

SPAIN: A CONDUIT FOR CHINESE INTERNATIONAL INVESTMENT - URÍA MENÉNDEZ

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Juan Martín Perrotto

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The past year has seen Chinese investment increase across Latin America's mining, oil and gas, and agribusiness sectors, says Juan Martín Perrotto, Head of Uría Menéndez's recently established Beijing office.

In fact, it is now prompting a subtle trend towards a second generation of Chinese investment.

"Sectors such as infrastructure, distribution and finance are now a focus to facilitate the increasing needs of Chinese entities flowing into Latin America. In this more sophisticated investment context we also expect Europe's distribution chains, IT, renewable energy, and financial sectors to be

increasingly targeted."

The recent establishment of branches of Chinese financial entities across Europe is indicative of the trend, but activity levels are also up because of the rise in value of the Chinese Yuan making eurozone targets more attractive, he believes.

"The uncertainties of the financial crisis are helping to drive this process. Asset prices remain depressed and cashstrapped European companies need to divest businesses in sectors that are now more interesting for the Chinese."

There are challenges however, around how investments are structured. "In addition to the tax drivers, the framework for Chinese overseas investments is extremely complex especially regarding regulatory challenges, notably exchange controls and limitations on dual listings," says Perrotto.

China may have the world's second-largest number of bilateral investment treaties but its treaty network within Latin America remains only half that of Spain's. The same applies to tax treaties. The use of Spanish vehicles therefore offers an additional level of protection to foreign investors across Latin America as well as real tax-saving opportunities, he believes.



"Spain is not only a platform where deals are brokered, or where Spanish companies are mere intermediaries, they are ideal partners for Chinese companies building mature portfolios in strategic sectors."

Such structures can also help Spanish investors enter China. A recent Telefónica- Huawei deal saw the parties undertake equity swaps to assist access to their respective markets.

"The proposition is very symbiotic. Most Chinese investors still have little exposure to Latin America while Spanish companies keen to enter China know that their options will be enhanced by partnering with a local company," says Perrotto.