

AN OPEN MARKET? Political Obstacles and Chinese Investment in Europe

*Netherlands Institute of International Relations 'Clingendael'
and Nyenrode Business University*

Venue & Date:

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This one-day seminar addresses the relationship between economic and political considerations that are relevant for the inflow of Chinese investments into Europe. These considerations relate to both European governments and Chinese investors.

At present, Chinese investments in Europe represent only a fraction of the total bilateral investment flows (Chinese FDI inflow into the European Union was 0.1 billion euro in 2008). This is set to change in the coming years, however. In September 2009 Wen Jiabao, China's premier, announced that Beijing would use its foreign exchange reserves to support and accelerate overseas expansion and acquisitions by Chinese companies. Estimated at more than 1,500 billion euro, the Chinese foreign exchange reserves are the largest in the world.

The growing global significance of Chinese investments raises important questions about access to the European market. Should European governments, and the EU as a whole, impose restrictions on the inflow of Chinese investment? It is obvious that the European economy needs Chinese investments to stay dynamic and competitive, and possibly the economic benefits of maximizing their inflow far outweigh the political risks. At the same time, it is possible – theoretically, at least – that China will use its economic influence in ways that diminish the sovereignty, security, competitiveness, or international influence of European countries. As China becomes more powerful and assertive in protecting its interests, this possibility becomes increasingly relevant for Europe. A key factor in this regard is the fact that Chinese government exercises substantial influence over major Chinese companies and financial institutions.

Certain formal mechanisms to monitor and restrict foreign investment are already in place in various EU countries. Moreover, informal political constraints exist in various countries that keep out unwanted types of foreign investment. It is not clear what impact these formal and informal constraints have on Chinese investment decisions, and how they could affect Chinese investment flows in the longer term. This seminar aims to contribute to the debate by addressing the latter issue.

Separate panels will address:

- Chinese outward investment and the European market;
- international strategies of Chinese organizations;
- cross-country comparisons: Australia, United States and European countries;
- political motives and the consequences of restrictions.

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