andre Pectin for an estimated \$170 million.

Industries

Value of Completed EU FDI Transactions in China by Industry



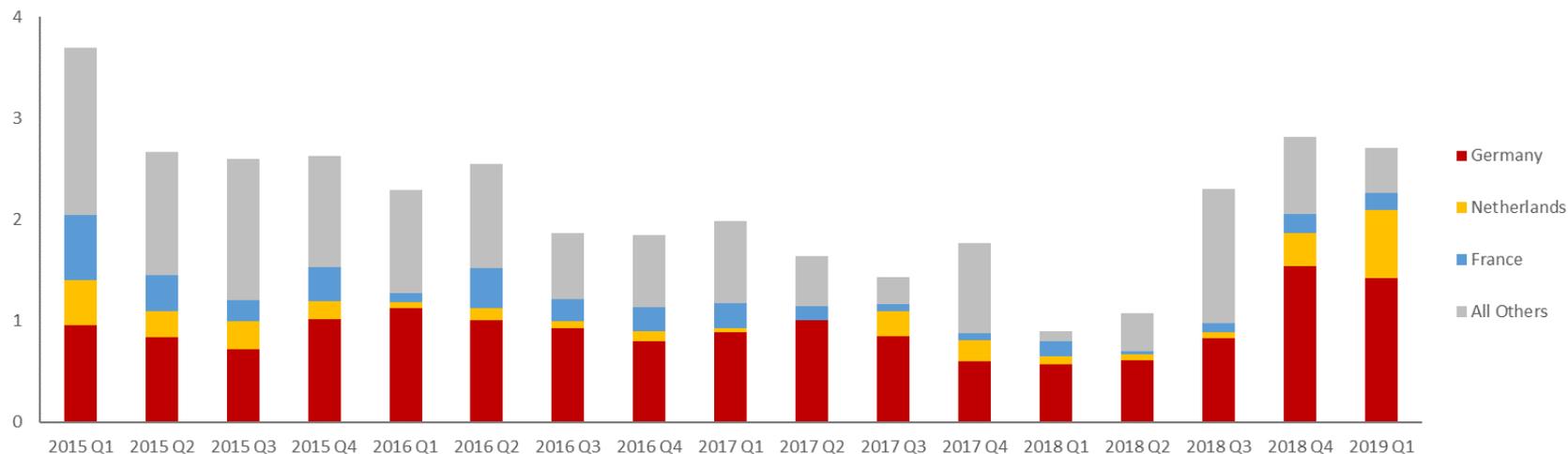
Source: Rhodium Group.

- **Automotive** and **Basic Materials** continued to account for the largest share of EU FDI in China in 1Q 2019 due to ongoing projects such as Lithium Werks' battery plant in Zhejiang and BASF's \$10 billion facility in Guangdong, which just opened a liaison office in March. Major new deals in the automotive sector also included Daimler's \$437 million capital increase in Beijing Benz and its new joint venture with Geely.
- **Health and biotech** jumped up to the second-largest target sector in 1Q 2019 due to DSM's increase of stake in Yantai Andre Pectin and its \$155 million joint venture with Nenter in Hubei.
- **Looking forward**, the auto sector will likely continue to lead EU FDI in China given ongoing multiyear projects and pending and rumored acquisitions by many large European carmakers. Agriculture and food will also see a boost as Diageo's acquisition of additional shares in baijiu maker Sichuan Shuijingfang was completed in early 2Q.

Geography

Value of Completed EU FDI Transactions in China by Source Country

USD billion

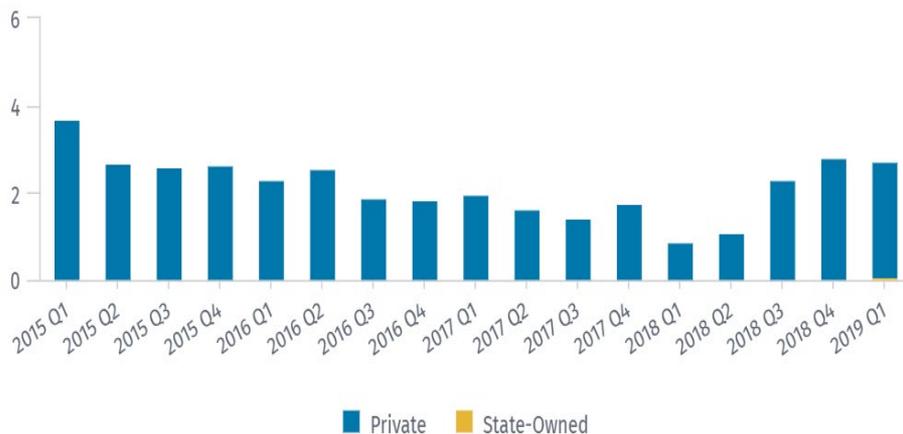


Source: Rhodium Group.

- **Germany, the Netherlands, and France** were the top investors in China in 1Q 2019. German investments mainly consisted of new and ongoing automotive investments. The Netherlands stood out this month due to two sizable investment by DSM as well as ongoing investments from previously announced Lithium Werks and Ikea plants. Besides EDF's acquisition of solar and offshore wind projects, there were several smaller French projects that helped to push up the total: Peugeot's investment in Chinese used car company FengChe; apparel line Kitsune's China joint venture and new facility; and Indigo's new joint venture with Sunsea to develop parking structures.
- **Looking forward**, automotive and basic materials investment will likely continue to guarantee an outsized role for Germany in the coming quarters. As mentioned, one major pending deal that was completed at the beginning of 2Q was Diageo's acquisition of additional shares in Sichuan Shuijingfang, which will push up UK's ranking next quarter.

Investor Characteristics

Value of Completed EU FDI Transactions in China by Ownership
USD billion



Source: Rhodium Group.

Value of Completed EU FDI Transactions in China by Type
USD billion



Source: Rhodium Group.

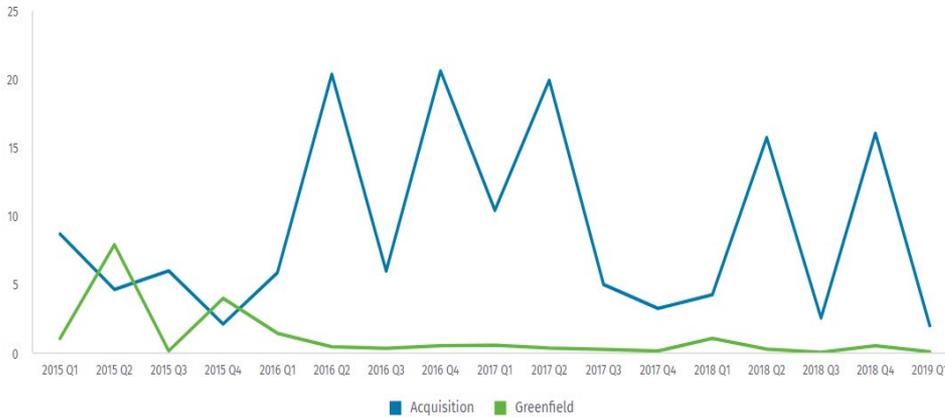
- EU FDI in China continues to be almost entirely comprised of **strategic investment** (real economy firms investing in their core areas of business) by private sector companies.
- However, we record a unique case of **European state-owned investment this quarter**: EDF, which is 84% owned by the French government, acquired a solar energy project and an offshore wind project in China.
- We record no **financial investments** (transactions primarily aimed at financial returns) in 1Q 2019.

2. Chinese FDI in the EU

Momentum: New and Completed Transaction Value

Value of Newly Announced Chinese FDI Transactions in the EU

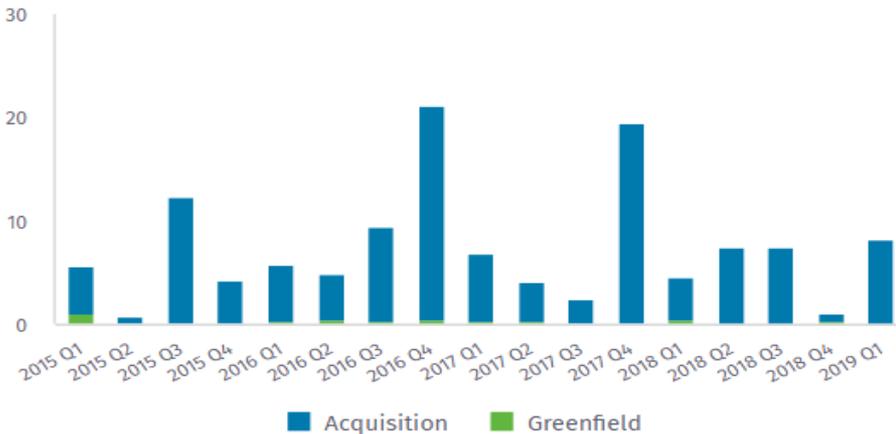
USD billion



Source: Rhodium Group. *Chart is based on value of newly announced transactions. The remainder of charts in this report is based on completed acquisitions and consummated greenfield projects.

Value of Completed Chinese FDI Transactions in the EU

USD billion

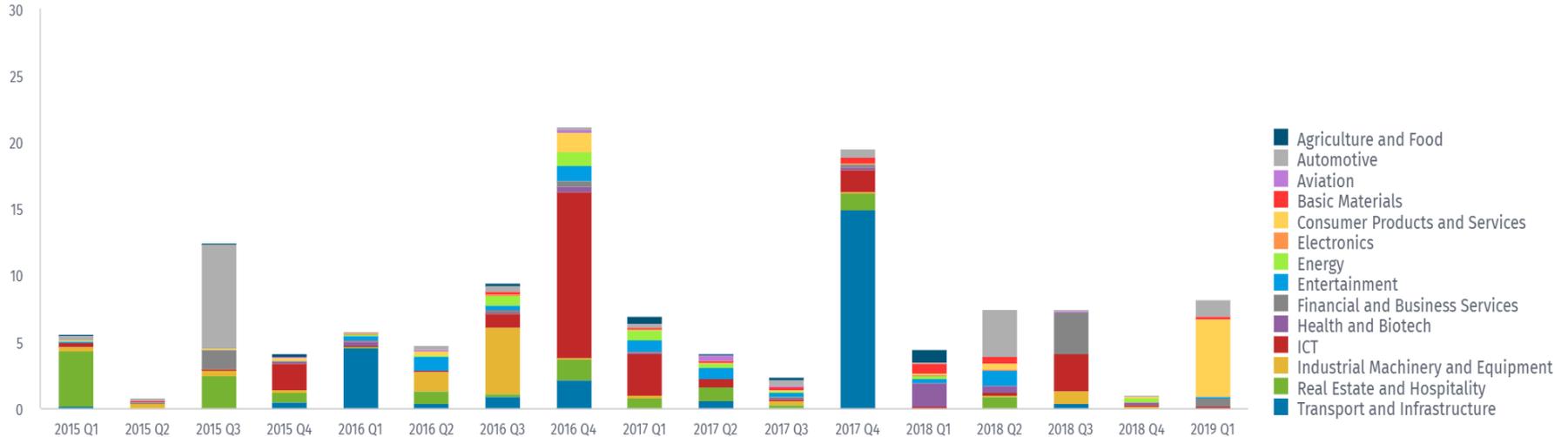


Source: Rhodium Group.

- After logging more than \$15 billion in 4Q 2018, the **momentum** for new Chinese investment in Europe significantly declined in 1Q 2019 to just \$2 billion of newly announced deals. This mostly reflects regular volatility caused by the spotty occurrence of billion-dollar mega deals. Notable newly announced deals included Fosun's acquisition of an additional stake in Tom Tailor; Sinomine Resource's takeover of Cabot Specialty Fluids' UK business; and HNA Group's acquisition of UK's Heathrow Cargo Handling through its Swissport subsidiary.
- The value of **completed** Chinese FDI transactions in the EU jumped to over \$8 billion in 1Q 2019, a sizeable increase compared to 4Q 2018. The major driver of this jump was the completion of Anta's \$4.8 billion takeover of Amer Sports. Other sizable deals included China Evergrande's majority stake in the National Electric Vehicle Sweden (NEVS) for \$930 million; Alibaba's \$700 million investment in World First UK; and Qingdao Haier's \$552 million takeover of Italian competitor Candy.

Industries

Value of Completed Chinese FDI Transactions in the EU by Industry USD billion



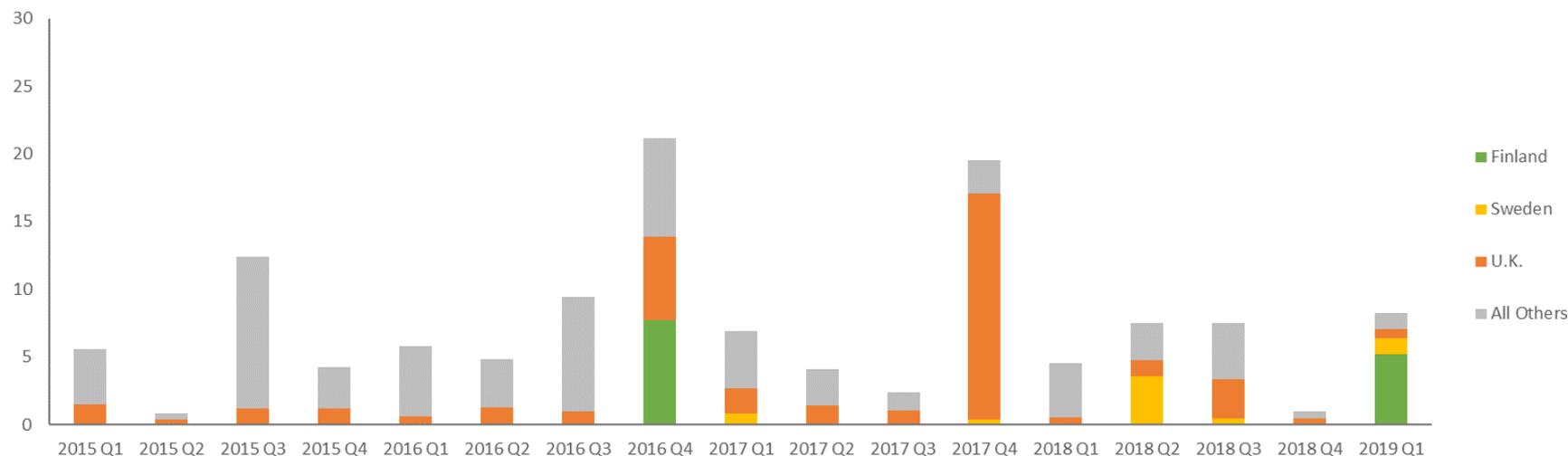
Source: Rhodium Group.

- **Consumer products and services** was the top sector for Chinese investment in 1Q 2019 due to one large deal: Chinese company Anta's \$4.8 billion takeover of Amer Sports.
- **Automotive** received the second highest level of investment this quarter largely due to China Evergrande's acquisition of 51% stake in NEVS. **Financial and business services** was the third largest sector of Chinese investment due to Alibaba's \$700 million takeover of UK currency exchange firm World First UK.

Geography

Value of Completed Chinese FDI Transactions in the EU by Target Country

USD billion

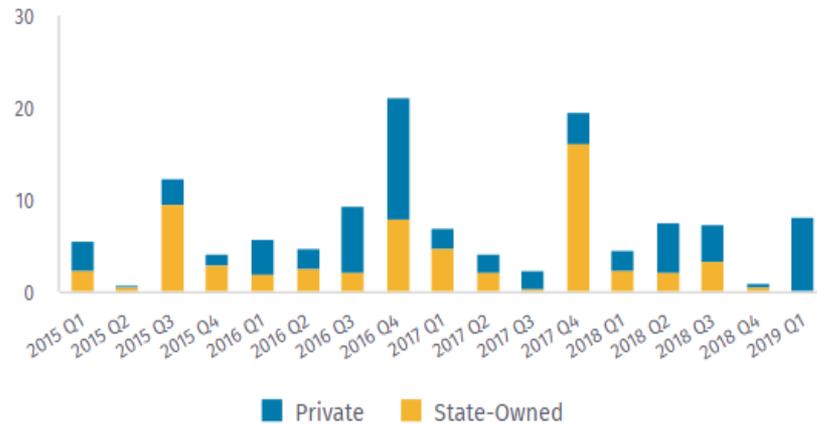


Source: Rhodium Group.

- The country distribution in 1Q 2019 also corresponds with the biggest M&A deals: **Finland** was the top recipient of completed Chinese investment in 1Q 2019 (Chinese consortium's acquisition of Amer Sports) followed by **Sweden** (China Evergrande's acquisition of NEVS) and the **UK** (Alibaba's takeover of World First UK).
- **Italy** (Haier's takeover of Candy) and **Germany** (Alibaba's takeover of Data Artisans, Fuyao Glass's acquisition of SAM Automotive) also received sizable Chinese investments this quarter.
- Meanwhile, Chinese investment in **Greece** was slowed down after the country's Archaeological Council [declared](#) a large part of Piraeus port (majority owned by China's COSCO) a site of archaeological interest, rejecting investment plans to create a shopping mall, a floating ship repair dock and a luxury hotel in the area.

Investor Characteristics

Value of Completed Chinese FDI Transactions in the EU by Ownership
USD billion



Source: Rhodium Group.

Value of Completed Chinese FDI Transactions in the EU by Type
USD billion



Source: Rhodium Group.

- **Private investors** accounted for the majority of investment in 1Q 2019 (98%), a big increase compared to the historical baseline.
- **Strategic investments** accounted for 100% of total investment in 1Q 2019. Financial investments (primarily seeking financial returns) have completely disappeared for the past two quarters.

Disclosure Appendix

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