Box 1. Chinese Investment in North America and Europe

While both U.S. and European stakes in China are on the rise, and vice versa, the ties that bind the United States and Europe are much thicker and far deeper than comparable ties with China. The United States and Europe represent large, wealthy markets, with respect for the rule of law and transparent rules and regulations. China, on the other hand, remains relatively poor, with many barriers to entry in various sectors, all wrapped in an opaque regulatory environment that favors local firms or large state-owned enterprises.

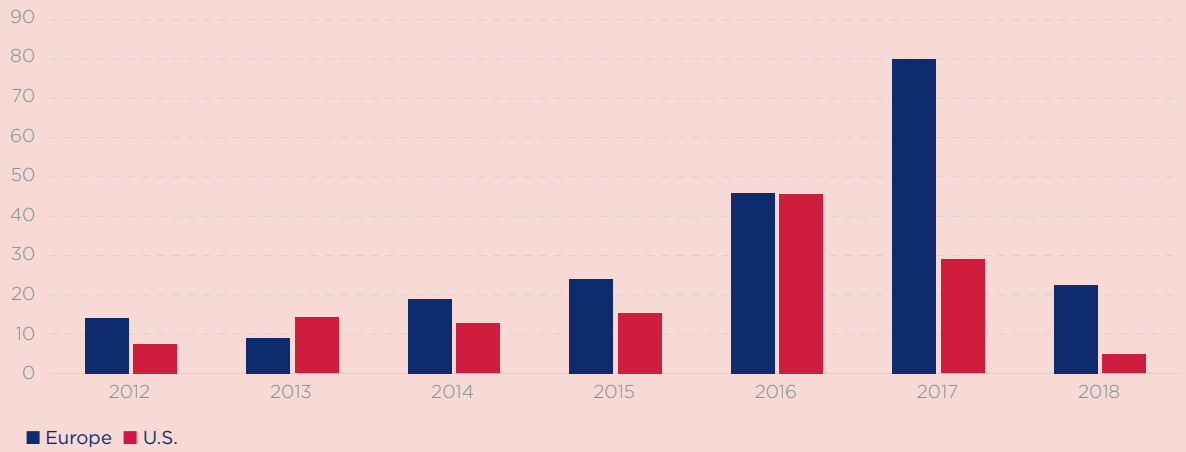
Table 3 highlights that Chinese investments in both the United States and Europe had grown since the start of the decade, but have recently been on a downward trajectory. Chinese investment in the U.S. peaked in 2016, but declined in 2017.

Chinese investment flows to the United States in 2018 are estimated to have declined even further due to more restrictive Chinese policies on outbound investment, significant Chinese disinvestment of U.S. real estate, hospitality and entertainment assets, tighter U.S. investment screening, and a more protectionist tilt from the administration in the United States. According to data from the Rhodium group, in 2018 Chinese greenfield investments and acquisitions in the United States fell to $5 billion, their lowest level in seven years. At the same time, Chinese investment in several large mining acquisitions in Canada meant that Canada received more Chinese investment than the United States in 2018. Looking ahead, the pipeline of pending deals in North America (less than $5 billion) is weak.[1]

Chinese investment in Europe fell dramatically in 2018, but was more robust than Chinese investment in the United States. According to the Rhodium Group, Chinese FDI in Europe was $22.5 billion in 2018, 70% down from the 2017 figure of $80 billion (over half of which was due to one deal alone: ChemChina's acquisition of Syngenta for $43 billion). The UK received the most Chinese investment ($4.94 billion), but this was 76% less than in 2017. Similar falls were seen in the Netherlands (down 76%), Switzerland (down 99%) and Italy (down 21%).

Chinese investment increased in Central and Eastern Europe, albeit from a low base. Chinese investors also made acquisitions worth $1.83 billion in France (up 86% compared to 2017), $2.52 billion in Germany (up 34%), $1.17 billion in Spain (up 162%) and $4.05 billion in Sweden (up 186%). Investment in Luxembourg spiked from under $100 million in 2017 to $1.87 billion, while in Denmark it grew from $200 million to $1.1 billion. Pending deals of more than $20 billion means that the Chinese investment pipeline in Europe will continue to be more robust than in North America.[2]

Table 3 Value of Completed Chinese FDI Transactions in Europe vs. U.S. (Billions of U.S. $)



Data represents greenfield investments and acquisitions in the U.S. and Europe, excludes divestitures. Europe includes EU28 plus Norway, Switzerland, Iceland, Lietchtenstein.
Source: Rhodium Group.
Data as of January 2019.