



China's Cosco Shipping Ports Ltd., which operates around 180 container berths at ports worldwide, is purchasing a stake in Euromax Terminal Rotterdam BV.

How China Is Buying Its Way Into Europe

By Andre Tartar, Mira Rojanasakul and Jeremy Scott Diamond

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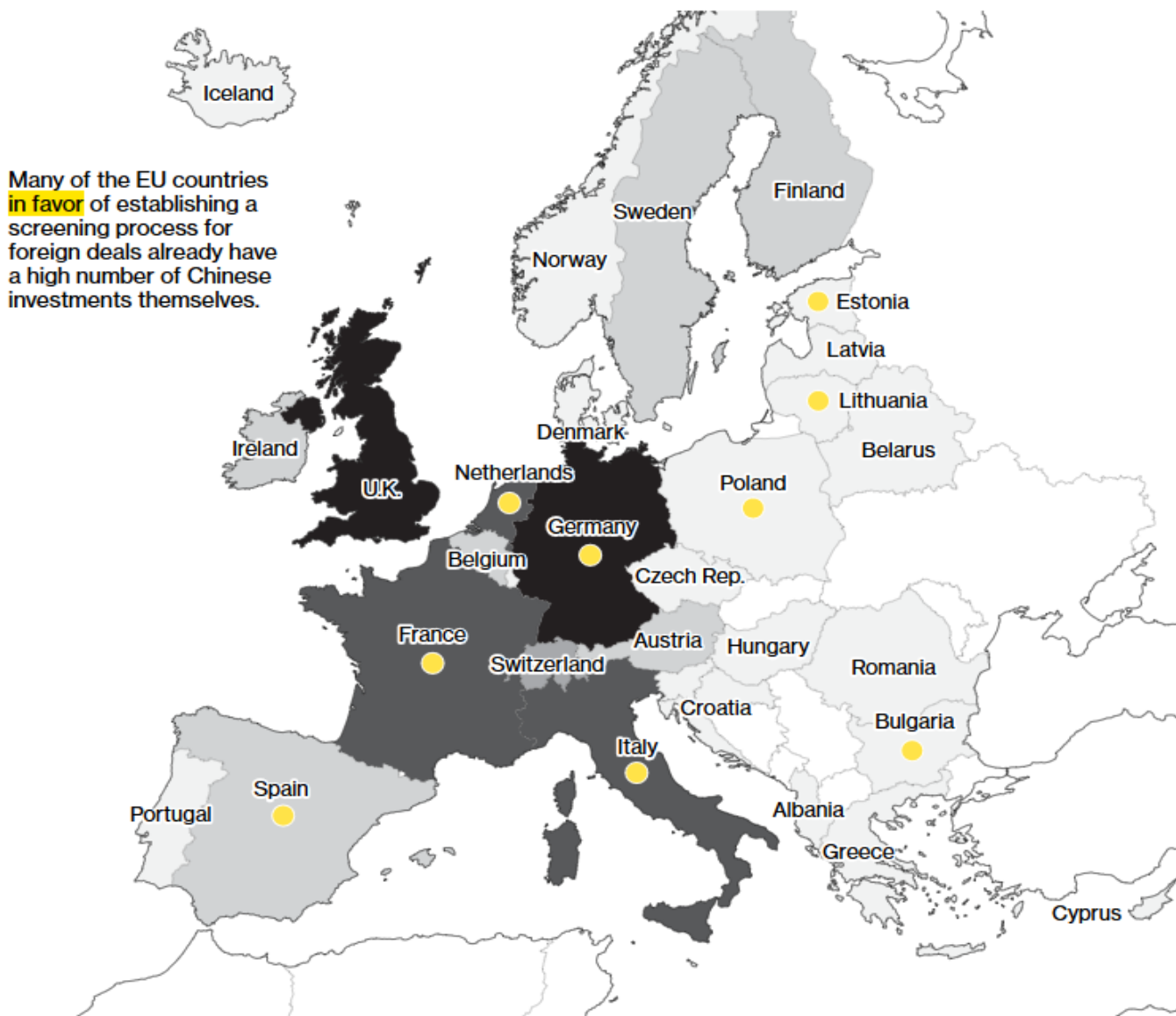
For more than a decade, Chinese political and corporate leaders have been scouring the globe with seemingly bottomless wallets in hand. From Asia to Africa, the U.S. and Latin America, the results are hard to ignore as China has asserted itself as an emerging world power. Less well known is China's diffuse but expanding footprint in Europe.

Bloomberg has crunched the numbers to compile the most comprehensive audit to date of China's presence in Europe. It shows that China has bought or invested in assets amounting to at least \$318 billion over the past 10 years. The continent saw roughly 45 percent more China-related activity than the U.S. during this period, in dollar terms, according to available data.

The volume and nature of some of these investments, from critical infrastructure in eastern and southern Europe to high-tech companies in the west, have raised a red flag at the European Union level. Leaders that include German Chancellor Angela Merkel and French President Emmanuel Macron are pressing for a common strategy to handle China's relentless advance into Europe, with some opposition from the EU's periphery.

Where China Is Investing 🇨🇳

0 20 40 60 80 100+ deals, 2008-2018



Note: Seven deals are assigned to multiple European countries and are therefore double counted.

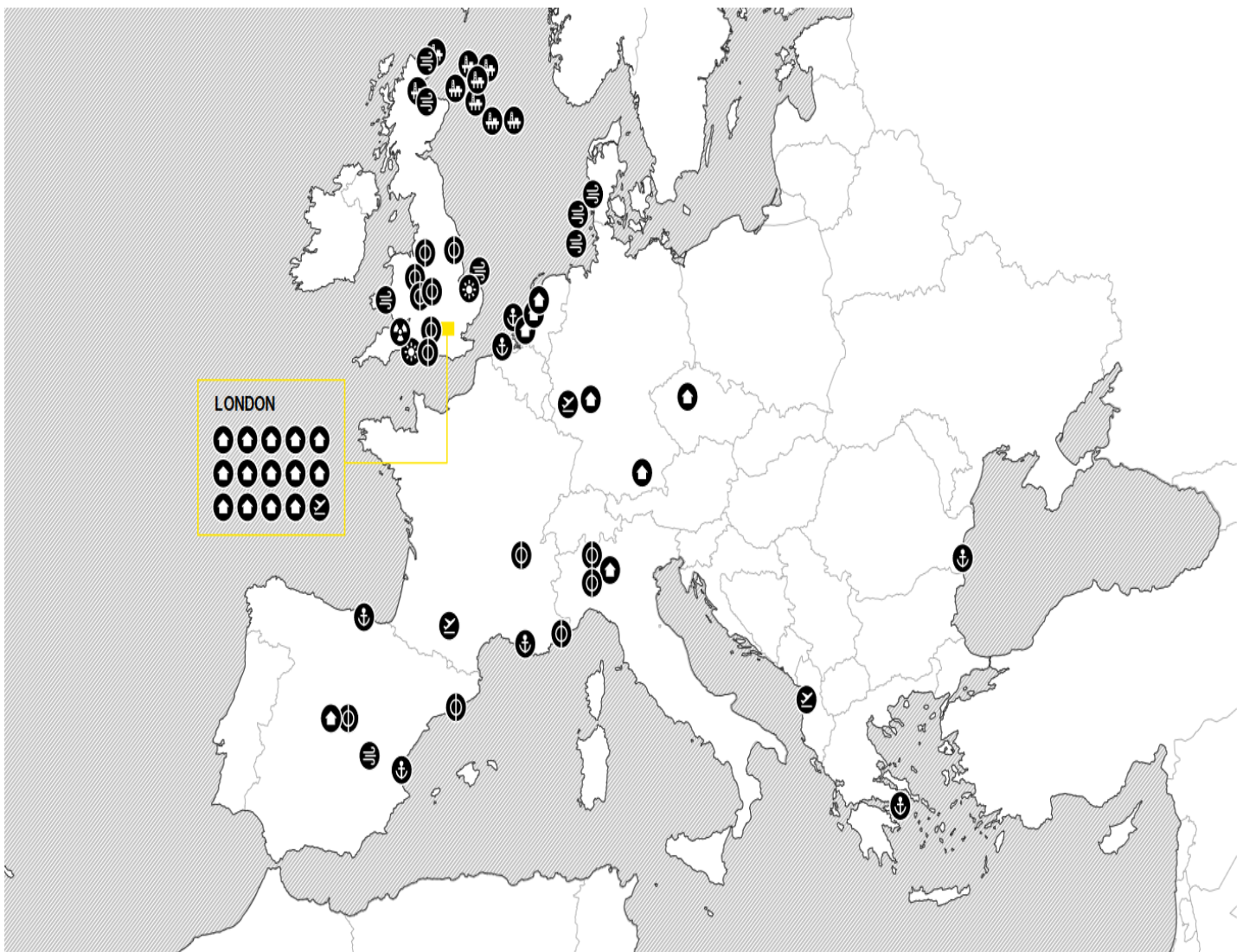
We analyzed data for 678 completed or pending deals in 30 countries since 2008 for which financial terms were released, and found that Chinese state-backed and private companies have been involved in deals worth at least \$255 billion across the European continent. Approximately 360 companies have been taken over, from Italian tire maker Pirelli & C. SpA to Irish aircraft leasing company Avolon Holdings Ltd., while Chinese entities also partially or wholly own at least four airports, six seaports, wind farms in at least nine countries and 13 professional soccer teams.

Importantly, the available figures underestimate the true size and scope of China's ambitions in Europe. They notably exclude 355 mergers, investments and joint ventures—the primary types of deals examined here—for which terms were not disclosed. Bloomberg estimates or reporting on a dozen of the higher-profile deals among this group suggest an additional total value of \$13.3 billion. Also not included: greenfield developments or stock-market operations totaling at least \$40 billion, as compiled by researchers at the American Enterprise Institute and the European Council on Foreign Relations, plus a \$9 billion stake in Mercedes-Benz parent company Daimler AG by Zhejiang Geely Holding Group Co. chairman Li Shufu reported by Bloomberg.

What China Owns in Europe 🇨🇳

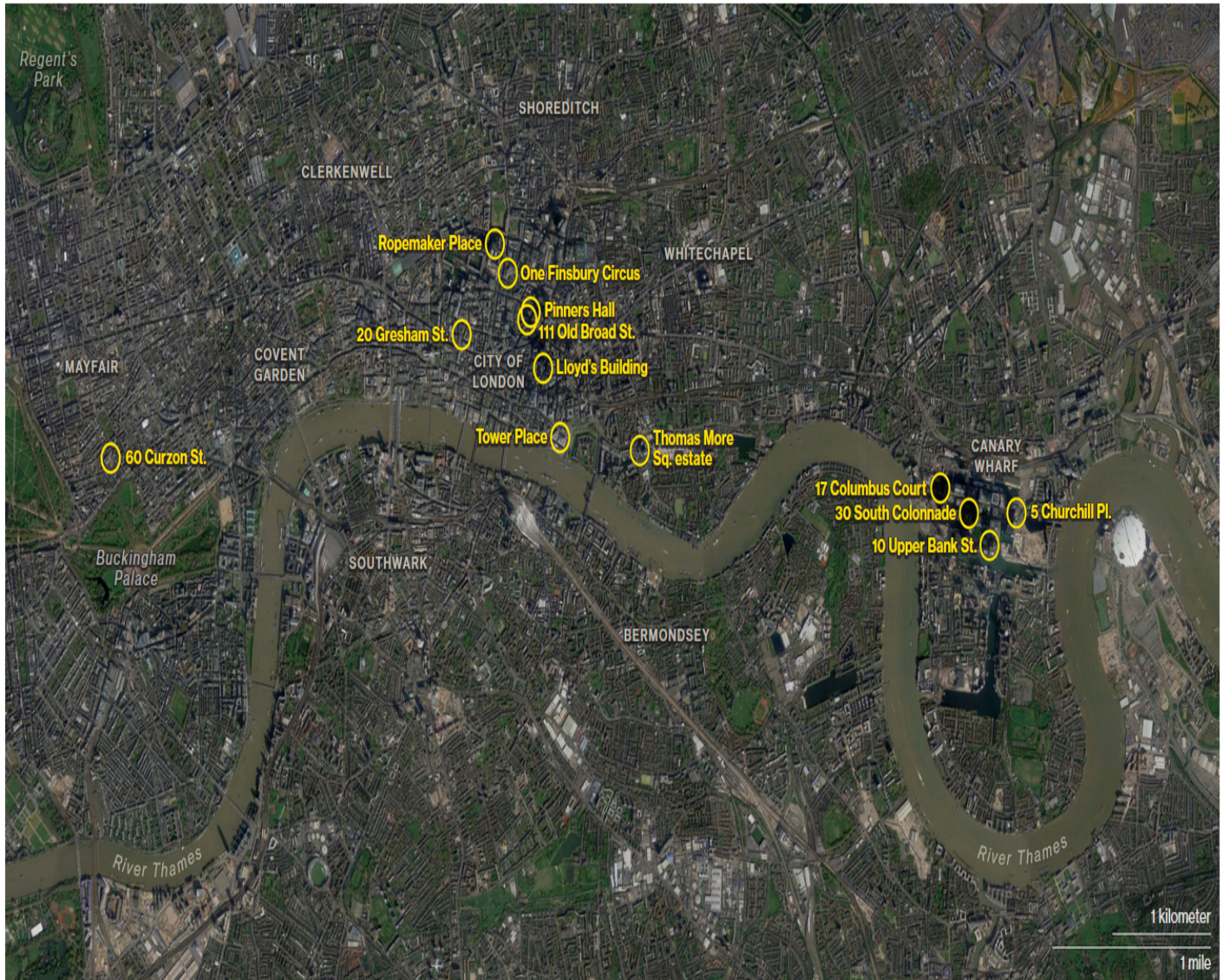
Sample of individual physical assets that Chinese companies have invested in

✈ Airports ⚓ Seaports 🛢 Oil ☢ Nuclear ☀ Solar 🌬 Wind 🏠 Buildings ⚽ Football Teams



Nowhere is China's buying spree more evident than in the British capital, where it has gobbled up around a dozen office towers in the City of London and Canary Wharf financial districts.

China's London Fixation

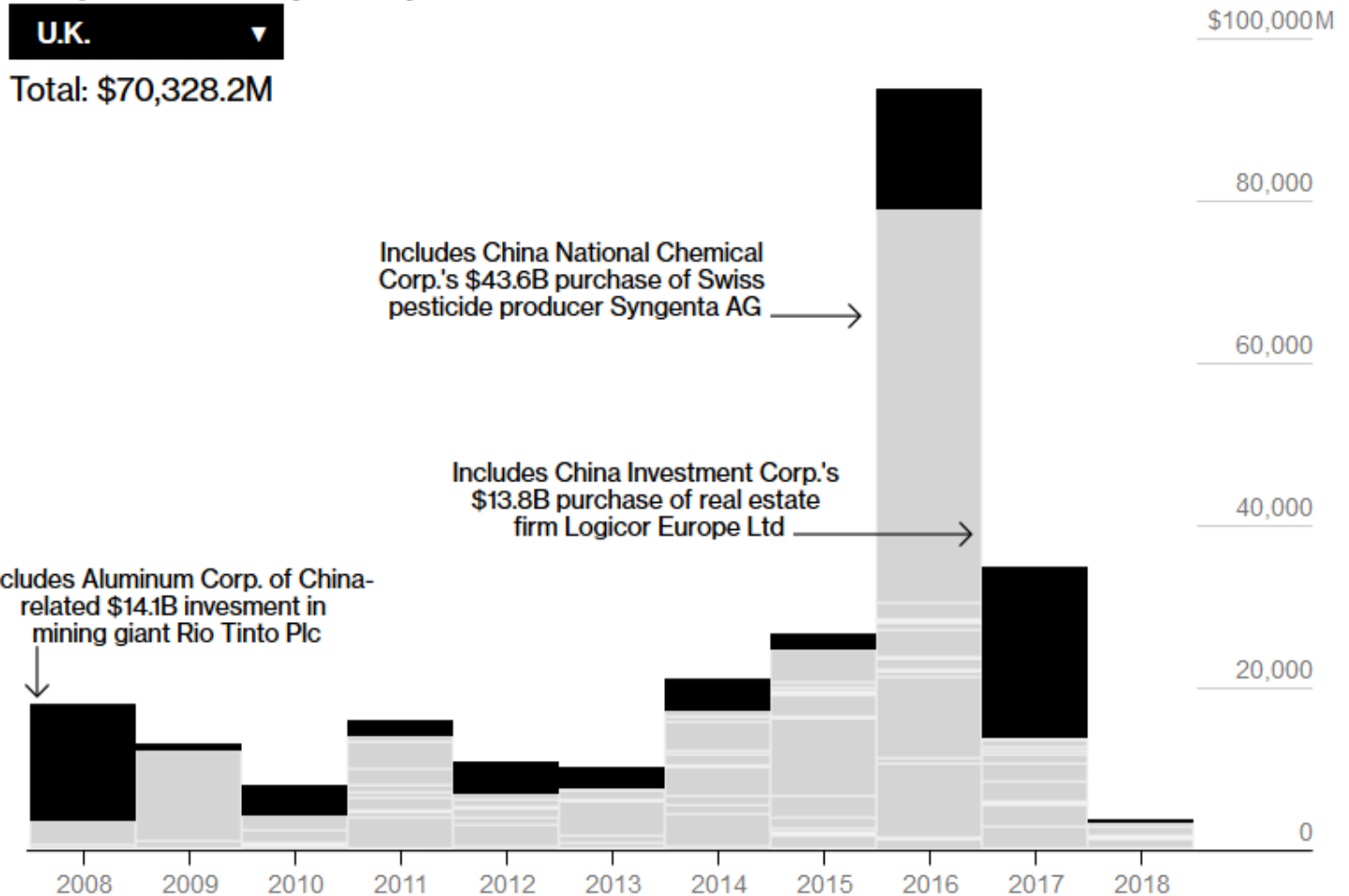


2016 was by far the biggest year for Chinese dealmaking in Europe, when China National Chemical Corp., also known as ChemChina, announced it would purchase Swiss pesticide maker Syngenta AG for \$46.3 billion. (For the purposes of this analysis and the following graphic, Bloomberg looked at the announcement dates of deals. The Syngenta takeover, for instance, was finalized only in January 2018.)

Excluding the sizable increase produced by the Syngenta megadeal, there is a clear upward trend in recent years, with less than \$20 billion in relevant investments annually prior to 2014 but more than that in each year since. And yet the average size of deals for which financial information is available looks to have fallen. In 2008 and 2009, the average deal was worth almost \$740 million, compared to a little more than \$290 million for 2016 and 2017 (when discounting ChemChina-Syngenta). So far this year, the average deal is clocking in at \$127 million.

China's Growing Appetite 🇨🇳

Yearly deal values (by country) 2008–2018



Six deals worth \$774 million are assigned to multiple European countries and are therefore double-counted.

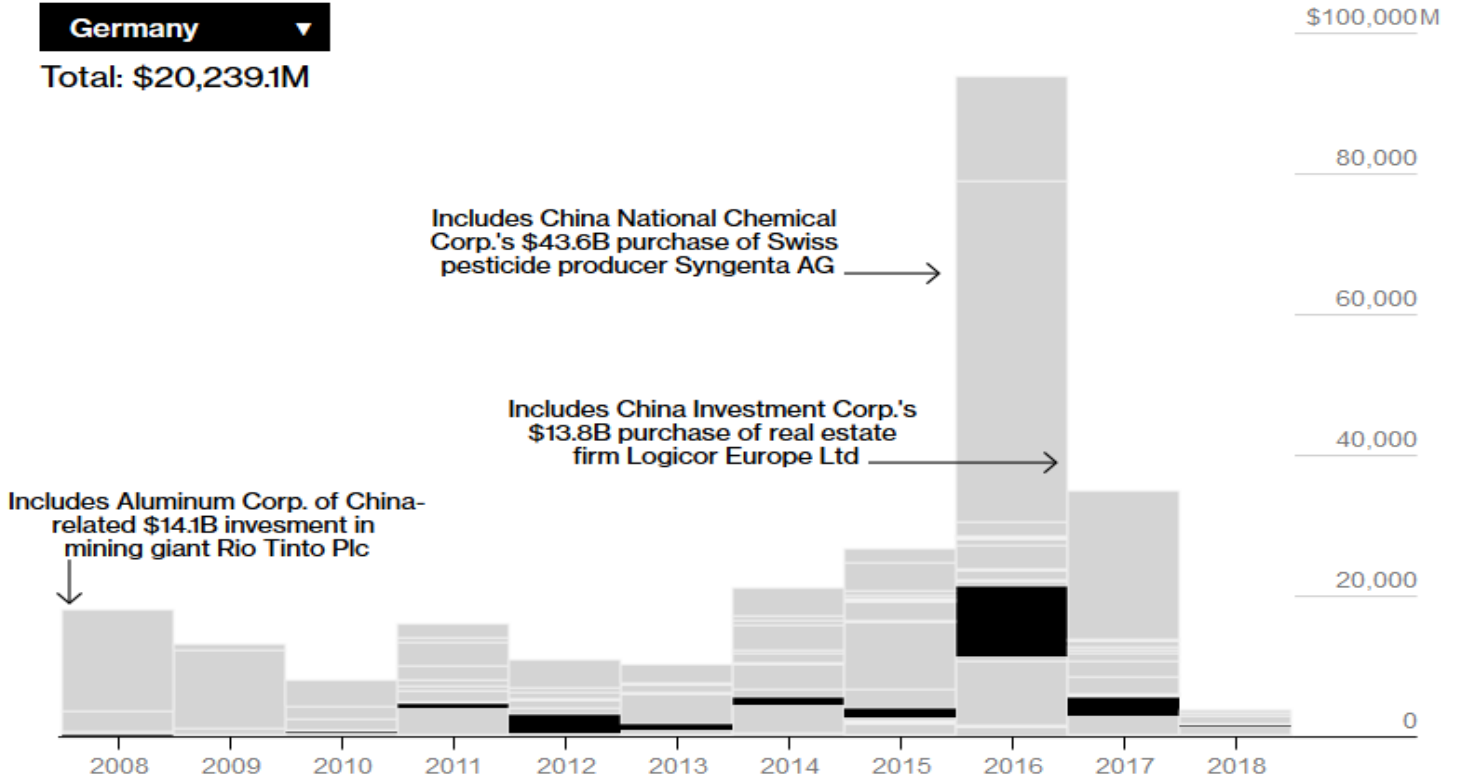
Six deals worth \$774 million are assigned to multiple European countries and are therefore double-counted.

China's Growing Appetite 🇨🇳

Yearly deal values (by country) 2008–2018

Germany ▼

Total: \$20,239.1M



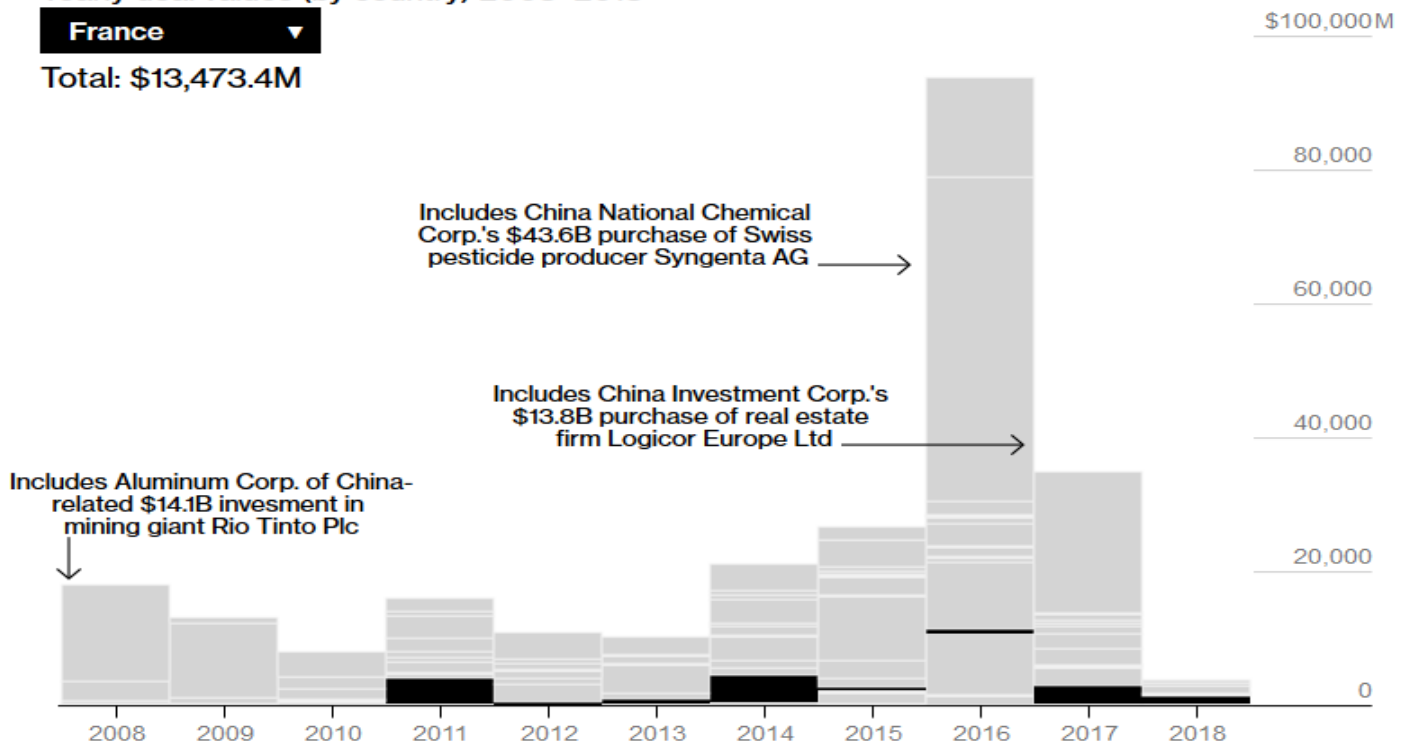
Six deals worth \$774 million are assigned to multiple European countries and are therefore double-counted.

China's Growing Appetite 🇨🇳

Yearly deal values (by country) 2008–2018

France ▼

Total: \$13,473.4M



Six deals worth \$774 million are assigned to multiple European countries and are therefore double-counted.

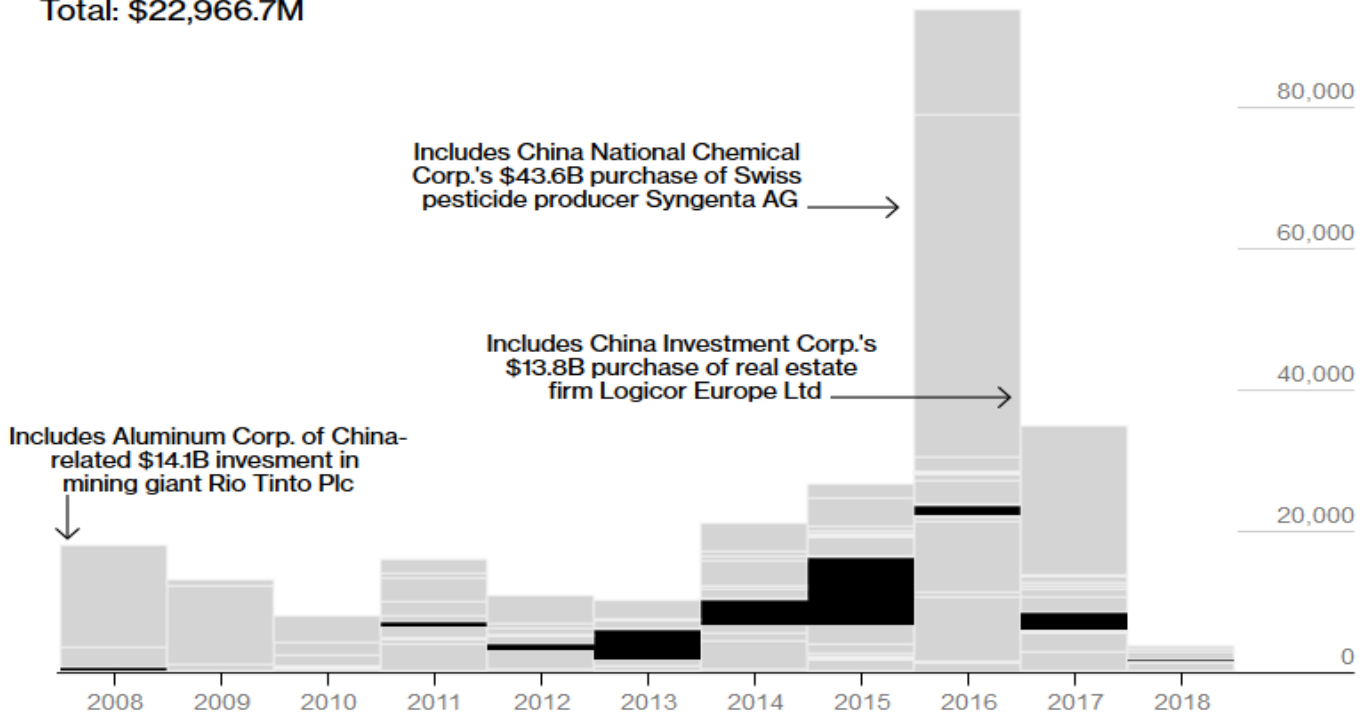
China's Growing Appetite 🇨🇳

Yearly deal values (by country) 2008–2018

Italy ▼

Total: \$22,966.7M

\$100,000M



Six deals worth \$774 million are assigned to multiple European countries and are therefore double-counted.

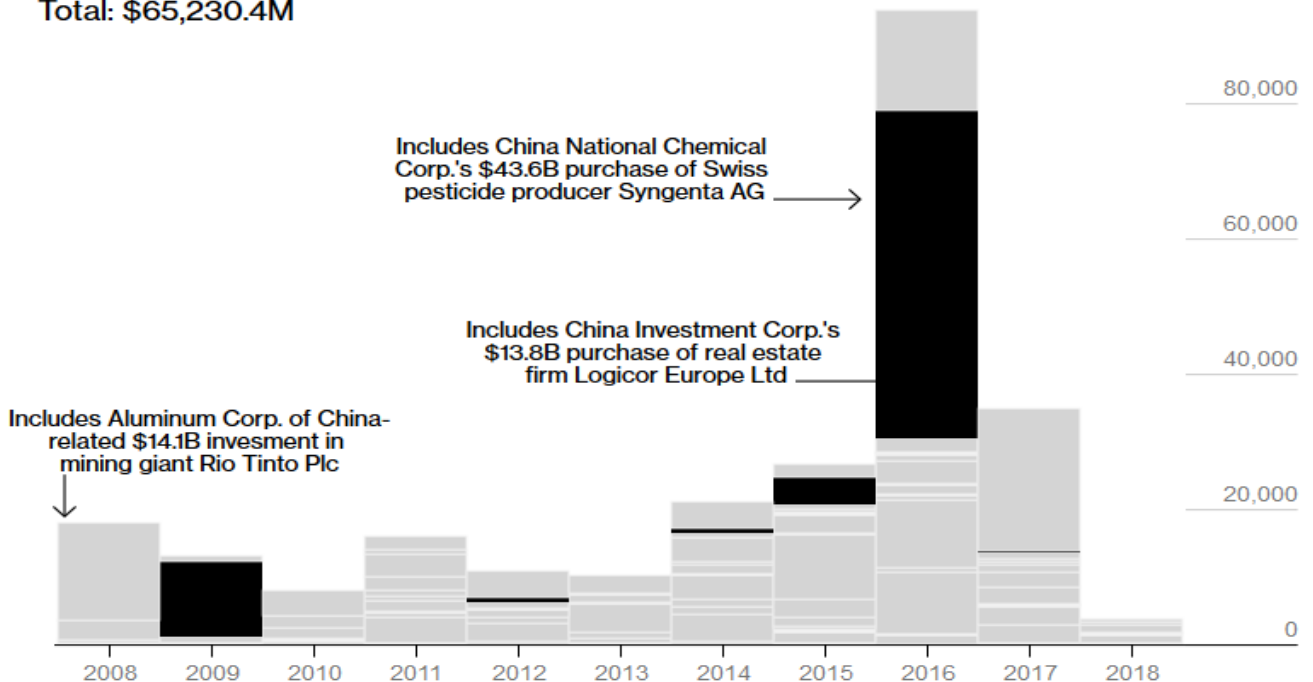
China's Growing Appetite 🇨🇳

Yearly deal values (by country) 2008–2018

Switzerland ▼

Total: \$65,230.4M

\$100,000M



Six deals worth \$774 million are assigned to multiple European countries and are therefore double-counted.

More than half of the known investment total is concentrated in Europe's five largest economies: The Chinese have participated in deals worth \$70 billion in the U.K. alone. But it is at the periphery where China has made some of its biggest infrastructure plays, such as purchasing Greece's largest port, in Piraeus. There's also an important core-periphery divide when it comes to Europe's openness to Chinese investment. At the same time that Germany, France and Italy are pushing for an EU-wide investment screening mechanism, governments in Greece, Portugal and Cyprus are skeptical of such a move, saying it would hamper their countries' ability to attract much-needed capital.

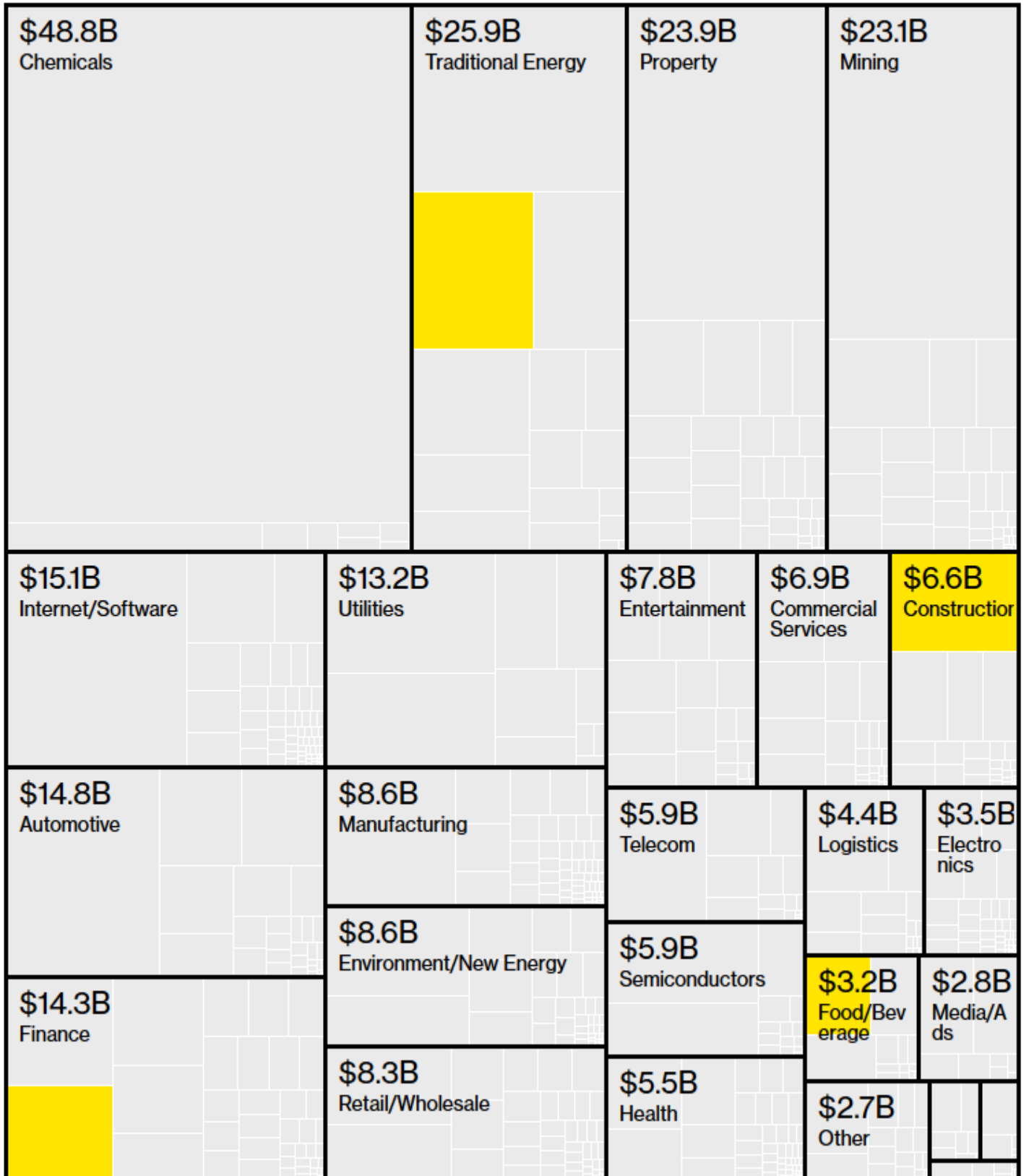
“The money will flow to where it is most welcome. Until a European review mechanism is put in—the U.S. has one, Australia has one—Europe is likely to win the lion's share of Chinese investment. I expect a move in Europe to regulate Chinese investment, but right now it is the number one destination.”

—Derek Scissors, China researcher at the American Enterprise Institute

Whether it's buying up London commercial real estate, German technology companies such as industrial robot maker Kuka AG, Scandinavian carmakers like Volvo Personvagnar AB, or such energy producers as Switzerland's Addax Petroleum Corp., Chinese investments have clustered in a few key industries.

Chinese Deals by Industry

Top sectors where Chinese dealmakers have invested in since 2008



Fourteen deals, worth roughly \$4.5 billion, are assigned to multiple industry groups and are therefore double- or triple-counted.

■ Finance

Fosun International Ltd. took part in one of the largest privatization deals in Portuguese history, buying 80 percent of Caixa Geral de Depositos S.A.'s insurance arm in 2014.

■ Construction

Chinese conglomerate HNA Group Co. paid \$2.8 billion for airport maintenance service provider Swissport International Ltd. in the early days of a \$40 billion-plus global buying spree.

■ Traditional Energy

In 2013, China National Petroleum Corp. paid over \$4 billion for a minority stake in the East African unit of Italian energy giant Eni SpA.

■ Food/Beverage

Bright Food Group Co. paid \$1.2 billion in 2012 for U.K. cereals company Weetabix Ltd.



A consortium led by Shandong Hi-speed Co., a Chinese infrastructure-management company, purchased a stake in France's Toulouse-Blagnac airport in 2015.

Knowing who is doing all this buying is crucial to understand how such activity fits into China's official and unofficial foreign policy aims. In all, more than 670 Chinese or qualifying Hong Kong-based entities have invested in Europe since 2008. (Assets invested in or bought by Hong Kong entities without significant ties to mainland

China are excluded from this analysis.) Of those, almost 100 are state-backed companies or investment funds, which collectively had a hand in transactions worth at least \$162 billion, or 63 percent of the total reported deal value, as compiled by Bloomberg.

Yet the line between state and private enterprises is far more blurred in China than in Europe: The Cosco group of companies, which is challenging Europe's domination in container shipping, consists of publicly traded branches of state-owned China Ocean Shipping Group Co., and has bought stakes in, or operate in, ports from the Bosphorus to the Baltic Sea. Eight of the 10 largest acquirers we identified were state-owned or -backed, including China Investment Corp. (a sovereign wealth fund), Aluminum Corp. of China Ltd., and Silk Road Fund Co. (a sovereign wealth fund connected to China's Belt and Road Initiative).

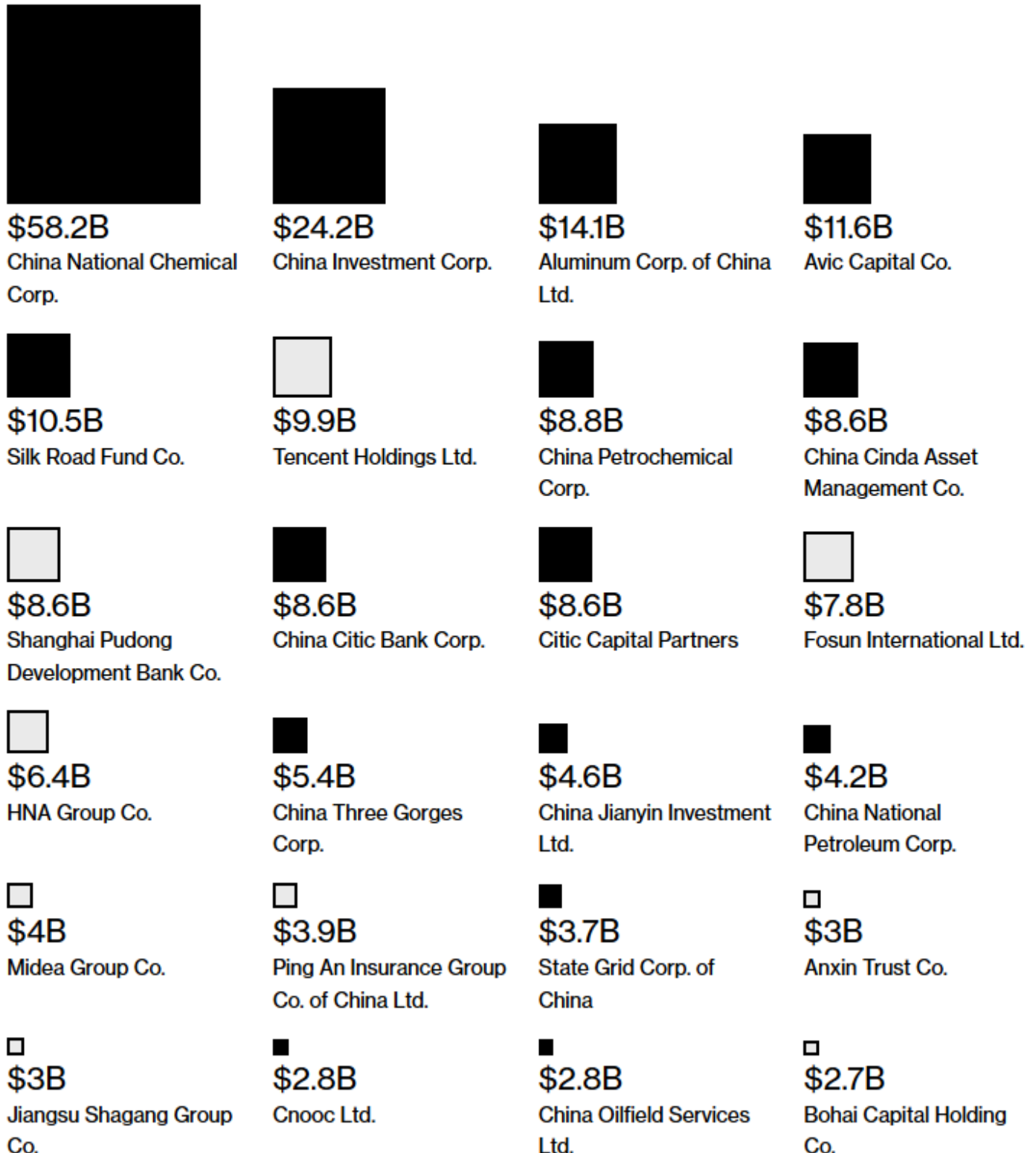
“There is no backroom deal; everything is transparent. There is no ‘winner takes all’, but every project delivers win-win results.”

—Wang Yi, China's foreign minister, in March

An additional 30 or more entities are currently owned by one of China's provinces or municipalities.

Top 25 Chinese Acquirers in Europe 🇨🇳

State-backed enterprises dominated Chinese mergers and investments in Europe over the past decade



The picture of China's financial interests in Europe wouldn't be complete without taking a look at two additional types of transactions: large stock purchases on the open market, such as Ping An Insurance Group Co. of China Ltd.'s \$10 billion stake in bank HSBC Holdings Plc, and greenfield developments, or construction projects on previously undeveloped or underutilized land.

Bloomberg's analysis of data from Derek Scissors, a China expert at the American Enterprise Institute, plus research conducted by the European Council on Foreign Relations (ECFR) identified at least nine large greenfield projects, mostly in the London area. The exceptions: the \$24 billion Hinkley Point C nuclear power station, of which China is funding one-third, and a massive \$3.4 billion mall outside Paris that Chinese real estate developer Dalian Wanda Group Co. is pursuing alongside French supermarket chain Auchan Holding SA.



The U.K.'s \$24 billion Hinkley Point C nuclear power plant is one-third funded by state-owned China General Nuclear Power Corp.

Looking ahead, Chinese companies have expressed interest in a slew of European deals that haven't been officially announced yet, based on Bloomberg data and reporting, as well as a recent ECFR report. These include building nuclear reactors in Romania and Bulgaria, buying a Croatian container terminal and building a Swedish port, taking over Czech carmaker Skoda Transportation AS and an Ireland-based oil and gas producer, investing in French ski-lift firm Compagnie des Alpes and a German electricity grid operator and providing financing for a bridge in Croatia and a Budapest-Belgrade rail link.

Methodology

This analysis is primarily based on data for mergers and acquisitions, investment and joint-venture deals from the MA function on the Bloomberg Professional service where the target's country of risk is in Europe (minus Georgia, Russia, Turkey), where the acquirer's country of risk is in China, and which was announced between Jan. 1, 2008 to March 31, 2018. Twenty-five deals were manually added for certain Hong Kong-based acquirers generally deemed to be Chinese, arms of Chinese companies or have significant Chinese backing.

- Bank of China Group Investment Ltd.
- Boyu Capital Advisory Beijing Co.
- Cathay Fortune International Co.
- CIMC Enric Holdings Ltd.
- Citic Capital Holdings Ltd.
- Citic Capital Partners
- Golden Brick Capital Management Ltd.
- GSR Capital Group LLC
- GSR Ventures Management Co.
- Haier Electronics Group Co.
- Haitong International Securities Group Ltd.
- Hillhouse Capital Management Ltd.
- Hony Capital Ltd.
- MIE Holdings Corp.
- Nanchang Industrial Holding Group Co.
- NetDragon Websoft Holdings Ltd.
- ORI Healthcare Fund LP
- Primavera Capital Ltd.
- Shanda Group Pte Ltd.
- Shanda Investment Group Ltd.
- Sparkle Roll Group Ltd.
- Sparkle Roll Holdings Ltd.
- United Luck Group Holdings Ltd.
- Vinda International Holdings Ltd.
- WH Group Ltd.
- ZZ Capital International Ltd.

Two deals conducted by AMC Entertainment Holdings Inc. were also added manually because the acquirer is controlled by China's Dalian Wanda Group Co.

Deal valuations are based on reported terms. Where a deal involves multiple acquirers, including outside China, we include the total deal value as reported, not an individual acquirer's share. Deals are registered according to their announcement date.

Both pending and completed deals are included in the analysis. This analysis captures Chinese inflows into Europe and therefore excludes subsequent deals in which Chinese acquirers have sold or restructured any relevant assets or company stakes.

This graphic regroups the 73 industry groups as shown on the MA Bloomberg function into 25 broader categories, as laid out here.

Information on large equity stake purchases on the open market or investments in land or greenfield developments are based on research by Derek Scissors of the American Enterprise Institute and by the European Council on Foreign Relations and attempt to capture the Chinese share of a deal's value.

Different European Union countries' stances regarding an EU-wide investment screening mechanism are based on Bloomberg reporting.

Sources: Bloomberg data and reporting, American Enterprise Institute and European Council on Foreign Affairs

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Editor: Alan Crawford

Additional data research by: Mathieu Benhamou, Ben Scent and Jason Lee

With the assistance of: Cedric Sam, Richard Bravo, Jennifer Prince, Jonathan Tirone, Marine Strauss, Slav Okov, Andra Timu, Georgios Georgiou, Peter Laca, Peter Levring, Ott Ummelas, Raine Tiessalo, Eleni Chrepa, Marton Eder, Dara Doyle, Peter Flanagan, John Follain, Milda Seputyte, Wout Vergauwen, Marek Strzelecki, Joao Lima, Esteban Duarte, Amanda Billner, Jonas Bergman, Alex Morales, Stephanie Bodoni, Lyubov Pronina, Aaron Eglitis, Jasmina Kuzmanovic and Boris Cerni