WIRTSCHAFTSUNIVERSITÄT WIEN
Vienna University of Economics and Business

Bachelor Thesis

Titel of Bachelor Thesis (english)	What drives European policy responses regarding Chinese FDI? A comparative analysis of Germany and the Netherlands
Titel of Bachelor Thesis (german)	Was treibt politische Antworten auf chinesische ADI in Europa an? Eine vergleichende Analyse von Deutschland und den Niederlanden
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1 September 2024
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Unterschrift

Abstract

As Chinese FDI in Europe increased significantly since the 2000s, policy responses across different countries have varied, leaving Europe with fragmented regulatory approaches to this day. This thesis explores why some European countries, such as the Netherlands, have been more hesitant to introduce investment screening compared to others, including Germany. Two existing explanations, focusing on the role of governments and strategic considerations, and large firms and their market dominance, are empirically tested. Moreover, I explore the role of labour and public opinion, suggesting that negative outcomes for labour from Chinese takeovers lead to countries implementing investment screening. The findings confirm existing research, as countries with the intention of protecting their strategic sectors tend to support FDI screening. Through a comparative newspaper analysis, the thesis furthermore reveals that public discourse matters, as negative sentiment toward Chinese investments drives the implementation of restrictive FDI policies.

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List of Abbreviations

ETNC	European Think-tank Network on China
EU	European Union
EUR	Euro
FAZ	Frankfurter Allgemeine Zeitung (FAZ)
FD	Het Financieele Dagblad
FDI	Foreign direct investment
H1	Hypothesis 1
H2	Hypothesis 2
H3	Hypothesis 3
HB	Handelsblatt
ICT	Information and communication technology
IMF	International Monetary Fund
OECD	Organisation for Economic Co-operation and Development
R&D	Research and development
SZ	Süddeutsche Zeitung
UK	United Kingdom
USA	United States of America
USD	United States dollar
VK	De Volkskrant

1 Introduction

Globalisation and increasing economic ties across countries have significantly shaped the global economy (Owen, 2013). This is also reflected in the increase of global foreign direct investment (FDI) flows: Whilst they amounted to United States dollar (USD) 54.1 billion in 1980, they increased to USD 1.9 trillion in 2007 and reached their peak at USD 2.1 trillion in 2015 (Owen, 2013; United Nations Conference on Trade and Development, 2023). Since the 2000s, the increase of Chinese outbound investment has been a major feature of globalisation (Brennan & Vecchi, 2021). In this context, there has been a significant rise of Chinese FDI into the European Union (EU), which emerged as a main target for Chinese companies (Nicolas, 2014).

As a response to the increase of Chinese FDI since the 2000s, several European countries have either introduced or tightened FDI screening mechanisms, aiming to potentially restrict foreign investments in strategic sectors (Brennan & Vecchi, 2021). However, the European policy responses have been diverse due to differing national preferences on the openness to foreign investment. As such, some European countries have adopted more protectionist stances, concerned about losing control over strategic sectors to Chinese interests, whilst others have been more welcoming, viewing Chinese investments as opportunities for economic growth and development (Chan & Meunier, 2022).

On the European level, the European Commission proposed an EU-wide FDI screening framework. It was indeed adopted in 2019 and became fully operational in 2020 (Chan & Meunier, 2022; Kratz et al., 2021). The EU Regulation on foreign investment screening does not introduce an independent European mechanism, but establishes a cooperation mechanism between Member States as well as the European Commission (Chan & Meunier, 2022). Furthermore, the European Commission encourages Member States to introduce national FDI screening mechanisms (European Commission, 2022). Additionally, since 2020, the COVID-19 pandemic contributed to the trend of tightened screening of Chinese FDI as well as the introduction of new screening mechanisms in further European countries (Kratz et al., 2021; Chan & Meunier, 2022). Nonetheless, significant differences across European countries remain in terms of their policy responses regarding Chinese FDI.

The cases of Germany and the Netherlands are particularly interesting, as they share a number of characteristics but made diverging decisions in terms of FDI policy as a response to the increase of Chinese investments since the 2000s. The two countries are located in the same geographical area, are both EU Member States, have a similar culture and comparable political systems concerning democratic principles, parliamentary systems and coalition governance, with largely conservative-led governments in the relevant time period. Furthermore, they have both traditionally been open to foreign investment (Brennan & Vecchi, 2021; Nicolas, 2014). In terms of Chinese FDI, Germany and the Netherlands have consistently ranked among the top European destinations, together with Italy, France and the United Kingdom (UK) (Hanemann & Huotari, 2018; Kratz et al., 2024). Alongside France and the UK, Germany and the Netherlands have also been leaders regarding European FDI in China, indicating similar investment relations with China (Kratz et al., 2022a).

However, the two countries vastly differ in terms of their policy responses regarding Chinese FDI. In 2008, Germany authorised the Ministry of Economics and Technology to review and potentially block non-EU investments (Nicolas, 2014). The new law, the 'Foreign Trade Payments Act', applies to any foreign investment exceeding a 25% threshold of voting rights, irrespective of the sector or the firm's size (United Nations Conference on Trade and Development, 2008). Moreover, in 2013, 2017 and 2018, Germany enhanced its FDI policies to expand its ability to block foreign investments: In 2013, Germany simplified the information required for sector-specific reviews and enabled quicker clearance from the Ministry. In 2017, Germany enhanced its FDI policies by making the screening mechanism more stringent for specific industries, including, for instance, critical infrastructure and certain defense-related industries. In 2018, Germany lowered the foreign ownership threshold for key sectors, including military equipment and IT sectors, to 10 instead of 25% and broadened the definition of 'critical infrastructure' to include media companies (United Nations Conference on Trade and Development, n.d.). In contrast, the Netherlands remained "among the most liberal in the world" regarding FDI openness, without any FDI screening authority beyond anti-trust review (Nicolas, 2014, p. 118). In 2020, the Netherlands implemented a law requiring investors to inform the government before acquiring control of a telecommunication provider, allowing the Ministry to block transactions threatening public interest. Only in 2023, the Netherlands introduced a comprehensive investment screening mechanism (Jansen & van der Laag, 2024). This framework, however, applies to Dutch and foreign investors equally and only to investments in a list of 'vital providers', including, for example, certain energy companies,

infrastructure and trading platforms (United Nations Conference on Trade and Development, n.d.). The limited scope of the Dutch investment screening mechanism has been criticised, as it has effectively failed to prevent takeovers such as the acquisition of the Dutch chip company Nowi by the Chinese-owned Nexperia (Persson, 2023). In comparison, Germany's FDI screening is broader and stricter, evolving since 2008 to cover more sectors and lower ownership thresholds, whilst the Netherlands introduced a more limited mechanism in 2023 focused only on vital providers and not differentiating between domestic and foreign investors. This thesis therefore examines the puzzle why the Netherlands has been more hesitant to introduce investment screening as a response to Chinese FDI compared to Germany. Through a comparative analysis of the two countries, it is aimed to answer the research question: 'Why have some European countries been more hesitant to introduce investment screening as a response to Chinese FDI compared to others?'

The thesis aims to contribute to the understanding of the differences in European policy responses regarding Chinese FDI. As such, it is also highly relevant for the real world and, in particular, in the context of the EU. The fragmented policy responses across Europe impact not only each country individually but the EU as a whole. Firstly, they influence the EU as a single market, as foreign direct investments can have cross-border impacts on other Member States or the Union as a whole (European Economic and Social Committee, n.d.). Secondly, the differing positions of Member States concerning screening mechanisms also influences policy making on the European level. In line with intergovernmentalist theory, nation-states have remained key actors in driving European integration and its direction (Bickerton et al., 2015). Member State preferences have indeed played a central role in the development of the EU Regulation on foreign investment screening (Chan & Meunier, 2022). Whilst Germany demanded measures to regulate FDI on the European level, the Netherlands initially did not favour the introduction of an EU-wide investment screening framework (Brennan & Vecchi, 2021; Chan & Meunier, 2022). Therefore, the thesis' contribution to the understanding of why national preferences regarding investment policy differ is of high importance for EU policymakers and may be key to further EU integration.

The structure of this thesis is as follows: Firstly, the rise of Chinese FDI and policy responses across Europe are outlined. Secondly, existing work and explanations regarding FDI openness as well as two hypotheses are presented. Thirdly, I introduce my new explanation and hypothesis. Then, the methods and data used to examine which explanation is the most

convincing are described. The following section presents the empirical evidence to test each hypothesis. Lastly, the conclusion summarises the main findings and discusses policy recommendations.

2 Background

2.1 Chinese FDI in Europe

Chinese FDI in Europe has seen significant growth over the past decades. Since the early 2000s, China gradually expanded its investments across various sectors in Europe (Hanemann & Huotari, 2015). In this early phase, the interest of Chinese investors in European assets was limited but grew rapidly. The initial increase of Chinese FDI was driven by the goal of gaining technological know-how and of enabling access to new markets (Rosen & Hanemann, 2009).

The trend accelerated after 2008, following the global financial crisis, which increased the need for foreign capital in many European economies. There were, in fact, several factors driving the increase of Chinese FDI in Europe during this phase: On the one hand, the privatisation of state-owned enterprises in financially distressed European countries created opportunities for Chinese firms to acquire undervalued assets. Europe's generally relatively open investment environment, compared to that of the United States of America (USA), also attracted Chinese investors seeking advanced technology and access to European markets. On the other hand, Chinese outward FDI has been stimulated by government strategies. For instance, China's 'Going Global' policy encourages firms to internationalise, reduce reliance on the USD and gain strategic assets in Europe. This policy particularly supported private firms, enabling them to capitalise on opportunities in Europe (Ma & Overbeek, 2015).

By 2016, Chinese FDI in Europe reached its peak: In 2016 alone, Chinese companies invested over euro (EUR) 35 billion in the EU, a 77% increase compared to the previous year. This influx was driven by acquisitions in technology and advanced manufacturing, highlighting China's strategic interest in European assets (Hanemann & Huotari, 2017). Chinese FDI in Europe is characterised by a particularly large proportion of acquisitions whilst greenfield investments amount to only around 5% (Matthes, 2020). Chinese investors thus largely acquire existing European companies rather than establishing new companies within Europe.

The COVID-19 pandemic in 2020 marked a substantial downturn in Chinese FDI in Europe, with investments amounting to EUR 6.5 billion and reaching a 10-year low during this year (Kratz et al., 2021). In the post-pandemic period, Chinese investments in Europe remained at historically low levels, reaching only EUR 6.8 billion in 2023 (Kratz et al., 2024). Despite this

downturn, certain sectors continue to be attractive to Chinese investors (Kratz et al., 2022b). Therefore, investment concentration increased, with Chinese FDI remaining robust in a few European sectors, such as healthcare, consumer goods and information and communication technology (ICT). During this current phase, the share of greenfield investments, especially in the electric vehicle sector, increased significantly, reaching 51% in 2022 and 78% in 2023. Overall, however, increasingly restrictive FDI policies introduced across Europe, together with economic uncertainties and geopolitical tensions, led to a more cautious approach by Chinese investors in Europe in recent years (Kratz et al., 2024).

2.2 European Policy Responses

As Chinese FDI increased substantially in Europe since the 2000s, European policy responses have varied significantly across different countries. Initially, the increase of Chinese investments in Europe was largely welcomed, with many countries viewing it as an important source of capital, especially in the aftermath of the 2008 financial crisis. However, as China continued to grow to a leading global economy and major source of FDI, host countries faced new challenges. In particular, the country's authoritarian regime, distinctive economic system and weak security ties with recipient countries make the case of Chinese investments unique (Hanemann & Huotari, 2015).

Concerns grew across Europe, with perceptions of Chinese FDI varying by country. Whilst some European countries introduced or tightened their investment screening mechanisms, others have remained relatively open to foreign investment. For instance, Germany and France implemented policies to scrutinise foreign investments. In contrast, particularly countries in Southern and Eastern Europe have been more welcoming of Chinese FDI, driven by the need for infrastructure development and economic growth (Nicolas, 2014).

This left Europe with fragmented regulatory approaches across different countries. As Nicolas (2014) notes, this "constitutes a major weakness for the EU [which] may be taken advantage of by foreign investors and may be a source of conflict within the EU" (p. 119). Several countries have therefore called for a supranational framework for investment screening. Initial discussions began in 2008 but were met with concerns that such a mechanism might signal a retreat from the EU's open investment stance. The debate sparked again in 2010, but no concrete actions were taken due to the diverse nature of the EU and a lack of consensus

regarding which sectors should be protected or restricted from foreign investment (Nicolas, 2014). In 2017, the European Commission's 'Communication on Welcoming Foreign Direct Investment while Protecting Essential Interests' once again initiated discussions on an EU-wide FDI screening framework. The communication responded to the increasing concerns about foreign investments and their potential impact on EU security and public order (Fountoukakos et al., 2022).

In April 2019, the EU Regulation on foreign investment screening was indeed formally adopted, becoming fully operational in October 2020. The Regulation aimed to establish a cooperative mechanism among Member States and the European Commission, focusing on critical sectors such as infrastructure, technology and sensitive information. This framework enables Member States to assess and address potential risks posed by foreign investments to public order and security within the EU, fostering a more coordinated response to FDI that could affect multiple Member States. The Regulation does, however, not establish a centralized EU-wide screening authority. Instead, the responsibility for reviewing FDI remains with individual Member States, which continue to apply their national laws while adhering to the broader cooperative framework outlined by the EU Regulation. The framework encourages Member States to share information and cooperate on FDI matters but does not mandate a unified screening system across the EU (Fountoukakos et al., 2022).

The first year of the EU's FDI screening framework showed its effectiveness in enhancing coordination among Member States, although it does not grant the EU Commission direct powers to block investments. As such, challenges remain, particularly in mapping and monitoring FDI comprehensively across all Member States, as the framework relies heavily on national implementation and voluntary cooperation (Ghiretti, 2021).

Whilst the EU Regulation on foreign investment screening does not require all Member States to adopt FDI screening mechanisms, an increasing number of countries have implemented regulatory frameworks (Fountoukakos et al., 2022; Ghiretti, 2021). Legislative developments in EU Member States regarding FDI screening mechanisms are indeed dynamic. The European Commission specifically encourages Member States to implement national investment screening with the goal to create a comprehensive system across the EU. Despite the European Commission's efforts, significant differences remain across Member States (European Commission, 2023).

3 Previous Research

In view of the increasing global relevance of FDI, previous research has largely investigated determinants of FDI flows (Owen, 2013). Furthermore, the politics of FDI emerged as a core area of study in the field of International Political Economy (Bodenstein, 2014). Haggard and Maxfield (1996), for instance, analysed the episodes of liberalisation of capital movement in the 20th century. The politics of FDI have mainly been investigated from a rational choice perspective, focusing on the role of institutions and competing interests (Bodenstein, 2014). Indeed, International Political Economy research shows that "FDI openness is largely a result of rational choices by different players in the world economy" (Chan & Meunier, 2022, p. 515).

The literature examining factors that drive countries to implement investment screening is, however, not well developed (Chan & Meunier, 2022). The following section aims to identify and categorise existing work on the thesis' research question and explanations proposed by scholars regarding FDI openness. Furthermore, based on the existing literature, this section presents two hypotheses for why some European countries, such as the Netherlands, have been more hesitant to introduce investment screening as a response to Chinese FDI compared to others, including Germany.

3.1 Governments and Strategic Considerations

A prominent school of thought focuses on the role of governments and their strategic decisions. This approach makes the assumption that politicians act in the interest of the overall economy. The school of thought primarily emphasises top-down policy motivations driven by strategic concerns, potentially overlooking the bottom-up influence of public sentiment. Whilst this perspective focuses on strategic considerations of governments, it might therefore overlook the role of public opinion and more dynamic factors influencing FDI policy changes.

Traditionally, scholars expect policymakers to liberalise FDI policy due to the benefits of foreign investment, which include the transfer of know-how and technology into the host country as well as increased tax revenue (Kobrin, 2005). As such, one can expect that increased FDI leads to economic growth, higher wages and development (Chan & Meunier, 2022). However, governments balance potential benefits of FDI with potential drawbacks for the

overall economy. Chilton et al. (2020) find that FDI, in fact, also creates concerns over unreciprocated technological transfer, and according to Egan (2023), politicians increasingly consider risks regarding national security and economic interdependence. In particular, investments from non-allied countries amplify such concerns (Bauerle Danzman & Meunier, 2023). In a study on Northern European policy responses regarding Chinese FDI, Mattlin and Rajavuori (2023) find a shift in risk perception due to a so-called 'China effect', whereby economic, political, technological and security risks have become more prominent. Therefore, in the context of Chinese FDI, governments may prioritise national security over investment attraction in their strategic considerations (Babić & Dixon, 2022).

Examining national support for the EU Regulation on foreign investment screening, Chan and Meunier (2022) find that countries with the intention of protecting their strategic sectors tend to support FDI screening. Strategic sectors include industrial and high-tech sectors, such as energy and ICT (Babić & Dixon, 2022; Chan & Meunier, 2022). According to Chan and Meunier (2022), countries with higher technological levels and high levels of Chinese FDI in strategic sectors are more likely to favour FDI regulation. This preference is driven by concerns over unreciprocated technological transfer, whereby technologically advanced countries fear losing their competitive advantages and economic sovereignty. Furthermore, investments from China are viewed as potential threats to national security. Therefore, these strategic considerations by politicians lead to the introduction of investment screening as a response regarding Chinese FDI (Chan & Meunier, 2022).

The following hypothesis is drawn from the theory introduced above:

Hypothesis 1 (H1): In comparing European countries, those with high technological levels and high levels of Chinese FDI in strategic sectors will be more likely to introduce investment screening than those with low technological levels and low levels of Chinese FDI in strategic sectors.

3.2 Large Firms and their Market Dominance

Another approach focuses on the role of economic elites influencing the FDI openness of a country. On the one hand, domestic firms drive shifts in investment policy in their interest (Bauerle Danzman, 2019). On the other hand, national investor associations, formed by foreign

investors from the same country, often work together to lobby their home government. In doing so, these foreign firms aim to apply pressure on the host country to ensure FDI-friendly regulation (Wellhausen, 2015). A major assumption of this school of thought is that large firms are influential enough to shape policy decisions. As Culpepper (2011) finds, FDI policy is a particular case, as foreign investment regulation typically falls under the domain of so-called 'quiet politics'. Hereby, the policymaking process is dominated by well-organized interest groups and is largely isolated from public scrutiny. By focusing on the interests of economic elites, this kind of explanation may underestimate the significance of other interests, such as those of labour, as well as the role of public opinion that may influence policymaking, overriding the interests of large firms.

In line with this school of thought, Bauerle Danzman (2020) finds that when domestic firms face substantial and rising financing constraints, they tend to support openness to FDI because foreign investors are a source of scarce financing. In contrast, when domestic firms have easy access to cheap credit, they prefer to restrict foreign investment to maintain their market dominance. Therefore, they lobby the government for policies that protect them from competition with foreign firms. In this case, large firms use their political influence to push for more restrictive FDI policies, leading to the introduction of FDI regulation (Bauerle Danzman, 2020).

Based on the above-described theory, the following hypothesis is derived:

Hypothesis 2 (H2): In comparing European countries, those with easy access to credit for businesses will be more likely to introduce investment screening than those with substantial financing constraints.

4 The Role of Labour and Public Opinion

I propose a new explanation for understanding why certain European countries adopt more restrictive FDI policies in response to Chinese FDI compared to others. This section firstly outlines the theoretical framework and fundamental assumptions underlying my explanation. Secondly, I present the resulting theoretical expectations and hypothesis.

4.1 Theoretical Framework

The theoretical framework underlying my new explanation is based on the assumption that public opinion significantly influences policy decisions, especially in democratic countries. Historically, the role of public opinion as a determinant of investment policy has been ambiguous. Brooks and Kurtz (2007) argue that voters largely do not understand the effects of FDI policies, and Helleiner (1994) finds that the issue rarely influences electoral outcomes. Recently, however, studies show that there has been a trend toward increased politicization of trade and investment policies (Leblond & Viju-Miljusevic, 2019; Meunier & Czesana, 2019). This suggests a shift toward greater public engagement and awareness of foreign investment issues, which has been fueled by the significant rise of Chinese FDI, increasing the salience of these issues and drawing public attention across European countries (Gong et al., 2024; Nicolas, 2014).

Central to this explanation is the assumption that negative outcomes from Chinese takeovers generate significant public concern, leading to increased scrutiny of foreign investments. Negative outcomes are defined as harmful impacts for labour following Chinese acquisitions, such as firm closures or relocations, reduced production and job losses. These are easily observable and relatable to the public, making them potential drivers of sentiment against Chinese FDI. Politicians would therefore be likely to introduce policies that align with public opinion to maintain electoral support and legitimacy.

4.2 Theoretical Expectations and Hypothesis

Based on the theoretical framework, the causal mechanism of my new explanation involves multiple steps: It begins with the observation of negative outcomes for labour from Chinese

takeovers, such as firm closures or relocations, reduced production and job losses. These outcomes become focal points for public concern and media attention. As these negative outcomes lead to a shift in public sentiment, characterised by increased scepticism and opposition to Chinese acquisitions, the media further amplifies these themes, highlighting the risks of such takeovers. In response to this negative public sentiment, politicians introduce or support the implementation of restrictive FDI policies.

I argue that my explanation can be applied to Germany and the Netherlands. Contrary to the Netherlands, negative outcomes of Chinese takeovers in Germany led to a public opinion favouring investment screening. For instance, several Chinese takeovers in Germany in the early 2000s resulted in company closures (Schuhmacher & Schaudwet, 2004). Following my argument, such negative outcomes have led to increased negative public sentiment towards Chinese investments, thereby favouring the early introduction and continuous strengthening of FDI screening in Germany whilst the Netherlands has been more hesitant, introducing a more limited comprehensive investment screening mechanism only in 2023.

Following my explanation, a new hypothesis is proposed:

Hypothesis 3 (H3): In comparing European countries, those having experienced negative outcomes from Chinese takeovers will be more likely to implement investment screening than those not having experienced such negative outcomes.

5 Methods and Data

To determine which explanation is most convincing in answering my research question 'Why have some European countries been more hesitant to introduce investment screening as a response to Chinese FDI compared to others?', I conduct a comparative analysis of Germany and the Netherlands during the time frame from the 2000s to today. As outlined in section 1, these countries share a lot of similarities, but differ in terms of their policy responses regarding Chinese FDI. This most similar systems design enables that many other contextual variables can be ignored because they are similar due to the case selection strategy. Furthermore, one can assume that the few differences between the countries cause the difference that is aimed to be explained (Przeworski & Teune, 2000). The comparative analysis of Germany and the Netherlands therefore aims to empirically evaluate each explanation presented in sections 3 and 4.

To test *H1*, the technological level of Germany and the Netherlands, and the level of Chinese FDI in strategic sectors are analysed:

Following the methodology of Chan and Meunier (2022), the two countries' technological levels are examined through the production and value added in technologically intense industries. The data set 'Trade in value added (TiVA) 2023 edition: Principal indicators, levels' by the Organisation for Economic Co-operation and Development (OECD) is used (OECD, 2023). It contains various measures on the Dutch and German economy, including 'production (gross output)' and 'value added', and spans from 1995 to 2020. As the time frame for this comparative analysis starts in the 2000s, only data starting from the year 2000 is considered. The data set furthermore contains different sectors, of which those industries classified as having high or medium-high research and development (R&D) intensity are relevant. These classifications are based on the 'International Standard Industrial Classification (ISIC)' (Galindo-Rueda & Verger, 2016). As a result, the following sectors from the data set are included in the analysis: 'Manufacture of chemicals and pharmaceuticals'; 'Manufacture of chemicals and chemical products'; 'Manufacture of computer, electronic and optical products'; 'Manufacture of electrical equipment': 'Manufacture of machinery and equipment n.e.c.'; 'Manufacture of motor vehicles, trailers, semi-trailers and of other transport equipment'; 'Professional, scientific and technical activities'; and 'Information industries'. The respective

values of these sectors are added to calculate the total high-tech production and the total high-tech value added for each year. Additionally, to account for the difference in the sizes of the German and Dutch economies, these metrics were calculated as ratios to each country's respective GDP. Since the measures 'production (gross output)' and 'value added' are expressed in USD millions at current prices, they are taken as a ratio to the respective annual GDP in USD millions at current prices. This data comes from the data set 'Annual GDP and components – Output approach' by the OECD (OECD, 2024).

Regarding the level of Chinese FDI in strategic sectors in Germany and the Netherlands, existing statistics and reports are analysed. Even though there is limited country-level data available on Chinese FDI by sector, a report by the Mercator Institute for China Studies (MERICS) presents data on Chinese FDI by sector and country from the years 2000 to 2014 (Hanemann & Huotari, 2015). A later report by the European Think-tank Network on China (ETNC) provides further insights, covering investments until 2016. This is, to the best of my knowledge, the latest publicly available data. The classification of sectors as strategic or non-strategic is based on a source from the Atlantic Council (Tran, 2022). This source was selected due to its prominent citation, particularly in the context of FDI analyses, such as in the 'World Economic Outlook 2023' by the International Monetary Fund (IMF) (International Monetary Fund, 2023). Tran (2022) suggests the following sectors as strategic: semiconductors; telecommunications; equipment needed for the green transition; pharmaceutical ingredients; and strategic and critical minerals.

To assess *H2* on the role of access to credit for businesses, the development of bank interest rates in Germany and the Netherlands is analysed over time. Statistics published by the European Central Bank (ECB) on the composite cost of borrowing for non-financial companies are used in this regard (Müller & Rumpf, 2024). Furthermore, net interest margins in Germany and the Netherlands are compared based on data from the 'Global Financial Development Database' by the World Bank (Federal Reserve Bank of St. Louis, n.d.-a; Federal Reserve Bank of St. Louis., n.d.-b). Net interest margins can indicate the banking sector efficiency of a country, whereby higher margins suggest less efficient banking systems (Bauerle Danzman, 2020).

Finally, to test *H3*, I conduct a comparative newspaper analysis. This analysis aims to evaluate the prominence of negative outcomes from Chinese takeovers in public discourse by examining Chinese acquisitions and their media coverage in Germany and the Netherlands.

The selection of German and Dutch newspapers attempts to be a representative sample of the respective media landscape. In the frame of the comparative newspaper analysis, the number of newspapers per country is limited to three. It is aimed to include the two most prominent quality newspapers as well as the largest business newspaper of each country, as these may cover Chinese FDI in more detail. To do so, the latest available statistics on the circulation of newspapers is considered. For Germany, data from the second quarter of 2024 reveals that Frankfurter Allgemeine Zeitung (FAZ) and Süddeutsche Zeitung (SZ) are the most-read quality daily newspapers in Germany, and Handelsblatt (HB) is the most circulated business newspaper (Statista, 2024). For the Netherlands, detailed circulation numbers were last published in 2017, showing that De Volkskrant (VK) and NRC are the most prominent quality newspapers in the Netherlands, and Het Financieele Dagblad (FD) is the business newspaper with the highest readership (Commissariaat voor de Media, n.d.). The comparative newspaper analysis therefore includes the following newspapers for Germany: FAZ, SZ and HB, and for the Netherlands: VK, NRC and FD.

Furthermore, to focus the comparative newspaper analysis on significant Chinese takeovers, only the largest acquisitions by transaction value are selected. However, public data on individual acquisitions is limited, as transaction values are often undisclosed. The most recent available data is from a report by the ETNC, which ensures comparability between Germany and the Netherlands since it originates from the same source (Huotari, 2017; Van der Putten, 2017). Tables 1 and 2 present an overview of the eleven major Chinese takeovers in Germany and the Netherlands that are included in the analysis.

Table 1: Major Chinese Takeovers – Germany (adapted from: Huotari, 2017, p. 63)

Target	**Acquiring Entity**	**Year**	**Approximate Value (EUR millions)**
KUKA	Midea	2016	4,660
EEW Energy from Waste	Beijing Enterprises	2016	1,440
BGP	CIC	2016	1,100
ZF Friedrichshafen	Luxshare	2017	1,000

KraussMaffei	ChemChina, Guoxin International Investment, AGIC Capital	2016	925
Kion	Weichai Power	2012/13	738[1]
Linde Hydraulics	Weichai Power	2012/13	738[2]
BCP Meerwind Luxembourg	China Three Gorges	2016	730
Bosch Starter and Generator Business	Zhengzhou CMM Group, Renaissance Capital	2017	545
Medion	Lenovo	2011	530
OSRAM Ledvance	MLS, Yiwu, IDG	2017	500

Table 2: Major Chinese Takeovers – Netherlands (adapted from: Van der Putten, 2017, p. 96)

Target	**Acquiring Entity**	**Year**	**Approximate Value (EUR millions)**
NXP Standard Products division	JAC Capital, Wise Road Capital	2017	2,450
Nidera	COFCO	2014	2,050
NXP RF-Power division	JAC Capital	2015	1,600
Reaal	Anbang	2015	702
Royal Nedscroef Holding	Shanghai Electric	2014	325
DSM Anti-Infectives	Sinochem	2011	210
Inalfa Roof Systems Group	BAIC	2011	190
TP Vision Holding	CEC	2014	180
Vesta Terminals	Sinopec	2013	129
Tanatex Chemicals Group	Transfar	2016	100
Burg Industries	CIMC	2007	108

Articles are searched on the respective newspapers' websites and online archives[3]. To identify relevant articles, company names are used as search terms. In some cases, it needs to be considered that firms were renamed following the acquisition. As such, Bosch Starter and Generator Business became SEG Automotive (SEG Automotive, 2018), NXP Standard Products division was renamed Nexperia (NXP Semiconductors, 2017), NXP RF-Power division was rebranded as Ampleon (Compound Semiconductor, 2015), Reaal became Vivat (ANP, 2014) and DSM Anti-Infectives was renamed DSM Sinochem Pharmaceuticals Limited

[1] Combined with Linde Hydraulics.
[2] Combined with Kion.
[3] FAZ: https://fazarchiv.faz.net/faz-portal/faz-archiv/; SZ: https://www.sueddeutsche.de/suche?search=; HB: https://www.handelsblatt.com/suche/; VK: https://www.volkskrant.nl/zoeken/; NRC: https://www.nrc.nl/search/; FD: https://fd.nl/search?

(DSM, 2011). Whilst all available articles are considered, they are not taken into account if the takeover, company or Chinese FDI in general is only mentioned in passing or is not the main content of the article. Also, in cases whereby a company was later taken over by another (non-Chinese) investor, only articles up to that point are included in the comparative newspaper analysis. Moreover, articles mentioning several acquisitions are included only once. This approach aims to ensure that the analysis accurately captures public discourses around Chinese takeovers in Germany and the Netherlands.

The articles are examined through a quantitative content analysis, for which the articles are systematically categorised based on their content. Table 3 provides an overview of the created variables and categories. They were defined to test *H3* and are based on the theoretical expectations of my explanation. Additionally, the underlying explanation of *H2* concerning governments and strategic considerations may influence public opinion: Concerns regarding economic sovereignty and national security could cause negative sentiment toward Chinese takeovers.

Table 3: Overview of Variables and Categories

Variable	**Definition**	**Categories**
Sentiment	Sentiment toward the takeover, company or Chinese FDI in general.	predominantly negative; mixed; indifferent; predominantly positive
Positive Outcome	Reports of positive outcome(s) for labour following the takeover, which may include job security or creation, market expansion and growth.	is mentioned; is not mentioned or not applicable
Negative Outcome	Reports of negative outcome(s) for labour following the takeover, which may include firm closure or relocation, job loss and reduced production.	is mentioned; is not mentioned or not applicable
Expected Positive Outcome	Positive outcome(s) for labour is expected following the acquisition, which may include job security or creation, market expansion and growth.	is mentioned; is not mentioned or not applicable
Expected Negative Outcome	Negative outcome(s) for labour is expected following the acquisition, which may include firm closure or relocation, job loss and reduced production.	is mentioned; is not mentioned or not applicable
National Security	Fears regarding national security in view of the takeover are raised, which may include data security, espionage and military implications.	is mentioned; is not mentioned or not applicable

Economic Sovereignty	Fear of losing economic sovereignty is raised, which may include foreign control over strategic sectors, economic dependence, technology transfer and loss of competitive advantages.	is mentioned; is not mentioned or not applicable

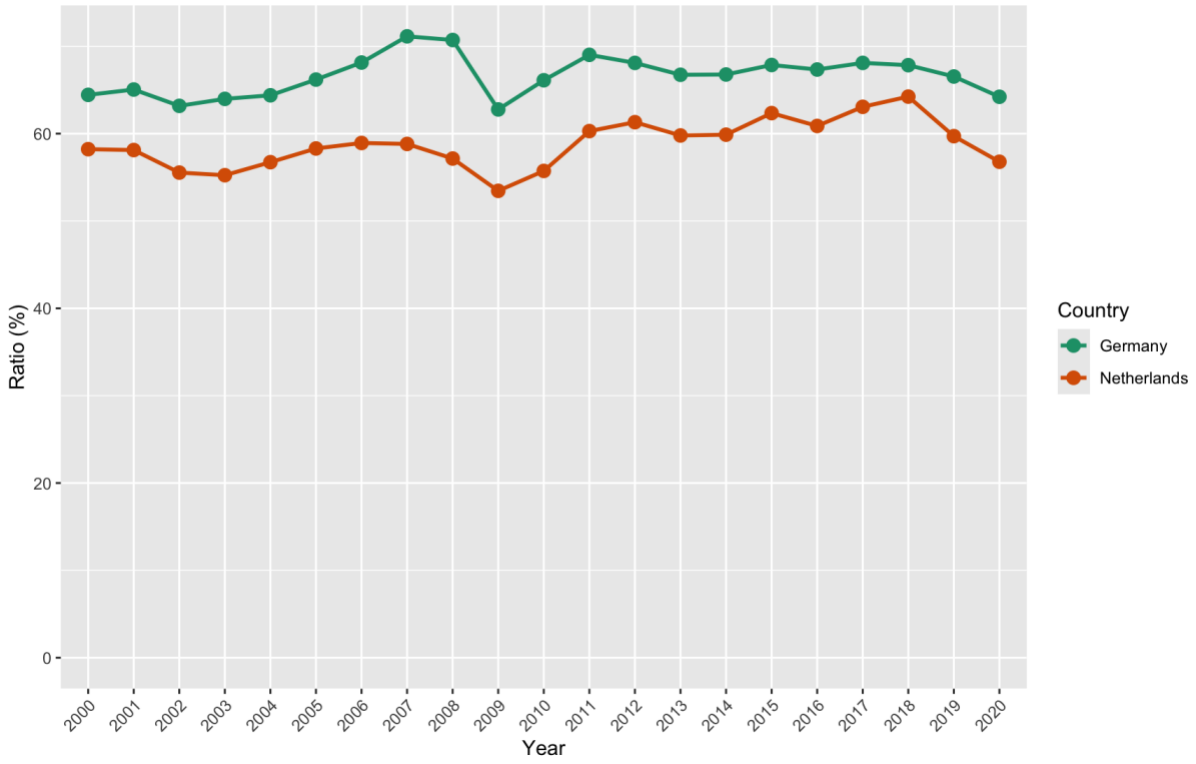
Appendix A presents summary information on the articles included in the comparative newspaper analysis. The final data set includes 844 unique articles in the period from 2006 to 2024. The data is used to assess differences between Germany and the Netherlands by analysing the frequency and distribution of themes and overall sentiment toward Chinese takeovers.

6 Empirical Results

6.1 Technological Level and Chinese FDI in Strategic Sectors

Figure 1 depicts high-tech production as a ratio to GDP in Germany and the Netherlands in the period from 2000 to 2020. It shows that the gross output of all high-tech goods and services produced is consistently higher in Germany in comparison to the Netherlands. The sharp decline in high-tech production in Germany from 2008 to 2009 is similar to the trend observed in the Netherlands. Overall, the substantially higher high-tech production of the German economy indicates that the country is more involved in the manufacturing or assembly of high-tech products. One can therefore assume that Germany has a higher technological level compared to the Netherlands.

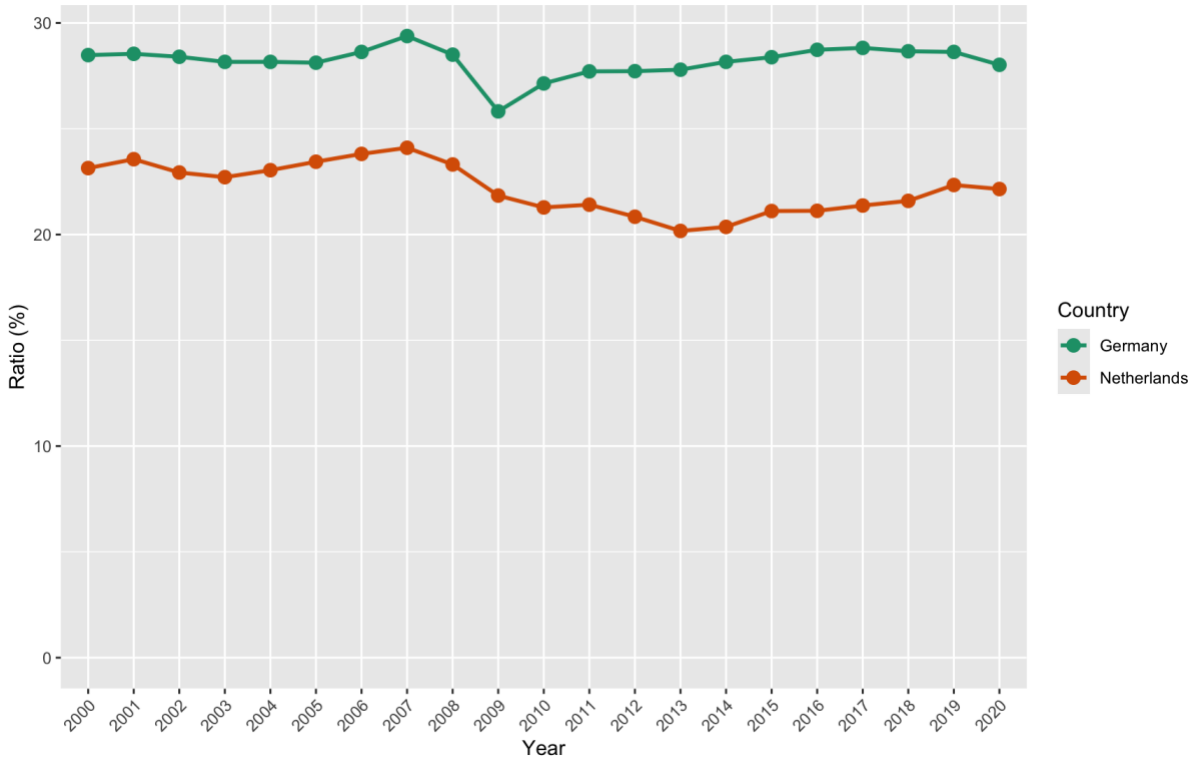
Figure 1: High-Tech Production (Ratio to GDP) – Germany and Netherlands



This is further confirmed by the data on high-tech value added as a ratio to GDP, presented in figure 2: The consistently greater value in Germany over the time frame from 2000 to 2020 shows that the net contribution of high-tech industries to the country's economy is higher. This

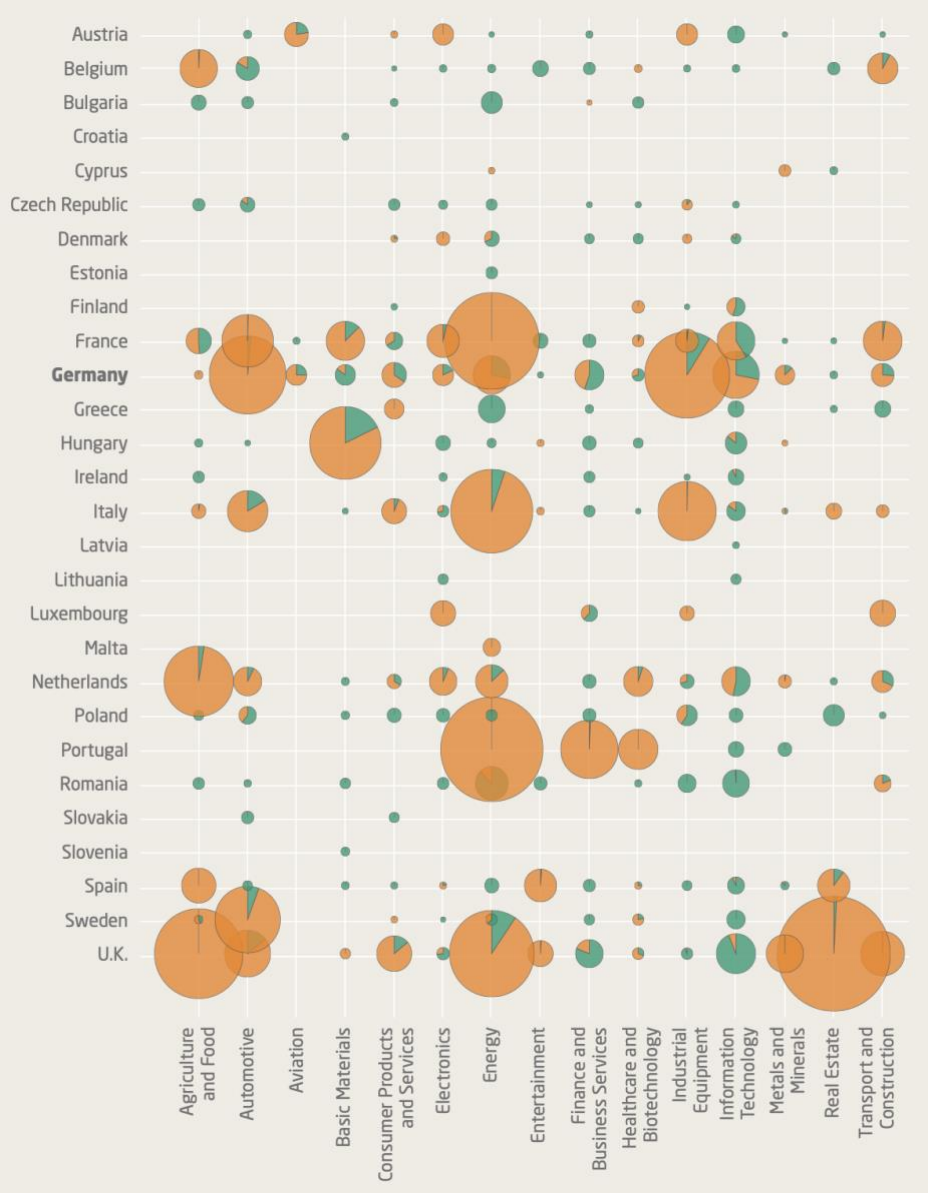
suggests that Germany contributes more significantly to the innovation and development aspects of high-tech products compared to the Netherlands.

Figure 2: High-Tech Value Added (Ratio to GDP) – Germany and Netherlands



Assessing the levels of Chinese FDI in strategic sectors in Germany and the Netherlands, early data shows substantial differences. Figure 3 depicts Chinese FDI across different industries by country accumulated from 2000 to 2014. It reveals that across European countries, Chinese investors target different sectors. In Germany, industrial equipment, automotive and information technology are the sectors that attract most Chinese investments. On the other hand, Chinese FDI in the Netherlands is concentrated on the agricultural sector. Following the classification of sectors as strategic or non-strategic by Tran (2022), of the afore-mentioned industries, information technology and industrial equipment can be considered as strategic sectors. In comparison to the Netherlands, Germany is therefore shown to have significantly higher levels of Chinese FDI in strategic sectors, at least until 2014.

Figure 3: Chinese Cumulative FDI (2000 to 2014), by Country and Industry (Hanemann & Huotari, 2015, p 20)
Notes: Bubble size indicates investment value, with orange representing the share of acquisitions and green representing greenfield investments.



Later reports paint a different picture: Chinese investments in the Netherlands increase in strategic sectors, such as high-tech industries and ICT. Significant investments in the high-tech sector include the acquisition of NXP Semiconductors' divisions by Chinese firms in 2015 and 2017. Similarly, other sectors such as ICT have attracted increasing Chinese FDI (Van der Putten, 2017).

This is also reflected in the Chinese cumulative FDI by industry in the Netherlands from 2000 to 2016, depicted in table 4: When compared to the figures from 2000 to 2014, the data

extending to 2016 reveals a substantial increase in certain sectors, most notably in the ICT industry, a strategic sector according to Tran (2022).

Table 4: Chinese Cumulative FDI (2000 to 2016), by Industry – Netherlands (adapted from: Van der Putten, 2017, p. 98)

Industry	**Chinese Cumulative FDI (EUR millions)**
ICT	1,901
Agriculture and Food	1,568
Financial and Business Services	686
Energy	313
Health and Biotech	287
Automotive	216
Electronics	202
Transport, Utilities and Infrastructure	122
Basic Materials	108
Industrial Machinery and Equipment	93
Consumer Products and Services	39
Real Estate and Hospitality	32
Metals and Minerals	30
Aviation	2

The empirical data provides evidence supporting *H1*. As expected by this explanation, Germany has higher technological levels compared to the Netherlands. Furthermore, at least initially, Germany had higher levels of Chinese FDI in strategic sectors. Only after 2014, the Netherlands also experienced substantial Chinese investments in strategic industries. Consistent with the expectations of *H1* and supported by these findings, Germany is more likely to implement investment screening than the Netherlands. This explanation is therefore convincingly able to explain why Germany introduced FDI screening early on and has continuously strengthened it, whereas the Netherlands has been more hesitant, only later implementing a more limited investment screening mechanism.

6.2 Access to Credit for Businesses

Figures 4 and 5 show the composite cost of borrowing for non-financial firms from 2002 to 2024 in Germany and the Netherlands, respectively. Germany is mostly at or above the average level in the Euro area, with the exception of a short period between 2011 and 2014. In contrast, for the Netherlands, the number is consistently lower than the average of the Euro area, revealing that interest rates are lower. Therefore, comparing the two countries, the Netherlands is shown to have better access to credit for businesses than Germany.

Figure 4: Composite Cost of Borrowing for Non-Financial Companies – Germany (Müller & Rumpf, 2024)

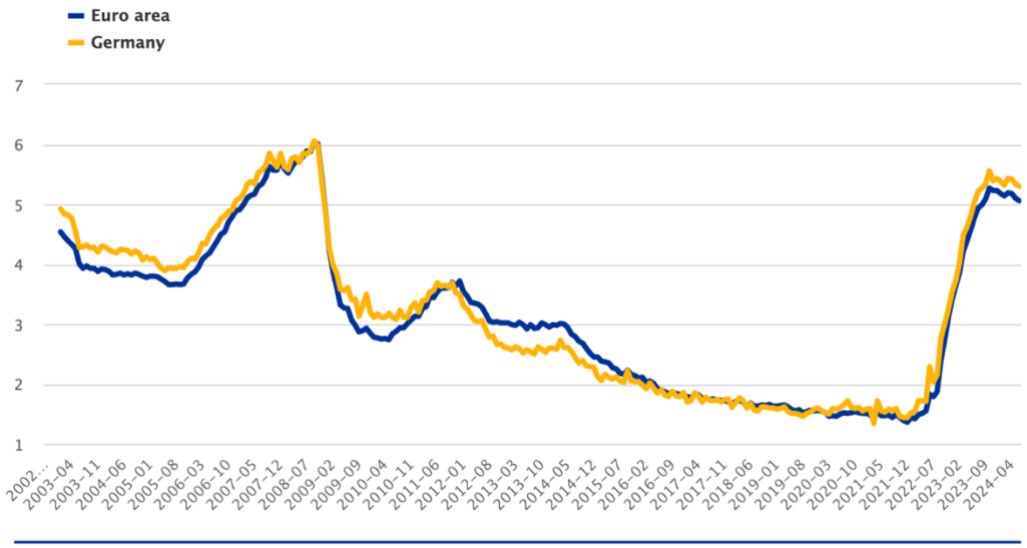
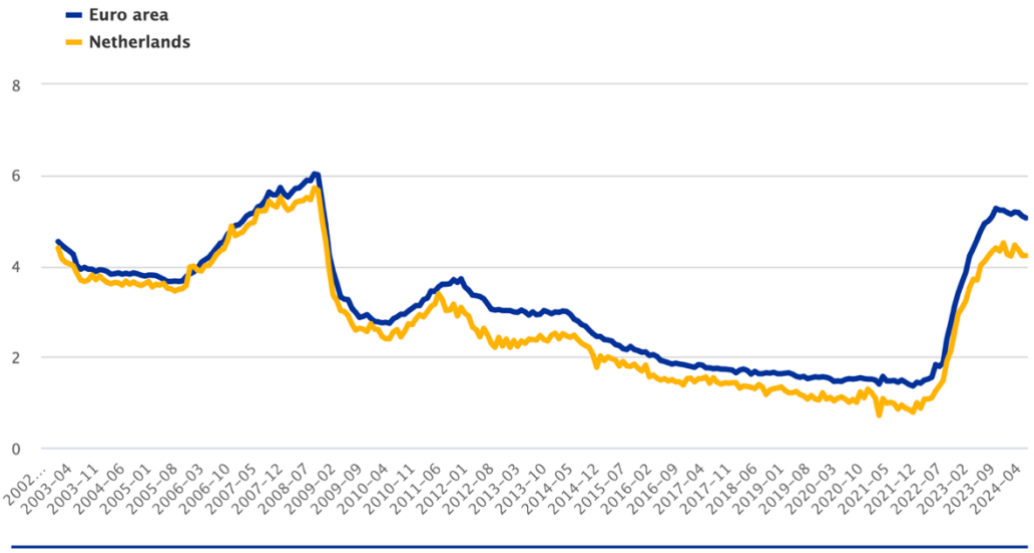


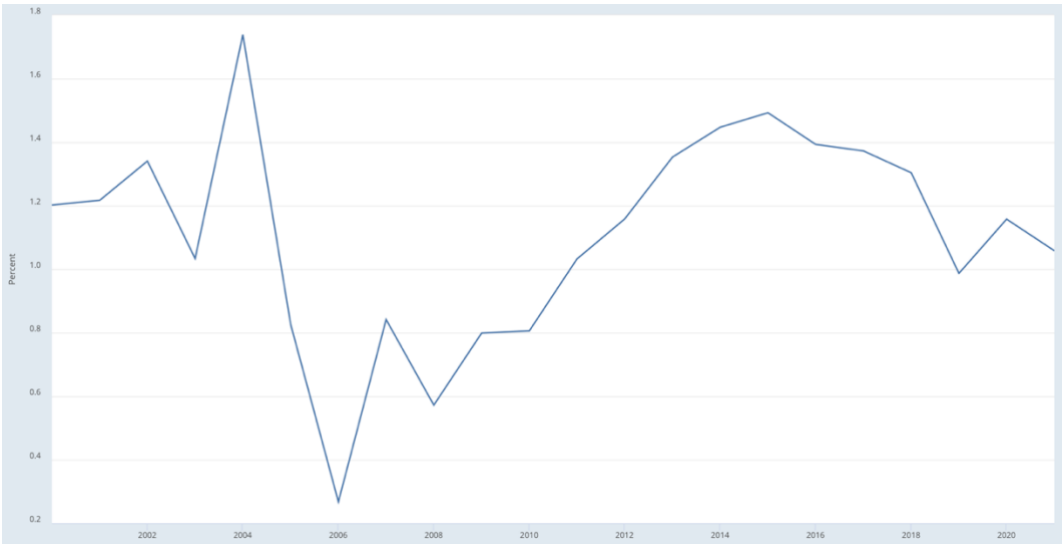
Figure 5: Composite Cost of Borrowing for Non-Financial Companies – Netherlands (Müller & Rumpf, 2024)



Net interest margins in Germany and the Netherlands from 2000 to 2021 are depicted in figures 6 and 7. One can see that net interest margins in Germany have generally fluctuated between around 0.7% and 1.2% during this period. After a gradual decline from 2000, the margins reached a low point in 2015, followed by a moderate increase until 2021. On the other hand, net interest margins are more volatile in the Netherlands compared to Germany, spanning from approximately 0.3% to 1.7%. Starting in 2007, the margins continuously increased until 2016, after which they began to decline slightly over the following years. Overall, Germany has lower and more stable net interest margins, indicating a more efficient banking system in comparison to the Netherlands.

Figure 6: Net Interest Margins – Germany (Federal Reserve Bank of St. Louis, n.d.-a)

Figure 7: Net Interest Margins – Netherlands (Federal Reserve Bank of St. Louis., n.d.-b)

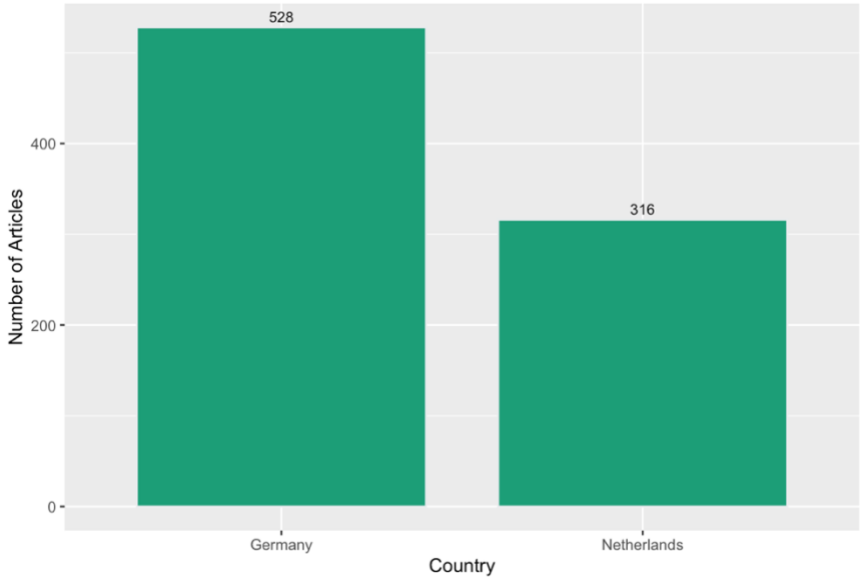


I therefore find no evidence in support of *H2*. The explanation would expect Germany to have easier access to credit for businesses compared to the Netherlands, as German firms would thus push for more restrictive FDI policies. Whilst the lower and more stable net interest margins in Germany suggest that the country has a more efficient banking system, the comparatively higher borrowing costs indicate more difficult access to credit in Germany. Consequently, the explanation underlying *H2* is, in fact, not able to explain why the Netherlands has been more hesitant to introduce investment screening compared to Germany.

6.3 Negative Outcomes from Chinese Takeovers and Public Discourse

Figure 8 depicts the distribution of articles by country analysed in the comparative newspaper analysis. It indicates that the number of articles covering major Chinese takeovers in Germany is substantially higher than the respective number in the Netherlands. In total, 528 articles are from German newspapers whilst 316 are from Dutch newspapers. This suggests that Chinese takeovers are more widely discussed in Germany compared to the Netherlands.

Figure 8: Number of Articles on Major Chinese Takeovers – Germany and Netherlands



The distribution of the variable 'sentiment' per country, indicating the sentiment toward Chinese takeovers as reported in newspapers from Germany and the Netherlands, is shown in figure 9. It reveals that negative sentiment is significantly more prevalent in German newspapers compared to Dutch newspapers: Nearly half of the German articles express a predominantly negative sentiment toward Chinese takeovers. In contrast, this sentiment is only

present in about one third of the articles from the Netherlands. Whilst predominantly positive and mixed sentiment is similarly represented between the two countries, indifferent (or neutral) sentiment is significantly more prevalent in the Netherlands. Overall, this suggests that Chinese FDI is viewed substantially more negatively in Germany compared to the Netherlands.

Figure 9: Sentiment – Germany and Netherlands

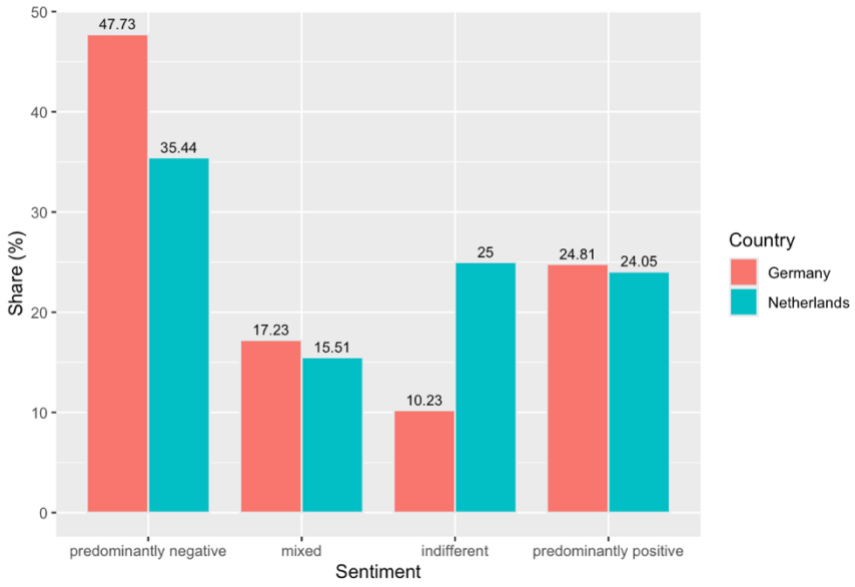
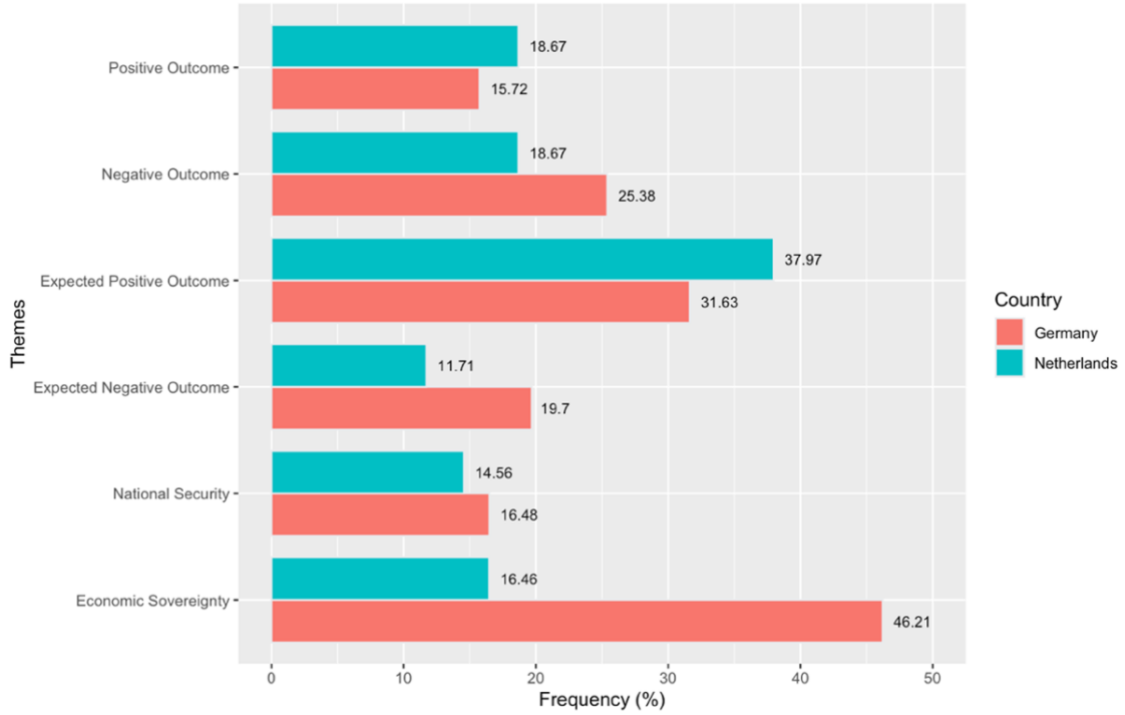


Figure 10 depicts the frequency of themes per country. Appendix B presents the distribution of themes in more detail, including bar charts and contingency tables for each theme. The figure below shows that certain themes are more prevalent in German newspapers compared to Dutch newspapers. With around 46%, the majority of German newspaper articles covering major Chinese takeovers mention the issue of economic sovereignty. On the other hand, expected positive outcome is the most mentioned theme in Dutch newspaper articles at approximately 38%.

Figure 10: Frequency of Themes – Germany and Netherlands



The data shows that the coverage of both actual and expected negative outcomes from Chinese takeovers differs between Germany and the Netherlands. German newspapers mention negative outcomes, at around 25%, and expected negative outcomes, at approximately 20%, more frequently than Dutch newspapers, with values at 19% and 12%, respectively. Negative outcomes are therefore more present in German media, which could contribute to a more sceptical public opinion towards Chinese investments.

Additionally, positive outcomes and expected positive outcomes are mentioned more frequently in Dutch newspapers compared to German newspapers, confirming that German media tends to report more negatively on the consequences of Chinese investments. Dutch newspapers highlight potential benefits more, while German coverage is less optimistic. This difference further supports the suggestion that outcomes from Chinese takeovers are portrayed more negatively in Germany than in the Netherlands.

Whilst concerns over national security are at relatively low and similar levels in Germany and the Netherlands, there are substantial differences regarding economic sovereignty. Concerns in this regard, such as fears of foreign control over strategic sectors, technology transfer and loss of competitive advantages, are raised significantly more in German media, at approximately

46%, than in Dutch media, at only around 16%. The significant disparity shows that German newspapers place a much stronger emphasis on issues related to economic sovereignty compared to Dutch newspapers.

Overall, the presented empirical data provides some evidence supporting *H3* and adds to *H1*. The comparative newspaper analysis reveals that negative outcomes from Chinese takeovers, such as firm closure, job loss and reduced production, are more prominent in public discourse in Germany compared to the Netherlands. This may have led to a public opinion favouring investment screening in Germany, contrary to the Netherlands. As such, the data also shows that Chinese investments are more widely and significantly more negatively discussed in Germany. This may explain the early introduction and continuous strengthening of investment screening in Germany whilst the Netherlands only introduced a comparatively limited investment screening mechanism later.

However, concerns over economic sovereignty are mentioned in more articles compared to expected and actual negative outcomes. This suggests that concerns over economic sovereignty may have a stronger impact on negative public discourse in Germany than negative outcomes from Chinese takeovers. Therefore, the comparative newspaper analysis further supports *H1*, which emphasises the intention of protecting strategic sectors as a driver for support of FDI screening.

7 Conclusion

This thesis aimed to explore the drivers of European policy responses regarding Chinese FDI to find why some European countries, such as the Netherlands, have been more hesitant to introduce investment screening compared to others, including Germany. To evaluate why the countries' policy responses differ, two existing explanations, which focus on the role of governments and strategic considerations, and large firms and their market dominance, were empirically tested. Moreover, I conducted a comparative newspaper analysis to explore the role of labour and public opinion, suggesting that negative outcomes for labour from Chinese takeovers, such as firm closures or relocations, reduced production and job losses, lead to countries implementing investment screening.

Among the three hypotheses tested, the explanation emphasising governments and strategic considerations (*H1*) is the most convincing. The thesis thus confirms existing research. Additionally, the thesis reveals that public discourse matters: Negative sentiment toward Chinese investments leads to politicians introducing or supporting the implementation of restrictive FDI policies. I therefore find that Germany's higher technological level and significant Chinese FDI in strategic sectors, combined with strong public concerns over economic sovereignty, have driven the country's early introduction and continuous strengthening of FDI screening. In contrast, the Netherlands' initially lower levels of Chinese FDI in strategic sectors and more positive public sentiment towards Chinese investments led to a later and more limited approach to investment screening.

The findings contribute to the understanding of the differences in European policy responses regarding Chinese FDI. By integrating the role of public opinion, the thesis provides insights into the factors that influence FDI policy. However, the study has several limitations. The focus on only two countries, Germany and the Netherlands, means that the generalisability of the findings is rather low. Additionally, including a larger sample of media outlets and acquisitions may increase the validity of the comparative newspaper analysis. Further research should take policy responses regarding Chinese FDI in other European countries into consideration as well as different methods.

Based on the findings that strategic considerations of governments and concerns over economic sovereignty drive national preferences for investment screening, several policy recommendations can be made, in particular on the European level: The EU should establish a centralized screening authority to address the current fragmented approach, and the EU-wide FDI screening framework should be expanded by scope to include sectors such as critical technologies. This can ensure that all investments from non-EU countries with potential impacts on EU-wide competitiveness and economic sovereignty can be uniformly scrutinised. Moreover, to strengthen its technological edge, the EU should enhance investments in strategic technologies, such as green energy and artificial intelligence, by increasing funding for R&D to reduce dependency on foreign investments.

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Appendix A: Summary of Article Data

Table 5: Number of Articles per Acquisition – Germany

Acquisition	Number of Articles
KUKA	338
Kion	76
KraussMaffei	57
OSRAM Ledvance	49
EEW Energy from Waste	30
Medion	8
Bosch Starter and Generator Business [renamed to SEG Automotive]	7
Linde Hydraulics	5
BGP	3
BCP Meerwind Luxembourg	3
ZF Friedrichshafen	2

Table 6: Number of Articles per Acquisition – Netherlands

Acquisition	Number of Articles
Reaal [renamed to Vivat]	116
NXP Standard Products division [renamed to Nexperia]	59
Nidera	45
Inalfa Roof Systems	43
DSM Anti-Infectives [renamed to DSM Sinochem Pharmaceuticals Limited]	22
Burg Industries	17
NXP RF-Power division [renamed to Ampleon]	15
TP Vision	12
Royal Nedschroef	10
Vesta Terminals	0
Tanatex Chemicals	0

Table 7: Number of Articles per Newspaper – Germany

Newspaper	Number of Articles
SZ	302
FAZ	118
HB	108

Table 8: Number of Articles per Newspaper – Netherlands

Newspaper	Number of Articles
FD	201
NRC	64
VK	51

Table 9: Number of Articles per Year – Germany

Year	Number of Articles
2011	5
2012	4
2013	7
2014	5
2015	5
2016	160
2017	81
2018	86
2019	51
2020	55
2021	20
2022	19
2023	26
2024	4

Table 10: Number of Articles per Year – Netherlands

Year	Number of Articles
2006	8
2007	1
2009	3
2010	6
2011	20
2012	15
2013	4
2014	18
2015	55
2016	40
2017	24

2018	39
2019	25
2020	5
2021	12
2022	22
2023	14
2024	5

Appendix B: Distribution of Themes

Figure 11: Positive Outcome – Germany and Netherlands

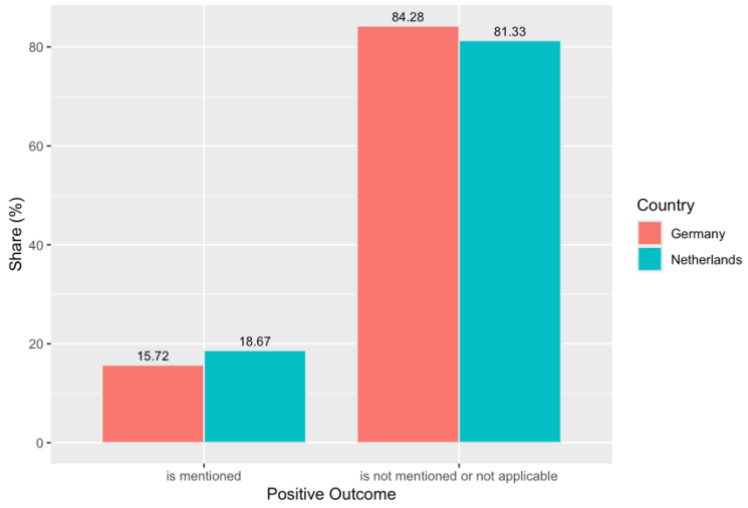

Table 11: Contingency Table – Positive Outcome

Positive Outcome	Germany	Netherlands	Sum
is mentioned	83 (15.72%)	59 (18.67%)	142 (17.2%)
is not mentioned or not applicable	445 (84.28%)	257 (81.33%)	702 (82.81%)
Sum	528 (100%)	316 (100%)	844 (100%)

Figure 12: Negative Outcome – Germany and Netherlands

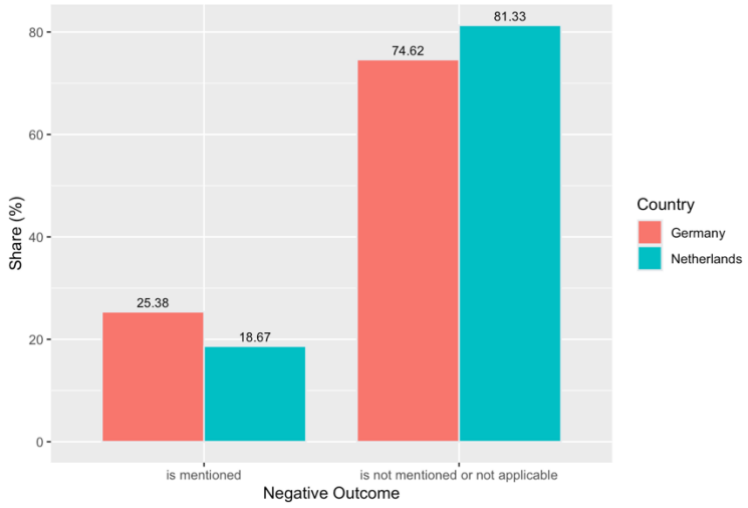

Table 12: Contingency Table – Negative Outcome

Negative Outcome	Germany	Netherlands	Sum
is mentioned	134 (25.38%)	59 (18.67%)	193 (22.02%)
is not mentioned or not applicable	394 (74.62%)	257 (81.33%)	651 (77.97%)
Sum	528 (100%)	316 (100%)	844 (100%)

Figure 13: Expected Positive Outcome – Germany and Netherlands

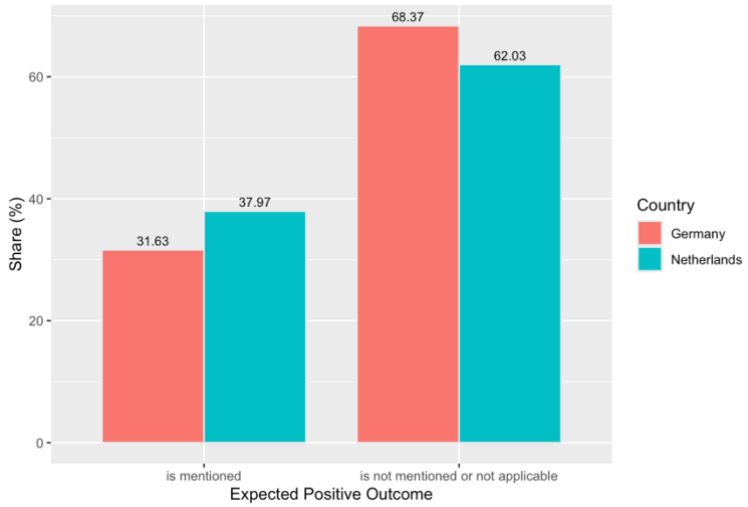

Table 13: Contingency Table – Expected Positive Outcome

Expected Positive Outcome	Germany	Netherlands	Sum
is mentioned	167 (31.63%)	120 (37.97%)	287 (34.8%)
is not mentioned or not applicable	361 (68.37%)	196 (62.03%)	557 (65.2%)
Sum	528 (100%)	316 (100%)	844 (100%)

Figure 14: Expected Negative Outcome – Germany and Netherlands

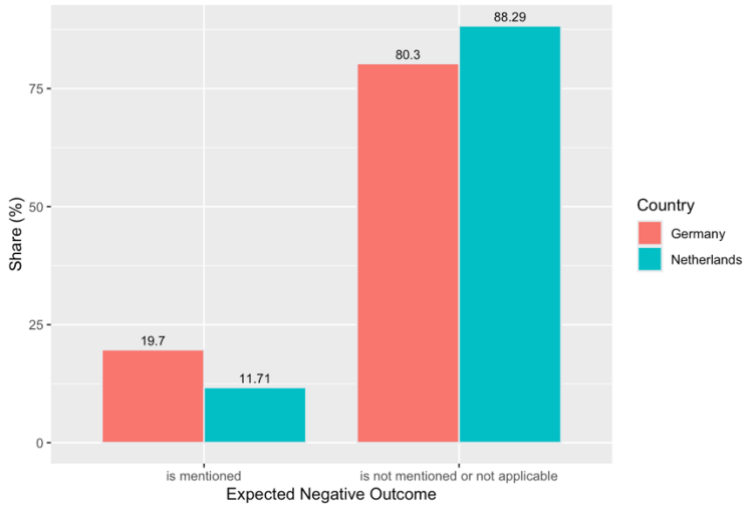

Table 14: Contingency Table – Expected Negative Outcome

Expected Negative Outcome	Germany	Netherlands	Sum
is mentioned	104 (19.7%)	37 (11.71%)	141 (15.7%)
is not mentioned or not applicable	424 (80.3%)	279 (88.29%)	703 (84.3%)
Sum	528 (100%)	316 (100%)	844 (100%)

Figure 15: National Security – Germany and Netherlands

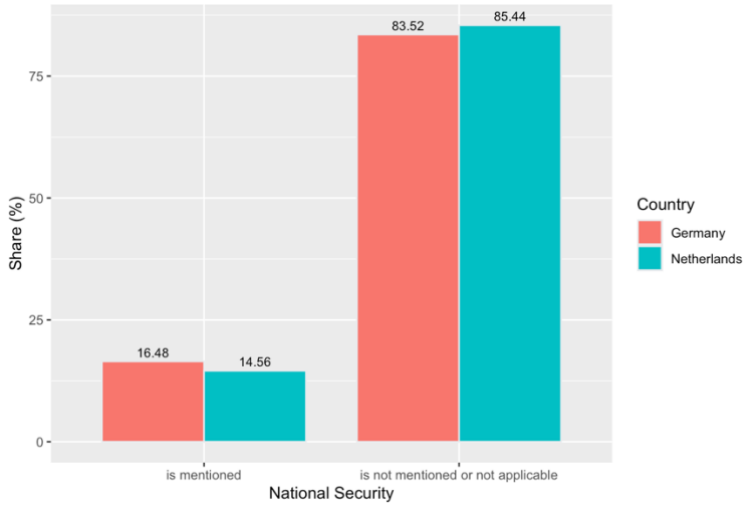

Table 15: Contingency Table – National Security

National Security	Germany	Netherlands	Sum
is mentioned	87 (16.48%)	46 (14.56%)	133 (15.52%)
is not mentioned or not applicable	441 (83.52%)	270 (85.44%)	711 (84.48%)
Sum	528 (100%)	316 (100%)	844 (100%)

Figure 16: Economic Sovereignty – Germany and Netherlands

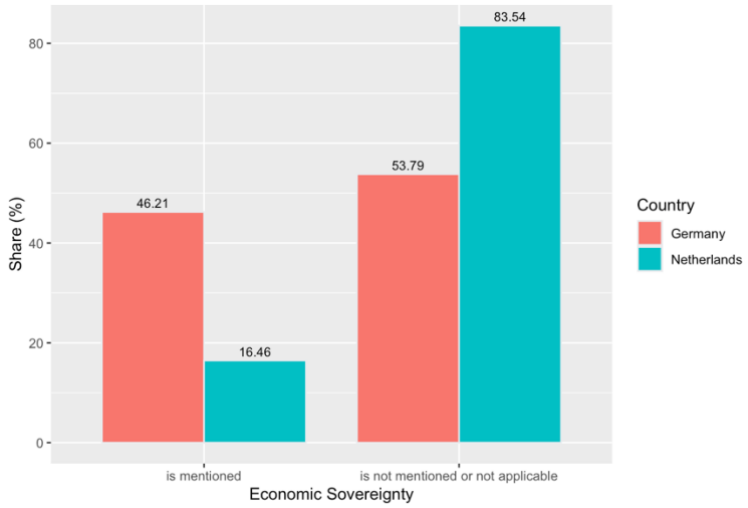

Table 16: Contingency Table – Economic Sovereignty

Economic Sovereignty	Germany	Netherlands	Sum
is mentioned	244 (46.21%)	52 (16.46%)	296 (31.34%)
is not mentioned or not applicable	284 (53.79%)	264 (83.54%)	548 (68.67%)
Sum	528 (100%)	316 (100%)	844 (100%)

Acknowledgment

I would like to express my sincere gratitude to my supervisor, Univ.-Prof. Jonas Bunte, Ph.D., Professor at the Vienna University of Economics and Business and Head of the Institute for International Political Economy. I greatly appreciate your valuable guidance, feedback and continued support during the process of writing this thesis.

I am also extremely grateful to my family and would like to take this opportunity to thank my mother, Silke, my father, François, and my sister, Valentina. Thank you for your encouragement, support and belief in me throughout my academic journey.