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Faculty of Professions

Defining EU/Australia Investment Relationship
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Structure

- Australia Investment Trends
- European Union Investment Trends
- Key observations

Australia Investment Trends

Australia

- Rebalancing after the resource boom
- Shifting to services sector and services sector exports
- Pushing its trade agenda with China, Korea, Japan, Singapore, TPP, RCEP, AANZFTA

Table 2: Foreign Direct Investment in Australia, 2015

Rank	Country	\$Ab	% of total
1	United States	860.3	28.4
2	United Kingdom	499.9	16.5
3	Belgium	238.5	7.9
4	Japan	199.6	6.6
5	Singapore	98.6	3.3
6	Hong Kong (SAR of China)	85.4	2.8
7	China	74.9	2.5
8	Netherlands	63	2.1
9	Luxembourg	58.3	1.9
10	Switzerland	50.2	1.7
11	Germany	41.2	1.4
12	New Zealand	39.7	1.3
13	Canada	38.8	1.3
14	Bermuda	25.9	0.9
15	Republic of Korea	23.3	0.8
16	Virgin Islands, British	22.9	0.8
17	France	22.1	0.7
18	Malaysia	20.5	0.7
19	Ireland	18.4	0.6
20	Cayman Islands	13.8	0.5

Source: AusTrade, Australia

Australia Inward FDI Trends

Rank in 2016	Country	2014	2015	2016	% of total	% change 2015 to 2016	5-year trend % growth
1	United States	782.6	877.5	860.9	27.0	-1.9	10.9
2	United Kingdom	477.7	482.6	515.5	16.1	6.8	3.4
3	Belgium	225.8	247.1	270.1	8.5	9.3	56.1
4	Japan	181.2	200.8	213.5	6.7	6.3	10.4
5	Hong Kong (SAR of China)	74.1	85.9	100.9	3.2	17.5	17.7
6	Singapore	87.4	98.8	98.9	3.1	0.2	14.9
7	China	66.4	75.9	87.2	2.7	15.0	37.9
8	Netherlands	58.2	66.3	74.7	2.3	12.6	14.7
9	Luxembourg	59.0	59.9	74.0	2.3	23.7	15.7
10	Switzerland	50.5	54.2	59.1	1.9	9.1	2.8
11	New Zealand	36.6	39.7	46.2	1.4	16.4	10.9
12	Canada	36.0	38.2	42.6	1.3	11.4	10.0
13	Germany	40.5	41.0	38.8	1.2	-5.4	16.1
14	France	21.4	22.3	28.3	0.9	26.9	7.2
15	Bermuda	31.0	25.1	27.2	0.9	8.4	37.8

Australia Outward FDI Trends

Rank in 2016	Country	2014	2015	2016	% of total	% change 2015 to 2016	
1	United States	574.9	606.9	617.4	28.4	1.7	
2	United Kingdom	329.7	351.6	350.5	16.1	-0.3	
3	Japan	70.1	94.1	108.3	5.0	15.1	%
4	New Zealand	99.1	97.8	106.9	4.9	9.3	%
5	China	57.7	70.5	87.9	4.0	24.6	%
6	Germany	65.5	67.3	65.8	3.0	-2.2	%
7	Singapore	49.5	64.1	61.5	2.8	-3.9	%
8	France	42.3	46.4	55.1	2.5	18.7	
9	Cayman Islands	39.2	49.2	53.2	2.5	8.1	%
10	Hong Kong (SAR of China)	46.3	48.5	52.9	2.4	9.2	%
11	Canada	42.4	42.4	42.4	2.0	0.0	%
12	Netherlands	38.1	39.7	42.1	1.9	6.1	%
13	Switzerland	26.7	19.9	20.5	0.9	2.7	
14	Papua New Guinea	18.9	18.2	18.0	0.8	-1.1	

Rank in 2016	Country	2014	2015	2016	% of total	% change 2015 to 2016
1	Mining & quarrying	277.3	293.0	310.6	39.0	6.0
2	Manufacturing	85.0	88.1	91.3	11.5	3.6
3	Real estate activities	46.8	58.1	84.1	10.6	44.8
4	Financial & insurance activities	50.7	63.7	66.9	8.4	5.1
5	Wholesale & retail trade	58.7	52.9	53.7	6.8	1.7
6	Information & communication	24.7	25.0	22.7	2.8	-9.1
7	Transport & storage	13.6	20.5	21.3	2.7	3.9
8	Construction	18.9	17.5	19.8	2.5	13.0
9	Electricity, gas & water	12.8	15.9	17.2	2.2	8.3
10	Accommodation & food service activities	8.1	7.2	7.2	0.9	0.5
	Other/Unallocated	88.5	91.8	101.2	12.7	10.2
	All countries	685.1	733.5	796.1		8.5

European Union Investment Trends: Pathway for Recovery

FDI net inflows in EU28, 2000-2015

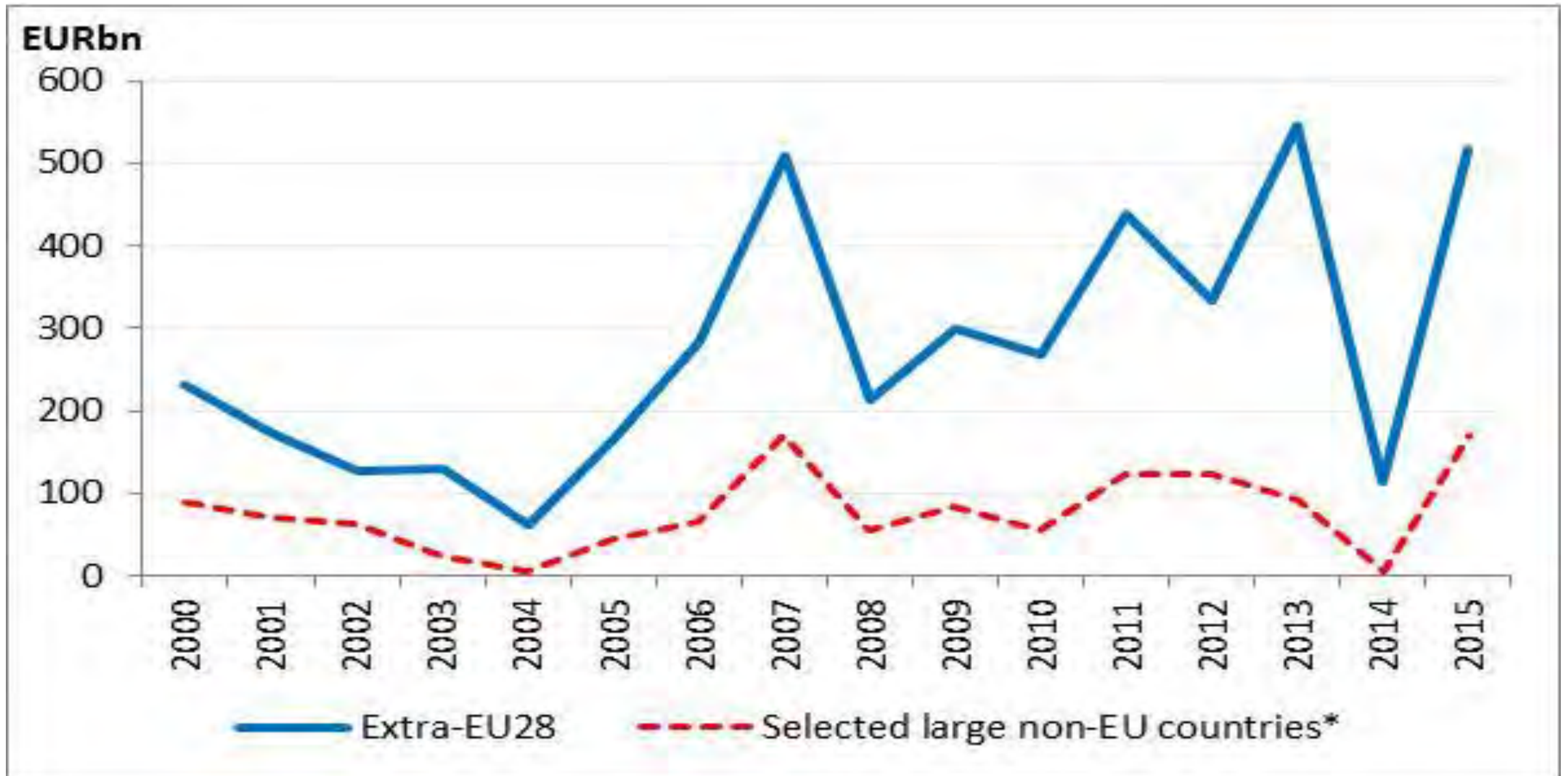
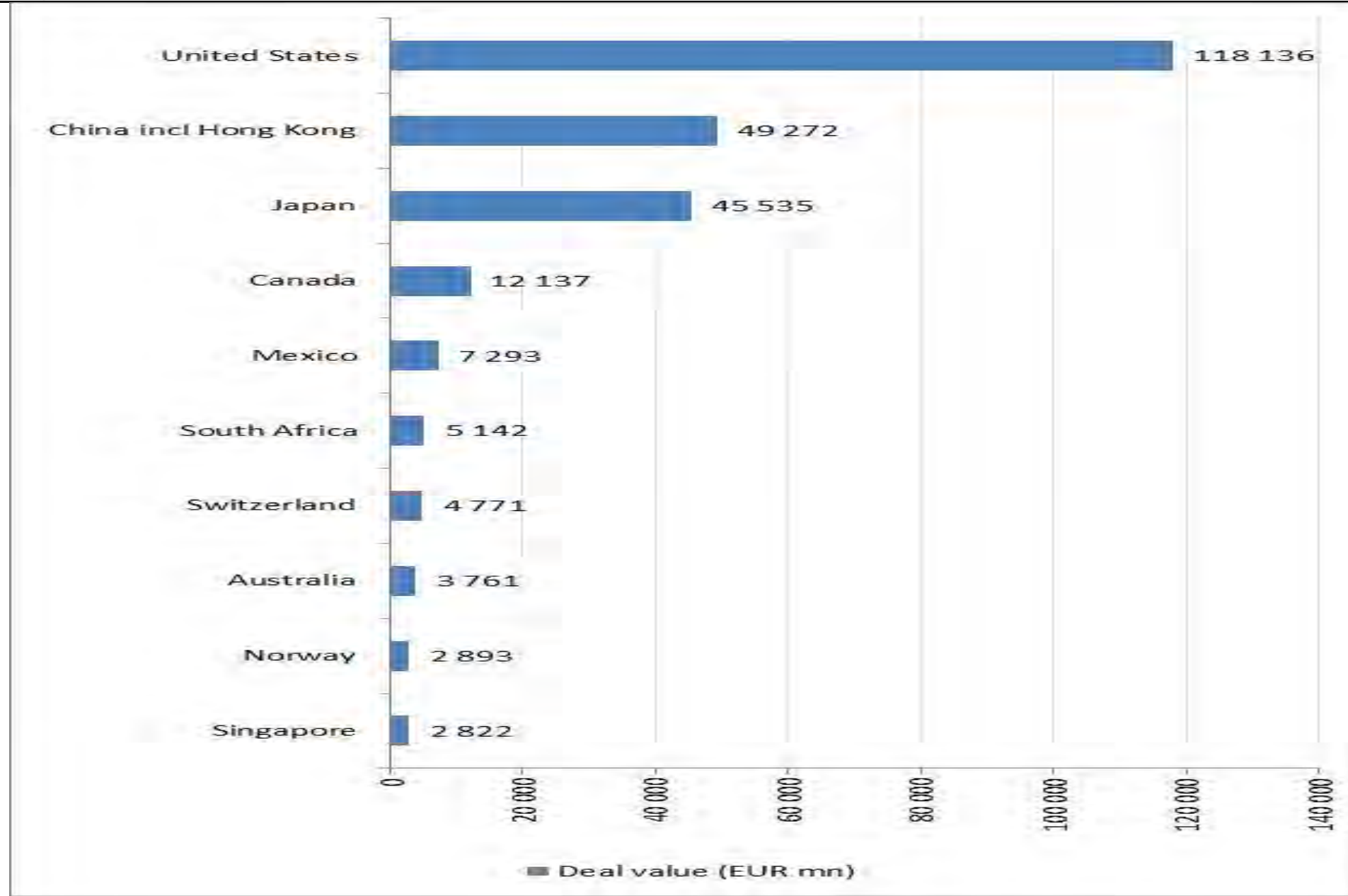
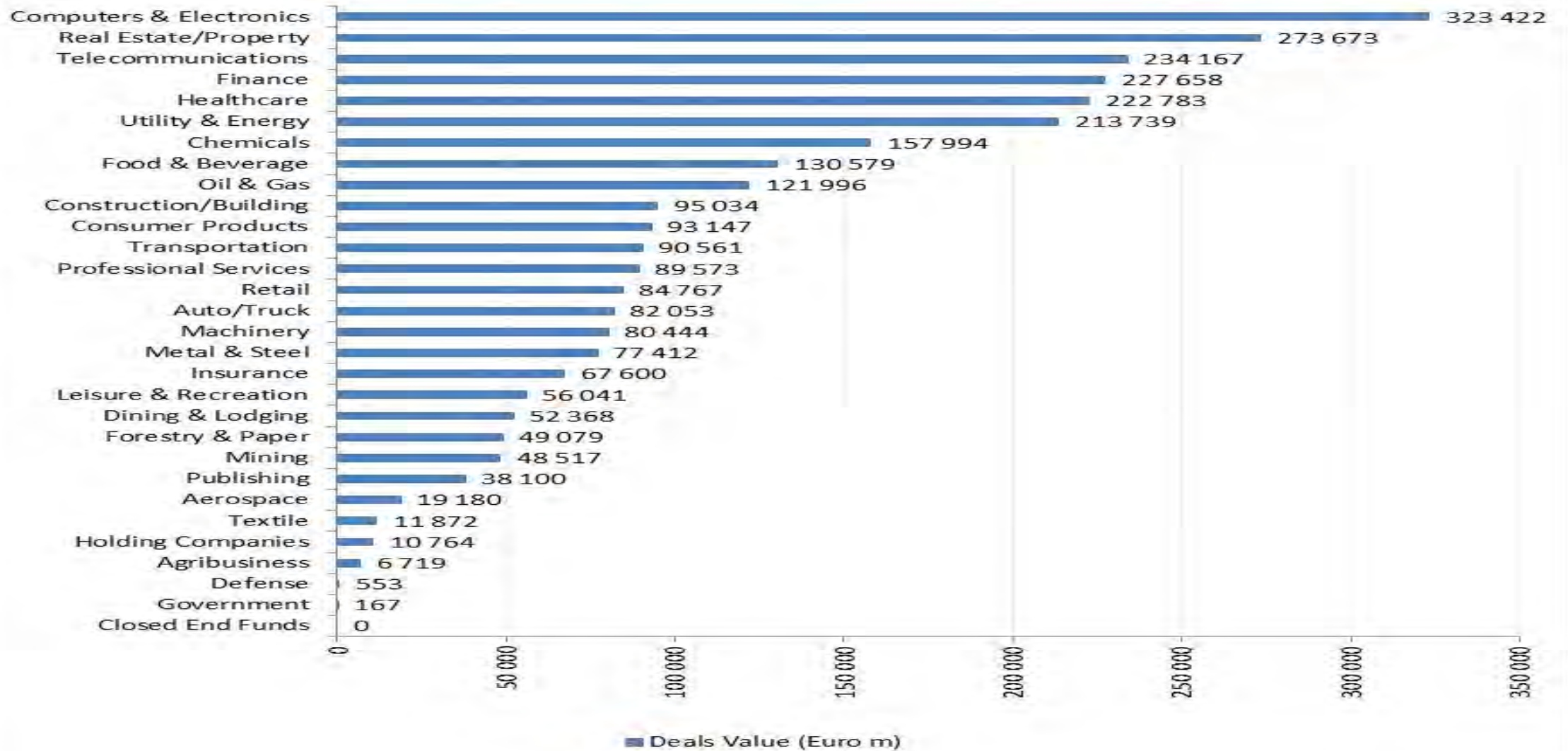


Figure 6, Ranking of the top 10 non-EU investment countries. by value of their acquisition transactions in the EU in 2016



Source: Dealogic M&As ANALYTICS, transactions for the acquisition of stakes above 10%.

Figure 7, Total stocks of inward M&As by General Industry Groups, Q2 2017



Source: Dealogic M&As ANALYTICS, transactions for the acquisition of stakes above 10%.

Flows of Merger and Acquisition FDI transactions into the EU, EUR mn

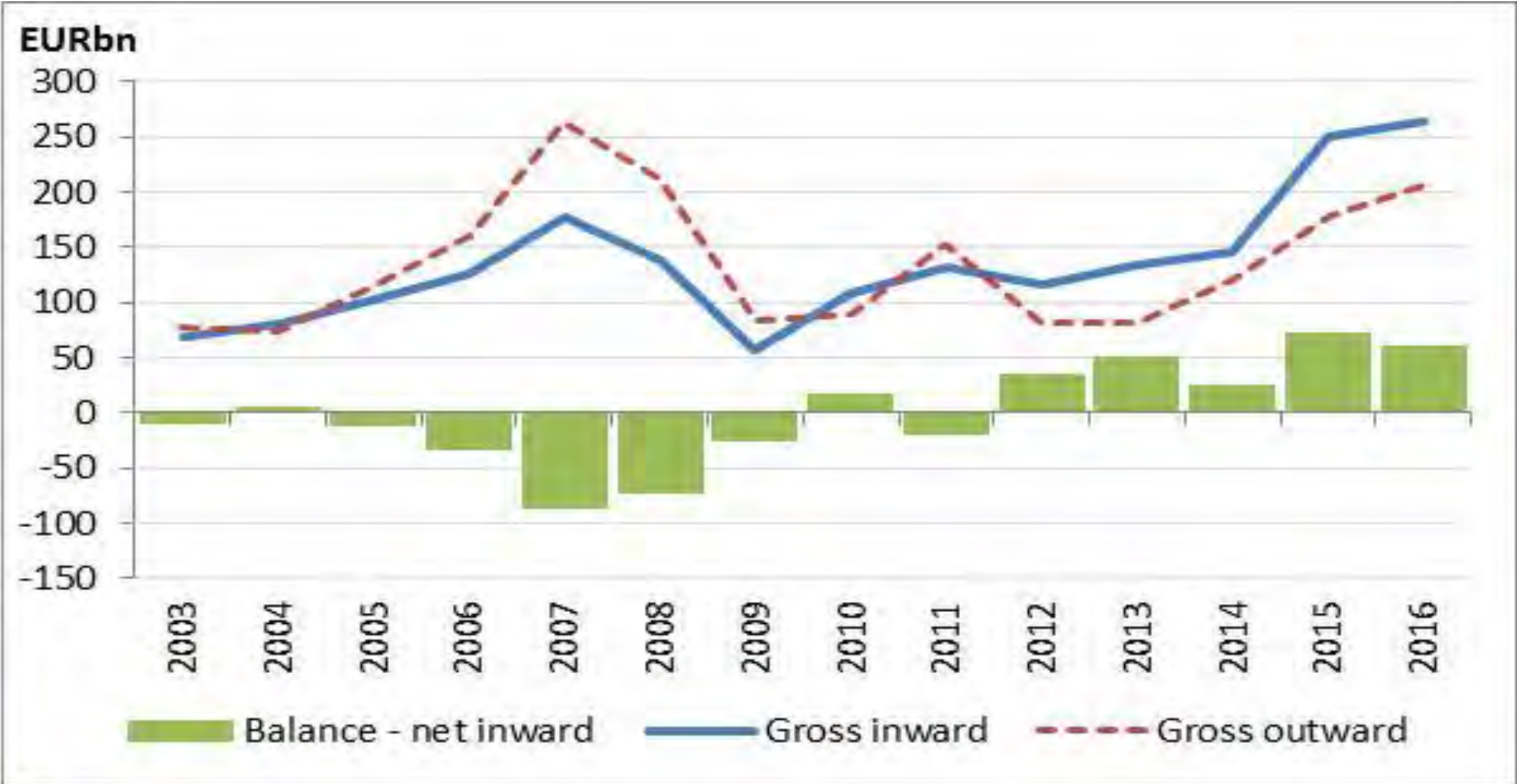
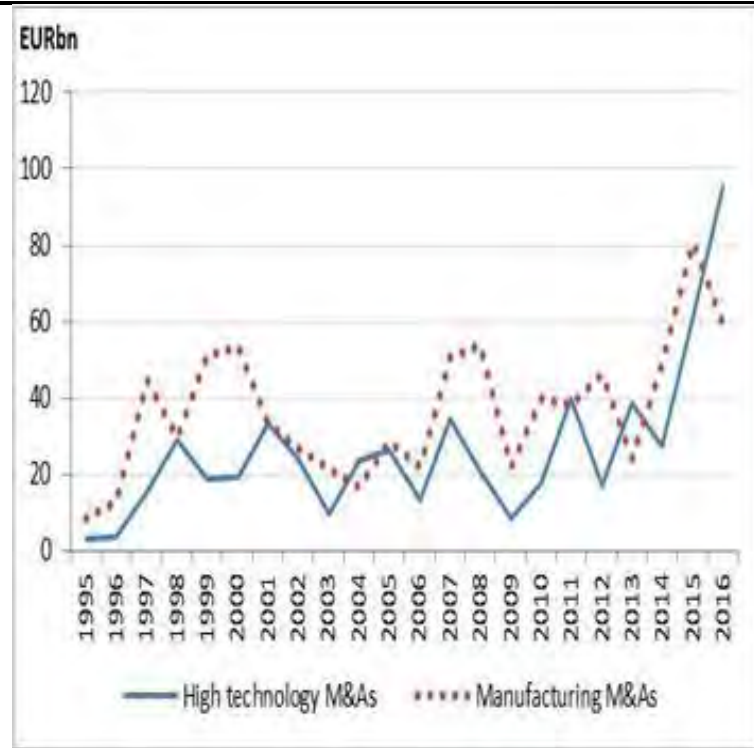
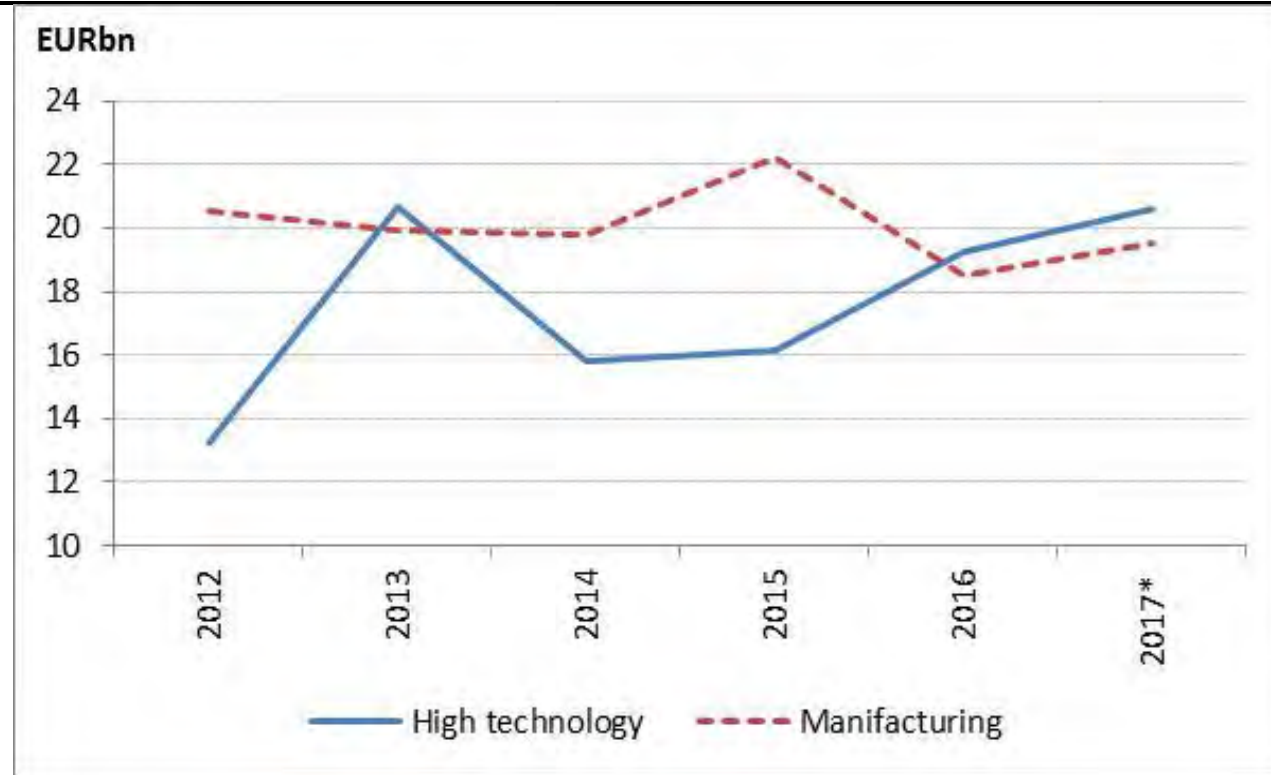


Figure 2, Non-EU FDI in high technology sectors and manufacturing

A. M&As



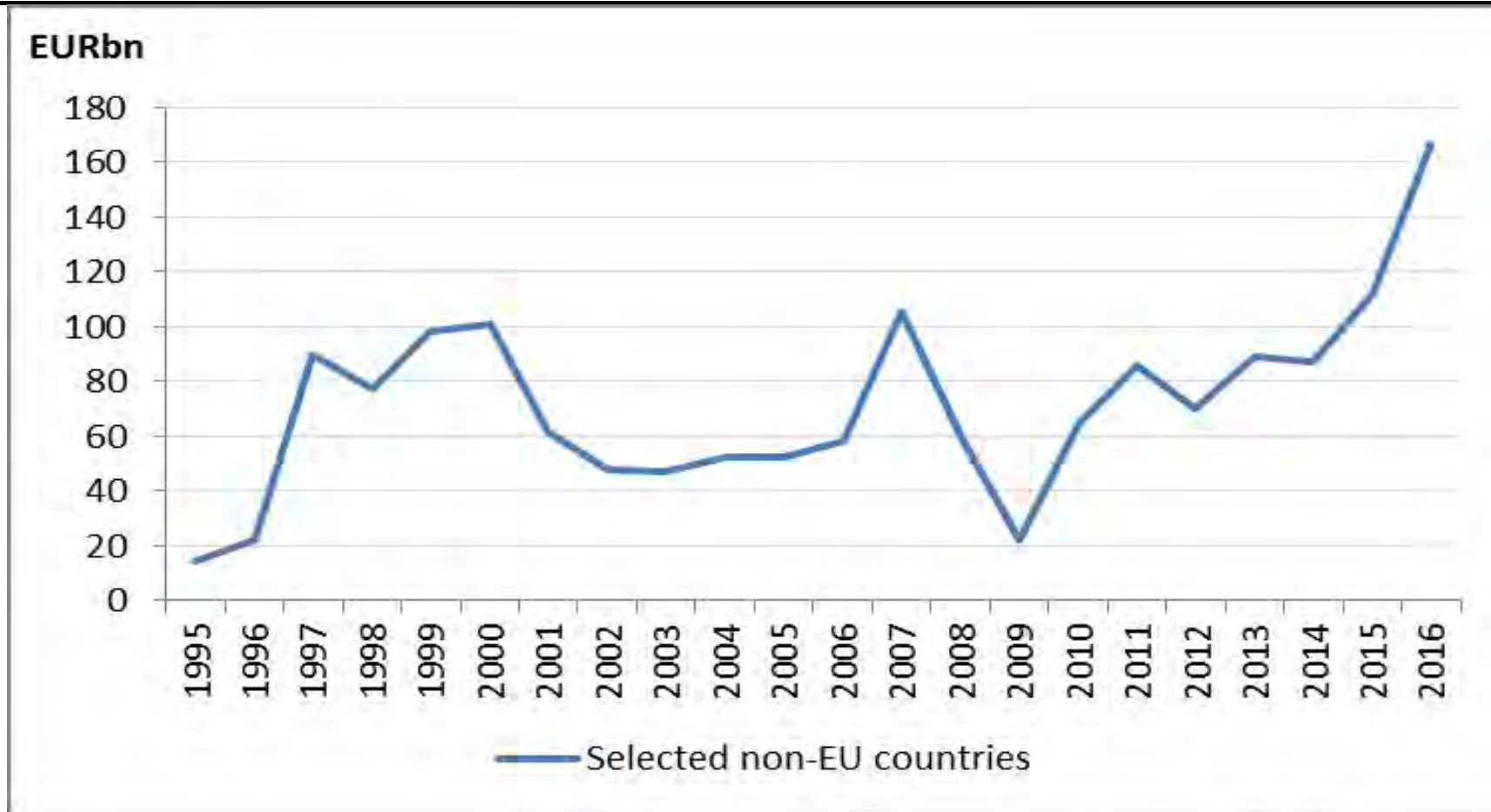
B. Greenfield investment



Source: FDIMarkets and DEALOGIC M&As ANALYTICS

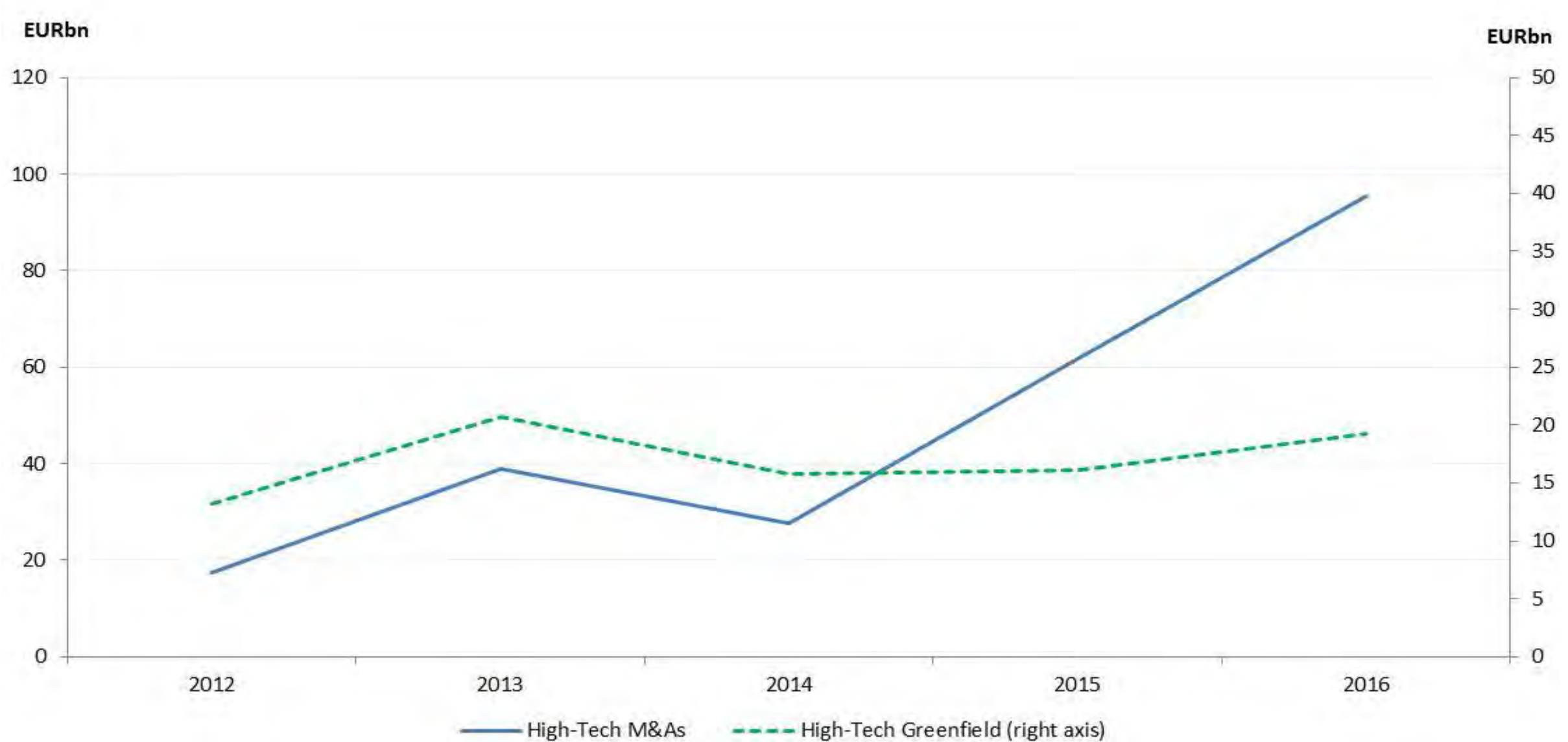
Notes: High technology is defined here as aerospace, renewables, biotechnology, consumer electronics, electronic components, chemicals, engines/turbines, medical equipment, pharmaceuticals, semiconductors, software/IT services, space/defence; *indicates extrapolated figures.

Figure 5, Gross M&A flows into the EU by selected large non-EU economies



Source: Dealogic M&As ANALYTICS, transactions for the acquisition of stakes above 10%.

High technology M&As and Greenfield investment, 2012-2016



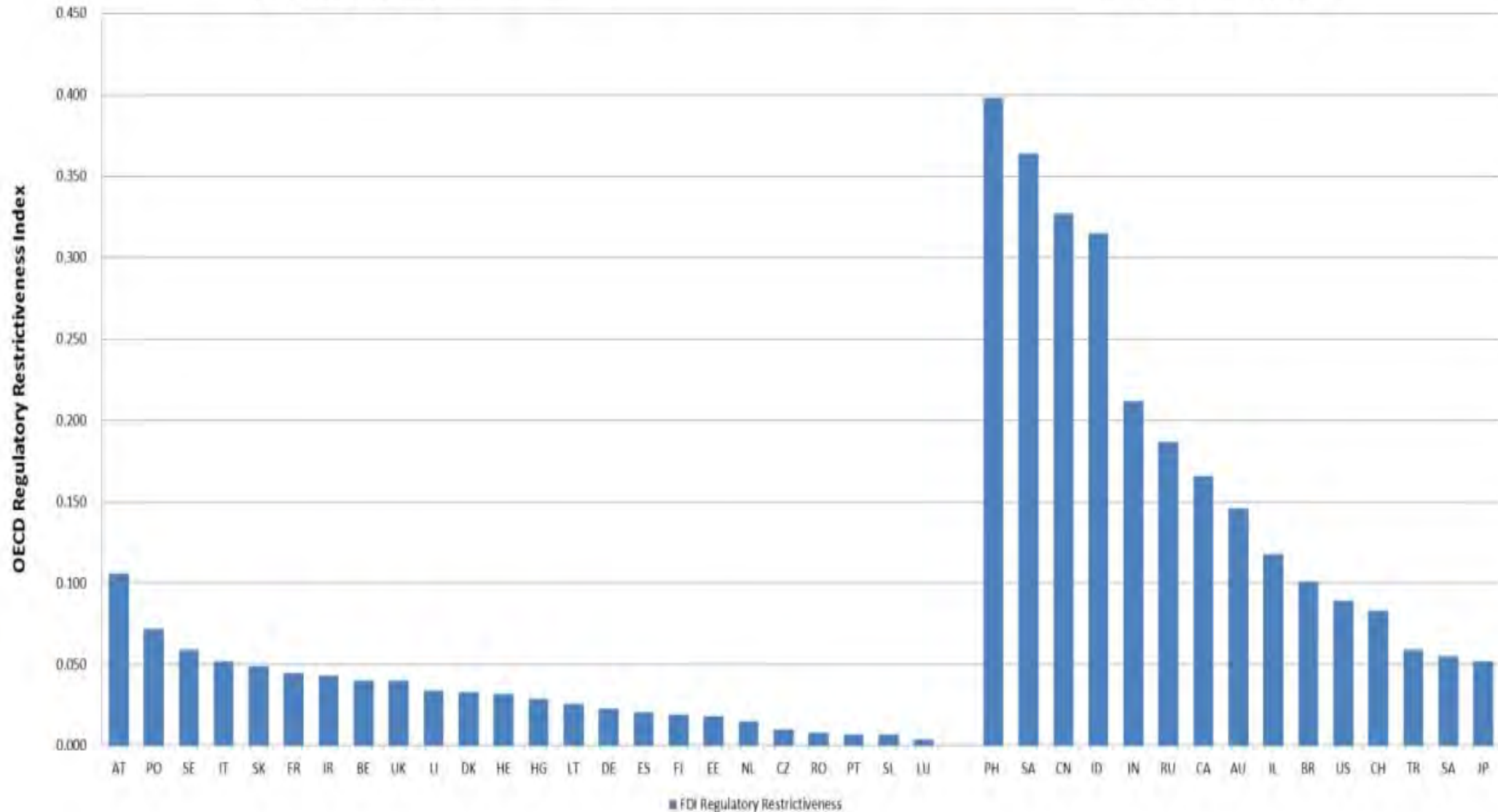
FDI Policies in Australia and EU FTA

OECD FDI Regulatory Restrictiveness Index – 2016

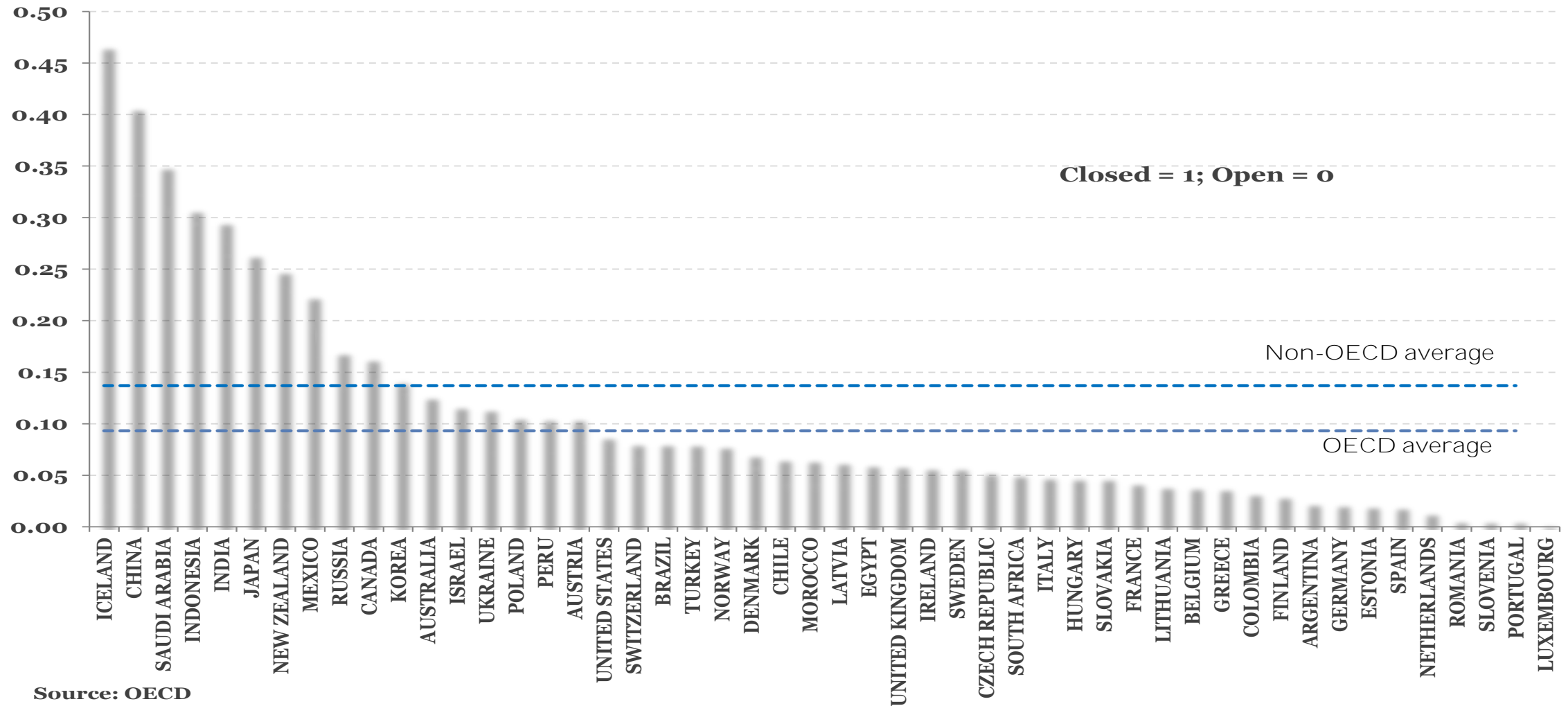
FDI Regulatory Restrictiveness Index - 2016

European Countries

Selected Third Countries



FDI regulatory restrictiveness, 2010

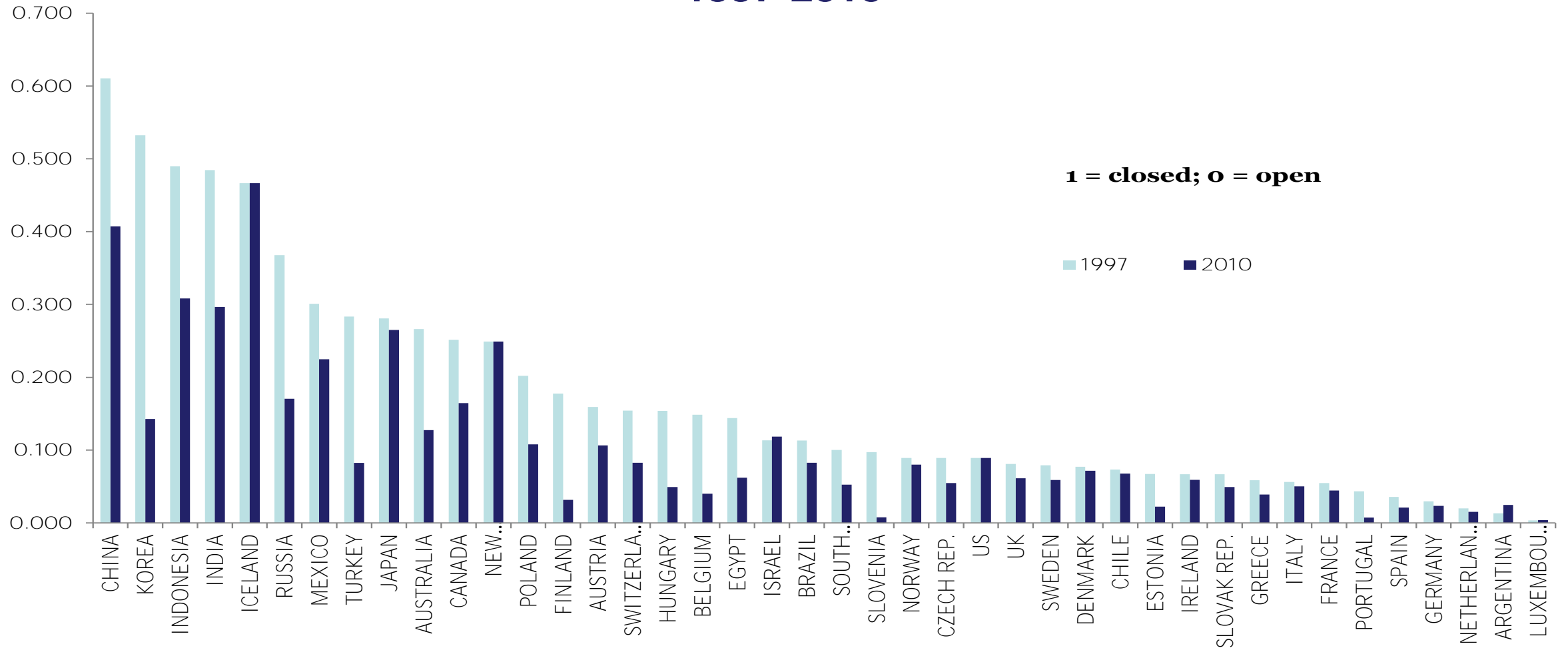


Source: OECD



FDI liberalisation in selected countries

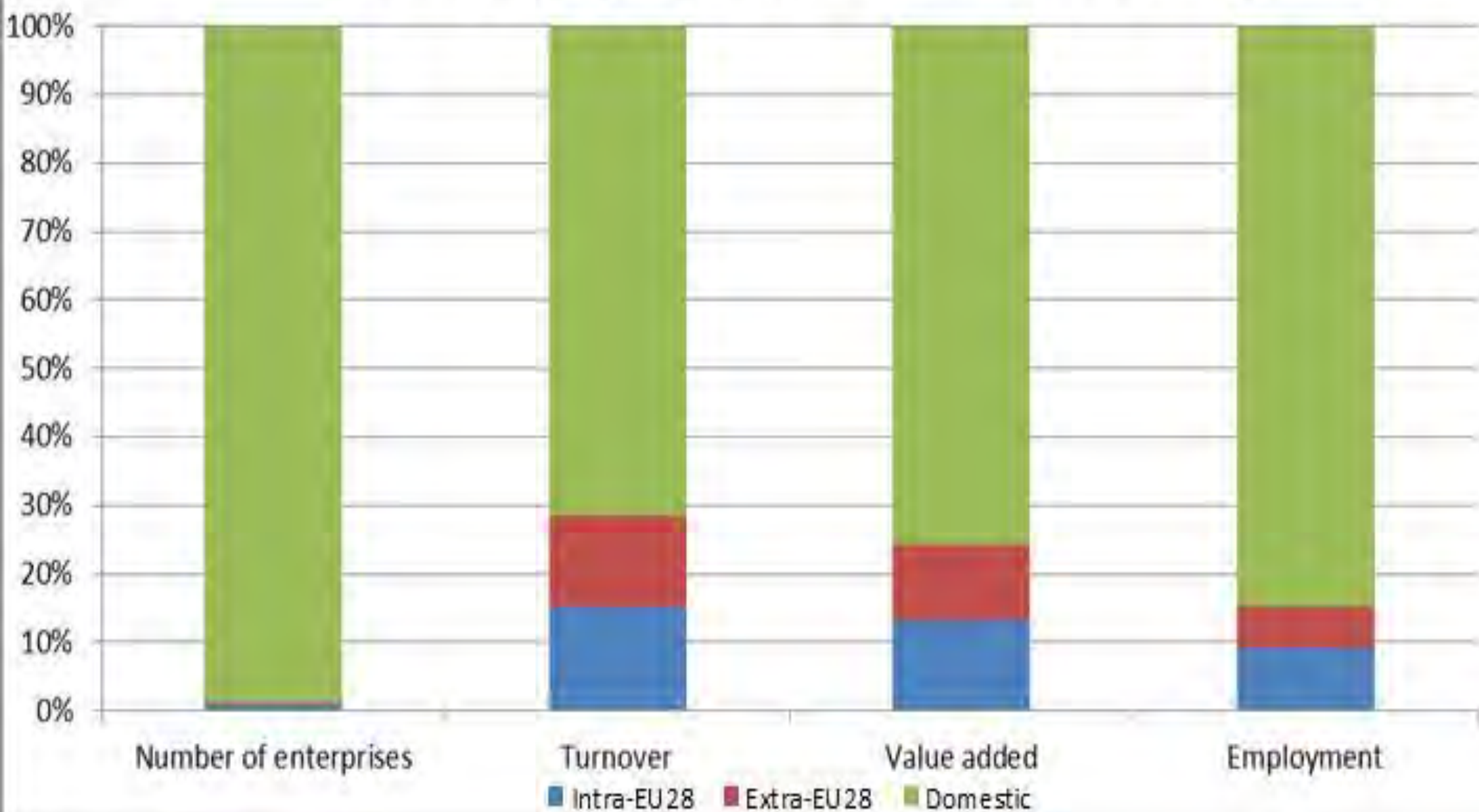
1997-2010



Source: OECD

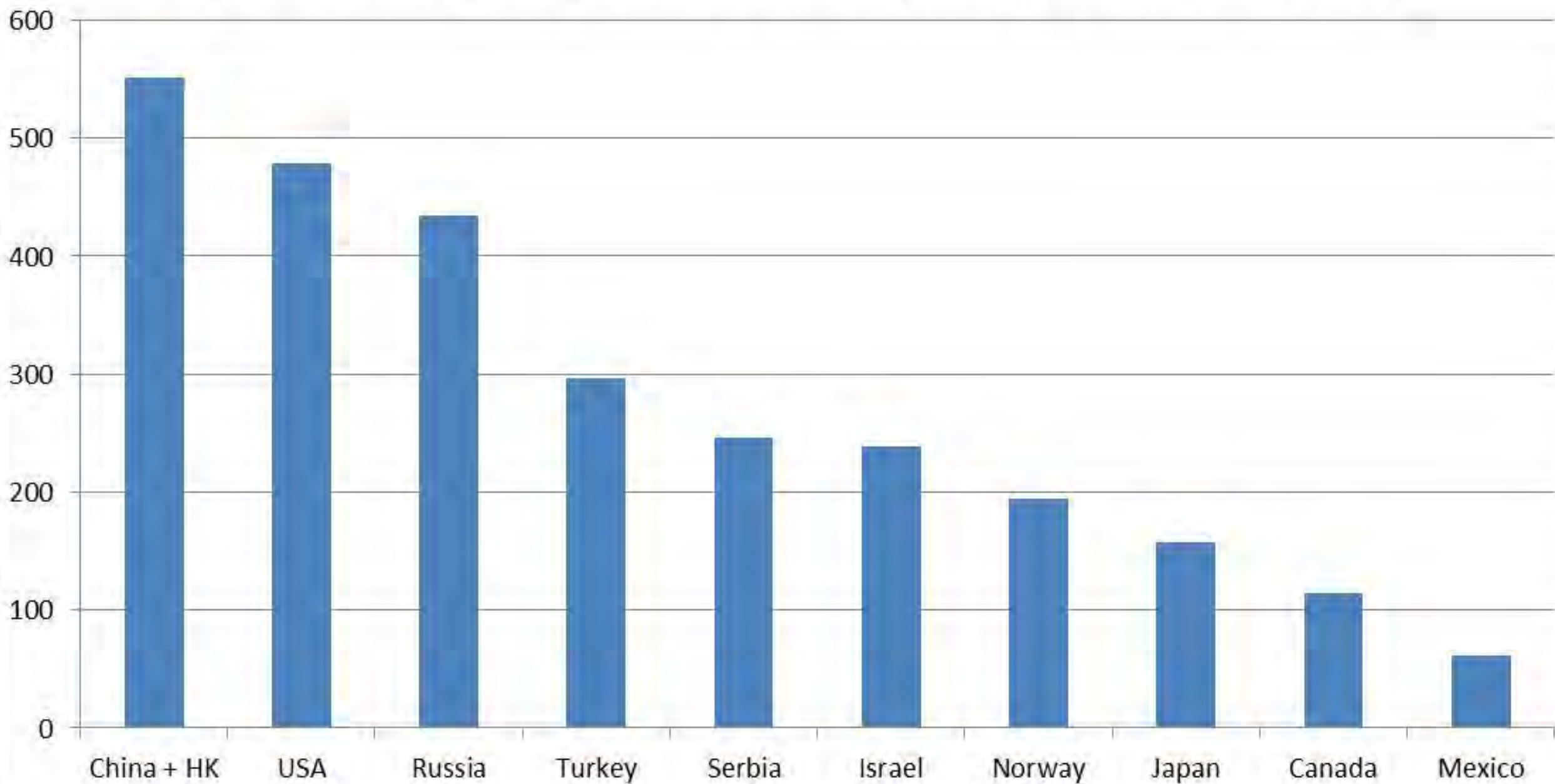


Share of companies in EU28 by ultimate owner origin



Shares of extra-EU controlled companies in strategic sectors (2014)	Number of enterprises	Turnover	Value added	Employment
Mining and quarrying	2.1%	16.5%	19.9%	10.1%
Manufacture of chemicals and chemical products	4.8%	28.0%	26.4%	19.4%
Manufacture of other non-metallic mineral products	0.6%	11.2%	9.3%	8.0%
Manufacture of basic metals	2.5%	17.6%	17.7%	14.4%
Manufacture of computer, electronic and optical products	3.1%	36.3%	21.8%	20.9%
Manufacture of electrical equipment	1.6%	17.1%	14.7%	14.6%
Electricity, gas, steam and air conditioning supply	0.9%	3.5%	N/A	0.9%
Water collection, treatment and supply	0.1%	6.6%	9.1%	2.9%
Land transport and transport via pipelines	0.2%	1.8%	1.6%	1.1%
Water transport	1.1%	N/A	N/A	N/A
Air transport	N/A	8.7%	3.8%	8.2%
Postal and courier activities	0.2%	4.6%	2.1%	1.5%
Telecommunications	1.8%	12.0%	11.4%	9.1%
Computer programming, consultancy and related activities	0.8%	25.6%	23.0%	13.7%
Information service activities	0.6%	39.9%	31.0%	13.3%
Scientific research and development	1.5%	34.3%	26.3%	12.9%
Positive sector total	0.7%	14.1%	14.9%	8.5%

Top 10 countries gaining control in EU companies (# of companies, 2014)



Observations

- European Union is important for FDI activities (both inward and outward) for Australia
 - United Kingdom rank very high in FDI activities – implications for Brexit
 - Importance of (a) mining, resources and agriculture, (b) services investment
 - Impact on services from Brexit – Financial services, Logistics services
 - Importance on investment on innovation and technologies
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Observations in FDI Policy

- Australia: To ensure foreign investment proposals are consistent with **Australia's national interest, the Government reviews major foreign** investment proposals on a case-by-case basis through the Foreign Investment Review Board (FIRB).
 - Government is making the FIRB more flexible with the recent FTAs with Japan, Korea and China
 - Example: The agreement raises the Foreign Investment Review Board threshold for private Japanese investment in non-sensitive sectors from \$252 million to \$1094 million AUD, in line with CHAFTA, SAFTA, and KAFTA. Thresholds of \$15 million and \$55 million for investment in agricultural land and agribusiness respectively.
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Observations in FDI Policy: Flexibility in Movement of People

- Under JAEPA, Japan provides entry and temporary stay commitments for:
 - Australian intra-corporate transferees for up to three years (this includes Australian personnel who are executives, managers and specialists)
 - Australian investors for up to three years
 - Australian professional and contractual service providers, in certain sectors, for up to three years
 - Australian business visitors for up to 90 days.
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Observations in FDI Policy

- European Union: There is no EU-wide FDI screening mechanism. However, many EU partners have some type of investment screening mechanisms to screen inward FDI
 - Within the EU, 12 Member States have national mechanisms to screen investment in place: Austria, Denmark, Germany, Finland, France, Latvia, Lithuania, Italy, Poland, Portugal, Spain, and the United Kingdom (?)
 - the screening mechanisms normally set out qualitative criteria or quantitative thresholds, or a combination of both, to identify the investment to be screened.
 - Qualitative criteria require for example acquisition of direct or indirect control over a company or assets. Quantitative criteria are usually thresholds referring to the percentage of shares or voting rights, which range from 5% to 50%.
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Observations in FDI Policy

- European Union: Screening mechanisms limit the screening to investments in specific sectors deemed to be strategic (e.g. telecommunications, transport, energy) or/and in certain companies or activities considered of strategic importance
 - Grounds for screening, in some cases the screening is limited to the protection of essential interest of national security, especially related to the production of or trade in arms, munitions, military equipment, war material
 - Divergences exist in the design of the screening procedures – pre- and post-FDI activities
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Observations in FDI Policy

- Services FDI is increasing: Need to think about other aspects of FDI activities especially on movement of people and technologies such as e-commerce, etc.
 - Service GVC is becoming important
 - Increasing trends in high-technology FDI and IP is becoming important
 - Transparency and dispute settlements are important
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Thank You!

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