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# The increasing interest of Middle Eastern Sovereign Wealth Funds for Europe: presenting original data

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# The increasing interest of Middle Eastern Sovereign Wealth Funds for Europe: presenting original data

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**Abstract**

The paper examines the rise of Sovereign Wealth Funds (SWFs) as a new source of financing investment worldwide and, more specifically, tries to get a better understanding of SWFs from Middle East which accounted in 2013 for 35 percent of overall assets managed by them, with the bulk of them focused on Developed countries, and in particular on Europe.

The paper is descriptive and informative. It is based on an original database set up from different sources of information. The idea is to advance the main characteristics of these new investors, and also to assess the primary consequences of their operations on European economies. The role of the states as important arbiters of market economies is emphasized as well as the shift of power in favor of the emerging economies.

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**Keywords**: Sovereign Wealth Fund, Middle East, Europe

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## Introduction

Sovereign Wealth Funds (SWFs) are emerging as a new source of financing investment worldwide. Their overall assets were estimated at $6.3 trillion in early 2014[3].

Interestingly, a large part of these assets are–directly or indirectly–managed by SWFs from Developing countries: in particular, in 2013, SWFs from Middle East accounted 35 percent of overall assets, while Abu Dhabi Investment Authority (ADIA) was the second largest SWFs worldwide in terms of assets under management (AUM)[4], just behind the Norway's Government Pension Global[5].

The bulk of the investments made by Middle Eastern SWFs are focused on Developed countries, and in particular on Europe: in 2012, 48 percent of the concerned deals and 75 percent of the investment cumulated flows (except intra-region ones) have gone to Europe (Bortoletti, 2014). Predominantly, they consist of the acquisition of quoted shares or bonds, and in several cases the equity stake may surpass 10 percent, the standard threshold value, and, as a result, the investment made is qualified as direct investment.

The role played by state behind Middle Eastern SWFs confirms the reemergence of state as important arbiters of market economies (Aglietta, 2013). This finding is somehow at odds with the standard view in economic circles of the withdrawal of the state. In addition, they can contribute to counterbalance the banks' power and the rising instability of finance, particularly in Europe which is experiencing a profound financial crisis with severe austerity programs in place for the coming years.

In spite of a recent surge of investments made by SWFs from Developing Countries towards Developed countries–through acquisitions or extensions of previous stakes, and also through the coming of new funds or associated Sovereign-Wealth Enterprises (SWEs)[6]–limited understanding of the strategies followed by this new class of investors into Developed market economies is available.

The paper addresses these questions by collecting and matching different sources of information to set up an original dataset in order to conduct a descriptive study and present the main findings. Actually, the fact to take into consideration the investments by Middle Eastern SWFs allows not only to pinpoint their characteristics and the strategies involved, but

[3] SWF Institute (2014).

[4] With 773 billion of dollars of AUM.

[5] SWF Institute (2014).

[6] Enterprises owned and controlled by SWFs.

also to draw illuminating comparisons with other Southern investors into Developed countries, Chinese or Russian in particular.

The paper is organized as follows: section 1 introduces the general context and the real nature of Middle Eastern SWFs, specifically those from the United Arab Emirates and Qatar; section 2 provides details about their geographical destinations and sectoral distribution in Europe with a focus on main sectors; section 3 seeks to identify the motivation and the advantages of these funds; last, to conclude, an assessment of the consequences of the arrival of these funds in Europe is drawn.

# 1. Middle Eastern SWFs

During the last decades, SWFs in general have thriven, in line with the globalization and the growing influence of finance in the economy. They have particularly flourished in the Middle East where they used to provide long-term assurance to domestic sovereignty, their legitimacy being a function of their utility to the ruling elite through their contribution to support and stability of their territory (Moles Lo Turco, 2014).

## 1.1. Background

Middle Eastern SWFs primarily include funds from the United Arab Emirates (UAE), a federal state where Abu Dhabi constitutes the major state, and Qatar, an independent Emirate.
We focus on these two countries because one, Abu Dhabi, is the most important Middle Eastern SWF, and the other, Qatar, has made highly visible investments in Europe. In addition, both share many commonalities: they are located in the same region (Persian Gulf), they detain huge foreign-exchange reserves coming from commodity trade, and they have the same political structure (autocratic regime) along with the same culture (language and religion).

The growth of these funds, in number or average size, has been driven by increasing oil and gas prices and resulting current account surplus of their countries.

The investments conducted overseas by SWFs are basically portfolio investments; however, the share of stakes taken in foreign companies may surpass 10%, so they can have an impact on the governance structure.
On behalf of their respective government, SWFs carry out their asset allocation in order to transfer wealth from the present to the future, and contrary to other long-term investors they

participate to the sustainability of the public finances of the nation over time (Aglietta, 2013). They select targets by their own or by appointing professional fund managers: approximately 75% of the ADIA total assets are managed by external fund managers.

The behavior of these funds is variable: they can be passive, active or even act according to political or strategic agendas.

Actually, the most important Middle Eastern funds in terms of AUM are generally passive: they do not seek to manage or take operational role in the companies in which they invest; they develop ‘buy-and-hold’ strategies in a long-term perspective.

However, SWFs of smaller size (i.e. International Petroleum Investment Company/ IPIC from Abu Dhabi, or Istithmar World or Dubai International Capital from Dubai) are more active and take stakes in private equity funds, hedge funds or select their targets on political or strategic considerations. For example, IPIC invest globally in energy and related industries. Some SWEs, as Qatar Sports Investments, can take full control and run a company.

Last, Gulf SWFs have initiated several partnerships with European companies. Indeed, Mubadala Development from Abu Dhabi has partnerships which encompass a broad range of business initiatives and areas of joint cooperation with first-rank European firms–i.e. Airbus and Total from France, Finmeccanica and its subsidiary Alenia Aeronautica from Italy, Siemens from Germany, or Rolls-Royce from UK.

## 1.2. Who are the investors from Middle East in Europe?

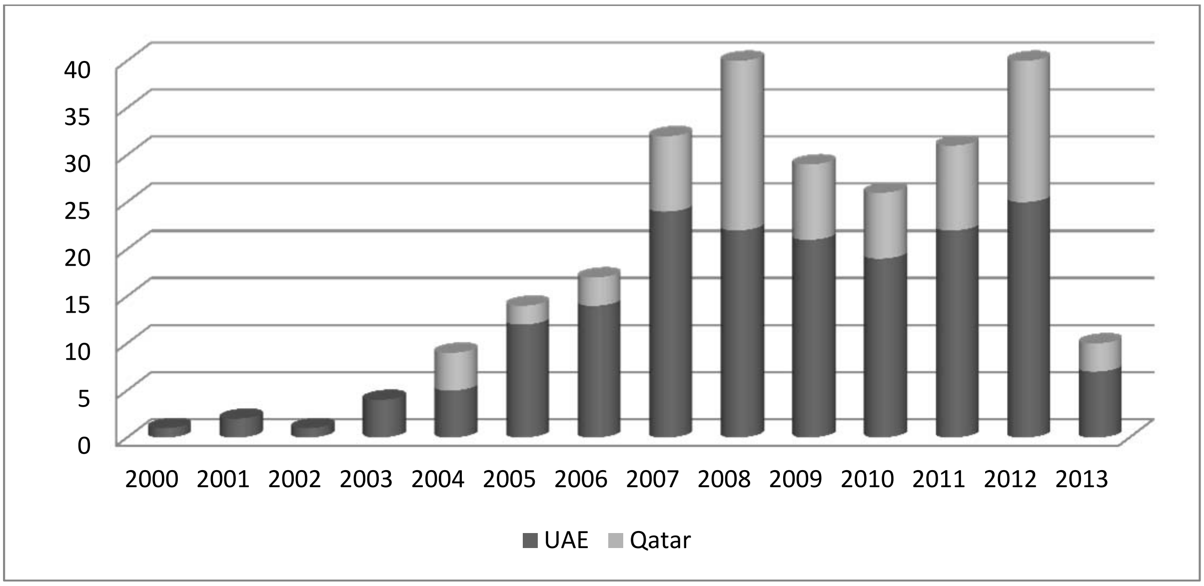
To conduct our empirical research, we have set-up a dataset on the mergers and acquisitions carried out by investors from UEA and Qatar in Europe during the period 2000-2013[7]. First, rough data were extracted from the Thomson Reuters database on mergers and acquisitions which is regularly updated. Second, the above data have been matched by complimentary information collected from a systematic gathering of economic news on the same topic from a variety of newspapers, including the *Financial Times* and *The Economist*. The resulting dataset includes approximately 250 deals completed or pending: i.e. 179 for investors from UEA origin and 79 for Qatari investors.

To be sure data collected here are not exhaustive as several investments have been made by appointed professional fund managers, for example, in private equity funds without an indication of the ultimate investor. Overall, the subsequent figures underrate the all

[7] These deals accounted for around 90% of SWFs foreign direct investment flows (UNCTAD, WIR 2013).

phenomenon (UNCTAD, WIR 2013). However, general trend and characteristics are supported by anecdotal evidence and empirical studies.

**Figure 1. Number of acquisitions in Europe by investors from Qatar and UAE 2000-2013**



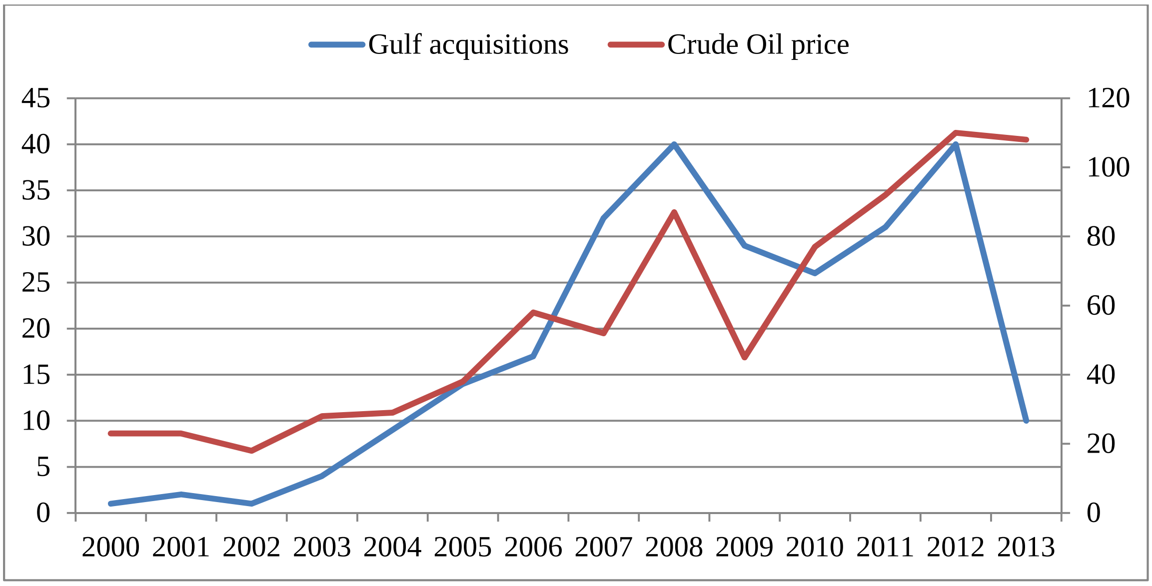

Source: from Thomson Reuters, April 2014

Figure 1 highlights the trend and the composition of the acquisitions or equity stakes made in Europe by investors from UAE and Qatar.

Obviously, the impact of the global financial crisis is visible and if there is a rebound in 2011 and 2012 the number of transactions was less than before the crisis whereas 2013 highlights a substantial decline for both investors.

Figure 2 shows that the number of acquisitions has followed the same orientation that the reference price of crude oil for the same period except for the last year, and this rough linkage suggests that commodity trade resources may be the main driver of SWFs strategies.

**Figure 2. Number of acquisitions in Europe by investors from UAE and Qatar, and crude oil prices, 2000-2013**




Sources: from Thomson Reuters and Index Mundi, April 2014

Notes: Right vertical axis = Number of acquisitions
Left vertical axis = crude oil prices in US$ per barrel (Dubai Fateh 32 API)

The number of operations in Europe from UAE is surpassing the one of Qatar (figure 1). To be sure, Qatar is a latecomer compared to UAE, as the latter was active in Europe since 1990 with a first acquisition of a financial fund in Luxembourg, and 20 deals concluded during the 1990s. On the contrary, Qatar investors made only one deal in Europe during the 1990s, and made their first deal during the 2000s (2004).

However, investments from UAE in Europe are more difficult to track down compare to investments from Qatar easier to identify, because more limited in number and more concentrated on public investors.

Indeed, the investments from Qatar are mainly made by Qatar Investment Authority (QIA), and its subsidiaries (Qatar Holding, Qatari Diar Real Estate, Qatar Electricity and Water, and Nebras Power). QIA, headed by the Emir of Qatar, has been created in 2005 in order to manage the natural gas and oil's rent of the country, and try to make the best use of the subsequent revenues[8]. Qatari investments into Europe are also made by SWEs such as Qatar Diar (real estate) or Qatar Sports Investments.

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[8] ADIA has been set up in 1977.

When considering UAE investors, one finds, on the one side, public investors operating through SWFs (box 1), SWEs (e.g. Tamweelview European Holdings or Infinity Investments), or zones administered by local authorities (Dubai International Financial Centre, for example). On the other side, there are private investors including local societies, very wealthy individuals or foreign companies from different origins, such as Dubai in particular. Some investments made by so-called 'private' persons are often made by members of the ruling family or Ministers' families, so, they can be likened to public–i.e. with a more general interest. On the opposite 'public' entities can act as pure opportunistic individuals. For example, the Sheik Mansour from Abu Dhabi remained in 2010 shareholder of the British bank Barclays after IPIC sold its stake. Furthermore, he personally acquired, in 2008, a 90% stake for £210 million in the British football team, Manchester City.

***Box 1.*** **Sovereign Wealth Funds from UAE in Europe**

ADIA (Abu Dhabi Investment Authority)[9]: it is the world's second largest SWF in terms of overall assets (around $773 billion in January 2014)[10]. It has divisions specialized in equities, real estate, alternative investments, and infrastructure

Aabar Investments PJS, subsidiary of IPIC (95.5%): it is engaged in investing activities in various industries (infrastructure, aviation, real estate, automotive, commodities, energy and financial services)

ADBIC (Abu Dhabi Basic Industries Corporation Investment Co.) invests in industrial sectors, basic materials, and metal production

Dubai Holdings, with its arm Dubai International Capital, invests in public and private equity (mid-cap companies in Europe and North America)

IPIC (International Petroleum Investment Company): it focuses investments in oil, hydrocarbons and energy abroad (exploration, production, pipelines, petrochemicals, etc.)

Mudabala Development: established in 2002, it is the principal agent of the diversification of Abu Dhabi's economy. It invests in infrastructure and industrial sectors. Its aim is to manage long-term investments intended to deliver strong financial returns and tangible social benefits for the Emirate

TAQA (Abu Dhabi National Energy Co.) invests in power generation (wind and solar projects), water desalination, oil and gas exploration and production, and technologies. TAQA has a subsidiary in Netherlands (storage and exploration of oil and gas both on- and offshore), and another one in UK (5 platforms across the Northern and the Central North Sea, among others)

TDIC (Tourism Development & Investment Co.) develops and invests in the tourism industry

[9] It was set up in 1976 to replace the Financial Investments Board which was created in 1967.

[10] In early 2014, the world's largest SWF is from Norway.

## 2. Main European destinations of Middle Eastern Sovereign Wealth Funds

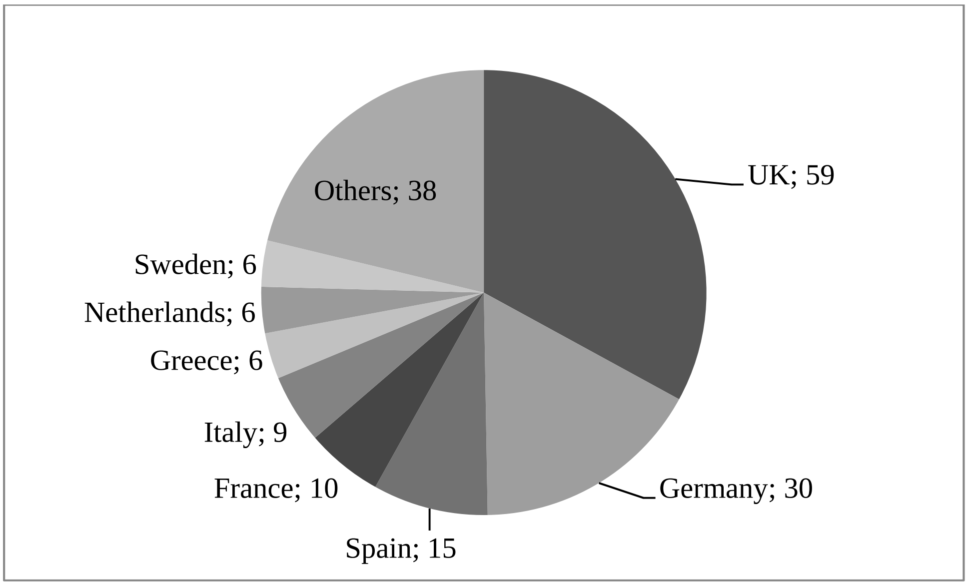
Despite–or thanks to–the Eurozone crisis, Europe is the privileged destination for Middle Eastern SWFs: in 2012: 48% of total deals and 75% of investment cumulated flows (except intra-region ones) have gone to Europe (Bortoletti, 2014).

The United Kingdom is the preferred destination for UAE and Qatar's investors when they invest or expand in Europe (figures 3 and 4), as well it is also a preferred host country for total SWF investment[11].

Behind UK one can find a handful of host countries (figure 3).

### 2.1. For UAE investors

**Figure 3. Main European host countries for UAE investors, 2000-2013**
(number of acquisitions)




Source: from Thomson Reuters, April 2014    Total number: 179 acquisitions

The attractiveness of the UK lies in transport and logistic activities, before sports, particularly football (table 5), and finance. Real estate and non residential are also targeted due to attractive fiscal regime and latent capital benefits.

Germany is attractive in professional services (engineering) and transport. Interestingly, Spain pulls investors in agriculture, in relation with the strategic food security program set up by

[11] For the period 2000-12 UK attracted $70 bn, i.e. 13.7% of total value (Bortoletti, 2014).

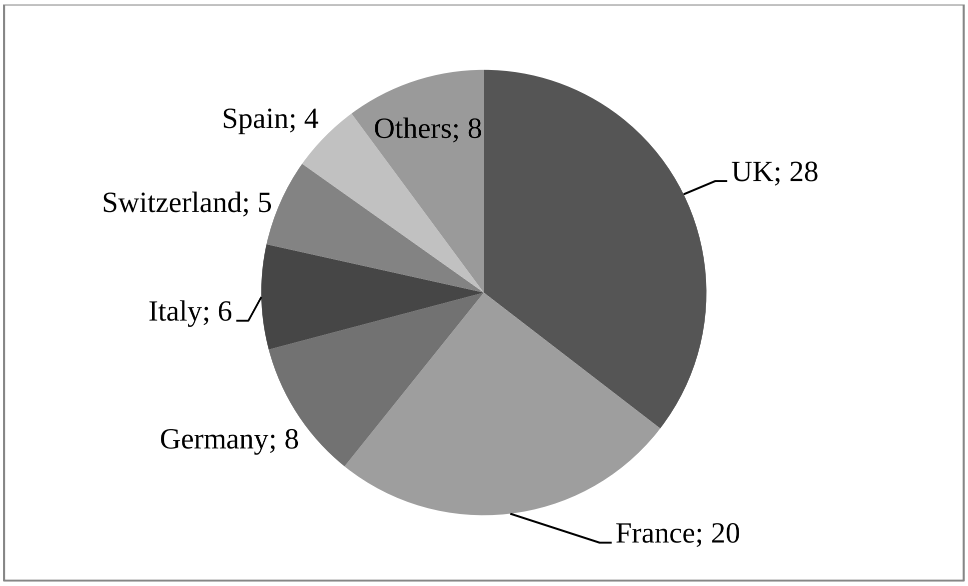
UAE government, whereas Italy attraction lies in jewelry, fashion and manufacturing. France encompasses a variety of activities from clothing up to hotel business and software.

The majority of the acquisitions made in Greece have been realized prior to the onset of the crisis.

At the periphery of Europe, Turkey is an attractive destination for UAE investors with 24 deals completed or pending during the period with a focus on food and beverage (4), financial services (4), and transportation (3).

### 2.2. For Qatari investors

**Figure 4. Main European host countries for Qatari investors 2000-2013**
(number of acquisitions)




Sources: from Thomson Reuters, April 2014 Total number: 79 acquisitions

United Kingdom and France are the main destinations of Qatari investments in Europe, well ahead Germany (figure 4): indeed, UK and France polarize more than two/third of the deals.

UK includes the largest investments. In addition, it has important commercial links with Qatar which is its largest supplier of liquefied natural gas.

France second place is due to several acquisitions or stakes in luxury hotels, fashion industry (Le Printemps, LVMH, Le Tanneur), and also to significant deals related to energy, environment and sport activities.

Germany comes behind with several strategic investments in industrial sectors (Siemens, Volkswagen, Hochtief).

Turkey with 9 deals, particularly in banking (3) and broadcasting (3), is also attractive in line with a cultural proximity.

## 3. Sectoral distribution of Middle Eastern Sovereign Wealth Funds

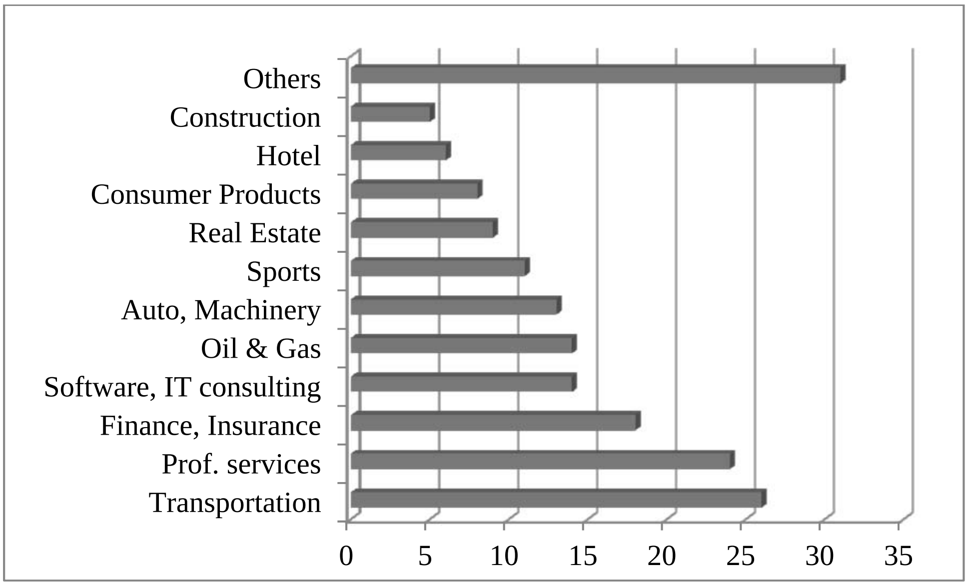
When comparing the sectoral distribution of UAE and Qatar investors in Europe through their acquisitions or equity stakes, one can identify more differences than similarities (figures 5 and 6).

First, UAE has a larger array of major sectors including manufacturing (machinery), whereas Qatar is more focused on services.

Second, transportation is the privileged target sector for UAE, whereas hotel business, finance and real estate are the main ones for Qatar.

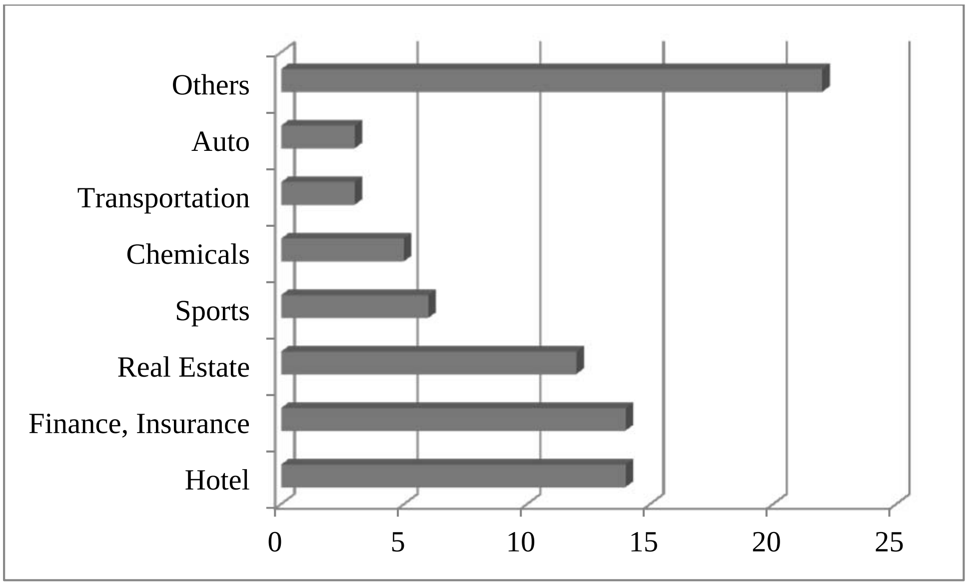
Third, SWFs from UAE display rather a long-term strategy in relation with their own development with investments in specific domains (transportation, oil and gas) considered as strategic. On the opposite, investors from Qatar follow rather a financial strategy in order to get best returns in a short-term perspective. As a result, they behave as standard portfolio investors with a focus on real estate and hotel business.

**Figure 5. Main target sectors for UAE investors in Europe, 2000-2013**
(number of acquisitions)




Source: from Thomson Reuters, April 2014

**Figure 6**. **Main target sectors for Qatari investors in Europe, 2000-2013**
(number of acquisitions)




Source: from Thomson Reuters, April 2014

### 3.1. Transportation and related activities

Transportation is targeted by UAE investors and contrary to other sectors one can find locally global players such as Dnata in combined air services[12] or Dubai Ports/ DP World[13] in container and terminal operations.

UAE investors focus two sub-domains: civil aviation and shipping. The former includes services (air transportation, aircraft maintenance, cargo handling, catering or leasing) as well as manufacturing activities (aerospace equipment, jet engines). It also includes infrastructure such as airport: for instance, SWF ADIA acquired, in 2010, a minority stake in Gatwick Airport, London's second-biggest airport.

Overall, this interest is driven by different but converging reasons. The search for geographical expansion is very important. Can be evoked, for instance, the will of the local carrier, Etihad Airways, to expand abroad by taking stakes in European companies (Air Berlin and Cargolux Airways), in order to face a severe competition from neighboring companies (Emirates and Qatar Airways). Another reason lies in the political commitment of UAE authorities to promote locally a zone for aviation activities.

Shipping activities are another point of interest: they include either hard undertakings such as shipbuilding and ship repair, docks and container terminals, and more soft ones such as

[12] In 2014, the company has a payroll of 23 000 and offices in 38 countries, including 7 European countries.

[13] In 2014, DP World has 28 000 people across 6 continents.

freight forwarding services or cruise ships. Indeed, SWF Istithmar from Dubai acquired, in 2007, the Queen Elisabeth 2 cruise ship of Cunard Line from London.

### 3.2. Hotel business, property and real estate

European investments from Gulf investors, particularly from Qatar, in hotel business and non-residential have expanded during the last years, with sometimes large amounts. They have taken advantage of the euro debt crisis and resulting fresh opportunities to buy hotels and property at attractive prices. Qatari investors have selected ritzy residential complex in European capitals as One Hyde Park in London, luxurious hotels along with beach resorts, marinas or golfs and spas which have flourished since 2008 in France–Paris and French Riviera–and Italy (table 1). One can be quite astonished by the relative high level of public investors in hotel business. In fact, they are viewed as basically financial, with high potential returns; in other words, they ensure capital for the future and regular steady income.

Gulf investors are also attracted by fiscal incentives as in UK or France. Indeed in France, Qatari investors are exempted since 2008 from the tax on the capital gains on immovable property as well as of wealth tax during their first five years of residency.

**Table 1. Main investments in hotel business made by Qatari investors in Europe 2000-2013**

| European country | Target company | Year | Investor | Share |
|---|---|---|---|---|
| France | Hotel Martinez, Cannes | 2012 | Katara Hospitality | - |
| France | Hotel du Louvre, Paris | 2012 | Katara Hospitality | - |
| France | Concorde Lafayette, Paris | 2012 | Katara Hospitality | - |
| France | Carlton Hotel, Cannes | 2012 | Ghanim Bin Saad Al Saad | 100% |
| France | Le Royal Monceau, Paris | 2012 | Katara Hospitality | 100% |
| France | Société fermière de Cannes – Hotel Majestic and Hotel Gray d'Albion | 2008 | QIA | 22.7% |
| Italy | Excelsior Hotel Gallia, Milan | 2006 | QIPCO Holding | - |

| | | | | |
|---|---|---|---|---|
| Italy | Regina Hotel Baglioni, Rome | 2012 | Mayhoola | 100% |
| Italy | Smeralda – Arzachema (beach resort) | 2012 | QIA | - |
| Monaco | Société des Bains de Mer | 2008 | QIA | - |
| Spain | Puerto Tarraco (marinas) | 2011 | QIA | 100% |
| Spain | Hotel Hyatt Casares, Malaga (golf and spa resort) | 2008 | Katara Hospitality | 100% |
| Switzerland | Hotels Royal Savoy, Lausanne and Bern | 2009 | QIA | 100% |
| UK | London Leicester | 2011 | Al Rayan Tourism & Investment | - |
| UK | Leinster Inn Hotel | 2012 | Qatar First Investment Bank | 100% |

Sources: from Thomson Reuters and systematic gathering of economic news, April 2014

We can also observe that many investments by Middle Eastern SWFs in fashion and luxury brands in Europe are complementary to those made in luxury buildings and hotels. They are probably often made on grounds of prestige for the ruling family behind the SWFs.

### 3.3. Bank and finance

The investments made by Gulf investors in European finance are in phase with their wealth, their will to corner new markets (for example, Islamic finance), or the need to diversify their assets, along with the search for capabilities in management (table 2). These investments are buoyed by political stability, plenty of assets, and favorable macroeconomic environment at home. Indeed, according to the Union of Arab banks, the size of assets of Gulf banks stood, in 2012, at 1.3 trillion of dollars, i.e. around 80% of the total of the top 100 Arab banks. Besides stakes in large banks (Barclays or HSBC in UK, Dexia in Belgium, Credit Suisse in Switzerland or UniCredit in Italy), the sector encompasses a larger array of deals concerning investment companies, security brokerages, insurance services or stock exchanges. Financial investments from UAE are driven by Dubai which authorities set up, in 2004, an ‘ad-hoc’ SWF, Dubai International Financial Centre.

**Table 2. Main investments made by UAE and Qatari investors in banking and finance sector in Europe, 2000-2013**

| **UAE investors** | | | | | |
|---|---|---|---|---|---|
| **European Country** | **Target company** | **Year** | **Investor** | **Share** | **Amount** |
| Italy | Unicredit | 2009<br>2012 | Aabar | 4%<br>→6.5% | - |
| Switzerland | Falcon Private Bank | 2009 | Aabar | | - |
| UK | Clariden Leu Falcon Private Wealth | 2013 | Aabar | 100% | $2bn |
| UK | Barclays Bank | 2010 | Sheik Mansour | | - |
| UK | Carlyle Europe | 2007 | Mudabala | 7% | - |
| **Qatar investors** | | | | | |
| **European Country** | **Target company** | **Year** | **Investor** | **Share** | **Amount** |
| Greece | Alpha Bank | 2012 | QIA | 7% | $685mn |
| Greece | Eurobank EFG | 2012 | QIA | 7% | €500mn |
| Spain | Banco Santander Brazil | 2010 | QIA | 5% | $1.95bn |
| Sweden | Nordic exchange OMX | 2007 | QIA | 10% | - |
| Switzerland | Credit Suisse | 2013 | QIA | 7% | $4.5bn |
| UK | Barclays Bank | 2008 | QIA | 30% | $8bn |
| UK | London Stock Exchange | 2007 | QIA | 20% | - |

Sources: from Thomson Reuters and systematic gathering of economic news, April 2014

### 3.4. Oil and Gas, other energy

The investments by Gulf SWFs in energy are predominantly associated with their own oil and gas production, and the search of optimization of their resources along the value chain (table 3).

Investors from UAE (IPIC and TAQA) are more active than those from Qatar which so far have only equity stakes in two 'majors', Royal Dutch Shell and Total (table 3). UAE investors have stakes in oil and gas fields, not only in large companies (for example, TAQA acquired a stake, in 2012, in BP North Sea Oil Assets), but also in mid-cap firms (i.e. in Bowleven located in Edinburgh). They also acquire complementary skills in drilling.

Actually, they aspire to manage the entire production chain to become integrated operators from crude oil and gas to added-value petrochemical products or service stations, and, as a result they behave like Russian oil companies which are looking to diversify downstream internationally (Panibratov, 2014).

Some investors are even venturing into renewable energy (wind turbine or wind cogeneration) which is somehow a means to prepare the post-oil or gas era.

**Table 3. Main investments made by UAE and Qatari investors in the energy sector in Europe, 2000-2013**

| **UAE investors** | | | | | | |
|---|---|---|---|---|---|---|
| **European country** | **Target company** | **Year** | **Investor** | **Sub-sector** | **Share** | **Amount** |
| Austria | Borealis | 2009 | IPIC | chemistry | 65% | - |
| Austria | Austria OMV | 2011 | IPIC | oil gas | | - |
| Finland | WinwinD | 2008 | Mudabala | renewables energies (wind) | 25% | $165mn |
| France | Theolia | 2008 | TAQA | renewables energies | 50% | - |
| Germany | Masdar solar farm | 2012 | Mudabala | renewables energies (solar) | 100% | - |
| Netherlands | BP Nederland energie BV | 2006 | TAQA | oil | - | - |
| Norway | Gassled | 2011 | ADIA & consortium | gas | 24.10% | - |
| Norway | Stateoil | 2011 | Infinity Investment | oil | 24.10% | - |
| Spain | Cepsa | 2011 | IPIC | oil | 96% | €3.7bn |
| Spain | Torresol energy | 2010 | Mudabala | renewables energies (solar) | - | - |

| | | | | | | |
|---|---|---|---|---|---|---|
| UK | North Sea Brent Oil Pipelines | 2008 | TAQA | oil | - | - |
| UK | North sea assets L11b group | 2009 | TAQA | oil | 15% | - |
| **Qatar investors** | | | | | | |
| **European country** | **Target company** | **Year** | **Investor** | **Sub-sector** | **Share** | **Amount** |
| France | Suez Environnement | 2008 | QIA | energy | 3% | |
| France | Veolia Environnement | 2010 | QIA | energy | 5% | €650mn |
| France | Total | 2011 | QIA | oil | 3% | $2bn |
| Germany | Solarworld | 2013 | QIA | renewables energies (solar) | 29% | $50mn |
| Greece | Heron II | 2013 | QIA | oil | 25% | $58mn |
| Portugal | Energias of Portugal | 2011 | QIA | energy | 2% | €160mn |
| Spain | Iberdrola | 2011 | QIA | renewables energies | + 50% | $2.8bn |
| UK | Shell | 2012 | QIA | oil | 3% | $6.4bn |

Sources: from Thomson Reuters and systematic gathering of economic news, April 2014

### 3.5. Sports

This sector is privileged, both, by investors from UAE and Qatar, particular in football. Reasons lie in the will to communicate and advertise across Europe on their home countries. Gulf airlines companies are aggressively seeking worldwide brand recognition through an impressive portfolio of sponsorship rights in prominent European football teams[14]. In parallel, support of European football teams is important and mostly driven by personal motives with very wealthy persons including the Emir of Abu Dhabi. This commitment is not specific to Gulf investors as it is shared by other Southern investors (Russian oligarchs and *Latina* tycoon).

[14] The contracts can also include the construction of a new stadium as in London for Arsenal FC. Besides, their involvement covers other sports (e.g. rugby or tennis).

Strategic reasons could also explain such a move: the candidacy of Qatar for the 2022 FIFA World Cup is a prominent example[15]. Last, some projects (Aspire Zone Foundation or Anglo Holding) are driven by true philanthropic motives.

If support by UAE investors concerns more European countries than Qatar, with a focus on UK and Germany, Qatari investors have targeted France, particularly Paris, to set up a team able to compete with European super-teams (table 4). The acquisition of the remaining 30% of Paris Saint-Germain in 2012 by SWE Qatar Sports Investment is probably related to the candidacy of Qatar previously mentioned.

Such investments as they channel huge financial resources to already most affluent teams, are contributing to change the rule of the game in European football by cutting the power of national federations. These considerations were taken into consideration in 2013 and the Union of European Football Association declared in mid-2014 after an audit of major European clubs that Paris Saint-Germain, Malaga CF and Manchester City FC–all supported by Gulf investors–(among 6 others) have not respected the rules of financial fair play and have to pay a fee and would have limited budgets for the coming years.

**Table 4. Acquisitions, stakes and sponsorship in European football by Gulf investors**

| **European country** | **Target company** | **Investor** | **Year** | **Investor origin** | **Share** | **Amount** |
|---|---|---|---|---|---|---|
| Belgium | Club KAS Eupen (2nd Division) | Aspire Zone Foundation | 2012 | Qatar | 100% | - |
| Danemark | FC Vestsjaelland) | Anglian Holding (multinational conglomerate from Indian origin) | 2011 | UAE | - | - |
| France | Paris Saint-Germain | Qatar Sports Investment (SWF) | 2011 | Qatar | 70% *[2]* | €595.5M *[1]* |
| Germany | Hamburg SV | Fly Emirates | 2012 | UAE | | sponsorship |
| Germany | TSV Munich von 1860 | Hasan Abdullah Mohamed Ismaik (individual) | 2011 | UAE | 49% | €18M |
| Italy | Milan AC | Fly Emirates | 2007 | UAE | | sponsorship |
| Spain | Real Madrid | Fly Emirates | 2013 | UAE | | €150M *[3]* |
| Spain | FC Barcelona | Qatar Airways | 2013 | Qatar | - | €95.5M *[4]* |

[15] Fly Emirates is already supporting since 2005 the international federation for the World Cup.

| | | | | | | |
|---|---|---|---|---|---|---|
| Spain | Getafe SP – Madrid | Royal Emirates Group | 2011 | UAE | 100% | €90M |
| Spain | Malaga CF | Sheik Abdullah bin Nasser Al Thani (individual) | 2010 | Qatar | 100% | €36M [5] |
| UK | Leeds United | GFH Capital (private equity group) | 2012 | UAE | 100% | - |
| UK | Portsmouth Football Club | Al Fahim Asia Associates | 2009 | UEA | 100% | - |
| UK | Manchester City Football Club | Sheik Mansour bin Zayed Al Nahyan (Emir of Abu Dhabi) | 2008 | UAE | 100% | €700M |
| UK | Arsenal FC | Fly Emirates | 2004 | UAE | | sponsorship |

Sources: from Thomson Reuters and systematic gathering of economic news, April 2014

**Notes:** [1] €217M were invested afterwards to acquire players, and €200M per year were provided by the Qatar Tourism Authority

[2] the 30% remaining were acquired in 2012

[3] sponsoring for the 3 coming years (2013-16)

[4] main sponsor for the 3 coming years (2013-16)

[5] €50M expenses were added afterwards

### 3.6. Investments in industry and trade

Investments made by Middle Eastern SWFs in industrial and trade sectors rose these last years in Europe, in line with the search of diversification, new opportunities of acquisition and divestments by former shareholders (table 5).

United Kingdom, France, Germany, Italy, and Greece were the main destinations of these investments.

**Table 5. Main investments made into Europe by UAE and Qatari investors in industry and trade, 2000-2013**

| **UAE investors** | | | | | | |
|---|---|---|---|---|---|---|
| **European country** | **Target company** | **Year** | **Investor** | **Main activity** | **Share** | **Amount** |
| France | CMN | 2007 | Mubadala | machinery | JV > 50% | - |
| Germany | Thyssen-Krupp | 2009 | AD Mar | shipyard | 3% | - |
| Greece | Skaramangas | 2010 | TAQA | shipyard | 74% | - |
| Italy | Selex Sistemi Integrati | 2006 | Mudabala | equipment | JV | - |
| Italy | Mediaset | 2007 | ADIA | medias | 2% | - |
| UK | BVT Surface Fleet | 2009 | Mudabala | naval defense | JV | - |
| **Qatar investors** | | | | | | |
| **European country** | **Target company** | **Year** | **Investor** | **Main activity** | **Share** | **Amount** |
| Germany | Hochtief | 2010 | QIA | construction | 9% | $534mn |
| Germany | Siemens | 2012 | QIA | equipment | 3% | $3bn |
| Germany | Volkswagen | 2009 | QIA | automobile | 17% | - |
| France | Vinci | 2013 | QIA | construction | 7% | - |
| France | le Printemps | 2013 | QIA | retail trade | 100% | $1.7bn |
| France | Le Tanneur | 2011 | QIA | fashion | 85% | €23mn |
| Italy | Valentino | 2012 | QIA | fashion | 100% | $857mn |
| UK | Sainsbury Market | 2008 | QIA | retail trade | 26% | - |
| UK | Harrods | 2010 | QIA | retail trade | 100% | $2.2bn |
| UK | Camden Market | 2012 | QIA | retail trade | 20% | - |

Sources: from Thomson Reuters and systematic gathering of economic news, April 2014

## 4. Advantages and main motives of Middle Eastern Sovereign Wealth Funds

Middle Eastern SWFs have true specific advantages which are mostly country specific: that is prominently huge and cheap financial resources coming from commodity trade (oil and gas). As a result, they can conduct mergers, acquisitions or take minority stakes overseas, on one side, or hire talented people to manage assets or run companies, on the other. However, in very few cases, UAE or Qatari investors have built true firm specific advantages: transport and logistics are here illustrative sectors (cf. 3.5).

The motives of Gulf SWFs when coming into Europe correspond:

First, to those related to portfolio investments. As a result:

- they invest their foreign reserves surplus in assets which market displays substantial liquidity with sustainable risk;
- they diversify portfolios by selecting different classes of assets.

Second, they follow a long-term strategy as they want to ensure, by 2030, more income from foreign investments than from gas and oil's revenues. In this perspective, they try to acquire stakes in companies having good potential returns and valuable technologies and brands. Stakes acquired in European companies are sometimes seen as strategic investments providing the investors an access to capabilities and knowledge of first-rank companies. For instance, the equity investments of QIA in Hochtief (2010) or Siemens (2012) are viewed as part of a broader strategic alliance to be close to the German market. Besides stakes or acquisitions, SWFs can have a more pro-active behavior by setting partnerships with European global players (e.g. Airbus, Total or Rolls-Royce).

Third, political issues can drive investments: the *Al Jazeera* television network is here a prominent example of a kind of "soft power".

## 5. As a conclusion: assessing consequences of the presence of Middle Eastern Sovereign Wealth Funds in Europe

The investments from Middle Eastern SWFs in Europe remain unknown for a large part, except a handful of very visible investments in sponsorship into prominent European football teams. The fact that they concern a little number of investments and minority stakes in European enterprises can make them kind of harmless.

However, the recent increase in SWFs resources–stimulated by the global financial crises–provide them opportunities of buyouts in industrialized countries, and particularly in Europe where enterprises or banks encountered financial difficulties or shareholders wanted to divest.

These investments are more and more courted by European governments in search of financial resources. They are also welcome by enterprises seeking ‘ad hoc’ or ephemeral partnerships, the time to strengthen their cash positions in order to continue their growth and investment–i.e. a kind of bridge financing (noticeable in the automotive industry and finance).

They can also contribute to rescue companies or to support employment as, to date, there is no evidence of major negative consequences for employment at the EU level (Diaz-Fuentes & Clifton, 2010).

In addition, SWFs’ investments can help stimulate the investments of European companies in the Middle East, insofar as they strengthen inter-governmental relationships and potentially increase the opportunities for direct co-investments. Such reciprocity is obvious, for instance, in sectors of civil engineering because Persian Gulf countries actually have large projects in infrastructure–e. g., roads, metros, airports. For instance, while Qatar has stakes in the French company Vinci, the latter is in charge of many construction sites in Qatar.

But they may raise concerns among policy-makers on regulatory issues (lack of transparency, corruption), and the important role played by their government which may follow long-run policy. Don’t forget that SWFs are strategic by their very nature.

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