Is Europe going cold on Chinese infrastructure investment?

Is Europe’s appetite for Chinese investment diminishing? How are geopolitical tensions affecting China’s inward investment into Europe?

**REDEFINE’s aim**

The REDEFINE project, funded by the European Research Council, set out in November 2020 to analyse the drivers, mechanisms and outcomes of Chinese infrastructure investment into Europe. Since the global financial crisis of 2008, China’s outward investment into Europe has grown substantially across a range of sectors, but one of the most important was large-scale infrastructure such as roads, railways, ports and energy networks. Reaching a peak in 2016–17, this investment was generally welcomed but raised concerns about whether such projects were leading to undue influence by China in the political and economic affairs of European countries. Such concerns have grown in the past five years, which has affected the implementation of some of these projects, and in this article, we outline how these wider factors have impinged upon REDEFINE’s case studies. Crucially, when we talk about both ‘China’ and ‘Europe’, we are not discussing homogenous entities with singular voices but multiple actors spread across public and private realms and working across different scales. To capture such complexity and dynamism, REDEFINE chose four European countries—the UK, Germany, Hungary and Greece—and selected two case study infrastructure projects in each. We also selected different types of infrastructure projects—energy, ports, regeneration, railway and telecommunications—which involve a range of Chinese actors, from large central state-owned enterprises (SOEs) to provincial-level SOEs, as well as private multinationals.

**Case studies**

<table>
<thead>
<tr>
<th>Country/Project</th>
<th>Chinese investor/s</th>
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<tr>
<td><strong>Case study 1: UK</strong></td>
<td>real estate &amp; critical infrastructure</td>
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<tr>
<td>Royal Albert Dock, London.</td>
<td>Advanced Business Parks &amp; CITIC. Aims to be London’s ‘third business district’ and as a gateway for other Chinese firms. Deal signed in 2013 but went into receivership in early 2022 with only one phase completed.</td>
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<tr>
<td><strong>Case study 2: Germany</strong></td>
<td>‘green’ technology &amp; logistics acquisitions</td>
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<tr>
<td>EEW Energy from Waste GmbH</td>
<td>Beijing Construction Engineering Group International is building offices, hotels, manufacturing and logistics facilities, and retail space. Hailed by President Xi as the ‘first major infrastructure project in the UK with the involvement of a Chinese company’.</td>
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<td>Duitsburg Gateway Terminal</td>
<td>In 2019 it was originally slated for completion in 2023. In addition to the Duisport GmbH, the project partners include COSCO Shipping Logistics, Hopsc SA and the HTS Group. In October 2022 COSCO withdrew in uncertain circumstances.</td>
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<tr>
<td><strong>Case study 3: Greece</strong></td>
<td>privatisation of state-owned assets</td>
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<tr>
<td>Piraeus Port Authority</td>
<td>In 2016, COSCO bought a majority stake in Piraeus Port in an agreement with the Hellenic Republic Asset Development Fund. Piraeus is the only European port where a Chinese shipping company runs the port authority, and it plays a vital role in BRI.</td>
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<tr>
<td>Hellenikon Airport</td>
<td>Fosun Group initially agreed €200 million of the €915 million. The project is one of the biggest in Europe and will help Greece meet its privatisation targets set by lenders, although Fosun recently withdrew.</td>
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<tr>
<td><strong>Case study 4: Hungary</strong></td>
<td>strategic transport infrastructure</td>
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<tr>
<td>Belgrade-Budapest Railway</td>
<td>Tender given to Hungarian-Chinese joint venture of MAV Zrt. with China Railway International Corp. and China Railway International Group, with China Exim Bank contributing 85 per cent of $1.5 billion financing. Progress has been slow.</td>
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<tr>
<td>Huawei’s European Logistics Centre</td>
<td>In 2009 Huawei set up its logistics centre in Hungary, which is the biggest operation of its kind in Huawei’s global production network. The firm focuses on manufacturing and logistics and may invest a further $1.5 billion.</td>
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From desktops to boots on the ground

To analyse these projects, we adopted an assemblage approach which seeks to understand the actors involved in these projects, to analyse the projects’ ‘emergence’ over time and to focus on the interactions between the human actors and the materiality of the infrastructures involved. To capture the temporal and causal dynamics, we married this with process tracing (Bennett and Checkel, 2014), a methodology that captures the unfolding of events, focusing on critical junctures and the causality that may or may not link them.

Our starting point was desk-based research, where we gathered information from publicly available documents. This can get quite detailed as you dig into things like the minutes of planning committees or the Facebook pages of community organisations. These desk-based reviews helped us identify the projects’ timelines, the key actors and critical junctures, and where there were gaps in our knowledge that we needed to fill in our qualitative interviews. From there, we began visiting the project sites and putting our boots on the ground to find out what was happening. This involves a mix of seeking formal interviews with key actors, informal discussions with experts, and ‘hanging out’ at project sites to gain an insight into what is unfolding. As with any research, some cases have been easier and more successful than others, but we have...
made progress on all of them.

**The geopolitics of investment**

As we noted, Chinese inward investment reached a peak in 2016–17. The Mercator Institute for China Studies (MERICS) provides regular updates on investment flows between China and Europe and vice versa and has tracked a multi-year downward trajectory (Kraet et al. 2022) in investment from China to Europe but an increase in geopolitical forces interact. In our cases, shifts have affected some of the projects that REDEFINE is analyzing. Importantly, national and sub-national governments filter and shape how localised projects and geopolitical forces intersect. In our case studies, so national leaderships have remained ‘pro-China’ whereas others have waned in their enthusiasm for Chinese Investment (Barkins, 2021; Barkö, 2022; Seaman et al. 2022).

In the UK and Germany, the positive attitude to China has shifted as being more neutral or negative. Our UK cases were similar in that both were initially about building business parks in two major cities—London and Manchester—which were designed to attract other Chinese businesses and so set up virtuous relationships between the UK and China. Both projects were agreed upon during the so-called ‘Golden Era’ between China and the UK, before the current Prime Minister has recently declared as officially over (BBC, 2022). Yet these two projects have gone in quite different directions even though they share some commonalities. The Royal Albert Dock (RAD) project hit major problems and has not been completed while the Manchester project has been removed from the project and the development being put into receivership. The reasons for this failure are complex, as there were many factors such as restrictions from the local government in Manchester (People’s Republic of China, 2017). The COVID pandemic came, reducing investment globally and slowing Chinese economic growth. China’s flagship infrastructure programme—the Belt and Road Initiative (BRI)—which was launched in 2013 and has been a major impetus behind infrastructure investment from 2013–2017, has had mixed results and some criticism both within China and from recipient states. As such, there is less of a focus by China on the BRI and more on high quality infrastructure investment in line with the country’s industrial strategy (Guo, 2019; Xinhu, 2021) and tourism by a new programme called the Global Development Initiative (Global Times, 2022).

By contrast, our case studies in Greece and Hungary are progressing, albeit slowly. Both countries, for different reasons, have remained pro-China despite waning support on the ‘Golden Era’. In Europe, Hungary’s eastern turn was built on good relations with China dating back to the Soviet era but lately have been a cornerstone of China’s to become public news in October 2022 (Raimondi, 2022). As we write this, the COSCO investment in Hamburg Port is also under review, and China has had its investment limited down to 10.1 per cent to 24.9 per cent, with Green Party leaders publicly censure the deal.

In Greece, our main case is the Port of Piraeus, near Athens. This has been a high-profile and controversial project partly due to its scale, strategic native in the Eastern Mediterranean and its contribution to logistics corridor from China to Eastern and Western Europe. Again, COSCO is the lead Chinese firm and has a lease on a container terminal but has ambitions plans for a major transformation of the whole port and a series of linked businesses such as ship repair, cruise ships and hotels. The latter plans have been rebuffed for a major of environmental impacts and loss of Greece’s heritage, so we will watch with interest whether these plans are revised in the future. Greece remains positive towards Chinese investments despite pressure from the US and EU to reduce its ties with China.

**Conclusion**

REDEFINE is going well, and our data collection is proceeding but where we see more localised controversies—respondents are understandably more reluctant to speak to us. What we have seen emerging over the past few years is the influence of geopolitics on the ways in which countries and projects relate to Chinese actors. While these geopolitical tensions are important, they cannot, we think, explain by themselves the progress of projects which come down to complex assemblages of actors, interests and processes. Only through boots-on-the-ground research can we begin to uncover this complexity unfolding at and across different geographical scales. Through our fieldwork, we are beginning to discern some interesting cross-cutting themes, such as the longer histories of interventions, the longer-term effects, and what it means for societies and communities affected by such investments.

**PROJECT NAME**

Reorienting Development: The Dynamics and Effects of Chinese Infrastructure Investment in Europe (REDEFINE)

**PROJECT SUMMARY**

REDEFINE will examine what China’s rise means for how we understand global development and, specifically, Europe’s place in it. REDEFINE aims to use the insights from international development to interrogate Chinese engagement in the heart of Europe and, by doing so, reorient the study of China-Europe relations in the sciences around how we define and delimit development, which drives these processes and what it means for societies and communities affected by such investments.

**PROJECT LEAD PROFILE**

Giles Mohan is Professor of International Development at the Open University. He has held various academic posts over the past 30 years and has an area specialism in West Africa. Giles’ recent work has addressed China’s engagement with Africa supported by a series of targeted grants from the UK’s Economic and Social Research Council. REDEFINE builds on this Africa work to track the implications of Chinese investment in Europe.

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