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China como Inversionista Estratégico en el Exterior - Retos, Oportunidades e Implicaciones para Europa

*Colegio de Economistas de Valencia
Valencia, 3 Noviembre 2011*

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The Beijing Axis – 4 Unidades de Negocio



- **Founded in 2002; has successfully worked with many international and Chinese MNCs**
- **Operates in four synergistic cross-border China businesses**
- **Provides services across various sectors, with a core focus on the MINING, RESOURCES, INDUSTRIAL and ENGINEERING sectors**
- **Provides solutions to international firms as they act in unfamiliar territory in China/Asia**
- **Provides solutions to Chinese firms as they venture out and 'go global'**



Agenda

La Emergencia de China en la Economía Global

China como Inversionista Estratégico en el Exterior

Retos, oportunidades e implicaciones para Europa – con mención específica a España

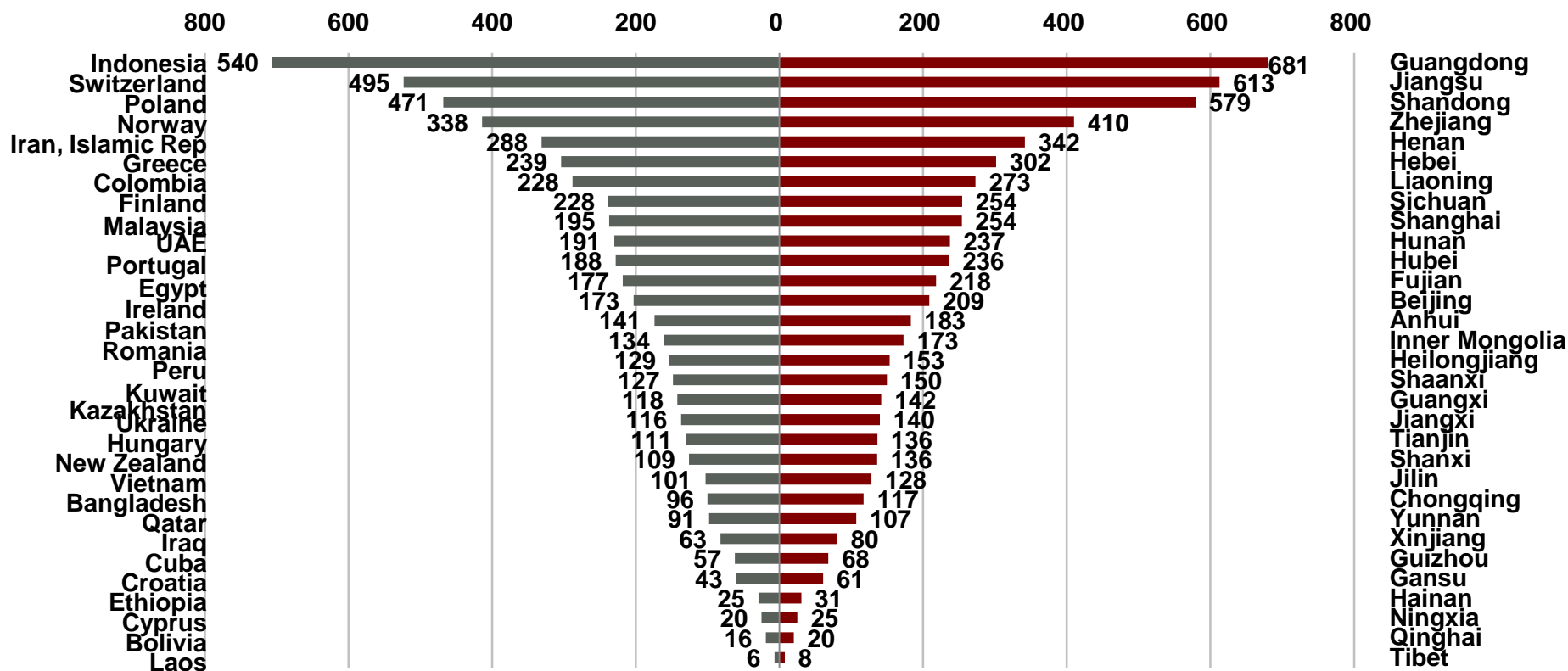
Conclusión

Varios factores identifican a china como uno de los países más relevantes del planeta

700,000	Engineers graduate annually from schools in China
53,000	RMB is the average cost of a license plate in Shanghai
40,000	Cabs drive around Shanghai daily
30,000	Chinese MBA students were expected to graduate in 2008. The number in 1998 was 0
747	Million mobile phones were in circulation in China in 2009
500	Coal-fired power plants to be built in China by the next decade
160	Cities in China with populations that exceed 1 million. There are 9 in the US and just 2 in the UK
97	New airports to be built in the next 12 years, bringing the total number to 244 by 2020
80	Percent of the world's zippers are produced in the factories of Qiaotou city in Zhejiang Province
80	Percent of the world's toys are made in China, in more than 10,000 toy factories
70	Percent of the world's pirated goods come from China
50	Percent of the world's pork is eaten in China
34	Children are born every minute in China
30	Percent of Chinese adults live with their parents
30	Nuclear power plants currently being built in China
6.3	Million passenger cars are registered in China. The number in 2004 was 2.4 million
6.31	Million students graduated from Chinese universities in 2010. The number in 1977 was 270,000
5	Million Chinese are estimated to visit ski resorts this year. Ten years ago, only 500 people in China could ski
1.8	Is the average number of credit cards owned by a person in Shanghai

El PIB de algunas provincias chinas es comparable al de determinados países de Europa, Asia, África o LatAm. Por ejemplo, la economía de Guangdong es mayor que la de Indonesia, Bélgica o Suiza

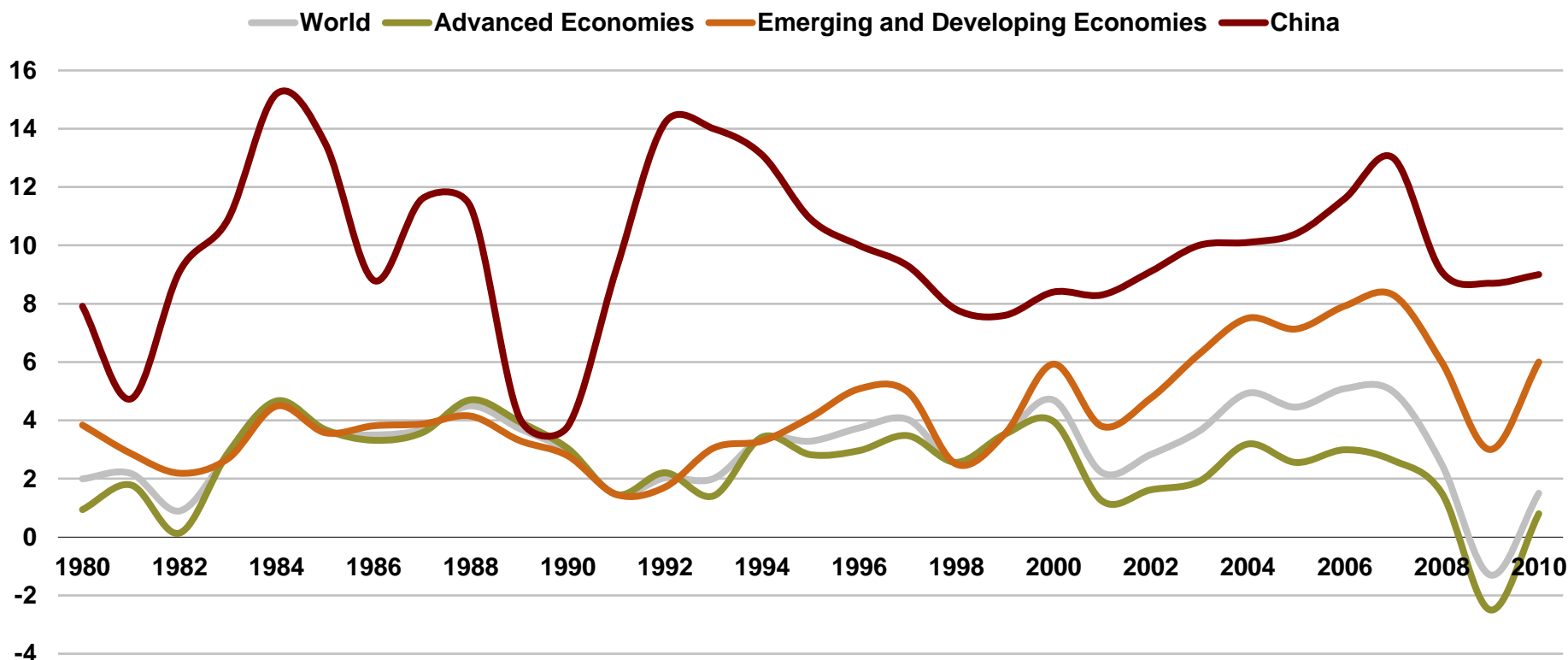
China GDP by Province Compared with Similar World Economies (USD bn, 2010)





China se está conformando como el motor del crecimiento económico global...creciendo por encima del mundo tanto emergente como desarrollado

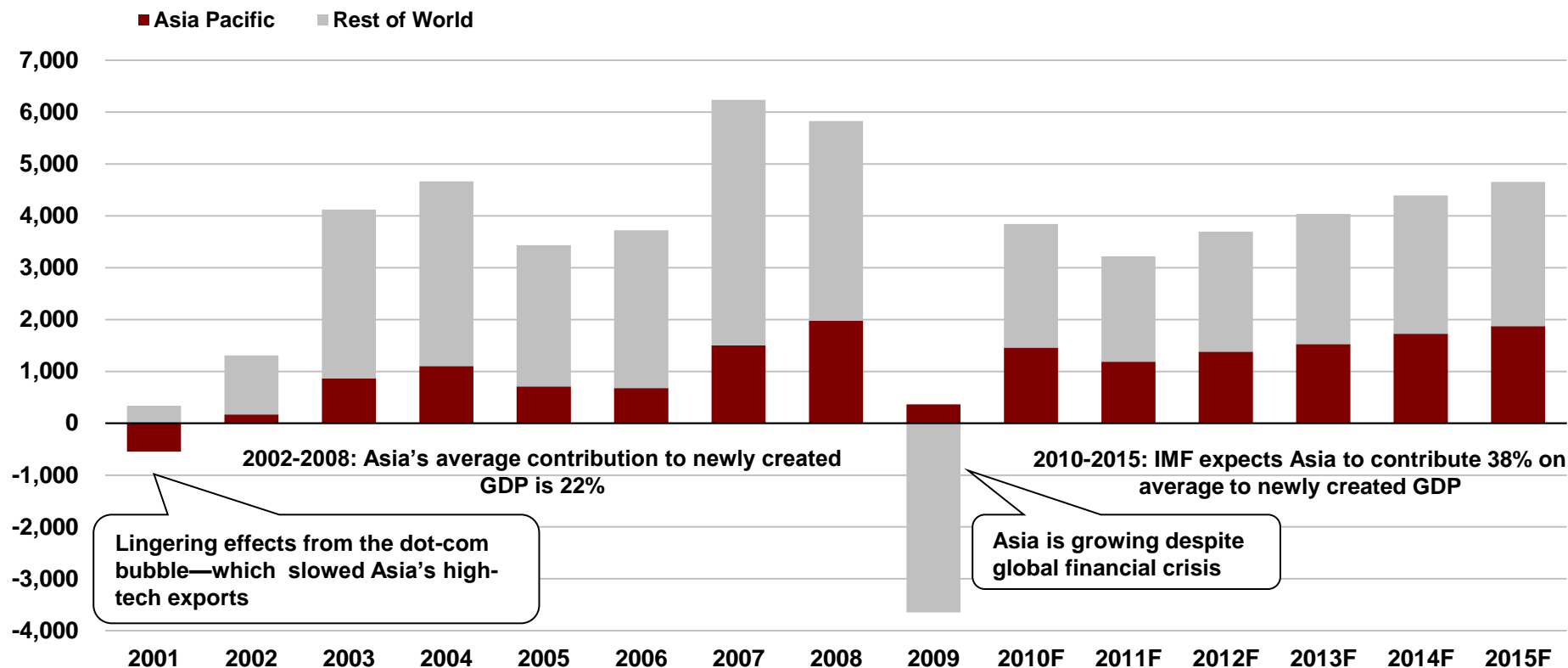
World GDP Growth (% y-o-y, 1990-2010F)





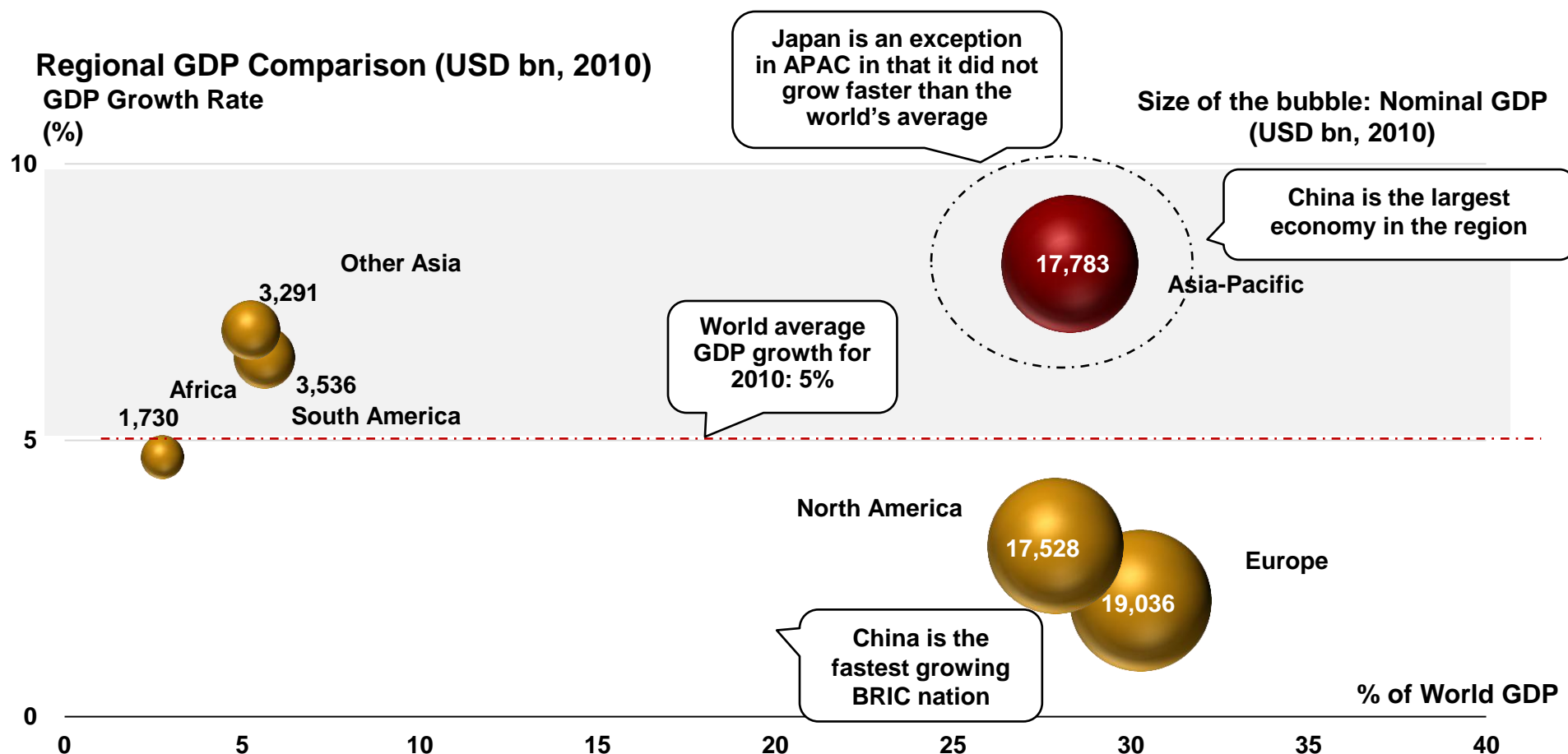
Asia seguirá siendo el motor de crecimiento global en el futuro. Se estima que contribuya en un 40% al crecimiento económico global hasta el 2015. ¿Y qué nos depara el futuro?

Asia's Role in Global GDP Expansion/Contraction (2001-2015, USD bn)





Liderados por China, las economías de la región Asia Pacífico registraron un crecimiento del PIB por encima de la media global en el 2010



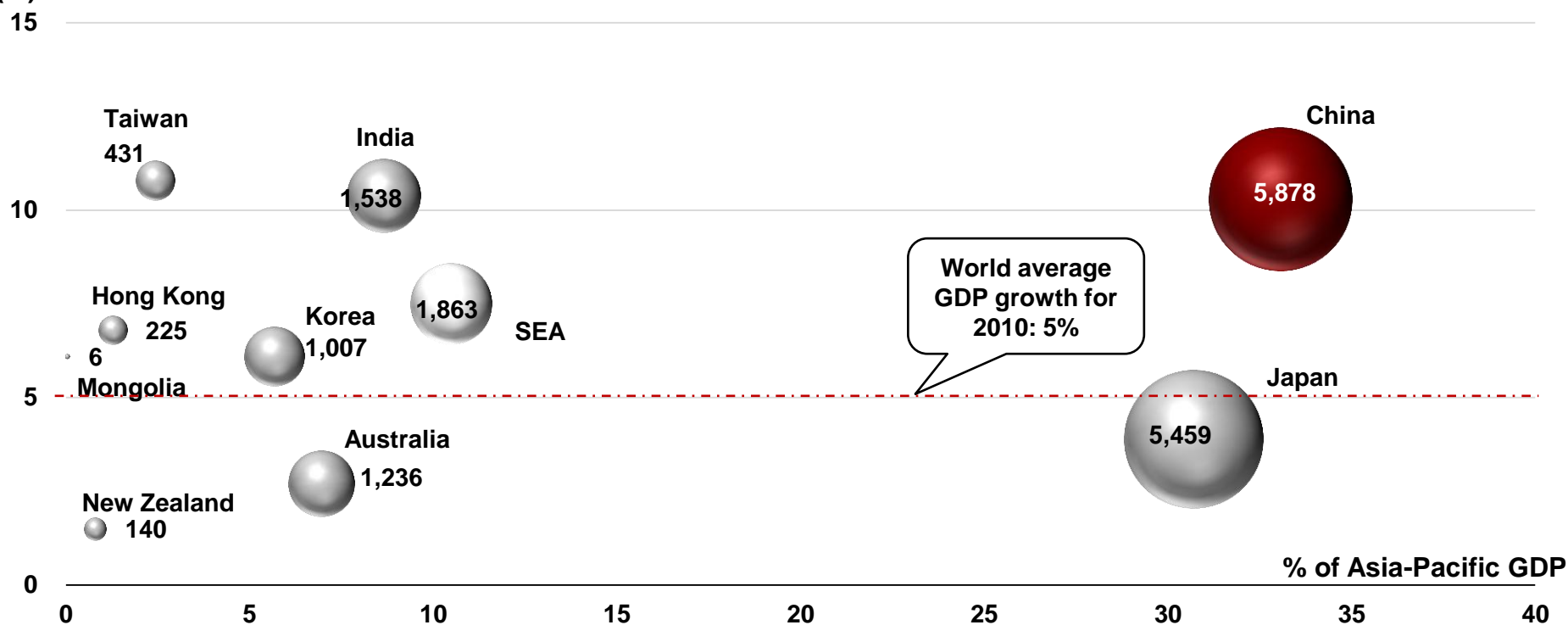


China es hoy la mayor economía de la región y también una de las que crece más rápido

Asia-Pacific GDP Comparison (USD bn, 2010)

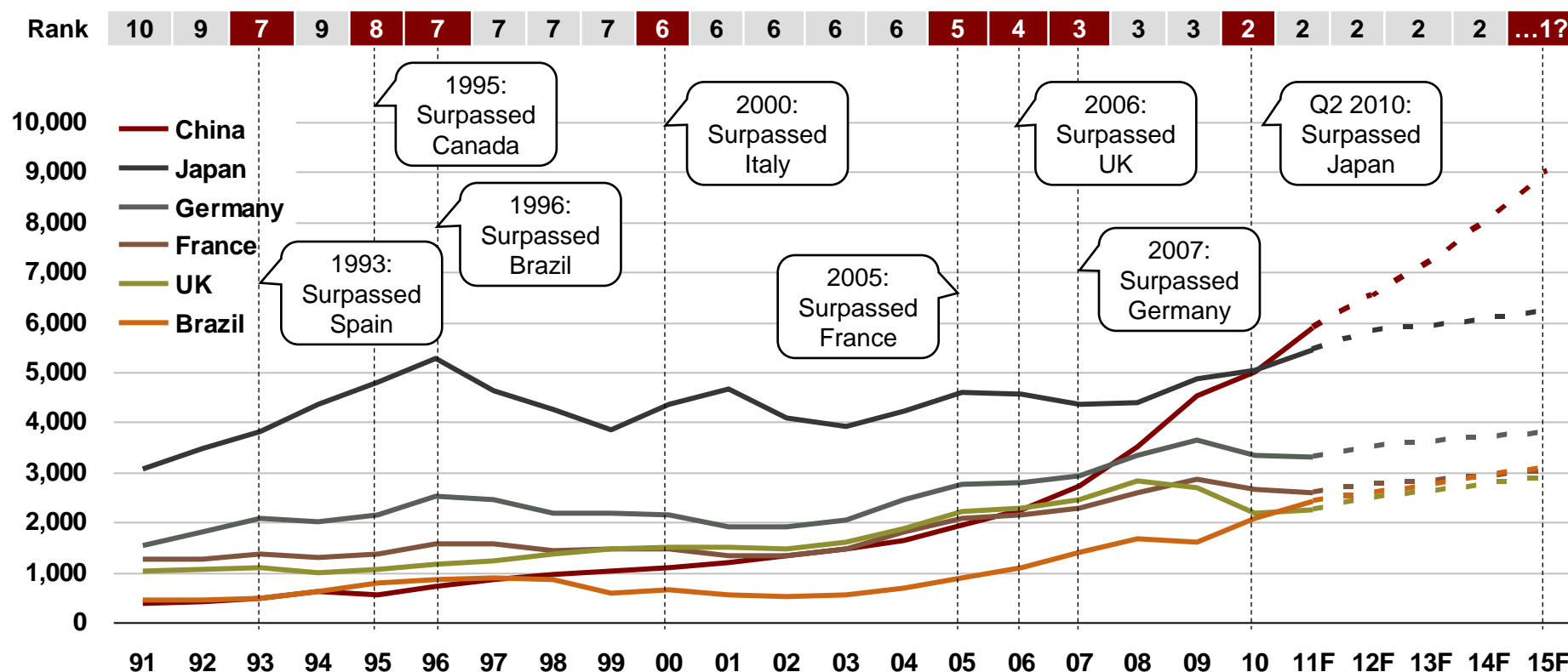
GDP Growth Rate (%)

Size of the bubble: Nominal GDP (USD bn, 2010)

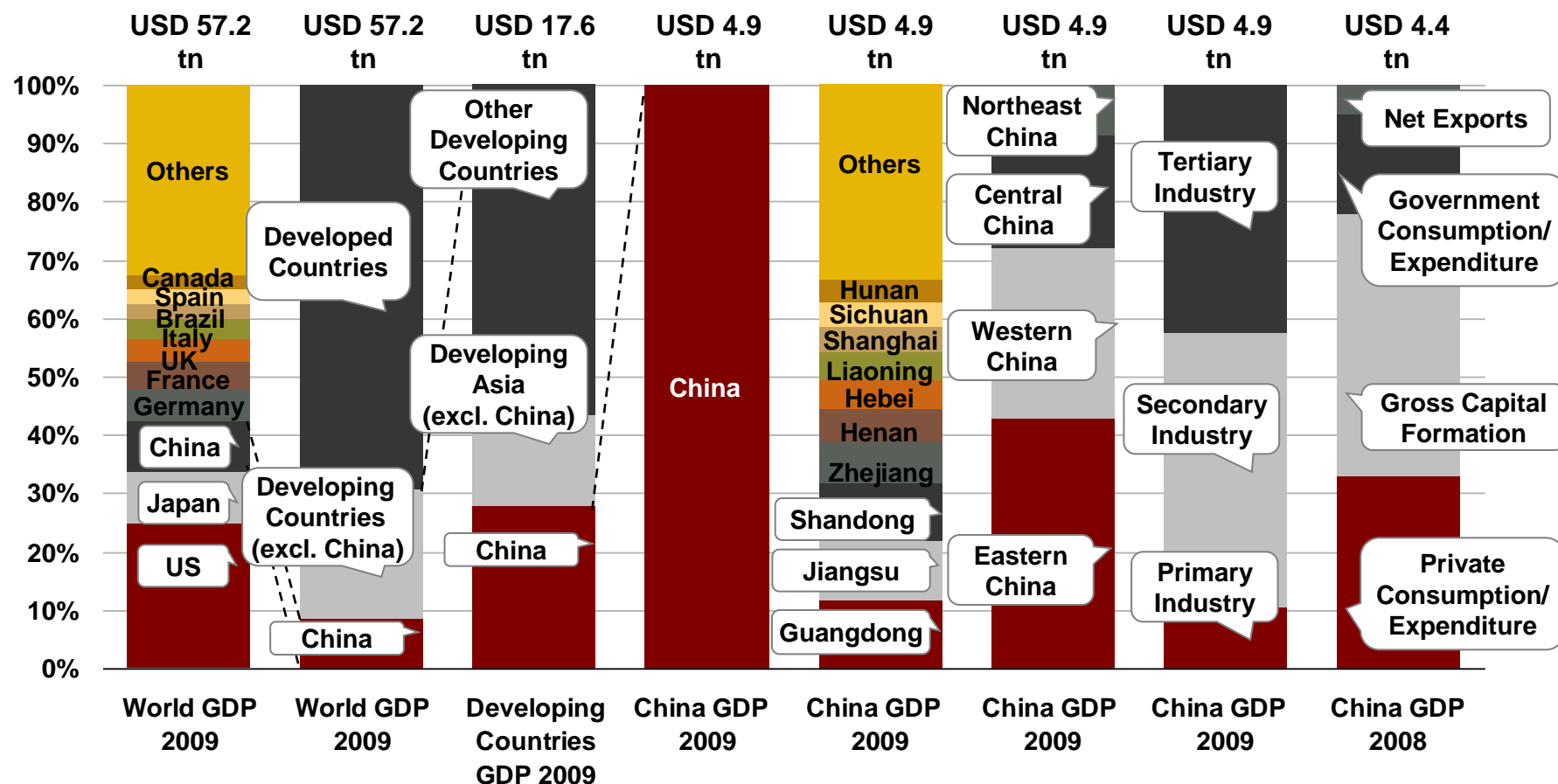


China se convirtió en la segunda mayor economía del planeta en el 2012 y se estima supere a Estados Unidos en los próximos diez a quince años

Top 6 Economies' Nominal GDP, excl. US (USD bn, 1991-2015F)



Los motores del crecimiento del PIB de China y su relevancia en la economía global, ponen de manifiesto su condición de economía o país emergente



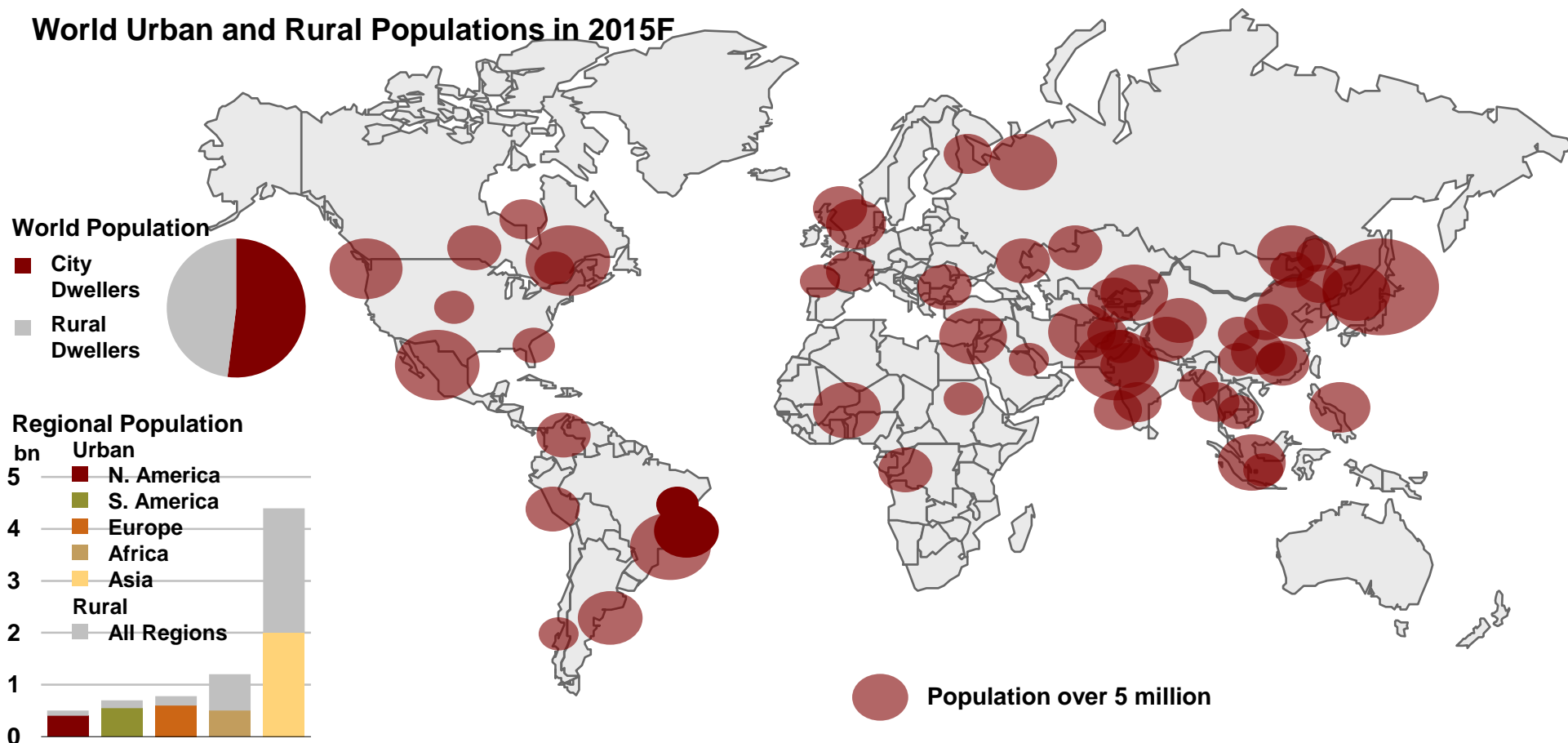
Note: Macroeconomic data for the world totals are IMF forecasts, while the data for China are actualised figures; the column on the far right is from 2008, emplaced for comparison purposes

Source: IMF World Economic Outlook - October 2009; China Statistical Yearbook; The Beijing Axis Analysis



En tan solo 12 años el mundo ha pasado de 6.000 a 7.000 millones de habitantes, el crecimiento demográfico más vertiginoso de la historia. Asia, y especialmente China e India, está liderando esta tendencia

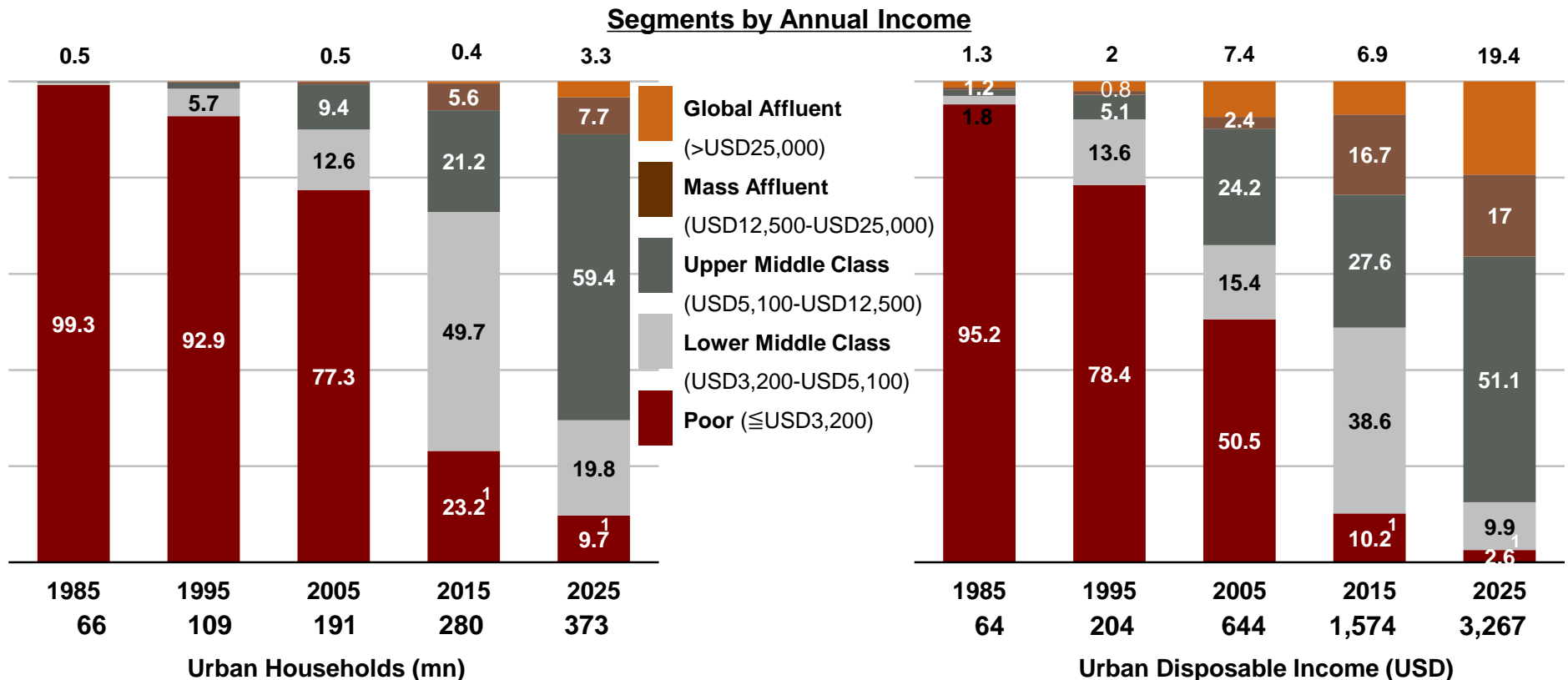
World Urban and Rural Populations in 2015F



Una clase media emergente se está desarrollando en las zonas urbanas. En 2025, se estima China incremente en más de 350 millones el número de familias urbanas

Share of Chinese Urban Households (%)

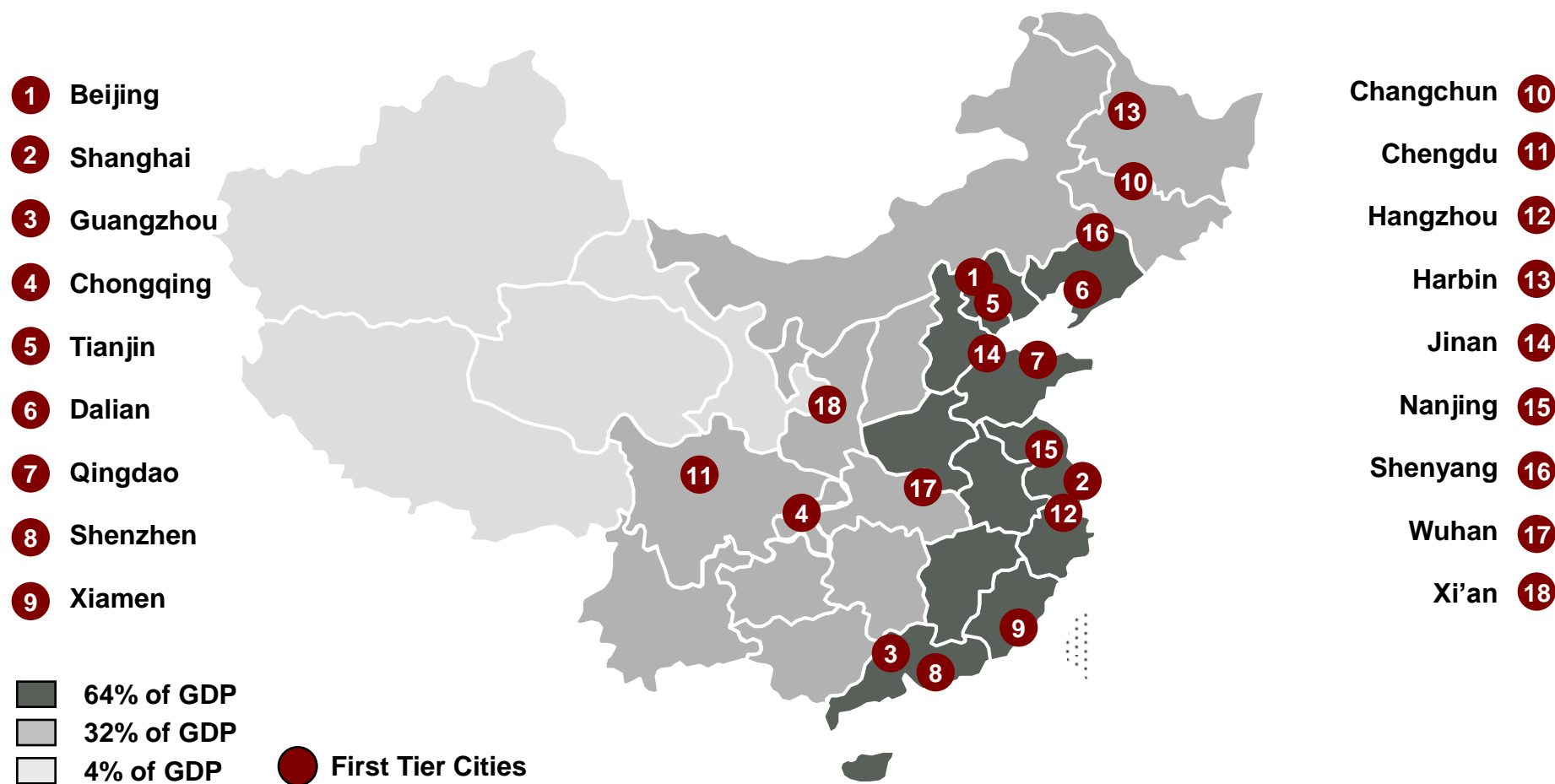
Share of Total Urban Disposable Income (%)



1. Base forecast. Certain figures do not amount to 100% due to the effects of rounding
 Source: National Bureau of Statistics of China; McKinsey Global Institute Analysis; The Beijing Axis Analysis



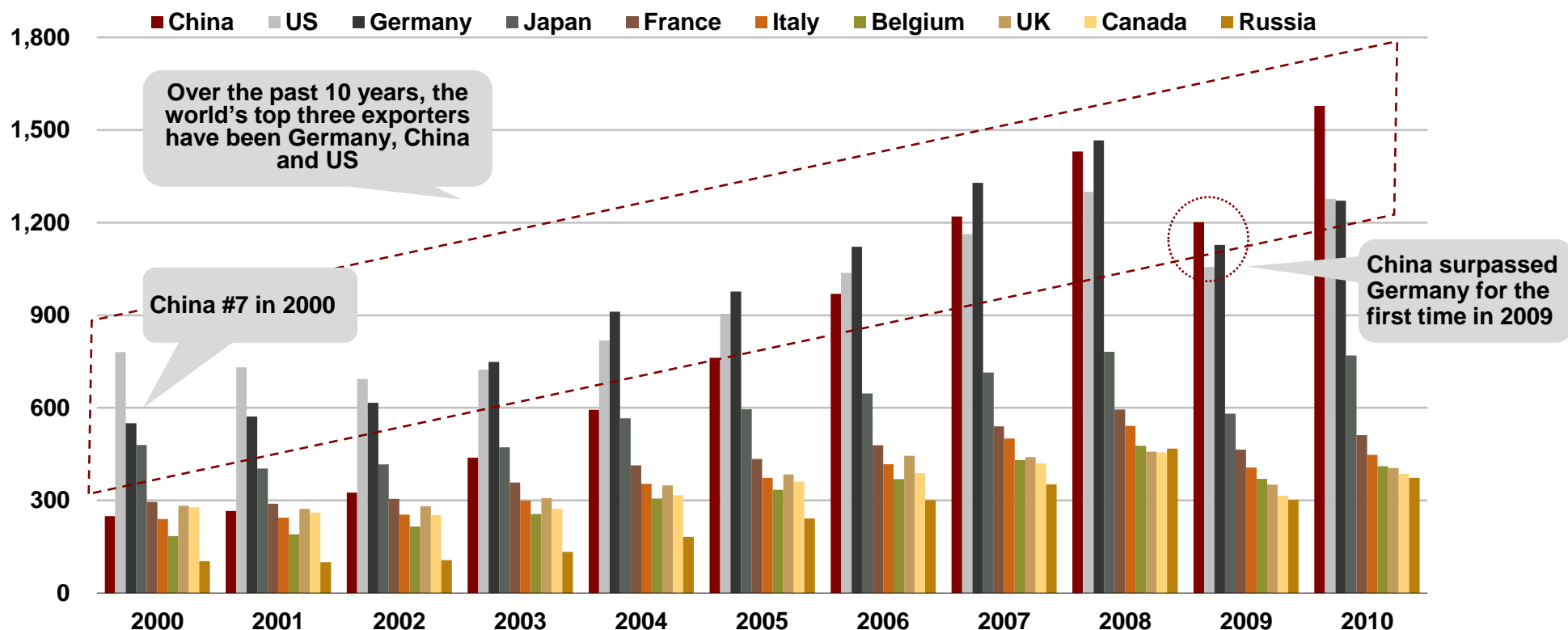
El poder adquisitivo se concentra principalmente en las ciudades de primer rango. Las ciudades de primer rango son responsables del 30% del PIB y 17.5% del consumo privado en china





En el año 2009, China superó a Alemania como mayor exportador de productos y servicios del mundo. ¿Cuáles han sido los catalizadores de este logro?

Top Ten Exporters Ranked By Value (USD bn, 2000-2010)



China es el país manufacturero más competitivo del mundo y se estima que lo siga siendo en los próximos cinco años

Global Manufacturing Competitiveness Index (2010)

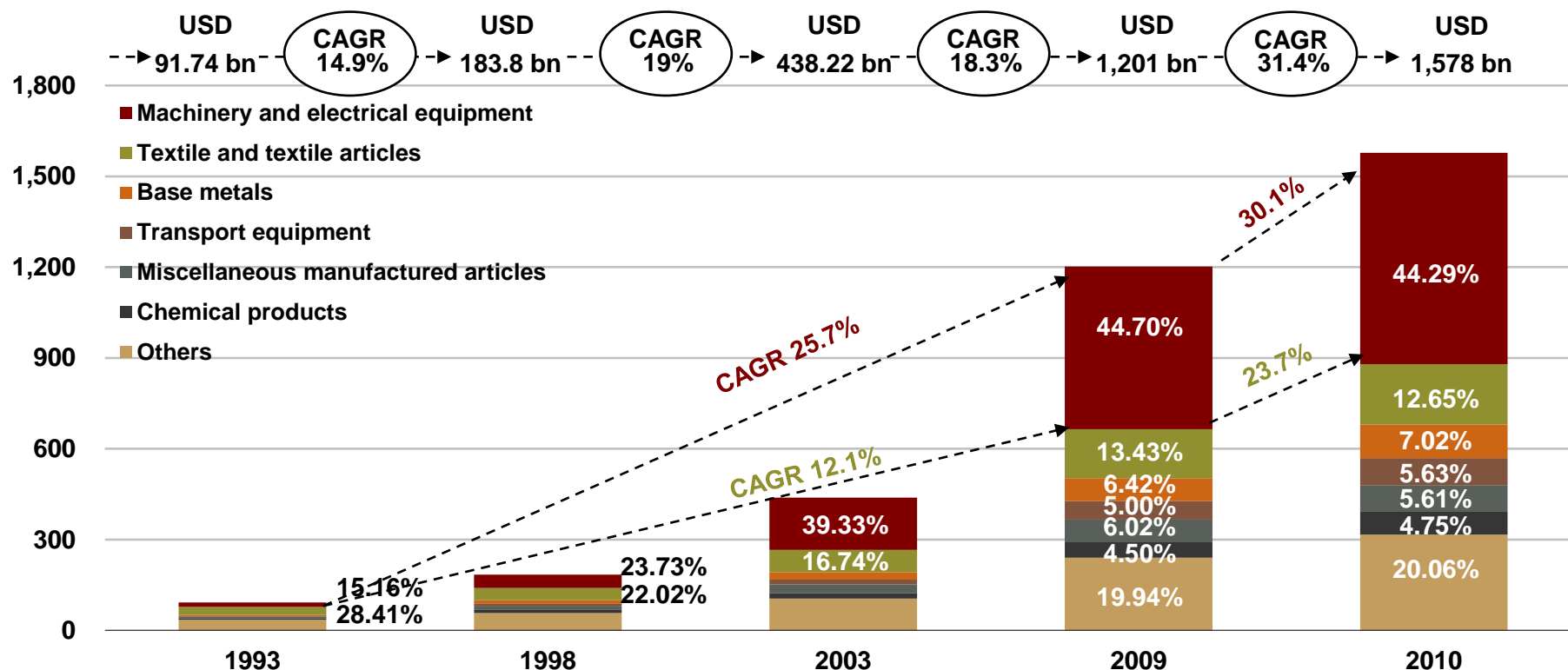
Rank	Country	Current Index score	In 5 years Index score
		10=High 1=Low	10=High 1=Low
1	China	10	10
2	India	8.15	9.01
3	South Korea	6.79	6.53
4	United States	5.84	5.38
5	Brazil	5.41	6.32
6	Japan	5.11	4.74
7	Mexico	4.84	4.84
8	Germany	4.8	4.53
9	Singapore	4.69	4.3
10	Poland	4.49	4.52
11	Czech Republic	4.38	3.95
12	Thailand	4.17	4.35
13	Canada	4.11	3.71
14	Switzerland	3.07	2.62
15	Australia	3.07	3.4

Change in Manufacturing Competitiveness Index (2010-2015F)

Moving up	Rank change	Sliding down	Rank change
Brazil	5th to 4th	United States	4th to 5th
Mexico	7th to 6th	Japan	6th to 7th
Poland	10th to 9th	Singapore	9th to 11th
Thailand	12th to 10th	Czech Republic	11th to 12th
Spain	19th to 16th	Netherlands	16th to 17th
Russia	20th to 14th	Switzerland	14th to 18th
South Africa	22nd to 19th	United Kingdom	17th to 20th
Argentina	25th to 24th	Ireland	18th to 21st
Saudi Arabia	26th to 25th	Italy	21st to 22nd

China ha experimentado un cambio estructural en la composición de sus exportaciones. Del textil a la industria pesada y de producto de bajo valor a alto valor agregado

Export Growth for China-produced Commodities (USD bn, 1993-2010)



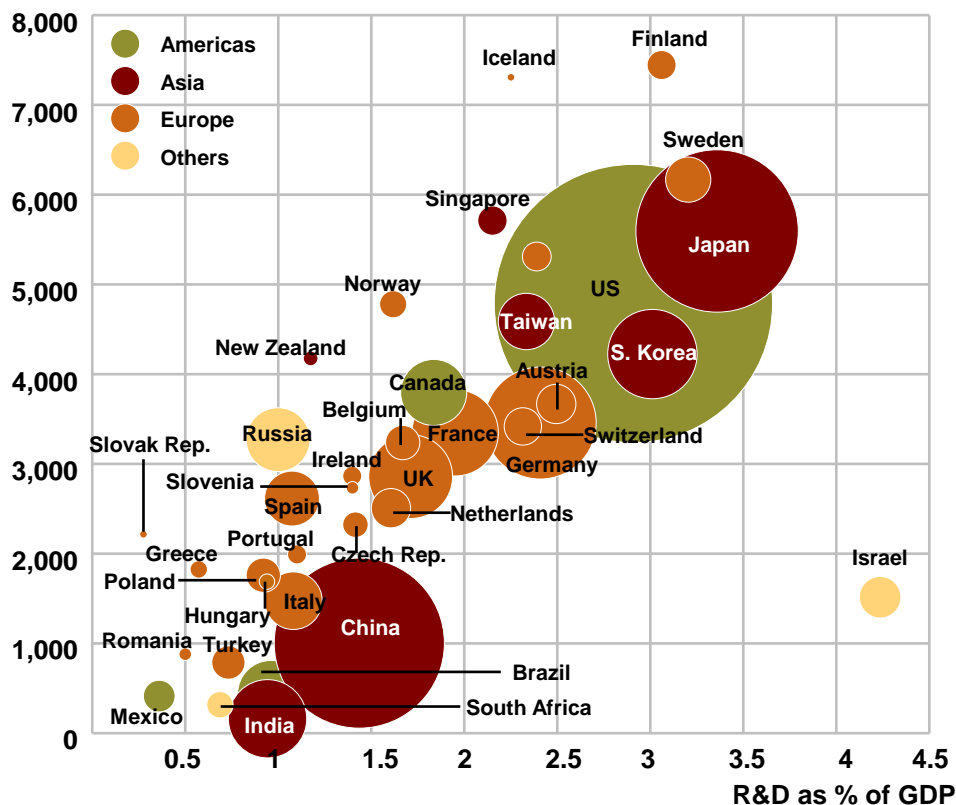
Note: In 1997, chemical products became one of China's top six commodity exports at the expense of mineral products. Similarly, in 2007, transport equipment displaced footwear as one of the top six most exported commodities.

Source: UN Comtrade; The Beijing Axis Analysis

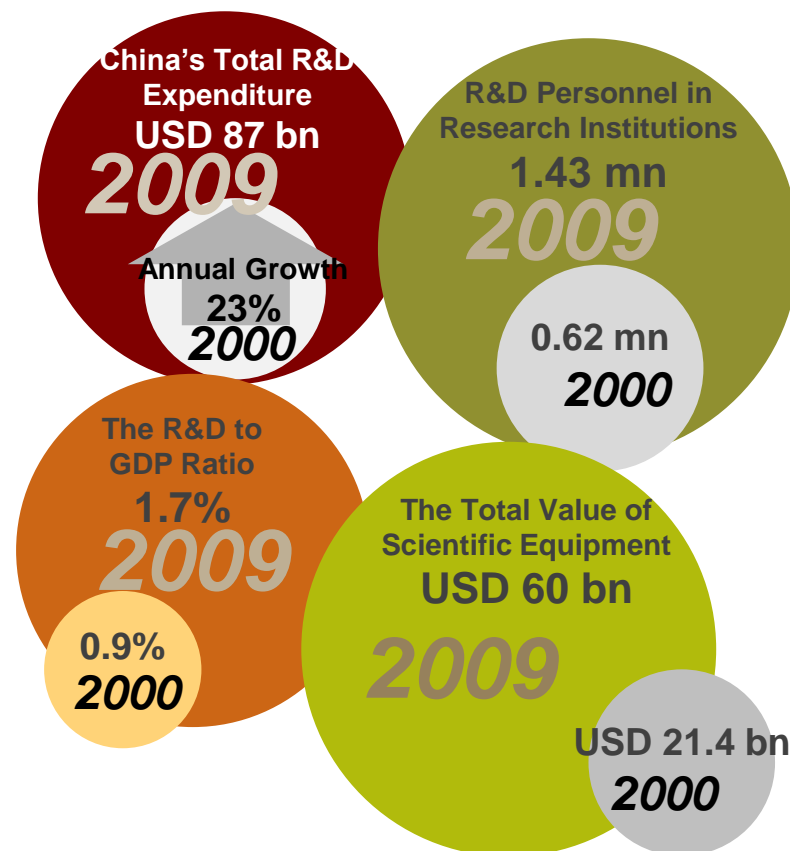
China es el segundo país que más invierte en innovación y desarrollo del mundo, tan solo por detrás de Estados Unidos. También es el que crece más rápido

World R&D Spending and Employees (2010)

Scientists & Engineers/Million People



China's Major R&D Indicators (2000-2009)



Note: Bubble size is the annual R&D spending by country

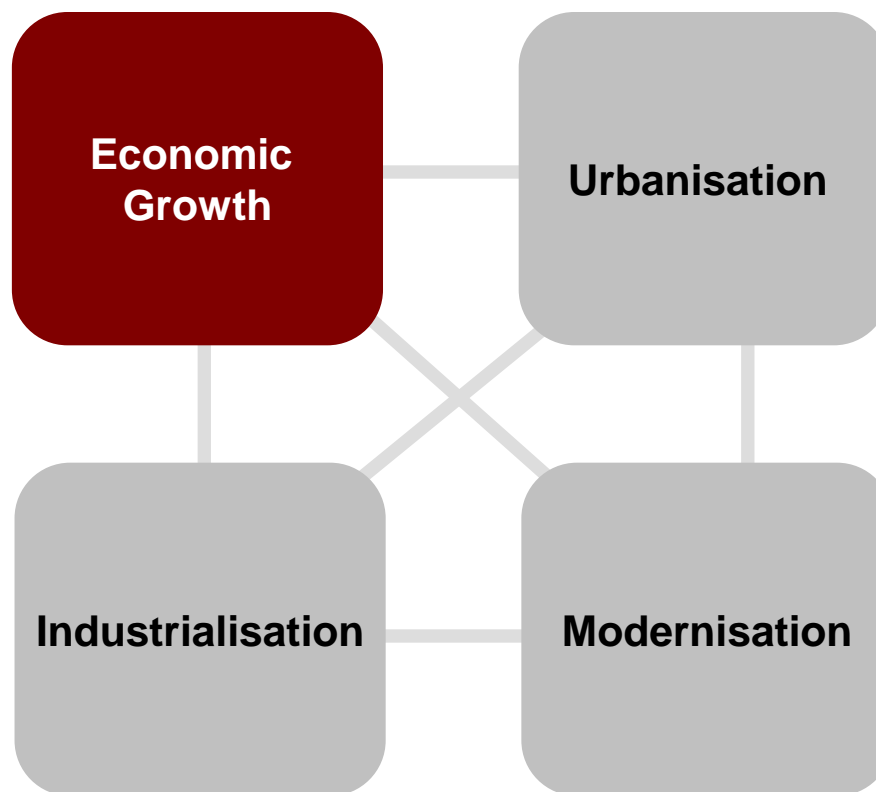
Source: 2011 Global R&D Funding Forecast; National Bureau of Statistics; The Beijing Axis Analysis



Los procesos de urbanización, industrialización y modernización de China explican su rápido crecimiento económico

- Government has set China's target GDP growth rate at 7% through 2015 with emphasis on gradually rebalancing the economy

- Development in strategic new industries and the evolution of high-tech R&D due to a dramatic increase of domestic consumption



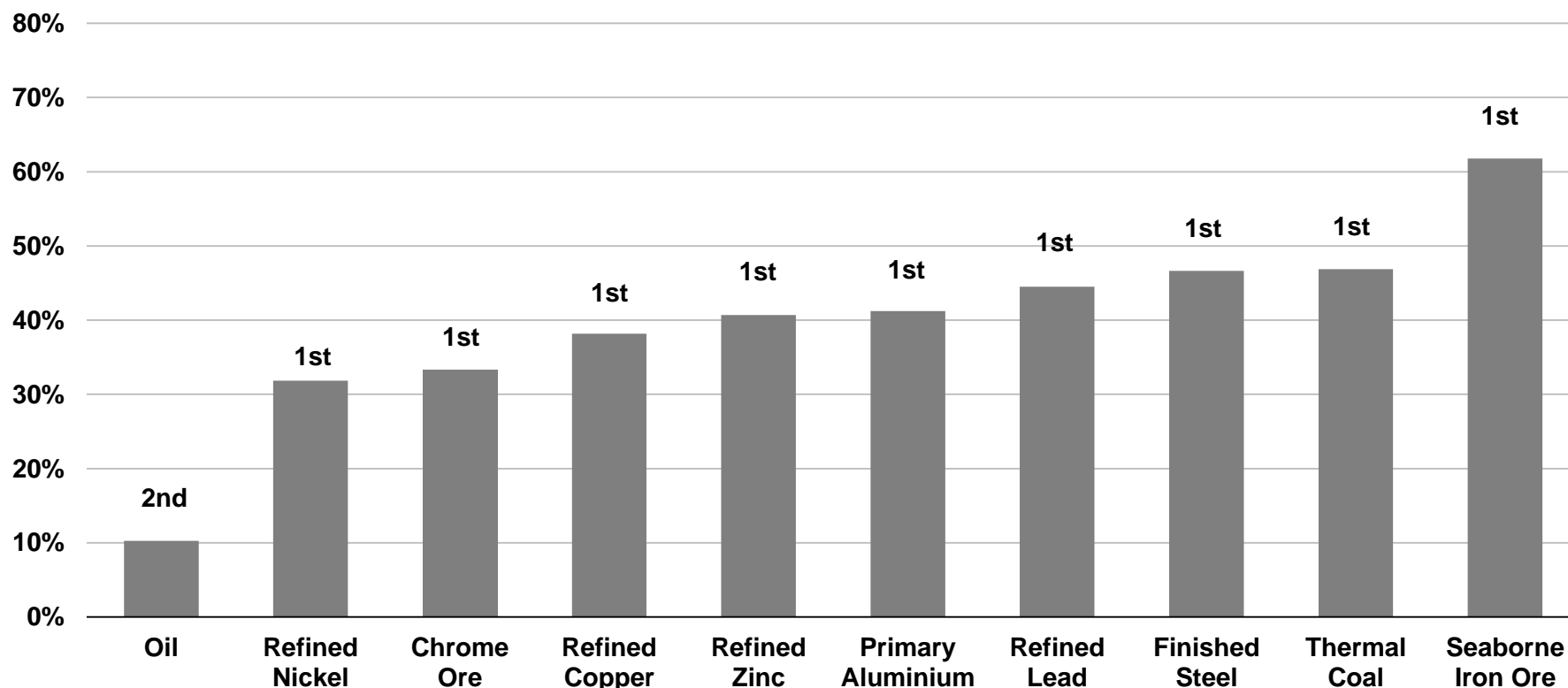
- By 2020-2025, China will potentially have an urbanisation rate of 60% and the number of households with an annual disposable income above \$10,000 will reach 222 million

- Substantial investments to upgrade China's telecommunications, transportation, energy sectors, etc.



China se ha convertido en muy poco tiempo en el mayor consumidor de una larga lista de metales y minerales

China's Consumption of Commodities as a Share of World Total (World Ranking, 2010*)



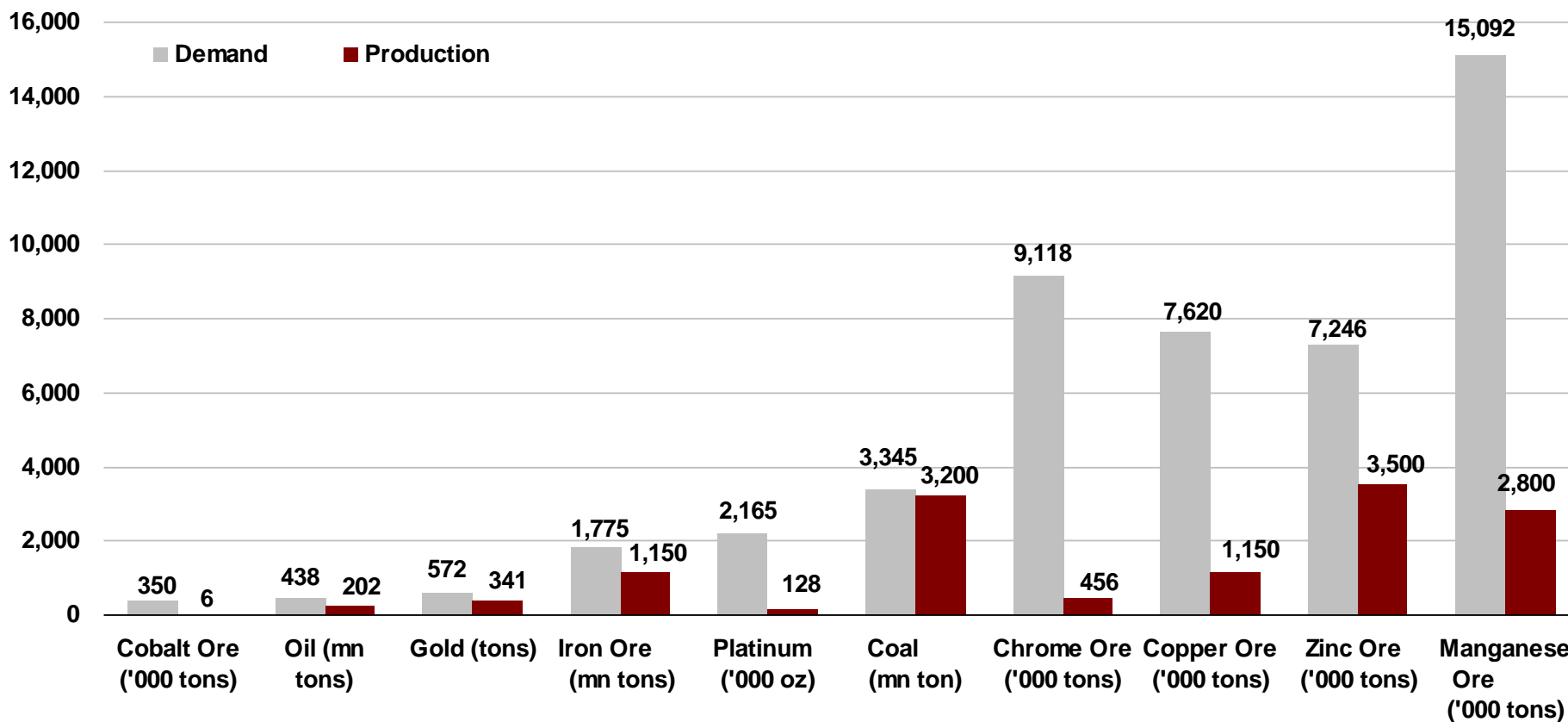
*Note: Oil and thermal coal data from 2009

Source: Morgan Stanley estimates; IEA; The Beijing Axis Analysis



La demanda de recursos de China sobrepasa, en la mayor parte de los casos, su producción doméstica. China es dependiente de las importaciones del exterior para satisfacer su demanda doméstica

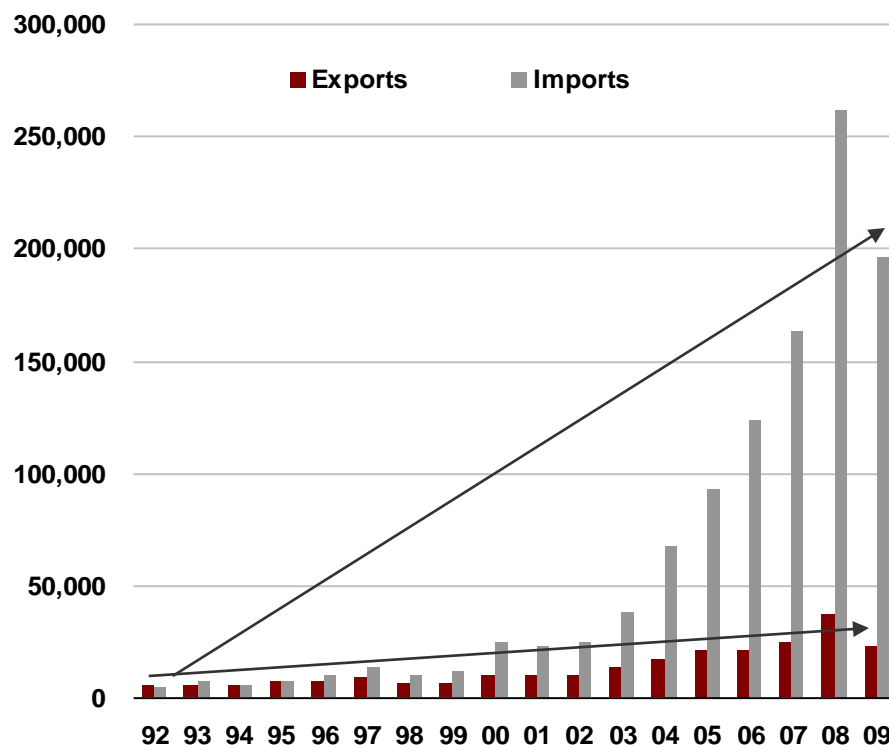
China's Demand and Production of Commodities (2010)



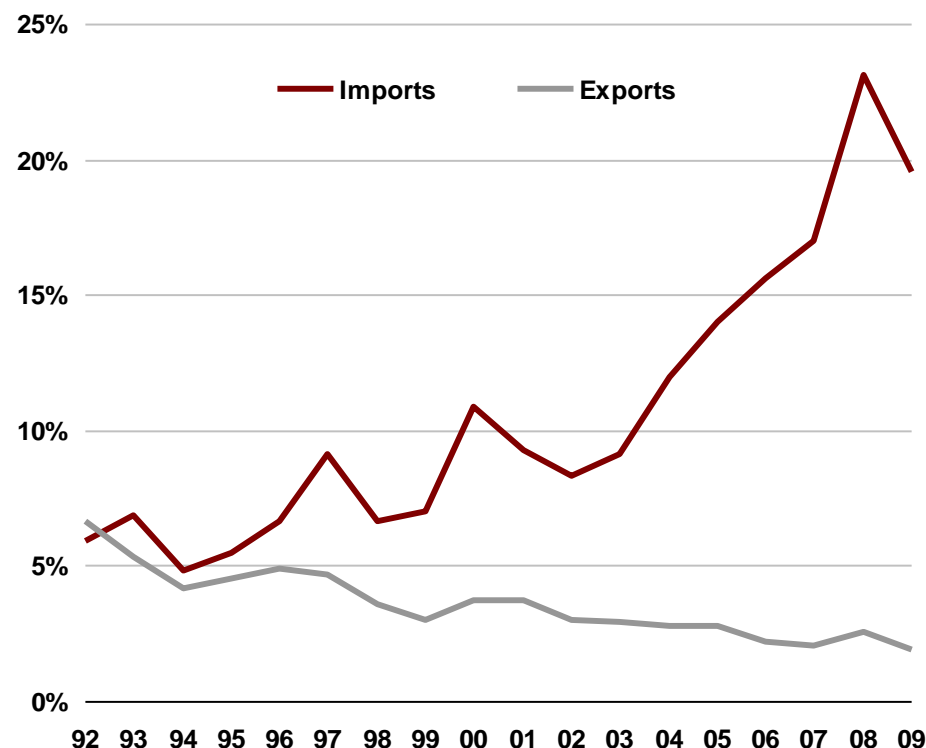


En la medida que China crece, ha registrado un incremento dramático de su 'déficit de minerales'. China ha pasado de ser un exportador neto a importador neto de recursos en poco tiempo

**Mineral Product Imports and Exports
 (USD mn, 1992-2009)**



**Mineral Product Imports and Exports
 (as % of Total Imports / Exports)**

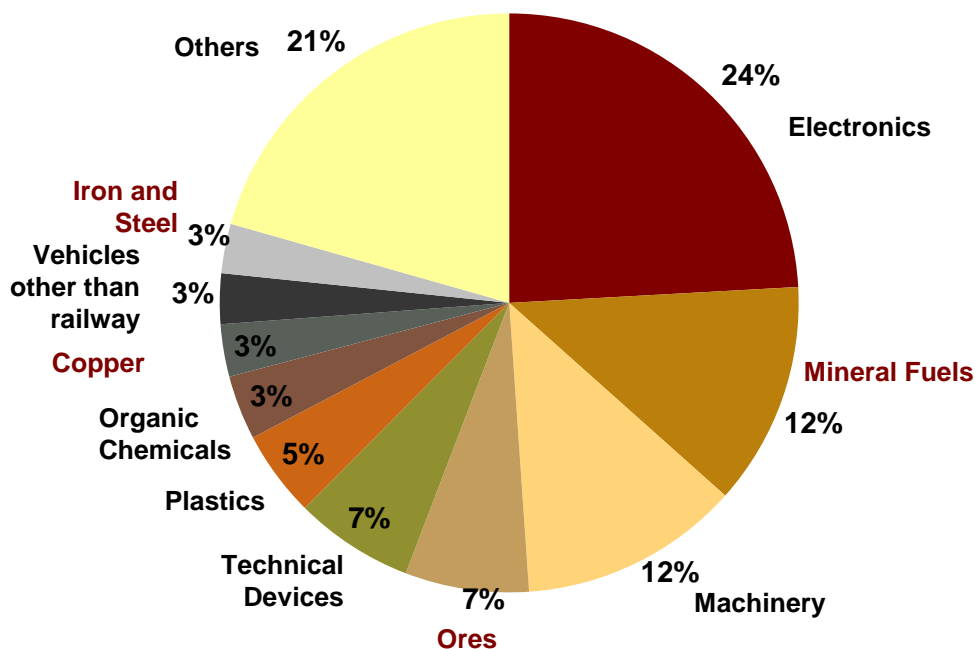


Note: Mineral products include the following HS Code categories: 25 (Sulphur, Earths & Stone, Plastering Materials, Lime & Cement); 26 (Ores, Slag and Ash); 27 (Mineral Fuels, Mineral Oils and Products of their Distillation, Bituminous Substances, Mineral Waxes)

Source: UN Comtrade Database; MOFCOM; The Beijing Axis Analysis

Recursos naturales forman una parte importante de la estructura de importaciones de China. Su dependencia del exterior, implica la necesidad de gestionar riesgos de abastecimiento y precios

China's Import Structure (Based on its 2-Digit HS Code, 2009)



China's Top Imported Resources (2009)

Rank	Import Commodities	Trade Value (USD mn)	Net Weight (mn tons)	As % of Total*
1	Petroleum oils, oils from bituminous minerals, crude	89,255	203.8	9%
2	Iron ores and concentrates, roasted iron pyrites	50,140	627.8	5%
3	Oils petroleum, bituminous, distillates, except crude	16,983	36.9	2%
4	Coal, briquettes, ovoids etc, made from coal	10,573	125.8	1.1%
5	Copper ores and concentrates	8,478	6.1	0.8%
6	Petroleum gases and other gaseous hydrocarbons	3,369	9.6	0.3%
7	Zinc ores and concentrates	1,882	3.8	0.2%
8	Manganese ores, concentrates, iron ores >20% Manganese	1,772	9.6	0.2%
9	Lead ores and concentrates	1,736	1.6	0.2%
10	Petroleum coke, petroleum bitumen and other residues of petroleum oils	1,562	6.6	0.2%

*Note: Total here means China's total imports based on trade value
 Source: UN Comtrade database; The Beijing Axis Analysis



Agenda

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Retos, oportunidades e implicaciones para Europa – con mención específica a España

Conclusión







‘La foto’ hace siete años: China no ha sido un inversor en el sector minero internacional hasta hace muy poco



‘La foto’ hace dos años: China comenzó de forma muy reciente a internacionalizar sus intereses inversionistas en el sector minero



‘La foto’ hace un año: Las inversiones chinas en el sector minero se aceleran de forma exponencial



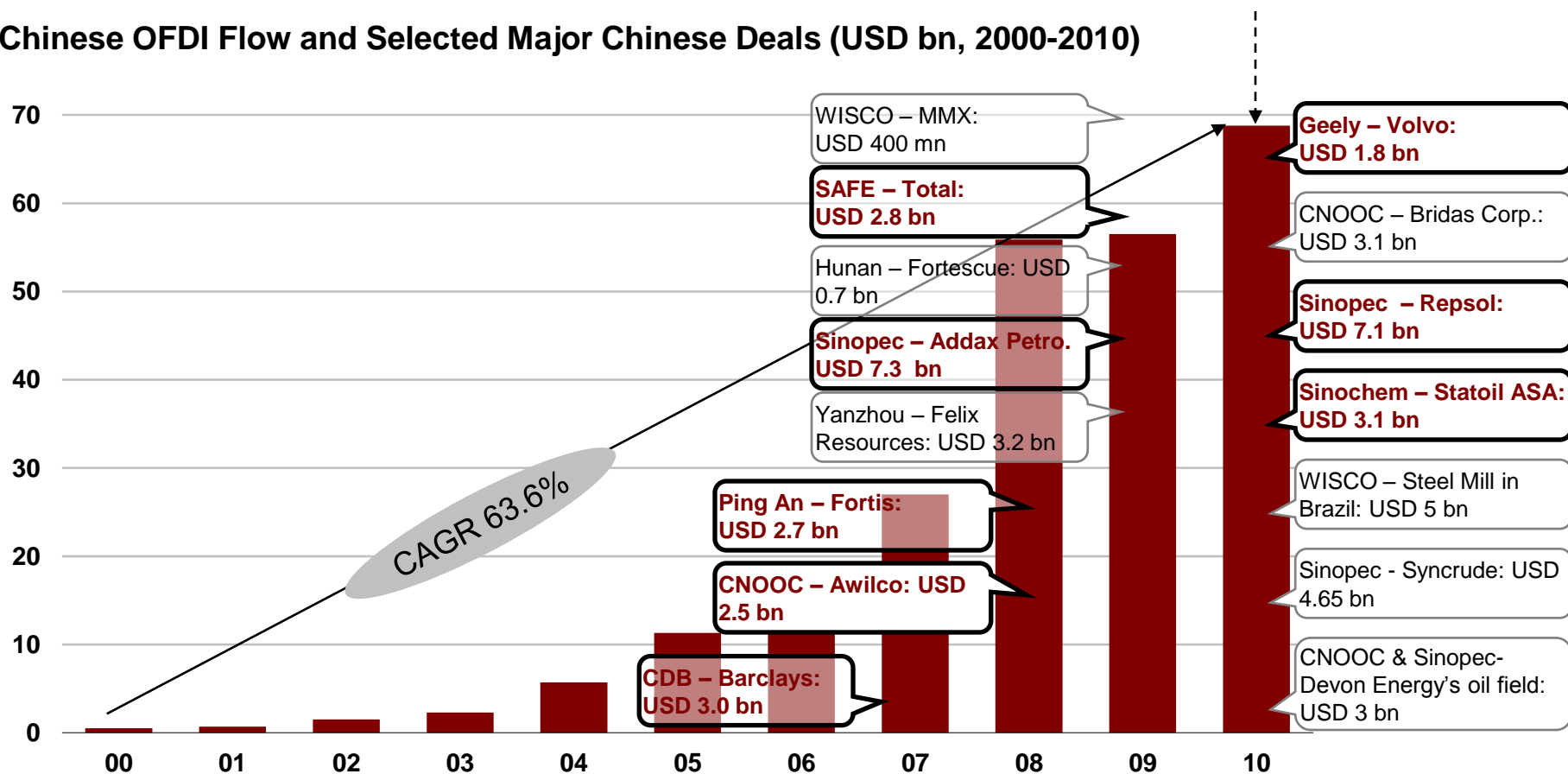
‘La foto’ hoy: Las inversiones chinas en la industria minera, son hoy una tendencia emergente y de actualidad





La inversión china en el exterior se ha incrementado de forma drástica en los últimos diez años. Recursos naturales siguen siendo prioridad pero las inversiones se están diversificando de forma substancial

Chinese OFDI Flow and Selected Major Chinese Deals (USD bn, 2000-2010)



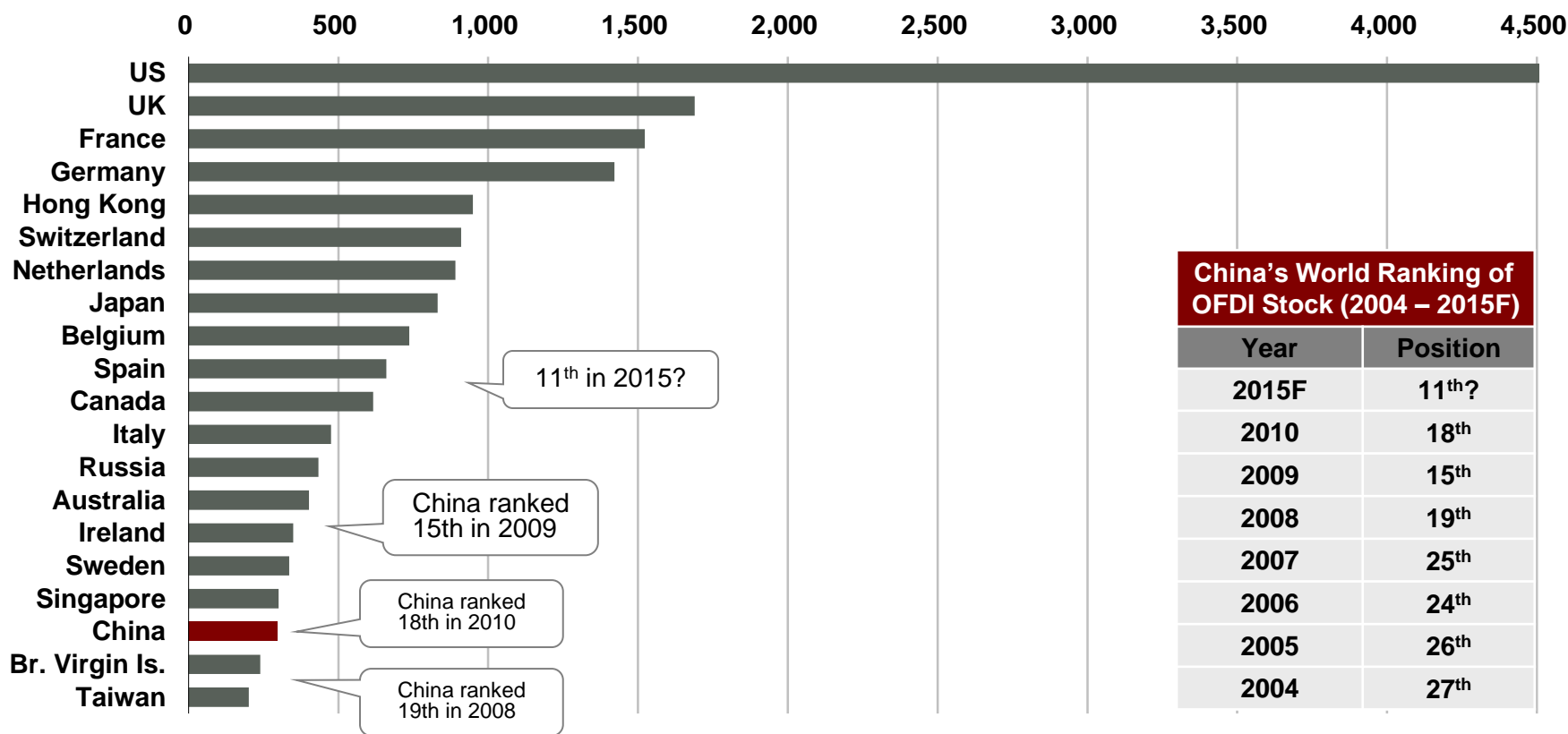
Note: Deals with European companies are colored red (acquired assets may be located outside Europe)

Source: MOFCOM; The Beijing Axis Analysis



Teniendo en cuenta la inversión acumulada, China todavía es un inversor emergente y no prominente en el ranking global de países inversores

Top 20 World FDI Outward Stock (USD bn, 2010)

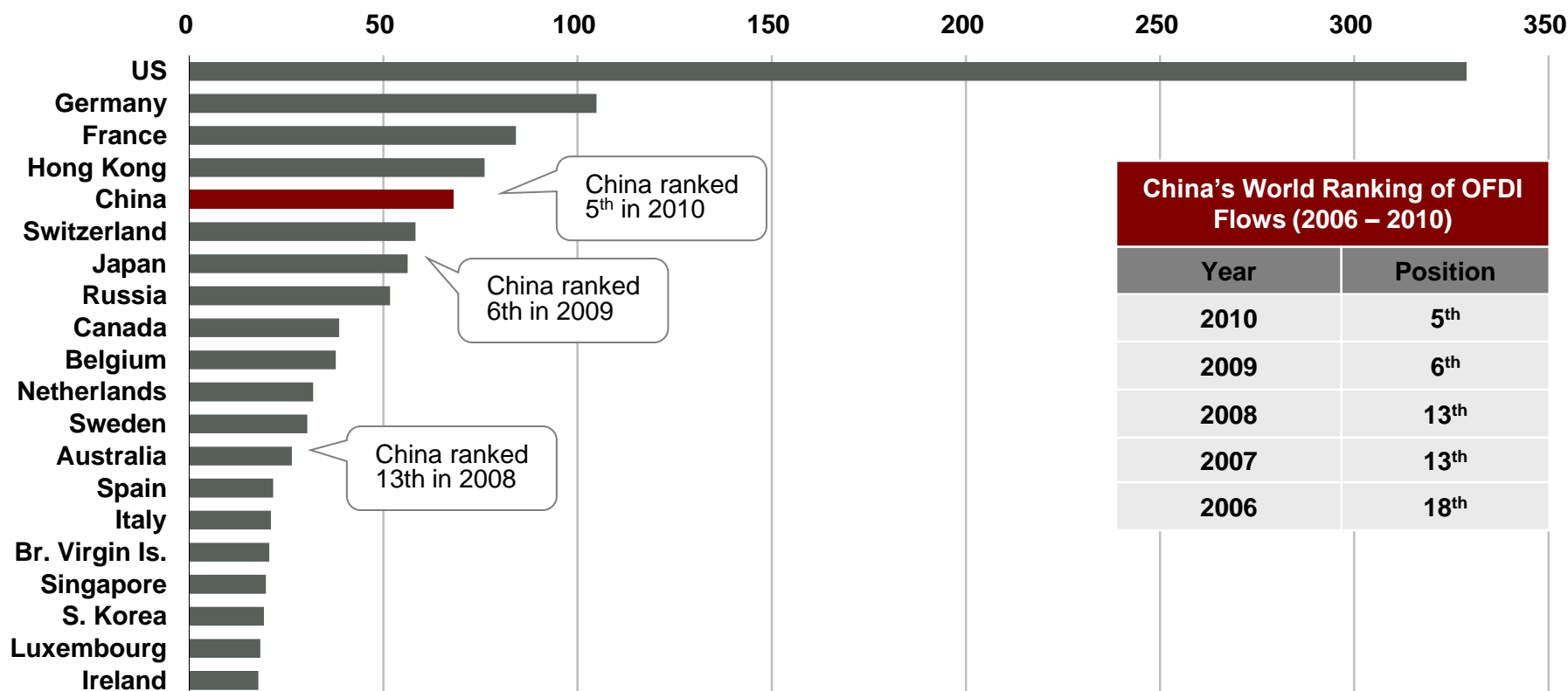


China's World Ranking of OFDI Stock (2004 – 2015F)	
Year	Position
2015F	11 th ?
2010	18 th
2009	15 th
2008	19 th
2007	25 th
2006	24 th
2005	26 th
2004	27 th



Sin embargo, teniendo en cuenta los flujos de inversión anuales, China es hoy el quinto mayor inversor del mundo. Incluyendo Hong Kong, China 'rankearía' en segunda posición

World Top 20 Outward FDI Flows (USD bn, 2010)

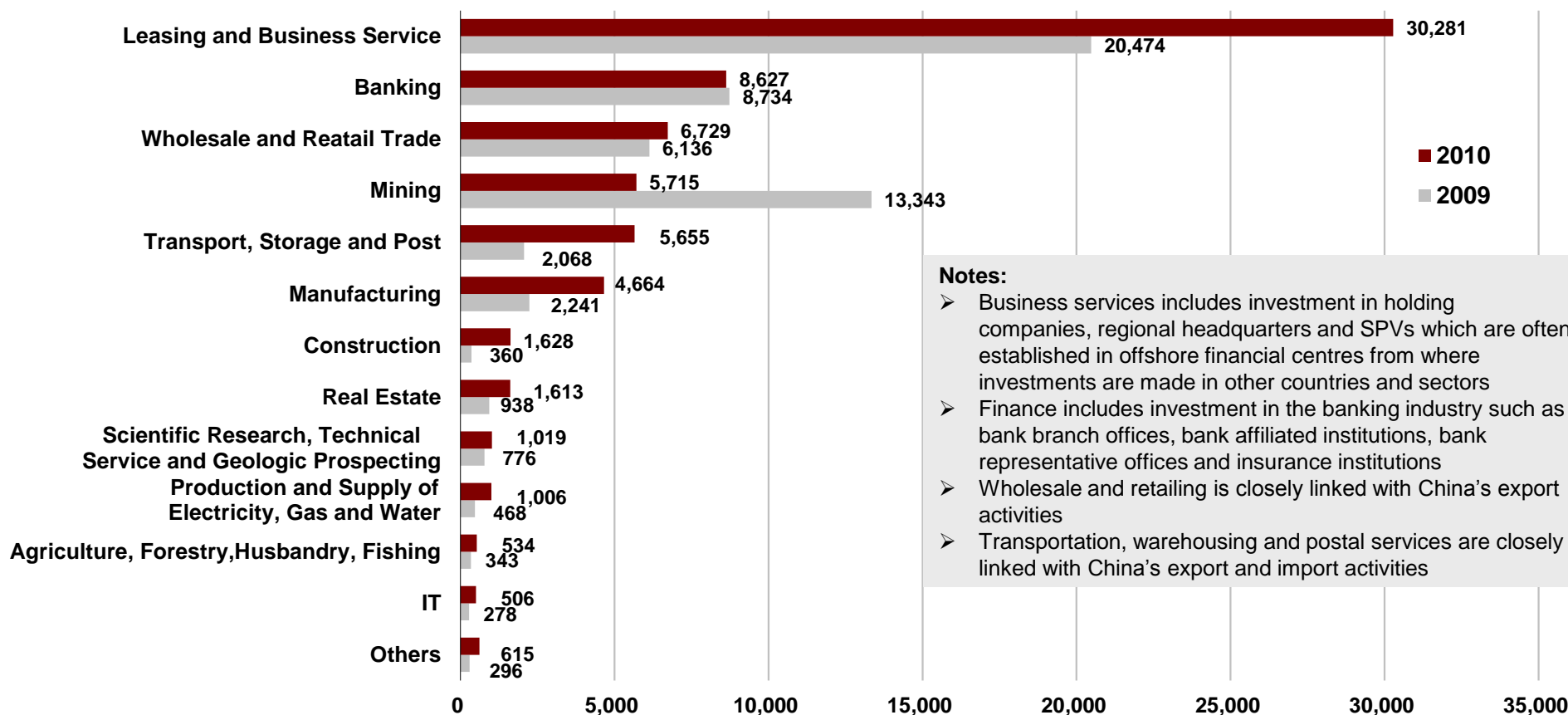


China's World Ranking of OFDI Flows (2006 – 2010)	
Year	Position
2010	5 th
2009	6 th
2008	13 th
2007	13 th
2006	18 th



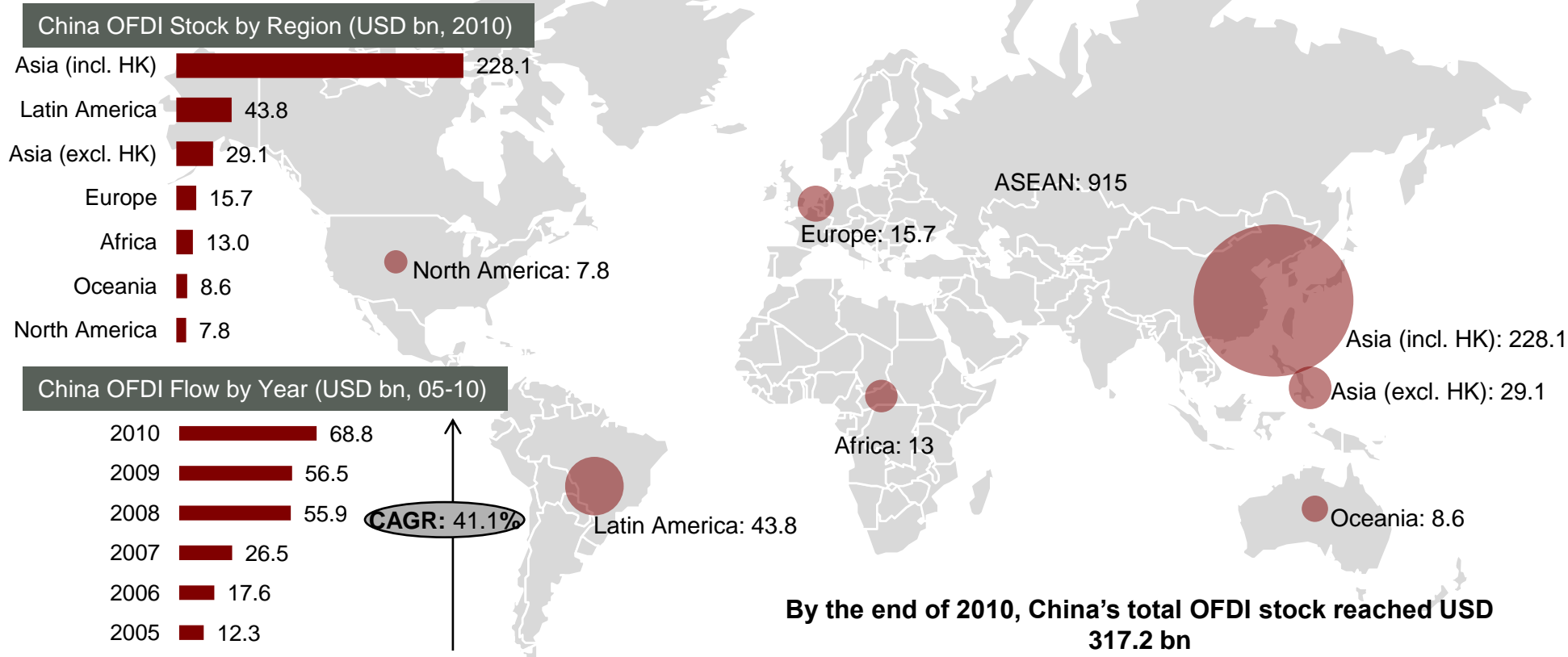
Los determinantes de la inversión china en el exterior, no sólo son recursos naturales, sino tecnología, marcas, know how y acceso a nuevos mercados

China's OFDI Flow by Industry (USD mn, 2009-2010)



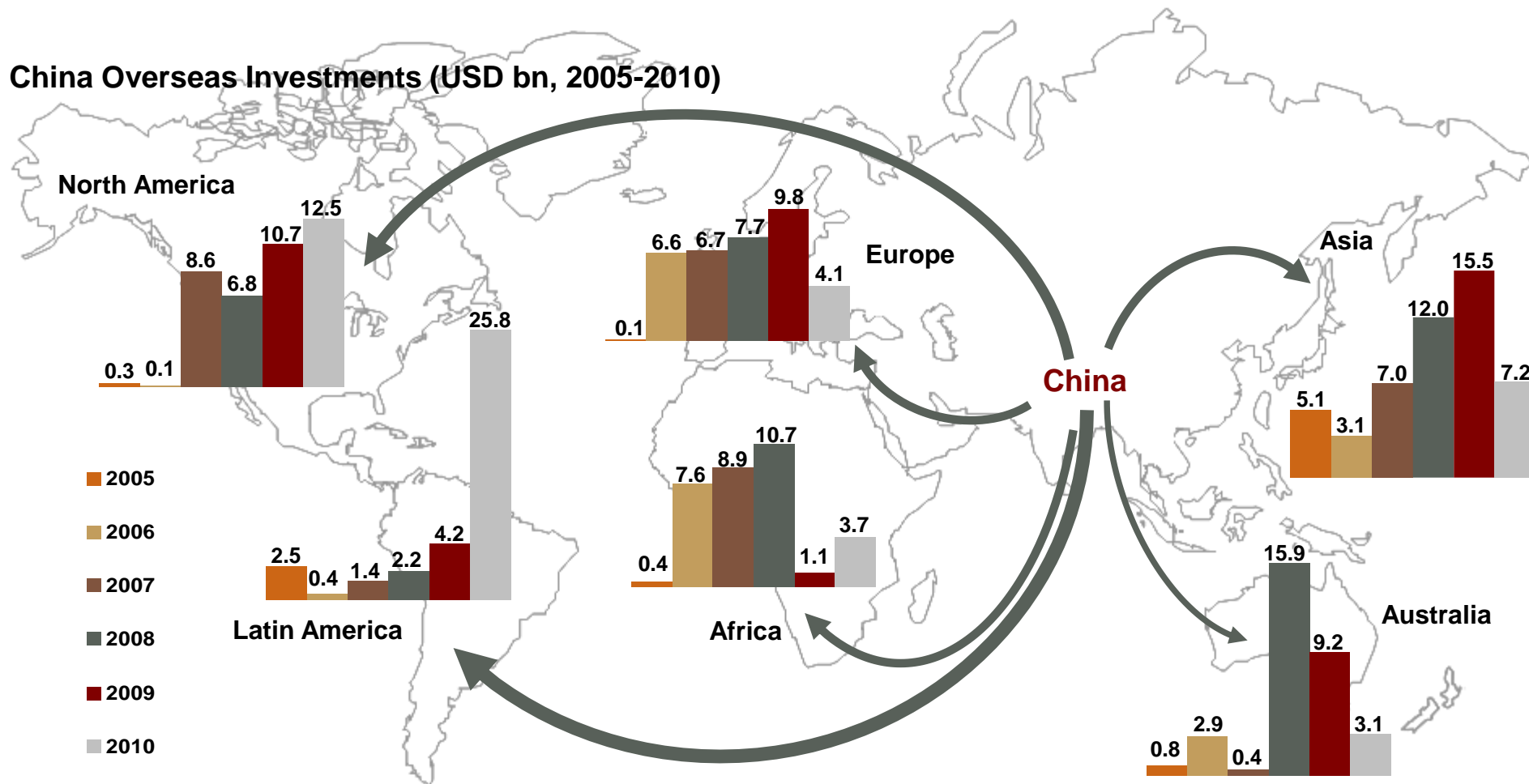
La IED china acumulada se ha centrado de forma prominente en Asia y más recientemente en América Latina. Europa y Estados Unidos son actores muy recientes en la tendencia

China OFDI Stock (USD bn, 2010)



Mirando la tendencia en los últimos años, vemos un creciente interés en el mundo desarrollado. América Latina fue la protagonista en el 2010

China Overseas Investments (USD bn, 2005-2010)



Note: Data comparable, but not equivalent to, that of previous slide due to different data sources

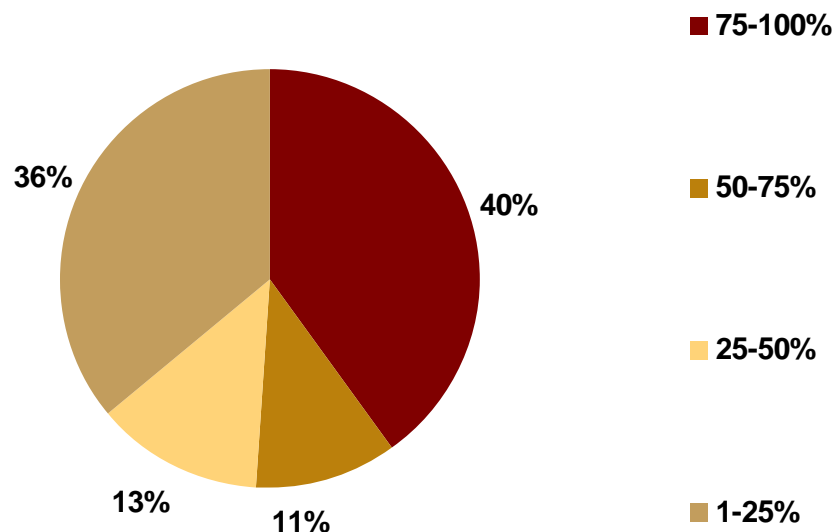
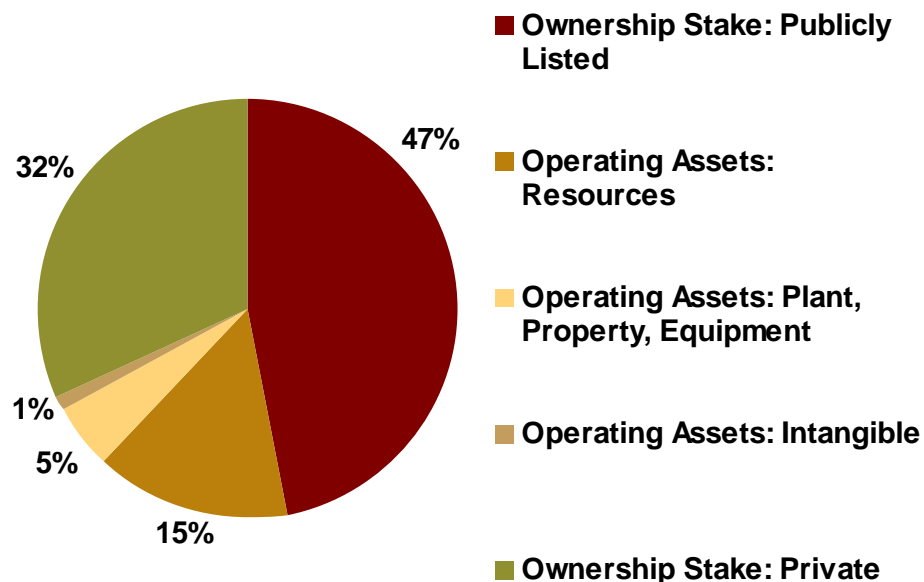
Source: Heritage Foundation; The Beijing Axis Analysis



Participaciones marcadamente minoritarias – de 1% a 25% o
 marcadamente mayoritarias – del 75% al 100% marcan la tendencia

**Type of Assets Acquired by China via OFDI
 (2004-2009)**

**China Percentage Stake Obtained through
 Acquisition (2004-2009)**



El año pasado, las empresas chinas concluyeron con éxito una serie de transacciones (i)

■ Africa ■ Australia ■ South America

China Cross-border Investment Deal Sheet: Major Deals (Apr 2009 – Mar 2010)					
Date	Acquirer	Target / New Company	Value	Target country	Stake
Mar-10	Sinopec	Sonangol Sinopec Int.	USD 2.46 bn	Angola	55.00%
Mar-10	China Sci-Tech	Chariot Resources	USD 231.9 mn	Canada	100.00%
Mar-10	East China Mineral Explr.	Itaminas	USD 1.2 bn	Brazil	100.00%
Mar-10	CNPC & Shell	Arrow Energy Ltd.	USD 3.1 bn	Australia	50.00%
Mar-10	Chinalco	Joint Venture with Rio Tinto-Guinea	USD 1.35 bn	Guinea	47.00%
Mar-10	CNOOC	Bridas Corp.	USD 3.1 bn	Argentina	50.00%
Mar-10	CNOOC	Tullow Oil Plc's Ugandan Blocks	n/a	Uganda	33.00%
Mar-10	China Sci-Tech	Lady Annie Copper Project	USD 135 mn	Australia	100.00%
Mar-10	State Grid Corporation	Quadra Mining Ltd	USD 1.05 bn	Chile	10.00%
Mar-10	Sichuan Hanlong Group	General Moly Inc.	n/a	US	25.00%
Feb-10	CNOOC & Sinopec	Azerbaijan oil field of Devron Energy	USD 3 bn	Azerbaijan	5.60%
Feb-10	Sinopec	2 Oil Sands of Athabasca Oil Sands	USD 1.7 bn	Canada	60.00%
Feb-10	China International Marine C.	Friede Goldman United (F&G)	USD 75 mn	US	75.00%
Feb-10	China Metallurgical Group	Resourcehouse	USD 200 mn	Australia	5.00%
Feb-10	China National Nuclear Co.	Khan Resources	USD 52.9 mn	Canada	n/a
Jan-10	Jinchuan Mining	Tanzanian Royalty Exploration	n/a	Tanzania	n/a
Jan-10	China National Nuclear Cor	Azelik uranium mine of Ideal Mining	USD 53.3 mn	Niger	37.20%
Jan-10	Zijin Mining	Indophil Resources NL	USD 498 mn	Australia	n/a

El año pasado, las empresas chinas concluyeron con éxito una serie de transacciones (ii)

■ Africa

■ Australia

■ South America

China Cross-border Investment Deal Sheet: Major Deals (Apr 2009 – Mar 2010)					
Date	Acquirer	Target / New Company	Value	Target country	Stake
Jan-10	Yunnan Copper Co.	JV with ActivEX Limited	n/a	Australia	n/a
Jan-10	China Railway Materials	African Minerals	USD 244 mn	Sierra Leone	12.50%
Dec-09	Shunde Rixin	An iron-ore mine in Chile	USD 1.9 bn	Chile	70.00%
Dec-09	WISCO	MMX	USD 400 mn	Brazil	21.52%
Nov-09	Sinochem Group	An independent oil firm	USD 320 mn	Kazakhstan	n/a
Nov-09	CNOOC	Statoil ASA's assets	n/a	Norway	n/a
Nov-09	CNPC & BP	Oil field (Rumaila)	n/a	Iraq	37% CNPC
Nov-09	CIC	GCL-Poly Energy Holdings Ltd.	USD 710 mn	Hong Kong	20.09%
Oct-09	Baosteel	Aquila Resources Ltd.	USD 260.5 mn	Australia	15.00%
Oct-09	CIC	SouthGobi Energy Resources Ltd.	USD 500 mn	Canada	n/a
Oct-09	Sinochem Group	Emerald Energy Plc.	USD 875 mn	UK	100.00%
Oct-09	Yanzhou Coal	Felix Resources Ltd.	USD 3.2 bn	Australia	100.00%
Oct-09	CNOOC	Boghai-1	USD 26 mn	Kenya	n/a
Sep-09	CIC	JSC KazMunaiGas	USD 939 mn	Kazakhstan	11.00%
Sep-09	CIC	Noble Group Ltd.	USD 850 mn	Hong Kong	14.90%
Sep-09	CNPC	Orinoco river heavy oil belt	USD 16 bn	Venezuela	n/a
Sep-09	CNOOC	Oil blocks	USD 30 bn?	Nigeria	n/a
Sep-09	CNPC	Singapore Petroleum Co., Ltd.	USD 2.2 bn	Singapore	up to 96.18%

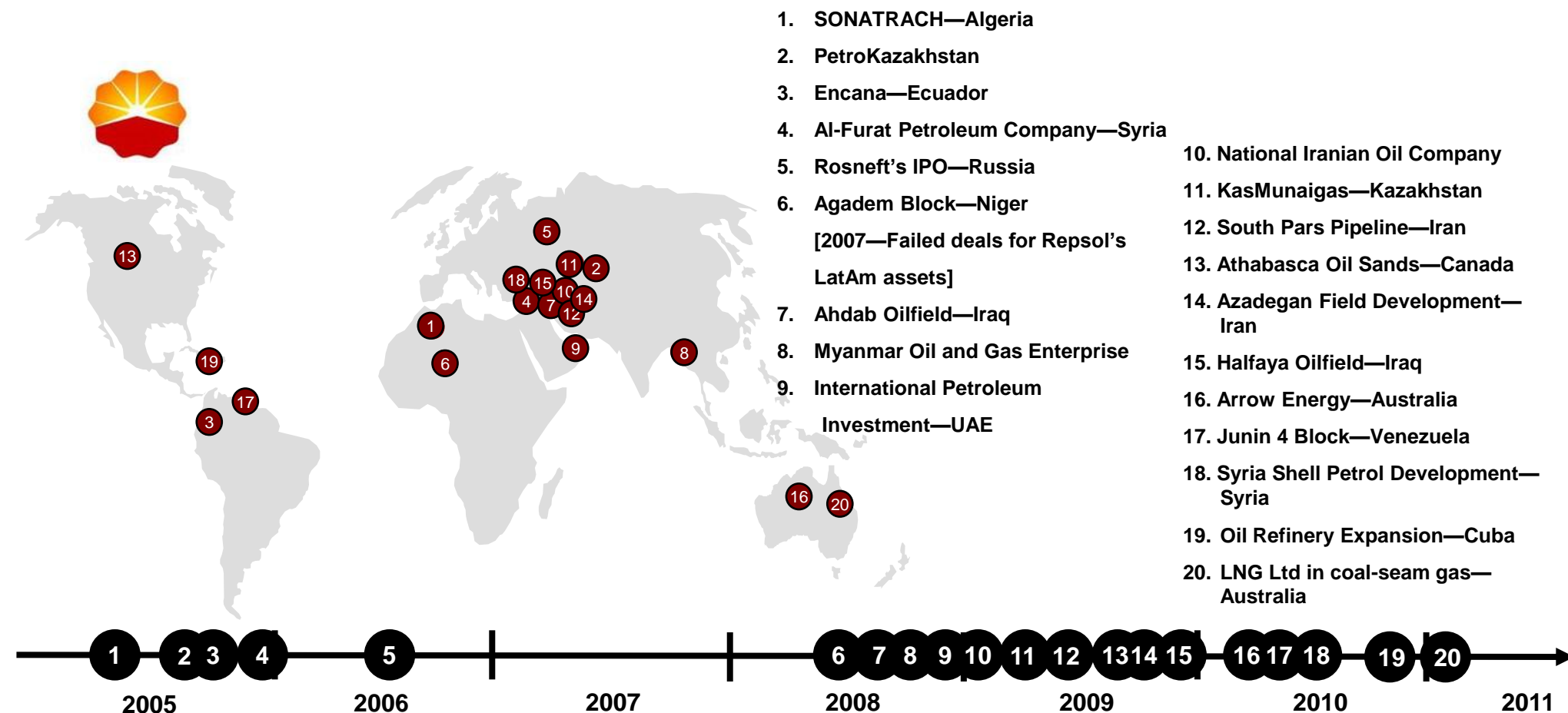
El año pasado, las empresas chinas concluyeron con éxito una serie de transacciones (iii)

■ Africa ■ Australia ■ South America

China Cross-border Investment Deal Sheet: Major Deals (Apr 2009 – Mar 2010)					
Date	Acquirer	Target / New Company	Value	Target country	Stake
Aug-09	CNPC	Mackay River & Dover oil projects	USD 1.7 bn	Canada	60.00%
Aug-09	Sinopec	Addax Petroleum	USD 7.24 bn	Nigeria	n/a
Aug-09	Jinchuan Group	Munali	n/a	Zambia	more than 70%
Jul-09	WISCO	MMXSudeste (MMX)	USD 280 mn	Brazil	23.00%
Jul-09	Sinopec & CNOOC	Marathon's Oil field in Angola	USD 1.3 bn	Angola	20.00%
Jul-09	CNPC	Repsol YPF (Argentine unit)	USD 14.5 bn	Spain	75.00%
Jul-09	Chinalco	Rio Tinto	USD 1.5 bn	UK	n/a
Jun-09	Sinopec	Addax Petroleum	USD 7.5 bn	Switzerland	100.00%
May-09	MCC	Waratah Coal Inc (Coal mine project)	USD 5.15 bn	Australia	10.00%
May-09	CNPC	Singapore Petroleum Co., Ltd.	USD 1.02 bn	Singapore	45.51%
May-09	Anshan Iron & Steel	Gindalbie Metals Ltd.	n/a	Australia	up to 36.28%
May-09	CNMC	Luanshya Copper Mines (LCM)	n/a (~USD 400 mn?)	Zambia	85%
Apr-09	CNPC (with KazMunaiGas)	MangistauMunaiGas	USD 3.3 bn	Kazakhstan	50.00%
Apr-09	Minmetals	Five mines from OZ Minerals	USD 1.354 bn	Australia	100.00%
Apr-09	Minmetals	Townlands and Kookfontein mine	USD 81 mn	South Africa	n/a

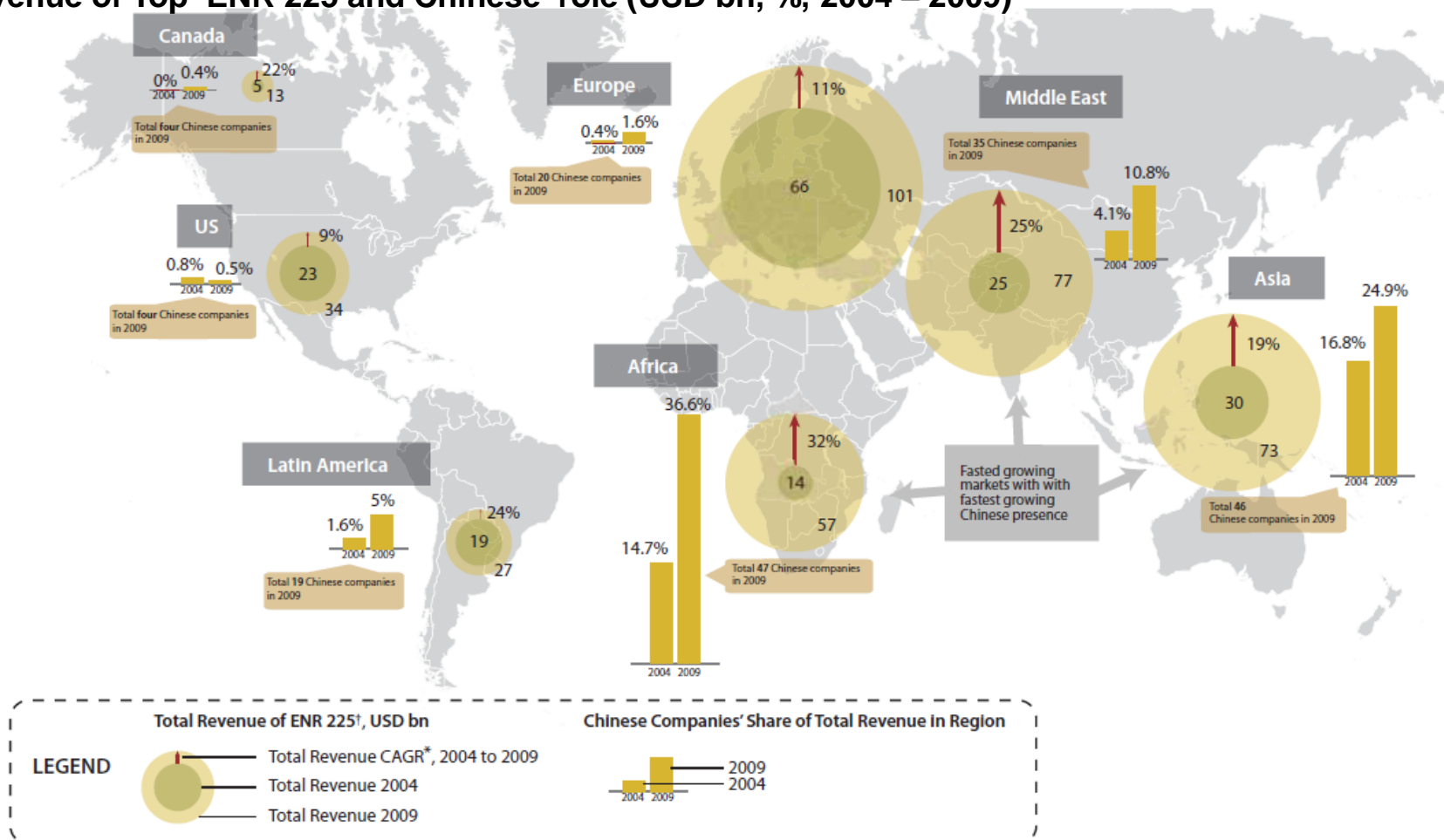


China National Petroleum Corporation (CNPC) es el mayor inversionista chino en el exterior hasta la fecha. En los últimos tres años ha invertido cerca de 30.000 millones USD en el exterior



La emergencia de las constructoras o empresas EPC chinas en el plano global, está presentando retos a sus competidores extranjeros. China cuenta con 50 empresas EPC en el top 225

Revenue of Top ENR 225 and Chinese role (USD bn, %, 2004 – 2009)





Un número de factores determinan la motivación y comportamiento de las empresas chinas en sus procesos de internacionalización





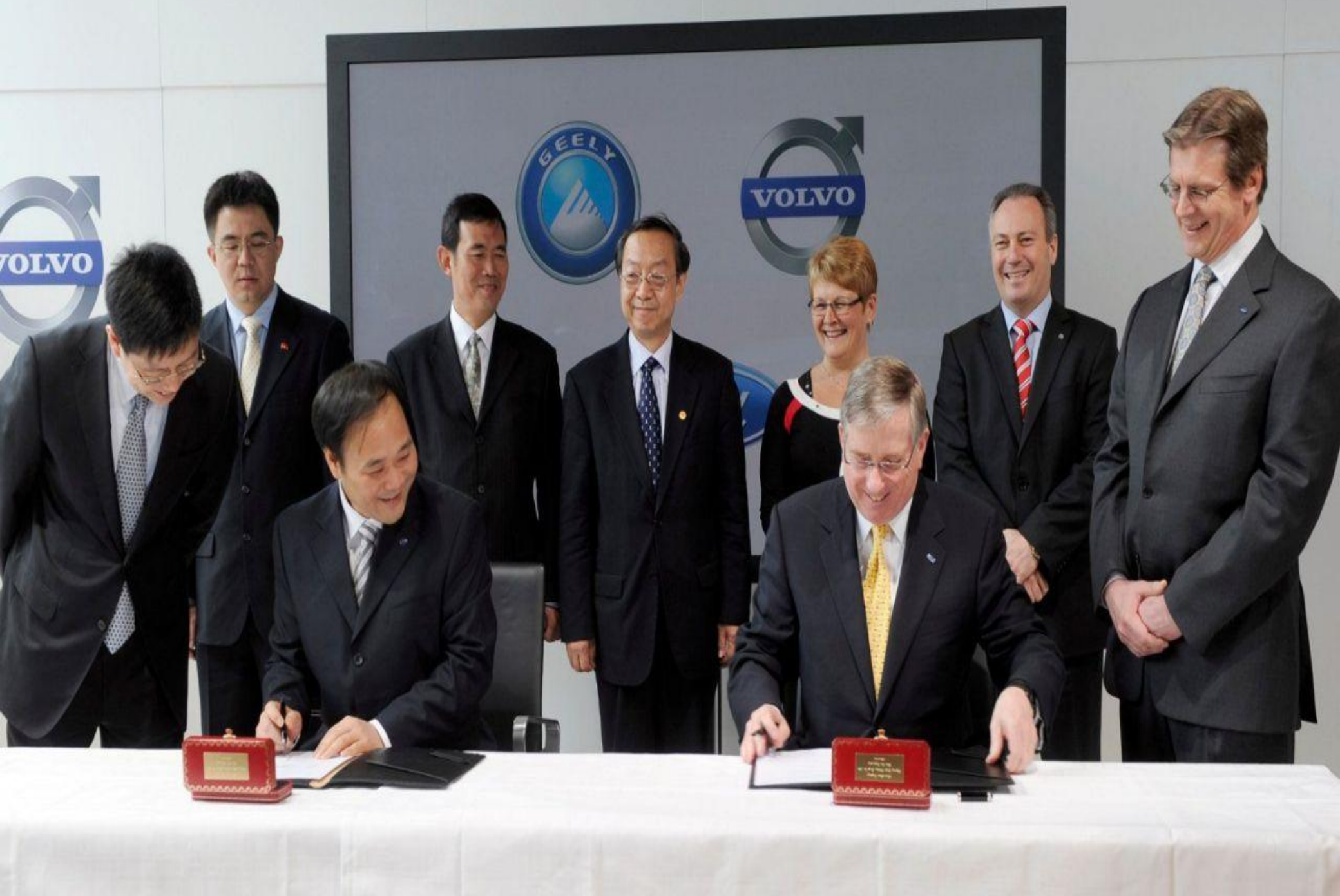
Agenda

La Emergencia de China en la Economía Global

China como Inversionista Estratégico en el Exterior

Retos, oportunidades e implicaciones para Europa – con mención específica a España

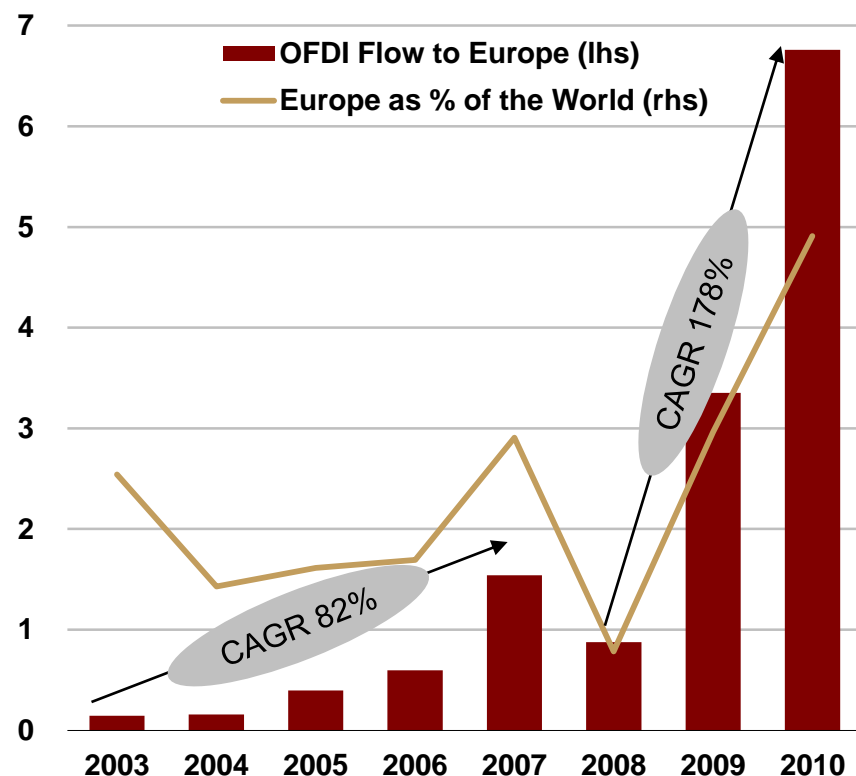
Conclusión



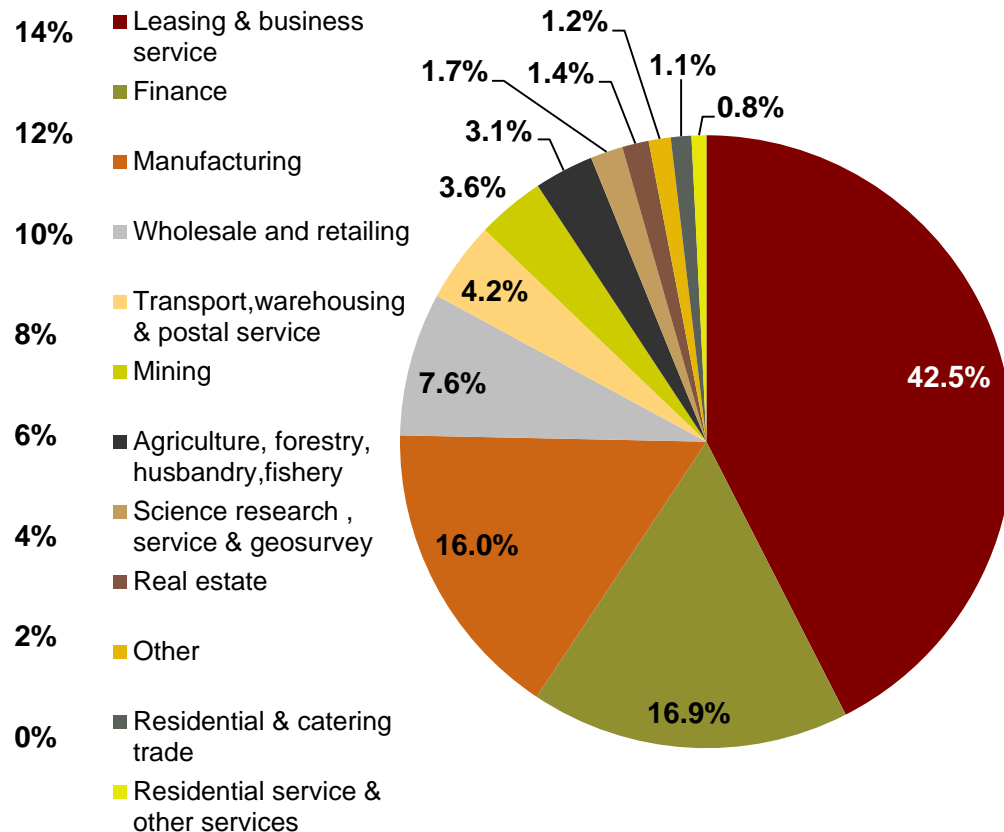


En los últimos dos años, las empresas chinas están apostando por Europa como destino para sus inversiones en el exterior, especialmente en las industrias manufactureras y sector financiero

China's OFDI Flow to Europe and Share in Total (USD bn, 2003-2010)



China's OFDI Stock Breakdown in Europe (by 2009)



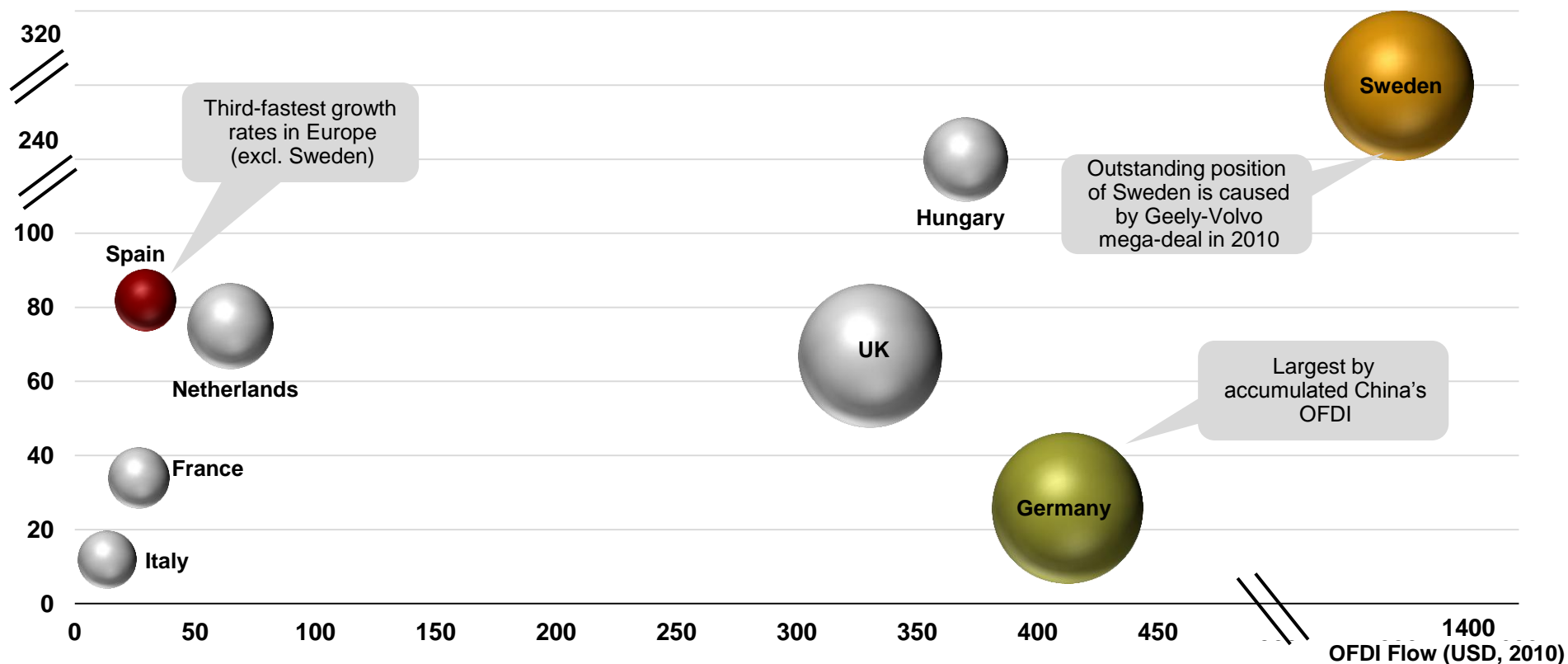


Alemania, Suecia y el Reino Unido son los protagonistas, mientras que España, Holanda y Francia lo son de forma emergente

Major Countries for China's OFDI in Europe (USD mn, %, 2010)

OFDI Flow (CAGR, 2005-2010)

Size of bubble
 represents China's
 OFDI stock (USD, 2010)



*Note: Luxemburg, being the largest recipient of China's OFDI, is not included here as playing an intermediary role for China's investments into other EU countries

Source: China OFDI Statistical Bulletin; The Beijing Axis Analysis

A pesar de la prematura incursión de China en los mercados europeos, se han registrado varios megadeals en los últimos tres años

Major Chinese Deals in Europe Since 2007

■ > USD 1 billion

Year	Investor	USD mn	Partner	Sector	Location
2011 (inc)	Guangdong Nuclear Power	1,000	Kalahari Minerals	Energy	UK
2011	China National Bluestar	2,007	Elkem ASA	Industrial	Norway
2011	Shandong Iron and Steel	1,500	African Minerals	Metals	UK
2011	Wanhua Industrial	1,666	BorsodChem	Industrial	Hungary
2010	Huadian	680	Sintez	Energy	Russia
2010	Tencent	300	Digital Sky Technologies	Technology	Russia
2010	CIC	956	Apax Finance	Finance	UK
2010	Three Gorges	168	EuroSibEnerg	Energy	Russia
2010	Geely Auto	1,800	Volvo	Transport	Sweden
2009	CIC	370	Diageo	Agriculture	UK
2009	Sinochem	880	Emerald Energy	Energy	UK
2009	CIC	450	Songbird Estates	Real Estate	UK
2009	Great Wall Motor	120	Litex Motors	Transport	Bulgaria
2009	CIC	300	Nobel Holdings	Energy	Russia
2009	Xiyang Group	480	n/a	Metals	Russia
2009	Sinopec	7,200	Addax Petroleum	Energy	Switzerland
2008	SAFE	1,990	BP	Energy	UK
2008	SAFE	2,800	Total	Energy	France
2008	Sany Heavy Industry	140		Real estate	Germany
2008	Zoomlion	250	CIFA	Real Estate	Italy
2008	CNOOC	2,490	Awilco Offshore	Energy	Norway
2007	Ping An	2,700	Fortis	Finance	Belgium
2007	China Development Bank	3,040	Barclays	Finance	UK
2007	Bluestar	700	Rhodia	Industrial	France
2007	LinkGlobal Logistics	130	Parchim Airport	Transport	Germany
2007	China International Marine Containers	140	Burg Industries	Transport	Netherlands



El perfil del inversor chino en Europa es muy diverso. Desde grandes multinacionales con previa experiencia en Europa a pequeñas y medianas empresas con un perfil internacional

Selected Profiles of Chinese Investors in Europe

1

Large M&As in Mining and Oil Sectors

- 11 out of 52 M&As in Europe (60% in terms of capital)
 - Acquisition of Chaarat Gold Holdings by China Non-Ferrous (CNMIN) in 2009 to develop a gold mining project in Kirghizia (USD 9 bn)
 - Acquisition of Geneva-based Addax Petroleum in 2009 by Sinopec for USD 7.2 bn
- Purely financial transactions
- No significant impact on the local economy/industry/SMEs

2

Technology/brand seeking M&As

- Mostly family owned companies
 - In financial difficulties/succession problems; have specialised technologies
 - Global leaders in niche markets; “made in Europe” reputation
- Increasing in numbers
 - Machinery sector (suppliers of components/parts)
 - /Luxury goods/Food sector (new target?)
- Great opportunities for SMEs (validation of assets/working as suppliers/distributors/service providers)

3

Market Seeking Investment

- Greenfield investment in import and distribution activities
 - Small firms – stand-alone
 - Weak linkages with local companies
- Exhibition/trade centre
 - Specialised in China goods
 - Upgrading to brand products
- Limited opportunities for SMEs (trade service/distribution)



China National Bluestar, empresa estatal productora de materiales sintéticos, ha invertido en la región en varias ocasiones



Belgium
January 2006
USD 484 million
Fully Acquired

Bluestar purchased all shares of Drakkar Holdings SA, the parent company of the Adisseo Group involved in the animal nutrition business. Bluestar Adisseo Nutrition Group would hold their IPO in Hong Kong in November 2010.



France
January 2007
USD 700 million
Silicone Business
Acquired

The two companies first entered a strategic alliance in 2004, then began producing chemicals jointly at a Bluestar facility in Tianjin. It wasn't until 2006 that Bluestar formally acquired Adisseo.



Norway
January 2011
USD 2 billion
Silicon Operations
Acquired

Elkem is a producer of high-grade silicon used by the solar industry and in the manufacture of computers—two rising sectors in China. It marks one of China's largest industrial acquisitions in Europe.



HNA Group, un conglomerado empresarial diversificado ha anunciado que tanto Europa como Estados Unidos serán regiones de prioridad en el futuro



Spain
October 2011
USD 455 million
Hospitality
20% Stake

Capital increase, which will allow HNA to become the hotelier's second-biggest shareholder, needs to be exercised by Dec. 15. Will create a JV in China and NH become the preferred hotel for clients traveling with HNA



Turkey
October 2011
N/A
Air Cargo
Acquired

Will be rebranded and traded as MyCargo Airlines and operate under its Grand China Logistics Group. Aim to develop a full-service logistics hub for the surrounding growth regions

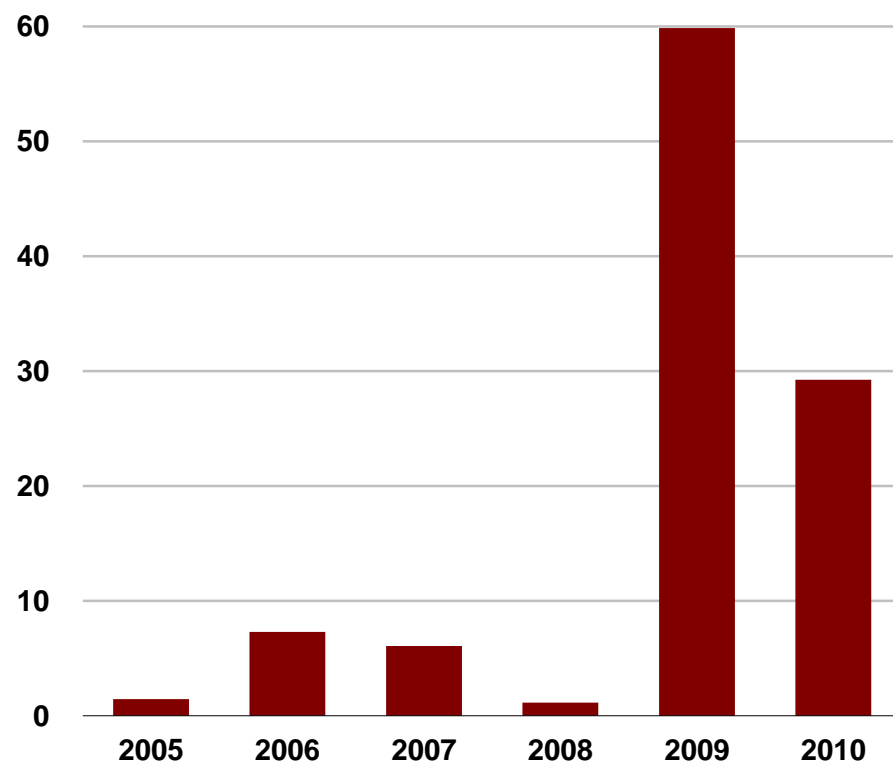


Singapore
August 2011
USD 1.05 billion
Marine Containers
Subject to approval

GE SeaCo is the fifth-largest player in the global marine container leasing industry owning and managing over 870,000 20-foot equivalent units. HNA acquires one of General Electric's world class businesses

La inversión china en España no es prominente, si bien ha registrado un incremento substancial en los últimos dos años

China's OFDI Flow to Spain (USD mn, 2005-2010)



Data Source Challenges

- One of the key challenges in evaluating the impact of Chinese overseas investment in Spain is the absence of reliable macroeconomic measures for this type of capital flow
- Chinese government data on Chinese ODI to Spain is not comprehensive. A more serious challenge is that Chinese government data on Chinese ODI to Spain does not correspond to Spanish government data about Chinese annual investment in Spain
- To overcome the irregular pattern and low level of Chinese OFDI in Spain, the Spanish government is attempting to pursue a novel strategy, namely by marketing Spain as an investment platform for Chinese firms investing in Latin America

Las empresas chinas con presencia en España tienen un marcado enfoque en el sector energía renovables, logística y tecnologías de la información

Main Chinese Companies with presence in Spain

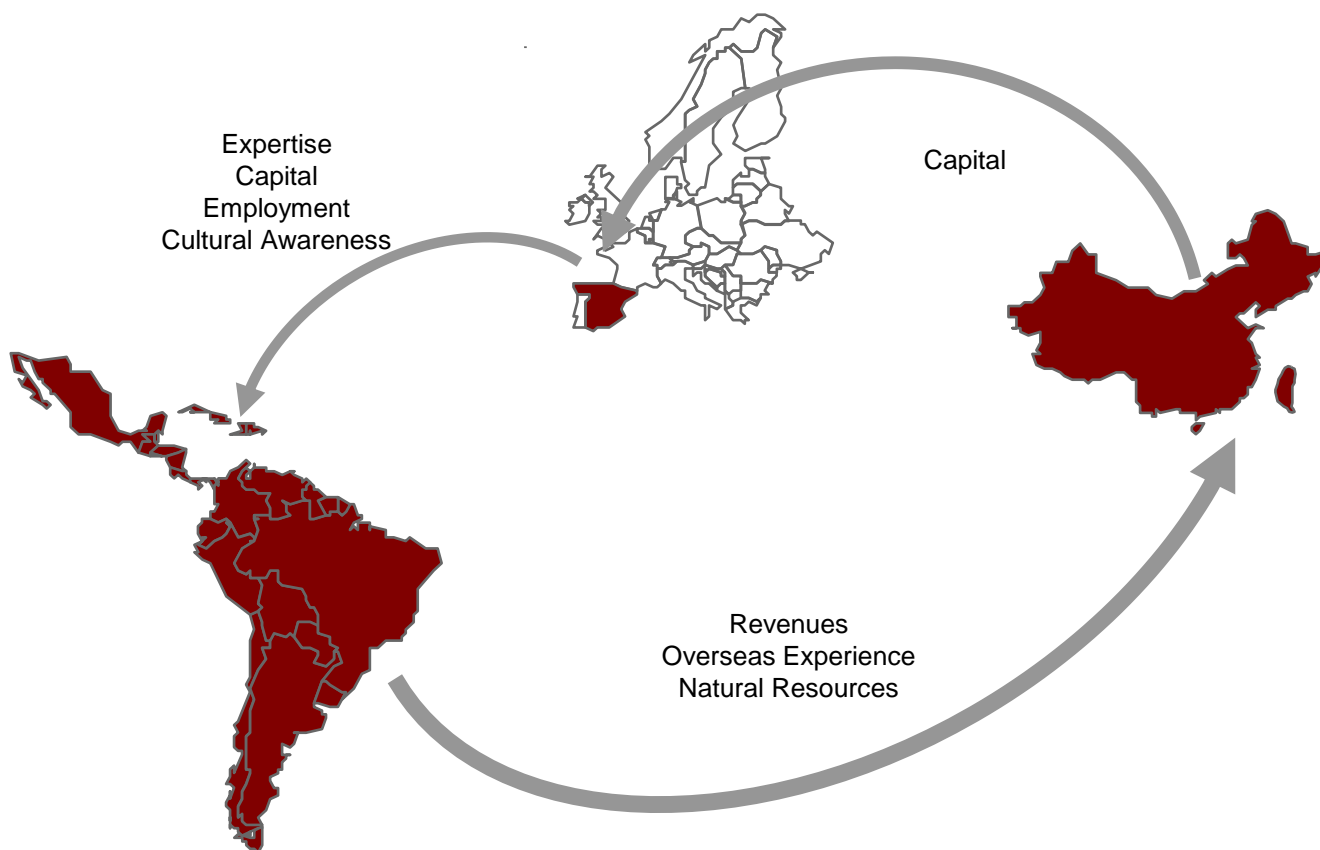
	Company	Sector		Company	Sector
1	China Ocean Shipping Company	Transport	14	Chint Group	Renewable Energies
2	China Unicom	ICT	15	Hutchison Whampoa	Infrastructure
3	Sinochem Corp	Chemical	16	Trina Solar Ltd	Renewable Energies
4	Legend Holdings (LENOVO)	ICT	17	Huawei Technologies	ICT
5	China Shipping Company	Transport	18	Crown Worldwide	Logistics
6	China Minmetals Corp	Mining	19	Suntech Power Holdings	Renewable Energies
7	China National Aviation Holding Corp (Air China)	Transport	20	Solarfun	Renewable Energies
8	Shanghai Baosteel Group Corp	Siderurgy	21	Kerry Logistics	Logistics
9	China National Chemical Corp	Chemical	22	ZTE	ICT
10	Jiangsu Sunrain Solar Energy	Renewable Energies	23	ICBC	Financial Services
11	Sky Global	Renewable Energies	24	LINING	Sportive Material
12	Yingli Solar	Renewable Energies	25	BYD	Automotive
13	Mindray Medical	Biopharma	26	Daxiong	Siderurgy

Un número de alianzas estratégicas sino-españolas están marcado la entrada a nuevos mercados para empresas en ambos frentes

Key Sino-Spanish Corporate Partnerships

	Chinese Company	Spanish Company	Sector	Type of Operation
1	China Unicom	Telefónica	ICT	Crossed Participation
2	HNA Holdings	NH Hoteles	Tourism	Acquisition of 20% of NH
3	Citic Group	Gandara Censa	Machinery	Acquisition of 100% of Gandara
4	Huawei	Telefónica	ICT	Comercial Agreement for the development of Latinamerican market
5	ZTE	Telefónica	ICT	Comercial Agreement for the development of Latinamerican market
6	CITIC	BBVA	Banking	Acquisition of 15% of CNCB and 30% of CIFH
7	SINOPEC	Repsol	Energy	Acquisition of 40% of Repsol Brasil
8	China Shipping Group	Perez y Cia	Transport and Logistics	Joint-Venture
9	Jiang Sunrain Solar Energy	Manuel Niñerola Grup	Renewable Energies	Joint-Venture
10	Kerry Logistics	Jose Salvat SA	Logistics	Joint-Venture
11	BYD	Endesa	Automotive/Energy	Cooperation Agreement
12	BYD	Bergé Automoción	Automotive	Import and Distribution Agreement
13	Geely	Bergé Automoción	Automotive	Import and Distribution Agreement
14	Chery	Bergé Automoción	Automotive	Import and Distribution Agreement

La triangulación China – España – América Latina está siendo uno de los ‘selling points’ de España en las tareas de atracción de la inversión extranjera directa china



Recent Examples

Huawei and Telefónica

- Joint innovation centers to collaborate/test new technologies

CITIC and BBVA

- CITIC leverages BBVA's position in Latin America; BBVA gains access to Chinese market

China Unicom and Telefónica

- First major investment made by a Chinese telecommunications operator abroad; gain local knowledge in one another's local market



La transacción entre Sinopec Group y la española Repsol sienta un precedente



Details

- Repsol retained a 60 percent stake in the joint venture
- Shareholdings reflected in the composition of the Board of Directors of the company
- Also signed a shareholders' agreement to jointly develop the current exploration and production businesses in Brazil
- Both Repsol and Sinopec agreed to continue their expansion plans in Brazil and to participate, jointly or independently, in future bids in Brazil
- Have since agreed to set up working groups to examine new business opportunities/joint ventures around the world

Strategic Implications

- Delivered the funds for Repsol to develop its deposits in Brazil, including premium quality discoveries in the Guara and Carioca pre-salt basins
- Opened the possibility to discover more deposits in the future
- Brought together the necessary resources and sharing of certain operational and financial strategic decisions
 - Created one of the largest private energy companies in Latin America valued at USD 17.8 billion



¿Cuáles son los atractivos de España como destino de la inversión extranjera directa china?

Spain's Key Attributes in Attracting FDI

- 1 Market Access**

Access to over 500 million consumers in the EU; strong historical and commercial ties with Latin American and North African countries through numerous Agreements to Avoid Double Taxation and Agreements for Protection And Promotion Of Reciprocal Investments
- 2 Favorable Business Climate**

Qualified workforce and high productivity; excellent communications, services and transportation infrastructure; Europe's most competitive tax regime (4% corporate tax rate)
- 3 Strategic Geo-location**

The European HQ of many Latin American multinational companies are located in Spain; likewise, many MNCs have also chosen Spain as their Latin American HQ, including Huawei; home of LATIBEX
- 4 Sustainable Development Shift**

Largest solar thermal electric producer in EU and second-largest in the world; boasts many top R&D and technological centers in wind and solar energy; ranks fifth worldwide in number of renewable energy patents
- 5 Government Policy**

Spain has liberalised its foreign investment rules to attract foreign capital and to bring domestic rules into line with the principles of the Treaty on the Functioning of the European Union.



China cuenta con un sistema de aprobación de las inversiones en el exterior lento, complejo y en la muchos de los casos determinante del resultado final

China's overseas investment approval system consists of going through the following institutions in no requisite order:

SAFE Approval

Investors need to submit a report to SAFE or its subsidiaries

SASAC Approval

State-owned enterprises need approval from SASAC

NDRC Approval

Required for resource extraction projects above USD 300 million or non-resource related projects above USD 100 million

Ministry of Commerce Review

- Consult with Chinese Embassy in target nation
- Issue State-owned enterprise investment certificate
- For extraction projects, special consultation with state mining/energy industry or trade association is required

Securities Regulatory Commission

If the investor company is listed on a domestic stock exchange, and the investment involves new placement or potentially will result in corporate restructuring, the investor company requires approval from China's Securities Regulatory Commission

Other agencies may have to be consulted for investments related to specific industries including:

- Ministry of Industry and Information Technology
- Banking Regulatory Commission of China
- Insurance Regulatory Commission of China

- SAFE: State Administration of Foreign Exchange, which is the approval authority for capital outward flows
- NDRC: National Development and Reform Commission, which implements government policies in terms of economics and industrial development
- SASAC: State-Owned Assets Supervision and Administration Commission, which is the approval authority for outbound investments from state-owned companies



China está mejorando sus capacidades y habilidades en la internacionalización de sus empresas

More Strategic

They would take into consideration strategic factors such as domestic reserves and long-term demand, the macro-investment environment, PR strategies, etc.

More Used to Int'l Standards

They are becoming more conscious of the benefits of using investment banks, law firms, accounting firms, risk insurance companies, and other advisors.

More Cooperation & Partnership

Rather than going for investment on their own, Chinese investors would consider partnering with other investors – e.g. China Railway Group partnered with a few Chinese companies in the DRC.

More Risk-Aware

With financial losses or local labour strikes and other risks derived from the global financial crisis, Chinese investors have learned valuable lessons.

More Government Support

It is expected that the Chinese government will give more support to Chinese investors in overseas mining projects, especially to SOEs.



Entender las diferencias es clave en la valoración de los retos y oportunidades (i)

**Business model
(conceptual distance)**

**China priced
competition**

**Strongly relying on
the government**

**Management practice
(contextual distance)**

**Superiority over
(private/small)
suppliers/distributors**

**“Just do it” (less
planning/fewer
procedures)**

**Weak contract
enforcement**

**Less liable to
international rules
and regulations**

Cultural unawareness

Understanding differences and preparing for opportunities and risks



Entender las diferencias es clave en la valoración de los retos y oportunidades (ii)

- **Corporate vs. individual or family investors**
- **Not only national flagship companies, but also SMEs as well as:**
 - “Hidden champions”
 - “Global niche players”



- **Sector distribution**
 - High-tech vs. low-tech manufacturing
 - Knowledge-intensive services (KIS) vs. less knowledge intensive services (LKIS)

- **East vs. West Europe**
- **Capital cities vs. economic hubs**
- **Geographical agglomeration**
 - Co-location with Chinese ethnic communities



Agenda

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Conclusión



Conclusión

- China, more so than other countries, is the **most dynamic within the international mining landscape** and will remain so for years to come
- China is **the foremost, up-and-coming developing economy** in the world
- China **requires large inflows of natural resources** from abroad for its drive toward modernisation and **seeks long-term deals from for its mineral supplies**, preferring to take equity stakes in its deals abroad
- China is a **viable source of capital**, and may soon become **Asia's most prominent international investor**
- **Investment in Europe** will focus on Asian companies **seeking markets** and European **technology**, as well as on the activity of sovereign wealth funds such as **CIC**
- China will continue to **focus on specific countries and on specific assets** in Europe
- It is not a matter if Chinese companies will invest, it is a matter of **when, where and how**



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