

Chinese Foreign Direct Investments in Belgium

The Impact on the Belgian Economy and the response from the Different Actors

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Louvain la Neuve,

le août 2018

Julie Damman

Foreword

I would like to dedicate this thesis to a few people who have helped me and supported me during this one and a half year of research and writing.

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"Man has three ways of acting wisely. First, on meditation; that is the noblest. Secondly, on imitation; that is the easiest. Thirdly, on experience; that is the bitterest."

Confucius

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Abbreviations

- AWEX — Agence Wallonne à l'Exportations et aux Investissements Etrangers
- CDB — China Development Bank
- CBTC — China Belgium Technology Centre
- FDI — Foreign Direct Investment
- M&A — Mergers and Acquisitions
- MNE — Multi-National Enterprise
- MOFCOM — Ministry of Commerce of the People's Republic of China
- OFDI — Outward Foreign Direct Investment
- R&D — Research and Development
- SEZ — Special Economic Zone
- SOE — State-Owned Enterprise

1 Introduction

Economic agreements between Belgium and China are growing exponentially. Whether it is the capital Belgium is investing within the "Asian Infrastructure Investment Bank" projects or the visits in China taken by Charles Michel, Elio Di Rupo and King Philippe to tighten the economic ties. Some would say, this link is an economic opportunity we must take, while on the other side, some try to warn us about the ambition of the Chinese government behind those initiatives.

Since the 90's, The People's Republic of China has known a GDP growth around 10% per year with a peak of 14% during 2007. Making it today, the second-largest economy worldwide and the first exporter of goods. In fact, Chinese growth is based on exportation and distinguished itself with its cheap labour. However, with the living standards and salary increase, China is losing its comparative advantage in producing cheap manufactured goods and tries to reorient itself towards the technological engineering upon which it has been dependent during the previous decades.

Today, China is the fourth-largest patent filer in the world, with a growth of 56% in 2016 and is standing right behind countries with a long history of engineering which are the United States, Japan and Germany.

While many countries are fascinated by such an achievement, both economic and technological, and therefore want to have China as an economic partner, the question that comes to mind is: how are such achievements possible?

On the one hand, this tremendous economic growth has been reached with the remaining of the communist era, and the ability of the government to dispose of its population as it will, combined with the biggest population on earth giving access to very cheap labour and some good management in the limit between the private and public sectors

On the other hand, the development of the Chinese technological engineering has been possible by the importation of such knowledge by means of foreign investments, or economic espionage. This strategy allows the Chinese government and companies to make important savings in the Research and Development departments while still achieving their objectives. And might consequently arm Belgian economic potential. Seaman¹ suggests that new investment must be scanned in order to evaluate their contribution to the value

¹Seaman, John, Mikko Huotari, Miguel Otero-Iglesias, and European Think-tank Network on China. *Chinese Investment in Europe: A Country-Level Approach*, 2017, p100

chain, and consequently the impact on the European competitiveness. This requires a collaboration between member states to share information. Which would allow grasping the overall picture of the Chinese investment in Europe, by putting together all the different acquisitions between the different countries.

It seems that in Belgium, impressions on these subjects can be divided into two main views. On one side, the Belgian Prime Minister tries to attract Chinese investments in the country, on the other side, the National Intelligence Services try to warn the polity against the danger of economic espionage. Therefore:

1.1 Research question

Are foreign direct investments from China a threat for the Belgian economy and what position should the different actors concerned take towards Chinese FDIs and the risk of economic espionage?

First hypothesis *The direct foreign investment from China are beneficial to Belgium. It promotes collaboration in the technological and scientific field, as well as the creation of new employment, can save businesses which are close to bankruptcy and facilitate trade between the two countries by creating new ties between businesses. There is no incentive or control from the Chinese government on Belgian companies. Therefore, the actors should welcome more intensive Chinese investments as they represent value for the host economy.*

Second Hypothesis *By allowing foreign state-sponsored companies to purchase Belgian business with high technological knowledge or favouring research collaboration with no or little protection of data and knowledge, it endangers our economic potential, by copying brevets or protected technology. Therefore, the different actors should act jointly to prevent acquisitions in strategic sectors.*

To answer this question and assess the risks and opportunities brought by Chinese investments, it is first and foremost important to understand the Chinese strategy, and their deeper objectives. Beyond the general strategy, what are their motivations behind their current strategy. It is then important, before focusing on the situation in Belgium, to have an extensive global overview of the situation, over space and time in order to

understand the future impact on the Belgian economy. Indeed, further than the objectives, we need to grasp the Chinese rules and how the hosting country actions are reverberated and handled by the Chinese authorities. We will see that some countries have already decided to adopt certain policies toward Chinese investments. What can we learn from them, what mistake shall we avoid while dealing with those Chinese OFDIs ? Then finally, with all this information, we will be able to take a closer look at Belgium, evaluate the current situation and what could be done to handle those investments in the best possible way for the advantages of the Belgian economy.

Therefore, firstly, we will review the Chinese foreign economic policy. We will begin by going over the last few phases to understand what characteristics brought the Chinese economy to the second largest economy in the world in such a short time. Furthermore, the People's Republic of China is characterized by a planned economy. Which means that at regular interval, the government issues plan to give direction to the economy. We will, therefore, begin by reviewing some plans to understand the government objectives and strategy to achieve those later.

Secondly, from a literature review, we will try to understand why acquisitions and foreign direct investments represent the optimal tool to achieve Beijing's objectives.

Thirdly, we will have an overview of the current state of Chinese FDIs in the world. How they have evolved over time, how the changes in Chinese politics impacted them. We will then take a closer look at the situation in the European Union. For this section, we will mostly use raw data from different organisations such as the World Bank, the Ministry of Commerce of the People's Republic of China, or different think tanks and consultancy groups.

Fourthly, we will overview the impact FDIs can have on the host economy. This section will mostly be based on the international trade literature, but also on more subjective concerns raised by important actors.

Fifthly, the focus will be on the response by the administration of different countries - in Europe and the United States - and what actions are they taking facing this recent challenge.

Sixthly, we will narrow our analysis on Belgium, which means overview why Belgium could be a destination of choice for Chinese OFDIs, how are the actors responding. And Finally answering the questions however as we will see along this paper that Chinese

foreign direct investments do not necessarily consist of a non zero sum gain. While there is a lot to win, there is also a lot to lose depending on the strategy adopted to facing those investments.

Lastly, reviewing our findings, we will provide recommendations to cope in the best way possible and the most profitably with Chinese investments.

Regarding the different sources used in this work, there is naturally an extensive literature review from journal articles. Furthermore, the nature of the People's Republic of China and its planned economy leads to a large use of official states' documents. However, the Chinese authoritarianism necessitates a cautious interpretation of those documents. Additionally, we used a large amount of raw data and statistics and literature review, this paper is also extensively based on newspaper and magazine articles for two reasons: The first being that this subject is very recent and is gradually attracting more attention. Indeed, in the last few months, almost each week, new articles on raising concerns by States, on Chinese investments and acquisitions were published. The second concerns the fact that the recent paper are mostly focused on perceptions and speculations, especially for instance, by heads of states or states agencies, therefore, newspapers were a good source to have the last perceptions.

Last but not least, this work is also based on three interviews with the major actors concerned by this challenge; the public sector represented by the AWEX - the Walloon agency for trade and foreign investments, the private sector represented by the high-tech firm Alterface, and the Belgian Intelligence Service which are in charge of the Belgian economic potential. However, the contribution of the last actor is quite limited, due to the need-to-know policy around the activities of this organisation. With those interviews, this paper hopes to offer concrete and feasible solutions based on the specificities of the Belgian economy.

The recent challenges investigated in this work unfortunately prevent from the usual distance required. However, this paper does not have the pretension to have understood the truth about Chinese OFDIs and the exact impact it will have on the Belgian economy. Nonetheless, it hopes to bring enough information to the different actors concerned, with the ambition that those actors will understand the dilemma they have in front of them

and would be able to come up with uniform actions in the best interest for the Belgian economy.

2 Overview of the Chinese economic policy

In this section we will try to understand what brought China to become the economic power it is today and what are its ambitions for the future. To do so, we will firstly come back to the Chinese economic policy from the last century to see how China became the world largest exporter within a few decades. Secondly, we will try to deeply understand the Chinese economic foreign policy and its objective in becoming an innovative nation, by reviewing the orientation given to the economy by the Central Committee through the review of the latest Five Years Plans and the more recent "Made in China 2025" plan. Thirdly, based on those review we will describe China's current objectives and its strategy to reach it.

2.1 History of the Chinese foreign economic policy

When the Communist party took over Beijing in 1949, declaring the People's Republic of China after decades of civil war, the Chinese foreign economic policy took a 180 degree turn and almost disappeared, as Mao's policy was focused on the domestic development of China. The only form of international capital flows that existed during the Mao's rule was the Soviet aid to the development of Chinese production's infrastructure. Two other features developed under Mao that still have an important impact today are the incentives to the Chinese population to save², which is one of the reasons the PRC has still today such a great current account surplus, and which allows such massive FDI. The second point was, during the industrialization of China, the focus on the development of basic manufacturing. This was mostly due to the lack of knowledge and engineering to develop heavier industries. Therefore, in the first five years plan of 1953, the emphasis on the development of the economy was on the manufacturing of basic objects. On this subject, Mao said: "What can we make? Tables, chairs and teapots ... we cannot make automobiles, aeroplanes or tanks." And it is only since recently that the central government decided to shift its centre of specialization.

After 3 decades of autoarchy and a change in the political landscape - as Deng Xiaoping took over the role of the PRC leader - the Chinese economic politic took another major

²Jacques, Martin. *When China Rules the World: The End of the Western World and the Birth of a New Global Order*. 2. ed. New York, NY: Penguin Books, 2012, p195

turn. Deng tried to put China back on the economic recovery path, after years of disastrous policies under Mao and to insert China as a player in the globalized world by opening up and liberalizing its economy. As it has been demonstrated in the later years that the full self-reliance economy was non-viable, his reforms can be summed up by his famous saying “It doesn’t matter whether it is a yellow cat or a black cat; a cat that catches mice is a good cat.”, therefore removed from the Chinese economy some fundamental communist principle. Among the major reforms he implemented, were created gradually in the eighties the SEZs - Special Economic Zone - which would allow some geographically limited areas on the east coast to serve as trading zones with the rest of the world, develop Chinese exports and attract foreign investment. However, at first, those investments were quite shy and mostly originating from Hong Kong³. Still, when at the end of the decade, Chinese trade balance started to deteriorate, Deng launched a more aggressive export policy with strong subsidies for the exporting firms as well as an expansive monetary policy with the objectives to keep the exchange rate low, to boost the competitiveness of Chinese products.

The following leader - Jiang Zemin - focused more on attracting foreign capital and investments, implemented market reforms and opened stock exchanges. However, after a few years of good economic growth (not without its turmoil), and an expansion of its exports (China developed a steady positive current account surplus since 1990), mostly due to the development of the SEZ that encountered great success. At the beginning of the 21st century, growth rate exceeded 10% per year, and China became the fourth largest economy in 2008. In 2006, it had the largest foreign exchange reserves as the result of its accumulated current account surplus over the last few years⁴. However, the Chinese economy is based on one thing: exports. It has accomplished its tremendous growth because of the opening of its economy to foreign capital with the SEZ and the sudden availability of cheap labour for production in the world. The competitiveness of its exports was only made possible because of high state subsidies to the exporting industries. Therefore, to continue its economic growth, China has two options: develop its domestic demand or continue to hold a strong comparative advantage on the products it exports.

³Nash Paul. ‘China’s “Going Out” Strategy’. *Diplomatie Courier*, May 2012

⁴Dreyer, June Teufel. *China’s Political System: Modernization and Tradition*. Ninth Edition. Boston: Pearson, 2015

2.2 Review of the Five Years Plans

China's objectives of development are defined and published every five years by the Central Committee of the Communist Party in the "Five Years Plan", and it has been the case since 1953. Those plans are key characteristic of planned economies and give out the guidelines and objectives to be reached by the country. Focus will be given to the evolution of the Chinese foreign economic policy since the beginning of the 20th century.

Consequently, the 10th Five Years Plan, published in 2001, formulates for the first time the "Going Out" policy, which will be pursued in the next four Five Years Plans as major points of the global Chinese economic policy. This strategy can be summed up by the Chinese government active support for its companies investing abroad. This policy is feasible and partly motivated by the huge reserves surplus China has accumulated over the years. Therefore, instead of focusing on attracting foreign investment, which is usually the case for most governments, which tend to not be very active when it comes to promoting OFDI, the PRC has decided to sponsor its companies to also invest abroad. Along with the "Going Out" policy in the major economic development goals in the 10th Five Years Plan, is the development of China's technology and the high-tech industry in order to become a leader in innovation. Those objectives will, according to the 10th Five Years Plan, necessitate reforms in the method of scientific research and development. Another mean explicitly cited in the plan, as the pursuit to become an innovation pioneer, was first the absorption of foreign technology, to be able to face the competition from overseas. The focus is both and equally on importing and inventing the technology that will allow them to achieve their goals. Therefore along with importation of foreign technology, the spending on R&D will also be increased⁵.

On the review of its 9th Five Years Plan, which is included in the 10th plan, the PRC acknowledges the lack of innovation incentives, productivity and efficiency in Chinese key industries. This did not use to be a problem because of the Chinese specialization in basic manufacturing and the almost inexhaustible offer of cheap labour. Nonetheless, labour cost in China is rapidly increasing. Which is another motivation of the "Going Out" policy and the outbound flow of investment that goes in vast proportion to South East Asian countries that now start to offer a cheaper labour than China. Consequently, the need to increase

⁵'China: Summary of the Tenth Five Year Plan (2001-2005)'. United Nations Public Administration Network (UNPAN), 2011

productivity in order to conserve its competitive advantages arises. Furthermore, the PRC has learned that the manufacturing industry isn't going to guarantee China a leading role in the world scene and the coercion power resulting from such leadership isn't strong enough. Which therefore brings up the need for China to become more innovative and develop its high tech which will enable it to remove all dependence from other countries. This independence is not negligible as it would prevent or at least diminish possible embargo or other economic sanctions, as means of coercion from other countries in case of sanction against any behaviour the PRC might have.

Due to the speed at which technologies are developed and the scale of market competition, the risks involved in technological innovation becomes higher and require greater inputs of R&D funding and human resources. Cooperation between countries and large corporations in R&D is becoming more common. Before, economic competition was based on resources and products, but now the focus of competition changes to technology, branding, capital and market share. Through merger and acquisition, multi-national companies are now typical of the industry's structure.

Still, the Central Committee continues to promote the importation of foreign capital, as it is also, to a lesser extent, another way to bring advanced technologies. Also, it can help to expand the export of electronic products and speed up the restructuring of the industry, which in turn increases the competitiveness of the industry.

In other words, in addition to the general goals of going out, becoming competitive and independent when it comes to technology, the Central Committee in its 10th Five Years Plan, also set the objective of catching up by 2010 Japan and the United States when it comes to the production of technology. Furthermore, the plan also extensively develops additional official national targets, priorities, policy concerns and directions in order to reach those objectives. Among which are cited: the mechanisms for promoting technological innovation, the restructuration of state-owned enterprises, the opening up additional financing channels to attract investment, the expansion of exports for homegrown electronics products⁶.

Five years later, the 11th Five Years Plan, setting objectives from 2006 to 2011, follows the same trajectories as the previous plan with few specifications. First of all, the support for ODI is increased in part due to the still rising trade surplus. However, among the four

⁶Ibid.

major points of the 11th Five Years Plan remain the development of innovation capability and the shift of the main contribution to economic growth from science and technology⁷. The accent is also put on the future scarcity of raw materials, which is another factor in favour of the development of technology that would bring up better efficiency in the use of those materials, as well as ODI in countries rich in those resources (both technological and raw materials).

The 12th Five Years Plan drives up even more the speed and intensity of the "Going out" strategy, with the emphasis on the need for China to embrace the globalized world we live in, in order to keep up the nation's stable development, while being aware of the increasing global economic competition and therefore the need to continue the improvement of its technological innovation in order to keep up in this competitive world. It also insists that China's development and economic growth are restrained by the lack of natural resources and an uncompetitive innovation ability. The development of technology and innovation is exposed as being the cardinal line to economic growth, that would, therefore, solve China's domestic problems such as income disparities, small domestic consumption, ... Additionally, it is stated that the opening up strategy is the best mean to achieve the objective of technology development. This plan is also characterized by the greater role of the government in order to help private companies to follow those guidelines, such as creating new policies that support the technical improvement of enterprises, having agencies whose main goals would be to support the merging and reorganization of enterprises, greater allocation of funds for the companies guidance towards those guidelines, new policies to encourage financial institutions to offer greater credits, ... The restrictions on inbound foreign capital would also be loosened in the high-tech industries to favour the implementation of foreign research centres in China. A major difference from the previous plan; while before the "Going out" strategy had favour FDI's going toward other Asian countries to enjoy cheaper labour, the new focus of the "opening up" shifts from international manufacturing to research and development, and high tech manufacturing and services. When it comes to the mainland manufacturing production another major policy shift is promoted; the export policy changes from volume-increasing to quality improvement. As mentioned earlier, the PRC wished to speed up the implementation of

⁷Ma Kai. 'The 11th Five-Year Plan: Targets, Paths and Policy Orientation'. National Development and Reform Commission (NDRC) of the People's Republic of China, March 2006

the "Going Out" strategy and gives out more specific guidelines than in the previous plans. It is mentioned that China will import "advanced technology from overseas and encourage foreign enterprises to set up R&D centres in China in order for China to learn advanced international management concepts and systems."⁸

As again in the 13th Five Years Plan, the emphasis is the greater urgency to speed up the transformation of the PRC to an innovative and technology pioneer nation. The objective of becoming a leader in innovation, with the emphasis on significant results this time, is in this new plan the second general objective just after the maintenance of a high GDP growth rate. The means to put into place in this new plan in order to achieve this long-term objective will be a greater allocation of resources to embedded science and technology more deeply in the economy but also the implementation of a new philosophy, which can from our western point of view be considered as a kind of propaganda as it is described in the plan; "Innovation should permeate the work of the Party and the country and become an inherent part of society"⁹. Once again, following the need for technology improvement, comes along with the opening up strategy, with new policies to facilitate and promote both inbound and outbound investments in the high technology industries.

In the meantime, along with the series of Five Years Plans, in 2006 the Central Committee of the People's Republic of China also published a "Fifteen Years Plan" to have a longer-term vision. The specificity of this plan compared to the five years ones is that it is primarily focused on one major issue: Science and Technology, which emphasizes the objectives mentions in the latest Five Years Plan, with the obtaining of science and technology as the major driver of the global Chinese policy in order to achieve its economic development. It aimed, by the year 2020, to transform China into an "Innovation oriented society", by investing massively in R&D. This plan gives out more specific guidelines with quantitative goals to reach out, but with a longer time lapse, as it is indeed difficult to decide that China will become a leader of technology within five years. That is the reason why this plan gives China 15 years to achieve this objective and in other words become an "innovation-oriented society" by the year 2020, and a "world leader in science and

⁸Central Committee of the Communist Party of China. 'China's Twelfth Five Year Plan (2011-2015)', May 2011

⁹Central Committee of the Communist Party of China. 'The 13th Five Year Plan for Economic and Social Development of the People's Republic of China (2016-2020)', 2016

technology (S&T) by 2050.”¹⁰ As an example of quantifiable indicators in the achievement of becoming an innovation-oriented society, the PRC aims at becoming number one in the amount of invention patents delivered by Chinese citizens or corporations, as well as for the Chinese authors to be among the most cited in scientific papers. Among the many challenges China faces in its course to become an innovation-driven nation, is the exodus of many of its best brains that went to seek better research opportunities abroad. In other words, China must make its research system ”sexy” again with greater performance.

A problem with such a plan is that it states a lot of quantitative gains that do not necessarily equal qualitative ones. For example, many of the delivered patents can be for futile invention, as an increasing number of research in the R&D industries do not necessarily mean an increase in output.

In summary, in essence, the objectives and policies defined in the 15 years plan are the same as in the Five Years Plans, only with a greater continuity and more precise and achievable objectives.

In conclusion, Five Years Plans tend to repeat the same objectives over the years, but with little differences on the emphasis on certain points. They also tend to be quite extensive, stating sometimes the obvious development and objectives that all nations implicitly have. However, this is a characteristic of all planned economies. It can also clearly reflect the sentiment of victimization of China, after what its leaders call the century of humiliation. The whole need for the development of technology, need for ODI is motivated by a sense of obligation to avoid becoming overwhelmed and dominated again by other nations. It feels like this is the only way for the PRC to defend itself against adversity. The multi-polarity of the economy is considered as a threat to its stable development. Furthermore, it is impossible not to notice along the Five Years Plans the sudden greater aggressiveness and increased urgency in achieving the major guidelines. The reason is simply the transition of the Communist Party’s Chairman. Mao has been repainted in the recent years as having a stronger stand than his predecessor when it comes to foreign policy.

As we have seen the analysis of the last Five Years Plan, the going out strategy is considered as the main driver of the Chinese objective to develop its innovation abilities to become a pioneer in technology.

¹⁰Cong & Al. ‘China’s 15-Year Science and Technology Plan’. *Physics Today*, Décembre 2006, 38–43

2.3 Made in China 2025

In addition to those general plans, and in the continuity of the "Fifteen Year Plan on Science and Technology" issued in 2006, the Chinese Communist Party have in 2015 released a new Strategy: "Made in China 2025". This latter is more comprehensive than the previous one. It indeed encompasses more strategies for China to become a more innovative nation. While the Fifteen-year plan focused primarily on high technologies, the "Made in China 2025" is more global and instead of just focusing on innovation, it focuses on the whole manufacturing process. It promotes an upgrade of the manufacturing process through technological innovation all along the value chain, with the objectives to upgrade productivity. The goals are indeed more practical and tangible than in previous plans. It includes objectives to have a manufacturing process which is innovation-driven, and integrated into the whole value chain within the Chinese economy. While the manufacturing-process was previously focused on the lower links of the value chain. Therefore, the plan focuses on a few industries such as information and communication technologies, robotics, power-equipments, chemistry ... (We will later see that those are also the sectors in which China invests the most in Europe). To do so, the role of the State is primary. It includes different incentives such as subsidies, financial and fiscal tools, ...¹¹

2.4 Chinese current global foreign economic objectives & strategy

Why is the Chinese government so keen on going global and becoming a leader in high technology and innovation when it is already the second largest economy as well as an exporter? To answer this question we must consider Chinese current trend pattern.

The PRC owes its recent rapid economic growth to the foreign global companies installing their manufacturing centre in China through FDI, to take advantage of the very low local labour cost, due to the large supply of unskilled labour. Therefore, in the last 30 years, China specialized in the manufacturing of low-tech merchandise, but at the main profit of the foreign companies. Indeed, the manufacturing usually represents only about 15% of the final price of a product¹², while the other more value-added ladders of the value chain remains in the hand of the headquarters, which are based in the developed countries, the Chinese industries only acting as suppliers. Despite the fact that some

¹¹Scott, Kennedy. 'Made in China 2025'. Center for Strategic and International Studies

¹²Jacques, Martin, *op. cit.*, p195)

local Chinese industries benefited from the importation of some foreign technologies, due to the productivity rise, most of them had to quit the industry as they could not survive this increasing competition. Indeed, when the Central Committee decided to open its borders at the end of last century and then rapidly joined the WTO, Chinese companies had a productivity far lower than the international standards, and could not compete with international production. While most developed countries today, as well as the Asian tiger, during the most expensive phase of their development and their industrial revolution, they had been able to enjoy protectionist policy with high trade tariffs, which allowed them to first develop their firm domestically and improve their productivity and competitive in a domestic market before having to face international competition¹³. On the other hand, Chinese firms had to face international competition very early in their development; in addition, the competition was very quickly located in their own territory. Therefore most of Chinese state-owned industries closed down, and the government focused its resources to build up the productivity of the few remaining ones. This led to a situation where nowadays, foreign firms are responsible for 60% of total Chinese exports, and when it comes to high tech exports, the number goes as up to 85%. Even more alarming, when it comes to the intellectual rights of their core technologies used by the Chinese firms, only 0,03% owns their own ones.

Such patterns of economic growth are most likely unsustainable in the long run, which greatly explains the reasons of the Central Committee to develop policies to climb up the value chain by developing its own technology and therefore both increase the added value of its activities and reduce its dependence on foreign technology.

The next chapter will, therefore, take a closer look at the implementation of the going out strategy and how FDIs are efficient means to import foreign technology.

As the going abroad policy suggests, the main strategy used to acquire foreign technology is Outward Foreign Direct Investment or OFDI. Nonetheless, in its global strategy China uses OFDI with two complete different means.

¹³Chang, Ha-Joon. *23 Things They Don't Tell You about Capitalism*. New York: Bloomsbury Press, 2011. p28

3 Understanding of technology transfer through FDIs

First, in this chapter, we will define and classify the different forms of FDIs. Second, we will see how the Chinese investment strategy differs from the dominant or more conventional strategy. Third, through a literature review, we will analyze how FDI, and more precisely OFDI, are efficient means for what is known as external learning, to improve technological efficiency in the home country. Fourth and last, we will analyze how are those FDIs implemented in the foreign economy in order to gain access to technology in the most efficient way possible.

3.1 Foreign direct investments

Firstly, in its report "Benchmark Definition of Foreign Direct Investment", the OECD defines Foreign Direct Investment as "... a category of cross-border investments made by a resident in one economy (the direct investor) with the objective of establishing a lasting interest in an enterprise (the direct investment enterprise) that is resident in an economy other than that of the direct investor.[...] The main motivation of the direct investor is to exert some degree of influence over the management of its direct investment enterprise(s) whether or not this entails exercising a controlling interest"¹⁴. Still, according to the report, Foreign Direct Investments can take two forms depending on their direction: Inward or Outward. Outward investment consist of; "Investments by direct investors of the RC in direct investment enterprises abroad plus Investments by resident fellow enterprises in fellow enterprises abroad where the ultimate controlling parent of the resident fellow enterprise is resident in the RC". While Inward Investment is; "Investments by direct investors abroad in direct investment enterprises in the RC plus investments by fellow enterprises abroad in resident fellow enterprises where the ultimate controlling parent of the resident fellow enterprise is non-resident in the RC."

China has a long history of inward FDI, which represent the regular FDIs patterns from developed countries to developing countries. In those cases, the developed countries bring the foreign technology into developing countries with the objective to enjoy cheaper labour cost. Such pattern tends to be beneficiary for both parties, which is the driving force

¹⁴eds. OECD *Benchmark Definition of Foreign Direct Investment*. 4. ed. Paris: Organisation for Economic Co-operation and Development, 2008

behind China's spectacular economic growth. In addition, to create jobs and favour the transition from an economy where most of the population worked in the primary sector to a dominant secondary sector, there have been other spill-over effects. As those FDI practices, from developed countries to developing countries, to enjoy cheaper labour cost, still represents the major flow of FDIs around the world, their spill-over effects have been studied extensively. The benefits of those FDIs have tended toward a win-win outcome. The reasons are that by importing technology to less developed countries, the productivity of the foreign-owned firms will be comparatively higher than the domestic firms, which leads to external learning effects. Firstly, the demand for inputs will increase and therefore drive up productivity in the input sector. Secondly, the same effect will be true if there is a sector associated with the output which will, therefore, enjoy better quality and lower prices inputs. Thirdly, there are direct knowledge transfers. Fourthly by increasing competition in the sector, local firms tend to increase their productivity to keep up. As for the developed country, even though it is losing jobs, it gains from cheaper products.

Nonetheless, as we have seen in the previous section, Chinese exports are dominated by foreign technology with a low spill over on the Chinese industries. The foreign firms indeed own a very large share of the intellectual property and account for 85% of Chinese exports¹⁵. The high technological products represent a much larger added value compared to the low-end products, industry in which Chinese firms are today specialized. Therefore, foreign firms have strong incentive to protect their technological comparative advantage so they can continue to exclusively produce the high-end product, without Chinese competition, which has the effect of greatly reducing the direct knowledge transfer. Those protections have for objective to minimize the positive spillovers Chinese firms might benefit by the implementation of their production in the host country. This is also the reason of while many international firms export the production activities of their business to countries with cheap labour cost, they tend to keep their more sensitive activities, such as R&D in their countries of origin. While China has also greatly benefited from the inward FDI, and those have been an important part of their learning when it comes to the understanding of international markets, and the managerial competencies required for FDI,

¹⁵Salidjanova Nargiza. "Going Out: An Overview of China's Outward Foreign Direct Investment". U.S.-China Economic & Security Review Commission, March 2011. p9

it also helped them to accumulate operational and financial assets¹⁶. All those tangible and intangible assets, gained from spillovers are what allows now China to start its international expansion to move up on the value chain and increase its international competitiveness, with nonetheless a completely different pattern than the conventional FDIs.

Secondly, the Outward FDIs can have different motivations and objectives. Some authors¹⁷, tend to distinguish OFDI according to their motivations, which can be; resource-seeking, market-seeking, efficiency-seeking and strategic-asset-seeking. According to this distinction, Chinese OFDIs are mainly motivated by the resource-seeking, and strategic-asset-seeking. The first one, as it was also mentioned in the Five Years Plans, can be explained by the lack of natural resources, and therefore mostly results in FDI towards developing countries, in Africa and South East Asia. Those destinations still represent the main parts of Chinese Investment abroad, and the resources sought are mainly natural resources and raw materials. Still, this paper focuses mostly on the "strategic-assets-seeking" motivations, which include technology and R&D capabilities, but also management, merging skills, distribution channels,... When it comes to the strategic-assets-seeking motivations, the flow of investments goes from developing countries to the developed countries holding an advantage in this field. Consequently, developed country with large endowments of those strategic assets might be a privileged target¹⁸.

Another way to classify Outward direct investment have been developed by the same author¹⁹ depending on their conventionality. On one hand, the conventional FDIs are linked to assets-exploiting. On the other hand, unconventional FDIs are linked to assets seeking. Conventional investments are motivated by the advantage detained by the investors, while the unconventional would be motivated by their disadvantage. For example, the conventional OFDIs are usually from developed countries to developing countries, having a technological and productivity advantages and who decide to invest abroad, bringing their technology with them. On the other hand, the unconventional, which characterized the type of investment we are focusing on, are motivated by Chinese disadvantage on technological innovation, and therefore in order to reduce this gap, uses internationalization

¹⁶Ibid.

¹⁷Dunning & Al., *Multinational Enterprises and the Global Economy*. 2nd ed. Cheltenham, UK: Northampton, MA: Edward Elgar, 2008.

¹⁸Yin Wenyan. 'Motivations of Chinese Outward Foreign Direct Investment: An Organizing Framework and Empirical Investigation'. *Journal of International Business and Economy* 16(1) (2015): 82-106, p85

¹⁹Dunning, *op. cit.*

via investments abroad to seek those strategic assets.

3.2 Technology transfers and external learning

The technological development represents a long process which requires massive investment in R&D, without the guarantee to catch up with the leaders in innovation. As a latecomer, the most efficient way to catch up with the industry is by strategic-assets-seeking FDI's²⁰. It has indeed been long determined according to the resource-based theory, that a firm's performance and competitiveness come from the strategic assets it possesses. Those can take the form of R&D capabilities, brand name, knowledge and proprietary technology. Therefore, the transfer of those specific assets could transfer along the competitive advantage of a firm. This strategy isn't new and has been extensively applied by Japan in the previous century when Japanese firms tended to capture existing US and European firms, considered as the leader in their respective industries, and meanwhile, the Japanese industries were suffering from some comparative disadvantages²¹.

Such practice can also be defined as "External Learning"²², which is that firms learn not only from their own experience but also from the industry's experience as well as from their competitors. Nonetheless, it distinguishes itself from Inter-organizational learning (which often takes the form of Joint Venture and allows firms to share high R&D costs), in the sense that there is no form of collaboration between firms and the benefit of such practice is uni-directional. The authors determine the characteristics of an industry which favours external learning. First, a firm benefits the most from external learning when the organization is in an early stage of development. Second, when an industry is highly competitive, external learning is therefore a very efficient mean by which competitive advantage can be obtained. Third, external learning can develop nation-wide when the country faces some performance gap. All those characteristics are inherent to the Chinese technological industries, which is in its early stage of development, competing against multi-national firms with many years of knowledge accumulation and massive R&D expenses, and finally, as we have seen in the previous section of this paper, catching up

²⁰Deng, Ping. 'Investing for Strategic Resources and Its Rationale: The Case of Outward FDI from Chinese Companies'. *Business Horizons* 50, no. 1 (January 2007): 71–81. p74)

²¹Kogut, Bruce, and Sea Jin Chang. 'Technological Capabilities and Japanese Foreign Direct Investment in the United States'. *The Review of Economics and Statistics* 73, no. 3 (August 1991): 401–13. p409

²²Ferdinand, J., and Simm. D., 'Re-Theorizing External Learning: Insights from Economic and Industrial Espionage'. *Management Learning* 38, no. 3 (1 July 2007): 297–317. 2007, p298-299

the technological gap has become a national matter for the Central Government. In other words, the People's Republic of China is engaged in a nation-wide external learning, via the means of Outward Foreign Direct Investment in developed countries to gain access to strategic assets.

We will now examine more closely via which means of FDI Chinese firms gain access to those strategic assets.

When it comes to which type of FDI's is the most efficient for technological learning, the Chinese government has clearly demonstrated its support in favor of Merger & Acquisitions²³ and to a lesser extend Joint Ventures, in order to absorb the foreign technology and increase Chinese competitiveness²⁴. While prior to 2000, Joint Ventures were the principal forms of OFDI, it is since 2004 that Merger & Acquisition became the favourite. This shift can be explained by a better understanding of management practice in western firms. Indeed there have been a few examples of bad management after complete acquisition of foreign firms by Chinese companies, which led to huge loss. Therefore, it explains the preference for Joint Venture and now with a better culture of the western business world, the success of acquisition has increased. In 2006, M&A represented a value of \$47,4 billion, which was 36,7% of total Chinese OFDIs, while in 2004, it was only \$4,8 billion²⁵. When it comes to developed countries, M&A accounted for more than 70% of OFDI. Which confirm our theory of the different FDI's' purposes for developed and developing countries. M&A allow a company to, via a simple transaction, absorb all the technology available, and the R&D facilities of foreign firms. It doesn't have to build a new brand name to gain the consumer trust and develop R&D capabilities, which can both take many years. Some scholars also propose M&A as the most effective way to access strategic assets²⁶. It indeed favors technical learning and promotes organizational learning which develops the managerial skills necessary to evolve in a market different than the Chinese market. Exercise in which few Chinese managers excel due to the many differences in management's culture.

²³Deng, 'Why do Chinese firms tend to acquire strategic assets in international expansion?', *op. cit.*, p75

²⁴Salidjanova, *op. cit.*, p5

²⁵Wang Yanan. 'Outward Foreign Direct Investment of Chinese Enterprises: Review and Analysis'. *Industrial Engineering & Management* 04, no. 04 (2015). p2

²⁶Deng, 'Why do Chinese firms tend to acquire strategic assets in international expansion?' *op. cit.*, p75

The second form of FDI used by Chinese firms would be Joint Ventures, which means establishing a partnership with a foreign company to for example share R&D costs. While it allows decreasing the cost, the results tend to be less quick and it also restrains the liberty of the firms which cannot dispose the new technology as they wish and for example expatriate it back to China. Nonetheless, this strategy has its success in the developed countries where firms are short on cash. The results can be a win-win situation, where the Chinese benefit from the firm's technological expertise while the foreign firms benefit from Chinese capital.

4 State of play of Chinese OFDIs in the world

First of all, it must be said about the difficulty when it comes to the extensive tracking of Chinese investments. For two main reasons:

First, data about the flux of investment, in terms of exact value, country of destination and sectors of outbound foreign investments can be hard to find as the Ministry of Commerce of the People's Republic of China (MOFCOM) stopped publishing statistics about Chinese FDIs²⁷. Nowadays, all we can find about direct investment from Chinese sources would be some very short global briefing with doing details on deals, while the full statistics remained unpublished.

Second, more than 60% of FDIs go through tax havens or financial centres²⁸, before being reinvested in other countries. It can become very difficult therefore to identify the origin of some funds. We will see later in this paper that this is notably why small countries such as Luxembourg or Switzerland in Europe receive an important share of investment, before being re-dispatched.

Because of those reasons, it is difficult to have a precise and quantitative approach to foreign investments in Belgium and Europe, we will look at a few examples of acquisitions. Consequently, because of the lack of official data, there are reasons to believe that official numbers are being underestimated by the government.

4.1 Flow

As we have mentioned in the previous section, Chinese investments started to rise after the announcement of the going global policy. Along with the announcement of the new policy, the Communist party issued an 'Outbound catalogue', listing all the preferred countries and industries to invest in²⁹. In parallel to the development of a domestic politic to boost investment, the Chinese government also launch an aggressive diplomatic strategy multiplying bilateral treaties among nations³⁰. Additionally, along with M&A, there is a development of strategic partnership based on sharing³¹, which means, for instance, the

²⁷Seaman, *op. cit.*, p30

²⁸Sauvant, *op. cit.*, p1

²⁹Sun Zhe & Al., 'The Financing of Chinese Outbound Mergers and Acquisitions: Is There a Distortion between State-Owned Enterprises and Privately Owned Enterprises?' *Research in International Business and Finance* 39 (January 2017): 377–88. p377

³⁰Salidjanova, *op. cit.*, p4

³¹Philippe Le Corre and Alain Sepulchre. *L'offensive Chinoise En Europe*. Paris: Fayard, 2015, p61

development of joined research centres.

This policy had its impact as in 2005, Chinese OFDI represented 6,92 billions USD with a growth of 25% per year according to the Ministry of Commerce of the People's Republic of China³². While in 2008, FDIs worldwide fell by 15%, because of the financial crisis, and continued to fall in the following years, China's did not. On the contrary, it increased by 100% in 2008, as well as in the following years, when it continued to rise³³. And from 2008 to 2014, mergers and acquisition represented about 45% of all FDIs. The year 2014, was a turning point for Chinese investment as for the first time, outbound direct investments surpass the inbound ones³⁴. And in 2016, China was the second largest exporter of FDIs in the world³⁵.

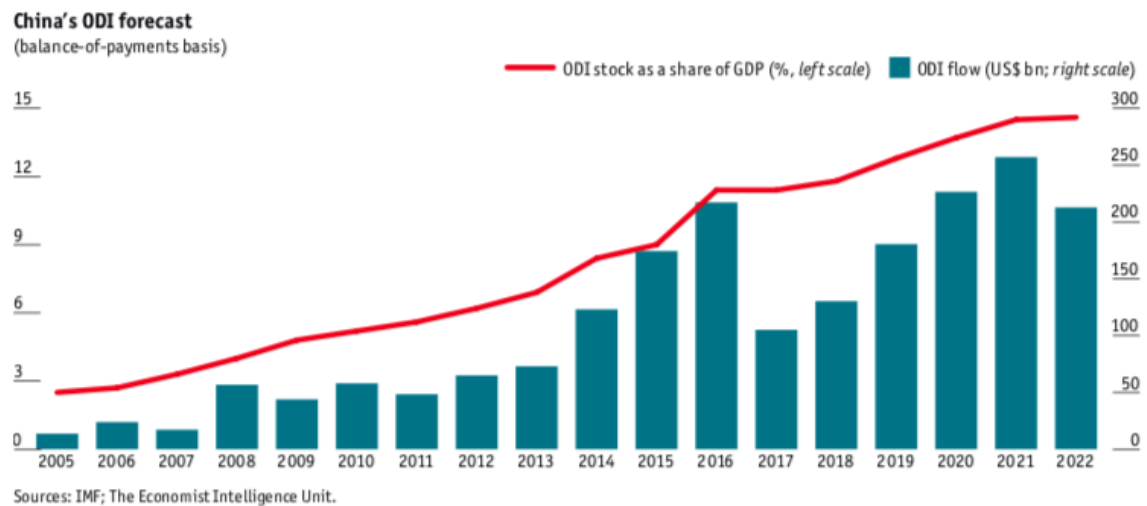


Figure 1: China's OFDIs evolution and forecast

When we have a look at the destination of Chinese FDIs, we can see that most of them are going towards other Asian countries³⁶. While the large share of investments towards Asian countries makes sense due to their geographical and cultural proximities, those include in large part the investments relative to the 'One Belt, One Road' Initiative³⁷.

In addition, another share of Chinese OFDIs in direction of Asia is the offshoring of some low-end manufacturing and industries to Asian countries with lower labour costs³⁸.

³²MOFCOM, <http://english.mofcom.gov.cn/>

³³Salidjanova, *op. cit.*, p4

³⁴MOFCOM, *op. cit.*

³⁵'China Outlook 2018 - A New Era, a New Paradigm of Globalisation'. KPMG, March 2018

³⁶The Economist Intelligence Unit. 'China Going Global Investment Index 2017'. London, 2017

³⁷Announced by Xi Jinping in 2013, it consists of a billion investment in infrastructure in 68 countries. China spends about 150 billion a year with the ambitions to develop a global trade with the creation of new trade routes and the creation of new markets for chines products

³⁸Garcia-Herrero Alicia & Al., 'China's Growing ODI: Where Does It All Go?' BBVA Research, June

Indeed, as China is developing and moving up the value chains, it is already starting to offshore some of its lower manufacturing to either the most remote regions of China, where the labour cost is still low or also abroad.

After Asia, it is Europe that comes in the second position as FDI's beneficiary. The exploration of Chinese FDI's in Europe will be pursued in the next chapter.

When it comes to the high tech sector, in the early 2000's China had a trade deficit in most high-tech products, machinery, ... While if you look at China's exports, high-tech products were representing a big share of its exports, this sector consisted of the assembly of imported components, and therefore representing a low added value³⁹. Therefore, it makes it difficult to explore the evolution of actual high tech trade balance over the last few years. For instance, China's biggest export is now computers, but its biggest import is integrated circuits which is the most "high tech" component^{40 41}.

In terms of OFDI's provenance, we can see that SOE tend to be more active in terms of international acquisitions, especially for the deal's value where SOE tend to make much bigger deals. Indeed, in 2011, only 13 SOE accounted for 76% of the country non-financial FDI stock and 66% of its flux⁴². There is also a trend of increasing deals value, investments tend to become bigger over time. There are twice as many deals over 1 million in 2011 compared to 2001⁴³.

4.1.1 Change of politic

At first, despite the going out policy, acquisition in the High-tech sector only consisted of a small share of OFDI's in Europe by private firms⁴⁴. Furthermore, when we look at the evolution of Chinese's OFDI's we can see a net drop in 2017. See Figure 1. This was due to the redefinition of the party's strategy. Indeed, investment rules became stricter, and funds more difficult to obtain for investments that are not in accordance with Beijing objectives. Therefore, at the beginning of 2017, there was a net decrease in investment in many sectors such as entertainment, hotel, real estate, while the share of investment in sectors such as

2015

³⁹'The Struggle of the Champions'. *The Economist*, January 2005

⁴⁰Ibid.

⁴¹'OEC - United States (USA) Exports, Imports, and Trade Partners'

⁴²Karl Sauvant and Michael D. Nolan. 'China's Outward Foreign Direct Investment and International Investment Law'. *Journal of International Economic Law*, 20 November 2015. p3

⁴³Hanemann, Thilo, and Daniel Rosen. 'China Invest in Europe'. Rhodium Group, 2012. p3

⁴⁴'China Outlook 2018 - A New Era, a New Paradigm of Globalisation'. KPMG, March 2018

high-tech or high value-added manufacturing increased⁴⁵. Following this policy change, M&A in the high tech sector became the highest share of all M&A in Europe, representing over 24% in terms of value. The second beneficiary sector was of energy and material assets (20%)⁴⁶. In the long run, OFDI's re-increased and therefore, the policy change did not have a big impact quantitatively; as investments tend to focus on a few industries more in phase with Chinese ambitions. The fall of FDI's was mostly in industries such as mining and construction, while OFDI's in the high tech sector grew by more than 50%⁴⁷.

4.1.2 A few examples of acquisitions

Now, to illustrate Chinese strategy in terms of technological gains through acquisition we will go through a few examples made by Chinese companies and the impact they might have had. Even though we must take into account the very speculative dimension of this last part due to the high complexity and multitude of elements that might influence the economy of a country.

Volvo In 2010, Geely, a Chinese firm acquired Volvo for 1,8 billion USD, with the support of the state-owned banks which without it, Geely wouldn't have had the funds⁴⁸. When it comes to the strategy, this is simple, acquire the Research & Development department while changing as little as possible. The best advantage while acquiring Volvo, was first its reputation, the 'made in Sweden' is a guarantee of quality in the mind of the customers. Still today, the consumer believes he is buying Swedish. Second, it was its R&D department, its innovation, its highly qualified workforce in Sweden. Despite, while locating a major part of its production in China, Geely also decided to expand the Swedish research centres. Furthermore, in 2017, Geely announced it would open a second R&D centre in Joint Venture with Volvo, but this time in China, with the objective to share technology. Indeed, when Geely acquired its short run objective was to put Volvo back on its track. In medium run; relocate production in China, to avail cheaper labour, while conserving the research centre in Sweden. Finally, in the long run, the objective is to mix Swedish know-how with Chinese competitiveness⁴⁹.

⁴⁵Id. p64

⁴⁶Seaman, *op. cit.*, p11

⁴⁷'China Outlook 2016'. KPMG, March 2016. p18

⁴⁸The Economist Intelligence Unit 'Volvo to Set up JV with Geely to Share Technology', 2017

⁴⁹Le Corre, *op. cit.*, p69

Another example to support the interest of Chinese products to sound and appear as European as possible to gain the customer's trust is Haier. Indeed, if the 100% Chinese owned and founded company hasn't a Chinese name this isn't by accident. It acquired a German consonance name to appeal more easily to customer shopping for a certain standard and who wants to shop local⁵⁰.

Lenovo One of the best-resulted examples is the acquisition of IBM by Lenovo. At first, Lenovo was producing only for a domestic market and did not have the knowledge or know-how to produce high-end products that could be sold internationally. In 2004, it acquired IBM for 1.75 billion dollars. This was by the time, the largest international acquisition so far by a Chinese firm. Of course, for the rehabilitation of this deal, and the financial means, Lenovo, despite not being an SOE had the full support of the Chinese government. We can find the same pattern in most of Chinese acquisitions when it comes to technology; A western company, needing restructuration, looking for cash but in possession of high technological expertise. Chinese companies do not have the knowledge but could bring financial support. Even though Lenovo is now considered a private firm, by the time of the acquisition, it was a state-owned company, with the state; holding the majority of shares⁵¹. Therefore, it is safe to think that Lenovo's desire to acquire IBM's technology capabilities was state driven.

Even though this one acquisition cannot represent a pattern, it can still be mentioned that in 2003, computer exports represented 2.8% of the total exports value of the United States for a total of about 20 billion USD. While in 2016, computer exports dropped by more than half, representing only 1.1% of total exports for a value of 15.1 billion USD⁵². Despite that, it is impossible to know what share of this significant drop is to be attributed to the acquisition of one of the main US computer producer, the increased competition brought by the rise of Lenovo as a global leader in computer making cannot be ignored. Today second largest PC maker, Lenovo has a turnover of 43 billions USD⁵³. By acquiring IBM, it also acquired its brand's reputation on high-end products, its R&D centres and

⁵⁰Id., p96

⁵¹Deng, *Investing for strategic resources and its rationale: The case of outward FDI from Chinese companies*, op. cit., p80

⁵²OECD - United States (USA) Exports, Imports, and Trade Partners

⁵³'A propos de Lenovo: culture d'entreprise, postes à pourvoir, équipe de direction, sites, etc. — Lenovo Belgique'

knowledge, the access to the distribution network⁵⁴. According to a Lenovo senior manager "If Lenovo had done it itself, it would have taken several times the money and even 8-10 years. Even with those efforts, we would have not necessarily achieved IBM's performance level".

4.2 Chinese OFDIs in Europe

As previously said, the European Union in the second region is the world that receives the most FDIs from China. In 2010 investment stock was worth 6,1 billions euros and reached 27 billions in 2014⁵⁵. In 4 years, the stock of Chinese investments in the European Union has increased by 443%. In 2015, FDIs in Europe were worth 23 billion USD. Among which, the main sectors invested were the car industry (7,8 billions) and information and communication technologies (2,4 billions)⁵⁶. Then in 2016, 25% of Chinese OFDI went to Europe.

When we look at the geographical pattern of investments in Europe, the biggest economies, namely France, United Kingdom and Germany, have the biggest influx and stock of Chinese investment⁵⁷. This trend is logical since those economies represent Europe's largest markets, they consequently offer more investment opportunities. There is also a clear distinction between western Europe and eastern Europe. In eastern Europe, most investments are greenfield⁵⁸. While the majority of western European are brownfield. Supporting that China invests mostly in infrastructure in eastern Europe, while on the western part, it is in mostly driven by M&A⁵⁹. However, we look at the Investment in the whole Europe, greenfield FDI only accounts for 11% in 2016⁶⁰ See figure 4.

Furthermore, despite being on the most open trade regime in the world, the People's Republic of China is still having discussions with the European leaders to gain even more access to the European market. In 2013, there were negotiations concerning a potential free trade treaty between China and the European Union. During the negotiations, the

⁵⁴Deng, *Why do Chinese firms tend to acquire strategic assets in international expansion?*, op.cit., p80

⁵⁵Le Corre, *op. cit.*, p11

⁵⁶'Record d'investissements Chinois En Europe'. *Trends Tendances*, 7 June 2016.

⁵⁷Hanemann, *op. cit.*, p3

⁵⁸**Green-field:** Investments when a parent company or government begins a new venture by constructing new facilities in a country outside of where the company is headquartered. **Brown-field:** Investments when an entity purchases an existing facility to begin new production. *Source : Investopedia*

⁵⁹Hanemann, *op. cit.*, p3

⁶⁰UNCTAD, ed. *Investment and the Digital Economy*. World Investment Report 2017. New York and Geneva: United Nations, 2017

prime minister Li Keqiang said at a press conference in Beijing in March 2014, that China was ready to make some concessions to facilitate the access of European companies into the Chinese market at the condition that there would be also more technology transfers⁶¹.

China is aware of its trust deficit when it comes to business. That is the reason why the communist party is spending a lot on developing its soft power and promoting the image of China. The perfect example of China trying to prettify its politics can be illustrated by a video clip created by the Party to be diffused worldwide. The video shows children from all over the world, singing about the one belt one road initiative and its benefit to world peace. A must watch⁶². This is just an example of the efforts done by the Chinese government to remove its mighty image; many other propaganda media can be found. Diplomacy is also an important feature to reach these objectives. As mentioned in the previous section, the going abroad policy was followed by an intensive diplomacy. Furthermore, enterprises that have a foot in Europe are also being very active in lobbying. For instance, Huawei is spending a few million euros per year in Brussels, which makes it the 8th biggest spender in lobbying in Brussels⁶³.

4.2.1 Impact of the 2008 crisis

The 2008 crisis and the impact it had on the European economy changed the game for Chinese investment in two major ways.

First, due to the overall recessions in Europe and in the United States, this led to the depreciation of the euro and dollar. And consequently, the appreciation of the Renminbi, making M&A relatively cheaper, which helped Chinese companies to increase their foreign acquisitions.

Second, along with the global recession and the market running out of steam, many enterprises saw their yield collapse. Therefore, there were strong pressure from the shareholders that were looking for some lucrative way out of this crisis. Incoming Chinese investment was perceived as a reliever and Chinese firms seized this opportunity to have discounted prices from firms that were selling off to avoid bankruptcy⁶⁴.

⁶¹Le Corre, *op. cit.*, p22

⁶²<https://www.youtube.com/watch?v=6KFBHBMATXk>

⁶³Le Corre, *op. cit.*, p25

⁶⁴Hanemann, *op. cit.*, p3

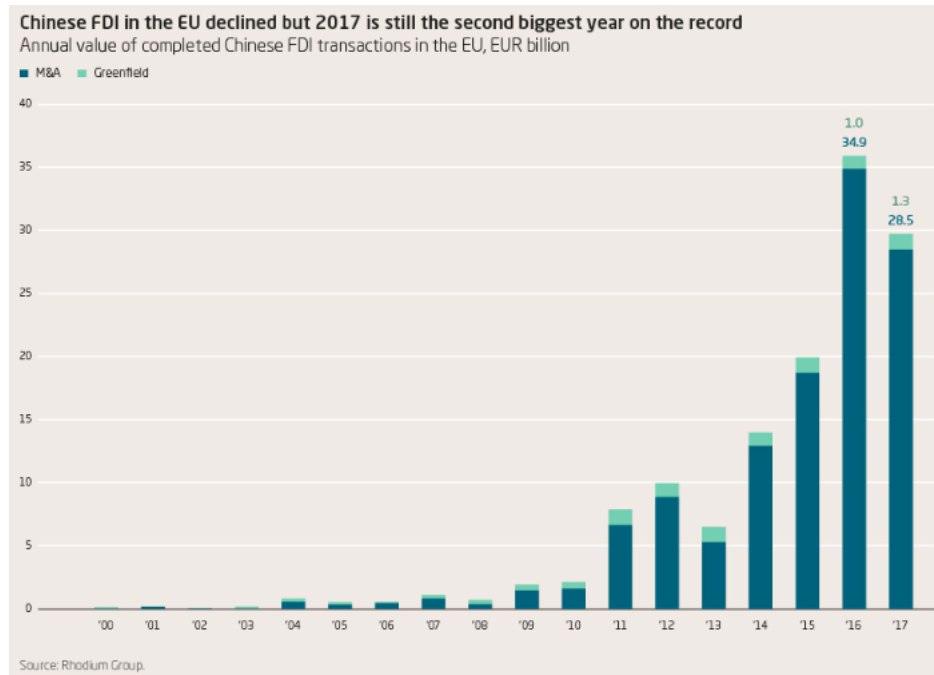


Figure 2: Chinese FDIs in Europe

Quantitatively, the impact on FDI's flow was consequent as prior to the crisis the flow was roughly equivalent to 1 billion\$ yearly, and became close to 3 billion in 2009, followed by 10 billion in 2010. This increase in trend was both due to an increase in the number of deals but also an increase of their value. Indeed, in 10 years the amount of OFDIs soared by value over 1 million doubled⁶⁵.

4.2.2 Profusion of R&D centres

While most of OFDIs consist of M&A, another growing form of investment in Europe is the development of Research and Development centres. This can be done either by creating brand new research centres in collaboration of the host country - such as the CBTC in Louvain-la-Neuve which will be discussed in a next section - or by expending already existing ones - this was the case for Volvo's research centre. Indeed, after being bought by Geely, the Swedish R&D centre increased, hiring new staff⁶⁶, while a large part of the production was relocated in China. Another similar scenario happened in Austria, at the acquisition of the Aviation company AVIC by the Chinese group FACC, which invested a few million USD into their domestic development centres⁶⁷.

⁶⁵Ibid.

⁶⁶Id., p42

⁶⁷Ibid.

When it comes to Greenfield investment, the Belgian CBTC centre isn't exception, as other similar projects emerged. Some are directly financed by locals or national Chinese government with broad objectives, while others are financed directly by Chinese firms with the sole objective to develop their products. This is the case of the car-maker Changan that has such facilities in Italy and the UK⁶⁸. But also, Huawei that has multiple R&D centres among Europe. The first one opened in Stockholm in 2000 and has now 18 sites in 8 different European countries, including one in Leuven, Belgium⁶⁹.

4.2.3 A few examples across countries

Germany China is the biggest non-European investor in Germany⁷⁰. China is attracted by Germany's reputation for engineering, innovation and its leadership position when it comes to the high tech sector. Additionally, this is also the biggest economy in Europe, it, therefore, deserves its share of investment. In 2013, 23 German firms were detained by Chinese groups. Still, there are little worries about Chinese investment as it usually brings more employment, more precisely high skilled employment with high salaries⁷¹. As we have seen, in many cases, a Chinese acquisition leads to an extension of its research facilities. However, despite adding high salaries jobs, most FDI's decide within the first few years to offshore part of their production back to China⁷², consequently leading to the suppression of lower-skilled jobs. Furthermore, it has been noticed that after acquisitions of German firms by Chinese companies, very quickly, the Chinese competitors in the same industry tended to be more efficient along with better quality output⁷³.

As an example of a German acquisition by a Chinese group, we'll have a look at Kukua, a global leader in robotic and automation intelligence. It is a Chinese society that has acquired about 95% of the share with the objective to conserve the German identity of the forms while expanding the production and development in China. This acquisition was a threshold for German perceptions and policies towards Chinese investment, as from this moment business and politicians began to express their apprehension⁷⁴ toward such Chinese acquisitions. Germany started to install screening mechanisms to evaluate the

⁶⁸Ibid.

⁶⁹About Huawei — Huawei Europe'

⁷⁰Mittelstand and Middle Kingdom'. *The Economist*, 5 April 2014.

⁷¹Ibid.

⁷²Salidjanova, *op. cit.*, p25

⁷³Le Corre, *op. cit.*, p37

⁷⁴Seaman, *op. cit.*, p12

threat FDI's could have on national security, and Germany also started along with France and Italy to call for a European reform on foreign investments⁷⁵.

Luxembourg and the Netherlands Both The Grand Duchy of Luxembourg and the Netherlands are among the biggest beneficiaries of Chinese investment in Europe⁷⁶. When we take into account the size of their economy, Luxembourg becomes the main recipient.

If this is so, this isn't due to their industries or high tech manufacturing but to their financial expertise, low taxes and therefore those places are the financial hubs of Europe. Those countries act as a front door, receiving a large share of investment to be redistributed later to other European countries.

In the Netherlands, despite large investments, the population hasn't expressed any resentment against Chinese investment, due to the high skilled labour those investments requires, therefore creating high-value jobs⁷⁷.

⁷⁵'Europeans Fret That Chinese Investment Is a Security Risk'. *The Economist*, 22 March 2018

⁷⁶Seaman, *op. cit.*, p28

⁷⁷Marukawa & Al. 'China's Outward Foreign Direct Investment Data'. ISS Contemporary Chinese Research Series. ISS - Institute of Social Science, University of Tokyo, March 2014. p13

5 Optimism and concerns on Chinese OFDIS

5.1 Advantages of FDIs

Welcoming Chinese investments does not necessarily consist of a trade-off between security and profit or between short-run against long-run. In a good environment, OFDIs can be favourable for both parties and not necessarily be a zero-sum game. The sole purpose of vertical FDIs is the possibility to 'acquire' a factor necessary for production, in a country which is intensive in this factor. Because a specific factor is cheaper in a country which is intensive in this factor than in a country which is not. For instance, Industries that are skill intensive (innovation is skill intensive) tend to invest in countries that are skill abundant (for instance, Europe). This goes in accordance with Ricardo's Comparative Advantage theory.

Many authors have studied the impact of FDI on the host country. For instance, Javorcik⁷⁸ studied the spillover from the implementation of MNEs in foreign countries through FDIs. The results were quite positive for the host economy as there is a positive relationship between the number of FDI and productivity at an industry level, due to spillovers. Those spillovers can be horizontal, backward or forward. Horizontal spillovers happen when the increasing competition, push companies to increase their productivity or improve their quality. Backward spillover would be when the presence of FDI creates a demand for the intermediate good. Therefore, the quality or quantity of exigence can have a positive impact on the supplier's productivity. Forward spillover would be when the multinational creates better output (cheaper, more quantity and better quality) and therefore the buyer of this good has a better input. Nonetheless, the studies demonstrating those effects mainly focused on 'mainstream' FDIs. Thus, very little literature exists on the impact of FDIs from developed countries to developing countries.

5.1.1 For customers

FDIs tend to increase consumers' welfare. First, they tend to increase the number of products available, which is positively related to welfare. In addition, the rise of a few Chinese companies - thanks to their acquisitions abroad or by the sponsorship

⁷⁸Javorcik, Beata Smarzynska. 'Does Foreign Direct Investment Increase the Productivity of Domestic Firms? In Search of Spillovers Through Backward Linkages'. *American Economic Review* 94, no. 3 (May 2004): 605–27

of the government - allows decreasing the cost of certain products on the market. For instance, when Huawei entered the global market, its routers were 40% cheaper than its competitors⁷⁹. This is to the benefit of the consumer whose purchasing power increase. But they also increase competition in the sector, and by providing cheaper products, competitors must increase their productivity to keep up and reduce their own markup price, resulting in cheaper prices. Especially if the re-localisation of certain activities back to China while maintaining some strategic operation in Europe, will provide the customer high-end products, characterised by European quality and expertise for a lower price. However, while competition is good for the market, increased competition may also reduce incentives to innovate. As firms may not be able to charge a markup high enough to have a viable R&D department. Or their market share might be too small to pay off their investment in innovation.

Second of all, by buying companies close to bankruptcy - especially after the 2008 financial crisis - not only investments allow to inject some millions in the economy in recession, but additionally, it helps to save numerous jobs, and also created some new ones. For instance, it is estimated that Chinese direct investments help create around 45.000 jobs in Europe⁸⁰, of which some are high-skilled jobs with high salaries. For instance, by enlarging its R&D centre, Volvo created new engineering jobs⁸¹. And Huawei R&D centres employ 1900 people in 8 countries⁸².

5.1.2 For businesses

While FDIs increase competition in the host economy, it is often profitable for the beneficiary firms. When a company is merged or acquired it is often because it is in difficulty and needs some restructuration, which is provided by the acquiring company. Therefore, after acquisition, a company tends to be more productive and profitable than before. This is the case for instance with Volvo. After the 2008 financial crisis, FDIs also saved firms in difficulty, many of which were facing liquidity problems.

⁷⁹Zeng Ming, and Williamson Peter. 'The Hidden Dragons'. *Harvard Business Review*, October 2003. p5

⁸⁰Hanemann, *op. cit.*, p5

⁸¹Id., p42

⁸²'About Huawei — Huawei Europe'. <https://www.huawei.eu/about-huawei>.

5.1.3 For the state

First, more productive and profitable firms, with more employees are also greatly beneficial for the state itself as it also means more tax revenues for the state. In addition to a more sustainable economy.

Second, by bringing more FDI into the country, this creates publicity for the political leaders. In the short term, many politicians favour foreign investment because it creates jobs and in many cases, prevents firms to close down. While massive layout would be considered as very bad publicity, the development of new infrastructures (with Chinese funds) has a positive impact on a politician image.

Last but not least, keeping the domestic market open for Chinese FDI, is often a necessary condition for reciprocity and the access to the Chinese market⁸³. Indeed, many European firms own subsidiary companies in China to benefit from cheaper labour cost.

Those views and perceptions tend to be behind the policy of numerous countries and are therefore encouraged by politicians who favour commercial rapprochement between countries. We will see in the next section that Belgium is no exception.

5.1.4 For the economy

Both interviewees were greatly promoting Chinese FDI for the economy.

First, the AWEX is convinced about the many opportunities Chinese investments can bring. This goes from job creation, innovation support and consequently overall economic growth⁸⁴.

Secondly, which is more of an indirect effect, welcoming Chinese investment also means in counterparts, gaining access to the Chinese market. This consist of a great opportunity considering the size of the Chinese market and its growth. This is especially true for high-technologies, which usually represent a niche market. Chinese population is very fond of technology, and love having the last gadget⁸⁵. This consequently represents a great market opportunity for anyone having access to it.

⁸³Hanemann, *op. cit.*, p53

⁸⁴Tang Prescillia (China Welcome Office Deputy Manager at Awex), interview, conducted by the author, Namur, July 24th 2018

⁸⁵Cornet Benoit (Alterface's CEO & Founder), interview, conducted by the author, Wavre, July 31st 2018

5.2 Concerns and negative impacts of Chinese FDI

5.2.1 Perception of the different actors

The major source of concern when it comes to Chinese FDI is the state ownership or state affiliation of Chinese enterprises. The problem isn't foreign assets acquisition but that it follows the communist party plans. More precisely, this is the lack of transparency in the means, motivations and objectives behind each acquisition that worries European governments and institutions⁸⁶. Even though, on average, less than 0,5% of European companies are today being controlled by foreign funds, they tend to be much larger than average, representing about 11% of total output and 6% of employment in Europe⁸⁷. Consequently, there are rising concerns about the leverage China might have in Europe as large part of European strategic and production assets end up being owned by foreign interest. This might have a substantial impact on EU economy if those assets would happen to relocate or be in favour of interest that would go against EU's.

First, for the population, in most countries across Europe, there is little negative public opinion against Chinese investment, as it often helps to the creation of high-skilled jobs⁸⁸, and some other times, prevent factories to close down.

Second, when it comes to business, they usually support internationalisation and liberalisation, as it allows them to pursue their interest as freely as possible. They tend to be against too many regularisations from the state. But on the other hand, they also want maximum protection for investors and want to keep a competitive environment and fair market⁸⁹. Therefore, they also tend to support the EU to have new legislation on foreign investment.

Third, from the politicians' point of view, a majority of countries in overall support and try to attract FDI from China, and more globally FDI from any countries. Additionally, because of the demonstrated effects FDI have on an economy, there is often forced competition, both at the national and sub-national levels to attract investments. As it was the case in the countries most hit by the financial crisis which welcomed with open arms

⁸⁶Salidjanova, *op. cit.*, p25

⁸⁷'Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions - Welcoming Foreign Direct Investment While Protecting Essential Interests.' European Commission, 2017, p4

⁸⁸Sauvant, *op. cit.*, p13

⁸⁹Id., p17

any FDIs⁹⁰. Still, this mainstream view on the absolute advantages of FDIs is starting to crumble especially due to the most recent Chinese acquisitions and the rising concern on National Security. A few countries (only a minority) are starting to implement new regulations when it comes to inward investments. Moreover, in 2016, about 15,2% of M&A were aborted for this reason. Those deals withdrawals were mostly concerning acquisitions in the high tech manufacturing sector⁹¹. Although, those mechanisms are rarely mandatory.

5.2.2 On innovation and the economy

First, while competition is usually driven on innovation, as an incentive to keep an advantage over the competition, too much competition can also discourage any investment in innovation. The relation between competition and innovation takes a U-inverted shape⁹². Indeed, with competition, margins decrease and there is less funds available for research and development. Furthermore, a country will not massively invest for a long time on a technology if they know that a short time after their product arrives on market, it will be copied, therefore taking away their comparative advantages. Or if their market share is too low to have a high enough return on investment.

Second, there are risks that companies decide to relocate the highest value-added operations in China. However, while some authors consider this point among the main risks justifying more nationalist economic policy, other authors or organisations such as the Awex, consider this risk minimal or nonexistent⁹³.

Nonetheless, some believe that large scale acquisition of domestic assets by Chinese firms would have two negative effects on the European economy. First, this would hurt the local economies. Especially that those high-end products we focus on tend to be for a large part exported, while affecting GDP, it would also affect trade balance. In addition to the job losses. Secondly, because Chinese labour is still cheaper than in Europe, by transposing the high-value operations in China, this might also lower the final cost of the product, create more competition on the European market, hurting products which are still

⁹⁰Id., p15

⁹¹ed. Investor Nationality: *Policy Challenges*. World Investment Report 2016. New York Geneva: United Nations, 2016. p103-104

⁹²Aghion, Philippe, Nicholas Bloom, Richard Blundell, Rachel Griffith, and Peter Howitt. *Competition and Innovation: An Inverted U Relationship*. Cambridge, MA: National Bureau of Economic Research, October 2002

⁹³Tang, *op. cit.*

produced mostly in Europe. Furthermore, as we have mentioned earlier, even if consumers try to support their local economy by buying local products, it is becoming harder to have a clear knowledge of them. Indeed, a German consonance brand name might just be a psychological marketing trick, and the Chinese firm might as well conserve the European identity of its acquisitions while moving the production back in China as it is the case for Volvo or Kuka.

Additionally, Chinese firms tend to be much more patriotic than their European counterparts, therefore putting Chinese interest first despite their multinational status. The European Union comparative advantages are its innovative industries, and it perpetuates this comparative advantage by the constant development of enabling technology that allows it to be among the most productive place. In a capital and knowledge-intensive economy as in Europe, technology is the source of productivity. However, a knowledge economy requires a highly skilled labour force, that also has a higher labour cost, which on the market results in higher prices for made in Europe products. But nonetheless, consumers continue to buy them because of the additional utility the product procures them. However, if most European industries and infrastructures start being sold off to foreign groups, they will lose their attractiveness and production.

Third, there is the risk of unfair competition where China could invest more freely in Europe than its European counterparts, often quite limited in their OFDIs towards China⁹⁴. The lack of reciprocity is also what motivates business to press for further regulation in the European Institutions as many sectors in which China's invest abroad remain inaccessible to foreign investors within Chinese territories. Therefore, there are demand that if China is allowed to invest freely in Europe, European firms, should be able to invest as freely in China. Where currently, foreign firms are treated differently than local ones, facing many inspections⁹⁵.

Fourth, many regulations - on labour, environment, competition, taxes, ... - tend to be far stricter in Europe than in China. Consequently, China not accustomed to those might have a hard time to accommodate to the new environment, and local governments, desperate to attract capital over their neighbours might not hold them accountable⁹⁶.

⁹⁴Hanemann, *op. cit.*, p55

⁹⁵Le Corre, *op. cit.*, p24

⁹⁶Hanemann, *op. cit.*, p54

5.2.3 On national security

Despite the fact that the main concern of this paper isn't to treat of the impact of Chinese OFDI's on European National Security, this cannot go unmentioned.

There are the concerns over the acquisition of strategic assets. Either infrastructure (ports, electricity suppliers, transportation) or defence and military. Not only those acquisitions could be used as political leverage but could also be motivated. Some authors warn against a situation where key technologies and infrastructure would be under the hand of the Chinese government that would give it a high bargaining power⁹⁷.

However, it seems difficult to determine what can be considered as "national security assets". Even agencies representing the state, such as Awex, have a hard time to define what could be considered as threat for national security⁹⁸. Yet, if there is one sector considered as national security and where hardly no state would allow some kind of foreign investment, this is the military sector.

5.3 Unfair competition

5.3.1 Government ownership of private enterprises and state-owned enterprises

As previously mentioned, SOEs represent a large share of FDIs from China. Especially the high-value ones, are made by SOE. Actually, in 2002, 98% of the biggest Chinese companies were state-owned or under a quasi-monopoly of funding from the state⁹⁹. When it comes to FDIs, only about one third are made by SOE, nonetheless, they tend to be much greater in value¹⁰⁰, and therefore, have a larger impact on the host country's economy. China has a tradition of mixing business and politics and this trend continues today. Indeed, when we look at the 1000 richest businesspeople in China, 90% of them are either member or officials of the Communist Party¹⁰¹. Additionally, a large part of the National People's Congress members are also at the head of the country's most lucrative enterprises, either public or private¹⁰². Therefore comes the question of the objectives they pursue. When managing their businesses do they act on behalf of the enterprises' interests and their

⁹⁷Seaman, *op. cit.*, p10

⁹⁸Tang, *op. cit.*

⁹⁹Zeng Ming, and Williamson Peter. 'The Hidden Dragons'. *Harvard Business Review*, October 2003. p2

¹⁰⁰Hanemann, *op. cit.*, p45

¹⁰¹Lee, John. 'China's Rich Lists Riddled With Communist Party Members', *Forbes*, 2011

¹⁰²'Chinese Parliament Holds 83 Billionaires'. *Financial Times*, 7 March 2013

shareholders, or do they pursue Beijing objectives as members of the party?

Furthermore, even when a firm is completely privately owned, it is stated in Article 19 of China's company law that any company once it achieved a certain size must have a party cell¹⁰³. In other words, either by fund allocation, party member on the board, a special or directly state-owned, almost all Chinese MNEs tend to be somehow controlled or overseen by the state. Making the communist party omnipresent not only within the Chinese economy but also in every investment abroad.

Moreover, it exists direct links, forms of ownership or influence from the state on firms. The Economist classified the main relations existing between large firms and the Chinese party with a few examples in Figure3.

Private and partly privatised Chinese companies, selected		
Category	Description	Examples
Large state-controlled enterprises	Usually monopolies or oligopolies. Minority shareholdings sold in public offerings	ICBC, China Construction Bank (<i>banking</i>) China Mobile, China Unicom (<i>telecoms</i>) China National Petroleum Corp (<i>oil and gas</i>)
Joint ventures	Frequently involving foreign partner, providing technology in return for market access	Shanghai Volkswagen (<i>cars</i>) Xian-Janssen (<i>biomedical</i>) Denghai (<i>agriculture</i>) DHL-Sinotrans (<i>logistics</i>) Ameco (<i>manufacturing</i>)
Private companies with some state influence	Often in new markets with no state-owned enterprises. Encouraged by friendly government policies and obstacles to foreign competition	BYD, Geely, Chery (<i>cars</i>) Goldwind (<i>energy</i>) Huawei (<i>telecoms</i>)
Companies backed by publicly owned investment funds	Investors include foreign private-equity and venture-capital funds as well as city and provincial governments	Shanghai Environment Group, Nanhai Development (<i>environmental protection</i>) Digital China (<i>IT services</i>) China WLCSP (<i>chip technology</i>)

Sources: McKinsey; Infinity Group; The Economist

Figure 3: Relations between the State and Chinese firms

As we will see in the following sections, almost all of active firms in European acquisitions can fit in the table below. Even the more private ones belong in the fourth category - Companies backed by publicly owned investment funds - as most of their acquisitions have been financed by state funds.

5.3.2 Lack of transparency

The major challenge when studying the involvement of the Chinese government on acquisitions made by private firms is the lack of transparency in the management of firms and as mentioned, their objectives. For example, even the Belgian agency for trade and investment cannot assess government control or funding over companies investing

¹⁰³ 'Back to Business'. *The Economist*, 12 September 2015.

in Belgium¹⁰⁴. Indeed, while some reports¹⁰⁵ claim that more than 60% of acquisition deals in Europe by Chinese firms were made by privately owned companies, the links between the head of companies with the government are often blurred, as well as the potential conditionality associating with the funds' provisions by mostly state-owned financial institutions. Actually, both private and SOE put a lot of efforts to hide their state connections, especially when trying to create a deal, promote themselves as privately managed¹⁰⁶ as they are aware that state affiliations consist of an obstacle, and often bring trust issues when trying to make a deal. Indeed, the reason behind most of the deals that have been aborted in Europe, was the firm's state affiliation or ownership. Attention to those concerns isn't specific for Europe. Those can also be found in Northern America or any country. Nonetheless, with our framework and FDIs as a mean to gain access to new technology, those concerns are mostly found in more developed countries.

5.3.3 Funding

We have previously mentioned that although some firms are privately managed, most of Chinese MNEs have been able to attain a certain degree of internationalisation and/or foreign access acquisition thanks to state funds. Indeed, it was stated in the tenth five years plan, that the government would provide tax privileges and subsidies to help developing some strategic industries. In addition, Chinese state-controlled banks provided immeasurable loan with derisory rates¹⁰⁷. Therefore the banks can impose conditions on loans, which can be made available at the conditions that the investment goes in accordance with China's ambitions. Firms funding becomes a politic and strategic mean¹⁰⁸; it allows the government to completely control the economy and the direction it is taking. This is clearly illustrated by the drop in infrastructure OFDIs when Xi Jinping decided to tighten his policy. In addition to the acquisition of foreign knowledge, the fund provided by the government creates significant advantages for those companies. Because of government's subsidies, firms can grow faster and out-compete their competitors easily. Haier and Huawei are good examples of companies that enjoyed both state subsidies and state loans, which allow them

¹⁰⁴Tang, *op. cit.*

¹⁰⁵Hanemann, *op. cit.*, p45

¹⁰⁶Salidjanova, *op. cit.*, p12

¹⁰⁷Le Corre, *op. cit.*, p104

¹⁰⁸Id., p88

to become leaders in the market¹⁰⁹. Huawei is facing an international deficit of 3 billions euro¹¹⁰, very few privately managed companies could continue to support their expenses with so little conditions. When it comes to Geely, the 10 billions¹¹¹ necessary for Volvo acquisition and restructuring were made available by the three largest national banks¹¹². Therefore, funding can become quite difficult if not impossible for a company that tries to develop independently from politic, a few banks are privately managed and those latter tend to be relatively small and limited. For instance, all deals above 1 billion USD, either by private or SOE firms must be approved beforehand by the National Development and Reform Commission¹¹³. The party's involvement in Chinese business has been analysed in the World Economic Forum Index (which will be reviewed in further details in further sections). Indeed while China ranks 28th in terms of innovation, this latter is still boosted by the component "Government procurement of advanced technology products" which is evaluated as being the main driver of China's innovation¹¹⁴.

Most of OFDIs financing emanates from the CDB - China Development Bank - which is the largest Chinese public bank, fully owned by the government. It provides loans to most of SOE; Its main attribute is that since this is a public bank it will always be solvent and cannot fail, which allows it to loan almost unlimited amounts of money¹¹⁵. Then it issues bonds which are considered as foreign debt, and therefore have high ratings due to their perfect solvency¹¹⁶.

Furthermore, funding and loan availability are possible because of two main components: first, the tremendous immense foreign reserves and their exponential growth - from about 120 billion USD in 2000 to 1800 in 2008 and it continues to increase at an impressive rate to culminate at 4000 billion in 2014¹¹⁷. Second, the very high saving rate of the Chinese population - which is the third highest worldwide¹¹⁸. As the Chinese population save 46%

¹⁰⁹Ming, *op. cit.*, p3

¹¹⁰Le Corre, *op. cit.*, p106

¹¹¹Id., p104

¹¹²Id., p107

¹¹³Sauvant, *op. cit.*, p6

¹¹⁴Schwab, Klaus. 'Global Competitiveness Index'. World Economic Forum, September 2017. p91

¹¹⁵Le Corre, *op. cit.*, p107

¹¹⁶Rabinovitch, Simon. 'Q&A: (Almost) All You Need to Know about China Development Bank'. Financial Times, 29 May 2013

¹¹⁷Tradingeconomics

¹¹⁸Id.

of its revenue¹¹⁹, this means that theoretically (if we were in a closed economy) 53% of China's GDP is available for investment.

In addition to just provide loans and financial subsidies to firms acting in accordance to Beijing ambitions, the state also provides them services such as: facilitated procedures, prior access to foreign reserves, international communication, tax cuts, investment consulting, fiscal support, risk assessment, insurance,¹²⁰...

5.3.4 Imperfect competition

The main problem associated with the Chinese firms' internationalisation of funding is the market distortion it creates leading to some kind of unfair competition. Usually, in a perfectly competitive financial market, the cost of capital is supposed to reflect the risk associated with the investment. The special loans attributed by the Chinese Bank create a distortion of the market. However, by providing unlimited cheap loans, the central government does not reflect the risk associated with its rates. When a firm acquires another firm, not only as mentioned the cost of this transaction reflects the risk by the interest rate. Then the price of acquisitions is amortized by the product or service sell. Therefore in perfect competition, when a firm is acquired at its true price, the product launched on the market does not offset the others. Nonetheless, while acquiring foreign assets, Chinese firms do not pay the true price. As the "true price" can be calculated as the current value of the assets which in this case is distorted by the artificially low-interest rate. In addition, by financing so many projects, the Chinese Central Bank creates some quantitative easing, which has a depreciation effect on the Yuan. Yet a depreciation of the currency also has a negative effect on the interest rate, which provides cheaper loans to Chinese firms. In addition, a lower Yuan, usually sought by the government, makes Chinese products more competitive.

Moreover, this banking system is very different than the western one, where Central Banks are independent of the administration and can therefore not be used for political purpose. Their only purpose is to guarantee the stability of macroeconomic variables. Therefore, contrary to the People's Bank of China, their guideline rates are the core determinant of the private banks' rates. In addition, while private firms must pay dividends to their shareholders with their profit, SOEs do not, and consequently increase their capital

¹¹⁹World Bank

¹²⁰Sauvant, *op. cit.*, p5

available for investment.

5.3.5 In China's defense

Most concerns from the Chinese OFDI's destination's country might not always be justified, as some research group claims that the increase of FDI in recent years aren't politically motivated, but the result of a favourable environment combined with a market-driven Cost Benefit analysis by private and independent firms¹²¹. Indeed, despite all this argumentation, China continues to deny any accusation on funded SOE on the objective of international acquisition. The government also denies about the political objectives of the going abroad comportment of its national firms¹²², claiming that SOEs act and evolve independently from the government¹²³

Moreover, state owned company and market-driven decisions aren't antagonists. Actually, in developing countries, most firms in strategic sectors, for instance High tech which requires lots of investments, are state owned¹²⁴. This is simply due because of the non or rare availability of capital in early stages of development. In Europe, almost all strategic sector and early heavy industry used to be state owned before being privatized¹²⁵. It didn't prevent those to act and take most of their decisions as private firms.

Furthermore, when it comes to subsidies and funding, this trend isn't specific to China. For instance, the Alterface complains about their Canadian counterparts and the massive industry subsidies they receive from the Canadian government (more than 40 millions USD) allowing them to have a cheaper production¹²⁶. In the aviation industry, there is also an ongoing "war" between Airbus and Boeing, accusing the other of receiving illegal subsidies or tax-breaks respectively from the French and American governments¹²⁷.

In addition, if we put things back in context, Chinese FDI's stock, despite their rapid growth in the last 20% do not constitute the largest stock share¹²⁸. It is for example much smaller than US's FDI stock. However, those policies are cited here to support Chinese global policy of bringing foreign knowledge within its borders. Still, those latter tactics do

¹²¹Hanemann, *op. cit.*, p20

¹²²Seaman, *op. cit.*, p17

¹²³Id.

¹²⁴Salidjanova, *op. cit.*, p25

¹²⁵Chang, *op. cit.*

¹²⁶Cornet, *op. cit.*

¹²⁷'A WTO Ruling on Aircraft Subsidies Raises the Risk of a Tariff War'. *The Economist*, 19 May 2018.

¹²⁸Sauvant, *op. cit.*, p10

not necessarily represent the same level of threats and the same monitoring capacity as the main subject of this paper. Indeed, sending youth abroad either to study or work is a well known policy in the European union, under programs such as Mercator or Erasmus. Sometimes those programs are specific to a certain field of study, where the EU or Member State wants to improve its competitiveness. Playing on the nationalist card to bring back experts is also not foreign to many states. Furthermore, monitoring individuals going abroad and returning back is much more more difficult than identifying the objectives of millions Euro acquisitions.

5.4 Illegal competition ?

In summary, such practices might be unfair, and distort the usual rules of the game but is it illegal? There is actually a great gap in the literature when it comes to the legality of external learning because such practice always remain in grey areas¹²⁹. Nowadays, most of the trade regulations, especially the trade between China and the most developed countries are subject to the World Trade Organization's regulations. By having joined the WTO in 2001, China benefits from tariff reduction but in counterpart must obey the law, including the anti-dumping clause. And therefore, are such practices fair? It is hard to say because strategic assets seeking and external learning though M&A are strategies that have been used before by many firms and sometimes at a nationwide level. China is not the only country that has promoted such strategy, as we have seen, it has been the case for Japan last century. First, it has never taken the magnitude as Chinese investment today. Second, the access to high technology for relatively cheap, because of the abundance of capital provided by the State-owned financial institutions, allows Chinese products to overcome the competition of the sector being sold, for a significantly lower price. Such an environment and the gap in the literature create much confusion among the actors facing Chinese ambition and the response they should take.

Among the different WTO agreements, whose objectives are to promote fair and equal trade among all parties, there is the "Agreement on Subsidies and Countervailing Measures". The SCM agreement defines subsidies as : "a financial contribution by a government or any public body within the territory of a Member (referred to in this

¹²⁹Ferdinand, J., and D. Simm. 'Re-Theorizing External Learning: Insights from Economic and Industrial Espionage'. *Management Learning* 38, no. 3 (1 July 2007): 297–317

Agreement as "government"), where: (i) a government practice involves a direct transfer of funds (e.g. grants, loans, and equity infusion), potential direct transfers of funds or liabilities (e.g. loan guarantees); (ii) government revenue that is otherwise due is foregone or not collected (e.g. fiscal incentives such as tax credits) ; (iii) a government provides goods or services other than general infrastructure, or purchases goods."¹³⁰

Such practices are prohibited by the WTO and if a country suspects another member to be engaged in such practices, it can open the WTO's dispute settlement procedure. Nonetheless, we have seen previously in the 10th Five Years plans, the Chinese government has offered financial and tax privileges for the manufacturing and software industries, providing them with the basic support for development, in addition to the distorted access to capital.

In addition, there are the anti-dumping measures, defined as: "When a company exports a product at a price lower than the price it normally charges on its own home market, it is said to be "dumping" the product."¹³¹

When it comes to both the Anti-dumping Agreement and the SCM agreement, many complaints have been filed against China from the United States and the European Union. However, the WTO has very little coercion power in its hand, it only relies on the goodwill from a country to comply, when some unfair practices are considered incompatible with the WTO law.

Those trade frictions are incidents, increasing the perceptions of many countries that the Chinese government might not be playing fair, and therefore leads to a rising tendency of trade barriers and M&A regulations. For example, an American representative called China an "unprecedented" threat that cannot be tamed by existing trade rules while the European Union, worried by the spread of Chinese acquisitions, is drafting stricter rules on foreign investment.

The problem is that even though those business practices are considered unfair by a vast majority of the different parties involved, it is not illegal and no provisions exist against such behaviour. Which also leads to difficult decisions for firms or government leader when they come facing some possible undefined threat against the possibility

¹³⁰Bossche, Peter van den, and Werner Zdouc. *The Law and Policy of the World Trade Organization: Text, Cases, and Materials*. Third edition. Cambridge, United Kingdom: Cambridge University Press, 2013

¹³¹Ibid.

to save a declining industry from bankruptcy. Therefore, the international community and trade organizations should take into account those recent unfair practices and issue new regulations to promote fair practices in trades. As the world's economy evolves, organizations promoting international collaboration should evolve with it.

6 Response from host countries

6.1 In the United States

Since the Trump election there has been a major shift in American politics toward Chinese investments. First, the Administration decided to toughen-up screening towards Chinese investments especially in the sector of high-technologies, or any industries linked to the Chinese objectives from the "Made in China 2015"¹³². Second, there also passed a restriction for exportation of high-end products towards China.

Consequently, value of Chinese OFDIs in the United States, which already dropped by a third in 2017 after the Trump election, it further dropped by more than 90% in the beginning of 2018 after the announcement of this new policy and the beginning of the "trade war" with China¹³³.

However, this might, at the same time hurts the United States. As the prevention of investing in United States or importing high-tech products, brings Chinese investors to invest back at home with the objectives to develop their own technology and become more self-dependent. the executive vice-president of the China Machinery Industry Federation, Chen Bin, stated that the trade dispute with the United States urges China to ensure its development through self innovation¹³⁴.

6.2 In the European Union

6.2.1 Legislative work in progress

Nonetheless, the United States aren't the only ones raising barriers to FDIs. While, the European isn't becoming as isolationist as the United States and they are also becoming less welcoming to Chinese investments.

Since the Lisbon Treaty in 2009, FDIs are considered under the common commercial policy. For now, the European Commission is in charge of International Investment Agreements (IIAs) setting the conditions and environment in which investment take place¹³⁵. Still, there is no indication on a possible review of the investor group or the sector.

¹³²'The Trump Administration Plans to Crack down on Chinese Investment'. *The Economist*, 28 June 2018

¹³³'New Neighbors 2018 Update: Chinese FDI in the United States by Congressional District', Rhodium Group, 2018

¹³⁴Zhong Nan, Trade Dispute to Boost Domestic Tech Edge, *China daily*, 2018

¹³⁵Hanemann, *op. cit.*, p73

This remains at the discretion of the Member State.

However, as mentioned earlier, some countries are calling the EU to take some actions and to guarantee a certain fairness in investment but also to protect their economic and national security. For instance, Germany, Italy and France pressed the EU to blocks any acquisitions in sectors that foreign nation does not have access to¹³⁶. This is indeed primary to have a uniform politic in the European Union when it comes to investments. Because first if a certain company is denied the access to invest in a certain sector by a member state, due to the actual competitive environment to attract investment, the companies might just decide to invest in the neighbouring country.

Additionally, once a review has been made, or once a company has been established as having objectives that might be harmful to the domestic economy, that information should be shared among the member state to first avoid that the same firm decides to acquire strategic assets in the next country, but also to avoid having to reiterate the procedure, which might be long.

While there is for now no strong evidences on the impact of Chinese acquisitions and investments, might have in European economic and national security, the core purpose of stricter regulations and screening mechanisms would be to minimize risks and the probability of such unwanted impacts in the future¹³⁷. Already some economies have put into place some review mechanisms for any acquisition by a state-owned companies no matter the country of origin, as this may have a direct impact on national security¹³⁸. The main concerns are how subsidies from those state-owned companies would distort the competitive market (this point will be developed in the next chapter). Those concerns are predominant in technology and research-intensive industries which require a lot of initial funds. Therefore, those reviews have the objective to assure the acquisition is in the interest of the domestic country. However, these uneven screening mechanisms pose problems in the EU. First, because the market is quite homogeneous in terms of labour and demand, while at the same time, it is heterogeneous in terms of regulations. As it is the case with the screening mechanisms. Therefore, if a country refuses the acquisition of one of its firms by Chinese SOE, it can easily be redirected to similar companies from a different country that does not have the same prevention mechanism. In addition,

¹³⁶‘Europeans Fret That Chinese Investment Is a Security Risk’. *The Economist*, 2018

¹³⁷Hanemann, *op. cit.*, p61

¹³⁸Seaman, *op. cit.*, p13

collaborations between the member states can be useful in drawing both a global and precise pattern of Chinese investments to better understand them, as their motivations, and their performance. Seaman¹³⁹ suggests that new investments must be scanned in order to evaluate their contribution to the value chain, and consequently the impact on the European competitiveness. This requires a collaboration between member states to share information. Which would allow grasping the overall picture of the Chinese investments in Europe, by putting together all the different acquisitions between the different countries.

It, therefore, becomes needful to even this protection over European security and to harmonize regulations. Moreover, a major challenge in an uniform legislation on Foreign Direct Investments in Europe would be the accordance of what is national security, and what means hurting the economic potential.

6.2.2 EU proposed legislation - 2017

On the 13th of September, in his annual State of the Union address, President Jean-Claude Juncker stated: "Let me say once and for all: we are not naïve free traders. Europe must always defend its strategic interests. This is why today we are proposing a new EU framework for investment screening. If a foreign, state-owned, company wants to purchase a European harbour, part of our energy infrastructure or a defence technology firm, this should only happen in transparency, with scrutiny and debate. It is a political responsibility to know what is going on in our own backyard so that we can protect our collective security if needed."¹⁴⁰

In the proposed framework, there are 3 main points on how to cope with FDI's and assess their potential impact:

"1. European framework for the screening of foreign direct investments by Member States on grounds of security or public order, including transparency obligations, the rule of equal treatment among foreign investment of different origin, and the obligation to ensure adequate redress possibilities with regard to decisions adopted under these review mechanisms.

¹³⁹Id., p10

¹⁴⁰'Commission Européenne - Communiqué de Presse - State of the Union 2017 - Trade Package: European Commission Proposes Framework for Screening of Foreign Direct Investments'

2. Cooperation Mechanism between Member States and the Commission. The mechanism can be activated when a specific foreign investment in one or several Member States may affect the security or public order of another.

3. European Commission screening on grounds of security or public order for cases in which foreign direct investment in Member States may affect projects or programmes of Union interest. This includes projects and programmes in the areas of research (Horizon 2020), space (Galileo), transport (Trans-European Networks for Transport, TEN-T), energy (TEN-E) and telecommunications.”¹⁴¹

The European Commission wants to standardize the process among countries and to centralize data. For instance if a foreign enterprise expresses its desire to acquire assets in a country and the deal is denied, if it decides to go to another country, all information should be available. This system would avoid duplicating the review procedure.

The commission also wants to create a ”Coordination group on inward foreign direct investment” whose objectives would be to establish a standard framework which defines strategic sectors and assets

Yet, the Chinese government does not approve the legislative work that is happening in the EU as it describes those measures as protectionism and claims that his country is being unfairly treated.

Nonetheless, the Commission focused primarily on the protection of national security, but isn’t the economic potential worth to be taken into account in this law proposition? Especially when taking into account the development’s impact of enabling technology on an economy.

Some countries, such as France, Germany and Italy pushed last year for European regulations that would prevent any Chinese firms to buy a sector on European soil if European companies do not have access to the same sector in China¹⁴².

However when it comes to Belgium perceptions towards this proposition, both interviewees are confident that this proposition will not pass.

¹⁴¹ Ibid.

¹⁴² ‘Foreign Investment in Europe - Capital Control’. *The Economist*, 24 March 2018.

6.2.3 Example of review mechanisms already in place

There are today already twelve member states that have some kind of review mechanism, however, they are not necessarily mandatory and they all define strategic assets or national security differently¹⁴³. France has 11 sectors in which the government has the ability and power to prevent a deal if it considers it a threat to national security¹⁴⁴. While, in the Netherlands, the only existing review mechanisms are for the banking sector¹⁴⁵. However, more than half of European Member States do not have any kind of review mechanisms yet¹⁴⁶.

One of the most comprehensive review mechanism can be found in Australia. It has been in place since 2008 and is mandatory for any FDI no matter the sector or industry, or if it may have a possible impact on national security or economic potential. Among the elements to be reviewed, the Treasurer must establish if the firms are independent of the government. This policy has actually been put into place, in response to the influx of Chinese FDIs, but is applied to all FDIs no matter their country of origin¹⁴⁷.

¹⁴³Ibid.

¹⁴⁴Hanemann, *op. cit.*, p70

¹⁴⁵Ibid.

¹⁴⁶'Foreign Investment in Europe - Capital Control'. *The Economist*, 24 March 2018, *op. cit.*

¹⁴⁷Sauvant, *op. cit.*, p18-19

7 The case of Belgium

7.1 Situation

The year 2014 represents the threshold, when for the first time the FDI balance between Belgium and China became negative¹⁴⁸. In other words, Chinese FDIs to Belgium surpass Belgium FDIs to China. Let's, however, point out that this threshold might actually have happened earlier as some investments from China might have by-passed first by other countries such as Luxembourg or the Netherlands. In 2015, Chinese investments in Belgium were estimated to have a value of around 600 millions euro¹⁴⁹. Only 7 countries in EU were subject to more M&As than Belgium; Germany, France, Italy, the Netherlands, Spain, Sweden and Ukraine¹⁵⁰. While the case of Netherlands or Germany has been explained earlier, the other economies cited such as Italy, France, and Ukraine represent much bigger economies than Belgium. It becomes therefore logical that they enjoy relatively greater FDIs. While for Sweden which as an economy almost the size of Belgium, is also home of Volvo, which as we have seen consists of a major case of Chinese acquisition. Second, it is as well a very innovation-driven economy. And the end of 2016, Chinese firms had already acquired 65 Belgian companies¹⁵¹, for a worth of about 2,5 billions euros¹⁵².

Consequently, it can be said that comparatively of its size, Belgium does represent a favoured target for Chinese OFDIs. Particularly in the field of Petroleum chemical and electrical machinery, which represent about 10% each of Chinese investment in Belgium¹⁵³.

However, the real problem isn't the incoming of foreign capital in Belgium, but the influence the Chinese government can have on the Belgian economy. "De Tijd" has reviewed 65 companies which has Chinese shareholding or ownership. Among which more than 40% were directly under the control of the Communist Party¹⁵⁴.

We will in the following try to understand why is Belgium attractive to Chinese

¹⁴⁸'China Outlook 2016'. KPMG, March 2016, p33

¹⁴⁹Seaman, *op. cit.*, p32

¹⁵⁰Marukawa, Tomoo, Asei Ito, and Yongqi Zhang. 'China's Outward Foreign Direct Investement Data'. ISS Contemporary Chinese Research Series. ISS - Institute of Social Science, University of Tokyo, March 2014. p23

¹⁵¹'China Outlook 2018 - A New Era, a New Paradigm of Globalisation'. KPMG, March 2018., p33

¹⁵²Vandecasteele, Mylène. 'La Colonisation de La Belgique Par Les Chinois Progresse'. Text. express, 8 September 2016

¹⁵³Marukawa, *op. cit.*, p23

¹⁵⁴'L'Etat chinois continue d'investir massivement dans les entreprises belges'. RTBF Info, 5 March 2017

investments.

7.2 Why Belgium?

Central Location According to Miss Tang ¹⁵⁵, Belgium is particularly appealing due to its central position in Belgium and can serve as a "gateway" for the whole European market.

Innovation incentives Furthermore, Belgium's expertise in some technology sectors is also a main argument for Chinese investments. Belgium is renowned for its innovation and Chinese firms want to come here to find new ideas¹⁵⁶.

Indeed, according to FDI's theory, a country in need of a certain factor decides to invest in a country which is intensive in the same factor and consequently relatively cheaper there than at home. Therefore, to pursue its goal, China is looking at economies that are intensive in skilled labour and in innovation driven - such as Belgium. While itself is intensive in skilled labour and efficiency driven¹⁵⁷.

Despite being a small country, Belgium tends to have an outstanding reputation when it comes to technology and innovation, which could, therefore, make it a preferred target according to the Chinese ambitions. According to The Global Competitiveness Index by the World Economic Forum, Belgium is ranked 14th worldwide in terms of innovation and business sophistication (see Figure 4, for the details of the indicator), which is above the European average¹⁵⁸. On the other hand, China ranks only 29 in the same category¹⁵⁹, and can therefore indeed learn from Belgium.

Nonetheless, when it comes to indicators on innovation reputation, it seems that most institutions decide to rank separately Flanders and Wallonia. Furthermore, it seems that Flanders tends to do much better than its counterpart. Although, in this paper, we will try as much as possible to consider Belgium as a whole. Still, according to the Flanders Investment and Trade organisation¹⁶⁰, Flanders is among the top 5 regions in Europe when it comes to R&D and innovation. It is endowed with world-leading research facilities and

¹⁵⁵Tang *op. cit.*

¹⁵⁶Ibid.

¹⁵⁷Schwab, Klaus. 'Global Competitiveness Index'. World Economic Forum, September 2017, p320

¹⁵⁸Id., p60

¹⁵⁹Id., p90

¹⁶⁰'Flanders Is among the Top 5 Knowledge Regions in Europe'. Invest In Flanders

Index Component	Rank/137	Value	Trend
 12th pillar: Innovation	16	5.0	
12.01 Capacity for innovation	12	5.5	
12.02 Quality of scientific research institutions	6	5.8	
12.03 Company spending on R&D	9	5.2	
12.04 University-industry collaboration in R&D	9	5.3	
12.05 Gov't procurement of advanced technology products	44	3.6	
12.06 Availability of scientists and engineers	42	4.5	
12.07 PCT patents applications/million pop.	16	110.4	

Figure 4: Innovation indicators - *World Economic Forum*

centres.

Another model to look at investments' destination decisions has been elaborated by The Economist. It classifies countries into a matrix made of 2 components: Opportunity and Risk. Those two indicators are used to determine the country attractiveness for Chinese authorities. Belgium can be found in the area characterised by high opportunity and low risk¹⁶¹. Therefore, making Belgium an ideal destination for Chinese OFDIs.

According to Yin Wenyan¹⁶², there are two main indicators to take into account that might justify Chinese OFDIs in terms of strategic assets seeking. The first one is the number of patent registrations in the host country. The second is the share of technology exports as the share of total exports. And there is indeed a strong correlation between those variables in countries and the incoming flux of Chinese FDIs. When we look at Belgium, it ranks 16th worldwide for patents per million of habitants¹⁶³. For its high tech exports, it contributes to 13% of its exported manufactured goods¹⁶⁴. Unfortunately, we cannot compare those data with China's. The first indicator is biased as in its development plan, China is promoting patent applications. Therefore, patent applications have grown exponentially those later years in China, to become the largest patents applicant. However even if the quantity is present, their quality is often lacking¹⁶⁵. The second indicator, share of technology of exportation is also biased. As mentioned previously, China exports a lot of high-tech, but tend to import the most technical components.

¹⁶¹The Economist Intelligence Unit. 'China Going Global Investmet Index'. London, 2014. p4

¹⁶²Yin Wenyan. 'Motivations of Chinese Outward Foreign Direct Investment: An Organizing Framewok and Empirical Investigation'. *Journal of International Business and Economy* 16(1) (2015): 82–106

¹⁶³'The Bloomberg Innovation Index'. *Bloomberg.Com*

¹⁶⁴The World Bank, 'High-Technology Exports (% of Manufactured Exports) — Data'

¹⁶⁵Struye de Swielande Tanguy, *Geopolitique des puissances émergentes*, power point presentations, Louvain-La-Neuve : Université Catholique de Louvain, 2017

In short, when we look at the Flanders Investment and Trade organization¹⁶⁶, it describes the Belgian economy as innovation-driven and the perfect place to invest for R&D activities, due to its high-tech clusters, leading research facilities, and highly trained workforce. Which matches, with the other indicators mentioned above, quite well Chinese ambitions.

7.3 Actor's position towards Chinese investment

It seems that the Belgian authorities are welcoming with open arms FDI's, and furthermore actively try to attract more investments. This policy is being applied both at the federal and the regional levels.

First, if we look at the federal level, the government is taking active diplomatic actions to create closer trading bonds with China. The objectives were multiple. First Belgium wants a deeper access to China's domestic market, but China has set a condition: an easier privileged access on the high-value sector. In addition, cooperation in high-technology and industries with high added value were mentioned. While the Prime Minister also offered Belgium as an alternative to all the Chinese MNEs based in England after the Brexit¹⁶⁷. If we look back at the previous Belgian Prime Minister, Elio Di Rupo, his politics towards China wasn't very different. He has also been visited by the Chinese President Xi Jinping in 2014, with its Chinese counterpart Wen Jiabao in 2012. The former Belgian Prime Minister insists on the development of infrastructure to favour Chinese investment in Belgium. Di Rupo praised Belgium strengths in terms of innovation and know-how in many industries, especially high-technology. In other words, the Belgian government, is highly aware of this trade off between technology access by Chinese firms in exchange of market share in China.

However there is another public actor, which does not hold the same opinion as of the government branch; the Belgian Intelligence Service - and its public branch the VSSE. Indeed, among the mission assigned to the Intelligence Service is the protection of the economic potential¹⁶⁸. Meaning all high technologies which represent an asset for the Belgian economy. In the performance of its duties, that the VSSE intervened for the Eandis

¹⁶⁶Invest In Flanders, *op. cit.*

¹⁶⁷L'Avenir, 'Charles Michel en Chine: la Belgique, porte d'entrée sur l'Europe'. Communes, régions, Belgique, monde, sports – Toute l'actu 24h/24 sur Lavenir.net, November 2016

¹⁶⁸30 novembre 1998, Loi organique des services de renseignement et de sécurité, *Moniteur belge*, 18 décembre 1998, p.40312

case. The Belgian State Security has indeed confirmed that Chinese espionage is among the top three threats Belgium is facing¹⁶⁹. However, its means of action for performing its duties are still quite limited as this service while being independent, is still bound to the government.

At the regional level, special institutions have been created to attract Chinese investment and facilitate procedures. This is the case of the *AWEX* - Walloon Export and Foreign Investment Agency - which praises to boast Belgium as the 7th most innovative country¹⁷⁰. On the other side of the linguistic frontier can be found the *Flanders Investment and Trade* agency with the same objective as its Walloon counterpart.

According to the Flanders-China Chamber of Commerce, this trade between the two entities can be beneficial for both parties. First, China is Belgium's second non-European trading partner, just behind the United States¹⁷¹. In the following years, it is more likely that China will continue as an unavoidable trade partner considering the Chinese growth rate.

There is actually some sort of competition between the two regions – Flanders and Wallonia – which both try to pull more Chinese investment toward themselves. And it seems that Flanders is more successful as this is actually, compared to Wallonia, the main recipient of Chinese FDIs. According to Geert Bourgeois, the Minister-President of the Government of Flanders, to keep good trade relation and accept Chinese investments in Belgium, is necessary to maintain reciprocity in the relationship and to be able to conversely, invest in China. This is indeed a promising new market, with an economy that continues to grow, especially domestic consumption, which growth will accelerate in the following years. The Minister-President is well aware that while China can offer the access to its tremendous domestic market, in return, Belgium can contribute by its knowledge, expertise and technology centres¹⁷².

Then in its eagerness to attract more Chinese investment, Federal Holding and Investment Company in collaboration with the China's sovereign wealth fund, launched in 2012 a mutual fund - known as the 'China-Belgium mirror fund' - to help jointly Chinese and European companies to invest in the other country¹⁷³. During the inauguration of this fund,

¹⁶⁹Statement collected on a Meeting at the VSSE - April 27th 2017

¹⁷⁰'Accueil'. Awex Invest in Wallonia

¹⁷¹'OEC - Belgium-Luxembourg (BLX) Exports, Imports, and Trade Partners'

¹⁷²Flanders – China chamber..

¹⁷³Wealth fund to help Chinese companies invest

Minister Didier Reynders said that: "the Belgian government hoped the country could become a gateway to Europe for China".

However, there is nowadays no form of screening or reviews of any kind towards foreign investment. Belgium is actually one of the most open OECD countries when it comes to FDI (see fig5). So is Belgium too gullible or is the policy of attracting Chinese FDI carefully calculated on a cost-benefit analysis?

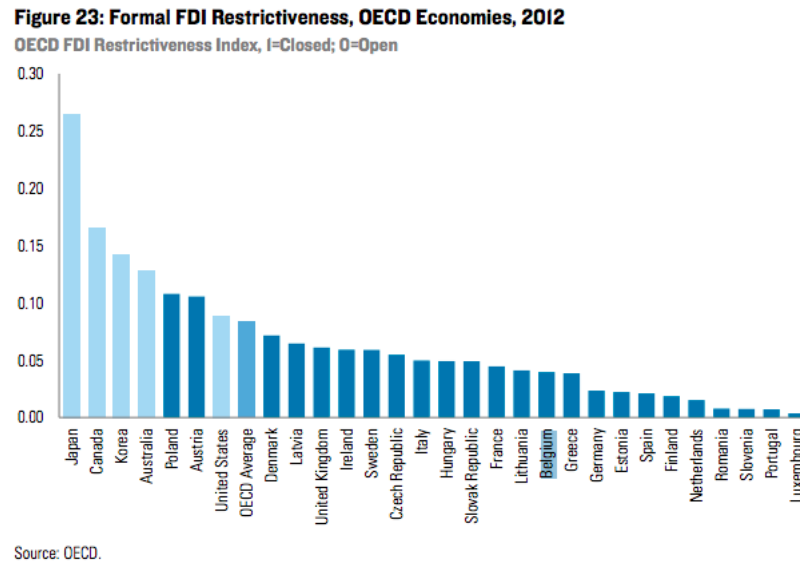


Figure 5: Formal FDI restrictiveness in OECD economies

7.3.1 The Eandis case

Actually, in 2016, happened the first and only so far case in Belgium of interference from the Intelligence Services into an investment deal. A state-owned company, China's State Grid wanted to buy shares in Eandis (not a majority share but still would have become a principal shareholder). Eandis is a gas and electricity distribution company. However, the deal has been interrupted after the Eandis board (mostly composed of politicians) received a letter from the Belgian Intelligence Services calling for some reserves on the investment. In the end, the deal was aborted¹⁷⁴.

Despite the fact that, the concerns expressed by the Intelligence Services has been taken into consideration, it nonetheless, did not mark a threshold in the perception of Chinese investments in Belgium.

¹⁷⁴'L'entrée des Chinois dans Eandis électrifie la Flandre'. RTBF Info, 27 September 2016

7.4 Few examples of Belgian owned firms

As mentioned previously, Chinese groups have already acquired more than 65 Belgian companies. Here are a few examples :

PunchPowerTrain, which got acquired by the Chinese group Yinyi in 2016. The main objective for the Belgian office through this acquisition was to gain a deeper access to the Chinese domestic market¹⁷⁵.

Another major sector which might be very soon a target for Chinese FDIs is the Belgian chemical industry, which actually represent 23.8% of total exports¹⁷⁶. This industry is very popular among Chinese acquisitions. This can be demonstrated by the State Owned company ChemChina which has spent billions of dollars in acquisitions in Europe, including part of the Belgian group Rhodia¹⁷⁷.

Sinochem, another Chinese chemistry group also tried to merge with Solvay in 2011. However, the deal has actually been cancelled due to a lack of trust between parties¹⁷⁸. Still, there was no intervention from any public power.

When it comes to the State Security Services, they estimate that Belgian firms and companies tend to be too naive towards Chinese investment and risks of economic espionage. This was actually the motive behind the letters addressed to Eandis.

7.4.1 China Belgium Technology Centre

Another example of Chinese investment, this time directly linked to the UCL, is the construction of the China Belgium Technology Center (CBTC), in Louvain-la-Neuve. This partnership was first signed on March 31st 2014 between Xi Jinping and Elio di Rupo¹⁷⁹. The centre, which is the first of its kind in Belgium, is a 'High Tech Incubation Center', a hub for innovation, where more than 200 Belgian and Chinese firms will coexist. Those companies will among others represent sectors such as biotechnologies, digital, smart manufacturing, communication and information technologies, ... With the main objective of creating technological partnerships. The investment is almost entirely financed by Chinese firms and investment funds, the Walloon region only provides road and routed water and

¹⁷⁵Seaman, *op. cit.*, p36

¹⁷⁶'Belgian Foreign Trade Agency'. Belgian Foreign Trade Agency. <https://www.abh-ace.be/en>.

¹⁷⁷Ma, Wayne. '5 Things to Know About ChemChina'. *Wall Street Journal*, 3 February 2016

¹⁷⁸Le Corre, *op. cit.*, p14

¹⁷⁹UI-Europe - BAROC - CBTC - United Investment Europe — CBTC Belgium —<https://www.uieurope.eu/about-us-en>.

electricity to the construction site. Despite, most of the companies and employment would be for Belgium (60%)¹⁸⁰.

Therefore we can question ourselves about the objectives of such an investment if the benefit will mostly be for Belgian firms and employees. Nonetheless, the main investor on the project, the Hubei United Investment Group, is a state-owned company.

Among the Belgian partnership for this project, there is the AWEX, which will be interviewed later in this paper to sense its concern on the impact such infrastructure can have on the Belgian economic potential.

¹⁸⁰‘Le China-Belgium Technology Center à Louvain-La-Neuve Officiellement Lancé’, *Trends Tendances*, 20 June 2016

8 Conclusion

To conclude, it is clear that China has a strong political agenda in place in order to achieve its ambitions, cited in the Made in China 2025, of catching up and becoming an innovative nation and integrating new activities of the value chain. There are two main features that distinguish the new waves of Chinese outward FDIs, which are, firstly, its unprecedented scale and aggressiveness. Secondly, the preeminence of State-Owned enterprises, or their strong connection with the government. This involvement creates some distrust from the sovereign government which is now increasingly trying to intervene in transactions to protect some industries considered as national security, despite their ownership by private firms. Such industries usually include transportation or energy.

FDIs from developing countries, such as China, to developed countries, do not follow the same patterns and the same trade-off as the traditional FDIs more studied in the literature. In addition, Chinese FDIs also stand out by their unprecedented scale and the active involvement of the government. Their effects and spillovers haven't been studied yet, especially the long term ones since this phenomenon is quite recent and not yet a general trend worldwide. This uncertainty is the reason for the prevention of some M&A, as the first thought that would come to mind is the overwhelming short-term benefits compared to the long terms ones. By selling off industries to foreign countries, there is indeed a quick income cash flow but no obvious long-term benefits. On the contrary, the comparative advantages that were the exclusivity of a technology is gone. Nonetheless, most technological firms in developed countries are private and often stateless. There is nothing preventing them from short terms profit as the expenses of a future national economy. Additionally, many M&A happened with firms that were close to bankruptcy. Actually, Chinese cash flow intensified greatly in developed countries after the 2008 crisis, and helped save a few firms that were in great need of liquidity in order to survive.

There are therefore a number of pros and cons to these FDIs. Other parties are more worried about the regularity of the Chinese funding to achieve those operations. First of all, either state-owned or private, all firms have strong ties with their government and are pieces of the Central Committee grand strategy. One of the major leverage the government exercises influence on domestic firms direct relation between the government

and the financial institutions. By having most, if not all the biggest investment and financial institutions state-owned, the Chinese government can shape the firms' strategies, by preventing the access to capital to firms not in accordance with the party policies, and make very cheap capital available to those willing to invest abroad. While Chinese huge foreign reserves and the high domestic saving rates are the main sources of capital, which also make those investments possible. Therefore, in addition, the government is also creating a favourable institutional environment to do so.

Therefore, how should we respond to those Chinese investments and how would they affect Belgium's economy?

8.1 Recommendations

There is no denying that China does not play by the same rules as we, in Europe or in the Western world, are used to. While we base our trade on the rule of law, fairness and rely on outside organisation for the framework, China has little to do with our due process. However, we also have to accept that the current trading system is mostly western based, and has pretty much been imposed on other countries. Therefore, with China challenging the world trade, if put back into perspective, do not necessarily delegates China as a foe. Before being able to trade with China, we have to understand our profound difference. Indeed, Benoit Cornet¹⁸¹, emphasized on the different mindset of the Chinese people. While in Belgium, and by extension Europe, we tend to be very conservative and proud of our achievements, Chinese people will have a tendency to look further into future, always trying to acquire the what's new, to go further, to grow richer. In Europe, we tend to be perched at the top of our 17th century castle to cite Mr Cornet.

To summarise, there is no doubt that China wants to acquire our technological capabilities and is fond of our innovative mindset. Nor is there doubt that an acquisition followed by an offshoring would hurt Belgium's economy. However, by not trading with China, we might lose massive opportunities. Because, as our interviewee defended, we might have a lot to lose by closing in fear of some technological theft.

First of all, there is indeed an inevitable trade-off when a firm or even at a national scale, want to trade with China or have access to the Chinese market, it must accept to lose a little bit of its technology. However, when the size and potential of the Chinese market

¹⁸¹Cornet, *op. cit.*

are being taken into account, this decision is quickly becoming profitable. The size of the new market allows to spread the cost of development on a much larger amount of products and consequently make a profit much quicker. Firms do not have to cling to its innovations for twenty years anymore.

Second of all, if we deny the access through the front door to our innovation hub, the Chinese might as well take the back door. Industrial espionage though, for instance hacking, isn't unknown. We can, therefore, assume whether we want it or not, they will be able to gain access to our knowledge, one way or another. We may as well get the best out of it.

The United-States can be considered as a prime example of what not to do when it comes to Chinese investments. Their new restrictive policy on both investments and exportation of high-technological products did more wrong than good. First, it did not affect China as it just turned to other nations. This policy is actually, according to Mr Cornet, an opportunity for Europe. Second, this also pushed Chinese investment back to China, where they would be invested in research. Therefore, not only such a policy has been costly for the United States, but in addition, it will simply delay the moment China acquires its own technology by a few years.

Focusing on the present and the past as we do, and not projecting ourselves into the future, tends to be hurtful to the economy. By trying to protect and by focusing too much on what we have, we tend to go backward. The United States and the United Kingdom are both two very good examples of what happens when a country decides to go back to nationalism, trying to swim against the current of globalization. This is inevitable, Chinese influence on the world, then the world economy and on trade will happen, so this is our choice to go with it, with however precautions and decision of the rules together, or try to fight against it.

In addition, maybe we should adopt the Chinese mindset more when it comes to the vision for the future. When Chinese companies come to want our technological expertise, it is not only for the facilities but also for the expertise. The Volvo acquisition is a perfect example, the research & development was not transferred back to China, but on the contrary, was expended. The same goes for Huawei, which opened multiple research centre in Europe. The future high-tech brands, that used to be German, might soon become Chinese. However, this change goes accordingly to the evolution of capital flow and the

globalization. The firms are becoming Chinese because the funds are Chinese, however, the engineering remains in large parts European. And as Mr Cornet would say; "as long as we continue to innovate, they will continue to come to us. We can sell the 1.0 prototype and they might try to imitate it, but as long as they will be a 2.0 and 2.2, they will continue to come."¹⁸²

However, as mentioned earlier, whilst Chinese investments might bring a lot to the economy and fighting it would be an error, the Chinese do not play by the same rules that we are used too. Consequently, it is very important, while trading and doing business with the Chinese to have in mind, their ambition and goals, as well as understanding our mindset. The European proposition might not be a bad thing as for the common database part of it as long as the screening remains mostly informative with little long and costly administrative process that might discourage investment. It is very important to embrace Chinese investment, as by doing so and working closely we might have more.

The current nature of the economy is still based on the Ricardo model of comparative advantages. This principle is what pushed European firms to go produce their manufacturing in China as labour being the abundant factor, they, therefore, had a comparative advantage in cheap labour, while Europe had a comparative advantage on design and technology. Thus, trade as being within the value chain. Now, tables have turned, and we can consider, that now, the abundant factor in China is capital. Therefore, China has a comparative advantage in the production and availability of capital, which therefore trades this later against innovation and expertise. Furthermore, this trade is actually taking place within the new R&D centre in Europe or Belgium - the CBTC being the perfect example - of Chinese capital being traded against Belgian expertise. Volvo's acquisition is a perfect example. First, Chinese funds allowed to save a company close to bankruptcy, but furthermore, the R&D department did not only stay in Europe but even expanded. The same win-win situation can be found within Huawei, where Chinese funds met with European expertise and lead to the creation of multiple research centre within Europe and Belgium. As a reminder, according to Ricardo's theory, trade based on comparative advantage is not only beneficial to both parties but also allows to raise total output and total productivity.

Furthermore, while Belgium should continue to attract Chinese investments and expand

¹⁸²Cornet, *op. cit.*

its trading partnership, it should also have a deeper understanding of their strategy and practice to prevent against any abusive deal. We have mentioned in this report the problems when it comes to the ownership of strategic infrastructure or assets by foreign entities. However, we could, for instance, take example on the Chinese, which favour joint venture over the complete acquisition. Or for a M&A require a blocking minority.

This also requires some adaptiveness for the Belgium economy and industries. We should focus on high-value specific sectors which require to innovate. And therefore our whole comparative advantage will depend on our ability to continue innovating, as has mentioned Mr Cornet, they keep coming at us. If we want to be essential, we have to make our industries essentials.

This strategy also required a harmonisation of the trade and investment policy which today isn't, unfortunately, the case. The main challenge will reside in writing the terms of each accord, merger, acquisition, joint-venture, ... Therefore, we should always stay updated on Chinese strategies. This is the reason why the implementation of screening mechanisms can be a good thing. With the main purpose to follow on, and create a national database which will provide information to anticipate risks. There is a strong necessity to learn from previously failed acquisitions, to prevent further misguided or rushed decisions. It is nonetheless important that firms do not become overwhelmed by the burden of administration as this might discouraged investors.

This could be an opportunity to create a relationship between the public and military, with for instance the Intelligence Services in charge of the screening and establishing China's strategy while constantly keeping the AWEX updated, which can work more closely with their clients so as to help them prevent themselves against the risk and what could go wrong.

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9.7 Interviews

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10 Annexes

10.1 Interview Transcripts

10.1.1 AWEX

Interview with Prescillia TANG, China Welcome Office Deputy Manager at Awex.

Tuesday, 24 July 2018, at the Awex offices, Namur

AWEX is an agency, created in 2004, acting on behalf of the Walloon government, with the objectives of promoting foreign trade and attracting foreign investments

Julie Damman : Est ce que vous pourriez rappeler pour une mise en introduction les fonctions de l'Awex ? Comment elle a été créée ? Qui définit les missions et les stratégies ? Quels sont ses objectifs, ses missions ?

Miss Tang : Donc l'Awex est divisée en deux parties, c'est l'abréviation de l'Agence Wallonne à l'Exportation et aux Investissement Étrangers, il y a le département exportations et le département investissements étrangers, où l'on se trouve maintenant. Donc la majorité de l'équipe exportation se trouve à Bruxelles. Pour ma part, je m'occupe des investissements étrangers, nous sommes divisé par régions géographiques. Nous avons divers marchés sur lesquels nous avons un focus particulier. En Asie, en particulier la Chine et l'Inde et l'Asie du Sud Est. Donc moi, je m'occupe de la Chine. Pour la question des stratégies, qui les définit, on a une administratrice générale, Pascale Delcomminette, qui est en charge de l'Awex. Mais bien sûr, l'Awex ne travaille pas individuellement. Elle relève de la région wallonne et c'est donc en relation avec la région que se définissent les stratégies.

Julie Damman : Très bien. Et donc je reviens sur la question, quel est l'objectif de l'Awex. La raison pour laquelle elle a été créée ?

Miss Tang : Je reviens aux deux branches. L'exportation, c'est surtout, viser à aider les entreprises basées en régions wallonnes, ayant leurs activités en régions wallonnes à développer leurs business et a developper principalement à l'étranger.

Julie Damman : Et en ce qui concerne les investissements étrangers, quel est votre rôle ?

Miss Tang : Nous essayons d'attirer les entreprises étrangères en région wallonne, pour booster l'économie wallonne et créer de l'emploi principalement.

Julie Damman : Parfait. Donc quelles sont vos premières impressions sur les investissements chinois ? Quelles sont principalement leurs natures ? Et en Wallonie, quels secteurs vont ils avoir tendance à privilégier ?

Miss Tang : Par rapport aux atouts de la région wallonne, nous avons différents secteurs, où nous avons des points forts. Par exemple le secteur aéronautique et spatial, le secteur logistique, le secteur biotech etc. Ce sont des secteurs dans lesquels la Wallonie a un point fort. Par rapport aux investissements chinois, nous rencontrons pas mal d'investissements dans le secteur de la logistique et de l'e-commerce. C'est un secteur qui est en plein boom en Chine. Un autre secteur, c'est les hautes-technologies dont la biotech. Et bien sûr nous avons tout ce qui est import - export de produits alimentaires. J'avais oublié de mentionner le secteur agro-alimentaire qui est conséquent.

Julie Damman : Alors à votre avis, pourquoi est-ce que les entreprises chinoises s'intéressent aux sociétés belges ? Si vous avez quelque chose à rajouter par rapport à ce que vous avez déjà mentionné ?

Miss Tang : La raison pour laquelle les Chinois veulent venir ici en région wallonne ?

Julie Damman : Oui.

Miss Tang : D'abord c'est la position centrale de la Belgique dans l'UE, sa position. Donc la région wallonne, c'est petit, donc ça englobe la Belgique en général. C'est le 'gateway', la porte d'entrée pour le marché européen, le marché des consommateurs.

Julie Damman : Alors qu'est ce qui serait le pourcentage parmi les entreprises souhaitant investir en Wallonie, qui seraient étatiques ou qui auraient des fonds étatiques qui leur permettrait ce développement ?

Miss Tang : De la part du gouvernement chinois ?

Julie Damman : Oui tout à fait.

Miss Tang : C'est difficile à dire. Est ce que vous voulez dire, est ce qu'ils ont des parts dans l'actionnariat de la société belge ou est ce que la société en question a obtenu des subsides du gouvernement ?

Julie Damman : Les deux.

Miss Tang : Parce que le gouvernement chinois est, ces dernières années, très ouvert à l'internationalisation. Donc le gouvernement chinois pousse les sociétés chinoises à aller

vers l'extérieur, et donc ils ont pas mal de subsides. Mais le gouvernement chinois a une politique de subsides en fonction des provinces et même en fonction des villes chinoises. Et notamment des politiques différentes en fonction des secteurs. Donc c'est très difficile, ça peut être très vaste. Ce que moi, je sais par rapport aux sociétés qui ont eu des subsides ... J'ai donc mentionné le boom de l'e-commerce, ils ont donc des subsides.

Julie Damman : Est ce qu'il y aurait d'autres secteurs qui seraient plus favorables à recevoir des subsides ?

Miss Tang : L'e-commerce oui. Sinon vous avez sûrement entendu parlé de la politique de 'One Belt, One Road' du président Xi.

Julie Damman : Donc les infrastructures ...

Miss Tang : Donc tout ce qui permet, que ce soit économique, commercial ou culturel, de faire un lien entre tous les pays présents sur cette route de la soie, peuvent bénéficier de ces subsides.

Julie Damman : Et donc, ce qui revient un petit peu à la question précédente, est ce que vous pensez qu'il y a vraiment une stratégie politique de la part du gouvernement chinois qui favorise les entreprises à venir investir en Wallonie ?

Miss Tang : Tout à fait, c'est sûr.

Julie Damman : Donc vous avez mentionner "One Belt, One Road", est ce qu'il y aurait une autre stratégie que juste ce développement d'infrastructure.

Miss Tang : Donc "One Belt, One Road", surtout au niveau logistique et culturel, mais bien sur il y a d'autres politiques qui sont moins connues, mais également dans le domaine de la haute-technologie par exemple. Et également dans le domaine des parcs scientifiques.

Julie Damman : C'est parfait ce que vous dites car justement je m'intéresse particulièrement dans les investissements chinois, dans les domaines de la haute technologie, de collaboration scientifique et de l'innovation. Je ne vous ai donc pas influencé pour cette première partie. Donc en ce qui concerne les investissements dans la haute technologie et le développement des parcs scientifiques, quels seraient les avantages et inconvénients de ces investissements chinois, pour l'économie belge.

Miss Tang : Les avantages, bien sûr, ça apporte de l'emploi, ça apporte une nouvelle technologie sur le marché qui peut favoriser le marché actuel de l'europe. Des collaborations peuvent se faire entre investisseurs chinois et companies locales. Donc ça aide à l'innovation, ça aide à la création d'emplois, ça aide à l'économie générale.

Julie Damman : Est ce que vous pensez qu'il peu y avoir des inconvénients, ou des petites menaces que cela risque de créer ?

Miss Tang : Vous visez la peur du vol de technologie ou de transfert de technologie ? C'est toujours le même problème qui revient. Le sujet de la propriété intellectuelle, il ne faut pas croire qu'en Chine, il n'y a pas de propriété intellectuelle. Au contraire, ils ont maintenant mis en place une réglementation assez stricte dessus. Ils y travaillent, ça se fait. Beaucoup de sociétés, la majorité, beaucoup d'entreprises dans la haute technologie font la demande de brevet. Ce n'est plus l'image que nous avions à l'époque, les Chinois viennent, ils copient tous, ils volent tous. Au contraire, maintenant, les Chinois recherchent une collaboration scientifique en vue de collaboration.

Julie Damman : Quel serait l'impact des investissements, par rapport à la compétitivité belge, il y aurait il une plus value ?

Miss Tang : Plus value, oui bien sûr. On essaye toujours de mettre en contact avec des sociétés qui sont focalisées en technologies, des centre de recherche d'université, ect. Pour avoir des centres de collaboration en vue d'innovation.

Julie Damman : Très bien. Je vais re-insister un petit peu sur un certain point. Est ce que vous pensez que les chinois recherchent donc une forme de collaboration vis-à-vis de la création d'innovation, est-ce que vous pensez alors qu'ils viennent justement en Belgique pour profiter de ce savoir faire ?

Miss Tang : Oui bien sûr, ils ne viennent pas ici pour rien. Ils veulent trouver de nouvelles idées. La Belgique, l'Europe est plus avancée dans certains domaines technologiques, la Chine dans d'autres domaines. Chacun apporte du sien.

Julie Damman : Est-ce qu'éventuellement vous pensez qu'il y aurait un risque qu'ils viennent développer la technologie, et après, ils renvoient en Chine pour la fabrication qui est à beaucoup plus bas coût ?

Miss Tang : Il faut être réaliste, les coûts de production sont largement moins cher en Chine. Même pour des sociétés qui n'ont aucun lien avec la Chine, les sociétés belges, font produire leurs produits en Chine ou en Asie.

Julie Damman : Est-ce que ca pourrait constituer alors une perte vis-à-vis du potentiel économique belge d'investir dans un développement d'innovation conjoint, mais après de perdre la possibilité de produire la technologie qui a été innovée.

Miss Tang : Le fait que la production ne soit pas faite ici sur place ne change pas le

fait que la technologie a été découverte ici, que le produit sera aussi en vente ici sur le marché également.

Julie Damman : Il n'y aurait vraiment pas de menace sur le potentiel économique belge ou sur la compétitivité selon vous ?

Miss Tang : Non pas du tout.

Julie Damman : Donc, je ne sais pas si vous en avez entendu parler, mais la commission européenne a déposé un projet en septembre 2017, suite à la demande de plusieurs pays européens, pour introduire un système de screening vis-à-vis de ces investissements directs étrangers.

Miss Tang : Oui mais qui n'a pas encore été mis en application

Julie Damman : Oui tout à fait, c'est juste encore une proposition. En sachant qu'il y a déjà une douzaine de pays européens qui ont un système de screening. Alors que la Belgique n'en a aucun. Pensez-vous qu'il y aurait certains secteurs stratégiques qui devraient être sujet à un screening ?

Miss Tang : J'avais déjà eu auparavant une demande d'une société chinoise concernant une acquisition d'une société wallonne qui produisait des équipements militaires. Notamment, pour les FN. Alors là, c'était délicat et finalement ça ne s'est pas fait. Donc bien sûr quand ça a un lien avec l'armée, c'est un petit peu plus délicat.

Julie Damman : Est ce que je peux vous demander quelles sont les raisons, ou quel organisme s'est opposé ?

Miss Tang : C'est la partie finance qui est venue me demander s'il y aurait un problème ou une opposition. Selon eux, il n'y avait pas d'opposition, mais au niveau de la sécurité nationale il y aurait opposition. Donc je me suis renseignée du côté de l'AWEX et le directeur. Selon eux, il n'y avait pas d'opposition, mais au niveau de la sécurité nationale il y aurait opposition. Et donc finalement, le deal ne s'est pas fait.

Julie Damman : Est ce que vous pensez qu'il faudrait définir des secteurs autres que militaire qui seraient plus sensibles. Autre bien sûr que le militaire, qui dépend donc directement de l'Etat et gère la sécurité nationale.

Miss Tang : Au vu des investissements chinois actuels, je ne vois pas de secteur sensible où il y aurait besoin de limitation.

Julie Damman : Donc je vais un petit peu revenir à un cas comme l'exemple du matériel militaire. Vous avez sûrement entendu parlé il y a quelques années de l'affaire

Eandis ?

Miss Tang : Oui tout à fait.

Julie Damman : Avec le deal qui a été bloqué suite à une lettre de mise en garde de la part de la sûreté de l'Etat. Pensez-vous donc qu'il est du ressort de la sûreté de l'Etat d'intervenir pour venir bloquer un deal alors qu'à priori, il n'aurait pas de lien direct avec la société.

Miss Tang : Oui il n'y a pas de lien direct avec la société, mais une fois que ça touche à la sécurité de l'Etat ça revient alors à la Sûreté de l'Etat d'agir et économiquement parlant nous ne sommes pas à même de réagir.

Julie Damman : Est ce que vous pensez que dans certains cas, que ce soit ici dans le cas d'Eandis ou dans l'exemple d'acquisition du matériel militaire, est ce que vous pensez que les services de renseignements ont été trop méfiants ? Ou au contraire, en général ils se seraient pas assez actifs pour d'autres acquisitions dans d'autres secteurs ?

Miss Tang : A vrai dire, les cas sont minimes. Je ne dirais qu'ils ont été trop méfiants. Il vaut mieux dans ces matières là être prudent, mais une inspection plus poussée ne serait pas nécessairement des obstacles supplémentaires dans le domaine économique ne sont pas positifs pour l'économie en général.

Julie Damman : Donc un minimum de régulation serait optimal.

Miss Tang : Au niveau de la sécurité de l'Etat oui

Julie Damman : Je reviens alors sur la proposition de la Commission Européenne. Donc quelles sont vos impressions de cette proposition si jamais elle vient à se mettre en place.

Miss Tang : Alors je ne l'ai pas lu.

Julie Damman : Si vous souhaitez j'ai un petit résumé avec moi, pour vous la remettre en tête.

Miss Tang : Oui, ce que je sais c'est qu'il y a eu cette proposition, mais il faut encore qu'elle soit appliquée à chaque Etat Membre, etc. (*lit la proposition*) Alors je vois que c'est dans des secteurs particuliers, et qu'il s'agit de société publique. Donc ce sont vraiment des cas particuliers. Oui, ça revient à ce que je disais, donc si l'investisseur étranger veut avoir une influence par l'acquisition ou l'achat d'une société belge, qu'il puisse avoir une influence négative sur la sécurité publique. Ca revient au même en fait, si c'est un sujet de sécurité publique.

Julie Damman : Et comment vous pensez que à priori on pourrait définir ce qui pourrait être sujet à avoir un impact sur la sécurité publique. Car c'est justement le point délicat, c'est que ce terme est assez vague.

Miss Tang : Oui c'est ça qui sera un grand travail de fixer le cadre

Julie Damman : Est ce que vous auriez alors des suggestions pour délimiter ce cadre ? Que ce soit par exemple : la société chinoise est-elle publique ou si le gouvernement a un large part d'influence dans la stratégie de la société - en fonction de la taille de l'entreprise acquise en terme d'export, ou en terme d'employé - la contribution au PIB - Donc quels facteurs pourraient définir ce cadre, d'entreprises qui risquent d'être sujettes à ce screening ?

Miss Tang : Objectivement parlant, la contribution au PIB belge pourrait jouer un rôle, le fait que la société qui investit une partie de son actionnariat public ou qui bénéficie d'un support public. Qui dans ce cas la, oui ça peut jouer aussi. Mais en terme d'emploi etc, je ne vois pas trop.

Julie Damman : Est-ce que vous pensez alors que la Belgique de son côté, l'état devrait plus vigilant et mettre elle-même en place un système de screening, à l'instar de ses voisins européens.

Miss Tang : Tout dépend du but de ces actions. Si c'est pour mettre des entraves au bon déroulement du processus d'investissement, ce serait vraiment dommage. Mais s'il y a un but qui est non négligeable comme la sécurité.

Julie Damman : Donc tout dépendrait de si on arrive à définir la menace.

Miss Tang : Voilà, tout à fait. Et pas si on a un doute, on refuse, alors la ça fermerait la porte à plein d'opportunité.

Julie Damman : Très bien. Et bien, voilà, j'arrive à la fin de mes questions, est-ce que vous voulez faire une précision, donner des commentaires additionnels ou une impression générale ? En général ou plus pour répondre à la question de si les autorités belges devraient mettre en place un système de screening sur certains investissements chinois pour protéger l'économie, et son potentiel d'innovation.

Miss Tang : Le marché belge est très conservateur, et donc beaucoup de gens ont en tête voilà les étrangers arrivent, les Chinois , ils vont venir voler nos technologies, etc. Mais justement, le marché belge est très conservateur, ça veut dire qu'il a beaucoup de technologies de niche, avec une production minime. Et justement, l'apport extérieur des

étrangers peut aider ce projet à avoir une plus grande ampleur. Je ne vois que du positif là dedans.

Julie Damman : Ha oui et j'avais failli oublier, petite question supplémentaire. Donc je pense que l'Awex, également, prend part au développement au China Belgium Technological Center,

Miss Tang : Ce n'est pas que nous prenons part, en fait le CBTC, c'est un projet d'investissements Chinois. Donc c'est un projet que nous avons prospecté en Chine et que nous avons fait venir. Donc ils ont été intéressés et une fois qu'ils ont décidé de mettre le projet en exécution, nous avons toujours été présent en support pour les aider et favoriser leur établissement. Maintenant, nous jouons toujours le rôle d'aide et de support dans le développement de leur business et de leur construction qui est en cours d'ailleurs, ... Mais l'autre rôle que nous jouons, car le CBTC a pour ambition d'être une plateforme pour les sociétés chinoises qui veulent venir sur le marché européen. Et donc ils apporteront des investissements Chinois en Wallonie également.

Julie Damman : Donc ce sera un petit peu un concurrent à l'Awex rattaché ..

Miss Tang : Non ce n'est pas un concurrent à l'Awex, car ici, les services que nous fournissons sont gratuits, mais nous sommes un 'one stop shop', juste pour mettre en contact au fournisseur du service spécialisé. Donc vous avez besoin de ça, nous, on vous met en contact avec tel fournisseur, telle personne. Tandis que le CBTC, eux vont encore plus loin que ça. Ils fourniront tous les services qu'il faut. ce sera un incubateur, accélérateur. Ils sont en train de mettre en place leurs services donc ce n'est pas encore très clair. Mais leur but ultime est d'attirer, donc attirer, pas forcément louer des locaux. Ce n'est pas de l'immobilier qu'ils font. C'est vraiment un processus d'accompagnement tout au long et du développement du business de la société qui sera établie, que ce soit chinois pour le marché européen ou européen pour le marché chinois.

Julie Damman : Donc il y aura également, si j'ai bien suivi et que comme vous dites, ils n'ont pas encore très bien défini ce qu'il y allait avoir, mais ce serait aussi pour que les sociétés belges et chinoises travaillent ensemble pour développer de nouvelles technologies.

Miss Tang : Tout à fait, en plus le CBTC se situe dans le parc scientifique de Louvain la Neuve, qui dépend de l'UCL, et donc l'exigence en tant que société, en tant que autre parc scientifique, qui se trouve dans le parc scientifique de Louvain la Neuve, doivent

répondre à des critères. Toute société qui souhaite être hébergée au sein du CBTC doit répondre à certains critères. Etre en lien avec le marché chinois, avoir des activités dans le secteur de la haute technologie, donc ce sont vraiment des critères sine qua non. Et donc bien sûr avoir des activités en vue de l'innovation.

Julie Damman : Voilà donc je pense que j'ai parcourue toutes mes questions. Merci encore pour votre temps. Et donc rien à rajouter ? Et donc si je peux résumer votre pensée serait qu'il n'y a pas de raisons de mettre des obstacles supplémentaires.

Miss Tang : Je dirais plutôt que pour le bien des deux pays, des deux économies, il vaut mieux rester ouvert. Ne pas se bloquer, être conservateur, tout garder pour soi et ne pas avoir de développement futur.

Julie Damman : Justement avec la taille de la Belgique, c'est un pays qui a vraiment besoin de s'ouvrir vers l'extérieur.

Miss Tang : Justement la Belgique a beaucoup de technologies de niche qui ne sont pas connues à l'extérieur et donc se perdre comme ça serait dommage.

Julie Damman : Bien voilà, un grand merci, ça va vraiment contribuer à mon mémoire.

10.1.2 Alterface

Interview with Benoit CORNET, Alterface's CEO

Tuesday, 1 August 2018, at the Alterface's Headquarters, Wavre

Alterface is a Belgian company specialized in the creation of interactive media-based attractions. Their projects are based on innovation and high-technologies. They export their services worldwide and have offices in 3 different countries, among which, one in China. They received many prizes for their innovation, including the Trend Business Tour - category, innovation.

Julie Damman : Tout d'abord, est ce que vous pouvez décrire vos relations avec le marché chinois. Je sais que vous avez un bureau en Chine et que vous travaillez beaucoup avec eux, donc si vous pouvez développer.

Benoit Cornet : Alors oui on a un bureau et on est une société où l'on veut du matériel pour les parcs d'attractions, c'est un matériel un petit peu particulier, c'est de la haute technologie, c'est donc ce qu'on l'on appelle de l'interactivité, qui est très en vogue dans ces pays-là. On a beaucoup de clients au niveau mondial, on a des clients chinois et on dans notre portefeuille de clients, parmi les plus gros Wanda, Evergrande donc Wanda à Pékin, Evergrande à Guangzhou, donc on travaille essentiellement en exportation, mais on a un bureau, enfin c'est un partenaire que l'on considère comme un bureau. J'y reviendrais plus tard, qui lui est basé à Pékin et à Xiamen, dans le sud, près de Taiwan. C'est des Chinois essentiellement basé à Taiwan, commerce avec la Chine, mais qui ont un bureau à Tianjin, donc vraiment à côté de Pékin.

Julie Damman : Donc déjà je trouve que c'est intéressant que vous soyez basé à Taiwan, parce qu'il me semble, c'est justement difficile de parfois pénétrer le marché chinois.

Benoit Cornet : Il y a beaucoup de choses difficiles à faire en Chine. Ils ont beaucoup de qualité, mais ils ont quelques défauts quand même. Première chose, c'est que pour s'installer là-bas, il faut d'office créer - enfin maintenant ils ont un nouveau statut de société et commencent à accepter que des sociétés étrangères s'installent à 100%, mais la plupart du temps c'est des sociétés qui elles sont des joint-ventures. On le voit d'ailleurs dans toutes les sociétés qui par exemple sont des marques automobiles, on le voit par

exemple avec Volkswagen, on voit toujours Shanghai-machin-chouette, ou Skoda c'est à Guangzhou, donc ça commence toujours par Guangzhou-Bentai, ... Et donc ils exigent cette coopération, voir cette co-fondation, qui rend les choses un peu compliquées. Alors Taiwan n'est pas forcément le meilleur endroit pour y aller non plus, vu les tensions qu'il y a assez régulièrement entre les deux Chines, on ne peut pas dire ça, mais bon voilà. L'endroit qui semblerait l'endroit idéal pour desservir la Chine étant Singapour. Alors une des raisons pour laquelle l'endroit pour desservir la Chine est Singapour, c'est qu'on y trouve du personnel qui parle Chinois, qui pense un petit peu plus selon nos façons de penser, et qui est plus fidèle. Un des gros problèmes de travailler en Chine est de trouver des employés fidèles.

Julie Damman : Fidèle du coup par rapport à la société, mais sont-ils fidèles à la nation ?

Benoît Cornet : Ils peuvent partir, tous les ans, il y a le mercato on va dire en Chine. Aux alentours du nouvel-an chinois, il y a la fameuse distribution des Hongbao, des petites enveloppes rouges, et quand ils ont reçus leur enveloppe, la plupart du temps, ils peuvent très bien nous plaquer, donner leur préavis, et commencer à travailler chez quelqu'un d'autre après. Il n'y a pas de fidélité, il y a très peu de gens avec qui on peut avoir l'idée de travailler plusieurs années.

Julie Damman : Alors dans ce cas là, est-ce que vous pensez que ce manque de fidélité est car ils accorderaient trop de fidélité par rapport à la Chine, par rapport au gouvernement et non par rapport à des sociétés privées ?

Benoît Cornet : Je pense que c'est simplement le fait ...

Julie Damman : Ce serait par rapport à leur culture, ils ne s'attachent pas ?

Benoît Cornet : Ce n'est pas leur culture, moi, je pense que ça n'a rien de culturel. La culture, c'est quelque chose qui se base depuis des générations, là, on n'est pas dans la culture, là on est dans un biais, dans un effet pervers du régime actuel du communisme, et surtout de la recherche permanente de l'enrichissement actuel qui est assez hallucinant.

Julie Damman : D'accord donc c'est assez, une vision très individualiste.

Benoît Cornet : Oui moi je pense que c'est une perversion du système actuel. Ça fait quatre ans que j'étudie le Chinois et je suis passionné par la culture chinoise, mais la vraie culture chinoise, qui s'oppose à cette espèce d'individualisme, à cette mauvaise importation des valeurs occidentales qui sont perverties à l'extrême. Les Chinois ne se

comportent pas bien, ils se considèrent comme les rois du monde, quand ils sont là, ils crachent par terre, ils sont grossiers. Ca, ça n'a rien à voir avec la culture chinoise, c'est trop facile.

Julie Damman : Donc est-ce que quand même pour vous installer, pour avoir un bureau de partenariat en Chine, vous avez du par exemple faire des compromis, est ce qu'il y a un certain trade-off ou des conditions pour pouvoir s'implémenter ?

Benoît Cornet : Ben, il faut accepter déjà de lâcher une partie de son savoir-faire. Et le problème qu'ont des sociétés pour s'installer en Chine, c'est que nous, on est dans une réflexion qui est, on l'entend très bien dans les discours de Trump, ce que l'on a dans nos mains. Nos possessions, et on estime que l'on offre quelque chose ? L'on sur-estime ce que l'on est actuellement par rapport à la valeur perçue par le chinois. Un Chinois ne voit pas de valeur dans le passé, il voit de l'intérêt dans le futur. Ils voient l'intérêt d'acheter un téléphone, le modèle de demain, ils ne voient pas l'intérêt d'avoir un téléphone depuis 10 ans. C'est vraiment marrant de voir la culture, comment elle est différente. On arrive, on dit voilà, on a un grand savoir-faire, ça les intéressent, eux, ils sont dans une dynamique. Quand on dit qu'ils copient, ils disent, bah puisque ça existe déjà, on ne copie pas, on fait l'honneur de faire la même chose. Donc puisque vous l'avez, puisque ça existe, on peut l'utiliser. Après, on vous fait confiance d'avoir de nouvelles idées. Et ça, c'est un grand problème que les gens ont, c'est l'idée de perdre ce qu'ils ont, car nous, on est tous un peu basé sur des techniques, on investit vingt ans là-dedans donc on a envie de gagner. Ça ne correspond pas du tout à la manière actuelle de faire des affaires en Chine. Du moins de ce que moi j'ai vu. On est donc dans une dynamique de tant qu'on leur montre qu'il y a quelque chose à perdre, ... C'est un peu un mariage, ou les deux partenaires doivent montrer que demain sera plus chouette qu'hier. Et pas, on a signé le papier, donc c'est bon. Ça ne marche pas en Chine, il n'y a pas de papier qui traîne.

Julie Damman : Quelles sont vos impressions sur les investissements chinois qui viennent en Belgique pour tout ce qui est acquisitions, notamment dans le domaine technologique.

Benoît Cornet : Je trouve ça super ! Ce n'est pas compliqué, je trouve ça super.

Julie Damman : Et pourquoi ?

Benoît Cornet : Parce que premièrement, je vais prendre un exemple qui n'est pas technologique, mais qui est automobile : Volvo. Voilà une société qui était investie par des

Américains et qui mourrait. Une société qui est investie par des Chinois et qu'est énorme. Quand c'était Ford qui avait investi dans Jaguar et Land Rover c'était la catastrophe. Donc, en fait, on croit toujours que celui qui vient piller le savoir-faire, c'est le pays émergent. Non, le pays émergent, il a bien compris qu'il y a un savoir-faire, et il va donc l'utiliser pour créer des choses.

Julie Damman : Oui, pour le mettre à profit

Benoît Cornet : Et que les gens doivent arrêter d'avoir une espèce de peur. C'est pour ça que je trouve que cet investissement de gateway à Louvain-la-Neuve, c'est exactement ce qu'il faut faire. On s'en fout de ce qui existe. Ce qui est important, c'est de trouver du financement pour développer les choses demain. À quoi ça sert d'être sur leur beau château qui a été construit de manière magnifique au 16e siècle, mais qui ne tient absolument pas une invasion du 21e siècle. Ça ne sert à rien. Et nous, on a tendance à se jucher sur nos barrières en se disant, on représente tout ça, mais ça n'existe pas. Donc, pour moi, si on a un partenaire chinois, un groupe, d'ailleurs, je propose à certains clients, car on est une petite boîte, il faut qu'on fasse attention, mais je dis pourquoi vous n'investissez pas chez nous ? Prenez des actions, ça ne vas pas vous coûter cher. Moi, je n'ai aucun problème avec ça. Faites ça.

Julie Damman : Justement, j'allais venir là-dessus, comment vous réagiriez si des actionnaires chinois décide de venir racheter votre entreprise.

Benoît Cornet : Premièrement, ils ne décideront pas, on décidera semble de le refaire.

Julie Damman : Oui bien sûr, enfin si vous avez une proposition.

Benoît Cornet : Moi je vois ça comme quelque chose de vraiment positif. On a accès à un marché gigantesque. Ils ne vont pas vider la boîte et puis s'en aller. Tant que l'on se met dans l'état d'esprit de construire. Les Chinois ont besoin de nous, ils ont besoin de notre capacité à créer. Ils ont bien compris ça. Ils créent une capacité à créer mais ils valorisent aussi une capacité à créer. Moi, je ne suis pas naïf, je pense là-dedans. Je pense réellement qu'il y a un intérêt. Mais j'ai des clients par exemple, on travaille beaucoup en partenariat avec beaucoup de sociétés, et en fait nous, on fabrique des petites parties de la technologie. Dans certains cas, si on vend le produit fini, c'est trop cher, donc ce qu'on a fait, on s'est contenté de faire une partie de la technologie et on le vend à ce qu'on appelle des 'value-add reseller' des gens qui vont ajouter de la valeur et qui va le revendre localement. Par exemple, dans certaines villes de Chine, les gens n'ont pas la possibilité

de s'acheter des manèges qui coûtent trop cher. Donc on a trouvé des petites sociétés chinoises avec ; voilà nous, on a besoin d'avoir autant pour vivre, pour pouvoir vous fournir ces trucs-là. Et vous vous avez tout le reste. Et ça marche très bien. Et quand j'ai signé le premier contrat, les gens ont dit, mais tu es idiot. Tu vas le vendre une première fois et puis la deuxième fois, ils vont le faire eux-mêmes. J'ai dit oui, si je ne sais pas faire autre chose, c'est ce qui se passera. Mais si je sais faire autre-chose et si j'ai dans ma réserve de la version 1, et 2 et 3, et qu'eux, ils sont encore à la version 0 et que je leur dit soit vous développez tout seul votre version 0, soit vous me suivez, je vous fais le meilleur prix, mais vous avez la version 1, la version 2, la version 3.

Julie Damman : Je suppose que ça demande vraiment une adaptation du coût des sociétés belges de vraiment se spécialiser, d'avoir un secteur de niche, et de se concentrer pour continuer à garder ...

Benoît Cornet : Et la beauté c'est que si eux, ils investissent, ils investissent là-dedans. Qu'est-ce qu'on veut de plus ? On va tous se battre pour quelques malheureux subsides régionaux européens ou est ce qu'on veut simplement aller prendre où l'argent est. On s'en fout finalement, ce n'est pas important. Ce qui est important, c'est de donner du boulot aux gens. De faire développer du savoir-faire et le savoir-faire, il sera dans la tête des gens. Il ne sera pas dans les actions de la boîte.

Julie Damman : Alors si je reviens un petit peu dans la nature des investissements, est ce que vous pensez qu'il y a aussi une stratégie politique du gouvernement qui va aussi pousser ces entreprises à aller acquérir ces investissements extérieurs.

Benoît Cornet : Moins maintenant, parce qu'il y en a beaucoup en fait, le gouvernement Chinois à très peur de l'évasion des capitaux, et surtout de certains achats à des prix absolument de folie, des actifs qui n'ont pas cette valeur-là. Donc il y a quand même un assez gros contrôle de la part du gouvernement. Il ne faut pas oublier qu'on est dans un pays communiste, et il est toujours communiste. Et communiste veut dire la terre n'appartient pas au gens, la terre appartient à l'état, et la richesse n'appartient pas au gens, la richesse appartient à l'état. La richesse est chez les gens, mais n'appartient pas à l'Etat. Jack Ma, tout aussi milliardaire qu'il est il n'a que l'argent des Chinois. Il n'est que dépositaire de l'argent. Et c'est une relation complètement différente. Dès le moment où il montre qu'il ne gère pas comme il faut, il va se faire taper sur les mains. C'est ce qui est arrivé au patron de Wanda qui a commencé à croire que cet argent lui appartenait

réellement, c'est la même chose en Russie avec les oligarques. Ce sont des pays qui ne donne jamais réellement le contrôle. C'est le pouvoir et c'est la confiance que l'on a dans la personne de bien le gérer. Et on a constaté ça dans le passé avec le gouvernement qui a commencé à examiner toutes les personnes qui partait avec l'argent. Donc ça, c'est la corruption, lutte contre la corruption. Ils ont commencé à récupérer des dizaines de Chinois qui étaient parti à l'étranger avec l'argent. Et maintenant, ils commencent à s'intéresser à tout ce qui est mauvais usage de l'argent. En mode, tiens tu as été acheter tel bureau, telle société, ça a coûté fort cher, mais qu'est-ce qu'on reçoit de ça. Est-ce que ce n'est pas pour payer ta retraite. Est-ce que tu ne t'es pas arrangé pour avoir des passe-droits pour un peu quitter la Chine ? Car on ne quitte jamais la Chine. Il suffit de voir un jeune Chinois ou une jeune chinoise, pour sortir elle doit passer des interviews et les gens doivent être persuadé qu'elle va revenir, ou qu'il va revenir. Ce n'est pas un pays qui donne, ce n'est pas un pays exportateur de gens. C'est un pays qui a besoin de tous ses gens. Même s'il en a beaucoup, il a besoin de tout le monde et spécialement de ceux qui sont capables de partir à l'étranger. Justement ce qu'ils veulent partir, ce sont ceux qui ont le plus de valeur, ce sont ceux qui ne peuvent pas partir. Tout ça est d'une rationalité, c'est limpide. S'il y a bien un pays qui a un agenda clair, c'est la Chine.

Julie Damman : Bon excusez-moi, je vais revenir sur la question, car je ne suis pas sure que pour moi, ce soit exactement très clair. Est-ce que vous penser qu'il y a un agenda chinois de vouloir rattraper un retard technologique ?

Benoît Cornet : Moui, oui oui certainement, il y a bien ça, mais à des conditions bien, pas à n'importe quel prix. Mais je suis certain, quoique ça ait changé récemment avec les élections américaines qui ont changé pas mal l'agenda chinois, je pense. Avant les Chinois étaient prêt à investir par exemple aux Etats-Unis pour s'assurer certains savoir-faire quelque chose comme ça. Et quand ils ont senti que la démarche américaine était protégée. Je pense que là, il va y avoir un mécanisme de retrait et d'investissement à terme. Je pense que Trump à fait une erreur monumentale en menaçant la Chine avec le transfert de technologie et que ça va surtout bénéficier...

Julie Damman : Donc, un tel comportement pénaliserait pour vous ...

Benoît Cornet : Les investissement extérieurs chinois, j'en suis persuadé. Parce qu'ils se rendent compte que l'argent n'est pas suffisant quand on a quelqu'un comme Trump en face de soi. Avant ils pensaient qu'il suffisait d'investir pour sécuriser le savoir-faire et la

connaissance. Maintenant, ils ont découvert qu'ils pouvaient bien investir tout ce qu'ils voulaient, tant que la société est américaine, elle sera dépendante de l'Amérique. Vous voyez ? Et donc il peuvent posséder 100% d'une boîte qui est installée au Etats-Unis, ça restera une société américaine à la base. Et je pense qu'il va y avoir, enfin, je ne suis pas spécialisé, mais je ne serais pas étonné qu'il y ait un retour de flamme assez phénoménal dans les années à venir, où il va y avoir de gros fonds d'investissement qui vont être fait pour acquérir du savoir faire en Chine. Simplement en rétorsion sur les menaces....

Julie Damman : Donc vous voulez dire les Américains qui vont acquérir ...

Benoit Cornet : Non, les Chinois qui vont investir beaucoup en Chine, au lieu d'aller les acheter ailleurs. Tous les concurrents de Qualcomm, tous les micro-composants, je suis certain qu'il va y avoir un Qualcomm Chinois qui va venir. Par la porte ou par la fenêtre, ils ont le faire. C'est peut-être une chance pour l'Europe.

Julie Damman : En quoi ce serait une chance pour l'Europe ?

Benoit Cornet : Parce qu'ils vont peut-être s'orienter vers nous pour avoir des partenariats, ... C'est une concurrence mondiale, les américains ne sont pas nos amis.

Julie Damman : Alors, un petit instant, je regarde un peu où j'en suis dans mes questions, ... Donc, ici, il y a de plus en plus un certain comportement protectionniste et ce serait négatif, comme vous avez donné l'exemple des Etats-Unis, ... En fait du coup vous déjà répondu à pratiquement toutes les questions ...

Benoit Cornet : Désolé (rire)

Julie Damman : Mais justement, c'est parfait. Donc je vais quand même revenir sur une partie, il y a quand même la Commission européenne ici qui a déposé un projet, si vous le souhaitez j'ai les détails ici, mais justement un projet de screening vis-à-vis des investissements étrangers, il y a notamment la Chine qui est visée, mais ce ne serait pas exclusivement pour ça. Et donc ce serait dans le cas, on s'intéresse aussi particulièrement aux fonds nationaux, car forcément en Chine quasi-tous les fonds proviennent du gouvernement, et donc pour acquérir des biens considérés comme assez stratégiques en Europe. Il y a donc une proposition pour vérifier comment ça pourrait affecter le potentiel, parfois sécuritaire ou autre du pays d'accueil, voir notamment également le lien entre l'état et la société qui investit et également faire une sorte de data-base européenne de si notamment, ils tentent d'aller dans un pays où il est refusé, pour qu'il n'aille pas dans un autre. Donc comment pensez-vous, si cette proposition est acceptée, comment ça pourrait affecter ...

Benoît Cornet : Je ne pense pas que ça va le faire, parce que la technique n'est pas de vendre des trucs, la technique est de s'associer avec eux pour développer de nouvelles choses.

Julie Damman : Est-ce que vous pensez tout de même qu'il y aurait quelques secteurs stratégiques qui devraient être protégés et dont on devrait empêcher qu'ils soient acquis par des fonds étrangers ?

Benoît Cornet : Je pense que c'est difficile à interdire.

Julie Damman : Il y a donc déjà eu le cas, ...

Benoît Cornet : Tout ce qui est le secteur de la défense et les machins pareils, c'est évident, mais de nouveau, interdire ce n'est jamais une bonne idée. Interdire veut dire, c'est l'exemple que je disais, rendez quelque chose d'inaccessible à quelqu'un et vous pouvez vous assurer qu'il va tout faire pour forcément le faire. C'est la règle de la frustration numéro 1 qui marche à les tous coups. Ce qui est stratégique pour la Chine, est stratégique pour l'Europe, est stratégique pour les Etats-Unis, c'est donc une stratégie qui doit être bien comprise. Ca me semble évident, mais ça maintenant qu'est-ce qui est crucial, qu'est-ce qui n'est pas crucial, qu'est-ce qui est stratégique, qu'est-ce qui n'est pas stratégique, ... Imaginez qu'il y a Dassault, ou même les centrales nucléaires, ou le secteur nucléaire européen soient sous contrôle chinois, posent de réel problème de trucs. Ca me semble évident, mais ca maintenant qu'est-ce qui est crucial, qu'est-ce qui n'est pas crucial, qu'est-ce qui est stratégique, qu'est-ce qui n'est pas stratégique, ... C'est difficile à dire. Moi, je pense, ce n'est pas ça qui va empêcher. Moi, je vois plus ça : ça, vous ne pouvez pas acheter, ca doit appartenir, il doit y avoir une minorité de blocage, il doit y avoir un ancrage. Mais on l'a vu, ce n'est pas seulement vis-à-vis des Chinois, c'est aussi avec les autres pays. On l'a vu avec le système bancaire en Belgique, quand tous les Français et les Hollandais ont commencé à acheter le secteur bancaire, tout le monde a dit, mais on n'a plus de contrôle, on n'a plus d'outils, on avait peur. La Belgique était un peu faible la dessus et tous les autres pays ont des réflexes beaucoup plus nationalistes. En effet, les Hollandais n'auraient jamais accepté que leur première banque soit achetée par un autre pays. Idem pour les Français. Nous, on n'est pas comme ça, on se dit ça va le faire. C'est vrai que c'est un peu dangereux, oui ça je peux croire. Mais ce n'est pas ça qui va empêcher les gens et dirent tout à coup, non, on ne va pas le faire.

Julie Damman : Est ce que vous penser, donc beaucoup dans le système des infras-

structures je pense et le système bancaire, est-ce que vous pensez que le secteur des hautes technologies serait donc un secteur où il faudrait garder un certain actionnariat national.

Benoît Cornet : Je crois que la Chine va être de plus en plus forte là-dedans, donc c'est à nous de les accompagner. Moi, je vois par exemple les voitures électriques à Charleroi qui vont venir s'installer, qui sont des investissements Chinois. C'est comme ça que l'on doit voir le jeu. Vendre, je ne pense pas, non, je ne pense pas que ce devrait être protégé en tant que tel. Mais faire comme la Chine le fait, joint-venture.

Julie Damman : Voilà, donc soit, on grandit avec eux, soit on s'enferme, mais on risque une concurrence directe.

Benoît Cornet : Voilà grandir avec eux. Mais vous pouvez prendre une participation, ce n'est pas un problème, l'important c'est qu'il y ait, ... Mais au contraire, prenez une participation.

Julie Damman : Donc, j'ai aussi rencontré l'Awex, et ils ont aussi l'impression d'être fermé, ne pas assez s'intéresser à cette stratégie. Est-ce que vous pensez alors qu'il serait intéressant que l'Etat mette en place une sorte de coaching d'entreprise et justement essayer d'expliquer : voilà les objectifs de la Chine, voici comment elle avance, et voilà comment est-ce que nous, on devrait avancer pour garder notre compétitivité et essayer, voilà, soit on les accompagne, et si on souhaite les accompagner, comment rester prudent ...

Benoît Cornet : Je pense qu'il y a beaucoup trop de choses, et j'en suis le cas également, il y a beaucoup trop d'expériences, vis-à-vis de la Chine, qui sont basées simplement sur des expériences personnelles. Quand on a commencé la boîte, on avait des gens de la région wallonne qui étaient dans le conseil d'administration, et on a dit, on doit aller s'installer aux Etats-Unis, les parcs d'attractions sont aux Etats-Unis, on doit aller s'installer. J'ai eu un temps épouvantable avec mon conseil d'administration. C'était épouvantable, ils ont dit : non, on ne peut pas aller là, les Etats-Unis, ils vont te faire des procès, tu ne t'en remettras jamais. Simpliste, simpliste, une approche totalement simpliste. Oui, je ne dis pas en terme, on agit pas assez en terme d'intérêts, risque et comment on évite les risques, comment on maximise, ... Les gens sont beaucoup trop, oui les Chinois sont malhonnêtes, ils veulent tout. On manque totalement de sophistication dans notre pensée. Ou alors des expériences malheureuses. Quelqu'un qui vient, qui dit moi j'ai travaillé avec une boîte Chinoise, ils ne m'ont jamais payé. Mais ça ce n'est pas de la gestion, ce n'est pas de la politique, c'est de la gestion d'expérience. La politique, c'est ;

ok, vous vous êtes fait avoir, pourquoi vous vous êtes fait avoir, comment on évite de se faire avoir, qu'est-ce qu'il faut faire, ... Et je pense effectivement, le problème, c'est que l'Awex, ils sont gentils, mais ils sont combien ? Pour toute la Wallonie, moi, je veux bien, mais c'est une plaisanterie. On est quand même d'accord avec ça. En plus il y a l'Awex Brabant-Wallon, il y a l'Awex à Liège, l'Awex à Charleroi, c'est n'importe quoi. On est 10 millions.

Julie Damman : Et finalement, est-ce que vous pensez que cette provision de fonds chinois, arrive à générer des fonds, pour faire des investissements assez colossaux, des centres de recherche et développement avec des subsides assez énormes. Est-ce que vous pensez alors qu'il y a une sorte de déséquilibre, de non-fair-play, et du coup le coût d'accès à la technologie est faussé.

Benoît Cornet : Bien sûr, c'est ce que les Américains disent avec nos programmes d'Airbus, ce que nous ont dit avec les programmes, ... C'est partout comme ça.

Julie Damman : Donc est-ce que vous pensez qu'on devrait ...

Benoît Cornet : Les Québécois aussi, moi je n'arrête pas de me plaindre des Québécois qui ont des subsides, mes plus gros concurrents sont Québécois. Mais ce sont nos amis les Québécois, on les aime bien, ils sont rigolos et tout. Mes pires ennemis ! Pourquoi, parce qu'ils reçoivent de l'argent en vois tu, en voilà du gouvernement québécois. À notre niveau, on se fait une petite guerre mondiale, entre guillemets, microscopique, mais une mini-guerre mondiale, dans la mesure où ils ont reçu 40 millions de développement, et moi, j'ai été à la région wallonne, on m'a chichement rien donné. Donc moi, je dois me développer avec mes fonds propres et je suis face à une boîte qui reçoit 40 millions de dollars canadiens. Donc voilà ! La chance de la Belgique, c'est qu'on est adaptable. La chance de la Belgique, c'est qu'on a du savoir faire, et qu'on est, je pense contrairement à nos voisins du sud, les Français, on est plus orienté vers le futur. On est plus orienté vers le futur que beaucoup d'autres pays européens. On voit bien en Angleterre, avec le Brexit qui est un mouvement rétrograde et beaucoup de pays sont rétrogrades. La Belgique n'est pas encore rétrograde et c'est une chance unique pour ce pays. Et je ne sais pas encore ce que ça va donner l'Euro-Gateway entre l'Europe et Chine, mais moi, je vois ça comme quelque chose qui pourrait être gigantesque, et moi, je serais ravi d'avoir des fonds d'investissements. J'ai déjà, parlé plusieurs fois avec des gens qui développent de la technologie en Chine, et j'ai dit mettons-nous d'accord. Ils ont plein de choses à offrir. Ils

sont champions dans la miniaturisation par exemple les Chinois. Ce sont les meilleurs. Ils font des drones que personne ici ne sait en faire, et nous on sait pas faire ça. Qu'est-ce qu'on va faire. C'est trop tard pour commencer à les concurrencer. C'est trop tard, il faut maintenant voir comment on avance ensemble. On n'a pas besoin de beaucoup pour être riche. On peut avoir le plein-emploi ici seulement en signant quelques bons partenariats. C'est ça qui est génial, on a que 10 millions de gens. Ils ont 1 milliard et quelque. Je pense que c'est ça qu'il faut faire, il faut se mettre vers le futur, dans une hypothèse de développement futur et arrêter de se rattacher au passé.

Julie Damman : Très bien, ben voilà.

Benoît Cornet : Je ne sais pas si ça vous aide beaucoup.

Julie Damman : C'est vraiment parfait. C'est beaucoup plus que ce à quoi je m'attendais.

Benoît Cornet : Après pour l'Awex il ne faut pas non plus les tuer. Mais il faut quand même reconnaître qu'on est trop petit et que tout doucement les gens commencent à se rendre compte, pour une population, là, il y a 4 millions de personnes en Wallonie, il y a quelques entreprises, ... Le Brabant Wallon est une petite région dans une région. Il y a des animosités dans la région, on n'est pas foutu de s'apprécier. Je vais vous donner un petit exemple juste pour le fun. Alors voilà cette boîte a eu quelques soucis il y a 3-4 ans et on est arrivé à la fin d'un cycle, on avait beaucoup testé des trucs, on a perdu beaucoup d'argent en faisant beaucoup de choses, mais voilà, ça n'allait pas. Bref, on a dû mettre la boîte en réorganisation judiciaire. J'ai racheté le fonds de commerce avec des investisseurs hollandais et des investisseurs américains. Pourquoi, car j'avais moi-même plus un balles et j'avais besoin de quelqu'un qui me prête de l'argent. Donc j'y étais forcé. On a fait ça, la boîte depuis se porte comme un charme. On fait 12 millions de chiffre d'affaire cette année-ci, c'est 50% de plus que l'année dernière, qui est 40% de plus que l'année d'avant, qui était 30% de l'année d'avant. Voilà tout va bien, on est rentable au-delà de tout ce qu'on peut espérer, on est bank-positif, on a 30 millions d'Euros sur notre compte en banque, on ne sait même pas l'utiliser. Voilà, bref tout va bien, pour racheter mes actions aux Américains, car l'idée était d'arrêter de payer des dividendes incroyables aux Américains, on s'est donc dit on va les sortir, car ils nous aident pas beaucoup et avoir des partenaires américains, c'est compliqué pour tout ce qui est relations bancaires etc. Les Etats-Unis ont des contraintes très très fortes. Ce sont eux qui mettent les contraintes

à l'étranger, c'est très cher de gérer en fait des actionnaires américains. Et donc voilà, on voulait sortir. Donc j'ai été à la région wallonne, car voilà, on a une banque qui veut bien nous financer le rachat, mais il faudrait y avoir une garantie. Mais c'est génial, on leur demande une garantie pour 1/3 de l'argent qu'il y a sur nos comptes en banque. Zéro risque. Ha non, car vous êtes tombé en faillite avant. Donc vous préférez qu'on continue à payer des dividendes terribles à ... Oui. À la limite ils l'ont pas dit comme ça. Oui mais non, vous voyez, ... Vous avez donné plein d'argent à la Syrie et tout, par contre une boîte d'high-tech en explosion qui est rentable, ça vous ne voulez pas. Je comprends bien votre agenda. C'est ça le problème de la Wallonie. Malheureusement on peu se protéger comme on veut, mais ce qu'il faut, c'est qu'on ait un gouvernement derrière nous et qu'on ait surtout une administration derrière nous qui soit un tout petit peu plus musclée et surtout qu'on aille de l'avant quoi. Qu'on arrête ces histoires. Or, pour l'instant, notre problème est qu'on est arrivé à un niveau de décentralisation tel que tout ce qui doit être hautement centralisé comme le commerce extérieur, ont été complètement décentralisé. Ca, c'est ridicule. Le service aux personnes que ce soit décentralisé, fine. Pourquoi pas. Mais l'aide à l'exportation, ça n'a aucun sens. Il faut aller en Chine, ... Le meilleur ambassadeur, enfin les meilleurs, il y en a deux, un couple, c'est Philippe et Mathilde. C'est les meilleurs ambassadeurs, pourquoi, parce qu'il est Roi et elle est Reine. Et qu'on a beau être 10 millions, on a un roi et on a une reine. Et quand ils vont en Chine, tout le monde dit, ah c'est le Roi des Belges. Ils ne savent pas combien il y a de Belges, mais c'est un roi. Et ça, on a beau me balancer un ministre-président de la région wallonne que personne ne sait même que ça existe. Moi, on me demande toujours si je suis flamand ou si je suis francophone, ou si je suis wallon, car ils ont entendu qu'il y avait deux langues. Pas de bol, je suis un Flamand qui parle français. Voilà qu'est-ce que vous voulez, que je fasse, je n'ai même pas de réponse à votre truc. Toutes ces histoires d'investissement chinois, ce n'est rien. Toutes ces histoires de menaces, de trucs, c'est rien. Notre menace, c'est qu'on n'est pas assez aidé. Non pas, qu'on est pas forcément aidé, mais qu'on ne mets pas assez de puissance à l'extérieur. Voilà, on ne met pas assez de puissance, les autres, ils en ont. Et en chine, ça vaut une taskforce rien que pour la Chine. Si on était intelligent, on mettrait une vingtaine de personnes qui ne font que la Chine. Là la région wallonne si je me trompe, c'est Houben en Chine, et ce n'est vraiment pas la plus grande des villes. Bien ce n'est vraiment pas là que ça se passe, on met tout là. On m'a déjà dit, oui, tu dois aller ouvrir tes

bureaux à Houren, mais qu'est ce que j'irais foutre mes bureaux à Houren, il n'y a rien. À Shanghai oui, à Pékin, oui, à Hong-Kong, Hong-Kong – Shenzhen, ça va, mais Houren, qu'est ce que j'irais foutre là-bas, il n'y a rien. Ha oui, mais il y avait des francophones. Fin voilà, petite histoire, il n'y a rien à dire, mais c'est pour montrer un peu l'état d'esprit. Après, on se dit sans eux, ce n'est pas ça, mais c'est un peu dommage d'avoir des services qui ne servent à rien? Voilà.

Julie Damman : Très bien, c'est parfait.

Benoit Cornet : Désolé de radoter un peu sur ce truc-là.

Julie Damman : Non non, pas du tout. Pas de souci.

Résumé :

Ce travail s'intéresse à la politique économique étrangère chinoise et ses investissements directs étrangers dans le but d'acquérir des atouts technologiques. Cette stratégie s'inscrit dans son ambition nationale de devenir un leader en termes d'innovation.

Ainsi après un état de lieux de l'ampleur de cette politique en Belgique, de manière plus large en Union Européenne, ce travail établira les opportunités et menaces que cette stratégie chinoise peut apporter en Belgique. Plusieurs interviews avec les acteurs concernés ont été menées pour prendre en compte leurs perceptions vis-à-vis de ces investissements.

En conclusion, seront apportées des recommandations avec pour intention d'harmoniser la réponse des différents acteurs, pour leur permettre d'apporter la réponse la plus bénéfique possible à l'économie belge face à cette stratégie chinoise.

Mots-clés :

Chine, Belgique, politique économique, stratégie économique, investissements directs étrangers, potentiel économique, haute-technologies, innovation, fusion & acquisition, AWEX.