CrossBorder Monitor (CBM)
People’s Republic of China <> European Union
Direct Investment

3Q 2020

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I. EU FDI in China
Momentum: Announced and Completed Transaction Value

- After an acquisition-related uptick in 2Q 2020, our momentum indicator shows that the value of newly announced acquisitions and greenfield transactions by EU firms in China fell back to 2019 levels in 3Q 2020. In total, we record $1.6 billion of newly announced FDI projects by European companies in China last quarter. The biggest newly announced deals were Boehringer Ingelheim’s launch of a $500 million Shanghai innovation hub and Ageas’ pending acquisition of a roughly $400 million stake in Taiping Reinsurance. Another notable deal was Boehringer Ingelheim’s purchase of a 3% stake in New Ruipeng Group for $200 million. However, as the deal does not qualify as FDI (below 10% stake), it is not included in our dataset.

- Completed acquisitions and commenced greenfield investments by European companies in China remained resilient at $1.5 billion in 3Q 2020. This was almost entirely due to ongoing greenfield investments in the auto sector and new investments by Boehringer Ingelheim and Danone. Completed acquisitions only amounted to $50 million this quarter but several M&A transactions that are awaiting regulatory approval will likely increase the total by the end of the year. Chief among these is Volkswagen’s pending acquisition of an $855 million stake in Guoxuan High-Tech, a lithium battery company. We project that total 2020 EU FDI in China will be approximately $7 billion, which is a fall from 2019, but not far from the yearly average of the last 5 years of $8 billion.
**automotive** ($1 billion) again accounted for more than 50% of completed EU FDI in China in 3Q 2020, mainly due to ongoing multi-year greenfield investments by BMW, Lithium Werks BV, Daimler AG, and Renault.

**Consumer Products and Services** ranked second after the auto industry due to ongoing greenfield expansions such as IKEA’s Livat Center and Azelis Holding’s purchase of Cosbond Shanghai International Trading. **Health and Biotech** came in third due to projects such as Boehringer Ingelheim’s Shanghai Innovation Hub and Unither Pharmaceuticals’ acquisition of Nanjing Ruinian Baisite Pharmaceutical.
**Geography**

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

USD billion

- **Germany** ($840 million), the **Netherlands** ($270 million), and **France** ($140 million) were the three main European investors in China in 3Q 2020. Together they accounted for over 80% of completed investment this quarter.

- Investment from Germany was heavily concentrated in the automotive sector, with several projects from BMW, Volkswagen, and Daimler. Investment from the Netherlands included projects by Lithium Werks, Ikea, and DSM. France ranked third due to ongoing investments by EDF and new investments by Danone in a research center and medical nutrition facility.

*Source: Rhodium Group. *Data covers EU-27 with the UK displayed separately.*
In 3Q 2020, EU FDI in China was entirely comprised of **strategic investment** (real economy firms investing in their core areas of business). We record no **financial investment** (transactions primarily aimed at financial returns) over the period.

We also record no investment by EU **state-owned companies** in China in 3Q 2020.
2. Chinese FDI in the EU
The **momentum** behind newly announced Chinese investments in Europe ticked up slightly in 3Q 2020. We recorded $1.8 billion newly announced greenfield projects and acquisitions last quarter. Prominent new deals included state-owned energy giant China Three Gorges’ $600 million pending acquisition of 500 MW photovoltaic plants from X-Elio, and Tianjin Zhonghuan Semiconductor’s completed acquisition of a 29% stake in Maxeon Solar Technologies for $298 million. TikTok also announced plans for a $500 million data center in Ireland but it is unclear if the deal will proceed.

The value of **completed** Chinese FDI transactions in the EU was steady at $1 billion in 3Q 2020, up from $500 million last quarter but at a relatively low level compared to previous years. M&A activity accounted for the majority of completed transactions. The biggest deals were the Tianjin Zhonghuan Semiconductor acquisition and the purchase of a stake in Energias de Portugal by China Three Gorges. This brings Chinese FDI in the EU so far in 2020 to $3.6 billion. If the current trend persists, we expect the yearly total for 2020 to be the lowest since 2013.
The top sector for Chinese investment in the EU in 3Q 2020 was **Energy** ($710 million). This was mainly due to two large deals, China Three Gorges’ acquisition of an additional $260 million stake in EDP and Tianjin Zhonghuan Semiconductor’s acquisition of a 29% stake in Maxeon Solar Technologies for $298 million.

**Real Estate and Hospitality** and **Electronics** received the second and third highest levels of Chinese investment this quarter ($120 million and $70 million, respectively). The largest real estate deal was Fosun’s purchase of the Floreasca Park office building in Romania. The largest Electronics deal was Jade Bird Fire’s acquisition of a controlling stake in Finsecur SAS.
### Geography

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

**USD billion**

![Bar chart showing the value of completed Chinese FDI transactions in the EU by target country from 2015 Q1 to 2020 Q4.](chart)

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

- **France** ($362 million) was the biggest recipient country of Chinese investment in 3Q 2020, accounting for a third of total investment. This was mainly due to Tianjin Zhonghuan Semiconductor’s acquisition of a minority stake in Maxeon Solar Technologies.

- **Portugal** ($263 million) was the second highest recipient. The biggest deal was China Three Gorge’s acquisition of an additional stake in EDP.

- **Romania** ($119 million) was third due to one deal: Fosun International’s acquisition of an office building in Bucharest.
Investor Characteristics

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

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.

- **State-owned investors** accounted for about half of total deal value in 3Q 2020. The key SOE investors were China Three Gorges Corp and Tianjin Zhonghuan Semiconductor.

- **Strategic investment** (real economy firms investing in their core areas of business) made up 88% of the total investment in 3Q 2020. There was only one major **financial investment** (transactions primarily aimed at financial returns): Fosun’s purchase of the Floreasca Park office building in Romania.
From 2000 to 2006, the **number of Chinese FDI transactions** in the EU-27 and the UK was consistently below 50 a year. After that, the number rose steadily to reach over 300 in 2016 and 2017, but then dropped sharply after 2017. So far in 2020, we counted only 63 single transactions for the first three quarters of the year.

**Average transaction size** was fairly steady at around $20 million from 2000 to 2010. After that, the average size increased rapidly to reach about $100 million over 2011-2019.

Even as transaction count fell after 2017, average transaction size stayed high in 2018 and 2019. However, tentative 2020 data up to Q3 indicates it may too have begun to fall: for the first time in over a decade this year, average transaction size was back below the USD 50 million mark.
3. Cumulative Flows
Cumulative EU-China FDI Since 2000

### Cumulative Value of EU-27 and UK FDI in China*

**USD billion**

![Graph showing the cumulative value of EU-27 and UK FDI in China from 2000 to 2020.]

- **The cumulative value** at the end of Q3 2020 for EU-27 and UK FDI in China amounted to $181 billion for the EU-27 and $31 billion for the UK. The average yearly investment of EU-27 FDI in China from 2000-2019 was $8.8 billion. The average for the UK was $1.5 billion.

### Cumulative Value of Chinese FDI in EU-27 and UK*

**USD billion**

![Graph showing the cumulative value of Chinese FDI in EU-27 and UK from 2000 to 2020.]

- **The cumulative value** at the end of Q3 2020 for Chinese FDI in EU-27 and UK amounted to $138 billion for the EU-27 and $59 billion for the UK. The average yearly investment of Chinese FDI in EU from 2000-2019 was $6.8 billion. The average for the UK was $2.9 billion.

Source: Rhodium Group. *2020 figures are only to Q3
Disclosure Appendix

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