How are Chinese investments in Europe shaped by the ‘de-risking’ narrative?

In the aftermath of the Global Financial Crisis, the EU largely welcomed Chinese investments as a driver of growth and employment (The Economist, 2018). However, as Chinese investments into Europe reached a peak of €37.3bn in 2016 (Kratz *et al.*, 2023), concerns began to emerge about the potential security risks associated with these investments. Countries like Germany and France started questioning whether the benefits of Chinese investments outweigh the risks, leading to a shift in the EU’s stance towards China, now categorised as a ‘systemic rival.’ As a result, the EU has embarked on a quest for a new China strategy.

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Against this backdrop, REDEFINE investigates the drivers, processes and outcomes of Chinese infrastructure investments in Europe, focusing on eight ongoing and failed projects in Germany, Greece, Hungary and the United Kingdom. While previous REDEFINE reports highlighted various factors influencing the success or failure of these investments, the de-risking agenda initiated by the EU is likely to have an increasing impact on these projects.

Defining de-risking

In 2023, European Commission President Ursula von der Leyen introduced the concept of de-risking as a cornerstone of the EU’s new strategic approach to its complex interdependencies with China. This approach involves a two-pronged strategy encompassing diplomatic dialogue and economic measures to safeguard Europe’s interests. As von der Leyen (2023a) stated, "[m]anaging this [China-EU] relationship and having an open and frank exchange with our Chinese counterparts is a key part of what I would call the de-risking through diplomacy of our relations with China. … This is why, after de-risking through diplomacy—the second strand of our future China strategy must be economic de-risking."

De-risking entails diversifying supply chains, enhancing regulatory standards, investing in strategic autonomy and strengthening partnerships to mitigate risks without severing economic ties. This approach allows for engagement with global markets, including the Chinese, while addressing vulnerabilities in critical sectors like technology, infrastructure, and energy (von der Leyen, 2023b). Reflecting the importance of this strategy, the G7 officially endorsed de-risking as a strategic approach in its 2023 *Leaders’ Communique*, underscoring the imperative to bolster economic resilience and security amid geopolitical tensions and supply chain vulnerabilities. Despite the lack of an agreed supranational strategy, a consensus on de-risking has emerged among several European states. At the same time, national and subnational responses have varied.

Case studies

REDEFINE’s case studies help us understand these dynamics and the tensions between different levels of government and different actors. Let’s look at some of our case studies: COSCO’s investments in Germany and Greece. As noted, the absence of a coordinated EU-wide approach to de-risking has resulted in member states adopting different strategies when dealing with Chinese investments. Here, we examine three case studies of COSCO’s investments in Germany and Greece, highlighting the contrasting experiences and outcomes in each case and reflecting the diverse national responses to the de-risking agenda.

In Germany, where regulatory scrutiny in critical sectors such as technology, manufacturing and infrastructure has increased, COSCO’s involvement in port operations has prompted a backlash. The key case is the agreement for COSCO’s 35 per cent stake in the container terminal Tollerort at the Hamburg port, which is owned by Hamburger Hafen und Logistik AG (HHLA). This agreement led to tensions between HHLA and the Hamburg government (both of whom favoured the investment) and the federal government, as well as within the governing three-party coalition regarding security issues. The situation was further complicated when the German Federal Office for Information Security designated Tollerort as critical infrastructure in 2022. In November 2023, after extensive negotiations, the German federal government approved a compromise, restricting COSCO’s share to 24.9 per cent and denying COSCO any access or decision-making authority regarding the operation of the terminal, all

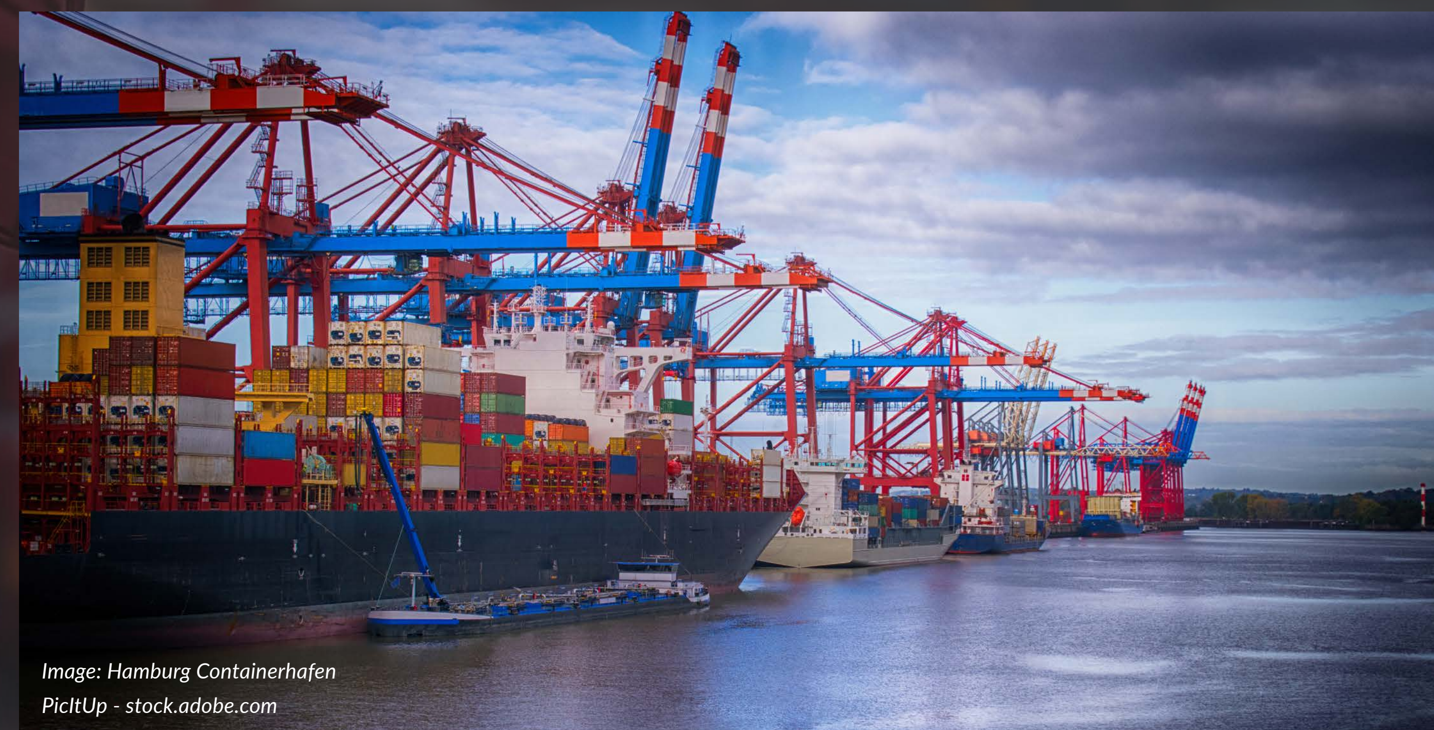
Image: Hamburg Containerhafen
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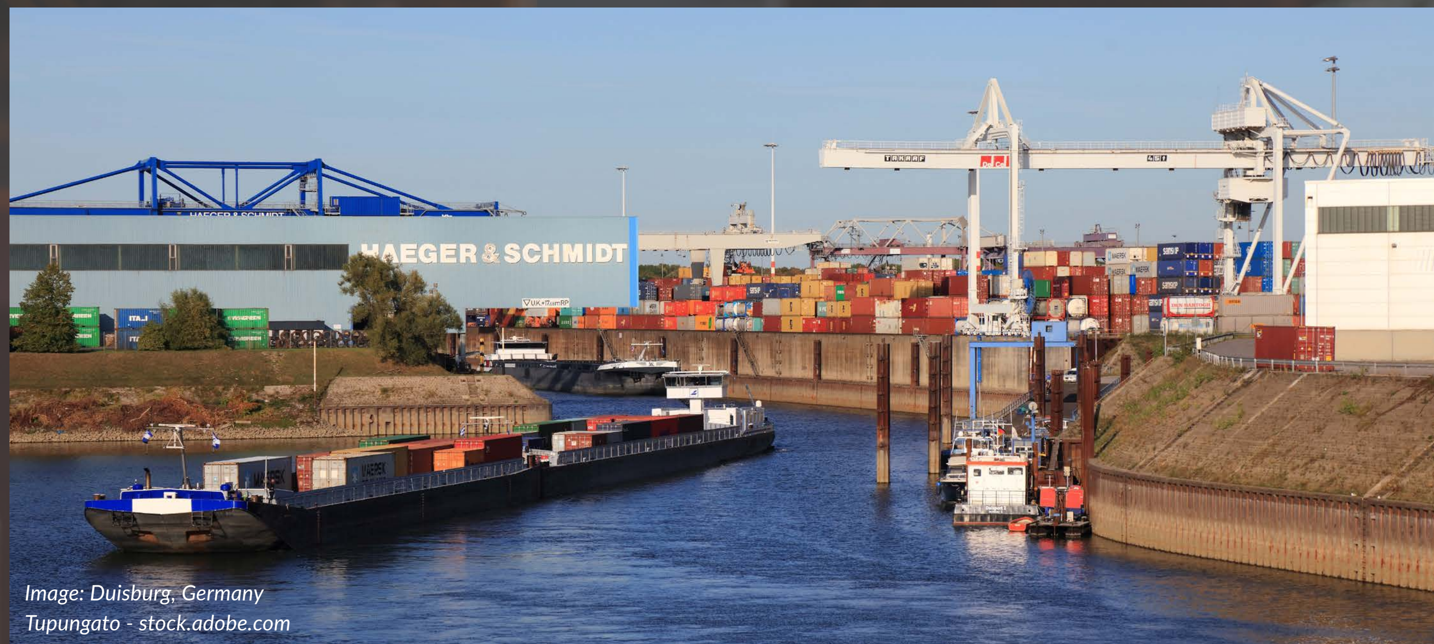

Image: Duisburg, Germany
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customer relationships and the centrally controlled IT system (Hamburger Hafen und Logistik AG, no date).

Similarly, in the case of the Duisburg Gateway Terminal (DGT), a container terminal at the inland port of Duisburg, COSCO sold its 30 per cent share to the port operator (Duisport) in June 2022. COSCO's divestment was only disclosed in October 2022, although the details surrounding the reversal of the deal, including the role of different parts of government and corporations, remain unclear.

In contrast, COSCO's flagship investment in the port of Piraeus did not face similar opposition in Greece. De-risking has not influenced political debates in Greece so far, even amid broader European concerns regarding strategic dependencies on China. The Greek government intends to remain on good terms with China, expecting economic gains from further foreign direct investments (FDIs). As a result, COSCO, which controls 67 per cent of the Piraeus Port Authority, continued to secure endorsement for its master plan to expand the port in January 2023, which had been contested by local governments, residents and civil society organisations.

The case studies illustrate the markedly different outcomes that can arise when EU member states navigate the de-risking agenda. Germany's increased scrutiny and opposition to COSCO's investments in the Tollerort and DGT stand in stark contrast to Greece's continued receptiveness to its investment in Piraeus. There are several factors that shape individual member states' responses to Chinese investments in the context of de-risking.

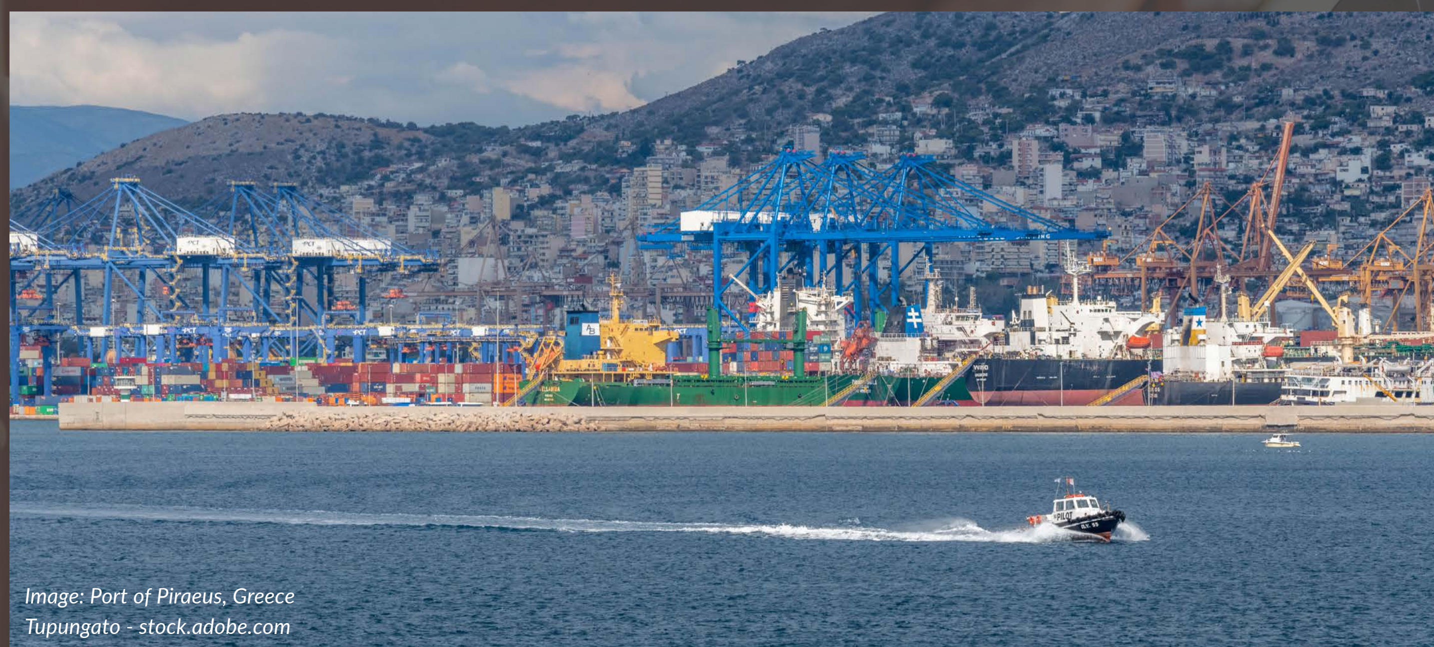
Image: Port of Piraeus, Greece
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National responses to the re-risking strategy

As indicated previously, while the European Commission has introduced the concept of de-risking, its implementation has been left to the discretion of individual member states, which may have different understandings of the concept, its importance and the strategies for its implementation. For instance, Greece remains one of the few EU countries without a foreign investment screening mechanism to ensure that new investments do not pose risks. This is not directly related to China, but a result of the country's eagerness to attract FDI following the 'Greek debt crisis' of the 2010s.

Meanwhile, state responses may differ depending on the possibilities they have for the diversification of investments because of their timing or size. Certain investments, like COSCO's investment in Piraeus, seem 'too big to divest', given their longstanding presence and strategic importance in China's growth strategy or the absence of alternative investors. Additionally, tensions may arise between governments at different levels over the desirability of FDI, given the poor integration of subnational levels to national strategies. It is at the local level that investment projects take place and where things like employment and local multipliers, as well as potential negative externalities, are felt.

Furthermore, other factors such as external pressures from the EU and the US, political ideology and national security concerns also shape the degree of openness or resistance to Chinese investment, resulting in diverse responses from different states to the de-risking agenda. The US has been vocal in its concerns about Chinese investments in Europe and has pressured European countries, in collaboration with the EU, to adopt more stringent screening measures. These efforts have contributed to the development of the proposed EU FDI Screening Regulation, which would introduce mandatory screening in all member states, thereby ensuring that investments in critical infrastructure align with EU standards and goals for strategic autonomy. Mirroring this, companies will have to re-evaluate their investment approaches and adapt to diverse regulatory environments, modify their tactics to secure market access, or, in some cases, abandon certain markets altogether.

Data collected by REDEFINE provides details on the disconnect between central and local state levels with regard to the need for FDI and the evolving de-risking agendas. However, more is needed to gain a multi-level, multi-scalar understanding of the investment and geopolitical landscape, as Europe and the USA respond with their own infrastructure programmes.

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Development · Infrastructure · People

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 Eurocentric debates in the social sciences around how we define and delimit development, who 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 UK 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 large grants from the UK's Economic and Social Research Council. REDEFINE builds on this China-Africa work to track the implications of Chinese investment in Europe.

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FUNDING

This project has received funding from the European Research Council (ERC) under the European Union's Horizon 2020 research and innovation programme under grant agreement No. 885475.