How far is Chinese infrastructure investment in Europe a success story?

The REDEFINE project focuses on eight Chinese-financed infrastructure projects across four European states: Germany, Greece, Hungary and the United Kingdom (UK). As work has progressed, we have identified: (i) that both successes and failures have resulted from the same firm’s investments in the same sector but in different countries; and (ii) different firms’ investment successes and failures in the same country.

To fully understand why and how these outcomes have occurred, we employ a comparative methodological approach to investigate the different levels of investment success throughout the lifespan of the infrastructure development. We highlight three examples of COSCO’s investment into European ports: the inland port of Duisburg, the seaport of Hamburg in Germany, and the seaport of Piraeus in Greece. Additionally, we study the dynamics of two UK enterprise zones backed by different Chinese companies in London and Manchester.

Comparison is critical for REDEFINE’s case studies as it helps understand intricate dimensions and contingency embedded within infrastructure projects’ lifecycles and unearths new knowledge that is important for business and policymakers. As Ching Kwan Lee (2017) argues, thinking comparatively prevents us from seeing Chinese exceptionalism a priori in every Chinese overseas and domestic activity.

There are multiple frameworks for case comparison. Principally, we use process tracing (PT), which qualitatively examines whether and how a potential cause or causes influence or have influenced a set of changes. Among different ‘options’ to conduct PT, we have selected the ‘productive continuity’ approach. Here, the emphasis is on explaining an outcome rather than focusing on the process. To understand the different results of COSCO’s port investment, we are developing a chronological timeline. This is important because as processes are traced and explained, we better understand what has happened and when. This also helps to see how, if and when events run in parallel because processes don’t always have clear-cut boundaries.

REDEFINE analyses cases in real time because the infrastructure projects we analyse are ongoing and subject to change at any moment. As a result, we must be cautious while employing a PT framework as we are dealing with an unfinished set of results and an imperfect method. As such, we are careful to avoid spurious correlations or associations where variables connect but do not necessarily offer causal analysis, which would negate our findings. For example, we do not claim that because COSCO has been ‘successful’ in one country, it will always be so. Often, relationships can be unclear; we might be able to ‘see’ some connections prima facie but need to move towards understanding them more thoroughly. Therefore, we also include McMichael’s (2016, p. 198) notion of ‘incorporated comparison’, which recognises the significance of case-by-case particularities and does not proceed with an a priori conception of the composition and context of the units compared.

A tale of different outcomes: COSCO’s port investments

Established in 1961, the state-owned Chinese shipping conglomerate COSCO has developed into one of the largest firms in the global shipping industry by revenue ($84.1 billion at 2022 levels, according to Fortune). The company is no stranger to investing in foreign ports: as of June 2023, COSCO had invested in 56 terminals worldwide, including 49 container terminals (COSCO Shipping, n.d.). Ultimately, COSCO is by far the most dominant Chinese state-owned terminal operator, accounting for 75 per cent of all twenty-foot equivalent units handled by China (Merk, 2020). In the European context, COSCO has shares in at least 15 ports with a range of ownership and leasing contracts (Ghiretti and Gunter, 2022).
Third, the largest inland port in the world, may have split. The firm and saved face; a weaker coalition. Ultimately, however, the government held an effort by the Chancellor on his wrong path. The whole thing looks even more like a solo (Sueddeutsche, 2022). Additionally, relations or IT infrastructure.

Second, in 2022, COSCO's Hamburg investment has occurred in the wake of the 2007–2009 Global Financial Crisis, which impacted Greece more heavily than any other European state. What is significant in this story is that the shipping firm could not get funding to invest in the port with local actors and organisations, notably Greek shipowners and the national government supporting agreements despite growing tensions between China and the United States.

Under the Greater London Authority's (GLA) oversight, the RAD development aimed to transform East London into a business hub and create 30 000 new jobs. This was the largest UK economic development project supported by Boris Johnson during his mayoral tenure (2008–2016), the project attracted investments from a Chinese private firm, ABP Investment Limited, and a Chinese state-owned CITIC Group, representing a Sino-UK cooperation. However, the project was abandoned. The GLA terminated its relationship with the ABP due to unmet commitments leading to ABP's liquidation. REDEFINE's site visit to RAD in 2022 revealed a desolate scene, indicating stagnation despite substantial pledged financing from a consortium of major Chinese banks.

In contrast, though it does not act as a gateway for substantial Chinese investment, the ACM project presents an optimistic narrative. Initiated in 2013 with backing from the Manchester Airport Group and Manchester local government, the £800 million development has made significant progress aligning with broader development strategies and is anticipated to generate significant economic impact in the region over the next 15 years. Chinese developer, BECG UK has been instrumental in this progress, receiving praise for its efficiency and contribution. Additionally, ACM plays a pivotal role in broader development strategies, including China's Belt and Road Initiative and the UK's Northern Revitalisation Plan, underscoring its strategic importance even if it is not a primary gateway for investment.

Regarding the gateway projects, comparative analyses of RAD and the ACM reveal the nuanced impact of Chinese investment in UK infrastructure, contingent on various factors, including geopolitical considerations, firm type, and the backgrounds and guanxi networks (official business and social networks) of the participating entrepreneurs (Luo, 1997). This understanding is vital to better understand the lifecycles and dynamics of infrastructure projects, serving as international business gateways for Chinese enterprises.

**Contrasting tales of gateway projects**

REDEFINE’s two UK projects are London's Royal Albert Dock (RAD) and Airport City Manchester (ACM), each positioned as significant gateways to the UK and European markets for Asian enterprises.

**Power plays**

How can we understand these outcomes? What are the underlying reasons for the diversity in investment results? We posit: (1) political power as a chief variable. In social science, power is a slippery term. Multiple theorists throughout the ages and across disciplines have attempted to conceptualise and theorise it. Resultingly, we focus on two contemporary ways of ‘power thinking’ in the context of Global China. First, Lee’s (2022) emphasis on the relationality of power helps us pay attention to the changing balance of power under the large umbrella of China in Europe. Her onus on the minutiae of power’s content inspires our research endeavor to better understand asymmetries within power relationships and the use of discourse to create meaning. Taken together, these approaches to understanding power allow the GT method to capture any of these case comparisons. The result is a clearer mapping of the investments over time and, consequently, an augmented understanding of Chinese presence in European infrastructure development.

In the case of Piraeus, the investment has been successful. Here, political power at the state level has maintained COSCO's presence in Europe. The investment consortium that purchased one of Duisburg’s container terminals, the Duisburger Gateway Terminal, in mid-2022, COSCO fully divested from the project for reasons that remain opaque. REDEFINE’s lines of inquiry are ongoing, but at this stage, we can only speculate it seems likely that, as per the Hamburg example, local and/or national political pressure forced the firm out of the agreement.