# Chinese investment in Europe in the Age of Brexit and Trump – Specificities and implications

Wednesday 25 October 2017, by GUERRERO Dorothy Grace (Date first published: 18 September 2017).

**Chinese investments in Europe have surged in recent years, totaling €35 billion in 2016. This paper examines the nature and scope of Chinese investments, how investments in Europe differ to those made in the Global South, why the Chinese state is interested in investing in the Europe and the implications for social movements committed to social justice.**

A new era in global capitalism is now taking place: the era of Chinese capital and it is increasingly enveloping Europe and other advanced economies. On 14 May 2017, Chinese President Xi Jinping addressed 1,500 delegates, including 29 heads of state and officials from 70 countries and international organisations, at the Belt and Road Forum for International Cooperation in Beijing. The summit was the global unveiling of China's multibillion dollar Belt and Road Initiative (also known earlier as the New Silk Road and One Belt, One Road project), a hugely ambitious foreign policy and infrastructure enterprise that will connect Asia to Europe and beyond.

In his speech addressing the world's elite, Xi strongly defended free trade and urged the world to say "no to protectionism". A few months earlier, he also surprised many when he said the same message at the World Economic Forum in Davos, an annual meeting attended by the world's most powerful and influential people. In the wake of the UK withdrawal of membership from the European Union and Donald Trump's unilateralist and more inward-looking US policies, China, which will celebrate the 100$^{th}$ year anniversary of its Communist Party in 2020, looked to be filling the void, emerging as the new champion of globalisation.

When China joined the World Trade Organisation in December 1991, economists predicted that it would be the world's largest economy in the 21$^{st}$ Century. It is now the world's second biggest and the breath and scope of what it achieved, in less than three decades of economic liberalization and global trade integration, is simply staggering. Understanding China's growth model, the challenges it has surpassed and continues to wrestle with, and the driving force behind its overseas foreign direct investments (OFDI), especially in terms of energy development in this era of neoliberal globalisation and runaway climate change, is important as it will significantly impact policy configurations everywhere.

We have indeed reached a multipolar world wherein new powers led by China have emerged to become key global decision makers regarding politics, trade, investment, finance, security concerns, environmental protection, human development, etc. Like the movement of capital during the period of colonialism, early Chinese investments focused first on energy and natural resource assets in developing countries. Unaccompanied by territorial occupation and forced alteration of cultures, Chinese capital found very welcoming destinations in developing Africa, Latin America and Asia. Chinese largesse competed with developed countries' aid and investments, which traditionally dominated growth creation and wealth accumulation in developing countries.

When China's state-owned and private companies started to invest in developing countries, criticisms and scepticism from the West thrived about China's role as a new superpower, questioning its partnership and support for dictators and oppressive governments in exchange for minerals and energy resources; notwithstanding the fact that Western powers did that too. Questions about whether China is a new imperialist or a sub-imperialist power out to enrich itself at the backs of poor people or if it simply wanted to strengthen its own global economic and political influences were raised in literature that examined China's rise as well as the new formation called BRICS of China together with other emerging economies Brazil, Russia, India, and South Africa.

China observers are now highlighting China's debt-diplomacy in their criticism. The bind between China and the recipients of its investments and economic support is no longer limited to economic partnership and assurance of supply of resources and raw materials to the Chinese economy. It is also extending to securing China's political interests in global governance and decision-making processes. This per se is not necessarily bad as it is a part of realpolitik that new players will create new dynamics in global power structures and political architecture. However, if it is increasing global inequality, poverty and social injustice and undermine further the already weak social, labour and environmental standards, it is necessary to ask if China's increased power is a force for good or not and whether foreign investments in general provide a positive contribution to economies.

Europe has also welcomed Chinese investments with open arms, especially after the global financial crisis and plunging Eurozone economic growth. During the capital flight from Europe in the worst days of the sovereign debt crisis between 2008 and 2013, Chinese state-owned enterprises (SOEs) took the risk and entered European markets, pumping in investments and buying formerly national companies that were privatised. State-owned Chinese companies are the vanguard of China's outward investment. A recent Deutsche Bank study show that state-owned businesses accounted for 78 per cent of investments in Europe between 2008 and 2013.

What encouraged this shift in Chinese OFDI policy and what are the implications for policy in host European countries and global markets? Will Europe's attractiveness to Chinese investments be affected by Europe's new realities, especially the United Kingdom's withdrawal from the EU (from here on Brexit)? What are the global ramifications if this happens or does not happen? What is the difference between Chinese investments in Europe and in developing countries? How should we understand China's new leadership role in the global political economy and is it possible for progressive movements and civil society organisations to influence it?

*To download:*

Full working paper: Chinese investment in Europe in the Age of Brexit and Trump(pdf, 799.65 KB). Average time to read: 20 minutes

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* TNI. 18 September 2017:
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