The foreign direct investment from China to Europe

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December 2020

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Introduction

With the rapid development of China's economy, foreign trade and foreign investment have been taken to great achievements. As in 2000 the Chinese government Chinese actively encourage enterprises "going out", and its positioning as a national strategy, China's foreign investment in recent years has entered a period of gold. According to statistics, 2015 annual China's outward FDI flow of 73.508 million yuan RMB, an increase rate of 14.7%, by the end of the year, China's outward FDI stock accumulated up to 5.4 trillion yuan, which is sufficient to prove that, both from the investment flow or investment stock has been entered the ranks of big country of foreign investment among. In contrast, the European Union and China is the EU's second largest trading partner, very close economic exchanges between China and EU development, but due to the 2008 financial crisis and the European debt crisis to the EU's economic development has brought hit, once malaise, so the current EU need absorb foreign capital to boost the economy and solid economic recovery and relieve the EU internal social and economic contradictions. But the flow and stock of China's FDI is still low compared with the volume of trade between the EU and China, so China still has a huge space for development of EU FDI. Therefore, it is of great significance to study how to further cooperation on investment and put forward effective proposals.

1 The concept of Foreign Direct Investment

1.1 The definition of FDI

FDI is the abbreviation of Foreign Direct Investment. They have similar meanings, but they do explain different economic activities in the research or study. The abbreviated one is referred as the industrial organization from the micro view, while another one might be referred as international finance from the viewpoint of macro (Lipsey, 2001).

The macro view is the newer one and more widely accepted. It explains a particular form of the flow of capital across national borders, from home countries to host countries, measured by the statistic in the balance sheet. Those flows give rise to the stocks of capital in host countries, namely the value of home country investment in entities, typically corporations, controlled by a home country owner, or in which a home country owner holds a certain share of voting rights. The value of the stock of capital that is accumulated by the investing firms, and the flows of income from the investments (Lipsey, 2001).

To be understood easily, FDI takes place when an investor establishes foreign business operations or acquires foreign business assets in a foreign company (from Investopedia).

1.2 The entity of FDI

A direct investor could be classified to any sector of the economy and could be any of the following:
(i)an individual;

(ii)a group of related individuals;

(iii)an incorporated or unincorporated enterprise;

(iv)a public or private enterprise;

(v)a group of related enterprises;

(vi)a government body;

(vii)an estate, trust or other societal organization;

(viii)any combination of the above.

Direct investment is the category of international investment that reflects the objective of a resident entity in one economy obtaining a lasting interest in an enterprise resident in another economy. (The resident entity is the direct investor and the enterprise is the direct investment enterprise). The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence by the investor on the management of the enterprise (IMF,1993, p 86).

While the concept is vague, the recommended implementation is specific. "… a direct investment enterprise is defined in this Manual as an incorporated or unincorporated enterprise in which a direct investor, who is resident in another economy, owns 10 % or more of the ordinary shares or voting power (for an incorporated enterprise) or the equivalent (for an unincorporated enterprise) (IMF, 1993, p. 86).

1.3 The type of FDI

Currently, there are mainly two ways to categorize the type of foreign direct investment by different directions.

1.3.1 Classified by motivation.

1.3.1.1 Greenfield investment

It is also known as creation investments, are part or all of the assets of multinational ownership and other investors in the territory of the host country in accordance with the laws of the host set owned by foreign investors in all businesses. The investment will directly lead to an increase in host country's production capacity, output and employment. Greenland investment has a long history as an important way to obtain physical assets in international direct investment. Early multinational companies basically used this approach to expand their business overseas. There are usually two forms of greenfield investment: first, the establishment of a wholly foreign-owned enterprise in the form of foreign branches, foreign subsidiaries and foreign tax-haven companies; and second, the establishment of international joint ventures in the form of equity joint ventures and contractual joint ventures.

The main attributes:

Advantages:

a. When using green space investment to create a new enterprise, multinational corporations have more autonomy, can independently plan project, choose a site suitable for global development strategy, and implement business management. In addition, enterprise can control the risks of the project in much degree and can master the initiative of all aspects of project planning.

b. In the process of creating new enterprise, they are less restricted by the industrial protection policies of the host country. If a new company is established in the form of a contracted joint venture, the multinational company participates in the business activities of the enterprise by providing technology, management, sales channels and other services that are not related to equity to the host country enterprise. In this way, multinational corporations do not use funds and do not occupy share, so they will not arouse nationalist xenophobia, thereby reducing political risks.

c. After establishing a sole proprietorship through greenfield investment, multinational companies can maintain their monopoly advantages in technology and management to a greater extent, and use their technical, management, production, and marketing advantages to occupy the host country market.

Disadvantages:

a. The greenfield investment method requires a lot of preparation work, so the construction period is long, the speed is slow, and the flexibility is not high. It has high requirements on the financial strength and operating experience of multinational companies, which is not conductive to the rapid development of multinational companies.

b. During the process of establishment of a new enterprise, multinational enterprises fully bear their risks and have great uncertainty.

c. After the establishment of a new enterprise, multinational companies need to develop their own target markets in the host country, and often face problems such as inadequate management practices and host country practices, lack of managers and technical staff.

1.3.1.2 Mergers and Acquisitions

Cross-border mergers and acquisitions and other means multinational investors through certain program and channels, has made the investment behavior of ownerships of all or part of a host of existing enterprises. Cross-border mergers and acquisitions are an extension of domestic corporate mergers and acquisitions. Multinational companies adopt direct mergers and acquisitions to make direct investments. Their motivations include exploring similar international markets, obtaining product trademarks, brands, and existing marketing networks; ensuring the supply of raw materials and product sales markets; diversification of business areas, regions, and assets, etc.

The main attributes:

Advantages:

a. Assets are acquired quickly, and cheap assets are easy to obtain. The bids of multinational companies to acquire assets through mergers and acquisitions are often lower than the true value of the assets of the target company. Because, the M&A company may know the true value of the assets of the target company clearly than the target company; the target company is in trouble in the operation so that the acquiring company can acquire the price down; the acquiring company uses the host country's stock market to buy at low price target company's stock. In this way, mergers and acquisitions can enable multinational companies to obtain ready-made useful production factors, such as land, factories and skilled labor, etc., thereby greatly shortening the construction period and investment period of the project.

b. The market entry is convenient and flexible, and the market share of the acquired company can be used to reduce competition. Cross-border mergers and acquisitions can not only directly obtain the original assets of the acquired enterprise, but also the acquirer enterprise can directly occupy the original sales market of the acquired enterprise and use the sales channels of the acquired enterprise. From the perspective of supply and demand, merges and acquisitions generally do not increase the original market supply of the host country, thereby reducing the intensity of competition and avoiding the risk of a decline in average sales due to the increase in manufactures.

c. After cross-border mergers and acquisitions, the financial institutions that originally provided credit to the target company may continue to maintain a loan relationship with the company and provide borrowing convenience for multinational companies. In addition, multinational enterprise can make full use of the original management system and managers suitable for the local market, so as to quickly adapt to the investment environment of the host country and occupy the market in the host country.

Disadvantages:

a. Due to the difference in international accounting standards, information asymmetry, and intangible asset evaluation, it is difficult to evaluate the value of the target company, making it difficult for multinational companies to make decisions, which affects the success rate of transnational mergers and acquisitions.

b. Restriction form host countries and resistance from local protectionism are often encountered. In order to protect the national industry of the country, the host government sometimes restricts mergers and acquisitions in certain special industries.

c. It is easy to be restricted by the scale and location of the enterprise and the constraints of the original contract. Because the size, industry, and location of the acquired company fixed, it is difficult for multinational companies to find an enterprise that matches the location and production scale required by their global development strategy. Existing contracts between the acquired company and customers, suppliers and employees often affect the continued management of the company by multinational companies.

1.3.2 Classified by area of investment

1.3.2.1 Horizontal Foreign Direct Investment

Horizontal FDI is to produce the same good or services in multiple plants in different countries, where each plant serves the local market form the local production. Two factors are important for the appearance of horizontal FDI: presence of positive trade costs and firm-level scale economies. There are some features can explain the motivation of horizontal FDI. First, horizontal FDI reduces trade flows, since the market is served through local production instead of exports. Second, horizontal FDI takes place if the costs of importing are high relative to costs of investing. Third, horizontal FDI is more likely to occur in large foreign markets, which allows to spread fixed costs for the new plant over a large volume of production. Finally, the value of local production may exceed the simple calculation of net costs form the described trade-off, when establishing a local production plant may have s strategic value (PROTSENKO, 2003)

1.3.2.2 Vertical Foreign Direct Investment:

A country's enterprise goes abroad to establish a subsidiary company related to domestic production, and realizes specialized collaboration between the parent company and the subsidiary company

The subsidiary and the parent company are engaged in the production of products in the same industry, but they respectively undertake different processes in the production process of the same product. Such as automobile, electronics

Subsidiaries and parent companies are engaged in different industries but are related to each other, such as resource development and processing industries.

2 The motivation to FDI in Europe

China's investment industries in the EU are widely distributed, with direct investment in 20 industries reaching more than US$1 billion. The industries are mainly concentrated in the financial industry, leasing and business services and manufacturing industries, which account for more than 80% of China's total investment in the EU. At the same time, China's direct investment in the EU is diverse, with small and medium private enterprises occupying a dominant position, especially greenfield investment and service industry investment. There are many motivations for Chinese companies to invest directly in the EU. The several common motivations are analyzed as below.

2.1 Market seeking

The most common motivation for foreign direct investment is market-seeking motivation. With the reform and opening up, China's economy has entered a period of rapid development, a large number of cheap labor, abundant resources, a broad market, preferential foreign investment policies and other advantages have attracted many foreign investors to invest in China, especially in the manufacturing industry. As a result, China has become the world's processing and manufacturing center, known as the "world factory". With the rapid development of China's economy, per capita income has increased, and labor costs have increased, China is gradually losing the advantage of cheap labor costs. The domestic consumer market also tends to be saturated, the survival space of enterprises is limited, and the growth rate of domestic economic development slows down. In this situation, Chinese enterprises began to make overseas investments, explore the international market, constantly optimize the industrial structure and extend the industrial chain, and successfully complete the transformation of enterprises.

The European Union is a region with a concentration of developed countries, with a broad market, advanced technology and abundant capital. Although the EU has experienced a financial crisis, it still maintains a strong vitality, and the EU market has a huge consumption capacity. In 2017, the population of the EU reached 512.5 million; in 2018, the total GDP of the EU reached $18.75 trillion, an increase of 7.87% year-on-year. Thus, it can be seen that the EU has a vast market, which attracts capital from all countries to invest in the EU. The same is true for China, where most of the investments made by Chinese companies into the EU seek the EU's vast market. Within the EU, France, Germany and other developed countries, represented by the high-end market share is wide and has obvious advantages,

While China's domestic per capita income is lower than these developed countries, the domestic high- level market is limited, so Chinese enterprises need to use the EU's high-level market to broaden their own sales channels and increase their profits. At the same time, there is also a broad mid- and low-level market in the EU, with Portugal, Ireland, Greece, and the United States. Countries such as Latvia and Spain need to bring in foreign investment to develop their domestic economies. Chinese manufacturing enterprises producing low-level products have established production bases and subsidiaries in the EU, taking advantage of their own advantages to establish a brand image in the EU, build sales channels and occupy the local market. These investments not only make Chinese brands go abroad and expand the brand effect, but also use the EU's advanced technology and management methods to reduce the cost of enterprises, expand profits, realize the industrial upgrading of enterprises and enterprise structure optimization, lay a solid foundation for enterprises to further expand the European market.

There is one index to measure the freedom in the investment. The higher the host country's freedom to invest index means that cross-border investment costs are lower and multinational companies are more likely to invest in that country. France, Italy, Belgium, Spain, Sweden, the

Netherlands, Germany and Luxembourg have investment freedom indexes of 70, 75, 85, 85, 90, 90 and 95 respectively. These high scores indicate that these countries are more likely to attract foreign investment, especially Chinese companies, which have invested further into the EU in recent years. China's main investments in the EU are in new economy industries such as financial services, information industry and leasing, and they are much higher than the average level of China's foreign direct investment. The main reason is that the developed countries in the EU have abundant capital strength, advanced technology and management methods, and a vast new economy market. In addition, the EU's vast territory, large population and large economic volume make the EU market large and attractive to Chinese enterprises.

2.2 Strategic asset seeking

Strategic assets are mainly advanced research and development technology, advanced management experience, corporate branding, high-quality human resources, and rational marketing strategies. With the development of globalization, more and more Chinese enterprises are making global strategic layout. However, in the face of the increasingly competitive world market, the technology level, management level and marketing strategies of enterprises put forward higher requirements.

China's core technology started late, investment in R&D is relatively low, and there is a obvious gap between China's innovative technology and that of developed countries in the EU. China has set up a series of preferential policies to attract foreign enterprises to invest in China and introduce advanced foreign technology, but most of the European and American countries export most of their own technology to China is relatively mature or even backward technology, China has been unable to master the cutting-edge technology of the industry, can not become the leader of today's technology, which is not a long-term plan for China. Chinese enterprises need to take the initiative to invest in developed countries, get in touch with the cutting-edge technology of the industry, develop related technologies and enhance the competitiveness of enterprises to face the fierce international competition.

Germany, the United Kingdom, France, Italy and other countries are among the world's leading countries in terms of technology and are the main target countries for China's technology-seeking direct investment in the EU. These countries have tremendous advantages in technology, management, property rights protection, human resources, capital, etc., and have top enterprises in various industries with advanced technology in the world, attracting countries to invest in these countries and regions, establish research and development centers, and acquire advanced technology in related fields. In recent years, China has increased its investment in the EU, creating research and development centers, signing relevant cooperation agreements and acquiring companies in the host country to update its technology.

In 2011, Chongqing Light Textile Group acquired Germany's automotive sealing giants Saagulmi Group, making China's sealing technology expected to reach the world's leading level; in 2011, Wanhua acquired Bausch & Lomb, Hungary's largest chemical company. In addition, the company has acquired 98% of the shares of Wanhua. This overseas acquisition not only solved the employment problems of more than 3,300 employees, but also completed the global strategic layout of "Wanhua". By 2017, the company had a profit of 400 million Euros and became one of the top 10 Hungarian companies. At the same time, Chinese companies have established many R&D centers in the EU. Huawei has set up a number of R&D centers in the European Union and is seeking local technical support for collaborative R&D; ChangAn has also signed strategic deployments in the UK and Italy to create R&D departments.

In addition, some Chinese enterprises invest in the EU to seek strategic assets such as advanced management experience, human resources, marketing and business strategies of EU companies. Some home appliance enterprises make mergers and acquisitions of local EU companies to gain access to local EU sales channels and markets. Some financial companies are seeking advanced management techniques and highly qualified professionals. These will help the companies to acquire advanced technologies and cope with the differences between domestic and foreign environments with ease.

2.3 Circumvent trade barriers

International investment is one of the most important ways for every country to integrate into the world economy. China has been investing in the EU for 40 years, and economic and trade relations between the two sides are steadily growing. On the trade side, both sides are each other's export markets, and China is the EU's largest trading partner. On the investment side, China's investment in the EU has maintained a growing trend, with more and more Chinese investors coming to the EU to invest. At present, China and the EU have become important trading partners for each other.

Despite the current rapid growth and high volume of trade between China and the EU, there are still trade frictions. The EU has mainly taken countervailing and anti-dumping measures against China to implement trade barriers, involving the main areas of manufacturing, including furniture, steel, television sets, etc., so that Chinese investment in the EU has been severely hit, making China's related industries have been devastated. In early 2019, the EU conducted an anti-dumping investigation into China's tires, insisting on imposing high dumping duties on Chinese the tire industry has been greatly affected.

The trade barriers imposed by the EU on China have dealt a severe blow to Chinese exports to the EU. In order to circumvent trade barriers, Chinese enterprises have increased their direct investment in the EU to achieve localization of China's business in the EU, gain consumer recognition, respond to policy changes and market changes in a timely manner, and expand their market in the EU. At the same time, China's direct investment in the EU has boosted the local economy, created more jobs, lowered the unemployment rate and eased the pressure on the slow growth of the local economy.

2.4 Resource seeking

Resource-seeking driven OFDI has always accounted for a large proportion of China's overall FDI. China’s vast land and abundant resources is a country with a high total amount of resources, the overall degree of resources is not low. However, due to the large population base, so the per capita resources are low, coupled with the unreasonable exploitation of earlier years, the resource reserve is seriously inadequate. With China's rapid economic development, the demand for resources is increasing, and the contradiction between supply and demand for resources is becoming more and more prominent. Corresponding resource development enterprises only through foreign direct investment, seeking overseas stable sources of resource supply, through the multinational internalization of ways to obtain the corresponding demand for resources, so that not only can maintain the future development of enterprises, but also to protect the sustainable development of China's resources.

Most of the resource-seeking outward investments of Chinese enterprises are made in Africa and some ASEAN countries, but the resource-seeking motive is less obvious in the investments in EU countries. This is due to the EU countries in energy, mineral resources is not dominant. Europe once had rich mineral and energy resources, Ukraine, Poland, Germany, France, England and other world-famous coal fields. The North Sea and coastal areas also have a lot of oil and natural gas. However, most of these resources have been proven and seriously depleted and have no advantage over Africa and Australia. Chinese mining and energy enterprises in the past few years, several large-scale investment in European countries, such as the acquisition of Aluminum Aluminum China Industry Rio Tinto, China Shipping Oil Services acquisition of Norway AWO company, are not to seek resources as the main motive. Although not rich in mineral and energy resources, Europe still has unique advantages in certain resources, Chinese enterprises to seek these resources as the motivation for investment are also cases. They are listed as below.

Port resources: Europe has a fragmented contour, with all parts of the continent very close to the sea, and many peninsulas, islands and bays. It also has one of the most winding coastlines in the world, with a total of 38,000 kilometers of coastline. These natural advantages provide the EU countries with very rich harbor resources. COSCO Shipping Ports Limited (COSCO Shipping), which is interested in the rich port resources of the EU, has acquired stakes in several EU ports, including a majority stake in Greece's largest port, Peleli Aifos; a stake in Italy's Vado container terminal. In June 2017, COSCO Shipping also acquired the shares of Spanish terminal operator TPIH Iberia, S.L.U. from the Spanish company TPIH Iberia, S.L.U., which is the largest port in the EU. NPH's key assets include two container terminals, the Balencian NCTV container terminal and the Bilbao NCTB container terminal, as well as NRTZ Zaragoza and Conterail Madrid Two auxiliary rail station companies. The Port of Valencia is The Port of Valencia is one of the largest container ports in the Mediterranean, and its largest terminal is NCTV. The natural port of Madrid, the capital of Jamaica, is strategically located and is an important maritime transshipment hub for the Mediterranean. COSCO Shipping's acquisitions are a demonstration of its ability to take full advantage of the EU's excellent seaport resources and will effectively enhance the competitiveness of COSCO's marine operations. The global competitiveness of the freight forwarding and maritime alliances and the optimization of their operating costs.

Marine fishery resources: Europe is rich in seawater resources and rich in marine living resources for many EU countries have brought a large number of marine fishery resources. In total, Europe has coastal fisheries that account for one-third of the world's marine fishing grounds, including the Bay of Biscay, the Norwegian Sea, the Baltic Sea, the North Sea and many other world-famous coastal fishing grounds. By investing in Europe, Chinese fishery companies can make full use of these marine resources. In July 2016, Shanghai Creation International Ocean Resources Co., Ltd, a wholly-owned subsidiary, successfully acquired HIJOS DE CARLOS ALBO of Spain, a company that is mainly engaged in ocean fishing, marine freshwater products. The acquisition of Spain's ALBO is because of its rich marine biological resources. Through signing agreements or sale and purchase contracts, Kai Chuang International can purchase the catch of local fishermen, and make use of the corresponding supporting fishery facilities and more mature seafood processing plants, using ALBO as a sales platform to vigorously develop the European seafood market and further enhance the company's overall competitiveness.

Production equipment resources: EU countries have advanced production equipment for many industries, however, the core technology of these equipment is often not controlled by the state and is difficult to be mastered by our country. Although we cannot master the core technology of these equipment, we can acquire the production equipment resources through mergers and acquisitions to improve our own production capacity. For example, in 2015, Wanhua Industrial Group acquired Bausch & Lomb, the largest MDI manufacturer in Central and Eastern Europe, whose production facilities are mainly located in Kashinz Baz, Hungary.The manufacturing threshold for MDI is extremely high, and Yantai Wanhua, which is owned by Wanhua Industrial, is the largest MDI manufacturer in the Asia-Pacific region, but currently only in MDI production facilities in Mainland China. After the acquisition of Best, Wanhua can immediately obtain the relevant production facilities in Europe through Best, which can rapidly increase Wanhua's MDI production capacity, thus enhancing Wanhua's product competitiveness and balance ability in the global market, rapidly increasing its industrial voice and improving its own industrial position. Our own globalization strategy lays the foundation for becoming the world's largest MDI manufacturer.

Agricultural resources: Some EU countries, especially Northern Europe such as the Netherlands and Denmark, are rich in agricultural resources and have a large number of high quality farms and dairy farms in their own countries, and in June 2012, Mengniu partnered with Danish dairy company ArlaFoods to establish a dairy technology cooperation research center to develop dairy technology. In February 2014, the French dairy company Danone signed a subscription agreement with Mengniu to increase Danone's shareholding in Mengniu, and upon completion of the subscription, Danone will become Mengniu's largest dairy company and a world dairy giant. These partnerships are an important step in Mengniu's efforts to deploy overseas milk sources and markets, and are an important way for Mengniu to recommend international As part of its strategy to expand its global market presence, Mengniu is able to leverage its local, high-quality pasture resources.

2.5 Extend the industrial chain

China's current investment in the EU, from the perspective of industrial distribution, is mainly distributed in advantageous industries in the EU, such as the service industry, manufacturing and financial industries. In these industries, China, as a developing country, has a larger share with the EU. The gap, then, this reflects that more investment in the EU comes from the transformation and upgrading of Chinese enterprises, the expansion of the upstream of the industrial chain, and the inherent demand for the extension of the industrial chain.

Although China is a "world factory", it is in the low value-added area of the global industrial chain as a whole. With the continuous increase in labor costs and the rapid rise of Southeast Asian countries, China's demographic dividend advantage has been continuously lost. Therefore, in order to cope with this situation, China Companies have to speed up their transformation and upgrading. Through investment in the EU, mergers and acquisitions and investments in the EU-related industrial chain, the company can expand to the upstream of the value chain and realize the transformation and upgrading from a low value-added area to a high value-added area. From the realization of its own leap-forward development and the explosive growth of China's investment in the EU in the past two years, it can be seen that the transformation needs of Chinese companies are increasing, and investment in the EU has become the main consideration for their own transformation and upgrading.

3 The overview of China’s FDI in EU

3.1 The development of China’s outward FDI

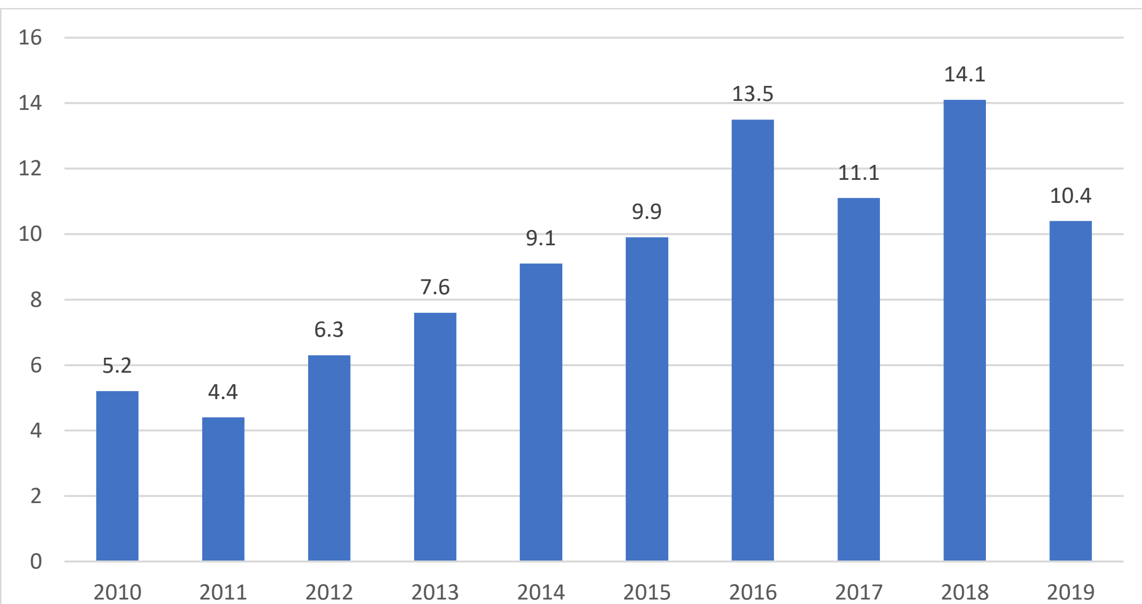
China's direct investment in the EU has evolved in line with the development of China's economy and overall foreign investment. Due to historical reasons and the constraints of political changes, China's development lags behind, so the start of China's overseas direct investment lags behind about a century compared to other developed countries. From 1979 to 1980s, the average annual flow of China's outward FDI was very small, less than $400 million per year, which was almost negligible. During this period, as China had just started the process of reform and opening up, it did not enter into the operation of the market system, and the ownership of enterprises was not established, which was mainly the foreign investment of national sovereignty. However, with the initial establishment of China's socialist market economic system in 1992, the process of reform and opening up entered a stage of rapid development, from the national level, the policy changed from restriction to support, Chinese enterprises also began to develop rapidly after a period of operation, and China's FDI began to enter the accelerated stage.

In 1992, China's FDI flow increased more than 300% year-on-year, from 913 million US dollars to 4 billion US dollars. However, due to the painful reform period in China in the following years and the impact of the economic crisis in Asia in 1997, the level of China's outward investment dropped significantly, and in 2000, China's FDI flow dropped to the lowest level of US$916 million, accounting for only 0.07% of the total global outward investment in that year.

Since China's formal accession to the WTO, the development of China's foreign trade has entered a golden decade, both the trade system and investment system construction has made great leaps and bounds, since China adjusted its strategy, in 2001, "going global" as a macro-national strategy, along with the growing economic strength, largely encouraged Chinese enterprises. In addition, China has been adjusting its policies in recent years, constantly relaxing the policy threshold for direct investment by Chinese enterprises in overseas markets, and during this period, China's foreign trade has continued to grow at a rapid pace and its foreign exchange reserves have become increasingly abundant, which has led to an annual doubling of outbound investment flows during this period, while the global outbound investment flows have grown at an annual rate of 40% or less.

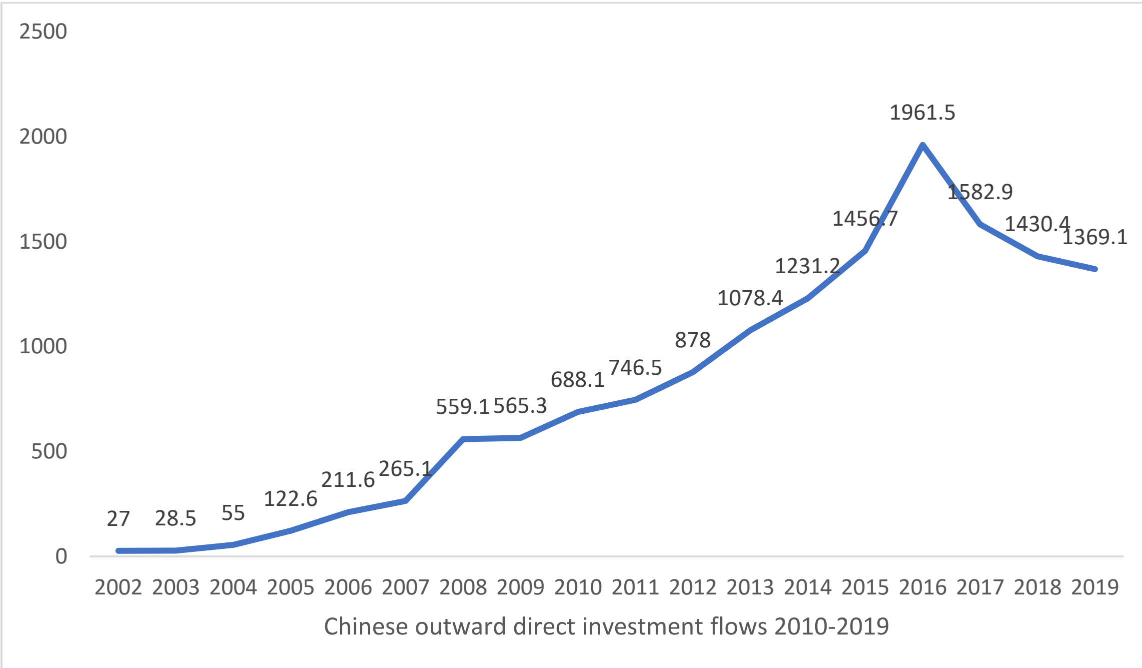
In 2014, under the complicated global economic pattern, global OFDI dropped 16 percentage points, while China's OFDI still maintained growth, OFDI flow reached $123.12 billion, up 14.2% year-on-year. ODI and FDI totally differed by $5.38 billion, two-way investment close to balance for the first time through analysis Data over the years. From 2002 to 2014, China's OFDI flow maintained its growth momentum for twelve consecutive years, with an average annual growth rate of 37.5%, becoming the third largest foreign investor in the world after the United States and Japan.

From the data of outward investment stock, it is also in a steady climbing state in the last decade or so, especially in the last three years, the rising speed of the stock has accelerated, and its share climbed from 5.2% in 2010 to 10.4%. The flow in 2019 will be 51 times that of 2021, accounting for more than 10% of the world for the fourth consecutive year. However, the scale of China's overall outward investment stock is still at a relatively low level, and there is still a big gap between China and developed countries such as Europe and the United States, which also shows that China's outward investment still has a lot of room for development.

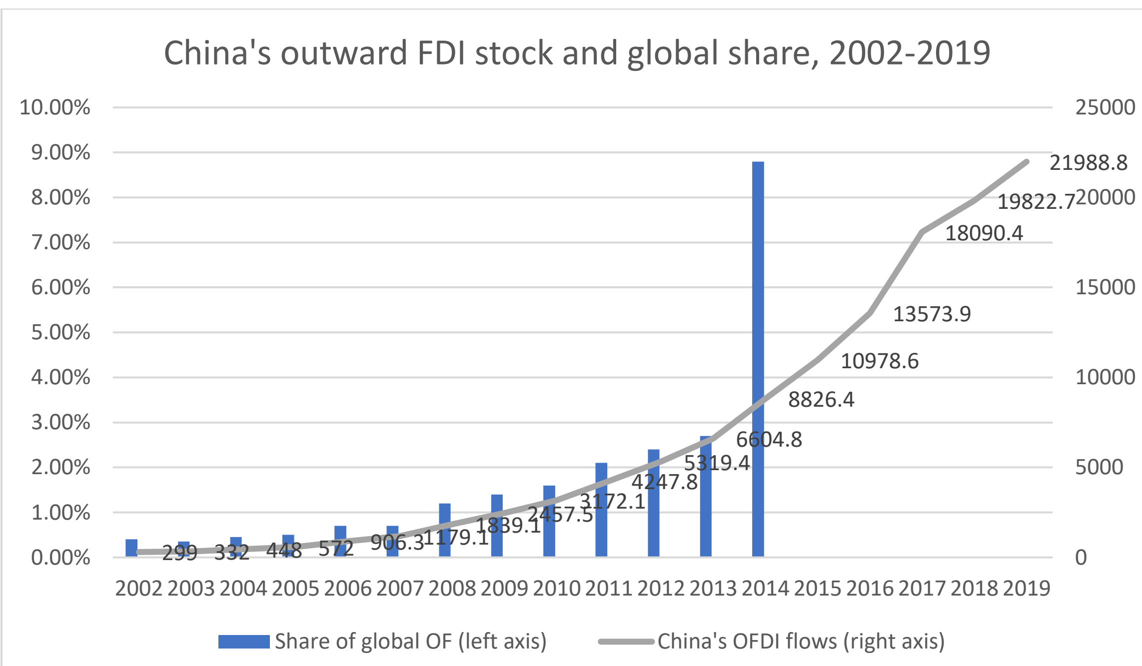


Share of China's outward FDI flows in global share, 2010-2019

Source: Global data from UNCTAD database; Chinese data from the Ministry of Commerce, China Outward Direct Investment Statistics Bulletin 2019



Source: Global data from UNCTAD database; Chinese data from the Ministry of Commerce, China Outward Direct Investment Statistics Bulletin 2019

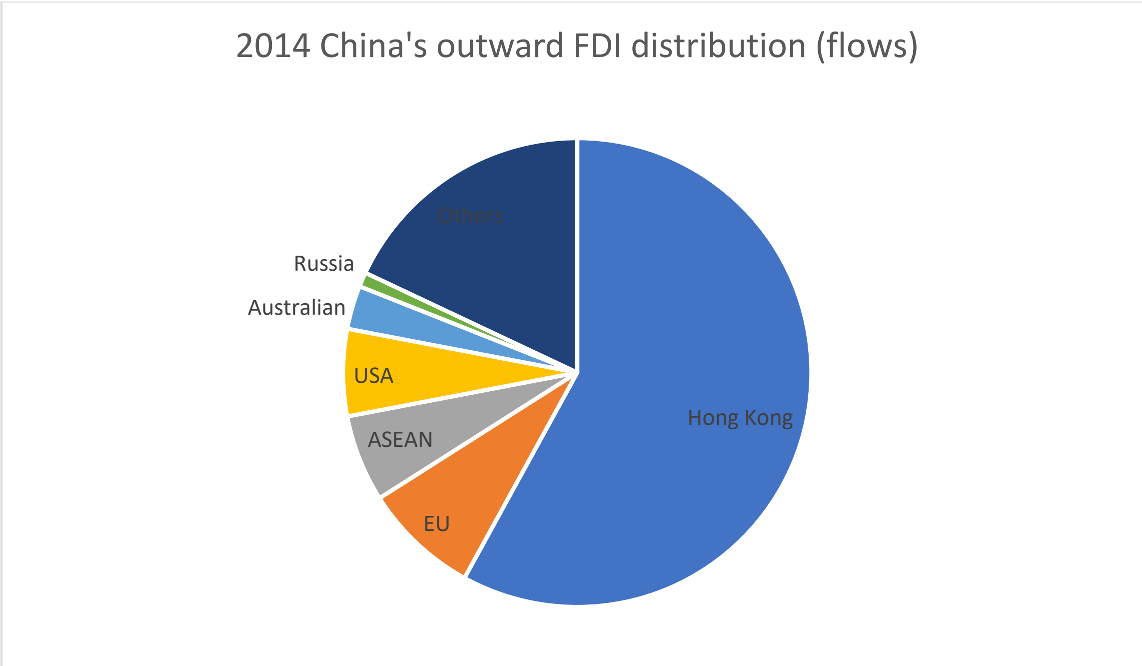


Source: Global data from UNCTAD database; Chinese data from the Ministry of Commerce, China Outward Direct Investment Statistics Bulletin 2014&2019

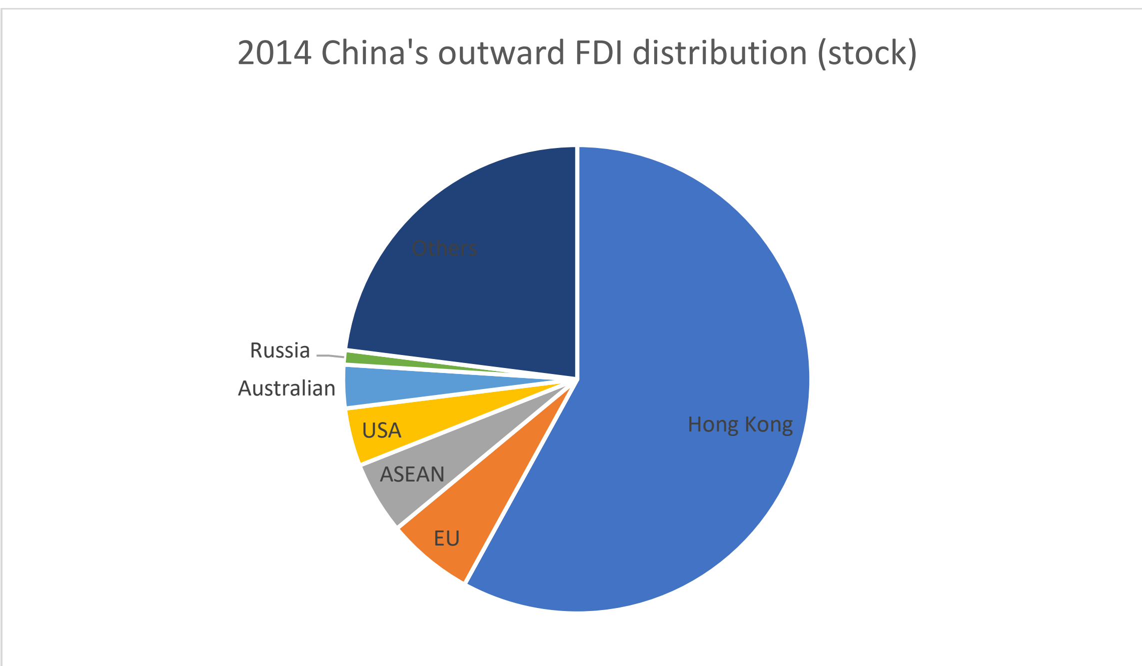
3.2 The development of China FDI in EU

China's direct investment in the EU did not start until the late 1990s, which is consistent with the development of China's foreign investment. Before the European Union's euro era, China's investment flow in the EU was very small and almost negligible. It was not until the EU officially entered the euro era that China's investment exceeded hundreds of millions of dollars and remained at a level of about 300 million dollars per year. After 2004, with the further advancement of China's "going out" strategy and the eastward expansion of the EU itself, FDI to the EU has entered a stage of rapid development.

The EU is a developed economy with a high-level consumer market and has been one of the main regions of capital interest, with global outward investment in the EU accounting for 40.3% of the stock by 2014.In contrast, China's flow of investment into the EU was only 8% in 2014, and the distribution of the stock was only 6% as of 2014. This shows that although the flow and stock levels of China's outward investment are at a high level of growth, China's direct investment in the EU is still at a very low level, due to the structure of China's outward investment as well as the purpose has a phased character, for example, the policy effect of China's previous outward investment, which tends to use Hong Kong for international investment, this pattern of outward investment makes the current China's direct investment in other host countries It is still at a relatively low level. With the further liberalization and improvement of national policies, as well as the needs of China's economic transformation, there will be a lot of room for improvement of investment in the European Union, after all, the European Union market is the main investment destination of global capital, and its market and technology effects are also very attractive to China.



Source: Ministry of Commerce, China Outward Direct Investment Statistics Bulletin 2014



Source: Ministry of Commerce, China Outward Direct Investment Statistics Bulletin 2014

By collating and analyzing the data of China's direct investment in the EU from 2003 to 2014, from the flow as well as the stock situation, we can clearly see that although the overall scale of China's direct investment in the EU is at a relatively low level, but the trend of more than a decade is very obvious growth. From the table, we can see that from 2003 to 2006, the investment in the EU was still around 100 million US dollars, with no obvious growth, but in 2007, the investment flow surged to 1 billion US dollars, with non-financial assets accounting for more than half of the investment, which was largely due to the prosperity of the Chinese capital market and the relaxation of the investment environment in 2006 and 2007.

However, in 2008, under the influence of the global financial crisis, investment in the EU fell back considerably that year, but since 2008, China's investment in the EU has entered a period of substantial and rapid growth, almost doubling each year, reaching a level of $7.561 billion in 2011, with the stock accounting for 4.72%. Since then, due to the European debt crisis in the EU and concerns about the EU economic environment, the enthusiasm of Chinese enterprises for direct investment in the EU has also fallen, but in 13 years the bottoming out of the recovery of the EU economy, as well as the need for the economy to enter the transition period, Chinese investment in the EU has started to enter the stage of rapid growth again, 2014 investment amounted to 9.787 billion U.S. dollars of the highest level in history, a year-on-year increase of 116.34%. It can be expected that, based on the need for enterprise transformation, the EU's market as well as technology is becoming more and more attractive to Chinese enterprises, in addition, because the EU has just entered the recovery period, its asset value is still in the historical depression, has a strong investment value, so China's investment in the EU will continue to tell the growth trend.

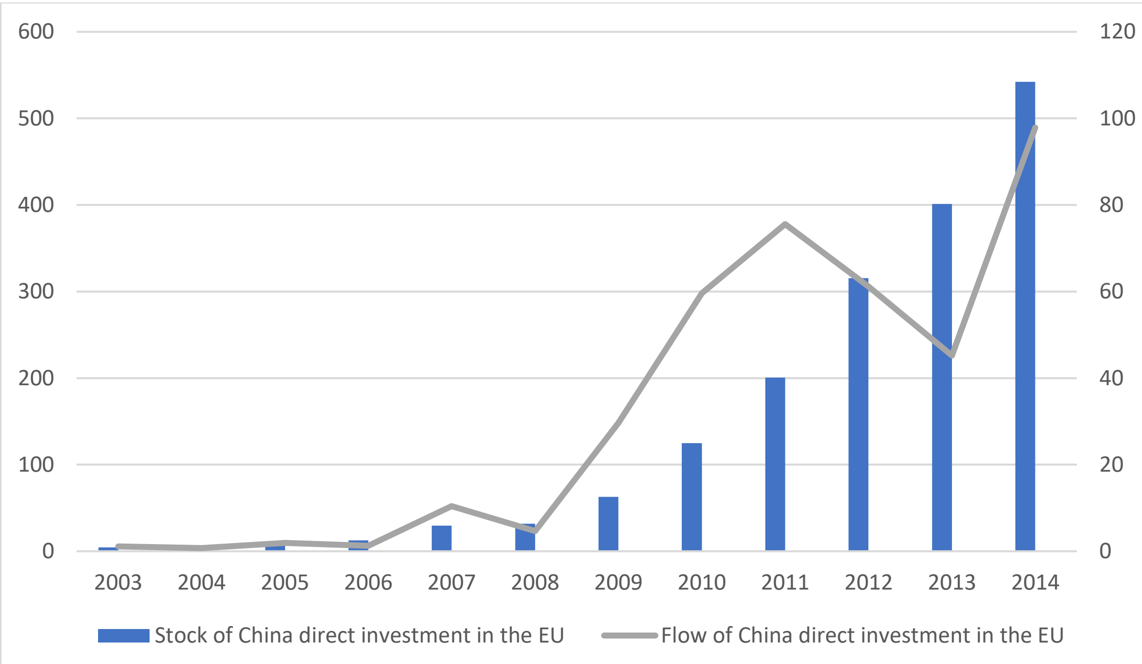
2003-2014 China's direct investment in the EU

Year	Flow			Stock	
	Amount	YoY (%)	Proportion (%)	Amount	Proportion
2003	1.12	-	3.9	4.42	1.3
2004	0.73	-39.00	1.3	5.37	1.2
2005	1.89	159.00	1.5	7.68	1.3
2006	1.29	-37.70	0.6	12.75	1.4
2007	10.44	711.10	3.9	29.42	2.5
2008	4.67	-55.30	0.8	31.74	1.7
2009	29.66	535.10	5.3	62.77	2.6
2010	59.63	101.00	8.7	124.91	3.9
2011	75.61	26.80	10.11	200.52	4.72

2012	61.20	-19.06	7.0	315.38	5.93
2013	45.24	-26.08	4.2	401	6.07
2014	97.87	116.34	8.0	542.10	6.14

Note: 1. 2003 is non-financial direct investment data; 2. 2012 and previous year total EU data exclude investment in Croatia

Source: Calculated from the Ministry of Commerce of the People's Republic of China's Outbound Investment Bulletin.



Source: Global data from UNCTAD database; Chinese data from the Ministry of Commerce, China Outward Direct Investment Statistics Bulletin 2014

3.3 Current status of Chinese direct investment in the EU

With the rapid development of the economy, China's investment in the EU is at a stage of rapid growth, and due to the development needs of the transformation of enterprises, the demand for investment in the EU countries has become increasingly large, and has gradually become one of the main areas of China's high level of foreign investment. In the past, China was a net inflow of funds into the EU, but with the changes in the economic pattern of the world economy and the strengthening of economic strength, the flow of funds between China and the EU began to change, China's investment in the EU, both in terms of quantity and quality of investment have changed by leaps and bounds, and the scale of investment is in the overall trend of rapid growth.

3.3.1 China's FDI in the EU is mainly concentrated in regions and countries

Although there are many countries in the European Union, but the differences in regional economic development is more obvious, China's investment in the European Union is also geographically inclined to invest in the more economically developed regions, that is, the traditional "old Europe" region. As the main motive for Chinese enterprises to invest in the EU is to seek to open up the European market and industrial mergers and acquisitions for technological transformation, so investment in the old European region is also in line with China's actual needs. Statistically speaking, from 2003 to 2014, 83% of China's investment in the EU is mainly concentrated in the original 15 countries of the EU. The country with the largest inflow is already the EU's economic strength of the three strongest economies Britain, France and Germany. And Germany attracted the highest amount of direct investment from China.

Germany is closely tied to the economic and trade development of our country and is our main trading partner in the EU region. It is also our main country and region for direct investment in the EU, investing in a wide range of industries, including not only the technical pharmaceutical industry but also pharmaceuticals, electronic information equipment and consumer durables. The main reason is that Germany is a technologically advanced region in the world, with advanced production technology, and its machinery and equipment, electronic equipment, complete vehicles, etc. are in the world leading level. As a big country in manufacturing transformation, especially in the implementation of the "Made in China 2025" and other industrial transformation strategy, more and more Chinese enterprises attach importance to Germany's manufacturing technology level, especially after the financial crisis in 2008, the scale of China's investment in Germany has gradually increased. The investments are also made in a wide range of industries in which Germany has an advantage.

On the one hand, London is an important financial center in the world, which attracts a large number of Chinese enterprises to be headquartered here in order to develop their own development in Europe; on the other hand, the UK has many well-known consumer goods brands. Promoting our companies' own branded products is a viable way to do this. China's level of investment in France is lower than Germany and Britain, although France is also an old developed country in the EU region, but due to France's own manufacturing level and Germany than there is a large gap, and the exclusivity of France's own policy is also Chinese enterprises in France to invest in many policy resistance, which caused China's direct investment in France compared to the UK and Germany, the level is lower. The investment to France is mainly concentrated in light industry, textile and other industries.

In addition, in recent years, Chinese enterprises have begun to pay attention to the investment in Eastern Europe, the level of investment is also rapidly developing, such as Poland, Hungary, Bulgaria and other regions attractive to many Chinese enterprises, the important reason is that the labor costs in Eastern Europe compared to the old EU countries have obvious advantages, and the threshold for investment is relatively low, to facilitate Chinese enterprises to invest in these regions to build factories, in order to open the market in the EU region.

China's direct investment in the EU by country:

2011-2019 China's direct investment in the EU by country (flow)

Country	2011	2012	2013	2014	2015	2016	2017	2018	2019
Ireland	1693	4888	11702	3711	1430	33193	24134	7516	6428
Austria	2022	5343	15	4371	10432	19172	41219	13814	3239
Bulgaria	5390	5417	2069	2042	5916	-1503	8887	-168	246
Belgium	3590	9840	2578	15328	2346	2835	3034	563	5985
Poland	4866	750	1834	4417	2510	-2411	-433	11873	11160
Denmark	589	514	2793	5723	-2416	12573	1521	3048	6026
Germany	51238	79933	91081	143892	40963	238058	271585	146799	145901
France	348232	15393	26044	40554	32788	149957	95215	-7502	8722
Finland	156	136	852	1042	3868	3667	2347	14104	3404
Netherlands	16786	44245	23842	102997	1346284	116972	-22312	103834	389317
Czech Republic	884	1802	1784	246	-1741	185	7295	11302	6053
Croatia	5	5	-	355	-	22	3184	2239	2869
Latvia	-	-	-	-	45	-	8	1068	-
Lithuania	-	100	551	-	-	225	-	-447	-
Luxembourg	126500	113301	127521	457837	-1145317	160188	135340	248733	68587

Romania	30	2541	217	4225	6332	1588	1586	157	8411
Malta	27	-	12	193	503	15480	167	1011	-118
Portugal	-	515	1494	387	1072	1137	104	1171	1855
Sweden	4901	28522	17082	13001	31719	12768	129026	106395	191571
Cyprus	8954	348	7634	-	176	525	60341	11390	8242
Slovakia	594	219	33	4566	-	-	68	1462	-53
Slovenia	-	-	-	-	-	2186	39	1328	2684
Spain	13974	4624	-14575	9235	14967	12541	5879	53768	11491
Greece	43	88	190	-	-137	2939	1857	6030	57
Hungary	1161	4140	2567	3402	2320	5746	6559	9495	12315
Italy	22483	11858	3126	11302	9101	63344	42454	29761	64979
UK	141970	277473	141958	149890	184816	148039	206630	102664	110345
Total	756083	611990	452350	978716	547878	999426	1026748	886638	1069917

Source: Global data from UNCTAD database; Chinese data from the Ministry of Commerce, China Outward Direct Investment Statistics Bulletin 2019

2011-2019 China's direct investment in the EU by country (stock)

Country	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Ireland	15683	19377	32325	24972	24832	57377	88263	97277	107401
Estonia	750	350	350	350	350	350	362	5684	6333
Austria	2454	7946	7666	20170	32799	53051	85149	46163	49218
Bulgaria	7256	12674	14985	17027	23597	16607	25046	17109	15681
Belgium	14050	23069	31501	49347	51953	54403	47923	32641	47095
Poland	20126	20811	25704	32935	35211	32132	40552	52373	55559
Denmark	4913	5324	8437	20815	8217	22611	22883	24653	29485
Germany	240144	310435	397938	578550	588176	784175	1216320	1368861	1423399
France	372383	395077	444794	844488	572355	511617	570271	659879	595434
Finland	3100	3403	4255	5899	9507	21170	21307	32754	34038
Netherlands	66468	110792	319309	419408	2006713	2058774	1852900	1942899	2385482

Czech Republic	6683	20245	20468	24269	22431	22777	16490	27923	28749
Croatia	818	863	831	1187	1182	1199	3908	6908	9840
Latvia	54	54	54	54	94	94	102	1170	1163
Lithuania	393	697	1248	1248	1248	1529	1713	1289	981
Luxembourg	708197	897789	1042376	1566677	773988	877660	1393615	1538870	1290221
Romania	12583	16109	14513	19137	36480	39150	31007	30462	42827
Malta	337	337	349	542	1045	16364	16498	23049	22932
Portugal	3313	4038	5532	6069	7142	8774	11023	10593	5857
Sweden	153122	240817	273771	301292	338196	355368	730742	689681	857869
Cyprus	9090	9495	17126	10717	10915	11005	71869	84543	106147
Slovakia	2578	8601	8277	12779	12779	8277	8345	9929	8274
Slovenia	500	500	500	500	500	2686	2725	4009	18960
Spain	38931	43725	31571	42453	60801	73647	69263	106014	111057
Greece	463	598	11979	12085	11948	4808	18222	24247	23102
Hungary	47535	50741	53235	55635	57111	31370	32786	32069	42736
Italy	44909	57393	60775	71969	93197	155484	190379	214535	257017
UK	253058	893427	1179792	1280465	1663246	1761210	2031817	1988323	1714390
Total	2029079	3153824	4009661	5421039	6446013	6983669	8601478	9073906	9391249

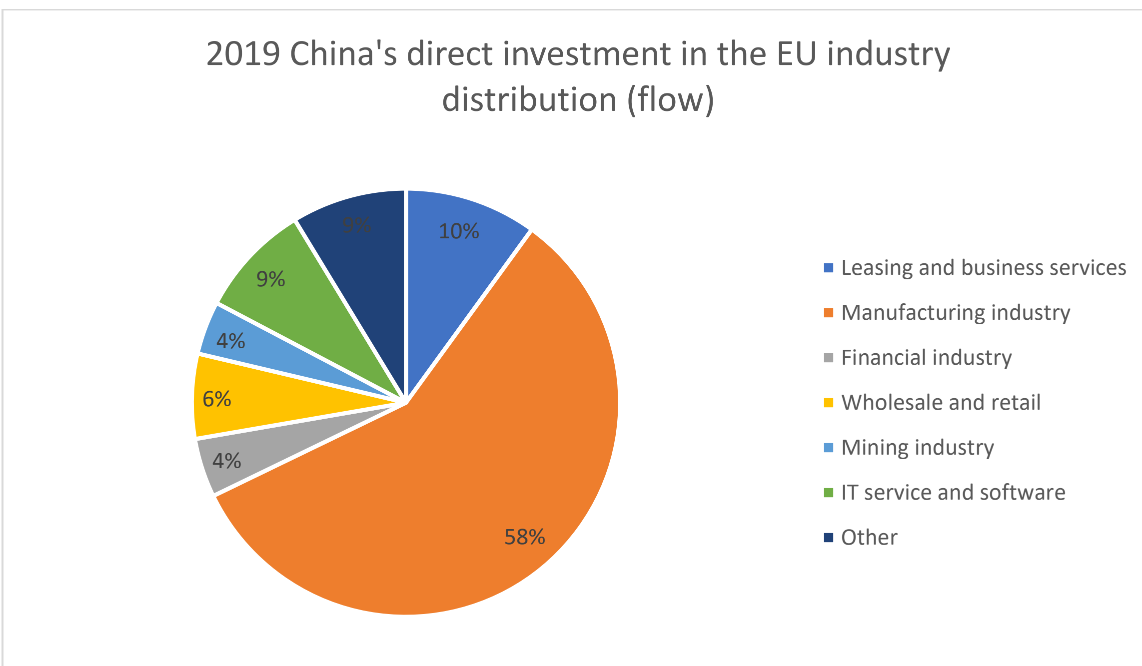
Source: Global data from UNCTAD database; Chinese data from the Ministry of Commerce, China Outward Direct Investment Statistics Bulletin 2019

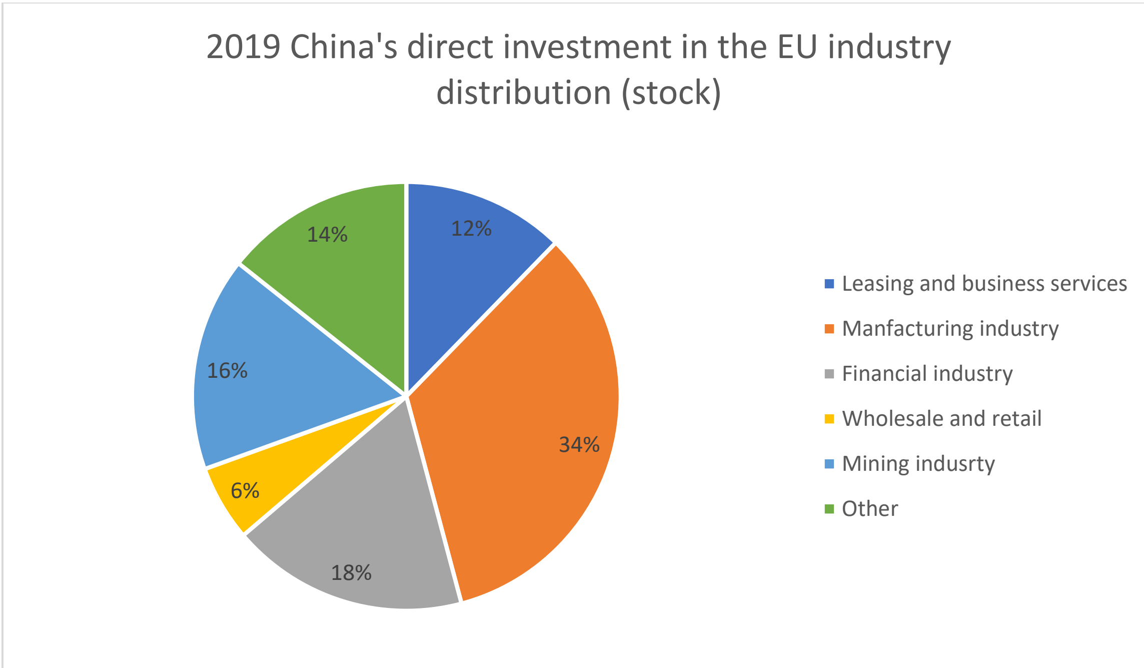
3.3.2 The industry distribution of China's FDI in the EU is clearly differentiated.

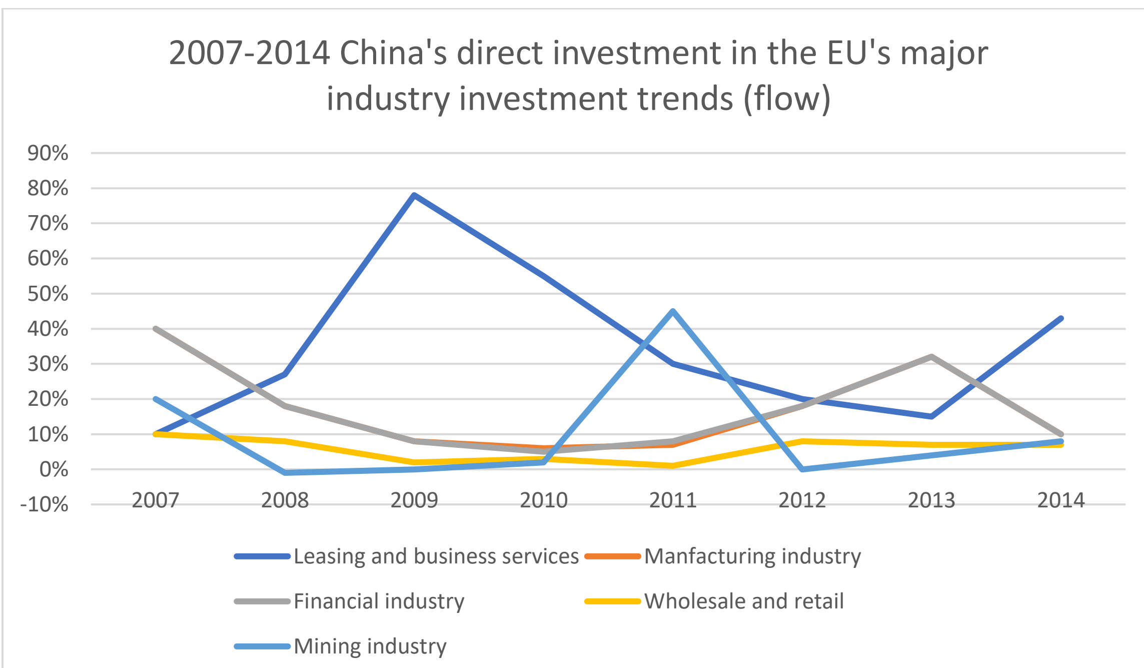
China's investment in the EU industry selection is mainly concentrated in the European advantageous industries, through investment in the EU advantageous industries in order to learn advanced production technology, to achieve their own enterprise transformation and upgrading. From the data of the Ministry of Commerce, it can be seen that China's investment in the EU industry mainly for leasing and business services, manufacturing and financial services, these three industries accounted for 85% of the total investment, of which the largest investment in the industry is leasing and business services, accounting for 50%. From the data, we can obviously see that China's FDI to the EU is distributed in a wide range of industries, of which the scale of investment in more than a dozen industries are at the level of more than 1 billion U.S. dollars, but from the development trend and the total amount of investment, the industry with the largest scale of investment is leasing and business services, accounting for 50%.

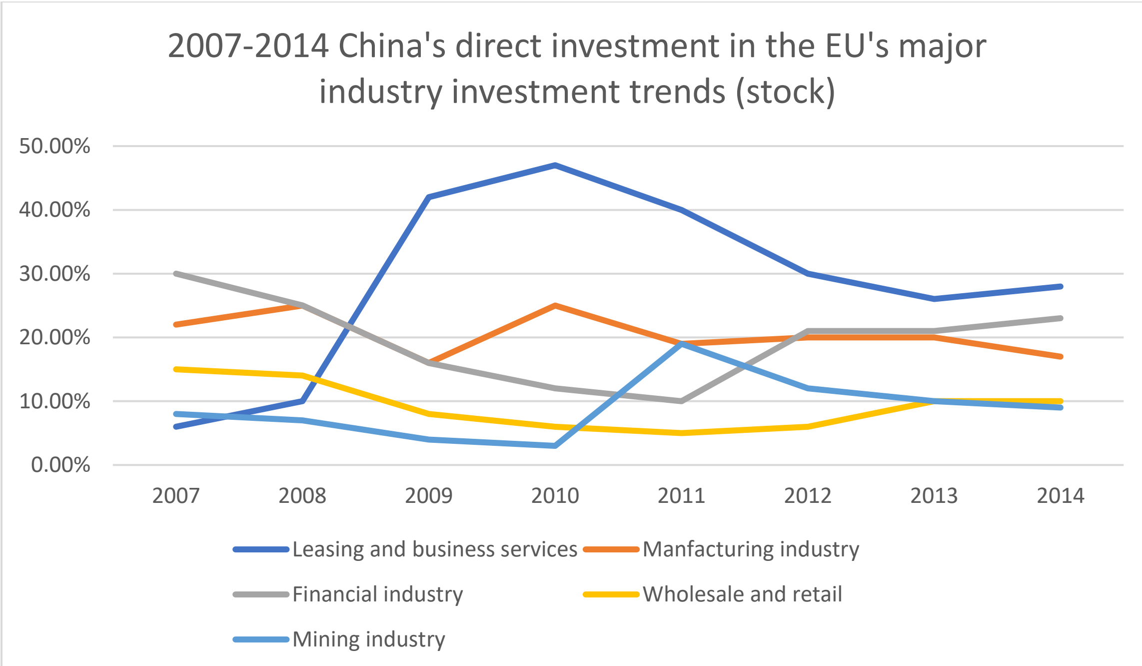
In terms of industry segments, investment is mainly concentrated in the leasing and service, manufacturing and financial sectors.

The sectoral distribution of investment between 2007 and 2019 shows that investment in leasing and business services has always been at the highest level, accounting for the largest share of both flows and stocks, while investment in the manufacturing and financial sectors also accounts for a large share, with the manufacturing sector ranking second in terms of China's direct investment in the EU, which is significantly higher than its ranking in terms of China's overall foreign investment (sixth), in line with the worldwide trend of investment in the EU.




2019 China's direct investment in the EU industry distribution (stock)
12%
34%
18%
6%
16%
14%
Leasing and business services
Manfacturing industry
Financial industry
Wholesale and retail
Mining indusrty
Other


2007-2014 China's direct investment in the EU's major industry investment trends (flow)
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
-10%
2007
2008
2009
2010
2011
2012
2013
2014
Leasing and business services
Manfacturing industry
Financial industry
Wholesale and retail
Mining industry



3.3.3 The entity of China's FDI in the EU is diversified, with SOEs still the mainstay

It is generally assumed that those who are able to invest in the EU region will be companies with a state-owned background and have close ties to the Chinese government. Then, in fact, the main body of Chinese direct investment in the EU is very diverse, including not only sovereign fund companies with a government background, state-owned enterprises, but also a large number of private enterprises, mixed enterprises and many individual investments.

China's FDI is mainly concentrated in state-owned enterprises (SOEs), which accounted for as much as 75% of China's FDI stock in 2014. This is because China's FDI is mainly concentrated in resource- and capital-intensive industries, which are state monopolies in China, and it is reasonable for state-owned enterprises to dominate the investment. However, the situation of China's direct investment in the EU is just the opposite, the main body of China's direct investment in the EU is mainly concentrated in private enterprises, especially in greenfield investment and service industry investment, private enterprises occupy the vast majority, which reflects China's private enterprises, especially manufacturing private enterprises on the demand for transformation, but private enterprises compared to state-owned enterprises, the main object of investment is concentrated in the EU's small and medium-sized enterprises.

China’s investment in the EU is in a golden period of development, and Chinese companies’ enthusiasm for investing in Europe is also increasing. Against the background of the overall weakness of the global economy, China has become an important part of global FDI, accompanied by the "China-EU Investment Agreement". "Accelerated advancement, China’s investment in the EU will also enter a new era. Through the previous section, an overall analysis of China’s FDI development process and status quo, we can see the following characteristics: China’s investment in the EU has grown rapidly , But there is great instability; China's investment in the EU continues to expand, but its proportion is still low; the investment industry is widely distributed, but mainly concentrated in the leasing and business service industries, with a high concentration; investment methods and investment The main body is gradually diversified; the investment area is relatively concentrated in the developed regions of Western Europe, and the investment space in Eastern Europe is relatively large.

4 Opportunities and Obstacles of China's Direct Investment in EU

4.1 The opportunities for EU in investment environment

In recent years, the EU as a whole has provided foreign investors with a relatively loose investment environment. It is under this environment that has promoted the rapid development of China's total direct investment in the EU since 2007. It is believed that attracting more foreign investors will help the healthy development of the economy. On the one hand, appropriate competition from outside will promote local enterprises to raise their own awareness, and it also means to improve their own production efficiency. This kind of healthy competition is more effective. Promote the development of the market economy. On the other hand, after the European debt crisis, many EU countries also need foreign investment to increase economic vitality and accelerate the rapid economic recovery.

In recent years, the European Union, with its economic recovery, has provided a relatively sound investment environment for many foreign investors, while also offering other unparalleled advantages. First, the EU is a very ideal investment environment for investors, the EU has many unparalleled advantages, a sound market environment, transparent legal system and high-quality personnel and other factors to attract more countries choose to invest in this; second, Europe to Chinese investors to provide a relatively relaxed access to the environment, the relatively open market means less barriers to entry to the various countries of the EU almost without national security to keep Chinese investors out, Chinese companies are less hampered by the overall relaxed environment in the EU. The following section will look at the overall EU investment environment from three perspectives: economic, political and market access.

4.1.1 Economic environment

Nearly a decade has passed since the onset of the Eurozone debt crisis, and with the global economy picking up, the global economy is likely to see a new round of the Juggernaut economic cycle, with an overall trend of sustained growth. Europe is the world's largest economy, and with the EU's continued liberalized financial environment and strengthening economic recovery, the Eurozone economy has been an outstanding performer. Especially in the year 2017, the EU economy has entered a new phase of development. According to data from the European Statistical Office, the EU and the eurozone's GDP rose 0.6% in the third quarter of 2017 and 2.5% year-on-year, the EU has maintained 18 quarters of sustained economic growth, the EU's economy as a whole showed a good momentum of recovery, in recent years, the EU countries continue to stimulate economic development, the European Central Bank continues to introduce quantitative easing Policies, a lower euro exchange rate and low oil prices could stimulate external economic welfare to boost the recovery, and as the economic environment improves, the outlook for consumer demand in the euro area is bright, with the EU's consumer confidence index having risen from -4.3 at the start of 2017 to -0.6 at the end of the year, and the euro area's consumer confidence index having risen from -4.9 at the start of the year to 0.5 in the face of the the consumer market is growing in all regions of the EU, and Chinese investors are also very interested in this vast market, preferring the EU countries. In terms of major domestic countries, 2017 was the first year in this decade that all EU countries achieved economic growth. The main EU countries grew at a solid pace, with strong momentum in the periphery. In terms of international trade, all euro area countries, except Cyprus, achieved growth in both imports and exports. In terms of trade liberalization, the EU has been more open than other countries, mainly due to low tariffs and also preferential tariff trade agreements with many countries. China, as the number one source of imports for EU countries, plays a very important role in the EU's external trade. With regard to labor, the reform of labor market integration has facilitated labor mobility and reduced labor costs and increased labor productivity.

4.1.2 Political environment

The political system of the EU is peculiar to the EU countries as the EU integration progresses. It is a form of intermediary between international organizations and states. In recent years, the EU has faced numerous challenges in advancing its political integration. Anti-European integration, the rise of populism and the development of Brexit and other events have also had a significant impact on the politics of Europe, this impact will also have an impact on China's direct investment in the EU, so China's direct investment in the EU process needs to pay attention to the politics of the investment country and other related systems, in order to be more conducive to making investment decisions. The political system of the EU has its own characteristics. From the source of power, EU member states are the main body of power, and the governments of EU member states have the role of supervision and restriction on the definition of treaties, that is to say, the European Council has the power to make EU laws and political policies, but the governments of EU countries still have veto power on decisions involving their own interests. In terms of jurisdiction, the EU has a supranational character, with jurisdictional aspects already covering economic, judicial and internal market areas. In the case of regulatory jurisdiction over foreign investors, for example, the EU has a decisive influence and role. The existing legal provisions stipulate that, in accordance with the rules on freedom of commercial presence, the EU requires enterprises already established in each Member State to be subject to no more burdens and restrictions than those normally imposed on enterprises in the host country. According to the above, the China-EU direct investment relationship is deeply influenced by the EU's attitude and policy towards direct investment in Europe. In terms of organization, the EU adopts the separation of powers and checks and balances among the legislative, judicial and executive branches. Politically and institutionally, the EU has five main institutions: in the European Council is the highest decision-making body, the Council is responsible for day-to-day decision-making, the European Commission is the permanent executive body, the European Parliament is the supervisory and advisory body, and the European Court of Justice is the highest court. The lack of clarity in the EU decision-making process may reduce the efficiency of the administration. The quality of the political system in EU countries also affects outward investment decisions, and a high-quality political system reduces transaction costs and has a positive impact on cross-border direct investment.

4.1.3 Science and Technology Environment

The relatively high level of science and technology within the EU is concentrated in a few established developed countries, such as Germany, the UK and France. However, some Eastern European countries are lagging behind other developed countries in science and technology due to their low innovation capacity and slow economic development, resulting in a lack of human resources in science and technology. An important indication of whether a country attaches importance to the development of science and technology is whether it attaches importance to the cultivation of talents and strengthens the training of undergraduates, so that young people become the reserve army of scientific and technological talents. In the current situation, some post-developed EU countries such as Spain, Portugal and Austria have already ranked at the forefront of the EU in terms of the proportion of undergraduates in their workforce. At the same time, the number of patent applications in a country also largely represents the country's scientific and technological innovation capacity, and the higher the number of patent applications, the more active a country's scientific and technological innovation capacity can be reflected. From the data in recent years, Germany, the United Kingdom and France and other developed countries still have a large amount of patent applications, individual Eastern European countries such as Poland also ranked in the forefront of patent applications, which also reflects the future scientific and technological development potential of some Eastern European countries. In general, the EU belongs to the second echelon of high-end manufacturing, the old developed countries have advanced technology and human resources, but the internal gap is large, more uneven development.

4.2 Current opportunities for China in outward investment

Due to the highly developed markets and relatively open investment environment of the EU countries, and the fact that the EU has just experienced the global financial crisis and sovereign debt crisis, and has just entered the recovery phase, the economic situation is just beginning to stabilize, taking into account the overall debt risk of the euro area and the systemic risk of the economy, most domestic companies and investors believe that there are assets in the EU region that could be affected by the current downturn, which is It makes investing in the EU more attractive. Chinese enterprises have optimistic growth expectations for the EU and a strong willingness to invest in the EU region.

4.2.1 Several policies open a new era of OFDI

Chinese capital's "going out" strategy has risen to a new level. The plan calls for fostering and cultivating a number of China's own transnational enterprises, focusing on supporting enterprises to extend China's global industrial chain through foreign investment, and enhancing the influence and strategic position of China's manufacturing industry in the global industrial chain, so as to promote China's industrial goods, services and technologies into the global market and increase market share and influence. "The requirements for outward investment in the 13th Five-Year Plan mark China's entry into a golden period of outward investment development.

Summary of new policies related to foreign direct investment

Relevant policies	Content
Outline of the 13th Five-Year Plan	Nurturing multinational enterprises and deepening their integration into global industrial chains; deregulating outbound investment; encouraging more private enterprises to participate in international investment and M&As; and improving international investment governance through a combination of multilateral and bilateral cooperation.
Newly Revised <Administrative Measures on Overseas Investment>	Simplifying decentralization by "record-keeping as the mainstay, supplemented by approval"; negative list management system; liberalizing outbound investment control.
Central European Investment Agreement (CEI)	Substantial progress in text negotiations.
Made in China 2025	China-Germany "Industry 4.0" industrial docking.

Based on the requirements of the 13th Five-Year Plan, direct investment in the EU region will be the next focus of China's foreign investment development. The EU region not only has a high level of consumer market, but also possesses a high level of technology industry. Increasing investment in the EU region will not only help enhance the technology level of Chinese enterprises and improve their position in the industrial chain, but also increase the market share of China's products and services in the EU market with the help of investment in the EU. Therefore, China's government has been strengthening consultation and cooperation with the EU region, and actively contributing to the Chinese enterprises more easily and effectively invest in the EU to create facilities. The active promotion of the China-EU Investment Agreement (CEIA) will be a top priority for Chinese investment in the EU. The Ministry of Commerce has made it clear that 2016 will see substantial progress in the negotiation of the CEIA, which has now entered the text negotiation stage, and that an early agreement on the content of the investment agreement through the joint efforts of China and EU will comprehensively deepen the strategic pattern of two-way investment between China and EU and open a new window for China's direct investment in the EU.

In addition, the Ministry of Commerce and the 2014 promulgation of the new Measures for the Administration of Foreign Investment, focusing on the efforts and measures to streamline the decentralization of government, with a new management mode of "filing as the main, approval as a supplement", to improve the dominant position of enterprises in the investment process and autonomy, improve investment efficiency, can effectively help Chinese enterprises To minimize unnecessary risks in the investment process. In addition, the negative list system provided for in the measures has relaxed controls on outward investment, opening up further space for China's capital to realize outward investment.

For example, in the 13th Five-Year Plan, it is required to create facilities for cross-border RMB settlement, relax capital controls on overseas investment, and gradually abolish restrictions on the amount of overseas investment in order to help enterprises' capital go global.

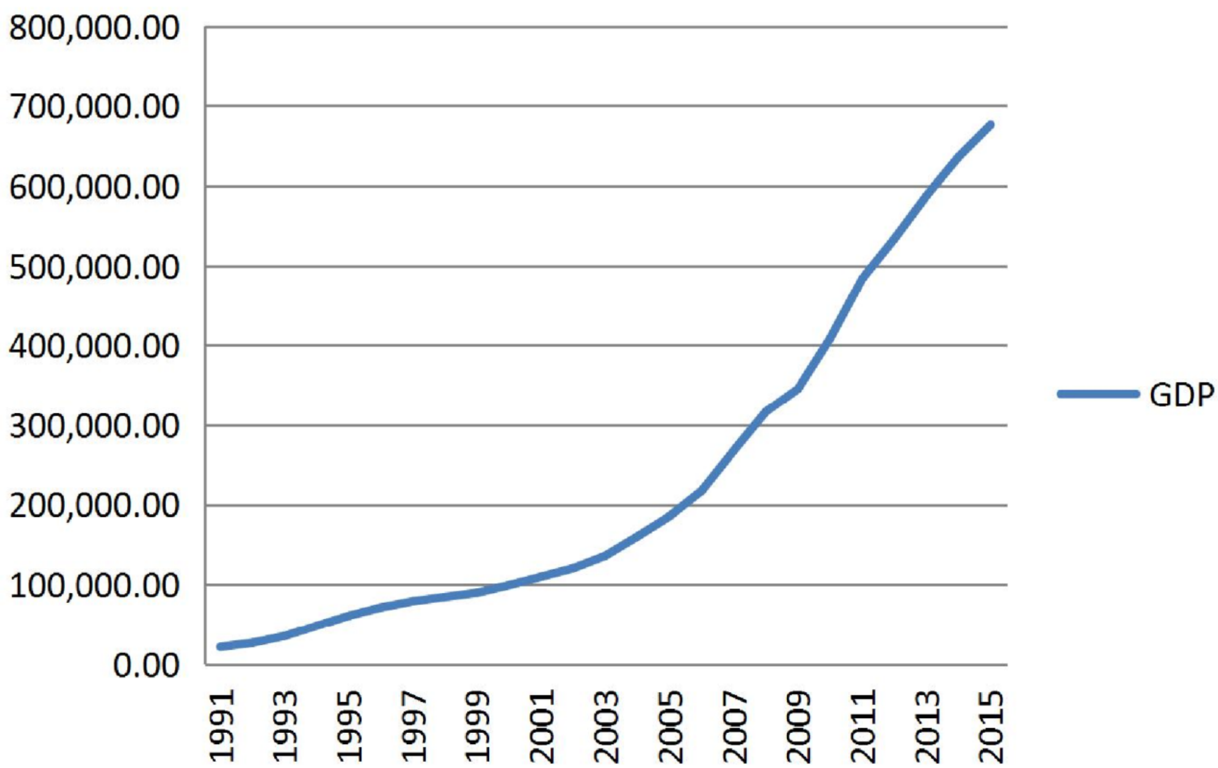
The transformation and upgrading of China's manufacturing industry is imminent, which is the key to the transformation and upgrading of China's economy, and some other national strategies also open new windows for Chinese enterprises to invest in the EU. Such as "Made in China 2025" put forward, for China's manufacturing industry transformation and upgrading, into a manufacturing power clear direction. In order to achieve the strategic requirements of "Made in China 2025", increasing direct investment in the EU is an inevitable way of development. The EU's manufacturing level is in the leading level in the world, especially its processing and manufacturing as well as product research and development, will help our enterprises to update the production line and improve the technology level. Such as the docking with Germany's Industry 4.0 strategy provides ideas for Chinese enterprises to strengthen investment in the EU to enhance their own manufacturing level.

Through the more thoughtful policy promotion at the government level, China's direct investment in the EU will be able to ride on the windmill of policy facilitation support, a higher level and higher speed of development.

China's economic and trade levels lay the groundwork for advantages in direct investment in the EU, strong demand for enterprise transformation.

4.2.2 China's trade and economic development reaches a high level

After decades of reform and opening up, China's trade and economic level has developed to a high level from the quantitative level, laying a certain advantage for foreign investment and providing the basis for a sustained high level of investment growth in the EU thereafter. Our enterprises are now in the development stage of outward investment after accumulation.



GDP growth of the country (billion)

China's GDP in 2015 was about 67.67 trillion yuan, second only to the United States, with a per capita GDP of about 800 billion yuan, achieving a high growth rate of nearly three decades and a great improvement in its comprehensive national power. In addition, China's foreign trade volume in 2015 exceeded 24 trillion yuan, although the year-on-year decline to a large extent, but this is mainly affected by the international macro environment, the weak recovery of the global economy, compared with other countries, is still in the position of the world's largest trading country, export market share accounted for 13%. Compared with the volume of China's foreign trade, China's foreign investment is still at a relatively low level, and the investment level in the EU is even more so. The advantages of China's investment in the EU are not only reflected in the macro total, but also correspondingly in various industries.

China's traditional industries in the European Union has begun to have competitive strength comparable to that of other countries, laying an advantage for mergers and acquisitions and investment in these industries.

By attracting foreign investment, transforming technology and continuously competing in the market, China has fostered many enterprises with technological advantages in the high-end manufacturing and information technology industries, such as Geely in the automotive industry and Huawei and other brands in the communications industry. In these technology-intensive industries, China's enterprises have more and more right to speak, and are beginning to lead the corresponding industrial mergers and acquisitions in the EU, absorbing the original advantages of EU technology, such as Geely's acquisition of Volvo is a typical case. Meanwhile, another advantage in the EU Industry is the financial industry, China has a strong competitive advantage in investment, such as China's banking industry, overall has a strong strength, in recent years has also increased the layout of investment in the EU region, improve the construction of China's financial industry overseas services, along with China's foreign investment as well as bilateral investment to further expand the scale, direct investment in the EU financial industry still has great prospects. In addition to the textile, light industry and other industries, has always been the advantage of China's industry, Chinese manufacturing has been all over the world, the EU region is no exception, so in these traditional light industry, China's weak development level of the eastern EU region, also has a great investment advantage.

Most enterprises in China are currently facing the demand for transformation and upgrading, how to improve the level of technology, improve the added value of products, can penetrate into the upstream of the industrial chain is the urgent need for Chinese enterprises to solve the problem, therefore, the European Union as a region with a high level of technology and product brands, more and more attention by Chinese enterprises, direct investment in the EU can more effectively achieve the transformation of enterprises themselves. The active demand of enterprises also indicates that China's current investment in the EU is in a period of historical opportunity for development.

4.3 Obstacles to the further development of Chinese direct investment in the EU

4.3.1 Global economic turmoil and unclear prospect of local economy

In the post-financial crisis era, the global economic and macroeconomic situation is complicated, financial market turmoil is intensifying and systemic risks are clearly increasing, and the international economic and financial situation is not optimistic, even with the recovery of the United States economy and the process of raising the interest rate of the dollar. In this macro pattern, the European Union economy is still not completely solve the sovereign debt problem, although the overall economic situation is beginning to pick up, but still the recovery is relatively slow, high debt and high unemployment rate still need a long time to improve. In addition, the reform of the eurozone has been stalled, as well as the political differences between countries within the eurozone hindered the implementation of reform measures in the eurozone economy, which correspondingly increased the risk of economic downturn. Its overall economic situation is relatively weak, coupled with the very uneven economic development of the EU countries, internal contradictions are gradually increasing. This situation, although on the one hand, provides a historical opportunity for Chinese enterprises to invest in the EU, but opportunities and risks co-exist, in the volatile form of the global economy, the EU economic uncertainty, rash investment still need to take a lot of risk, so in the current EU investment not only need to do a full risk analysis, but also need to do a good job of the emergency situation of the emergency measures.

Although China's investment in the EU has always been concentrated in the EU's advantageous industries and traditional developed countries, these industries and countries have a strong ability to withstand systemic risk, but in the investment process, still can not ignore the risk, especially in the current global economic uncertainty, the investment decision needs to be cautious, but correspondingly, we can not miss the historical opportunity period for investment because of the risk, how to improve the efficiency of investment and do adequate risk prevention measures, is Chinese enterprises need to pay attention to.

4.3.2 Risk of politicization of economic issues and remain barriers to investment

Although China's direct investment in the EU has grown rapidly in recent years, thanks in part to the EU's current relatively relaxed investment environment, the EU, dragged down by the debt crisis and sluggish economic recovery, has taken a welcoming and supportive attitude towards direct investment of overseas funds and has introduced many measures. However, it cannot be ignored that, as the largest developing country, China's influence in the world is becoming more and more enormous, so, this year, "China threat theory" has been in the West has a certain influence, many Westerners have been considered China's investment in the EU is a political action to guard against. In addition, in recent years, China's investment in the EU has become more and more concentrated in the manufacturing, finance, services and other sectors in which the EU has traditionally had an advantage, which makes many countries very worried. Another situation is that, due to the current economic downturn in the EU, trade protectionism is on the rise, and China is increasing its investment in the EU as a way to further open up the European market, which makes many European countries very resistant, and in order to protect certain industries and markets, they are using various reasons to regulate capital, raise the threshold or directly block it.

From a macro point of view, the overall bilateral investment between China and Europe is relatively free, and China and Europe have achieved mutual benefits in the investment process, but although the EU is an independent entity, the interests of its internal members are very different, and the EU is dominated by the major powers, so the EU's attitude towards our capital is more determined by the attitudes of the core powers in the EU.

By collating and analyzing the attitudes of the core EU member states, we can see that the attitudes of the EU member states are inconsistent, such as the traditional industrial powers, Germany Poland, still have a tendency towards trade protectionism and support the erection of investment barriers to China for protection, such as Germany's Ministry of Economy and Technology can directly terminate the deal in the name of national security; there are some countries also tend to trade protectionism, but at the same time Pay much attention to the economic and trade exchanges with China, both benefit from the situation, generally only through government-level negotiations to pressure our country, such as Denmark and other countries, in the specific investment restrictions are more lenient; there are some countries mercantilism, pay special attention to the consideration of economic interests, so the restrictions on investment conditions are more lenient, such as the Netherlands only on the defense industry in this sensitive area to restrict. In fact, through the actual investment process, it will be found that the different countries of the European Union have very different restrictions on foreign capital, all from their own practical interests for consideration. Most of the EU countries will cite national security as the reason for their restrictions. It is normal that the restrictions on investments in military, defense and public order are particularly strict, as investments in sensitive industries do pose a certain risk to national security.

On the other hand, in addition to dealing with investment barriers, Chinese companies should also pay attention to the risk of politicizing economic issues, which is rooted in the stability of a country's political system, such as the consistency of government policies and the degree of social stability. China's investment in the EU should pay special attention to the intention of some anti-Chinese political forces with obvious anti-Chinese tendencies to politicize this economic issue of investment, this is on the one hand due to the rapid rise of China's comprehensive national power, which indeed makes many anti-Chinese tendencies very afraid of the forces, on the other hand, taking into account that most of the Chinese enterprises making overseas direct investment are state-owned enterprises, which indeed gives many EU countries some misunderstanding, thinking that the investment in their Investments are made with political intent and are therefore guarded.

China-EU relations are currently at their best period in history, which at the same time opens a friendly investment window for China to actively communicate, deepen strategic mutual trust between the two sides, gain political trust, and lay a good investment environment for China's direct investment in the EU.

4.3.3 Chinese companies' lack of experience and capacity in multinational management

Cross-border operation and management after direct investment in the EU is a rather complex systems engineering. It is not only a simple technical research and development problem, but also a process of integration and adaptation to cultural and legal issues. According to a survey conducted by the European Chamber of Commerce in China, more than 70% of the enterprises have experienced subsequent operation and management problems after investing in the EU. First, European society is a high welfare society, and the relationship between enterprises and workers is strictly controlled by the law, and the importance of workers' rights is one of the characteristics of European society. There is a wide range of cultural and legal differences, including language and socio-cultural issues. However, Chinese enterprises lack comprehensive management personnel who are familiar with the culture, laws and languages of EU countries, which makes Chinese enterprises encounter various difficulties in getting along with the locals. Thirdly, Chinese enterprises lack rigorous, rational and objective analysis in the process of investment, and underestimate the consequences of investment and later operation, resulting in low efficiency of investment and even many cases of failure, which occurs because Chinese enterprises are often keen to follow the trend of investment, lacking the ability to manage and control risks and follow-up measures. Fourthly, most Chinese enterprises do not have experience in international operation and lack mature management concepts and management teams, which requires Chinese enterprises to accumulate and cultivate gradually in the process of continuous overseas investment, with talent being the primary issue, followed by technology.

5 Countermeasures and suggestions for China FDI in EU

As a result of the preceding analysis, Chinese direct investment in the EU is facing unprecedented opportunities. Although China's direct investment into the EU has developed relatively well in recent years, the overall scale is still relatively small. Both the government and enterprises should take into account the current situation, analyze the advantages and challenges of China's FDI into the EU, and make a more comprehensive assessment and preparation for outward FDI.

5.1 Suggested responses at the governmental level

5.1.1 Promote the landing of the China-EU Investment Agreement and policy support

The current historical period is very favorable for China to invest in the EU, the EU in order to achieve economic recovery, the overseas capital is very welcome, the investment environment is relatively relaxed, and China is also in the stage of economic transformation, Chinese enterprises for the EU market and its technological research and development capabilities are very important. Therefore, the Chinese government should attach great importance to guiding enterprises to increase investment in the EU, not only to support the strategic investment of state-owned enterprises in the EU, but also to encourage private capital, small and medium-sized enterprises to participate in the mergers and acquisitions of EU enterprises, to improve the overall quality of economic development, to broaden the interval in the global industrial chain, in order to further open the EU market and enhance China's competitiveness. Competitiveness of products and services in the EU market. In addition, mergers and acquisitions can also help nurture Chinese multinational enterprises and accumulate experience and capabilities in cross-border operations.

Investment between China and the EU is mainly achieved through bilateral investment agreements, but their content is mainly concerned with the facilitation of investment on the EU side, and the issue of Chinese investment in the EU is not properly addressed. Before 2008, EU direct investment from China as a whole was restricted and did not advocate the release of more rights and interests to China, but after the financial crisis and the European debt crisis, the EU's attitude has fundamentally changed and began to attach importance to Chinese capital and the overall attitude is welcome, based on the current historical opportunities, the China-EU Investment Agreement is also a steady and positive development. In the process of promotion, the CEIA will be a repositioning of bilateral investment between China and Europe, further lowering the investment access threshold of the EU, providing a practical and effective guarantee for Chinese capital to enter the EU, which will reduce the uncertainty of Chinese enterprises in the investment process, clarify the scope of investment in the market, and crack the problem of politicization of economic issues. Therefore, the Chinese government should actively promote the landing of the EU-China Investment Agreement to provide a strong guarantee for Chinese enterprises in the future investment process in the EU.

In addition, the Chinese government should further improve its policies and systems to support Chinese enterprises to invest in the EU, such as providing information support services for companies investing in the EU, providing timely information on policy changes in the EU region and the industry situation, and giving certain advice and inspiration to the investing enterprises. We also strengthen the training of transnational enterprises to help them become familiar with EU laws and culture and other relevant information. Build a communication platform between Chinese and European enterprises to share information or hold regular activities such as European project promotion conferences. Help enterprises to gain information advantage.

Introduce relevant policies to actively guide SMEs to invest in the EU and stimulate market dynamics. The proportion of small and medium-sized enterprises in the EU is relatively large, so SMEs in the EU investment and M&A have certain advantages, and private capital is often more sensitive to market changes than state-owned enterprises, more effective use of resources and allocation of resources, so relevant policies can be introduced to support SMEs, such as encouraging SMEs to embrace the group out of the country, or give certain fiscal and tax incentives. Of course, the state-owned enterprises in the European Union's investment in mergers and acquisitions should also be given policy support, which is an effective way to support the cultivation of China's influential multinational enterprises.

5.1.2 Use financial policy to increase support for FDI in EU

Supporting Chinese companies to invest actively and effectively in the EU is not enough to rely on policy guidance alone. Therefore, in order to support foreign investment needs the Chinese government to reform the current financial policy, which bears the brunt of China's foreign exchange policy, because in the process of foreign investment, it is inevitable to involve the exchange of enterprises, however, the reform of foreign exchange policy is not overnight, this is a need for multi-sectoral cooperation, co-ordination and coordination of the process. In the foreign exchange policy reform, in order to help enterprises "go out", the successful completion of overseas investment, the need to do the following work.

First, one of the most important keys to overseas investment is the efficiency of the investment, in the process of mergers and acquisitions of overseas assets, the longer the process time, the higher the cost, and time costs are more consumed in the administrative approval process, and often such costs are really unaffordable to an enterprise. Therefore, in order to help enterprises reduce costs and improve investment efficiency, it is necessary for the relevant Chinese departments to strictly implement the relevant requirements of the State Council, simplify the administrative decentralization, optimize the administrative approval process, further relax the review of the relevant qualifications of enterprises, and establish a negative list system, so as to minimize the investment exchange threshold of enterprises and help enterprises to obtain the required funds in time to complete overseas investments.

Second, vigorously innovate policies, for example, pilot areas like free trade zones can be established to achieve greater policy benefits in the region, which will not only limit policy risks to a manageable level, but also provide a convenient investment window for enterprises. Also, effective policies can be rolled out nationally at a later stage from the point of view.

Third, in order to solve the financial problems of enterprises, increase innovation in the current methods of financing as well as reducing thresholds, such as the establishment of a corresponding financial institution dedicated to helping companies or institutions making overseas investments raise capital. This will greatly motivate companies to invest abroad.

5.1.3 Establish and improve the guarantee system for Chinese enterprises' FDI

In accordance with international practice, in order to protect the legitimate rights and interests of the capital-exporting country and strengthen its international competitive position to a certain extent, there is a special legal system on international investment protection, namely the overseas investment insurance system, which is specially established by the government of the capital-exporting country in order to protect and encourage its enterprises or individuals to actively invest abroad and to provide them with political guarantee to avoid political risks. In order to adapt to China's national conditions and effectively protect the legitimate rights and interests of enterprises' OFDI, China should establish and improve the laws and regulations on the protection system for enterprises' OFDI. In order to increase the coverage area of the insurance system and play its positive role in overseas investment more effectively, the following additional points are suggested.

1). Actively learn from international experience, especially the United States, Germany and other laws and regulations on overseas investment insurance. The United States and other developed countries, with their mature multinational enterprises and rich experience in foreign direct investment, have formed a relatively complete and mature insurance system covering various aspects, such as the scope of coverage and types of insurance. In the long run, a comprehensive insurance system has been formed, which covers various aspects, such as coverage and types of insurance, such as terrorism insurance, low premium insurance for small and medium-sized enterprises, and special insurance for natural resources for environmental protection, etc. These insurance policies are designed according to the specific needs of the country and the international environment. Therefore, it is of great significance to improve the overseas insurance system with Chinese characteristics by actively learning from the perfect insurance system and clauses of foreign countries according to the current situation of China itself.

2). Establish a commercial insurance market and improve the competition mechanism. In addition to a policy-based insurance system, the market should also play an active role in allowing commercial insurance to enter the market to insure enterprises that invest directly overseas, which is already a mature and well-established market abroad. A very promising market, which will face fierce competition in the future with further policy liberalization, and this also provides opportunities for the development of overseas investment insurance business in the country. A potentially competitive market can, in turn, contribute to improving the quality and efficiency of commercial insurance operations in China.

3). Enhance the risk awareness of Chinese enterprises and establish a complete mechanism to deal with risks. Compared with market-oriented private enterprises, the operating model of state-owned enterprises is relatively inefficient and lacks a modern corporate governance mechanism and awareness of investment risks, which often leads to large losses or poor investment efficiency and failure to meet expectations due to blind decision making and lack of risk control measures. The lack of a modern corporate governance mechanism and the lack of awareness of the risks involved in investing often result in large losses or poor investment efficiency due to blind decision-making and the lack of pre-existing risk control measures. Therefore, Chinese state-owned enterprises should continue the process of market-oriented reform to achieve true self-financing and self-management, so as to enhance the awareness of investment risks, and actively carry out risk education and training courses.

4). Improve bilateral cooperation mechanisms and promoting bilateral investment protection agreements. Improving bilateral investment agreements is a top priority for the Chinese Government, which is conducive to China's transformation from a major capital inflow country to a major capital outflow country, in line with China's current national strategy of "going global". In addition, it should actively establish bilateral cooperation mechanisms with host countries, and actively cooperate in such areas as security and supervision, so as to effectively protect the legitimate rights and interests of enterprises when investing in host countries, while also actively combating criminality and other acts.

5.2 Recommended response at the enterprise level

5.2.1 Expand the layout and the value chain in the EU's advantageous industries

In the era of globalization of business, more and more multinational corporations are making global layout, the division of labor between enterprises under the background of globalization is becoming more and more blurred, the functional differentiation between different enterprises also tends to be integrated, the function also tends to be diversified, and the layout of the industrial chain also gradually extends to the upstream and downstream. Not only the bargaining power of resource cost is increasing, but also the external cost is decreasing. The focus of enterprise development is not only limited to product production, but also combined with the Internet and other emerging technologies to integrate the whole industrial chain associated with the enterprise by means of information technology, and integrate the research and development, production and sales into one in order to enhance the diversification of its own functions and sense of existence. Companies, suppliers, customers and intermediaries are highly interactive and cooperate closely with each other, and the need for synergy in the same industrial chain is higher than ever before.

Chinese enterprises, especially those in transition, have begun to focus on the layout and integration of the industrial chain after experiencing market-oriented development. The local integration layout has also had good success, with many industry giants effectively integrating the local industry chain upstream and downstream as well as across industries. However, due to the late development of Chinese enterprises, many leading companies in the industry have made slow progress in the transformation to multinational enterprises, and are still relatively restrained in overseas layout, which is also due to the lack of Chinese enterprises' own experience in multinational layout, and their international competitive advantage is not very obvious. So, the need for policy support and the enterprise's own efforts, in terms of overseas layout more, there is still a long way to go.

China's overseas investment is still mainly concentrated in the resource industry, tending to the acquisition of overseas mineral resources, which is also an inevitable requirement of China's developing stage, oil, natural gas, coal, minerals, biology and many other resource industries are the focus of Chinese enterprises in overseas investment, and has achieved good results. In recent years, due to the rapid development of China's real estate industry, more and more powerful real estate companies began to focus on overseas real estate investment, especially high-end overseas real estate projects, which is also the industrial shift of China's industry advantage. In addition, many high-tech and Internet companies that represent the development of China's emerging industries are also actively looking for quality overseas assets for M&A investment, and are bound to acquire Internet-based companies with many intellectual property rights, R&D teams, and advanced technologies. Under the background of globalization, seizing key industries with leading technologies is a fruitful strategy to improve the efficiency of China's FDI to the EU.

5.2.2 Balance risk and efficiency to accelerate the pace of overseas M&A

Mergers and acquisitions, as an effective process of rapid expansion in the development process, are an important end and means for companies to seek synergies, economies of scale, increase market share, access to raw materials, brand influence, production technology and business network channels. Since the global financial crisis and the sovereign debt crisis in the European Union, the assets of EU enterprises have shrunk significantly. On the other hand, due to the continued strengthening of China's RMB, the valuation of overseas assets has become more attractive, resulting in a good opportunity for "bottoming out". Companies are making overseas acquisitions, and the number of successful acquisitions by EU companies has increased significantly since 2008. The reason for the rapid growth of investment in the EU is, on the one hand, the relatively low valuation of EU assets, which is attractive; on the other hand, this is the inevitable result of China's continuous development after more than 30 years. So, Chinese enterprises have to face the competition of globalization, and through foreign investment overseas M&A to enhance their own strength is a more ideal development model.

At the same time, Chinese manufacturing enterprises as a whole are in the middle of the global industrial chain, the upstream and downstream industrial chain has great constraints on the development of enterprises, not only in raw materials, energy and other resource-based products subject to the international market, due to the lack of pricing power, global commodity price fluctuations have a greater impact on Chinese enterprises, but also in the global brand market also lacks influence, especially in developed markets such as Europe, the brand. Influence, customer stickiness and marketing channels are the weaknesses of Chinese companies in these markets. Therefore, actively encouraging enterprises to "go global" through cross-border mergers and acquisitions to acquire dominant EU enterprises is a proven option, which is also conducive to the overall transformation and upgrading of Chinese enterprises and economic development models. Through overseas mergers and acquisitions, not only can the upstream industry chain increase the voice of energy resources, but also can make use of overseas technology level, the overall improvement of China's manufacturing research and development manufacturing strength. In addition, it can also make use of the marketing channels and brand effect of the overseas target enterprises, combined with China's products to form a synergy, so as to open the developed European market, so as to achieve their own brand promotion, which is also the main reason for Chinese enterprises to actively conduct overseas M&As.

6 Conclusion

Direct investment from developing countries to developed countries is a kind of reverse investment mode, and China's FDI to the EU is a typical investment mode, and the motive of such reverse investment is due to the macro background of economic globalization, China's new demand for the markets of developed countries, especially the EU market, during the economic transition period. In addition, this is also the strategic requirement of the Chinese government to actively promote "going out", so that Chinese enterprises can open up the external market through foreign investment and cultivate China's own truly influential multinational enterprises. Through active investment in the developed markets of the EU, Chinese enterprises have not only gradually opened up the EU market, but also acquired a series of important assets, including industrial technology and marketing channels. Finally, we will summarize some key issues of China's FDI in the EU.

First, despite the success of Chinese FDI in the EU, the overall investment architecture is still unbalanced, mainly because Chinese companies are still significantly under-invested in productive enterprises. The main reason for this is that Chinese enterprises are still significantly under-invested in productive enterprises. This under-investment is not only due to the current investment environment of the EU and the institutional mechanism of China's investment, but also due to the lack of international investment and business experience of Chinese enterprises. Due to the relatively high labor costs in the European market, the fragmentation of the consumption level in the market and the obvious cultural and language barriers, Chinese enterprises still have a low preference for investment in the EU, which is a major reason for the low level of investment. As a direct result of this, Chinese investment in the EU has lagged badly. However, looking at the successful transformation of neighboring countries such as Japan and South Korea, as well as the cases of Asian emerging market countries' investment in Europe, China's FDI in the EU also has a comparative advantage in terms of technology and products. Chinese enterprises should continuously strengthen their voice in the global industrial chain through investment, expand upstream and downstream, integrate the global industrial chain, continuously strengthen the scale of investment in R&D and sales, and improve the level of global management and operation.

Secondly, China's FDI to the EU is entering a fast track of development and is in the golden period of investment. However, due to the current complicated global economic situation, the EU economy has entered a slow recovery period, but due to the sovereign debt and other issues have not been thoroughly resolved, there is still great uncertainty about the prospects for recovery. This poses a great challenge to Chinese enterprises investing directly in the EU, because we not only need to see opportunities and seize the golden opportunity to invest in the EU, but also need to be well prepared to guard against unknown risks.

Finally, at present, Chinese enterprises involved in direct investment in the EU have already possessed a certain scale, both in terms of industry distribution and total capital, however, after the completion of investment, how to effectively improve the operating efficiency and effectiveness of Chinese enterprises in the EU has become an increasingly important issue, and the study of such issues should attract our attention.

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