Investing for the state

Investing for the State: A finance sensitive-reading of the transnationalisation of Chinese state capital in Europe

Imogen T. Liu

Summary

Since the 2008 financial crisis, there have been increasing levels of foreign investment from China to the rest of the world. A significant portion of these investments originate from government sources, catalysing much scholarly and popular scrutiny of the activities of Chinese state-owned enterprises and sovereign wealth funds (state-owned institutional investors) in global markets. Chinese state-owned investments generate scrutiny because they represent a fundamental change in the way the world economy is perceived to operate. Since the late 1970s, global trade and investment has been guided by a set of neoliberal principles designed to safeguard the free functioning of markets and curb the activity of the state. Privately-owned firms, over state-owned enterprises, were looked to as the primary engine of economic development.

The growing presence of Chinese state capital in global markets challenges long-held beliefs about legitimate forms of economic governance because state capital, which is used in this book to distinguish between state ownership and private ownership, is invested to generate both commercial returns and political returns that serve the interests of the state. In contrast, private capital is driven purely by profit maximisation.

However, many misconceptions abound as to why and how Chinese state capital is invested abroad. The Chinese state tends to be viewed as a unitary political actor, directing all sources of state capital to achieve geopolitical goals that will enhance the international influence of the Chinese state. In this book, I use the concept of the transnational to argue that state capital is invested not simply by a unitary state. Rather the process of state capital investment is transnational, involving a multitude of state-owned enterprises, sovereign wealth funds, privately-owned firms and investors that operate within and beyond the state.

More specifically, the book addresses three blind spots in the literature on the drivers and implications of Chinese state capital investment in comparative political economy, international political economy and economic geography. First, there is insufficient attention to the different forms taken by Chinese state capital investment across different time periods and geographies. Second, financial institutions, actors, logics and practices have been a fundamental but overlooked means for Chinese state-owned investment. Third, there is insufficient attention to how micro-level processes of investment decision-making have shaped the macro-structural changes in the global economy that we perceive Chinese state capital as having brought about.

The book answers the research question *How does Chinese state capital transnationalise?* across three geographical scales where finance has proved particularly essential: the state, the global, and the region. Comprising the main empirical chapters of the book, I examine in chapter 4 how the Chinese state has leveraged financial channels to invest state capital into European markets. In chapter 5, I show how the global financial professionals have facilitated Chinese state capital flows into Europe. Chapter 6 demonstrates how Irish and Belgian sovereign wealth funds have invested alongside Chinese sovereign wealth funds into Western European firms. Chapter 7 demonstrates how the Serbian state in the European post-socialist periphery has mobilised Chinese state capital investment.

Based on fieldwork conducted between 2019 and 2021 in Beijing, Hong Kong, Serbia, Belgium and Dublin, the findings draw out two main implications concerning the nature of economic governance in the world economy. First, Chinese state capital has been invested through state and private institutions, actors, logics and practices across both China and Europe that subvert expectations about a politically driven unitary Chinese state and the free markets of Europe and North America. Second, Chinese state capital investment has brought about a more visible role of the state in the rest of the world. The empirical chapters demonstrate how the Chinese state has leveraged financial channels to further state goals, the increasing co-constitution of global finance by state and private capitals, the extension of

state capacity in Western Europe to enact industrial policy, and the strengthening of the state in the European periphery to foster economic development. Third, and by extension, the findings in the book speak to a paradigm shift in the legitimate role of the state in economic governance across the world economy.