

# Chinese Influence and Networks among Firms and Business Elites in the Netherlands



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## Executive summary

1. Europe and the Netherlands have become major destinations of Chinese investment. Increasingly, foreign investment projects are carefully considered parts of a Chinese company's long-term plans of global expansion. Chinese companies do not (or no longer) seek to "buy up" the European economy. For China's emerging multinationals and smaller companies alike, Europe is just one of the world's many arenas where they seek to take to a global level the competition not just with their main foreign (American, East Asian, European) competitors, but also with each other.
2. The China-US trade war and American sanctions have had an impact on EU-China trade and investment, although not always negatively. The rapid deterioration of the perception of China in the Netherlands and elsewhere in Europe has also affected Chinese-invested companies. Some operating in "critical" or "sensitive" sectors like telecommunications or semi-conductors have responded by moving into other sectors or types of products, or by stepping up their public relations effort.
3. Both state and privately-owned Chinese companies are becoming increasingly transnational (fusing domestic and international capital), hybridized (mixed ownership of private and state capital) and financialized (capital routed via listed entities, offshore and onshore).
4. Chinese state-ownership patterns are complicated due to the different layers of governance, authority, and control within the Chinese party-state; informal routes of control and influence; managerial practices and economic governance; external pressures from host institutions and regulation. The analysis of ownership structures must therefore be complemented by work on other modalities of control.
5. One-third of the selection of the main Chinese-invested companies in the Netherlands analysed for this report have a state-owned ultimate beneficiary owner (UBO) holding a controlling stake. The other two-thirds consist of firms that are either privately controlled or have a mix of state-owned and private minority owners. Moreover, state agents increasingly act as venture capitalists who aim at financial returns rather than strategic control.
6. The Chinese business elites on the boards of Chinese companies and their subsidiaries in the Netherlands are often trained abroad, connecting with western companies through shared management positions and more informal business networks. In addition, their

parent companies often recruit Westerners as independent directors and advisors to their boards who act as interlocutors and bridges between China and the West. Together, this globalized Chinese and foreign business elite has strong connections with politics and government in their country or place of origin. We did not find indications of influence of Chinese administrators on Dutch politics.

7. Chinese firms are aware of the importance of local expertise and knowledge for the success of their overseas companies, branches and subsidiaries. The majority of directors of Chinese-invested firms in the Netherlands registered with the Dutch Chamber of Commerce are Chinese, but we also found a significant share of Dutch or other nationalities. Similarly, the management of Chinese companies in the Netherlands usually consists of a combination of Chinese, Dutch and other, mostly Western, nationalities. These managers usually have considerable autonomy regarding operational matters and the implementation of company strategies. The management of state-owned enterprises tends to consist of more Chinese expats who also occupy the most influential positions.
8. Associations, business clubs and personal connections bind Chinese companies and businesspeople into a loose network of support and information exchange both internationally and in the Netherlands. While the companies compete over markets, customers, innovation, financial support and personnel, they also tend to help each other with advice and tips, and the managers build up social relations of both a professional and private nature.
9. Chinese and Dutch government and semi-government agencies facilitate and promote Chinese investment in the Netherlands (often alongside trade and investment in the opposite direction). They play a crucial – yet often overlooked – role in channelling and promoting communication in both directions. These organizations are useful sources of information, knowledge and access, and strengthen Sino-Dutch collaborations. Dutch government organizations have become more selective in their support for foreign investments and attune their services to Dutch local needs and strategic preferences. Chinese organizations tend to be very knowledgeable about the challenges involved in navigating the differences between Chinese and the Dutch markets and business contexts.
10. Many actions of Chinese firms or other actors may be self-interested and may even be a threat to certain interests in Dutch society, but they may very well benefit others. Choices for or against certain forms of Chinese impact on Dutch society are therefore *also* political choices in favour of or against certain interests in Dutch society. This is an aspect of China

policy making that is often overlooked, especially when “national” or “strategic” interests are invoked.

11. Party members are found in many Chinese state-owned institutions and companies abroad. The Chinese Communist Party’s (CCP) overseas party building work specifically targets such Chinese enclaves abroad in order to tie them back into the system at home and counter the localization of Chinese actors.
12. Party building work abroad concerns party members who in principle go abroad temporarily and not those who have emigrated permanently. The latter are subject to the Party’s overseas Chinese policies run by the United Front Department.
13. In state-owned enterprises abroad, the party organization is subject to the joint leadership of the party committee of the headquarters of the company back in China and the party committee of the Chinese embassy or consulate in the host country.
14. Overt party activities are often not possible abroad. Party building activities abroad take place on the basis of “the five non-disclosures”: the non-disclosure of party organization, internal party positions, party member status, internal party documents, and internal party activities.
15. Chinese businesses abroad face multiple or even conflicted pressures. They should expand, grow and make a profit, but also stay attuned to the interests and goals of the CCP. This is also reflected in overseas party building. Improving corporate efficiency, enhancing corporate competitiveness, and maintaining and increasing the value of state-owned assets are the main point of party work in enterprises abroad.
16. Party building work also ensures that enterprises abroad conform when and where needed to the wishes of the CCP. However, this does not necessarily or even primarily concern ideology or political influencing, but China’s larger economic and political aims in international politics, especially strengthening China’s global economic footprint and its public diplomacy and soft power strategies.
17. Overseas party building has been borne from finding solutions to a range of often contradictory, practical problems arising from China’s globalization. It does not constitute a plan hatched in advance and systematically rolled out across the globe. Instead, the Party is learning by doing. Its overseas work is rife with inconsistencies and varies vastly between countries and contexts, including in its limited presence in the Netherlands.



18. There is only limited direct evidence of CCP party building work among Chinese-invested firms in the Netherlands. Some more evidence exists of the role played by the party committees of parent firms in China, but this tends to be indirect and strategic, without involvement in the normal operations of their subsidiaries in the Netherlands. The limited amount of CCP work in Chinese-invested firms has not generated any deliberate influencing in the Netherlands, let alone potentially malign interference.
  
19. Nevertheless, there is a deliberate drive to step up party building efforts, particularly in those European countries with a larger number and size of Chinese-invested firms, especially state-owned and controlled ones. Moreover, certain Chinese (semi-)state agencies and many Chinese firms are in general committed to overseas party building work. This may very well foreshadow future developments in the Netherlands as the level of Chinese investments continues to grow.

## Recommendations

Chinese businesses in the Netherlands make important contributions to the Dutch economy. But they also present a formidable competition. Chinese businesses have incorporated international business and management practices and have adapted to the requirements of the economies and political systems in other parts of the world, including Europe. However, they remain rooted in a distinctive political economy controlled by an immensely powerful one-party state. Particularly under Xi Jinping, the CCP has increased its grip on society, including its (private) companies and business elites. With the international expansion of these businesses this grip of CCP has also expanded and internationalized. To optimize the benefits of Sino-Dutch exchanges while limiting the negative impacts, we should refrain from cutting off or restricting exchanges and relations with Chinese firms and businesspeople. Dutch businesses, society and government should stay critically engaged with their further integration in the global economy, including here at home in the Netherlands. Below we give a few suggestions for how this could be done.

1. In order to facilitate the integration of Chinese-invested firms and monitor their activities, existing mechanisms and organizations that act as supporters of Sino-Dutch collaborations, such as the Netherlands Foreign Investment Agency (NFIA) and the Association of Chinese Enterprises in the Netherlands (ACIEN), should be strengthened. In addition, it may be worthwhile to set up an independent platform as a meeting place to share expertise, knowledge, best practices and advice for Dutch national and local government agencies, Chinese businesses and business organizations, as well as for Dutch businesses. This platform could also be used to liaise with similar organizations elsewhere in Europe.
2. Dutch government policy making regarding Chinese investments should build on existing best practices of adaptation, reciprocal cooperation and facilitation like some of those that we identified in this report. These include the past cooperation with the Chinese embassy in the Association of Chinese Enterprises in the Netherlands (ACIEN); the NFIA policy of selective and strategic facilitation of greenfield investments; working actively together with the existing elaborate infrastructure of firms, service providers and (public) organizations in disseminating and promoting Dutch (and European) business practices, rules and regulations.
3. Mixed boards and Sino-Dutch business exchanges should be encouraged to strengthen mutual trust and adaptation. They help to disseminate European corporate governance practices, rules, values and standards. Such boards also

generate inter-cultural sensitivity, learning and understanding, and facilitates for Dutch firms access and adaptation to the Chinese market and society. Discouraging Dutch membership on Chinese boards and Chinese membership on Dutch boards will increase decoupling between China and the West and add fuel to the systemic rivalry that is currently unfolding.

4. Policy making regarding Chinese-invested firms and Sino-Dutch business relations should identify clear “red flags.” These red flags should not be limited to investment screening before an investment occurs, but should also include activities of already invested Chinese firms that run counter to the interests, system, or values of the Netherlands. These red flags should be public, clearly communicated and monitored. If transgressions occur, an enforcement mechanism should trigger warnings, demands for compulsory rectification, and, if needed, proportional sanctions imposed on the transgressing party in accordance with the appropriate Dutch, European or international rules and regulations.
5. Monitoring is also required of the degree and especially the nature and aims of Chinese Communist Party building in the Netherlands. However, this ought not be premised on the assumption that all types and aspects of such party building must run counter to Dutch interests. Party building chiefly targets party members abroad with the aim to tie them firmer into the system back in China. As long as this stays within the confines of Dutch law and does not facilitate unwanted influencing or interference in Dutch affairs, this is from a Dutch perspective neither particularly good nor particularly bad, but should be considered a normal aspect of the Chinese presence in the Netherlands.
6. The quality and accessibility of data and information on Chinese investments and Chinese firms present in the Netherlands should be improved and better coordinated. This data should be made publicly available and be regularly updated. In order to facilitate well-informed policy making and (public) debate, policy makers, journalists, researchers, and practitioners need access to reliable, valid, complete and current information and data on Chinese investments and Chinese firms in the Netherlands.
7. Further research is needed to expand and firm up the scope of this project. First, the impact of Chinese-invested firms in the Netherlands should be investigated for specific, critical sectors of the Dutch economy (for instance semi-conductors and electronics, logistics and transport, biotechnology, agriculture and food). Second, the role of Chinese executives and directors in global business elite networks and in

Western multinationals is not yet sufficiently understood. This includes the role and influence of Chinese directors on Dutch corporate boards. Third, we do not know enough about how Dutch-invested companies in China adapt to and integrate in the Chinese economy and society, and the impact of these adaptations on their business strategies and behaviour elsewhere and especially in the Netherlands.

## Chapter 1: Introduction

### 1.1. Rationale and background

The aim of this research project is to understand better how Chinese firms and business elites operate and network in the Netherlands. The report will focus in particular on the extent and nature of the influence of Chinese governments and the Chinese Communist Party on Chinese-owned or controlled companies in the Netherlands and their subsidiaries.

Chinese business elites, the central and local governments in China and the Chinese Communist Party (CCP) interact with Dutch business networks. In this report we will investigate the extent to which strategies of the Chinese party-state shape or direct the activities of Chinese businesses in the Netherlands, and whether and how this spills over into Dutch-Chinese business relations. The project is primarily about the Netherlands but neighbouring countries are included where Chinese business ties transcend the Dutch national border.

There has been much debate about the influence and possible interference of Chinese interests on Dutch businesses and commercial relations, but so far empirical research into this has been limited. Chinese impact on the Dutch economy and society is inextricably linked to the emergence of China as the largest economy in the world. What is often unclear, however, is the nature of this impact, and to what extent this may harm, or alternatively, serve Dutch public interests.

As Chinese businesses and Chinese capital have been “going global”, a new kind of Chinese business class is emerging. This globalizing Chinese business elite is different from the traditional “overseas Chinese” (for the overseas Chinese in the Netherlands, see Pieke 2021). So far, however, there is very little research on the practices, networks, motives and ideas of this new elite. Existing empirical research into these matters has so far mostly treated Chinese investments and firms as black boxes without looking more closely into the communities and networks of the people that are in charge (De Graaff 2020; De Graaff & Valeeva 2021). This contrasts sharply with the rich literature on Chinese businesses and business elite networks in the Global South,<sup>1</sup> and the steadily growing academic literature on the volume of Chinese outward foreign direct investments (OFDI).<sup>2</sup>

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<sup>1</sup> On Chinese investments in Africa, see Brautigam 2009; Lee 2017, On Latin America and Asia, see Brautigam and Tang 2011; Jenkins 2018; Jepson 2019; Nyíri and Tan 2016.

<sup>2</sup> Hanemann and Huotari, 2017; Zhang and Van den Bulcke, 2014; on institutional and economic drivers and constraints, see are Brennan, 2011; Buckley et al., 2007; Ma and Overbeek, 2016; on the effects on firm performance, environmental policy and labour standards, see Burgoon and Raess, 2014.

This gap is all the more surprising given the mounting concerns in Western countries about the ties and influence of the Chinese party-state with Chinese investments abroad. Policy makers in the West – including the Netherlands – are seriously concerned about the damage China might do to economic competitiveness, a level playing field or national security, in addition to more normative concerns related to values and norms, such as human rights, labour rights, the environment or privacy.

Much of the public debate builds on *assumptions* about the motives, interests and connections of Chinese business elites and the firms that they lead. Usually, these assumptions focus on the fact that a company is state-owned or has another connection with the Chinese party-state.<sup>3</sup> However, what this state-ownership or state connection implies in terms of corporate governance, management, influence or interference, is rarely analysed. This ignorance is often amplified by assumptions or speculations about “what might happen”, Rumsfeldian known-unknowns about for example software “backdoors” or data leaks that nobody has yet been able to find.

This report builds on the expertise of De Graaff and Pieke in the investigation of Chinese business elites, investments and firms in the Netherlands from two complementary angles: their ties with international business elite networks on the one hand and with the Chinese party-state on the other.

De Graaff’s work has started to uncover the networks connected to the headquarters of Chinese globalizing firms (De Graaff 2020; De Graaff & Valeeva 2021), and how these networks interact with Western business communities and networks, as well as their links to domestic state-business networks in China. Although this work provides us with important background information on the corporate and political elite networks at the commanding heights of China’s globalizing capital, we still require more insight into what happens when Chinese firms touch ground in host countries like the Netherlands. What happens at the level of a firm’s subsidiary, in particular given the increasingly polarized geopolitical state of affairs in which Sino-Dutch trade and investment relations are currently situated?

Pieke’s work on the Chinese Communist Party’s (CCP) organization and governance structures has recently come to focus on the CCP’s presence outside China itself. This includes both the Party’s explicit influence work through its United Front and International Departments and the efforts to build the Party’s own organizational presence in foreign contexts. In this report, research evidence on the CCP’s foreign activities will be presented specifically on the

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<sup>3</sup> This includes the 2019 China strategy of the Dutch government, see *Beleidsnotitie “Nederland-China: een nieuwe balans”* (Policy memorandum “The Netherlands-China: a new balance”), 21 May 2019, online at <https://www.parlementairemonitor.nl/9353000/1/j9vvij5epmj1ey0/vkyonie4yrz7>, read on 3 April 2022.

Netherlands, complementing his LeidenAsiaCentre project on the CCP's influence in the more traditional overseas Chinese communities in the Netherlands (Pieke 2021).

The specific research questions that this project will investigate are the following:

1. How are Chinese business elites connected to each other and to Dutch business elites? To what extent and how do Chinese and Dutch business elite networks and exchange influence the management, operations and corporate strategies of Chinese invested firms in the Netherlands?
2. To what extent are Chinese businesses in the Netherlands connected to or influenced by the CCP? What role does the CCP's organizational structure play abroad and what purposes does it serve?

We have approached these two questions from the following, complementary angles:

1. The nature, development and strategies of Chinese investments in the Netherlands (chapter 2). This includes a discussion of business strategies, the institutional and wider (geo)political context, and an overview of the Chinese and Dutch private, government and CCP organizations and businesses involved in Dutch-Chinese business cooperation and networking.
2. Ownership structures of Chinese-invested companies in the Netherlands (chapter 3). Ownership of Chinese companies in the Netherlands varies greatly and is often difficult to capture in a simple private-public binary. We present a typology and examples of ownership structures to illustrate this diversity. We reflect on possible implications for Chinese government and party impact.
3. Networks of Chinese firms and Chinese elites present in the Netherlands (chapter 4). What happens when Chinese subsidiaries of large globalizing firms – as well as smaller enterprises and entrepreneurs – are established abroad? This analysis looks at the business (elite) networks of both the parent firms and the overseas subsidiaries and the interaction between them. It also includes a discussion of the internal organization, management and human resources of Chinese-invested firms in the Netherlands and networking between Chinese and Dutch business elites.
4. The role of the activities and organization of the CCP within Chinese companies active in the Netherlands. This starts with an analysis of CCP activities and party building more generally both in China itself and abroad (chapter 5). We will then give an overview of CCP party work within the parent companies of Chinese firms and business organizations that are active in the Netherlands and discuss the (limited) evidence that exists of such party work in the Netherlands itself (chapter 6).

Our research and report should be taken in conjunction with several recent projects on Chinese impact and influence in the Netherlands undertaken by the LeidenAsiaCentre and the Clingendael Institute. These projects provide a baseline of information on the development and nature of Chinese investments (Pieke, Hong and Stam 2017; Ferchen et al. 2018), research cooperation and exchange (Pieke, Hong and Steehouder 2017; d’Hooghe et al. 2018; d’Hooghe and Dekker 2020), technological cooperation and exchange (van der Putten 2021), ties between Dutch and Chinese local authorities (Dams 2022), and the overseas Chinese communities and elites in the Netherlands (Pieke 2021).

We build on this body of research first of all by our focus on the wider Sino-Dutch business elite networks and the role and influence of the Chinese party-state through these networks. An additional contribution of our study is the focus on the significance and intentions of Chinese impact abroad on Chinese and Dutch business actors *themselves*. How does this shape the actual operations of Chinese firms in the Netherlands? To what extent are motivations and perceptions of the activities of Chinese business actors abroad aligned with those of the central government and the CCP? How do Dutch perceptions of Chinese influence square with those of Chinese actors?

We take *influence* to mean the *effect* of actions – including discourse – on behaviour, attitudes, interests, values, preferences and/or opinions of others. It should be emphasized that *all* interaction influences the parties involved. This is more than just an academic point. Each and every time a Dutch person visits China or works with Chinese people or institutions, her or his understanding and views on China will change. If we believe that any such influence can only be undesirable or ill-intended, the only option is thus not to allow any interaction at all.

Influence can be intentional (though not necessarily rational) or unintentional. If it is intentional and aims for a person, group or organization to think or do something that they otherwise would not, we speak of *influencing*.<sup>4</sup> This is still some way removed from *interference*: messages or actions intended to serve one’s own interests to the detriment of the other. From the perspective of the EU “Foreign interference occurs when activities are carried out by, or on behalf of, a foreign state-level actor, which are coercive, covert, deceptive, or corrupting and are contrary to the sovereignty, values, and interests of the European Union (EU).”<sup>5</sup>

Although influence and influencing are often perceived as negative or even malign (and thus confused with interference), they can of course also be seen as positive and benign. The

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<sup>4</sup> Similar to the shorthand definition of power (e.g. Dahl 1957).

<sup>5</sup> European Commission, Directorate-General for Research and Innovation, *Tackling R&I foreign interference: staff working document*, 2022, <https://data.europa.eu/doi/10.2777/513746>.



literature on Chinese globalizing firms and business elites has for instance repeatedly observed their adaptation to Western management and governance practices. Such hybridization of Chinese and Western capitalism amounts to the influence from the liberal Western capitalist countries on China, rather than vice-versa, which we tend to think of as benign. Likewise, Chinese Communist Party building can help contain corruption, rapacious behaviour or exploitative labour relations in Chinese-invested forms abroad.

Such a view of influencing has direct and important policy implications. In order to arrive at relations with China that balance openness with protection of vital sectors and processes, guard competitiveness but do not stifle competition, build on shared interests yet respectfully defends values as the Dutch government formulates them,<sup>6</sup> the exploration of mutual interests, values, dependencies is crucial.

As we shall discuss in more detail in the chapters that follow, China's business presence in the Netherlands has many different faces, requiring a differentiated policy response. Some aspects of Chinese presence may indeed be malign: espionage, political interference or subversion, unwanted technology transfer or even theft. Should these occur, they will have to be exposed and countered. The majority of Chinese firms and businesspeople in the Netherlands are participating in international commercial (inter)actions and – as has also been recognized by the Dutch government – are attractive to engage with because of the potential access to the Chinese market and capital, large R&D budgets, talent pools and high-quality knowledge infrastructure.<sup>7</sup>

Many actions of Chinese firms or other actors may be self-interested and may even be a threat to certain interests in Dutch society, but they may very well benefit others. Choices for or against certain forms of Chinese impact on Dutch society are therefore *also* political choices in favour of or against certain interests in Dutch society. This is an aspect of China policy making that is often overlooked, especially when “national” or “strategic” are invoked.

Understanding what it is that Chinese firms, governments and the CCP actually wish to achieve abroad, and how they go about this in the Netherlands, is a first necessary step to assess the many faces of China's impact on Dutch society. It will support policy makers and decision makers more specifically to identify opportunities and risks, and identify the “red flags” where a more cautionary policy needs to be in place.

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<sup>6</sup> See the Dutch government's China strategy: *Beleidsnotitie “Nederland-China: een nieuwe balans”* (Policy memorandum “The Netherlands-China: a new balance”), 21 May 2019, online at <https://www.parlementairemonitor.nl/9353000/1/j9vvij5epmj1ey0/vkyonie4yrz7>, read on 15 April 2022.

<sup>7</sup> *Beleidsnotitie Nederland-China 2019*, p. 26.

## 1.2. Methods and data

Understanding Chinese investments and business conduct in the Netherlands posed significant challenges to our research. Apart from the highly charged perceptions of China in the Netherlands and the lack of transparency of the CCP's work and methods, it required an approach that would cover the multiplicity of aspects involved, ranging from CCP party building and party work to informal gatherings and networks that include a wide range of Chinese and Dutch organizations and individuals. We therefore used several complementary methods and data, while being aware of the gaps that we would not be able to cover. These include the following:

- Interviews with 40 managers or directors of Chinese-invested firms, intermediaries and key informants in the Netherlands, both Chinese and non-Chinese (see topic list in Appendix 2)
- Information from Chinese, English, and Dutch public sources (media outlets, the Internet, and social media) about Chinese investments and business in the Netherlands and the involvement of Chinese governments or the CCP
- Chinese-language academic literature in the field of Communist Party organization and party building abroad
- Company data from the Dutch Chamber of Commerce (Kamer van Koophandel), the Netherlands Foreign Investment Agency (NFIA), and the Chinese Ministry of Commerce public registry of Chinese companies invested abroad (境外投资企业 (机构) 备案结果公开名录)
- (Personal) corporate affiliation data from the Dutch Chamber of Commerce
- Corporate and career data used in earlier studies (De Graaff 2020; Valeeva & De Graaff 2021)

In carrying out this research, we have given full disclosure to our interviewees of our work and the aims of the research, although given the sensitivity of the topic, we often introduced our questions about the CCP later on in the interview. The interviews were conducted in Dutch or English. Interviewees and providers of data or information were told that this was a LeidenAsiaCentre investigation, commissioned by the China Knowledge Network in the Netherlands and funded by the Dutch government.

We often experienced quite a bit of reticence in getting people to agree to be interviewed, particularly from relatively highly placed Dutch or Chinese individuals, but once the interview had started most (albeit not all) spoke freely. Unfortunately, it turned out to be virtually impossible to speak with Chinese representatives of large state-owned enterprises, banks, the embassy or organizations closely associated to them. Where the Chinese government's or the CCP's influence and presence is likely to be greatest, we therefore have had to rely on

other sources of information, such as other interviews (for instance with non-Chinese representatives), or documentary evidence.

The use of multiple sources of information proved to be a crucial component of the study. Data obtained from Chinese-language sources (the internet, WeChat official accounts, media, academic publications) could be tested during the interviews and the interviews often put us on the right track in our research on sources. We have also always tried to independently confirm key information as much as possible, either from a different interview or a written source.

The network analyses are based on corporate data collected in previous studies from annual reports, web research, the Orbis database as well as biographical data on corporate directors.<sup>8</sup> From these previous studies we extracted data on the *parent firms* of Chinese firms invested in the Netherlands. In particular we have based our analyses on the current member firms of the *Association for Chinese Investment Enterprises* (ACIEN) in the Netherlands (the “ACIEN sample”). ACIEN members make up a relatively small share of the total number of Chinese-invested firms in the Netherlands (see chapter 2). Nonetheless, they can be considered a suitable sample for this study, because ACIEN is arguably the key Chinese business representation network in the Netherlands. It comprises the largest, as well as some smaller, Chinese firms and has the organizational backing of the Chinese embassy (see chapter 2 for a more elaborate description of ACIEN). The network analyses were conducted using Ucinet and Netdraw software (Borgatti et al. 2002).

In chapter 4 we also used an additional, different sample of firms acquired by Chinese investors. Here we took a random sample of 40 companies from our combined list of all Dutch firms acquired by or in a joint venture with a Chinese firm. First, the full list of all such Chinese companies was composed on the basis of information provided by the Chamber of Commerce and the NFIA for this study: we identified 166 such companies active in the Netherlands in February 2022. After that, we compiled a sample from the 166 Chinese companies by randomly selecting 40 companies (the “M&A sample”). On this sample we acquired information on their current board members from the Chamber of Commerce and compiled a network dataset. We would like to stress that this research has relied solely on public sources and on what has been told to us in the interviews. In the report, we refer to specific

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<sup>8</sup> The first study (De Graaff 2020), was based on biographical career data of 190 corporate headquarters directors from twenty large Chinese transnational corporations (based on the Global 500 and Forbes 2000 rankings) in a variety of sectors (e.g. finance, energy, technology, conglomerates including shipping and logistics, automotive). The second study (De Graaff & Valeeva 2021), consisted of data on more than 140 directors on the boards of China’s largest firms (operating revenue over 10 billion US dollars or more) who held simultaneous board positions at European firms, connecting 78 Chinese firms with 228 European firms.

interviews with the date of the interview only. Given the sensitivities surrounding Chinese influence abroad, we conducted the interviews on the basis of strict anonymity. Therefore, the report does not contain any information that could be traced to a particular person or a list of the persons and organizations that we interviewed. Nor do we mention the names of companies or individuals in this report, except where the information used comes exclusively from sources *other* than the interviews.

The research was carried out on behalf of the LeidenAsiaCentre by Frank Pieke and Naná de Graaff together with two research assistants. Responsibility for the investigation and content of the report remains solely with Pieke and De Graaff.

## Chapter 2: Chinese foreign investments in the Netherlands

### 2.1. Development and growth

Chinese business investments in the Netherlands started from modest beginnings in the 1980s and 1990s. At that time, the initiative often came from Dutch businesspeople or professionals with experience in foreign investments or trade in China. Possibly the first of these was *COSCO Cross-Ocean* that started in 1980 as a joint venture of COSCO (China Ocean Shipping Company) and Pakhoed in Rotterdam, offering logistics services to importers, exporters and ship owners. Cross-Ocean still exists as *COSCO Shipping (Netherlands) B.V.*, which is fully owned by COSCO Shipping (Europe) GmbH, a daughter company of state-owned COSCO Shipping Group of Companies.<sup>9</sup>

In the 1990s, many authorities and politicians across the Netherlands wanted a slice of China. Delegations went back and forth, and local authorities established friendship ties with Chinese local authorities (Dams 2022). Initiatives for Chinese investment and business development often took the form of ambitious plans for a Chinese or Asian business park or centre. The *China Hong Kong Trade Center* started near Rotterdam in 1990, and eventually ended up being fully owned by the state-owned China International Trust Investment Corporation, or CITIC. In 2006, a proposal for *China Valley Europe* at Schiphol was developed by Schiphol Group, ABN AMRO Bank and several other Dutch investors. China Valley's successor *CETEC* (Chinamex Europe Trade & Exhibition Centre) involved the Chinese state-owned real estate developer Chinamex (China Middle East Investment and Trade Promotion Centre). All these projects folded after a few years. In The Hague, a Dutch-Chinese businessman developed the *Europe Chinese Trade Centre* with encouragement and financial support from the Hague municipality. This failed despite a heavy injection of funds from The Hague municipality. The site is currently owned by JSI Holdings, a subsidiary of privately-owned Guangdong Jiahe Shengde Investment Management, and is being developed as a business centre. Many of these initiatives never really got off the ground because of unrealistic expectations, a lack of a solid business plan, insufficient funding, incompetence or sheer bad luck (Interviews 03/11/2021; 04/11/2021; 29/11/2021; 30/11/2021; 23/12/2021).

At the end of the first decade of the 21<sup>st</sup> century a more sober assessment began to prevail of the opportunities that China presented. Moreover, Chinese companies had become larger, richer and especially more experienced internationally, while European economies went through a prolonged slump after the financial crisis of 2008.

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<sup>9</sup> Interview 03/11/2021; see also <https://www.nt.nl/archief/2002/09/06/jan-buiter-is-synoniem-voor-cross-ocean/>, read on 2 February 2022.

Chinese investment in the Netherlands entered a new phase. Despite their mixed results, the earlier projects and agreements had created an appetite for China that later investors from China could take advantage of. Particularly in the cities of Rotterdam and The Hague, the province of Noord-Brabant and Brainport Eindhoven encouraged Chinese business and investment. Amsterdam also briefly embarked on a major strategy to attract Indian and Chinese enterprises to the city. For China this involved cooperation with a major Chinese bank, including events in China and Amsterdam that eventually yielded few concrete results (interview 02/02/2022). In the case of The Hague, the municipality went even further in the development of a local Chinatown and active engagement of Dutch Chinese communities (interview 04/11/2021).

In this period, the Chinese economy continued to grow rapidly. The Chinese government pumped large amounts of cash into infrastructural development in China and actively encouraged Chinese companies to “go out” and try their luck abroad (Ye 2020). Europe became a major destination of Chinese investment (De Graaff 2020; Kratz et al. 2021). Nevertheless, the absolute level of investment from China remained very modest and never was more than a fraction (around or even less than one per cent) of that from the United States (see table 1.1 below).

Some projects were carefully considered foreign expansions as part of a company’s long-term plans of global expansion. Others were adventurous projects in real estate, retail, tourism, leisure and even sports that often had little to do with the core business of the enterprise involved, of which the acquisition of football club ADO Den Haag was perhaps the most notorious. According to one of our informants, about 70 per cent of Chinese companies that invested in the Netherlands in this period failed and left again within a few years (interview 03/11/2021).

This was also the period of often large mergers and acquisitions where Chinese investors aggressively sought out foreign assets that would give them market access, knowhow, technologies, or simply quick growth and profits (interviews 03/11/2021; 22/11/2021; 23/12/2021; 30/12/2021).

As China’s Belt and Road Initiative started taking shape after 2013, the helping hand of the Chinese state became more apparent, particularly where investments by China’s large state-owned enterprises were involved, although active steering by the state is often very difficult to prove for individual cases. This became clear with the announcement of the *Made in China 2025* plan, alarming policy makers particularly in Europe’s industrial powerhouse, Germany. *Made in China 2025* explicitly stated the goal to catch up with advanced countries in major strategic sectors of industry and innovation (Wübbeke et al. 2016).

This first high tide of Chinese investment came to an abrupt end in 2017. The Chinese authorities, alarmed by the rapid reduction of China’s (massive) foreign exchange reserves, virtually overnight put a lid on untrammelled foreign investment. Approval of foreign investment would henceforth only be given to allow projects that contributed to China’s strategic goals. As a result, investments in 2017 plummeted to one-third of the level of 2015 (see table 1.1).<sup>10</sup>

This coincided with the rapidly deteriorating geopolitical situation that China found itself in. In the final years of the Obama administration, China-US relations had already become decidedly frosty, but under the Trump administration, they went into a tailspin.

*Table 2.1. Direct investment in the Netherlands from China and selected countries, 2015-2020 (total per year in millions of euros; excluding Special Financial Institutions)*

Year	China	Taiwan	Hong Kong	US
2015	1879	362	9824	153617
2016	1502	341	9264	240156
2017	633	508	12556	173703
2018	992	127	8926	172084
2019	-786	-488	24113	197571
2020	1992	7599	42558	453226

Source: Dutch Central Bank (De Nederlandsche Bank), <https://www.dnb.nl/statistieken/data-zoeken/#/details/posities-directe-investeringen-in-nederland-naar-land/dataset/8b8eec9a-8a93-4bc4-8154-a37f5be503bd/resource/0656a8dd-8f1d-4c61-a44c-9ed4a571e3f1>, downloaded on 2 February 2022.

Note: The amounts for China do not include indirect investments through Hong Kong, which are likely to take up a significant part of the investments from this Special Administrative Region of China.

Although the China-US trade war affect Chinese trade and investments to the US most of all, American sanctions also have an impact on EU-China trade and investment. The US sanctions list has become leading in “know-your-client” vetting procedures. For instance, Dutch banks refuse to open an account for a Chinese company if it is on the US “entity list” or subject to

<sup>10</sup> For an analysis of Dutch-Chinese trade and investment relations, see Aerts et al. 2020. For European figures, see Kratz, Zenglein and Sebastian 2021. The latter publication uses different data, so its figures cannot be directly compared with those from the Dutch Central Bank in table 1.

American trade sanctions (interview 22/11/2021). Certain Chinese acquisitions in the Netherlands, Chinese financing, or Dutch exports to China have been blocked, sometimes at the initiative of the Dutch authorities themselves, but in other cases under American pressure. Dutch-China economic relations are therefore not only subjected to Dutch restrictions, but are also to American influencing and interference.<sup>11</sup>

We also heard a few anecdotes about the greater difficulties faced in tech collaboration between Chinese firms and Dutch universities. The generally more restrictive and selective environment for Chinese firms to enter the Netherlands, including the investment screening measures that are implemented at European and national level, are limiting Chinese firms' room for manoeuvre. Although none of our interviewees said that this had stopped them from investing, some did mention that their firm had adapted their business plan to focus on less controversial products or sectors.

From about 2018 the perception of China in the Netherlands and elsewhere in Europe deteriorated very quickly, particularly after the repression of the Uighur minority in Xinjiang started to define the public debate on China. European criticisms of China focus much more on human rights issues rather than in the US that is preoccupied more with trade practices and hegemonic competition. Issues like technology theft, influencing and interference, acquisition of critical infrastructure and economic security are certainly (and increasingly) part of the debate, but still not as prominently as in the US.<sup>12</sup> Nevertheless, as relations with China became increasingly politicized, trade and investment were also affected, as the prolonged stalemate over the EU-China Comprehensive Agreement on Investment in 2021 illustrates.

Despite the chill in US-China and EU-China relations, the majority of companies that we interviewed report only a limited impact of the rising anti-China sentiment in the Netherlands, with the important exception of firms operating in "critical" or "sensitive" sectors like telecommunications or semi-conductors, and those engaged in R&D with university partners. In order to avoid too much attention and scrutiny, especially some of the better-known firms prefer a low profile when first entering the Netherlands.

However, some other European subsidiaries were actually able to profit. Production facilities were moved from China to Eastern Europe (and elsewhere in the world) to be able to avoid US punitive duties or other sanctions. In other cases, the parent company decided to concentrate its efforts on Europe rather than North America.

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<sup>11</sup> On this point, see also van der Putten 2021.

<sup>12</sup> For an upbeat account of the attempts better to align European and American China policies since Trump's departure from the White House, see Small et al. 2022.



The figure for 2020 in table 1 above and the interviews that we conducted show that Chinese investments to the Netherlands (like those from the US, Taiwan and Hong Kong) have not just rebounded after 2019, but even in this first year of the Covid pandemic already reached a higher level than ever before. Chinese investments are entering a new phase.<sup>13</sup>

In the early days of Chinese outward investments, it was common to send a Chinese team of managers abroad without any international experience. Such pioneer investments are now the exception rather than the rule (interviews 23/12/2021, 03/11/2021, 17/01/2022, 21/01/2022). Mergers and acquisitions are also much rarer than before 2017. Some of the M&A deals that still happen have in fact been initiated by the Dutch party that needs capital to scale up and expand, and access to China for its market, production facilities and even expertise. As one interviewee put it “you better join them if you can’t beat them” (interview 22/11/2021).

Chinese enterprises increasingly invest in Europe as part of a deliberate, long-term strategy of global expansion. In the Netherlands they often set up subsidiaries as a gateway to Europe that focus on marketing, distribution, service and even research and development (interviews 7/12/2021 and 23/12/2021). In some cases, production or assemblage plants in Eastern Europe, Southeast Asia, Mexico or elsewhere shorten supply chains to Western Europe and help adapt products to the demands of the European market. Circumventing US trade sanctions against Chinese products is another reason for offshoring production that we often heard in our interviews.

Using data from the Dutch Chamber of Commerce (Kamer van Koophandel) and the Netherlands Foreign Investment Agency (NFIA), we identified a total of 595 companies in the Netherlands which are ultimately owned by mainland Chinese entities or individuals of Chinese-invested companies in the Netherlands. Of these, 339 companies occurred in the Chamber of Commerce data. A list of these companies is available on this report’s webpage on the LeidenAsiaCentre’s website ([accessible via this link](#)). Data on the remaining 266 companies cannot be made publicly available, but we have used their information in our analysis in this and the following chapters. In addition to the list in the online appendix, a consolidated list of all major corporate ACIEN members can be found as Appendix 1 to this report itself.

It should be pointed out that we refer to “single business entities” as one company. Many Chinese companies when establishing a Dutch subsidiary register their regional offices,

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<sup>13</sup> The rebound in 2020 is not reflected in the European and world-wide figures for Chinese outbound investment collected by the US-based Rhodium Group (Kratz et al. 2021). This might have all kinds of reasons, including data sources and quality, or perhaps a particular pattern of Chinese inbound investment in the Netherlands. Certain is that the 2020 rebound for the Netherlands has also been confirmed by several of our interviewees.

national headquarters, European headquarters or holding company as separate companies. In those cases, we have counted all branches set up in the Netherlands as part of one single company. It is quite common for Chinese companies in the Netherlands to do so: we identified 293 such companies.

The geographical distribution of the 595 Chinese companies in the Netherlands is given in figure 2.1. Around half of the Chinese companies in the Netherlands are located in the three large municipalities of Amsterdam, Rotterdam and The Hague. Amsterdam hosts 88 Chinese companies in our database, the Hague 78, and Rotterdam 77. The concentration of Chinese companies in smaller municipalities within and around Amsterdam, Rotterdam and the Hague (e.g. Wassenaar, Rijswijk, Schiphol) is also sizable. Eindhoven, a hub for high-tech sectors, has 26 companies, the fourth largest concentration of Chinese companies among Dutch municipalities.

Most Chinese companies are relatively young. In the Chamber of Commerce data, only 35 Chinese-owned companies in the Netherlands were established before 2000, and most were established after 2010. Mirroring the total investment figures in table 2.1 above, the establishment of new Chinese companies reached a peak in 2017 and 2018, after which there was a slight decrease in 2019 and 2020. However, the number rebounded to pre-COVID levels in 2021 (see figure 2.2).

The main Chinese players in the Netherlands among the ACIEN members are either companies that have already been present for a number of years, patiently growing their initial acquisition or investment. Examples are BYD (electric vehicles), Huawei and ZTE (telecom), COSCO (shipping), ZPMC (Shanghai Zhenhua Heavy industries, port equipment) and BAIC (Beijing Automotive Industry Group, cars and car parts). More recent entrants that still fully have to establish themselves include some of the largest companies in China and the world. Examples are Tencent, Alibaba and JD (Jingdong) (all e-commerce), Xpeng (Xiaopeng, electric cars) and SAIC Motor (formerly Shanghai Automotive Industry Corporation).

Smaller and often lesser-known companies follow essentially the same path of global expansion. This takes them to the Netherlands in fields as different as consumer electronics, heavy machinery, food, biotechnology or electric vehicles. Often these investments happen organically as part of a company's business plan. In some cases, however, guidance by the Chinese state seems to play a role, for instance with electric vehicles (interview 29/11/2021).

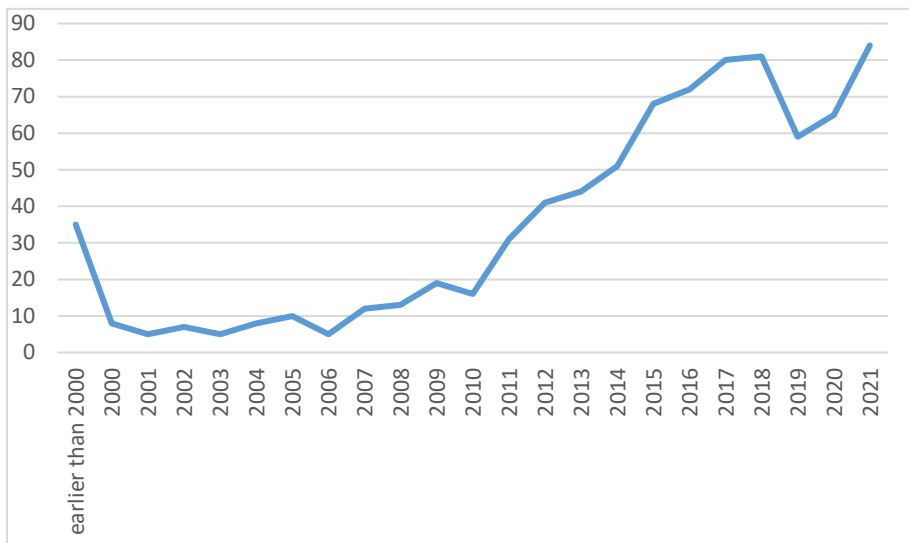
A whole range of smaller Chinese and Dutch firms and freelancers provide an elaborate infrastructure of support in investment management, logistics, software development and cloud computing, research, public relations and marketing, legal services, accounting and human resources (interviews 02/11/2021; 10/11/2021; 25/01/2022; 17/12/2021; 26/01/2022).

*Figure 2.1: Map of Chinese companies in the Netherlands*



*Data sources: Kamer van Koophandel, NFIA.*

Figure 2.2.: Establishment of Chinese companies, total number by year



Data source: Chamber of Commerce.

Also of interest are Chinese-invested research or technology transfer centres. Some are owned by a Chinese company. Their business is to develop and fund research in collaboration with Dutch (and other Western) universities relevant to the parent company. This includes pre-competitive research, which is sometimes funded together with European firms working in the same sector (interview 15/10/2021). Another centre that we interviewed focusses on R&D and investment cooperation between European and Chinese firms with the goal to develop technology for their client firms in China. In this case, the centre in the Netherlands is a subsidiary of a much larger technology development centre in China owned and controlled by a provincial government. This centre in the Netherlands operates as a private firm that works for client firms in China and has to turn a profit. Nevertheless, the parent centre or its government owners exercise a certain degree of guidance in the direction of products or technologies that are in line with national development plans (interview 17/12/2021).

The flip side of the further globalization of Chinese capital is that some very large investors (asset management companies, private business conglomerates, state-owned enterprises) buy up or sell off assets in the Netherlands as part of global investment strategies rather than business plans specifically for the Netherlands. A Chinese company might also acquire a foreign firm to serve as an investment vehicle for further acquisitions abroad. Often, these deals happen between investors in China or elsewhere in the world with the Dutch companies involved having little or no knowledge of or say in what is going on (interview 7/12/2021).

The ambition of Chinese global companies is no longer simply to gain a foothold in Europe or acquire technology. Many companies that invest abroad have survived years of intense

competition on the Chinese market. As one interviewee put it: “if you can survive in the Chinese market, you can survive anywhere” (interviews 17/12/2021, 29/11/2022, 23/12/2022). They are often already quite large and market-savvy. For them, Europe is just one of the world’s many arenas where they seek to take to a global level the competition not just with their main foreign (American, East Asian, European) competitors, but also with each other. For some companies succeeding on the supposedly very discerning European market is also a way to prove the quality of their products on the Chinese market.

While the US and other Western countries remain preoccupied with the Chinese state’s unfair trade practices, human rights abuses and “systemic” rivalry, the next and much more mature phase of the globalization of Chinese capitalism is already happening, including right here in the Netherlands.

## **2.2. Promoting Chinese business and investment**

Promotion of Chinese investment in the Netherlands (often alongside trade and investment in the opposite direction) has become an active market where a range of Chinese *and* Dutch government and semi-government agencies operate. Some of them outsource a part of the work to Dutch or Chinese specialist private firms (e.g., recruitment agencies, law firms, HR firms, consultants or accountants). These service providers and intermediaries are often overlooked when we think about what drives and mediates Chinese investments in the Netherlands.

An active and important role in this regard is played by the *Netherlands Foreign Investment Agency* (NFIA) through its offices in China and the Netherlands and in collaboration with nine investment agencies of local governments (for instance The Hague Business Agency and Brabant Investment Company). They are particularly important for small and medium-sized Chinese companies with little prior foreign or European experience.

Recently, these agencies have moved away from promoting any investment in the Netherlands as long as it created jobs to a policy of more careful selection, encouragement, and support of companies that more structurally contribute to what they call the “eco-system” of the Dutch economy (interviews 22/11/2021, 29/11/2021, 23/12/2021). The business agency of a major city for instance focuses on four important business sectors of the city’s eco-system: legal, finance, renewable energy, high-tech. They also focus on companies that are related to future city development. A project selection committee evaluates companies a company’s business plan using NFIA guidelines (interview 23/12/2021).

This also implies that innovation attachés at Dutch consulates and the embassy in China have an important role in screening and selecting relevant companies (interview 29/11/2021) –

somewhat similar in fact to the role of science diplomats in Chinese embassies (interview 24/11/2021). In addition, a certain minimal scale of investment and safeguarding national security have become more important considerations in deciding which companies to support (interviews 22/11/2021; 29/11/2021; 23/12/2021). An additional component of this new strategy is that there is closer collaboration and alignment of central, provincial and local levels of investment promotion agencies and the development of a collective “Invest in Holland” strategy (interview 23/12/2021).

The role of the Chinese central and local authorities in directly promoting Chinese investments in the Netherlands is actually fairly modest. The *China Council for the Promotion of International Trade* (CCPIT), which we will discuss in more detail in later chapters, is one of the many associations and agencies directly linked to the Ministry of Commerce in Beijing. It has overseas offices in more than 30 countries, but the Netherlands is no longer among them. Information on trading and investing in the Netherlands that the Council disseminates in China is most likely collected by CCPIT’s EU office in Brussels. However, between 2014 and 2019 the CCPIT of Guangdong Provincial Government ran a small office in The Hague for the facilitation of Chinese trade and investment in the Netherlands and Dutch trade and investment in China. The office had been seed-funded with central government’s BRI (Belt and Road) funds, and was intended to become a commercial business by organizing events, job fairs and helping incoming and outgoing delegations. When the seed money ran out, the leadership and priorities of CCPIT in Guangdong had changed in the meantime and the office was discontinued.

The *Jiangsu Provincial Economic and Trade Office* has a similar mission as CCPIT, but is a full and formal part of the Department of Commerce of the Jiangsu Provincial Government. With offices provided by the Brabant Development Company (Brabantse Ontwikkelingsmaatschappij, BOM), the Jiangsu Office works closely with the Dutch provincial government. The Office aims to promote business ties between Jiangsu and the Netherlands and support Chinese companies in the Netherlands. The Dutch province of North Brabant is important for China. It has one of the terminals (in Tilburg) of the Belt-and-Road train network and a large number of high-tech companies are located in the Eindhoven Brainport area (Van der Putten 2021). The Office cooperates with businesspeople in the Dutch Chinese community, mainly through the Dutch Chinese Young Entrepreneurs Foundation (DCYE). The DCYE reportedly is also helpful in establishing contacts with large Dutch companies and the government at a national level (interview 4/12/2020). However, we have found little evidence of the Office’s activities among Chinese firms in the Netherlands and its role and impact seem to be modest at best.

The *Chinese Embassy* in The Hague usually does not play a role in selecting or directing Chinese investments, but – as is the case for all embassies around the world – they play a supporting role for Chinese companies abroad. For instance, from our interviews we learned of a case where the embassy advised a Chinese company on where to place its investment. Chinese companies also have to register with the Embassy’s Economy and Trade Section.

The Embassy’s further involvement mainly runs through the *Association of Chinese Enterprises in the Netherlands* (ACIEN) where it plays a supportive and facilitating role (interview 14/12/2021a). ACIEN used to be run jointly by the Embassy and the NFIA, but the latter no longer plays a role. ACIEN is an independent non-profit organization funded by its (corporate) members, bringing together the main Chinese companies in the Netherlands. In recent years, ACIEN has been strengthened, especially quite recently. Whereas ACIEN used to be dominated by large, mainly state-owned enterprises, new members are also actively recruited from among private enterprises, even some quite small ones. The website, profile and events have gone through a makeover to turn ACIEN into an organization for Dutch-Chinese business that can represent the voice of China and the promotion of Chinese business in the Netherlands (interviews 14/12/2021a, 14/12/2021b, 29/11/2021, 17/12/2021). ACIEN wants to help to improve the image of China. To do so, ACIEN organizes events for non-member companies, including Dutch ones, creating windows for Chinese enterprises to present themselves to Dutch companies. ACIEN has outsourced the actual work for recruitment and restructuring to a former director of the China News Agency Office in the Netherlands. Events and rebranding have been contracted out to JSI, the Guangdong-based real estate management company that owns the business centre at the site of the former Europe Chinese Trade Centre discussed above. The funds for these activities are provided from the fees paid by the ACIEN member firms (interview 14/12/2021a).

Several other Dutch, Chinese, or Dutch-Chinese business organizations are active in the Netherlands as well, which serve broadly to promote expertise, understanding and business cooperation between China and the Netherlands.

According to its website, the *Netherlands China Business Council* (NCBC) was set up in 1964. The NCBC’s mission is to promote two-way trade and investment, economic cooperation and mutual understanding between the business communities and public sectors of the Netherlands and China. The NCBC is a member of the EU-China Business Association in Brussels and lists as its partners CCPIT and the China Chamber of International Commerce, both of which are part of the Chinese Ministry of Commerce. In 2020, NCBC merged with the *Dragon Business Club* of second and third generation Chinese-Dutch entrepreneurs and professionals. The NCBC organizes seminars, conferences and lectures that also serve as networking opportunities between Chinese and Dutch businesspeople and government

officials, including from Dutch ministries and the Chinese embassy. Although the NCBC is principally relevant for the Dutch business community that is interested in China, it also serves a point of contact and source of information for the Chinese embassy.<sup>14</sup>

The *Friendship Association Netherlands-China* (VNC) only plays a marginal role in Chinese-Dutch business affairs. With roots in Maoist fellow-travelling of the 1970s, the VNC's membership is ageing and shrinking. The VNC's main partners in China are the Chinese People's Associations for Friendship with Foreign Countries (CPAFFC), which has branches all over China (Dams 2022). Contacts with the central branch in Beijing are the most important, with which the VNC organized a symposium in 2017 on city ties and economic relations (interview 04/11/2021).

Much closer to the Chinese government is the *Dutch BRI Research and Development Centre*. The Centre is registered at the Holiday Inn in Leiden, a hotel bought up by a consortium of Chinese investors in 2016. Leading Dutch business and government people, Chinese companies in the Netherlands and prominent Chinese-Dutch people involved in China-Netherlands relations have participated in the Centre's activities.<sup>15</sup> The Centre is closely associated with the *'Belt and Road' Europe-China Promotion Association* registered in Germany. In China, both the Centre in the Netherlands and the Association in Germany have been recognized as liaison offices for the China Industry-University-Research Institute Collaboration Association. Together with several other governmental bodies, this association was established by the central government's National Development and Reform Commission (NDRC) as a high-level vehicle for innovation and development, including the *Made China 2025* programme launched in 2015. In addition, the Centre in the Netherlands is also associated with the China Overseas Development Association, which is a civil society organization supervised by the NDRC.<sup>16</sup>

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<sup>14</sup> Interview 3 November 2021; "Chairman NCBC meets Ambassador", <https://ncbc.nl/2021/11/01/chairman-ncbc-meets-ambassador/>, read on 7 February 2022.

<sup>15</sup> See <https://thebeltandroadnl.com/>, read on 10 February 2021; "一带一路"荷兰研究发展中心与山东菏泽市政府签订合作发展协议" ("One Belt One Road " Dutch Research and Development Centre has signed a cooperation agreement with the municipal government of Shandong Heze), 环球网 (Global Times Network) 29 augustus 2017, [https://www.sohu.com/a/168128188\\_162522](https://www.sohu.com/a/168128188_162522), read on 20 January 2021.

<sup>16</sup> At the Belt and Road Forum in Leiden in June 2018, both the One Belt One Road Dutch Research and Development Centre in the Netherlands ("一带一路"荷兰研究发展中心) and the Europe-China International Economy Trade and Culture Promotion Association in Germany (欧洲中华国际经贸文化促进会) were awarded the title of "liaison office" (联络处) of the China Industry-University-Research Institute Collaboration Association (中国产学研合作促进会), see "首届"一带一路"中荷经贸论坛亮相荷兰莱顿" (The first "Belt and Road" China-Dutch Economic and Trade Forum was unveiled in Leiden, Netherlands), 环球时报欧洲版 (Global Times European edition) 27 June 2018, <http://fec.mofcom.gov.cn/article/fwvdyj/zgzx/201806/20180602759565.shtml>, read on 7 February 2022. On the China



### 2.3. Summary and conclusion

Europe and the Netherlands have become major destinations of Chinese investment. Nevertheless, the overall level of investment from China remains modest, especially when compared to other sources of foreign investment like the US, Japan, or other countries in western Europe.

Increasingly, foreign investment projects are carefully considered parts of a company's long-term plans of global expansion. Particularly after 2016, adventurous projects in real estate, retail, tourism, leisure and even sports, or mergers & acquisitions that aim at quick access to markets, technology or production facilities have become less.

The ambition of Chinese global companies is not simply to gain a foothold in Europe or to acquire production facilities, knowhow or technology. Chinese companies do not (or no longer) seek to "buy up" the European economy. Many companies that invest abroad have grown to become large firms that have survived years of intense competition in the Chinese market. For these emerging multinationals, Europe is just one of the world's many arenas where they seek to take to a global level the competition not just with their main foreign (American, East Asian, European) competitors, but also with each other.

The China-US trade war and American sanctions have an impact on EU-China trade and investment, although not always negatively. The rapid deterioration of the perception of China in the Netherlands and elsewhere in Europe has also affected Chinese-invested companies. Some operating in "critical" or "sensitive" sectors like telecommunications or semi-conductors have responded by moving into other sectors or types of products, or by stepping up their public relations effort.

A range of firms and freelancers has emerged who provide support in investment management, logistics, software development and cloud computing, research, public relations and marketing, legal services, accounting and human resources. Chinese *and* Dutch government and semi-government agencies facilitate and promote Chinese investment in the Netherlands (often alongside trade and investment in the opposite direction). These service providers and intermediaries are often overlooked when we think about what drives and

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Industry-University-Research Institute Collaboration Association (中国产学研合作促进会) in general, see <http://www.ciur.org.cn/index.php?m=content&c=index&a=lists&catid=2>. An article on the Dutch Centre's connection with China Overseas Development Association (中国产业海外发展协会) that stated that "The Belt and Road Centre will be responsible for the overall work of the China Overseas Development Association in the Netherlands" (一带一路中心将负责中国产业海外发展协会在荷兰的全面工作), <https://thebeltandroadnl.com/zh-hans/news/%e4%b8%80%e5%b8%a6%e4%b8%80%e8%b7%af%e4%b8%ad%e5%bf%8311%e6%9c%88%e5%b7%a5%e4%bd%9c%e5%b0%8f%e7%bb%93/>, last checked July 2021. Unfortunately, this article is no longer available because the Centre's entire website has since been taken down

mediates Chinese investments in the Netherlands. Nevertheless, they play a crucial role in channelling and promoting interests in both directions.

Dutch organizations such as the NFIA and the regional newly established *Invest in Holland Network* have become more selective in their support and guidance and attune their services to Dutch local needs and preferences. Chinese organizations tend to be very knowledgeable about the challenges involved in navigating the differences between Chinese and the Dutch markets, mentalities, policy environments and business contexts. These organizations serve as sources of information, knowledge and access, and be engaged to strengthen sustainable Sino-Dutch collaborations and navigate diverging interests.

## Chapter 3: Ownership of Chinese companies in the Netherlands

One of the key concerns in the public debate regarding Chinese investments in the Netherlands is state ownership. State ownership suggests control and influence – and hence potential interference – by the Chinese party-state. State ownership and CCP influence are therefore often conflated, belying a much more complex reality that we will investigate in this chapter.

First of all, there are many different degrees of state-ownership which correspond to different levels control. Second, the state consists of many different levels and agencies, each with their own financial or political motives. Third, the expansion of Chinese capital abroad has transformed the structures, management, corporate governance and aims of Chinese firms, including those partly or wholly owned by state organizations.

In this chapter we will first discuss each of these dimensions of differentiation of state ownership. We will present specific cases in ownership structures of Chinese firms in the Netherlands in order to illustrate the nature and implications of the differentiation of ownership structures.

### 3.1. Hybrid patterns of ownership and control

States as investors often aim for strategic control, making investment decisions based on (geo)political or (geo)economic grounds. However, another key motive of state ownership is financial, seeking a return on investment (Babic et al. 2020). There is a growing body of research documenting how state capital (either state-owned enterprises or sovereign wealth funds) has adapted to and mimics private capital, including its management and governance structures and practices (Bachher, Dixon and Monk 2016; Lui and Dixon 2021).

Corporate ownership structures are notoriously complex, consisting of long chains of ownership and myriads of different legal, listed and private entities (Babic et al. 2020). This certainly also applies to Chinese corporations, holdings, and investments, as can be seen from the ownership figures in appendix 3, to be discussed later in this chapter). Most state-owned capital and enterprises – including Chinese – have become significantly transnationalized, hybridized, and financialized over the past decades (Babic et al. 2020; De Graaff 2014, 2020; Alami and Dixon 2022; Milhaupt 2020; Milanovic 2019). This manifests itself in a multiplicity of mixed ownership models, the adoption of Western-style, private capital management and corporate governance, (Bachher et al. 2016; Lui and Dixon 2021), and the more recent

development in which state owners increasingly act as venture capitalists (Chen and Rithmire 2020; Naughton 2019).<sup>17</sup>

The level of control of a shareholder can partly be inferred from the share of ownership. In theory, a shareholder gains control over the corporation it invests in equal to the proportion of the shares that are held. However, a whole range of other factors also influence governance and control of a firm, like the distribution of voting shares, the role of managerial agency, the presence of blockholders, and the dispersion of a firm's ownership (Gillan 2006; Babic et al. 2020). In the case of (Chinese) state-owned enterprises (SOEs), control can moreover be exercised through "golden" shares (i.e. shares that gives the shareholder veto power over changes to the company's charter), or through channels outside formal ownership.

Additionally in the case of China, state-ownership occurs at various levels of the government (central, provincial, municipal), which often even invest separately in the same firm or project. This maze of (partly) overlapping ownership and authority can lead to conflicting interests and competition within the state apparatus. Moreover, the central government distinguishes between core and non-core state-owned enterprises (Leutert and Vortherm 2021). Strategic considerations focus on the former rather than the latter. Another important distinction to be made is between government and party institutions. The government's State Council controls the ownership of central-level state-owned enterprises through the State-owned Assets Supervision and Administration Commission (SASAC). The CCP Central Committee controls executive appointments in the core state-owned enterprises through its Organization Department (Brødsgaard 2020). According to Leutert and Vortherms, the power to appoint personnel is a "clear institutional pathway for political influence over [core central] SOE management." (2021:425). These appointment decisions are however to a large extent driven by economic performance indicators.<sup>18</sup>

Finally, the absence of state ownership does not necessarily imply a lack of state influence or control (De Graaff 2020; Ten Brink 2019; McNally 2012, 2020; Milhaupt and Zheng 2015). The clearest manifestation of this is perhaps the required presence of party committees and party secretaries in private firms above a certain size, including foreign firms and joint ventures (see chapter 5). In 2021, we got lively reminders of the party's power to intervene in the private sector with the blocking of Ant Finance's IPO, stepping up regulatory control over Big Tech, and closing down of the private education industry.

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<sup>17</sup> Tom Hancock, "China's Communist Officials Are Learning to Love Venture Capital". *Bloomberg* 6 February 2022, online at <https://www.bloomberg.com/news/features/2022-02-06/where-is-china-investing-communist-leaders-are-becoming-venture-capitalists>, read on 3 April 2022.

<sup>18</sup> This is expressed in the evaluation measures that urge SOE leaders to "boost efficiency, optimize resource allocation, improve labor productivity, and increase capital returns" (Leutert and Vortherm 2021:425).

This report is not the place for an in-depth analysis of the intricacies of (state)ownership, control and economic governance within China, but it is important to take note of these complexities when assessing the potential influence of the party-state in Chinese firms and investments overseas in the Netherlands.

### **3.2. Ownership structures of Chinese-invested firms in the Netherlands**

Following Babic et al. (2020: 434), we conceptualize state investment as taking place on a continuum, ranging from minority shares purely driven by financial motives (return on investment) to more strategically motivated controlling majority shares investments. In this section we will specifically look into the ownership structures of our ACIEN sample of Chinese firms in the Netherlands. Even if this sample is far from representative of all Chinese-invested firms, it does contain the most important Chinese firms in the Netherlands.<sup>19</sup>

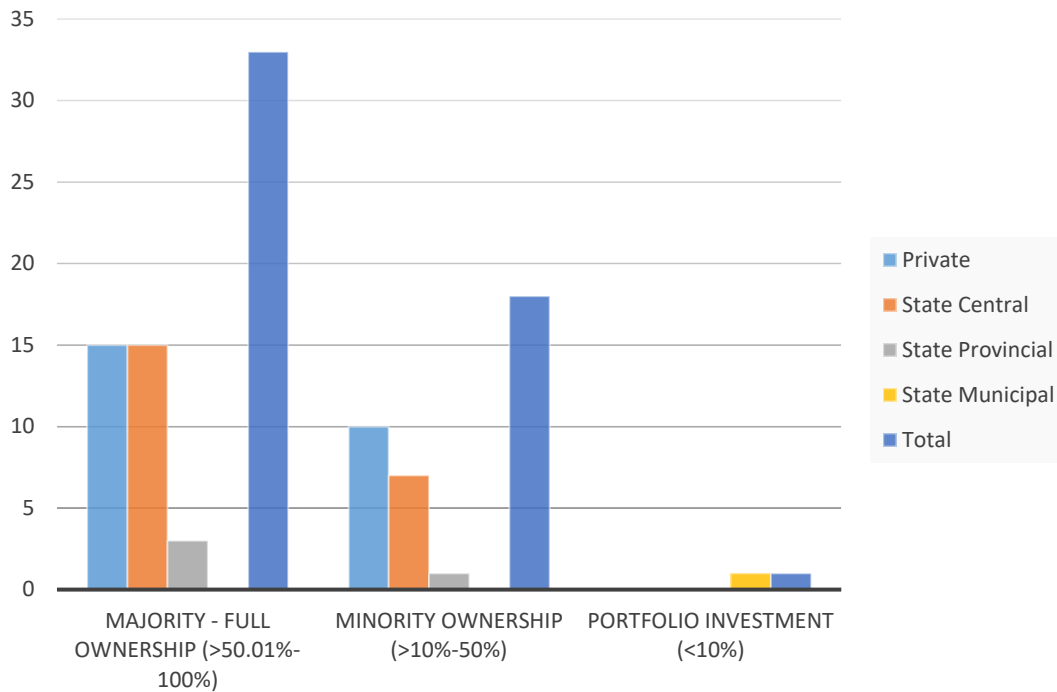
The ownership data of these firms were collected in November and December 2021. We collected all layers of ownership located in mainland China above the subsidiaries of those firms in the Netherlands. A typical data collection process of the complete ownership structure of a firm was as follows: we would first collect the ownership data of the direct owners of a Dutch-based subsidiary of a Chinese firm, and then we collect the data of the direct owners of those direct owners, until we reached the ultimate owners. We subsequently identified the largest ultimate beneficial owner (UBO), whose share of investment in our sample ranged from 6.4 per cent ownership to a full 100 per cent (see Appendix 1 for an overview).

Notably, in the ACIEN sample we found the number of state-owned UBOs to be almost the same as the number of private largest UBOs (26 state-owned vs. 25 private). When plotting these UBOs along a spectrum of majority stakes (from 50.01 to 100 per cent) to minority stakes (from 10 to 50 per cent) and portfolio investments (less than 10 per cent), we get the following picture (see Figure 3.1):

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<sup>19</sup> More information on the ACIEN sample has been given in chapter 1 and 2. It should be mentioned that a few ACIEN members either are not corporations, or they are so small or recently established that no ownership data was available, which is why the sample here is a bit smaller than the full ACIEN sample used earlier.

Figure 3.1. Ownership structures ACIEN members (number of firms)



Source: The raw ownership data originate from multiple commercial and public Chinese sources, and the dataset is compiled by the researchers of this study.

Legend: For the type of owner we here employed a simplified coding of private ownership, and break down the state ownership to the level of central, provincial, and municipal. The bars indicate the number of firms, not percentages.

The figure shows that two-thirds of the ACIEN members in the Netherlands has a UBO with a controlling stake (50.01-100 per cent). But for 15 out of those 33 firms – i.e. almost 50 per cent – the UBO turns out to be private rather than state. Only 18 firms of our 52 ACIEN members (i.e. approximately 30 per cent) are strategically controlled by a state UBO (either at the central or the provincial level). The majority of those state UBOs are in turn owned by the central government’s SASAC. A smaller number are controlled by a provincial or municipal SASACs.

The central-level SASAC was established in 2003 to administer and manage the largest SOEs in China. According to Leutert and Vorthems (2021), Chinese central SOEs (currently numbering 97), provide 30 per cent of the government’s revenues and 40 per cent of the market capitalization of companies listed on the Chinese stock exchanges in Shanghai and Shenzhen. SOEs are almost all listed, not just on stock exchanges in mainland China, but also in Hong Kong and further abroad, indicating their high levels of financialization and

integration into Chinese and global financial circuits (Alami and Dixon 2022:18; Chen and Rithmire 2020).

One-third of our ACIEN sample (see Figure 3.1. above) is made up of firms with UBOs who hold a non-controlling minority stake (i.e. between 10 and 50 per cent of investment), again divided roughly equally between private and state (central, provincial and municipal) stakeholders. One further case has a largest UBO who owns less than 10 per cent of investment, which reflecting a financial strategy rather than a control strategy (Babic et al. 2020).

These aggregate calculations neither take into account a company's size nor the sector in which it operates, which may have implications for potential strategic influence that it provides the owners with. In addition, these figures do not reflect the full scope of the ownership structure of a company. Many SOEs, while ultimately being owned by the central state through SASAC, are very large enterprise groups (with up to 200 member entities), have multiple intermediate layers of ownership, including publicly listed subsidiaries, holding companies, joint ventures firms, research institutes and more. In order to show this in more detail, we present below several individual cases, each representing a particular type of ownership structure.

### **3.3. Majority-stake state ownership**

Eighteen firms in our ACIEN sample are more than 50 per cent state-owned, mostly by the central SASAC. They operate in strategic sectors such as petroleum, technology, aviation, automotive, shipping, telecom, finance, and (some) manufacturing (see below).

A typical case here is COSCO (see Figure 1 in appendix 3), which we already encountered in chapter 2. Its main corporate entity – China COSCO Shipping Corporation Limited, abbreviated as COSCO Shipping – is fully owned by the central SASAC and was established by a merger of COSCO Group and China Shipping Group in 2016. The headquarters of this multinational conglomerate are now based in Shanghai and the corporation – whose core business is maritime transport and logistics – owns the largest commercial fleet in the world and a vast number of subsidiaries across the globe.

COSCO Shipping fully owns China Ocean Shipping Co, Ltd. which in turn partly owns the major subsidiary COSCO Shipping Holdings Co, Ltd, a company listed on the Hong Kong and the Shanghai Stock Exchanges, illustrating the earlier mentioned trend of SOE financialization. The latter firm fully owns the subsidiary COSCO Shipping Container Lines Co, Ltd., a.k.a. COSCO Shipping Lines, which according to its website has “nine domestic branches [...] and nine overseas branches in Europe, North America, Southeast Asia, West Asia, South America,

Australia, Japan, Korea and Africa [and...] operates 404 international and domestic shipping routes, consisting of 265 international services [...] having anchors in 558 ports covering 140 countries and regions worldwide.”<sup>20</sup> One of those overseas branches is COSCO Shipping Lines (Netherlands) B.V. based in the Rotterdam harbour, where it since 2017 owns a share of 35 per cent of the Euromax Terminal.

### 3.4. Minority-stake state ownership

Eight firms in our ACIEN sample fall within the category of minority-stake state ownership. These firms all operate in strategic sectors, namely finance and banking, aviation and transportation logistics, technology and (renewable) energy.

Hikvision is a typical case of this type of firm. Hikvision supplies security and surveillance equipment in a strategic technology sector and was listed in 2017. Its ownership structure is given in Figure 2 in appendix 3. The state holds 38.88 per cent of the shares through the central SASAC. China’s main sovereign wealth fund – the China Investment Corporation (CIC) – has an additional stake routed through its main wholly owned subsidiary, Central Huijin Investment Corporation, and through the Bank of China. Another state share is owned by the provincial SASAC of Shanghai municipality and a complex set of listed entities. These latter ownership patterns are typical of the phenomenon of state agencies acting as a financial investor rather than as strategic owners. In addition, the second largest owner in Hikvision is a private investor, Gong Hongjia, a Hong Kong-based billionaire who is number 31 on Forbes China Rich List<sup>21</sup> and a vice-chairman of the company. A score of other private owners complements Hikvision’s complex ownership structure.

### 3.5. Private ownership

Fifteen of the firms in our ACIEN sample have a private, majority-holding UBO. These firms operate in a range of sectors, including technology, telecom, manufacturing, and some in finance, health services and hotel management.

LGMG, a manufacturer of heavy machinery equipment with customers across Europe, Asia and North America is a typical example. Its ownership structure is given in figure 3 in appendix 3. Private businessperson Wang Zhizhong holds a strategically controlling share in LGMG’s parent firm, Lingong Group, alongside many other natural persons with smaller shares. This

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<sup>20</sup> COSCO Shipping Lines website at <https://lines.coscoshipping.com/home/About/about/Profile>, read on 14 April 2022.

<sup>21</sup> See [www.forbes.com/profile/gong-hongjia/?sh=5064cbfd8247](http://www.forbes.com/profile/gong-hongjia/?sh=5064cbfd8247), read on 17 April 2022.



case is also interesting because Lingong Group is a former SOE that is now listed. Lingong has several other subsidiaries, some of which are owned together with a foreign entity (Volvo) that in turn is owned by a Chinese company (Geely). Here the transnationalized nature of Chinese capital and its integration with Western structures of ownership and control is clearly manifested.

The latter arguably applies even more to the category of firms with a minority rather than a majority private largest UBO. We have ten such firms in the ACIEN sample, whose UBOs share ranges from 13 to 50 per cent. These firms operate in sectors like the automotive industry (electric vehicles), renewable energy (solar), technology, logistics and finance.

An illustrative case here is BYD, a major Chinese automotive industry multinational (Figure 4 in appendix 3). This pioneer in electric vehicles (primarily buses) already branched out into Europe in 1998, has its European headquarters in the Netherlands (Schiedam), and has production units and customers in various parts of Europe, as well as in the US. The UBO is its chairman and CEO Wang Chuanfu, the charismatic former chemist who founded the company at an early age and is now one of China's richest billionaires listed number 14 on the Forbes China Rich list.<sup>22</sup> The corporation's owners also include entities such as HKCSS Nominees Limited<sup>23</sup> and the Hong Kong Securities Clearing Company Limited, which hold a significant number of the shares that are listed and traded on the Hong Kong Stock Exchange. Another aspect that highlights BYD's financialized and westernized nature is the fact that the third-largest investor is the investment firm (Berkshire Hathaway Energy) of the well-known American investor Warren Buffet, which significantly boosted the company's value, as well as Wang Chuanfu's personal wealth. It should be noted that in this hybrid mix of predominantly private ownership and listed shares, we also find a tiny bit of state-ownership through Central Huijin Investment Corporation, the subsidiary of the China Investment Corporation, underscoring the party-state's face as a venture capitalist rather than a strategic controller.

### 3.6. State portfolio investment

The final type of ownership structure identified in our study includes state portfolio investment where the largest owner holds less than 10 per cent of the shares. From our ACIEN sample we present the case of giant multinational dairy producer Yili (see Figure 5 in appendix 3). Yili's largest owner is a provincial-level SASAC (Hohhot SASAC of Inner Mongolia), holding its investment through a listed legal entity. This is a typical financial investment strategy

<sup>22</sup> See [www.forbes.com/profile/wang-chuanfu/?sh=73b89b571793](http://www.forbes.com/profile/wang-chuanfu/?sh=73b89b571793), read on 17 April 2022.

<sup>23</sup> See <https://www.hkex.com.hk/-/media/HKEX-Market/Services/Clearing/Securities/Getting-Started/Become-a-HKSCC-Participant/hkscc.pdf?la=en>, read on 17 April 2022.

where the local state owner behaves as a venture capitalist. The other owners of this multinational consist of a dazzling number of state-owned (including CIC and the Ministry of Finance) and listed entities, banks, private owners and Hong Kong-based investors connected to Yili via direct and indirect ownership ties, illustrating the complex and hybrid nature of China's globalizing capitalism. In a case like this, where the large majority of the shares are publicly listed and highly dispersed, we should be cautious with regard to any conclusions regarding a UBO's control and influence, or the lack thereof. Huhhot SASAC has a primarily financial interest and portfolio investment, but this does not preclude its possible strategic control by other, non-financial means.

### **3.7. Summary and conclusion**

Based on an analysis of the ownership structures of ACIEN members we have highlighted that half of the Chinese firms (subsidiaries) in the Netherlands have some agency of the Chinese state as their largest UBO, whereas the other half has a private largest UBO. In terms of state ownership and its potentially strategic motives, our analysis showed that a third of the ACIEN members in our sample have a state-owned UBO holding a controlling stake of over 50 per cent of the shares. However, the other two-thirds consists of firms that are either privately controlled, or whose ownership consists of a mix of state and private minority owners.

This chapter has highlighted both the importance and the difficulty of inferring state control and influence from corporate ownership patterns. Among Chinese-invested firms in the Netherlands we have found several examples of state agents behaving as venture capitalists with a portfolio investment aimed at financial returns rather than strategic control. Our detailed mappings of ownership structures revealed the broad diversity of ownership patterns, the complexity and long chains and layers of ownership, and the hybrid, globalized, and financialized nature of these firms.

Inferring influence and control from levels of ownership is complicated by the opaque and complex patterns of dispersed ownership that characterize contemporary Chinese corporations. This also applies to state-owned capital, which has become increasingly transnational (fusing domestic and international capital), hybridized (mixed ownership of private and state capital) and financialized (vast pools of state capital routed via listed entities, off and onshore). Chinese state-ownership patterns are made even more complex due to the different layers of governance, authority, and control within the Chinese party-state; informal routes of control and influence; westernized managerial practices and economic governance; and external pressures from host institutions and regulatory bodies. The analysis of ownership structures must thus be complemented by research on other modalities of control, some of which we will engage in throughout the next chapters.

## Chapter 4: Chinese globalized business networks and management in the Netherlands

In this chapter we will focus on the business elite networks and the management of Chinese-invested firms in the Netherlands. Business elites – at the frontier of the global expansion of China’s economy – play a key role in the implementation of firm strategies and have to navigate the interactions with host-country societies. Of course, as our research also finds, there is a huge distance between the business elites at the corporate headquarters of the parent firms in China and those that are managing the firms’ subsidiaries and joint ventures abroad.

Both groups of business elites matter when we want to understand how Chinese firms and business elites operate in the Netherlands, and *if* and *how* Chinese state interests influence their operations. The ultimate decision-making on (corporate) strategy is obviously made by the directors and executives back at the headquarters in China. But, as we also found, the managers in the host countries have significant autonomy in operational matters and regarding the overseas implementation of the strategy. The interaction between these levels of management is also important because influence flows in both directions.

In this report we first provide an analysis of the business and political elite networks of the *parent* companies of the Chinese-invested firms in the Netherlands, drawing on earlier research by De Graaff (De Graaff 2020; De Graaff & Valeeva 2021). This also places the study in its broader global and European context. Second, we analyse the management at the level of the Chinese firms and overseas subsidiaries in the Netherlands, including their relationship with the headquarters. Here, we triangulate our data with the interviews to show how these dynamics play out in the Dutch business context. In addition, the interviews gave us insight into the governance of the parent firms in China from the perspective of both the managers and directors abroad, and the foreign directors on Chinese boards. Part of this will be taken up and elaborated in chapter 5 and 6.

The chapter is structured as follows. First, we provide an analysis of the globalizing business elite networks of China, Inc.’s headquarters. We look at board composition, educational background, corporate networks, interlocking directorates, informal business and policy networks, and political ties of the corporate directors of major Chinese firms which have subsidiaries in the Netherlands and are ACIEN members. Second, in order to contextualize these networks, we illustrate our findings with observations drawn from our interviews. Third, we turn to the level of the Dutch subsidiaries. We will provide an analysis of the composition of company-registered directors, the management practices and networks of Sino-Dutch business elites and their relations with the host and home country.

#### 4.1. The globalizing networks of China, Inc.

In earlier studies of the globalization of major Chinese companies, De Graaff found that in their corporate networking Chinese firms and their directors were increasingly behaving like Western globalizing firms (De Graaff 2020; De Graaff and Valeeva 2021). Major Chinese firms (of which 124 were ranked among the Global 500 in 2020) regularly appoint non-Chinese directors on their boards.<sup>24</sup> Such mixed boards are intended to facilitate mutual learning, adaptation, socialization, as well as trust building and consensus around common corporate principles, practices and strategies. Moreover, a substantial number of the Chinese board members have an education in the West, many of them with a training in economics or management in the US or the UK. In addition, some members of this Chinese globalizing business elite have extensive international corporate careers and cross-border corporate connections (De Graaff 2020). All of this indicates that at least a portion of the leadership of Chinese transnational firms is both trained and experienced in Western business and management.

As has also been found in other studies (e.g. Alami & Dixon 2022; Lui and Dixon 2020; McNally 2012, 2020; Milanovic 2019; Ngo 2018; Ten Brink 2019), the adaptation to Western business practices in terms of managerial style, corporate governance and networking takes place both in Chinese SOEs and private firms. At the same time, De Graaff's earlier research confirms that the Chinese party-state retains a level of control, not only in SOEs but also in private firms (see also chapter 2, 3 and 5 of this report). Chinese globalizing firms and their corporate directors thus have a dual character: partially and pragmatically integrating and adapting to Western business practices, while simultaneously locked into their state-directed nature.

The question we are interested in here is to what extent and how this applies to and influences Sino-Dutch business elites, and the management of Chinese firms in the Netherlands. In order to answer this we will first look at corporate networks, informal business and policy networks, and political ties of the directors of a selection of parent firms to the Dutch subsidiaries in our ACIEN sample.<sup>25</sup>

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<sup>24</sup> In a study of the boardrooms of twenty major Chinese firms 14 per cent was found to be non-Chinese board members, of whom five per cent were American and two per cent European (De Graaff 2020: 214). While much less internationalized than major European boardrooms, this still is a higher level of internationalization than is common on American boards and the boardrooms of companies from other Asian countries like Japan and India (Stuart, S. 2017. Boards Around the World. Retrieved from: <https://www.spencerstuart.com/research-and-insight/boards-around-the-world>).

<sup>25</sup> We use the data collected for two earlier studies (De Graaff 2020, De Graaff & Valeeva 2021) for these analyses. This corresponds to roughly 10 per cent of our ACIEN sample.

## 4.2. Corporate director networks

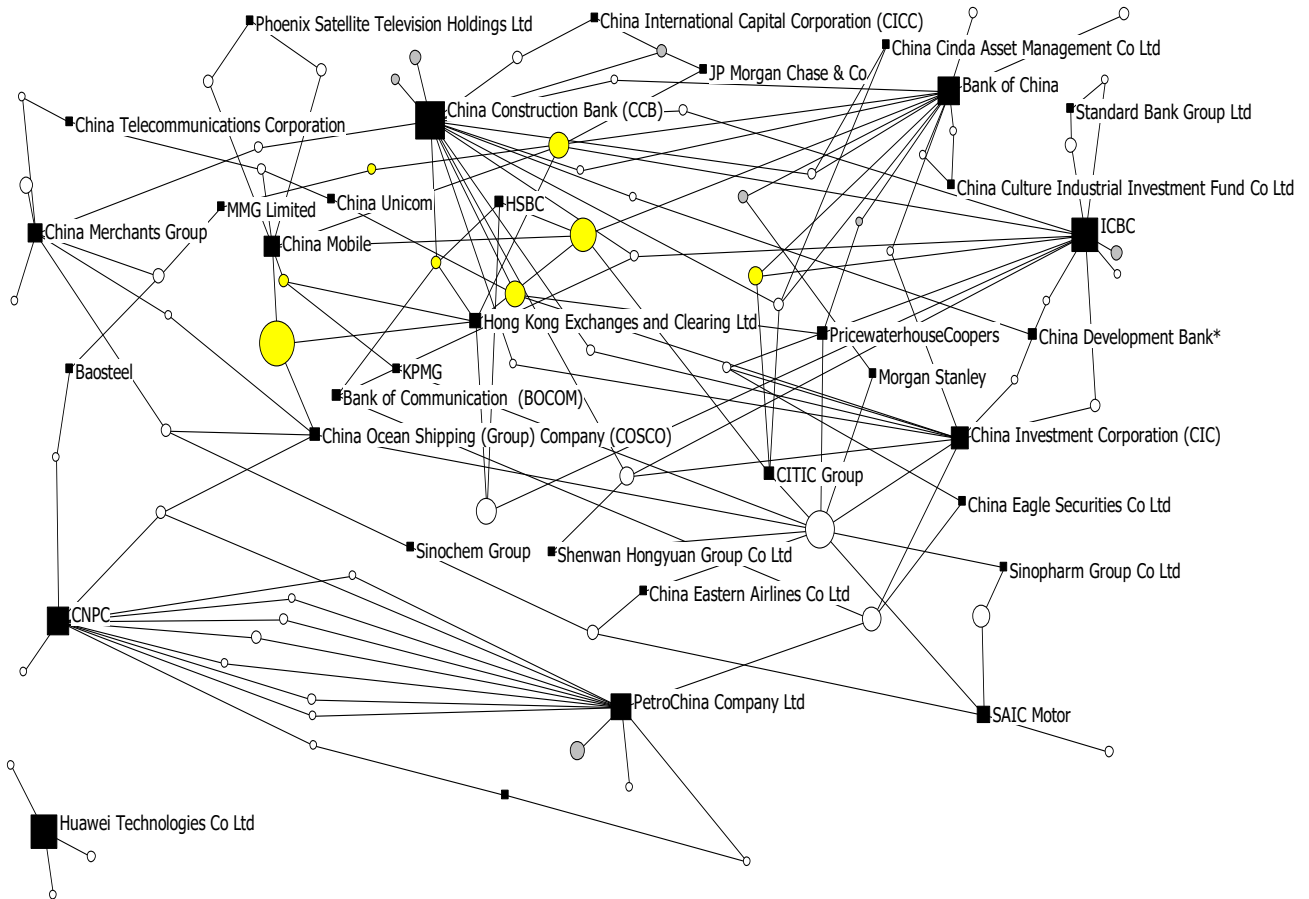
Figure 4.1 below displays the corporate networks of the directors of these parent firms. This network figure does not show the directors themselves, but the firms that they have been connected to through their board positions in the course of their careers. It illustrates the extensive corporate careers of the Chinese business elites across a set of major Chinese firms in a variety of sectors (although dominated by banks and financial institutions).

Figure 4.1 also highlights the cross-border connections between the top of the Chinese finance and banking world and some of the biggest names in Western finance like JP Morgan, KPMG, PWC and Hong Kong-based HSBC. Finally, it shows that some Western directors are integrated into these networks, likely serving as bridges between Chinese and Western business communities (De Graaff & Valeeva 2021, see also Box 4.1 below).

These findings confirm that at least a part of the Chinese-invested firms in the Netherlands are led at the highest level by a business elite which is increasingly connected with Western firms through cross-border board memberships and through the appointment of Western directors on their boards.

This conclusion is corroborated by an even more direct indication of influence across corporate boards, namely *interlocking directorates*. Interlocking directorates are linkages among corporations created by individuals who sit on two or more corporate boards simultaneously (Mizruchi 1996). They are important because they are seen to facilitate a broader intra-elite consensus beyond and across the corporate board rooms of individual firms (Carroll 2010). In the context of our study this implies that, *if* such linkages exist between the directors of Chinese-invested firms in the Netherlands, they may generate consensus building across Chinese and European business communities. Extracting data from an earlier study of such Sino-European corporate boardroom interlocks (De Graaff and Valeeva 2021) we again took the parent firms from our ACIEN sample and indeed found evidence of such linkages. They interlock the boards of 17 ACIEN member parent firms with 40 European boards, through both Chinese directors – the majority – and Western directors. The conditions for consensus building across Chinese and Western business networks thus seem to be in place.

Figure 4.1. Corporate network of directors of parent firms of ACIEN members



Source: adapted from De Graaff (2020).

Legend: This sociogram only incorporates company directors who have more than one (>1) corporate connection. It includes complete career data up until 2018, which means that these are not necessarily simultaneously held positions. The white circles are Chinese directors; grey circles are Western directors; and the yellow circles are Hong Kong Chinese. The size of the nodes expresses the number of ties.<sup>26</sup>

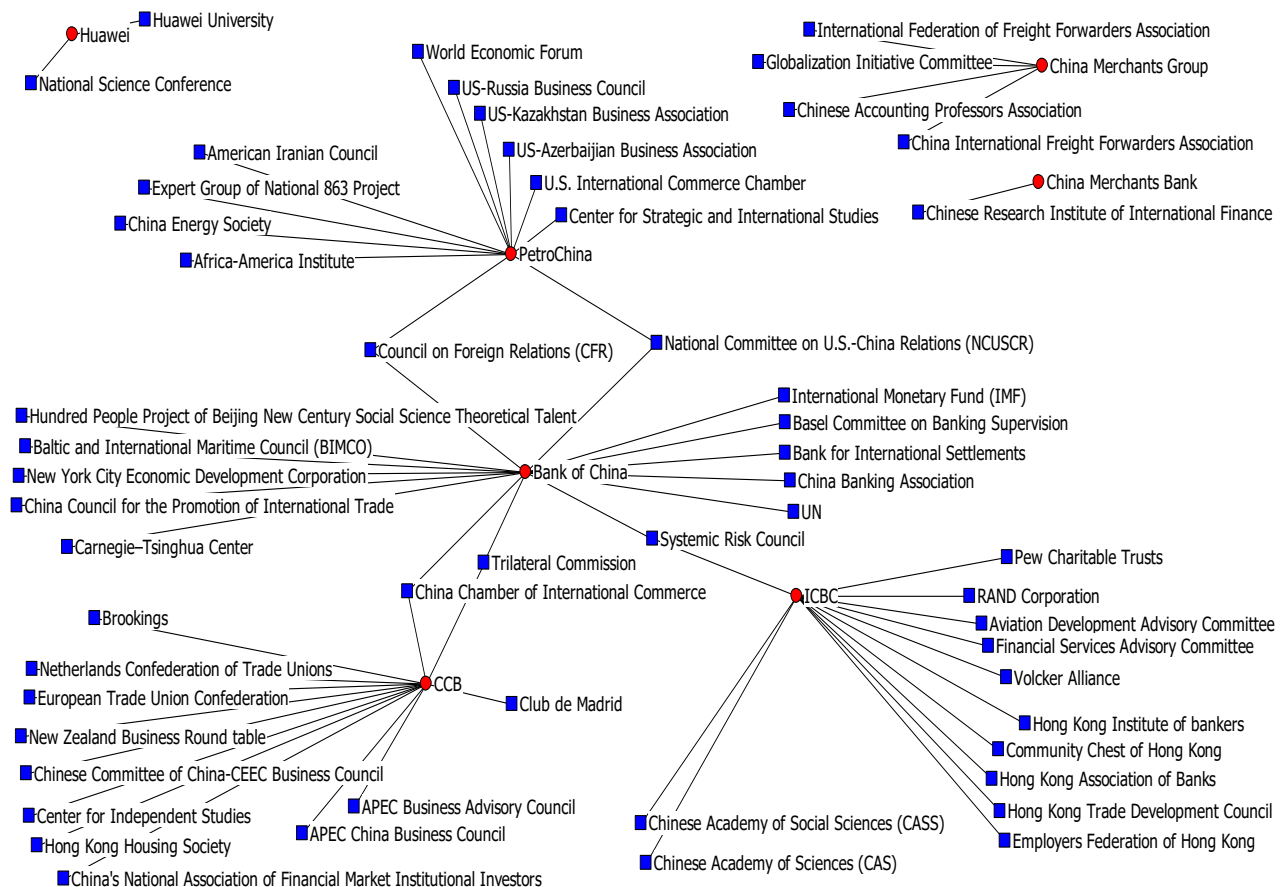
<sup>26</sup> Not all those connected nodes are shown since we only display the nodes with more than one tie in order to make the graph more legible.

### 4.3. Informal business and policy networks

Other types of connections typically surround and sustain these corporate board networks, further knitting business elites together. Business clubs, conferences, business and professional associations, think tanks, and private social gatherings all contribute to trust building and socialization within these communities (see also Box 4.1).<sup>27</sup>

Figure 4.2 below illustrates these informal business and policy ties by again taking the same subsample of directors from the parent firms of ACIEN members.

Figure 4.2. Informal business and policy network of directors' parent firms ACIEN members



Source: adapted from De Graaff (2020).

Legend: Red nodes are companies; blue nodes are informal business and policy organizations.

<sup>27</sup> This kind of networking is by no means only common amongst Western economic and political elites, but also very common in China, permeating business, politics and other professional and private aspects of life (also coined “guanxi”). However, this study is about what happens at the intersection of Western and Chinese networking.

This sociogram does not display the directors themselves, but shows the companies at which they had their primary board position in 2018 and the business associations, think tanks, lobby organizations and so forth with which they have or had a membership affiliation at some point in their career. The latter are predominantly Western: American think tanks such as Council on Foreign Relations, National Committee on China-US Relations, and the Trilateral Commission; business associations and roundtables; as well as global business elite institutes such as the World Economic Forum and the IMF.

#### **Box 4.1. Bridges, brokers and meeting places between the Chinese and Dutch business community**

The interviews confirmed the brokering role of foreign directors on Chinese headquarters boards. They act as interlocutors and bridges between Chinese and foreign (mainly Western) business elite communities, facilitating the dissemination of business practices between these two different corporate worlds (09/11/2021, 30b.11.2021, 17/12/2021, 24/11/2021).

Foreigners are invited on Chinese boards to provide critical and independent advice to the Chinese on how to operate abroad, how to behave according to international rules, and to explain the logic and motivation behind policies in Western countries. Examples are the lessons that the West has learned from the 2008 financial crisis, property markets and interest rate liberalization. Western directors experience a great deal of transparency in their work. They get access to all the relevant documents and are actively involved in board meetings. They submit written testimonials in their performance (09/11/2021). However, there are certain issues that are too (politically) sensitive, such as appointments and salaries, which foreign directors cannot get involved in.

Important informal exchanges take place around the board meetings. Before the Covid-19 pandemic, a foreign director would typically arrive one day before the board meeting to catch up with business contacts in China and get an update on the company. On the day of the board meeting, she or he arrives an hour before the meeting to meet informally with other board members who speak English. After the meeting there always is dinner. Further opportunities for informal exchange would at times also be organized by the company (30/11/2021b). Other important meeting places for Chinese and Western directors are international conferences, such as the World Economic Forum (Davos, Switzerland),<sup>1</sup> the New Economic Forum (Singapore),<sup>2</sup> and the Boao Forum for Asia (Hainan, China).<sup>3</sup>

*1. While before 2000s there would be very few Chinese at the World Economic Forum, they are frequent participants nowadays even including Xi Jinping, who in 2017 held a much-publicized keynote speech.*

*2. The New Economic Forum was established by Bloomberg in 2018. Modelled after the World Economic Forum, it is intended as a meeting place for leaders from developed and emerging economies.*

*3. The Boao forum for Asia is sometimes known as the "Asian Davos." It offers a high-level forum for leaders from government, business and academia in Asia and other continents to share their vision on the most pressing issues in this dynamic region and the world at large.*



Earlier studies have documented that these organizations and forums are key meeting places of the Western business and policy elites (Carroll and Sapinski 2010). However, we also find some pivotal Chinese academic think tanks such as the Chinese Academy of Sciences, the Chinese Academy of Social Sciences (known to be pivotal sources of policy advice); state-affiliated business organizations such as China Council for the Promotion of International Trade (CCPIT, see also chapter 2 and 6) or the China Chamber of International Commerce. Except for Huawei, China Merchants Group and PetroChina, the majority of these connections in our ACIEN sample seem to be generated by directors on the boards of major Chinese banks.

In our interviews we explored how these mechanisms of consensus building and trust shaping play out in practice in the Dutch context. But we will first highlight a final aspect of China Inc.'s business elites: their political ties.

#### **4.4. Political networks**

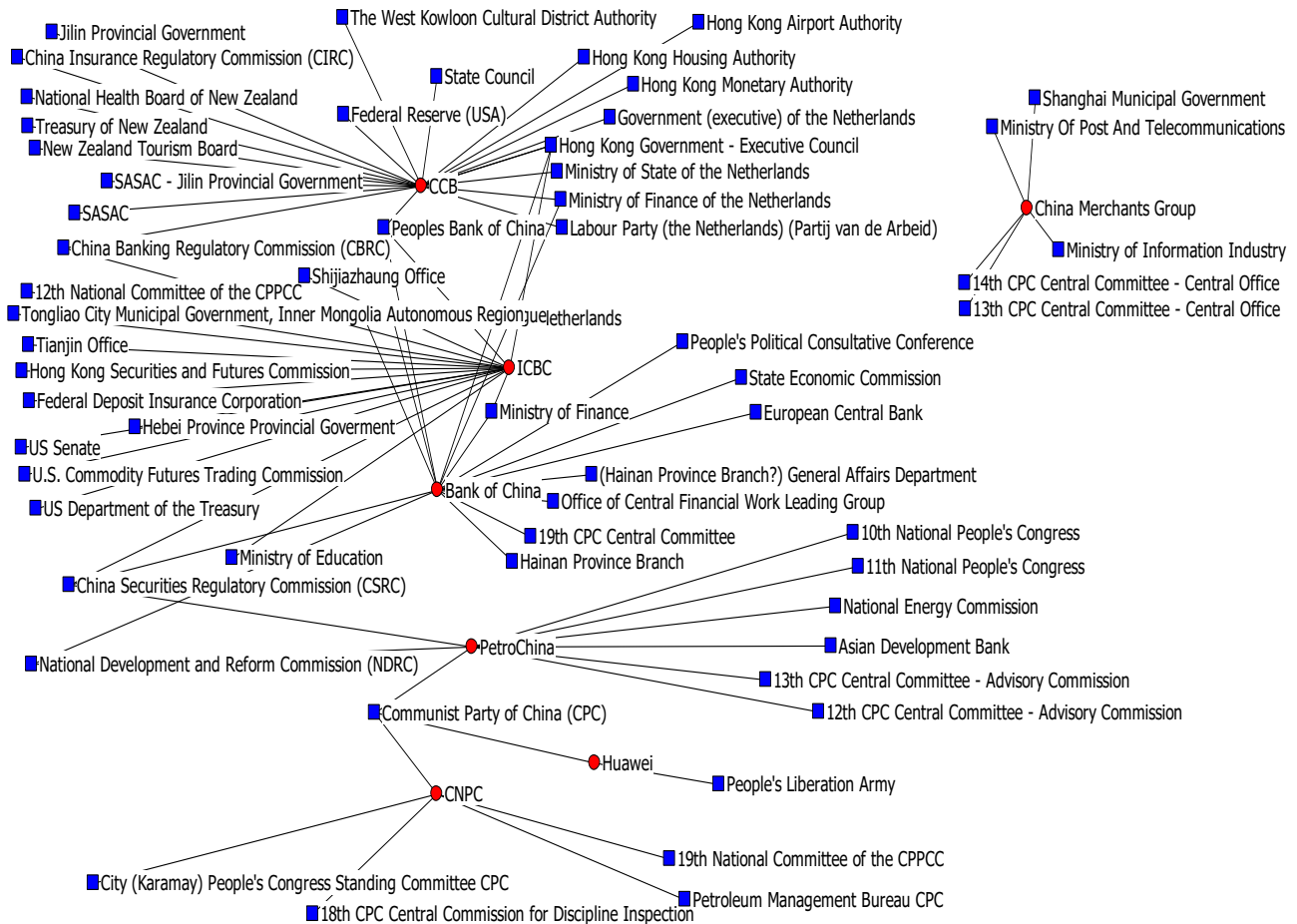
The political connections of Chinese globalizing business elites at ACIEN members' headquarters in China are shown below. Figure 4.3 reveals an extensive set of current and past political affiliations. Many of these are through highly influential positions in the Chinese party or state at central or provincial level. Directors of state-owned Chinese banks are actually much more politically connected than those of a company like Huawei, which has been singled out in the West for its political and PLA affiliations. In addition, we find a multitude of political ties in Western countries of the Western corporate directors on Chinese boards. Connections with e.g. the US federal state (e.g. the Senate, Department of Treasury, Commodity Futures Trading Commission) and to European political institutions (e.g. European Central Bank, Ministry of Finance of the Netherlands). The Western directors on Chinese boards therefore serve as an important bridge between elites, business and politics and institutions in China and the West (see also Box 4.1 above). The fact that the top of the financial world in China is so closely intertwined with politics may in that sense also offer an avenue to influence the politics and policy makers in China.

#### **4.5. Consensus, adaptation and trust in Sino-European corporate networks**

Our interviews corroborated the findings from our network analyses. Western board directors of Chinese companies confirmed that they had access to top political and corporate elite circuits in China. They provided examples of how this access gave them at least some influence on corporate policy and strategy. We were also told about occasions of consensus shaping, trust building and mutual learning effects. Dutch informants also recounted that they tried to convey their experiences in China to business and political elites in the Netherlands. They found that this has become much more difficult now that the image of China in the West

has taken such a sharp turn for the worst (interviews 24/11/2021, 09/11/2021, 30/11/2021, 17/12/2021, 21/12/2021, 17/01/2022).

Figure 4.3. Political affiliations of China Inc. parent firms to ACIEN members



Source: adapted from De Graaff (2020).

Legend: Red nodes are companies; blue nodes are current and past political affiliations of the company directors, operationalized as formal positions and appointments in governmental or political institutions and organizations. The directors themselves are not shown.

We found only very limited evidence of influence of Chinese business elites on Dutch policy making, politics or corporate strategy. Specific cases from the interviews of seeking political influence amounted to little more than discussions about how to handle the fallout from the geopolitical tensions between China and the West. In addition, some larger Chinese firms hire professional private (and mostly Western) firms and organizations to advise them on public

relations, and to lobby for their interests in national and European politics (interviews 03/11/2021, 29/11/2021, 23/12/2021, 25/01/2022, 26/01/2022).<sup>28</sup>

Another aspect that is relevant in terms of adaptation to Western practice and thinking is education. Training abroad in Western economics and management are likely to provide a basis for consensus and trust building between Chinese and Western board members, and a way to open up space to influence decision making in Chinese boardrooms (Li 2010, 2016).

We found evidence in our interviews that this is also relevant in the Dutch context. First, the majority of Chinese directors and managers who we interviewed had received at least some education abroad. Secondly, the interviewees often described the CEOs, directors and managers who they identified as influential in the company (both the headquarters and the Dutch subsidiary) to be educated abroad (interviews 07/10/2021, 21/10/2021, 02/11/2021, 10/11/2021, 1/12/2021, 14/12/2021, 7/12/2021, 17/12/2021).

Finally, our interviewees emphasized that commercial and profit-making incentives and criteria (such as key performance indicators (KPIs), annual targets, promotion opportunities, bonuses) guided the behaviour of company management. Strategies and control from the headquarters were repeatedly said to be issued predominantly or solely on that basis, rather than any political or ideological considerations (interviews 07/10/2021, 19/10/2021, 02/11/2022, 01/12/2021, 07/12/2021, 14/01/2022, 28/01/2022, 21/01/2022). The only political “red line” was if a company obviously and egregiously were to misbehave and hurt the reputation of China (24/11/2021, 17/12/2021, 09/11/2021, 19/10/2021).

Informants often stressed that their company worked just like those from the US or Europe, which confirms the trend of adaptation to Western business practices that has also been identified in the literature (see box 4.2 below for an example).

However, there is important variation to take note of here. Some interviewees from the private sector pointed out that they thought that they had to compete on an unequal basis with majority-owned SOEs, for instance regarding salaries or subsidies (interview 29/11/2021). This may in part depend on the sector. Whilst the large state-owned commercial banks are considered each other’s competitors, their competition is in practice coordinated and monitored, with an important role played in this regard by the China Banking and Insurance Regulatory Commission (interviews 09/11/2021, 17/12/2021, 30/11/2021b). Some examples of such coordination are the annual board meetings of the different banks which are always held at the same time of the year and in close vicinity, with the foreign members

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<sup>28</sup> As mentioned, our interview access to Chinese business elites in the Netherlands has been limited. We do not exclude that more might have been found if we had gotten more access.

of the boards staying at the same hotels. Another example is the rotation of board members between banks.

**Box 4.2. Privacy and GDPR in a Chinese invested Dutch Firm - Mutual learning and adaptation through Sino-Dutch Management Exchanges**

One of the key issues on which the Chinese are seen to take a different approach and which is identified as an area of concern in the Dutch China strategy<sup>1</sup>, is privacy.

In one of our interviews we were given a revealing example of how a conflict regarding this sensitive issue worked in practice and quite contrary to expectations. It also illustrates how mutual learning and adaptation takes place through Sino-Dutch exchanges.

In this particular case, the headquarters proposed a new measure which was clearly in breach of European GDPR rules. The Dutch management responded to this proposal by explaining how this would violate those privacy rules, which was backed up by the prospect of a sizeable fine in case of non-compliance. In the end the headquarters withdrew the request.

This example is one of many where the interaction between overseas local management and the Chinese management leads to improved performance of Chinese firms' investments and operations in the Netherlands, or at least an adaptation and compliance with European and Dutch rules, values and principles, rather than their erosion or dilution (interview 28/01/2022).

*1 Beleidsnotitie "Nederland-China: een nieuwe balans" (Policy memorandum "The Netherlands-China: a new balance"), 21 May 2019.*

Many of the banks and large SOEs feel that they are part of the same China, Inc. club. Although they are competitors, they know from each other what they are doing and are connected through chains of guarantees as well as personal connections (interviews 09/11/2021, 24/11/2021). Some of our interviewees called this "state-led competition" (17/12/2021, 03/11/2021). Other interviewees, however, pointed out that the differences between SOEs and private companies are becoming blurred (interview 17/12/2021, 07/12/2021). SOEs have one component that focuses on the business side and another focusing on the political; private companies increasingly pay lip-service to politics in order to receive better treatment or funding.

The latter is in line with De Graaff's earlier studies which observed that directors of SOEs feel the need to adhere to the party line, while *simultaneously* operating as profit-seeking commercial entities abroad and adhere to the values hence required (De Graaff 2014, 2020). This duality is even present in the party organization in Chinese corporations operating abroad which, as will be discussed in chapters 5 and 6, is focussed predominantly on

improving corporate efficiency, enhancing corporate competitiveness, and maintaining and increasing the value of state-owned assets.

#### 4.6. Directors of China Inc. in the Netherlands

For an impression of the composition of the directors of China Inc.'s subsidiaries in the Netherlands, we compiled data on the currently registered directors of these firms with the Dutch Chamber of Commerce. The analyses below are based on the firms in our ACIEN sample. In order to widen the scope we added for this analysis a random sample from our database of all Chinese mergers and acquisitions with Dutch firms (the M&A sample).<sup>29</sup> For all the currently registered directors in these two samples (N=236) we identified their nationality.<sup>30</sup> Table 4.1 below shows the ratio of Chinese, Dutch, and other international directors respectively.

*Table 4.1. Directors' nationality of Chinese-invested firms in the Netherlands*

	ACIEN sample	M&A sample
Dutch Directors	28	25
Chinese Directors	130	44
International Directors	8	1
<b>Total Directors</b>	<b>166</b>	<b>70</b>

*Source: Data from the Dutch Chamber of Commerce (Kamer van Koophandel) on currently registered Chinese firms and their directors in the Netherlands*

Both our samples thus have a majority of Chinese directors. However, a sizeable share consists of Dutch directors; in the case of the M&A sample even almost two-thirds. We also find a small number of international directors present (most of whom are European or American). In order to assess better to what extent this mixture of Chinese, Dutch and international directors also generates mixed individual boards, we provide an overview below of the variation *between* firms.

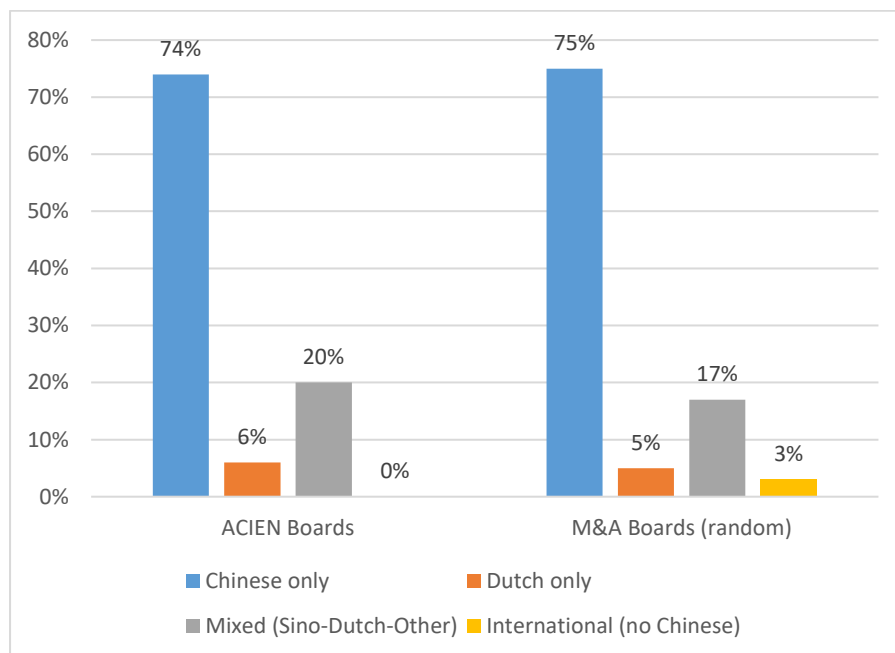
<sup>29</sup> For more explanation on these samples, see chapter 1.

<sup>30</sup> We did this manually by inferring nationality on the basis of the full name of the registered director. When in doubt, we double-checked by way of an internet search.

For both samples it turns out that Chinese-only directed firms are the most common (respectively 70 and 75 per cent). Again, we also find a small share of firms which only have Dutch directors, and even – in the case of the M&A sample – a firm with only international directors (i.e. that are neither Chinese or Dutch). Finally, a considerable share of firms has a mix of Chinese, Dutch and other directors registered. Since mixed boards are shown to facilitate mutual learning, adaptation, trust building, and consensus around corporate practices and strategies, the finding of their presence in the Netherlands might be a positive indication.

This applies even more when we turn from the registered corporate directors to the management teams of Chinese-invested firms in the Netherlands, which in a majority of the cases turned out to be mixed, as we discuss in the next part of this chapter.

*Figure 4.5. Distribution of nationalities across firms in directors of Chinese businesses in the Netherlands (ACIEN and M&A sample)*



*Source: Data from the Dutch Chamber of Commerce (Kamer van Koophandel) on currently registered Chinese firms and their directors in the Netherlands.*

#### **4.7. Management of Chinese firms in the Netherlands**

In our research we have spoken to many companies that are already well on their way to become truly global. They do business on three or more continents for Chinese and non-Chinese customers. Despite their originally Chinese roots, some are now even owned wholly or in part by East Asian or European companies (interview 02/11/2021). Conversely, Dutch

companies acquired by Chinese investors often retain many of the Dutch management staff, usually with the exception of the CEO or the CFO who serves as the eyes and ears of the owners.

Chinese headquarters are keenly aware that local knowledge and expertise are a key to success when venturing abroad. Several companies that we interviewed reported that the retention or hiring of local managers had been crucial for their business success. In many firms the majority or sometimes even all of the management and employees are locally hired Chinese or non-Chinese people rather than expats dispatched by the parent company in China. Chinese-invested firms are chiefly concerned with commercial success and need the international and local knowledge and skills that local hires bring.

This even applied to some of the companies acquired by China's largest state-owned enterprises which have remained under local management. The Chinese owners are only interested in turning a profit, even when the company operates in a strategic sector of the Dutch economy (interviews 02/11/2021, 07/12/2021, 14/01/2021, 28/01/2022, 14/12/2021).

Mixed management teams were the most common. Although this often entails a Chinese country manager with relevant experience abroad seconded by local managers (interviews 19/10/2021; 01/12/2021; 14/12/2021; 17/12/2021; 21/01/2021), we encountered a great deal of variation on this point. Strategic companies and banks that are highly connected to the Chinese party-state tend to have more Chinese expats among management. In other cases, a non-Chinese (often Dutch) manager or management team was often in the lead, assisted by one or several Chinese counterparts. The latter served as a portal into the Chinese headquarters, and they worked either on site or remotely from China (interviews 07/12/2021; 30/11/2021; 22/11/2021; 14/12/2021; 15/10/2021).

We also came across a few examples where the management was deliberately kept entirely non-Chinese (interviews 14/01/2021, 28/01/2021). However, we found no case of an exclusively Chinese management team, except among a few consultancies or other support firms that specialized in Chinese customers.<sup>31</sup>

The Chinese background of Chinese-invested companies is becoming increasingly irrelevant to their business model and marketing strategy in Europe. Some even go so far as deliberately trying to downplay their Chinese origin (interview 14/01/2022 and 24/01/2022).

Some firms require prolonged interaction with local governments or citizens to gain permissions or win tenders. They have adapted to this by hiring Dutch staff or working with Dutch PR and law firms (interviews 14/01/2022, 21/01/2022 and 24/01/2022). In some cases,

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<sup>31</sup> This in spite of the fact that the registered directors may still be predominantly Chinese, as we saw in the previous section.

firms that are under special scrutiny and pressure try to lobby Dutch and European government institutions or politicians to argue their case (e.g., interview 21/01/2022). Recent Dutch measures to ban products from Xinjiang or elsewhere involving unfree or child labour are felt, but are on the whole thought to be manageable. Exceptions here are again firms operating in strategic sectors like telecom and semi-conductors, or where military applications are possible (so-called dual use). Some firms have responded to these developments by partially shifting to less sensitive sectors, for instance biotechnology or cloud computing (interviews 17/12/2021 and 21/01/2022).

An exception here may be state-owned banks and certain large state-owned or privately-owned enterprises with strong state connections. Our access to these firms at the level of Dutch subsidiaries was more limited, but the pattern on the basis of our limited information seems to be that an important determining factor for the choice of executives is the strategic nature of the sector in which they operate and the degree of state and party involvement back in China. Management of highly strategic companies tends to include or even be dominated by expats dispatched by the parent company, who are often much younger than their locally recruited colleagues or even their subordinates. These expats rotate frequently in and out of the firm and are principally attuned to the expectations of the headquarters (interview 21/01/2022). Our – admittedly tentative – observations on this point are corroborated by recent research on HR practices in subsidiaries of Chinese state-owned oil companies in the UK. This research found that their recruitment practices systematically privilege expats from the parent company in China, creating a work environment where locally hired managers and employees only play second fiddle (Makarchev et al. 2022).

Depending on the size of the firm, the majority of the employees and even the management are in practice quite detached from the parent company in China. The layers in the chain of command from the headquarters to the oversees management are multiple. Although management is required to report more frequently, they sometimes only actually meet once a year and not necessarily even with higher (headquarters) management, while sometimes a CEO or headquarters director would come to visit.

Most Chinese subsidiaries and firms in the Netherlands work quite independently from the Chinese headquarters, in particular regarding operational strategies and management. However, this also implies that they are hardly involved in – and sometimes do not even know about – strategic decisions made by the headquarters. In some companies with no, or just a very few, Chinese expats on the ground in the Netherlands, this is resolved by recruiting a foreign or ethnic Chinese director or member of the board of directors with extensive connections in China. Such directors more frequently travel to China for board or business meetings at the headquarters (interview 30/11/2021; 07/12/2021; 01/12/2021).



For some Chinese companies in the Netherlands human resources have become a major factor constraining further growth. Adequately qualified labour is not only expensive in the Netherlands but has also become very scarce, and Chinese-invested firms in Europe compete for and sometimes even poach each other's employees. Moreover, Dutch or other Western employees may hesitate to work for a Chinese firm, which has not been helped by the rising anti-China sentiment in the Netherlands (interview 29/11/2021; 01/12/2022).

Chinese-invested firms employ a broad mix of staff, including ethnic Chinese, Chinese graduates from local universities, people from European or other countries, and local Dutch people. Mobilizing staff from the parent company to serve a stint abroad has become more difficult as salaries and standards of living in China have risen and a career is often better served by staying within sight at the parent company. A posting abroad often comes with separation from family and friends and living in a strange and often lonely place. This development has been accelerated by the Covid-19 pandemic. Many Chinese managers and staff returned to China to sit out the pandemic and do their job remotely from there. Chinese that do work abroad now tend to have often considerable experience abroad through earlier postings, as a student or when working for another Chinese or foreign firm.

#### **4.8. Summary and conclusion**

This chapter focussed on business elite networks of Chinese firms and the management of Chinese-invested firms in the Netherlands. This globalizing Chinese business class is an important aspect of the influence of Chinese businesses in the Netherlands. Connected to the top of the Chinese corporate and political world, these business elites are at the forefront of China's economic expansion.

At the boards of the parent companies of Chinese subsidiaries in the Netherlands we find a globalizing Chinese business elite. Many of these directors are trained abroad, and they connect with Western companies through shared management positions and more informal business networks (associations, conferences, economic forums, business clubs). In addition, these parent companies recruit Westerners as independent directors and advisors to their boards. The latter act as important bridge-builders and are tasked to critically advise Chinese companies. This globalized business elite also has strong connections with politics, both in China and abroad.

However, the management of Chinese overseas branches and subsidiaries often hardly notices these political connections. They usually operate at a vast distance from the headquarters management and have considerable autonomy regarding operational matters and the implementation of company strategies. Moreover, the strategies of (parent)

companies – in spite of their political connections – are predominantly shaped by commercial motives and preferences.

Although we learned about the influence of Western directors on Chinese business operations and related policies via these links, we did not find indications about the direct influence of Chinese directors on Dutch politics.

For most Chinese directors, managers and professionals, education and business experience abroad are the standard. This shapes and westernizes their approach to management and business. Their work and interactions in mixed (internationalized) management teams also foster mutual trust, encourage adaptation, and lay a foundation for consensus building around shared economic and business principles.

Chinese firms are aware of the importance of local expertise and knowledge for the success of the overseas companies, branches and subsidiaries. This has been a process of progressive learning. Overseas business failures in the past were often related to the fact that the parent firm sent delegations of Chinese managers overseas who lacked the knowledge, experience and necessary local connections.

The board and management of Chinese companies in the Netherlands usually consist of a combination of Chinese, Dutch and other, mostly Western, nationalities. Although the directors that are registered at the Dutch Chamber of Commerce are still in majority Chinese, we found a considerable share of Dutch nationals registered as directors of ACIEN member firms, as well as Sino-Dutch combinations of directors. Moreover, in companies where the directing team is entirely Chinese the management teams are often mixed.

Although we had much less access to state-owned enterprises, we observed a few important differences. Their management tends to consist of more Chinese expats who also occupy the most influential positions. While differences between private enterprises and SOEs are seen to be blurring, the latter are generally still seen as more state-connected and favoured through state-led competition and an unequal playing field.

Associations, business clubs and personal connections bind Chinese companies and business people into a loose network of support and information exchange both internationally and in the Netherlands. While the companies compete over markets, customers, innovation, financial support and personnel, they also tend to help each other with advice and tips, and the managers build up social relations of both a professional and private nature. This kind of consensus and trust building activities thus exist both at the level of the globalized Chinese business class, and in the overseas Sino-Dutch business networks.

The findings in this chapter give some important insights into the benefits of Sino-Dutch business elite interaction and how this generates mutual influence rather than merely

unidirectional top-down Chinese influence to the detriment of Dutch firms, values, governance principles and standards. However, due to lack of access to data and respondents, our findings can only provide a partial view. This calls for further research, especially on state-owned enterprises, Chinese directors on Dutch boards, and a more comprehensive mapping of the professional networks of Sino-Dutch directors and managers.

## Chapter 5: Party work and party building

Much has been said and written about the Chinese Communist Party's domestic role and influence abroad, often on the assumption that whatever a communist party does is inherently dangerous and part of a systemic rivalry with democratic political systems. Whilst the CCP most certainly is not a friend of multi-party democracy, and vigilance to preserve our system and values is at all times required, the Party first and foremost simply is the organization that shapes, leads, and coordinates politics, society and economy in China. Our main argument in this chapter is that the fact that Chinese firms, capital, products and expertise have gone global means that the CCP also finds it necessary to assume a coordinating and controlling role over China's presence outside its borders. This does however not imply that the CCP also wants to have control or coordination over the politics and societies of other countries.

In this chapter we will start with a brief account of the work and organization of the CCP in China, and especially how this has become much more pervasive under Xi Jinping, the current CCP general party secretary. After that, we will look at the role and organization of the CCP abroad. We will show that some of its activities are indeed aimed at gaining political and "soft power" influence, while other aspects of the CCP's work abroad seek to tie global Chinese actors (overseas Chinese, enterprises, media, associations) more firmly back into the "system" in China itself. In chapter 6 we will turn to the issue of Chinese party and government influence and influencing specifically in the Netherlands.

### 5.1. Party work and party building in China

After its successful conquest of China in 1949, the CCP became the sole ruling force of the People's Republic's "New China", shaping, creating and controlling all organs of the state and representative government, and the military, judiciary, industry, commerce, finance, culture, education, and science. Control and giving political direction ran from the party centre through the Party's specialist departments at each level of the administration, and the network of party branches and committees of individual party members (Pieke 2016).

In the reform period after 1978, Party control relaxed and became less pervasive. However, starting in the early 2000s and especially in Xi Jinping's "New Era" since 2012, the Party has again expanded and tightened its grip over its own organization. Emphasizing loyalty and obedience over critical thinking and innovation, the Party's members and cadres are trained and educated, disciplined, and if needed punished and purged to ensure full uniformity to the party centre's demands.

The power of the central leadership and especially of Xi Jinping himself is felt much more directly and uniformly all across the country. The Party increasingly directly involves itself in governance. The Party has also made great strides in expanding and disciplining the rank-and-file of its members and local cadres across Chinese society, an effort usually referred to as “party building.” Party building is not just as a set of procedures, routine party work, or organizational principles. Party building is inherently political, transforming the mass of party members and cadres into tools of the Party’s work and mission.

Party building involves the recruitment, education, and training of party cadres, members, preparatory party members and activists; the organization and activities of party branches and party committees; and the improvement of the discipline, behaviour and ideological awareness of party members. Most importantly, party work lifts the party spirit and strengthens party discipline, thus aligning the Party’s members and cadres with the methods, work style, vision, goals, and ideology of the centre.

Strengthening the Party throughout Chinese society (and also abroad, as we will see shortly) is not uncontested or straightforward. In the new “socialist market economy” since the mid-1990s, both state-owned and private enterprises are mainly driven by a capitalist search for profit and expansion, operating autonomously. With the demise of the planned economy and the growth of an autonomous society, non-governmental “social organizations” developed fast, complementing the role of government and party organizations. Strikes, protests, and petitioning movements seeking redress for specific problems or injustices, have mounted, often led or assisted by activists, lawyers, students and non-governmental organizations (Fu and Cullen 2008; Hildebrandt 2013; O’Brien and Li 2006; Teets 2013).

The Party has responded to the rising autonomy of enterprises and social organizations with a massive party building exercise. In 2015, the Central Committee issued regulations that compelled all state-owned enterprises to formalize the party role in their charter and governance (Lin and Milhaupt 2021).<sup>32</sup>

In traditional state-controlled work units, the party secretary’s authority had always outstripped that of the director, and the 2015 changes may not necessarily have meant all that much. In enterprises and organizations outside the party-state’s “system” things are different. Returning to some of its old work practices during the revolution and socialist transformation in the 1940s and 1950s, the party organization is looking for ways and means

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<sup>32</sup> 中共中央国务院印发《关于深化国有企业改革的指导意见》(CCP Central Committee and State Council promulgate the “Guiding Opinions of the CCP Central Committee and the State Council on Deepening the Reform of State-Owned Enterprises”), 新华社 (Xinhua News Agency), 13 September 2015, [http://www.gov.cn/zhengce/2015-09/13/content\\_2930377.htm](http://www.gov.cn/zhengce/2015-09/13/content_2930377.htm), read on 17 January 2022.

to assert itself against a director and management who are used to deciding things on their own. Party branches within China are told not to be afraid to confront management and insist that the company or organization provide the funding for party work (Koss 2021).

The Party's membership had expanded to over 90 million in 2020. In 2018, the Party reported that there were 4.6 million party cells (branches and committees) across China with party cells in 61 per cent of all social organizations, 73 per cent of non-state-owned enterprises and 95 per cent of public institutions (Grünberg and Drinhausen 2019).

However, we should not make the mistake of thinking that party building simply amounts to a return to the dark days of ossified Maoism. Party building has all the characteristics of the Party's neo-socialist rule (Pieke 2016). Private enterprise, the market economy, and the latest technologies, serve as much as suffer from Party interference. The power of mobile applications, cloud computing, big data, and even artificial intelligence developed by China's leading e-technology firms, is actively promoted to strengthen the Party, managing, monitoring, training and connecting with its members wherever they are (for an example, see Box 1).

#### **Box 5.1. The Party's Artificial Intelligence**

The 2018 Digital Expo is unprecedented and attracts worldwide attention. As the world's leading digital transformation expert, ZTEsoft officially released the epoch-making new party building product - AI Party Building Cloud Version 1.0, focusing on using technology to open up the "last mile" of grassroots party building and realizing the mission of sharing inclusive party building across the country.

In 2006, when ZTEsoft established the "Electronic Party Affairs R&D Team", the internet and party building informatization were booming. ZTEsoft is one of the earliest pioneers in the country to enter the field of party building informatization. Its digital party building platform created and the Central Party School has become the choice of 100,000 party organizations and 4 million party members at firms like China Telecom, China Mobile, Poly Group, Guizhou Provincial Party Committee, Longyuan Power, and Kweichow Moutai.

More than ten years of technical accumulation and innovation experience have made ZTEsoft realize it is necessary to transform from traditional closed to open Internet light applications. Following this path, ZTEsoft's data-driven and permanently free AI Party Building Cloud was officially born. Based on Alibaba's AI technology empowerment, AI Party Building Cloud has customized navigation and function settings for the masses, Party members, branches, and party committees, creating a "fresh experience" for party building.

Based on the daily reading preferences of party members and the recent learning in party classes, user portraits of party members are outlined, and party building news consultation is pushed. At the same time, party members can also use AI writing robots to create articles intelligently. They only need to

input their main ideas and goals, and can rely on a huge article library and autonomous AI to learn intelligently to generate the articles they want.

In the study of party courses, AI technology is everywhere. Intelligent voice conference access, face recognition conference check-in, voice-to-text generation of meeting minutes, photo and video intelligent uploading and recording of the full picture of the meeting. When you have questions during learning, you can also use AI intelligent voice Q&A to get answers from the party building think tank.

In the management of daily party affairs, the party building cloud regularly reminds the party committee and party members to carry out corresponding party affairs work in accordance with the requirements of the party constitution, and creates a new process for party building work. Among them, the diversified big data view tools visually display the development of party members and branches, which facilitates the precise management of party affairs. AI Party Construction Cloud has also newly opened an ecological park section. Through this “online mass line”, party members and the masses can discuss topics at any time, share new events, and increase party-mass interaction.

During the Digital Expo, ZTEsoft turned into an intelligent leader in party building, driven by big data, cloud computing, and artificial intelligence, opened up a new era of party building digitization, made party affairs management more convenient, party member education more personalized, and offered better public services. In the future, the comprehensive, real-time, open, and highly interactive AI party building cloud will continue to advance on the road of party building informatization, and use leading scientific and technological forces to set up a new fulcrum for grassroots party building.

*Translated from : 中兴软创引领党建智能化转型 (ZTEsoft leads the intelligent transformation of party building),*

*31 May 2018, 海外网 (Haiwai Net),*

*[http://m.haiwainet.cn/middle/3543156/2018/0531/content\\_31326403\\_1.html](http://m.haiwainet.cn/middle/3543156/2018/0531/content_31326403_1.html), read on 17 January 2022*

Online party work also plays an essential role abroad. Through the use of party building information apps and WeChat official accounts, foreign grassroots party branches get access to the latest developments in the Party and national policies. This has several advantages, most importantly that their paperless nature complies with the requirement to keep party work abroad confidential. Furthermore, foreign party building apps also help a party committee back in China to monitor whether its members abroad complete their daily party work tasks, such as reading recent party documents.<sup>33</sup>

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<sup>33</sup> 李贺雷 (Li Helei), “最关注 | 海外党建‘6+1’全面启动! 让党旗在‘一带一路’上飘扬!” (Highest attention | Overseas party building “6+1” is fully launched! Let the party flag fly on the “Belt and Road”!), posted on the 中建八局一公司 (China Construction Eighth Engineering Co., Ltd.) WeChat account, 27 May 2020, read on 8 March 2021.

Grassroots party building is just one aspect of the transformation of party rule. The Fourth Plenum of the 14<sup>th</sup> CCP Central Committee in 2004 was entirely devoted to enhancing the “governing capacity” of the Party, foreshadowing Xi Jinping’s heavy-handed, almost single-minded emphasis on the Party’s leadership and capacity since the 18<sup>th</sup> Congress in 2012. Xi further increased the direct political and administrative role of the Party, and strengthened its presence and grip on government, the army, the judicial system, civil society, business, and especially on the party organization and membership itself.

The principle of direct leadership by the Party was raised to a whole new level during Xi’s second term (2017-2022), after the 19<sup>th</sup> Party Congress in 2017 had cleansed the Politburo of Xi’s remaining rivals. In 2018, a comprehensive package of party and state reform was approved. These reforms amounted to the institutionalization of the most important party “leading groups” as fully staffed “commissions.” Complementing these altogether eight commissions, selected existing party departments and committees were made to incorporate the state ministries and other organizations that had formerly operated merely under their general supervision. In effect, the party centre has established direct rule by itself by reorganizing or even fully absorbing existing key state institutions, creating a range of party “super-ministries” in key policy areas (Grünberg and Drinhausen 2019).

Since the start of the reforms in 1978, many ordinary party members remained dormant, particularly those working outside the party and state sector. Starting in the late 1990s, the Party’s Organization Department started to reach out to such “floating party members” to achieve “comprehensive coverage” of the Party’s organization (Koss 2021). The Party has also stepped up its work among its own staff or “cadres.” Education and training now first and foremost aspire to mould cadres into faithful servants of the Centre’s wishes, instead of autonomous problem-solvers and administrators (Tian and Tsai 2021).

## **5.2. Internationalism and international liaison**

The Party’s International Department is the principal agency responsible for liaison with foreign communist and other political parties, and more generally for dealing with foreign elites visiting China. After about the year 2000, there has been a considerable uptick in the International Department’s work. In countries under one-party rule, the Department works exclusively or mainly with the ruling party of that country; in democracies, the Department hedges its bets by also working with parties or elites currently not in power (Bader and Hackenesch 2020; Brady 2003; Hackenesch and Bader 2020: 727; Lovell 2019; Shambaugh 2007).

The International Department tends to deploy what in international relations is often called “Track II” diplomacy, which targets party officials, promising young or retired politicians,



academic or think tank researchers, and others not (currently) in executive positions of power. This serves two aims. First, the Department can act as a conduit for exchange or negotiations when China's direct political or diplomatic contacts with a foreign government have stalled or been broken off. Second, the work of the Department seeks to gain long-term influence by emphasizing cooperation and a better understanding of and sympathy for China, its system, and its foreign policy goals at some remove from the cut and thrust of day-to-day international politics and beyond the government that happens to be in power in a country at a particular time.

Under Xi Jinping, the International Department's agenda has shifted and expanded perceptibly. The CCP much less feels the need to push China's hackneyed foreign policy goals (non-recognition of Taiwan, support for China's policies in Tibet, Xinjiang and the South China Sea). It more ambitiously looks for ways to cultivate support across the world for China's global role as a great power and its vision of changes to the future world order, including the Belt and Road Initiative, the Community with a Shared Future for Mankind, the Chinese Dream, and most recently the Vision for a New World Order and True Multilateralism.

Complementing this new global goodwill strategy is the effort actively to spread the experience and governance model of the CCP. The International Department coordinates training courses, visits and other exchange events, and even sets up party schools where members of foreign partner parties are taught the CCP's organization, party building and discipline inspection, and more generally China's model of governance and development. This effort is not limited to countries ruled by an autocratic party, but also includes democracies or nominal democracies like South Africa, Fiji, or Uganda (Hackenesch and Bader 2020, Eisenman and Heginbotham 2020, pp. 302-303).

Through its International Department, the CCP seeks to present China as a world power with a proven alternative model of government and development that many other countries can learn from and that will establish a more pluriform and multi-polar world order, no longer dominated by the interests of Western powers. This order reasserts the principle of national sovereignty and the cooperation of nations unfettered by Western impositions, demands, and norms. China, so the Party insists, does not seek to spread autocracy or forge a new alliance of autocratic countries against the democratic world, but merely offers up its example for others to emulate.

### **5.3. The United Front and the Chinese abroad**

The foreign work of the CCP's Department for United Front Work focuses mainly on the overseas Chinese. Xi Jinping imagines the overseas role of the United Front Department to be complementary to the work on non-Chinese foreigners by the International Department.

Moreover, in speeches given in 2015 and 2016, Xi explicitly connected the overseas Chinese work of the United Front with his Belt and Road Initiative (Sapio 2019).

Whilst the United Front Department's main responsibility is domestic, recently the Department's overseas Chinese work has become more prominent and pervasive among overseas Chinese communities. As has been described in detail in an earlier LeidenAsiaCentre report, the new united front foreign strategy emphasizes not just support for, but also loyalty to China and its system, model, and foreign politics, including among the Chinese in the Netherlands (Pieke 2021).

The United Front is thus rapidly developing from a somewhat antiquarian mechanism that aimed to broaden the CCP's support base into a cornerstone of the Party's grip on internal and external security, and of the monitoring – and possibly enforcement – of political orthodoxy at home and abroad. This steady expansion of the United Front Department's responsibilities and administrative scope has already been extensively documented in a number of think tank reports published in 2020, causing rising reservations and suspicions abroad (Fedasiuk 2020; Joske 2020).

#### **5.4. Overseas party building**

The emergence of the PRC as a global power provides the motivation, opportunities, and constraints for the CCP's global extension. The CCP's organizing power abroad not simply impinges on foreign countries as external entities, but specifically targets Chinese enclaves abroad with a view to draw them back into China's own system. In contradistinction to the PRC's soft power and foreign influencing strategies, the CCP's overseas organizational power is driven principally to counter the dangers of the localization of Chinese actors under the impact of China's global footprint and interests.

The extension of the CCP's organization is not a part of a concerted strategy to rule the world or make the world socialist, autocratic, Chinese, or any combination of these three, but has a more specific aim. As Chinese actors are increasingly present abroad, and as China constitutes a growing slice of the world economy, the CCP is confronted with challenges compelling it to extend the reach of its influence and its system abroad. The global reach of the CCP's organization is an evolving response to, and aspect of, the requirements of the specific pattern of Chinese globalization, its global power, and the demands of competition with other great powers.

In 2017, western media exposed the presence of a number of party “cells” (branches) at universities abroad.<sup>34</sup> Surprisingly, some Chinese newspapers also openly reported on this.<sup>35</sup> The immediate consequence of these “revelations” simply was that the CCP itself gave much less publicity to foreign party work than before, without any intention of actually putting an end to it.

Party members are also found in many Chinese state-owned institutions and companies abroad. Moreover, commercial labour recruitment agencies in China often send large groups of Chinese to work on a temporary contract on projects abroad, and here too party members are present.

Party building work abroad explicitly concerns party members who in principle temporarily go abroad and not those who have emigrated permanently. The latter have to give up their party membership or at least de-activate membership of their original party branch in China, after which they are subject to the Party’s overseas Chinese policies run by the United Front Department.

In the Chinese literature the focus on party work abroad is presented as following from the requirements of China’s “system.” State-owned enterprises and state-coordinated projects are seen as foreign extensions of China’s domestic economy and society and are therefore “part of the system” of the party and the state.<sup>36</sup>

Party members temporarily abroad will in principle remain members of the party committee to which they belong in China. The party committees of universities and companies are required to involve their members abroad as far as possible in their activities and, if possible, to organize activities abroad for them. In addition, party members temporarily abroad must also remain locally involved in the party. In theory, the party committee of the local Chinese embassy or consulate is responsible for the party members among the students and employees of companies and institutions. For workers sent abroad by recruitment agencies,

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<sup>34</sup> For an article on party branches in the U.S., see Bethany Allen-Ebraheman, “The Chinese Communist Party Is Setting Up Cells at Universities across America,” *Foreign Policy* 18 April 2018, <https://foreignpolicy.com/2018/04/18/the-chinese-communist-party-is-setting-up-cells-at-universities-across-america-china-students-beijing-surveillance/>, read on 11 January 2021.

<sup>35</sup> Zhang Yu, “CPC Members Encounter Obstacles While Trying to Establish Party Branches Overseas.” *Global Times* 28 November 2017, <https://www.globaltimes.cn/content/1077619.shtml>, read on 11 January 2021.

<sup>36</sup> 柳新军 (Liu Xinjun), “境外基层党建工作的探索与实践——以中国石化集团国际石油勘探开发有限公司哈萨克斯坦公司为例” (Exploration and practice of overseas grassroots Party building work – Taking the Kazakhstan Company of Sinopec International Petroleum Exploration and Development Co., Ltd. as an example). 共产党员网 (Communist party members web) 12 June 2018, <http://news.12371.cn/2018/06/12/ART11528785322774381.shtml>, read on 7 March 2021.

the party committee of the agency's foreign representation is responsible for the party members among them.<sup>37</sup>

In practice, these arrangements present a number of major problems. Without an active connection to a real party branch, “only those party members with strong ideals and beliefs can resist the temptation” of the “sugar-coated bullets”<sup>38</sup> of a Western lifestyle and “international hostile forces.” With the erosion of their party spirit and party discipline the party is in danger of losing control of its own members abroad. This can also be a problem for the party members themselves. Party members who have to reactivate membership of their party branch upon return to China have been put behind by their time abroad. As a result, their careers and further development as party members might suffer (Feng 2021).

To address these issues the CCP Central Committee in 2016 issued a “leading opinion” on party building work abroad. Although this opinion has remained confidential, its gist can be distilled from other Chinese articles and documents.<sup>39</sup> The opinion authorizes setting up a network of party branches in a particular region abroad, for which the party committee of a large Chinese state-owned enterprise in the region is then responsible. This reduces the pressure on the staff of the local embassy and makes it possible to organize party members spread over institutions that do not themselves have a party organization (Qiang 2018).

According to the 2016 regulations, overt party activities are often not possible, especially in situations where, for example, employees of a Chinese company frequently work with non-Chinese colleagues. Moreover, many countries do not allow CCP activities. Covert party activities are therefore often necessary, and methods based on the internet or social media must be used more than in China. Such activities take place on the basis of “the principle of the ‘five non-disclosures’ “: the non-disclosure of party organization, internal party positions, party member status, internal party documents, and internal party activities in overseas party building activities. The “five non-disclosures” help overseas party building activities avoid

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<sup>37</sup> 中共中央组织部关于改进接转出国留学、劳务人员中党员组织关系办法的通知(组通字〔1984〕15号) (Notification from the Organization Department of the CCP Central Committee on measures to improve the organization relations of party members among students and workers transferred abroad (Organization Department document 1984 no. 15)), published on the website of the College of Sciences of the Shanghai University of Science and Technology (*Shanghai ligong daxue lixueyuan*, 上海理工大学理学院) on 24 April 2018, [https://lxy.usst.edu.cn/\\_t86/2018/0424/c2330a40229/page.htm](https://lxy.usst.edu.cn/_t86/2018/0424/c2330a40229/page.htm), read on 8 January 2021.

<sup>38</sup> “Sugar-coated bullets” is a CCP phrase used during the early 1950s Three Anti and Five Anti Campaign that targeted capitalists and party members that had been corrupted capitalists.

<sup>39</sup> Reportedly, these regulations are called 中央组织部、国务院国资委党委、外交部党委、商务部党组关于加强中央企业境外单位党建工作的指导意见 (Guiding Opinions of the Central Organization Department, the Party Committee of the State-owned Assets Supervision and Administration Commission of the State Council, the Party Committee of the Ministry of Foreign Affairs, and the Party Group of the Ministry of Commerce on Strengthening the Party Building Work in Overseas Units of Central Enterprises).

“local political, economic, cultural and religious risks,” and “provide protection for the long-term and stable development of overseas party building” (Jiang 2018; Liang 2019; Party Committee 2018).

In practice, the Five Non-disclosures mean that party activities and discussions of party work must never be held in the presence of foreign employees or visitors, nor should party activities take place in public places outside the company premises and work sites. Facebook, Twitter and other foreign social media should be avoided. Instead, the company’s intranet and WeChat official account should be used. For the consumption of foreign employees and visitors, party activities should be presented as a part of the company’s “corporate culture and team building” (Liang 2019).

In state-owned enterprises abroad the party organization is subject to the joint leadership of the party committee of the headquarters of the company back in China and the party committee of the Chinese embassy or consulate in the host country. The party organizations of the headquarters back in China are responsible for the education, management, and supervision of party members and cadres abroad, and bear the costs of these and other party building work abroad. The party committee of the embassy or consulate is supposed to provide “political guidance in view of China’s foreign policies.” The embassy is also expected to carry out ideological and political work in case of “special situations or emergencies,” and facilitates exchanges on party building work with other locally present Chinese companies and units (Liang 2019).

Party members abroad who are working together in a unit, or on a project like a building, factory, bridge or road, are often drawn from several different departments of a company, or even from different companies. Party members of foreign joint party branches do not need to transfer their party relationship to the joint party branch. Instead, the party branch in their original unit conducts the management and evaluation of these party members and collects their party membership fee. This helps to organize party members scattered over many projects and sites abroad without jeopardizing the integrity of the CCP’s party organization and its grip over its members at home.

A further principle for foreign party work in the 2016 regulations is “the principle of focusing on the centre and serving the overall situation.” This principle follows from article 33 of Chapter V of the Party Constitution that stipulates that the primary party organizations in state-owned enterprises and collective enterprises shall carry out their work around the production and operation of enterprises. State-owned enterprises abroad face heavy responsibilities and high pressures in an even more complex market environment with a higher risk than in China itself.

Improving corporate efficiency, enhancing corporate competitiveness, and maintaining and increasing the value of state-owned assets are “the starting point and the end point” of party organization work in enterprises abroad. In other words, not ideology or influencing, but business and profit are the main point of foreign party work (Liang 2019). However, business and profit are not seen as straightforwardly non-political. Foreign operations should fit the overall plan and objectives of the Party. The Party is well aware that Chinese companies and projects abroad have their own strategic objectives. If left unchecked, the Party believes, foreign operations will make Chinese companies increasingly global and less Chinese (Liang 2019), which our own research for this report has confirmed.

In our research we found that Chinese businesses abroad face multiple or even conflicted pressures. They should expand, grow, and make a profit, but also stay attuned to the interests and goals of the CCP. This is also reflected in overseas party building. Party building and party work in companies and projects abroad is intended to ensure that they do not stray too far from the interests, plans, and objectives of the CCP and its vision for the Chinese nation. Party building and party work are also a means of combating corruption and coordinating the activities of the Chinese embassy and other Chinese companies and institutions in a particular region, particularly in less developed countries. Yet even here party building and work are not intended as an instrument of interference in the affairs of other countries, but as a way to make Chinese companies and projects abroad more competitive, better run, operating according to the law, and more in tune with local circumstances (Ma 2017). In foreign party building work, political and more mundane operational goals are thus combined. Party building is supposed to keep Chinese and foreign employees happy and in line, enhancing the competitiveness and management of foreign operations and projects, and also presenting a positive image of the company and China to the outside world. The way that these goals play out in practice are often highly diverse and the connection with party work is not necessarily always instinctively obvious. Indeed, party building often seems to serve as a shorthand or index that points to all that is good and reassuring about China, its system, and – increasingly – its culture.

Overseas party work explicitly concerns itself with business interests coupled with China’s larger aims in international politics, especially those that concern China’s public diplomacy and soft power strategies, rather than with influencing or interfering in foreign societies, economies, or politics. The key concept here is “corporate culture.” As “the carrier of party building work”, corporate culture is presented as having “the same effect as the party’s role in stabilizing the team and uniting people, and an effective entry for party building work to serve production and operation” (Liang 2019).

**Box 5.2. “Case: Sinopec's grassroots party building work – exploring the implementation of overseas “party building+” work model”**

In view of the problems of many overseas projects, large differences in different regions and countries, highly dispersed teams and strong mobility, the party committee of the company explored the implementation of the “party building+” model, led overseas party organizations and party members to play a pioneering role as a fortress, and led the majority of employees to show the style of the victorious petroleum engineering iron army in the fiercely competitive international market.

The party committee has successively established three general party branches and 40 party branches in overseas markets such as Saudi Arabia, Kuwait and Turkmenistan. It is necessary to effectively link scattered party members, mobilize party members with special skills, and activate the "nerve endings" of party organizations.

In view of the differences in overseas politics, culture and customs, we insist on combining local conditions with paying attention to practical results, evolve party organization activities into a form acceptable to foreign parties, adhere to the promotion of "online learning" and "offline doing", and promote it through the establishment of online branches, WeChat party classes, and supervision QQ.

Overseas projects are far from domestic base camps, and the environment they face is harsh, complex and changeable. Most of the overseas projects are composed of Chinese and foreign employees, and some projects have foreign workers from more than 10 countries, which is a veritable "multinational force". The party committee of the company takes cultural integration as the link, and promotes the project culture. The party committee actively organizes activities like friendship parties, dumpling making competitions, and cultural and sports competitions to enhance the integration of Chinese and foreign employees; in the event of foreign employees' weddings and funerals, it sends people to enhance the sense of identity of foreign employees. The committee regularly selects and commends outstanding foreign employees, and selects them to study and visit China, so as to enhance their sense of belonging and pride.

Relying on the construction of the project department, we will promote the deep integration of party building work and market development, and provide a strong guarantee for the central tasks of overseas market expansion, quality improvement and efficiency improvement. We must promote the integration of grassroots party building to extend the management model with Chinese characteristics. We must adapt it to the characteristics of state-owned enterprises overseas, and promote the branding of overseas iron army teams. Using party building work to promote the melting of cultures, China and foreign countries become closer, and Chinese and foreign employees will be more harmonious.

*Source: “案例 | 中国石化基层党建工作优秀案例——探索实施海外‘党建+’工作模式” (Case | Excellent case of Sinopec’s grassroots party building work – exploring the implementation of overseas “party building +), posted on the 中国石化 (Sinopec) WeChat account, 29 August 2017, read on 8 March 2021.*

Moreover, the label “corporate culture” enables a Chinese company to carry out party work overseas under the principle of “five non-disclosures” and avoid restrictions imposed by foreign governments on overt party work.<sup>40</sup> Party building as corporate culture is presented as an approach to tie Chinese and foreign employees together and to the company. Party work enhances the company’s “organizing power,” and is used “as the core of team-building” of party members, Chinese employees and foreign employees (Party Committee 2019).

### 5.5. Summary and conclusion

Party members are found in many Chinese state-owned institutions and companies abroad. The CCP’s party building work specifically targets such Chinese enclaves abroad in order to counter the dangers of the localization of Chinese actors. In state-owned enterprises abroad, the party organization is therefore subject to the joint leadership of the party committee of the headquarters of the company back in China and the party committee of the Chinese embassy or consulate in the host country.

Party building work abroad explicitly concerns party members who in principle temporarily go abroad, tying them back into the system and party organization in China. (Former) party members, who have emigrated permanently, are subject to the Party’s overseas Chinese policies run by the United Front Department, which cater for China’s more general diplomatic and foreign policy objectives.

Overt party activities are often not possible abroad and many countries do not even allow CCP activities. Covert party activities are therefore often necessary, and the internet and social media are used more than in China. Party building activities abroad take place on the basis of “the five non-disclosures”: the non-disclosure of party organization, internal party positions, party member status, internal party documents, and internal party activities.

In our research we found that Chinese business abroad face multiple or even conflicted pressures. They should expand, grow, and make a profit, but also stay attuned to the interests and goals of the CCP. This is also reflected in overseas party work and party building.

Improving corporate efficiency, enhancing corporate competitiveness, and maintaining and increasing the value of state-owned assets are the main point of party work in enterprises abroad. But party work also ensures that enterprises abroad conform when and where needed to the CCP, and present a positive image of China.

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<sup>40</sup> Zhang 2017; Yang Shujuan 杨淑娟, “【领导干部上讲台】任凤军：依托企业文化 促进海外党建” ([Leading cadres on stage] Ren Fengjun: Relying on corporate culture to promote overseas party building), posted on the 龙建国际工程公司 (Longjian International Engineering Company) WeChat account, 2 December 2020, read on 8 March 2021.



Not ideology or influencing, but business and profit are the main point of foreign party work. Overseas party work explicitly concerns itself with business interests coupled with China's larger aims in international politics, especially those that concern China's public diplomacy and soft power strategies, rather than with influencing or interfering in foreign societies, economies or politics.

Overseas party work and party building has been borne from finding solutions to a range of often contradictory, practical problems arising from China's globalization. It does not constitute a plan hatched in advance and systematically rolled out across the globe. Instead, the Party is learning by doing. Its overseas work is rife with inconsistencies and varies vastly between countries and contexts, including in the Netherlands, to which we will now turn.

## Chapter 6: Party building in Europe and the Netherlands

In this chapter we will turn to the evidence that we have found in our research on the extent and nature of the CCP's overseas work and party building in the Netherlands and elsewhere in Europe. We will focus mostly on party building rather than the work of the International Department and the United Front. The latter two departments of the CCP are only very tangentially relevant for Chinese-invested businesses and Dutch and Chinese business elites in the Netherlands.

We will see that there is some, but only very limited, direct evidence of party building in Chinese-invested companies in the Netherlands. However, the picture changes at least somewhat when we start putting the situation in the Netherlands in a wider context of party building among Chinese firms abroad. We will first look at overseas party building carried out in general by some of the larger Chinese enterprises with subsidiaries in the Netherlands. After that, we will present evidence on the situation elsewhere in Europe, especially in Germany and the UK, which unlike the Netherlands are major destinations of investments by often very large state-owned enterprises. Finally, we investigate the role of some Chinese state and semi-state agencies in extending overseas party building among Chinese-invested enterprises elsewhere in Europe. Taken together, these three contexts provide a wider view of possible future developments in the Netherlands as the number and impact of Chinese investments increase.

### 6.1. The United Front and the International Department

In the work carried out for this report we have been unable to unearth evidence of work by the CCP's United Front Department in the Netherlands. As was shown in the earlier LeidenAsiaCentre report (Pieke 2021), the United Front Department most definitely is active in the Netherlands among the Chinese communities in the Netherlands, but Chinese-invested firms and Chinese or Dutch business elites only very rarely seem to be a target of their work. One exception that was found during this earlier project on overseas Chinese is the involvement of the United Front-led Federation of Overseas Chinese in Jiangsu province. Together with the Jiangsu Provincial Economic and Trade Office in the Netherlands, in 2020 the Federation facilitated a Belt and Road cooperative agreement between Jiangsu and a Dutch organization of Chinese entrepreneurs, which was part of similar agreements between Jiangsu province and Chinese business associations in 27 other countries (Pieke 2021: 35). This could be read as part of the expansion since 2016 of the foreign remit of the United Front Department, and should therefore be watched very carefully. However, this earlier and the current project have found no evidence that the United Front operates covertly, or has engaged in harmful interference, in Dutch politics or society.

We have not found any evidence of a structural presence of the CCP's International Department through exchanges, events, and other more institutional mechanisms in the Netherlands, which the Department does employ in its work in other countries. With the exception of one of the authors of this report (Pieke), who participated in three high-level conferences organized by the International Department between 2013 and 2017, none of our non-Chinese interviewees gave us any indication of involvement with the International Department. It is of course still quite possible that specific individuals (occasionally) participate in events in China itself that may involve the International Department.

## **6.2. Party building in the Netherlands**

Unlike the absence of a footprint of the United Front and international Departments among Chinese-invested firms and business elites, we were able to find at least a certain amount of direct and indirect evidence of party-building work in the Netherlands. Nevertheless, the CCP's direct presence among Chinese elites and firms in the Netherlands by means of party branches or overt party activities is limited. This should not come as a surprise in a Western country like the Netherlands, where suspicion of the CCP is rising and the CCP's principle of the "Five Non-disclosures" of foreign party building work therefore applies. However, party influence is much more evident at the headquarters of the parent company back in China, because there the Party's presence is a completely normal, even unavoidable aspect of life and work. Although the majority of our interviewees were aware of party presence and membership back in China, this was perceived as a monitoring role performed at a large distance and with little direct bearing on the activities, freedom, and personal careers of overseas management and directors (07/10/2011, 19/10/2021, 02/11/2021, 24/11/2021, 30/11/2021, 07/12/2021, 29/11/2021, 21/01/2022).

Below we will first present the few individual cases of party work among Chinese businesses in the Netherlands that we have been able to find in our documentary research, after which we will cast our net wider to include party and party-related work elsewhere in Western Europe.

At the start of the Covid-19 pandemic in China in early 2020, Chinese companies and overseas Chinese in the Netherlands responded by raising funds and sending medical supplies to Wuhan. These efforts often ran through the CCP's organizational network. While explicit references to the Party in this campaign were almost always carefully avoided, in at least one case in the Netherlands a few mentions of the Party slipped through the net (interview 02/11/2021).

In January 2020, the China Construction Bank's (CCB) branch in Amsterdam quickly established an epidemic prevention and control working group in accordance with the

requirements of the CCB Head Office Party Committee in Beijing. Party members and other employees donated 1,520 euros in total. Even if very modest in scale and serving a rather practical non-political cause, party organization and activities thus exist at least among the Chinese employees of this particular Chinese bank. Also worthy of note is the fact that the Chinese embassy and the Dutch Chinese Enterprise Association (ACIEN) had issued the original call for donations, suggesting the Party's network or organization also extend there.<sup>41</sup>

In a 2016 article on the Belt and Road, the Fujian Daily not only praised Xiamen Airlines as a “pioneer’ of the Silk Road in the air”, but also for its party building in China and abroad. According to the article, Xiamen Airlines established ten new party groups in its overseas offices, including the one in Amsterdam, in order to achieve full coverage of corporate development and party building. Xiamen Airlines also set up a temporary party group for its crew on international and intercontinental flights. The airline is commended for its use of “Internet+” methods for an online party building exchange platform and online party school classrooms. The airline’s WeChat official account – for unfathomable reasons called “Xiamen Airlines Smurfs” – has a readership of 260,000 people, providing access abroad to party building materials. No particular information is given about the purpose of party building at Xiamen Airlines. Given the nature of an airline’s operations it seems likely that strengthening the ties of crew and staff with the party committee back home is more important than strategic direction or control by higher levels of the party apparatus.<sup>42</sup>

In 2011, Beijing Hainachuan Automotive Parts took over the Dutch company Inalfa Roof Systems, the world’s second-largest car sunroof producer. Hainachuan in turn is part of Beijing Automotive Industry Group (BAIC), a Fortune-500 holding company owned by the government of Beijing municipality. Inalfa now has several production sites in China that cater to the booming car industry there. Inalfa is actively involved in the activities of both Hainachuan and its parent company BAIC both in China and abroad. The BAIC party committee dispatches employees for extensive overseas training at Inalfa in the Netherlands and the United States. Inalfa has also received the deputy party secretary of BAIC and general manager of Hainachuan for an inspection visit in 2017, while a member of the BAIC party committee visited Inalfa’s production site in Shanghai in 2018. In 2017, Inalfa participated in the BAIC group’s “fourth corporate culture and third pioneering award ceremony” where award winners were commended for their achievements, including those in party building.

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<sup>41</sup> 建行（欧洲）阿姆斯特丹分行积极捐助驰援疫情抗战斗 (CCB (Europe) Amsterdam Branch actively donated to aid the fight against the epidemic), posted on the ACIEN website, 10 February 2020, <https://www.acien-nl.com/news/20200210>, read on 20 January 2022.

<sup>42</sup> “‘一带一路’党旗飘扬 (The “Belt and Road” party flag flutters), 福建日报 (Fujian Daily) 19 December 2016, <https://news.ifeng.com/c/7fbCOiSLSY0>, read on 20 January 2022.

Clearly, BAIC and Hainachuan's party organization are prominently involved in directing Inalfa and its integration into the two parent companies. Emphasis is also put on learning from Inalfa's Dutch and American expertise and experience and help BAIC expand globally.<sup>43</sup>

Shanghai Zhenhua Heavy Industry (ZPMC) is a large manufacturer of port machinery and heavy equipment that is controlled by China Communications Construction Company (CCCC). CCCC in turn is fully owned by the State-owned Assets Supervision and Administration Commission of the Chinese central government (SASAC), and a Fortune-500 company. In 2016, ZPMC held an "Overseas Work Conference" in Shanghai where overseas party building was identified as one of the requirements of ZPMC's integration into CCCC's strategy of overseas priority development.<sup>44</sup> In 2019, ZPMC's party committee held an "Overseas Organization Debriefing and Integrity Evaluation Meeting" at which the representative of the Dutch subsidiary carried out a debriefing. According to the published report on the meeting: "carrying out debriefing work in overseas institutions is an important measure to comprehensively improve the quality of party building and consolidate the political responsibility of governing the Party at every level. In the future, the company's party committee will regularly carry out an evaluation of the work and integrity of the heads of overseas institutions, focus on improving the management level of overseas institutions, and comprehensively strengthen overseas party building work."<sup>45</sup>

ZPMC's party building work in the Netherlands and elsewhere thus ensures that the party committee back in Shanghai can monitor and influence the operations of its foreign

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<sup>43</sup> The information on Inalfa we have taken from the following documents found at various WeChat official accounts of BAIC, including: 海纳川在北汽集团第四届企业文化节开幕式上获得多项荣誉 8月1日 (Hainachuan won a number of honours at the opening ceremony of the 4th BAIC Group Corporate Culture Festival), 今日海纳川 (Hainachuan Today) 3 August 2017; 北汽集团党委副书记、总经理张夕勇调研海纳川英纳法并慰问北汽集团海外培训学员 (Zhang Xiyong, deputy secretary of the party committee and general manager of BAIC Group, investigates Hainachuan Inalfa and expresses greetings to the overseas trainees of the BAIC Group), 今日海纳川 (Hainachuan Today) 20 March 2017; Zhang Hui, Member of the Standing Committee of the Party Committee of BAIC Group and Chairman of the Labour Union, visited Inalfa Shanghai Company for research.), 北汽集团工会宣 幸福北汽 e 家 (BAIC Group Labor Union Happy BAIC e-Home) 19 April 2018. 北汽集团智力资源开发汇能项目 —— 英纳法海外人才培养项目 (三期) 内部选拔通知 (BAIC Group Intellectual Resource Development Huineng Project - Inalfa Overseas Talent Training Project (Phase III) Internal Selection Notice); 发挥境外企业优势 助推北汽快速发展 —— 北汽集团党委常委、工会主席张辉到英纳法上海公司调研 (Leveraging the Advantages of Overseas Enterprises to Promote the Rapid Development of BAIC).

<sup>44</sup> 宋海良、孙子宇出席振华重工 2016 年海外机构工作会议 (Song Hailiang and Sun Ziyu attend ZPMC Heavy Industry's 2016 Overseas Organization Work Conference), 24 February 2016, [http://www.boraid.cn/company\\_news/news\\_read.php?id=433741](http://www.boraid.cn/company_news/news_read.php?id=433741), read on 19 January 2022.

<sup>45</sup> 加强海外党建! 振华重工开展 2019 年度海外机构述职述廉考评会 (Strengthen overseas party building! ZPMC launched the 2019 Overseas Organization Debriefing and Integrity Evaluation Meeting), <https://tech.viewwan.com/news-id-8895.html>, read on 19 January 2022.

subsidiaries. This in turn is part of an integrated strategy of foreign expansion of ZPMC's holding company CCCC, which is heavily involved in all kinds of Belt and Road projects in China and across the world. In sum, we conclude that party building in this particular company in the Netherlands may serve the strategic interests and objectives of the Chinese central authorities in the Rotterdam harbour, although the main purpose of party building is focussed on the party's organization abroad and its connection with the party organization at the parent company.

From our interviews we also got some limited information on party building in Chinese-invested companies, but in none of the cases did this lead to party influence over the operations of the firm. Typically, the interviewees would tell us that although all companies in China have party members, they do not interfere with the business of the company. The Party would support the company by developing a good policy and climate for companies, in other words, broader strategic support. Yet, the company would be free in developing its activities and operations in foreign markets as long as it does not damage China's image (interviews 19/10/2021, 24/11/2021).

We believe our interviewees to be truthful and we ascribe the lack of evidence of the impact of party building in Chinese-invested firms in the Netherlands to three quite different factors.

First, as we have seen from the ownership structures of our ACIEN sample, only half of those firms have a state-owned largest ultimate beneficiary owner, and only a third have a largest UBO with strategic control. Enterprises that are both state-owned *and* majority state-controlled are therefore only a minority of the main Chinese-invested firms in the Netherlands studied in this report. Moreover, we have to reiterate here that our access to these SOEs has been limited.

Second, party building in as far as it happens in the Netherlands itself is low-key and relatively small-scale, having little bearing on the normal operations of Chinese companies here.

Third and perhaps most importantly, as described in the former chapter(s), the majority of the employees at most Chinese-invested companies that we have interviewed have been recruited locally. In these mainly privately-owned companies, the number of expatriates sent by the parent company is very limited, usually just making up part of the top management, and technical or service personnel with specific expertise regarding the products of the company. As we pointed out in chapter 4, the majority are Chinese graduates from Dutch universities and some locally-born Chinese Dutch people without roots in the parent company, complemented by non-Chinese (Dutch or other foreign) employees. We only encountered a few locally-hired Chinese employees that were targeted by party building efforts from the parent company. They were actually not interested, since it would imply a lot of paperwork

and formalities. Party membership would only be important for them if they had had the ambition for a particular career path back in China, which was not the case. Most employees might have experienced limited party activity in more indirect ways – such as team building, corporate culture, or public relations – but usually without being aware of possible party involvement in these efforts.

This does not mean that party influence is absent. State-owned enterprises and banks – as well as privatized former state-owned enterprises – that are present in the Netherlands tend to have a very strong party organization in China itself, which, as we have seen earlier in this chapter, was further strengthened during the 2016 nationwide party building drive. Any strategic steering of the Dutch subsidiaries of these companies is likely not to happen through their local party branches, even where they exist, but at a higher level by the party committee and party secretaries in China itself. From our interviews we found that this kind of party influence is only very partially visible to the management in the Netherlands.

Typically, we would be told is how the company's board members have different orientations and responsibilities, where some would be oriented towards international business, others on the domestic (Chinese) business, and a third group focussed more on Chinese political or CCP matters. This last group of board members were characterized as active listeners rather than active talkers during board meetings; they monitor and report, but only rarely intervene. The chairman was typically portrayed as focussed on the wider business strategy and the company's future rather than on operational matters, and never explicitly mentioned party requests. The company's party secretary would be involved in appointments and in projects commissioned by the government which partly would determine a company's key performance indicators (KPIs). However, the party secretary was believed to have less influence than the CEO and no influence on the daily operations of the company (interviews 09/11/2021, 24/11/2021, 07/12/2021, 17/12/2021a).

Possible exceptions to this pattern are subsidiaries of highly strategically placed companies like ZPMC and state-owned banks. Regarding the latter we have already seen that the China Construction Bank has a confirmed party branch in the Netherlands. The same is likely to be true for the other commercial state banks in the Netherlands, also given the density of party members in the Chinese financial sector in general. The management of these banks in the Netherlands predominantly consists of expatriates, and the nature and extent of their operations here remain opaque and not necessarily only driven by profit (interview 17/12/2021).

### 6.3. Commitment to overseas party building of Chinese-invested firms in the Netherlands

Although the extent of party building work in the Netherlands is limited, many Chinese companies in the Netherlands are in general committed to overseas party building work, although there is no indication that they do so specifically in this country. Without being able to be fully exhaustive, we checked the Chinese media, academic publications, the internet and official WeChat accounts on overseas party building for 54 companies listed in July 2021 on the website as members of ACIEN.<sup>46</sup> We found references to overseas party building work for one-third (18 of 54) of these companies, including Sinochem, China Eastern Airlines, Taiping Insurance, Industrial and Commercial Bank of China, China Telecom, Yili and COSCO. Most, but not all, of these companies are state-owned or formerly state-owned, showing that foreign party building has also started to enter the privately-owned sector. We would like to emphasize that the sources we found do not specifically mention party building work in the Netherlands, but only indicate that these firms are openly committed to carrying out such work in general or in principle.

One source on party work among Chinese companies (both state and private) explicitly mentions Huawei: “Huawei attaches great importance to party building work, and appoints a full-time party secretary to be responsible for party building work. Huawei organically combines party building work with business according to the actual overseas conditions, which promotes the development of overseas business.”<sup>47</sup>

Another source goes even further. In 2017, the party committee of the China Chamber of International Commerce organized party members and cadres to conduct a party building research event at the Convention and Exhibition Centre of Huawei Technologies in Beijing. At the event, Huawei was praised for its active role in participating in CCPIT and International Chamber of Commerce activities. Huawei’s director of government affairs in turn stated that Huawei attached great importance to party building work, and would appoint a full-time party secretary to be responsible for party building work.<sup>48</sup>

We would like to stress that none of this indicates that party building at Huawei takes place specifically in the Netherlands, and we have found no evidence for this. Moreover, this anecdotal evidence about one event took place already some time ago. However, the

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<sup>46</sup> ACIEN has started updating an expanding its website in 2021 and 2022, and currently lists more members than the 54 in July 2021.

<sup>47</sup> [http://www.ccpit.org/Contents/Channel\\_3523/2017/0408/785797/content\\_785797.htm](http://www.ccpit.org/Contents/Channel_3523/2017/0408/785797/content_785797.htm). This source has since been deleted from the internet and internet archives.

<sup>48</sup> 党建促业务 中国国际商会党委开展党建调研活动 (Party building promotes business: China International Chamber of Commerce Party Committee conducts party building research activities), China Chamber of International Commerce website 9 April 2017, <http://www.ccoic.cn/cms/content/7268>, read on 21 January 2022.



documentation presented above does show that even a leading private company like Huawei can be compelled to commit to foreign party building more generally.

#### 6.4. Party building among Chinese-invested firms elsewhere in Europe

Recent research in the *United Kingdom* has revealed that party committees and party building work are commonplace among the subsidiaries of Chinese state-owned oil companies. Chinese and non-Chinese employees of these firms reported that their party committees mainly organized expats sent by the parent company in China, but sometimes also attempted to recruit members from among locally-hired Chinese employees. Concentrating on the expats, who tend to be younger and less experienced, also has an element of training and talent spotting. Proving their worth and loyalty to the Party in the relative shelter of a foreign posting, these younger party members are groomed for a future party-led career at the headquarters or perhaps elsewhere in China (Makarchev et al. 2022).

Also in the UK, China Telecom’s European headquarters periodically attends “party activities and clean government events” organized by the Chinese Embassy in the UK. During these events, the overseas branches of several central-level SOEs interact with each other in order to fulfil the requirement of “no exception overseas and in Special Administrative Regions” to party building work.<sup>49</sup>

This particular case of Party-building might also be relevant for the Netherlands, since the representative office in The Hague is a branch of the company’s European headquarters in the UK.<sup>50</sup> Nevertheless, given the fact that the China Telecom office in The Hague has only seven employees, five of whom are locally recruited, the existence of an independent party branch at the office seems extremely unlikely. Instead, it is more realistic to assume that party members in The Hague – if they exist at all – participate in party activities in London; for instance using an online tool called “clean government GPS” developed by China Telecom itself to facilitate distance learning of Party directives and regulations.<sup>51</sup>

Unlike the Netherlands, there are more than just a few isolated cases of party building in *Germany*. According to China’s official news agency Xinhua, in 2018 the Chinese Consulate-General in Munich hosted a discussion meeting with representatives from ten Chinese

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<sup>49</sup> 加强央企境外机构监督：管党治党海外无例外 (Strengthen the supervision of overseas institutions of central-level SOEs: there is no overseas exception for the management of the party), originally published on *People’s Web* on 13 September 2018, online at <http://www.fird.gov.cn/ct/3-142259>, read on 21 February 2022.

<sup>50</sup> Information on China Telecom on the ACIEN website <https://www.acien-nl.com/members/chinatelecom>, read on 21 February 2022.

<sup>51</sup> See “强央企境外机构监督.”

companies in Bavaria. At the meeting, both sides discussed problems and difficulties in carrying out party work in Germany. The party officials from the consulate affirmed the inherent need to implement the CCP's new principle of "comprehensively and strictly managing the Party", and pointed out that party work should aim to build a positive image of Chinese companies in Germany.<sup>52</sup> Another source suggests that a Chinese state-owned enterprise in Düsseldorf engages in party work in their company.<sup>53</sup>

Motivations and objectives in Germany hardly differ from party work carried out elsewhere. For example, the party secretary of China Tungsten, a subsidiary of the central-level state-owned enterprise China Minmetals, has required that the party organization in Germany emphasize the following four points: first, be loyal to the Motherland and the Party, which also entails stepping up communication with the embassy so that the company can better align its activities with China's national interest. Second, to implement "Internet+" in party work to solve the problem of low numbers and concentration of Party members in Germany, and to make sure that individual party members spend time on "party theoretical study" and interact with each other to "learn ideas, talk about understanding, talk about perception." The third purpose is promoting "clean government", meaning that the company should comply with local regulations and norms. The fourth purpose focuses on boosting the productivity of the company.<sup>54</sup>

China State Construction Engineering Corporation is one of the world's largest corporate conglomerates. Its First Bureau's International Engineering Company is active in 26 countries on four continents. The Bureau considers Germany one of its core markets. As one of China's largest state-owned enterprises, it should be no surprise that China State Engineering and its First Bureau have been very active in party building work, including overseas. In Munich, the First Bureau in 2016 operated a project party branch together with the Chinese Consulate-General. According to an article written by the secretary of the party committee and chairman of China Construction First Engineering Corporation International Engineering Company, the

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<sup>52</sup> 新华社 (Xinhua News Agency), 中国驻慕尼黑总领馆举办中资企业党建工作座谈会 (Chinese Consulate General in Munich Holds Symposium on Party Building Work in Chinese Enterprises), (17 June 2017), [http://www.xinhuanet.com/world/2017-06/17/c\\_1121161430.htm](http://www.xinhuanet.com/world/2017-06/17/c_1121161430.htm), July 2021. This webpage has since been deleted from the internet, but the archived webpage is available at: [https://web.archive.org/web/20190606150518/http://www.xinhuanet.com/world/2017-06/17/c\\_1121161430.htm](https://web.archive.org/web/20190606150518/http://www.xinhuanet.com/world/2017-06/17/c_1121161430.htm), read on 24 January 2022.

<sup>53</sup> 成都两新党建 (Chengdu Liangxin party-building). 【一周一企】成都市新筑路桥机械股份有限公司：抓党建、破难题、促发展 ([One enterprise a week] Chengdu Xinzhu Road and Bridge Machinery Co., Ltd.: focus on party building, solve problems, and promote development), 29 September 2018.

<sup>54</sup> 中钨高新材料股份有限公司党群工作部 (Party Working Group of China Tungsten), 李仲泽一行考察海外企业党建工作 (Li Zhongze and his party inspect the party building work of overseas enterprises), 5 December 2019.

most important objective of party building is to align companies with China's national interest and the Belt and Road strategy.<sup>55</sup>

A final source on Germany that we would like to mention emphasizes the need for companies to follow the principle of full coverage of grassroots Party organization: "Where the business extends, the party organization will be built, the party building work will be carried out, and the role of party members will be brought into play." The article uses Weichai Group, a state-owned enterprise from Shandong province, as a case study, mentioning that this is also true for its activities in Germany.<sup>56</sup>

### 6.5. Chinese state agencies and overseas party building in Europe

As the example from Bavaria given above shows, overseas party building involves not just the party organization of the companies involved, but also certain agencies of, or associated with, the Chinese state. The Chinese Ministry of Commerce and its associated foreign agencies actively encourage party building among Chinese enterprises abroad, including privately-owned ones.

The *China Classification Society* (CCS) is a non-profit organization under the Chinese Ministry of Transport. CCS is also a member of the International Association of Classification Societies (IACS). In the Netherlands, the CCS is registered as a company with the Dutch Chamber of Commerce. A 2019 article on the organization's own website reports on a visit of CCS vice-president Zhong Xiaojin to the Chinese embassy in Sweden. During his visit, the vice-president expressed his gratitude to the Chinese Embassy to Sweden for their support and participation in overseas party building. Apart from employees of the CCS office in Stockholm, those of the Hamburg branch were also present at the meeting, indicating the existence of party building activities that transcend EU member state borders.<sup>57</sup>

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<sup>55</sup> Wei 2019; 中建一局国际部扎实推进海外项目“两学一做” (The International Department of China Construction First Engineering Division has solidly promoted “two learning and one doing” of overseas projects), company document posted online on 11 August 2016, [https://www.cscec.com/ztlz\\_new/lxyzxy59/zqygztjqk59/201608/2757597.html](https://www.cscec.com/ztlz_new/lxyzxy59/zqygztjqk59/201608/2757597.html), read on 22 January 2022.

<sup>56</sup> 中共潍柴控股集团有限公司委员会 (CCP Party Committee of Weichai Holding Co., Ltd.), 红色引擎驱动企业高质量发展 (The red engine drives the high-quality development of enterprises). 国企。党建 (State-owned enterprises and party building) December 2019: 35-39. (2019).

<sup>57</sup> 中国船级社副总裁钟小金拜访中国驻瑞典大使馆 (Zhong Xiaojin, Vice President of China Classification Society, visits the Chinese Embassy in Sweden), 21 November 2019, online at <https://www.ccs.org.cn/ccswz/articleDetail?id=201900001000010669>, read on 21 February 2022.

In chapter 2 and 4 we already encountered the *China Council for the Promotion of International Trade* (CCPIT). CCPIT is one of the many associations and agencies directly linked to the Ministry of Commerce in Beijing and has itself a number of semi-state associations linked to it. One such association is the China Chamber of International Commerce (CCOIC), an organization which is governed by – and whose staff overlaps with – CCPIT (interview 08/12/2021). CCPIT promotes trade and investment of foreign companies in China and Chinese companies abroad.<sup>58</sup> As a semi-government agency, CCPIT itself must engage in party building work among its staff, both in China and those posted abroad, particularly since the start of the 2016 party-building drive. In a People’s Daily article on the subject, party building at CCPIT offices in many European countries (France, Germany, Poland, Italy, Russia, Belgium) is explicitly mentioned. Moreover, CCPIT’s foreign party building happens in cooperation with the economic and commercial sections of local Chinese embassies. These sections are the diplomatic arm of the Ministry of Commerce and their participation in CCPITs foreign party building activities is direct evidence that both the Ministry and Chinese embassies are involved in party building in several major European countries.<sup>59</sup>

More importantly, CCPIT party building is by no means limited to its own organization and offices. Again, together with the economic and trade sections of local Chinese embassies, CCPIT is involved in the CCP’s geopolitical party-building strategy.<sup>60</sup> In those countries where it has an office or is otherwise active, CCPIT is responsible for facilitating the setting up of associations of Chinese enterprises and serves as a member of the management board of such organizations. Its work with an association includes party building work among the firms that are member of that association.

In Italy, for instance, systematic and regular party work takes place at the *Association of Chinese Enterprises in Italy*. In 2018, the counsellor of economic and commercial affairs of the Chinese Consulate-General in Milan visited the office of CCPIT Italy, where party-building

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<sup>58</sup> In the Netherlands, only the Guangdong province CCPIT had an office in The Hague for a number of years until 2019. This office reported to the Guangdong provincial government and operated as a trade and investment promotion agency independently from CCPIT at the central level. We will return to CCPIT’s work in the Netherlands in the next chapter.

<sup>59</sup> 中国贸促会：贯彻落实六中全会精神 切实加强驻外机构党组织建设 (China Council for the Promotion of International Trade: Implement the spirit of the Sixth Plenary Session and effectively strengthen the party organization building of foreign institutions), 人民网 (People’s Daily Online), 2 December 2016, <http://dangjian.people.com.cn/n1/2016/1202/c117092-28920948.html>, read on 21 January 2022.

<sup>60</sup> 驻意大利代表处 (Representative Office in Italy), 驻意大利代表处拜会我驻米兰总领馆经济商务室 (The representative office in Italy met with the Economic and Commercial Office of the Chinese Consulate General in Milan), 8 August 2018, [http://www.ccpit.org/Contents/Channel\\_4022/2018/0808/1044905/content\\_1044905.htm](http://www.ccpit.org/Contents/Channel_4022/2018/0808/1044905/content_1044905.htm). This source has since been deleted from the internet, but an archived version is available at [https://web.archive.org/web/20190/324174743/http://www.ccpit.org/Contents/Channel\\_4022/2018/0808/1044905/content\\_1044905.htm](https://web.archive.org/web/20190/324174743/http://www.ccpit.org/Contents/Channel_4022/2018/0808/1044905/content_1044905.htm), read on 24 January 2022.

among Chinese companies in Italy was discussed.<sup>61</sup> At a seminar with the ambassador, CCPIT, as well as representatives from individual Chinese enterprises, including COSCO, Bank of China, and Huawei, the ambassador identified the main party building tasks of CCPIT and the Association. These were (1) to integrate business activities with the BRI strategy and promote the growth of China's infrastructure and harbour construction industry; (2) to facilitate the upgrade of China's manufacturing; (3) to enhance risk control, to abide by local rules, customs and regulations, as well as to tell the "Chinese story"; and (4) to fully integrate party building and business.<sup>62</sup>

In 2019, a meeting of the *Chinese-funded Enterprises Association* membership was held in Istanbul in Turkey, with representatives of 26 members. The consul-general, who was the secretary of the party committee of the Chinese Consulate in Istanbul, attended the meeting, as did the consul for economy and commerce and member of the party committee. At the meeting, a report on party building, safety and overall work of the association was presented.<sup>63</sup>

## 6.6. Summary and conclusion

There is very limited direct evidence of CCP party building work among Chinese-invested firms in the Netherlands. Some more evidence exists of the role played by the party committees of parent firms in China, but this tends to be indirect and strategic without involvement in the normal operations of their subsidiaries in the Netherlands. Altogether, there might be a limited amount of CCP influence in Chinese-invested firms, but this has not generated any deliberate influencing of their role and work in the Netherlands, let alone deliberate and potentially malign interference.

Nevertheless, the evidence presented here on the wider context does show the existence of a deliberate drive to step up party building efforts, particularly in those European countries with a larger number and size of Chinese-invested firms, especially state-owned and state-

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<sup>61</sup> 驻意大利代表处 (Representative Office in Italy), 我驻意大利大使李瑞宇到访驻意大利代表处 (Chinese Ambassador to Italy Li Ruiyu visited the representative office in Italy), 16 January 2019, [http://www.ccpit.org/Contents/Channel\\_4022/2019/0116/1113581/content\\_1113581.htm](http://www.ccpit.org/Contents/Channel_4022/2019/0116/1113581/content_1113581.htm). This source has since been deleted from the internet and internet archives, but has been archived by us.

<sup>62</sup> [http://www.ccpit.org/Contents/Channel\\_4022/2019/0116/1113581/content\\_1113581.htm](http://www.ccpit.org/Contents/Channel_4022/2019/0116/1113581/content_1113581.htm). This source has since been deleted from the internet and internet archives.

<sup>63</sup> 中国电建荣获伊斯坦布尔中资企业协会 2018 年度突出贡献奖 (PowerChina won the 2018 Outstanding Contribution Award of the Istanbul Chinese Enterprise Association), 26 March 2019, <http://www.powerchina-intl.com/gszx/988.html>, read on 21 January 2022.

controlled ones. Moreover, certain Chinese (semi-)state agencies and firms are committed to overseas party building work.

We conclude that monitoring is required of the degree, the nature and the aims of party building in the Netherlands. However, this ought not be premised on the assumption that all types and aspects of party building run counter to Dutch interests. As we have seen in this and the previous chapter, party building chiefly targets party members abroad with the aim to tie them firmer into the system back in China. As long as this stays within the confines of Dutch law and does not facilitate unwanted interference in Dutch affairs, this is neither particularly good nor particularly bad, but a normal aspect of the Chinese presence in the Netherlands.

## Chapter 7: Conclusions

In this report we have described how Chinese business elites are connected to each other and to Dutch and other international business elites. Subsequently, we looked at how Chinese and Dutch business elite networks and interactions influence the management, operations and corporate strategies of Chinese-invested firms in the Netherlands. Finally, we analysed to what extent Chinese businesses in the Netherlands are connected to or influenced by the CCP. We then turn to the role of the CCP's organizational structure plays abroad, as well as what purposes this serves.

In answering our research questions we started by sketching the development of Chinese firms and investments in the Netherlands, and highlighted some of the main features, driving forces and support structures in shaping these investment patterns. We also investigated the ownership structures of the main Chinese-invested firms in the Netherlands. Subsequently, we analysed the business elite and political networks at the headquarters back in China of the main Chinese firms in the Netherlands, as well as the directors and management of the overseas subsidiaries in the Netherlands.

We triangulated our findings through a series of interviews which allowed us to study how Sino-Dutch business relations and interactions influence the management, operations and corporate strategies of Chinese-invested firms in the Netherlands, and discussed their interactions with the headquarters back in China.

The final part of our study focused more explicitly on the connections and influence of the CCP. We started with an analysis of CCP activities and party building more generally – within China and abroad. Subsequently, we moved to an overview on CCP party work at the level of the parent companies of Chinese-invested firms in the Netherlands. Finally, we zoomed in on party building in the Netherlands itself. Below, we will summarize our main findings, and conclude with a reflection on their wider implications in the context of growing geopolitical rivalry between the West and China and the politicization of Sino-European relations in the public debate in the Netherlands.

### 7.1. Main findings

Chinese investments in the Netherlands go all the way back to very modest beginnings in the 1980s. In the 1990s and 2000s, Chinese investments entered a new phase, mostly on the initiative of Dutch intermediaries, banks, investors and local governments. Caught up in the hype about China's rise, they initiated plans for Chinese investment projects that often failed to deliver on their expectations.

From about 2010, Chinese investments started to come to the Netherlands in greater numbers, but this time at the initiative of Chinese companies themselves. Some sought to expand their market overseas and chose the Netherlands as convenient trading and distribution hub for the European market. Other companies acquired stakes in Dutch companies for their market access, technologies, products or brands. Yet another kind of acquisitions were those made by private investors or asset management companies.

After the Chinese government restricted capital outflow from China in 2017, Chinese investments dropped suddenly, only to rebound again in 2020 despite the Covid-19 crisis and mounting geopolitical tensions. Currently, Chinese investments in the Netherlands include projects by some of China's largest privately-owned firms that are part of the rapid internationalization of Chinese companies driven by the often fierce competition in China itself.

Based on the data sets compiled for this project, 595 companies in the Netherlands are ultimately owned by mainland Chinese entities or individuals operating in the Netherlands. This includes their manifold regional branches, holdings, and subsidiaries registered in the Netherlands. Chinese-invested companies in the Netherlands tend to be relatively small subsidiaries of often very large state-owned or privately-owned companies. They focus on distribution, marketing, sales, servicing and research & development. Their products are imported either from China or from production or assemblage facilities in Eastern Europe or Asia.

China is home to some of the largest companies and financial institutions in the world that take on each other and their foreign counterparts as competitors across the globe. The investments in the Netherlands are a modest but significant part of their global strategies. These subsidiaries operate relatively independently from the parent firms. They are staffed by a mix of Chinese expats and locally hired Dutch, Chinese or foreign managers and employees. Geographically they are primarily located in (and around) the three large municipalities in the West of the country: Amsterdam, Rotterdam, and The Hague. Eindhoven is the fourth largest hub of Chinese companies.

Chinese-invested companies are supported by an elaborate infrastructure of Dutch and Chinese firms that provide legal, taxation, IT, marketing, public relations and other services that help tailor their operations to the Netherlands. Associations, business clubs and personal connections tie Chinese companies together into a loose network of support and information exchange. While limited Sino-Dutch interaction and exchange takes place within these networks, there are still clear boundaries between the Dutch and Chinese business communities. This gap seems to widen due to the politicization of the relationship with China and the polarization of the public debate.



Dutch and Chinese government agencies support and facilitate Chinese investments. The degree of strategizing and steering by government agencies varies a great deal and also changes over time. Dutch foreign investment agencies have recently become more selective, supporting only companies that fit the Dutch “eco-systems.” Regarding privately-owned companies, Chinese government agencies tend to focus on the general rhetoric of the Belt and Road Initiative, technological development and innovation (the no longer mentioned but still underlying *Made in China 2025*), and the promotion of general goodwill for China. The guiding and directing hand of the Chinese party and state behind certain state-owned banks and enterprises is much more tangible and explicit. However, this is certainly not true for all state-owned entities, and in all cases profit, expansion, and innovation remain the overriding driving force of their foreign investments. We also found evidence of the explicit intention to learn from the West via foreign directors who are expected to act as independent and critical advisors and interlocutors on the boards of Chinese firms and banks.

Among the main Chinese firms in the Netherlands (i.e. our ACIEN sample), half is owned by a private ultimate beneficial owner (UBO); the other half has a state-owned entity as UBO. In a third of the ACIEN sample the state has a controlling stake of 50 per cent or more. The other two-thirds consists of firms that are either privately controlled, or firms whose ownership consists of a mix of state-owned and private minority owners. We also found indications of state portfolio ownership. Here the state primarily behaves as a venture capitalist seeking a financial return.

Inferring influence and control from levels of state ownership is complicated by the opaque and complex patterns of dispersed ownership that characterize contemporary Chinese corporations, which have become more transnational, hybridized and financialized over the past decades. In addition, Chinese state ownership patterns are characterized by different layers of governance, authority and control within the Chinese party-state; informal routes of control and influence; westernized managerial practices and economic governance; and external pressures from host institutions and regulations. Conversely, Chinese private ownership is often not devoid of party-state influence and control. This illustrates the need to analyse other modalities of control and influence in Chinese corporations in addition to ownership structures and to treat the latter with care and nuance.

The boards of the parent companies of Chinese firms and subsidiaries in the Netherlands are populated by a globalized Chinese business elite. They are often educated abroad, adopt Western corporate directors as advisors in their midst, and connect to Western businesses through shared board positions and more informal business networks (associations, conferences, economic forums, business clubs). These Sino-Western encounters tend to foster trust, adaptation and consensus around business operations, financial and corporate

management and strategy. The integration of this elite contrasts starkly – and is also negatively affected by – the growing geopolitical rift and antagonism between the West and China.

Similar patterns pertain to the management teams and strategies at the level of the Chinese firms in the Netherlands. Although the majority of registered directors of ACIEN member firms in the Dutch Chamber of Commerce are Chinese, we found a significant share of Dutch nationals and mixed boards. Moreover, the management teams of the majority of Chinese firms in the Netherlands are often mixed, a result of the recognition on the part of the company headquarters of the need to possess local knowledge – an awareness that has only grown over the years.

For most Chinese managers and professionals – as well as CEOs and other influential people in the companies – education and business experience abroad are the standard. This shapes and westernizes their approach to management and business. Their work and exchanges as part of mixed management teams fosters trust building, adaptation and learning, and consensus-shaping around shared principles.

Whilst the CCP most certainly is not a friend of multi-party democracy and vigilance to preserve our system and values is at all times required, the Party first and foremost simply is the organization that shapes, leads and coordinates politics, society and economy in China. With Chinese firms, capital, products and expertise having gone global, the CCP finds it necessary to assume a coordinating and controlling role over China's presence outside its borders. This does not imply that the CCP also wants to have control or coordination over the politics and societies of other countries.

The CCP builds its own organization abroad to reintegrate back into its system the foreign extension of Chinese society and economy: Chinese projects, Chinese enterprises, and Chinese students. The Party treats these as being “inside the system”: Chinese enclaves organized along Chinese principles, serving Chinese interests and dealing with their foreign environment on (hybridized) Chinese terms. Party building ensures that Chinese actors abroad do not stray too far from the interests, plans and objectives of the CCP and its vision for the Chinese nation. The need for this is evidently so great that it in countries where CCP party work is discouraged or even forbidden, the Party is happy to operate covertly or under the guise of team building and corporate culture.

Overseas party work caters to three quite different agendas. First, party building work principally helps Chinese businesses in their local operations and strengthens the brand of Chinese business. Second, party building ties Chinese actors abroad to the system back home and the interests of the CCP. Third, party building work also contributes to China's foreign

policy strategy in promoting the “Chinese story,” the “Chinese way”, the “Belt and Road” and the “shared community of mankind.”

Direct party building in the Netherlands is still limited, especially when compared to other countries, including some in Europe. Subsidiaries or offices in the Netherlands of all Chinese-invested companies we have interviewed for this research have a great deal of autonomy in their operations and business strategy. All subsidiary companies that we have had the opportunity to speak to have come to the Netherlands as part of the parent company’s global expansion. Their aim is to grow and turn a profit rather than serve China’s foreign policy objectives or exert influence over Dutch society.

With a few exceptions, private companies or joint ventures in the Netherlands operate largely free from the organizational and political influence of the Party. Subsidiaries of larger companies, particularly those partially or wholly owned by the state and former state enterprises, nevertheless experience the influence of the party organization of the parent company, but this does only have a limited impact on the conduct of their business in the Netherlands. Only strategically placed state-owned enterprises, organizations and banks are involved in party building activities and serve the strategic aims of the CCP in addition to their own business interests.

## 7.2. The spectre of Chinese interference

A wave of mainly think tank reports has recently been published on Chinese influence, influencing and interference in Western countries. This started around 2017 when the honeymoon between China and the US and other western countries was well and truly over. Concerns began to mount about Chinese unfair trade practices, government support for Chinese companies, technology theft, and more generally a CCP strategy to use China’s mounting global economic footprint to challenge Western hegemony.

An escalation is taking place in the presentation of the multitude of ties between China and other countries, particularly countries that are part of the global West. Think tank reports, briefings, policy documents and especially media reporting on China are involved in a race to the bottom, seeking to unearth ever more pernicious facts about the threats that China poses.<sup>64</sup>

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<sup>64</sup> Some of the better-known publications that have set the tone of the debate are the following: Brady 2017; Benner et al. 2018; Diamond and Schell 2019; Joske 2020; and Hamilton and Ohlberg 2020. Recent alarmist reports in Europe include Charon and Jeangène Vilmer 2021 and Codarin et al. 2021. In the Netherlands, think tank reports on Chinese influencing tend to be more balanced, or “nuanced” as it is often called, although some of the media find it less easy to resist the temptation of sensational exposures.

This threw another, more sinister light on the plethora of government and non-government ties with China. Local government friendship ties, public diplomacy, research cooperation and exchange, talent recruitment programmes, overseas Chinese policies and more were seen as part of a deliberate strategy on the part of the Chinese Communist Party to gain influence in foreign countries, or even to interfere in democratic politics and undermine democratic political systems. Business ties or investments were also assumed to be included as part of this strategy, particularly where investments in “critical infrastructure” were involved.

Much of this is important to bring to light, but quite a bit is also a matter of framing whatever ties with China that politicians, civil servants, academics, businesspeople and other elites might have as dangerous or ill-intended by default. Such politicization of China ties is already beginning to make victims in Australia, America and Europe, and is alarmingly limiting the range of acceptable opinions in public debate.

Chinese influencing and on occasion even interference certainly exist, as well as espionage, IP theft and strategic acquisition of critical infrastructure. China most certainly is already a major military power, challenging other great powers in many domains, especially at or near its borders and at sea and in cyberspace. In other words, China is beginning to behave like a superpower that seeks to project its power across the world.

Some of what the Chinese government or other Chinese actors do does indeed constitute a challenge or even a threat to the interests of other countries. It is, however, vital to parse illicit or damaging behaviour from fair play. Governmental officials or agencies trying to gain influence abroad in order to promote China’s interests or garner support for its point of view; companies trading, investing and competing as part of their plans for global expansion; or universities cooperating with foreign counterparts are all doing what foreign actors from any country would do. Moreover, there is a risk that the Netherlands with the rest of Europe gets caught up in a powerplay between the US and China. The EU and the Dutch government are best advised to chart an independent course with regard to China based on critical engagement rather than alienation.

In our view it is not in the interest of the Netherlands to treat China as a unified, hostile entity that comprehensively has to be kept at bay, contained, or even fought. This is true even though the Chinese Communist Party clearly has a tighter grip on Chinese society than we often find comfortable or in line with our own values. In line with the Dutch government China strategy of 2019, we propose to distinguish the benefits of collaborating with China from the actual or potential risks. We have to engage critically, carefully, and selectively. We have to build adaptive relations based on the identification of mutual dependencies, needs, and complementarities; as we have found already to be the case in a majority of Sino-Dutch business relations.

China policy is not a matter of a choice between crass material interests and lofty values and ideals, or as it is often put in Dutch, choosing the “merchant” or the “preacher.” It is also not a matter of choosing between security and wealth. To have a shimmer of hope to have any influence on the repression of the Uighurs, the imposition of national security legislation in Hong Kong, or the threats against Taiwan at all, we need to identify who our potential partners in China might be and what their interests and perspectives are. This will help us strengthen those relations – be they in business, academia, commerce, non-profit or politics – rather than alienate them from us, due to ignorance or self-aggrandizement.

In navigating the balance between openness and protection, between opportunity and risk, we should take to heart the words of a prominent Chinese scholar of international relations who recently criticized the Chinese government for being too much preoccupied with national security and the conflict with the US:

*If a country wants to pursue absolute security, it must cut off economic and trade relations and practice independence and self-reliance (...) However, this is not only unrealistic, but also brings greater security risks to the country. The country will not be able to use the global market to expand its production, improve the efficiency of its own production, and will not be able to learn from other countries. This can only lead to inefficiency and backwardness, and as a result, the country will only be more insecure in the end. Therefore, although the pursuit of national security is in the national interest, the pursuit of absolute national security is neither realistic nor desirable, and the result will only be counterproductive (Jia 2021).*

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## Appendix 1: Ownership Chinese Subsidiaries in the Netherlands (ACIEN)

STATE OWNED Largest Ultimate Beneficial Owner (UBO)				
Dutch Subsidiary Chinese Parent	Largest UBO	Ownership type	% of Ownership	Sector
<b>Majority Stakes (&gt;50.01-100%)</b>				
CCIC Europe B.V.	SASAC	state central	100	Certification
China Taiping Insurance (UK) Co Ltd, The Netherlands Branch	Ministry of Finance	state central	100	Finance/Insurance
China telecom (Europe)Limited Benelux Representative Office	SASAC	state central	100	Telecom
China Unicom (Europe) Operations Limited Dutch Branch	SASAC	state central	100	Telecom
COSCO SHIPPING LINES (NETHERLANDS)B.V.	SASAC	state central	100	Shipping / Logistics
Petrochina International (Netherlands) Company B.V.	SASAC	state central	100	Petroleum
Sinochem	State Council	state central	100	Chemical industry
Xinhuanet Europe	State Council	state central	100	Media
ZPMC Netherlands B.V.	SASAC	state central	100	Manufacturing Heavy Industry (Steel)
Inalfa Roof Systems Group B.V.	Beijing SASAC	state provincial	100	Automotive
SAIC Motor Europe B.V.	Shanghai SASAC	state provincial	100	Automotive
Beijing Tong Ren Tang PuDu Health Center	Beijing SASAC	state provincial	96,35	Traditional Chinese Medicine
China Construction Bank (Europe) S.A. Amsterdam Branch	SASAC	state central	80	Finance/Banking
NUCTECH NETHERLANDS B.V.	Tsinghua University	state central	76	Technology/security
China Eastern Airlines Corporation Limited	SASAC	state central	73,51	Aviation
China Southern Airlines	SASAC	state central	68,56	Aviation
Bank of China (Luxembourg) S.A. Rotterdam Branch	SASAC	state central	64,02	Finance/Banking
Geneodx	SASAC	state central	51,01	Biotechnology

<b>Minority Stakes (&lt;50.00-10.00%)</b>				
ICBC (EUROPE) S.A. AMSTERDAM BRANCH	Ministry of Finance	state central	50	Finance/Banking
XEMC Darwind B.V.	Hunan SASAC	state central	50	Renewable energy
China Cargo Airlines, Co., Ltd.	SASAC	state central	44,46	Transportation/Aviation
AirChina cargo	SASAC	state central	45	Transportation/Aviation
Hikvision	SASAC	state central	38,88	Technology/Security
Xiamen Airlines Amsterdam Office	SASAC	state central	37,76	Aviation
SNBC EUROPE B.V.	Weihai SASAC	state municipal	18,11	Transportation
ZTE Netherlands B.V.	SASAC	state central	10,59	Telecom / IT
<b>Portfolio Investment (&lt;10.00%)</b>				
Yili Innovation Center Europe	Hohhot SASAC	state municipal	6,44	Food
<b>PRIVATE Largest Ultimate Beneficial Owner (UBO)</b>				
Dutch Subsidiary of Chinese Parent	Largest UBO	Type of Ownership	% of Ownership	Sector
<b>Majority Stakes (&gt;50.01-100%)</b>				
Liangtse	Shi Lei	private	99,9	Health services (wellness)
Huawei Technologies (Netherlands) B.V.	Huawei Worker's Union	private	99,25	Technology/Telecom
Shouguang	Yang Ming	private	99	Food
JSI Holdings BV	Zhang Guiqin	private	90	Business services/consultancy
Kaitai Group	Zhang Laibin	private	90	Manufacturing/Heavy Machinery
HOACO Automation Technology B.V.	Song Guanghui	private	87,37	Manufacturing
Seine (Holland) B.V.	Pang Jianghua	private	82,74	Printing Manufacturing
Redman Europe B.V.	Lu Chun	private	80	Retail Manufacturing
Hanshow Netherlands B.V.	Hou Shiguo	private	74,12	Technology/Digital
Dynamic Oasis B.V.	Ye Yongjian	private	70	Health services
WR FIBERS B.V.	Wu Mingwu	private	68,67	Pulp/paper industry
FLORIN EUROPE INVESTMENT B.V.	Shen Yong	private	68,11	Finance/Investment
China Great Hotel Management B.V.	Zhang Chunze	private	66,67	Hotel management/Real estate investment

LGMG Europe B.V.	Wang Zhizhong	private	65,98	Manufacturing/Heavy Machinery
HAND Enterprise Solutions Europe	Chen Diqing	private	50,57	IT services/Consultancy
<b>Minority Stakes (&lt;50.00-10.00%)</b>				
Apex Global Logistics (NL) B.V.	Chen Jiantao	Hong Kong	50	Logistics/Shipping
Growatt New Energy	Ding Yongqiang	private	42,55	Renewable energy
Hanergy Europe	Liu Xiaolan	private	39,37	Renewable energy/
Dahua Europe B.V.	Fu Liquan	private	38,73	Technology/Security
Hangcha Nederlands B.V.	Chou Jianping	private	38,21	Machinery
CHINT	Nan Cunhui	private	27,1	Renewable energy
Ausnutria Dairy Corporation Ltd.	CITAGRI EASTER Ltd.	foreign	22,05	Food
INFiLED Eropce B.V.	Li Ying	private	19,07	Consumer technology
BYD	Wang Chuanfu	private	17,95	Automotive/EV
Bank of Beijing Amsterdam Representative Office	ING BANK N.V.	foreign	13,64	Finance/Banking

## Appendix 2: Interviews topic list

**Career path and ambitions and those of fellow directors/managers from China.** From where in China. Studied where and remaining contacts. Previous jobs. How and why in the Netherlands. Future ambitions and plans. Party membership and activities. Contacts with other Chinese and Chinese firms in the Netherlands and Europe. Membership of Chinese organizations in the Netherlands. Contacts with non-Chinese, professional and private.

**Ambitions for the company, why the Netherlands, other important host countries.** What are the key opportunities and key challenges for the company (in locating to the Netherlands). Core values, conflicting values or challenges to those values.

**Composition of leadership positions/management in the company.** Chinese or also Dutch/internationals? Dutch. Relationship between them. How often do they meet. Recruitment and appointment.

**Line of command between subsidiary and parent company.** Particular culture, line of command, reporting back, degree of autonomy. **Conflicting demands** between subsidiary and parent company

**Interest representation in the Netherlands and in Europe (EU).** Public relations, lobbying.

**Relationship with other Chinese companies and individuals.** The most important meeting places with fellow businesspeople and professionals. Associations or organizations, particular events, fairs, etc.

**Assessment and impact of political situation, EU-China relations, growing negative sentiments, tightening regulations. Liability of foreignness**

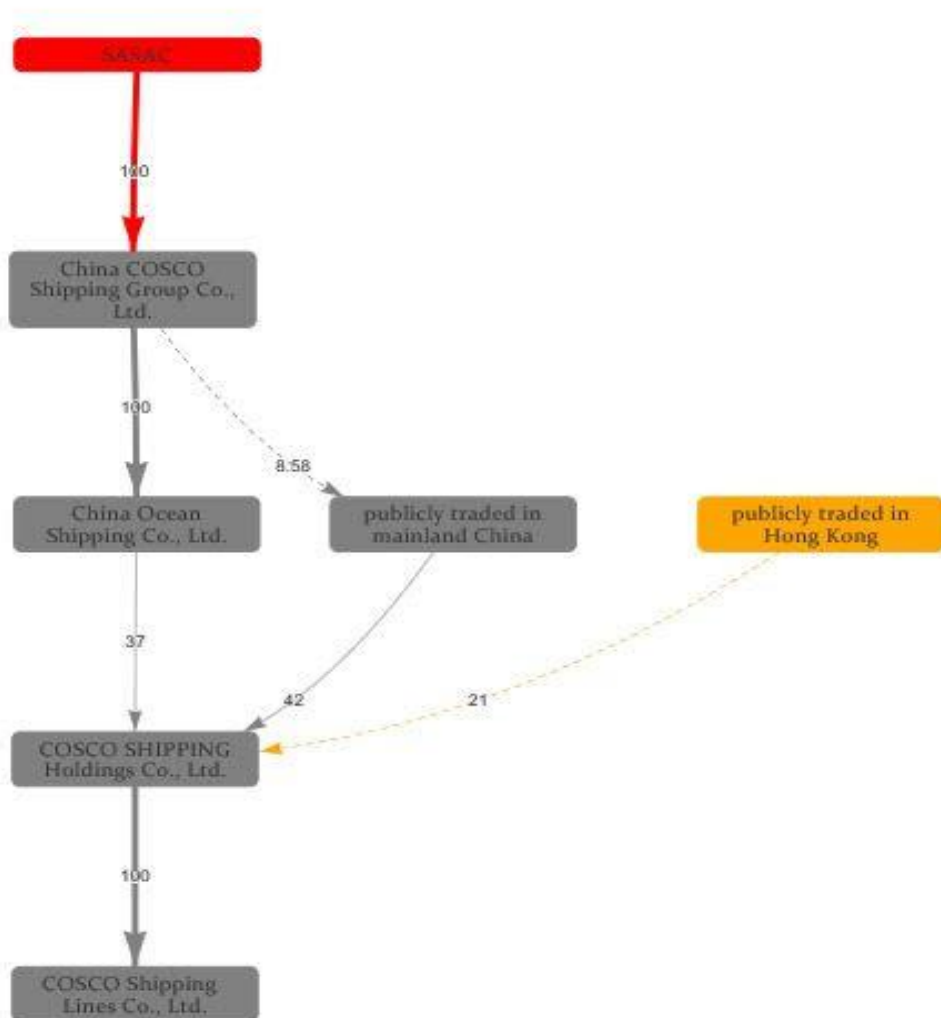
**Company culture.** Team building, relations between Chinese and non-Chinese employees, management of non-Chinese customers.

**Party building and party life.** Role of the party in helping or directing the company. Role of company in helping the image of China and the Belt and Road.

### Appendix 3: Ownership structures of Chinese-invested firms

All of these figures are also available in better quality on this report's webpage on the LeidenAsiaCentre's website ([accessible via this link](#)).

Figure 1: Ownership structure of COSCO Shipping Lines Co., Ltd. (中远海运集运)<sup>65</sup>

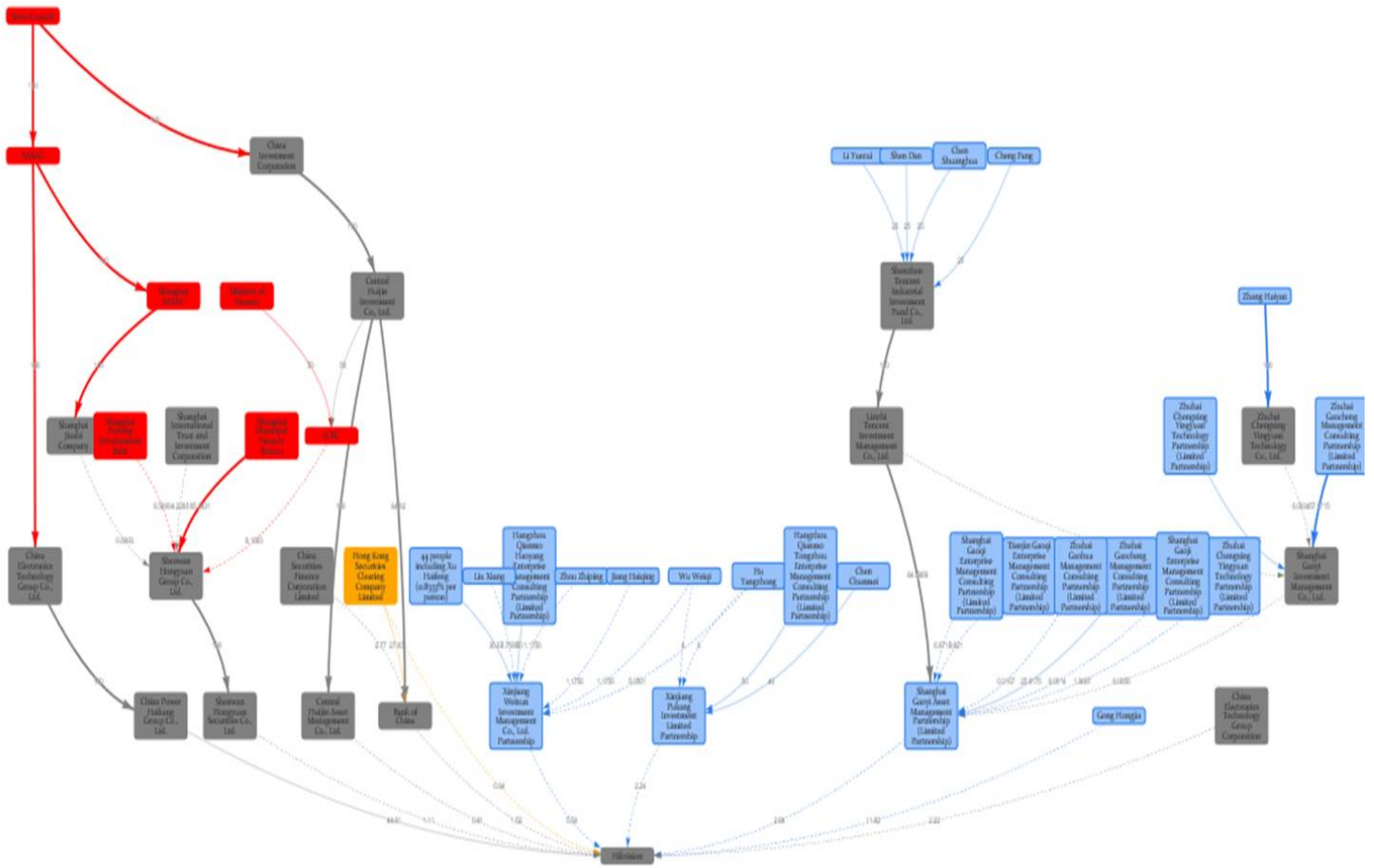


<sup>65</sup> Nodes highlighted in red – state entity, in blue – private individual, in orange – Hong Kong entity, in yellow – non-Chinese entity.

Bold line – the upper node owns more than 50% of the lower node, normal line – between 10% to 50%, dotted line – less than 10%.



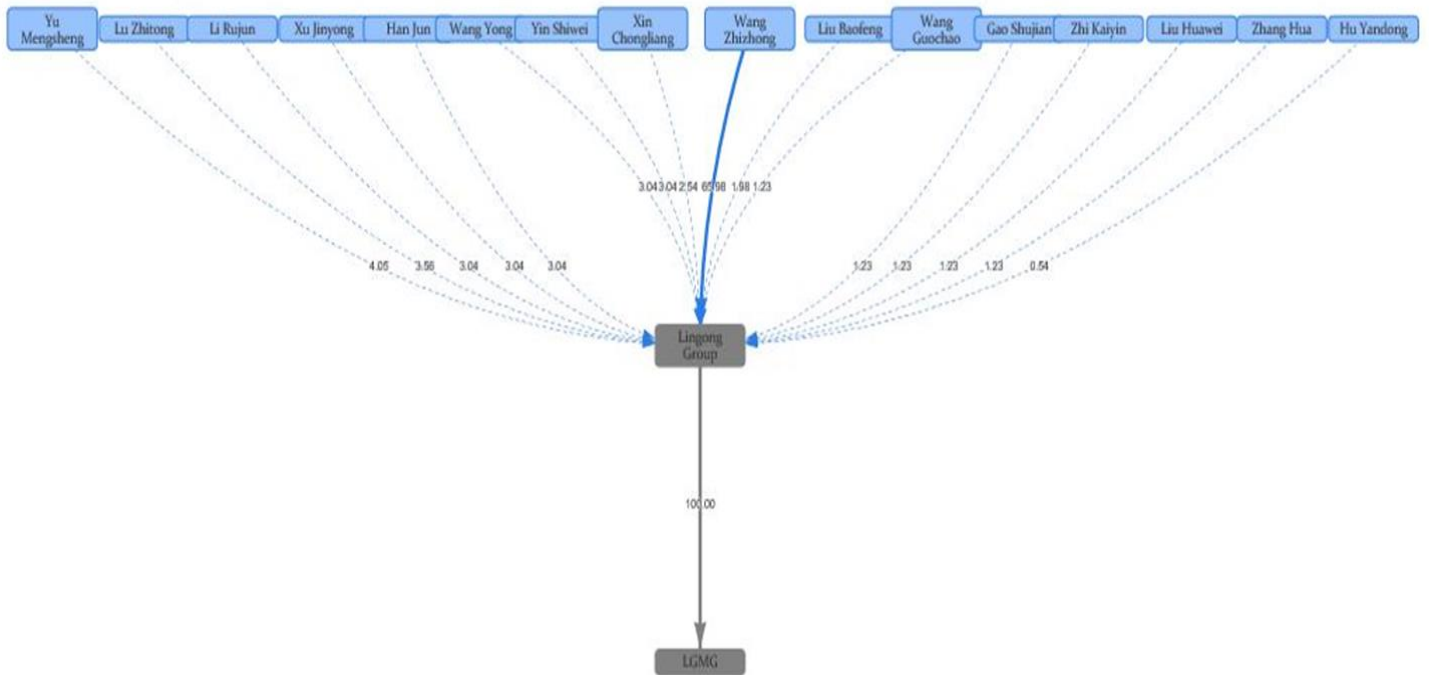
Figure 2: Ownership structure of Hikvision (海康威视)<sup>66</sup>



<sup>66</sup> Nodes highlighted in red – state entity, in blue – private individual, in orange – Hong Kong entity, in yellow – non-Chinese entity.

Bold line – the upper node owns more than 50% of the lower node, normal line – between 10% to 50%, dotted line – less than 10%.

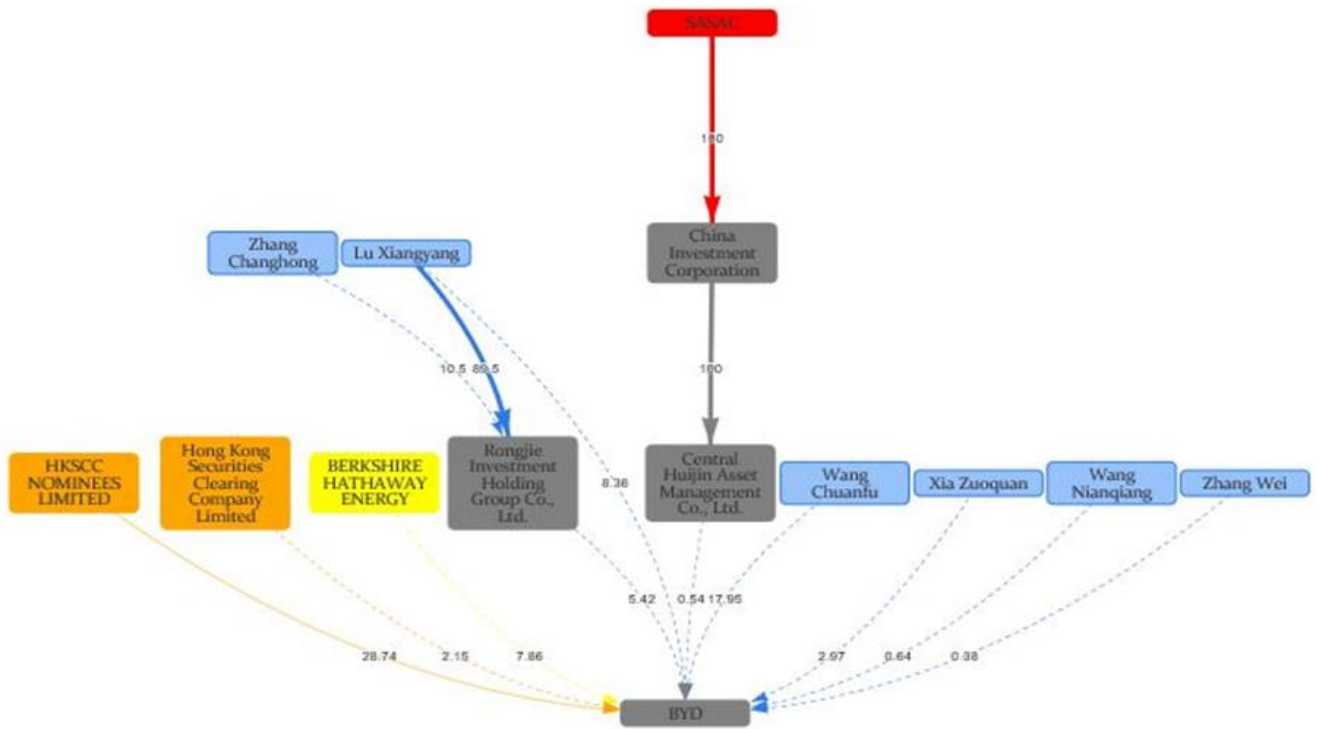
Figure 3: Ownership structure of LGMG (临工重机欧洲有限公司)<sup>67</sup>



<sup>67</sup> Nodes highlighted in red – state entity, in blue – private individual, in orange – Hong Kong entity, in yellow – non-Chinese entity.

Bold line – the upper node owns more than 50% of the lower node, normal line – between 10% to 50%, dotted line – less than 10%.

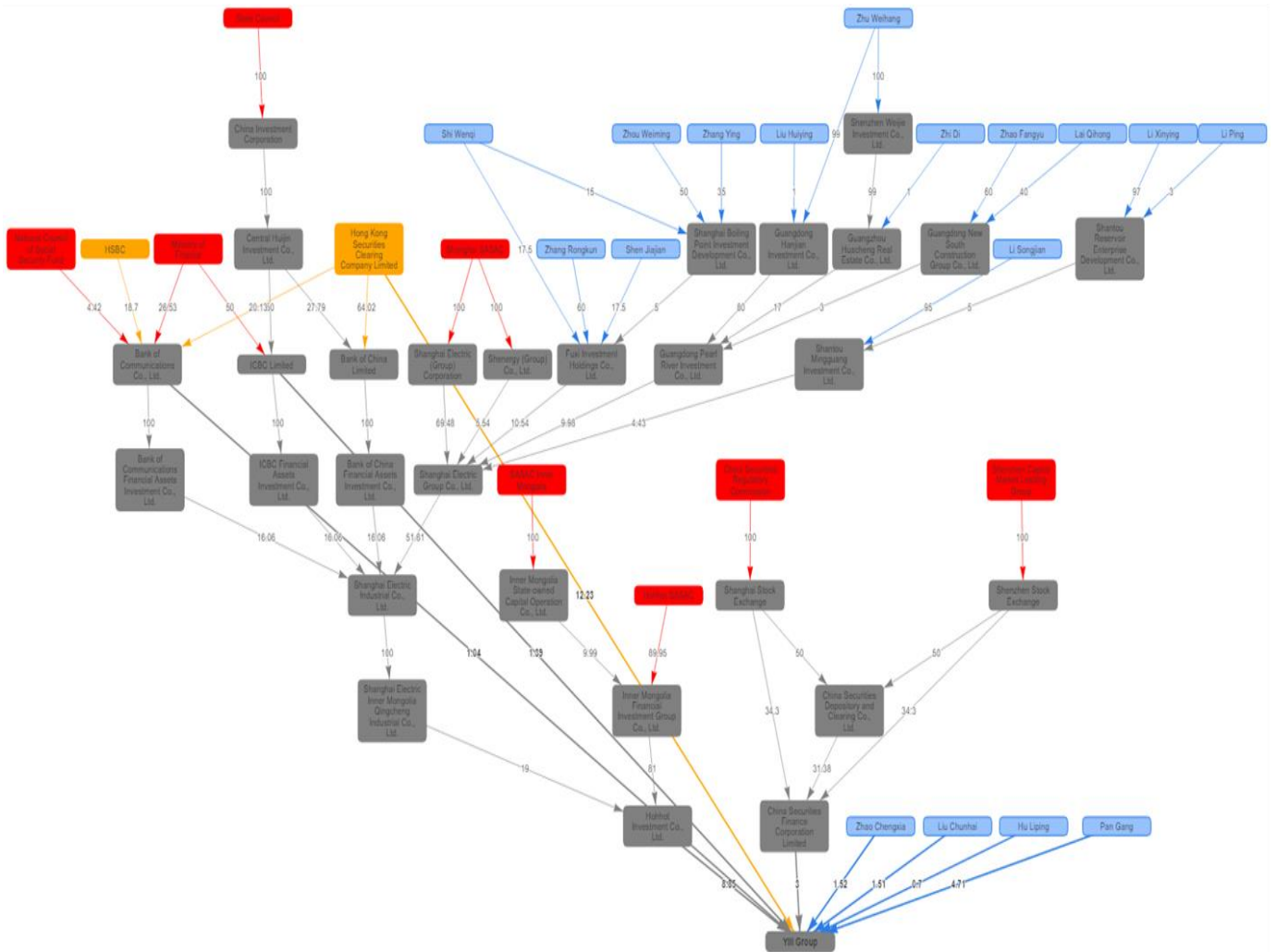
Figure 4: Ownership structure of BYD (比亚迪)<sup>68</sup>



<sup>68</sup> Nodes highlighted in red – state entity, in blue – private individual, in orange – Hong Kong entity, in yellow – non-Chinese entity.

Bold line – the upper node owns more than 50% of the lower node, normal line – between 10% to 50%, dotted line – less than 10%.

Figure 5: Ownership structure of Yili Group (伊利集团)<sup>69</sup>



<sup>69</sup> Nodes highlighted in red – state entity, in blue – private individual, in orange – Hong Kong entity, in yellow – non-Chinese entity.

Bold line – the upper node owns more than 50% of the lower node, normal line – between 10% to 50%, dotted line – less than 10%.