

Research for TRAN Committee – Chinese Investments in European Non - Maritime Infrastructure

SUMMARY OF KEY FINDINGS

- China's investment in Europe's non-maritime transport infrastructure is far smaller than in maritime transport infrastructure. However, **financing infrastructure projects by loans as a part of the Belt and Road Initiative (BRI) or even just providing services along the transport lines** without investing in the EU's TEN-T core network can still allow China to have **significant economic and geopolitical influence**.
- **Risks of China's investment remain insufficiently understood**, despite their high likelihood and/or impact. This is particularly true for economic coercion and cybersecurity/data risks.
- EU Member States are advised to **officially recognise the infrastructure along the TEN-T core network as critical**, and to conduct studies to assess the presence of Chinese companies in the TEN-T core network within their border and risks emanating from such presence.
- Additionally, an **in-depth study on Chinese companies' involvement in software along the TEN-T core network and a risk assessment of cybersecurity/data risk** emanating from its use is recommended.
- Should Chinese investment to the EU Neighbourhood grow further and if China establishes more control of infrastructure in these countries, **the EU's position and influence in the region could be threatened**.
- **The EU would be able to better protect its interests in its neighbourhood if it funds more investments in transport infrastructure in the region**, particularly in candidate and potential candidate countries.

The present document is the executive summary of the study on Chinese Investments in European Non - Maritime Infrastructure. The full study, which is available in English can be downloaded at: <https://bit.ly/47Jvp0k>

Policy Department for Structural and Cohesion Policies
Directorate-General for Internal Policies

Author:: Francesca GHIRETTI, Jacob GUNTER, Gregor SEBASTIAN (MERICS)
Meryem GÖKTEN, Olga PINDYUK, Bernd Christoph STRÖHM, Zuzana ZAVARSKÁ (wiiw)
Plamen TONCHEV (Institute of International Economic Relations)
PE 747.279 - December 2023



Although maritime routes have traditionally been a major mode of transportation of China's exports to the EU, accounting for roughly 80-85% of all trade volumes between the EU and China, other modes have been increasing in importance.

This study identifies a total of 14 Chinese acquisition deals and 12 announced greenfield investment

projects in European non-maritime transport infrastructure during 2007-2021. Acquisitions accounted for the bulk of the capital invested – their total value exceeded EUR 6.7bn, while the value of the capital pledged in the announced greenfield projects stood at about EUR 0.1bn. However, when one accounts for divestment of the acquisitions (primarily in the aviation sector), the value of this type of investment drops to only about EUR 0.9bn.

Investment in non-maritime transport infrastructure is far below that in maritime transport infrastructure. However, it is important to consider the fact that most of the Chinese infrastructure construction projects in the non-EU member countries are financed by loans, and the total value of such deals tends to be multiple times higher than the value of FDI projects – for some countries, the value is equivalent to a significant proportion of their GDP.

The lack of conditionality attached to Chinese funds to finance transport infrastructure projects makes them more attractive for the recipient countries. However, it impacts EU conditionality negatively by reducing the effectiveness of proposed reforms and standards in these countries, particularly in terms of rule of law, social rights, sustainability and environmental protection.

The five case studies – three in EU Member States (Greece, Germany, Hungary) and two in EU candidate countries (Serbia and Turkey) – show that Chinese investments can bring local economic benefits such as new connectivity routes that decrease transportation costs, and the creation of new jobs. Yet, at the EU level, the benefits are often less clear. If the investments do not unlock real and new demand for imports and exports, the end result, similar to maritime ports, might simply be to redirect existing demand from other transportation routes, thus not creating any positive net impact for the EU as a whole.

The risk assessment of Chinese investments analyses five types of risk: EU-level dependency risk; individual dependency risk of each case; coercion and/or influence risk; cybersecurity/data risk; and hard security risk. The analysis highlights that economic coercion and cybersecurity/data risks are higher and therefore require more attention by the EU and Member States both in terms of preparedness and awareness.

China's Belt and Road Initiative (BRI) can be used as an instrument to gain geopolitical influence in the EU and its Neighbourhood. Threats of coercion over the flow of trade between different European hubs could harm TEN-T projects along those logistics networks. The level of risk appears to be proportional to the investment: the larger the Chinese-owned share of a European infrastructure, the higher the risks and their consequences. Additionally, as the case study on Greece shows, Chinese companies that provide services along the lines can significantly influence trade

flows in the region even without investing in the EU's TEN-T core network. As in the case of direct investments, the extent of the influence depends on the size of the presence of the Chinese provider.

In order to be able to manage the risks, a better understanding of the scale of Chinese involvement in the transport infrastructures is needed. To achieve it, the study recommends that all 27 EU Member States commission national studies to assess the presence of Chinese companies in the TEN-T core network within their border and the risks emanating from this presence.

EU Member States should officially recognise the infrastructure along the TEN-T core network as critical infrastructure, and should carry out data collection and risk assessment of all infrastructure within their borders that are part of the core TEN-T. Guidelines need to be developed to ensure that no cargo can travel unchecked within the EU if the shipping company and the intermodal operators all belong to the same non-EU country and/or the same non-EU company.

Awareness and capacity to deal with cyber/data risk is identified as one of the most urgent issues, and one in which the EU and its Member States have poor capabilities. The study recommends commissioning an in-depth study on Chinese companies' involvement in management software and other software along the TEN-T core network and a risk assessment of cybersecurity/data risk emanating from the use of Chinese software. This would provide a strong basis to inform Member States and develop related policies.

Should Chinese investment to the EU Neighbourhood grow further and allow Chinese interests to establish more control over its infrastructure, the EU's position and influence in the region could be threatened. This is especially relevant in the case of Serbia, which could become the most important European hub for Chinese infrastructure investments, alongside the Greek port of Piraeus.

The EU would be able to better protect its interests in its neighbourhood if it funds more investment in transport infrastructure in the region, particularly in candidate and potential candidate countries. Financing can take forms other than direct budget support, such as instruments to reduce risk and the cost of financing, as well as public-private partnerships involving EU firms. It would be advisable to combine financial support with tougher conditionality regarding FDI screening, greater transparency of investment agreements, as well as more rigorous enforcement of labour protection, environmental and other standards. Countries in the EU Neighbourhood need to be encouraged to adopt FDI screening and to link this to recognition of the related transport infrastructure as critical infrastructure.

Further information

This executive summary is available in the following languages: English, French, German, Italian and Spanish. The study, which is available in English, and the summaries can be downloaded at: <https://bit.ly/47Jvp0k>

More information on Policy Department research for TRAN: <https://research4committees.blog/tran/>

Follow @PolicyTRAN

Disclaimer and copyright. The opinions expressed in this document are the sole responsibility of the authors and do not necessarily represent the official position of the European Parliament. Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy. © European Union, 2024.

© Image on page 2 used under the licence from Adobe Stock

Research administrator: Davide PERNICE Editorial assistant: Mariana VÁCLAVOVÁ

Contact: Poldep-cohesion@ep.europa.eu

This document is available on the Internet at: www.europarl.europa.eu/supporting-analyses