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## The Missing Link Between Investments and General Foreign Policy: European Discourse Towards China - The Cases of Germany and Hungary<sup>1</sup>

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### Abstract

The aim of the present effort is to connect investment with general foreign policy. That is achieved through a qualitative analysis of the perceptions of Germany and Hungary towards China with special emphasis on the case studies of the Merger and Acquisition of Kuka and the announcement of Huawei's expansion of activities respectively. The findings show that there does indeed exist a link but continuity is too strong to greatly change general foreign policy. What does change however is the mixture of the aspects that lead to the same result. This brief closes by attempting to learn from the reactions of Germany and Hungary towards China and to make some suggestions on how Greece should act vis-à-vis China so as to become more important as an actor in the international system.

**Keywords:** Foreign Investments; Foreign Policy; Discourse Analysis; Germany; Hungary; China

### Introduction

In an interconnected international system investments are a vital economic stimulus for states. Nevertheless, what is difficult to consider is at which point they become instrument of general foreign policy (encompassing all aspects of external policy and not only economic ones). This paper seeks to address that exact question by exploring the response of Germany and Hungary to Chinese foreign investments so as to discover whether investments impact their perceptions of China and how that in turn influences their own foreign policy towards it.

This subject is highly interesting as it studies investments with general foreign policy and seeks to establish a link between them. The literature traditionally seems to consider those two fields individually (Bian and Emons, 2017; Emons, 2015; Erber, 2013; Löchel & Sächtig, 2019; Szunomár, Völgyi & Matura, 2014; Mcaleb & Szunomár, 2017), with few analyses pondering a connection between them- and even in those cases this link is usually seen as a matter of secondary importance (Donges et al. 2008; Löchel & Sächtig, 2019; Bickenbach & Liu 2018). Nevertheless, the distinct images that many researchers (Löchel & Sächtig, 2019; Hanemann & Huotari, 2018; Vaccarini, Nippa & Spigarelli, 2021; Bollhorn, 2015) portray are important as when they are synthesized, they

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provide a solid understanding of the logic behind investments and of the decision-making process related to the formation economic foreign policy.

The first section includes a description of the methodology and a presentation of the compiled and utilised data on the respective states' position on China. In the second section an analysis of the data reinforced by the literature is provided. Finally, the third section includes a set of conclusions as well as an attempt to present some policy proposals adapted to the realities of Greece.

## **Methodology**

The present effort will make use of constructivism, as it attempts to understand the perception of states regarding investments and the way it shapes foreign policy as a whole. For that purpose, Discourse Theory and more specifically, the theoretical conception of signifier (multiple ideas attached to a concept) and signified (a concept on which multiple perspectives may be attached) as described by Laclau and Mouffe (1985) is utilized.

Apart from that analytical tool, it is also pertinent to describe the methods that were used. Firstly, a multiple case study including two contrasting cases was chosen so as to discover how different circumstances produce different responses to external stimuli. Germany was chosen for its economic strength, a factor which was initially considered as relevant in the considerations of foreign policy. Moreover, 2016 was chosen as it was a year in which the international environment was fairly stable, so as to eliminate white noise and also as it is the year with the most significant Chinese investments (Hanemann & Huotari 2018). On that matter, the acquisition of German Tech giant Kuka by the Chinese company called Midea deserves special attention as a key event that greatly shaped the perceptions of Germany towards Chinese investments. At the same time, Hungary was picked with the assumption that since it does not have sufficient economic power, it seems to prioritise amassing wealth over capital restrictions. In addition to that, 2011 was chosen as it was the year when Huawei announced the expansion of its activities in the country that would make it the second largest supply centre of the company worldwide (Herd & Adamowicz, 2020).

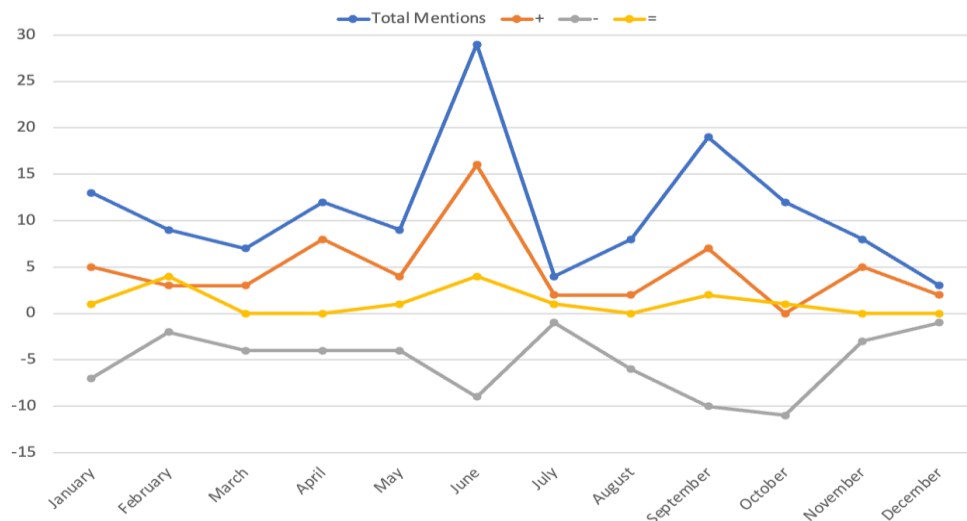
In order to gather the perceptions of Germany and Hungary their government websites were scoured for publications mentioning China for the duration of one year (2016 and 2011 respectively). The result was x and y articles. These in turn usually included more than one mention and so the final number of the mentions was x for Germany and y for Hungary. The next step was the classification. Through a process of codification and cross-codification the mentions were divided into 12 categories corresponding to the month they were made and they were also classified as either positive, negative or neutral. The results were quantified in the figures of the present effort (see Figure 1 and 2). Apart

from the quantification, so as to better understand the topic, it is important to regard them from a qualitative perspective as well.

### Analysis

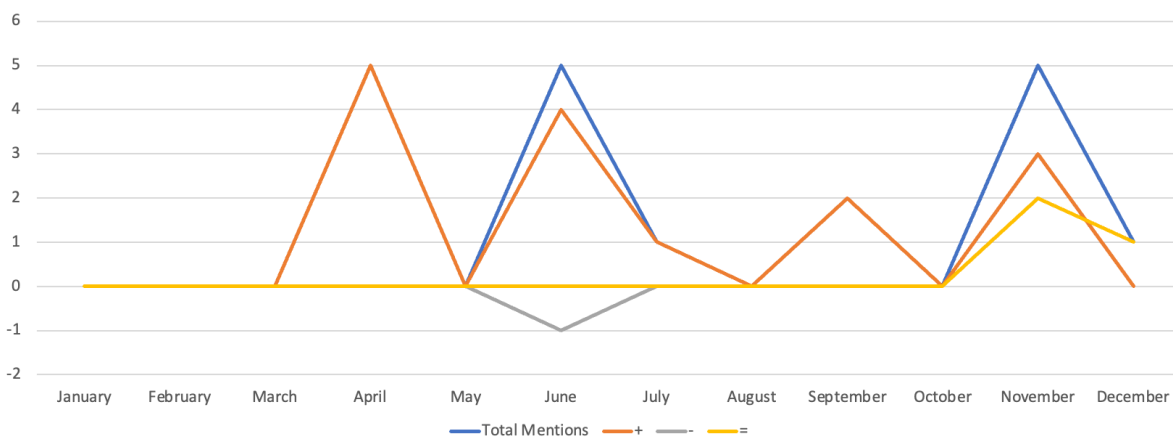
The aforementioned data when processed yielded a set of interesting results. Firstly, a number of statements pointed to the fact that, at least in the case of Germany, foreign policy is the product of the struggle with bureaucracy, as at times some actions and words seemed to contradict others. For example, Minister Sigmar Gabriel sought counter offers to the acquisition of Kuka (Federal Government of Germany, 2016a) while the stance of the Federal Office was that the matter was strictly entrepreneurial and that the Federal Government would not interfere (Federal Government of Germany, 2016a; 2016b; 2016c). Apart from that, it became clear that Germany’s position progressively evolved. The main concern of Germany throughout 2016 was reciprocity as regards regulations for investing in China (Federal Government of Germany, 2016d). Seeing that its vocally expressed wishes were not fulfilled (Federal Government of Germany, 2016e) and that at the same time China took advantage of the unregulated investment environment in Germany, with the acquisition of Kuka as a turning point, the latter moved to a regulation of investments, with closer scrutiny of future acquisitions by foreign companies and of investments in general (Bickenbach & Liu, 2018; Donges et al., 2008), and it also set the matter on the agenda at a European level (Bickenbach & Liu, 2018). Finally, this stricter Germany was more critical on China on a number of matters which previously were only mentioned as secondary (Federal Government of Germany, 2016f; 2016g). Nevertheless, the continuity of the German political system gradually rebalanced the state’s foreign policy and the end of 2016 found Germany cooperating with China in the context of G20 (Federal Government of Germany 2016f).

**Figure 1: Germany’s mentions of China-2016**



Hungary is also an interesting example, as Huawei’s announcement that it would increase its presence in the country only served to reinforce the positivity of Hungary (Éltető & Szunomár, 2016; Government, 2011; Ministry of National Development, 2011a; 2011b; 2011c; 2011d; 2011e; Ministry of Public Administration and Justice, 2011). Since Hungary did not have that many mentions, it is necessary to supplement them with the views of the literature. Namely, prominent figures on the matter attest to the fact that despite claims pointing to the importance of Chinese investments there have been many plans that have never been implemented (Éltető & Szunomár 2016; Szunomár, Völgyi & Matura, 2014). Moreover, according to the same authors, both sides have misconceptions about each other as Hungary would choose the EU funds if it had to choose between the European Union and China and the contribution of Chinese investments does not seem to be significant (Szunomár, Völgyi & Matura, 2014).

**Figure 2: Hungary’s mentions of China-2011**



## Conclusions

From the above, a multitude of foreign policy responses to investments is visible, ranging from regulation and less cordial relations (gradually stabilizing) to a more than welcoming approach. Germany and Hungary, each with their own realities as regards their clout in the international system, made different assessments and acted in a manner that would promote cooperation while not harming the interests of the factions they represent. In Germany those interests were often conflicting but in the end the status quo prevailed, however the negativity towards China did not just disappear. At the same time, Hungary was a different case as the objective of amassing wealth was common, clear and stable from the beginning and any moves were only in its service. In both cases, there seems to be a clear connection between foreign policy in general and investments. This is congruent with the fact that the latter, in the cases examined, were connected with political issues, influenced agenda setting

and elicited different threat perceptions that manifested into specific foreign policy decisions and attitudes.

Noting this finding, this effort will close with some recommendations for the case of Greece. The latter needs to make the best of both worlds. In other words, it needs to have more long-term planning, like Germany, through the organization of bipartisan parliamentary committees pledging to draft and follow strategies lasting more than five years. However, at the same time, it should diversify its mix of alliances, mimicking Hungary in regarding the gains and limits of cooperation, by testing the thresholds of lenience towards noncompliance. In the context of China, especially in a post economic crisis environment, Greece should be more assertive in the terms it sets for Chinese investments in state companies while also being realistic about the prospective benefits of such investments.

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