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### Brighter prospects foreseen for the continent amid steady growth and increasing opportunities for cooperation with China

The European economy has shown a continuing and consistent positive trajectory, entering its fifth year of recovery that includes all EU member states. This trend is looking promising and is expected to continue at a steady pace in 2018. As the global economy started gathering momentum late last year and early this year, there are fewer concerns about uncertainty and instability in Europe as well.

According to the European Commission, global growth excluding the EU is expected to strengthen 3.7% this year and 3.9% in 2018, from 3.2% in 2016. The EU has been following this improvement, showing that the tough lessons of the past crisis (namely the post-Lehman Brothers crisis) have been learnt. GDP growth in the EU is now expected to remain constant at 1.9% both in 2017 and 2018.

Furthermore, thanks to rising domestic demand, structural reforms and other EU policies encouraging job creation that have been adopted by member states, unemployment in the euro area is continuing to decline and is expected to fall to 9.4% in 2017 and to 8.9% in 2018. This is the lowest level since 2009, showing that the European job market is on a promising road to recovery and allowing EU citizens to be optimistic about the future.

### Chinese investment trends

Chinese investment in Europe is constantly growing and expanding. Companies are increasingly looking for technology, knowledge and specialization in their efforts to become global leaders in many industrial sectors. It is well known that they can find all of these in Europe. Southern European countries – second to the so-called 'Big Three' of the United Kingdom, Germany and France – are now, more than ever, becoming attractive to Chinese firms.

China is transitioning from a middle-income economy to a high-income economy and this requires businesses to be more and more competitive. Competitiveness can be achieved internally, by increasing national investment, or globally, by investing abroad. As a result, Chinese companies are being encouraged to broaden their horizons overseas as quickly as possible, causing outbound investment to continue growing.

China is now the third largest world investor, making approximately US\$128 billion in foreign investment in 2015. The EU continues to be a preferred destination for Chinese investment. In 2015, data showed that Chinese investment in the EU exceeded US\$30 billion.



People walk along a popular shopping street in Rome. Chinese investment in Europe is growing, particularly in Southern European countries including Italy, Spain and Portugal.  
遊人在羅馬的購物街上閒逛。中國對歐洲的投資日益增長，特別是意大利、西班牙和葡萄牙等南歐國家。

## Europe's Economic

Chinese companies have shown a particular interest in southern European countries. The cumulative investment for the period 2010-2015 showed that the 'Big Three' represented almost 44% of total foreign investment in the EU while southern European countries such as Portugal, Italy, Spain and Greece represented almost 28.3% of Chinese investment in the EU. This is considered, among other things, as a consequence of the economic crisis which caused a drop in price of certain key assets such as property, businesses, industrial property and land, particularly in southern European countries.

### Screening foreign investment

The EU is preparing to screen foreign investment by creating a new framework, on the grounds of security and public order. The reasoning behind the screening is essentially to avoid takeovers in some sensitive areas.

## Outlook for 2018

Chinese companies are striving for global leadership in many sectors, resulting in certain key EU member states pushing the idea of defending the EU against potentially hostile investment from overseas. The EU Commission has proposed to establish a mechanism to screen foreign direct investment into the EU, which may subsequently influence EU policy in this sector. The aim of the proposal is to boost transparency, not to impose requirements for member states to adopt or maintain screening mechanisms.

Foreign investors often seek to acquire strategic assets in Europe which, potentially, may allow them to control companies operating in security and public order sectors, such as critical technologies, information, infrastructure and energy.

The EU Commission believes its plan will improve coordination between national authorities. Although

EU leaders have agreed to call on the EU Commission to "scrutinise" foreign investment, it will be down to member states to make the final decision. To date, 15 EU countries have started screening foreign investment in their territories. Although China seems to be the main focus of the measure, the screening will apply to all foreign investment.

### The Belt and Road Initiative

China's Belt and Road Initiative (BRI), is aimed at facilitating trade and commerce by connecting China and other countries across Asia, the Middle East and Europe through a massive network of interconnecting land and maritime routes.

The total investment in infrastructure as part of this project is estimated to exceed US\$1 trillion. China has set up two major funds, the Silk Route Fund with US\$40



# 2018年歐洲經濟前景

隨著歐洲經濟穩步增長及與中國的合作日益增加，經濟前景一片光明

歐洲經濟持續穩步上升，所有歐盟成員國均連續第五年錄得復甦，前景向好。預料這股趨勢將在2018年持續。隨著全球經濟於去年底和今年初開始呈上升之勢，市場對歐洲經濟不明朗和不穩定的憂慮亦隨之減少。

根據歐盟委員會的數據，預料今年的全球增長（不計歐盟）將由2016年的3.2%增至3.7%，並於2018年達3.9%。歐盟一直跟隨全球步伐，可見已從上一次的金融危機（雷曼兄弟事件）中吸取教訓。預計歐盟的GDP增長在2017和2018年均維持在1.9%的水平。

此外，由於本地需求上漲、結構性改革及成員國採納有關鼓勵創造就業的其他歐盟政策，歐元區的失業率持續下降，預計在2017和2018年的失業率分別降至9.4%和8.9%，是自2009年以來的最低水平，顯示歐洲就業市場正踏上復甦之路，歐盟人民對未來感到樂觀。

## 中國投資趨勢

中國對歐洲的投資不斷擴大。中國企業日益到歐洲尋求科技、知識和專長，以期成為多個行業的全球領袖。一直僅次於歐洲三強英德法的南歐國家，對中國企業的吸引力亦空前增加。

隨著中國由中等收入經濟體轉型至高收入經濟體，企業必須提高競爭力。它們可透過增加國內投資或進行海外投資，分別提高對內和對外的競爭力。中國企業紛紛踏足海外，以致對外投資也愈見增加。

中國現為全球第三大投資國，2015年的對外投資額約為1,280億美元。歐盟繼續成為中國對外投資的首選目的地。2015年的數據顯示，中國對歐盟的投資額超過300億美元。

中國企業對南歐國家尤感興趣。2010至2015年，中國企業的累計對外投資額有近44%流向歐洲三強，而南歐國家如葡萄牙、意大利、西班牙和希臘亦佔近28.3%。原因之一可能是歐

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billion and a Green Silk Road Fund, funded by private investors, with an initial capital of US\$4.4 billion.

BRI is unprecedented and innovative. Unlike other integration projects, such as the EU and ASEAN, it seeks to achieve a new model of integration. It will not only boost economic growth in China, but will also provide participating countries with greater access to China and an increased exchange of ideas, information and technology, as well as improved infrastructure and reduced costs of transportation of goods.

Awareness of the initiative is still limited in the majority of EU countries. However, attitudes towards BRI have so far been improving. China has targeted two main regions within Europe to promote the initiative – Central and Eastern Europe and the European Mediterranean countries.

BRI offers the EU an opportunity to take a more active role in redesigning international relations, both from an

economic and a political perspective, as well as working towards a more liberal and multilateral international trade system. As transactions between the EU and China are constantly rising (China currently being the second largest trade partner of the EU), it is an optimal time for China to encourage BRI, with the aim of establishing a stronger connection between Asia and Europe.

However, there is reluctance from the EU to engage in the initiative. This is understandable, because the strategy is currently in its initial development stage and there is still limited information available as to how it will function in practice. As such, China is continuously working on soliciting new participants to become involved with the initiative as well as exploring options for cooperation.

It is clear that the EU would benefit from actively participating in the initiative so as to bring in its own expertise, ideas and propositions. The EU and China must work together in order to make the BRI the success it is destined to be. ✿