



CHATHAM HOUSE

Chatham House, 10 St James's Square, London SW1Y 4LE
T: +44 (0)20 7957 5700 E: contact@chathamhouse.org.uk
F: +44 (0)20 7957 5710 www.chathamhouse.org.uk
Charity Registration Number: 208223

International Economics Programme Paper 2010/06

Chinese Outward Direct Investments in Spain

Lawrence Sáez

Senior Lecturer (Associate Professor), School of Oriental and African Studies (SOAS)

March 2010

The views expressed in this document are the sole responsibility of the author(s) and do not necessarily reflect the view of Chatham House, its staff, associates or Council. Chatham House is independent and owes no allegiance to any government or to any political body. It does not take institutional positions on policy issues. This document is issued on the understanding that if any extract is used, the author(s)/ speaker(s) and Chatham House should be credited, preferably with the date of the publication or details of the event. Where this document refers to or reports statements made by speakers at an event every effort has been made to provide a fair representation of their views and opinions, but the ultimate responsibility for accuracy lies with this document's author(s). The published text of speeches and presentations may differ from delivery.

Key Points

- Spain is a leading destination for Chinese overseas direct investment (ODI) in the EU, but compared to overall Chinese investment worldwide, the inflows are insignificant.
- The yearly pattern of Chinese investment in Spain is uneven and single yearly investments have a disproportionate impact on overall investment levels.
- Spain does not appear to have a comprehensive national government strategy to attract overseas direct investment from China, however some regions (notably Catalunya) appear to be taking the lead to promote themselves as attractive destinations for Chinese investment.
- There is strong evidence that Chinese ODI to Spain is heavily skewed to one region (Catalunya), though such investment choices appear to be partly motivated on the basis of existing infrastructural advantages and availability of domestic networks of expatriate communities in the region.
- The sectoral pattern of Chinese investment in Spain appears to be in intermediate commercial goods, real estate investment, and the textile sector.
- Despite the limited availability of long-term data, there appears to be some evidence that Chinese investors are targeting sunset industries, particularly in the textile sector, but the success of these acquisitions has been mixed. Investment in the renewable energy sector appears to be a promising venue for Chinese ODI, though it is premature to conclude that it will be a growing sector in the future.

1. Introduction

The phenomenon of outward direct investment (ODI) into Europe appears to be of recent vintage and is highly concentrated in just a few European countries. According to Nicolas and Thomsen (2008: 15), in 2006, Spain was the third largest recipient of Chinese ODI stock among all EU countries.¹ Although in terms of the quality of gross domestic product (PPP) per capita, population size, and technological achievement, it would make sense for Chinese capital flows to be directed to the UK and Germany, it is unclear why Spain would be a magnet for Chinese ODI in relation to other EU countries. In other words, the case of Spain appears to confirm other theoretical explanations for which location specific or host country advantages may offer potential market entrants (Dunning 1998, 2002).

In this report, the author will outline Spain's unique country specific advantages relative to other EU investment destinations. By focusing on the pattern of sectoral trends and geographic distribution of Chinese ODI in Spain, the author will argue that to potential Chinese investors in the EU, Spain may be an attractive destination for certain sectoral forms of investment, particularly in the form of small scale commercial wholesale activities, textiles, and renewable energy. The pattern of Chinese ODI to Spain does not at present appear to be following any specific type of entry mode, although there is some tentative evidence that the acquisition of sunset industries and the extension of distribution lines to Chinese expatriate communities based in Spain may be the most salient forms of investment into Spain. Borrowing Jere Behrman's classic typology of FDI objectives (Behrman 1972), if investment choice is determined by the expected benefits of locating in a particular host country, then this preliminary evidence suggests that Chinese ODI to Spain has features of being *market-seeking*, both in terms of offensive and defensive market seeking behaviour (Nicolas 2010, Stopford and Strange 1991).

Based on evidence of selective regional investment, the author will argue that specific types of regional (or subnational) investment promotion strategies appear to work towards the goal of attracting further ODI from China, but only on the basis of existing infrastructural advantages and availability of domestic networks of expatriate communities. As such, the case of Spain illustrates *host region* advantages rather than *host country* advantages. At the same

¹ In their study, citing statistics from MOFCOM, the UK and Germany were the largest recipients of Chinese ODI in the EU.

time, the author will suggest that there is little evidence about an overarching strategic plan by Chinese global business firms to capture key sectors of the Spanish economy. Spain may appeal to specific niche sectors, but it is not likely to be a major player in a wider range of capital intensive industries. For this reason, the author is pessimistic that an overarching national government effort to attract Chinese ODI to Spain will yield the expected results.

In order to provide an analytical overview of Chinese ODI in Spain, the report will contain four separate sections. Firstly, the author will discuss the context and national policy environment under which Chinese ODI operates. Secondly, the author will stress that there are some discrepancies in the data relating to Chinese ODI to Spain. Primarily relying on official Spanish government data, the author will provide empirical evidence for the emerging patterns and trends of Chinese ODI to Spain. Thirdly, the author will show evidence for the regional and sectoral variation in Chinese ODI to Spain. Finally, the author will highlight some areas for future investment opportunities for China in Spain and offer some general conclusions.

2. Pattern and trends of Chinese ODI in Spain

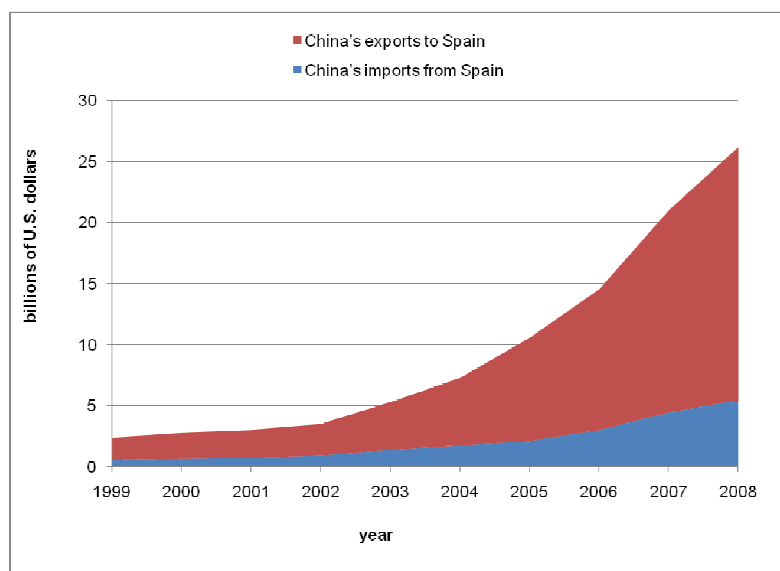
Although this paper highlighted the fact that in 2006, Spain was the third largest EU recipient of Chinese ODI stock, it is worth qualifying that the EU does not appear to be a principal destination for Chinese ODI. According to Nicolas and Thomsen (2008: 5), Europe received a mere 3 percent of Chinese outward non-financial FDI stock in 2006. Within the context of the EU's relative insignificance as a destination for Chinese investment, then Spain's ranking in 2005 and 2006 as the third largest destination among EU countries is far less dramatic than implied at the start of this chapter. Nevertheless, the author will show that there are specific features of Chinese ODI in Spain that are interesting and peculiar.

Spanish investment policies

The success of Spain in attracting foreign direct investment is no doubt the result of recent policy changes relating to Spain's outward orientation. As argued by Bustelo (2006), compared to other OECD countries, Spain has been a latecomer to global integration and has not developed a clear commercial policy vis-a-vis China until recently. Spain's new outward orientation has resulted in a rapid increase in external trade transactions. For instance, viewing bilateral trade patterns between China and Spain, it is

apparent that there has been a marked increase in aggregate trade since 2003, when aggregate trade first exceeded the \$5 billion mark (See Chart 1).

Chart 1: Bilateral trade between China and Spain, 1999-2008



Source: UN Comtrade

Much of Spain's foreign trade is geared towards the Latin American market. The sudden increase in bilateral trade between China and Spain has been motivated by extensive Spanish government efforts to diversify the country's commercial relations. To that effect, the Spanish government undertook a *Plan de Acción para Asia Pacífico* (Asia Pacific Action Plan) in 2005. This government plan was followed by a more targeted, *Plan Integral de Desarrollo del Mercado chino* (Integrated Plan for the Development of the Chinese Market) which sought to enhance the presence of Spanish exporters in China. Nevertheless, as is also apparent from Chart 1, bilateral trade between Spain and China is heavily skewed in favour of China, with a current 5:1 ratio of Chinese exports to Spain relative to Spanish exports to China.

If one shifts one's attention from Spain's trade strategy to its foreign investment strategy, it is apparent that, in some respects, Spain is still trying to formulate a comprehensive strategy to become a long-term destination for Chinese investment. To date, the bulk of Spanish central governmental efforts have been geared to enhancing Spain's investment in China. Although, the nominal level of Spanish FDI in China has increased, by the end of 2007

investment to China accounted for only 0.7 percent of Spain's overall FDI worldwide (Dirección General de Comercio e Inversiones 2008: 30).²

From a gradual economic opening in the 1960s onwards, Spain was a net recipient of foreign direct investment. Arahetes and Garcia (2003) have shown that it was not until 1997 that Spain's outward foreign direct investment exceeded its inward foreign direct investment inflows, partially motivated by a rapid growth in Spanish foreign direct investment to Latin America and Europe. Although there has been a demonstrable improvement in Spain's outward orientation, there are significant structural and institutional barriers to entry. Spanish foreign investment policy is governed by a series of overlapping national commercial, tax, employment, and company laws. From a foreign investor's point of view, Spain could appear to be a somewhat onerous location to conduct business. In the World Bank's *Doing Business 2009* report, Spain ranked 49th in the world in its overall ease of doing business rank.³ Among OECD countries, only Italy, Greece, Hungary, and the Czech Republic had a lower overall score in this category. In this survey, Spain performs very poorly in a number of key sectors. For instance, Spain ranked 140th in the survey's starting a business rank, 160th in employing workers, and 88th in protecting investors.

Considering the cost of conducting business in Spain can be onerous, it is unclear why Chinese investors may view Spain as a feasible investment destination (relative to other EU countries). From the point of view of the interviewees for this report, the most notable features of Spain's ability to attract investment from China stems from the Spanish government's willingness to enable Chinese companies investing in Spain to operate on a par with local firms. This willingness has been exemplified by the signing of a number of bilateral treaties with China. The first treaty that sparked interest in investment from China was the 1992 treaty on double taxation (also known as the 1992 Convenio).⁴ The 1992 Convenio sets out detailed specifications on bilateral personal income and real estate taxes.

In addition to the 1992 Convenio, interviewees highlighted the important role of other treaties in signalling Spain's intentions to be viewed as a positive destination for Chinese investment. The other notable treaties were the Sino-

² The United Kingdom, the Netherlands and the United States are the three leading destinations for Spanish outward direct investment.

³ The World Bank's *Doing Business* survey can be obtained at <http://www.doingbusiness.org/economyrankings/>. Data from the *Doing Business 2009* report covers the period of April 2007 until June 2008.

⁴ Convenio Entre el Gobierno de España y el Gobierno de la Republica Popular China Para Evitar la Doble Imposición y Prevenir la Evasión Fiscal en Materia de Impuestos Sobre la Renta y el Patrimonio. *Boletín Oficial del Estado*, 25 June 2002.

Chinese agreement on promotion and reciprocal protection of investment, the 2005 APPRI (*Acuerdo de Promoción y Protección Reciproca de Inversiones*).⁵ The 2005 APPRI, an agreement which enables local companies to be treated on an equal footing as external companies, has been pointed to as having a positive influence in making Spain an attractive investment destination. Some legal analysts have suggested that the APPRI tried to find a balance between investment opportunities and economic freedom. Pastor (2006: 2) has suggested that with the APPRI 'it became clear that China was a priority market for Spain and there appears to be a general climate (legal, social, and cultural) favourable to investment, even though there is limited economic freedom' (translation by the author).

Most recently, in November 2006, Spain and China signed a bilateral investment promotion and reciprocal investment protection agreement.⁶ In May 2007, the president of the Instituto Español de Comercio Exterior (ICEX), Spain's commercial investment department agency, signed an additional agreement with the Director General of the China Investment Promotion Agency (CIPA). The agreement aims to increase joint investment collaboration between Spanish and Chinese firms.⁷

During the author's interviews with Spanish government officials, investment analysts, practitioners, and academics, a great deal of attention was paid to Spain's internal regulations relating to company registration and annual disclosure requirements. Once their accumulated investment stock exceeds 3 million euros, domestic and foreign companies operating in Spain have to register their investment with the Ministry of Industry, Tourism, and Commerce. However, branches of foreign companies have more stringent registration regulations. Foreign company branches have to register with the Ministry irrespective of the amount of their capital. Some interviewees speculated that, given this apparent legal loophole, many Chinese companies did not enter the Spanish market as a foreign company branch. Given the inconvenience and compliance costs that the registration procedures place on small enterprises, the perception among interviewees was that much Chinese investment in Spain, particularly in the retail and wholesale commercial sector, was not adequately registered or reported to the authorities.

⁵ APPRI España-China. *Boletín Oficial del Estado*, no. 86, 11 April 2005.

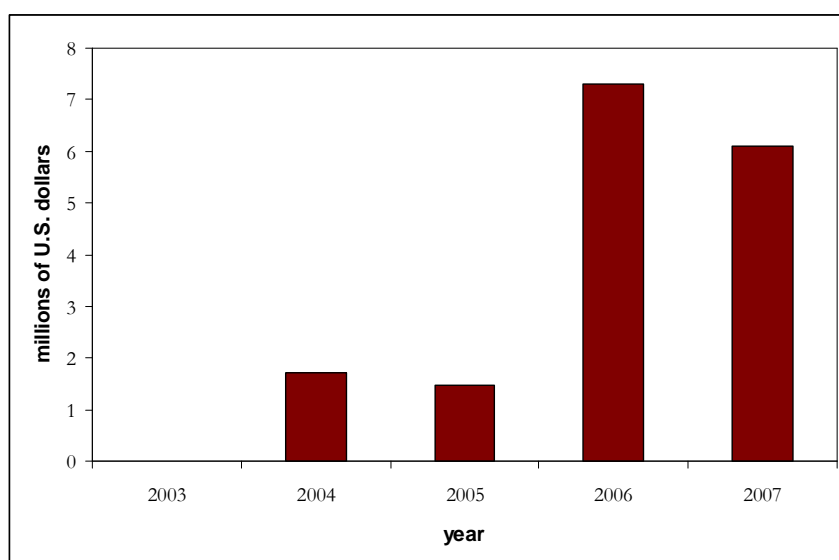
⁶ Acuerdo Entre el Reino de España y la Republica Popular China Para la Promoción y Protección Reciproca de Inversiones. *Boletín Oficial del Estado*, no. 164 (8 July 2008).

⁷ Interes, Spain's investment promotion agency, also signed a memorandum of understanding the CIPA. The Interes website now provides extensive coverage in Chinese. For instance, see, http://www.investinspain.org/icex/cda/controller/interes/0.7197.5395022_5397303_5397500_0.00.html.

3. Data sources

One of the key challenges in evaluating the impact of Chinese overseas investment in Spain is the absence of reliable macroeconomic measures for this type of capital flow. Chinese government data on Chinese ODI to Spain are not comprehensive. A more serious challenge is that Chinese government data on Chinese ODI to Spain do not correspond to Spanish government data about Chinese annual investment in Spain. If Chinese ODI to Spain is assessed using data from the Chinese government's Ministry of Commerce (MOFCOM), the pattern of recent investment shows a negligible and unstable trend for the 2003-2007 period, with a sizable increase in 2006 and 2007 (See Chart 2).

Chart 2: China's outward direct investment flows to Spain, 2003-2007



Source: MOFCOM, *Statistical Bulletin of China's Outward Foreign Direct Investment 2007*.

As Chart 2 suggests, the rapid increase in 2006 and 2007 corresponds with the global spike in Chinese outward investment observed by Freeman (2008) and others as part of China's so-called "go-global" strategy. However, in the author's opinion, MOFCOM data on Chinese ODI to Spain should be used with caution since there are important discrepancies with similar data issued by their Spanish government counterparts.

If one relies on Chinese ODI data from Spanish government sources, then one faces a different set of challenges. Prior to 1993, data on Chinese ODI in Spain is hard to obtain and is unreliable. Spain's first notable investment from China took place in 1986 when the Shanghai Fisheries Corporation Group (SFGC) created a joint venture, called Shanghai Marine (Spain) in the Spanish island of Las Palmas de Gran Canaria. From 1993 onwards, a division within Spain's Ministry of Commerce, the *Secretaría General de Inversiones Exteriores* (Secretariat for External Investment), has collected and published the most reliable statistics relating to outward investment into Spain.⁸ The Secretaría also publishes an annual report, entitled *Flujos de Inversiones Exteriores Directas* (Direct Investment Inflows and Outflows). This annual report serves as the most comprehensive governmental analysis of Spain's foreign investment strategy.

Other supplemental data emerges from a Spanish government sponsored investment promotion agency (*Instituto Español de Comercio Exterior, ICEX*) as well as from regional government investment promotion agencies. However, Chinese investment into Spain *per se* is rather insignificant, relative to investment from other countries. Thus, although there has been an improvement in the quality of statistical materials in general, there is little focus on investment from China.

Getting an accurate and comprehensive measure for different forms of foreign investment type across Spain is difficult because of lack of symmetry in the reporting of data. For some Spanish government statistics, the measure provided is total FDI stock, for other indicators only gross FDI measures are provided. Moreover, Spanish government statistics disaggregates data for *Entidades de Tenencia de Valores Extranjeros* (ETVE, Entities with Foreign Ownership) and non-ETVE enterprises. ETVEs are Spanish companies with foreign ownership participation that are listed in one of the local stock exchanges. Non-ETVEs, in contrast, are not listed.

In an internal assessment of inward foreign investment trends undertaken in 2003, the Spanish government estimated that nearly 95 percent of foreign investment stock in Spain is undertaken by non-ETVEs (Dirección General de Comercio e Inversiones 2005).⁹ According to these estimates, nearly 94

⁸ In earlier reports, the Secretaría was called the Dirección General de Comercio e Inversiones. The Ministry of Industry, Tourism, and Commerce, provides internal and external investment statistics via an online portal called DataInvex. The portal is relatively easy to use, but it only provides information and instructions in Spanish. Unless otherwise stated, foreign investment data in this report has been calculated from DataInvex. The DataInvex dataset is available at <http://datainvex.comercio.es>.

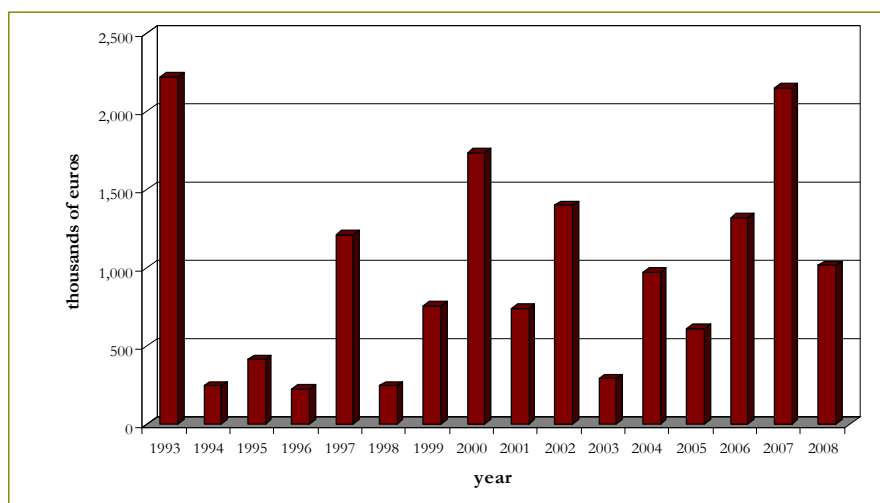
⁹ Subsequent reports suggest that non-ETVE investment accounts for 80 percent of total gross investment into Spain. See, Dirección General de Comercio e Inversiones (2008).

percent of unlisted companies with foreign participation (i.e., non-ETVEs) have majority shareholding by the foreign partner. However, for listed companies with foreign participation (i.e., ETVEs), only 43 percent had majority shareholding by the foreign partner.¹⁰ Most of the available data is only for non-ETVE firms, but sometimes data is generated for both ETVEs and non-ETVEs.

To date, with some exceptions, there has been very little quality analysis of the patterns of Chinese investment in Spain, some of it attempting to examine modes of entry (Fileva 2009) and others focusing on the potentially detrimental impact of Chinese investment on decaying Spanish industrial sectors (Santacana and Wang 2008, Martí Selva and Puertas Medina 2004). Work by Goy-Yamamoto and Navarro (2008) provides another notable exception to this dearth of literature in a general survey of Asian investment in Spain. Though focusing on the largest Asian investors in Spain (e.g., Japan), Goy-Yamamoto and Navarro also offer some useful insights into the uneven pattern of Chinese ODI in Spain, particularly as it pertains to sectoral and geographic distribution.

According to data from Eurostat, the amount of accumulated stock of Chinese investment in Europe has increased from 1994 to 2001, showing a small decline in 2002 and 2003 and a sharp increase in 2004. However, relying on Spanish government data, the aggregate pattern of such ODI in Spain is cyclical and irregular (See Chart 3).

Chart 3: Net investment inflows from China to Spain, 1993-2008



Source: DataInvex 2009

¹⁰ Joint equity ventures are rare in Spain, the Dirección General de Comercio e Inversiones (2005) estimated that only 0.76 of all enterprises in Spain are joint ventures.

Chart 3 shows that Chinese investment in Spain follows a pattern of peaks and troughs. From 1993 until 2007 there are several years (1996, 1998, 2003, and 2004) in which Chinese ODI to Spain does not exceed 300 thousand euros. During this time period, 1993 appeared to be the historic peak in yearly Chinese ODI to Spain, reaching 2221 thousand euros. Save for the global financial crisis, it appeared that 2008 would have been a peak year for Chinese investment in Spain. From January through June 2008, net Chinese investment inflows reached 995 thousand euros. However, Chinese ODI to Spain collapsed during the last two quarters of 2008, only reaching 1,016 thousand euros by the end of 2008. Bilateral trade patterns between China and Spain (Chart 1) are relatively stable and cannot explain the volatility seen in ODI. On the basis of existing differences in trade and investment patterns, it can be assumed that, at present, trade flows can be delinked as a predictor for patterns of investment.

To overcome the irregular pattern and low level of Chinese ODI in Spain, the Spanish government is attempting to pursue a novel strategy, namely by marketing Spain as an investment platform for Chinese firms investing in Latin America.¹¹ This strategy is referred to, in policy circles, as a policy of *triangulación* (triangulation) between Spain, China, and Latin America. The general thrust of this policy is for Chinese firms to access the Latin American market with the assistance of those Spanish firms that already established themselves in the region. For instance, over the last two decades, Spanish multinationals, like Telefónica and BBVA, have made some impressive gains in market share in Latin America.

One of the purported benefits of the policy of *triangulación* is that it has emerged organically as a result of the ongoing business collaboration between Huawei and Telefónica (Spain's telecommunications giant) and CITIC and BBVA (Banco de Bilbao y Vizcaya Argentaria, one of Spain's largest bank conglomerates). The expectation from the Spanish government is that other Chinese firms are likely to view other Spanish companies as optimal partners in Latin America. The most optimistic assessments, voiced by Spanish government officials, suggest that these joint collaborations between Spanish and Chinese firms will continue to thrive on a broader basis.

During the author's interviews with a range of investment analysts and policy-makers in Spain, though, there was a great deal of scepticism about how durable and successful the Spanish government's policy of *triangulación*

¹¹ See, for instance, 'España defiende convertirse en puente entre China y América Latina', available at <http://es2.mofcom.gov.cn/aarticle/bilateralvisits/200510/20051000516399.html>

would be. Some interviewees did not believe that external joint investment ventures in Latin America would necessarily translate to Chinese ODI in Spain. Others interviewees suggested that a policy of *triangulación* is not likely to be sustainable in the long run because much of the Chinese investment in Latin America is orientated towards natural resource extraction. Given that natural resources are operated by state-owned incumbents, some analysts thought that it would be unnecessary for Chinese firms to seek Spanish partners.

4. Regional and sectoral variation in Chinese investment to Spain

Patterns of regional variation

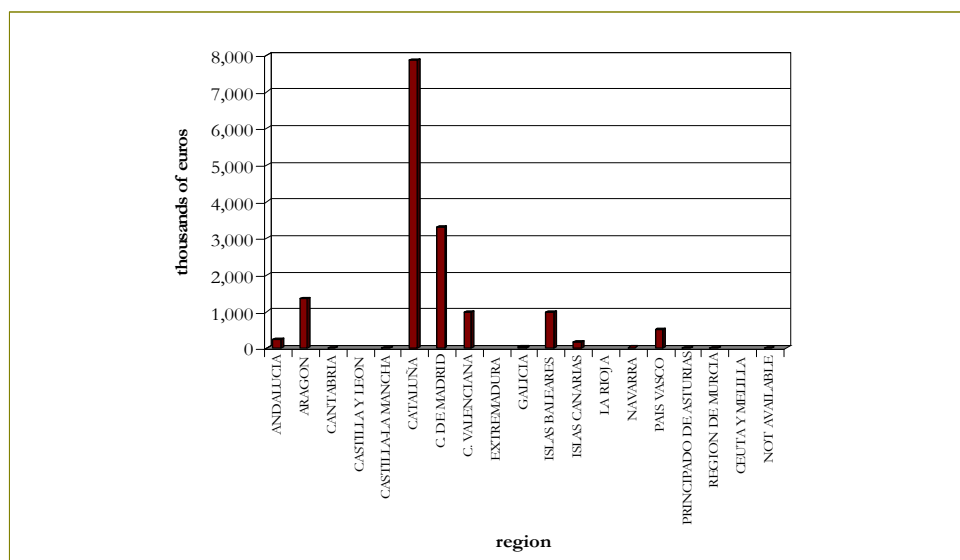
As hinted in Goy-Yamamoto and Navarro (2008), the peaks and troughs in Chinese investment in Spain suggest that large single investment inflows are responsible for explaining the yearly variability in investment during peak years. A regional examination of investment patterns indeed supports this expectation to be the case. Using Spanish government data on inward investment flows to Spain, it appears that there is a notable level of concentration of investment into specific provinces of Spain. Spain is a highly decentralised multi-tiered federal system composed of 17 autonomous communities (*comunidades autónomas*) and two autonomous cities (Ceuta and Melilla). Each autonomous community is further subdivided into a number of provinces. Currently Spain has 50 provinces.

One of the peculiarities of the Spanish federal system is that different autonomous communities have ample executive and legislative powers and enjoy a high degree of authority pertaining to education and language. The framework for the degree of autonomy by any given autonomous community is delineated in the *Estatuto de las Autonomías* (Statute of Autonomies). On the basis of the Spanish Constitution's allowance for a great deal of regional autonomy, some autonomous communities in Spain have taken a more aggressive stance to attract investment into their region. Nevertheless, it is worth pointing out that there is considerable debate in Spain about striking the right balance between regional autonomy and national unity. Instances of regional assertiveness are viewed by some as bordering on separatism.

Chart 4 shows that the aggregate Chinese ODI into Spain is directed to five autonomous communities: Catalunya, Madrid, Comunidad Valenciana, Aragon, and Islas Baleares. In fact, Catalunya alone accounts for nearly 49.7 percent of China's overall investment into Spain from 1993 to 2008.

Preliminary data for 2009 also suggests that the distribution of Chinese investment into Catalunya is a lasting phenomenon.

Chart 4: Gross foreign investment from China to specific regions of Spain, 1993-2008



Source: DataInVex 2009

An analysis of the regional distribution of Chinese investment in Spain shows that Catalunya is a preferred destination for Chinese investors. This fact is not particularly surprising as Catalunya is also a preferred destination for other foreign investors to Spain. Catalunya is, after the Comunidad de Madrid, the second largest destination for foreign investment to Spain. This specific autonomous community has Spain's highest income levels and it one of its leading industrial hubs. The port of Barcelona is one of Spain's most efficient ports and is the first logistics platform in Southern Europe. The port of Barcelona is organised into specialised terminals which enable substantial container traffic. In recent years, the success of the port of Barcelona has created container congestion in the port and a recent upgrade to the port of Tarragona (also based in Catalunya) is likely to continue attracting investment to the region.¹²

There are also some factors which may account for Catalunya's exceptional performance as a magnet for outward foreign investment to Spain. The region

¹² Other large ports in Spain include Bilbao, Valencia, and Vigo.

has maintained a high level of independence from the rest of Spain. In the 1930s, Catalunya had a brief period of exceptional political autonomy and was granted wide powers of self-government. During General Franco's dictatorship (1939-1975), Catalunya was defiantly outward orientated and viewed itself as the gateway to Europe, both geographically, commercially, and ideologically. Following Spain's transition to democracy, Catalunya has lobbied to acquire special status within Spain's federal constitution. Under the 1979 *Estatuto de Autonomía de Cataluña* (Autonomous Statute of Catalunya), Catalunya enjoys special status with respect to education and culture and defines itself as a *nacionalidad* (nationality).¹³

As a result of this historical legacy, it is not surprising to see that Catalan regional government agencies have far more sophisticated and aggressive investment promotion regimes than other parts of Spain. Given the trend in the direction of Chinese ODI to Catalunya, the Catalonia regional government has dedicated significant resources to attracting investment into the region and in collecting data on investment inflows. The regional government of Catalunya has an industrial development centre, the Centre d'Innovació i Desenvolupament Empresarial (Centre for Innovation and Enterprise Development, CIDEM), and an investment promotion agency, the Consorcio de Promoción Comercial de Cataluña (Commercial Promotion Consortium of Catalonia, COPCA). These agencies work closely with the city government of Barcelona, the Ajuntament de Barcelona, to promote investment in the region. Moreover, the Government of Catalonia's investment agency, Agència Catalana d'Inversions (Catalonian Investment Agency, linked with CIDEM), collects and publishes detailed statistics on comparative investment inflows into Catalunya and Spain.¹⁴

From the perspective of the Ajuntament, it believes that 'China considers Catalonia to be a very interesting market for its goods. For this reason, there are 1,000 Chinese companies located in Catalonia'.¹⁵ More than any other region in Spain, Catalunya has made a concerted effort to develop business links with China. For instance, in February 2008, the Vice President of the regional government of Catalunya, Josep Lluís Carod-Rovira, announced that it was going to open a Catalonian commercial delegation in China. In an effort

¹³ The term *nacionalidad* has a dual meaning in the Spanish language, one referring to a separate nationality or citizenship and another meaning a separate historical and linguistic cultural identity, as specified in the Statute of Autonomies.

¹⁴ Many Spaniards are concerned about any implicit reference of Catalunya as a separate country. For statistics on investment into Catalunya, see the Agència Catalana d'Inversions, Generalitat de Catalunya website at www.cidem.com/catalonia/cat/.

¹⁵ The Ajuntament de Barcelona website has a list of publications in Chinese, specifically geared to potential Chinese investors in the city. See, for instance, the publications at http://w3.bcn.es/V44/Home/V44HomeLinkPI/0,3655,71420027_163120917_3,00.html.

to promote bilateral investment between China and Catalunya, the Ajuntament de Barcelona, together with the regional government of Catalunya, took an unprecedented step of opening up what it termed, a *consulado del mar* (overseas consulate) in Shanghai in December 2008.¹⁶

Chinese investment compared with other foreign investment inflows

The pattern of Chinese direct investment into Spain differs somewhat from that of other foreign investment into Spain, for example with regards to region. As Chart 3 shows, the top five destinations for Chinese ODI in Spain are Catalunya, Comunidad de Madrid, Comunidad Valenciana, Aragon, and Islas Baleares. Among all foreign investment into Spain, the three favourite destinations are (in order of preference): Comunidad de Madrid, Catalunya, and Comunidad Valenciana. As Table 1 shows, over half of Chinese ODI to Spain goes to Catalunya, whereas the Comunidad de Madrid is the preferred destination for all other foreign investors.

Table 1: Gross foreign investment into Spain by China and the rest of the world, 1993-2008

	China	%	Others	%
Catalunya	7.8	50.7	30,888	15.6
Comunidad de Madrid	3.3	21.3	117,806	59.7
Aragon	1.3	8.7	1,336	0.7
Comunidad Valenciana	0.9	6.3	8,402	4.2
Islas Baleares	0.9	6.3	2,436	1.2

Source: DataInVex 2009. Figures represent millions of euros. Percentages represent investment into a given region as a proportion of total gross foreign investment.

Table 1 also suggests that Chinese investment into Spain ignores some regions. There has been no recorded Chinese investment in Cantabria, Castilla y Leon, Castilla y La Mancha, Extremadura, La Rioja, Asturias, Murcia, and Ceuta y Melilla. In other words, nearly half of Spain autonomous communities have not received Chinese ODI from 1993 until 2008. It is also worth noting that there has been negligible Chinese investment into the Pais Vasco (also known as Euzkadi), one of Spain's most industrialized regions,

¹⁶ The mayor of Barcelona, Jordi Hereu, eventually inaugurated this institution. See, 'Hereu inaugura en Shanghai su primer consulado del mar', *La Vanguardia* (2 December 2008). Full text available at <http://www.lavanguardia.es/lv24h/20081110/53575952478.html>.

particularly in steel and manufacturing. From 1993-2008, the Pais Vasco has been the fourth largest recipient of overall overseas direct investment into Spain. The Pais Vasco is another region of Spain, like Catalunya, that has had a historical legacy of autonomy and self-government. Unlike Catalunya, though, the Pais Vasco has been the site of a number of terrorist attacks by ETA, a Basque separatist group. Although the ETA-related terrorist attacks have shown a steady decline in recent years, the group is known to finance its activities by imposing an *impuesto revolucionario* (revolutionary tax) on industrialists.

Sectoral distribution

As mentioned previously, China's bilateral trade with Spain has grown rapidly since 2003. Bilateral trade is highly diversified, but primarily centred upon manufactured products and raw materials. The top Spanish exports to China are plastics, automotive parts, chemical products, iron and steel, electrical and electronic equipment, paper, and marble. These seven commodity types represent nearly half of the overall Spanish exports to China. In turn, China's top exports to Spain are electrical and electronic equipment, apparel, iron and steel products, IT hardware, telecommunications equipment, shoes, and toys.¹⁷ The current distribution in the types of commodities being traded between China and Spain suggests that there is a greater level of concentration in the types of commodities (mostly in the form of nondurable manufactured products and, increasingly, intermediate goods) that China exports to Spain, than the level of concentration of Chinese imports from Spain (mostly in the form of raw materials).

Similarly, an analysis of the sectoral distribution suggests that Chinese investment into Spain follows specific patterns. At an aggregate level, Goy-Yamamoto and Navarro (2008) document that the sectoral distribution of Chinese investment into Spain from 1993-2006 is heavily skewed towards services. During this time period, 76 percent of net ODI flows were in the services industry and 24 percent in manufacturing. The dominant subsector within the services sector is commerce (amounting to about 58 percent of total Chinese ODI in the services sector) and the dominant subsector in the manufacturing sector is textiles (amounting to about 68 percent of total Chinese ODI in the manufacturing sector). The dominance of wholesale

¹⁷ Commodities trade data has been calculated by the authors from the United Nations Commodity Trade Statistics Database (UN Comtrade). New York: United Nations. Data available at <http://comtrade.un.org/>. Additional data available from Secretaría de Estado de Turismo y Comercio, *Informe Económico y Comercial: China* (Beijing: Oficina Económica y Comercial de España, 2009)

commerce in Chinese ODI in Spain could be interpreted as a first step in a Chinese internationalisation strategy, one which builds upon Chinese goods exports to Spain. Insofar as Chinese investment to Spain supports existing export flows, it would appear that Chinese ODI in Spain is *market-seeking*.

The Spanish government provides nearly 100 subsectoral categories (which correspond with similar categories in the United Nations Commodity Trade Statistics Database).¹⁸ From 1993 until June 2008, the total Chinese ODI in Spain was 15,489 thousand euros. During this entire time period, the three leading subsectors of Chinese ODI in Spain (as a proportion of total Chinese ODI) were: wholesale commerce and retail (42.8 percent) real estate investment (16.4 percent) and textiles (8.8 percent).

The sectoral distribution of Chinese ODI in Spain reveals some specific features. The first peculiarity is that sectoral investment closely correlates to geographic destination. For instance, as was discussed earlier, Catalunya is the largest recipient of Chinese ODI in Spain. This region absorbs most of the Chinese ODI in the commercial sector. From 1993 until June 2008, 67.3 percent of Chinese ODI in commerce went to Catalunya. The Comunidad de Madrid, the second largest recipient of Chinese ODI in Spain, was also the second largest recipient of Chinese ODI in commerce. The Comunidad de Madrid came a distant second to Catalunya, with 14.1 percent of China's total ODI investment in commerce.

A more detailed analysis of the dominance of two regions (Catalunya and the Comunidad de Madrid) in absorbing the vast majority of the Chinese ODI in the commercial sector also shows that there are notable differences in the types of commercial sector investment into these two regions. Nearly 62.1 of the total investment in commerce in Catalunya were in intermediate commercial goods. In contrast, 60.6 percent of total Chinese investment in the commercial sector in the Comunidad de Madrid was in the form of wholesale commercial goods. Visitors to these regions of Spain will note the sharp contrast in the presence of small and medium retail enterprises by Chinese firms. In Barcelona, the presence of large Chinese-style bazaars is hard to avoid (particularly around Calle Trafalgar) and the ethnic makeup of neighbouring areas has changed dramatically in recent years. The large influx of Chinese-owned commercial establishments has created some problems as many of these stores operate without a licence and where the lack of

¹⁸ Some subsector categories are further disaggregated into additional subcategories. For instance, commerce (the largest sector category of Chinese ODI in Spain) has 53 subcategories.

apparent social integration has created some concerns.¹⁹ In contrast, though recent anthropological work by Nieto (2007) suggests that there is a growing Chinese diaspora outside of Barcelona, there is no equivalent visible concentration of Chinese immigrants in Madrid.

As discussed earlier, real estate investment is the second largest source of Chinese ODI in Spain. From 1993 until June 2008, China's total investment in real estate activities was 2.5 million euros. According to Spanish government statistics, the Islas Baleares was the primary destination for real estate investment, amounting to 38.7 percent of all Chinese real estate investment in Spain. However, an examination as to the sectoral investment in real estate in the Islas Baleares, an aggregation of four islands renowned by the beauty of its beaches, reveals that 99.8 percent of all real estate investment into the Islas Baleares was in the form of two separate real estate investments. One single investment into unspecified real estate investment worth 315 thousand euros in the year 2000 and another single investment into real estate promotion worth 651 thousand euros in the year 2007.

The pattern of regionally focused investment is also apparent in the textile sector. From 1993 until June 2008, the total Chinese investment in the textile sector in Spain was 1.4 million euros. Nearly 90 percent of this total investment went to a single destination (Aragon) in a single investment year (the year 2000). That single investment, in textile manufacturing and embroidery, represented 71.1 percent of the overall Chinese ODI in Spain in that given year. As was discussed earlier, the year 2000 is noteworthy because it is the year that has attracted the most Chinese investment in Spain since 1993. As can be seen here, this apparent spike in investment is attributed to a single investment in textiles in Aragon in 2000. The Chinese firm that made that investment was Weihai Yinjie Embroidery.

The choice of Aragon as a destination for textile manufacturing does not appear to be driven by the prominence of textile manufacturing in that part of Spain. Masía and Capó's detailed study of textile manufacturing in Spain ranks Aragon 8th among all Spanish regions as a leader in textiles

¹⁹ By virtue of its port, Barcelona has always been a magnet for incipient immigrant communities, often developed by itinerant merchants, former sailors and prostitutes. One of Barcelona's most famous neighbourhoods is the so-called Barrio Chino (Chinatown), historically a notorious red light district in the city. The Barrio Chino area is now inhabited by Barcelona's thriving Pakistani and North African communities. Currently, Barcelona's Chinatown is located around Calle Trafalgar, near the historic L'Eixample neighborhood. For a sociological analysis of Barcelona's Barrio Chino, see McDonogh (1987, 1992). For newspaper accounts of problems with the large influx of Chinese immigrants to Calle Trafalgar, see Enrique Figueredo, 'Más de un tercio de las tiendas chinas de la calle Trafalgar no tienen licencia', *El Mundo* (15 March 2003). Full text available at: <http://www.elmundo.es/papel/2003/03/15/catalunya/1357212.html>. Also see, Silvia Taules, 'China no cabe en una calle', *El Mundo* (13 March 2006). Full text available at <http://www.elmundo.es/papel/2006/03/13/catalunya/1941913.html>.

manufacturing. Masía and Capó (2004: 289) calculate that nearly 90 percent of textile manufacturing in Spain is concentrated in the Comunidad Valenciana and in Catalunya. This apparent anomaly would suggest that Chinese investment strategy in Spain is also *offensive market-seeking FDI*, with a focus on the acquisition of sunset industries in the textile manufacturing sector. It is perhaps no coincidence that this form of investment strategy matches the importance of textiles, apparel, and industrial machinery in the composition of China's exports to Spain.

Some Spanish regional governments have been eager to enable Chinese investors to acquire sunset industries in the textile and industrial machinery sector. For instance, even though there are only 4 recorded Chinese foreign investment projects in Aragon from 1993 until June 2008, the regional government of Aragon, however, has been active in attempting to attract additional investment from China. To that effect, in April 2008, Aragon Exterior (AREX), Aragon regional government's investment promotion agency, hosted a showcase event in Zaragoza. At the event, Euromaq, a Chinese company that specialises in the manufacture of machinery for construction, was pinpointed as a one of the flagship investments in Aragon.²⁰ At the conclusion of the fair, AREX and the China Investment Promotion Agency (CIPA) signed a bilateral investment agreement.²¹

The limited exposure of Chinese firms in the textile sector also points to one of the most notable Chinese investment failures in Spain. In 2002, Shandong Bhinzou Printing & Dyeing (BPD) signed a memorandum of understanding with a local Catalanian textile firm, Hilados y Tejidos Puigneró, one of Spain's largest textile companies. According to a study by Rodriguez Lopez (2004: 83-84), BPD's initial strategy was to gradually acquire majority ownership of Hilados y Tejidos Puigneró. In this manner, BPD would have acquired its first European stronghold. Likewise, Puigneró viewed the merger as part of its global strategy. For instance, the director general of Puigneró, Pere Puntí, declared that the consolidated company would eventually attempt to enter the US market. In statements to the press, Puntí outlined the joint corporate strategy.²² First, BPD was to supply Puigneró with raw materials for finishing. Eventually, during the second phase of development, BPD was to own 15 percent of Puigneró (with an investment of 3 to 4 million euros), making it the single largest Chinese ODI in Spain ever.

²⁰ In 2006, the year in which Euromaq started operations in Spain, Aragon attracted a single Chinese investment in industrial machinery worth 57 thousand euros.

²¹ 'Aragón promueve la inversión con China', *El Periódico de Aragón* (27 April 2008). Full text available at <http://www.elperiodicodearagon.com/noticias/noticia.asp?pkid=405119>.

The promise of a successful merger between BPD and Hilados y Tejidos Puigneró evaporated quickly. Shortly after BDP signed the agreement, it was uncovered that Hilados y Tejidos Puigneró was undergoing severe financial difficulties. Eventually the company declared bankruptcy, announced that it was suspending pay for its workers, and proceeded to initiate mass firings of all its employees. Puigneró's problems were aggravated by an investigation carried out by the European Commission. During the investigation it was uncovered that the Spanish government had failed to recover tax and social security debts incurred by Hilados y Tejidos Puigneró. The European Commission estimated that these tax liabilities exceeded 104 million euros and ordered Spain to recover such money.²³ Hilados y Tejidos Puigneró ceased operations and dissolved in 2006.

5. Future investment opportunities for China in Spain

The Spanish government appears to be optimistic that its efforts to project Spain as an attractive investment destination will bear fruit. For instance, following the Spanish Prime Minister's visit to China in 2005, the year 2007 was declared Spain's year in China. In November 2008, Spain hosted the 2008 edition of the Global China Business meeting.

During interviews, Spanish government officials stressed certain business sectors where Spain has a comparative advantage vis-à-vis other EU countries. At the national level, the Spanish government is interested in attracting investment into several capital intensive strategic sectors, including infrastructure, technology, renewable energy, logistics, and aerospace. Among these strategic sectors, the most promising source of investment for Chinese ODI is renewable energy. Spain is one of the world's leaders in renewable energy, particularly in the form of solar and wind energy technology. It appears that this comparative advantage is translated into more concrete investment from potential Chinese investors.

At present, various subsidiaries of the Chint Group have generated a great deal of attention from the press. The Chint Group started operating in Spain in 2004 under the commercial banner of Material Eléctrico Chint. This firm

²² 'Hilados y Tejidos Puigneró se asocian con una empresa textil china', *El Mundo* (6 September 2002). Full text available at <http://www.elmundo.es/2002/09/06/catalunya/1222705.html>.

²³ See 'Commission orders recovery of aid in favour of Hilados y Tejidos Puigneró'. Full text of the European Commission's press release is available at <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/03/257>.

provides a wide range of heavy duty electrical equipment, often for construction and automobile manufacturing. Between the end of 2008 and the middle of 2009, it seeks to develop a new logistical centre in the city of Zamora. It will also have three branches in the cities of Bilbao, Malaga, and Sevilla. More recently, the interest by Chint Solar, another subsidiary of the Chint Group, China's largest solar energy equipment manufacturer, to expand its operations in Spain is being viewed as the first step in attracting other similar ventures in renewable energy development.

Despite the potential attractiveness of Spain as a magnet for investment into the renewable energy field, some interviewees expressed some concern that there is some ongoing parliamentary debate that could derail the long term future of renewable energy subsidisation. In 2005, the Spanish Council of Ministers adopted a renewable energy plan enable renewable energy to provide 12.1 percent of all domestic energy consumption. However, under this plan, autonomous communities were expected to shoulder an increasing share of the financing of the provision of renewable energy. Under the provisions of the renewable energy plan, the Council of Ministers also decided that renewable energy from photovoltaic sources would no longer receive state subsidies after the year 2015. Although some provinces in Spain (notably Castilla y León and Galicia) generate nearly three fourths of its energy supply in the form of renewable energy sources, it is unclear how a removal of state subsidies would affect the profitability of renewable energy generation.

Spain has not been a primary destination for some of China's emerging global business firms, such as Haier. The emergence and global strategy of Haier has been well documented in the international business literature (Ruimin 2007; Eppinger and Chitkara 2006; Rao, Chandrasekar, and Prasad 2006; Khanna and Palepu 2006, Enright 2005, Zeng and Williamson 2003). Although Haier has entered the Spanish market, it has not taken a leading position in the highly competitive consumer durables and electronic appliances manufacturing market. Following its successful acquisition strategy pattern, Haier first opened a commercial office in Madrid in 2002 and explored the possibility of purchasing a Spanish company for the purpose of manufacturing air conditioning units locally. In other countries, as shown by Crawford and Feng (2000: 4-6), Haier targeted potential local enterprises on the brink of bankruptcy. Following acquisition, Haier has been shown to pursue a very precise turnaround strategy that stresses a commitment to quality and the implementation of innovative product opportunities. However, in the case of Spain, Haier adapted quickly to an unfavourable market

position. According to Rodriguez Lopez (2004: 83), Haier quickly abandoned its strategy of merging with a local enterprise and instead opted for retailing imported consumer electronic goods, such as air conditioning units, DVD, mobile telephones, and DVD players.

6. Conclusion

This report has attempted to explore some of the patterns of Chinese ODI to Spain. In light of the dearth of statistical data, very few tentative conclusions can be made. At present, Spain is not a strategic priority for Chinese global business firms. From the point of view of the host government, the strategic emphasis is on Spanish investment abroad. Except for *triangulación* policy, there appears to be little evidence of a concerted Spanish government strategy to channel Chinese investment to Spain. However, the *triangulación* policy is outward orientated and focused on Spain's strategic investment designs in Latin America.

The report has highlighted several features of Chinese ODI to Spain. Firstly, there is strong evidence of a cyclical pattern of Chinese ODI to Spain. In this report, we have shown evidence from the World Bank's Doing Business survey that Spain is not an easy country to conduct business. Similarly, the author has shown that most Chinese investment is very small and, often, not officially reported. Most importantly, single yearly investments skew yearly statistics.

The report has also devoted its attention to the highly concentrated pattern of Chinese investment by region and high correlation of investment by industrial sector to geographic destination. In addition, the author has shown that the geographic pattern of investment by Chinese firms is selective and differs from the investment location choices of other countries. In some cases, better port facilities infrastructure (e.g., Barcelona) or a failing textile manufacturing sector (e.g., Aragon) can partially explain the locational choices of Chinese firms in Spain. However, it appears that some regions (namely Catalunya) have been more successful at attracting Chinese investment because the regional and local government has an integrated strategy to attract FDI from China. Catalunya's example could be followed by other regions in Spain (or by the Spanish government itself), but it is clear that, at present, only Catalunya has shown evidence of long term strategic vision and has adapted this strategy with vigour and innovation.

REFERENCES

- Arahetes, Alfredo, and Aurora García Domonte. 2003. 'Las Inversiones Directas de las Empresas Españolas en la Unión Europea, 1986-2002', Real Instituto Elcano Working Paper 13-2003. Madrid: Real Instituto Elcano
- Behrman, Jere. 1972. *The Role of International Companies in Latin America: Autos and Petrochemicals*. Lexington, Massachusetts: Lexington Books
- Bustelo, Pablo. 2006. *La Política Exterior de España con Asia-Pacífico: Prioridades y Retos*. Informe Elcano, no. 6 (July). Madrid: Real Instituto Elcano
- Crawford, Robert, and Lu Feng. 2000. 'China's Haier Group: Growth Through Acquisitions', INSEAD Euro-Asia Centre
- Dirección General de Comercio e Inversiones, 'Stock de Inversiones Exteriores Directas (I): Inversión Extranjera Directa en España', *Boletín Económico de ICE*, no. 2854 (12-18 September 2005): 3-15
- , 2008. *Flujos de Inversiones Exteriores Directas, 2007*. Madrid: Secretaría de Estado de Comercio, 2008
- Dunning, John. 1998. 'Locating and the Multinational Enterprise: A Neglected Factor', *Journal of International Business Studies*, 29, 1: 45-66
- Dunning, John. 2002. 'Regions, Globalization, and the Knowledge Economy: The Issues Stated', in John Dunning, ed., *Regions, Globalization, and the Knowledge Economy*, pp. 7-41
- Enright, Michael. 2005. 'China Goes Global: The New Taste of Chinese Companies for Foreign Assets', Asia Case Research Centre, University of Hong Kong
- Eppinger, Steven, and Anil Chitkara. 2006. 'The New Practice of Global Product Development', *MIT Sloan Management Review*, 47, 4 (Summer): 22-30
- Fileva, Deya. 2009. Entry Mode Choices of Chinese Investors in Europe: The Case of Spain. M.A. thesis, Bocconi University
- Freeman, Duncan. 2008. *China's Outward Investments: Challenges and Opportunities for the EU*. BICCS Policy Paper. Brussels: BICCS

Goy-Yamamoto, Ana María, and Amadeo Navarro Zapata. 2008. ¿Como Fomentar la Inversión Asiática en España? *Documento de Trabajo 18/2008*. Madrid, Spain: Fundación Alternativas

Khanna, Tarun and Krishna Palepu. 2006. 'Emerging Giants: Building World-Class Companies in Developing Countries', *Harvard Business Review*, 84, 10 (October): 60-71

Martí Selva, Maria Luisa, and Puertas Medina, Rosa. 2004. '¿Constituye China una Amenaza Para la Industria Tradicional Española?' *Economía Industrial*, 355-356: 85-96

Masía Buades, Enrique, and Josep Capó Vicedo. 2004. 'Evolución del Sector Textil en España', *Economía Industrial*, 335-356: 283-304

McDonogh, Gary. 1987. 'The Geography of Evil: Barcelona's Barrio Chino', *Anthropological Quarterly*, 60, 4 (October): 174-184

----. 1992. 'Bars, Gender, and Virtue: Myth and Practice in Barcelona's Barrio Chino', *Anthropological Quarterly*, 65, 1 (January): 19-33

Ministry of Commerce of the People's Republic of China. 2007. *Statistical Bulletin of China's Outward Foreign Direct Investment*. Beijing: Ministry of Commerce

Nicolas, Françoise. 2010. 'Chinese Direct Investments in France: No French Exception, No Chinese Challenge?'. IE Programme Paper IE PP 2010/02. London: Chatham House

Nicolas, Françoise, and Stephen Thomsen. 2008. 'The Rise of Chinese Firms in Europe: Motives, Strategies, and Implications. Paper presented at the Chatham House-CASCC Research Workshop on 17 September at Chatham House, London

Nieto, Gladys. 2007. *La Inmigración China en España: Una Comunidad Ligada a su Nación*. Madrid: Libros de la Catarata

Pastor Palomar, Antonio. 2006. 'Inversiones España-China Bajo el Nuevo APPRI 2005', *Revista Electrónica de Estudios Internacionales*, 12

Rao, B. Anand, Chandrasekar, K, and Prasad, Seema. 2006. 'The Dragon is Coming: Chinese M&A's Outside China', ICFAI Business School, Bangalore, India

Rodriguez Lopez, Inma. 2004. China: ¿La Fabrica Mundial del Siglo XXI? Repercusiones Para la Economía Catalana en Términos de Inversión Extranjera Directa. Full text available at

www.iberchina.org/index.php?option=com_content&task=view&id=37&Itemid=31

Ruimin, Zhang. 2007. 'Raising Haier', *Harvard Business Review* (December): 141-147

Santacana, Ramón, and Wang, Yi-ju. 2008. 'Privatización e Internacionalización: Las Empresas Chinas en España', Paper presented at the 9th annual conference of the AEHE, held in Murcia, Spain, September 2008

Stopford, John, and Strange, Susan. 1991. *Rival States, Rival Firms: Competition for World Market Shares*. Cambridge: Cambridge University Press

United Nations Commodity Trade Statistics Database (UN Comtrade). New York: United Nations. Available at <http://comtrade.un.org>

World Bank. 2008. Doing Business Survey. Available at <http://www.doingbusiness.org/economyrankings>

Zeng, Ming and Peter Williamson. 2003. 'The Hidden Dragons', *Harvard Business Review* (October): 92-99

ABOUT THE AUTHOR

Lawrence Sáez is Senior Lecturer (Associate Professor) in Comparative and International Politics in the Department of Politics at the School of Oriental and African Studies (SOAS).

The fieldwork research for this study consisted of a range of confidential interviews with many government officials, investment analysts, and academics in Spain. The author would like to give special thanks to Adrián Blanco Estevez, Pablo Bustelo, Mario Esteban, Ana María Goy-Yamamoto, and Lluís Pagès for their assistance, guidance and insights. The paper has greatly benefited from comments by Stephen Thomsen, Françoise Nicholas, Paola Subacchi, and participants at the research seminars in London, September 2008 and January 2009, and in Brussels, June 2009. Finally, the author would like to thank Vratko Strmen for invaluable research assistance.

The support of Compagnia di San Paolo is gratefully acknowledged.

This paper forms part of a collaborative research project between Chatham House and CASCC, the Centre of Advanced Studies on Contemporary China, at the University of Turin. This innovative project brings together researchers, market practitioners and policy-makers to counter exaggerated media reactions and explore how far the EU economy is really benefiting from, or being buffeted by, the current rise in Chinese outward direct investment. It sheds light on the decision-making process in China, and considers longer-term consequences for the European economy, and possible EU policy responses. The project includes in-depth case studies of the UK, France, Italy, Spain and other European countries.