



# Central European attitudes towards Chinese energy investments: The cases of Poland, Slovakia, and the Czech Republic

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## HIGHLIGHTS

- Chinese investments in energy are perceived more negatively than investments in other sectors due to their strategic nature.
- Availability, affordability, and efficiency appear in Poland as a result of the special position of coal.
- Environmental stewardship appears as an issue in Slovakia and the Czech Republic.
- The Polish discourse is most similar to Europe-wide discourse.

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## ABSTRACT

This article builds on Europe-wide knowledge of EU-China energy investment relations and discusses the cases of three Central European countries' attitudes towards Chinese energy investments. It focuses on how Chinese investments are perceived compared to investments from other countries, and how the energy sector is perceived compared to other sectors. Media analysis, interviews with experts, and semi-structured questionnaires were used as data sources. It was discovered that these three countries dislike foreign control over strategic assets and Chinese energy investments are seen as falling into this category. The discourse frames on the general level fluctuate between beneficial and threatening at both the political and economic levels, yet the benefits are seen as greater than any potential threats in all three countries. Energy security frames are only just beginning to be discussed within national discourses about Chinese energy investments. In Poland, the Chinese presence in the energy sector is framed as an issue of availability, affordability, and efficiency, and is related to Polish plans for maximizing efficient use of local coal resources. In the Czech Republic and Slovakia, China is often perceived ideologically and only the energy frame of environmental stewardship is present in a minor way.

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## 1. Introduction

It is generally understood in Europe that Chinese capital is going to play some role on European soil in the future. How specific countries respond to Chinese investments, however, depends on the specific sector in which the investments are made and the country in question. The situation becomes especially interesting when considering Chinese investments in the energy sector; such investments make up the largest share of Chinese investments in Europe (Hanemann and Huotari, 2015, p. 15; see also Liedtke, 2015; Fernandez and Garcia, 2015; compare with Zhang et al., 2013). In recent years, several landmark deals have been made in this respect, such as the Chinese acquisitions of renewable energy companies and a large share of the power grid in Portugal (Almeida and Reis, 2012), Chinese involvement

in a nuclear construction project in the United Kingdom (Thomas, 2016), and a number of Chinese acquisitions of German companies in the renewable energy sector (TaylorWessing, 2013). Responses throughout Europe have varied between feelings of financial relief, cautious optimism about economic benefits, worries about growing competition and other negative economic influences, and national security fears (Roberts, 2012; Bugge, 2011; see also Merler, 2014; Sattich and Freeman, 2015).

Although one can expect the situation in Central Europe to share some similarities with the above-mentioned cases, there are also many differences due to the region's unique domestic and international characteristics.<sup>1</sup> This paper focuses on the situation

<sup>1</sup> This article addresses the situation in three Central European countries, but it does not claim that other countries or parts of other countries do not fall under the term *Central Europe*. For more on the concept, history, culture, economy, security, and international relations of Central Europe, see, for example, Kundera (1984), Halecki (1980), Magocsi (2005), Sabic and Drulak (2012, eds.), and Daniel and Turcsanyi (2015, eds.).

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in three countries—Poland, Slovakia, and the Czech Republic, which have all either seen Chinese investments in their energy sectors or have at least had a relevant Chinese actor explicitly express interest in making an investment.

An analysis of the national attitudes of the Czech Republic, Slovakia, and Poland towards Chinese energy investments make up the major empirical body of this study. Since this topic is relatively new but quickly developing, a gap between high policy importance and low analytical coverage has emerged. Moreover, as there is little actual experience in Central Europe with Chinese investments of any type, national attitudes are a unique area of study. In line with the literature on soft power, general perceptions can facilitate future investments or stand in their way, and thus they can, to some extent, forecast future developments on the ground (Nye, 2008). A study commissioned by the European Chamber of Commerce focused on Chinese investments in the EU makes explicit the link between a positive perception of China and the welcome reception of Chinese investments in Europe (Berger, 2013; for other links between perceptions and reality, see e.g. Zhang, 2014; Copsey, 2010; Foyle, 1999).

The concept of soft power offers intellectual inspiration for this research design. This concept was developed by Nye (1990, 2004, 2007, 2011), who defines it as the ability of a state to change the preferences of others to meet its own goals by virtue of attraction. Along the same lines, public diplomacy can be regarded as a government-led, government-initiated, and/or government-sponsored activity intended to influence foreign public opinion (Melissen, 2005). The underlying assertion of the literature on soft power and public diplomacy is that favorable perceptions in countries receiving investments are beneficial for the foreign policy goals of the investing country.<sup>2</sup> Thus, improving a country's own image abroad becomes a foreign policy goal in itself.

The relevance of research inspired by soft power to this study is hence twofold. First, perceptions have the potential to influence reality and thus act as a *facilitator* in reaching a country's desired goal. Second, based on this general quality, perceptions are in themselves also a desired policy goal. Thus, understanding perceptions embedded in national attitudes helps one to understand both the outcomes of previous dynamics and foresee future developments.

China has become very much interested in cultivating its soft power, and its government has paid significant attention to improving China's image internationally, employing measures of public diplomacy.<sup>3</sup> Not surprisingly, China's soft power has been the focus of some noteworthy scholarship (Huang, 2013; Li, 2009; Wang and Lu, 2008; Li and Worm, 2011; Hunter, 2009). The popularity of this concept is striking, especially when compared to the lack of interest in soft power in Russia (Smith, 2012). At least one scholar has even claimed that China is "obsessed" with soft power (Xie, 2015).

The aim of this article is to build on Europe-wide knowledge about EU-China energy investment relations and, by discussing the specific cases of three Central European countries, to contribute to better understanding specific internal European discourses and approaches. Thus, this paper seeks to answer the research question, how do these three Central European countries perceive the Chinese investments in their energy sectors? In doing so, it focuses on three particular aspects of this issue: first, how Chinese investments are perceived when compared to investments from other countries; second, how the energy sector is

perceived compared to other sectors in terms of Chinese investments in Central Europe; and third, to what extent the energy security frames identified in the EU-level discourse are present in the national discourses of the three studied countries in relation to Chinese energy investments.

## 2. Background and literature review

### 2.1. EU-China investment relations and energy security considerations

Generally, Chinese investments in Europe are seen as potentially having both positive and negative implications (Westad, 2012). Their benefits are generally considered to be economic in nature. Hanemann and Huotari (2015, p. 6) have noted that the potential rise in Chinese FDI in Europe "presents a once in a lifetime opportunity for attracting capital to Europe and helping re-start investment and economic growth." Similarly, Hanemann and Rosen (2012) have argued that the economic benefits of Chinese investments are potentially the same as investments from any other country.

On the other hand, potential problems in both economic and political-security areas have been acknowledged. In the case of the former, specific concerns include macroeconomic volatility, asymmetry in market access between Europe and China, subsidies and non-market advantages of Chinese companies, the headquarters effect, and the regulatory race to the bottom (Hanemann and Huotari, 2015). With regard to the latter, China is to some extent seen differently than other investing countries due to perceived national security risks stemming from China's status as a growing superpower with an authoritarian non-democratic political system (Okano-Heijmans and van der Putten, 2009).

The energy sector has so far attracted the largest volume of Chinese investments in Europe (Baker and McKenzie, 2015; Hanemann and Huotari, 2016), and more major transactions of an undoubtedly strategic nature are expected in the future. Thus, this phenomenon deserves special attention.

In one of the few studies concentrated on the specific issue of EU-China investment relations in the energy sector, Gippner and Torney (2015) analyzed the energy security discourses in Europe and China using the four frames of availability, affordability, efficiency, and environmental stewardship (Sovacool and Brown, 2010; also compare with Kruyt et al., 2009). They have demonstrated that the European discourse on energy security shifted towards availability and affordability in the 2010s, while environmental stewardship was somewhat relegated to the background compared to the 2000s. At the same time, environmental stewardship rose in significance in China, mostly at the expense of availability.

This article contributes to scholarship on EU-China investment relations by studying how Chinese energy investments are framed in Central Europe and in doing so further specifies Hanemann's and Huotari's, and Gippner's and Torney's findings on the Europe-wide discourse in the Central European context.

### 2.2. Central European relations with China and the energy sector

Central Europe's relations with China started to develop more substantially only after the 2008 financial crisis, as both sides preferred to orientate towards Western Europe and the U.S. during the 1990s and 2000s (Furst, Tesar, eds., 2014; Szunomar, eds., 2014; Turcsanyi 2014a). Since then, however, they have been on the rise in perhaps every aspect, including trade, politics, social relations, and investment—in that given order (University of Economics in Bratislava, 2014; Turcsányi et al., 2014).

<sup>2</sup> Walt (1987) also considers perception a crucial factor in the deliberations of states; in his opinion it is crucial for deciding whom to treat or perceive as a threat and hence also whom to accommodate and against whom to balance.

<sup>3</sup> The term *public diplomacy*, however, is not commonly used in the Chinese context (d'Hooghe, 2011).

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