

CATALONIAN UNCERTAINTY AND CHINESE INVESTMENT RESTRICTIONS COULD PUT SPANISH M&A IN JEOPARDY - BDO ABOGADOS

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While there has been a good flow of M&A work for lawyers in Spain, there are potential geopolitical risks that could jeopardise such activity, says Álvaro Marco, corporate & M&A director at BDO Abogados in Madrid.

"In general terms, the M&A sector is going through a sunny period, with the market in Spain reportedly growing more than 70 per cent during the first half of 2017, compared to the same period last year," says Marco. He partly attributes such growth to recent financial and labour reforms, and the restructuring of Spanish companies in recent years. "This has contributed to a balanced and sustainable growth pattern, which has been significantly higher than the average for the Euro area and other industrialised regions," Marco adds. During the first half of 2017, the largest volume of investment came from the US, Asian countries, particularly China, and Latin America, mainly Mexico. However, Marco warns that there are some geopolitical risks that might affect foreign investment in Spain as well as the number and volume of M&A transactions. "The first one is the current political

situation in Catalonia," he says. "It is reasonable to think that foreign investment will have decreased significantly during October and that part of it won't be diverted to any other parts of Spain."

The second risk concerns the recent decision of the Chinese government to limit acquisitions abroad. "Investments will be restricted to only a few sectors, aligned with China's 13th Five-Year Plan (FYP) (2016–2020) – a strategy to address its economic, social and environmental challenges – as well as the Made in China 2025 Action Plan which seeks to upgrade Chinese industry," explains Marco. However, despite these potential risks, Marco expects M&A activity to remain at a reasonably high level.