

Analysis of the Chinese Cosco Group's entry into the Port of Hamburg ahead of Chancellor Olaf Scholz's visit to China // With comments by Hans Peter Schupp, CEO of Fidecum AG and portfolio manager of the Contrarian Value Euroland Fund (WKN: A0Q4S6, ISIN: LU0370217092)

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## **Even when it comes to China's investments in Germany the government is still in the driver's seat**

Bad Homburg, November 2, 2022

When German Chancellor Olaf Scholz sets off on his China trip this Thursday, the Cosco deal in the Port of Hamburg will also accompany him. The German government had approved a 24.9 percent investment by the Chinese. Critics complain that China could use it to take influence on critical infrastructure in Germany, calling the approval a "courtesy gift" for CP leader Xi Jinping.

"I don't think the investment is as worrying as it is being portrayed in public," says Hans Peter Schupp, CEO of Fidecum AG and portfolio manager of the Contrarian Value Euroland fund. "Local authorities usually have the higher leverage and can quickly make investments absurd with regulatory chicanery or simple legislative changes."

## **It's not the investors who have blackmail potential**

If capital investments in critical infrastructure had blackmail potential, such investments would always be a no-brainer. But this is not the case. "For example, former RWE CEO Dietmar Kuhnt once wanted to make his company the world's largest water supplier. That's why American Water was taken over," Schupp explains. "But the U.S. adventure turned into a disaster and RWE had to sell at a loss of almost 4 billion euros." Or with EVN: after the utility company took advantage of liberalized markets in Bulgaria and Macedonia to expand, regulators there set new prices and the investment was immediately written down in value again.

## **Regulatory harassment can make investments absurd**

Government arbitrariness that doesn't happen today? "Unfortunately not," says Schupp. Commerzbank is currently experiencing something similar. A new legal regulation in Poland – also called "credit holidays" – allows Polish borrowers to suspend their monthly installment payments on mortgage loans. The government intervention is unilaterally at the expense of banks. "Likewise, energy companies must tremble today," warns the portfolio manager. "Against any constitutionally guaranteed legal certainty, excess profits taxes are being introduced, first in Italy, then in Spain and now in the UK. What's next?"

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### **What are the arguments against Cosco's participation in the Port of Hamburg?**

Critics fear that China's increasing purchase of European infrastructure has blackmail potential. "But it's probably more the other way around," Schupp says. "In addition, we still have the ghost port of Jade-Weser-Port, which belongs to the states of Lower Saxony and Bremen and which can be integrated into a better infrastructure at any time."

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