



# 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.

## How do we compare projects?

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).

This section reveals the diversity in investment outcomes in each example. First, the most well-known case is the Greek port of Piraeus. In 2008, COSCO leased two piers for a 35-year period. In 2016, the firm acquired a 51 per cent stake in the Piraeus Port Authority, with another 16 per cent transferred to COSCO in 2021. These waves of investment all 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 continues 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.

Second, in 2022, COSCO's Hamburg investment became highly politicised, which caught much media attention in Germany and abroad. Government members and opposition parties voiced criticism over the agreement. In response, Chancellor Olaf Scholz enforced a reduction in ownership from the initial 35 per cent sought by the port owner to a maximum of 24.99 per cent. This result, on the one hand, maintains capital inflow critical to the terminal's development, appeasing the port owner, while on the other, removes COSCO from any management of operations, customer relations or IT infrastructure.

The whole saga caused rifts within and across German politics. The three-party coalition government had differing viewpoints on the transaction, with one Green Party politician declaring: "It was wrong, it is wrong, and it remains wrong" (Sueddeutsche, 2022). Additionally, alluding to security concerns, an opposition politician stated: "Since the intelligence services and other ministries have massively warned against the sale of shares in the port terminal to COSCO, the whole thing looks even more like a solo effort by the Chancellor on his wrong path in China policy." (Sueddeutsche, 2022). Ultimately, however, the government held firm and saved face; a weaker coalition may have split.

Third, the largest inland port in the world, in Duisburg, has experienced a complete

divestment from COSCO. Originally, the shipping firm constituted one-third of an approximate €100 million trilateral investment consortium that purchased one of Duisburg's container terminals, the Duisburg 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.

### 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.

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, leading to local economic revitalisation. Supported by Boris Johnson during his mayoral tenure (2008–2016), the project attracted investments from a Chinese private firm, ABP Investment Limited, and Chinese state-owned CITIC Group, representing a Sino-UK cooperative endeavour. However, the project has faltered. The GLA terminated its relationship with the ABP due to unmet commitments leading to ABP's liquidation. REDEFINE's site visits to RAD in 2022 and 2023 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 consistent progress aligning with broader development strategies and is anticipated to generate significant economic impact and employment over the next 15 years. Chinese developer BCEGI 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.

### Power plays

How can we understand these outcomes? What are the underlying reasons for the diversity in investment results? We posit (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 myriad aspects that come under the large umbrella of 'China in Europe'. Her onus on the minutiae of power's content inspires our research to consider the multiple actors involved in decision-making. Second, Selina Ho's (2020) dichotomy of 'structural power' and 'discursive power' illuminates how we can better understand asymmetries within powerrelationships and the use of discourse to create meaning. Taken together, these approaches to understanding power augment the PT method we employ across these case comparisons. The result is a clearer mapping of the investments over time and, consequently, an augmented understanding of Chinese capital's 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 investment and withstood international pressure to oust the conglomerate. Conversely, in Hamburg, multiple secondary data sources demonstrate the German federal government entered the story to force a reduction in the investment, appeasing the port owner and COSCO. The Duisburg case is a story of an investment failure, however. Here, we can only assume that a similar event occurred, as in Hamburg, and political pressure—or

power—removed COSCO from the group of owners.

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.

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### PROJECT NAME

Reorienting Development: The Dynamics and Effects of Chinese Infrastructure Investment in Europe (REDEFINE)

### PROJECT SUMMARY

REDEFINE will examine what China's rise means for how we understand global development and, specifically, Europe's place in it. REDEFINE aims to use the insights from international development to interrogate Chinese engagement in the heart of Europe and, by doing so, reorient the Eurocentric debates in the social sciences around how we define and delimit development, who drives these processes and what it means for societies and communities affected by such investments.

### PROJECT LEAD PROFILE

Giles Mohan is Professor of International Development at the Open University. He has held various UK academic posts over the past 30 years and has an area specialism in West Africa. Giles' recent work has addressed China's engagement with Africa, supported by a series of large grants from the UK's Economic and Social Research Council. REDEFINE builds on this China-Africa work to track the implications of Chinese investment in Europe.

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