Issue Map VII

China in Europe: Intra-EU Factionalism and its Impacts on Chinese Presence in Europe

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About the Author

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Introduction

In the past decade, Chinese investment in Europe has seen a steady rise. From around half a billion euros in 2006, it rose to over € 35 billion in 2016. The 2016 figure was a 77% increase from the previous year. European investments in China have seen a drop by around 25%. The main sectors of interest in the investments are in automotive, communications, electronics, and industrial machinery. Sectors like financial services and biotech seem to be the upcoming interest areas. The announcement of the Belt and Road Initiative (BRI) in 2013 has added to China’s western thrust, often coupling business interests with the state’s strategic ones (Chinese companies now own roughly 10% of European ports). Until 2013, Chinese FDI into the European Union (EU) and EU FDI into China was roughly in the same league. However, By 2016, Chinese FDI into the EU had grown over four times that of EU FDI in China1.

A large part of the direct investment goes into the major economies of the region, mainly the UK, Germany, and France ("Big Three"), followed by the Northern European and Benelux countries. China has targeted the recession-hit economies of Southern Europe, like Portugal, Greece, Spain, etc., buying state-owned companies and investing in large-scale infrastructure. Similarly, China established the 16+1 (now 17+1 with the entry of Greece) group with the countries of Central and Eastern Europe where it has extended loans and built multiple infrastructure undertakings and promised even more. This region is particularly important to China’s Belt and Road Initiative (BRI), and most of the infrastructure projects present prominent nodes in the trail. However, enthusiastic Chinese investment has proved most crucial for the economies of Southern and Eastern Europe whose weaker economies otherwise find it challenging to attract investment. The situation is even more difficult for the Balkan nations who are not EU members. This set off alarm bells in Brussels and the stronger economies of Europe over possible political and foreign policy implication of Chinese influence. In June 2018, Greece blocked an EU statement at the United Nations criticizing China’s human rights record. On the other side, Montenegro, a non-EU European nation in line for membership, witnessed a burgeoning of national debt to China after the latter financed a highway (of questionable economic and environmental viability) linking its coast to Serbia. In mid-2019, Italy, a major EU economy and a member of the G7, officially joined the BRI. These are singular examples of the broader issues that concern the EU regarding China. The major EU nations, while remaining the largest benefactors of Chinese investments, are now pushing for legislation to screen foreign investment in the region.
Countries like Greece, Portugal, Cyprus and some others oppose it because it would hamper their ability to attract urgently-needed capital. China is a willing investor in these economies, which are still reeling under the impacts of the recession, subsequent Eurozone crisis, and years of EU-imposed austerity. The EU’s fixation with its fiscal policy and refusal of any alternative to austerity has left many of these economies with no other option than to accept Chinese investments.

The broad narrative of Chinese money “flowing into” the weaker economies of Europe also need to be questioned. Chinese FDI into Europe has dipped since the highs of 2016. Even then, in 2017, the Big Three accounted for 71% of Chinese FDI. When in 2018 their shares declined to 45%, the newcomers in the top 5 were Sweden and Luxembourg. Further, when media reports cite the significant values of Chinese projects, very often, these include projects that are incomplete or undergoing substantial delays.

Similarly, Chinese “investment” in the region very often refers to concessional loans from Chinese banks. This is money that needs to be paid back, with interest, whether the project proves profitable or not. They cannot be compared to EU funds, which are often grants. Nor are they private direct investments as would be the image invoked in the grand narrative of “Chinese investments.” Chinese money “flows” into the core countries; it is mostly loaned to the periphery. Hence this paper seeks to examine

1. what are some of the underlying objectives driving Chinese presence in Europe?
2. core-periphery dynamics among European nations with regard to its influence on relations with China
3. the possibility of the role inequality-fuelled factionalism within Europe plays in facilitating the entry of China
Chinese objectives in Europe

China seems to have based its westward thrust around the need to soften the geographical realities of its position. If China cannot challenge the US' naval superiority in the near future and the implications of the same for the vast seas on its east, it must look west. The Eurasian continent spreading from China's west, unlike the region to its east, presents a largely 'hegemon-free' area where networks (Land- routes, port-to-port coastal approaches, commercial hubs) can be developed for China to bank upon in the event of a US-double down in the Pacific, like an escalation of the US-China trade war. Hence, in many ways, the Chinese turn towards the Eurasian continent is heavily influenced by concerns of fear and profit². Owing to the trade war, Europe and its markets have attained renewed importance for China. China is increasingly pitching itself as the new protector of the global liberal order in the face of President Trump's increasing anti-globalization rhetoric³. The US's isolationist narrative, coupled with US tariffs on the EU worth billions of dollars and generally provocative statements against allies in the North Atlantic Treaty Organization (NATO) by President Trump has contributed to concerns in the EU regarding the future of the liberal order. In the face of rising pressure from the US and an economic slowdown, it is also a high priority to China to ensure that a renewed transatlantic front against China does not emerge. Europe is also essential with regard to China's market economy status. Upon China's accession to the WTO, it was supposed to have been granted market economy status by December of 2016. While market economy status by itself is for a large part symbolic, the core issue is anti-dumping measures. So long as China is not accorded market economy status, the EU can impose anti-dumping tariffs on Chinese goods. While it is clear that the US is unlikely to budge on the matter, the EU has seemed more open to negotiation. There is also a Tiananmen-era EU (and US) arms embargo on China that the latter wants removed.

The EU provides China easy access to a single, large, integrated European market. Hence there is some level of consensus that an EU in complete chaos would not be in China's interest. However, there are indications that China would not mind a slightly divided EU with at least some China-favourable elements in the group⁴.
Another crucial aspect is the nature of Chinese investment in Europe and the role it plays in the broader Chinese agenda. Unlike Chinese investment sprees in South Asia or Africa, Chinese investment in Europe aims to secure assets in high-value manufacturing (e.g., cars, machines, high-tech, communications, electronics, and energy distribution). It goes much beyond the strategic imperatives China shows in South Asia, Latin America, Central Asia, etc. Chinese investments in these sectors today is the foundation for Made in China 2025, its industrial policy strategy which aims to upgrade the domestic industrial sector through acquisitions from developed markets. It is a continuation of its 'Going-out' strategy, involving acquiring incumbent companies involved in advanced technologies to update its own technological capabilities, competences in managerial organisation and even reverse engineering of products. As of 2016 such acquisitions form around 43% of Chinese acquisitions in Europe\(^5\). Europe also acts as an opening into two specifically critical elements: high-end dual-use technology and elite brands. Chinese firms recently acquired some major names like Pirelli, Volvo, MG, and even London Taxi Company\(^6\). Dual-use technology is vital for China to bridge the gap in technical know-how between its military and that of the West. There are concerns in Europe that China employs co-production using civil purchase labels, acquires them, and then shifts it to military use. Since many EU member states interpret the arms embargo quite narrowly and existing investment screening mechanisms are inadequate, the transfer of dual-use technology is largely unregulated. Dual-use technology is among a handful of other critical industries that are the focus of the new FDI screening mechanisms.
Core-Periphery dynamics

As of 2018, a large portion of Chinese investment was concentrated in Europe's largest economies (including the UK). However, the big infrastructure activities became evident at the periphery, most notably the Chinese takeover of Greece's largest port, in Piraeus. There is a critical core-periphery divide when it comes to Europe's openness to Chinese investment. China deals with different blocs in Europe, broadly categorized as Western and Northern Europe, Southern Europe, and Central and Eastern Europe, in different ways. Its differing objectives in different parts of Europe are based on variances in economic wealth, technological advancement, geographic location, and institutional framework.

Western and Northern Europe

A large part of the direct investment goes into the major economies of the region, mainly the UK, Germany, and France ("Big Three"), followed by the Northern European and Benelux countries. In the UK alone, the Chinese had participated in deals worth $70 billion. In 2017 the Big Three accounted for 71% of Chinese FDI. In 2018 their shares dipped to 45%, as Sweden and Luxembourg saw increased investment and entered the top 5, again consolidating the major chunk of investment in the more affluent regions of Northern and Western Europe. Specifically, access to advanced technologies, high-tech assets, and managerial knowledge, as well as broader commercial access into the European market and European distribution networks seem to be the objective of Chinese investment in Western Europe.

The Western European nations have some specific concerns of their own regarding China. In May of 2016, a Chinese Investment Fund, Midea, purchased the German robot-maker Kuka. Kuka manufactures robots for the production plants of many key German industrial companies, raising concerns of sensitive data from such advanced industries falling into Chinese hands. This set off alarm bells in Berlin regarding Chinese ownership of German players in crucial industries, either market leaders or those dealing with advanced technology (or both). Soon after, in late 2016 when China's Fujian Grand Chip Investment Fund LP sought to acquire Aixtron, a chip manufacturing company and one of Germany's flagships in the high-technology sector, Berlin withdrew the clearance certificate. Similarly, France has seen major protests in its countryside over Chinese companies buying large tracts of agricultural land in
France to grow food for China's large population. However, China has been able to use come specific sectors like automobile and aviation, where countries like Germany and France have major stakes (through market champions like Volkswagen, Airbus etc.) to influence China policy in these countries.

These are not isolated instances of Chinese thrusts into high-end technological sectors. Some other key examples include Tencent Holdings' acquisition of Finnish gaming company Supercell (€6.7 billion), a Chinese consortium' 49 percent stake in the UK data center operator Global Switch (€2.8 billion); and Beijing Enterprises' purchase of German waste incineration and power generation company EEW Energy (€1.4 billion)—all in just 2016. Inflaming concerns that Europe was "sacrificing" its market champions at the "altar of free markets," such acquisitions are responsible for Germany's push for a comprehensive screening mechanism for foreign, primarily Chinese, investment. Further fuelling concerns is the prevalence of state-owned enterprises (SOEs) in these acquisitions. As of 2016, of the Top 10 Chinese acquirers who had dominated investments and mergers in Europe over the previous decade, 8 were state-backed enterprises.
Southern Europe

In 2018, Southern Europe constituted 13% of Chinese FDI into the EU\textsuperscript{11}. Chinese companies seem to have leveraged the economic crisis and its consequences to focus on large-scale privatization processes and post-crisis restructuring. Italy has been amongst the biggest benefactors of the same with a substantial rise in Chinese investments since 2014. At a time of increased tensions with the rest of the EU and the strains of its faltering economy, Chinese investment undoubtedly had a lot to do with Italy joining the BRI in 2019, the first G7 nation to do so. Similar was the situation in Greece where China has acquired the Piraeus port, Europe's largest passenger port. In Portugal too, China stepped in after the crisis in 2010, acquiring and investing in strategic assets such as electricity, transportation, oil, financial services, insurance, health, and real estate\textsuperscript{12}. In 2019, Portugal became the first eurozone nation to sell its debt in Chinese yuan\textsuperscript{13}. Acquisition of strategic assets and infrastructure seem to be the major trend of Chinese investment in Southern Europe.

\textbf{Splurging on Southern Europe}

Region has surpassed U.S. and the rest of Europe as destination for Chinese deals

\begin{itemize}
  \item U.S.
  \item Spain, Italy, Portugal, Greece
  \item Rest of Europe
\end{itemize}

\begin{itemize}
  \item $100B$
  \item $50B$
  \item $0$
\end{itemize}

\begin{itemize}
  \item 2008
  \item 2009
  \item 2010
  \item 2011
  \item 2012
  \item 2013
  \item 2014
  \item 2015
  \item 2016
  \item 2017
  \item 2018
\end{itemize}

Note: value of Chinese M&A, investments, and joint ventures in respective regions
Source: Bloomberg

\textit{Image Courtesy: Bloomberg}
These are also countries where Beijing has strategic interests. China has already acquired the Piraeus port in Greece and transformed it into a significant entry point for Chinese goods into Europe. Italy joining the BRI accords China considerable access into the Mediterranean. The Italian government has decided to grant a Chinese state-owned company, COSCO, access to two ports, including one used by the US Navy that is just 100km from NATO's largest airbase in the Mediterranean region. In Portugal, China has its eyes set on the Azores islands where it wants its own base in the Atlantic. Lisbon's finalization of the southern deepwater port of Sines, located at the juncture between the Mediterranean Sea and northern Europe, can provide for the intersection between the land and maritime routes of the BRI. Further, Lisbon's potential railway to Spain may allow intermodal connectivity with the rest of Europe.

**Central and Eastern Europe**

In the Central and Eastern European countries, ties with China have been considerably more institutionalized and cooperation is conducted through the 16+1 platform, a group of 16 Central and Eastern European nations (EU and non-EU members) who have endorsed the BRI. Among these countries, Hungary, Poland and Romania are the major destinations. The region has seen many infrastructural and developmental projects along the lines of transportation networks for the BRI and investment goals for further capital expansion across the EU. Nonetheless, this region constitutes a considerably lower proportion of Chinese investment in Europe (around 1.5% of total Chinese FDI in Europe, as of 2018). Another recent crucial development has been Greece's inclusion into this group, now officially the 17+1. Market-access is one of the motivations for acquisitions in the region while large-scale infrastructure projects and even traditional energy seem to be major sources of investment, possibly due to their presence on the Belt and Road trail. Cooperation between China and the Central and Eastern European Countries, or the China-CEEC, presents a platform for the smaller nations of Europe to engage directly with China. Most of the nations of these regions are too small to command China's attention all that much in bilateral relations as well as during EU engagements with China. Through the China-CEEC Forum many of these nations have had multiple direct interactions with Xi Jinping himself.

It is also important to examine the grandiose rhetoric around the China-CEEC group. Narratives on BRI investments in these countries are plagued by confusion and a
tendency towards inflated figures. Since media reports often use announced deals based on MoUs and expressions of interest, they often do not reflect actual projects on the ground. Very often, it is quite possible some of those deals do not materialize. Similarly, many projects are still awaiting completion. An example would be the Banja Luka - Mlinište Highway in Bosnia Herzegovina. The project and its $1.4 billion value was first widely reported in 2014 based on a preliminary agreement. However, four years later, the loan for the same was yet to be sanctioned from the Export-Import Bank of China.

Here it is also important to note how narratives propagated by the core countries of agency-less weaker economies also seem to be symptomatic of the core-periphery dynamics. Such a narrative makes it easier to justify the intervention of the stronger economies without really addressing the root of the issue. It is never a simple case of China buying influence, but rather heavily influenced by the calculations of host countries, its political elites, and the firms. More often than not, there is an identifiable commercial basis for the investment, even as the question of political and economic feasibility, or the lack of it thereof, varies. Subsequently, quite often, these projects are not "sure-shots" riding on the backs of endless Chinese money. Another example would be the Hungary-Serbia railway, mooted back in 2013, and published as the poster child of the 17+1 effort and the BRI in Europe, it has been much delayed. Such is the ground reality of a lot of 17+1 projects. A recent report on China's image in Greece by the Institute of International Economic Relations in Athens found that friendly views prevail but also that "talk of Chinese investment in Greece has been disproportionately more intensive than investment projects themselves. In other words, expectations may be on the verge of exceeding real developments."

Similarly, a MERCATOR study based in Serbia revealed that owing to a few high profile announcements, China was considered to be among the top 3 investors in the country over actual top investors like Germany. This is considered to be influenced by domestic factors like highly publicized announcements, political affinity, etc. and also outside factors like the rhetoric of EU politicians from the core.

Another crucial aspect here is that Chinese "investment" in the region very often refers to concessional loans from Chinese banks. This is money that needs to be paid back, with interest, whether the project proves profitable, even feasible, or not. They cannot
be compared to EU funds which are often grants, nor are they private direct investments as would be the image invoked in the grand narrative of "Chinese investments."

China has now become a potential factor to consider in the EU-expansion project. The increased involvement of the five non-EU Balkan nations has complicated their ascension talks with the EU. Since the non-EU Western Balkans do not possess the safety net of EU nations, there are concerns about them becoming Chinese trojan horses in the Union. The EU's concerns are not completely unjustified either. One of the five Balkan nations awaiting ascension, Montenegro, is one of eight nations that faces 'above-average' debt to China. Implications for the expansion project and the general geopolitics of the region has spread beyond the Balkans, too. Turkey, for example—a key nation next to Europe's borders and a potential, but highly unlikely, EU member. Turkey's increasing overtures toward the Shanghai Cooperation Organisation (SCO), a China-Russia centric security system, is raising concerns about its commitment to NATO and the transatlantic security cooperation regime. So far, China has not expressed any reservations about Turkey's EU-membership aspirations or NATO membership. However, Turkey's recent overtures towards a security system like the SCO, which has Russia as one of the key decision-making members, is likely to lead to a further cooling of relations with the EU. It would be difficult to reconcile Turkey's NATO membership with that of the SCO. The result would be a further dampening of any EU-accession talks. While China has remained cautious about its dealings with Turkey, it is increasingly clear that the SCO and the Eurasian security integration project it champions would prove a vital cog in any Chinese attempts to challenge the importance of US-led security alliances, crucially NATO.

Hence the strategy of Chinese investments in Europe seems diversified, with a focus on capital investments in the major economies and large infrastructure development projects in the smaller ones. This has resulted in significant concerns among the core nations regarding growing Chinese influence at the periphery. These include flouting of EU competition rules, potential over-borrowing by some of the states, the quality of construction, and in recent times, security concerns over high-speed 5G network technology supplied by Chinese companies. While the US has invoked a call for its allies to oppose China's 5G technology, Europe has so far mostly resisted American pressure to shut out Huawei from its market. Restricting Huawei is expected to cost Europe around $ 60 billion. Many, like Germany,
France, Portugal and a bunch of Central and Eastern European states, have demanded proof from the US regarding the alleged "backdoors" in Huawei's technology. Some like Spain and Monaco have been more accommodative of Huawei.

All this has resulted in a divergence in political posturing between the core countries and the peripheral ones that have close economic ties with China. A March 2019 meeting between Chinese President Xi Jinping, French President Emmanuel Macron, German Chancellor Angela Merkel, and European Commission (EC) President Jean-Claude Juncker was supposed to be about "making" China dispel ambiguities regarding the BRI and a stand against "Sino-globalization." However, what happened was Merkel stressing the importance of the BRI project, and Juncker saying that the "systemic rivals" status was a "compliment describing our shared ambitions." Germany's business elites' and the interest of its automobile sector overall is in siding with China. Duisburg, dubbed as “Germany’s China City” or “Xi Jinping’s gateway to Europe” is already considered the de facto top BRI terminal in northern Europe. The biggest inland port in the world, Duisburg is now the first European stopping point for almost 80% of all freight trains from China. Today, nearly 30 Chinese trains arrive every week at Duisburg, carrying all sorts of consumer goods from Chinese cities. Beset by high rates of unemployment and deindustrialization in the 1980s and 90s, Duisburg has slowly climbed back to a position of prominence as Europe's central logistical hub thanks to the BRI. France too walked away with deals worth over €40 Billion with China. Even though €30 billion worth of that deal was Airbus related, the remaining €10 Billion was still four times more than new BRI-signatory Italy got during that trip. As mentioned above, even now, the bulk of Chinese investment, mostly mergers and acquisitions and direct investments, are based in the big economies of Western Europe and the UK. These are the countries now calling for screening foreign FDI in the region- new legislation to establish a Common European Framework for Screening FDI (September 2018) which would stall possible investments in member nations if deemed dangerous by the body. The legislation focuses on strategic assets that are critical to European security and public order, including foreign acquisitions of critical technologies, infrastructure, or sensitive information. Many weaker economies such as Greece, Portugal, Cyprus-and some others have opposed this move saying it would hamper their ability to attract urgently-needed capital. Greece's Deputy Minister of Economy, Sergio Pitsiorlas, commented that "In the past, Greece has felt hypocrisy on the part of some international players who themselves accepted Chinese
investments." Hence Western Europe has considerably more resilience to China and can afford to play the hedging game between China and the US

**Role of rising Economic Inequality in Europe**

The root of current disaffections can be traced back to the 2008 recession and the Eurozone crisis. The Chinese entry into the weaker economies was facilitated by the debt-restructuring programs and tough austerity measures that were imposed on these economies by the EU, the World Bank, and the IMF ("the Troika"), as a conditionality for their bailouts. Governments were forced to sell off stakes across recession-hit sectors to make money available, and China had the money for it. The conditions also prompted the privatization of otherwise state-related industries like transportation and electricity, facilitating the Chinese acquisition of such critical sectors. These countries, and more recently Italy, have been resisting austerity and other fiscal rules of the EU that they feel are crippling their countries. Even in the economies of Central and Eastern Europe, investment sources became even harder to come by than it already was. Overall, the EU's insistence on neoliberal policies, and unwillingness to relax its fiscal policy hurt the smaller economies, which is when China entered with its investments.

Portugal, in particular, presents a compelling case. It did away with austerity measures, brought back pensions and cut taxes to encourage spending. Subsequently, Portugal went on to record its best growth figures from since well before the financial crisis. Portugal's resurgence has fuelled the flames of the debate raging in Europe regarding alternatives to the EU core's insistence on harsh austerity measures as the only way out of the region's economic woes. In Greece, the government was unable to recall the EU-imposed measures, resulting in years under austerity and widespread anti-EU and anti-German sentiment. A similar situation is currently panning out in Italy. This story is prevalent across the peripheral nations of Europe, and there seems to be a certain level of hesitation in Brussels to acknowledge it. These weaker economies are the countries which have seen a dramatic spike in populist tendencies, clearly driven by rising inequality in the region. Granted, the anti-EU solutions of some populist governments are short-sighted and pandering to vote-banks. Nonetheless, austerity has not worked for the weaker economies of Europe and Brussels' staunch support
of the same to the exclusion of all others, is only driving these nations further away from the EU.

As opposed to the waves of criticism that Italy joining BRI invited, hardly anything was said about Luxembourg signing the MoU to join the BRI. Luxembourg is a particularly small, landlocked country and cannot compare to the regional and political implications of Italy's inclusion. Nonetheless, one might imagine it had considerable symbolic value, Luxembourg being among the founding members of the EU, sharing boundaries with multiple major Western European nations including Germany, France, and Belgium, and the home country of the then sitting President of the European Commission. Such discrepancies are adding to the existing frustrations between Europe's core and periphery, especially with regard to relations with China. This is where factions are rising within Europe, and China has been able to exploit the situation to its advantage.

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### Balkans dominate in Europe's Belt and Road projects

<table>
<thead>
<tr>
<th>Country</th>
<th>Total infrastructure project value (2011-2019, US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bosnia and Herzegovina</td>
<td>$3,632</td>
</tr>
<tr>
<td>Serbia</td>
<td>$3,022</td>
</tr>
<tr>
<td>Albania</td>
<td>$298</td>
</tr>
<tr>
<td>Montenegro</td>
<td>$219</td>
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<tr>
<td>Croatia</td>
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<td>Romania</td>
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<td>Slovenia</td>
<td>$15</td>
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<tr>
<td>Czech Republic</td>
<td>$0</td>
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<tr>
<td>Hungary</td>
<td>$0</td>
</tr>
</tbody>
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*Includes Chinese investment in the transport and energy sectors in 16 + 1 countries
Source: CSIS
© FT

*Image Courtesy: Financial Times*

Chinese investments in many of these recovering economies, especially, Portugal, Greece, Hungary, Italy, etc. have led to factionalism within the EU, especially regarding China, manifesting on the global and EU stage. All four, among some other free trade champions in northern Europe, opposed the EU move to bring about the FDI screening mechanism. Italy, which under the previous government, had championed the FDI Screening legislation, was one among the only two nations to oppose even the diluted version of the screening mechanism that made it to the vote. Countries like Greece, Hungary, etc. have been taking softer stances regarding China even on a global stage. Recent examples include Greece and
Hungary blocking an EU statement against China's claims in the South China Sea and Greece not joining an EU statement against China's human rights infringements in Xinjiang. While such events are fuelling concerns over Europe's influence on the global human rights regime and the wider international norm system, the hard truth is that the weaker economies of Europe have different concerns than those of the core. Hence, the associated realpolitik follows. Owing to the fairly unique exercise in institutionalized regionalism that is the European integration project, Europe (represented by the EU) has more obligations towards its member states, rich and poor, than any other region. The traditional dividing line in the EU used to be broad categories of Northern-liberal and Southern-protectionist. The latter used to favor a harder stance regarding China, but that has all changed since the crisis.31

In the political space too China seems to traverse traditional party lines. While right-wing governments in the region are generally associated with aligning with China, in countries like Greece and Portugal, it was leftist governments who actively favored relations with China. Considering the increasing anti-globalization and nationalist rhetoric peddled by many of the far-right, one would expect them to be in opposition to China, the new poster-child of the Davos club (even while it curbs international free trade norms in its domestic market).32 While prominent right-wing elements in France and the UK have been critical of China, in countries like Poland and Hungary, the right-wing parties and governments have actively sought ties with China.33 The latter seems motivated by the easy money, access to Asian markets and find in China a willing partner and leverage against Brussels.34 Countries like Hungary, Spain, etc., which otherwise maintain an actively anti-immigrant rhetoric, have made use of their Golden visa policy to attract wealthy Chinese immigrants.35

Another crucial aspect is China's BRI and its "open to all" pitch. Any country can join the BRI, as opposed to the scrutiny into governance, law and order, and human rights standards that the EU and other Western international institutional grants require, often disqualifying many governments or setting conditionalities they are not keen on. Now there rising resentment even in the richer economies, fuelled by the perception that their tax money is being used to subsidise the incompetence of the poorer economies. This could only further negatively impact EU money going into the weaker economies, pushing them further towards Chinese money.
Conclusion

Chinese FDI still constitutes only a fraction of the overall FDI composition in the EU and is considerably dwarfed by US and EU cross-border investments. Further, since the highs of 2016, there has been a general decreasing trend in Chinese FDI in Europe. This is, however, not particularly unique to Europe since there has been an overall dip in outflowing Chinese investments. The newly established screening policies that have raised the bar for Chinese acquisitions of European companies are sure to have had some role to play in it\(^{36}\). This is contrary to the larger media narrative, which often inflates the reality of Chinese presence in the region for the sake of reactionary policies\(^ {37}\). While the concerns regarding debt trap are not unjustified, there is sufficient reason to expect China to tone down its machinations since it has already come under intense global scrutiny after the experiences of countries in even less secure regions than the EU like South Asia and Africa. In light of many countries actually backing out of BRI projects citing its inviability or infeasible costs, and the new investment screening mechanisms in the EU, China is likely to proceed with even more caution in the region\(^ {38}\). Owing to the peculiar model in which China practices its foreign policy, many of Europe's peripheral nations seem to be crucial stakeholders in its exercise of 'sharp power', a mixture of soft power and political influence. However, without addressing the inequities within the EU, China will only become yet another area where factionalism manifests further.
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