

Geopolitics: A “New” M&A Driver?

Introduction

Geopolitics has become an increasingly influential factor in M&A, shaping and influencing deals whose rationale now goes beyond financial and strategic considerations, to national security concerns and soft power demonstration. Recent, and growing, geopolitical tensions between global powers, especially between the Western and the Eastern hemisphere, have led to heightened scrutiny over critical infrastructure, natural resources, trade routes, among other.

The United States is historically known for its territorial expansion pursuits, including past territorial acquisitions and infrastructure control across the globe. This provides an interesting context for the ongoing geopolitics discussions, such as Trump’s interest in Greenland, the strategic significance of the Panama Canal, or the need for increased security in the Red Sea to protect a key shipping route.

Given the current political state of the world, as governments seek to prioritize and protect national security and economic interests, acquisition of ports, airports, toll roads, energy assets, and other key infrastructure assets have become a new battleground for geopolitical influence. The growing trend of renationalization’s, state-backed investments, state-supported investments and foreign-policy driven transactions underscores the intersection of both business and power dynamics.

History of US Territorial Acquisition

Trump’s recent remarks surrounding the acquisition of Greenland have drawn comparisons to the Monroe Doctrine, which was the 1823 US policy that opposed European nations from colonialism in the Western Hemisphere. This time, the emphasis shifts to excluding China instead. Trump’s stance on acquiring Greenland and making Canada the 51st state is similar to past US expansionism, with some examples below.

1803: In the Louisiana Purchase, the US bought 827,000 square miles of land from France for \$15m, which now includes states such as Kansas, Oklahoma, Arkansas, Nebraska, Iowa and Missouri.

1819: Through the Adams-Onís Treaty, US acquired Florida from Spain for no cost, however agreed to pay \$5m in damages done by US citizens against Spain.

1845: US annexed Republic of Texas.

1848: Following the Mexican-American war, US paid \$15m through Treaty of Guadalupe Hidalgo, where Spain gave up 529,000 square miles of land, consisting of Nevada, California, Utah and Arizona, alongside parts of Colorado, New Mexico and Wyoming.

1867: US acquired Alaska from Russia for \$7.2m, which paid off during the 1896 Klondike Gold Rush.

1898: Annexed Hawaii, due to its valuable location for a Pacific naval base and Asian trade, which became a state in 1959.

1898: Following the Spanish-American war, US acquired Guam from Spain.

1898: Spain surrendered Puerto Rico to US under provisions of 1898 Treaty of Paris.

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1900: Following the 1899 Treaty of Berlin, American Samoa was given to US over course of 25 years. Islands of Manu followed in 1904 and Swain Island joined territory as well in 1925.

1917: US bought US Virgin Islands from Denmark for \$25m, due to its close proximity to the Panama Canal.

1975: US captured Northern Mariana Islands.

The Panama Canal: The Most Recent Example

Background on the Panama Canal and Its Strategic Importance

With a growing demand for globalization and a stronger emphasis on global trade, the Panama Canal was first proposed by the French in the late 19th century but ultimately failed to be completed. A couple of decades after the Independence of Panama in 1903, the country was able to negotiate a deal with the U.S. for the construction of the Panama Canal, which would be controlled and managed by the U.S. from its completion in 1914 until 1999 when it was handed over to Panama. To this day it remains fully controlled and managed by the Panama Canal Authority which functions as an autonomous government entity.

The canal, an 82 km-long artificial waterway, connects the Atlantic and Pacific oceans across the Isthmus of Panama. This significantly reduces transportation time and costs for various goods. The canal connects over 140 shipping routes and over 1700 ports worldwide, with more than 14,000 ships traveling each year, underlining its importance for global trade.

The Acquisition: Who, What, and Why?

Recent political developments around Donald Trump's presidency have created tension in the management and operation of the canal. The canal has seen a continuous rise in revenues of around CAGR 9%, amounting to approximately \$1.8 billion, driven by an increase in fees over the last few years. Trump, with his America First mentality, has frequently implied that "China is running the Panama Canal" and uses it to drive fees higher to hurt American consumers. Trump even went so far as to threaten Panama that the U.S. would "take it back." These statements were accompanied by a February visit from U.S. Secretary of State Marco Rubio, who demanded Panama make "immediate changes" to the operational structure and eliminate China's implied "influence and control" over the canal. However, the increase in fees can be backdated to an economic downturn as well as water drought, leading to a higher need for payment. Additionally, the Panama Canal has set aside \$8.5 billion to achieve net zero carbon emissions by 2050.

One conglomerate, which has faced immense pressure due to late political movements has been the Hong Kong-based CK Hutchison [HKG: 1]. Hutchison Ports, a subsidiary of CK Hutchison, operates over 53 ports globally and controls Port Cristobal and Port Balboa along the Panama Canal, two of the five most influential ports supporting the Panama Canal. As CK Hutchison has faced a financial struggle in the past years with shares dropping 29.8% since a high in May 2021 and recently missing earnings forecasts, the firm around founder Li Ka-Shing has seen itself as not equipped to face a long political battle and saw a way to get out of the political tension. Alongside escaping political tension, the firm can get a cash return of around \$19 billion, which would be able to be distributed to shareholders via Dividends or Buybacks.

The recent acquisition was completed quickly in a matter of weeks, driven by an interesting rationale behind it. In the first days of March, after Trump's consistent remarks on the Panama Canal, an American investment group led by BlackRock agreed to buy the Balboa and Cristobal Ports as well as over 40 others from CK Hutchison. The consortium includes BlackRock [NYSE: BLK], Global Infrastructure Partners, and Terminal Investment Limited and the group is set to acquire

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a 90% stake in the company that owns and operates the two ports in Panama. As previously mentioned, the deal also includes an 80% stake in CK Hutchison's port subsidiaries. The overall deal is worth \$22.8 billion and nets CK Hutchison around \$19 billion.

This deal is significant from multiple perspectives. First, it directly follows Donald Trump's America First approach, trying to regain control of the Panama Canal and strategic efforts to curb Chinese Influence in the region. While the ports do not directly influence the operation of the Panama Canal, as they are independently managed by the PCA, it is still a step toward gaining influence in the region through the control of key port infrastructure supporting the canal and applying pressure on the Panama authorities. As the canal and ports are interdependent, owning these ports provides BlackRock strategic advantages, as it ultimately allows them to influence the flow of goods in an extremely critical global trade route. Beyond politics, this deal marks a significant shift in BlackRock's investment strategy. Formally known as a pure-public asset manager, the firm is now increasingly investing in infrastructure assets, following the GIP acquisition in 2024. With the current acquisition of Hutchison ports, BlackRock now operates at about 100 ports around the world. Just alone through the strategic acquisition of Hutchison Ports, BlackRock expects to generate approximately \$1.7 billion in annual earnings before interest, taxes, depreciation, and amortization.

The U.S. and China's Interest in the Canal

China and the United States' interest is evident in their immediate response following the deal's announcement. President Donald Trump followed the announcement by reiterating his plan to take over the Panama Canal stating, "We have already started doing it," referring to a large American company taking over major ports at either end of the Canal. On the other hand, Chinese officials are criticizing the deal made by CK Hutchison going as far as saying "this is a spineless, groveling, profit-seeking move that sells one's integrity for personal gains, and an act that disregards national interests." This leads to doubts as to whether the deal will end up going through or if the Chinese government will find any reasons as to why or how to stop this deal from completion, and it will be interesting to monitor further developments in this topic. The latest developments suggest that the Chinese State Administration for Market Regulation (SAMR) will now review the deal. It remains to be seen whether the review entails the deal in its entirety or just the ports concerning the Panama Canal. As it is a Hong Kong company, it is unclear how far the Chinese government can interfere with the special legislation surrounding Hong Kong. These immediate developments suggest that this acquisition is more than just a commercial deal and tags on the powerplay between the U.S. and China. As global trade is likely to remain a major player with access to leading ports at one of the most important trade passages in the world, both countries have the potential to influence trade. Furthermore, it would help mobilize the military if needed.

Geopolitical Implications of the Deal

Analyzing the broader implications, this deal could significantly impact the global geopolitical landscape. It remains to be seen how much influence the U.S. government will ultimately have on the operation of the ports, but it is likely to be a favoring of U.S. interests, which could also lead to operational risks that might disrupt efficiency and service in and around the canal. It also helps the U.S. gain power in the region and apply more pressure on Panama to hand over the canal or follow U.S. guidelines. As Panama currently controls the canal as a sovereign entity and earns fees through the canal and its ports, it would be severely hit by its national pride as well as its economy if it had to cede its control. Given the U.S.'s current America First policies, it must be monitored as to how far the U.S. is willing to push the point of ownership and how other players like the EU and China will react to support Panama and global trade.

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Potential Economic and Security Concerns

Finally closing the analysis, it is important to state that the Canal has an annual rate of approximately 14,000 ships passing through it, which represents about 2.5% of global seaborne. Any change or disruption in efficiency could cause significant global trade disruptions and leave consumers globally worse off. It continues to be observed whether the deal is completed, how the United States will have on operating the canal through BlackRock, and how European nations and China will respond. As of right now, it seems logical to assume that the deal will go through, and the Panama-U.S.-China relationship will likely shift towards a greater alignment with the United States. Lastly, as Panama is experiencing tremendous benefits from operating the canal, its economic performance is heavily dependent on BlackRock's management of the ports. It is important to note, that the acquisition of the Ports does not coincide with operating the canal, but due to their interdependency, the American company operating the port possesses a definite say in the efficiency and form of trade passing through the canal.

Greenland: United States Desired Acquisition

Why Greenland?

Trump's interest in controlling Greenland is nothing new. The US first expressed interest in 1867, attempting to make a deal in 1946 and Trump touted buying Greenland in his last term in 2019. Trump more recently stated "We need Greenland for national security and international security". The key difference with this latest attempt is that Trump has refused to rule out using military force. Greenland is currently an autonomous part of Denmark who are a NATO Ally, which make the implications of this move even more significant.

Greenland is said to have the eighth-largest reserves of rare earth minerals, a critical factor for US national security and economy, particularly in tech and defense.

Rare earth minerals found in Greenland include:

- Lithium- used in EV batteries, laptops and smart phones
- Cobalt- vital for most modern battery production and energy storage
- Nickel- used in batteries and stainless-steel production

Also, Greenland holds 17 rare earth elements including neodymium, praseodymium, and dysprosium, which are essential for magnets which are used in turbines, electric motors and various electronic items. These elements play a crucial role in defense applications including guidance systems, lasers and radars.

Around 7 years ago the US recognised its reliance on China for critical minerals was a risk to national security. The Biden administration highlighted the security concerns, expressing the reliance on adversarial countries, in particular China posed a significant threat to national and economic security. China dominates control over mining and refining which was achieved through long term state investment (which the US does not have), early mover advantage (began efforts over 20 years ago), low labour costs and lax environmental controls. Additionally, climate change in the Arctic is accelerating ice melt, making previously inaccessible mineral deposits easier to extract. As Greenland is largely covered by ice, melting ice from makes mining more viable and economically attractive.

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Greenland's Strategic Military and Geopolitical Importance

Aside from the mineral extraction, Trump's interest in Greenland also relates "hemispheric security" according to Professor Klaus Dodds from Royal Holloway University.

The US has a strong presence in Greenland already, holding the Pituffik Space Base, with key missile early-warning and space surveillance systems, as well as having an agreement from 1951 with Denmark which grants US rights to move freely and construct military bases in Greenland as long as Denmark and Greenland are notified. Due to Pituffik's location being between Russia and US, it is essential for threat detection and satellite communication for US Space Force. Russia and China are increasing their influence in the region, and as Greenland's Arctic trade routes become increasingly accessible due to melting ice, competition among global powers to secure strategic advantages in shipping and defense is becoming greater.

US strong arming Denmark and Denmark & Greenland's response

Thus far, the US has taken an aggressive approach to acquiring Greenland, with Trump refusing to rule out military action and JD Vance recently criticizing Denmark's defense investments while suggesting US control is better suited for the region's security. In response to the recent high-profile deals, exerting pressure on Greenland and demands, Greenland's Prime Minister Múte Egede, has condemned Trump's actions, emphasising Greenland wishes to remain independent from the US whilst recognising the need for outside support to secure this independence. The party also advocates for slow-paced independence from Denmark. Alongside this, Denmark's foreign minister Lars Løkke Rasmussen stated US is showing a lack of respect, and Denmark announced plans to invest an additional \$2.05bn into security and military presence in the Arctic and North Atlantic region. Denmark is also increasingly shifting its focus towards European defense.

Looking forward, the US is likely to continue to push for greater military presence in Greenland, attempting to strong-arm Denmark and Greenland into compliance, threatening to weaken the region's security stance if demands are not met. US taking Greenland by force could set a dangerous precedent, giving countries the green light to act similarly without any consequences. Other nations could feel emboldened and pursue aggressive territorial take overs, eroding the principle of international law. It could embolden Russia to take action in Eastern Europe, expanding its ambitions beyond Ukraine, as well as China feeling emboldened to forcibly reunify Taiwan with the mainland.

Other Examples when Geopolitics has affected M&A

Geopolitics and Its Influence on M&A: A Case Study of Hamburg and Piraeus Ports

Numerous financial, strategic and legal considerations have historically influenced M&A transactions. In recent years, geopolitical factors have become increasingly important in determining M&A activity. Global economic conditions, international trade policy, political stability and national security issues can all have a major impact on the likelihood of results of transactions. The controversial deal between the ports of Hamburg, Germany and Piraeus, Greece with the Chinese state-owned company COSCO [SHA: 601919] are notable examples.

China's Strategic Port Investments: Belt and Road Initiative

China's takeover of major European ports such as the port of Hamburg and the port of Piraeus demonstrates China's growing influence on global infrastructure and its strategic use of investments to strengthen its geopolitical power. These purchases are part of China's larger Belt and Road Initiative (BRI), which aims to connect China and Europe by building a global network of highways, railways and ports. In addition to strengthening China's position in international trade, these

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investments draw attention to the geopolitical implications of foreign participation in important European infrastructures. These strategic investments not only strengthen China's role in global trade, but also underline the geopolitical implications of foreign participation in important European infrastructures. Indeed, COSCO (China Ocean Shipping Group Company) is one of the largest state-owned shipping conglomerates in the world, operating in container transport, logistics and port operations and was founded in 1961 in Beijing. The company is controlled by the Chinese government, which holds a significant stake of almost 60% in state-owned companies.

Hamburg Port Acquisition: Economic Benefits vs. Geopolitical Concerns

In 2022, the German government approved an agreement that allowed COSCO, a Chinese state-owned company, to acquire a minority stake of 24.9% in the Tollerort terminal in the port of Hamburg, one of Europe's most important maritime centers and the largest port in Germany which handles about 7.8 million TEU of goods per year. The acquisition of a stake in this critical infrastructure has attracted considerable attention, not only for its economic benefits but also for its potential geopolitical ramifications. Germany has deep economic ties with China, which became its main trading partner since 2016. In 2024, trade between the two countries reached a record \$268 billion, underlining China's vital role in Germany's export-oriented economy. Key sectors such as automotive, mechanical and chemical industries are heavily dependent on Chinese markets.

Even though the agreement has created real economic value and synergies, concerns have emerged about China's growing influence on Europe's strategic infrastructure. Indeed, the agreement could allow China access to sensitive data related to European supply chains, potentially including military goods. Ports are essential for global trade and supply chains, and the long-term strategic implications of Chinese investments in sectors vital to economic stability and national security are significant. In addition, the US has consistently put pressure on its European allies to limit China's control of critical infrastructure underling not to sell strategic assets, particularly those that could affect both the economy and national security.

The decision to proceed with the Hamburg Port deal, despite the opposition, reflected a complex balancing act between economic interests and national security concerns.

Port of Piraeus Acquisition: Economic Benefits vs. Geopolitical Concerns

Similarly, one of the most controversial foreign investments in European infrastructure has been COSCO's purchase of the Port of Piraeus in Greece. When COSCO secured a concession contract to run a container terminal for 35 years in 2008, it began working with the port. COSCO's ownership of the port has grown over time, and by 2021, it had taken over 61% of the shares. The economic crisis that Greece was experiencing in the years before the agreement had an impact on the Greek government's decision to sell the majority of the port shares. To modernize its economy, Greece desperately needed foreign investment, and COSCO's participation has been viewed as a lifeline for the port's growth and development. Since then, the total investment from China in the port has exceeded €1 billion, and the impact on port operations has been significant, container traffic has increased dramatically, from 600,000 TEU in 2008 to 5.1 million TEU in 2024. This growth has not only benefited the economy of Greece but has also consolidated the status of Piraeus as one of the busiest and most important ports in Europe, the fourth for container handling capacity. Significant infrastructure upgrades, including the building of new ports and the modernization of logistics facilities as well as thousands of direct and indirect employments have been created by the port's expansion.

By acquiring ports, China expands its grip over vital infrastructure in the Mediterranean region and strengthens its position to influence trade flows between China and Europe.

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Copenhagen Airports Shift from Pension Fund Control to State-Backed Investments

In December 2024, the Danish government finalized the further acquisition of a 59.4% stake in Copenhagen Airport Kastrup (CPH) for around DKK 32 billion (around \$ 4.48 billion). This agreement increased the state's ownership of CPH to 98.6%, effectively giving it total control over Denmark's busiest airport. Before this acquisition, Copenhagen airport was mostly owned by a consortium of private investors, with the largest shareholder being the Danish pension fund ATP and Canadian pension fund Ontario Teacher's Pension (OTTP). The consortium held a majority holding reaching to almost 60% but the Danish government retained a minority holding which it has now used as leverage to take full control.

Copenhagen airport is a critical infrastructure, not only for the economy of Denmark but also for the whole Scandinavian region the airports is used by the third city of Sweden, Malmö through the Øresund Bridge as well. Indeed in 2024 the airport served almost 30 million passengers with an increase of 12% over the previous year as it plays a crucial role in connecting Denmark to global markets and facilitating trade.

The reason for this re-acquisition was driven by a combination of economic and national security concerns. The Danish government aims to secure ownership of strategic assets and ensure the long-term management of them. This movement by the Danish government is in line with the increasing emphasis on protecting critical infrastructure from foreign influences that is spreading across the Scandinavian region in the light of growing geopolitical tensions and concerns about foreign ownership in sensitive sectors such as telecom, energy, transportation and utilities. Moreover, Copenhagen Airport, like many airports around the world, handles sensitive data such as passenger information, flight logistics, security protocols, and biometric data, which are essential for global travel and trade operations. Ensuring that such important infrastructure remains under national control allows Denmark to protect its sovereignty and economic stability.

The acquisition of Copenhagen Airport underscores the growing need for increased control over critical infrastructure to ensure national security and economic stability in an ever-evolving environment.

Conclusion

The increasing importance of geopolitical considerations in M&A reflects how global powers priorities are changing as they are now looking to secure strategic assets and protect economic interests in a time of growing uncertainty. The United States and China's rivalry may continue to push and influence more deals, as the Panama Canal one, as they US seeks to regain "ownership" and "control" over key infrastructure assets and for them it is easier if those assets are owned by US or European firms, than Chinese or Middle Eastern firms. Similarly, some European nations are reasserting control over critical infrastructure, such as telecommunications or transportation, to prevent foreign influence as seen in the cases of Hamburg, Piraeus, and Copenhagen Airports.

These deals, and many more, underscore the broader trend of M&A becoming a mechanism for political maneuvering, raising questions about sovereignty, economic stability, economic development, international trade, among others. As geopolitical tensions continue to intensify, as an increase set of tariffs may soon be enforced by the United States, the future of M&A will likely be shaped not only by financial considerations as synergies, tax benefits, consolidation, but also by the strategic interest of countries seeking to maintain power and influence over key assets and industries in an increasingly complex world.

TAGS: Panama Canal, Infrastructure, United States, Trump, Geopolitics

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