



Experts: Europe a good bet despite crises

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By Cecily Liu in London and Fu Jing in Brussels(China Daily)

Instability offers a chance for Chinese to snap up cheap assets, observers say

Europe's investment climate remains attractive to Chinese investors, despite recent crises that took financial markets by surprise, experts said.

Just weeks before the World Economic Forum in Davos, the massacre at the Paris weekly Charlie Hebdo reflected the geopolitical instability on the continent.

When the Swiss National Bank removed the cap on the Swiss franc's exchange rate with the euro last Thursday, the rise of the value of the franc had an effect on trade and investment in both Switzerland and the European Union.

But experts believe great opportunities still exist for Chinese investments in Europe, particularly as they would be protected by Europe's relatively stable legal and governmental framework. For the same reasons, commercial opportunities remain attractive.

Zhang Ying, associate dean of Chinese business and relations at Rotterdam School of Management, Erasmus University, said recent dramatic events will not have much impact on whether Chinese companies decide to invest in Europe.

"For the Chinese, euro and Swiss franc depreciation will put pressure on Chinese exports," Zhang said, "but it will also signal a big opportunity to invest in Europe and (make the most of their) high-quality assets at a cheaper price over time.

"In another scenario, if the renminbi follows depreciation in the coming months, European assets will still be a big attraction for the same reasons, with China's powerful economy as a background. Therefore Chinese firms will gain in either case, from both exporting to Europe and investing in Europe."

Contingency plans

Robert Read, a senior lecturer at Lancaster University Management School, said international companies should have contingency plans and arrangements in place to deal with major events that take place in Europe.

Read said the Charlie Hebdo tragedy reflects the existence of extremely dissatisfied or radicalized Muslim youth, and signposts heightened operational risks for Chinese companies.

The Swiss franc issue, on the other hand, is an example of a predictable event for which any companies involved with the Swiss franc should have a contingency plan.

"No major trade currency can remain out of line in the long term, regardless of the efforts of a central bank," Read said.

Susan Liautaud, a visiting scholar at Stanford Center on Philanthropy and Civil Society, who teaches ethics, said European businesses and regulators such as the Financial Conduct Authority in the UK increasingly focus on ethical oversight - when employees share a standard of behavior with everyone in their organization - above and beyond legal compliance.

"From the point of view of Chinese investors, while ethics is no guarantee of financial return or perfect compliance, the solidity of ethical oversight should be an even more significant factor to consider during difficult times," Liautaud said.

"I would add that for Chinese companies, deploying ethics as an organizational strategy - done right - is equally compelling from a global business perspective. I look forward to hearing the Chinese perspective from Davos," she said.

Liautaud said that events like the Charlie Hebdo attack could affect some activities, such as tourism, but French authorities had reacted swiftly and there was a strong reaction from global leaders.

Liautaud's views are echoed by many tourism industry insiders in Europe. Eduardo Santander, executive director at the European Travel Commission in Brussels, said European tourism had suffered after terrorist attacks in the past, but no significant cancellations have been reported since the Charlie Hebdo attack.

Confidence in tourism

Long-haul markets, including China, used to be particularly sensitive and reactive to this kind of news, but not this time, Santander said.

He said reasons for this include the localized nature of the attacks, the fact that no tourists were terrorist targets, the prompt response of security forces and the presence of world leaders showing solidarity with French and European citizens.

"Despite recent events, Europe is and remains a safe place to travel, and Chinese visitors are welcome to enjoy the diversity and uniqueness of its different destinations," he said.

Christoph Klenner, secretary-general of the European Technology and Travel Services Association, based in Brussels, said that various political groups have exaggerated the effect of events like the Charlie Hebdo attack, and used them to advance their own agendas.

"Our leaders know very well that foreign investment and tourism, especially from China, are essential for our economy, and together with industry they are doing everything to ensure that visitors will continue to feel and be safe," Klenner said.

Maximilien Lejeune, executive director of European Best Destinations, a travel organization based in Brussels, said Europe and China have two of the lowest crime rates in the world.

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As a matter of fact, many Chinese people travel all over Europe. All the tourism offices are aware of the importance of looking after visitors and taking safety measures to ensure maximum safety to those who do our continent justice," Lejeune said.

One upcoming uncertainty facing Europe is the Greek general election on Jan 25, said Sebastian Dullien, Senior Policy Fellow at the European Council on Foreign Relations, a think tank.

Dullien said a risk is that the radical left Syriza bloc will win the election, as they are now ahead in some opinion polls. If they take power, they may reject the EU's strict austerity measures and this may lead to the possibility of Greece leaving the EU eventually.

"For investors, they may first want to wait, and if the risks go away soon they may invest later," said Dullien.

Dullien said the euro crisis is not yet resolved, and that the euro may continue to depreciate if the European Central Bank starts quantitative easing, which could adversely affect investor confidence.

However, the instability could also produce good opportunities to invest in underpriced assets, if Chinese investors are able to spot the best deals, Dullien said.

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