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**Master Thesis**

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**AALBORG UNIVERSITY**  
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# **German Protectionism Against Chinese Investments**

**Why has Germany Securitised Chinese Investments?**

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## **Abstract**

This thesis seeks to answer the question why Germany has securitised Chinese investments. By the application of Keohane's Neoliberal Institutionalism, the thesis examines shifts in the international economic order through the increase of Chinese engagement in international institutions and the growing influence of China within these, which has been perceived as threatening to Western-led international regimes, working as perpetuating power tools for Western economic superiority. The growing influence of China has been furthermore seen in the establishment of China-initiated institutions and international regimes, which form alternatives to the prevailing Western-led system. These threat perceptions are further applied to the securitisation theory, thereby outlining a perceived threat that Chinese investments could enhance China's position as an economic competitor, has sparked fierce debate about securitising industrial interests in Europe. Especially the correlation between the sectors Chinese acquisitions targeted in Germany and core sectors of the Made in China 2025 strategy have posed a fear sentiment on the German political sphere that know-how and innovation could fall into foreign hands. By examining prominent acquisitions of German high-tech firms through Chinese investors, the thesis outlines the development of the discourse on possible securitisation and implementing extraordinary measures that overstep the boundaries of normal politics and encounter the Western preached values of liberalism and open markets. Moreover, the analysis of the political, societal as well as economic discourse on the perception of a threat through increasing Chinese mergers and acquisitions in sectors deemed as indispensable to European future economic innovation, outlines how shifting perceptions of Chinese investments have fostered the protectionist sentiment. The thesis finds that while Chinese international influence is growing through its increasing engagement in international institutions and the creation of institutions and international regimes based on Chinese values and understandings is perceived as threatening to Western international regimes, the protectionist sentiment within Europe grew. The implementation of extraordinary means enabling the interference with Chinese acquisitions of European high-tech companies encounters the propagated values of open markets, liberalism and fair competition, thus constituting extraordinary measures outside the political normal and therefore outlining a securitisation move.

Keywords: China, Germany, European Union, Made in China 2025, Protectionism, Neoliberal Institutionalism, Securitisation Theory, Chinese Outward Foreign Direct Investments, KUKA, Aixtron

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**List of Abbreviations**

AIIB	Asia Infrastructure Investment Bank
AVW	German Foreign Trade and Payment Ordinance
BDI	Federation of German Industries
BRI	Belt and Road Initiative
BRICS	Brazil, Russia, India, China, South Africa
CFIUS	US Committee on Foreign Investments in the United States
COFDI	Chinese Outward Foreign Direct Investment
CSCT	Classic Security Complex Theory
EU	European Union
FDI	Foreign Direct Investment
FGC	Fujian Grand Chip Investment Fund LP
GCI	Grand Chip Investment GmbH
ICT	Information and Communication Technology
IMF	International Monetary Fund
KfW	Kreditanstalt für Wiederaufbau (Credit Institute for Reconstruction)
M&A	Mergers and Acquisition
MERICS	Mercator Institute for China Studies
MIC2025	Made in China 2025
NDB	New Development Bank
OFDI	Outward Foreign Direct Investment
R&D	Research and Development
SME	Small and Medium Sized Enterprises
UN	United Nations
WTO	World Trade Organisation

## 1 Introduction

Over the past decades, China's economy has grown and developed at an impressive pace leading towards its current status as one of the global major powers and international competitor in many, if not almost all, economic sectors. Chinese corporations like Alibaba and Tencent are able to compete with their Western counterparts Amazon and Facebook, and Chinese technology development has in certain aspects, for example Huawei's 5G technology, already achieved the stage of global competitiveness.<sup>1</sup>

While Chinese enterprises are constantly improving their global competitiveness in high-end production and developing cutting-edge technologies, albeit to the current moment only in certain sectors such as telecommunication technologies, the country's great strategies for industrial upgrading and innovation remains dependent on essential Western supplies in indispensable technologies for the high-tech industries, such as semiconductors.<sup>2</sup> As one strategy to acquire such technologies is through mergers and acquisitions (M&A) of innovative leaders in the respective field, Chinese investments in high-tech firms in the West increased rapidly, leaving Western countries worrying about their economic advantage and therefore increasingly protective against Chinese investments.<sup>3</sup>

Chinese investments in Europe increased and with that the protectiveness of several European states on specific core industries seen as relevant to security and public order such as critical infrastructure (physical and virtual infrastructure as well as relevant objects indispensable for the use of such infrastructure) or critical technology (artificial intelligence, semiconductors, energy storage, etc.) rose.<sup>4,5</sup> Germany has been targeted as a major recipient of high-level foreign direct investments (FDI) mainly in M&A transactions, whereas greenfield investments, meaning a FDI in which a corporation establishes a subsidiary or new facilities (production, sales, logistics) outside its

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<sup>1</sup> Joshi, Manoj (2019). China and Europe: Trade, Technology and Competition. In: *Observe Research Foundation Occasional Paper*, No. 194. P. 4.

<sup>2</sup> Holzmann, Anna; Zenglein, Max J. (2019). Evolving Made in China 2025: China's Industrial Policy in the Quest for Tech Leadership. In: *Merics Papers on China*, No. 8, July 2019. P. 25.

<sup>3</sup> Joshi 2019. Op cit. Pp. 4 – 6.

<sup>4</sup> Joshi Ibid.

<sup>5</sup> Hanemann, Thilo; Huotari, Mikko; Kratz, Agatha (2019). Chinese FDI in Europe: 2018 Trends and Impact of the New Screening Policies. In: *Merics Papers on China*, March 2019. Pp. 14 – 15.

base country,<sup>6</sup> remained relatively low.<sup>7</sup> While Chinese greenfield FDI are warmly welcomed by the receiving states, M&A are often troubling the governments, especially as many are concerned about the difficulty to distinguish Chinese government interests, subsidies and stakes in certain corporations.<sup>8</sup> Moreover, the acquisition of certain enterprises and thereof the inherited technologies in strategic economic sectors have led to the implementation of new laws and regulations in several European states, enabling the governments to actively engage in restrictions of such M&A and placing certain economic sectors and companies under the parachute of security. Germany, fearing a sell-out of its innovative power and thus a loss in its economic advantage, constituted a driving force behind EU screening mechanisms while also tightening its protective measures.<sup>9</sup> The acquisition of such enterprises as the German robotics manufacturer KUKA by the Chinese Midea Group or the bid on Aixtron, a German semiconductor manufacturing systems producer have, in combination with certain troublesome practices of Chinese corporations during M&As and the often blurry connection between these enterprises and the Chinese state, led to a certain mistrust Germany towards Chinese FDI.<sup>10</sup>

The rise in acquisitions of European companies by Chinese investors has led to a perception of a threat to the corporative landscape in many European countries. German newspapers for example titled “China’s shopping list on its way to innovation leadership – sellout of German industrial technology?”<sup>11</sup> or “How China is buying up the German corporative landscape.”<sup>12</sup> These headlines provide an insight to the sentiment

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<sup>6</sup> Corporate Finance Institute (2020). Greenfield Investment. <<https://corporatefinanceinstitute.com/resources/knowledge/strategy/greenfield-investment/>> (14.05.2020).

<sup>7</sup> Hanemann et al. 2019. Op. cit. P. 10.

<sup>8</sup> Amendolagine, Vito; Robelloti, Roberta (2017). Chinese Foreign Direct Investments in Europe. In: Drahokoupil, Jan (ed.) *Chinese Investments in Europe: corporate strategies and labour relations*. Brussels: ETUI. Pp. 100 – 112.

<sup>9</sup> Blenkinsop, Philip (2018). With eyes on China, EU agrees investment screening rules. In: 20.11.2018 *Reuters*. <<https://www.reuters.com/article/us-eu-china-investment/with-eyes-on-china-eu-agrees-investment-screening-rules-idUSKCN1NP1IJ>> (14.05.2020).

<sup>10</sup> Joshi 2019. Op. cit. Pp. 8 – 11.

<sup>11</sup> Heilmann, Sebastian (2016). China’s Einkaufsliste auf dem Weg zur Innovationsführerschaft: Ausverkauf deutscher Industrietechnologie? (China’s shopping list on its way to innovation leadership: Sell out of German Industrial technology?) In: 24. 07. 2016 *Frankfurter Allgemeine Zeitung*. <[https://www.merics.org/sites/default/files/2018-02/160724\\_F.A.S.\\_Sonntagsökonom\\_Industrietechnologien.pdf](https://www.merics.org/sites/default/files/2018-02/160724_F.A.S._Sonntagsökonom_Industrietechnologien.pdf)> (14.05.2020).

<sup>12</sup> Stocker, Frank (2017). Wie China die deutsche Unternehmenslandschaft leer kauft. (How China is buying up the German corporative landscape.) In: 05.02.2017 *Welt*. <<https://www.welt.de/finanzen/article161813468/Wie-China-die-deutsche-Firmenlandschaft-leer-kauft.html>> (14.05.2020).

major purchases have created in Germany, which can be seen in relation to the rapid pace of the increasing amount these acquisitions took. In the first half of 2016 Chinese acquisitions in Europe overtook the cumulative amount of the previous 10 years.<sup>13</sup>

The 2016 purchase of the German robotics manufacturer Kuka shocked the EU and especially Germany, not only in economic terms but also throughout society as the company has been seen as the representative of German industrial power.<sup>14</sup> Moreover, the development of Chinese M&A in Europe has led to certain measures taken by some EU member states to encounter the economic power of Chinese corporations and protect the internal economy and its players. Laws, allowing to block acquisitions from outside the EU if the respective company is placed in what is mostly referred to as core sectors or critical infrastructure, meaning economic segments and infrastructure defined by the respective states as being indispensable for the national security or the public order, have been implemented in some states.<sup>15</sup> This raises the question what is to be defined as critical infrastructure and core sectors, or even as the EU has phrased it security and public order. It might be rather understandable that the development on the port of Piraeus has been considered as a security concern to the EU due to the geostrategic position and the actual physical existence as an infrastructure, whereas the framing of acquisitions of companies from other sectors as security concerns to EU states might seem rather difficult and fostered a lack of understanding for protective policies implemented by states like Germany propagating liberalism and free market economy.<sup>16</sup> The securitization of economic sectors formerly not perceived as classical security strongholds has led to the subsequent problem formulation:

## 1.1 Problem Formulation

Why has Germany securitised Chinese investments?

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<sup>13</sup> Bian, Shuwen; Emons, Oliver (2017). Chinese Investments in Germany: Increasing in Line with Chinese Industrial Policy. In: Drahoukoupil, Jan (ed.) *Chinese Investments in Europe: corporate strategies and labour relations*. Brussels: ETUI. P. 157.

<sup>14</sup> Joshi 2019. Op. cit. Pp. 9

<sup>15</sup> Joshi. Ibid. Pp. 17 – 22.

<sup>16</sup> Zhu, Erning (2018). „Chinesischen Investoren wird nicht vertraut“. (Chinese Investors are not trusted.) In: 31.07.2018 *Deutsche Welle*. <<https://www.dw.com/de/chinesischen-investoren-wird-nicht-vertraut/a-44896661>> (14.05.2020).



## **2 Methodology**

The subsequent chapter will provide an overview of the methodological approach which has been taken in this thesis in order to analyse the problem presented and furthermore find an answer to the problem formulation. First, this chapter gives a succinct overview of the theories chosen for the analysis on the issue at hand and their respective applicability. Second, the choice of data will outline the data applied and further present the underlying argumentation. Moreover, the methodology outlines the analytical approach taken and the limitations of this thesis as well as a literature review about some ground laying publications on the topic.

### **2.1 Choice of Theory**

In order to examine German protective measures against Chinese investments in depth, especially regarding M&A, this project applies two theories that both are not only well applicable to the issue at stake but complement each other in respect to the development of economic protectionism regarding Chinese investments, despite taking different points of view on international relations. Keohane's Neoliberal Institutionalism and Buzan, Wæver and de Wilde's Securitisation theory will be presented well applicable to the project's analytical focus in the following.

#### **2.1.1 Neoliberal Institutionalism**

To analyse protectionist moves by the German government against Chinese investments, the international framework in which international actors engage with each other and based on which certain decisions are made must be narrowed down and understood. Robert O. Keohane argues that states are rational actors that act according to incentives and to maximise benefits through international cooperation, which is in his sense mainly governed by institutions.<sup>17</sup> While he defines institutions very broadly, as further elaborated in 3.1, he argues that states can perpetuate their power positions through the formation of international regimes based on common understandings, rules and norms.<sup>18,19</sup> This argumentation provides a well-fitting assumption when focusing on the interna-

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<sup>17</sup> Keohane, Robert O. (1984). *After Hegemony: Cooperation and Discord in the World Political Economy*. New Jersey: Princeton University Press. Pp. 26 – 27.

<sup>18</sup> Keohane. Ibid. P. 63.

<sup>19</sup> Keohane, Robert O.; Nye, Joseph S. (1998). *Power and Interdependence*. New York: Harper Collins Publishers. P. 19.

tional cooperation within the past two decades and the increasing engagement China has taken in international institutions such as the WTO or the UN.<sup>20</sup> As these institutions are mostly based on Western rules, sets of understandings and norms, they have served as perpetuation power instruments for the liberal world order which dominates the international economic system. The increasing engagement of China in the process of shaping these institutions, hence strengthening its influence in the international regime formed by Western economic power and norms, is worryingly perceived by the West as weakening, if not even threatening Western political and economic power throughout the past years.<sup>21</sup> Moreover, China has begun to shape its own regimes through international institutions and its economic strength which leads to a consistent loss of Western influence.<sup>22,23</sup> As this development provides the foundation for the analysis of Western protectionism in this thesis, Keohane's Neoliberal Institutionalism will be applied as the basic understanding of international relations and the reactions which have been caused by the recent shift in international institutions and regimes.

### 2.1.2 Securitisation Theory

The disruption perceived by Western states within the international institutional framework through increasing Chinese influence in the given institutions and the creation as well as development of new international regimes based on norms, understandings and institutions shaped from Chinese incentives and interests, has stimulated growing regulative measures regarding Chinese outward foreign direct investments (COFDI). Therefore, this project will moreover make comprehensive use of Buzan et al.'s theory on securitisation. As they argue that nearly any aspect ranging from military issues to societal and environmental concerns can be securitised and not only the state and its representatives but also economic players such as lobbyists or so called pressure groups can be regarded as the securitising actor, the theory rejects the classical assumption of secu-

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<sup>20</sup> Schortgen, Francis (2018). China and the Twenty-First-Century Silk Roads: A New Era for Global Economic Leadership. In: Alon, Ilan; Lattemann, Christoph; Zhang, Wenxian (eds.) *China's Belt and Road Initiative, Changing the Rules of Globalization*. Cham: Springer International Publishing AG. Pp. 20 – 22.

<sup>21</sup> Cheng, Joseph Yu-Shek (2016). *China's Foreign Policy: Challenges and Prospects*. New Jersey: World Scientific. P. 166 – 170.

<sup>22</sup> Xing, Li (2019a). China's Pursuit of the "One Belt One Road" Initiative: A New World Order With Chinese Characteristics? In: Xing, Li (ed.) *Mapping China's "One Belt One Road" Initiative*. Cham: Springer Nature Switzerland AG. Pp. 11 – 12.

<sup>23</sup> Danner, Lukas K. (2018). *China's Grand Strategy: Contradictory Foreign Policy?* Cham: Springer International Publishing. Pp. 138 – 141.

rity theories that security is mainly a military concern and has to be enacted by the state.<sup>24</sup> Therefore, the securitisation approach provides a comprehensive addition to the theoretical framework of the Neoliberal Institutionalism and enables the analysis of the European argumentation that protective measures against Chinese investments are enforced to secure core interests. Securitisation theory greatly emphasises further that a threat does not have to be evident but perceived and presented as such.<sup>25</sup> Therefore, the previously presented Neoliberal Institutionalist assumption, despite being critical realist whereas securitisation constitutes a social Constructivist perspective, that Chinese growing economic and institutional influence constitutes a perceived threat to Western economic advantages and thus Western dominance, provides the basic perception of a threat that arguably constitutes the foundation of a securitising move.

Moreover, the application of this theory to the thesis allows to in-depth analyse the measures taken in certain economic fields that might be perceived as core industries and of high importance to the national economy but are not classically perceived as security sectors. Finally, the securitisation theory argues along security complex theory which provides the foundation to create clusters of interests that form common perceptions of threats and common measures of securitisation, thus enabling the analysis of correlations in a greater area under the same overall perception of an economic threat. Therefore, findings on German securitisation of Chinese investments can be discussed in a more comprehensive framework and under the aspect of institutionalisation of re-occurring threats with a security complex.

## 2.2 Choice of Data

The subsequent section provides a brief overview of the data that will be examined and taken into account in order to analyse the reasons for German securitisation of and protective measures against Chinese investments.

First, to gain an overview about Chinese investments in Germany reports from German research facilities and think tanks will be applied to the thesis. The Mercator Institute for China Studies (MERICS), a Berlin based think tank providing policy advice to the Federal German government, provides outlines about Chinese investment trends and policy developments towards these investments specially focused on Germa-

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<sup>24</sup> Buzan, Barry; Wæver, Ole; de Wilde, Jaap (1998). *Security: A New Framework for Analysis*. Boulder: Lynne Rienner Publisher.

<sup>25</sup> Buzan et al. Ibid. P. 25.

ny.<sup>26,27,28</sup> Moreover, statistical research analysing the sectors Chinese investments targeted in Germany such as the Global Economic Dynamics study by the German Bertelsmann Stiftung, portray a picture of systematic M&A aligning with Chinese industrial policies.<sup>29</sup> Such analytical investment reports can provide insights into the reasoning for a perceived threat when justifying the establishment of extraordinary measures. To further understand the background of such developments, the idea of shifting perceptions of COFDI and the changes in economic power balances, this thesis will apply scholarly literature on Chinese investments and German investment policies.

Lastly, to outline the development of the chosen cases that arguably influenced the German policies, press releases of the respective companies, KUKA<sup>30</sup> and Aixtron<sup>31</sup>, are examined and the media coverage of the cases is taken into consideration. Moreover, the examination of newspaper articles by renown economic newspapers and magazines such as the German Handelsblatt or the Financial Times provides an understanding not only about the perception of Chinese acquisitions in Germany by the public, but also portrays the political discourse and the argumentation for the necessity of stringent measures to scrutinise investments. The political discourse furthermore will be examined along policy papers and regulations such as the German Foreign Trade and Payment Ordinance (in German Außenwirtschaftsverordnung, AWV)<sup>32</sup>. These documents provide an understanding about shifting positioning of the German authorities towards COFDI and furthermore present how the government's securitising move presents an extraordinary measure.

### 2.3 Analytical Approach

After having provided a succinct contextualisation of the theories applied to this thesis and the data examined, the subsequent part will outline the analytical approach which has been taken to analyse why the German government has taken extraordinary measures securitising Chinese investments in its domestic firms.

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<sup>26</sup> Hanemann et al. 2019. Op. cit.

<sup>27</sup> Hanemann, Thilo; Huotari, Mikko (2018). EU-China FDI: Working Towards Reciprocity in Investments. In: *Merics Papers on China*, No.3 May 2018.

<sup>28</sup> Holzmann; Zenglein 2019. Op. cit.

<sup>29</sup> Jungbluth, Cora (2018). Is China Systematically Buying Up Key Technologies? Chinese M&A Transaction in the Context of "Made in China 2025". In: *Global Economic Dynamics Study*.

<sup>30</sup> KUKA News (2020). <<https://www.kuka.com/en-de/press/news/#publications>> (14.05.2020).

<sup>31</sup> Aixtron press releases (2020). <<https://www.aixtron.com/de/presse/presseinformationen>> (14.05.2020).

<sup>32</sup> Federal Ministry of Justice and Consumer Protection (2018). *Foreign Trade and Payments Ordinance*. <[https://www.gesetze-im-internet.de/englisch\\_awv/englisch\\_awv.html#p0508](https://www.gesetze-im-internet.de/englisch_awv/englisch_awv.html#p0508)> (14.05.2020).

The thesis applies Keohane's Neoliberal Institutionalism to examine the underlying development in international power balance and economic institutions that for many decades have perpetuated Western power positions. Taking a Neoliberal Institutionalist view allows to see shifts, threats and opportunities besides classical perception of security and military threats. The perception of these shifts and threats then will be further applied to the development in Germany regarding Chinese investments under the application of Buzan et al.'s securitisation theory, which as it constitutes a constructivist approach lays great emphasis on the perception and the discourse leading to the implementation of measures rather than the actual existence of a threat.

The theoretical approach will then be applied to certain developments that have had strong influence on the debate about Chinese investments as a threat and the necessity for extraordinary measures. First, the analysis will focus on the shifting economic power balance and increasing Chinese influence in international institutions, as this constitutes an underlying development that influenced Sino-German relations throughout the past years. Thereby, Chinese major projects, the establishment of new China-led international institutions and Chinese industrial policies form a key point which has strongly influenced the perception of COFDI in Germany. Second, the analysis will examine two cases from 2016, the year in which Chinese FDI flows in Germany peaked, as these provide comprehensive insights into the rising discourse in German politics. Furthermore, the following economic security policy implementations are mostly placed into connection to these cases, thus they arguably are the ignition of German securitisation moves. Lastly, the analysis examines the developments since the first amendment of the AWW in 2017, German actions taken to interfere with acquisitions of German companies by Chinese investors on the grounds of security obligations and Chinese accusations of German protectionism. Throughout the analysis, the shifting discourse in politics, public opinion through media expression and economic actors will be taken into consideration to comprehensively examine the securitisation of COFDI based on securitisation theory.

The findings will concludingly then be discussed and the measures placed into the greater context of EU wide reactions to the surge in Chinese investments. The discussion will thereby outline whether a reoccurring perception of a threat could find an institutionalised response from the EU as a security complex. Moreover, the elevation of the findings in the discussion to the EU level will enable to draw a greater picture on the

basis of the EU as an international regime that possibly perceives its economic power as threatened.

## 2.4 Limitations

The subsequent chapter will outline the limitations of this thesis as certain decisions have been made to provide an in-depth analysis of the issue at hand within the given scope. Therefore, this thesis will examine only certain segments of the development and the issue at hand, whereas others have been left out. Nonetheless, this does not mean that the other parts of the EU, economic issues or the intergovernmental interactions are perceived as unimportant or less relevant.

First, the focus of the analysis lays on Chinese investments in Germany as an example for Chinese investments in the EU and for European responses to these and the securitisation which has been seen in the past years. As Flyvbjerg argues, it does not require big numbers of samples of cases but rather specific, single cases that can provide in-depth insights about the cause and its consequences instead of describing “the symptoms of the problem and how frequently they occur.”<sup>33</sup>

Therefore, Germany has been determined as the focal point, as it constitutes more than just one type of case, meaning not only a critical but also an extreme case, something that Flyvbjerg sees as “providing unique wealth of information”<sup>34</sup>. On the one hand, Germany is always considered one of the least restrictive countries for investments and one of the most open economies with strong and well developed diplomatic and economic relations to China.<sup>35,36</sup> Moreover, Germany constitutes one of the major recipients of COFDI, the biggest economy in the EU and is a major trading partner for China,<sup>37</sup> all of which might rather foster the perception that Germany would provide a more benign environment for COFDI. On the other hand, the German government with France and Italy together have been the first in the EU to call for regulatory screening procedures that would allow to block M&A from companies outside the EU and to pro-

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<sup>33</sup> Flyvbjerg, Bent (2006). Five Misunderstandings About Case-Study Research. In: *Qualitative Inquiry*, Vol. 12, No. 2. P. 229.

<sup>34</sup> Flyvbjerg. Ibid. P. 233.

<sup>35</sup> BMWi – Federal Ministry for Economic Affairs and Energy (2020a). Investment Screening. <<https://www.bmwi.de/Redaktion/EN/Artikel/Foreign-Trade/investment-screening.html>> (14.05.2020).

<sup>36</sup> Kundnani, Hans; Parello-Plesner, Jonas (2012). China and Germany: Why the Emerging Special Relationship Matters for Europe. In: *European Council for Foreign Relations Policy Brief*, No. 55. Pp. 1 – 3; 5 – 6.

<sup>37</sup> Hanemann; Huotari 2018. Op. cit. Pp. 30 – 33.

tect the internal economy and the own firms in what has been defined as critical infrastructure and technology on the basis of disruption of the public order or security.<sup>38</sup> Thus, Germany can be determined as a critical and extreme case and will therefore be the focus of analysis, albeit elevating the issue back to a European level in the discussion. This decision to focus on COFDI in Germany and primarily the reaction of Germany and its protective moves does as argued not diminish the other EU states as less important nor does it exclude them from the general thoughts on this subject but limits the analysis to a scope realisable within the given extent of this thesis.

Second, the cases that have sparked the strongest reactions and thus have had a strong influence on the discourse in economic politics will be examined. This more narrowed focus has been taken to provide an in-depth analysis of these significant cases, the discourse on it in German politics as well as in the community of economic and social agents. These most popular and critical cases are hereby used to examine the securitising move that has developed in the political landscape towards FDI from outside the EU, especially COFDI. Such cases are the takeover of German robotics manufacturer KUKA, the blocked takeover of semiconductor manufacturing systems producer Aixtron and the later interference in the acquisitions of 50Herz and Leifeld Metal Spinning. These cases all attracted major media attention and have been widely discussed by political and economic agents, thus providing prominent cases that are well applicable to portray the securitisation of the issue at hand. Moreover, with more than 17,000 foreign invested companies in Germany employing more than 3 million people in 2017<sup>39</sup> and 106 acquisitions screened under the reasoning of security or public order concerns in 2019,<sup>40</sup> the scope of analysis must be narrowed down to the most critical, extreme and prominent cases as the vast amount of Chinese investments in the EU with a FDI flow of 35.9 Billion Euro in 2016 and 29.7 Billion Euro in 2017<sup>41</sup> would overstep any boundaries of this thesis.

Third, this thesis has also been limited in the time frame within which the analysis is undertaken. Even though, German Economics Minister Peter Altmaier called on stronger screening mechanisms at the end of January 2020 and said that “we are and

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<sup>38</sup> Hooijmaaijers, Bas (2019). Blackening Skies for Chinese Investment in the EU? In: *Journal for Chinese Political Science*, No. 24. Pp. 451 – 452.

<sup>39</sup> BDI – Federation of German Industries (2020). *Investment Screening becomes more rigorous*. <<https://english.bdi.eu/article/news/investment-screening-becomes-more-rigorous/>> (14.05.2020).

<sup>40</sup> BMWi 2020a. Op. cit.

<sup>41</sup> Hanemann; Huotari 2018. Op.cit. P. 16.

will stay an open investment location. But if necessary, we must have the possibility to comprehensively screen [investments], in order to protect German and European security interests”<sup>42</sup>, the situation has changed drastically since this statement with the outbreak of CoViD-19 and the correlating global developments. The outbreak of the global pandemic has forced an extraordinary situation upon all of us and altered extreme circumstances in all spheres of our lives, economic and political as well as social and cultural. Therefore, economic interactions such as trade, supply and commodity chains, investments and transactions have been reduced to a minimum if not even stopped completely within the past months. Because of the exceptional situation in which this thesis is composed, the analysis will focus on the time prior to the aforementioned statement, hence prior to CoVid-19, as for example such decision as the novelization of the German foreign trade law to enable stricter screening processes on which Altmaier called in the previously presented press release, has not yet been voted upon in the parliament, nor has it been realised to the full extent. Despite this thesis focusing on the measures and developments before the CoVid-19 outbreak, the development opens up whole new segments for research and several puzzles that examining of is of utter importance. To analyse the outcomes and influence of the pandemic for the global economy and especially intergovernmental eco-political relations constitutes a topic of high interest for further research. Nonetheless, the pandemic has not reached an end yet and is changing rapidly, almost daily, thus requiring some time until further in-depth research on the final outcomes can be undertaken successfully.

## 2.5 Literature Review

As this thesis applies scholarly literature, the following review will outline some ground laying works that have focused on COFDI in Europe, the reactions towards the surge in investments and the implications of these.

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<sup>42</sup> BMWi – Federal Ministry for Economic Affairs and Energy (2020b). Pressemitteilung 31.01.2020: Altmaier: “Wir wollen unsere Sicherheitsinteressen vorausschauender und umfassender schützen“. Bundeswirtschaftsministerium legt novelliertes Außenwirtschaftsgesetz vor. (Press release 31.01.2020: Altmaier: “we want to protect our security interest more anticipatory and comprehensively”. Federal Ministry for Economics publishes novice Foreign trade law.) <<https://www.bmwi.de/Redaktion/DE/Pressemitteilungen/2020/20200131-altmaier-sicherheitsinteressen-vorausschauender-schuetzen.html>> (14.05.2020).



In her 2014 published article *A Faustian bargain or just a good bargain? Chinese foreign direct investment and politics in Europe*,<sup>43</sup> Sophie Meunier examines challenges that the increase in Chinese investments in the EU pose and asks whether the investments constitute a good bargain, meaning a mutual beneficial development for investor and investee or a Faustian bargain, meaning a long-term zero-sum game in which capital flows incorporate conditionality influencing EU policies. She argues that Chinese investments incorporate potential to affect EU policies in three levels, namely inside the single countries, between EU states and lastly EU-third country relations, therefore outlining that it is rather interesting to ask how Chinese FDI can affect EU policy than why and where Chinese firms invest. Meunier moreover explores these levels and argues that with Chinese investments in the aftermath of the financial crisis in 2008 and the European debt crisis providing high cash flows for weakened economies to reignite their economic development, a high potential is given. Nevertheless, she argues that this has not yet been actively applied. Moreover, the author states that a European unified response is perceived difficult, as a supranational screening mechanism might be challenging to implement. Especially when it comes to EU states interfering with Chinese investments on security grounds, she argues that a common response would be beyond EU competences as they do not include national security. Meunier concludingly finds that the surge in Chinese investments to that point poses mainly the challenge on the EU how to gain benefits from these investments and growing Chinese financial capabilities while ensuring the independence of its own interest. As this early work already outlined the dichotomy in the EU and the perception of Chinese investments as a possible threat to EU states, Meunier's work appears well applicable to this thesis.

In *Chinese investments in Germany: increasing in line with Chinese industrial policy*<sup>44</sup> by Shuwen Bian and Oliver Emons, a contribution to the Book *Chinese investment in Europe: corporate strategies and labour relations* edited by Jan Drahokoupil, the authors examine the development Chinese investments in Germany have taken and the shift in target companies. They argue that Germany appears especially attractive for Chinese firms that aim at acquiring know-how and technology through investment due to its unique corporate landscape. As German companies on the one hand enjoy a high reputation for R&D and innovation, but on the other hand are mostly based in the SME

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<sup>43</sup> Meunier, Sophie (2014). A Faustian bargain or just a good bargain? Chinese foreign direct investment and politics in Europe. In: *Asia Europe Journal*, Vol. 12, No. 1. Pp. 143 – 158.

<sup>44</sup> Bian; Emons 2017. Op cit.

segment, these appear as highly attractive for takeovers as these require comparatively small investments. Moreover, Bian and Emons outline that the companies targeted by Chinese M&A have shifted correlating with the focus of Chinese industrial policies, thus targeting highly innovative and high-tech companies that can contribute to future technologies. The authors conclude that the analysis of investments in Germany must also include the Chinese economic and political directive as this has influenced the investments. As their work provides a comprehensive picture about the sectoral investment distribution of Chinese M&A, this work is applied in the thesis and underlines the assumption of Chinese M&A targeting German technologically advanced firms being in line with China's industrial policies.

Olivia Gippner and Wiebke Rabe take up the earlier work of Meunier in their 2017 published paper *Perceptions of China's outward foreign direct investment in European critical infrastructure and strategic industries*<sup>45</sup> as they analyse policy impacts of Chinese investments based on shifting perceptions. The authors therefore examine two prominent Chinese investments in EU states that attracted high attention, the acquisition of KUKA and the investment in the UK nuclear energy project Hinkley Point C. Gippner and Rabe outline that the perception of Chinese investments by the host countries has shifted gradually towards an opposing threat perception. This, as the authors argue, correlates with Chinese investments and policymakers seeing investments as the easiest way to gain access to technologies necessary for the success of China's industrial strategy. By exploring the two cases and the discourse about the respective investments, they find that EU states have undergone a move from perceiving a shift in the international power balance towards taking actions to protect economic interests. Furthermore, they conclude that threat perceptions have been created by increasing Chinese investments into the EU and that a fear for future economic interests arose. These findings greatly contribute to the research of this thesis as they outline the threat perception that is essential to the study of securitisation.

*Blackening Skies for Chinese Investments in the EU?*<sup>46</sup> from Bas Hooijmaaijers, an article published in 2019, examines the economic statecraft implications of Chinese investments in the EU by performing a case study on KUKA and Aixtron. By examining the cases with a focus of their possible use as economic statecraft tools and further

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<sup>45</sup> Gippner, Olivia; Rabe, Wiebke (2017). Perceptions of China's outward foreign direct investment in European critical infrastructure and strategic industries. In: *International Politics*, Vol. 54. Pp. 468 – 486.

<sup>46</sup> Hooijmaaijers 2019. Op. cit.

analysing the reactions the respective cases have received in Germany, he finds that the company and the sector the investment is targeting appears vital for the success or failure of such. Moreover, Hooijmaaijers points out that opacity of certain Chinese investments and the head companies exercising such investments has had a great influence on the perception of Chinese FDI in Germany. He concludes that several issues are influencing the Sino-German bilateral investment relations, ranging from the often criticised lack of reciprocity to the emergence of China and the EU's challenge to cope with China as a competitor. The article clearly portrays the development in the cases and outlines the German perception of these high-profile cases, thus being of great use to this thesis and the analysis of KUKA and Aixtron as well as the developments in Germany's investment policy.

### 3 Theory

After having presented the methodological approach of this project, this chapter provides a comprehensive picture of the two theories applied to this project and elaborates on them further. Section 3.1 will present Robert O. Keohane's Neoliberal Institutionalism with a specific focus on his understanding of institutions, regimes and international power distribution through these. Afterwards, section 3.2 will outline the securitisation theory by Buzan, Wæver and de Wilde and their perception of the processes and implications of the securitisation of certain aspects.

#### 3.1 Neoliberal Institutionalism

Robert O. Keohane first developed the theory of Neoliberal Institutionalism in his 1984 published Book *After Hegemony: Cooperation and Discord in the World Political Economy*<sup>47</sup> and further elaborated on it in many later works such as his 1988 article *International Institutions: Two Approaches*<sup>48</sup> or his and Joseph S. Nye's book *Power and Interdependence*<sup>49</sup> published in 1989.

According to the theory, states in the international system mainly act based on incentives given by the international system and constrains they receive. Keohane sees a close interaction between states as rational actors and the international system, thus ar-

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<sup>47</sup> Keohane 1984. Op. cit.

<sup>48</sup> Keohane, Robert O. (1988). International Institutions: two Approaches. In: *International Studies Quarterly*, Vol. 32, No. 4.

<sup>49</sup>Keohane; Nye 1998. Op. cit.

guing that alterations in the international system will affect the states' incentives.<sup>50</sup> Moreover, Keohane and Nye argue that the states' behaviour and the international system is influenced by interdependence while states' actions can affect the structure of interdependence. As states are hereby seen as rational actors acting according to self-interest, they can by creating institutions and shaping or adhering to certain rules, norms and regulations govern interstate relations, a constellation which the theory refers to as international regimes.<sup>51</sup>

Neoliberal Institutionalism argues that states are acting rational according to incentives and self-interest and therefore will cooperate and form coalitions if it is beneficial for a state's goal. In this context, an emphasis is placed on the role that international organisations or institutions play in organising the international order in interstate relations. Moreover, Keohane and Nye argue that international institutions help to set an agenda and create arenas in which also weaker states can create linkages and pursue their interests against relatively stronger states. Moreover, they are perceived to foster coalitions and perpetuate interdependency.<sup>52</sup> While these international institutions form a key concept within the theory, Keohane only provides a very broad definition of institutions. He understands institutions as on the one hand formal institutions with physical bodies, jurisdictions and members and on the other hand as common understandings, sets of norms and agreements. In one of his later works he defines his understanding of institutions as something that "(...) may refer to a general pattern or categorisation of activity or to a particular human-constructed arrangement, formally or informally organised."<sup>53</sup>

In the theory, three prevailing variations of international relations are being distinguished to examine the formation of transnational cooperation, namely discord, harmony and cooperation. Discord is seen when the realisation of one state's policies disrupts the pursuit of another state's goal. This means that for both parties to realise their interests, cooperation must be created.<sup>54</sup> Cooperation, as argued by Keohane, constitutes the situation in which a group of actors, states or international organisations pursue common interest through policy coordination.<sup>55</sup> These interests may be political or eco-

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<sup>50</sup> Keohane 1984. Op. cit. p. 6.

<sup>51</sup> Keohane; Nye 1989. Op. cit. p. 5.

<sup>52</sup> Keohane; Nye. Ibid. Pp. 35 – 37.

<sup>53</sup> Keohane 1988. Op. cit. P. 383.

<sup>54</sup> Keohane 1984. Op. cit. P. 52.

<sup>55</sup> Keohane. Ibid. P. 51.

nomic. The final and most idealistic form of international relations described by Keohane is harmony, which is most unlikely to be found besides theory. Harmony describes a situation in which one state's goals are realised through another state's policies without intergovernmental coordination or cooperation. As cooperation requires coordination, harmony and cooperation can never coexist at the same time.<sup>56</sup>

As harmony is seen as most unlikely and discord is perceived as disruptive to the realisation of interests, cooperation constitutes the form of international relations which when being pursued provides the most likely benefits. One way to achieve coordination is according to Keohane through hegemony, meaning that one state can establish the world order or the order in a certain region in favour of its own interests. Keohane argues that such a hegemon must on the one hand be willing to lead intergovernmental relations, thus showing willingness to cooperate, and must provide the economic and military power to constitute a leader.<sup>57</sup> Moreover, Keohane and Nye argue that such a hegemon will be more likely to provide leadership if "(...) it sees itself as a major consumer of the long-term benefits produced by the regime."<sup>58</sup> Nonetheless, they acknowledge that in order to stabilise cooperation it does not necessarily require a global hegemon, but argue that leadership can also be shared.<sup>59</sup>

As a strong state in this theory is able to lead cooperation according to its own interest and based on its norms and ideas, a possibility for such a state to perpetuate its influential position in the global system is through the formation of what Keohane refers to as international regimes. International regimes constitute another core concept of Neoliberal Institutionalism and are defined as "networks of rules, norms, and procedures that regularize behaviour and control its effects."<sup>60</sup> Keohane further argues that the regimes should be understood as being formed according to self-interest, albeit these self-interests are subjective and expandable, thus they can be reshaped and adjusted through the regime.<sup>61</sup>

While international regimes may perpetuate the power of a strong state as the leader, they shape intergovernmental relations and foster cooperation by providing mutual beneficial agreements that otherwise would be perceived as impossible. This mutu-

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<sup>56</sup> Keohane. *Ibid.* P. 51-53.

<sup>57</sup> Keohane. *Ibid.* P. 34 – 35.

<sup>58</sup> Keohane; Nye 1989. *Op. cit.* p. 44.

<sup>59</sup> Keohane; Nye. *Ibid.* P. 216.

<sup>60</sup> Keohane; Nye. *Ibid.* P. 19.

<sup>61</sup> Keohane 1984. *Op. cit.* P. 63.

al benefits can be created through international regimes between what Keohane refers to as strong and weak states without compromising one's autonomy or sovereignty and can further reduce uncertainties between states, therefore strengthening cooperation.<sup>62</sup> These international regimes can be found in different degrees of peculiarity ranging from being "incorporated into interstate agreements or treaties" as it is the case in such as the general agreement on tariffs and trade to being not formally incorporated at all. Moreover, they can vary not only in their extensiveness but also in the level of adherence of the participants in an international regime.<sup>63</sup> Despite the different scopes of international regimes, the theory argues that both strong as well as weak states can benefit from adhering to international regimes. Even though weaker states may not direct gain from following an international regime, Keohane argues that their respective losses will at least be smaller than they would be without the international regime. Therefore, and with the basic assumption of the theory that states are rational actors pursuing self-interests to maximise their gains based on cost-benefit analyses, strong and weak states are participating in at least one regime.<sup>64</sup>

### 3.2 Securitisation

In their Book *Security: A New Framework for Analysis*,<sup>65</sup> published in 1998, Buzan, Wæver and de Wilde have created a framework to analyse security dynamics which, as argued, rejects the classic perception of security as a purely state centred and military issue. Security is hereby loosened from the restriction on one sector and the agenda widened to further analyse security dynamics in a variety of sectors ranging from the classical military and political viewpoint to economic, environmental and societal security. Moreover, the theory provides a clear distinction between the process of politicisation and securitisation of certain issues.<sup>66</sup>

Even though the authors all argue for the widening of security analysis to other sectors than the classical one, they also emphasise that the widened agenda will lead to two worrying outcomes. First, the application of the term security to a broader field creates a call for political mobilisation into these fields and second, the broader percep-

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<sup>62</sup> Keohane. Ibid. Pp. 88 – 97.

<sup>63</sup> Keohane; Nye 1989. Op. cit. P. 20.

<sup>64</sup> Keohane 1984. Op. cit. P. 106

<sup>65</sup> Buzan et al. 1998. Op. cit.

<sup>66</sup> Buzan et al. Ibid. P. VII.

tion of security inherits the risk of placing security as generally something good. As security is stabilising mobilisation, this means that it includes emergency mobilisation by the state, hence an emergency situation. Wæver therefore argues that desecuritisation should be the goal as this means shifting a situation back to the normal operational mode of politics.<sup>67</sup>

As a scope of analysis providing the spatial scale of an issue under examination, Buzan et al. define five levels of analysis which allow to define actors and their respective field of activity, namely international systems, international subsystems, units, sub-units and individuals.<sup>68</sup> Whereas these levels constitute a framework one can theorise in, sectors enable to disaggregate the whole picture into smaller, more comprehensively understandable proportions. The authors argue that these sectors can be seen as specific types of interactions, for example the economic sector shows the interaction between finance, trade and production. The analysis in sectors, albeit only analysing one part of the whole at a time and later reintegrating it, allows a wider agenda in security analysis beside the classical fields of military and political security.<sup>69</sup>

Regions are seen as very important to the analysis of security, as argued by Buzan et al., as the dissolution of the Soviet Union and thus the collapse of global bipolarity has led to stronger regional integration and cooperation. They argue that as regions are themselves objects of analysis, they can inherit cause and effect and provide the basis for certain explanation. Nonetheless, it is said that the regional level forming an international subsystem might be well suitable for security analysis regarding immobile sectors such as generally speaking the state, but not regarding sectors such as the economic one where one can find a rather high mobility within the actors across regional boundaries. This argumentation goes along with the classical security complex theory (CSCT) derived from Buzan in 1983 in which he argues that threats generally rather travel over certain proximity of the actors, thus security interdependence being based on regional clusters forming security complexes. These complexes are defined by Buzan as “set of states whose major security perceptions and concerns are so interlinked that their national security problems cannot reasonably be analysed or resolved apart from one another.”<sup>70</sup> Security complexes are perceived to be found forming subsystems everywhere

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<sup>67</sup> Buzan et al. Ibid. P. 4.

<sup>68</sup> Buzan et al. Ibid. Pp. 5 – 6.

<sup>69</sup> Buzan et al. Ibid. Pp. 7 – 8.

<sup>70</sup> Buzan et al. Ibid. P. 12.

in the international systems. As the structure of the given complexes is based on the definition, there are four structural options to analyse the impact of change that a complex might undergo: First, the maintenance of the status quo, second internal transformation within a complex's outer boundaries through regional integration. third, external transformation through the enlargement or contraction of the outer boundaries of the complex by accession or elimination of new major states, fourth, overlay which describes the intervention of at least one major power moving into the sector and thus disrupting the internal power balance and security structure.<sup>71</sup>

CSCT provides a framework to comprehensively analyse security dynamics within these complexes and enables to examine the variety of layers within the level going from security concerns of each actor in the complex to the greater security interests at the system level. This classical approach allows the analysis of clusters of common security interests, albeit centred around political and military security with the state as the central reference object. Thus, Buzan et al. have altered this approach towards the definition of new clusters that are not centred around states as the main actor, as this would deny the construction of security complexes on other sectors, sectors that are part of securitisation. To enable security complexes around other sectors than military or political and with more actors than just states, two approaches have been taken to define complexes, namely homogeneous complexes and heterogenous complexes.<sup>72</sup>

Homogeneous complexes are closely connected to the classical perception that security complexes form within a specific sector and among units with a certain proximity, therefore generating different complexes in different sectors. Heterogenous complexes in contrary are constructed around the regional approach and that actors across more than one sector can form a security complex, for example confederations engaging in economic, political and societal sectors.<sup>73</sup>

When analysing securitisation along complexes derived from these new approaches, two main consideration must be taken into account. First, the cause and effect of the issue that is securitised can provide the facilitating conditions and provide insights on the level on which securitisation is taking place. Second, the securitising act itself as it can support the construction of such security complexes. The main issue seen

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<sup>71</sup> Buzan et al. Ibid. Pp. 9 – 14.

<sup>72</sup> Buzan et al. Ibid. Pp. 15 – 17.

<sup>73</sup> Buzan et al. Ibid. P. 16.



by Buzan et al. in examining securitisation is “for whom security becomes a consideration in relation to whom.”<sup>74</sup>

Talking about security, there are different definitions and perceptions of the word, varying from the daily use to the political meaning. When widening the agenda, it therefore must be defined what sense of security is applied in this context. The authors argue that in the classic sense, security is about survival, meaning the protection against what is perceived an existential threat to the respective referent object and thus enabling the actor to use extreme means and emergency measures to encounter the threat. As the widened agenda to more sectors differentiates from the classical understanding of military security, an existential threat seems more difficult to define as it always relates to the respective sector. An existential threat in the political sector can be posed to the sovereignty of the state, as it is the traditional perception, but also a threat to regional organisations, such as the European Union (EU), because rules, norms and institutions creating international regimes can be undermined, hence threatening the existence of the regime. The same possible threat to international regimes can apply to the economic sector where undermining developments can disrupt the order based on the norm and rule giving authorities that constitute the international regime, albeit single actors in the economic sector, meaning companies, are more difficult to be existentially threatened as the normal economic circles include the foundation and bankruptcy of corporations.<sup>75</sup>

Buzan et al. argue that “security is the move that takes politics beyond the established rules of the game [...]. Securitisation can thus be seen as a more extreme version of politicisation.”<sup>76</sup> Nonetheless, neither securitisation nor politicisation have to be enacted by the state, but can also be initiated by other social entities. Moreover, they argue that a securitising actor claims the right to implement extraordinary measures outside the political normal by presenting a threat as existential. This means that the threat presented to justify the measures does not necessarily require to be a real existing existential threat but one that is perceived and presented as such, thus allowing the disobedience of what is considered the normal rules. Moreover, it must be understood that neither of the two factors, the existential threat nor extraordinary measures, alone fulfil securitisation but “cases of existential threats that legitimize the breaking of rules.”<sup>77</sup>

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<sup>74</sup> Buzan et al. Ibid. P. 18.

<sup>75</sup> Buzan et al. Ibid. Pp. 21 – 23.

<sup>76</sup> Buzan et al. Ibid. P. 23.

<sup>77</sup> Buzan et al. Ibid. Pp. 25.

Finally, the effect of securitisation on the audience has to be considered as the acceptance of the audience allows the actor to overstep the given rules. Buzan et al. thus state that a successful securitisation inherits three components, existential threat, emergency measures and the effect of overstepping given rules on the relation to other units in the level.<sup>78</sup>

Securitisation can moreover be institutionalised and can take place as interaction within a security complex. Especially if a threat is reoccurring or constant the response is likely to become institutionalised by the actors. Securitisation on international levels thus means that a threat is presented in the system, or subsystem level as so urgent and threatening that it must be tackled outside the normal of political interaction. Nonetheless, securitisation or the acceptance of such is always seen as a political decision not a pure reaction to a threat. The authors moreover distinguish between subjective, objective and intersubjective security and see securitisation as an intersubjective process. Therefore, it is considered rather difficult to analyse whether securitisation of an issue is based on an existing threat. The subjective perception and the intersubjective character of securitisation underlines that the concept is socially constructed. If a threat is perceived and argued for as existentially threatened, this will enable securitisation despite there being a measurable, hence real threat.<sup>79</sup>

The theory moreover provides an approach to the analysis of securitisation based on different units and their interaction. They provide three units which one must examine and distinguish between for securitisation analysis, namely referent objects, securitising actors and functional actors. The referent objects describe the things that are perceived to be threatened and must be protected whereas the securitising actors are who define referent objects and the functional actors constitute actors that without being securitising actor or referent object influence the dynamic of the sector. Buzan et al. argue that in theory, almost anything can be regarded by a securitising actor as a referent object, even though some seem to be more promising than others. Moreover, they state that mostly, referent objects distinguish from the securitising actor, even though, most likely in the case of the state, it is also possible for a referent object to securitise on its own behalf through a representing agent. Finally, they argue that if examining a securitisation act, the influence of a successful securitisation on other actors in the sector and

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<sup>78</sup> Buzan et al. *Ibid.* Pp. 23 – 26.

<sup>79</sup> Buzan et al. *Ibid.* Pp. 27 – 31.

their reaction can provide insights on the level in which the securitisation process has taken place and the security interconnectedness can be found in, thus providing a security complex.<sup>80</sup>

#### 4 Analysis

In order to examine why Germany has moved to securitise Chinese investments and implemented measures enabling the screening and blocking of COFDI, the subsequent analysis of this thesis will first focus on developments regarding China's influence in the global system and affecting German industrial advantages. These shift through Chinese initiatives and policies will be examined under the aspect of Neoliberal Institutionalism to see how new international regimes could constitute a threat to Western economic dominance. This perception of a threat determined in this approach will then further be applied to the analysis of German securitising moves. To examine these moves, the analysis will in-depth focus on two cases, namely the acquisition of German robotics manufacturer KUKA by the Chinese Midea Group and the failed acquisition of Aixtron,<sup>81</sup> as these have shocked the German economy, leading to an outcry for protective measure, therefore outlining the situation from which new more stringent measures have been implemented. Moreover, the analysis will lastly take into consideration the developments in the aftermath of these two highly prominent cases, that have been influenced by the shifted discourse in Germany and the initiated debate on how to protect key industries relevant for future technology.

##### 4.1 Changing Power Balance and the Rise of New International Regimes

Since the beginning of China's reform and opening up policy under China's Communist Party leader Deng Xiaoping in 1978,<sup>82</sup> the country has developed at great pace and has besides its impressive economic growth also strengthened its position in the global order, international institutions and the international financial landscape. Whereas China in the early stages of its integration into the global system followed the premises to keep a low profile through hiding its capacity and bide its time to develop internally without

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<sup>80</sup> Buzan et al. Ibid. Pp. 36 – 43.

<sup>81</sup> Bickenbach, Frank; Liu, Wan-Hsin (2018). Chinese Direct Investments in Europe – Challenges for EU FDI Policy. In: *CESifo Forum*, Vol. 19. P. 17.

<sup>82</sup>Preen, Mark (2019). Economic Reform in China: Current Progress and Future Prospects. <<https://www.china-briefing.com/news/economic-reform-china-opening-up-future-prospects/>> (14.05.2020).

ever claiming leadership,<sup>83</sup> the more recent years have been characterised by a more active positioning in the global system, its institutions, rules and norms.<sup>84</sup> China has therefore developed from a passive rule-follower receiving and adhering to international institutional norms in the end of the last century towards an important contributor to the global economy and a proactive rule shaper in global institutions and organisations.”<sup>85</sup>

This change in China’s positioning in the global order and the more proactive approach of China towards the definition of rules and shaping of norms in combination with a variety of policies and projects has raised concerns in the West. One significant step towards China’s participation in the global system has been constituted by its accession to the WTO in 2001, an international trade regime formed primarily by the West, hence including Western norms and rules, even though these have not been perceived as fair to China.<sup>86</sup> Despite its constant economic rise and its continuously increasing involvement in international organisations, such as seen in China’s increasing participation in UN peacekeeping missions, the country has actively sought the international orders acceptance as a major power and constructively worked on convincing the international community of its willingness to promote a peaceful rise. Nonetheless, China has throughout the past years more frequently criticised the global order and institutions for them being based on purely Western norms and values, thus forming a perpetuating tool for domination based on Western economic superiority.<sup>87</sup> This perception of the international regimes, that China has joined along its integration, as established on Western led norms, thus perpetuating Western dominance and economic order, goes along Keohane’s theory arguing that international regimes are formed to strengthen a dominant country’s position.<sup>88</sup>

Within the past years though, China has changed its position from adhering the rules and norms of the Western regimes and international institutions and began to form new institutions base on its own values and norms. These new institutions constitute an important tool for China to engage with countries which are willing to accept Chinese

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<sup>83</sup> Chinese: 冷静观察, 稳住阵脚, 沉着应付, 韬光养晦, 有所作为, 决不当头. See: Schortgen 2018. Op. cit. P. 21.

<sup>84</sup> Schortgen. Ibid. Pp. 20 – 22.

<sup>85</sup> Xing, Li (2019b). Understanding the Multiple Facets of China’s “One Belt One Road” Initiative. In: Xing, Li (ed.) *Mapping China’s “One Belt One Road” Initiative*. Cham: Springer Nature Switzerland AG. P. 32 – 33.

<sup>86</sup> Cheng 2016. Op. cit. P. 166.

<sup>87</sup> Cheng. Ibid. Pp. 166 – 171.

<sup>88</sup> Keohane; Nye 1989. Op. cit. p. 5.

values and norms and join the China-led institutions to form new international regimes.<sup>89</sup> The Chinese Belt and Road Initiative (BRI), an infrastructure development initiative aiming at enhancing trade and improve connections between over 60 countries based on the ancient Silk Road,<sup>90</sup> and the correlating establishment of new financial institutions as alternatives to the existing financial order led by the Bretton woods institutions such as the World Bank or the International Monetary Fund (IMF), has fostered debates in the West on China's rising influence. Moreover, the financial institutions established by China, namely the Asia Infrastructure Investment Bank (AIIB), the BRICS states' New Development Bank and the New Silk Road Foundation, have been portrayed as challenging the Western order and the Bretton Woods system, the internationally prevailing economic order implemented after the second world war and since then perpetuating the liberal, Western centred system.<sup>91,92</sup> Even though China is strictly declaring that the AIIB does not aim at being an alternative to the Bretton Woods system but complementary, it is undeniable that it is decentralising the Western-led establishment. Moreover, the largescale infrastructure and development investments in countries participating in the BRI are perceived as advancing Chinese potential to shape new norms and values. Especially the character of Chinese investments being contradictory "to the neoliberal, market-oriented, and conditionality-based 'Washington Consensus'"<sup>93</sup>, hence investments despite political or economic system, holds a high chance of forming a new value system for economic development.<sup>94</sup> With the BRI holding these high possibilities to alter values and its character of international cooperation on the basis of Chinese norms, ideas and institutions, it constitutes an institution following Keohane's broad definition and further the chance to develop into an international regime, therefore perpetuating China's power. Moreover, as Keohane argues, states are rational actors seeking benefits and gains which they can generate through the adherence to beneficial regimes.<sup>95,96</sup> Arguing along the Neoliberal Institutional ideas thus leads to the

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<sup>89</sup> Yuan, Feng (2019). The One Belt One Road Initiative and China's Multilayered Multilateralism. In: Xing, Li (ed.) *Mapping China's "One Belt One Road" Initiative*. Cham: Springer Nature Switzerland AG. Pp. 103 – 104.

<sup>90</sup> Xing 2019a. Op. cit. Pp. 6 – 8.

<sup>91</sup> Xing. Ibid. Pp. 11 – 12.

<sup>92</sup> Danner 2018. Op. cit. Pp. 138 – 141.

<sup>93</sup> Passi, Ritika (2019). Unpacking Economic Motivations and Non-Economic Consequences of Connectivity Infrastructure under OBOR. In: Xing, Li (ed.) *Mapping China's "One Belt One Road" Initiative*. Cham: Springer Nature Switzerland AG. P. 184.

<sup>94</sup> Passi. Ibid. Pp. 183 – 185.

<sup>95</sup> Keohane 1984. Op. cit. P. 88 – 97.

perception of the establishment of the BRI and the new Chinese financial institutions as a possible threat to the previously described perpetuation of Western economic superiority.

In addition to the increase of Chinese engagement in existing international organisation and its move from rule follower to rule shaper, recent economic strategies have further stoked worries in the West about Chinese rising influence and economic power. As the economic drivers behind the BRI can be identified as moving the Chinese growth model from labour- and investment-intensive, export driven to service- and technology-intensive and consumption driven, restructuring the financial and economic international landscape more benign to Chinese interests, offload overcapacities abroad and internationalise its currency, thus serving a maintenance tool for globalisation and support the insurance of sustainable Chinese economic growth, it strongly correlates with industrial upgrading and development policies.<sup>97</sup>

‘Made in China 2025’ strategy, also referred to as MIC2025, presented in 2015, constitutes most renown and mostly discussed strategy for economic restructuring, industrial upgrading and new positioning as a tech-leadership country in the high end of global value chains pursued by China within the past years. This economic strategy is direct at developing ten determined key sectors including such as robotics, power equipment, new materials or biomedical and advanced medical equipment on the basis of an innovation-driven approach, therefore aiming at China becoming a global leader in these segments, step up the global value chain, develop the Chinese service sector and raise its competitiveness in high value added, high complexity and technology-intensive goods.<sup>98</sup> The MIC2025 strategy moreover aims at encountering three development challenges, namely increasing its competitiveness in the manufacturing sector, develop new sources for sustainable growth and minimise the technological gap to the world’s leading economies.<sup>99</sup>

One possibility for China to overcome these challenges lies in the accumulation of global resources through a ‘going out’ strategy of the companies in the defined key sectors. This means, that through OFDI, especially as M&A, Chinese corporations could

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<sup>96</sup> Keohane; Nye 1989. Op. cit. P. 20

<sup>97</sup> Passi 2019. Op. cit. Pp. 169 – 182.

<sup>98</sup> Kong, Tuan Yuen; Y Tong, Sarah (2017). Made in China 2025: A Grand Strategy for Industrial Upgrading. In: Wan, Jing; Y Tong, Sarah (eds.). China’s Economy in Transformation under the New Normal. Singapore: World Scientific Publishing. Pp. 157 – 160.

<sup>99</sup> Kong; Y Tong. Ibid. P. 160.

gain access to Research and Development (R&D) capacities, advanced technologies and marketing channels for products and brands.<sup>100</sup> The pursuit of such ‘going out’ strategies has raised concerns in Western industrialised regions as the governments and states affect by the take overs of high-tech companies through Chinese large investors perceived the innovative core of their economy at risk. Certain actors of businesses and governments have accused China of unfair practices regarding M&A and have further been criticising the missing reciprocity within the investment landscape.<sup>101</sup> An accusation reoccurring throughout the development of the discourse.

Against this backdrop, it is not surprising that Chinese FDI have increased rapidly over the past decades. While COFDI flows in the EU were extremely low in the beginning of the 2000s, they jumped quickly throughout the years, peaking in 2016.<sup>102</sup> Despite this rapid increase in FDI flows, the accumulated amount of Chinese FDI stocks in the EU has just yet caught up with the amount of EU FDI stocks in China.<sup>103</sup> Still, EU states have been increasingly worried about the rising COFDI and especially about the strategic character of Chinese M&A correlating with the MIC2025 strategy’s key sectors. Especially the extremely high percentage of M&A in contrast to greenfield investments in COFDI have raised concerns.<sup>104</sup> The development of Chinese FDI in Europe targeting high-tech industries that can be directly linked to MIC2025 gets evident when looking at Germany, the main focus of Chinese M&A in Europe in 2016. When looking at Chinese M&As in Germany, it can further be found, that a vast majority of these investments are directed at key sectors defined by China’s industrial upgrading and innovation policy. According to a study from the German Bertelsmann Stiftung published in 2018, out of 175 Chinese M&A transactions in Germany between 2014 and 2017, 112 have been targeting these key sectors.<sup>105</sup> These findings on the strategic targeting of key sectors has been further backed by a study of the German development bank KfW examining Chinese M&A transactions in German Small and Medium Enterprises (SME),

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<sup>100</sup> Long, Guoqian (2018). The Evolution of Comparative Advantage and the Adjustment of Export Strategy in China. In: Jin, Zhang; Zhang, Laiming (eds.). *China and the World Economy: Transition and Challenges*. New York: Routledge. P. 96.

<sup>101</sup> Holzmann; Zenglein 2019. Op. cit. P. 8

<sup>102</sup> Hanemann; Huotari 2018. Op. cit. P. 16.

<sup>103</sup> Hanemann; Huotari. Ibid. P. 17.

<sup>104</sup> Hooijmaaijers 2019. Op. cit. Pp. 456 – 457.

<sup>105</sup> Jungbluth 2018. Op. cit. P. 17.

in Germany known as the ‘Mittelstand’, which finds that 63% of these transaction between 2015 and 2017 are directly connected to one of the key sectors of MIC2025.<sup>106</sup>

This evident strategy of M&A has fostered a debate on the ability to strengthen industries that are seen as indispensable to German economic growth and future development and moreover sparked the idea of China moving from a comprehensive partner towards a strategic competitor in what has previously been perceived as a stronghold of German economic power.<sup>107</sup> In the light of the previously outlined development of new international institutions and regimes based on Chinese values, norms and understandings in combination with the strategic character of Chinese M&A in Europe and especially Germany, the development has altered the discourse about investments. The discourse about and perception of a threat hereby is essential for the analysis regarding the securitisation of COFDI, as Buzan et al. argue that the main issue in analysing securitisation is “for whom security becomes a consideration in relation to whom.”<sup>108</sup> Furthermore, the puzzle of the shifting perception of FDI in Germany arises, as investments in economic and political discourse are generally referred to as economic opportunities. Whereas Chinese investments have been warmly welcome in Germany for many years, the growing influence of China in institutions and its increasing economic power have led to a perception COFDI as a threat.<sup>109,110</sup>

The shifting threat perception, which as Buzan et al. argue can affect behaviour if the audience can be convinced about the necessity of extraordinary measures,<sup>111</sup> and its impact on protectionist moves of Germany against COFDI can be determined in several prominent M&A transactions that have sparked great attention throughout politics, economics as well as the society.

## 4.2 Igniting Cases for German Securitisation of COFDI

As Chinese M&A in Germany increased rapidly the debate about concerns regarding the investments grew constantly. Nonetheless, it was the acquisition of the German ro-

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<sup>106</sup>Gerstenberger, Juliane (2018). More Chinese M&A deals in the German SME sector – but the share remains negligible. In: *KFW Research: Focus on Economics*, No. 229. P. 3.

<sup>107</sup> Hans Seidel Stiftung (2020). *Wirtschaft und Handel zwischen EU und China: Eine Beziehung auf Augenhöhe?* (Economy and trade between the EU and China: A relation at eye level?) In: 11.02.2020 *Hans Seidel Stiftung*. <<https://www.hss.de/ueber-uns/standorte/bruessel/artikel-detail-bruessel/eine-beziehung-auf-augenhoehe-news5924/>> (14.05.2020).

<sup>108</sup> Buzan et al. 1998. Op. cit. P. 18.

<sup>109</sup> Bickenbach; Liu 2018. Op. cit. Pp. 15 – 16.

<sup>110</sup>Gippner; Rabe 2017. Op. cit. Pp. 470 – 472.

<sup>111</sup> Buzan et al. 1998. Op. cit. Pp. 23 – 26.



botics manufacturer KUKA through the Chinese Midea Group in 2016 that lifted the discussion about protecting the German high-tech and innovative industry from takeovers to a new level.<sup>112</sup> The acquisition was followed by many voices calling on new measures, albeit nothing had been implemented until 2017 and the aftermath of the failed acquisition of Aixtron, a German producer of manufacturing systems for the semiconductor industry, through the Fujian Grand Chip Investment Fund LP (FGC) at the end of 2016.<sup>113</sup> Even though the Aixtron acquisition failed whereas KUKA was successfully acquired by the Midea Group, both cases equally received high attention and fostered the debate on securing the German industrial landscape and are arguably the ignition of the development stoking screening processes and investment interference in Germany.

#### **4.2.1 The Acquisition of KUKA by the Midea Group**

KUKA is a German robotics manufacturer specialised in industrial automation and high-tech production solutions in a variety of segments, such as heat resistant robots or man-machines collaboration, based in the southern German city of Augsburg. The company is one of the global leaders in industrial automation technologies and innovation within the field of industrial robotics and moreover seen as a perfect representative of German innovative and industrial power as well as a flagship of Germans industrial strategy ‘Industry 4.0’.<sup>114,115,116</sup> Moreover, KUKA’s sales revenue reached almost 3 billion Euro in 2015 and the company received orders of 750 million Euro in the first quarter of 2016, constituting a new record at that time.<sup>117</sup>

KUKA first attracted the interest of Chinese investors in 2015 when the household appliance giant Midea Group acquired 5.4% of KUKA stocks, which has been stocked up to 10.2% in February of 2016, making the Chinese investor the second strongest

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<sup>112</sup> Joshi 2018. Op. cit. P. 9.

<sup>113</sup> Dams, Jan (2017). So stoppt Berlin den Aufkauf deutscher Hightech-Firmen. (This way Berlin stops acquisitions of German high-tech firms.) In: 12.07.2017 *Welt*. <<https://www.welt.de/wirtschaft/article166586117/So-stoppt-Berlin-den-Aufkauf-deutscher-Hightech-Firmen.html>> (14.05.2020).

<sup>114</sup> Gippner; Rabe 2017. Op. cit. P. 473.

<sup>115</sup> Hooijmaaijers 2019. Op. cit. Pp. 457 – 458.

<sup>116</sup> Joshi 2019. Op. cit. P. 9.

<sup>117</sup> KUKA (2016). KUKA Annual Gernal Meeting 2016: Shareholders Ratify Actions of Executive Board and Supervisory Board. In: 27.05.2016 *KUKA*. <<https://www.kuka.com/en-de/press/news/2016/05/kuka-annual-general-meeting-2016>> (14.05.2020).

shareholder after the German Voith Group.<sup>118</sup> Just a few months later in mid-May, Midea expressed its interest in further raising its share and decided to make an offer to all KUKA shareholders of 115 Euro per stock, meaning a premium of 36.2% to that day's XETRA, the main trading venue of the Frankfurt stock exchange, closing price of KUKA shares, through the MECCA international (BVI) Ltd., a 100% subsidiary of the Chinese company.<sup>119</sup> In the subsequent month, Midea published the offer document for the public takeover offer at a price of 115 Euro per share and further formulated that it did not pursue any strategy to delist the company nor to establish a domination agreement.<sup>120,121</sup> Shortly after, on the 28<sup>th</sup> of June 2016, KUKA and Midea entered into an investor agreement, “a legally binding contract governed by German law, which contains profound and long-term obligations and declarations of the Bidder [MECCA] and Midea”<sup>122</sup> and furthermore, KUKA's management board and supervisory board published its opinion on the offer. In the opinion it states that based on the obligations and concessions from the investor agreement ensuring the independence of KUKA and the further pursuit of the company's business strategy, the management board and the supervisory board perceive “a successful consummation of the Offer [to be] in the interest of the Target Company [KUKA]” and “thus recommend the shareholders of the Target Company [KUKA] to accept the Offer.”<sup>123</sup> At the beginning of August 2016, Midea then announced that it had successfully acquired almost 95% of the shares and within a week, Andreas Audretsch, spokesman of the German Economics Ministry, publicly

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<sup>118</sup> Hooijmaaijers 2019. Op. cit. Pp. 457 – 458.

<sup>119</sup> KUKA (2016). Midea groups decided to make a tender offer to all KUKA shareholders. In: 18.05.2016 KUKA. <<https://www.kuka.com/en-de/press/news/2016/05/midea-offer>> (14.05.2020).

<sup>120</sup> KUKA (2016). Midea publishes offer document for the public takeover offer for KUKA AG. In: 16.06.2016 KUKA. <[https://www.kuka.com/en-de/press/news/2016/06/20160616\\_midea-publishes-offer](https://www.kuka.com/en-de/press/news/2016/06/20160616_midea-publishes-offer)> (14.05.2020).

<sup>121</sup> Midea (2016). Angebotsunterlage: FREIWILLIGES ÖFFENTLICHES ÜBERNAHMEANGEBOT (BARANGEBOT) der MECCA INTERNATIONAL (BVI) LIMITED an die Aktionäre der KUKA AKTIENGESELLSCHAFT zum Erwerb der auf den Inhaber lautenden Stückaktie der KUKA AKTIENGESELLSCHAFT zum Preis von EUR 115,00 je Aktie der KUKA Aktiengesellschaft. (Voluntary public takeover offer from MECCA INTERNATIONAL for KUKA AKTIENGESELLSCHAFT.) <[https://www.bafin.de/SharedDocs/Downloads/DE/Angebotsunterlage/kuka\\_ag.pdf%3F\\_\\_blob%3DpublicationFile%26v%3D1](https://www.bafin.de/SharedDocs/Downloads/DE/Angebotsunterlage/kuka_ag.pdf%3F__blob%3DpublicationFile%26v%3D1)> (14.05.2020).

<sup>122</sup> KUKA (2016). Tender Offer Midea Group: Investment Agreement. In: 28.06.2016 KUKA. <<https://www.kuka.com/en-de/press/news/2016/06/tender-offer-midea-group-investor-agreement.>> (14.05.2020).

<sup>123</sup> KUKA (2016). Joint opinion of the management board and the supervisory board of KUKA Aktiengesellschaft pursuant to section 27 (1) of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) for the Voluntary Public Takeover Offer by MECCA International (BVI) Limited to the shareholders of KUKA Aktiengesellschaft. <<https://www.kuka.com/-/media/kuka-corporate/documents/ir/midea/reasoned-opinion-27-wpueg.pdf>> (14.05.2020). P. 65.

stated that the German government will restrain from launching a formal probe in the case of the takeover, hence accepting the successful acquisition.<sup>124,125</sup>

Whereas the timeline portrays a rather smooth transition and acquisition, the whole process and the final takeover attracted high attention and fostered discussions in the economic, political as well as societal sphere. Examining the takeover of KUKA under the previously outlined Neoliberal Institutional assumption that the growing influence of China in international institutions and the development of new international regimes can undercut the perpetuation of Western economic domination, KUKA's expertise in a sector relevant to MIC2025 correlating with strategic Chinese investments in these sectors,<sup>126</sup> hence Chinese increasing competitiveness in high value added segments, has strengthened German perception of the development as worrisome. Aligning this perception of Chinese increased influence with the assumption that FDI generally incorporates "concerns about sovereignty, dependence, loss of autonomy, dispossession of local firms, and the creation of interests aligned with the home rather than the host country"<sup>127</sup>, the question arises not how Chinese companies invest in Germany, but whether how these specific investments can influence the politics through shifting perceptions.<sup>128</sup> The intertwined relation between growing Chinese power and influence and the surge in investments in the years since 2010 have fostered a threat perception.<sup>129</sup> This development is particularly important for the examination of a securitisation move in Germany, as Buzan et al. argue in their theory that it is not the existence of an actual threat but rather the perception of one that enables a securitisation agent to justify extraordinary measures.

When Midea announced its bid for KUKA at the beginning of 2016, it sparked fierce discussion within politics and public media about core technologies for the German 'Industry 4.0' development falling into foreign hands.<sup>130</sup> Markus Ferber, a German member of the European Parliament, expressed his concerns about the offer stating that politics "need to think about whether we want to give such a key enterprise to the Chinese, or try to keep it in European hands" and further that his "concern is that as a result

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<sup>124</sup> Hooijmaaijers 2019. Op. cit. P. 459.

<sup>125</sup> Deutsche Welle (2016). Berlin approves KUKA sale to Midea. In: 17.08.2016 *Deutsche Welle*. <<https://www.dw.com/en/berlin-approves-kuka-sale-to-midea/a-19479483>> (14.05.2020).

<sup>126</sup> Jungbluth 2018. Op. cit. P. 17.

<sup>127</sup> Meunier 2014. Op. cit. P. 145.

<sup>128</sup> Meunier. Ibid.

<sup>129</sup> Gippner; Rabe 2017. Op. cit. P. 471.

<sup>130</sup> Hooijmaaijers 2019. Op. cit. P. 458.

of deals like this, the cars of the future will be no longer be built in Stuttgart and Wolfsburg but in China.”<sup>131</sup> Another article of the Financial Times titled “German angst over Chinese M&A”, angst is German for fear, cited European Commissioner for Digital Economy Günter Oettinger, who argued that KUKA is based “in a strategic sector that is important for the digital future of European industry.”<sup>132</sup> While these voices were raised by German representatives in the EU, German politicians within the country also strongly opposed the offer. German Economics Minister at that time, Sigmar Gabriel, argued that one would “need to clarify whether we should not create the option to assess the interests of investors against the EU’s industrial interests for sectors that can be of existential significance for the strategic future of the European economy”<sup>133</sup>. Moreover, he raised the question whether it should remain that only “preliminary investigations into investment in areas deemed relevant for security and defence”<sup>134</sup> would be allowed. In correlation to the outstanding offer by Midea, Gabriel advocated for the formation of a European bid to provide an alternative to the Chinese takeover, an idea that found wide support with German politicians and EU representatives.<sup>135,136</sup> But despite any efforts to find European companies or generate a consortium to take over KUKA, the interest of German and European firms kept low and the high value of Midea’s offer made it almost impossible for local companies to compete.<sup>137</sup>

The perception of a threat and the call for encountering measures to protect what is deemed as being strategically importance to Germany’s economic future, gets even more evident with Gabriel’s statement in the German economic magazine *WirtschaftsWoche* shortly before the official publication of Midea’s offer. In a guest article he argued that it is not adequate to only be able to intervene investments in security or defence relevant sectors. Especially when arguing that he is not willing to “sacrifice jobs

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<sup>131</sup> Chazan, Guy (2016a). Berlin and Brussels wary of Chinese robotics bid. In: 13.06.2016 *Financial Times*. <<https://www.ft.com/content/acbda1cc-3186-11e6-bda0-04585c31b153>> (14.05.2020).

<sup>132</sup> Chazan, Guy (2016b). German angst over Chinese M&A. In: 09.08.2016 *Financial Times*. <<https://www.ft.com/content/e0897e24-598e-11e6-8d05-4eaa66292c32>> (14.05.2020).

<sup>133</sup> Hooijmaaijers 2019. Op. cit. P. 458.

<sup>134</sup> Hooijmaaijers. Ibid.

<sup>135</sup> Stratmann, Klaus (2016). Berlin’s ‘Unwelcome Gift’ for KUKA. In: 02.06.2016 *Handelsblatt*. <<https://www.handelsblatt.com/today/politics/business-politics-berlins-unwelcome-gift-for-kuka/23538282.html?ticket=ST-1984765-YATB9bNJfgRszOkbxH5S-ap3>> (14.05.2020).

<sup>136</sup> Bender, Ruth; Grimm, Christian (2016). Germany Seeks Alternative to Chinese Takeover of Robot Maker Kuka. In: 01.06.2016 *The Wall Street Journal*. <<https://www.wsj.com/articles/efforts-under-way-in-germany-to-find-alternative-bidder-for-kuka-1464777354>> (14.05.2020).

<sup>137</sup> Hooijmaaijers 2019. Op. cit. P. 458.

and firms on the altar of open European markets”<sup>138</sup> the framing of his expression provides a strong sense of the perception of an existential threat. This portraying of COFDI in the case of the KUKA acquisition and the further call on extraordinary measures to protect German economic interests shows what Buzan et al. argue in the securitisation theory to be the presentation of something as a threat without the actual evidence of a real existing threat.<sup>139</sup>

While the discourse in politics has been widely echoed by the society expressed through public media headlining articles with “Politics fear Kuka sale to China”<sup>140</sup> or “German angst over Chinese M&A”<sup>141</sup>, thus underlining the perception and presentation of the acquisition as a threat, economic actors mostly took a different point of view. Dieter Zetsche, Chief Executive of Daimler, stated in the German popular economic newspaper *Handelsblatt* that “there is no evidence that the proposition, if it were implemented, would represent a risk”<sup>142</sup> further arguing that the German automotive industry has not experienced issues with Chinese invested suppliers or companies. Moreover, other representatives of the economic sphere argued that Germany needs investments and that the try to interfere with the takeover of KUKA describe a shift in the political orientation under normal circumstances promoting the liberal ideal of open markets.<sup>143</sup> This criticism about the political will to actively engage and block such acquisitions being a turn from the normal liberal position underlines Buzan et al.’s theoretical assumption that the perception of a threat enables measures outside the normal rules of the game. The opposition to the governmental stand on the issue at hand from high positions such as the head of the Federation of German Industries (BDI) or Siemens Chief Joe Kaeser, both outlining German economic gains from open markets and perceiving Chinese investments as positive signs,<sup>144</sup> underlines the assumption that the threat is rather perceived than clearly evident, albeit underlining the securitisation theo-

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<sup>138</sup> Haerder, Max; Schmitz, Gregor Peter (2016). Sigmar Gabriel will Abwandern von Schlüsseltechnologien per EU-Schutzklausel verhindern. (Sigmar Gabriel wants to stop migration of key technologies through EU protection clause.) In: 06.06.2016. *WirtschaftsWoche*.

<<https://www.wiwo.de/unternehmen/industrie/kuka-uebernahme-durch-chinesen-sigmar-gabriel-will-abwandern-von-schlueseltechnologien-per-eu-schutzklausel-verhindern/13710652.html>> (14.05.2020).

<sup>139</sup> Buzan et al. 1998. Op. cit. Pp. 23 – 26.

<sup>140</sup> Spiegel Wirtschaft (2016). Politik fürchtet Kuka-Verkauf nach China. (Politics fear KUKA sell to China.) In: 30.05.2016 *Spiegel Wirtschaft*. <<https://www.spiegel.de/wirtschaft/unternehmen/kuka-grossaktioner-bremst-vorstand-bei-midea-angebot-a-1094935.html>> (14.05.2020).

<sup>141</sup> Chazan 2016b. Op. cit.

<sup>142</sup> Stratmann 2016. Op. cit.

<sup>143</sup> Stratmann. Ibid.

<sup>144</sup> Gippner; Rabe 2017. Op.cit. P. 474.

ry idea about intersubjective securitisation on the basis of perception. The varying point of view between political and economic actors concisely outlines the importance of what Buzan et al. state when arguing the main issue in securitisation: “for whom security becomes a consideration in relation to whom.”<sup>145</sup>

When Buzan et al. argue about the widening of the agenda of security studies with their theory, they further pointed out that in the economic sector developments can be perceived as threatening when disrupting the order of an international regime’s norms and rules, whereas the argumentation for the existential threat to a single actor is rather difficult.<sup>146</sup> As outlined prior, the German government has portrayed the acquisition as threatening to German industrial and innovative power, but the economic players have perceived it as a business decision. This dichotomy in the light of the widened securitisation agenda and the shift in international regimes from a Neoliberal Institutional position, shows that it is rather the international regime based on Western values and perpetuating German power through economic advantages that is hereby perceived as threatened.

Even though the acquisition of KUKA sparked fierce political debate about the possibilities to secure economic interests and core industries against the perceived threat of COFDI, the finalisation of the deal spread frustration about the legal inability to encounter the takeover as “the ministry can only launch a formal inquiry against the sale if crucial German interests such as telecommunications or water and power safety are affected.”<sup>147</sup>

#### **4.2.2 Failed Acquisition of Aixtron**

Another case in which a Chinese investor’s bid in a German high-tech company attracted a high degree of attention from both the government and the society as well as the economy occurred almost within the same time as the KUKA acquisition. Aixtron, a German ‘Mittelstand’ enterprise developing cutting edge technology in the field of semiconductors manufacturing systems, had been struggling for some years since 2012. After a major Chinese order cancellation in 2015, Aixtron started to financially struggle and the company’s share price dropped.<sup>148</sup> Just half a year after the cancellation by

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<sup>145</sup> Buzan et al. 1998 Op. cit. Pp. 18.

<sup>146</sup> Buzan et al. Ibid. P. 21 – 23.

<sup>147</sup> Deutsche Welle 2016. Op. cit.

<sup>148</sup> Hooijmaaijers 2019. Op. cit. 261.

San'an Optoelectronics<sup>149</sup> a Chinese investor, Fujian Grand Chip Investment Fund LP (FGC), stepped forward signalling interest to acquire Aixtron. By the end of May 2016, Aixtron and FGC publicly stated that the companies had agreed on a takeover and that FGC will present a voluntary public takeover offer for the shareholders through the Grand Chip Investment GmbH (GCI), a German 100% subsidiary of FGC, at a price of 6 Euro per share, meaning a premium of more than 50% to the weighted average price of the past three months.<sup>150</sup> The offer was warmly welcome by the financially distressed German company as Aixtron's Chief Executive Martin Goetzeler stated that "it comes at the right time"<sup>151</sup> and the offer further more ensured the further pursuit of the business strategy as well as the further production and development within the existing facilities, hence leaving the company independent and in Germany.<sup>152</sup> As of 29<sup>th</sup> of July, GCI published the voluntary public takeover offer for all Aixtron shares including the stocks represented through the American Depositary Shares in the USA.<sup>153</sup> As the company's management saw the offer as a chance to overcome financial problems and further develop market access in China as well as gain new financial resources for innovation and development, it recommended the shareholders to accept the offer. In September 2016 the German government approved the deal through a clearance certificate after examining the bid.<sup>154</sup> While everything was expected to lead to a successful acquisition, the German government withdrew its clearance on the 21<sup>st</sup> of October, the last day of

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<sup>149</sup> Aixtron (2015). AIXTRON SE einigt sich mit San'an Optoelectronics auf erhebliche Reduzierung des Auftragsvolumens / Bestehende Partnerschaft wird unter geänderten Bedingungen fortgesetzt. (AIXTRON SE reaches agreement with San'an Optoelectronics about high reduction of the order volume.) In: 09.12.2015 *Aixtron*.

<[https://www.aixtron.com/de/presse/presseinformationen/AIXTRON%20SE%20einigt%20sich%20mit%20San%27an%20Optoelectronics%20auf%20erhebliche%20Reduzierung%20des%20Auftragsvolumens%20/%20Bestehende%20Partnerschaft%20wird%20unter%20geänderten%20Bedingungen%20fortgesetzt%20/%20AIXTRON%20führt%20Pro\\_n897](https://www.aixtron.com/de/presse/presseinformationen/AIXTRON%20SE%20einigt%20sich%20mit%20San%27an%20Optoelectronics%20auf%20erhebliche%20Reduzierung%20des%20Auftragsvolumens%20/%20Bestehende%20Partnerschaft%20wird%20unter%20geänderten%20Bedingungen%20fortgesetzt%20/%20AIXTRON%20führt%20Pro_n897)> (14.05.2020).

<sup>150</sup> Aixtron (2016a). GCI plant Übernahmeangebot für AIXTRON SE. (GCI plans takeover offer for AIXTRON SE.) In: 23.05.2016 *Aixtron*.

<[https://www.aixtron.com/de/presse/presseinformationen/GCI%20plant%20Übernahmeangebot%20für%20AIXTRON%20SE\\_n929](https://www.aixtron.com/de/presse/presseinformationen/GCI%20plant%20Übernahmeangebot%20für%20AIXTRON%20SE_n929)> (14.05.2020).

<sup>151</sup> Müller, Anja; Scheuer, Stephan (2016). Chinese Firm Bids €676 Million for Aixtron. In: 24.05.2016 *Handelsblatt*. <<https://www.handelsblatt.com/today/companies/fujian-grand-offer-chinese-firm-bids-676-million-for-aixtron/23538068.html?ticket=ST-3359586-gp2GlrZXfWBfrxbtqgS-ap4>> (14.05.2020).

<sup>152</sup> Aixtron 2016a. Op. cit.

<sup>153</sup> GCI (2016). FREIWILLIGES ÖFFENTLICHE ÜBERNAHMEANGEBOT (Barangebot) der Grand Chip Investment GmbH an die Aktionäre der AIXTRON SE zum Erwerb sämtlicher nennwertloser Namensaktien, einschließlich aller durch American Depositary Shares (ADSs) repräsentierten nennwertlosen Namensaktien der AIXTRON SE zum Preis von EUR 6,00 je Aktie in Bar. (Voluntary Public takeover offer from Grand Chip Investment GmbH for AIXTRON SE.)

<<https://www.bafin.de/SharedDocs/Downloads/DE/Angebotsunterlage/aixtron.html?nn=7845970>> (14.05.2020).

<sup>154</sup> Hooijmaaijers 2019. Op. cit. P. 461.

the period of acceptance for the bid.<sup>155</sup> The withdrawal of the previous given clearance of FGC reopened an investigation into the takeover and the bidder. Allegedly, the decision to withdraw the approval by the German government has been based on US intelligence information and therefore raised the question whether Aixtron had security relevance to Germany.<sup>156</sup> According to news reports and government statements, Aixtron manufacturing systems also find application in the production of guidance relevant chips for missiles and satellites. Despite Aixtron itself not being a defence contractor to either the US or Germany, the application of Aixtron technology by large contractors arguably constituted a security concern.<sup>157</sup>

In addition to the German reopened examination of the case, the US Committee on Foreign Investments in the United States (CFIUS), started an investigation into the takeover, as Aixtron was holding a US subsidiary which therefore allows the US authorities to interfere with foreign invested companies in the case of an acquisition.<sup>158</sup> CFIUS examination of the offer brought up security concerns for the US national security based on the aforementioned applicability of Aixtron technology to the defence sector. As CFIUS did not issue clearance at the end of the investigation period, the decision was passed on to former US president Barack Obama, who on 2<sup>nd</sup> of December 2016 blocked the purchase of Aixtron SE's US subsidiary, Aixtron Inc. by presidential order in accordance with the recommendation by CFIUS.<sup>159</sup> Within one week after the presidential decision in the US, Aixtron and GCI announced, that due to the prohibition of

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<sup>155</sup> Aixtron (2016b). Widerruf der Unbedenklichkeitsbescheinigung und Wiederaufnahme des Prüfverfahrens durch das Bundeswirtschaftsministerium im Rahmen der Übernahme durch die Grand Chip Investment GmbH. (Withdrawal of clearance certificate and reopening of investigation by the Federal Economics Ministry regarding the takeover by Grand Chip Investment GmbH.) In: 24.10.2016 *Aixtron*. <[https://www.aixtron.com/de/presse/presseinformationen/AIXTRON%20SE%20Widerruf%20der%20Unbedenklichkeitsbescheinigung%20und%20Wiederaufnahme%20des%20Prüfverfahrens%20durch%20das%20Bundeswirtschaftsministerium%20im%20Rahmen%20der%20Übernahme%20durch%20die%20Grand%20Chip%20Investment%20G\\_n894](https://www.aixtron.com/de/presse/presseinformationen/AIXTRON%20SE%20Widerruf%20der%20Unbedenklichkeitsbescheinigung%20und%20Wiederaufnahme%20des%20Prüfverfahrens%20durch%20das%20Bundeswirtschaftsministerium%20im%20Rahmen%20der%20Übernahme%20durch%20die%20Grand%20Chip%20Investment%20G_n894)> (14.05.2020).

<sup>156</sup> Hooijmaaijers 2019. Op. cit. P. 461.

<sup>157</sup> Woher, Martin (2016). New Hope for Aixtron. In: 05.12.2016 *Handelsblatt*. <<https://www.handelsblatt.com/today/companies/chinese-takeover-new-hope-for-aixtron/23543094.html?ticket=ST-3532291-SfSnpGgadTZKHPmiP1wD-ap4>> (14.05.2020).

<sup>158</sup> Bickenbach; Liu 2018. Op. cit. P. 17.

<sup>159</sup> Obama, Barack (2016). Presidential Order – Regarding the Proposed Acquisition of a Controlling Interest in Aixtron SE by Grand Chip Investment GMBH. <<https://obamawhitehouse.archives.gov/the-press-office/2016/12/02/presidential-order-regarding-proposed-acquisition-controlling-interest>> (14.05.2020).



the acquisition of the US part of Aixtron, the offer has been forfeited.<sup>160</sup> The issuance of a prohibition of the sale of Aixtron's US subsidiary and therefore the forfeiture of the takeover offer made a German reaction and statement to the acquisition redundant.

The acquisition offer for Aixtron and the developments described, even though the purchase has been denied in the end, fostered many discussions in German politics as well as the public media, making it another high profile case. The heated debate about new means to protect German economic interests and innovative firms in core technologies for future economic development, triggered by Midea's bid on KUKA earlier that year, was further fuelled by FGC's bid.<sup>161</sup> Besides outlining the frustration of German politicians about the surge in COFDI targeting German high tech companies, the case of Aixtron sparked the discussion about certain opaque ties in relation to Chinese large scale investments. San-an Optoelectronics, the company cancelling a major order just half a year prior to the bid, reportedly holds many ties to FGC and both firms not only have common major investors but are recipients of Chinese state funds for the development of China's semiconductor industry.<sup>162,163</sup> This kind of blurry connections underlined the German perception Chinese investments shifting towards a strategic political agenda behind some investments and paved the way for German politicians anger and frustration, such as has been seen in the withdrawal of the clearance. Moreover, German politicians in relation the Aixtron bid openly criticised missing reciprocity in the investment relations between China and Germany. German Economics Minister Sigmar Gabriel, who already took a strong stand during the KUKA acquisition, stated in relation to the FGC's bid that he was not willing to accept a situation in which "Germany sacrifices its companies on the altar of free markets, while at the same time [German] companies have huge problems investing in China."<sup>164</sup> Gabriel further stated that a

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<sup>160</sup> Aixtron (2016c). Erlöschen des Übernahmeangebots der Grand Chip Investment GmbH. (Forfeiture of the takeover offer by Grand Chip Investment GmbH.) In: 08.12.2016 *Aixtron*.

<[https://www.aixtron.com/de/presse/presseinformationen/AIXTRON%20SE%20Erlöschen%20des%20Übernahmeangebots%20der%20Grand%20Chip%20Investment%20GmbH\\_n891](https://www.aixtron.com/de/presse/presseinformationen/AIXTRON%20SE%20Erlöschen%20des%20Übernahmeangebots%20der%20Grand%20Chip%20Investment%20GmbH_n891)> (14.05.2020).

<sup>161</sup> Copley, Caroline (2016). Germany's Gabriel seeks EU rule to block foreign takeover of key technologies. In: 09.06.2016 *Reuters*. <<https://www.reuters.com/article/us-kuka-m-a-mideagroup-germany-idUSKCN0YV147>> (14.05.2020).

<sup>162</sup> Hooijmaaijers 2019. Op. cit. P. 462.

<sup>163</sup> Ewing, Jack; Mozur, Paul (2016). Rush of Chinese Investments in Europe's High-Tech Firms Is Raising Eyebrows. In: 16.09.2016 *The New York Times*.

<[https://www.nytimes.com/2016/09/17/business/dealbook/china-germany-takeover-merger-technology.html?\\_r=0](https://www.nytimes.com/2016/09/17/business/dealbook/china-germany-takeover-merger-technology.html?_r=0)> (14.05.2020).

<sup>164</sup> Delcker, Janosch (2016). Sigmar Gabriel's mission to halt China's investment spree. In: 1.11.2016 *Politico*. <<https://www.politico.eu/article/sigmar-gabriels-mission-to-halt-chinas-investment-sprees/>> (14.05.2020.)

country which “want[s] to invest in other parts of the world, [...] can't block those countries from investing”<sup>165</sup>, underlining his call for reciprocity in the Sino-German bilateral investment relations.

An aspect of the developments in the Aixtron case particularly interesting for the examination of securitisation moves of German government constitutes the security aspect of Aixtron's know-how which enabled the German government to withdraw its clearance. When asked in a press conference, the spokeswoman of the German Economics Ministry Alemany did not comment on the source of information and a representative of the German Ministry of Defence stated that he was not aware of Aixtron's engagement in German defence nor has the issue been discussed within the ministry.<sup>166</sup> A spokesman of Aixtron outlined that the risen security concerns have appeared for the first time in the company history. He further argued that more than 3,000 Aixtron machines have been approved for export without any objections, including exports to China, closing that the company does not produce any chips itself nor does it have “influence on what the customer does with [the machinery] and to whom he delivers”.<sup>167</sup> This controversy which the Financial Times referred to as “a protectionist backlash in Germany against Chinese investment in the country”<sup>168</sup> underlined the questionability of an actual security issue at hand, something questioned at the aforementioned press conference in relation to a major American competitor to Aixtron.<sup>169</sup>

As in the case of KUKA, the bid by a Chinese investor for a leading company in the field of cutting-edge technology indispensable for the development of future high-tech sectors raised concerns in the German political sphere. The production of semiconductors, the main application of Aixtron technology, is seen as crucial for China's innovative power and the successful implementation of its industrial upgrading policy. While China has already developed highly competitive capabilities in what is referred to as future technologies, its innovation remains dependent on Western supplies in semi-

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<sup>165</sup> Delcker. Ibid.

<sup>166</sup> Die Bundesregierung (2016). Pressekonferenz vom 26. Oktober. (Press conference 26<sup>th</sup> of October.) <<https://www.bundesregierung.de/breg-de/aktuelles/pressekonferenzen/regierungspressekonferenz-vom-26-oktober-844374>> (14.05.2020).

<sup>167</sup> Sigmund, Thomas (2016). U.S. Said to Intervene in Aixtron Deal. In: 26.10.2016 *Handelsblatt*. <<https://www.handelsblatt.com/today/politics/handelsblatt-exclusive-u-s-said-to-intervene-in-aixtron-deal/23541918.html>> (14.05.2020).

<sup>168</sup> Chazan, Guy (2016c). German government reopens review into Aixtron takeover. In: 24.10.2016 *Financial Times*. <<https://www.ft.com/content/21f96e61-7174-3bd9-b883-d27b82d7b736>> (14.05.2020).

<sup>169</sup> Die Bundesregierung 2016. Op. cit.

conductors.<sup>170</sup> The high bid in Aixtron, excelling possible European bidders, in correlation to China's MIC2025 has fostered the perception the competition being unfair and a threat to German know-how been taken out of the country. Sebastian Heilmann, one of the most renown German sinologists and director of the MERICS outlined that "the Aixtron case makes it very clear: It is not regular investment that is at work here."<sup>171</sup> The statement was backed later by Björn Conrad, deputy director of MERICS, when arguing that "Germany is mostly concerned about the growing Chinese investments in hi-tech companies."<sup>172</sup> Under this aspect, a successful acquisition of Aixtron would have strengthened China's economic development towards innovation leadership. As previously presented, this would make China a major competitor for Germany's strong position in developing high-tech solutions and threaten the international regime perpetuating German industrial superiority. This aligns furthermore with Buzan et al.'s assumption that a threat in the economic sectors is appearing to an international regime and its norm giving authorities instead of a single company.<sup>173</sup>

Securitisation theory furthermore outlines that "security is the move that takes politics beyond the established rules of the game" and therefore argue that "securitisation can thus be seen as a more extreme version of politicisation."<sup>174</sup> After the German government withdrew its clearance and shortly before the US government blocked the acquisition, Geng Shuang, spokesman of the Chinese Foreign Ministry publicly stated that the bid on Aixtron constituted a "normal commercial acquisition, it should follow the normal principles and the rules of the market" and that "an excessive political interpretation"<sup>175</sup> of the case would be wrong.<sup>176</sup> A statement which when placed into context with the debate about the KUKA acquisition, in which the government, albeit heavily discussing the development and searching for alternative bidders, refrained from intervening, outlines the shifting perception of Chinese M&A. Aixtron's acquisition has not only been politicised but, through the denial of the acquisition by governments on the basis of security concerns securitised.

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<sup>170</sup> Holzmann; Zenglein 2019. Op.cit. P. 25.

<sup>171</sup> Ewing; Mozur 2016. Op. cit.

<sup>172</sup> Delcker 2016. Op. cit.

<sup>173</sup> Buzan et al. 1998. Op. cit. Pp. 21 – 23.

<sup>174</sup> Buzan et al. Ibid. P. 23.

<sup>175</sup> The Local (2016). US tries to block Chinese purchase of Aixtron. In: 03.12.2016 *The Local*. <<https://www.thelocal.de/20161203/us-tries-to-block-chinese-purchase-of-germanys-aixtron>> (14.05.2020).

<sup>176</sup> Wocher 2016. Op. cit.

German politics' call for stricter measures to protect key technologies from M&A was echoed by representatives of the EU such as Günter Oettinger, the commissioner for Digital Economy, who already actively engaged in the KUKA debate earlier that year, underlining Gabriel's argumentation by stating that many countries "including big ones such as China, [...] make market access or corporate takeovers difficult or effectively impossible".<sup>177</sup> Moreover, despite generally seeing investments as something positive and necessary for the German economy, constantly more voices from the business sector and industrial representatives arose, calling on strengthened reciprocity. Jörg Wuttke, president of the European Union Chamber of Commerce in China, outlined German frustration about the development in investments when arguing that German companies "must do green-field investment [...] in China and generate new jobs, while the Chinese can just buy into pre-existing industrial structures".<sup>178</sup> While economic actors like Wuttke outlined the missing reciprocity and argued for evening measures, Aixtron seemed surprised by the governments reaction, as the deal has been perceived as cleared. Moreover, it has been argued by economists and newspapers that the deal most likely would have been allowed by the German government, would it not have been for US security concerns.<sup>179,180</sup>

The case of Aixtron, despite its incompleteness in the end through US interference and not German government decisions further underlined the shifted perception of COFDI in Germany as threatening. The governments frustration about the loss of high-tech firms to Chinese investors in combination with the investment surge in 2016 form a perceived threat that to encounter new measures above the normal legal frame of the German law where required. This call on restrictive measures to protect German economic interests oppose Germany's generally liberal position advocating free markets and trade.<sup>181</sup> This once more opens Buzan et al.'s main issue at hand, the question about

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<sup>177</sup> Jennen, Birgit; White, Aoife; Zha, Weixin (2016). Germany Withdraws Aixtron Clearance as Push Grows for Chinese Investment Curbs. In: 24.10.2016 *Industry Week*.  
<<https://www.industryweek.com/the-economy/competitiveness/article/21986543/germany-withdraws-aixtron-clearance-as-push-grows-for-chinese-investment-curbs>> (14.05.2020).

<sup>178</sup> Delcker 2016. Op. cit.

<sup>179</sup> Stanzel, Angela (2017). Germany's turnabout on Chinese takeovers. In: 21.03.2017 *European Council on Foreign Relations*.  
<[https://www.ecfr.eu/article/commentary\\_germanys\\_turnabout\\_on\\_chinese\\_takeovers\\_7251](https://www.ecfr.eu/article/commentary_germanys_turnabout_on_chinese_takeovers_7251)> (14.05.2020).

<sup>180</sup> Jennen et al. 2016. Op. cit.

<sup>181</sup> Stratmann 2016. Op. cit.

security becoming a concern for whom in relation to whom.<sup>182</sup> Furthermore, the Aixtron case and the shifting position from first clearance to denial of purchase, outlines the intersubjective character of securitisation and aligns with the argumentation of securitisation theory that a securitising move is never just a reaction to a perceived threat, but a political decision.

As presented prior, KUKA's acquisition by Midea has sparked a wide debate about Chinese strategic investments and Germany's inability to encounter the takeover of high-tech companies seen as essential for future economic development. The Aixtron bid later further fuelled the debate, opaque links within the investors raised calls on reciprocity and the final move to block the acquisition underlined a securitising tendency in the recent developments that year. The heated debate on better protection of key industries, besides the classical security relevant sectors, fostered German protectionism and a change in investment policies.

### **4.3 German Investment Screening and M&A Interference**

After the steep increase of Chinese FDI in Europe in 2016, the FDI flows began to decline again in the following year, albeit remaining on a high level and further targeting the major European economies with Germany, France and the UK combined receiving 75% of all COFDI in Europe.<sup>183</sup> Despite the decline in investments, the completion of the KUKA deal and the abandonment of FGC's bid on Aixtron, the debate about better capabilities to secure not only what is deemed as relevant to defence and national security but also Germany's key industries from foreign takeovers remained a constant topic. Already in the press conference from October 2016 cited earlier, the German government stated that the Ministry of Economics has presented corner stones to the parliament for possible screening mechanisms of FDI in Germany.<sup>184</sup> Gabriel arguing that if no screening measures would be implemented, German "openness in the market would easily turn into readiness to make sacrifices"<sup>185</sup> made the perception of FDI as a threat clear and rapidly caught on in the government. By mid-October, Germany's Deputy Economic Minister Matthias Machnig confirmed that the parliament has been given a six key point paper for providing the government with comprehensive capabilities to

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<sup>182</sup> Buzan et al. 1998. Op. cit. P. 23.

<sup>183</sup> Hanemann; Huotari 2018. Op. cit. P. 31.

<sup>184</sup> Die Bundesregierung 2016. Op. cit.

<sup>185</sup> Haerder; Schmitz 2016. Op. cit.

prohibit M&A from firms outside the EU.<sup>186</sup> Thereby, the German government started a protective turn against Chinese FDI, underlining the aspect of securitisation theory that securitising a referent object, in this case German strategic key industries, is never purely a reaction to a perceived threat, but always a political decision. Something that is underlined by the investment relations between China and Europe being perceived as not just economical but strongly political.<sup>187</sup>

As one may argue that the German government so far has not explicitly argued along security and protection in that specific terms, it must be outlined that Buzan et al. specifically point out that securitisation does not require the securitising actor to actually say 'security'. It is rather the portrayal of something as an existential threat requiring emergency measures outside the established political rules.<sup>188</sup> This condition has been indeed fulfilled by Gabriel applying terms such as to "sacrifice jobs and firms on the altar of open European markets"<sup>189</sup>, who, besides the final development in the Aixtron case, may not have spoken the word security but laid out Chinese investments as an existential threat. Nevertheless, the argumentation for something as an existential threat itself according to Buzan et al. does not suffice as securitisation but only constitutes a securitising move.<sup>190</sup> Therefore, the further development of German investment screening as protective measures against Chinese acquisitions of high-tech firms, must be taken into consideration to comprehensively understand the securitisation. The three units of securitisation that Buzan et al. point out are quite well distinguished in the issue at hand. The referent object hereby are the German key industries, securitising actor is the state as well as economic actors calling on protection and reciprocity and lastly the functional actors are constituted by Chinese investors and governmental actors influencing the debate.

In February 2017, the German government in cooperation with France and Italy took their concerns to the European Commission, arguing for stricter screening measures to encounter Chinese M&As. The letter stated that a perceived threat existed the countries could lose their economic advantages gained through technological know-

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<sup>186</sup> Hansen, Holger; Martin, Michelle (2016). Germany considers protecting firms from foreign takeovers. In: 16.10.2016 *Reuters*. <<https://www.reuters.com/article/us-germany-mergers-economy-ministry-idUSKBN12G06Q>> (14.05.2020).

<sup>187</sup> Gippner; Raber 2017. Op. cit. P. 481.

<sup>188</sup> Buzan et al. 1998. Op. cit. P. 27.

<sup>189</sup> Haerder; Schmitz 2016. Op. cit.

<sup>190</sup> Buzan et al. 1998. Op. cit. P. 25.

how, thus seeking measures to block unwanted takeovers. The restrictive measures sought, show a sharp shift in Germany's generally open investment landscape and advocacy for liberal values.<sup>191</sup> This turn in the German government's attitude towards FDI inflows, evidently shows the move to take measures outside normal politics and overstepping the rules to protect what Germany perceives as existentially threatened, its economic advantages. Moreover, the perception of strategic investments in high-tech companies supporting China's industrial strategies not only showing that Chinese counterparts have caught up with German companies but are further able to acquire them,<sup>192</sup> underlines the assumption from the Neoliberal Institutional approach that perpetuated economic superiority is at risk here. This well aligns with the idea of Germany perceiving these investments as existentially threatening.

As the letter to the EU called on collective protective efforts for all member states, the solution finding is rather difficult due to different stands towards China and differing perception of threats, meaning the definition of what constitutes a EU wide security concern. Therefore, Germany had to primarily continue the discourse on security measures protecting its economy on a national level.<sup>193</sup> By July 2017, the German government passed an amendment of the German AWW which made it possible to widen the field in which investigations and investment interference would be possible.<sup>194</sup> Whereas prior the government only has been able to intervene with acquisitions in direct correlation to security and defence, the new rules widened the focus that any acquisition above 25% can be examined. Moreover, the government gained the ability to veto acquisitions that besides defence and security also effect the 'public order' or companies providing the necessary technology, innovation and research for sectors relevant to the 'public order'.<sup>195</sup> The new regulations enable cross sector reviews that can target any industry as the German legislative authorities did not specify any sectoral boundary.<sup>196</sup> Even though the amendment to the AWW outlined widened sectors which are deemed as strategic, thus being subject to sector-specific reviews and in which investments are considered a potential threat to security and public order, the rules still ena-

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<sup>191</sup> Stanzel 2017. Op. cit.

<sup>192</sup> Gippner; Rabe 2017. Op. cit. P. 482.

<sup>193</sup> Stanzel 2017. Op. cit.

<sup>194</sup> Janutta, Kim-Simone (2018). Germany's first veto against a foreign investment under new FDI rules. In: 08.08.2018 *The National Law Review*. <<https://www.natlawreview.com/article/germany-s-first-veto-against-foreign-investment-under-new-fdi-rules>> (14.05.2020).

<sup>195</sup> Dams 2017. Op. cit.

<sup>196</sup> Janutta 2018. Op. cit.

bled cross-sector reviews of any other investments above 25%.<sup>197</sup> Underlining the securitising sentiment of the development, Brigitte Zypries, Gabriel’s successor as German Economics Minister, stated that the amended ordinance “will deliver better protection” to German companies operating in ‘critical infrastructure’<sup>198</sup>

To clear up the vague and blurry boundaries of the AWV, looking at a proposal to the EU Commission on a common framework for investment screening provides a deeper understanding about what sectors have been perceived as threatened and requires extraordinary protective measures. The proposal outlines that regulated industries including energy and transport, industries handling data, new technologies including artificial intelligence and robotics, semiconductors, cybersecurity and lastly dual-use applications, meaning technologies that generally are seen as civil but might find military application, are of strategic importance and must be protected to secure the public order and safety.<sup>199</sup> The proposal furthermore suggests to widen the sectors to other important industries for future technologies such as ICT, R&D or the automotive industry. In the light of securitisation analysis, the proposal constitutes a major step towards securitisation. Whereas German officials prior rarely used the terms of ‘security’ or ‘threat’ but portrayed a picture of sacrificing its economy on the free market,<sup>200</sup> the proposal clearly presents foreign investments in these segments as an existential threat. This becomes evident by arguing that restrictions must be taken when “foreign investments [...] pose a threat to [...] vital interests”<sup>201</sup> in order to “protect critical European assets against investment”<sup>202</sup> and to “protect legitimate interests with regard to foreign direct investments that raise concerns for security or public order”<sup>203</sup>. This reappears in the amendment of the AWV whereby the German Ministry of Economics enacted on the right as a

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<sup>197</sup> Kassemann, Rico; Sturm, Wolfgang (2017). Federal Government introduced stricter rules on German foreign investment control – Berlin Wall rebuilt? <[https://linklaters.de/fileadmin/user\\_upload/Newsletter\\_German\\_Foreign\\_Investment\\_Law\\_Amendment.pdf](https://linklaters.de/fileadmin/user_upload/Newsletter_German_Foreign_Investment_Law_Amendment.pdf)> (14.05.2020).

<sup>198</sup> BMWi – Federal Ministry for Economic Affairs and Energy (2017). Minister Zypries: “Fair competition and better protection in corporate acquisitions”. <<https://www.bmwi.de/Redaktion/EN/Pressemitteilungen/2017/20170712-zypries-besserer-schutz-bei-firmenuebernahmen.html>> (14.05.2020).

<sup>199</sup> European Commission (2017). Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing a framework for screening of foreign direct investments into the European Union. <<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017PC0487>> (14.05.2020).

<sup>200</sup> Delcker 2016. Op. cit.

<sup>201</sup> European Commission 2017. Op. cit.

<sup>202</sup> European Commission. Ibid.

<sup>203</sup> European Commission. Ibid.



EU member state to define public order, public policy and security according to national needs. Arguing that even acquisitions in single cases outside the key sectors or critical infrastructure could “threaten the public security”<sup>204</sup> and that strategic takeovers of key industries can “threaten the security of supply and performance of the German economy massively”<sup>205</sup>, the German government clearly makes a securitising move by presenting FDI from outside the EU as in some cases existentially threatening to the performance and unity of the German economy.

These developments provide two of the three elements which Buzan et al. argue as being existential for a successful securitisation,<sup>206</sup> namely the presentation of an existential threat, hereby the acquisition of German firms in key sectors that drive innovation and cutting edge technologies and the extraordinary measures outside the normal political rules, meaning the amendment of the AWV allowing interference with foreign investments in a broader field less constrained to classic security sectors and encountering the rules and norms of the free market and liberal order. The third element, the acceptance by the audience, has not yet been completed to the full extend as many concerned agents from the economic sector raised their voices, warning against protectionism while others called for a German move for years.<sup>207</sup> The German BDI for example encountered the stringent new rules as its president argued that rules increasingly blocking investments would “make the Germany a less attractive destination for investments”.<sup>208</sup> Moreover, economists argued that Chinese investments in German ‘Mittelstand’ companies would infuse high amounts of foreign capital, enable growth and moreover provide companies with market access to China. Furthermore, it is argued that many cases Chinese investors acquiring German high-tech companies turned out to leave the R&D as well as production sides and headquarters within Germany.<sup>209</sup> Despite such argumentations, the long lasting call from some German companies for protective measures against Chinese takeovers, albeit mostly behind closed doors, was met by

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<sup>204</sup> BMWi – Federal Ministry for Economic Affairs and Energy (2017). Neunte Verordnung zur Änderung der Außenwirtschaftsverordnung. (Nineth ordinance to amend the Foreign Trade and Payment Ordinance.) <[https://www.bmwi.de/Redaktion/DE/Downloads/V/neunte-aendvo-awv.pdf?\\_\\_blob=publicationFile&v=6](https://www.bmwi.de/Redaktion/DE/Downloads/V/neunte-aendvo-awv.pdf?__blob=publicationFile&v=6)> (14.06.2020). P. 11.

<sup>205</sup> BMWi. Ibid.

<sup>206</sup> Buzan et al. 1998. Op. cit. P. 25.

<sup>207</sup> Dams 2017. Op. cit.

<sup>208</sup> Dams. Ibid.

<sup>209</sup> Chen, Lei; Tang, Zhen; Yang, Jan Y. (2019). *Chinese M&A in Germany: An Integration Oriented and Value Enhancing Story*. Cham: Springer Nature. Pp. 125 – 126.

these new rules to some extent,<sup>210</sup> and as Buzan et al. argue regarding the required acceptance from the audience: “Accept does not necessarily mean in civilized, dominance-free discussion [as it] always rests on coercion as well as on consent.”<sup>211</sup>

By 2018, the new, more stringent measures found first application in the case of industrial engineering firm Leifeld Metal Spinning and the German government further interfered in a Chinese 20% bid on high-voltage network operator 50Herz.<sup>212</sup> In July that year, the German government ordered the state-owned KfW bank to buy a 20% stake in 50Herz as the Chinese State Grid provided a bid to acquire the stake offered by Australian infrastructure fund IFM. The German government hereby teamed up with the major shareholder in 50Herz, the Belgium investment firm Elia, which enacted its right to buy the offered shares and further sold them to the KfW on same terms.<sup>213</sup> The German Ministries of finance and economics jointly stated that the government acted “on national security grounds, [as] the federal government has a major interest in protecting critical energy infrastructure”,<sup>214</sup> but as the 2017 amended AWV only allowed the government to block M&A transactions above 25%, the KfW had to step in.<sup>215</sup> The move received high attention from many different agents, governmental as well as economic. BDI manager Stefan Maier for example argued that the decision to interfere, despite the AWV stating that security concerns were only seen above 25%, incorporates a high “risk of hurting the climate for foreign investment.”<sup>216</sup> Chinese Ambassador to Germany Shi Mengde argued that the German move held a strongly protectionist sentiment and that he would be “concerned that the door to Germany that has been opened will be closed again.”<sup>217</sup> Moreover, the head of the Chinese Chamber of Commerce in Germany, Wei Duan, expressed concerns about unfair German practices putting Chinese investors at a disadvantage against other bidders, arguing that while the protection of a state’s

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<sup>210</sup> Dams 2017. Op. cit.

<sup>211</sup> Buzan et al. 1998. Op. cit. P. 25.

<sup>212</sup> Bickenbach; Liu 2018. Op. cit. P. 17.

<sup>213</sup> Chazan, Guy (2017). Germany acts to protect energy group from Chinese. In: 27.07.2018 *Financial Times*. <<https://www.ft.com/content/a39c799c-91ab-11e8-b639-7680cedcc421>> (14.05.2020).

<sup>214</sup> Global Construction Review (2018). Germany blocks China’s acquisition of stake in power distributor 50Hertz. In: 03.08.2018 *Global Construction Review*. <<http://www.globalconstructionreview.com/news/germany-blocks-chinas-acquisition-stake-power-dist/>> (14.05.2020).

<sup>215</sup> Bryan, Victoria; Heller, Gernot (2018). Germany moves to protect key companies from Chinese investors. In: 27.07.2018 *Reuters*. <<https://uk.reuters.com/article/us-50hertz-m-a-kfw/germany-moves-to-protect-key-companies-from-chinese-investors-idUKKBN1KHORB>> (14.05.2020).

<sup>216</sup> Bryan; Heller. Ibid.

<sup>217</sup> Global Construction Review 2018. Op. cit.

energy security might be perfectly understandable, it was frustrating to see that whereas an Australian shareholder had been accepted prior, a Chinese investor was perceived as a major security threat.<sup>218</sup> Furthermore, Wei argued that Germany has always been propagating the free market and trade globally while profiting significantly from it, but has recently started to hinder foreign investors and that he was worried about the increasingly frequent application of protective measures.<sup>219</sup> While the new regulative screening rules from 2017 outlined Germany's threat perception and the need for special measures against the threat, the move against the Chinese acquisition of 50Herz evidently shows securitising moves, as Buzan et al. argue that securitisation is the move that takes an issue above the boundaries of normal politics. While the German government already had a protective sentiment by establishing new regulations encountering the ideal of the free market, the move to engage even though the bid was on less than 25%, hence overstep its own new rules, unequivocally outlines the securitisation of the issue at hand. This move clearly goes against what is generally seen as the German normal boundaries of investment politics, meaning a welcoming culture supporting investments and propagating open markets, fair competition and liberalism.

About the same time, the German government prepared its first ever veto against a Chinese investment in the acquisition of Leifeld Metal Spinning, a 'Mittelstand' engineering company specialised in highly resilient materials applied in aerospace, automotive industry or chemical industries as well as energy industries including nuclear technologies.<sup>220</sup> During the investigation into the acquisition by the Yantai Taihai Group, Chinese Foreign Ministry spokesman, Geng Shuang, called on the German government to "objectively view Chinese investment and create a fair, open market access environment for Chinese companies investing in Germany."<sup>221</sup> The German government authorised a veto after examining the case on the basis of security concerns due to the applicability of Leifeld's technology to nuclear industries, despite the companies CEO arguing that its technologies only found use in the civil nuclear technology. Nonetheless, the German government did not come to the completion of its first veto based on the

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<sup>218</sup> Zhu 2018. Op.cit.

<sup>219</sup> Zhu. Ibid.

<sup>220</sup> Bryan; Heller 2018. Op. cit.

<sup>221</sup> Bryan; Heller 2018. Op. cit.

AWV, as the Chinese bidder withdrew its bid just prior to German interference.<sup>222</sup> Nonetheless, Chinese actors reacted frustrated about Germany's planned block of the acquisition and outlined that it had only been another presentation of the protectionist sentiment against Chinese investors growing in Germany.<sup>223</sup>

Correlating with these cases, the German government announced that it wanted to amend the AWV once again to lower the threshold for screening to 15% to “check more acquisitions in sensitive sectors of the economy”<sup>224</sup> as German Economics Minister Peter Altmaier said. The move to strengthen German securitising mechanisms has been closely linked to worrying perception of Chinese economic power and influence growing through its MIC2025 strategy and the strategic character of Chinese investments that are often linked to the industrial strategy.<sup>225</sup> The proposal to lower the threshold, albeit argued as protecting core interest to ensure public order and security, was perceived critical by the BDI. As the proposal further considered widening the sectors deemed as strategic, the managing director of the BDI, Joachim Lang, warned that German companies were to some extent relying on foreign capital and that it was of utter importance to keep Germany an attractive destination for FDI. He therefore argued that lowering the threshold must “be focused strictly on protecting national security”.<sup>226</sup> The dichotomy in the perception of COFDI by the BDI and the government provides well insights that the securitisation through the German government as the securitising actor has not yet been fully accepted by the audience.

The German government passed its amendment of the AWV at the end of 2018, lowering the threshold from 25% to only 10%, thus further sharpening its possibilities to screen and block unwanted M&A that are perceived as threatening German technological advantage.<sup>227</sup> The amendment received opposition from economic stakeholders such as the BDI arguing that “Germany must remain open to foreign investments”<sup>228</sup> or the German International Chamber of Commerce outlining that more stringent regula-

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<sup>222</sup> Deutsche Welle (2018). Chinese takeover of Leifeld collapses ahead of expected German veto. In: 01.08.2018 *Deutsche Welle*. <<https://www.dw.com/en/chinese-takeover-of-leifeld-collapses-ahead-of-expected-german-veto/a-44906055>> (14.05.2020).

<sup>223</sup> Zhu 2018. Op. cit.

<sup>224</sup> Chazan, Guy (2018). Germany plans further foreign investment curbs. In: 07.08.2018 *Financial Times*. <<https://www.ft.com/content/6ff764e8-9a1c-11e8-ab77-f854c65a4465>> (14.05.2020).

<sup>225</sup> Chazan. Ibid.

<sup>226</sup> Chazan. Ibid.

<sup>227</sup> Hansen, Holger; Nienaber, Michael (2018). With eye on China, Germany tightens foreign investment rules. In: 19.12.2018 *Reuters*. <<https://www.reuters.com/article/us-germany-security-m-a/with-eye-on-china-germany-tightens-foreign-investment-rules-idUSKBN1OIOUP>> (14.05.2020).

<sup>228</sup> Hansen; Nienaber. Ibid.

tions would send a negative sign to possible investors. Moreover, a spokeswoman of the Chinese Ministry of Foreign Affairs stated that China was hoping that “Germany can create a fair, open market access environment and stable institutional framework for foreign companies, including Chinese ones”, outlining dissatisfaction with the development in German regulations.<sup>229</sup> The expressed dissatisfaction about Germany’s move away from its generally propagated values of free markets and trade towards protectionism constitutes an evidential insight into the moves that Germany has taken outside its scope of normal politics, hence a securitising move. Still, the audience has not been fully accepting these measures as shown by the opposing positions taken by major economic players such as the BDI.

Whereas the BDI in 2018 still opposed the securitising moves of the German government to protect industries seen as strategic, the industrial group aligned with the policy direction in the beginning of 2019, when publishing a position paper calling on a common EU instrument to protect companies from unwanted takeovers from Chinese investors.<sup>230</sup> Moreover, the BDI called on a unified European industrial strategy that would encounter MIC2025 and therefore secure Europe’s advanced economic position.<sup>231</sup> The policy paper published by the BDI constituted more than just a call on more stringent measure by arguing that China through its economic development had grown into a competitor,<sup>232</sup> but showing that the acceptance of the audience had finally been given as the largest German industrial group accepted the government’s measures, thus fulfilling all three aspects of a successful securitisation as argued by Buzan et al.

The policy paper furthermore underlines the argumentation of securitisation theory that in the economic sector companies may not be reasonable as referent objects but the international regimes that one might see threatened, as it states that “the Chinese model of an economy marked by substantial state control [...] enters into systemic

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<sup>229</sup> Hansen; Nienaber. Ibid.

<sup>230</sup> Stanzel, Angela (2019). The EU and the Securitisation of Chinese Investments. <<https://medium.com/henley-partners/the-eu-and-the-securitization-of-chinese-investment-fd389b8504f8>> (14.05.2020).

<sup>231</sup> Stanzel. Ibid.

<sup>232</sup> BDI – Federation of German Industries (2019a). Strengthen the European Union to better compete with China. In: 01.10.2019 *BDI*. <<https://english.bdi.eu/article/news/strengthen-the-european-union-to-better-compete-with-china/>> (14.05.2020).

competition with liberal market economies.”<sup>233</sup> The BDI thereby not only provides an evident acceptance of the German government’s extraordinary measure to protect its economic interests but also outlines the perceived threat to the international regime built on the common values of liberalism and free market by increasing Chinese economic power and strategic investments. This thereby links the securitisation to the shifting power balance in international regimes and the development of new regimes based on Chinese values and norms, as describe in chapter 4.1.

## 5 Discussion

The influence of emerging China-initiated international regimes in the EU through initiatives such as the 17+1 cooperation, a cooperative framework between China and 17 Central Eastern European countries aiming at trade advancement and high-level investments, as well as EU member states joining the BRI and Chinese financial institutions as the AIIB has constantly increased over the past years.<sup>234</sup> These stronger relations of EU member states with China and the adherence to international regimes formulated by China carried a wide anxiety from Western EU states and major economies for an influential loss of the European trade regime. While the grip of Chinese investment strengthened and strategic acquisitions in the sectors correlating with China’s MIC2025 strategy increased in the major European economies, perceptions of these investments shifted, not just in Germany.<sup>235</sup> The BDI calling China a “systemic competitor to the liberal market”<sup>236</sup> and a European document from March 2019 arguing that China had developed into “an economic competitor in pursuit of technological leadership and a systemic rival promoting alternative models of governance”<sup>237</sup>, both show that despite the outlined threat perception of Germany, the EU perceives its regime as threatened. Such argumentations show on the one hand, that the German sentiment of protectionism against Chinese investments based on the threatening perception of these FDI is not just a national concern, but a development within the whole regime of the EU. On the other

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<sup>233</sup> BDI – Federation of German Industries (2019b). Policy Paper China: Partner and Systemic Competitor – How Do We Deal with China’s State-Controlled Economy? <<https://english.bdi.eu/article/news/strengthen-the-european-union-to-better-compete-with-china/>> (14.05.2020).

<sup>234</sup> Kavalski, Emilian (2019). China’s “16+1” Is Dead? Long Live the “17+1”. In: 29.03.2019 *The Diplomat*. <<https://thediplomat.com/2019/03/chinas-161-is-dead-long-live-the-171/>> (14.05.2020).

<sup>235</sup> Hanemann et al. 2019. Op. cit. P. 14.

<sup>236</sup> BDI 2019b. Op. cit.

<sup>237</sup> Joshi 2019. Op. cit. P. 6.

hand, it outlines the formation of a security complex that transports a common threat perception across borders within a regional framework. Hereby, it becomes evident that the call for a unified EU response securitising the internal market and industries from high-scale investments aligns with the assumption of shifting perceptions of COFDI by EU states.

By the end of 2018, the EU for the first time reached provisional agreement on a common framework to screen investments of non-EU origin targeting key technologies in EU states. Such an unprecedented agreement reflects the idea that a coherent group can be formed based on factors as proximity, common fate and boundedness, therefore jointly encountering a common threat.<sup>238</sup> The provisional agreement reached can be perceived as the political decision to encounter the increasing amount of Chinese M&A which are seen as closely linked to the industrial strategy enhancing Chinese competitiveness. The vast amount of M&A in recent years further fuelled the search for a unified EU response as Chinese investors acquired around 250 European companies only in 2017.<sup>239</sup> While the leading European economies such as France, Germany or the UK already implemented securitising mechanism prior to the EU agreement, the provisional regulations only built up on these and do not pressure any state to implement any screening. This underlines the hypothesis that certain states are already adhering to Chinese international regimes and thus would not implement rules that would block Chinese investments, underlining the turn of some Eastern European Countries towards China for investments that could foster economic development.<sup>240</sup>

This raises the question, whether a unified response to China's increasing economic power would be possible. Nonetheless, the move to securitise COFDI in the EU on a transnational level provides an insight on the idea that securitisation can be institutionalised if the threat is reoccurring. Moreover, the EU is seemingly constructing a security complex as the interests of protecting key industries that are indispensable for the future economic development of the EU, thus holding its technological advantage, spreads throughout the major EU economies.

The dichotomy within the EU provides a further insight on the influence that China has reached through its strategies, such as the BRI or MIC2025 and its increasing economic power. Balkan states warmly welcome Chinese investments in order to lower

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<sup>238</sup> Gippner; Rabe 2017. Op. cit. P. 470.

<sup>239</sup> Stanzel 2019. Op. cit.

<sup>240</sup> Roussi, Antonaeta (2019). China charts a path to Europe. In: *Nature*, Vol. 569. P. 175.

the technological gap towards Western EU states and develop their economy, therefore it does not appear surprising that these states are not likely to see a threat in Chinese investments. Other EU countries such as Germany, France or the UK perceive that they are losing advantage and that the industrial upgrading and increasing innovative power of China in combination with its immense financial capabilities to acquire know-how and technology, poses a threat to the technological advantage and industrial superiority, thus securitising the issue at hand. Protective measure even though these go against the constant propagation of the free market and liberalism are perceived as indispensable as European economist warn that the EU must act if it does not want its economic relations with China to turn into a ‘competitive antagonism’.<sup>241</sup>

Nonetheless it remains open if corporate acquisitions, albeit targeting highly advanced economic sectors, pose an actual threat to EU states or only generate an economic advantage for China and if protectionism is the right response. Many economic players from the EU warned against restrictive measures as they feared that China could reciprocate, hence impede the investment landscape in China for EU investors and restrict the market further, thereby calling on the EU to take other steps than protectionism.<sup>242</sup> Europe has pulled together to conceptualise a joint response to a perceived threat through COFDI strategically targeting economic sectors that are of utter importance for future technologies, but at same time remained split, as the new regulations are not binding to all of the EU. The dichotomy in the EU states’ perception underlines the main issue of “for whom security becomes a consideration in relation to whom”<sup>243</sup>.

A possibility to settle the issue, put Western minds at ease and lower the perceived threat, thus enabling a return to the normal boundaries of politics in the economic relations between China and the EU is constituted by the planned investment agreement between the respective actors. This would enable the construction of a new normal that would ensure both parties that they can rely on a common idea and therefore strengthen beneficial cooperative relations. But it is yet to see if and when this agreement will be completed and established, thus when desecuritisation could take the issue at hand back into the normal rules of the game.

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<sup>241</sup> Hans Seidel Stiftung 2020. Op. cit.

<sup>242</sup> Stratmann 2016. Op. cit.

<sup>243</sup> Buzan et al. 1998. Op. cit. P. 18.



## 6 Conclusion

The increase of Chinese economic power and the construction of new international regimes that oppose the perpetuation of Western economic superiority in combination with the strategic investments in key sectors correlating with China's industrial strategy Made in China 2025 have fostered a threat perception regarding Chinese M&A in Germany and thus swayed the German government to securitise Chinese investments, to encounter the fear of losing economic advantages to a major competitor.

This thesis found that, while the acquisition of KUKA by China's Midea group and the failed acquisition of Aixtron by FGC have sparked a vast debate on better protecting the core industries that push German innovation, thereby creating industrial advantages, and altered the discourse towards an increasingly protectionist sentiment, it took several years to succeed in securitising.

Moreover, the inability to find legal grounds for blocking the aforementioned acquisition and the fact that the Aixtron acquisition has been most likely to have went through without objection, if it would not have been for foreign intelligence information, spread frustration within the political sphere. Even though economic actors opposed the implementation of more stringent screening processes in 2017 and argued for free markets, the government continued to tighten its investment regime. Nonetheless, it was shown that even the threshold of 25% did not suffice to protect firms from strategic positions leading to Germany overstepping its own regulations and ordering a state bank to outbuy a Chinese bidder in 50Herz.

While Chinese representatives accused Germany of protectionism, they further argued that it would act against the liberal values and open market it has always preached and profited from. By examining the perception of a threat based on increasing Chinese economic power and the development of China into an economic competitor in classic German industrial strongholds, which has influenced the German discourse on COFDI, it has been clearly presented that Germany has securitised Chinese investments.

Despite economic players as the audience accepting the securitisation after some years of opposing the measures as protectionism, their call on developing an alternative industrial policy for Germany and Europe that could deal with China's industrial policy and economic rise appears more reasonable. Especially as security and securitisation should not be perceived in any positive manner due to these processes taking the handling

of issues out of the boundaries of normal politics, other paths should be found for the EU to cope with the rise of China-led regimes.

Germany may perceive its industrial advantage and its economic superiority at risk, thus undergoing securitisation which incorporates a strong protectionist sentiment, in times when it should rather induce its energy into finding a common solution with its European partners and China that could defuse tension, desecuritise the issue at hand and construe new boundaries within which bilateral investments could grow and further create economic prosperity. The EU-China bilateral investment agreement might provide a tool for desecuritisation and create a framework that can ease the minds of both sides while at the same time providing fair and stable conditions and ensure reciprocity for investments. It has yet to be seen if such an agreement can be reached later this year and how it might influence the development.

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