What happens when Chinese firms invest in European infrastructure?

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For decades China was relatively isolated from the global economy and considered to be a ‘developing’ as opposed to a ‘developed’ country. But as China’s economy has evolved, it has shed its developing’ country label. Chinese firms are increasingly sophisticated and operating in hi-tech sectors like electric vehicles and artificial intelligence. Chinese financial institutions have amassed significant surplus capital, and so we have seen Chinese businesses investing more and more in developed regions of the world like Europe (Kratz et al., 2020), particularly in major infrastructure projects such as railways, airports and IT networks.

The internationalisation of China’s businesses has been accompanied by the growing political influence of the Chinese state. These economic and political strategies come together in endeavours like the Belt and Road Initiative (BRI), which is a massive infrastructure investment programme by the Chinese government that traverses land and sea in order to increase the connectivity of the country to South Asia, East Africa, Central Asia, and Europe. As China’s influence grows, some see a threat to the established global powers and the world order more generally. Indeed, some even go so far as to talk of a ‘new cold war’ (Brands & Gaddis, 2021) that pits China and the US against one another in a quest for global supremacy.

While the apocalyptic tones of a ‘cold war’ are overblown, such tensions came to a head when the Chinese ICT firm Huawei was ejected from the UK’s 5G infrastructure roll-out in 2020. The rationale for this move was the potential security threats that a large Chinese firm, with connections to the Chinese state, posed for Britain. Other countries, like Germany and Greece, had raised similar concerns about Huawei as well as other Chinese investments in what are called ‘critical’ infrastructures. As such, an infrastructure project provides one lens for looking at how the global order is changing.

How can we understand these global shifts? Who stands to benefit, and who stands to lose from these seismic economic and political changes? The five-year ERC-funded project entitled Reorienting Development: The Dynamics and Effects of Chinese Infrastructure Investment in Europe (REDEFINE) seeks to answer these pressing questions.

Does China have a strategy in Europe? How are the European Union and its peripheries responding to growing links with China? Do individual countries benefit from Chinese investment in their infrastructure?

REDEFINE uses these insights from international development studies to analyse what happens when Chinese
backed infrastructure investments occur in Europe. While the BRI is about using Chinese capital productively and laying the foundations for future economic linkages, many European economies have stagnated following the 2008 financial crisis, with governments cutting infrastructure investment and seeking alternative sources of finance. China now sees Europe as fertile ground for new infrastructure investment, yet as the Huawei controversy highlighted, many European firms and governments are ill-equipped to deal with these political and economic changes.

Even though the BRI appears as a grand strategy on the part of the Chinese state, it is in fact much less coordinated than many assume. As such, REDEFINE will take a disaggregate approach to unpack project-by-project effects. Through comparative, ethnographic case studies in the UK, Germany, Greece and Hungary, REDEFINE will produce fine-grained analysis to understand the rationales for Chinese investment in Europe, the geopolitical dynamics surrounding these financing streams, the structuring of projects, and how they interface with national and local development policy. By better understanding how investment deals operate, REDEFINE hopes to connect Chinese and European governments and corporate actors in order to influence their strategies and practices.

To interrogate the global connections around infrastructure projects, REDEFINE will use process tracing (Bengtsson & Runnavaara, 2017), where the focus is on particular projects. Through thick description, we identify key actors and outcomes then track back to see whether they were linked through specific causal relationships. This approach requires prolonged, systematic engagement with various stakeholders in collecting a large amount of mainly qualitative data.

All of REDEFINE’s cases concern major infrastructure investments above €100 million and include large real estate and urban regeneration projects, alongside those more usually considered infrastructure (e.g. railways, ports). REDEFINE focuses on the interconnections between China and Europe, as well as how wider connections, notably the changing role of the USA, play into these. But it also differentiates between countries that China uses with along different development trajectories; notably, Central and Eastern European countries are quite distinct from those industrial and post-industrial economies in North-Western Europe.

The selection of case studies—UK, Germany, Greece and Hungary—captures this variegated economic geography and the different rationales on the part of China. The table shows that two projects per country have been selected as exemplars of the predominant relationship between that country and China. Not all these projects are running as smoothly as initially planned, but REDEFINE is not just interested in ‘successes’ and will track all these projects to examine why some either ‘fail’ or go in different directions to the original plans.

The research team comprises four post-doctoral researchers, each with a responsibility for leading a country study and up to 10 students. Fieldwork begins in Spring 2022 and will run for two years.

For more information on the team, our case studies and all REDEFINE’s progress, visit our website or follow us on Twitter @REDEFINE.

The REDEFINE project is structured around three broad themes:

**Theme 1: Driving**
Understanding the motives for China’s move westwards and Europe’s infrastructure needs

China has increased investment and trade with resource-producing countries, but Chinese firms are also seeking technology, know-how and international business experience. REDEFINE aims to better understand the range of Chinese companies operating in Europe, assess their business models, and track China’s changing policy environment that shapes their internationalisation.

**Theme 2: Gathering**
Understanding the multi-scaled modalities of infrastructure projects

China’s involvement in Europe will include both state-sponsored investment vehicles and corporate and private sources of investment that tend to be less regulated. REDEFINE focuses on the nature and experience of these partnerships between Chinese and European firms and the engagement of Chinese investors with national state agencies at local, regional and national levels.

**Theme 3: Linking**
The outcomes of and reactions to Chinese investment

As recent EU policy has acknowledged, regulation of Chinese investments is critical given a range of concerns around financial probity, security, intellectual property and standards. Other outcomes are linked to analysing regulation, so REDEFINE aims to assess a range of issues, including economic localisation, regulation, political resistance and broader changes in identity.

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### Country/Project | Chinese investor/s
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Royal Albert Dock, London | Advanced Business Parks & CITIC
Airport City Manchester | Beijing Construction Engineering Group
EEW Energy from Waste GmbH | Beijing Enterprises Holdings
Pearson Port Authority | China Three Gorges International Co.
Hellenikon Airport | Fosun Group
Belgrade-Budapest Railway | China Railway International Corp.
Huawei's European Logistics Centre | China’s leading energy-from-waste firm. The acquisition gives EEW access to the lucrative Chinese market.

**References**


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