



## МЕЖДУНАРОДНОЕ ДВИЖЕНИЕ КАПИТАЛА INTERNATIONAL CAPITAL MOVEMENT

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### China's FDI under The Belt and Road Initiative in the EU

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**Abstract.** The increasing role of China in the world economy every year turns attention to the foreign policy of the Chinese government. China's direct investments abroad are of interest today, especially given the fact that China has announced strategies and initiatives such as: Go Out, The Belt and Road Initiative (BRI), Made in China 2025 (MIC25). Moreover, the EU countries play a significant role in the regional diversification of Chinese investments abroad. Chinese investors have long stopped investing in all industries and countries, and have focused on most promising industries, mainly in developed countries. Today, one of the most ambitious projects in China is The Belt and Road Initiative, where the EU countries play a key role. In this regard, it becomes important to analyze Chinese investments in the New Silk Road projects in the EU countries. The purpose of the research is to identify the main industries and countries of greatest interest to China based on the analysis of the ten largest transactions of China within the framework of the Belt and Road Initiative in the EU countries.

**Keywords:** The Belt and Road Initiative, Silk Road, BRI, FDI outflow, China, EU, China's Investments, M&A

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### ПИИ Китая в рамках стратегии «Один пояс – один путь» в странах ЕС

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**Аннотация.** Цель исследования – на основе анализа десяти крупнейших сделок Китая в рамках стратегии «Один пояс – один путь» в странах ЕС выявить основные отрасли и страны, представляющие для страны наибольший интерес. Увеличивающаяся с каждым

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годом роль Китая в мировой экономике обращает внимание на внешнюю политику китайского правительства. Интерес сегодня представляют прямые инвестиции Китая за рубежом, особенно учитывая факт объявленных им стратегий и инициатив: «Идти вовне», «Один пояс – один путь», «Сделано в Китае 2025». Более того, страны ЕС занимают весомое место в региональной диверсификации китайских инвестиций за рубежом. Китайские инвесторы уже давно прекратили вкладывать средства во все подряд отрасли и страны и сфокусировались на определенных, наиболее перспективных отраслях, преимущественно в развитых странах. На сегодняшний день одним из наиболее амбициозных проектов Китая является «Один пояс – один путь», где страны ЕС играют ключевую роль. В связи важно проанализировать китайские инвестиции в проекты «Шелкового пути» в странах ЕС.

**Ключевые слова:** Один пояс – один путь, Шелковый путь, ПИИ, Китай, ЕС, китайские инвестиции, сделки слияния, сделки поглощения

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## Introduction

The active growth of foreign investment from China began at the beginning of the 21st century and was directly related to the implementation of the Go Out Strategy, which was first announced in 2000 at the third session of the Ninth National People's Congress of the People's Republic of China (Gelbras, 2007). In the area of investment, this strategy involved government support for domestic companies investing abroad. In the longer term, the Chinese government intended to grow its own leading transnational corporations (TNC) that could compete with the TNCs of developed countries. During the first ten years of the Go Out Strategy, China's direct investment increased from \$916 million US dollars in 2000 to \$68.8 billion US dollars at the end of 2010.<sup>1</sup>

Initially, Chinese investors, armed with the support of the government, began to invest in almost all sectors, with an emphasis on more traditional ones – the extractive industry, production. However, after the announcement of the implementation of the The Belt and Road Initiative in 2013, qualitative changes began to be observed in the structure of China's FDI abroad. This strategy was documented in March 2015 with two documents 'Concept and measures for the joint creation of the Silk Road Economic Belt' and 'The 21st Century Maritime Silk Road'.<sup>2</sup> The main goal of the strategy is 'to establish closer ties between the countries of Asia, Europe and Africa'.<sup>3</sup>

<sup>1</sup> UNCTAD STAT. (2021). *United Nations Conference on Trade and Development*. Retrieved May 17, 2021, from <https://unctadstat.unctad.org/wds/TableViewer/tableView.aspx>

<sup>2</sup> NDRC, MFA, MOFCOM. (2015). *Vision and actions and Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road (EB/OL)*. Beijing. Retrieved May 17, 2021, from <https://www.yidaiyilu.gov.cn/yw/qwfb/604.htm>

<sup>3</sup> NDRC. (2017). *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road*. Retrieved May 5, 2017, from [http://en.ndrc.gov.cn/newsrelease/201503/t20150330\\_669367.html](http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html)

## Methods

In the process of writing the article, the author used general scientific research methods. First of all, a graphical method was used to analyze China's investment flows along the Silk Road and for the geographical structure of FDI in the EU countries. In addition, the methods of deduction, grouping and systematization of data were used.

## Literature review

The main source of information for analyzing FDI flows within the framework of the BRI was the Internet source China Global Investment Tracker, developed by the American Enterprise Institute. To analyze the main mergers and acquisitions, data from the world's leading media were used: Forbes, Financial Times, Reuters, BBC and Bloomberg. The well-known Russian scientist V.G. Gelbras analyzed Chinese investment policy in his articles and books (Gelbras, 2007). The features of the Chinese investment presence in the countries of the European Union are considered in the works of such scientists as I.V. Andronova, D.S. Sokolan, N.S. Kuchma, L.N. Fedyakina, M. He, J. Katainen, S. Poncet, N.Yu. Seniuk, I.S. Terukov, L. Zhang (Andronova, Sokolan, 2021, 2018; Kuchma, Fedyakina, 2021; He, 2020; Katainen, 2019; Poncet, 2010; Seniuk, Terukov, 2021; Zhang, 2021).

## Implementation of The Belt and Road Initiative in the EU countries

As of September 2021, 139 countries have joined China's Belt and Road Initiative. However, the most interesting are the EU countries, which in fact are the final and main point of the New Silk Road. In Europe and Central Asia, 34 countries have joined this initiative to date, including 17 EU countries (Austria, Bulgaria, Hungary, Greece, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Poland, Portugal, Romania, Slovakia, Slovenia, Croatia, Czech Republic, Estonia). We also note that potential EU candidates have joined the initiative: Albania, Bosnia and Herzegovina, North Macedonia.<sup>4</sup> Thus, most of the EU countries are seriously interested in the Chinese initiative, while the leading EU countries – Germany and France – are very wary of this strategy.

Italy became the first G7 country to join China's initiative in March 2019: President Xi Jinping and the Italian government signed agreements on 29 deals totaling €2.5 billion euro (\$2.8 billion US dollars) in various sectors of the economy.<sup>5</sup> Italy almost immediately faced harsh criticism from representatives of France and Germany, calling for tougher policies towards China. This criticism is due to the fact that the governments of these countries see in Chinese investment in infrastructure as a way to increase China's political influence in the EU, as well as a way to gain access to important European technologies.<sup>6</sup> Moreover, the Chinese

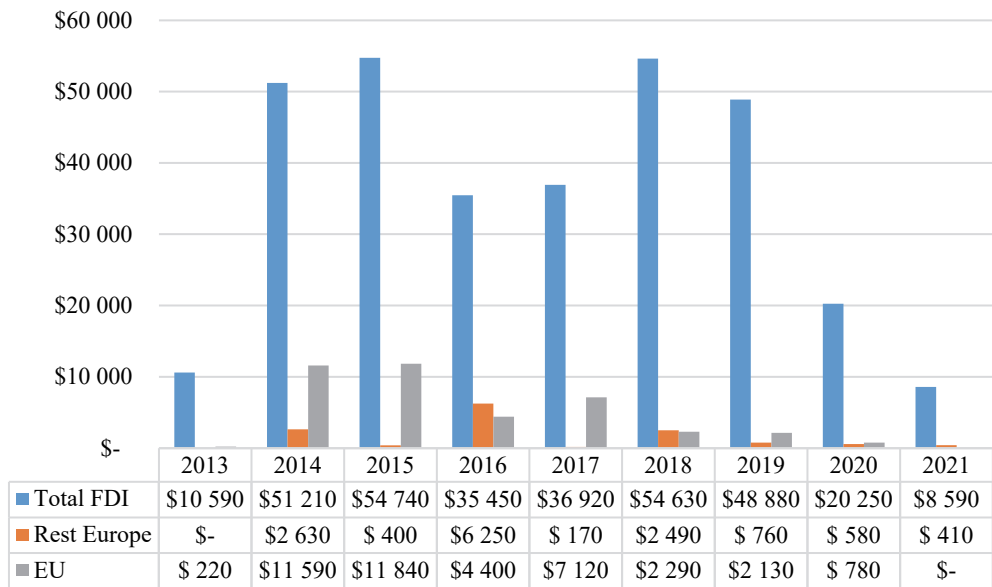
<sup>4</sup> Xinhua Silk Road Database. (2021). *What are the Belt and Road countries?* Retrieved May 17, 2021, from <https://en.imsilkroad.com/p/314398.html>

<sup>5</sup> CNBC. (2019). *Is Italy playing with fire when it comes to China?* Retrieved May 17, 2021, from <https://www.cnbc.com/2019/03/27/italys-joins-chinas-belt-and-road-initiative.html>

<sup>6</sup> European Views. (2019). *Countries 'wake up in dependency', Germany warns after Italy's BRI deal with China.* Retrieved May 17, 2021, from <https://www.european-views.com/2019/03/counties-wake-up-in-dependency-germany-warns-after-italys-bri-deal-with-china/>

Belt and Road Initiative has been practically equated in recent years with the concept of ‘debt book diplomacy,’ according to which the creditor country (China) deliberately extends excessive credit to the recipient country in order to eventually drive the debtor country into a debt trap. The aim of the current debt trap is to obtain economic and political leverage on debtor countries.<sup>7</sup> In connection with the current situation, this article will consider in more detail China's foreign direct investment in the EU countries within the framework of the BRI.

It is difficult to find statistical information on the FDI carried out on the official resources of China, however, over the past fifteen years, American Enterprise Institute has been conducting a detailed study of Chinese FDI. According to their statistics, China's investment abroad is divided into two main types: direct investment and construction. In this article, we will focus specifically on China's direct investments in the EU, since in total they significantly exceed the total amount of construction projects in the EU countries.



**Figure 1.** Dynamic of China's FDI under the Belt and Road Initiative in the EU countries in 2013–2021, million US dollars

Source: compiled by the author on the basis of: China Global Investment Tracker. Retrieved July 21, 2021, from <https://www.aei.org/china-global-investment-tracker/>

In the early years, record amounts of investments were directed to the implementation of the BRI: in 2013, projects of this strategy accounted for more than 50% of the total volume of FDI carried out by China abroad. According to Figure 1, China's direct investment under the Belt and Road Initiative grew rapidly in the first three years of implementation: if at the start of the strategy launch in 2013, they amounted to \$10.5 billion US dollars, then in 2015 they reached its peak – \$54.7 billion US dollars (thus, investments in the project increased by 5 times). FDI in the Silk Road

<sup>7</sup> TRT World. (2019). *How China's debt trap diplomacy works and what it means*. Retrieved May 17, 2021, from <https://www.trtworld.com/africa/how-china-s-debt-trap-diplomacy-works-and-what-it-means-32133>

in the EU grew even more rapidly: between 2013 and 2015, FDI to the EU increased from \$220 million to \$11.8 billion US dollars (more than 50 times). In addition to the EU countries, in 2016 China was also interested in other European countries, which accounted for \$6.2 billion US dollars in investment on the Silk Road.

However, since 2015, China's FDI along the New Silk Road began to decline, which can be explained by the fact that in 2015 the new strategy 'Made in China 2025' was announced, in connection with which FDI were reoriented towards high technologies. But, in 2018 already, FDI in the Silk Road increased again and reached \$54.6 billion US dollars, while FDI in the EU countries within the framework of this strategy began to decline rapidly. In 2019, the amount of FDI under the BRI in the EU was only \$2.1 billion US dollars. The pandemic has not stopped China from investing in its project. In 2020, FDI along the Silk Road amounted to \$20.2 billion US dollars, while the EU countries accounted for only \$780 million US dollars. In the first half of 2021, China's FDI in this project amounted to \$8.5 billion US dollars. Over the entire period of implementation of the BRI, China has invested about \$321 billion US dollars. The share of European countries in the structure of accumulated Chinese investments within the framework of the BRI for September 2021 reached almost 17% of the total investment volume China in this project, including the share of EU countries (at the moment is about 13%).

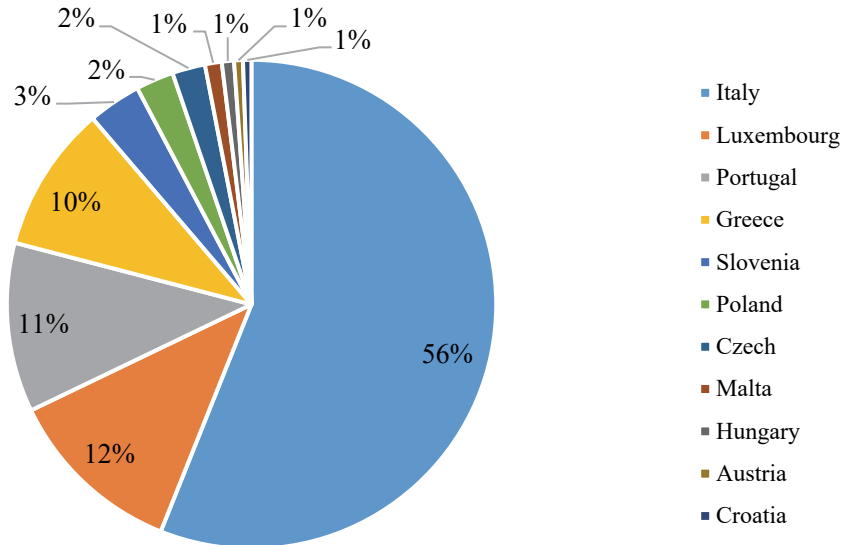
Chinese investments in the construction of EU countries within the framework of the strategy are not as significant as direct FDI. Today, the EU countries account for only 1.5% of China's investments in construction within the framework of the New Silk Road.

### **Distribution of Chinese FDI by industry and EU countries under the Belt and Road Initiative**

Now let's look at the distribution of Chinese FDI under the Belt and Road Initiative across the EU. Since the start of the initiative, Chinese FDI has been directed to 11 EU countries: Italy, Luxembourg, Portugal, Greece, Slovenia, Poland, Czech Republic, Malta, Hungary, Austria and Croatia. As shown in Figure 2, the largest amount of Chinese FDI under the initiative was in Italy – \$22.8 billion US dollars (56% of all FDI in the EU). It's no wonder why Germany and France were worried about this state of affairs. Luxembourg took the second place in terms of the volume of Chinese FDI under the strategy – \$4.7 billion US dollars (12%), Portugal became the third most attractive country for Chinese investors – \$4.6 billion US dollars (11%), in fourth and fifth places Greece and Slovenia – \$3.8 billion US dollars (10%) and \$1.4 billion US dollars (3%) respectively. All other countries accounted for 1% of Chinese FDI.

Of interest is not only the geographical distribution of China's investments in the EU countries, but also the sectoral one. At its core, the Concept and Measures for the Joint Creation of the Silk Road Economic Belt and the 21st Century Maritime Silk Road involve the creation of economic corridors and sea routes between China and the rest of the world. However, the transport and logistics sectors of the EU countries accounted for only \$12.2 billion US dollars (30% of all China's FDI flows to the EU under the Belt and Road Initiative). In addition to FDI in

logistics companies and ports of EU countries, China is actively investing in other sectors, which also includes in the BRI. For example, within the framework of the initiative, the energy complex of the EU countries accounted for \$10.4 billion US dollars (25.8%), while the financial sector accounted for \$8.3 billion US dollars (20.7%). In addition, as part of the initiative, China invested in the technology and entertainment industries – \$2.65 billion US dollars (6.6%) and \$1.89 billion US dollars (4.7%), accordingly.



**Figure 2.** Distribution of FDI within the framework of the Belt and Road Initiative across the EU countries in the period from 2013 to 2021

Source: compiled by the author on the basis of: China Global Investment Tracker. Retrieved July 28, 2021, from <https://www.aei.org/china-global-investment-tracker/>

### China's largest Silk Road deals in EU countries

As noted above, to date, most of the Chinese FDI under the initiative has been in Italy: of the 10 largest M&A deals carried out by China in the EU, 5 were concluded in Italy.

To begin with, in 2015, China bought 100% of the shares of the Italian corporation Pirelli, which is one of the world's largest tire manufacturers. What's more, the company is a leader in 'Prestige' tires with 19 manufacturing facilities in 12 countries.<sup>8</sup> The buyer of the Italian company was the Chinese state chemical corporation ChemChina.<sup>9</sup> The deal amounted to 7.8 billion US dollars – the largest deal within the Belt and Road Initiative in the EU. Thus, China, along with access to the latest technologies for the production of premium tires, has also

<sup>8</sup> Pirelli. Official website. Retrieved May 17, 2021, from [https://www.pirelli.com/global/en-ww/homepage?\\_ga=2.20609144.1119408482.1599436967-505677237.1599436967](https://www.pirelli.com/global/en-ww/homepage?_ga=2.20609144.1119408482.1599436967-505677237.1599436967)

<sup>9</sup> Arosio, P., & Masoni, D. (2015). ChemChina to buy into Italian tire maker Pirelli in \$7.7 billion deal. *Reuters*. Retrieved May 17, 2021, from <https://www.reuters.com/article/us-pirelli-chemchina-idUSKBN0MI0PQ20150323>

gained an established customer base in the form of world leaders in the production of automobiles.

The second major transaction was the purchase in 2014 of 2 and 3% of shares in Italian energy companies such as Eni and Enel respectively. The company Eni is the largest oil and gas company in Italy. The company is engaged in the exploration, production, processing and sale of oil, gas, electricity in 66 countries.<sup>10</sup> It is important to note that the Italian company is also actively developing new technologies for the production of clean energy. The Enel group of companies is engaged in the production and distribution of electricity and gas in 32 countries of the world. The company is focused on developing the newest technologies in the field of alternative energy sources.<sup>11</sup> It is also important to note that the main shareholder of the company is the Italian Ministry of Economy and Finance, the Central Bank of China has become the second largest shareholder in the company. The purchase of Eni and Enel shares cost the Central Bank of China 2.7 billion US dollars.<sup>12</sup> In addition to the fact that these deals fit perfectly into the Belt and Road Initiative, China has made investments in a promising direction today – alternative energy.

The third largest deal in China's Belt and Road Initiative was the purchase in November 2014 by the Chinese state grid company State Grid of a 35% stake in the Italian state-owned holding CDP Reti. In turn, the Italian holding manages companies such as Snap, Italgas and Terna, whose activities are related to supporting the development of the country's strategic infrastructure in the gas and energy sectors.<sup>13</sup> The Chinese corporation State Grid is the world's largest power grid company, which in 2020 ranked 3rd in the list of the world's largest corporations Fortune Global 500.<sup>14</sup> The deal amounted to \$2.76 billion US dollars, which made it one of the largest Chinese investments in Italy for the entire time.

So, the largest flow of Chinese investments was directed to Italy and its transport and energy complexes. Moreover, the main investors were not private Chinese investors, but state corporations and the Central Bank of China. China's largest deals in Italy were with state-owned Italian companies in the strategically important energy sector. One cannot ignore the purchase by China of the Italian company Pirelli, which was, in a way, the national champion of Italy. It would seem that such an active investment activity of China in Italy only in the first years of the implementation of the Belt and Road Initiative (the largest deals were concluded in Italy in 2014 and 2015) cannot but cause concern on the part of the Italian government. However, as practice shows, the Italian government is not only not opposed to the current situation, but is also extremely interested in Chinese FDI. Economic crisis 2008–2009 hard hit on the Italian economy, in connection with which the Italian government began to engage in the sale of state as-

<sup>10</sup> Eni. Official website. Retrieved May 17, 2021, from <https://www.eni.com/en-IT/about-us.html>

<sup>11</sup> Enel. Official website. Retrieved May 17, 2021, from <https://www.enel.com/>

<sup>12</sup> Reuters. (2014). *China central bank buys 2 percent of Italy's Eni, Enel*. Retrieved May 17, 2021, from <https://www.reuters.com/article/china-eni-enel/china-central-bank-buys-2-percent-of-italys-eni-enel-idUSI6N0MG01P20140327>

<sup>13</sup> CDP RETI. Official website. Retrieved May 17, 2021, from [https://www.cdp.it/sitointernet/en/cdp\\_reti.page](https://www.cdp.it/sitointernet/en/cdp_reti.page)

<sup>14</sup> Global 500. Official website. Retrieved May 17, 2021, from <https://fortune.com/global500/>

sets to reduce the country's public debt.<sup>15</sup> It should be said that Chinese investors did not miss the opportunities that had opened up and began to actively invest in strategic industries. On the one hand, it is too early to talk about the obvious danger of Chinese investments (China's share in state-owned companies in Italy is mostly no more than 2–3%), but on the other hand, Chinese investors gain access to strategically important industries, and in some cases become owners of leading national companies. In the future, this may lead to a loss of competitive advantages of Italian companies in the world market, a loss of technological advantage, as well as an increase in the country's dependence on Chinese FDI as a whole.

Going back to the other largest deals of China in the EU countries. The fourth largest deal in China under the Belt and Road Initiative was the purchase in June 2016 by the Chinese state-owned company Shandong Heavy Industry Group Co of the loss-making Luxembourg-based DH Services. The deal was carried out by the Chinese side through the European division of the KION Group and cost the Chinese company \$2.1 billion US dollars. Shandong Heavy Industry Group Co is a heavy machinery and automotive industry leader in China.<sup>16</sup> The Luxembourg company DH Services, despite the fact that at the time of the transaction was unprofitable, however, was of great interest to the Chinese company. The main activity of DH Services is the development and production of automation technologies for cargo flows, development of solutions for warehouse equipment and internal logistics. Thus, the Chinese company decided to become a leader not only in the production of equipment, but also in the provision of handling operations. Shandong Heavy Industry Group Co acquired through this transaction technology for the automatic interaction of production and warehousing processes.<sup>17</sup>

Also of interest is the deal between the Chinese financial and industrial conglomerate Fosun International and the Portuguese state insurance group Caixa Seguros. As a result of this transaction, Fosun International received 80% of the shares of the largest insurance group in Portugal, winning the tender race against the American investment fund Apollo Global Management LLC.<sup>18</sup> The deal amounted to almost \$2 billion US dollars. In Portugal, the situation was practically the same as in Italy: the Italian government itself was interested in this deal. Caixa Seguros is the insurance division of Portugal's largest state-owned bank, which was forced to agree to the deal in order to pay off its obligations to the state. The Portuguese government itself supported the deal, as it complied with EU requirements for the sale of state assets and increased revenues.<sup>19</sup>

<sup>15</sup> Landini, F., & Trogni, L. (2014). Italy to sell energy grid stake to China for 2 billion euros. *Reuters*. Retrieved May 17, 2021, from <https://www.reuters.com/article/us-italy-china/italy-to-sell-energy-grid-stake-to-china-for-2-billion-euros-idUSKBN0FT1H020140724>

<sup>16</sup> Shandong Heavy Industry Group. Official website. Retrieved May 17, 2021, from <http://www.shig.com.cn/en/>

<sup>17</sup> SCMP. (2016). Weichai Power unit KION in US \$2.1 billion European acquisition. Retrieved May 17, 2021, from <https://www.scmp.com/business/companies/article/1979183/weichai-power-unit-kion-us21-billion-european-acquisition>

<sup>18</sup> Financial Times. (2021). *China's Fosun buys Portuguese insurer Caixa Seguros*. Retrieved May 17, 2021, from <https://www.ft.com/content/ddcad8aa-7952-11e3-b381-00144feabdc0>

<sup>19</sup> Insurance Journal. (2014). *China's Fosun buys 80% of Portugal's Caixa Insurer for \$1.36 billion*. Retrieved May 17, 2021, from <https://www.insurancejournal.com/news/international/2014/01/10/316691.htm>



In turn, the Chinese company, which is known in the world for providing high quality products and services in the insurance, entertainment, tourism and asset management sectors, through this transaction took it one more step towards realizing its goal of ‘becoming a leading investment group of the world.’ Moreover, Fosun international, together with the company’s assets, gained an impressive 26% share in the Portuguese domestic insurance market.<sup>20</sup>

Many major Silk Road deals were concluded in 2017. In August 2017, the Chinese diversified investment holding Legend Holdings Corporation bought out 90% of the shares of the Luxembourg bank BIL (Banque Internationale a Luxembourg) for \$1.7 billion US dollars. This transaction was the largest takeover of a European deposit bank by a Chinese firm. The deal with BIL gave the Chinese company a 161-year-old bank. The Chinese side plans to bring the bank to a new international level. Despite the fact that the attention to the deals of China in the sphere of finances of the EU countries is increasing, there was no pressure from the European authorities on the outcome of the deal.

Another major deal in 2017 was struck in November between China Energy Investment Corporation Ltd and Greek investment group Copelouzos. As a result of the deal, the Chinese corporation acquired 75% of the shares in four wind farms in Copelouzos. The deal was worth \$1.6 billion US dollars. China Energy Investment Corporation Ltd is the largest conventional and renewable energy company in the world and the largest coal producer in the world. This deal was actively supported by the Chinese government. In turn, the Copelouzos Group is one of the largest investment groups in Greece, whose activities are related to energy, infrastructure, marketing, tourism, etc. The Chinese state corporation was interested in the activities of a Greek company in the construction of wind farms and energy-saving installations. The collaboration between the two companies was aimed at improving the environment.<sup>21</sup> This deal demonstrates China’s growing interest in the alternative energy sector.

Most of the questions from foreign media arose about the deal, which was concluded in January 2017 between the Chinese chemical corporation Zhejiang Jinke and the Slovenian game developer Outfit7. The deal amounted to \$1.05 billion US dollars and became the largest M&A deal in Slovenia. Outfit7 is one of the leading family entertainment companies with 300 million monthly active users. The company became world famous for the creation of the Talking Tom children’s game, the Talking Tom channel on YouTube has over 2 billion views.<sup>22</sup> In turn, Zhejiang Jinke is the largest peroxide producer in China and the only tetraacetylenediamine (TAED) company in Asia.<sup>23</sup> It’s hard to find a connection between

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<sup>20</sup> Reuters. (2014). Portugal to sell insurer to China’s Fosun for 1 billion euros. Retrieved May 17, 2021, from <https://www.reuters.com/article/portugal-insurance-privatisation/update-2-portugal-to-sell-insurer-to-chinas-fosun-for-1-billion-euros-idUSL6N0KJ3DF20140110>

<sup>21</sup> Copelouzos Group. (2021). Commencement of cooperation between China Energy & Copelouzos Group. Retrieved May 17, 2021, from <https://www.copelouzos.gr/en/news/commencement-of-cooperation-between-china-energy-investment-corporation-ltd-copelouzos-group/>

<sup>22</sup> Ho, J. (2017). Talking Tom App maker Outfit7 flipped to China’s Jinke at over \$1 billion. *Forbes*. Retrieved May 17, 2021, from <https://www.forbes.com/sites/janeho/2017/03/02/talking-tom-app-maker-outfit7-flipped-to-chinas-jinke-at-over-1-billion/?sh=5226ef78661e>

<sup>23</sup> Jinke Chem. (2021). *Corporate overview*. Retrieved May 17, 2021, from <http://www.jinke-chem.com/english/about.asp?id=73>

a chemical corporation and a video game manufacturer. It is worth noting that the annual income of the Chinese company in 2016 was only \$133 million US dollars. The question arises where the Chinese corporation found \$1 billion US dollars to buy the Slovenian company. According to a number of experts, this deal is necessary for a Chinese chemical company in order to increase the value of its own shares by acquiring a company with a higher profitability.<sup>24</sup>

In July 2019, the world famous Chinese company Huawei Technologies invested \$1.2 billion in the development of 5G technologies in Italy. Moreover, the Chinese technology giant announced that it plans to invest up to \$3.1 billion in Italy over the next three years. The company has promised to add 1000 jobs in Italy.<sup>25</sup> The Chinese company Huawei is a leading global provider of smart devices and infrastructure in the information and communications technology industry.<sup>26</sup> Given the US sanctions against the Chinese company, it's no surprise why Huawei is investing such amounts in Italy. As part of the BRI, the development of 5G technologies in the EU countries is a promising and necessary direction for China.

The purchase of a 2% stake in the Italian bank Intesa Sanpaolo was also included in the top ten largest deals in China within the framework of the BRI in 2015. The deal cost the People's Bank of China \$1.2 billion US dollars. Thanks to this deal, the People's Bank of China became one of the main foreign investors in the Italian bank. Intesa Sanpaolo is the leader in the banking services market in Italy and one of the largest banks in the Eurozone. It is worth noting that the People's Bank of China acquired 2% each of other large Italian banks: Unicredit, Monte dei Paschi di Siena. Thus, China is clearly interested in the EU banking system. As part of the Silk Road, investments in major banks provide China with financial infrastructure.

### Conclusion

Based on the analysis of the ten largest deals in the framework of the Belt and Road Initiative in the EU, the following conclusion can be drawn: Chinese investors are diversifying their capital across various sectors of the EU economy. The main flow of investments was directed to the transport and energy sectors. However, a number of major deals were made in the financial sector. Thus, China is trying to create not only transport infrastructure in the EU countries, but also to provide its BRI with financial and technological infrastructure. More than 50% of all Chinese FDI under the project in the EU countries went to Italy. Italy became the first developed EU country to support this China project. The Italian government plans to further cooperate with China and has approved Huawei's investment in the development of 5G technologies. It is worth saying that China's investment in infrastructure is quite dangerous for the EU countries. Through these investments,

<sup>24</sup> Satariano, A. (2017). Why did a Chinese peroxide company pay \$1 billion for a talking cat? *Bloomberg Businessweek*. Retrieved May 17, 2021, from <https://www.bloomberg.com/news/features/2017-05-17/why-did-a-chinese-peroxide-company-pay-1-billion-for-a-talking-cat>

<sup>25</sup> Pollina, E. (2019). Huawei to invest \$3.1 billion in Italy but calls for fair policy on 5G: Country CEO. *Reuters*. Retrieved May 17, 2021, from <https://cn.reuters.com/article/us-huawei-italy/huawei-to-invest-3-1-billion-in-italy-but-calls-for-fair-policy-on-5g-country-ceo-idUSKCN1UA11V>

<sup>26</sup> Huawei. (2021). *Our company*. Retrieved May 17, 2021, from <https://www.huawei.com/en/corporate-information>

China not only implements its project, but also gets more leverage on the EU. The EU leadership needs to develop a common strategy for dealing with Chinese FDI in order not to become completely dependent on China in the future.

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