

From openness to increasing protectionism: the factors influencing the EU's changing approach to Chinese direct investment in the European market

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Abstract

The aim of this article is to explain the factors underlying the European Union's changing approach to Chinese direct investment in the European market between 2000 and 2024. The research hypothesis assumes that the EU's shift from openness to increasing protectionism in response to Chinese direct investment is driven by fears surrounding the possible negative effects of excessive Chinese political influence and dependence on China, which are perceived as threats to the EU's security and competitiveness. The research was conducted using a descriptive method based on the analysis and critique of scientific literature, documents, legal acts, reports and statistical data. The analysis demonstrated that during the study period (2000–2024) the value of capital in the form of foreign direct investment (FDI) from Chinese companies in the European market increased, despite significant changes in the annual inflows of these investments and their structure. This trend resulted from several factors, one of the most important being the EU's change in approach to incoming foreign direct investment from China. It began to be perceived as a threat to European industry and national security. Concerns about the possible negative effects of excessive Chinese political influence on the European economy, coupled with dependence on China, meant that the EU's initial openness to Chinese direct investment gave way to increasing protectionism. The various institutional and legal instruments introduced to protect the Single European Market will increase in line with the EU's efforts to strengthen its strategic independence, security, resilience, and competitiveness. It is important to strike the right balance when using market protection instruments. If they are too restrictive, they could result in an outflow of foreign capital (including Chinese capital) from the European economy, which would not be in the EU's interest.

Keywords: foreign direct investment (FDI), protectionism, European Union, China.

Od otwartości do rosnącego protekcyjizmu: czynniki wpływające na zmianę podejścia UE do chińskich inwestycji bezpośrednich na rynku europejskim

Streszczenie

Celem niniejszego artykułu jest wyjaśnienie czynników leżących u podstaw zmiany podejścia Unii Europejskiej (UE) do chińskich inwestycji bezpośrednich na rynku europejskim w latach 2000–2024. Przyjęta hipoteza badawcza zakłada, że głównym czynnikiem zmiany podejścia UE do chińskich inwestycji bezpośrednich napływających na rynek europejski – od otwartości do zwiększającego się protekcyjizmu – jest obawa przed negatywnymi skutkami nadmiernych wpływów politycznych Chin i zależności od tego kraju, które traktowane są jako zagrożenie dla bezpieczeństwa i konkurencyjności UE. Przyjęto metodę badawczą opisową opartą na analizie i krytyce piśmiennictwa naukowego, dokumentów, aktów prawnych, raportów, danych statystycznych. Analiza wykazała, że w badanym okresie (2000–2024) wzrosła wartość kapitału w formie ZIB zainwestowanego przez chińskie przedsiębiorstwa na rynku europejskim, chociaż roczne napływy tych inwestycji i ich struktura uległy znacznym zmianom. Wynikało to z różnych przyczyn, wśród których jedną z najważniejszych była zmiana podejścia UE do napływających zagranicznych inwestycji bezpośrednich z Chin. Zaczęto postrzegać je w kategoriach zagrożenia dla przemysłu europejskiego i bezpieczeństwa narodowego. Obawy o potencjalne negatywne skutki nadmiernych politycznych wpływów Chin na gospodarkę europejską i zależności od tego kraju spowodowały, że początkowa otwartość UE na chińskie inwestycje bezpośrednie ustąpiła miejsce rosnącemu protekcyjizmowi. Systematycznie wprowadzane zróżnicowane instrumenty instytucjonalno-prawne w celu ochrony Jednolitego Rynku Europejskiego będą się zwiększać w aspekcie dążeń UE do wzmocnienia strategicznej niezależności, bezpieczeństwa, odporności i konkurencyjności. Istotne jest, aby odpowiednio wyważyć stosowane instrumenty ochrony rynku. Zbyt restrykcyjne mogą prowadzić do odpływu kapitału zagranicznego, w tym chińskiego z gospodarki europejskiej, a nie jest to w interesie UE.

Słowa kluczowe: zagraniczne inwestycje bezpośrednie (ZIB), protekcyjizm, Unia Europejska, Chiny.

1. Introduction

According to UNCTAD (2025), the cumulative value of Chinese foreign direct investment (FDI) stock increased 111-fold between 2000 and 2024, from approximately USD 28 million to USD 3,118 billion. This exponential growth in the capital involvement of Chinese investors in the form of FDI worldwide has been accompanied by an increase in China's position and influence in the global economy, as well as various reactions. These range from viewing these investments as an important source of external development financing and openness to these investments, mainly in developing countries, to serious concerns that China is taking over national economies, lowering local labour standards, draining the industrial core through asset repatriation, acquiring dual-use technologies and subjecting these investments to special control measures, mainly in developed countries.

The European Union (EU) and China have been in a strategic partnership since 2003 (Wang, Miao 2024), when not only both sides but also the world in general were very

different from what the following years brought, including the global financial crisis and the eurozone crisis, the COVID-19 pandemic, the situation in Ukraine, and the US–China trade war. These factors have had an impact on the scale and structure of Chinese direct investment in the European market, on the EU's approach to these investments and, more broadly, on bilateral relations with China.

The aim of this article is to explain the factors influencing the EU's changing approach to incoming Chinese direct investment in the European market in the period 2000–2024. The adopted **research hypothesis** assumes that the main factor behind the change in the EU's approach to Chinese direct investment flowing into the European market – from openness to increasing protectionism – is the fear of excessive Chinese influence, as well as the EU's dependence on China, which is seen as a threat to the EU's security and competitiveness. The following **research questions** were formulated:

- How did the scale and structure of Chinese direct investment in the European market (EU-27 and the United Kingdom) change between 2000 and 2024?
- When and why did the EU's approach to Chinese direct investment in the European market begin to change, from openness to these investments to increasing protectionism?
- What measures has the EU taken to monitor and protect the inflow of FDI (including FDI from China) into the European market?
- How do Chinese direct investors operating in the European market assess these measures?
- What are the prospects for bilateral relations between the EU and China?

Due to the multifaceted nature of the issues raised, the research was conducted using a descriptive **method** based on the analysis and critique of scientific literature, documents, legal acts, reports and statistical data. Sources included data from the Rhodium Group and the Mercator Institute for China Studies (MERICS) on the scale and structure of Chinese direct investment in the European market (EU-27 and the United Kingdom), scientific literature, documents and legal acts of the European Union, as well as research conducted by the China Chamber of Commerce to the EU (CCCEU).

The article is divided into four sections. The first part covers selected theoretical aspects related to foreign direct investment. The second part analyses the scale and structure of Chinese direct investment in the European market between 2000 and 2024. The third part explains why the EU changed its approach to Chinese FDI inflows into the European market during this period. The fourth part discusses the measures taken by the EU to monitor and protect FDI inflows into the European market, as well as the assessment of these measures by Chinese direct investors operating in the European market.

2. Foreign direct investment – selected aspects in theoretical terms

In macroeconomic terms, *foreign direct investment* (FDI) is defined as a form of international capital flow, or one of the external sources of financing for economic restructuring or development processes. In microeconomics, it is treated as a fundamental source of

financing for transnational economic entities, involving the transfer of essential production resources across national borders as part of the internationalisation of economic activity. Here, the emphasis is placed on the entities making the investments. Various explanations for the nature of foreign direct investment are offered in the economic literature. The European Union defines *foreign direct investment* as "an investment of any kind by a foreign investor aiming to establish or to maintain lasting and direct links between the foreign investor and the entrepreneur to whom or the undertaking to which the capital is made available in order to carry on an economic activity in a Member State, including investments which enable effective participation in the management or control of a company carrying out an economic activity" (Regulation (EU) 2019/452: art. 2 (1)).

The significant variables that explain the direction, motives and form of a company's expansion into foreign markets through foreign direct investment (FDI) may be endogenous, when they derive from the company's competitive potential, competitive advantages, strategic objectives and ability to adapt to the prevailing conditions in the target foreign market. Alternatively, they may be exogenous, when they are determined by the characteristics of the environment, such as the FDI host country, region or sector/industry. The literature on this topic covers many theoretical concepts and research trends relating to the motives for foreign direct investment. Macroeconomic theories treat FDI as a general economic phenomenon, attempting to explain the process of international long-term capital flows by pointing to the specific economic conditions of countries or regions. In contrast, microeconomic theories highlight the specific competitive advantages of companies undertaking FDI, which may be economic, psychological or behavioural in nature. Mixed theories combine selected aspects of macroeconomic and microeconomic theories.

The most important theory of foreign direct investment is considered to be Dunning's eclectic theory of international production (Dunning 1979, 1980), also known as the OLI paradigm, which is often used in empirical research. The author categorised the motives for foreign direct investment into four groups: market-seeking, resource-seeking, efficiency-seeking and strategic asset-seeking (Dunning 1998). In later studies, which also included China, Dunning emphasised that investors take a wide range of factors into account when making decisions. These factors include not only economic considerations, but also the political framework for FDI and the business environment, i.e. facilities for conducting business (Dunning 2006). The institutional and legal environment created by governments and institutions with regard to market access and activity is an important component of a FDI host country's investment climate (Henisz 2000; Bénassy-Quéré et al. 2007; Bissoon 2011; Dellis et al. 2022). Countries may pursue open or protectionist FDI policies, which can change over time. An open FDI policy is pursued, when the perceived positive effects and opportunities of FDI inflows outweigh the negative effects. Conversely, FDI policy shifts towards protectionism, when the negative effects and risks associated with FDI inflows are deemed to outweigh the benefits (Radomska 2023a).

Whether the positive effects will outweigh the negative ones depends on many factors, including:

- the size of the FDI inflow;
- the type of FDI (whether the direct investor entering a given country takes over an existing enterprise – brownfield FDI, or creates a new one from scratch – greenfield FDI);
- the investor's strategy (e.g. replacing domestic production with foreign components or cooperating with local enterprises);
- the state's policy towards FDI (e.g. whether it has an appropriate strategy towards FDI that allows it to effectively direct investors' activities towards those projects that are most desirable for the long-term social and economic goals of the FDI host country);
- the absorption capacity of the FDI host country and its entities in terms of participating in the diffusion of knowledge, innovation, and new management methods, which often accompany the presence of FDI and are treated as positive externalities associated with the inflow of foreign direct investment (Radomska 2023b).

3. The scale and structure of Chinese direct investment in the European market between 2000 and 2024

According to data from the Rhodium Group and the Mercator Institute for China Studies (MERICS), the cumulative value of Chinese direct investment in Europe (EU-27 and the United Kingdom) amounted to approximately EUR 268 billion from 2000 to 2024. The highest value of these investments was recorded in the United Kingdom (EUR 84.3 billion), followed by: Germany (EUR 34.9 billion), France (EUR 23.7 billion), the Netherlands (EUR 18.8 billion), and Italy (EUR 15.2 billion). In the other EU countries, the figures were as follows: Finland (EUR 14.6 billion), Sweden (EUR 10.6 billion), Spain (EUR 9.7 billion), Ireland (EUR 9.0 billion), Portugal (EUR 7.0 billion), Belgium (EUR 6.0 billion), Luxembourg (EUR 5.1 billion), Greece (EUR 4.5 billion), Austria (EUR 1.6 billion), Slovenia (EUR 1.4 billion), Denmark (EUR 1.2 billion), Malta (EUR 1.2 billion), Cyprus (EUR 0.5 billion) and Croatia (EUR 0.5 billion). In Central and Eastern Europe, the figures were as follows: Hungary (EUR 7.7 billion), Poland (EUR 4.2 billion), the Czech Republic (EUR 2.1 billion), Romania (EUR 1.6 billion), Slovakia (EUR 0.9 billion), Bulgaria (EUR 0.5 billion), Estonia (EUR 0.4 billion), Lithuania (EUR 0.1 billion) and Latvia (less than EUR 0.1 billion) (Kratz et al. 2025). It should be noted that the Rhodium Group and the Mercator Institute for China Studies (MERICS) only collect data on foreign direct investment involving a stake of at least 10% and worth more than USD 500,000. Therefore, the actual scale of Chinese capital involvement in the European market is likely to be higher.

Chinese direct investment remains strongly concentrated in the so-called „Big Three” countries: the United Kingdom, Germany, and France. The importance of Central and Eastern Europe for Chinese FDI is expected to increase in 2023 and 2024, mainly due to investments in Hungary. Changes were observed in the annual inflows of Chinese direct investment into the European market during the review period (2000–2024). Initially on a small scale, Chinese capital involvement grew following the global financial crisis,

reaching its highest levels to date in 2016-2017 (EUR 47.4 billion and EUR 39.8 billion, respectively). This was followed by a decline (EUR 7.9 billion in 2022, the lowest level in a decade), before increasing again in 2024 (EUR 10 billion). Between 2000 and 2020, state-owned enterprises (SOEs) were more willing to undertake foreign direct investment in the European market, with brownfield investment being the preferred type. However, the proportion of total Chinese FDI in the European market accounted for by SOEs fell from 68% in 2017 to 12% in 2021, while the proportion accounted for by privately-owned enterprises (POEs) increased. Rising compliance costs, uncertainty and political barriers have caused Chinese investors interested in mergers and acquisitions (brownfield FDI) to adopt a more cautious approach. They have shifted their focus to "safer" and more accessible greenfield FDI. This shift has been evident since 2021, when Chinese greenfield FDI reached EUR 3.3 billion (an increase of 51% from 2020). This increase was driven by significant transactions in the automotive sector, such as the construction of EV battery factories by SVOLT Energy and CATL in Germany and by Envision AESC in France and the United Kingdom (Kratz et al. 2022).

In 2024, Chinese greenfield FDI increased for the third consecutive year (up 21% year on year) to reach EUR 5.9 billion. Greenfield FDI accounted for the majority of Chinese investment in Europe in 2024 (59%), with NEV-related projects dominating and attracting EUR 4.9 billion (83% of all Chinese greenfield FDI). Between 2000 and 2017, the main sectors that attracted Chinese foreign direct investment (FDI) were energy, infrastructure, real estate and finance. Currently, Chinese capital in the form of FDI is flowing into sectors, where Chinese private companies are highly competitive, such as the automotive and new energy vehicle (NEV) industries, as well as end-consumer-oriented sectors such as video games and household products. In 2024, Chinese direct investors demonstrated interest in the following sectors: automotive/NEV (attracting EUR 5.2 billion), entertainment, media and education (EUR 1.5 billion), consumer products and services (EUR 1 billion) and information and communication technologies (EUR 457 million) (Kratz et al. 2025).

4. The main factors influencing the EU's changing approach to Chinese FDI inflows into the European market between 2000 and 2024

4.1. A period of the EU's openness to Chinese direct investment

The expansion of Chinese foreign direct investment (FDI) into the European market at the beginning of the 21st century is linked to China's "going out" strategy. Officially launched in 2000, this strategy encouraged and supported Chinese companies to invest worldwide (OECD 2008). The aim was to help companies gain access to more advanced know-how and technology, develop their innovative capabilities, and elevate them within global value chains, all the while supporting China's development goals. As a destination for FDI, Europe was considered an attractive place to invest. During the global financial crisis of 2007–2008, which began in the US and spread to Europe through international transmission channels,

Chinese direct investors gradually increased their capital involvement in the European market (De Grauwe 2010; Della Posta, Talani 2011; Tomczak 2023; Bvirindi, Inalegwu 2023).

The eurozone crisis began at the end of 2009. Its intensification in the second half of 2011 and beyond made European leaders realise that they needed China more than China needed Europe (Vogt 2012). In light of the challenging economic and financial circumstances in Europe at that time, policymakers were more swayed by the liberal argument in favour of openness to FDI without examining or reviewing it. The European debt crisis presented China with an opportunity to purchase European government bonds. It was expected that, by buying up European public debt, China would diversify the structure of its foreign exchange reserves (worth approximately USD 3.2 trillion) through an increase in the share of the euro and a decrease in the share of the USD in assets. Around 20% of these reserves were invested in euro-denominated assets, including investments in euro bonds totalling approximately EUR 660 billion at the end of March 2012. Due to a lack of available information, it is difficult to determine the exact value of the euro-denominated assets acquired by China. These investments were significant, but it is worth noting that the prolonged debt crisis in Europe has caused a decline in their value (Jiang 2012). In face of austerity measures, some European governments have opted for a large-scale privatisation programme of state-owned enterprises. Chinese companies have seized this opportunity by acquiring stakes in several key state-owned companies in crisis-hit southern European countries, including Greece (Meunier 2015; Tonchev, Davarinou 2017) and Portugal (Pedroso 2014; Silva 2015).

4.2. A period of increasing EU protectionism towards Chinese direct investment

As early as 2016, the EU began to perceive Chinese FDI critically. Since mid-2017, there has been widespread public concern about the scale of Chinese capital involvement in brownfield FDI, the predominance of state-owned enterprises controlled by the Chinese authorities and benefiting from state support among investors, and the acquisition of European companies to obtain strategic assets (including advanced technology with civilian applications that could also be used in the defence sector) and possible access to protected data and information (Radomska 2023b). Referring to Dunning's motives for undertaking FDI (Dunning 1998), Chinese direct investors were primarily driven by strategic asset and market-seeking. These motivations can be inferred mainly from the nature of the transactions, rather than from surveys of Chinese direct investors in Europe, which were not possible due to refusals to participate. EU Member States (mainly Germany, France and Italy) began to perceive Chinese direct investment as a threat to their own industries, to European industry as a whole and to national security. Questions were asked about the motives of Chinese foreign investors and the effects that Chinese capital could have on the European economy. These concerns were heightened, when China launched the *Belt and Road Initiative* (BRI) in 2013 (NDRC 2015). This initiative provided a conceptual framework for Chinese FDI in Europe (Amighini 2018), and played an important role in the perception of these investments as part of a broader plan rather than a series of individual decisions.

When China's Midea Group acquired a 95% stake in Kuka AG for USD 5 billion, concerns about the drain of technological know-how were strongly voiced (Stein, von Rummel 2021). The growing number of Chinese brownfield FDI in Europe, as well as China's Belt and Road Initiative (BRI), have influenced public debate in Europe. Initially, the BRI received fairly positive media coverage (Turcsányi, Kachlikova 2020), but this has since turned negative. The initiative has been criticised for failing to deliver benefits and opportunities, due to insufficient Chinese direct investment in Central and Eastern Europe (Pavličević 2018; Garlick 2019), and for offering unequal opportunities to European companies within the Chinese business environment. Since mid-2017, the media in Western European countries has become more critical of China. The risks associated with Chinese companies expanding into the European market, as well as China's efforts to build political influence in Europe, have been highlighted. The situation in Hong Kong following China's introduction of the national security law, the issue of forced labour in China, and the limited personal freedoms in the country have also come to the attention of Europeans. These increasing negative opinions have contributed to a deterioration in China's image in most European countries, as demonstrated by surveys conducted by the PEW Research Center (2025).

5. EU regulatory control over FDIs entering the European market and other market protection instruments

According to Sophie Meunier, the novelty, scale and structure of Chinese direct investment, as well as its general nature (coming from an emerging economy with a different political system), are the main reasons why it could not be treated in the same way as investment from other countries (Meunier 2019). The EU began to implement various market protection instruments. The first visible step towards EU protectionism with regard to incoming foreign direct investment (FDI) was the introduction of a screening system for FDI from outside the EU. The Regulation (EU) 2019/452 came into force on 10 April 2019 and has been in effect since 11 October 2020. This regulation applied only to FDI that may raise security-related or public order-related concerns (sensitive areas include critical infrastructure, critical technologies and dual-use products, critical supply chains and food security, access to sensitive information, and media freedom and pluralism). The Regulation (EU) 2019/452 did not establish an EU-wide system for screening FDI at EU level. It did not oblige EU Member States to adopt a mechanism for monitoring FDI or to strive for full harmonisation of existing FDI monitoring mechanisms across the European Union. Nevertheless, 24 of the 27 EU countries had implemented investment control mechanisms by October 2025, but three countries (Greece, Cyprus and Croatia) having failed to do so. In the United Kingdom, the National Security and Investment Act 2021 (NSI Act) came into force on 4 January 2022, granting the British government powers to review FDI for national security reasons (Wang et al. 2025). The main responsibility for reviewing FDI lies with EU Member States. In 2024, Chinese companies were involved in nine publicly disclosed investment reviews, meaning either a review was initiated or a decision was made. This was fewer than in both 2023 (12 cases) and 2022 (16 cases).

The reviews concerned sectors related to national security, including semiconductors, batteries, and gas turbines. Two transactions were blocked under the UK's FDI control mechanism (Kratz et al. 2025). A discussion has begun on the added value of Chinese capital in the form of FDI on the European market, in terms of its impact on employment, budget revenues, the trade balance, and the diffusion of knowledge and innovation.

In recent years, the EU has recognised that the balance of challenges and opportunities in its bilateral relations with China has shifted, and that it should recalibrate its approach to level the playing field. The EU must be more pragmatic in its relations with China. This approach was set out in the document *EU-China: A Strategic Outlook*, published by the European Commission in March 2019. The document states: "China is, simultaneously, in different policy areas, a cooperation partner with whom the EU has closely aligned objectives, a negotiating partner with whom the EU needs to find a balance of interests, an economic competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance. This requires a flexible and pragmatic whole-of-EU approach enabling a principled defence of interests and values." (European Commission 2019: p. 1). Since then, many researchers have analysed the relationship between the EU and China through the lens of the terms used by the EU to describe China: "cooperation partner", "negotiating partner", "economic competitor", "systemic rival" (Morozowski 2020; Li, He 2022; Politi 2023). The disruptions to global supply chains caused by the pandemic, China's "zero-Covid" policy, and the situation in Ukraine have made it clear to the EU that it is overly dependent on China, both economically and technologically. Consequently, the EU has tightened its policy towards China. However, this does not mean that there is a clear, comprehensive EU strategy towards China (Bartsch, Wessling 2023). The European Parliament (2020) defined the EU's *strategic sovereignty* as "the ability to act autonomously, to rely on its own resources in key strategic areas and to cooperate with partners whenever needed" (European Parliament 2020: p. 1, 2). The European Parliament's tougher stance has impacted the Comprehensive Agreement on Investment (CAI), which aimed to balance EU-China relations in the area of investment. Although China and the European Union concluded seven years of negotiations on the agreement on 30 December 2020, the EU imposed sanctions on China in March 2021 for human rights violations against the Uyghur Muslim minority in Xinjiang. China has repeatedly denied the allegations, claiming that they are politically motivated and not based on facts. In response, China imposed retaliatory sanctions, after which the EP blocked the ratification of the agreement (European Parliament 2021).

To protect the Single European Market and reduce dependency, the EU introduced the following traditional and new institutional and legal instruments: the EU Chips Act (European Commission 2022), the Critical Raw Materials Act (Brinza et al. 2024), the International Procurement Instrument (see: Regulation (EU) 2022/1031), the Corporate Sustainability Reporting Directive (see: Directive (EU) 2022/2464), and the Foreign Subsidies Regulation (see: Regulation (EU) 2022/2560). In June 2023, the European Commission published the *European Economic Security Strategy*, with the aim of accelerating the process of reducing EU countries' dependence on the supply of products and raw materials that are

important for the EU's security and competitiveness (European Commission 2023a). Also in 2023, the EU adopted the Anti-Coercion Instrument (see: Regulation (EU) 2023/2675), prompted by China's economic coercion against Lithuania. In 2024, the EU adopted the Corporate Sustainability Due Diligence Directive (see: Directive (EU) 2019/1937) and the Forced Labour Regulation (see: Regulation (EU) 2024/3015). In September 2023, based on the Foreign Subsidies Regulation, the EC launched an investigation on subsidised Chinese electric cars (European Commission 2023b). On 4 July 2024, the EC published the regulation imposing provisional countervailing duties on imports of battery electric vehicles (BEVs) from China. These duties came into effect on 5 July 2024 (European Commission 2024). The EU has demonstrated an increasing commitment to safeguarding the Single European Market and economic security from foreign interference, including that originating from China. This is a partial response to the challenges facing the EU, including its declining competitiveness, as highlighted in the Draghi Report: *A Competitiveness Strategy for Europe* (European Commission 2025).

A survey conducted by the China Chamber of Commerce to the EU (CCCEU) in co-operation with Roland Berger, and published on 9 December 2024 in Brussels, indicates a systematic deterioration in the business environment for Chinese direct investors in the EU. The survey was conducted among the management of 200 Chinese companies operating in the EU market (CCCEU 2024). Overall assessments of this environment have declined for six consecutive years: in 2019, 2020, 2021, 2022 and 2023, the figures were 73, 70, 68, 65 and 64 respectively; in 2024, the figure fell to 62. More than 50% of respondents said that the European Union is becoming increasingly protectionist. Key challenges include uncertainty, market barriers fuelled by political tensions in EU–China relations, growing anti-Chinese sentiment, unequal treatment, and limited access to public procurement. Chinese investors have expressed concerns about the EU's policy of emphasising "economic security" and "risk reduction", arguing that this could further politicise business in the EU. They are already feeling the impact of this policy. Around 90% of respondents said that this policy negatively impacts their business, forcing strategic changes and leading to increased costs. Other concerns raised by respondents included the risk of industry decoupling and increasing divergences in standards, as well as potential further policy measures that are unfavourable from a business perspective. They also cited the exclusion of Chinese companies from 6G research cooperation in the EU (CCCEU 2024).

6. Conclusions

The following conclusions can be drawn in response to the research questions outlined in the introduction.

During this period, Chinese capital in the form of foreign direct investment (FDI) increased significantly on the European market, as evidenced by the cumulative value of these investments (approximately EUR 268 billion). The United Kingdom, Germany, France, the Netherlands, Italy and Hungary (among the countries of Central and Eastern Europe) attracted the highest levels of Chinese direct investment. Changes in annual inflows and

the structure of these investments have been observed. This can be seen from the small scale of Chinese capital involvement in the form of FDI prior to the global financial crisis and the eurozone crisis, through its growth to reach its highest level to date in 2016–2017, followed by a decline and renewed growth from 2024 onwards. The structure of these investments has also evolved. Investments by Chinese state-owned enterprises and brown-field FDI have given way to investments by private enterprises and greenfield FDI. Initially, Chinese direct investors were interested in various sectors and industries, such as energy, infrastructure, real estate, and finance. Currently, these investments are concentrated in the automotive/new energy vehicle (NEV) sector, entertainment, media and education, consumer products and services, and information and communication technology (ICT).

As early as 2016, the EU began to perceive Chinese FDIs critically. Since mid-2017, there has been widespread public concern about the scale of Chinese capital involvement in brownfield FDI, the predominance of state-owned enterprises (SOEs) controlled by Chinese authorities and benefiting from state support among investors, as well as possible access to protected data and information. EU Member States (mainly Germany, France and Italy) have begun to perceive Chinese direct investment as a threat to their own and European industry, as well as to national security. In response, the EU began implementing various institutional and legal measures to protect the Single European Market and counteract the disruptive practices of foreign investors, including those from China. The first step was to implement a system for screening foreign direct investment from outside the EU. The next steps were to introduce additional regulations to protect the European market, increase security, and reduce dependence on China. The EU's increasing protectionism is confirmed by the results of a survey conducted by CCCEU among Chinese direct investors operating in Europe. The analysis confirmed the assumption that the EU's shift from openness to increasing protectionism in response to Chinese direct investment is driven by concerns about possible negative effects of excessive Chinese political influence and dependence on China, which are perceived as threats to the EU's security and competitiveness.

The European Union emphasises its commitment to maintaining the openness of the European economy to the rest of the world. At the same time, however, it will defend its interests in the face of disruptions and threats to the security and competitiveness of the EU. The various institutional and legal instruments introduced to protect the Single European Market will increase in line with the EU's efforts to strengthen its strategic independence, security, resilience, and competitiveness. It is important to strike the right balance, when using market protection instruments. If they are too restrictive, they could result in an outflow of foreign capital (including Chinese capital) from the European economy, which would not be in the EU's interest. In an effort to restore balance in bilateral relations, the EU has tightened its policy towards China. However, this does not mean that the EU has a coherent vision and comprehensive, long-term, flexible strategy towards China to guide its future actions. So far, the EU's response has been fragmented and incomplete. In the EU, national and community interests do not always align. Consequently, it is challenging to develop a unified approach towards China. The expectation that EU Member States will present

a united front in negotiations on their economic relations with China, in order to avoid weakening the EU's negotiating power, is, for the time being, wishful thinking. Europe's ability to speak with a stronger, more unified voice on international issues, particularly with regard to China, will only be realised if there is faith in the prospects of the European project. In other words, the EU can only be strong externally if it strengthens itself internally.

In light of China's anticipated growth in international influence, the EU should adopt a pragmatic and balanced approach towards China. This approach should involve strengthening the instruments for defending its own interests and values, which is already part of the EU's strategy, while also recognising the benefits of cooperation with China, an aspect that is currently lacking in the EU's strategy. The EU should develop cooperation with China based on constructive dialogue within the framework of a strategic partnership, focusing on areas of mutual interest such as combating climate change, reforming the multilateral trading system within the World Trade Organisation and implementing the UN Sustainable Development Goals. In the EU's quest to strike a balance in its relations with China, it is equally important to engage in dialogue in areas, where there are differences in approach and tensions. Understanding these differences and the factors influencing them is key to determining the course of action to resolve current and future problems in mutual relations.

As major global players with deep-rooted economic ties, including trade and investment, the EU and China must find ways to manage and develop their complex and multifaceted relationship in an increasingly complicated geopolitical situation. This situation is characterised by declining support for multilateralism and growing scepticism towards a rules-based, multilateral order. This context poses an increasing challenge to the EU's values and interests. The EU treaties are based on the principles of multilateralism, the United Nations Charter, international law, and the universality of human rights and fundamental freedoms, which guide its actions. Both sides should discuss what a 'multilateral, rules-based order' means, if only to ensure a common understanding of the concept. The significant differences in the political systems and economic models of the EU and China create obstacles to free and undisturbed political and economic relations. These differences generate tensions in bilateral relations and will continue to do so. Nevertheless, the economic importance of China to the EU, and of the EU to China means that the goal of these relations should be beneficial and sustainable coexistence.

The issues raised in the article are important, but the subject is not fully addressed, and further research is required, as the author is aware. When considering directions for further research, an in-depth analysis of the economic impact of Chinese direct investment on host economies is needed. This would provide a reliable overview of the impact of Chinese direct investment on the European economy, taking into account both the positive and negative effects, as a basis for shaping appropriate investment policy as part of the EU's strategy towards China.

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