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Is China buying up Europe?
Perspectives from the Chinese media, officials and civil society

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Throughout 2010, the international media has been buzzing with headlines such as "Beijing's buying up Europe"[2], pointing out that China has been increasing its investment significantly since the European states are being hit severely by the financial crisis, one by one. Many research papers and newspapers have focused on this topic, calculated figures and written their comments, mainly from the perspectives of the host countries in Europe. Instead of repeating the hard works done by other researchers and journalists, this article intends to show the perspectives from the Chinese, from official statements, academics' viewpoints and voices of the civil society, with regard to the rising Chinese investment in Europe, to see how the discussion has been going on in China.

The European media started to follow the Chinese deals in Europe, especially since its buying in Greece, from June 2010 onwards intensively. It was the heyday when Greece was seriously hit by its debt crisis, while the Chinese vice-Premier Zhang Dejiang went there to witness the signing of 14 cooperation agreements, promised to import more Greek products and expected the Greeks to provide convenience and support for Chinese enterprises that made investments or started businesses there. The bilateral deals include joint ventures, charter agreements and shipbuilding deals, for a value of 500 million euro.[3] The deals went further impressive, when China's State Administration of Foreign Exchange (SAFE), the central bank's arm that manages China's official currency reserves, was allocated as much as 400 million euro of Spanish 10-year bonds and promised to buy another 1 billion euro of Spanish bonds in July 2010.[4] Suddenly, China is either being seen as a saviour for states which have debt problems or a hungry dragon by the doubtful public in Europe.

However, one has to realize, that the Chinese FDI heading to Europe, is neither a friendly gesture, a spontaneous act to shop, nor a publicity show. In fact, the major players in controlling or influencing the Chinese FDI have spent some years to prepare themselves, before making the moves.

Information is power

The Ministry of Commerce, in the past years, has been playing a leading role in preparing the Chinese enterprises for going global. It organizes trade fairs, briefing sessions with the trade representatives of the European embassies in China, to introduce trade and investment policies in each European country. Since 2009, it has a mission to publish a study for each FDI destination country, which covers the background information of a country, trade and economic situation, legal and employment aspects, its investment environment for Chinese companies.[5] The speed of this publishing project is stunning, from a few booklets in

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[2] http://www.newsweek.com/2010/07/11/beijing-s-buying-up-europe.html, accessed on 18 October 2010.

[3] http://www.ft.com/cms/s/0/8e736a84-77d9-11df-82c3-00144feabdc0.html#ixzz1Bx03rMFn accessed on 29 October 2010.

[4] http://www.chinadaily.com.cn/business/2010-07/13/content_10101759.htm, accessed on 30 October 2010.

[5] http://fec.mofcom.gov.cn/gbzn/gobiezhinan.shtml, accessed on 19 October 2010.

early 2009, to now about 150 countries and regions are covered. For example, in the study of Germany, it points out the machinery production, renewable energy and automobiles sectors are the speciality which the Chinese enterprises might want to learn the know-how from the Germans, but also the relationship with the trade unions, tax laws and immigration regulations should be handled with care. Even for smaller countries, like Malta, it points out that Chinese medicine is well accepted there, as China gave a lot of sponsorship in the earlier decade and Malta could serve as an entry point for Chinese medicine related business to go into Europe.

It also creates a website, namely "Outward investment and economic cooperation". Apart from giving out news and analysis, it also serves as a bazaar for interested Chinese investors and willing European sellers to meet, for example, German automobile parts producers who are in need of buyers or investment, can post their information (what they produce, capacity and turnover, whom they supply for, what kind of investment they are looking for, contact person) on the website run by the Ministry, to attract the Chinese investors.[6] The Ministry also uses it for massive projects China has bid in the European market, for example, after signing the deals in Greece; the Ministry has listed the projects in the investment package, and asked interested Chinese companies to apply. The projects cover infrastructure (the new airport in Crete Island), logistics centres, oil and renewable energy, property development and banks, water processing and even casinos.[7]

The Chinese FDI in Africa and South America is often criticized for its labour standards, environmental practice and tax reporting system, for example, the Beijing iron producer Shougang Group in Peru.[8] Such a case does not happen that often among the Chinese investment in the Europe, especially for the more developed parts of European Union, where on one hand, the labour regulations are stricter and trade unions are stronger. On the other hand, the Chinese investors are eyeing on the high technology type of business, with is not labour intensive and more risky to break any law.

The Chinese company TCL's acquisition of the German company Schneider in 2002, has become a case study of many Chinese business schools, for its mistakes in making wrong estimations of the European market, replacing its local managers by Chinese managers and non-transparent way of running a German factory, have been quoted as things a company should avoid doing in Europe.[9]

The Chinese media and officials favour more the example of Huawei, a Chinese telecommunication transnational company, is reportedly highly recommended by the Swedish officials who were visiting China. "From having small scale research and development team and growing into a medium and large scale research team, and to develop marketing and operation team, to build up a regional hub in Sweden before entering the larger market of Europe. The Swedish officials remind the Chinese enterprises, no matter it is entering Sweden or other countries, they should pay more attention on, first, to complete what they are lack of in their overseas experience, to spend more efforts in respecting the (local) culture and taking up social responsibility; second to develop long term strategy and strategic thinking; to recruit the local talents.[10]

What the Chinese are eyeing?

One of the reasons that Europe has become attractive for Chinese companies, is that European investment, is indeed getting cheaper and more affordable, when Europe has been hit by the financial crisis. Euro has been falling since second half of 2008 against Chinese yuan, and stayed low in the first half of 2009 and another drop in the second half of 2010, while the European companies are in need of quick cash. It is not difficult to notice, that during these periods, it is exactly the high time when Chinese enterprises intensified their investment in Europe. Even as individuals, the better off, middle or upper class Chinese people, also take the opportunity, not only coming over as tourists, but as property buyers. By May 2010, there have been tours organized for Chinese to fly to Europe, to shop properties.[11]

[6] http://fec.mofcom.gov.cn/article/hzxx/jingwaitouzi/201007/959295_1.html, accessed on 29 October 2010.

[7] http://fec.mofcom.gov.cn/article/hzxx/jingwaitouzi/201008/959304_1.html, accessed on 28 October 2010.

[8] http://www.reuters.com/article/idUSN1421011620100614, accessed on 20 October 2010.

[9] http://www.4stones.net/art.asp?id=114, accessed on 18 October 2010.

[10] http://www.sasac.gov.cn/n1180/n2335371/n2335404/n2335585/5800567.html, accessed on 20 October 2010.

[11] http://finance.qq.com/a/20100513/003113.htm, accessed on 20 October 2010.

Another pull factor is that the attitude from the European governments has changed. Lou Jiwei, the CEO of China's sovereign wealth fund, China Investment Corporation has told Financial Times in April 2009, that "he was pleased he did not make a single trip to Europe in 2008 after EU officials expressed concerns about his fund's transparency and intentions", as it saved CIC from suffering considerable and embarrassing loss. "I have to thank these European officials," Mr Lou said. "They saved me a lot of money. Now they come to me without conditions and I am beginning to consider making investments in Europe again."[12]

Another reason, that China also acknowledged, is that it wants to gain support for itself at the World Trade Organization and reduce the pressure in appreciating its Yuan. On 1 November 2010, the *New York Times* ran an article about the motives on Chinese FDI in Europe and interestingly, the Chinese media translated it into Chinese within one day and was immediately adopted by the Xinhua news agency, which is a gesture of the Chinese official media, to openly acknowledge and recognize the viewpoints expressed by the article.[13] "During his recent European tour, Mr. Wen (Jiabao) reminded politicians in Brussels that China had acted as "a friend" to Greece, Spain, Italy and other troubled European countries in their darkest hour by buying bonds as other investors fled. In return, he admonished regional leaders not to 'pressure China on the yuan's appreciation'," says the report.[14]

The article also indicated that by taking over strategic investment, such as COSCO's investment in the ports in Athens and Naples, it is with the intention to boost the Sino-Europe trade, making it easier for Chinese exports to enter Europe, as well as Chinese companies are eyeing on the massive projects in Europe, "such as clearing the Danube River of wartime ordnance to use it as a transportation passageway; building railways between countries like Germany and Macedonia; and carving new highways from Germany to Turkey."[15]

Feeling being hurt

Chinese FDI has been seen by the state, company leaders, as well as the majority of the Chinese, as a national pride, a sign that China is no longer a country depending on others' FDI, but it has enough muscles to go overseas. Therefore, when a Chinese firm goes global, especially when it goes at the level of rescuing economy of another country, it has been closely monitored, by both the national newspapers, but also the local news and bloggers.

The Chinese media is also aware of the anxiety among the Europeans. It explains that "Chinese companies with party background and relations, sometimes turns the pure commercial investment acts into an action of the state, which creates fear and even rejection from the general public at the host countries. There is plenty of news in China trying to steal technical secrets in the European media. So we should make an overall and detailed political assessments (when investing in Europe)", says a newspaper with a target group of business executives.[16]

"While Europe welcomes the new investment inflows from the Chinese, we should also keep our heads cool. FDI is a business with high risk and the investors should have a good understanding of the politics, economic, social and cultural aspects of their host countries. They should also employ experts of law, finance, technology and business administration. These are exactly the 'disadvantages' of the Chinese investors, who are not familiar with the international investment activities." "Chinese entrepreneurs and their employees would still face many specific problems and risks, such as some European countries are imposing unreasonable restrictions on immigration, residence, work and purchase of fixed assets.", commented by the vice-secretary of Shanghai Institute for European Studies, an organization with members from the business sectors and academics.[17]

While the official and academics tend to call for patience, political assessment and risk manage-

[12] http://www.ft.com/cms/s/0/1cf3448a-2d19-11de-8710-00144feabdc0.html#axzz1C7aTRogk, accessed on 29 October 2010.

[13] http://news.xinhuanet.com/world/2010-11/03/c_12732240.htm, accessed on 5 November 2010.

[14] http://www.nytimes.com/2010/11/02/business/global/02euro.html, accessed on 4 November 2010.

[15] http://www.nytimes.com/2010/11/02/business/global/02euro.html, accessed on 4 November 2010.

[16] China Enterprise News, accessed from http://fec.mofcom.gov.cn/article/zlyj/qyjy/201011/977954_1.html, 29 November 2010.

[17] http://big5.ifeng.com/gate/big5/finance.ifeng.com/opinion/hqgc/20100726/2443310.shtml, accessed on 29 October 2010.

ment when investing in Europe, there are some critical voices coming from China.

The Chinese media is more critical towards the European discourse on “China threat”. They are aware of the discussion and linkage between “China’s buying in Europe” and the European discussion of “China threat”. “Since China enters the World Trade Organization, the Europeans have realized that they have to deal with China with different approaches. When China buys bonds of the Euro states or invests in Europe, they put two hands out, one is to grab China’s aid, hoping that China can pull the Euro Zone out of its valley; another hand is to push China away.”, says a newspaper commentary in a Chinese newspaper, as a response to a French magazine Marianne, which has reportedly issued an article of “why China wants to buy Europe up?” on 26 December 2010.[18]

Some voices have raised that it is not the Chinese’ responsibility to help Europe. “From the viewpoint of Chinese, we think that it is a good idea for China to invest in Europe, but it should only do it in a realistic way and should not overdo it, just in order to solve the problems of the Europeans. At the moment, our government’s biggest responsibility is to build up our country, to make sure one fifth of the world population, which is 1.4 billion of people, can lead a middle-class lifestyle by 2020.”[19]

Yet it is a pity that among the Chinese civil society organizations, they are almost silent regarding China’s FDI, “In China, environmental organizations are the more active type among the civil society organizations. Companies are more familiar with environmental issues. However, without external pressure, the companies have limited knowledge of social issues and they are at most, at the level of sponsoring schools (in the local communities, as an act of good faith). It is not in the agenda of companies to evaluate its impact when reaching a certain community.”, as a newspaper explains.[20] One of the problems, or let say causes, is that the Chinese civil society, especially in monitoring trade, labour and environmental concerns caused by the Chinese companies, have very limited access or knowledge on what happen outside China. It is almost impossible for a Chinese NGO to affiliate international NGOs, to conduct the monitoring, information exchange and campaigning works. The same goes with trade unions, as the only legal trade union in China must be affiliated to the state-supported trade union. Also, the feelings of the Chinese people, namely the national pride, would be another concern for the Chinese NGOs. However, for the Chinese companies to get more experienced and responsible in international investment, the voices from the civil society should not remain missing, hopefully not for too long.

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[18] http://guancha.gmw.cn/2010-12/30/content_1510151.htm, accessed on 30 December 2010.

[19] http://guancha.gmw.cn/2010-12/30/content_1510151.htm, accessed on 30 December 2010.

[20] http://www.21cbh.com/HTML/2009-3-9/HTML_5865JCASRCCM.html, accessed on 23 October 2010.

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