



EUROPE: AN ATTRACTIVE REGION FOR CHINESE INVESTMENT

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China's reform and opening-up policy has led to its economic integration with the community of international partners. China has tended to invest in developing countries rich in natural resources through infrastructure projects and others in exchange for access to natural resources and new markets. This development policy has proven successful due to the large Chinese economic expansion towards many regions and the establishment of economic partnerships. After China's accession to the World Trade Organization, it opened more to developed countries, especially Europe. China aimed to reach a large and developed international market and to cooperate with the Europeans in order to develop the telecommunications and industry sectors and take advantage of modern European technologies. The strategic importance of this partnership increases with the launch of the Belt and road initiative, as Europe has a geostrategic position along the initiative. This paper discusses the issue of Chinese direct foreign investment toward Europe, analyzes the Sino-European economic cooperation, and points out the motives of both parties to move forward with this partnership.

Keywords: foreign direct investment; Sino-European relations; economic cooperation; Chinese expansion; win-win situation.

ЕВРОПА: ПРИВЛЕКАТЕЛЬНЫЙ РЕГИОН ДЛЯ КИТАЙСКИХ ИНВЕСТИЦИЙ

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Политика реформ и открытости Китая привела к интеграции страны в мировое экономическое сообщество. Китай предпочитает инвестировать в инфраструктурные и другие проекты развивающихся стран, богатых природными ресурсами, в обмен на доступ к последним, а также к новым рынкам. Такая политика развития оказалась успешной благодаря значительному экономическому присутствию Китая во многих регионах и установлению экономических партнерских отношений. После вступления во Всемирную торговую организацию Китай стал более открытым для развитых стран, особенно для Европы. Государство стремилось выйти на международный рынок и сотрудничать с европейцами для развития телекоммуникационного и промышленного секторов и использования преимуществ современных западных технологий. Значение этого партнерства возрастает с запуском инициативы «Один пояс, один путь», так как Европа в ней занимает геостратегическое положение. В исследовании рассматривается вопрос о прямых иностранных инвестициях Китая в Европу, анализируется китайско-европейское экономическое сотрудничество и перечисляются мотивы обеих сторон продвигать партнерство.

Ключевые слова: прямые иностранные инвестиции; китайско-европейские отношения; экономическое сотрудничество; китайская экспансия; беспроигрышная ситуация.

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Introduction

China has achieved an economic miracle and turned into an unstoppable cross-border economic power. The reform and opening-up policy has strengthened China's international economic and political role. According to the data of the Chinese Ministry of Commerce (MOFCOM) and Rhodium Group, China is a huge investment partner for Europe. The country puts huge sums in the foreign direct investment (FDI) toward Europe, despite some ups and downs affected by the international economic situation, but Europe remains an important economic partner for China. These investments are expected to increase with the introduction of the Belt and road initiative (BRI). According to the statistics of Rhodium Group in the figure below, Chinese foreign investment towards Europe reached its peak in 2016 with a rate of 37.3 bln US dollars. Chinese FDI towards Europe declined sharply between 2017 and 2019. In 2019, Chinese investments recorded 11.7 bln US dollars, equivalent to the Chinese investment for 2012. The Chinese FDI has shrunk in most regions of the world since 2016, so this phenomenon is not limited to Europe.

Statistics indicate that Northern Europe has become an economic priority for the Chinese; in 2019 the Chinese FDI towards Northern Europe overtook those of the traditional European partners (Germany, France, and the UK). The Chinese have recently established huge joint cooperation with European governments, universities, factories and research centers, with the aim of developing bilateral relations and increasing exchanges in the coming years. Economic partnerships vis-à-vis Europe may not be the same as China's partnerships with other regions; China invests according to European conditions previously agreed upon, but COVID-19 has turned Chinese investment into a necessity for Europeans due to the international economic recession and the weak purchasing power of the people [1, p. 114].

MOFCOM statistics indicate that Chinese investment for 2020 in the BRI countries increased by 25 % over 2019, an increase equivalent to 14.11 bln US dollars. The Chinese administration relies heavily on the BRI in terms of increasing the level of FDI and the Chinese economic expansion in regions of the world, including Europe¹. China is changing its production pattern; it has turned into a competitor to the West by producing modern and innovative technologies such as 5G (it was not expected that 5G would be launched from the East). 15 years ago, China was associated with inexpensive, medium-quality, and non-heavy commodities, as the West dominated the market for heavy and innovative goods [2]. The economic crisis has made the Chinese administration search for new markets and has

set up advanced projects for economic progress such as the BRI and "Made in China 2025" [3, p. 25].

This paper focuses on Chinese investments in the European Union. China has always aimed to reach the European market through trade agreements and solid partnerships. Recently, in the coronavirus pandemic, it was found that China has many true friends on the European continent, such as Italy, Serbia, and others. The large Chinese foreign direct investment in Europe is still very recent, but it is in an accelerated development as it possesses capital and has plans and projects in place to invest in Europe. Thus, the great economic role of China in Europe cannot be overlooked, and it seems that France and Germany (the pillars of the European Union) are heading towards partnership with China, so there is no other choice. This is evident in the statements of both E. Macron and A. Merkel [4, p. 435]. Some European countries are concerned about the increasing economic role of China in the European continent, but they are concluding agreements and partnerships, as China has become an economic giant.

There are many books and research on Chinese FDI, a small part of which relates to Chinese investments in Europe, and most of them were published at least ten years ago. The Chinese economic policy towards Europe has made great progress recently. This paper indicates that China does not follow a unified economic policy towards the European Union, as the Chinese administration has set a special policy towards each European country separately. China is a smart investor, has professional economists, and relies on economic indicators before establishing a partnership with any European country. Thus, Chinese investments vary from one European country to another. Surprisingly, some European countries are setting up facilities in order to attract Chinese investors, as there is indirect competition within the European Union to attract Chinese investors [5]. The paper provides an idea of whether China adopts an economic policy towards the European Union based on geography (for example Eastern and Western Europe) or whether there is a special policy towards each country. This paper also explains China's motivations for investing in Europe.

This paper answers the following question: "Why does China so desire an economic partnership with European countries, and what are the consequences of this partnership?" The paper builds on the following assumptions: China deals with every European country separately and has not developed a unified economic policy. China is interested in partnering with European countries for various reasons. In the context of the research, the following questions will be answered:

¹China's investment and cooperation with BRI countries from January to October 2020 [Electronic resource]. URL: <http://english.mofcom.gov.cn/article/statistic/foreigntradecooperation/202012/20201203021849.shtml> (date of access: 11.01.2021).



- What is the level of the Sino-European economic relationship?
- Why is China so interested in investing in Europe?
- Why do some European countries want to partner with China?

This paper explains the development of the Chinese economy and the economic relationship with the European Union as well as addresses Chinese investment opportunities in Europe, provides an overview of China's economic policy towards some European countries and provides results for this research.

This paper is based on critical and qualitative analysis, in addition to a comparison of multiple sources and opinions regarding the main topic. Hence, the paper is rich in information and does not depend on a specific opinion. This paper relies on primary sources such as books related to the research topic and official reviews, in addition to articles and opinions of specialists and websites. Therefore, for the sake of the paper's credibility and impartiality, the researcher relied on various references that include most opinions. The paper cannot be considered biased towards China or Europe.

Development of Chinese FDI

China has gone through several stages of FDI, the most prominent of which is the reform and opening-up policy established by Deng Xiaoping, which moved China to an advanced stage of overseas investment. The economic policy and political conditions have a direct link with the Chinese FDI plan. China did not suddenly become a major investor in Europe and the rest of the world, but rather came in sequential stages. China used to adopt a closed-door policy and international isolation. China's policy changed radically in 1978 when Deng Xiaoping launched a policy of reform and opening up [6, p. 14]. This new and modern policy has made China progress rapidly and becomes a partner to many countries and economic blocks, and it has become an active member of the international community after years of isolation. The main aim was to make China open to the international community. The Chinese economic approach was modified from socialism to a special model with Chinese characteristics, which also contributed to achieving great economic growth [7, p. 119].

This new policy has increased Chinese direct foreign investment as well as increased foreign investment in China. The Chinese administration has given more focus to the industrial sector, taking advantage of cheap labor, population density, availability of modern technology, and natural resources. Consequently, China turned into the factory of the world, and the government succeeded to a large extent in economic recovery. On the other hand, the Chinese government has set facilities and incentives for foreigners to come and invest in China, and it has succeeded in attracting foreign capital into China [8, p. 14]. For example, four special economic zones were established in 1979 in order to attract foreign investment with favorable economic conditions for foreigners. Foreign investment in China continues to increase, as is the rate of Sino-European partnerships. In the 1990s, Deng Xiaoping oversaw the opening of more special economic zones [9, p. 327]. The Chinese administration pursued an advanced policy of international openness by joining the World Trade Organization in 2000. In parallel, China lowered barriers to foreign investment, which attracted more foreign

investors. Further economic reforms were announced through the 10th five year plan (FYP). Thus, despite the non-democratic Chinese political system, it was able to achieve an economic miracle that is impossible for any other country to achieve, due to its geographical, population, and economic conditions.

The rational Chinese economic policy and the great economic openness of China have made the country second in terms of foreign investment. At the beginning of the 2000s, that is, a few years after adopting the reform and opening-up policy, China achieved more than double economic progress². This indicates the determination of the Chinese administration to govern and act, and it is likely to achieve most of the goals set for the BRI. In 2016, China recorded 133 bln US dollars in FDI towards it. Consequently, FDI in China has been increasing continuously, since the policy of reform and opening up to the beginning of the new century and up to the present Chinese era. FDI in China has led to the entry of foreign financing, new partnerships with industrialized and developed countries, and China's acquisition of technical expertise. The Chinese political and economic stability and the increase in FDI led to its acquisition of more foreign currencies [10, p. 38]. China has also become a technological giant, which made it acquire the 5G technology.

The policy of reform and opening-up has led to massive investment for the Chinese abroad, which has contributed to a great Chinese economic expansion [11]. Through this economic policy, the Chinese government wants political openness to the world and more partnerships. It has succeeded to a large extent; the most positive results were the influx of foreign companies to invest in China [12, p. 115]. Therefore, many economists consider the policy of reform and openness to be the pillar in the progress of Sino-European economic relations. Reform and opening-up continue and cannot be limited to a specific period. As a result, China has achieved tremendous profits and increased its investment rates abroad and partnerships with countries and institutions. The Chinese administration has planned an advanced stage of international openness by joining the World Trade Organization in 2001. The Chinese

²Investment statistic and trends [Electronic resource]. URL: <http://unctad.org/fdistatistics> (date of access: 09.01.2021).



administration has taken economic measures that have facilitated Chinese investment abroad and attracted foreign investors to the country. Chinese goods are in every corner of the world, and China has more international markets, in addition to its acquisition of advanced technology, which made it an economic powerhouse difficult to stop. Chinese FDI is concentrated in developing regions such as Africa, but China's investment in developed regions such as Europe is constantly increasing.

Chinese FDI towards Europe declined sharply between 2017 and 2019. In 2019, Chinese investments recorded 11.7 bln US dollars, equivalent to the Chinese investment for 2012 (fig. 1). The Chinese FDI has shrunk in most regions of the world since 2016, so this phenomenon is not limited to Europe. Figure 2 shows that Chinese FDI decline is a general phenomenon and does not concern Europe in particular. The Chinese FDI reached its maximum in 2016 both globally and in Europe.

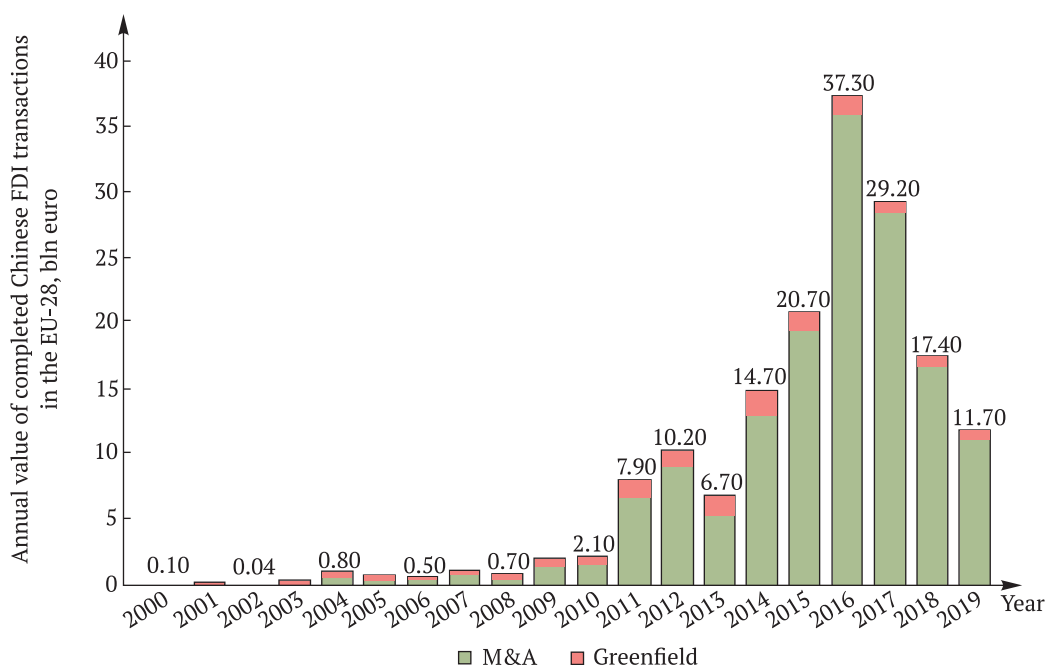


Fig. 1. Chinese FDI towards Europe from 2000 to 2019 (data of Rhodium Group)

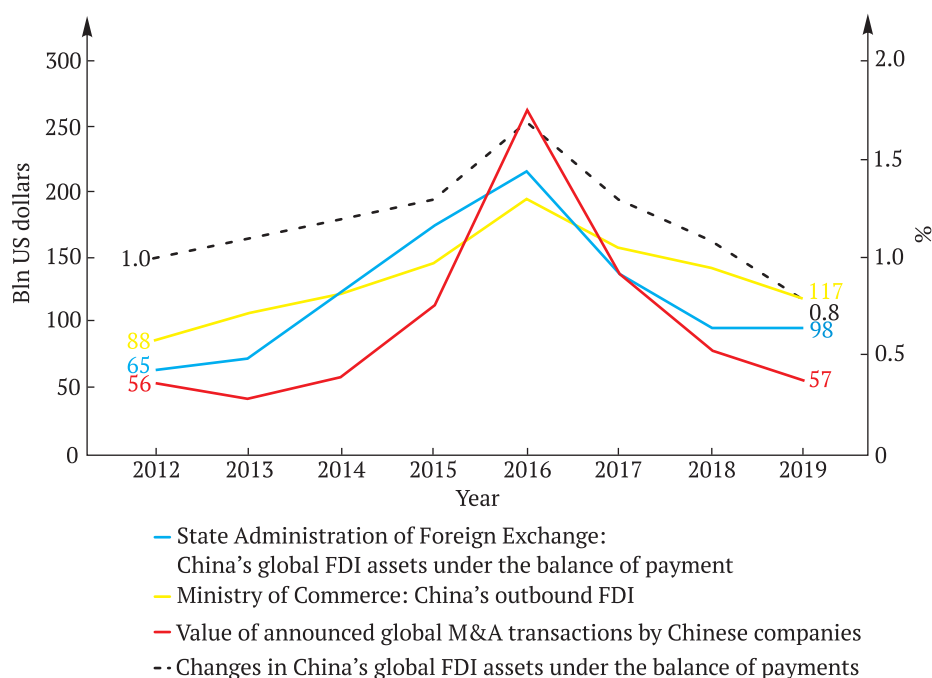


Fig. 2. China's global outward FDI (data of MOFCOM, Bloomberg, State Administration of Foreign Exchange)



The Chinese economy is highly dependent on exports and foreign markets. The global economic crisis has slowed down Chinese economic growth. This prompted the Chinese government to launch the 12th five year plan for 2011–2015; this plan is complementary to the 10th FYP, for 2001–2005 known as industrial restructuring or making an adjustment in economic structures, the 11th FYP, for 2006–2010, and 12th FYP, for 2011–2015 came as a follow-up to 10th FYP. The Chinese government aimed to give impetus to the Chinese economy, create more jobs and create more international markets. The government has set aside a high budget for information technology to make China a strong competitor to developed countries [13, p. 41]. The Chinese government has facilitated foreign direct investment as well as created more markets in many regions of the world. China has turned Europe into an important market for it, especially after the economic crisis. Xi Jinping ascended to the presidency in China in March 2013, economic growth and more economic balance were his priority. China has also become more interested in outward direct investment, particularly in developed regions such as Europe³.

In 2013, Chinese President Xi Jinping announced the BRI, an ambitious initiative that would make China the heart of the international economy and an important economic center in Eurasia. This huge initiative opens many international markets and enables China to gain easy access to energy resources to meet its growing needs. China is also building a large and well-developed infrastructure that connects it directly with the member states [14, p. 57]. The Chinese

government has allocated a large budget for this initiative, together with some countries and organizations. This initiative calls for sustainable development, win-win, shared destiny, etc. This initiative opens the way for China to reach the most important geographical areas and obtain natural resources, and thus more profits. The Xi Jinping's administration has also drawn up the 13th FYP to encourage Chinese investment abroad (2016–2020). It also aims at more economic openness and sustainable development [15, p. 7]. In parallel with the BRI, the Chinese administration announced "Made in China 2025", which aims to achieve more economic growth [16, p. 88]. In 2015, China ranked second, after the United States, in terms of foreign direct investment⁴.

Official Chinese statistics indicate that more than half of China's foreign direct investment goes toward Asia. However, it is noticeable that Chinese investment towards Europe is increasing rapidly, which means that Sino-European relations are in a great development with a promising future. Most of the Chinese investments abroad are focused on infrastructure projects and some financial and business projects. In the past 20 years, China has invested heavily in energy, but recently Chinese foreign direct investment has diversified and encompasses all fields, especially with the announcement of the BRI in 2013. The Chinese administration attaches great importance to the information technology sector, which will be the basis of China's tremendous progress. For example, the highest wages in China are for those in charge of the information technology sector.

Analysis of Chinese FDI toward the European Union

Chinese FDI has increased dramatically in the European Union, so China intends to increase its partnership with European countries, in addition to the fact that most of these countries are members of the BRI. The great Chinese economic opening up to European countries came in batches. However, with China's accession to the World Trade Organization, investments in Europe increased. So, with the beginning of the 21st century, China pursued an economic policy more open to European countries. According to official Chinese statistics, direct Chinese investment in Europe increased from 0.3 in 2003 to 4.5 bln euro in 2009, which is a qualitative leap in Chinese investment. The economic crisis has had a negative impact on Chinese investments in Europe due to the monetary instability in the world. However, the situation has improved after the financial crisis.

China has not been greatly affected by the financial crisis due to its own economic system and network of trade relations somewhat separate from the Western system. This made some European countries open the doors wide for Chinese investors and provide facilities to attract more investments that may alleviate the severity of the economic crisis. According to Rhodium Group, the economic crisis had a positive impact on Chinese investments in Europe, as it rose between 2009 and 2010 from 0.6 to 2.3 bln euro. Since that period, Europe has become a major and important economic partner of China, as it has become difficult to disentangle Sino-European links. Sino-European economic relations have moved to a more advanced stage with the arrival of Xi Jinping to the presidency. President laid out a lot of economic plans and announced some initiatives such as the BRI and "Made in China 2025". Europe has

³Reaching new heights: an update on Chinese investment into Europe [Electronic resource]. URL: https://www.bakermckenzie.com/-/media/files/insight/publications/2016/03/reaching-new-heights/ar_emea_reachingnewheights_mar16.pdf?la=en (date of access: 09.01.2021).

⁴World investment report [Electronic resource]. URL: <https://unctad.org/webflyer/world-investment-report-2017> (date of access: 10.01.2021).



been at the center of Chinese economic plans. China intends to open up more to the European Union countries and aims to increase economic exchanges.

The European Union is a leader in information technology and has a huge commercial market, which increases China's willingness to partner with it [17, p. 26]. In 2012, a year before the launch of the BRI, China announced the establishment of the 16+1 platform that brings together China and the countries of Central and Eastern Europe. This platform aims to facilitate cooperation between China and these countries in terms of infrastructure projects, economic and service exchanges, etc⁵. The Chinese direct investment in the European Union exceeds all foreign direct investment in China, which indicates the strength of the Sino-Euro-

pean economic relations. These investments are constantly increasing, for example, the value of Chinese investments in Europe increased by 80 % between 2015 and 2016. In 2017, China ranked second on the list of foreign investments in Europe.

China invests in most of the European Union countries, but its largest investments are concentrated in Germany, France, and the United Kingdom. But in 2019, Northern Europe topped the Chinese FDI. According to the statistics in fig. 3, the Chinese FDI towards Europe has changed drastically, rising significantly towards Northern Europe compared to its significant decline in the UK. This economic phenomenon may have an explanation for political and international shifts, especially the new policy pursued by the UK after the Brexit.

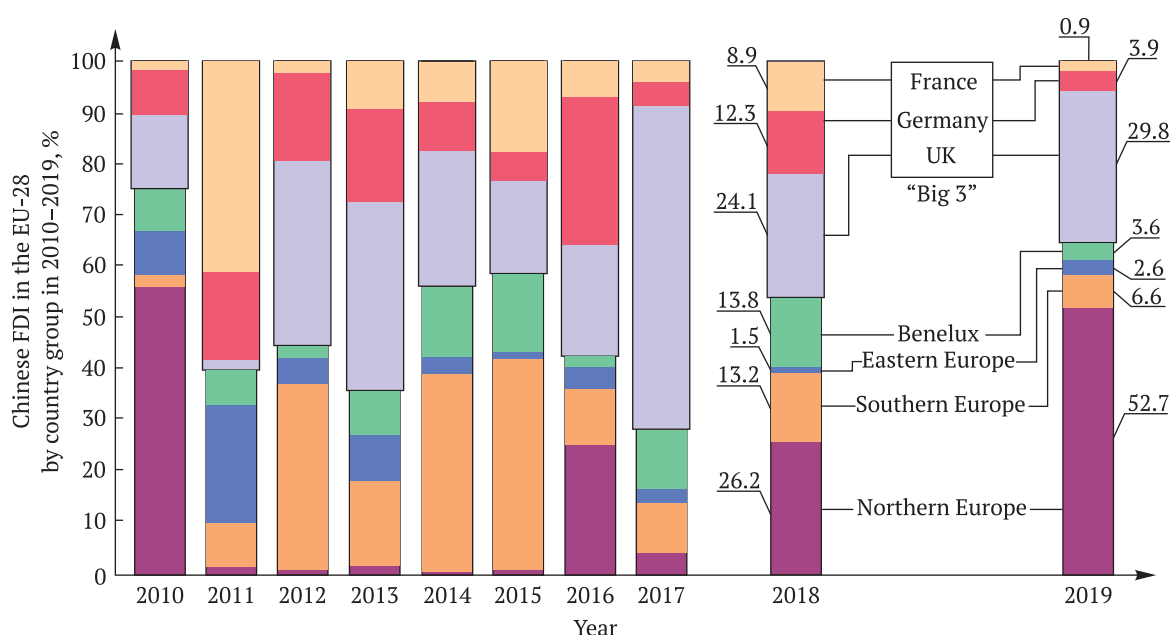


Fig. 3. Northern Europe: the most important attraction of Chinese FDI for 2019 (data of Rhodium group)

China is interested in partnering with these countries, as they possess high technologies and highly rated laboratories. It is well known that France and Germany form the solid pillars of the European Union, so China's partnership with these countries goes to the benefit of Sino-European relations. The volume of Chinese investment in European countries varies every year, but in general, Chinese investment is not limited to these three countries, but rather goes beyond other countries that have huge economic partnerships with China, such as Denmark, Portugal, Italy, the Netherlands, etc. For example, the first four European economic partners of China for the year 2014 were as follows: the United Kingdom, Germany, Denmark, and

France. In 2015, Italy became the first European partner of China after the Pirelli deal, which was estimated at 7 bln euro. In 2016, Germany was the first economic partner, so China does not have a preferred European economic partner, but rather has interests with all European countries.

Since 2017, Chinese investments have been concentrated in Southern European countries such as Italy and Greece, as they were suffering from stifling economic crises, so it was an irreplaceable opportunity for China to invest in these economically devastated areas. The investments were concentrated in infrastructure projects, taking into account the issue of the strategic geographic location of Southern European coun-

⁵Bulgarian Chinese chamber of commerce and industry: the Chinese investments in Bulgaria will increase [Electronic resource]. URL: <http://www.bulgariachina.com/en/news/view/14.the-chineseinvestments-in-bulgaria-will-increase.html> (date of access: 16.01.2021).



tries and their important role in the BRI. The strategic economic partnership with Southern European countries will make China an advanced position in the rest of European countries. China's investment in Northern Europe was nil in the past, but it is developing, for example, the Volvo deal with Sweden in 2010. China's investments in Eastern Europe are not large compared to those in Western and Southern Europe, but many reports indicate a promising future for Chinese relations with Eastern Europe, especially with the launch of the BRI. Most of the Sino-European partnerships are centered on advanced technology and research [18, p. 632]. Chinese investment in Europe includes the sectors of energy, finance, industry, services, and others.

Noting that Chinese investment in Europe is carried out by official Chinese companies and private companies, the Chinese private sector is an important investor in Europe. China has the second-largest economy and therefore European countries are attracting Chinese investments for more economic partnerships, especially after the financial crisis. Chinese goods are popular in the European market because of the reasonable price and good quality compared to the high prices of national goods. China has become a partner or owner of the finest European companies such as Pirelli in Italy and Volvo in Sweden, among others. Consequently, it became difficult to disengage European links with China, despite some US recommendations not to establish more economic partnerships. Chinese investment in Europe creates jobs and economic growth, in addition to advanced infrastructure under the supervision of Chinese companies. Infrastructure projects have increased after the launch of the BRI [19, p. 22]. China provides capital for research, training, and more investment, which serves European interests. It also creates a partnership in the technology sector, which leads to more innovations.

Suddenly, the Chinese FDI in Europe declined. Some economic reports suggest that the trade war launched by US president D. Trump between the US and China has exhausted the Chinese economy and weakened its high capabilities. The D. Trump administration obstructed the Transatlantic Trade and Investment Partnership (TTIP), which confused the European economy and restricted its development. The European arena is divided between supporters of promoting investments with China and others calling for Chinese investments to be screened, but publicly, European countries still woo China as it is a huge trading partner [20, p. 27]. Some

European governments such as Finland and Austria have expressed this policy as "protectionist", while the vast majority of governments have not made a public comment. Some European countries, such as Greece and Albania, are open to economic cooperation with China without major obstacles, while the majority of Western European countries are still wary of the absolute economic openness to China with full facilities. The Chinese are investing massively in European markets, while European investments in the Chinese market are still small compared to the huge Chinese investments. The imbalance in investments between the two sides pushes the Europeans to reconsider this partnership [21, p. 29].

According to the Mercator Institute for China Studies (Merics), European investments in the Chinese market in 2016 amounted to 8 bln US dollars, equivalent to a quarter of Chinese investments in the European market⁶. Despite China's open-door policy, the Chinese administration is still placing restrictions on foreign investment in the Chinese market such as investment in fisheries, media, communications, financial services, transport, electricity, and construction. This situation prompted some Europeans to demand the signing of a Common agreement on investment between the EU and China.

However, the majority of Chinese investments in Europe are owned by official institutions, which may be considered a disincentive for Europeans. Dealing with Chinese state companies is not easy, and the controls will be more stringent than private ones. Therefore, this may be an obstacle to the development of Chinese investments, and these companies may formulate plans without referring to European partners, which makes the possibility of failure greater. Also, some European Union countries expressed their concern about the increasing Chinese investment, especially by state-owned companies, which makes China possesses infrastructure as well as important elements of the European economy under the control of the Chinese. The Europeans also express their concern that the economic partnership will develop into a political alliance that may change the entire policy of Europe, in addition to technological cooperation that may result in the leakage of European technology to China. Ironically, investment in Europe is open to the Chinese, but in China, Europeans still face some obstacles. Chinese investment may lead to changes in the nature of the European economy, as the Chinese way is different from the European.

Great Chinese economic openness to Europe

China is opening up to Europe in order to fill the gaps in its domestic market by importing some unavailable commodities, in addition to acquiring skills

related to modern technology. Europe has turned to China because of the low-wage labor and the availability of raw materials and favorable working conditions

⁶EU – China: FDI working towards more reciprocity in investment relations [Electronic resource]. <https://www.merics.org/en/papers-on-china/chinese-fdi-in-europe> (date of access: 28.12.2020).



that may not be found in Europe [22, p. 28]. However, in recent times, China has begun to open up greatly and expand towards Europe, the Middle East, Africa, and other regions due to its possession of capital, a huge labor mass, and a unified administrative system that facilitated its expansion. At the beginning of the 21st century, China adopted a policy of expansion in order to reach more foreign markets, sell its goods, and be a strong investor abroad. The West has coveted Chinese natural and human resources, but China follows the same strategy in many regions, such as Africa, as it obtains natural resources at low prices in exchange for development projects and benefits from cheap human resources. The BRI increases China's economic power and increases its control over energy sources and international markets [23, p. 39].

The huge markets in Europe made China look forward to cementing the partnership with these countries. Europe has the second-largest international market, so it is necessary for the Chinese administration to partner with Europe and has an active presence in its markets. Europe has broad economic links with Africa, Latin America, and the Middle East, just as China does. Therefore, the Sino-European partnership will in-

crease foreign direct investment according to the rules of peaceful cooperation and openness. It can also be concluded that a large part of the success of the BRI is linked to good Sino-European economic relations. The new economic strategy attaches more importance to Chinese foreign direct investment in the United States and Europe. Therefore, China has become a major partner in the European economy through joint ventures and Chinese private businesses. Chinese assets make it an international economic competitor and increase its economic gains.

The Sino-European partnership makes China able to develop its production capabilities and increase its efficiency and innovation. This partnership will facilitate China's access to other markets that are not easy to enter without cooperation with the Europeans. Also, this partnership may create a new business pattern for both Europeans and Chinese.

Europe has a long history of establishing domestic and international economic projects [24, p. 721]. The mandate system has given some European countries experience in dealing with third world countries, in terms of managing the internal affairs of those societies.

Chinese desire to invest in European countries

The Chinese administration found that Europe is a good economic partner, and this partnership brings a lot of money to the Chinese treasury. On the other hand, it seems that the Europeans are open to economic partnership with the Chinese, especially after the financial crisis that made Europe need strong economic partners. The security and political stability and the existence of modern laws are all attractive elements for Chinese investors. The Chinese are looking for more companies with the Europeans that may outpace the economy. Despite the existence of the European political alliance with the United States, Europe has not taken the same measures as the United States towards China specifically with regard to the trade war. The Chinese see Europe as an investment haven. Some other developed countries, such as the United States, place many obstacles on Chinese investments. The European economic system attracts Chinese investments; this is coupled with a European desire to increase Chinese investments [25, p. 116]. A European survey in 2013 showed that the vast majority of Chinese investors in Europe intend to increase their investments. The Europeans create an attractive environment for Chinese investments. The European Union benefits greatly through more job opportunities, the introduction of foreign currencies, and research investment in cooperation with the Chinese.

In this paragraph, I will shed light on Chinese investments in some European countries and the motives for investing in them. The United Kingdom has been the first destination for Chinese FDI for many years in

Europe. This indicates the impossibility of decoupling economic ties between China and the United Kingdom, despite political differences in alliances and systems of government. China has become an important economic investor in the European Union at the beginning of the 21st century, parallel to its accession to the World Trade Organization. The United Kingdom is developed in terms of research and technology, in addition to being a member of the Security Council and possessing one of the most powerful armies and a wide network of political alliances. Therefore, the Chinese administration benefits greatly in partnership with the United Kingdom, as the benefit to China exceeds the economic gain. The UK's important international market is attracting Chinese investors [26, p. 79]. The active Chinese partnership with the United Kingdom opens the door wide for the Chinese to further economic cooperation with other European countries. China makes the United Kingdom a regional headquarters for most of its companies operating in Europe. The United Kingdom is also a regional headquarters for many European companies. London, for example, is an international center for information technology. The Chinese administration is very interested in developing this sector and raising it. Huawei is based in the United Kingdom as a regional headquarters [27, p. 113].

Germany is the second-largest European economic partner to China. In 2016, for example, Germany was the first economic destination for Chinese direct foreign investment. China seeks to take advantage of German technological development and industrial



companies to develop Chinese quality. Between 2000 and 2014, the majority of Chinese direct investments in Germany went to the industrial sector, specifically cars; in addition to research cooperation and partnership with the aim of developing the quality of Chinese services [28, p. 119]. Chinese investments in France are constantly increasing, as many Chinese commercial offices are located in France, for example, ZTE's factory. Chinese foreign direct investment in France contributes to the development of Sino-European economic relations. Chinese companies tend to increase their investments in the Netherlands and Belgium with a view to acquire modern technologies and expand the market [29, p. 31]. The Netherlands is a European tax haven for the Chinese, as for Belgium; there is continuous chemical cooperation with the Chinese [30, p. 26]. Luxembourg is also a favorite European destination for the Chinese for tax reasons. Ireland is another destination for the Chinese due to low taxes and attractive measures for Chinese investment⁷. China establishes a partnership with Austria because of its distinguished geographical location on the European continent and the much technological and industrial progress that Chinese institutions benefit from.

Chinese investment in Northern Europe is somewhat low due to high taxes and exorbitant wages, but Chinese investments there have not stopped and they are constantly increasing. The most prominent Chinese investment there is in modern technology and the telecommunications sector. Chinese investment is increasing in some countries of the aforementioned region after the announcement of the BRI, for example, China has increased its investment in port Klaipėda. Chinese investments in Southern Europe are increasing tremendously, especially after the financial crisis and

great facilities for Chinese investors. Chinese companies establish many partnerships and take charge of projects such as infrastructure and joint investment. China's investments in Greece are concentrated in infrastructure and communications. Greece constitutes a key area of the BRI through Euro-Mediterranean communication, and China has become a key partner in the Piraeus seaport. China invests in Spain, as it has a huge European market and has extensive relations with Latin America.

Chinese investments in Portugal have increased dramatically in recent years, for example China has become a major partner in Energias de Portugal. China is investing heavily in infrastructure in Portugal. The partnership with Portugal also enables China to reach other markets in Latin America and Africa [31]. The country invests massively in Italy. China has become a basic partner for many of the major Italian companies, in addition to the huge development and infrastructure projects that China is implementing, for example, Huawei has its headquarters in Milan. The country is seeking to make Italy an economic base in Southern Europe. The strategic partnership between China and Italy is becoming more and more important after the launch of the BRI [32, p. 737]. Italy is also a huge market for Chinese goods. The financial crisis and the BRI have caused Chinese investment to increase dramatically in Eastern Europe [33, p. 41]. China is investing in Eastern Europe mainly because of the strategic geographic location along the BRI and being a gateway to Western Europe. Eastern Europe has become a strategic economic region for China. For example, China has moved the Lenovo headquarters from the United Kingdom to Slovakia, in addition to the fact that labor is cheaper [34].

Conclusion

The reform and opening-up policy has made China make great economic progress. This policy made China open to developing countries through foreign direct investments such as Africa and Asia, but since China joined the World Trade Organization, it increased its investments in Europe. The main goal of China is to reach new markets and forge more international partnerships. Consequently, China sought to be an international market and the world's factory, to meet the requirements of the people, not just the Chinese internal market. In recent years, the country has increased its investments in Europe intending to obtain advanced technology and developing the industrial sector in cooperation with European partners. European countries seem open to partnership with China because of the financial crisis and the economic benefits that this partnership may bring. Chinese investment in Europe

increased further after the announcement of the BRI, through infrastructure projects, communications, and people-to-people contact. The value of foreign direct investment from China in Europe is greater than all foreign direct investment in the country. Most of the Chinese investments towards Europe are concentrated in the United Kingdom, Germany, France, and Italy, among others. China invests in all sectors such as infrastructure, industry, services, and technology.

China invests in most European regions; despite the variation in the volume of investment between one region and another and the motives behind the investment, but the investment is generally concentrated in Western and Southern Europe. China obtains natural resources from developing countries such as Africa and the Middle East, about 44 % of China's oil imports are from the Middle East [35, p. 56], and 26 % of its total

⁷China outbound investment Ireland: your connection to Europe [Electronic resource]. URL: https://www2.deloitte.com/content/dam/Deloitte/ie/Documents/Tax/2012_china_outbound_investment_deloitte_ireland.pdf (date of access: 09.01.2021).



oil imports are from Africa [36, p. 27], so China cannot move forward as an effective international economic power without strategic partnership with the Middle East and Africa. As for China's economic entry into Europe, it is for the economic expansion and access to expertise and modern technologies. The European continent also has a fundamental role in the BRI, so China seeks to have distinguished relations with European countries. China also wants to be an innovative country, so the partnership with Europe is essential

in this field. It is necessary to point out that China's strategy towards Europe is not the same. China follows a different economic strategy towards every European country, as the paper indicates. Thus, the ultimate goal of China in Europe is to achieve economic profit. China always aspires to transform its relationship with European countries into a strategic partnership, and the Chinese administration places great hopes on the BRI in strengthening Sino-European trade relations.

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