The Wind from the East: China and European Economic Development

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ABSTRACT

In recent years Europe has become a primary focus for Chinese investment. In the context of the rolling out of Chinese government plans such as its Belt and Road Initiative and ‘Made in China 2025’ industrial strategy, and the fact that many Chinese companies are either controlled or influenced by the Communist Party, major consequences for Europe’s economic development — and its social, political and geopolitical corollaries — are now in train. The analyses presented in this special issue significantly advance our understanding of the dynamics and consequences of China’s deepening economic engagements in Europe. They do so particularly in relation to the contentious issues surrounding corporate acquisitions by Chinese companies, the security problems associated with some investments and the impact of China’s investment finance. This introductory article offers an institutional framework for comprehending the other articles that constitute the special issue and provides summaries of their contents. Additionally, it provides an assessment of how the special issue’s contribution advances our understanding of China’s externalization and its implications for European economic development.

INTRODUCTION

The re-emergence of China as a great power has been accompanied by the global externalization of the Chinese political economy (Henderson et al., 2013). While the initial targets of Chinese externalization were a number of countries in the global South (see Jepson, 2020), over the past 15 years or 1. The concept of global externalization (GE) adds analytical precision to the popularized notion of ‘globalization’. It does so by disaggregating the economic logics of capitalism (associated with capitalism’s universal core: profit-making and related activities) from its socio-political logics (associated with the dominant national form of capitalism in a given historical period). The latter are variable and condition the way the former, the economic logics, are applied as the dominant national capitalism (represented by its business corporations, etc.) moves transnationally. GE thus offers an explanation for why different globally dominant national forms of capitalism (e.g. Britain in the 19th century, the United States post-1945, perhaps China in the near future) tend to produce different outcomes (economic, social, political) when they articulate, via investment, etc., with the forms of capitalism.
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so, these have expanded to encompass Europe and other parts of the global North. In Europe, Chinese foreign direct investment (FDI) increased exponentially from about 2000 onwards, with a peak in 2016. Although it started slowly, with approximately € 0.8 billion in 2004 (Kratz et al., 2021: 9, Fig. 2), after the global economic crisis of 2007/08, it began to make a significant impact. That crisis in Europe, as elsewhere, propelled a ‘fire sale’ of corporate assets (Ma and Overbeek, 2015) and, in 2016, Chinese investment reached € 37.4 billion (committed funding), making China the principal source of new FDI in the European Union (EU). Since then, and consistent with the global trend in Chinese FDI, it had declined to € 6.5 billion in 2020 (Kratz et al., 2021: 9, Fig. 2). These data, however, occlude the fact that the bulk of Chinese FDI has targeted a very small number of European countries. Indeed, although the cumulative total of Chinese FDI in the EU amounted to € 177.4 billion between 2000 and 2020, it was overwhelmingly concentrated — to the tune of over 74 per cent — in six countries only (United Kingdom, Germany, Italy, France, Finland and The Netherlands), with the United Kingdom (UK) and Germany being by far the largest recipients (with 29 and 14 percent of the total respectively).

While offering economic benefits, Chinese investment and related activities in Europe have been accompanied by increasing debate and contestation concerning the security implications associated with some of these activities, the competitive challenge the investment poses, as well as allied concerns about technology transfers and intellectual property rights, and the impact on labour and environmental standards, and on European economic and social development more generally. The complexities associated with these issues are compounded by Europe’s multi-layered political structure, which implies that Chinese initiatives connect not only with individual countries and sub-national regions, or with the EU as a whole, but sometimes also with groups of countries irrespective of EU membership, with the latter having led to concerns about the potentially divisive effects of Chinese engagements on EU governance (Men et al., 2014; Pieke, 2020).

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2. The decline in Chinese FDI has partly been a product of the Chinese government’s clampdown on the export of capital for speculative and unproductive purposes, complemented in 2020 by the consequences of the COVID-19 pandemic (Kratz et al., 2021: 9).
3. Though in total, accumulated Chinese FDI is dwarfed by that from the United States.
4. Calculated from Kratz et al. (2021: 11, Fig. 4).
5. As with the CEEC16+1, an institutionalized association between China and 16 Central and Eastern European countries. The latter include both EU members (e.g. Poland, the Czech Republic, Slovenia and Greece) and non-EU countries (e.g. Serbia and Albania). Until May 2021, it was 17+1, but Lithuania has now left the association with its government arguing that the investment promised by China has not materialized and that the group has been divisive for EU unity (Šimalčik, 2021). [Correction added on 8 October 2021, after first online publication: This footnote has been updated in this version.]
These matters have gained more urgency against a backdrop of mounting geopolitical contestation, not only between Europe and China, but also between the United States (US) and China. Fuelled by a more confrontational approach by the US (unaltered since the inauguration of the Biden administration in January 2021) and its own quest for ‘strategic autonomy’, the EU stands at a crossroads with regard to its future relations with China and how to weigh up the opportunities and benefits against the risks and challenges it perceives. Appositely, this is confirmed by the recent description of China by the European Commission as ‘a partner, a competitor and a systemic rival’ (European Commission, 2019). This suggests that it is not only the inflow of Chinese capital, or the competition posed by Chinese corporations’ increasing footprint in Europe and globally, that are seen as a challenge, but the emergence of China as a major rival power in the global political economy.

Academic research on China’s economic engagements with Europe still lags far behind that on China’s 21st century involvements in the global South (see below). Nonetheless, scholarship on Chinese investments in Europe has been increasing over the past decade, since the early work by Rios-Morales and Brennan (2010) and Ma and Overbeek (2015), among others. For instance, a special issue of the Asia Europe Journal in 2014 addressed various questions regarding the politics of hosting Chinese investments in Europe (Men et al., 2014). While taking stock of the patterns and trends of Chinese FDI at the time, and their political implications within and for Europe, this issue also analysed a variety of related matters, from the regulation of labour standards, to diverging responses across EU member states that hamper a joint ‘European approach’ and the potential security implications of Chinese investments. Additionally, various in-depth case studies of labour-related questions, such as those collated by Drahokouphil (2017), have now been published, as well as follow up studies on the political and geopolitical aspects involved, such as those by Meunier (2019a, 2019b) and others (e.g. Pieke, 2020).

This special issue aims to contribute to this body of literature with a collection of in-depth and novel analyses that tackle some of the principal political-economic dynamics and consequences of China’s European engagements. It does so by focusing on three key areas of contestation that have emerged in recent years and which, arguably, will be decisive for the future of Europe–China relations and for European economic development: acquisitions of high-tech/innovation-driven European companies and thus competition over innovation and technological leadership; security issues.

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6. In addition to the scholarly research, much of the work on ‘China-in-Europe’ has thus far been conducted by trans-European and national think tanks such as the Mercator Institute for China Studies (MERICS); the European Think-tank Network on China (ETNC); the China-CEE Institute established by the Chinese Academy of Social Sciences; the Swedish Institute of International Affairs (UI); the Norwegian Institute of International Affairs (NUPI); the French Institute of International Relations (IFRI), and others.
associated with Chinese technologies and standards; and the role of China as a major provider of investment finance.

As mentioned earlier, this special issue also aims to complement the now substantial body of literature on China’s presence in the global South. From early contributions such as those by Alden (2007), Brautigam (2009), Manji and Marks (2007) and Taylor (2006) on Africa, this has expanded apace to encompass a wide range of further work on Africa, such as that by Lee (2017) and Power et al. (2012), but also by Fornes and Mendez (2018) on Latin America, Jenkins (2018) on Latin America and Africa, and Jepson (2020) on the global South more generally. China’s political-economic presence in Europe, however, poses a largely different set of questions relative to those it poses in the global South. It does so partly because of the different sectoral foci of the investment flows. While, as in the global South, Chinese investment in infrastructure is evident in Europe, consistent with its greater economic diversification, there are also significant investments in information technology, manufacturing, services and real estate. In particular, Chinese companies have had a penchant for taking over high-tech and innovative companies. As Europe possesses some of the world’s leading repositories of advanced — in some cases proprietary — technologies, there are fears that these may ‘leach’ to China by legal (e.g. corporate acquisitions) or illegal (e.g. cyber espionage) means and thus damage European competitiveness. Understandably, this has been politically contentious and has led to attempts to regulate these activities. The contributions by Brennan and Vecchi, Starrs and Germann, de Graaff and Valeeva, and Henderson and Hooper all engage with these concerns.

Irrespective of whether Chinese investment has resulted in the takeover of European companies or not, security issues surrounding some of these investments have been at the centre of European governmental and media concerns, of which the telecommunications company Huawei has been a particular focus. The article by Friis and Lysne explores the security issues associated with Huawei’s European investments. But the security concerns related to Chinese investments are much wider — and are of a different order — than those raised by the Huawei and similar cases. For instance, these investments have been accompanied by contestation over whose technical standards — Chinese or European — will be hegemonic across a range of industries. The article by Rühlig and ten Brink investigates these matters. Similarly, the sources and consequences of Chinese investment finance, whether it be for Belt and Road Initiative (BRI) infrastructure projects in Central and Eastern Europe or the funding of corporate takeovers, is another area of concern, but one, as with a number of concerns broached by this special

7. For example, ports in Greece and The Netherlands, railways in Serbia, Hungary and Montenegro, electricity generation in the UK and Portugal.
issue, that is woefully under-researched. The articles by Liu and Dixon, and Jepson help to fill this void.

Many of the questions investigated in this special issue are impacted by wider global dynamics that arise from geopolitical contestations between the USA and China. Because Europe (particularly Western Europe) has had strong economic, diplomatic and military relations with the USA since 1945, pretty much anything that impacts the US–China relationship tends to affect Europe as well, and to a far greater extent than is true for most parts of the global South. While direct engagement with the US–China–Europe nexus is largely beyond the remit of this collection (see, however, the articles by Starrs and Germann, and Henderson and Hooper), it is important to acknowledge that it operates at least in the background and has been a key reason why China–Europe economic relations have been subject to an increasingly high degree of politicization.

Below, we introduce the individual contributions in greater depth and relate them to the areas of contestation in Chinese political-economic engagements with Europe that this special issue addresses. Before that, however, we provide some context within which the individual contributions can be evaluated. The next section thus offers a brief overview of two principal factors that render Chinese investments distinctive in the European context and that animate many of the scholarly and political controversies surrounding these investments. The first is the role of the Chinese Communist Party (CCP) and the state in the Chinese version of capitalism, and thus China’s externalizing corporations and capital flows. The second is the economic nationalism that characterizes the Chinese development model, in particular its industrial policies and innovation strategies, and the responses these elicit in Europe. The final section of the article considers the broad conclusions that emerge from the substantive articles when they are considered as a composite whole, as well as avenues for further research on China’s political-economic presence in Europe and the consequences thereof.

CHINA’S EXTERNALIZING CAPITALISM: STATE-OWNED AND COMMUNIST PARTY-INFLUENCED CORPORATE POWER

By any comparable standards, China in the first two decades of the 21st century has been a unique — and uniquely hybridized — capitalist formation. Unlike any other capitalist political economy that has been deeply involved in Europe or elsewhere in the last 20 years, China is distinct in not having private sector firms as its principal economic actors. This role is taken by state-owned enterprises (SOEs), which on average accounted for 53 per cent

8. For a more detailed comparative analysis of different varieties of capitalism, see Feldmann (2019).
of investments in Europe in 2011–20. While Chinese SOEs are increasingly expected to operate on the basis of commercial logics, they tend to have very close governance relations either with the central government’s State-owned Assets Supervision and Administration Commission (SASAC), or, where they are owned by provincial or municipal governments, with the respective provincial or municipal SASACs. But even though they are controlled by state agencies, Chinese SOEs are increasingly diversified in terms of ownership. While some of them, such as ChemChina (the majority owner of the Italian tyre manufacturer, Pirelli and the Swiss bio-chemical company, Syngenta) or Three Gorges and State Grid (which respectively own Portugal’s electricity generation and distribution companies) are 100 per cent state owned, others have mixed ownership where the state agency in question is not necessarily the majority owner. Zoomlion (16 per cent state owned) and Wanhua (22 per cent state owned) are examples of the latter. In such cases, however, majority ownership does not bestow rights of governance and control as these lie with the relevant state agency.

While SOEs from European countries have been involved in investments elsewhere in Europe (e.g. in the UK, Deutsche Bahn in rail services and Électricité de France in energy), what ultimately distinguishes Chinese SOEs from their European counterparts is the nature of the states to which they are ultimately responsible. In the European cases, the states in question are all variations on the liberal democratic form. The Chinese state, however, is a variant of the Leninist form first developed in the Soviet Union and instituted in China after the 1949 revolution. Consequently, its political economy and society are organized and governed by the Communist Party which absorbs all state institutions — including SOEs and the judicial system — and all formal institutions that have emerged from civil society, of which trade unions are the most significant. Beginning with the economic reforms of

9. Calculated from Kratz et al. (2021: 13, Fig. 5). Bloomberg data, however, point to a far higher preponderance of SOE investment in Europe, to the tune of 89 per cent in 2008–18 (Tartar et al., 2018).

10. Examples of provincial state-owned Chinese companies operating in Europe include Zoomlion (Hunan Province), which holds 60 per cent of the equity of Italian construction machinery producer, CIFA, and SHIG-Weichai (Shandong Province), which owns 85 per cent of Italian luxury yacht producer, Ferretti. Examples of municipal state-owned companies include Wanhua (Yantai, Shandong), which owns the Hungarian chemical company, Borsod-Chem and the Swedish chemical engineering company, Chematur, and XCMG (Xuzhou, Jiangsu) which holds 70 per cent of the equity of the German hydraulics engineering company, Fluitronics. Data as of March 2021 (communication, Luqi Wang, University of Bristol).

11. Data as of December 2020 (communication, Luqi Wang, University of Bristol).

12. It is, however, incorrect to assume that, since China is a federal state with varying levels of relative autonomy at provincial and municipal levels, the governance of SOEs necessarily cascades downwards from the central state in directive and highly coordinated ways (Chen and Rithmire, 2020; Nölke et al., 2020: Ch. 2; Zhang and Peck, 2016). This is particularly
the late 1970s, China’s version of capitalism (‘socialism with Chinese characteristics’ in CCP parlance) has gradually emerged and, with it, a private sector that initially was formally beyond the embrace of the CCP. Informally, however, it has always been subject to control — at provincial and municipal levels, if not by the central government — via, among other things, the ability of Party cadres to act as gatekeepers for access to investment finance (Nee and Opper, 2007). This implies a complex interpenetration of the Party and state with business and the economy more generally (ten Brink, 2019); a reality captured by Zheng and Huang’s (2018) theory of ‘state-in-economy’ — which they see as having its origins in traditional Chinese understandings of the relationship between markets and the state — but also by the debates on China’s ‘state capitalism’ (see Liu and Dixon, this issue).

If China’s state-owned companies are unlike their European counterparts, then so too are many of its privately owned companies. As in ‘Western’ economies, Chinese private companies are owned through a variety of equity arrangements that run the spectrum from 100 per cent family owned through to varying degrees of public equity participation via the Shanghai, Shenzhen and Hong Kong stock exchanges, including, in the case of Huawei, for instance, by their employee trade union (Hawes and Li, 2017; Rühlig, 2020; Friis and Lysne, this issue). Even so, China is now an ‘investor state’ in the sense that central, provincial and municipal governments are increasingly active as minority shareholders in private and listed companies (Chen and Rithmire, 2020).

Crucially, however, Chinese private companies differ from their European counterparts, not so much in the nature of their ownership per se, but in the way they are governed and controlled — that is, the institutional interests that participate in their governance systems. Although larger German companies, for instance, incorporate stakeholder participants such as banks, employees and länder (regional) governments (Bottenberg et al., 2017; Dittmann et al., 2010) into their supervisory boards, larger Chinese companies are required to incorporate representatives of the CCP. Indeed, subsequent to a government directive in 2013, around 95 per cent of large companies and about 73 per cent of all private companies now have their own Party branches (Grünberg, 2021; Zhang, 2018; see also Nölke et al., 2020: Ch. 2), with the Party seen as a ‘board above the board’ (de Graaff, 2020: 220).

The main implication of this discussion is that the CCP and the Chinese state permeate the economy and business in myriad ways (ten Brink, 2019; McNally, 2012; Nölke et al., 2020: Ch. 2), but the motivations of state actors
are sometimes contradictory, and the success and effectiveness of state interventions may vary considerably (Chen and Rithmire, 2020). The complexity of the state sector, including the growth of pyramidal business groups, also complicates the exercise of coherent state influence (Sutherland and Ning, 2015). There is also a range of state and quasi-state actors — such as development banks and sovereign equity funds — involved in providing funding to businesses and these sometimes have competing agendas and have different effects on state and private firms (Ru, 2018; Jepson, and Liu and Dixon, this issue). This means that state actors and their objectives and strategies with respect to business and FDI need to be empirically unpacked and contextualized with care. That said, it seems that when it comes to the exercise of control in the governance of private Chinese companies (particularly around strategic decision making), corporate control cannot be ‘read off’ from corporate ownership per se, but that these companies need to weigh up various factors beyond narrow, profit-driven motives, including the concerns of the CCP (see de Graaff, 2020; de Graaff and Valeeva, this issue).

ECONOMIC NATIONALISM, TECHNOLOGY AND INNOVATION

As with the nature of corporate power and ownership in Chinese companies, there is also a growing debate around issues associated with economic nationalism. This debate has been influenced by various political and economic trends associated with China’s externalization and the growth of outward FDI in particular. As the potential for catch-up growth became exhausted and growth rates began to fall (Perkins, 2013: Ch. 6), Chinese policy makers started to pay greater attention to innovation. Initially reflected in a speech by Hu Jintao (then General Secretary of the CCP) at the 18th Party Congress in November 2012, an innovation-based development strategy was launched and was aimed at turning China into a world leader in science and technology by 2050. This timetable has now been accelerated by the ‘Made in China 2025’ strategy. While this emphasis on innovation is reflected in a range of domestic policy initiatives, it is increasingly seen as an object for Chinese FDI (Fu et al., 2018), notably to countries seen to be technological leaders, such as the USA and some of those in Europe (Brennan and Vecchi; Henderson and Hooper; Rühlig and ten Brink, this issue).

14. For demonstrations of the complexity of Chinese corporate ownership structures and the role of the CCP/government agencies that are sometimes embedded ‘behind’ private ones, see case studies of Chinese-owned European companies conducted by Datenna, such as the semiconductor producers, Ampleon (The Netherlands) (www.datenna.com/the-acquisition-of-the-nxp-power-division/) and Newport Wafer Fab (UK) (www.datenna.com/the-acquisition-of-newportwaferfab/).
Chinese FDI flows to such countries have prompted a range of political controversies surrounding neo-mercantilist ideas about strategic competition for key technologies and concerns that economic interactions with China are based on a zero-sum logic. While economic nationalism is an important feature of economic policy in most countries (Busch, 1999; Clift and Woll, 2012), in debates about Chinese FDI, mercantilist goals and tactics are frequently attributed to Chinese firms. But this is also the case with the US government, which has sought to use a variety of trade policy and regulatory tools to target Chinese companies, such as Huawei in the context of the development of 5G technology (Shen and Shang, 2020; Friis and Lysne, this issue). Such initiatives are often bound up with a more general securitization of Chinese investments, and these relate to discourses about Chinese firms as security threats, especially in the USA (Zhang, 2021), but also increasingly in Europe (Rogelja and Tsimonis, 2020). When analysing the global externalization of Chinese capitalism, it is difficult to sideline securitization issues, as the Huawei case (Rühlig, 2020; Friis and Lysne, this issue) and others — such as the takeover of the UK semiconductor company, Imagination Technologies (Henderson and Hooper, this issue) — demonstrate.15

These cases raise important questions about the role of economic nationalism in shaping both Chinese FDI and European responses to it, especially regarding high-technology or innovation-related sectors. In practice, there is considerable variation in the ways countries and firms relate to economic nationalism and this helps to explain differing regulatory responses by particular European governments and the European Union. In this special issue, the articles by Brennan and Vecchi, and Starrs and Germann speak to this matter.

THE WIND FROM THE EAST: INVESTIGATING CHINA’S ECONOMIC PRESENCE IN EUROPE

The articles that compose this special issue focus on three key areas of Europe–China contestation: corporate acquisitions, security issues and investment finance. They all, directly or indirectly, engage with the two central features of Chinese capitalism: the decisive roles of the Party and state, and the ways in which Chinese development and externalization — and responses to it — are driven by economic nationalism.

15. In 2020, the Chinese takeover of Imagination Technologies sparked an investigation into Chinese corporate ‘asset stripping’ by the UK Parliament’s Foreign Affairs Committee (Wintour, 2020) and the subsequent strengthening of the UK’s National Investment and Security Law.
Acquisitions

Louis Brennan and Alexandra Vecchi engage with the extensively researched phenomenon of FDI as a prominent feature of China’s externalization. The authors, however, approach the issue from a novel perspective in that they interrogate the divergent European responses to Chinese investment. Brennan and Vecchi argue that the latter’s unique nature (related to the prominence of the state and the CCP in Chinese capitalism), creates unusual policy dilemmas for developed European economies and is a source of both contestation and intra-European fragmentation around appropriate policy responses. In assessing the fragmented and contested responses and their implications for Chinese corporations, Brennan and Vecchi trace how the EU–China investment relationship has evolved since the advent of China’s ‘Go Global’ policy (initiated in 1999), arguing that there is a need to relate the outcomes to distinctive policy contexts. Given the increasing backlash against investment by Chinese multinationals in much of the developed world — including Europe — they conclude with the dual observation that Chinese multinationals might opt to deepen their engagements with non-Western countries but that this will hamper their prospects for technological upgrading, since these countries offer far fewer opportunities for acquiring relevant assets than those found in Europe.

Jeffrey Henderson and Mike Hooper show that the drive for capital accumulation by many Chinese firms is being constrained by social and political limitations evident within China’s innovation system and its form of capitalism more generally. A consequence of this is that about 95 per cent of Chinese FDI flows into Europe over the past 10–15 years have been used to acquire equity in European companies, of which the majority have been innovation-driven ones. The central concern of their article is to explain this particular focus as a primary object for China’s economic adventures in Europe. In addition to the argument that China’s innovation system is currently suboptimal in terms of its capacities to deliver cutting edge innovation endogenously, they argue that by default or design, Chinese companies have been effectively cut out from acquiring innovative capacities in the two other locations where it exists in abundance: Japan and the USA. They conclude by stressing that the EU’s liberal foreign investment regime and its still relaxed attitude to corporate takeovers (Krajewski, 2021) may be counterproductive in terms of Europe’s economic future when confronted by Chinese externalization.

Sean Kenji Starks and Julian Germann build further on this theme but ask how and why two of the world’s most advanced industrial powers — Germany and the United States — have responded differently to the challenge of China’s ‘techno-nationalism’. While economic and political elites of both countries have been concerned about China’s growing technological competitiveness, the reaction of the US government has been far more confrontational than that of Germany. The former now aggressively screens Chinese
corporate takeovers — particularly where advanced technology companies are involved — and has launched an escalating trade war. The German state, however, has struggled with its own ‘Industrial Strategy 2030’ (Bofinger, 2019) and has maintained a greater commitment to the liberal international economic order. The authors explain these US–German differences by recourse to what is in effect the articulation of different balances of class power evident within the US and German forms of capitalism, with the different sets of production and consumption networks that link their respective political economies to China. Starrs and Germann conclude by speculating on how these national approaches are likely to develop as the China contestation continues to unfold.

Nana de Graaff and Diliara Valeeva pick up the issue of elite actors and their roles but focus on the corporate boardrooms the command centres of China’s largest corporations some of which are investing in Europe. In so doing, they explore a crucial but largely unresearched aspect of China’s corporate presence in Europe: the power and control exercised by the corporate boards. In the first study of its kind, de Graaff and Valeeva investigate the directors of China’s largest firms and their interlocking directorates with European firms. From their study of 141 directors with such interlocks they conclude that there is an emerging Sino–European corporate elite indicating, they suggest, a potential for inter-elite consensus building. In this sense, their work may point to the emergence of a new Sino–European cohort of the global corporate elite, or what Carroll (2010), Sklair (2001) and others have described as a transnational capitalist class. In this contribution, de Graaff and Valeeva reveal a realm of potential Chinese influence in European firms and industries that, so far, has remained out of sight.

Security

The political and technological security issues foregrounded by China’s European involvements have been nowhere more obvious than in the furore surrounding Huawei’s participation in the rollout of 5G telecommunications networks. While the concerns have focused on the extent to which Huawei, while not state owned, might still be subject to CCP influence (see Rühlig, 2020; also Henderson and Hooper, this issue), less attention has been paid to the technological particularities of 5G and how they interpolate with questions of political and geopolitical security.16

In their article, Karsten Friis and Olav Lysne advance our understanding of this latter concern. They do so by using security theory to interrogate the issues. Specifically, the authors focus on how perceptions of a ‘Huawei threat’ have been socially constructed and on whether there have been differences in this construction in Europe relative to the United States. In

16. An exception is Rühlig and Björk (2020).
so doing, they pose the question of whether concerns about Huawei and 5G are just a subset of broader US — and, subsequently, European — concerns about China’s economic and geopolitical challenge, or whether there is something particular about 5G technology and its applications that has exacerbated the problem. Friis and Lysne argue that while the nature of 5G technology made the securitization of Huawei more likely, the approach Europe has adopted differs to that of the US. It is an approach that has allowed for the securitization of Huawei’s 5G technology, but without using Huawei as a launchpad for wider contestations with China as has happened in the United States (see Zhang, 2021).

Using 5G as one of their case studies, Tim Rühlig and Tobias ten Brink focus our attention on technical standards as a domain for corporate and state rivalry. Far from being merely a technical issue, many standards deal with patented technologies. Consequently, whichever corporate player succeeds in getting their standard for a particular technology accepted in major markets also ensures their likely domination in those markets, at least in the short to medium term. As a consequence, they are able to reap both monopoly profits and rents (royalties) from the licensing of their patented technologies. As the first publication to project these concerns into the ‘China-in-Europe’ debates, Rühlig and ten Brink show how the state-centred approach of China may coexist — but will also compete — with the ‘Western’ approach to standard setting as predominantly a form of private self-regulation. They explore the externalization of China’s power to set standards through the examples of 5G telecommunications standards and railways standards through the BRI. Given that the political-economic norms of most European capitalisms — and the EU itself — (so far) downplay state support for companies and standards agencies, their analysis implies that China’s model may be able to disrupt current arrangements to the benefit of Chinese companies and to the detriment (for this is a zero-sum game) of European companies.

Investment Finance

In a financialized global economy, it is unsurprising that finance capital has emerged as another key vector for China’s externalization. The growing presence of Chinese capital in Europe, not merely through takeovers but through development finance linked to the BRI and sovereign wealth funds, has generated heated debates about its impacts on EU unity, labour and environmental standards and independent foreign policy.

With regard to development finance, China is now the world’s largest bilateral creditor and a fair amount of work has been done on the consequences of this for the global South. Inter alia, China has been accused of predatory and unsustainable lending practices, including claims as to the existence of US$ 200 billion in ‘hidden’ Chinese loans (Horn et al., 2020). Nicholas
Jepson’s article is the first to explore these issues in the European context. Noting that the Chinese policy banks tend to operate in non-EU countries (as they usually do not meet EU procurement rules), Jepson’s in-depth examinations of Belarus, Ukraine, North Macedonia and Montenegro show that there is little evidence of substantial hidden debts to China among these states. He argues that rather than Chinese loans, it is privately held sovereign bonds that pose the greatest threat to debt sustainability in non-EU, Central and Eastern European countries. His research further suggests that there is more information available on Chinese loans than generally assumed — and that recipient governments appear to have considerable discretion over what is disclosed — suggesting there is scope for civil society interests to press for greater transparency on loan deals.

Growing capital flows (FDI and lending) have raised the concern that among the elements of Chinese capitalism that are being externalized, the strategic influence of the state is a key aspect. The extent to which Chinese state capitalism, once externalized, carries with it transformative potential, however, is disputed. Imogen Liu and Adam Dixon shed light on this debate, showing how Chinese state capitalism is becoming embedded in the global political economy in which the state itself is a market actor. Among the developments that point in this direction are the integration of Chinese sovereign wealth funds (SWFs) in global markets, increasing hybridity of state and private investment funds, and the growing presence of private market actors in advanced business services (e.g. investment banking, corporate law and accounting); developments which, they suggest, are a consequence of deepening networks with state-owned companies. In the process, Liu and Dixon advance a ‘legitimation framework’ to understand the global reproduction of Chinese state capitalism and its quest for international credibility. Chinese state capitalism, they argue, reinforces global capital accumulation via the helping hand of the liberal institutional order. They demonstrate their argument via an interrogation of the activities of the China Investment Corporation, China’s premier SWF, and its interfaces with liberal market institutions and alliance formation with elite actors situated at the centre of global finance. Though evident across many parts of the world economy, Liu and Dixon bolster their arguments by reference to the European context.

CONCLUSION

In the context of China’s global externalization, particularly with regard to Europe, the articles in this special issue centre around three key areas outlined above. However, political-economic questions concerning corporate acquisitions and innovation, technological and political security and investment finance are not the only matters of concern that arise from the ‘China-in-Europe’ phenomenon. There are various others that are beyond our remit but which include research collaborations in some of the natural sciences.
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and engineering between European and Chinese universities; the new Chinese migration into Europe and its impact on housing markets; and Chinese soft power in Europe in terms of its public diplomacy (e.g. around COVID-19 vaccines in parts of Central and Eastern Europe), Confucius Institutes and the media. These are all potentially crucial arenas for investigation in which the necessary research remains in its infancy. \(^{17}\) Additionally, more research is urgently needed on the negotiations of Chinese actors with their corporate and state (national and local) counterparts, the environmental consequences for Europe of China’s externalization processes, \(^{18}\) and the evolving geopolitical consequences of ‘China-in-Europe’.

That said, the contributions in this special issue seek to advance our knowledge and further the debate on some of the key dimensions of China’s political-economic presence in Europe. The articles engage with the manner in which Chinese actors have embedded themselves in particular national, sub-national and wider regional contexts and analyse some of the political and policy responses to their presence. As such, this special issue is a key collection of scholarly research and reflection on these matters. The collective contribution of the articles can be summarized as follows.

First, hitherto under-researched aspects of Chinese influence in Europe are revealed, such as in the realm of corporate boards and related transnational and national elite networks, the domain of standardization as the next frontier in the competition for technological leadership, and the area of development finance which — in the light of the BRI — is becoming a focal point for contested relations between Europe and China. The findings and arguments presented in this special issue imply a need for much more empirical research and critical interrogation, for instance, of some of the myths related to dept-trap diplomacy; of CCP influence in corporate boards; and of where the real challenges and power reside in the competition over technological leadership. Second, the complex challenges triggered in Europe by China’s innovation development strategies are examined. The dynamics and likely economic consequences of the corporate acquisitions associated with them are discussed and the implications of these for policy intervention are considered. Additionally, the variations across Europe in terms of political opposition to Chinese corporate activity, and the social forces associated with it, are highlighted. Third, the distinctive nature of Chinese capitalism — a hybrid form, but with the CCP and the state as its fulcrum — is explored in terms of its interaction with the variegated constellation of Europe’s political and economic institutions.

\(^{17}\) On migration dynamics and impacts, see Nyiri and Beck (2020) and on the spread of Chinese soft power, see Dams et al. (2021) and Duarte and Ferreira-Pereira (2021). Many of these concerns and others are the research foci of members of the EU-COST funded China in Europe Research Network (www.china-in-europe.net).

\(^{18}\) For a discussion of some of the environmental issues that are arising, see Rogelja (2020) and Tsimonis et al. (2020).
By unpacking and submitting to scrutiny some of the key areas in which Chinese engagements are most pertinent to the economic future of Europe, the key societal contribution of this special issue is that it demonstrates that a comprehensive understanding of the ‘China-in-Europe’ phenomenon requires theoretically informed, in-depth empirical research that allows us to capture complexity, contradiction and nuance. Such an understanding — one that problematizes simplistic dichotomies and Western-centric connotations such as ‘the China threat’ or ‘systemic rival’ — is vital if the EU, and individual nation states, are to protect and enhance Europe’s rational and reasonable economic and political interests, while embedding within Europe and China the benefits that sustainable relations can bring. It is in this spirit that the articles presented in this special issue are offered. As much as anything else, they call for intensified research on China’s European escapades and — as and when necessary — scientifically informed and intellectually engaged action in response to them.

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