



# CrossBorder Monitor (CBM)

People's Republic of China < > European Union

Direct Investment

1Q 2020 Update:

Public Version

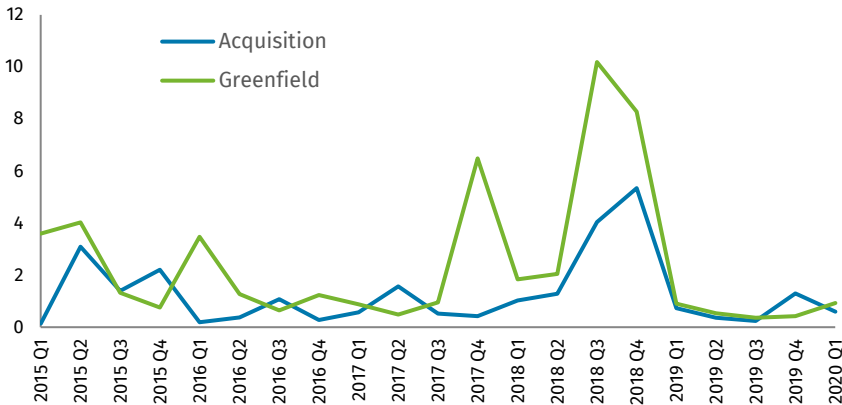
Release Date: **April 23, 2020**

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# I. EU FDI in China

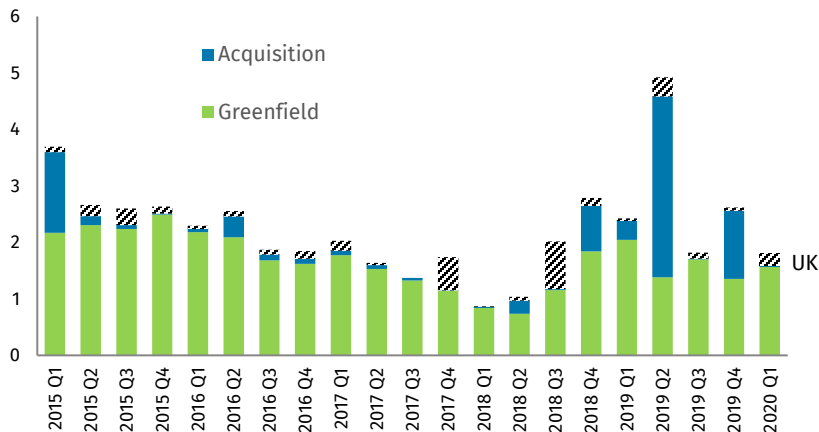
# Momentum: New and Completed Transaction Value

**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. Data covers EU-27.

**Value of Completed EU FDI Transactions in China\***  
USD billion



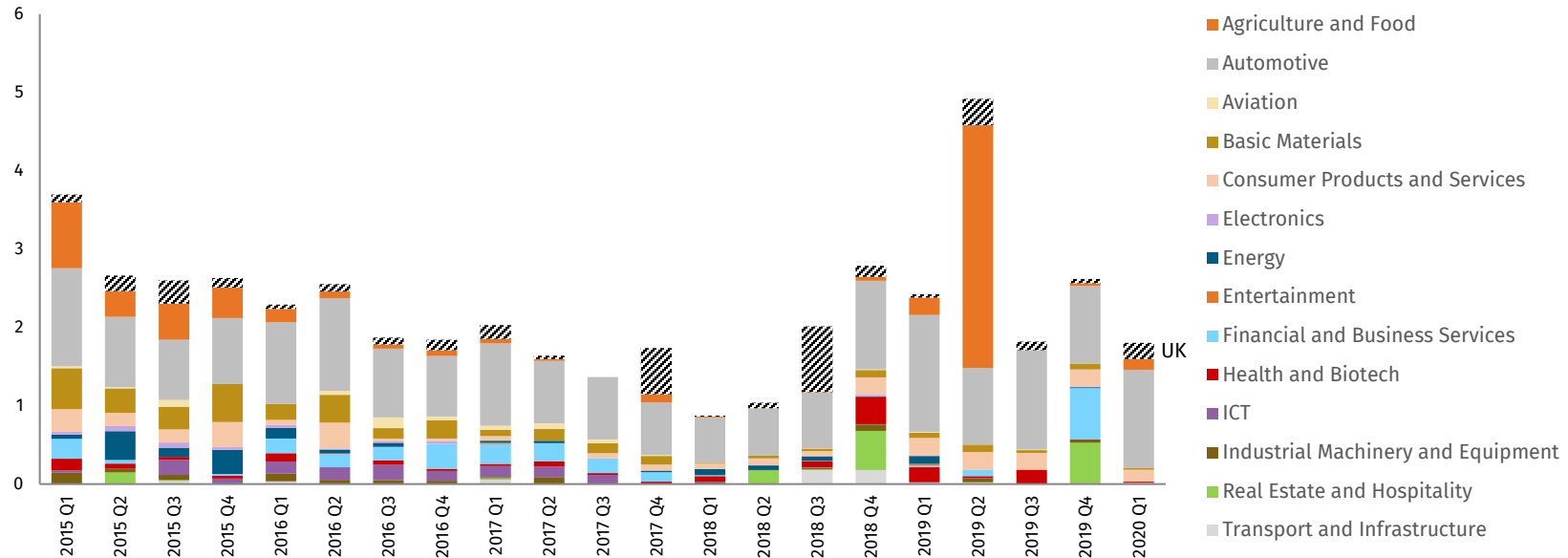
Source: Rhodium Group. \*Data covers EU-27 with the UK displayed separately.

- After two low quarters in 2Q and 3Q 2019, our **momentum** indicator shows that the value of newly announced acquisitions and greenfield transactions picked up in 4Q 2019 and 1Q 2020. There were \$1.5 billion of newly announced FDI projects by European companies in China in 1Q 2020. Several major new greenfield projects were announced: for instance, LDC is forming a joint venture to construct a \$1 billion food industrial park. There were also reports of one major new acquisition: Volkswagen is said to be finalizing an acquisition of a 20% stake in the Chinese battery maker Guoxuan High-Tech (estimated \$560 million).
- Despite global disruptions from COVID-19 in 1Q 2020, **completed** acquisitions and commenced greenfield investments by European companies in China reached \$1.6 billion in 1Q 2020. This is down from \$2.6 billion in 4Q 2019, but still nearly twice the value of the trough in 1Q-2Q 2018. The biggest newly commenced greenfield project is Mercedes-Benz and Geely's joint venture to make electric cars under the Smart brand (\$780 million total). In addition, we continued to see a strong floor from ongoing greenfield projects under construction: for instance, BMW just started construction of another facility in Tiexi, which will produce 150,000 EVs per year. Total acquisitions were only \$40 million this quarter as all newly completed projects were small in value.

# Industries

## Value of Completed EU FDI Transactions in China by Industry\*

USD billion



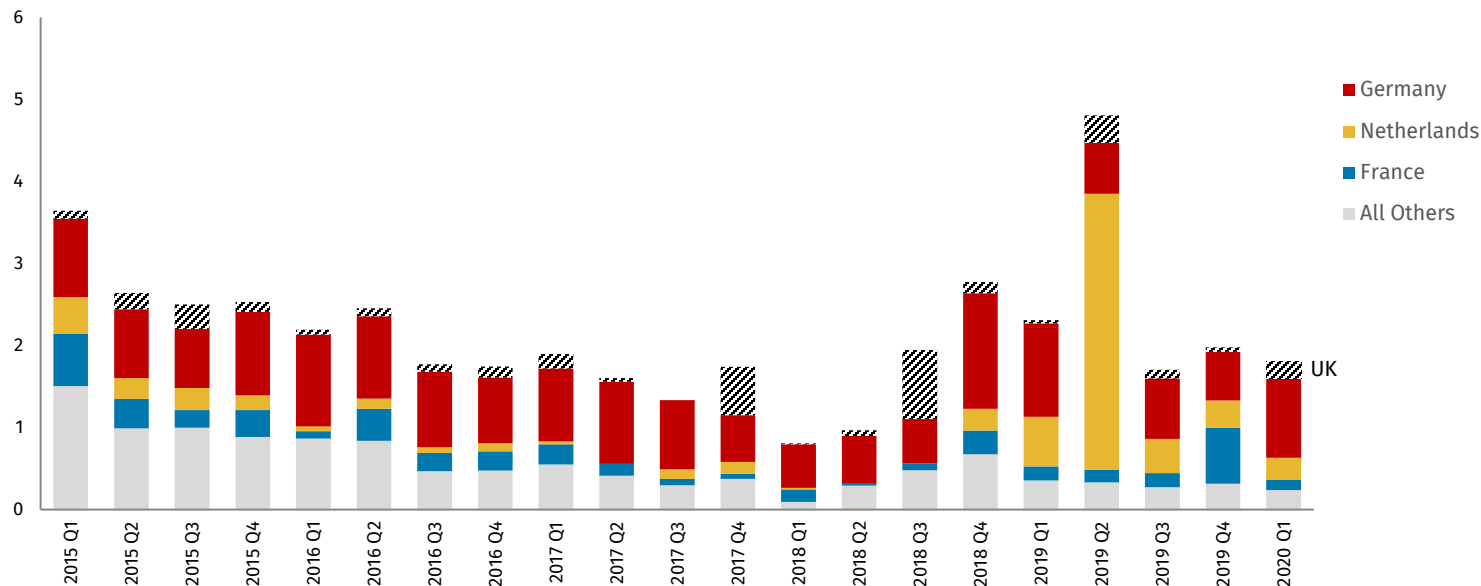
Source: Rhodium Group. \*Data covers EU-27 with the UK displayed separately.

- **Automotive** again accounted for the majority (79%) of EU FDI in China in 1Q 2020. This is due to both ongoing projects (such as BMW's construction at the Tiexi plant and Volkswagen's EV factory which just started pre-production last quarter) and newly started greenfield projects (Mercedes-Benz and Geely's new joint venture Smart Automobile).
- Other sectors that received significant investment in 1Q 2020 were **Consumer Products and Services** (Ikea's Shanghai Linkong Project) and **Agriculture and Food** (LDC's joint venture to construct a \$1 billion food industrial park).

# Geography

## Value of Completed EU FDI Transactions in China by Source Country\*

USD billion

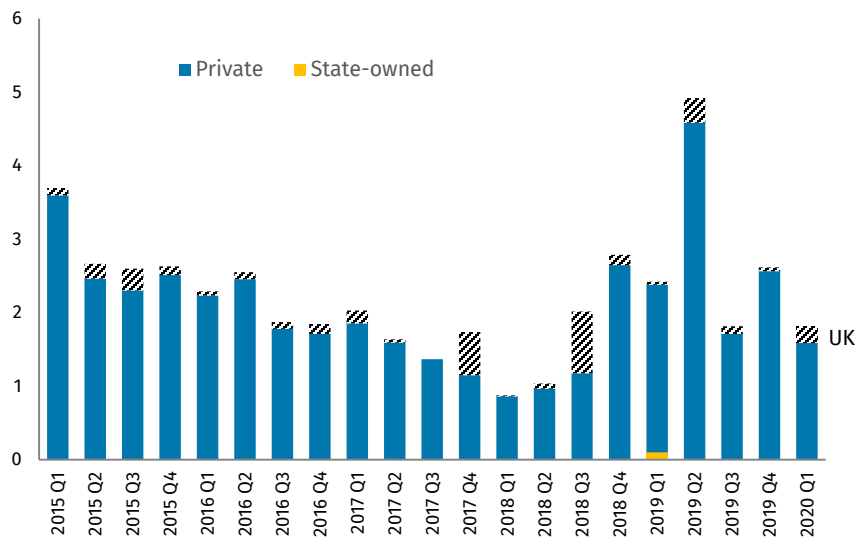


Source: Rhodium Group. \*Data covers EU-27 with the UK displayed separately.

- **Germany** (\$580 million), the **Netherlands** (\$270 million) and the **France** (\$130 million) were the three biggest European investors in China in 1Q 2020. Together they accounted for 85% of completed investment in 1Q.
- The vast majority of Germany's investments in China are in the automotive sector (EV ventures by BMW and Volkswagen). The Netherlands continued to be a top investor due to ongoing construction of Ikea's Shanghai mixed-use center (Shanghai Linkong Project). France became a top investor this quarter because of LDC's joint venture to construct a \$1 billion food industrial park.

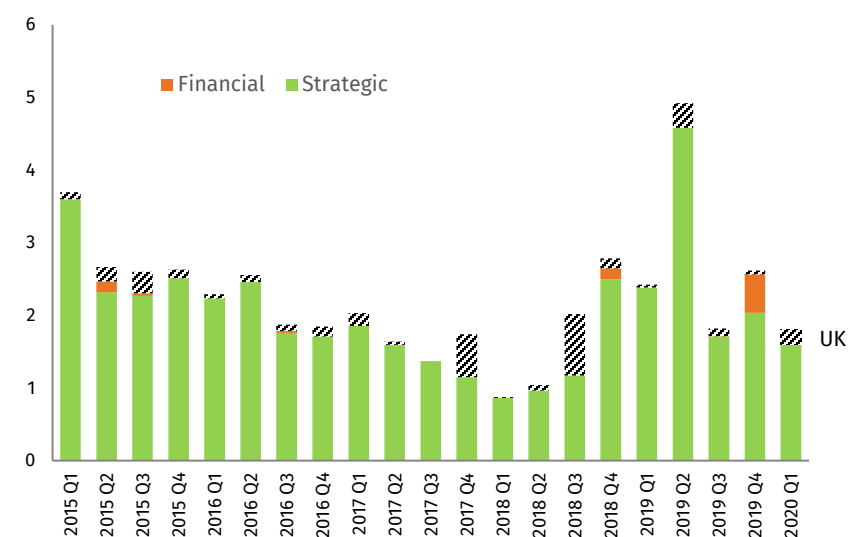
# Investor Characteristics

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



Source: Rhodium Group. \*Data covers EU-27 with the UK displayed separately.

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



Source: Rhodium Group. \*Data covers EU-27 with the UK displayed separately.

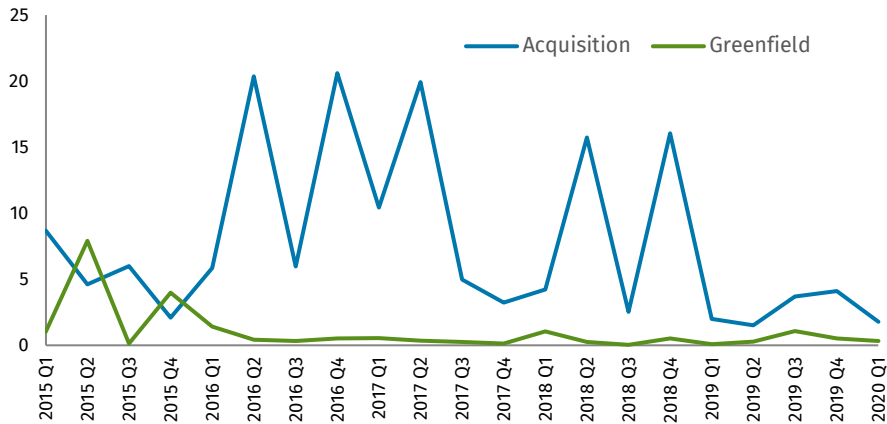
- EU FDI in China was entirely comprised of **strategic investment** (real economy firms investing in their core areas of business) by private sector companies.
- We record no **financial investment** (transactions primarily aimed at financial returns) in 1Q 2020.

## 2. Chinese FDI in the EU

# Momentum: New and Completed Transaction Value

## Value of Newly Announced Chinese FDI Transactions in the EU\*

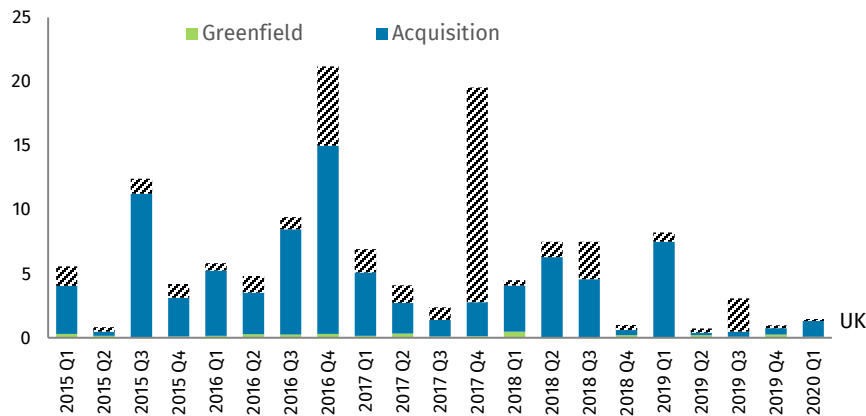
USD billion



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. Data covers EU-27.

## Value of Completed Chinese FDI Transactions in the EU\*

USD billion



Source: Rhodium Group. \*Data covers EU-27 with the UK displayed separately.

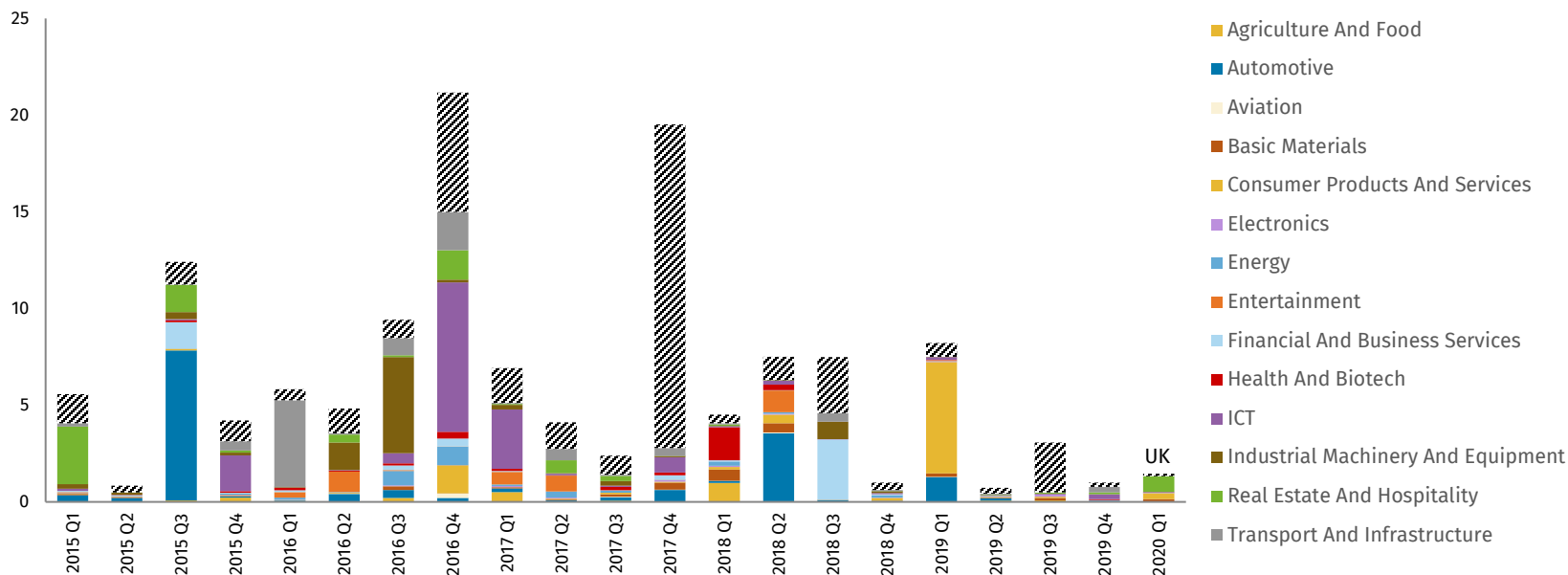
- The **momentum** for newly announced Chinese investments in Europe slowed slightly in 1Q 2020, totaling \$2.1 billion. The biggest announced M&A deals were GLP's \$1.1 billion purchase of Goodman Group's central and eastern Europe logistics assets, Fosun's acquisition of Bankhaus Lampe for \$280 million, and CDH's acquisition of a stake in Germany's WOW Tech International for an estimated \$200 million. The biggest newly announced greenfield project is Huawei's plan to build a \$223 million 5G mobile base station plant in France.
- The value of **completed** Chinese FDI transactions in the EU was \$1.3 billion in 1Q 2020, marking the fourth lowest quarter in the past four years. However Chinese investment in the EU remains higher than in other advanced economies such as the US, where Chinese investment came to a halt in 1Q 2020 amid the coronavirus pandemic. M&A activity accounted for the vast majority of total investment. Prominent completed deals include Huazhu Group's acquisition of Steigenberger Hotels for \$781 million, CDH's acquisition of a stake in WOW Tech International for an estimated \$200 million, and Brother Enterprises' acquisition of Lanxess's chrome chemicals business for \$89 million.



# Industries

## Value of Completed Chinese FDI Transactions in the EU by Industry\*

USD billion



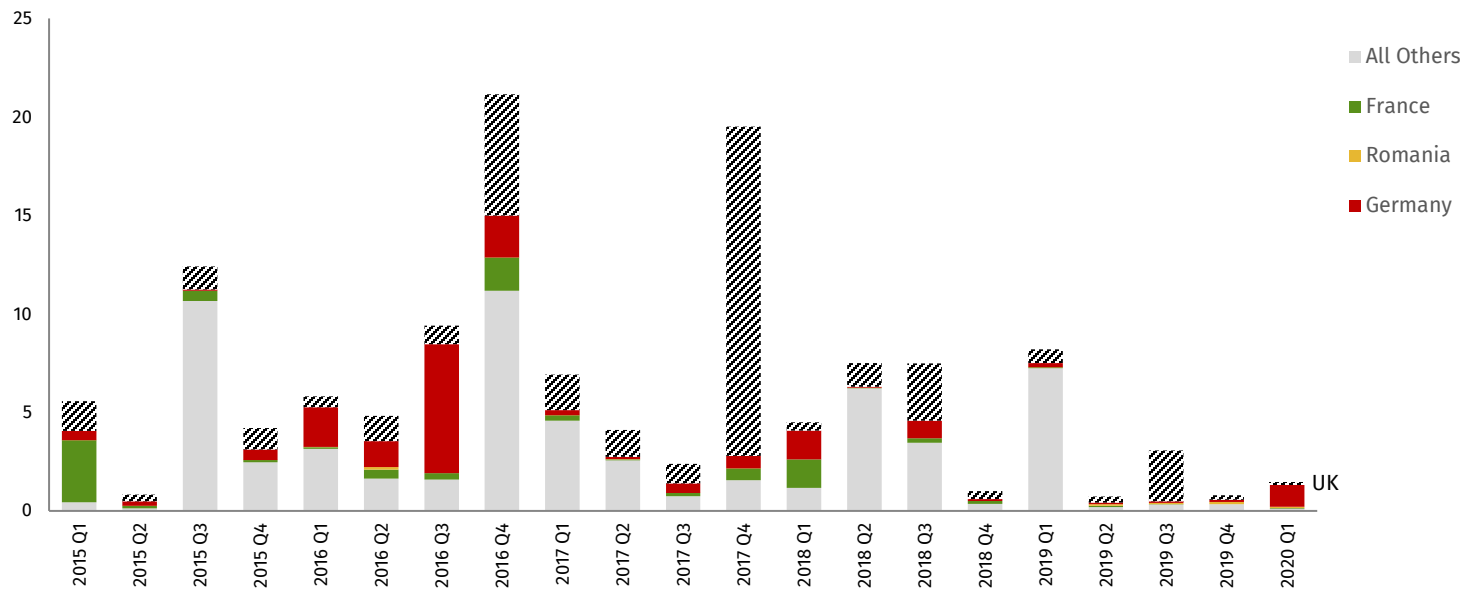
Source: Rhodium Group. \*Data covers EU-27 with the UK displayed separately.

- The top sector receiving Chinese investment in 1Q 2020 was **Real Estate and Hospitality** (\$0.8 billion). This is mainly due to one deal, Huazhu Group's acquisition of Steigenberger Hotels for \$781 million.
- **Consumer Products and Services** (\$310 million) came in second. Major deals included CDH's acquisition of a stake in WOW Tech International, a global pleasure products company, and Haier's new \$54 million refrigerator factory in Romania.
- **Basic Materials** (\$100 million) received the third highest level of Chinese investment in 1Q 2020. The biggest deals were Brother Enterprises' acquisition of Lanxess's chrome chemicals business for \$89 million.

# Geography

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

USD billion

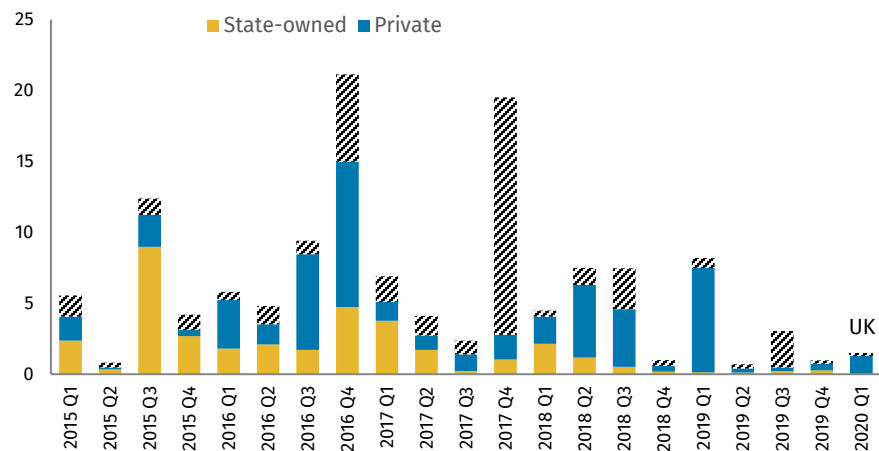


Source: Rhodium Group. \*Data covers EU-27 with the UK displayed separately.

- **Germany** (\$1.1 billion) was hands-down the biggest recipient country in 1Q 2020, accounting for 85% of the total investment. The top three deals were all in Germany: Huazhu Group's acquisition of Steigenberger Hotels, CDH's acquisition of a stake in WOW Tech International, and Brother Enterprises' acquisition of Lanxess's chrome chemicals business for \$89 million.
- **Romania** (\$0.05 billion) was the second highest recipient, getting a boost from Haier's planned refrigerator factory. **France** (\$0.04 billion) came in third. The biggest new deal this quarter was Shanghai Yuyuan Tourist Mart acquiring a stake in French jewelry brand Djula.

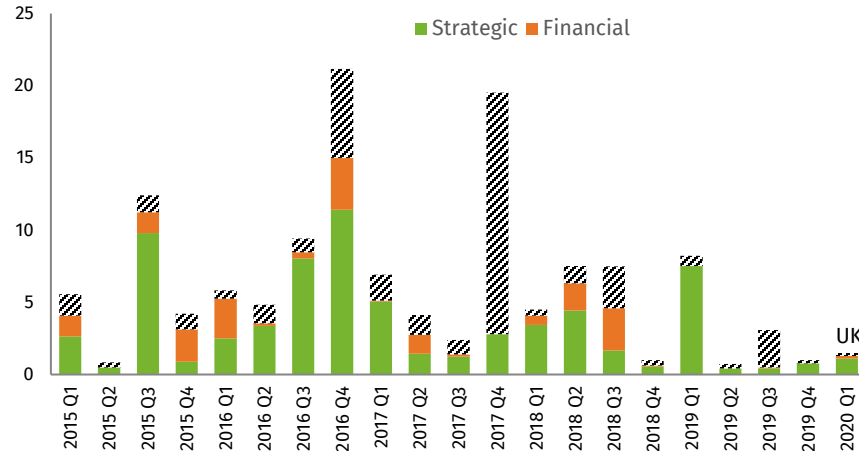
# Investor Characteristics

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



Source: Rhodium Group. \*Data covers EU-27 with the UK displayed separately.

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



Source: Rhodium Group. \*Data covers EU-27 with the UK displayed separately.

- **Private investors** accounted for nearly all deals in 1Q 2020 (96%). There were only a few investments by state-owned investors, the biggest one being CGL Investment Holdings Corporation's acquisition of two distribution centers in Poland.
- **Strategic investors** made up 83% of the total investment in 1Q 2020. The biggest deal was CDH's acquisition of a stake in WOW Tech International.

# Disclosure Appendix

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