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Chinese Multinationals and Europe's Geoeconomic Turn: The De-Globalization of the Chinese ICT and Automotive Industry?

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Abstract

Amid increasing geopolitical tensions between Western powers and China over the alleged state-capitalist nature of Chinese corporate internationalization, European governments have introduced a set of political measures tightening their trade and investment regimes on grounds of national security and economic competitiveness. This article analyzes how this "geoeconomic turn" in Europe affected the internationalization of (state-backed) Chinese firms into Europe and hence the establishment of Sino-European corporate relations. With a focus on the Chinese ICT and automotive industries, we zoom in on corporate internationalization by distinguishing two modes: (a) outward foreign direct investments (greenfield investments and mergers and acquisitions) and (b) the formation of collaborative ties (strategic alliances and joint ventures) with European companies—a hitherto underexplored form of Sino-European corporate relations. Our analysis is predicated on a comprehensive dataset consolidating information on both modes of internationalization for the period 2000–2023. We show that, in relation to investment numbers, Chinese companies continue to expand into Europe, even if values are decreasing. We also find that the formation of collaborative ties (strategic alliances and joint ventures) has not halted but increased in the wake of Europe's geoeconomic turn, indicating a further intensification of Sino-European corporate relations, though under the radar of tightening investment policies and mechanisms. When unpacking the variegated impact of the geoeconomic turn on Chinese companies' internationalization strategies in Europe, our study also finds, however, that its ramifications vary substantively—not only per sector but also among companies exposed to varying degrees of party-state permeation. Applying a novel fine-grained measure to party-state permeation, the article shows that the geoeconomic turn seems to have affected predominantly those leading Chinese firms with a high party-state exposure.

Keywords
China; corporate networks; European Union; geoeconomic turn; geopoliticization; joint ventures; OFDI; state capitalism; strategic alliances

1. Introduction

China's hybrid (party-)state capitalism has become highly globalized since the 1990s, and Chinese multinational companies—both private and state-owned—maintain extensive international corporate networks today. This has generated a wealth of studies in both international political economy and business literature (Fitzgerald & Rowley, 2016; Lee, 2018; Meunier, 2019) on the nature of Chinese (party-)state capitalism (Jungbluth, 2018; Lee, 2018) and how this mediates the particularities of Chinese corporations and their globalization strategies and trajectories (de Graaff, 2020; de Graaff & Valeeva, 2021; Leutert & Eaton, 2021; Liu & Dixon, 2021). More recently, geopolitical and geoeconomic dynamics seem to intersect with the evolution and expansion of Chinese capitalism and its partial integration into the global political economy. Indeed, economic relations (in trade, investment, R&D) have become increasingly securitized and (geo)politicized, mostly driven by the interplay of American rivalry in response to China's strategic shift towards a much more assertive foreign policy ("striving for achievement"; Yan, 2014) and its rapidly growing global economic and political footprint. This dynamic has also spilled over into Sino-European relations and China's economic engagements with Europe.

Indeed, the empirical patterns and phases of Chinese investment in Europe have changed significantly over time: Chinese investment in Europe soared after the euro crisis in 2008 and peaked in 2016, with a massive amount of 47.4 billion EUR of Chinese capital pouring into Europe. After that, however, it decreased to an eight-year low of 7.9 billion EUR in 2022 (Kratz et al., 2023a, p. 5). An increasingly large proportion of these were mergers and acquisitions (M&As), often in technologically advanced sectors. This trend has sparked concerns about a sell-out of European high-tech companies to Chinese (state-backed) investors (Jungbluth, 2018) and a growing perception of Chinese investments as a potential threat to national security, given their (alleged) state-driven nature (Babić & Dixon, 2022). In addition, many European businesses and policymakers complained about market-distorting state subsidies for Chinese companies and the "unlevel playing field" between Chinese and EU companies (European Commission, 2019). All of these can be seen as manifestations of what this thematic issue refers to as the "geoeconomic turn" in Europe (Babić et al., 2022; Matthijs & Meunier, 2023).

Against this turbulent background, our article analyzes different modes of Chinese companies' internationalization into Europe and the potentially *variegated* way in which these may be impacted by the geoeconomic turn. While studies abound on Chinese outward foreign direct investment (OFDIs) and economic engagement in Europe (for an overview, see Henderson & de Graaff, 2021; and for the data and trends, see e.g., Kratz et al., 2023a), insufficient attention is still being paid to the variation in strategy, in particular as related to the level of (party-)state permeation of Chinese firms. In addition, no academic study investigating the impact of the geoeconomic turn on Chinese economic investments and corporate relations with(in) Europe exists yet. Are we witnessing a de-globalization of Chinese (party-)state capitalism unfolding in Europe? In terms of investment value, the decrease in Chinese OFDIs seems to suggest this, but we argue that such a reading overlooks a much more counterintuitive reality, at least for certain companies and industries. To analyze this, we (a) employ a nuanced and novel categorization of degrees of (party-)state permeation in Chinese firms (Köncke et al., 2022) to explore how the geoeconomic turn has affected the investments of Chinese companies with different levels of exposure to the Chinese party-state; and (b) propose to investigate modes of Sino-European corporate relations that have so far been overlooked in the literature. First of all, we show that a very different trend emerges for certain companies and industries when we look at the *number* of investment ties rather than the *value* of the investment, the latter which has been the approach in the literature so far. Looking solely at the investment value yields an incomplete picture since, for many Chinese investments in Europe, the value of the transaction remains undisclosed. This means that the range of activity in terms of Chinese OFDIs might be (much) larger than is indicated by the investment values. Second, beyond M&As and greenfield investments, a whole subfield of intercorporate cross-border relations is unfolding, through joint ventures (JVs) and strategic alliances (SAs), that have so far flown under the radar of both policy and academic debates regarding China's presence in Europe. The latter forms of cross-border corporate relations also evade investment screening mechanisms and have not (yet) been subject to securitization and politicization the way investments from China have (Rogelja & Tsimonis, 2020). Nonetheless, such Sino-European corporate partnerships provide firms with opportunities to pool resources, reduce costs, combine expertise, and enter foreign markets and distribution networks. Focusing on these underexposed modes of corporate relations between Chinese firms and European partners thus reveals a nuanced and comprehensive picture of the state of the Chinese economic presence in Europe and how this has been mitigated by the geoeconomic turn. This article is structured as follows. In Section 2, we review the literature on Europe's geoeconomic turn and Chinese (party-)state-capital relations before discussing our research design in Section 3. Sections 4 and 5 present our key findings on the (variegated) impact of Europe's geoeconomic turn on Chinese companies' globalization via OFDIs and JVs and SAs. Section 6 summarizes and reflects on our findings.

2. The Geoeconomic Turn and the Globalization of Chinese (Party-)State-Capitalism

Debates about a geoeconomic turn in global capitalism have long been dominated by the intensifying US–China conflict (e.g., de Graaff et al., 2020; McNally, 2020). In recent years, however, analyzing the role of Europe and its so-called "geoeconomic turn" has gained traction (Abels & Bieling, 2023; Babić et al., 2022; Matthijs & Meunier, 2023). Scholars argue that the emergence of Europe's geoeconomic turn is closely connected to major material shifts in global capitalism since the beginning of the millennium, specifically to the rise and internationalization of Chinese state capitalism and the emergence of a "new triad competition" (Abels & Bieling, 2023, p. 517). The political responses by the EU and many of its member states to the rising (systemic) competitor China are multifaceted, including a securitization of foreign, trade, and investment policy (Meunier & Nicolaidis, 2019; Mügge, 2023); most notably, the implementation of EU investment screening mechanisms and instruments of vertical industrial policy (Gräf & Schmalz, 2023); and a corresponding techno-nationalism (Starrs & Germann, 2021). Various scholars in the field of international political economy have highlighted the globalization process of Chinese (state-owned and private) companies and, in particular, the role of Chinese (state-backed) OFDIs in Europe as a crucial dynamic instigating Europe's geoeconomic turn (Babić & Dixon, 2022; Gräf & Schmalz, 2023; Meunier, 2019). On an ideational and discursive level, European elites called for a (geoeconomic) turn to "open strategic autonomy" (Schmitz & Seidl, 2023)—especially by China. At the same time, the European Commission also established a policy of "de-risking" by reducing its economic dependencies vis-à-vis China (European Commission, 2023a), driven by a (perceived) threat that the Chinese party-state could make use of strong economic ties and dependencies for exploiting opportunities of "weaponized interdependence" (Farrell & Newman, 2019). This "selective fortification" (Lavery, 2023) of European capitalism(s) is therefore inextricably linked to the rise of the Chinese (party-)state capitalist model and unfolds in the context of intensifying competition between European, Chinese, and American companies, in particular in strategic high-tech sectors (Hung, 2022; Pearson et al., 2022). Given the preceding era of growing economic engagement between Europe and China (Henderson & de Graaff, 2021), including record levels of Chinese investments on the continent (Kratz et al., 2023a), the question arises what the implications of this European "geoeconomic turn" are for Chinese economic enterprises.

As indicated, it is the *state-capitalist* nature of China's growing geoeconomic power in particular that is inciting a European geoeconomic response (or "turn"; Babić & Dixon, 2022; Gräf & Schmalz, 2023; Meunier, 2019; Starrs & Germann, 2021). Due to the strong (party-)state–business ties in Chinese capitalism, high geoeconomic power resources are attributed to China because the Chinese government can make use of its domestic (state-owned and private) companies to advance its geoeconomic interests abroad (Blackwill & Harris, 2016; Ferchen & Mattlin, 2023; Gertz & Evers, 2020). At present, however, we now have a rich strand of studies (e.g., de Graaff, 2020; Jones & Zou, 2017; ten Brink, 2019; J. Zhang & Peck, 2016) indicating it would be misleading to conceive of Chinese state–capital relations as monolithic. State capacities exhibit a high degree of fragmentation and decentralization. The interests of the party-state can diverge and even clash across different bureaucratic divisions, administrative tiers, and regulatory bodies. As a result, studies indicate that there is quite some variation in the degree to which different economic sectors, and companies within the same sector are permeated by the Chinese party-state via ownership ties or party control and possess very different degrees of autonomy (Köncke et al., 2022; Weber & Qi, 2022). Given this fragmented (party-)state authority and complex entanglement of (party-)state–capital relations, a question that has not been sufficiently addressed in the literature is how and to what extent variation exists in the globalization strategies of Chinese firms and investments in Europe related to their level of (party-)state permeation. The subsequent question, in light of the geoeconomic turn, is whether and how the latter impacts the globalization strategies of Chinese firms and investments in Europe in different ways.

The few existing studies that have systematically measured how Europe's geoeconomic turn affected Chinese investment in Europe and how this impact varies among Chinese companies with different degrees of party-state permeation have been produced by think tanks (Kratz et al., 2023a, and also other work from previous years), demonstrating an overall massive decline in Chinese investments since 2016 that culminated in an eight-year low of 7.9 billion EUR in 2022 (Kratz et al., 2023a, p. 5). These studies, however, focus solely on the *value* of investments. To the best of our knowledge, there is yet no study shedding light on the variegated development of Chinese OFDIs in Europe based on the *number* of investments. This is significant because, for many Chinese investments, the value of the transaction remains undisclosed, which implies that the scale and scope of Chinese OFDIs might be (much) larger than suggested by those investment values. Focusing merely on the value of investment might hence provide an incomplete picture of the impact of Europe's geoeconomic turn on Chinese investments. In addition, with the focus of existing literature being primarily on the role of Chinese investments, what has been less analyzed so far is the establishment of other forms of corporate relations such as international SAs or JVs. These corporate relations are formed for purposes such as pooling resources for R&D activities, technology exchange, coproduction, the provision of marketing and sales services, or gaining access to foreign markets (cf. Y. Zhang et al., 2012, pp. 105–108). The establishment of SAs and JVs with European firms may provide

Chinese companies (and vice versa) an opportunity to enter new markets and acquire technology, (strategic) knowledge, or sensitive assets. Both organizational forms can thus be used to achieve the goals typically associated with M&A deals or greenfield investments. Although JVs are generally regarded as a special type of OFDI in the international business and political economy literature (e.g., Duarte & García-Canal, 2004; ten Brink, 2015), in this article we intentionally differentiate between investments (brownfield and greenfield) and collaborative corporate ties (JVs and SAs).

The creation of SAs and JVs does not usually involve the acquisition of an equity stake in an existing company. It is therefore an important distinctive characteristic of those organizational forms that the collaborating companies keep managerial autonomy. Consequently, the establishment of SAs with a third-country party is not covered by EU member states' investment screening regulations; neither are JVs covered by the scope of many national investment screening regulations (cf. OECD, 2022, pp. 55–56). JVs and SAs can thus be used as instruments to achieve similar goals as investments while bypassing national investment screening mechanisms. It is widely known that Western companies, especially those in the automotive sector, initiated JVs with domestic companies in China to gain access to the Chinese market, spurring concerns about the potential risk of technology transfer that could undermine European efforts to achieve "strategic autonomy" (Korteweg et al., 2022). Several studies in international business literature have shown that Chinese companies also used outward SAs and JVs for their international expansion to acquire technologies and enter new markets (Duysters et al., 2007; Wu & Callahan, 2005; Y. Zhang et al., 2012). But the potential impact the geoeconomic turn may have on this particular type of Sino-European intercorporate relations in Europe still has to be investigated.

In this article, we aim to fill this gap by analyzing the variegated impact of Europe's geoeconomic turn on Chinese corporate internationalization and the formation of Sino-European corporate relations via (a) the number of OFDI (M&As and greenfield) ties and (b) SAs and JVs in the period from 2000 to 2023. As described above, these modes of internationalization are expected to be affected differently by the regulatory measures introduced in the course of Europe's geoeconomic turn. Comparing the evolution of both forms thus provides a comprehensive picture of how the geoeconomic turn affected the formation of Sino-European corporate relations. To account for differences in terms of the ownership and state–business relations of Chinese globalizing firms, our study also includes variation in terms of the degree of what we call "party-state permeation" (Köncke et al., 2022). This allows us to give a granular assessment of whether Chinese companies' close ties to the party-state actually have an impact on the evolution of Sino-European corporate ties amid the geoeconomic turn. Given that European investment screening instruments are designed to filter out "market-distorting" state-capitalist influences in Chinese OFDIs (Gräf & Schmalz, 2023), we expect the activities of highly party-state permeated companies to be particularly impacted. In this article, we assess the variegated impact of Europe's geoeconomic turn on Chinese companies with varying degrees of party-state permeation in two economic sectors that are key to Europe's economic competitiveness and national security: the automotive sector and the ICT sector. We will elaborate upon this in the next section.

3. Research Design and Case Selection

Employing network visualization techniques and descriptive quantitative and qualitative analysis, this study will compare the (variegated) impact of Europe's geoeconomic turn on the internationalization trajectories into Europe of the largest Chinese firms in the ICT and automotive industries, as ranked in the Chinese Top 500 list (published by the China Enterprise Confederation). Recent research has shown that Chinese investment in Europe is concentrated in the hands of a small number of companies (cf. Kratz et al., 2023a), which predominantly belong to the Chinese Top 500 list. It should be noted, however, that while our sample includes China's largest globalizers, it excludes the investments and corporate activities of numerous small and medium-sized Chinese companies.

The choice for the ICT and automotive sectors is motivated by the following considerations:

- The "going out" of these industries was intensively promoted by the Chinese government with industrial policy measures (Jungbluth, 2018), which is why Chinese ICT companies—in particular telecommunication giants such as Huawei and ZTE—are strongly globalized. Meanwhile, automotive companies not only expanded into Europe (e.g., Geely acquiring Volvo, BYD moving significant production and sales to Europe) but also formed JVs with major European companies such as Volkswagen and BMW—in both China *and* Europe.
- For Europe, these are two key sectors in terms of its economic competitiveness vis-à-vis China and—in particular with regard to the ICT sector—also for national security concerns. Whereas the ICT sector, in particular Huawei, has become severely politicized and securitized within Europe (Calcara, 2023; Friis & Lysne, 2021; Mügge, 2023), the automotive industry has just recently been caught up in the crossfire of Sino-European economic competition. In particular, the latter happened in the context of the transition to electric vehicles, as evidenced by the ongoing anti-subsidy investigations of the European Commission against Chinese electric vehicle producers (European Commission, 2023b).
- Both sectors are comprised of large companies that demonstrate different degrees of party-state permeation (see Table 1).

Focusing on these sectors and companies thus provides insight into the extent to which Europe's geoeconomic turn affects Chinese companies' internationalization strategies, and how this impact varies according to sector and between companies with different degrees of autonomy from the party-state.

Our analysis is based on two sample selections: We first selected all relevant firms in the Top 500 list—which consists of China's largest "globalizers"—in the respective sectors with corporate ties in Europe, which generated 29 cases (13 automotive companies; 16 ICT companies; see Table 1). From this "full sample," we subsequently selected four cases per sector, one for each level of party-state permeation, constituting our "small sample" (see Table 2). This "small sample" includes the geoeconomically most salient Chinese companies. Since geoeconomic salience is determined both by the level at which firms are perceived as an economic competitive challenge as well as a (national) security threat, we selected the companies for this "small sample" based on three criteria: (a) their technological dominance in business fields key to the economic competitiveness of European core countries; (b) the risk these companies (might) pose to national security and critical infrastructure, as perceived by European policymakers and reflected in political discourse and concrete policy measures amid the geoeconomic turn; and (c) their level of economic activity in Europe as indicated by Thomson Reuters' SDC database (Thomson Reuters, 2023). These factors have been prominent in the ideational shift of European policymakers towards a more restrictive approach to Chinese investment in Europe, and thus affected the "geoeconomic turn." Alongside companies with fairly high levels of corporate activity in Europe (China Unicom, BAIC Motor, Geely, Tencent) which engaged in strategic acquisitions that attracted public attention (e.g., Geely's and BAIC's acquisition of stakes in Daimler), the small sample comprises the geoeconomically most sensitive Chinese high-tech companies that are commonly seen as the primary drivers behind Europe's geoeconomic turn. This includes high-profile ICT companies such as Huawei and ZTE whose international activities have become securitized in the US and Europe (Calcara, 2023; Friis & Lysne, 2021; Starrs & Germann, 2021), and automotive companies such as BYD or CATL whose activities are becoming increasingly "geopoliticized" (Kratz et al., 2023b; Meunier & Nicolaidis, 2019) due to their technological dominance in business fields key to Europe's economic competitiveness (New Energy Vehicles and batteries). While the full sample facilitates a comprehensive analysis of aggregate dynamics and sectoral comparisons, the small sample goes beyond that sectoral level by allowing for more in-depth insight into how Europe's geoeconomic turn has affected the evolution of Sino-European corporate relations.

Table 1. Full company sample.

Company	Sector	Degree of party-state permeation
BAIC Motor	Automotive	High
BYD	Automotive	Medium
CATL	Automotive	Low
China FAW	Automotive	High
Dongfeng Motor	Automotive	High
Geely	Automotive	Low
Great Wall Motor	Automotive	Medium
JAC Motors	Automotive	Medium
Jianglin Motors	Automotive	High
Ningbo Joyson Electronics	Automotive	Low
SAIC Motor	Automotive	High
Weichai Power	Automotive	High
Wanxiang	Automotive	Medium
Alibaba	ICT	Low
Baidu	ICT	Low
China Electronics Technology	ICT	High
China Mobile	ICT	High
China Telecom	ICT	High
China Unicom	ICT	High
GoerTek	ICT	Low
Hengtong	ICT	Medium
Huawei	ICT	Low
Luxshare	ICT	Low
NetEase	ICT	Low
Skyworth	ICT	Medium
Tencent	ICT	Low
Wingtech	ICT	Medium
Xiaomi	ICT	Low
ZTE	ICT	Medium

Table 2. Small company sample.

ICT	Automotive	Degree of party-state permeation
China Unicom	BAIC	High
ZTE	BYD	Medium
Huawei	Geely	Low: high ownership concentration
Tencent	CATL	Low: dispersed ownership structure

Another main research aim of this study is to unpack the differentiated impact of the geoeconomic turn on companies with varying degrees of party-state permeation. Building upon previous research, we determined the degree of party-state permeation for each company using two variables: (a) ownership type, based on the share of state-controlled capital in companies' equity, and (b) party control as measured by a "party influence index" which determines the degree to which the Communist Party of China is institutionalized at the corporate level (see the Supplementary File for details on how we operationalized and measured ownership type and party control, drawing upon Köncke et al., 2022). Using these two variables, we classified each company's degree of party-state permeation as high, medium, or low, with state ownership and party control given equal weight. Our classification overcomes the limitation of many studies on Chinese companies determining their exposure to the party-state based solely on the ownership type and thus overlooking the various ways the Communist Party of China is institutionalized even within private companies (Milhaupt & Zheng, 2015; Pearson et al., 2023). Though we found that state ownership and party control were correlated, there are several notable instances where party control extends into the private sector (Köncke et al., 2022). For example, BYD is often classified as a private company, suggesting a high degree of autonomy from the Chinese party-state. Based on our operationalization of party control, however, BYD is subject to a high degree of party control and thus exhibits a medium degree of party-state permeation (ownership type: private; party control: high).

We retrieved the data on M&As and JVs/SAs from Thomson Reuters' SDC database (Thomson Reuters, 2023) and data on greenfield investments (valued at least 100 million USD) from the China Global Investment Tracker published by the American Enterprise Institute (2023), in both cases for the period 2000–2023. From the SDC database, we retrieved M&A data that includes not only the European investments made by Chinese parent companies but also those made by their foreign subsidiaries. For M&As where no transaction value was provided in the SDC database, we supplemented the data with values from the companies' press releases if available. It should be noted, however, that for a third of all European investments by the companies in our full sample, no transaction value has been disclosed in the SDC database, the companies' press releases, or media reports. We stopped collecting data in June 2023.

4. Impact of Europe's Geoeconomic Turn on Chinese ICT and Automotive Investment

For our analysis, we locate Europe's geoeconomic turn in what in Germany has been called the "Kuka-Moment," which led to amendments in 2017 to the German Foreign Trade and Payments Act, tightening cross-sectoral investment control (Gräf & Schmalz, 2023). In 2017, Germany, France, and Italy also launched an initiative to establish investment screening in Europe, which later resulted in the EU Regulation 2019/452 (Chan & Meunier, 2022, pp. 525–535). We structure our analysis along two sets of results: (a) the impact of Europe's geoeconomic turn on the aggregate investment of the Top 500 Chinese

ICT and automotive companies investing in Europe, and (b) its variegated impact on the two sectors and along varying degrees of the firms' party-state permeation (see Section 3).

4.1. Impact on Aggregate Investment of ICT and Automotive Companies

Figure 1 shows that the aggregate value of investment (M&As and greenfield) by Chinese ICT and automotive companies peaked at 19.6 billion USD in 2018. This peak occurred as European governments began shifting their stance on Chinese investment. In the following years, the investment steadily declined, dropping to less than 4 billion USD in 2021 before experiencing a slight recovery in 2022. This recent surge in investment, however, is due primarily to a single significant investment: CATL's 7.6 billion USD investment in a battery plant in Hungary, which produces batteries for companies such as Volkswagen, BMW, and Mercedes. Overall, the data on investment *value* indicate that Europe's geoeconomic turn has curtailed aggregate Chinese ICT and automotive investment.

Interestingly, a different picture emerges for the *number* of investments per year: Here, perhaps counterintuitively, OFDIs of the largest Chinese automotive firms, and notably also ICT companies, in fact *increased* in the wake of Europe's geoeconomic turn. This divergence between the value and the number of investments is first and foremost a consequence of the fact that—as mentioned in Section 3—a transaction value has not been disclosed for a third of all investments made by the companies in our full sample. Our data on investment numbers reveal that China's largest ICT companies such as Tencent, Alibaba, and NetEase, and automotive giants such as Geely, Weichai, and Great Wall Motor have continued to invest heavily in Europe even after the geoeconomic turn. The transaction parties did not, however, disclose financial information on the investment deals. Analyses based solely on the values of investments thus seem to present an incomplete picture, whereas looking at the investment number illustrates that—rather unexpectedly—Chinese ICT and automotive investments in Europe remained highly dynamic.

It is also interesting to note that, at an aggregate level across the full sample, we did not find the geoeconomic turn to have produced any major shifts in either the geographical orientation or size (value) of Chinese investment projects in Europe. While some companies, notably Tencent, Alibaba, and to a lesser extent CATL, which had diversified their European investments geographically during the 2010s, increased

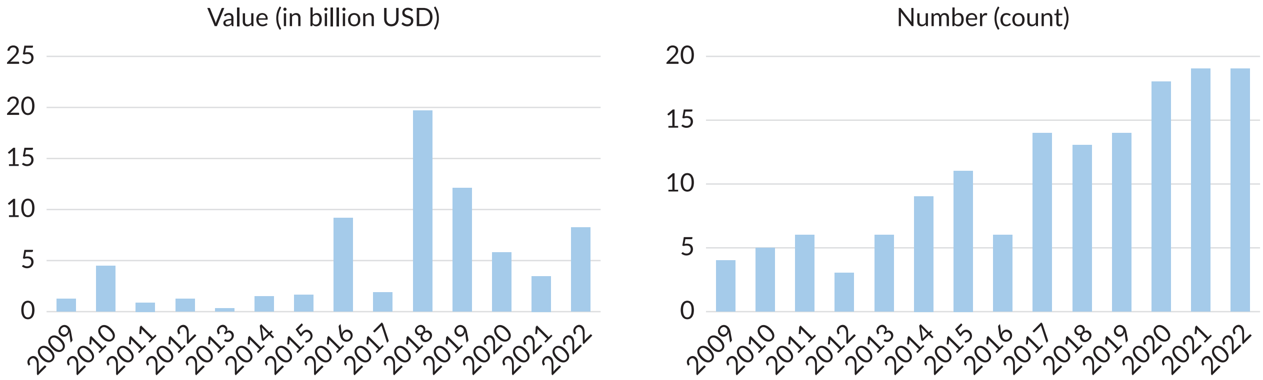

Figure 1. Development of OFDIs by Chinese ICT and automotive companies in Europe, value and number compared (value in billion USD). Source: Authors' calculations based on the SDC database (Thomson Reuters, 2023) and the American Enterprise Institute (2023).

their investments in Eastern Europe following the geoeconomic turn; others, such as Geely (Scandinavia, UK, Western Europe), Ningbo Joyson Electronics (Germany, Austria, Norway), and GoerTek (Denmark), have historically focused their investments on specific European countries and regions and reinforced this geographical concentration by further investing in these regions in recent years. Overall, we thus found no evidence of a general tendency for Chinese investments to relocate to certain European regions. Looking at the aggregated data across the full sample also indicates that there are no signs of a substantial change in the size (value) per investment projects: Single companies such as China Unicom (Spain), Dongfeng Motor (France), or Geely (Sweden, UK) invested large sums in individual European investment projects immediately after the euro crisis, but have stopped investing in Europe ever since (China Unicom, Dongfeng Motor), and in the case of Geely, values for the investments have been increasingly undisclosed. Instead, high-tech companies such as the partly state-owned semiconductor producer Wingtech (full takeover of the Dutch firm Nexperia in 2020; 4.5 billion USD in total) or CATL (large greenfield investments in Germany and Hungary), increasingly entered the European stage with large-scale investments. We thus note that although there have been substantive shifts in the investment patterns of individual firms, this has not resulted in an overall shift at the aggregate level.

Due to the divergence between investment value and number, the following analysis focuses solely on the investment number.

Focusing on the investment number of our smaller sample (Figure 2), we find that Chinese investment in the ICT and automotive sectors is heavily concentrated in a few firms.

Geely and Tencent, in particular, continue to invest in European companies. Tencent targets predominantly software and gaming firms all over Europe, whereas Geely invests in European car suppliers and dealer networks, as well as luxury car brands such as Aston Martin, with a regional focus on the UK and Scandinavia. Likewise, the automotive firms CATL, BAIC, as well as—notably—Huawei, continue to establish investment ties.

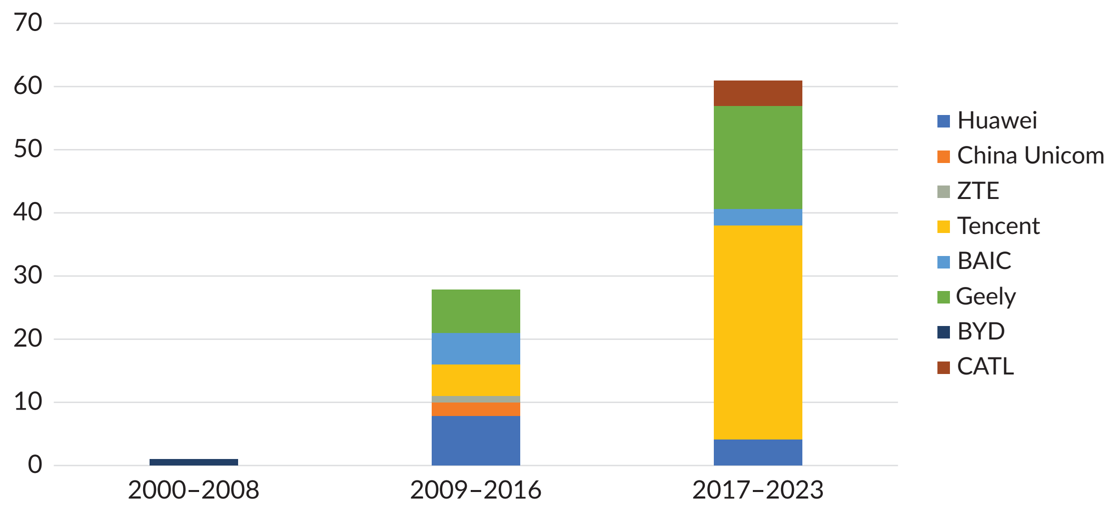

Figure 2. Periodization of OFDI number by selected companies (small sample). Source: Authors' calculations based on the SDC database (Thomson Reuters, 2023) and the American Enterprise Institute (2023).

Huawei is particularly noteworthy in this regard as it was subject to the fierce geopoliticization of the market for 5G networks and the rising efforts by, among others, the French and UK governments, to phase Huawei out of its 5G network market (Calcara, 2023, pp. 446–447; see also Friis & Lysne, 2021). Nonetheless, Huawei is currently setting up a French factory to produce mobile network equipment serving the European market, thus further intensifying the corporate ties between Huawei and its European customers, and has for example, made further greenfield investments in Ireland and Italy. Overall, our data reveal that the geoeconomic turn so far has neither diminished the aggregate number of OFDIs by top Chinese ICT and automotive companies nor halted investment by highly geopoliticized companies such as Huawei.

4.2. Sectoral Variation and Degree of Party-State Permeation

Investigating the sectorally variegated impact of Europe's geoeconomic turn based on the investment number across the full sample, our analysis indicates that investments in the highly geopoliticized ICT sector have maintained an upward trajectory (Figures 2 and 3). This contrasts sharply with the results by Kratz et al. (2023a, p. 23) who detected a shrinking share in ICT investments based on the investment *value*. In fact, as Figure 3 shows, the number of ICT investments for the companies in our sample has risen steadily since 2014 and peaked in 2021, whereas it declined in 2022 but remained at a high level.

Geographically, ICT investments are focused mainly on France, the UK, the Netherlands, Sweden, and Finland. Tencent, Huawei, and Alibaba, as well as NetEase and Wingtech, are among the largest Chinese ICT investors in Europe. For the automotive sector, which only recently started to become geopoliticized, the picture is mixed. Investments exhibited a downward trend since 2017, but have shown signs of recovery in 2022. Apart from the significant greenfield investment by CATL in Hungary, 2022 witnessed a surge in investments driven notably by M&A activities from Geely (UK, Sweden, Western Europe) and Weichai (Austria, Italy).

Throwing light on the differentiated impact of Europe's geoeconomic turn on companies with varying degrees of party-state permeation, we clearly observe that investments by companies with a high degree of party-state permeation have dropped, whereas investments by companies with a low degree of party-state permeation have soared (Figure 4).

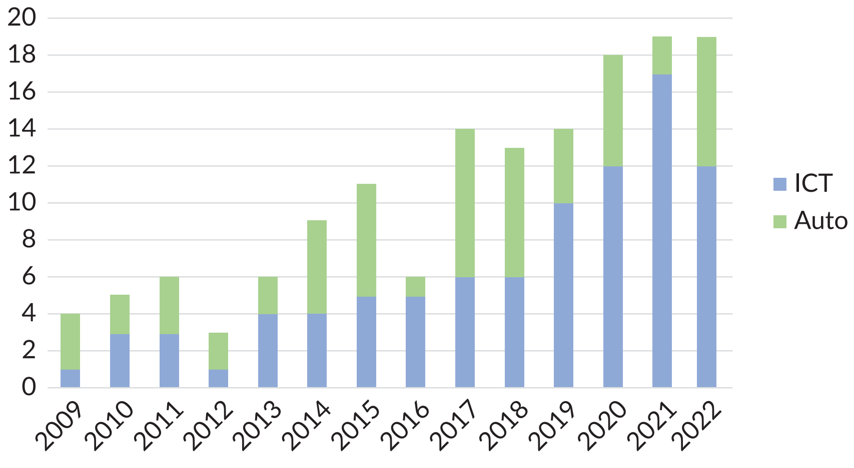

Figure 3. Sectoral comparison of the number of OFDIs (full sample). Source: Authors' calculations based on the SDC database (Thomson Reuters, 2023) and the American Enterprise Institute (2023).

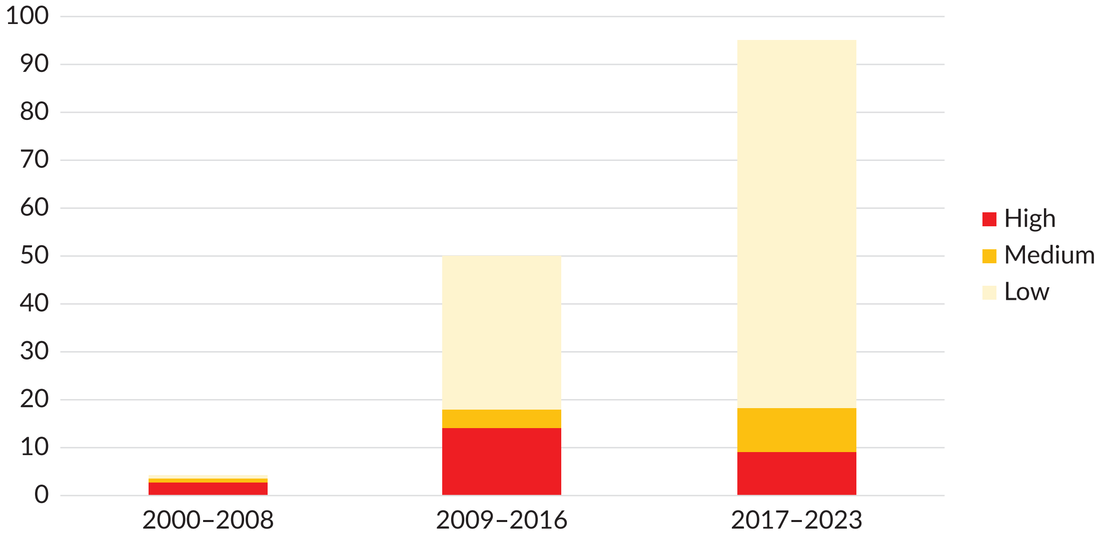

Figure 4. Periodization of OFDIs (number) based on degree of party-state permeation (full sample). Source: Authors' calculations based on the SDC database (Thomson Reuters, 2023) and the American Enterprise Institute (2023).

Because European investment screening policies are designed not only to specifically target investments in strategic industries but also to mitigate "market-distorting" state-capitalist influences (Gräf & Schmalz, 2023), this result is rather unsurprising and aligns with previous empirical analyses of Chinese investments in Europe (Kratz et al., 2023a). The geoeconomic turn in that sense clearly impacts Chinese firms with a high degree of party-state permeation, which made only a handful of investments after 2019—China Unicom in Germany (2021), Weichai in Austria (2020), and Italy (2022, 2023). In contrast, investments by companies with a low degree of party-state permeation—and, to a lesser extent, companies with a medium degree of party-state permeation—remain highly dynamic and thus seem much less affected by the geoeconomic turn.

5. Entering a New Period of Partnering? The Rise of Sino-European Collaborative Ties

We have argued that, beyond the realm of investment, an ecosystem of cooperative forms of cross-border corporate relations between Chinese and European companies exists, which has hitherto remained largely overlooked in the analyses of Sino-European corporate relations. JVs and SAs constitute two such modes of cross-border intercorporate relations that firms establish for the purpose of pooling resources for R&D activities, technology exchange, coproduction, the provision of marketing and sales services, and gaining access to foreign markets (cf. Y. Zhang et al., 2012, pp. 105–108). Moreover, such cooperative intercorporate relations often precede the establishment of more extensive investment relations, as we will discuss below. As Figure 5 indicates, establishing JVs and SAs with European partners has indeed been a considerable part of the globalization strategy of the Chinese Top 500 automotive and ICT firms in our sample (Table 1).

These forms of cooperative relations between Chinese companies and their European partners not only continue to be established after the geoeconomic turn but actually more than doubled in the period 2017–2023; a development similar to the surge in OFDI ties during this period. This increase in the formation of cooperative relations notably occurred prominently in the ICT sector which was already subject

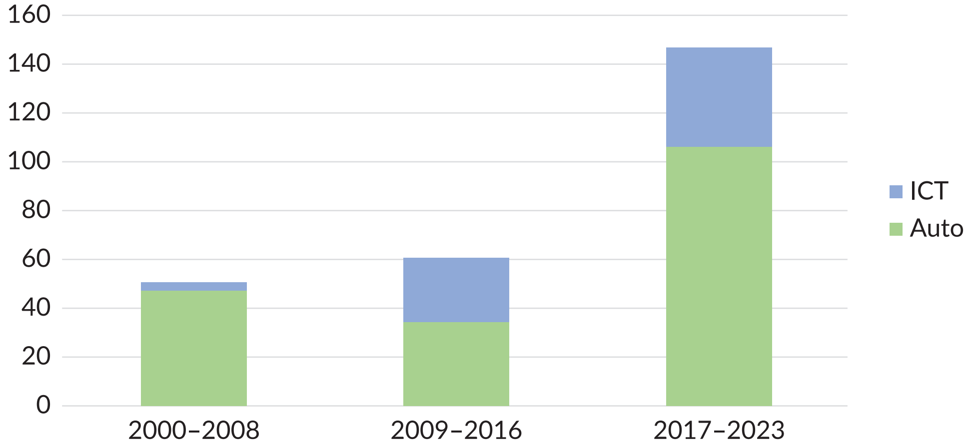

Figure 5. Sino-European JVs and SAs in ICT and automotive (full sample) before and after the geoeconomic turn. Source: Authors' calculations based on the SDC database (Thomson Reuters, 2023).

to heavy geopoliticization during that period (Calcara, 2023; Friis & Lysne, 2021; Starrs & Germann, 2021). Another sectoral variation we find is that Chinese ICT firms generally establish more collaborative ties with European firms than Chinese automotive firms do.

Assessing the variation depending on the degree of party-state permeation (Figure 6), we observe a substantial shift over time. While highly party-state permeated companies accounted for the majority of all JVs and SAs in the periods before the geoeconomic turn, they established significantly fewer of these links after the geoeconomic turn. In contrast, we see a substantive increase in the formation of JVs/SAs by low party-state permeated companies.

The intentions behind the establishment of such alliances can be manifold, as indicated by the literature on JVs and SAs (see Section 2). We therefore conducted an explorative qualitative analysis of the descriptions provided in the SDC database on each of these JVs and SAs. This explorative analysis indicates that many of these deals are R&D partnerships and agreements on the provision of products from Chinese companies

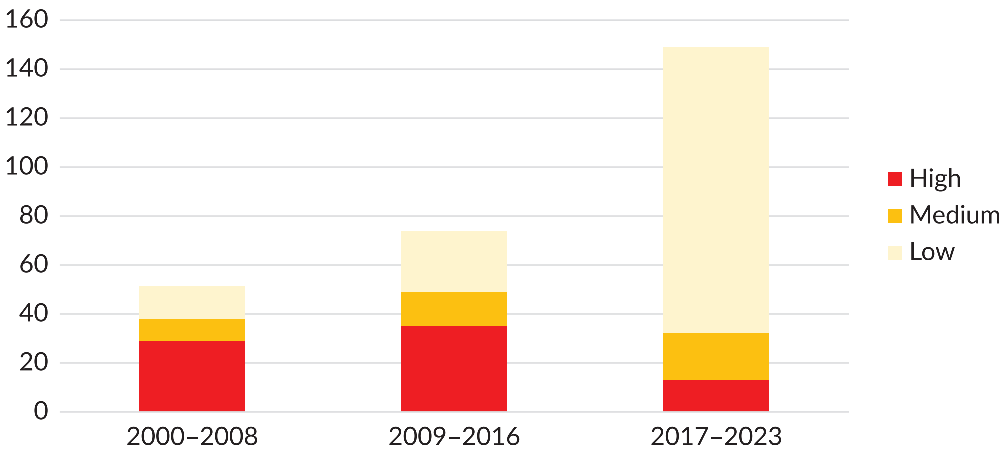

Figure 6. Sino-European JVs and SAs by party-state permeation (full sample) before and after the geoeconomic turn. Source: Authors' calculations based on the SDC database (Thomson Reuters, 2023).

to their European partners, which the latter utilize on both the European and Chinese markets. For example, many of these cooperative agreements with Alibaba or Huawei are about providing IT services to European car producers. The increase for low party-state permeated companies is thus a reflection of the wider ascent of private companies in the Chinese ICT and automotive sectors which have strengthened their competitive position in global markets (Hung, 2022).

We zoom in below to analyze the configuration of these ties and the corporate interfirm networks of our smaller sample (Table 2) to get a more granular assessment of: (a) their development over time, (b) their geographical spread, and (c) the variation across sectors and degree of party-state permeation. Figure 7 depicts a pattern in line with our full sample, illustrating the growing number of JVs and SAs over time, and a tripling of those ties in the period after the geoeconomic turn (2017–2023).

This figure also shows that the companies in our smaller sample that are most active in establishing these cooperative corporate relations are Huawei, Tencent, and Geely. Again, Huawei is a particularly interesting case in this regard since it seems that, despite the highly politicized and securitized debates about blocking Huawei from European 5G infrastructure networks (Calcara, 2023, pp. 446–447), it has managed to continue its globalization strategy out of the spotlight and has established a sprawling network of SAs in Europe during and after the geoeconomic turn (see also Figure 8). This includes many cross-sector alliances with, for example, Europe-based car manufacturers such as Volkswagen, Audi, and Volvo (owned by Geely), involving, e.g., collaboration in R&D and the provision of IT services. Also noteworthy is the close interrelation between collaborative ties and investments. For example, CATL and Mercedes-Benz initiated an SA in 2020 to supply Mercedes-Benz with CATL's battery cell modules, which served as a catalyst for CATL's subsequent decision to make a large-scale greenfield investment in Germany and Hungary (Section 4). Another notable example is the enduring collaboration between BAIC Motor and Daimler that

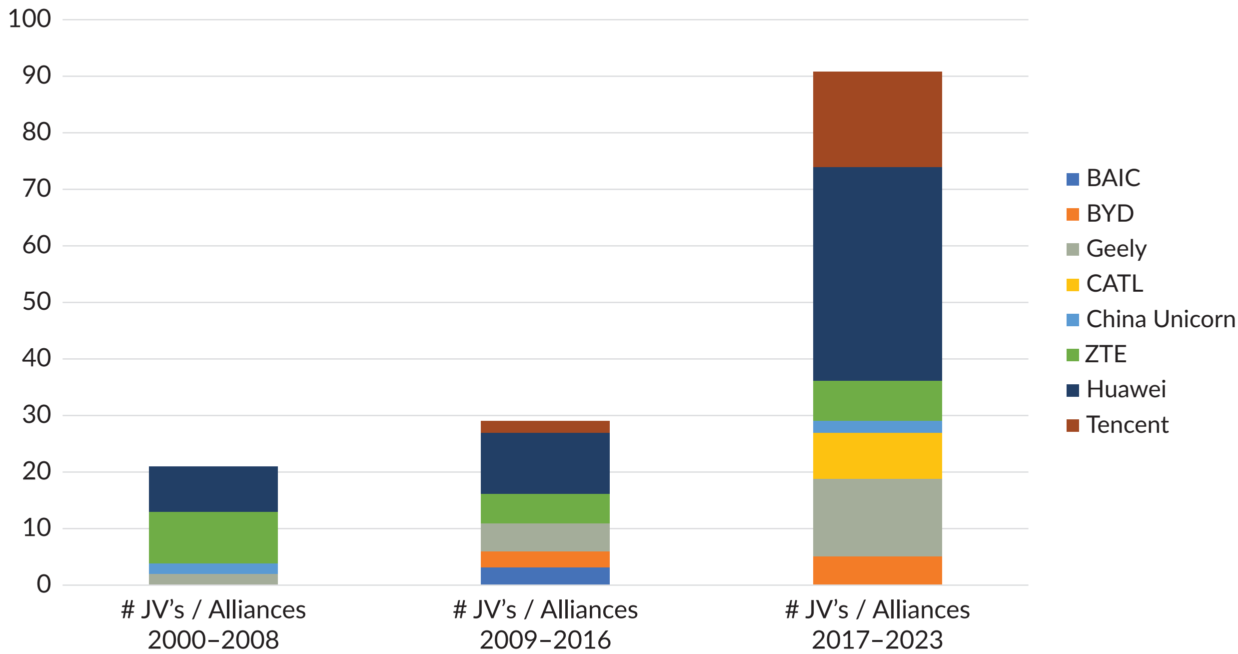

Figure 7. Sino-European JVs and SAs in the ICT and automotive sectors (small sample) before and after the geoeconomic turn. Source: Authors' calculations based on the SDC database (Thomson Reuters, 2023).

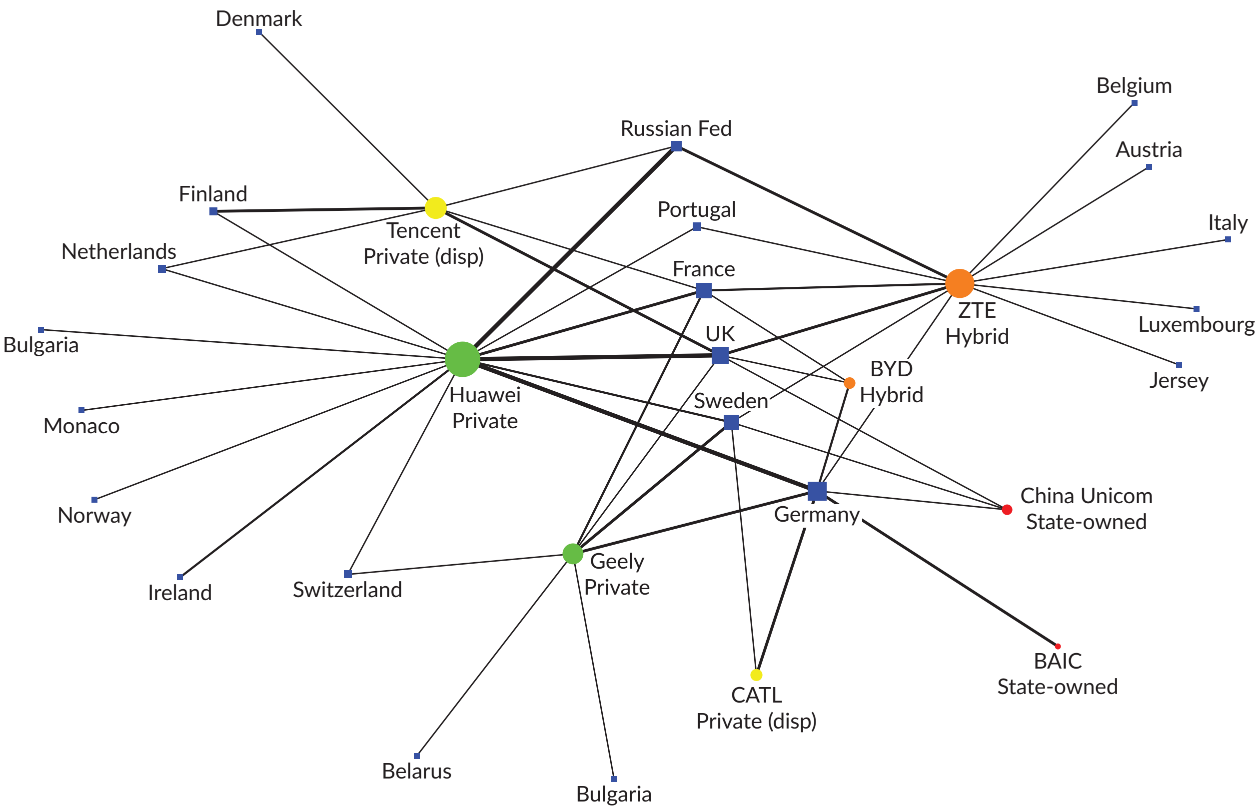

Figure 8. Geographical configuration of Sino-European JVs and SAs, 2000–2023. Notes: blue nodes = country of participant firms; green nodes = 100% private firms; yellow nodes = private firms with dispersed ownership; orange nodes = hybrid firms; red nodes = 100% state-owned firms; tie strength represents number of alliances with a firm in that country, and node size represents degree centrality (i.e., number of incoming ties). Source: Authors' calculations based on the SDC database (Thomson Reuters, 2023).

culminated in the establishment of a JV in the early 2000s known as Beijing Benz Automotive, producing Mercedes-Benz cars in China. This partnership set the stage for BAIC's acquisition of a 10% stake in Daimler in 2019, exemplifying the interconnectedness between the establishment of JVs/SAs and investments.

Mapping out the geographical networks for the eight Chinese firms in our small sample, Figure 8 shows that German firms are the most frequent partners for their JVs and SAs, closely followed by the UK, Sweden, and France. Besides Tencent, all the firms in our small sample partner with German firms. This two-mode network also illustrates that ICT firms have much more extensive geographical networks. Again, Huawei is the most widely and extensively connected. Chinese automotive firms only establish such relations with a few countries; in particular—and unsurprisingly—with Germany. Again, we find some variation based on the degree of party-state permeation, as the low and medium party-state permeated firms (green, yellow, and orange nodes) have much more extensive networks than the highly party-state permeated firms (red nodes) have.

6. Conclusion

This article has engaged with the ongoing international relations and international political economy debates about Europe's geoeconomic turn and contributed to these debates by analyzing its implications for the internationalization of Chinese firms into Europe. In contrast to prevailing studies and expectations, our data reveal that the geoeconomic turn so far has not affected the aggregate number of OFDI ties by Top 500 Chinese ICT and automotive companies. Moreover, while it may have *altered* the investment activities of highly geopoliticized companies, it has—as the case of Huawei shows—not *halted* them.

Europe's geoeconomic turn, however, has had a differentiated impact on companies related to their degree of party-state permeation. We have shown that investments by highly party-state permeated Chinese companies have dropped markedly. By comparison, investments by companies with a low degree of party-state permeation—and, to a lesser extent, companies with a medium degree of party-state permeation—remain highly dynamic. Our results thus indicate that, while the "selective fortification" (Lavery, 2023) of European capitalism(s) coincided with a slowdown in the momentum of OFDIs by highly party-state permeated Chinese companies, investments by companies with a low party-state permeation (in many cases operating in high-tech fields such as ICT and electric vehicles) actually *increased* after the geoeconomic turn.

This article also reveals the existence of an extensive ecosystem of cooperative forms of cross-border corporate relations between Chinese and European companies that has so far been largely overlooked in the analyses of Sino-European corporate relations. As we show, Chinese ICT firms, and—to a lesser extent—automotive companies, engage intensively with Western companies by establishing collaborative ties (JVs and SAs) to pool resources for R&D activities, technology exchange, coproduction, the provision of marketing and sales services, or preparing their entry into foreign markets. Notably, this dynamic has also intensified in the wake of the geoeconomic turn. Here, however, it is again the companies with a low degree of party-state permeation that have entered into cooperation with Western companies after the geoeconomic turn, while the involvement of Chinese companies with a high degree of party-state permeation has declined sharply. Uncovering this extensive network of Sino-European collaborative ties, our findings point to the need to conduct further in-depth qualitative investigations into what these ties imply for Chinese corporate globalization. Moreover, it is interesting to note that, given the interrelatedness between the establishment of JVs and SAs and investment activities, the surge in these collaborative corporate ties could serve as a precursor to heightened investment endeavors in the future.

In general, our results stress the importance of including cooperative corporate relationships in the analysis of Chinese companies' internationalization strategies and the benefit of a more encompassing assessment of OFDI, including not only value but also the number of investment ties. We have suggested that JV/SA formation can be a strategy for avoiding regulatory prohibitive measures and screening; more research into the motives and drivers on the part of both Chinese and European partners for these modes of collaboration would be one fruitful research avenue. We found indications of JV/SA partnerships leading to more intensive and expansive investment relations, but whether this is indeed a robust pattern needs to be established more systematically. Moreover, the present study focused on two key sectors in the geoeconomic competition between Europe and China; future research would need to confirm whether the patterns we found in these sectors also apply to other sectors such as finance, infrastructure, and energy.

Another key takeaway from our study is that, despite the blurring boundaries between state-owned and private Chinese firms and the complex entanglement of state-capital relations in Chinese capitalism, geopolitical and geoeconomic dynamics do have a substantive differentiated effect on Chinese firms' internationalization strategies related to their degree of party-state permeation. Our study has not analyzed the mechanisms of this influence and the party-state business ties within firms (but see Köncke et al., 2022), nor has it investigated how these are perceived by their corporate partners abroad, both of which would constitute fascinating follow-up studies. Our findings make clear that continued attention in both academic and policy assessments of Sino-European economic relations to the distinctive and complex nature of Chinese party-state capitalism is called for—while keeping Western-centric blinders in mind.

Finally, this study suggests that European governments' efforts to "de-risk" their economic relations with China and the call for "open strategic autonomy" vis-à-vis China have, so far, been accompanied by an intensification of Sino-European business relations with respect to both investment ties and collaborative ties of China's largest ICT and automotive companies, be it more "under the radar." This seems to indicate that firms and cross-border corporate relations are more resilient to the growing geopolitical and geoeconomic rivalry and the adjacent tightening of policies than the headlines might lead us to expect. For the wider Sino-European relations and the potential unfolding of de-globalization—or even decoupling—our findings indicate that this is certainly not a unilinear or one-dimensional development. De-globalization, or an unraveling of Sino-European relations, does not seem to be impending, at least not within the wider realm of corporate cross-border interactions, though it could happen selectively, in certain industry segments and specific cases (e.g., semiconductors, 5G). National security concerns and economic imperatives seem to interact in contradictory ways, and it appears to be a rocky road from political strategic decisions to corporate behavior.

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Conflict of Interests

The authors declare no conflict of interests.

Supplementary Material

Supplementary material for this article is available online in the format provided by the authors (unedited).

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