

**Stuck between Beijing and Brussels?**  
**Tracing the patterns of Chinese multinationals’**  
**lobbying strategies vis-à-vis the EU institutions**

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## **Author's declaration**

I, the undersigned, Olesya Dovgalyuk, candidate for the MA degree in Political Science, declare herewith that the present thesis is exclusively my own work, based on my research and only such external information as properly credited in notes and bibliography. I declare that no unidentified and illegitimate use was made of the work of others, and no part of the thesis infringes on any person's or institution's copyright. I also declare that no part of the thesis has been submitted in this form to any other institution of higher education for an academic degree.

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 Signature

## **Abstract**

Over the past several decades, the extent of Chinese foreign direct investment and the physical presence of Chinese multinational companies in the EU markets have increased exponentially. These private stakeholders play an important role both in the cross-border trade and in domestic economies of the EU member-states through job creation, fulfilment of critical infrastructure projects, and tax contributions, among others.

Few academic studies, however, pay attention to how Chinese multinational companies participate in the interest representation facing the EU institutions in Brussels. This study takes it as a research question and carries out an initial descriptive assessment of some lobbying activities conducted between 2014 and 2022 by nine EU-based Chinese companies and their subsidiaries: Alibaba, Ant Group, DJI Europe, Hikvision, Huawei, Lenovo, Tencent, TikTok, and ZTE. It uses three clusters of lobbying indicators sourced from the EU Transparency Register, complemented by interviews and further desktop research, to analyze the trends and patterns in the resources Chinese firms spend on lobbying, frequency of their engagement in direct meetings with the European Commission, and preferences for indirect representation modalities.

The analysis conducted shows that, generally, larger budgets and in-house lobbying teams, policy issue relevance to business operations, and a company's physical presence in Brussels are associated with more active lobbying behavior, which partially validates Hypotheses 1 and 2. Furthermore, available evidence and interviews support Hypothesis 3 that geopolitical tensions around specific sectors and worsening China-EU relations are important factors affecting decreases in direct lobbying activities, although further research is required to trace the exact relationship between the two.

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## **Abbreviations**

CPA – Corporate Political Activity

EC – European Commission

EP – European Parliament

EU – European Union

EUTR – European Union Transparency Register

FDI – Foreign Direct Investment

FTE – Full-Time Equivalent

MNCs – Multinational Corporations

NGO – Non-Governmental Organization

RAN – Radio access network

R&D – Research and Development

SMEs – Small and medium enterprises

SOEs – State-Owned Enterprises

## Chapter 1. Introduction

EU and China are large economies with a complex and ever evolving relationship spanning several decades. Although European markets were not as important to China's post-Cold War external trade and investment cooperation as the United States, greater business exchanges took off in late 1990s and early 2000s. After the 2008 financial crisis, Chinese investments into the region accelerated dramatically, and by 2016 the total value of completed transactions by Chinese investors in Europe reached an impressive EUR 47 billion (Kratz, Zenglein, Sebastian and Witzke 2021). By 2022, China rose to become EU's largest partner for imports of goods, as well as the region's third-largest export destination (Eurostat, 2022).

While the government sector has been a major propeller of the bilateral economic relationship through the investments administered by state-owned enterprises (SOEs), their share in the total makeup started falling in 2015, reaching a 11% low as private players rose to dominate the scene (Kratz et al. 2021, 8). Aided by China's "Going out" industrial strategy which encouraged overseas expansion, Chinese companies, led by the active telecommunications and automotive MNCs, continued to expand their operations in the EU markets from 2010s. Notwithstanding the souring bilateral geopolitical space in the last several years, marked by the concerns of strategic technology acquisition and the resultant tougher investment-screening procedures in the EU and the more inward-focused economic policy in China, these firms have by now gained a solid customer base, integrated into the local research and development (R&D) initiatives, and became contractors for major infrastructure projects in the EU countries.

Although a solid presence in the European markets, Chinese multinational companies are relatively understudied as political players in the existing scholarship. Majority of studies analyzing the public-private element of China-EU relations mostly focus on the issue of state

agency, treating Chinese enterprises as vehicles for the CCP government's attempts at exerting its influence abroad (Godement and Vasselier 2017; *Corporate Europe Observatory* 2019). Those that look inside the black box of Chinese firms more often focus on the purely corporate side of MNCs' investment strategies (Drahokoupil 2017), including their interactions with national-level authorities in the EU countries, and do not study interactions between the multinationals and Brussels-based institutions in a systematic, theory-backed manner.

The place occupied by the Chinese businesses in the public-private dialogue shaping the EU legislation, however, deserves attention. This study is intended to address the following research question: how do Chinese multinationals pursue lobbying vis-à-vis the EU institutions? This will be done via an examination of the available data on lobbying activities by nine EU-based Chinese multinational companies and their subsidiaries from the ICT sector: Alibaba, Ant Group, DJI Europe, Hikvision, Huawei, Lenovo, Tencent, TikTok, and ZTE.

The following study is structured as follows. Chapter 2 will examine existing studies of lobbying from political science and business scholarship and outline the key theories explaining why and how firms pursue political action. It will also map the institutional peculiarities of state-business relations in China, point to its key differences with that in the EU, and explore the literature on MNCs' lobbying strategies in foreign jurisdictions. Insights from these will feed into the three key hypotheses about the Chinese MNCs' participation in interest representation in the EU.

Chapter 3 will introduce the case selection, timeline, and data collection and analysis methods. Reasons for choosing the descriptive and not causal analysis will also be given together with the limitations posed by both the methods chosen and the available data.

Chapter 4 will describe the key trends for the nine companies observed in the data, split into three parts based on the categories of lobbying-related indicators collected: the financial



and human resources invested into lobbying, the frequency and thematic focus of direct interactions between the MNCs and the European Commission, and the trends in preferences for indirect lobbying modalities. After describing the main trends, three initial hypotheses will be evaluated using both inferences from the data and the insights gained during the interviews with experts and Chinese firms' representatives.

Finally, Chapter 5 will conclude by summarizing the main findings and pointing to the areas for further research.

## Chapter 2. Theory

This chapter has two goals. One is to dive into the existing literature on interest representation and situate my work in it. The other is to use the gained insights to formulate my hypotheses about the factors influencing Chinese companies' political action in the EU.

I will proceed by first exploring the existing concepts and major theoretical frameworks – institutional and resource-based – that strive to explain the logic of interest representation, with a particular attention to the EU institutional context. I will then tap into the macro-, mid-, and micro-level analyses from political economy, trade, and business scholarship to theorize five key dimensions of political action modalities which underpin the hypotheses and inform my methodology. Third, I will visit some specificities of the state-business relations in China and existing studies of Chinese companies' behavior in foreign markets. Finally, I will synthesize all of the above in three main hypotheses.

### 2.1. Definitions and scope of interest representation activities

Edwin Epstein, one of the earliest scholars of the so-called Corporate Political Activity (CPA) stream of business studies, observed that, 'just like other collective social interests, [firms] have legitimate political concerns, which are the consequences of organizational goals, and which therefore make political involvement inevitable' (Epstein 1969, in Owens 1971, 209). The state-market conundrum that follows from this inevitable need for participation weaves a complex web of stakeholders across economic, political, and social spheres. The resultant phenomenon thus possesses intrinsic cross-disciplinary relevance, with scholars across different fields and theoretical schools paying close attention to the activities pursued by private and non-state actors vis-a-vis political institutions.

One side effect of such cross-disciplinary relevance is the ensuing heterogeneity of terms applied to similar (but not always the same) phenomena – lobbying, interest

representation, advocacy, public affairs management, corporate political activity, and corporate nonmarket strategy, to name just a few. Such heterogeneity not only perpetuates the lack of agreement on the definitions themselves but encourages misappropriation and misapplication of the terms across disciplinary borders, leading to polysemy, synonymy and other types of lexical and semantic confusion – which Sartori referred to as the Tower of Babel trend in modern social sciences (Oberman in Mitnick 1993, 221; Gerring and Barresi, in Collier and Gerring 2009, 241; Sartori, in Collier and Gerring 2009, 61).<sup>1</sup> Since achieving consensus on the conceptual level would require abolition of differences that lies beyond the scope of this work, I need to opt for “cooperation” with other scholars to clarify the concept this study will operate with.

For the sake of this analysis, I will consider the more-encompassing definitions by Oberman and the EC to acknowledge the diversity of forms lobbying activities can take. Oberman uses the concept of “corporate political action” to refer to the strategies that companies use ‘to structure [their] operating domain in a manner more favourable to [their] interests given [their] available resources’ (Oberman 1993, 220). The European Commission interchangeably applies the terms of lobbying and interest representation to a similar subject matter – ‘all activities carried out with the objective of influencing the policy formulation and decision-making processes of the European institutions’, which can include ‘organising or participating in meetings, conferences or events’, ‘organising communication campaigns, platforms, networks and grassroots initiatives’ and writing ‘open letters’, among others (EC 2003, 3; EU 2021, Art. 3).

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<sup>1</sup> Oberman in particular laments that ‘the notion of political strategy and the terminology associated with it have been used by political scientists engaged in the study of traditional interest groups in a manner that is not well suited to the study of corporations’ (1993: 221).

This work will use the terms lobbying, interest representation and corporate political action interchangeably to refer to such activities. However, when appropriate, adjacent terms will also be included, such as “political strategy” and “government affairs”, especially when preferred or used by the companies themselves. To avoid triggering potential negative connotations, the term “lobbying” will not be used in the interview guide and communications with representatives of Chinese multinational firms.

## **2.2. Resources vs. institutions: what affects firms’ decisions (not) to lobby?**

Multiple disciplines have looked into interest representation in attempt to answer a range of academic questions to describe and assess this phenomenon. On the phenomenological level – the one dealing with the question of why firms lobby - two theoretical frameworks have gained prominence, institutional and resource-based. The two, respectively, analyze institutional constraints and firms’ resources as major independent variables shaping companies’ political action choices.

Among the institutionalist studies, a solid segment of political economy, geoeconomics and trade scholarship surveys the effect of macro-level geopolitical changes following World War 2 on political decision-making. They pay particular attention to the expansive trade globalization and the ensuing shift of geopolitical confrontation from the military onto the market arenas as the key backdrop to the private sector’s rising role in political decision-making (Baldwin 2011; 2016; Blackwill and Harris 2016). Consolidation of greater influence in private players’ hands through the creation of greater economic interdependences produced conditions for contentious market regulation, where multiple private and non-governmental stakeholders entered into the policy-making field (Algieri 2002; Sbragia 2010; Young and Peterson 2014).

In addition to the global market interdependence, institutionalist accounts also point to the importance of the more immediate political regimes within which lobbying activities are

embedded. Several theories of lobbying emerged which stressed the different degrees of fairness in access to representation channels depending on the dominant political regimes. On the one hand, elite pluralism theory of interest representation considers lobbying processes as the space for underrepresented actors to voice their preferences (Truman 1951) and an arena for firms' competitive efforts in free-market democratic societies (Epstein 1969; Hillman and Hitt 1999; Hadani et al. 2017). Many studies of the European interest representation embrace this framework as reflecting the normative foundations of EU's participatory democracy, where all actors are required to abide by common codes of conduct, both formal and informal (EU 2008, Art. 10; EC 2007; 3; see also Coen 2007; Greenwood 2002, 2011). While these aspirational standards might not fully translate into reality (see e.g. Mulcahy 2015), they shape the normative environment and the understanding of acceptable and unacceptable in corporate political strategies in the EU and are thus important to factor in. In contrast, Chinese state-business relations have been considered an example of (neo-)corporatism, 'a system of interest representation in which interests are vertically organized into peak associations to limit and institutionalize the participation of key groups in the policy process' (Dickson 2008, 103; Coen 1997, 98–99)). Some scholars considered how these domestic normative institutional environments might shape firms' adaptability to foreign lobbying rules. Both Coen (1998) and Schild and Schmidt (2016) looked at the patterns of Europeanisation – development of EU-level interest representation capabilities - across the companies coming from pluralist, elite pluralist, and corporatist state-business environments in different EU Member States. While both find that national characteristics affect how successful and smooth integration of multi-level strategy would be, Schild and Schmidt (2016) further suggest that companies from corporatist environments display better adaptation to the EU forum-style lobbying.

More micro-level explanations of firms' strategic behavior come from business scholarship on Corporate Political Activity. These explanations are informed by a vast range of

theories, most of them from the rational choice camp (Getz 2001, 305). The classic issue explored here is that of collective action, which analyses the costs of political mobilization by individual firms sharing the same interests, as well as the conditions conducive to such joint action (Olson, 1965; Lohman, 1998). On the firm level, resource-dependence theory has gained especial popularity with CPA scholars. Its basic stipulation is that political strategy is about ‘how firms allocate [and exchange] resources to competitively differentiate themselves from other market players in the eyes of decision-makers’ (Oberman in Mitnick 1993, 215; Grossman and Helpman 2001, 143; see also Pfeffer and Salancik 1978). Since no actor can ever be completely self-sufficient, each firm’s lobbying strategies are informed by balancing considerations of the resources controlled and the costs it is willing to incur.

Insights from these mid- and micro-level scholarship branches have been particularly useful in explaining varying policy stances among the firms within the same sector based, for instance, on their position in supply-chain networks - import-dependent, import-competing, or export-oriented. Eckhardt (2015), for example, empirically probed factors explaining (un)successful mobilization of import-dependent companies’ lobby to oppose EU’s trade defense measures against China and Vietnam in 2005. Schmidt and Schild (2016), similarly, investigated lobbying strategies of European solar panel industry players vis-à-vis trade defense measures against China in 2012-2013. Their study traces the creation of lobby groups among both import-competing and import-dependent European photovoltaic (PV) industry companies which, respectively, lobbied for and against trade defense measures to be imposed on China’s solar panel producers. Schmidt and Schild show how the largest import-dependent actors with vested interests in maintaining free-trade conditions for their local value-chain activities became vocal opponents of trade measures and galvanized strong lobbying action (13-14). Both Eckhardt’s and Schmidt and Schild’s findings lend evidence in support of resource and collective action theories, which predict more successful outcomes of collective

action when the costs of political mobilization are lower than the adjustment costs incurred by the trade defense measures. Both studies thus offer a unique insight into the firms' role in shaping EU's external trade relations but are simultaneously limited in their focus on domestic firms and trade defense measures.

As can be seen from these examples, both macro- and micro-level theories have strong explanatory power, helping shed light on interest representation. Both, however, have their limitations. Institutional accounts, for instance, become particularly important when I start considering Chinese firms socialization into the regulatory environments of the EU markets. At the same time, the institutionalist lens can encourage homogenized perception of Chinese firms, which resource-dependency and other micro-level accounts can help avoid by introducing more nuance in explanatory behavioral models. While different, these two approaches are not mutually exclusive. In fact, as Oberman noted, the influence achieved through agency relationship with politicians can be considered simultaneously an institutional framework *and* a competitive resource (Oberman in Mitnick 1993, 215; Eising 2005). Thus, both will be used to inform the hypotheses offered in Section 2.7.

### **2.3. Interest representation strategies, or how firms lobby**

Stepping away from the broader institutional and resource-dependency considerations of *why* firms pursue political action, it is important to understand *how* they can do it. Many scholars have generated taxonomies of possible lobbying strategies corporate players have known to pursue around the world. I will now highlight some of the main qualifiers of lobbying activities – summarized in Table 1 below – amalgamated from earlier classifications made by the scholars of lobbying in the EU, the US and China. Some of these qualifiers will help in structuring my hypotheses, analyzing the primary data gathered for this project, and ultimately characterizing lobbying activities by the studied Chinese multinationals in the EU.

*Table 1: Classification of corporate political action strategies*

Dimension	Strategies			
Level of participation	Individual		Group	
Avenue of approach to decision maker	Direct		Indirect	
Breadth of message transmission	Private		Public	
Form of communication	Information	Public appeal	Political	Pressure
Timeframe of the influence sought	Short-term / Transactional		Long-term / Relational	

*Source: Own compilation using Oberman (1993), Hillman and Hitt (1999), Coen (2007), and Gao (2006).*

The first qualifier, or dimension of lobbying, concerns a company's level of participation in lobbying activities. Here, a company can choose to pursue individual or collective<sup>2</sup> lobbying with other industry players. This decision can be influenced by a range of factors, often mutually enhancing or mutually conflicting, and sometimes both at the same time. Earlier studies list a range of such factors, including a company's stake in the issue undergoing policy change, the resources controlled vs. the costs incurred as a result of (in)action, alignment of a firm's position with those of other firms and supply-chain actors, and the exclusivity of benefits received from successful lobbying, to name just a few (Oberman in Mitnick 1993, 236). Accounting for the frequency of individual and collective lobbying activities can thus provide important observations about a firm's allocation of resources and integration into the local business landscape.

The second and the third qualifiers - the avenue of approach to decision makers and the breadth of message transmission – are closely intertwined. The former indicates the context within which firms decide to exert their influence on the policymakers. Oberman identifies three such categories of avenues: the more objective structures (e.g., formal organizations, such

<sup>2</sup> Depending on the degree of multi-issue interest overlap between several actors, collective lobbying action has been further categorized into more fleeting coalitions or longer-term constituency-building through trade associations (Keim 1981; Wexler 1982; Oberman 1993). This, however, goes beyond the scope of the current study.



as agencies, courts, and legislature), the less objective (e.g., informal groups and platforms, such as policy networks) and the least objective (patterns of behavior, including, for instance, friendships, languages used for policy drafting, etc.) (1993, 216). Some scholars also refer to this qualifier in binary terms of direct and indirect, or formal and informal approach (van Schendelen 2005, 108-112), although in reality the dichotomous distinction can be difficult to establish. The breadth of firms' message transmission concerns the range of individuals privy to the political message communicated by lobbyists and has been frequently classified into public or private (Oberman 1993, 232).

The fourth qualifier relates to the forms into which firms "package" their message to decision-makers. Four such forms have been frequently used to characterize lobbying by the US- and EU-watching scholars: information-based, public appeals and exposure, pressure strategies, and the so-called political methods. The former two - information and public appeals – will be of primary relevance to this study as they are most typical strategies observed in the EU-level lobbying. Information-based strategies are rooted in the basic game-theoretic logic which stipulates that 'interest representatives have policy-relevant information that policy-makers need in order to make effective policy decisions' (Coen 2007, 16).<sup>3</sup> In the EU context, where policy-making process is characterized by an impressively large bureaucracy, political credibility of private players rests on their capacity of exchanging insider and technical information (McLaughlin and Jordan 1993; Bouwen 2002; Broscheid and Coen 2003; Titley 2005; Richardson 2006). Public campaigns and appeals, as can be inferred from the name, are directed at a wider audience and are frequently observed in the environment with strong self-organized societal interest groups, such as NGOs and workers' unions (Aplin and Hegarty 1980,

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<sup>3</sup> in fact, for some lobbying itself implies 'transfer of information by verbal argument' (Grossman and Helpman 2001, 104, emphasis added). Oberman, for instance, considered information transfer (communication) to be the essential strategy of political resource transformation, the process of "borrowing" institutional influence over decision-making by private actors, and thus at the heart of corporate political strategy (Oberman in Mitnick 1993, 219).

480).<sup>4</sup> While firms use such strategies less frequently, some of their PR activities – like media engagement and public events – fall under this category.

The other two forms - pressure and political strategies – are mostly related to the political campaign cycles, and have, unsurprisingly, been mostly discussed by the observers of the US politics. According to Alpin and Hegarty (1980), pressure methods can come in the form of incentivization and/or threats, such as financial support for political parties and threats of harm, respectively. Political methods, on the other hand, are more subtle and are pursued with constituency-building techniques, such as building coalitions of support among industry players, important constituents, or legislators (1980, 448). In the EU political context, these two forms are not directly relevant, and it is thus unlikely that I will find either form deployed by the Chinese firms in their direct interactions with the EU institutions.

Finally, the fifth common qualifier of lobbying activities is the timeframe for the strategies based on the influence sought (Hillman and Hitt 1999). If firms formulate their strategies on an issue-by-issue basis, they are said to pursue transactional, or short-term lobbying. In contrast, if firms prioritize relationship- and trust-building with politicians, they are understood to be pursuing longer-term influence.

Among these five qualifiers, level of participation and form of communication will be more applicable to this study, primarily because they are more easily identifiable using publicly available data. Analyzing various avenues of approach to legislators can be immensely insightful for understanding firms' lobbying strategies, but information about indirect interactions between corporate players and policymakers is hard to obtain and requires close field observations, which goes beyond the scope of this project. On the other hand, the breadth

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<sup>4</sup> Aplin and Hegarty also classify these four types into negative (public campaigns and appeals, and pressure) and positive (information and political forms). In the context of the US, their regression of survey-based data on the effectiveness of the four types of lobbying shows higher effectiveness of the positive methods.

of message transmission and timeframe of influence, although classified in dichotomous terms of public-private and short- and long-term, respectively, are often not only more complex<sup>5</sup>, but also highly interpretable depending on the rationale or corporate management, which can be impenetrable to external researchers. Nonetheless, keeping these qualifiers in mind can be helpful later in informing further research questions based on the initial data analysis made in this study.

## **2.4. China's state-business relations: consultative but not pluralistic**

Before expanding into overseas markets, all Chinese multinational companies are shaped by their primary domestic environment. Forged by the century of communist one-party regime and the country's distinct socio-cultural norms and traditions, China's environment for the state-business relations is different to that in the EU or the US. Since, according to institutionalist accounts, this primary environment can have a long-lasting "socializing" effect on the companies' interactions with governments, it is important to map the main governing dynamics of China's political-regulatory landscape and then note its key differences with the one in the EU.

Most scholars and observers classify Chinese state-business relations as neo-corporatist, or crony-capitalist, noting the blurred lines between the political and the economic and the patrimonial relations between power-holders and industry players (Gao 2006, 114; Dickson 2008, 30, 103). The formation of this regime was significantly shaped during China's economic growth following the Reform and Opening Up in the late 1980s – a period associated with a range of market liberalization reforms and culminating in the country's WTO accession in 2001. The dramatic restructuring of the centrally planned economy was characterized by the

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<sup>5</sup> Oberman provides a good example for the direct and indirect lobbying modalities by comparing 'a congressional testimony and advocacy advertising both [of which] occur in public forums, but the former may reach only a few dozen people, the latter, perhaps millions' (1993, 233).

Communist Party's growingly proactive support of the domestic private sector. The endorsement of accepting private entrepreneurs into the CCP membership via a 2002 constitutional amendment is widely considered a notable gesture marking the formal start of CCP's patrimonial co-optation of private enterprises (Yang et al. 2020; Dickson 2008, 3). The striving for such a co-optation by the CCP was dictated by the private sector's job-generating power, which could offer a key source of regime legitimacy in the absence of democratic elections. In addition to endorsing party membership among entrepreneurs, this reform encouraged many elite party members 'to translate their political influence into economic power' by going into business themselves (Yang et al. 2020, 2).

Despite the negative connotations attached to the neo-corporatist classification, studies show that even the negative sides of the public-private collusions in China, such as corruption and rent-seeking, are not completely incompatible with prosperity and economic growth. Yuen Yuen Ang, a prominent scholar of China's political economy, observes that this is because political career trajectories became contingent on local economic growth, which government officials – all the way down to the local level – were expected to aggressively prioritize by 'attracting high-stakes investment projects, borrowing and lending capital, leasing land, [and] demolishing and building at a frenzied pace' (Ang 2021, 35). As a result, the win-win cooperation between the political actors and the private cronies took the form of what Ang calls "access money", i.e., 'high-stakes rewards extended by business actors to powerful officials, not just for speed, but to access exclusive, valuable privileges' (2020, 10). While also constituting a form of corruption in Ang's classification, "access money" is not as immediately harmful as, for instance, embezzlement or petty and grand bribes. Kennedy echoes these observations, concluding that the Chinese party-state is fundamentally a 'pro-development regime ... ideologically oriented toward business' (2009, 198).

While “access money” – which falls under the “pressure” as a form of communication in our topology of lobbying strategies – is an important characteristic of China’s public-private institutional environment, it is not the only one. Despite systemic constraints, corporate political activity in China is growing larger and more inventive (Deng and Kennedy 2010, 124). In fact, studies show that Chinese companies also pursue political action via more formal arrangements, such as state-managed business associations, communist party cells in companies, consultative committees, and public hearings, and that engagement in such interactions is correlated with more positive financial performance (Dickson 2008, 20; Kennedy 2009; Huang and Chen, 2020; Du, Bai, and Chen 2019). At the same time, while some of these interest representation procedures, like participation in business associations, can structurally resemble those practiced in the countries with participatory democratic traditions, persistently disproportionate power relationship between the government and corporations has earmarked many of these procedures as routinized formalities to ‘reaffirm decisions taken elsewhere’ (Kennedy 2009, 196, 211). As a result, despite semblances, making blind parallels between political action strategies adopted by the companies in China and, for instance, the EU or the US can be misleading.

## **2.5. Differences between lobbying in the EU and China**

The first difference between China and the EU lies in the very range of actors involved in interest representation. For instance, while in the EU or the US policy-influencing strategies are often pursued both by in-house teams and external consultants and professionals, in China such activities are mostly internal because of the negative connotations surrounding direct business influence on politics (Gao 2006). This difference might point to a potential learning curve Chinese multinationals are facing when entering the EU with its regulated but more open

space for lobbying, a factor which will be important to consider for my hypotheses (see Section 2.7, Hypothesis 2).

The second difference concerns the level of access to politicians, which appears to be different across various private actors in China, as well as subject to more rules – spoken and unspoken – beyond resource-cost constraints. Deng and Kennedy, for instance, highlight such differences across firms as individual lobbyists and industry associations as collective ones (2010). According to their survey data, while “elite companies” in China are usually politically proactive in using a range of informational, public relations and trust-building lobbying tactics, their direct influence on policies is difficult to trace (Deng and Kennedy 2010, 111–13). On the other hand, industry associations appear more influential in shaping policy decisions due to their wider representation, the historically more natural access to the government, and more employees with work experience in government institutions (2010). Across the associations themselves, Yu, Yashima and Shen infer from the surveys conducted in Jiangsu and Zhejiang provinces that ‘self-established associations lobby less, and those with consultant status assigned by the government lobby the government more often’ (2014, 315). This is reflected in the persistent belief among the private stakeholders in China that business associations’ main role is to facilitate party leadership over the private sector, as captured by Dickson through repeated surveys (2008: 111). At the same time, entry into political decision-making positions from the corporate environment is less restricted in China, where firms’ executives can become members of legislative bodies (Gao 2006, 117).

In contrast, lobbying in the EU is characterized by the presence of numerous highly organized and independently managed groups of actors with shared interests who pursue institutionalized engagement with policymakers on the basis of mutual resource dependencies (Pang 2004, 432). A further difference from China is that EU’s regulations on conflict of interest and public servants’ activities potentially undermining impartiality are significantly

stricter, preventing the overt entry of business representatives into political processes.<sup>6</sup> Nonetheless, the “revolving door” phenomenon, whereby former national politicians and employees of political institutions transition to private corporations after leaving their public posts, is not uncommon in both China and the EU.

The third difference lies in the modalities of message framing and communication, which on the whole appear less direct in the Chinese context compared to the EU or the US. Fear of persecution drives private actors in China to opt out of overtly “activist” lobbying strategies, such as the above-mentioned constituency building, to avoid ‘be[ing] treated like Falun Gong and other groups that supposedly threaten the state’ (Kennedy 2009, 200). For example, when it comes to public campaigns, Kennedy observes that Chinese firms prefer subtler strategies than their EU or US counterparts, opting for e.g. sponsorship of favorable media coverage - with the hope of targeted by-proxy delivery of information to decision-makers and positive profile-building - instead of more overt appeals to the population (Kennedy 2009, 211). Luo, Huang, and Zhu (2021) find a positive relationship between such media coverage and the firms’ likelihood of receiving government subsidies. Gao also introduces a range of politic-related strategies that are unique to companies in China, such as employing laid-off personnel, establishing communist party cells in the company, and inviting officials to visit company headquarters or attend important occasions (2006, 117–18). Simultaneously, as was mentioned above, financial mechanisms, while subtle, appear to play a much bigger role in China than in the EU via e.g. fulfillment of state-sanctioned development projects by private contractors, which can place them in a favorable spot with local politicians. In contrast, as mentioned in Section 2.3., in the EU strict customs and laws regulating financial contributions by private players – at least on the level of Brussels institutions – made information exchange

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<sup>6</sup> See e.g. European Commission’s Rules for EU civil servants (n.d.).

strategies the key modality of lobbying, rendering financial incentivization tactics riskier (*The Economist* 2014).

**Table 2:** *Corporate Political Action strategies in the EU and China*

	CPA in the EU	CPA in China
Approach to political strategy	Transactional	Relational
Level of participation	Multilevel (domestic + EU), individual and/or collective	Individual and collective
Strategies	<p>Information strategy</p> <ul style="list-style-type: none"> <li>• Contributing to consultations on legislative proposals</li> <li>• Participating in EC working groups</li> <li>• Meetings with EC representatives</li> </ul> <p>Public exposure/appeal</p> <ul style="list-style-type: none"> <li>• Organization of grassroots campaigns (mostly NGOs)</li> <li>• Adverts and media campaigns</li> </ul>	<p>Information strategy</p> <ul style="list-style-type: none"> <li>• Guanxi-based lobbying</li> <li>• Providing technical reports</li> </ul> <p>Direct political participation strategy</p> <ul style="list-style-type: none"> <li>• Executives being selected as congresspersons</li> <li>• Engagement as experts in formulating industrial regulations or policies for government</li> </ul> <p>Financial incentive strategy</p> <ul style="list-style-type: none"> <li>• Gift-giving or money-giving</li> </ul>

Source: Gao (2006), author's own analysis. The table structure and characteristics of Chinese CPA are fully taken from Gao's article. Features of the EU lobbying style are consolidated by the author using the literature on interest representation in the EU.

This list of differences (partly summarized in Table 2 above) is not exhaustive. Particular factors shaping these divergences – big power distance between the state and market actors in China, the underdeveloped culture of trade unions and business associations, the Confucian tradition, and the importance of *guanxi* (personal relations) – are not only debated due to the lack (or impossibility) of systemic empirical studies but are also beyond this work's scope. The heterogeneity of practices within China itself is another black box that I cannot cover.<sup>7</sup> However, such observations merit caution when designing and testing hypotheses, especially when dealing with companies' behavior beyond the familiar domestic context.

<sup>7</sup> See more in e.g. Gao 2006; Li 2008; Zhang, Sun, and Qiao 2020.



## 2.6. Earlier studies of interest representation by foreign companies

So far, I have investigated different concepts and theories of interest representation, highlighted some peculiarities of China's public-private policy dialogue, and pointed to the key differences it has with the EU regulatory environment for lobbying. Most of the theories and empirical observations referred to above were developed using the insights from the behavior of domestic firms. Foreign companies, arguably, may face somewhat different sets of considerations and options compared to their local counterparts, especially if these companies come from starkly different political and cultural contexts.

Apart from investigative and analytical works, studies of Chinese companies' behavior in foreign markets frequently approach subject matter from a geoeconomic logic of the Chinese government's power projection. For instance, Hung studied a particular instance of the Chinese government's use of lucrative business deals to mobilize the US industry as by-proxy lobbyists for the Clinton administration's renewal of China's Most Favored Nation status in 1993-1994 (Hung, 2021). Similarly, Wagreich's study focuses on the indirect lobbying efforts by the Chinese diplomatic representations and companies in the US between 1990 and 2010. He tests a hypothesis of China's switch from direct "government funneling" to the by-proxy mode of lobbying by modelling quantitative data from the US Department of Justice Foreign Agents Registration Unit and Lobbying Disclosure databases and conducting interviews with lobby groups' representatives (2013). While both works offer some insights into the dynamics surrounding China's "export" of domestic financial incentivization logic into foreign economic diplomacy, they provide limited to no explanation of decision-making *within* Chinese companies abroad.

Studies of foreign players' influence over the EU policymaking have also been limited: as Rasmussen and Alexandrova observe, 'even if there is much at stake for foreign actors when

the details of EU regulation are being fleshed out, we know little about their role' (2012: 616). Rasmussen and Alexandrova's analysis of 219 consultations hosted by the European Commission between 2001 and 2010 appears to be the only large-N comparative study of foreign actors' engagement with the EU institutions. Running a regression model with a range of variables pertaining to both the contributing participants (i.e., firms and organizations) and their countries of origin, the authors show that the strength of economic relations between the EU and a given foreign country, as well as the latter's endowment with resources, level of democracy, and the degree of market economy are all positively correlated with the higher number of contacts firms make with the European Commission (ibid.).

On a smaller scale, one can only find a small number of single country-of-origin-focused studies of foreign firms' interactions with the EU bureaucracy. Among these, Hamada's research stands out as a trailblazing attempt to assess Japanese firms' institutional logic when choosing a particular lobbying strategy vis-a-vis the EU decision-makers (2007, 8). Hamada adopts a two-step model to conceptualize firms' lobbying strategy formulation: first, she claims, firms must choose between individual and collective modes of action, and then pick between financial incentives and information as forms of lobbying to pursue. Hamada then traces these decision-making steps in the behavior of Japanese automakers and electronics manufacturers, assessing the influence of the EU, sectoral, and corporate factors (2007). Hamada concludes that, while Japanese firms have accommodated their political strategies to the EU policymaking process, national characteristics such as preference for group representation and prevalence of financial and personalized lobbying instruments over information-focused strategies have made this Europeanization uneven (2007, 195-203). While Japanese political-economic environment is notably different from that in China, Hamada's valuable insights will be considered in this study's hypotheses since Japanese and Chinese firms face some contextual similarities as foreign multinational companies in the EU.

## 2.7. Hypotheses

The analysis above has pointed to the rich existing scholarship which can help formulate expectations about the factors influencing Chinese firms' interest representation strategies. These expectations will now be presented via three main hypotheses. It warrants saying that, as this work is intended to be inductive and descriptive in nature, the hypotheses listed below will be fulfilling a mostly structurally supportive role, providing a starting point by tapping into existent knowledge of Chinese firms' strategic thinking about political action. This is due to nearly absent systematic research in this area, the limited available information about Chinese multinational firms' relations with the Brussels institutions, and the sensitivity of the topic. As these limitations make gathering comprehensive, consistent, and fully reliable data challenging, the output of the current analysis will be descriptive, and not causal.

### *Organizational capacities and issue salience*

The fundamental cost-benefit analysis, which underpins resource and rational choice theories, has led many scholars to empirically demonstrate that large, well-endowed firms are more likely to be active players in regular government-business dialogue (Bennedsen, Feldmann, and Lassen 2009; Kim and Milner 2021). EU-focused studies also point at the tendency for bigger actors to have public affairs offices dedicated to engaging with the EU institutions and to develop more effective multi-level lobbying capacity since maintaining regular dialogue with the EU institutions requires significant human resources (Greenwood 2011: 18; Eising 2004; Dür and Mateo 2012). Furthermore, beyond the simple availability of budgets to spend, the policy issue's relevance to the company operations has been noted as the key determinant of company's active involvement into lobbying (Kluver, Braun and Beyers 2015, 453).

Chinese firms can also be expected to follow these rational choice sensibilities and formulate lobbying strategies proportionate to the resources at their disposal and their vested interests in the policies defining their operations in the target market. Thus, if the policy issue at stake is not pertinent to a firm's activities and if the firm's resources are limited, the firms are expected to engage in interest representation less actively than if the opposite were the case. While willingness to incur costs itself can send a signal to a policymaker, which can be important when pursuing long-term relationship-building political strategies, I expect most Chinese companies to err on the side of caution, especially if they operate with relatively limited resources.

**H1.1: Chinese firms with more organizational resources will be more active in lobbying.**

**H1.2: Firms will be more active on the issues that are more salient to their business operations.**

### ***Institutional embeddedness***

As explored earlier, EU's public-private institutional landscape is notably different from that in China, and the complexity of the EU machinery requires a nuanced understanding of the policymaking process to design more successful lobbying strategies. Predominance of information-style lobbying, where subject matter expertise becomes the key bargaining chip for interest representatives in the fight for policymakers' attention, and more active and direct involvement of highly organized interest groups in the policy dialogue constitute distinct features of EU-style lobbying. In stark contrast, in China firms more often forsake direct individual action to avoid being perceived as challenging CCP's authority, instead communicating their interests via the government-controlled associations or self-initiated industry groups.

Such differences imply that, in order to formulate context-appropriate lobbying strategies targeting the EU institutions, foreign multinationals from different cultural context must complete a learning curve of socializing into the EU regulatory environment, which finds support in Hamada's (2006) and Pang's (2004) respective studies of Japanese and Korean companies in the EU. Thus, I hypothesize that Chinese firms who have been physically present in the EU for a longer time and have adapted their internal corporate culture to the EU realities will engage into lobbying more actively, including through group action with local industry associations.

**H2: Better socialization into the EU regulatory framework, such as longer-term physical presence in the market, is correlated with more active engagement in both individual and group lobbying.**

***Geopolitical sensitivity in the policy area***

Some existing literature already points to the intrinsic caution Chinese companies exhibit about being perceived as political actors. This cautiousness is further warranted in the EU context due to the distrust among the local population affected by Chinese acquisitions, as well as many governments' fears of developing supply-chain dependencies on Chinese suppliers or service providers in critical sectors. Chinese companies are thus expected to not engage in direct lobbying on policies concerning geopolitically sensitive issues, or in sectors of interest to national or EU security. On such matters, lobbying will be deflected to collective bodies of interest representation or pursued through indirect interest representation.

**H3: Chinese multinationals will pursue more indirect forms of political action when targeting policies which are geopolitically sensitive, or during the period of heightened hostility between the EU and China.**

## Chapter 3. Methodology

Having laid out the relevant scholarship on lobbying/corporate political action and formulated the hypotheses, I will now proceed to outline the methodology used to test these hypotheses. This chapter will first introduce the selection criteria for the nine Chinese multinational firms, used in a small-n case study developed in the following chapters. I will also specify the study timeframe and break down my approach to data collection and analysis, which combines comparing chronological trends across three clusters of lobbying indicators for the selected firms with the analysis of secondary materials and stakeholder interviews. Finally, limitations will be outlined.

### 3.1. Case selection

The following analysis will look into the lobbying activities, reported to the EU Transparency Register (EUTR) by the nine Chinese multinational companies and their direct subsidiaries in the EU: Alibaba Group, Alipay/Ant Group, DJI Europe B.V., Hangzhou Hikvision Digital Technology, Huawei Technologies, Lenovo Group, Tencent International Service Europe B.V., TikTok Technology, and ZTE.

The reason why I focus only on these Chinese companies and their EUTR-listed activities is two-fold. First, the category of “Chinese companies” in the EU is by nature extremely vague. While some companies from China register separate legal entities in the EU, others operate through joint venture partnerships, acquisitions, or other arrangements. Yet other Chinese companies operate in the EU without registering local subsidiaries at all. All of these are important to account for when analyzing the foreign business landscape, yet this heterogeneity of legal forms makes the task of calculating the precise number of companies from China in the EU tricky, if not impossible. This reality by extension complicates the

process of choosing a representative sample for a study. Since registration in the Transparency Register implies a binding and, importantly, voluntary commitment to reporting lobbying activities and following the Code of Conduct <sup>8</sup>, I treat existence of a company's entry as its "declaration of willingness" to be perceived as the EU market player. Further, I only selected Chinese companies registered "in their own name" and via direct subsidiaries and excluded joint venture entities or acquired European companies. Thus, for instance, I did not include Piraeus Port Authority despite 67% of its shares being controlled by the Chinese state-owned shipping company COSCO (*Business and Human Rights Resource Centre* 2023), but included Alibaba's and Tencent's direct subsidiaries, registered in Hong Kong and The Netherlands, respectively.

Second, the reason for prioritizing EUTR entries over other indicators of lobbying activities is necessitated by the persistently insufficient public disclosure on lobbying in the EU. As discussed above, corporate political strategy in general, and EU-facing lobbying specifically, can come in a multitude of forms and in their broadest interpretation encompass any public-facing activities a firm pursues. The EU policymaking in particular is a complex multi-actor process, in which all three key EU institutions – the Commission, Parliament, and Council – fulfill complementary legislative functions, collectively carrying legislative proposals through their formulation, adoption, implementation, and evaluation. All these stages can be subject to outside contributions by different interest groups targeting one or several institutions at the same time, which gives rise to an impressively intricate and multilayered machine of possible interactions (see e.g. Kluver, Braun and Beyers 2015). As a result, at its best, a bespoke lobbying strategy can be very nuanced and imply very uneven levels of interactions with different EU institutions, marked by near-absent engagement with one body but frequent cooperation with another. Since many of these are not systematically recorded in

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<sup>8</sup> See 2021 Inter-Institutional Agreement between the European Commission and the European Parliament.

EUTR or alternative databases<sup>9</sup>, accounting for the potential complexity of Chinese firms' engagement with the EU institutions in a rigorous and coherent manner in order to claim any causal relations is beyond the scope of this project. I will instead aim to use the data subject to mandatory reporting in order to create a preliminary observation of Chinese firms' lobbying behavior, which can hopefully be built on by other researchers in the future.

### 3.2. Data collection, timeframe, and analysis

As mentioned above, my main source of data comes from the firms' annual entries into the EU Transparency Register, cross-checked against the *LobbyFacts*<sup>10</sup> database and, where necessary, secondary sources such as firms' webpages, newspapers, and LinkedIn. The data from these sources will be organized into three clusters of indicators. The first relates to the resources firms invest into lobbying, including their declared lobbying budgets; in-house lobbying teams (absolute numbers and full-time equivalent); number of European Parliament pass holders; as well as presence in Brussels through a physical office responsible for the EU affairs. The second one will concern direct interactions subject to mandatory reporting on the EUTR: meetings with the European Commission (manually coded based on each meeting's thematic focus); contributions to public consultations and roadmaps; and participation in working groups. The last cluster will zoom into the forms of indirect lobbying, distilled from the share of annual budgets allocated to intermediaries, and use of group lobbying tactics vis-à-vis the EC. The timeframe for the study is limited to 2014 to 2022, since 2014 marks the first year when interest representatives were obliged to register in EUTR in order to request

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<sup>9</sup> For instance, meetings with EP representatives are not entered into EUTR, and meetings with the Council members are often pursued via domestic routes, thus also falling beyond EUTR radar.

<sup>10</sup> *LobbyFacts* is a database maintained by the NGOs Corporate Europe Observatory and LobbyControl with the goal of providing a cleaner version of the Transparency Register, supplemented by consolidated lists of high-level meetings between each firm and the European Commission.



meetings with the EC (EC 2014).<sup>11</sup> 2022, respectively, marks the year of the latest available reports.

To complement my desktop research and gain some understanding into the non-quantifiable determinants of the companies' interest representation strategies, I also conducted four interviews with experts and Chinese firms' representatives. My original list of stakeholders shortlisted for interviews included a wider range of institutions, including the European Commission's Directorate-General for Trade, European Parliament's Delegation to PRC, European External Action Service, and several representative group organizations and companies from China. Many of the stakeholders I reached out to refused to participate in the interviews, quoting non-disclosure agreements in their contracts, unwillingness to comment on China-related matters, or a lack of time. Among the four interviews I managed to conduct, three were done with experts working in consulting and research, with experience in the PR sector and experience working with Chinese business counterparts. I also interviewed a representative from the government affairs offices of one Chinese firm who agreed to talk on the conditions of anonymity and non-affiliation of the given information to their employer.

*Table 3: Breakdown of the interviews*

Representatives of Chinese companies	1
Consultants and subject matter experts	3
Total	4

Combining this quantitative and qualitative data from various sources, I will map existing dynamics in lobbying activities across the studied companies, and then carefully offer possible explanations for the behaviors observed, simultaneously assessing validity of my hypotheses.

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<sup>11</sup> Although the first interinstitutional agreement between the European Commission and the European Parliament, which mandated registry of all activities with direct or implicit goal of influencing policy, was signed in 2011

### 3.3. Limitations

Expectedly, this study faces a number of serious limitations. The first one comes from the case selection. Due to the voluntary nature of registration in the EU Transparency Register, the number of Chinese companies (as they are understood in this study) which report their lobbying activities in the EU is small. Due to this, this study does not aim to be representative of the whole spectrum of strategies adopted by different Chinese multinationals. Furthermore, all the selected companies belong to the ICT sector, which, despite their specialization in diverse products and services, might further restrict applicability of the findings to other industries. As will be clear in the course of this analysis, however, even within-sector generalization becomes challenging, as each firm operates under a highly unique and complex set of factors which are subject to internal and external changes. To claim commonality of any trends more strongly would require comparative large-N studies, potentially supplemented by within-case process-tracing elements to identify possible shared causal mechanisms.

Second limitation is related to the source bias of the EU Transparency Register, the primary data source used for this study. Transparency Register is far from being a comprehensive account of the interest representation activities, often criticized for being riddled with incorrect information about the sources of financing and for failing to capture proxy or indirect lobbying activities involving Brussels institutions (Nielsen 2023; Teffer 2023). This is why I cross-checked the data using secondary materials, such as firms' reports, websites and LinkedIn pages, and news articles from third-party observers, and conducted interviews. Furthermore, EUTR-listed budget ranges are exceptionally wide, which can significantly distort the real amounts spent on lobbying. I will quote the lower benchmarks of the ranges provided. Despite these drawbacks, EUTR remains the only available official database of

lobbying interactions between the studied firms and the EU institutions (primarily the Commission), and as such offers a natural starting place for this analysis.

Third, obtaining accurate and definitive information is further obstructed by the sensitivity of the topic studied. Ongoing geopolitical tensions between the EU and China, manifested via the growingly hostile political rhetoric, embargos, industry-level actions, and export bans – all of which have immediate implications for Chinese businesses in Europe – make access to the information about internal corporate decision-making and budgeting on lobbying extremely difficult. Thus, despite my best attempts to obtain data from a range of sources, I acknowledge potential distortions which are beyond my power to rectify.

## Chapter 4. Analysis

This chapter will discuss the main findings from the EUTR data analysis and offer possible explanations for the trends observed using insights from the interviews. It will start by providing an overview of the studied Chinese multinationals' operations in the EU, pointing out distinct features of their market entry in Europe. It will then discuss the findings from EUTR data, divided into three parts following the three clusters of indicators analyzed: the firms' resources committed to lobbying, their direct lobbying activities, and indirect lobbying techniques reported. I will then discuss the major trends spotted, complementing them with the insights from the interviews, and finally bring all of these together to validate the hypotheses made in Chapter 2. All the data used in this Chapter is available in the Annexes A, B and C.

### 4.1. Overview of the companies

As mentioned above, all the studied firms belong to the ICT sector and offer a variety of products and services. The former include mobile phones and computers (Huawei, Lenovo), telecoms infrastructure (Huawei, ZTE), civilian drones and aerial imaging technology (DJI), and video security systems (Hikvision); while the latter range from cloud computing and big data (Huawei, Hikvision), to e-financing (Ant Group), and entertainment (Tencent, TikTok), among others.

While different from each other in the sector of operations and the timeline of creation and overseas expansion, all these companies were facing similar challenges associated with entering Europe's more developed markets. Like many other Chinese companies, they pursued several common strategies to quickly catch up with their European counterparts and become competitive. First of these was innovation through acquisition. Huawei and ZTE, which were among the first of the studied companies to expand into Europe, embarked on acquisitions of

small and middle-size telecommunications enterprises across Europe in 2000s.<sup>12</sup> These acquisitions became important for the two giants' capacity-building in manufacturing, research, and distribution, enabling the firms to win contracts for telecommunications network expansion in multiple European countries (Drahokoupil, McCaleb, Pawlicki and Szunomár 2017). By 2021, despite the ongoing tensions surrounding critical telecommunications infrastructure in the EU, Huawei and ZTE together had 40% RAN market share in Europe (*Strand Consult* 2022). Lenovo, which followed suit in 2005 after acquiring IBM's Personal Computing Division, successfully eased its way into the German market by acquiring small and medium enterprises (SMEs) and family businesses, and thus quickly becoming top computer seller in the country (Le Corre and Sepulchre 2016, 25). Acting from its headquarters in Stuttgart, Germany, it was growing its presence in consumer and business markets, and by 2021 controlled the largest personal computer (PC) market share both globally and in the Europe, Middle East and Africa region (Lenovo 2021; IDC 2023). Tencent, which is most known in the domestic market for the messaging platform WeChat, has likewise built its prominence in the European gaming scene from mid-2010s through strategic investments in several gaming companies and startups.

Competitive pricing and affordability were also crucial to the success of Chinese multinationals, especially product manufacturers. To achieve it, some, like Huawei and ZTE, took advantage of favorable credit lines from Chinese banks to support their projects in Europe (Thomas 2012; Yoshida 2015; Drahokoupil et al 2017, 213; Yap, 2019). Hikvision and Lenovo also grew to prominence thanks in part to the Chinese government support (Osawa and Luk 2014). Hikvision, which started as a government-owned enterprise and still has SOE

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<sup>12</sup> Notable examples of Huawei's acquisitions in Europe include Toga Networks (2004), Aethos Communications (2005), Cambridge Wireless (2005) and IPACS Deutschland (2014). For ZTE, acquisitions of Telindus France (2003), Schneider Electric's business unit in telecommunications (2004), and Portuguese Bitway (2005) deserve notice.

stakeholders, became a major government contractor for surveillance products in China, and by 2018 supplied cameras to 190 countries (Yang 2022). In 2019, by the 10-year anniversary of its entry into the EU markets, Hikvision operated from eight branch offices with over 300 employees in the region, had 600 distributor partners and 30,000 installer partners, and was working on expanding its product line to include, beyond security cameras, drones, and robots (Hikvision 2019; *Groenewout* 2019). DJI, while a smaller presence in Europe, has become an overwhelming leader in the global civilian drone industry, dominating around 70% of the worldwide market after just over a decade and a half of its existence, thanks to the affordability of its products (Anwar 2023).

Finally, to compete with providers of comparable products and services, firms needed to differentiate effectively. This was crucial for Alibaba, which expanded its presence in the EU in mid-2010s along Alipay (later rebranded as Ant Group), Tencent, Hikvision, and DJI, and faced well-established e-commerce competitors like Amazon and Zalando. Since 2007, the company has advertised itself to the European SMEs and partners as a “neutral enabler” and a middleman, offering sellers a platform without competing with them in direct sales like Amazon (Alibaba 2007; Hobbs 2017). In 2019, it localized AliExpress to facilitate European market entry for the Chinese sellers, but also to induce European producers to export to China (Booker 2021). Its sister company Ant Group has been growing complementary activities with local logistics and transportation partners, including a recent construction of a warehouse facility in Liege. TikTok, the latest newcomer created in 2016 by the Beijing-based company Byte Dance, also embodies the idea of differentiation, conquering global audiences with its short-form video sharing platform, which resulted in a phenomenon-style growth that earned the platform 1.7 billion monthly active users and almost 9.5 billion USD revenue in 2023.

## 4.2. Trends in lobbying-related indicators

### *4.2.1 Resources invested into lobbying*

As explained by the rational choice and resource studies of firms' political activities (see Section 2.2), lobbying is an expensive pursuit, and as such requires firms to dedicate financial and human resources in a regular and consistent fashion in order to maintain policy dialogue with the EU institutions. Two groups of annual EUTR indicators can offer an insight into the studied firms' patterns of resource commitment to lobbying: declared lobbying budgets and HR-related statistics, including the absolute number of in-house lobbyists, their full-time equivalent (FTE), and the number of in-house EP pass holders.

With a couple of exceptions, trends in annual budgets and fluctuations in HR resources employed in lobbying appear to covary, indicating that maintaining in-house lobbying teams takes up sizable shares of lobbying budgets (see Figure 1, full details in Tables B, B1, B2 Annex B). Huawei emerges as the biggest spender with an annual budget fluctuating between EUR 2 and 3 million – comparable to Samsung, and more than Nokia, Ericsson, and NEC corporation, other major 5G and telecom providers in the EU market. In recent years, however, Huawei's expenditures have seen several dips, the latest one in 2021 accompanied by a decrease in the in-house lobbying team size from 23 to 11. Despite the drop, Huawei's PR team remains the largest among the studied companies, both in absolute numbers and FTE. Huawei's telecom competitor ZTE and surveillance hardware provider Hikvision have likewise significantly reduced their budgets since 2019. In 2020, ZTE, which prior to that has been growing its in-house capacity, has also started reducing its lobbying team and switched from the Brussels-listed ZTE Corporation to the Rome-based subsidiary ZTE Italia as the primary entity reporting lobbying in the EUTR. By 2022, ZTE only employed three lobbyists (2.25 FTE).

While Huawei, ZTE and Hikvision have been on a decreasing trajectory with their budgets and in-house teams, Alibaba, Lenovo, Tencent, Ant Group, and TikTok have either remained consistent or somewhat increased their budgets over the past several years. Alibaba, Lenovo and Tencent have been more cautious, keeping their lobbying budgets relatively unchanged year-on-year. Among the three, Alibaba and Tencent have slightly increased their lobbying team sizes in the past year (to five (2 FTE) and three (0.5 FTE), respectively), while Lenovo maintained one person in charge of lobbying over the years. In contrast, TikTok and Ant Group have both grown their budgets, and TikTok increased its lobbying team more dramatically to seven individuals since EUTR registration in 2020.

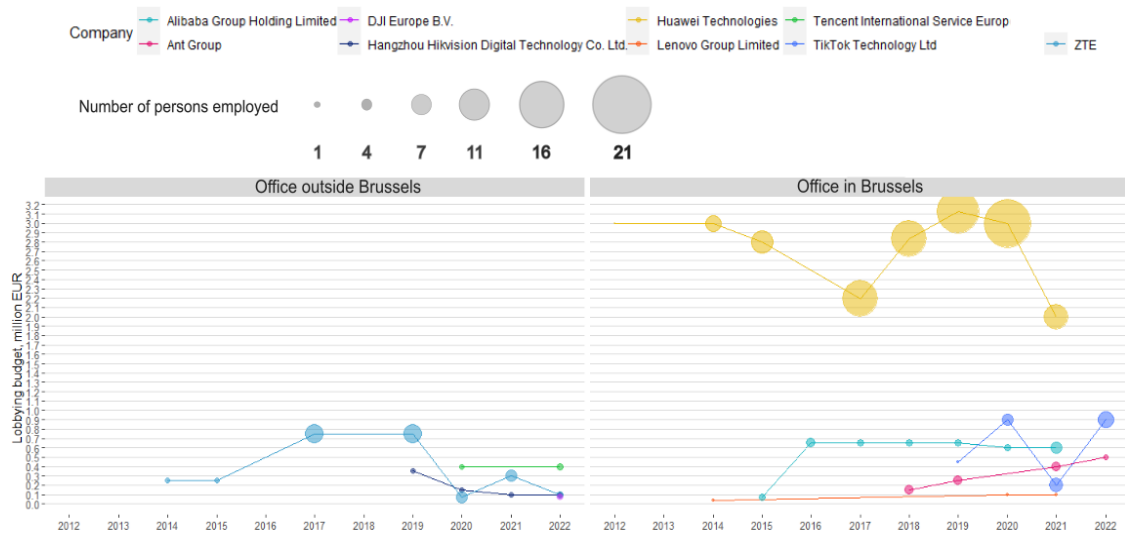
As seen in Figure 1, even when excluding Huawei as an outlier, firms with a physical office in Brussels on average tend to spend more on lobbying and grow larger in-house lobby teams. Likewise, with the exception of ZTE<sup>13</sup>, firms with Brussels offices in charge of EU affairs tend to have more European Parliament pass holders in their offices (See Figure 2). This is an expected observation since a Brussels-based team are better positioned to interact with multiple institutions in order to track and influence policy changes of the EU (Pang 2004, 440).

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<sup>13</sup> Between 2019 and 2021 ZTE was registered in EUTR under its Brussels-based subsidiary, so it could be considered part of the “Brussels-based” group for that period.

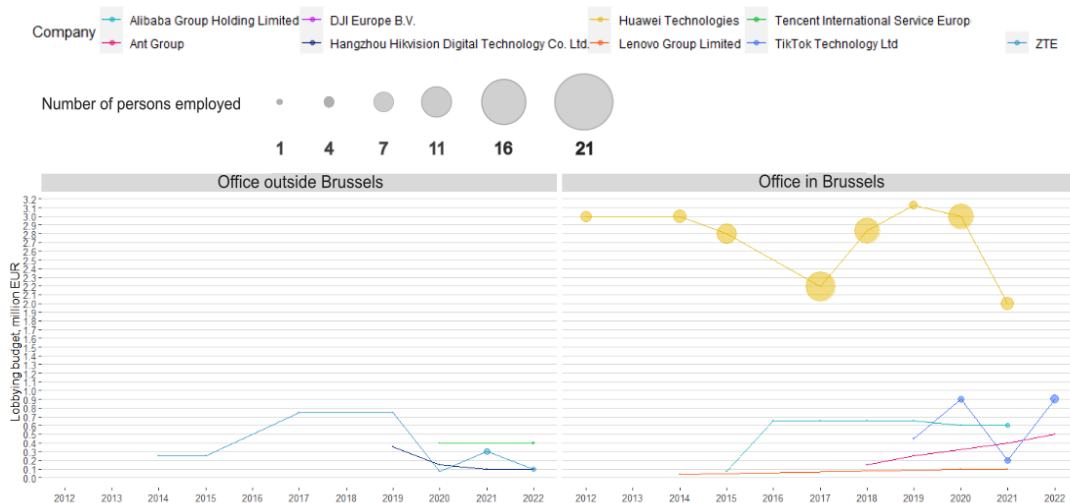


**Figure 1: Trends in Chinese firms' declared lobbying-related budgets**



Source: EU Transparency Register; LobbyFacts. Own visualization.

**Figure 2: Trends in Chinese firms' declared lobbying-related budgets and numbers of in-house EP pass holders**



Source: EU Transparency Register; LobbyFacts. Own visualization.

#### 4.2.2. Direct engagement: meetings, consultations, and working groups

Having looked at the dynamics in the allocation of resources, it is time to gauge the firms' interactions with the EC. Three key formats these interactions can take are meetings, consultations, and working groups. While meetings are usually requested by external parties, consultations are initiated by the Commission in order to gauge private actors and civil society's positions on legislative proposals and roadmaps. Both meetings and consultations can

take place online or in person, but consultations can assume different formats, including open consultations and closed stakeholder meetings (Binderkrantz et al. 2023). Working and expert groups are usually created to complement implementation of specific multiyear plans and initiatives and unite selected industry experts for recurring deliberations guiding the implementation process.

Looking at the overall year-on-year trends in meetings by company (Figure 3), we can see some commonalities in broader spikes and falls of activity with the trends observed for the budget and HR fluctuations. Similarly, companies with Brussels-based offices in charge of lobbying appear more active compared to those managing their EU affairs from afar, with some among the latter, like Hikvision and DJI<sup>14</sup>, reporting no meetings at all. Huawei again stands out as the most active lobbyist, having held 76 meetings during the first seven years of reporting on the EUTR. 2018 marked a notable decrease in the company's meetings with the EC, and in 2022, after a temporary reversal, the number dropped again more drastically to a single meeting, remaining low so far in 2023. Notwithstanding this drop, since 2018 Huawei has contributed to nine public consultations and six roadmaps and has since 2019 been a member of EC's Intelligent Transport Systems expert group, organized to assist the Commission in the questions of cybersecurity of infrastructure under the wider EU Strategy for mobility. TikTok, which registered in the EUTR in 2020, has in the short period of its reporting been a consistently active participant of EC-targeted activities, joining at least five meetings per year, both individually and together with other lobbyists, and also contributed to one public consultation and one roadmap. Ant Group has been moderately active in the three years of its reporting since 2019. In contrast, Lenovo, ZTE, and Alibaba have participated in meetings more occasionally, being more active in some years and quiet in others.

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<sup>14</sup> In cases of DJI and Tencent, which registered in the EUTR in 2023 and 2022 respectively, little can be inferred given the short timeframe of reporting.

*Figure 3: Chinese firms' meetings with EC, by company and year*



Source: Transparency Register; LobbyFacts. Own visualization. Solid vertical lines indicate the year of active EUTR registration, while dotted lines indicate previous EUTR entries by the firms or their other subsidiaries/offices (different names indicated where appropriate).

Beyond these general activity levels, overarching patterns of frequency and volume of meetings can provide little insight into firms' lobbying strategies, as the higher number and frequency of meetings or consultations per se does not imply better lobbying outcomes.<sup>15</sup> However, combined with meetings' focus areas, they can shed some light on the companies'

<sup>15</sup> Decision-makers' limited time and the required organizational efforts mean that meetings are usually held only when the actor can provide valuable expertise to a particular Commissioner, their Cabinet member, or a working group (EDRI, 3).

priorities for influencing policymakers. A thematic analysis of the 133 meetings (Figure 4, full details in Tables C, C1 Annex C) points to several notable tendencies in this regard.

First, Huawei has engaged in meetings with a distinctly broad range of subjects, spanning from the expected focus on telecommunications, and privacy and security, to digital economy, transport and connectivity, taxation, and green economy, to name a few. This diversity is also reflected in its contributions to public consultations and roadmaps, which thematically range from artificial intelligence and data management to education, energy, and climate, which points at Huawei technologies' omnipresence across various European industries (See Table C). Huawei also held by far the most "individual", or company-focused, meetings with the EC, which concerned more personal matters such as inviting a Commissioner to visit its facilities in Germany<sup>16</sup>, introducing Huawei's new company employees<sup>17</sup>, and discussing the firm's struggles and business ambitions<sup>18</sup>. In addition, only Huawei and ZTE appear to have participated in meetings held under the thematic umbrella of EU-China bilateral cooperation in ICT.<sup>19</sup>

Alibaba, Ant Group, and TikTok have pursued more targeted approaches, partaking in meetings more narrowly related to their main fields of operations. For instance, majority of Ant Group's meetings with the EC concerned issues related to FinTech, such as instant payments, standardization of QR codes and online banking.<sup>20</sup> Both Lenovo and ZTE have been mostly concerned with the issues of security, including General Data Protection Regulation (GDPR) and EU Privacy Shield, 5G security, and, most recently, EU Cyber Resilience Act. In the same vein, TikTok, as the only social media platform provider among the studied firms<sup>21</sup>, is the only

<sup>16</sup> Meetings #23, #25 in Table B, Annex B.

<sup>17</sup> Meetings #32, #33, #34, #42, #102, #105 in Table B, Annex B.

<sup>18</sup> Meetings #5-7, #46, #73, #75, #95 in Table B, Annex B.

<sup>19</sup> Meetings #4, #11, #37, #47, #53, #65 (Huawei) and #4 (ZTE) in Table B, Annex B.

<sup>20</sup> Meetings #67, #77, #89, #109, #120 in Table B, Annex B.

<sup>21</sup> While Tencent's messaging platform WeChat is available across Europe, local users do not constitute the company's main target audience.

studied company which discussed issues of disinformation, hate speech and radicalization with the Commission. Many companies were engaged in meetings on digital economy, but focused on different legislation: Huawei, for instance, was a very active discussant between 2015 and 2019, frequently meeting with different Commissioners' Cabinet members to discuss the implementation of the Digital Single Market, EU's priority strategy adopted in 2015 to facilitate cross-border online trade in the region. Since 2018, Alibaba and TikTok started dominating the digital economy-related meetings, contributing mostly to the discussions on product safety, as well as Digital Services Act and Digital Market Act<sup>22</sup> - two major recent regulations proposed in 2020 and adopted in 2022 to oversee activities of online marketplaces, social media, and other intermediaries involved in the provision of digital services. Alibaba's voluntary commitment in 2018 to the EU-supported Product Safety Pledge, a memorandum of understanding on the safety of goods sold on online marketplaces, also paved the way for the firm's consequent membership in the complementary Product Safety Pledge+ mechanism, which implies regular meetings between the major e-commerce players and the EU staff and as such offers another venue of access to the EU institutions. Notably, Hikvision's only EUTR-traceable lobbying activity has been its four written contributions to the legislative process, all made in 2020: of these, two were to public consultations and two to roadmaps in the field of information security and artificial intelligence.

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<sup>22</sup> Meetings #48-51, #54, #104, #110-111 (Alibaba) and #72, #81, #84, #89, #97, #99, #112-113, #127-130, #132-133 (TikTok) in Table B, Annex B.

**Figure 4: Firms' meetings with EC, by meeting subject and year**



Source: Transparency Register; LobbyFacts. Own visualization.

#### 4.2.3 Indirect engagement: intermediaries and group action

In addition to the direct engagement modalities, the data points to several strategies of indirect influence on the EU policy-making that the nine Chinese firms employed. Among these, two modes can be traced more consistently: the use of external consultants and lawyers, and group lobbying through industry associations.

PR consultancies and law firms, which, as was mentioned in Chapter 2.5, are not frequently used by domestic companies in China to communicate with the government authorities, constitute an important group of intermediaries for policy influencing in the EU. While services provided by these two groups slightly differ, with law firms offering more technical legal expertise, they can offer similar types of assistance, such as policy monitoring, contacting legislators, communicating clients' positions, and assisting with hearings and negotiations, among others. Since provision of such services requires constant proximity to the relevant EU legislators, the immediate access to the networks of decision-makers by both

consultancies and law firms can be seen as a (short-term) advantage over in-house PR teams and legal counsels (Korkea-aho 2021, 68).

EUTR data shows that, although to different degrees, all studied Chinese multinationals reported using public relations consultants as intermediaries (see Figure 5, more details in Table B Annex B). The data also indicates that the reported budgets allocated to such consultants<sup>23</sup> have increased since around 2018-2019<sup>24</sup>, with Lenovo, Hikvision, Alibaba, and ZTE showing the most dramatic increases. Hikvision and Lenovo appear to have completely delegated their lobbying activities to their preferred intermediaries since 2021 and 2020, respectively, while Alibaba's and ZTE's consulting expenditures constituted half of their lobbying budgets in 2021 and 2020. For TikTok, Ant Group and Huawei this share was smaller, yet still notable, reaching 22%, 20% and 15%, respectively.

In contrast to such prevalent use of professional consultancy services, only Huawei reported employing services that can be classified as legal lobbying. Alber & Geiger, the law firm advising Huawei on the matters related to the NIS directive and regulatory compliance via-s-vis EU Toolbox on 5G Cybersecurity, has also expressed public support for Huawei's position on cybersecurity issues and in its messages portrayed company as a responsible stakeholder, 'fully integrated in the EU market and successful for business reasons only' (*Alber & Geiger*, n.d.(a)). While Alber & Geiger, which self-describes as a 'political lobbying powerhouse' (*Alber & Geiger*, n.d.(b)), does disclose its activities in the Transparency Register, law firms generally have more leeway to avoid reporting certain legal lobbying activities on Transparency Register through exemptions under the Inter-Institutional Agreement related to

<sup>23</sup> see Annex 1 for a list of intermediaries currently employed by the studied companies.

<sup>24</sup> EUTR entries alone are insufficient to claim trends with certainty. It is possible that firms had not specified the exact makeup of their lobbying budget expenditures prior to 2018-2019 due to the non-obligatory nature of such provisions.

professional secrecy and the broad definition of “legal advice”.<sup>25</sup> Thus, although other Chinese companies have not reported using law firms in their interactions with the EU institutions, such a possibility cannot be excluded.

*Figure 5: Firms’ lobbying expenditures, direct vs. via intermediaries*



Source: Transparency Register; LobbyFacts. Own visualization. N.b.: Although Figure 5 gives the impression that Tencent has been conducting lobbying directly, the firm did employ services of external intermediaries both in 2020 and 2022. Since it did not specify its exact expenditures in this regard, the share could not be visually reflected. See more in Table B Annex B.

Trade and business associations constitute another important platform for collective – and thus more implicit – instrument for companies to influence EU policymaking. Differently from China, where, as mentioned in Chapter 2.5, self-established collective action groups are fewer and less active in the policy dialogue compared to the government-initiated ones, lobbying in the EU is characterized by the presence of highly organized groups with shared interests who pursue institutionalized engagement with policymakers on the basis of mutual resource dependencies (Pang 2004, 432). This is also reflected in EUTR: as of August 2023,

<sup>25</sup> Paragraph 10 of the Inter-Institutional Agreement exempts legal services, such as dispute resolution, compliance advising, and provision of analyses, from the scope of TR. See more in Korkea-aho 2021, 74-78.



over 2500 trade and business groups had been reporting their activities in the register, constituting a fifth of all EUTR registrants.

Group associations are often valued in lobbying for the increased legitimacy of the messages they communicate to the policymakers (2004, 432). Interviewee R2 in particular observed that, although a common position is often diluted and takes longer to achieve, group action is usually more impactful since the Commission prefers to talk to wider groups rather than national actors or individual companies. They are also, as noted earlier in Section 2.3, trickier for companies to employ to their ends due to preference configuration – the process of finding common ground between interest group members. These considerations directly play into the cost-benefit analysis of membership, according to the interviewed employee of a Chinese MNC, who mentioned the ongoing deliberations on membership fees in their company.

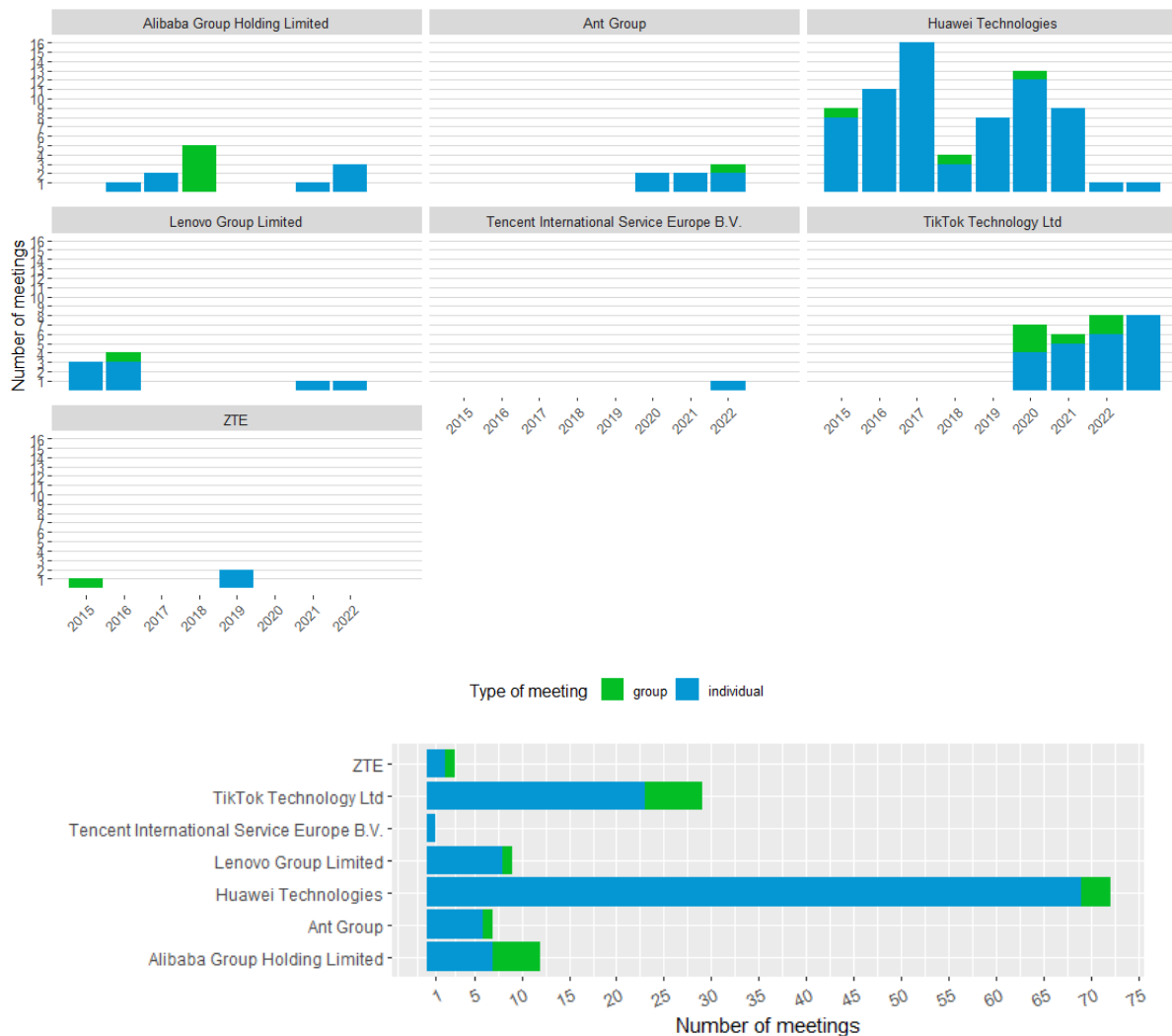
It is, however, unclear whether association membership itself encourages Chinese multinationals to pursue more collective action vis-à-vis the EU institutions. EUTR data on meetings with the EC and external memberships for the seven studied multinationals<sup>26</sup> shows a mixed record in this regard (see Figures 6, 7 below and Table B Annex B). On the one hand, Alibaba, TikTok, and Huawei have been both actively joining large industry associations such as BusinessEurope, DIGITALEUROPE, and European Internet Forum, and have also successfully engaged in a number of group meetings with the Commission alongside other tech and e-commerce market giants like Microsoft, Twitter, Google, Glovo, Etsy, Amazon, and Zalando.<sup>27</sup> On the other hand, Lenovo and Ant Group, who have consistently reported membership of only one and two group organizations respectively, have not used their connections in meetings with policymakers as actively. According to EUTR, Lenovo participated in one joint meeting on cybersecurity in 2016, hosted by the Cabinet member of

<sup>26</sup> excluding DJI and Hikvision which reported no meetings at all.

<sup>27</sup> Meetings #13, #48-51, #54, #76, #84, #88, #91, #118-119 in Table B, Annex B.

Commissioner on Digital Economy and Society, where it was joined by Deutsche Telekom<sup>28</sup>, who would later use Lenovo's cloud and datacenter services for its subsidiary companies and projects (Sanders 2020; *TelecomTV* 2021). Ant Group's only meeting co-discussants have been its sister company Alibaba, its declared intermediary consultancy Brunswick, and Copenhagen Economics, a research company Ant Group contracted to write a report on QR payments standardization in the EU, disclosed on EUTR under Ant Group's communication expenses (Copenhagen Economics 2022; EUTR). Tencent has reported no group meetings at all – which, however, might not be indicative due to the firm's very recent date of EUTR registration.

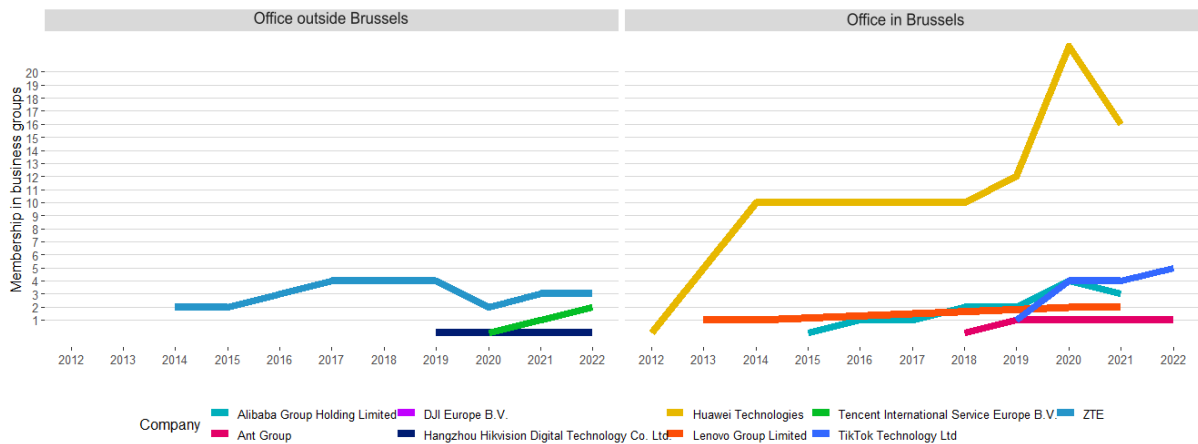
*Figure 6: Firms' meetings with EC, individual vs group*



<sup>28</sup> Meeting #17 in Table B, Annex B.

Source: Transparency Register, LobbyFacts. Own visualization.

**Figure 7: Firms' membership in business and trade associations**



Source: Transparency Register, LobbyFacts. Own visualization.

### 4.3. Revisiting hypotheses and weighing potential explanations

While many more factors are arguably at play and influencing corporate behavior than what is available in the EUTR, some cautious inferences can be made by synthesizing all the observations above and revisiting hypotheses from Section 2.7.

#### 4.3.1. Bigger disposable resources are correlated with more active lobbying

First, it can be said that the studied firms with bigger organizational resources indeed displayed overall more active lobbying behavior, supporting our Hypothesis 1.1. In particular, Huawei, TikTok, and Alibaba, which on average spent more on lobbying annually, all had the absolute highest numbers of meetings held with the EC. Huawei and TikTok also scored the highest on the in-house team sizes, while Alibaba was significantly delegating its work to external consultants. Apart from ZTE, the three companies also had the most EP pass holders in their teams, indicating at the very least willingness to, or interest in, accessing the European Parliament premises. Counter to this finding stands the case of ZTE, had a relatively large budget between 2017-2019, and also appears to have been engaged in lobbying from its

Brussels-based subsidiary ZTE Corporation between 2019-2021. These factors, while corresponding to increases in the team size and the number of EP pass holders, however, did not appear to translate into higher number of meetings between ZTE and the EC. These details leave it unclear whether ZTE was engaged in another mode of lobbying, uncovered in the EUTR, or assumed a more passive observer position.

We can also see some broad support for Hypothesis 1.2, which states that firms are more active regarding the issues that are more salient to their business operations, in the data. Coded analysis performed in Section 4.2.2 shows that issues of data management and privacy, disinformation, e-commerce, artificial intelligence, and 5G connectivity dominated agendas of the 133 studied meetings, many of them under the umbrellas of major regulations debated between 2014 and 2022, such as GDPR, EU Privacy Shield, NIS Directive, Digital Service Act, Digital Markets Act, and Cyber Resilience Act. The analysis above has shown that companies were more activated in the areas directly applicable to their field of operations, although levels of engagement differed. An interview with a public affairs team employee of a Chinese MNC confirms that the in-house approach to meetings is very selective and prioritizes only relevant regulations, and that they follow the shared sensibility that in the EU, differently from China, you cannot just “meet people for the sake of meeting people” (R3). Huawei has emerged as more of an ecosystem player, being an active contributor to discussions and policies in various fields (at least until 2021), and was also highlighted by an expert with experience in the EU diplomatic service to be ‘very efficient in building a narrative and building a [public] image’ (R4). Nonetheless, this is a relatively weak inference, as topics in the field of technology regulation are often intertwined. A cross-sector comparison of companies would be needed to make stronger claims about the issue salience as a factor influencing Chinese multinationals’ lobbying strategies.

#### ***4.3.2. Socialization is potentially catalyzed by physical presence in Brussels***

The second hypothesis, which claims that better socialization into the EU regulatory framework is correlated with more active lobbying and collective action through industry associations, also finds some support in the data. However, rather than the length of multinationals' presence in the European markets, their maintenance of a Brussels-based office in charge of EU affairs is more strongly correlated with more active lobbying behavior. Not only do such firms on average have more meetings with the EC, but they also participate more in EC-adjacent working and expert groups and have more EP pass holders in their teams. This might be due to the more frequent use of "revolving door" technique of hiring personnel with work experience in the EU institutions and lobbying environment, according to news coverage and analysis of employee profiles on LinkedIn.<sup>29</sup> As also observed by interviewee R1, who used examples of TikTok-sponsored data protection-related adverts around Brussels and Huawei's use of op-eds in POLITICO, private Chinese tech firms 'are quite agile in terms of in terms of communication style' compared to, for example, SOEs or even diplomatic missions (R1). Notably, Lenovo, despite maintaining an office near Brussels, stands out as exception to these trends, having kept its budget and in-house lobby team at a minimum, and also seemingly interrupting its EUTR registration for three years between 2017 and 2020.

Collective lobbying of the EU institutions with fellow industry counterparts also appears to be pursued slightly more frequently by those with Brussels-based teams, but more company cases with longer timeline of reporting to EUTR should be analyzed to establish

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<sup>29</sup> A LinkedIn search shows that Huawei's current Director of EU Cybersecurity and Public Affairs, David Harmon, has extensive EU experience as a cabinet member for a European Commissioner and an advisory role in the European Parliament. Furthermore, at least three former MEP assistants were recruited by Huawei - see Teffer 2023a. Government Relations Manager at Lenovo for the EMEA region has experience in both the EU-supported projects, as well as lobbying and PR firms. TikTok's Director of Public Policy and Government Relations, and Huawei's other Brussels-based Director of Public Affairs, both worked for major telecommunications and ICT lobby associations in Europe. Tencent's Director of Public Affairs for EMEA has worked in national government and PR departments of large multinational corporations.

clearer patterns. Also, more within-case interview-based research is required to probe whether such collective political action is directly influenced by firms' membership in business and industry associations.

#### ***4.3.3. Geopolitical tensions create uncertainty which deters corporate commitment to more active lobbying***

Finally, the hypothesis that geopolitical tensions surrounding specific industries or EU-China relations more broadly are correlated with less active and more indirect lobbying finds some preliminary support in the data and strongly surfaced during the interviews with both experts and company representatives. Specifically, some parallels can be traced between the wider geopolitical events and the decrease in the budget and the in-house team of Huawei around 2017-2018, and Hikvision's "retreat" and delegation of lobbying to an intermediary observed in Sections 4.2.1 and 4.2.3, respectively.

International tensions around Huawei started brewing around December 2018, when its Chief Financial Officer Meng Wanzhou was arrested in Canada on extradition request on the US authorities, based on accusations of violating sanctions against Iran (Warburton 2021). Wider concerns about the company's role in the critical telecommunications infrastructure in Europe followed when the company was blacklisted in the United States over spying concerns in 2019. Since then, the pressure on EU's national telecom companies to speed up their Huawei "exit strategies" and switch to alternative 5G providers was gradually rising, with mixed results, and in 2023 the EC decided to remove Huawei's and ZTE's equipment from their internal communications, calling on member states to phase out technologies from the two vendors (Morris 2020; Mukherjee and Rosemain 2020; *Reuters* 2021; Deutsch 2023). An interviewed Brussels-based expert in particular noted that, given this growing pressure for greater self-sufficiency in critical sectors and a more hostile rhetoric towards Huawei in Brussels, Huawei's

decision to transfer a number of its Brussels-based employees to Dusseldorf, Germany, and delegate some representation activities to third-party intermediaries is unsurprising (R2; Cerulus and Wheaton 2022).

The timeline of Hikvision's decreasing lobbying budget and rising preference for intermediaries also finds potential explanation in the wider geopolitical environment. In 2019 the company, which prior to that quietly grew its overshadowing presence in the global surveillance market, came into international limelight thanks to the investigations into its role as a vendor to Xinjiang police agencies in China, who have been using Hikvision's products in widescale monitoring and human rights abuses against the local population (Rollet 2018; *Human Rights Watch* 2018). This point marked the beginning of growing restrictions imposed on the firm in the US (Cadell 2019; Sevastopulo 2022) and later in the EU, where European Parliament voted to remove Hikvision's thermal cameras from its premises in 2021. Considering the clearly negative reaction to the Hikvision's direct attempts at reversing said vote via individual private communications with a Dutch MEP (Rollet 2021), as well as the ongoing concerns over data protection vis-à-vis Chinese authorities, it might not be surprising that the company decided to manage its EU affairs from Hangzhou (and not one of its 13 EU-based intermediaries<sup>30</sup>) and delegate its government-facing activities to a neutral intermediary. The absence of any declared meetings with the EC by Hikvision might also be pointing to its preference for a low-profile on the political front in the EU.

Arguably, to understand how exactly these events translate into firms' lobbying strategies, one needs more detailed within-case analysis to avoid overlooking equifinality and erroneously attributing similar outcomes to the same cause. For example, like Huawei and Hikvision, Lenovo and Alibaba – while not decreasing their budgets – also appear to have

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<sup>30</sup> See Hikvision's 2021 Annual Report (2022).

started delegating more to intermediaries around the same time despite not being in EU's direct "line of fire", which could be informed by alternative cost-benefit calculations. Interestingly, a Chinese company employee confirmed this difference in the level of hostility towards different multinationals, noting that their company was in a "relatively sweet spot", since it is neither a critical infrastructure provider, nor a social media platform – the two areas which have come under increased scrutiny in the EU lately (R3).

Nonetheless, recalling that existing literature does point to a link between the strength of bilateral relations and levels of lobbying activity (Rasmussen and Alexandrova 2012), the gradually worsening EU-China relations cannot be overlooked as an important background to the political actions of all Chinese companies. One example, given by both the interviewed expert (R2) and the Chinese company employee (R3), was the increased pressure on the Chinese multinationals to withdraw from, or take a firm position on, Russia following the latter's invasion of Ukraine, which soured the environment in Brussels in 2022. This growingly more cautious narrative on the EU-China relationship can be clearly traced more broadly in EU's official strategy, which has shifted from the call for cooperation based on "engagement and partnership" in 2006 to viewing China as "a partner for cooperation and negotiation, an economic competitor, and a systemic rival" in 2019, and, finally, to the need for "de-risking EU economy from China" in 2023 (EC 2006; 2019; 2023). Notably, the coded analysis from Section 4.2.2 shows that any thematic framing of meetings between the firms and EC under the EU-China cooperation completely disappears after 2018-2019.

Such an unstable bilateral environment, especially during and after the global pandemic, was noted by interviewees R1 and R2 to be complicated for the Chinese firms by further peculiarities of the state-business relationship in China. Chinese firms, according to R2, find themselves in a particularly tricky position as, for instance, unlike the US firms, they cannot appeal to Beijing to step in diplomatically on their behalf vis-à-vis the EU for fear of being



perceived as Chinese government agents. Yet, they simultaneously cannot completely distance themselves from Beijing for fear of retributions at home (R2), but also in order not to lose ‘access to subsidies and preferences coming from the governmental side’ (R1). Stuck in this manner between Brussels and Beijing, Chinese multinationals have less “space to maneuver” and potentially choose to remain conservative and more reactive in their political actions.

## Chapter 5. Conclusion

It is clear that the data used in this study is not sufficient to make strong and exhaustive conclusions about Chinese MNCs' role in the EU policy deliberations between the Brussels institutions and the private sector. However, certain patterns have emerged which can be a useful starting point for future studies.

More broadly, the trends observed show that most Chinese companies are successfully adapting to the EU-style information-focused lobbying, as indicated by their participation in the meetings with the EC, contributions to roadmaps and consultations. All the companies also used services of external intermediaries which, as observed in Chapter 2, is not common in China and which thus also points to the companies' socialization into the Brussels-style policy dialogue. At the same time, the nine companies appear to have different approaches to these activities. Huawei, with its high levels of activity and wide range of issues covered, stands out as an "ecosystem player", whose important profile in the EU telecommunications sector might also explain its ability to discuss more company-specific matters with the decision-makers. TikTok, a newcomer to the lobbying scene, emerges as a similarly active lobbyist if continued on the same trajectory. In contrast, Alibaba, Ant Group and Lenovo have shown themselves to be more cautious contributors, while ZTE and Hikvision have so far kept a low profile with few publicly traceable lobbying activities. Any attempts to spot patterns for Tencent and DJI are too premature, given their relatively recent EUTR registration dates.

The limited evidence gathered points to the fact that both resource and wider institutional considerations shape firms' lobbying activities. At the same time, complex interactions between these variables present numerous opportunities for further research.

On the one hand, there is significant potential for establishing clearer correlation patterns by increasing the number of cases. Here, further inferences can be made from sector-

specific comparative studies of the lobbying behavior of Chinese multinationals and their EU counterparts and/or other foreign firms operating in the EU. The former can help shed light on how similarly or differently Chinese companies lobby compared to other private stakeholders. Similarly, comparing interest representation patterns of Chinese MNCs from different sectors could help identify and isolate industry-specific patterns, which can be then further compared with observations of EU companies from the same sectors.

On the other hand, much stands to be gained from narrower qualitative studies. In this regard, single case studies could tap into process-tracing methods to follow lobbying-related corporate decision-making in Chinese firms through fieldwork and detailed interviews with corporate management. If possible, adding interviews with both EU-based offices and headquarters in China would offer more nuance and help discern the chain of command when it comes to corporate political activities. All this could help deepen understanding of the causal mechanisms between corporate strategies and the observable lobbying behavior. Such studies would also benefit from including a wider range of indicators analyzed, including not only meetings and consultations with the European Commission, but also interactions with other EU institutions – the European Parliament and Council – as well as other forms of indirect political action like public campaigns, events, and the media produced.

In the end, navigating the complexity of the EU bureaucratic machinery is a challenge Chinese firms have been tackling with mixed success, facing both the geopolitical tensions and ‘the growing appetite of modern societies for transparency’ (Korkea-aho 2021, 66-67). If observations of Chinese corporate behavior across other foreign jurisdictions are anything to go by, this heavily regulated transparency-hungry environment is not the most fertile soil for China’s business model, ‘characterized by flexibility, indirectness, and cultivation of personal relations [which] thrives in environments where local institutions and regulatory frameworks are relatively weak’ (Brattberg et al. 2021, 62). As China’s economy and Chinese companies

continue to play an important role around the world, the need for understanding what this model is and how it applies to different contexts will only increase.

## Annex A – General information

**Table A: Overview of the studied Chinese companies' EUTR profiles**

Company	TR registration date	TR number	Latest declared lobbying budget	Office / team in Brussels	Total meetings with EC	EC working / expert groups
Huawei Technologies	2013-06-25	1144671114 12-38	2,000,000 - 2,249,999 €	Y	73	E01941 - Intelligent Transport Systems (Type C member)
Lenovo Group Limited	2015-02-27 (old) 2021-11-01 (new)	2174999445 38-05	100,000 - 199,999 €	Y	9	N/A
ZTE	2015-03-17 (ZTE Europe) 2019-04-03 (ZTE Corporation) 2021-08.04 (ZTE Italia)	2872747437 93-09	50,000 – 99,999 €	N	3	N/A
Alibaba Group Holding Limited	2016-09-15 (old) 2019-08-13 (new)	2881243356 33-28	600,000- 699,999 €	Y	12	Product Safety Pledge (EU-supported platform)
Alipay / Ant Group	2019-11-06 (old) 2023-04-13 (new)	3504562497 99-20	500,000 - 599,999 €	Y	7	N/A
Hangzhou Hikvision Digital Technology Co. Ltd	2020-02-20	1810692374 09-88	100,000 - 199,999 €	N	0	N/A
TikTok Technology Ltd	2020-04-28	1652028379 74-32	900,000 - 999,999 €	Y	29	N/A
Tencent International Service Europe B.V.	2022-03-07	4082252455 33-96	400,000 - 499,999 €	N	1	N/A
DJI Europe B.V.	2023-05-24	2116160502 65-39	100,000 - 199,999 €	N	0	N/A

## Annex B – Resource-related indicators

**Table B:** Please find the table in a separate Excel file “Table B – Indicators chronologically” uploaded onto the SharePoint folder for this submission

**Table B1: Annual trends in firms’ in-house lobbyists, total + FTE**

	EU office in Brussels					EU office outside Brussels			
	Huawei	Lenovo	Alibaba	Ant Group	TikTok	ZTE (Italy)	Hikvision (China)	Tencent (Netherlands)	DJI (Germany)
2015	10 (9.25)	-	3 (1)			0			
2016	-	-	4 (1.25)			0			
2017	16 (16)		3 (1.25)			0			
2018	16 (16)		3 (1.25)	4 (1)		0			
2019	19 (19)		3 (1.25)	4 (1.5)	1 (1)	0	2 (0.5)		
2020	21 (21)	1 (0.75)	3 (1.25)	-	5 (3.5)	0	2 (0.5)	2 (0.5)	
2021	11 (11)	1 (0.75)	5 (2)	4 (1.05)	6 (4.5)	3	2 (0.2)	-	
2022	-	-	-	2 (0.85)	7 (2.95)	2	2 (0.2)	3 (0.45)	1 (1)
2023	-	-	-	-	-	-	-	-	-

Source: EUTR, *LobbyFacts*. Own compilation. Black cells indicate the entity was not yet registered in EUTR or temporarily ceased registration before resuming reporting. “-” indicates absent annual entries, solid red borders indicate year of active EUTR registration, while dotted red borders indicate previous entries in EUTR by the companies or their other subsidiaries/offices.

**Table B2: Annual trends in firms’ in-house EP pass holders**

	EU office in Brussels					EU office outside Brussels			
	Huawei	Lenovo	Alibaba	Ant Group	TikTok	ZTE (Italy)	Hikvision (China)	Tencent (Netherlands)	DJI (Germany)
2015	9	0	0			0			
2016	-	-	0			0			
2017	14		0			0			
2018	12		0			0			
2019	4		0	0	1	0			
2020	12	0	1	0	5	0	0		
2021	6	1	2	0	6	3	0		
2022	-	-	-	0	7	2	0	1	
2023	-	-	-	-	-	-	-	-	-

Source: EUTR, *LobbyFacts*. Own compilation. Black cells indicate the entity was not yet registered in EUTR or temporarily ceased registration before resuming reporting. “-” indicates absent annual entries, solid red borders indicate year of active EUTR registration, while dotted red borders indicate previous entries in EUTR by the companies or their other subsidiaries/offices.

## Annex C – Direct lobbying activities

**Table C:** Please find the table in a separate Excel file “Table C - All EC meetings chronologically” uploaded onto the SharePoint folder for this submission

**Table C1 – Summary of meetings in the order of most frequent thematic codes**

Meeting topic code	Company	Number of meetings (2014-2022)	Total
Individual	Huawei	24	30
	TikTok	3	
	Alibaba	1	
	Lenovo	1	
	Tencent	1	
Digital Single Market	Huawei	9	20
	Alibaba	5	
	Lenovo	3	
	TikTok	2	
	ZTE	1	
DSA, DMA, Product Safety	TikTok	12	16
	Alibaba	4	
Telecoms (5G, IOT, AI)	Huawei	14	14
Disinformation, Hate Speech, Radicalization	TikTok	12	12
FinTech	Ant	6	7
	Alibaba	1	
Bilateral (EU-China)	Huawei	6	7
	ZTE	1	
Privacy and security	Huawei	3	7
	Lenovo	3	
	ZTE	1	
Society and Innovation	Huawei	5	6
	Lenovo	1	
Transport and Connectivity	Huawei	3	3
Justice	Huawei	2	2
Cyber Resilience Act	Huawei	1	2
	Lenovo	1	
Green Economy	Ant	1	2
	Huawei	1	
IPR	Alibaba	1	1
Political (sanctions)	Huawei	1	1
Taxation	Huawei	1	1
Values and Transparency	Huawei	1	1
NA	Huawei	1	1

# Annex D – Interview Guide and Interview Notes

## Guide for interviews with Chinese firms’ representatives

### Research goal and background

My research aims to analyze interest representation strategies Chinese companies adopt when interacting with the EU policymakers or attempting to shape the EU-level policy. As foreign companies coming from a dramatically different state-business environment, Chinese firms have to adapt to the regulatory procedures shaping the dialogue between the decision-makers and the private sector in the EU. Despite their growing importance as players in the EU markets, Chinese firms’ strategies of engaging with the EU institutions are not studied with due nuance by the political science and political economy scholars. This is the gap I humbly aim to start filling in with my research.

### Interview objectives and interviewee selection

My goal is to conduct 8-10 inductive interviews in order to:

- 1) Discover which corporate political action strategies are preferred by Chinese firms from different sectors and of different sizes using my theory-informed classification.
- 2) Investigate the factors influencing different choices of strategies made by each firm.
- 3) Register the specific language used by firms’ representatives for self-depiction of said choices and strategies.

Targeted interviewees:

- Firms with a head office in China and a registered office/ in the EU, and which are either registered in the EU Transparency Register as individual lobbyists or are members of business associations registered in the TR.
- Representatives of the China Chamber of Commerce in the EU.
- Consultancy firms listed in EUTR as principal intermediaries of Chinese companies.
- EC members working with industry lobbyists.
- Other consultants, researchers, and experts working on interest representation in the EU / China.

### Interview guide

Introduction: Thank you for agreeing to talk to me! My name is Olesya, I am a graduate student at Central European University. As a little refresher, my study seeks to understand what factors drive decisions behind the Chinese companies’ government relations strategies at the EU level, as well as to analyze how open the existing space in the EU institutions for Chinese companies is to communicate their positions, preferences, and concerns. This work strives to contribute to the larger body of research studying foreign companies’ behavior in international markets and the processes of their socialization into the local regulatory environments.

I will now ask you some questions about your firm’s approaches to government relations and participation in policy deliberations. Your participation in this study is totally voluntary and you can withdraw at any time. Anything you say today will remain confidential, and I am happy to provide a written consent form if you prefer.

If it is okay with you, I would like to record this conversation and take some notes as we speak, both of which will only be accessible to me and never be shared publicly. Are you comfortable with this? If you have any questions about the project, please feel free to ask! You can also ask me anything during the interview.

Introduction	1. could you please tell me what your position is in [insert company name] and what falls under your scope of responsibilities?
Getting to know the logistics of gov’t relations	2. In your company, is there a special department/team responsible for the government affairs? How many of them focus on the EU policy? 3. What EU-level policy and regulatory areas do you deem most important for the company’s operations in the EU market? 4. How would you characterize the regulatory environment in the EU for [insert company’s sector(s) of interest] for your company?
Avenue of approach to decision maker	5. When it comes to new policies in [insert sectors of interest], which public bodies at the EU level are the most important for your company to signal / deliver your position to? (incl. any special working groups or committees, individuals etc.)



	<p>6. Why do you (not) have registered EP badge holders? Do you consider EP an important platform for the dialogue with the EU decision-makers?</p> <p>7. Are there any other spaces or institutions, formal or informal, which offer you an opportunity to voice your position and preferences and be heard?</p>
Form of communication	<p>8. What do you consider to be the most effective way of approaching EC members and policymakers in the EU?</p> <p>9. Does it differ from the ways your company represents its position on certain policies back in China?</p>
Level of participation	<p><b>If they only engage in individual meetings:</b> 10.1. What made you choose an individual meeting with the EC?</p> <p><b>If they only engage in group meetings:</b> [list associations/groups the firm is a member of]: 10.2. Why did you choose this particular association(s)? 10.3. What are your impressions of this association(s) work when it comes to representing your position and concerns in the EC/other EU institutions? 10.4. Have you considered having individual consultations with the EC/other EU institutions? What prevented you from pursuing these?</p> <p><b>If they engage in both individual and group meetings:</b> 10.5. Which questions do you think are better raised collectively by [insert industry or business association]? 10.6. Which questions would you only approach the EC individually? Why?</p>
Breadth of message transmission	<p><i>First, mention one or more <b>typical</b> examples of a firm's corporate political action:</i></p> <p>11. When designing this piece of communications/articulating your firm's position on [insert policy area/issue], whom did you have in mind as the final recipient of the message?</p> <p>12. What role do you think wider EU public and your company's clientele has in this conversation between your company and the EU decision-makers? Can you give me examples, if any, of such contributions from your company's clientele, or the company reaching out to the public?</p>
Timeframe of the influence sought	<p>13. How would you characterize your ultimate goals for [insert one or more examples of corporate political action strategies]? Are these typical examples of your firm's approach to government relations? <a href="#">[probe for more info on the timeframe if not yet commented on]</a></p>
Effectiveness	<p>14. Do you think this is an effective way of communicating with the EU decision-makers? Will you pursue more meetings in the future?</p>
Level of involvement in strategy formulation:	<p>15. Do you communicate with your Chinese HQ when it comes to any EU policy which could potentially affect your operations in the EU market? How big a say does the company HQ in China have in your formulation of the EU strategy?</p> <p>16. What differences, if any, have you noticed between your Chinese HQ/other Chinese companies and the EU counterparts when it comes to communicating with policymakers?</p> <p>17. Did/do you seek advice from consultants?</p>
Changes over time / socialization into the EU lobbying space	<p>18. How has your company attempted to adapt to the European corporate-political environment? Has it involved some kind of identity-building, and to what extent is this recognized by the EU policymakers?</p> <p>18.1. Did/do you employ local personnel?</p> <p>19. Has this Europeanization improved your relationship with the EU policymakers?</p> <p>20. To what extent do you think Chinese firms/organizations have blended into the EU policymaking process in general?</p>

Thank you for your time and answers! Do you have any additional comments or questions for me?

# Interview Transcript – R1

**Interview date:** 28.07.2023

**Interview place:** Online

**Interviewee profile:** Brussels-based expert

## Interview transcript

**Olesya (O):** In your view, from your position in Brussels, how active in general do you think Chinese companies are when it comes to interacting with EU policymakers?

**R1:** First of all, we have to put the caveat that over the course of the last year's in the context of COVID, there has been a disruption to a lot of impersonal contacts that has definitely proven a challenge also to the lobbyists themselves. Because what we have seen back in 2019, for example, is that very often you would have especially Huawei representatives being quite active in Brussels, in the conduct of lobbying ahead of the 5G guidelines, but I think they remain one of the biggest actors on the Chinese side. [...]

Chinese private companies also buying op-eds [*in newspapers and outlets*], for example. I believe that Huawei has bought some op-eds in Politico back in the day, but that's something that's required checking more precisely. And similarly, you do get those companies also buying poster / advert spaces around Brussels in order to push their message, which is obviously all within the legitimate game approach.

If we're talking about specifically outreach to the Commission and the institutions to the Parliament in the way that might be more questionable. Here it gets, of course, a little bit trickier. It's really hard to register outside of being outside of the European Parliament. I do believe that what might be of interest to you is some of the friendship groups that have been established that have been already under scrutiny within the European Parliament. But generally speaking, when comes to specifically the case of the European Parliament, I'm connected, for example, with Mathias Hackler, who is the assistant of [*a German Parliamentarian*] that might know a little bit more about how things look like, specifically when it comes to companies from perspective of the European Parliament, because I don't want to give you an unsubstantiated information on my side.

**O:** When it comes to lobbying via these ads and news coverage, do you think it's more for the purpose of building some kind of rapport or image with the public, not necessarily directed to the political institutions?

**R1:** To answer this question, you would have to take a look also whether those companies are carrying out similar operations in other cities or is this really Brussels specific. For example, just now literally the other day just walked around the city, I have seen another poster put up by TikTok. It was claiming and making the point about the safety of their data in terms of the fact that supposedly the data is stored locally and is not being misused and is safe with the company. So, you get this kind of statements which I doubt would be really appearing in many other many other European cities. I do think that it might be Brussels specific, but in terms of really having a substantiated point on that one needs to compare this with the situation in other European cities. Regarding messages around the city: I don't think that Belgium in the end of the day or Brussels itself [*are*] such a major market. I think it's about the type of people that are gathered within the city. So, I would guess it's going to be targeting specific lawmakers.

When it comes to [...], for example, buying the space for op-eds or rather paid commercials within outlets such as POLITICO, I think, this is part of the very specific audience.

**O:** Have you seen any other companies from other sectors doing something similar?

**R1:** To the best of my knowledge, not really. [...] Another loose idea here, but I don't know if you would want to talk to people from the China Chamber of Commerce in the EU, they might have reports or information about the companies that are being active in Brussels. Or, for example, [*you can*] look at their events, which companies are being active within the city. But to my mind in terms of visibility that you get in public spaces, it's primarily tech companies.

**O:** Since you mentioned China Chamber of Commerce. From your observations, how active is it when it comes to collective representation of Chinese companies? What role does it play when it comes to positioning Chinese business interests in Brussels?

**R1:** Sure. They aren't visible, and if you take the look, for example, the events that they are organising, - again, not something that I looked at very consciously scrutinising it, - but I do believe that they typically gather a relatively China friendly crowd specifically for those events. So, it does seem that the events are primarily carried out in terms of consolidating the support group rather than trying to really convince the unconvinced or really counter the negative messages or perceptions from other actors. That would be my very basic overview by just recalling what I've seen from them.

The important thing that they do though, in a way when they're trying to mimic the European Union Chamber of Commerce in China. [One thing in this regard] is releasing the annual reports, which is basically the list of the, let's say, concerns that the Chinese companies have. It is something that then they supposed to bring up to the institutions. That's at least my understanding, although I haven't talked with people in DG Trade that would be the interlocutors for receiving this kind of paper.

But this is also definitely a way for them to lobby for the interests of the Chinese companies on a wide spectrum of specific legislations that they use putting in place that the Chinese companies are definitely not enthusiastic about.

**O:** you mentioned the reports is one form that is prevalent in the EU and, from at least what I've seen, Chinese companies are picking this up as a strategy. You lived in in China and you've seen how Chinese companies behave when it comes to public relations there. ... In terms of for instance, "Chinese style public communications" versus "Western style of public communications": how much of this do you think [Chinese companies] bring into EU space? Is there anything that they're doing that you think: "Oh my God, this is so China style", that it maybe looks a bit out of place. Is there something like this that is happening, or you think they're more or less acclimatised to the EU environment and are trying to act in a way that is comparable to other EU market players?

**R1:** I do think that, especially when we talk about the big tech companies coming from China to Europe, there are quite agile in terms of in terms of communication style. This is really targeting and arranging the message to the audience. If you take a look at for example, some of those offences, and again that's just something that I remember from 2-3 years back, it definitely didn't strike me as sloppy, which is very often the case with the messaging of, for example, Chinese embassies or Missions in the Member States. The one in Brussels, the China mission, is actually also quite agile, especially with the new ambassador Fu Cong leading it in terms of communication. So, I don't think this is a major problem for the Chinese companies as the private ones. When it comes to SOEs, I would imagine [that it is]. ... I imagine that they might be a different beast trying to bring in the communication style that they know from Beijing or from China more broadly. So, this is where I think it might be good to take a look at whether this is a distinction point, but it's not necessarily something again that I can say with certainty.

**O:** Another question related to this ... is about the internal teams like PR or communications teams. I have heard from some employees that it's kind of the learning curve in terms of adjusting to [the market by], for instance, employ[ing] more European personnel. As opposed to, for instance, predominantly more Chinese personnel that works in SOEs or China Chamber of Commerce. I've seen the websites and obviously then don't always disclose the whole makeup of all the teams there, but from what I could see like from LinkedIn. At least big Chinese firms tend to have a more diversified teams in their EU teams. It is something that you observe, and is there a difference across different Chinese firms?

**R1:** Put simply, yes, I agree with the fact that there are quite some European actors that are working within those PR departments. If I remember correctly, I think there was an Italian person, for example, working in a Huawei PR department. In case you would be interested in connecting with that person, perhaps I could. I could put you in touch. ... Generally speaking, we also get outreach, for example from TikTok when they were organising dedicated events or were for explaining Big Data security policies that even us as an institute were invited to, so they were reaching out also to actors that are theoretically sanctioned. So, you do get this kind of outreach that is much more agile.

... I can recall something people from events over the course of the last two years that we're working in those positions and that seemed to be the dynamic of especially Huawei. I believe that Huawei intake could be interesting case studies to look into that are at the same time, you know, public enough. And there are household names enough.

**O:** You gave a couple of examples of the different events and activities organised by these companies. What would you say their goal is with these events? E.g. if you look at individual meetings with EC, those can concern policy proposals discussed within EU institutions. [With events,] is it something that kind of doesn't slip into the public sphere and it's more of trust building?

**R1:** I would say that this is a bit of a chicken and egg. Given the fact that a lot of the policy decisions that were taking right now in the context of Huawei or in the context of TikTok don't necessarily fully rely on a smoking gun problem. So we sometimes don't have all the unquestionable proof of problems related to those companies. It sounds... relatively obvious that, for example, given China's national security laws, that Chinese actors would have access to the data that goes through those companies, should they choose to. But it's not that we have smoking gun in many cases and as such that this the political decisions on policies are taken on basis of assessment of level of trust and level of concern related to those companies. This is why **I would still not fully disjoint the question of trust building from trying to influence policies in this regard**, because there are effectively not necessarily lobbying for very concrete technical changes. But they're trying to undermine the sense of risk related to interaction with their companies. So, in that way to be those two issues are in the end of the day ... when it comes to China because we're partially talking here about the level of sense of risk towards Chinese companies in general, not even necessarily the very specific actors.

**O:** To what degree do you do you observe the companies are actually trying or not trying to distance themselves from the Chinese government? I mean, given that it's a very politically charged space, do you feel like companies are trying to focus more on the corporate side of things and kind of distance themselves from the government?

**R1:** The general narrative [observed across the firms is] that the Chinese business community is a private sphere... not directed by the governments to take any specific decisions. So, I do think that partially the idea of building the relationship and the brand as a company as well a private one is part of the larger [strategy] trying to address those risk factors... Because the companies would think that the more associated in the mind of policymakers, they are to the larger Chinese government operations and that risk related to Chinese government's activity, the bigger is the risk that they're going to targeted by policies that undermine their operations. And I do think that they do find themselves in a very challenging situation of trying to distance themselves from government, while at the same time, of course, building the relationship with the government in China is definitely something that allows them access to subsidies and preferences coming from the governmental side. So, they are really walking a tightrope. But I think in terms of communication with European partners they are primarily saying: "we are private, and we are independent from the government" as much as possible.

**O:** I'm curious about the Chinese companies and their engagement of external experts in their communication strategies, like PR firms and different consultancies. Do you see that if you see it all Chinese companies who are clients or Brussels based PR companies? The companies help them to design their communication strategies or even approach the Commission or the Parliament on their behalf?

**R1:** To be honest, that's something that's hard for me to comment on. So, I don't want to give you a misleading answer here. Yeah, I don't have enough contacts in the PR companies in Brussels to be able to offer any pointers on this one.

**O:** Thank you! Do you have any questions for me?

[Wrap up and clarification of the preferred level of anonymity]

## Interview Notes – R2

**Interview date:** 03.08.2023

**Interview place:** Brussels

**Interviewee profile:** Brussels-based expert

### Interview notes

#### **1. Many Chinese companies operate in the EU – few of them register in the Transparency Register. Why is that?**

It's important to note that concept of lobbying is different for Chinese companies compared to the European counterparts. Currently, the environment for Chinese firms is deteriorating – you've probably heard that Huawei had to relocate its team to Germany.

But the environment is also fragmented and nuanced, depending on the type of company. The environment for SOEs is very differently from completely private companies, although even private companies' operations are not completely "devoid of political influence". Compared, for instance, to the US companies. Sometimes Chinese companies have look more to the PRC government before making any moves, which significantly "reduces their space to maneuver".

I think Chinese companies are not doing enough on this front. To lobby successfully, you need to create your narrative, but the companies care more about their government's reactions than about the target audience in Brussels. For instance, I just recently scrolled LinkedIn feed of China's Chamber of Commerce and saw a post celebrating anniversary of PLA. Imagine how it would be perceived by someone in Brussels? But they focus on presenting the government's narrative and worry about PRC's reactions, so they "keep a low profile". Chinese government can be an obstacle – for instance, if a PRC official says something to feed further tensions, Chinese companies cannot immediately distance themselves from it like, say, US companies can.

What should they do? They would be better of being "more proactive". They could say: "we are a private company, we're bringing jobs to the EU". Like car manufacturers, for instance. They can bring cheap cars to the EU. Or, say, Xiaomi, who do cheap home appliances and are not as involved into sensitive geopolitical struggles surrounding AI and information security - they could easily focus on the value added in their narrative. But they are passive, and instead the narrative is construed by other actors. This is just how it works.

I recall I went to this conference on financial services. Someone from the EU institutions discussed European strategic autonomy (insert references) and the importance of building domestic capacity in order not to rely e.g. on American companies. And there was a representative from a US company who was rather bold/aggressive in saying that the EU should rather focus on cooperating with like-minded actors, like the EU, because otherwise they would give more space for Chinese companies, which is more dangerous.

A lot of regulations are coming in now that are negative for Chinese companies – AI act, rare earths export restrictions. EU officials are sometimes making statements that implicitly target China by stressing that they don't want to work with "governments that (mid)handle citizens' data" (conference Huawei in Germany).

[Addressing the remark on successful application of mutual economic development argument in other countries by the gov't/SOEs]: I think Chinese companies are more successful in places where they can easily talk to elites – but it works differently in the EU.

#### **2. When thinking about different forms that lobbying can take – private meetings with EC, white papers, media coverage, arranging events - which ones would you say Chinese companies are practicing more / have mastered better?**

When it comes to communicating with public officials in the EU, it's a particular framing that one has to adopt. E.g., "we [a company] want to help you [the regulator] achieve your objective". Say, a bank approaching the EC can say: "this regulation can negatively impact our capital base, which will in turn impact the economy, and this will have repercussions for EU's green economy objectives". And you would say this from the position of technical expertise. EU lobbying is very expertise-based, it's "almost like you're a professor coming to give a lecture to the policymakers", academia-style. And for the companies, including Chinese firms, there is an additional layer of consideration to be given to whether EC/EP would even want to listen to them.

The smarter ones are using a more nuanced strategy of inserting their message into the agenda of a bigger umbrella organization. E.g., if you're a tech company, you would use something like Digital Europe to deliver your message.

Because EC is more likely to listen to a trade association rather than an individual company – it allows them to cover a wider base in a particular sector, which is a better use of their time.

I think another smart strategy some Chinese companies have pursued was to sponsor events, like conferences, educational activities, where they can gather attendees, including from the EU institutions, to discuss certain topics – and that would be an opportunity for them to introduce their own position on a certain policy/topic.

I also think that, while Chinese firms have been working on building their image and connections across business associations and with EU institutions, they have not invested enough in the public-facing aspect of PR, e.g. creating a positive media coverage/impact to deliver their position to the wider public.

### **3. Thinking about trade associations and business groups, how actively are Chinese companies utilising those in lobbying?**

Trade associations are great platforms but tricky to navigate. Since they unite firms from different countries and with different agendas, it can be “difficult to agree on a common point”, as it takes more time. But their messages are more impactful, since the Commission prefers to talk to wider groups rather than national actors or individual companies. But then it is a different story for the Parliament, where parliamentarians prefer to speak to companies from their countries.

So a smart strategy for non-EU companies, which has been employed before by the US companies, would be to see if they have a branch/office in a particular EU country and try to convey their positions to the national representative of EU institutions in that country, who would then communicate it to the EP [detour/infiltration strategy]. But devising such strategies takes time and knowledge.

for instance, Google once did that. In order to escape from their bad reputation in the EU, they avoided direct lobbying and instead infiltrated [German?] market and sponsored some SMEs to deliver their position as if it was their own. Once it was discovered, this backfired. But this is not an unreasonable strategy. I think Chinese companies are not there yet, it's a bit too complex. And all of this is only Step 1 of multi-level lobbying strategy – then you need to think of Step 2 target actors – agencies implementing the legislation and build your relationships with those. But all this requires time, knowledge and staff. So you need to hire people.

### **4. What are your observations about the approach to lobbying when it comes to message design and delivery? Do Chinese firms now focus on building in-house teams, use trade associations or something else? [also, confusing examples re: number of lobbyists, disconnect with the HQ etc.]**

In terms of classifying Chinese firms' approaches to lobbying, it's useful to think along three options: 1) trade associations, 2) in-house teams, and 3) PR consultants. The latter are particularly popular for ad-hoc / policy-specific lobbying, in case a company doesn't want to maintain a permanent office in Brussels, because it takes money to have staff. So, if they only want to respond to crises or do “project based lobbying”, they would hire consultants.

They also practice “backdoor lobbying”, whereby they hire people with connections in the EU institutions, like MEP assistants, who could then cultivate relations with particular individuals in the EC/EP. So there newly-hired people would work on the PR element in Brussels, build the firm's position, talk to trade associations, but a lot can be “lost in translation” in the back and forth between the EU office and the HQ in China.

Currently, because of the worsening geopolitical environment, I see many companies prioritising the focus on the messages concerning broader EU-China relationship and placing technical position into a second place. Only tech, maybe fintech, develop comprehensive technical positions.

But this is too broad, and there is a plethora of “safe” messages that Chinese firms can include into their campaigns which they don't do. E.g., they could focus on their contributions to the green economy transition and job creation in the EU – think automotive or battery sector .

### **5. Do these trends in Chinese approaches to lobbying hold regardless of the context, or can you observe any changes depending on what's on the bilateral agenda? E.g. did you see Chinese companies activate more during the negotiations on CAI?**

CAI was very appealing narrative-wise, because it offered an opportunity to stress the positive trajectory for stable macro-level environment for Chinese and European companies. Of course, business was happening before, but putting these commitments onto a paper and being able to hold each other accountable was still an important milestone. But companies were not really that active because the legislation did not have immediate repercussions for them – it was too broad. I think only when a legislative proposal has a direct impact on their business models, companies become more active. Think e.g., legislation on batteries. In the past, if you needed to repair your batteries, you could not just take them out of your devices – you had to go to the company, which obviously

generated a lot of profit for them. Now that the EU made it possible to swap batteries more easily, it has impacted companies' business models, so you could see them trying to influence the policy process more actively.

Also, it's a different environment for the Chinese firms in the EU.

Prejudice/preferences – EU vs China - As a foreign employee in China [European Chamber of Commerce], you have a limited scope of actions to pursue. EU companies would hire local people thinking that the government would be more willing to talk to them. We at ECC always had a 60-40 ratio, where 60% of employees would actually be Chinese. Some European companies also think that Chinese employees are more controllable. And to be honest I think most European regulators are also more comfortable talking to Europeans. And having a European face behind the message influences it – think of how eg. Chinese employees of the Chamber of Commerce would carry a message vs European employee. So think EU offices of Chinese companies should invest in hiring more local staff from the EU.

[In response to a reflection on Huawei's strategy of hiring foreign talents in China, training them, and then sending them to PR offices in their home regions] – In the EU, it is also a question of hiring people with nuanced understanding of the EU policymaking process and the EU institutions. Many people think that hiring a person from some EU country automatically means they know the EU better. But that's not true. EU is very complex, most EU citizens themselves barely understand how it works. There is the Parliament, the Commission, the Council, and they all are involved in the legislative process – and then there is Council of Europe which has nothing to do with the EU – you know... You need someone who understands how Brussels works, how EU institutions operate. Even if it's someone who worked just a trainee, it's already useful.

But I understand that these people can get frustrated when it comes to communications with the HQ. If you don't know how things work in China, there can be big gaps in understanding when communicating with some superiors in China [Olesya's reflections on HQ staff approaching EU staff differently based on whether they speak Chinese, whether they've been to China, etc.].

So yes, you definitely need employees with "China experience" who can serve as cultural bridges between the EU offices and Chinese HQs, and you also need people who understand the EU bureaucracy. Ideally, you need people with experience in both. But such people are very hard to find. And on top of that, we are talking again about the meta-factors influencing Chinese firms' thinking about investing in lobbying capacity – say, if it's a negatively-charged political environment, a firm would think: "Is it really worth investing into the PR team now that it's so risky?". Think backlash around Huawei's 5G infrastructure, or situation around rare earths for the automotive industry.. It's complicated.

And if you look at the Eastern Europe, you can clearly see why Chinese firms' usual strategies don't work. Because they're used to building their lobbying capacity by cultivating relations with political elites. But this is very dangerous in democratic environments. Look at the Czech Republic. For a while, Chinese firms have been quite successful there because of the close relations cultivated with the previous government. They even had a Czech food manufacturer receive a license to enter the Chinese market, and it was the first time any company received such market access. But this changed very quickly when the opposition got into power and was like: "oh, so you have good relations with that party and you didn't talk to us?". Also, the war Ukraine made things difficult for Chinese companies in Eastern Europe, because many of them are still operating in Russia. There were many calls for the Chinese companies to withdraw from Russia and take a clear stance against the invasion, but can they do it in light of Chinese gov't's position?

So you see that their usual relational strategy might work in less democratic and transparency environments, like LatAm and Africa, but it doesn't in the EU, where governments regularly change and where there is a course on radical transparency. Now, for instance, you can even request the commission to disclose their communications with particular companies. Also after Qatargate, lobbying has become even more difficult for third countries.

So Chinese firms are really stuck between the rock and the hard place. On the one hand, Chinese firms cannot appeal to the Chinese government to put more pressure on the EU when it comes to some unfavourable policies like e.g. American companies can through AmCham. Compare this to the American companies in China, which, funnily enough, built better relations with the local Chinese regulator than with the US government, because they could more easily distance themselves from the Washington. They did it by focusing their messages on the plight of the "common man" and economic cooperation, and in some cases even became China's messengers back home, stressing the arguments of economic interdependence in DC. Chinese firms cannot really do it. They cannot distance themselves from Beijing, but also cannot ask it to support them, because it can easily backfire.

They have less support and operate in a constantly-changing environment characterised by geopolitical uncertainty and radical transparency, so it's not surprising they adopt a more passive strategy – but I still think it hurts them more than it helps the, and that they should be more active.

CCC to the EU – controlled by BoC – so it's not always beneficial for private companies to be members.



## Interview Notes – R3

**Interview date:** 10.08.2023

**Interview place:** not disclosed

**Interviewee profile:** public relations team employee of a Chinese multinational company

### Interview notes

[Some information is redacted for confidentiality reasons]

#### 1. The key goal of the company's public affairs team is to:

- Inform companies how to comply with local regulations.
- Monitor geopolitical situation in the EU and forecast changes.

#### 2. Business priorities:

- 1) Internationalisation – accumulating more resources to mitigate risks,
- 2) Facilitation of business in China (key driver),
- 3) Technological innovation

#### 3. Interaction / collective action with other companies and associations:

- The company cooperates with other companies and trade associations, especially arms of government agencies.
- 4 years before the interviewee joined the team, there was only one person in charge of the EU affairs, so they could not join many external associations. In order to make most of these associations, you need to join their internal working groups etc., otherwise you just pay the membership fee. This is why the team is now assessing and selecting those associations that make sense to follow, which are relevant to its business. Often case it is a matter of arguing for and securing a budget for such memberships from the financial department.
- The company's public affairs office is relatively independent from the headquarters in China. There is no connection apart from occasional coordination between the legal teams that need to ensure compliance with various regulations.

#### 4. Lobbying in the EU:

- In the EU lobbying, everything depends on “how sophisticated your arguments are”. They should be “not just useful to you, but also to the EU institutions”. In contrast, in China everything is about guanxi – personal relations, but in the EU you cannot just “meet people for the sake of meeting people”.
- If you request meetings with the Commission, you normally get them.
- One way of shaping policymaking is through comments on e.g. Implementing and delegated acts. There is usually a window of opportunity to comment on such acts, but companies tend not to do it individually in case it is too public, and you want to hide from the world “where you stand”.
- Instead, companies prefer to talk to policymakers bilaterally and more directly in case a legislation affects their business model. Bilateral discussions are more impactful. The company tries to prioritize specific issues related to its business. The message that you are bringing has to be value-added. “Who we are” is also important for image building.
- The level of transparency across the European institutions is not the same. Before recently, it was easier to trace what is happening between the private sector and the EC, but now transparency is increasing in the European Parliament as well, especially after the Qatar Gate scandal.
- But the environment is tensing up after Russia's invasion of Ukraine. Even in Germany there are calls to rely less on China, and there are fewer subsidies for companies which invest in China – this money is being channeled into SMEs which want to explore other overseas markets.

#### 5. Self-positioning / environment for Chinese companies:

- The company is in a “relatively sweet spot”, and its goal is “to be different from others”. The company is neither a critical infrastructure provider, nor a social media platform. They “do not shy away” from the fact that they are a Chinese company.

## Interview Transcript – R4

**Interview date:** 10.08.2023

**Interview place:** Online

**Interviewee profile:** Think tank expert

### Interview transcript

**Olesya (O):** The first question that I have is just about your general impression of Chinese companies' behaviour in Brussels. How successful have Chinese companies been in integrating into the EU environment?

**R4:** ... I think you would have to look at different times, right? And I served in the EU during phase of difficult relations between the EU and China. After 2016 [...] I would say before the Competition started, there was a sense that Chinese companies in Europe were just far from policymakers, decision makers. And that's prior to 2016, where there was a massive wave of Chinese investment here in Europe. So, I think that there needs to be a distinction in terms of the timing. When decision makers started to be a bit more aware of the behaviours of Chinese companies in Europe, it became clear that you had like Chinese companies in Europe, like you had European companies in China. So that was the first layer. And then you had a series of state-owned enterprises that were operating here in Europe with the question fair competition [and] adjustment on the market. And then you have companies which, whatever the form they were, that were targeting critical investment in Europe. And I think this awareness [among the EU institutions] came after 2016.

And when I entered the EU diplomatic service, it was 2018 and that was already completely integrated in the Commission in the way the Commission would work and that they would be just the diverse landscape of Chinese companies that were operating in Europe, of different sizes, and it became, I think, a case-by-case basis.

And in the EEAS, I've been very little confronted to Chinese companies because we had a policy which was to send them towards DG Trade. Because DG Trade was the place where they had to go to. So, in a way, as a diplomatic service, we didn't see them that much and the only one we saw that actually asked for meeting was a Chinese company doing surveillance. And it was when the question on Xinjiang started [unravelling], and they wanted to know whether the EU was considering sanctions and whether they could be targeted and back then the level of interaction with this company was only on a technical level. It was very limited. And that's it. And now I've moved to a think tank, again in a think tank that is sanctioned by China. So, I think any Chinese companies will think about it twice before coming at my door to speak to me. Not that I have done it before, but...

**O:** I see, right. You mentioned 2016 has anything particular happened in 2016? You said you said there's like the pre-2016 period and the post-2016 one?

**R4:** 2016 is the date of when there was the peak of Chinese investment in Europe. [...] In 2017 we were looking at how much China had invested in critical infrastructure and that was the starting point and it was in the policy making sphere. It was also the discussion on the FDI screening mechanism, which is the response to the Chinese investments in European critical infrastructure, so that brought us to look at. For instance, when they when the Chinese invested in the nuclear power station of Hinkley Point in the UK, it's led us to look at it. And NPX case is the shipping company that was bought by the Chinese from France at the airports the airport in Toulouse-Blagnac that the French gave away as well. It led us to look at a number of cases and in every single country you had a case of Chinese investment by not necessarily by state owned enterprises. It could also be a tiny company, just investing in critical infrastructure and sometimes like in the case of the import of Toulouse-Blagnac it was not a massive investment, but just an investment added up to another investment suddenly makes the Chinese being the majority shareholders.

And the Chinese, like by nationality, not one company being the major shareholder. So we started to question: was this intentional? Is that big plan behind? And yes, I mean, there was a Made in China 25 plan that had come out, and it was investments targeting the sectors [prioritized in] the Made in China 2025. It was interesting to look at whether this has led to the integration of the Chinese companies. I think as I said, it depends on what you're assessing. But for sure it created a debate about the offensive strategy of this companies.

**O:** What about their hiring strategies and the use of PR intermediaries?

**R4:** Yeah. They hire consultants - you said it yourself in your in your introduction, they hire a consultant to get into them public affairs team. [...] I think you can look at the people from Huawei that are in Brussels, and you will find many Europeans. ...I had [experience] with the two companies [...]. And the companies in France that I knew, there were also Europeans in the government affairs team, but already back in 2016-2017, when we were

looking at that. So yeah. I think they perfectly [able to] move the legislation. They have a good understanding. I think the question of the relations between the government affairs team in Brussels or in Europe and HQ in China is a key one. The question of the reporting of the government affairs team with the top management is a key one. There have been stories in France. You can look them up on the Internet about the relations [...] where I think it has been difficult for French staff to be working for Huawei. And the relations between the top management that remains Chinese in a dedicated country and HQ is a key one.

[...] I wouldn't know what's the relations between Business Europe and Chinese companies are and what I know is that in France, for instance, there was something called the France China Foundation, which was the place where Chinese companies and European companies would meet. So you have platforms, I imagine, in other countries where Chinese and European companies [and] policymakers mix together. So the France China Foundation would be the place that I would think of in France. I'm pretty sure in Brussels you have that as well, but I have not experienced it firsthand. ... And [it is] also a very healthy thing to have right to place where company meets and discuss business opportunity. I think it's it should this discussion should also exist and there should be platform for it.

**O: What about public image-building e.g., via media campaigns and messages? What are your impressions of the Brussels-based Chinese companies' efforts in this regard?**

I think it depends on the sector. And I think Huawei has been very efficient in building a narrative and building an image. The truth is, no one in the Chinese, in the European civil society ... has been talking so much about the fact that Nokia does not have the same share on the Chinese [market]. Look at that probably has in Europe and that there is a reason for it. So, I can say that Huawei, for instance, has been successful in building positive image [when] the debate on Huawei and on the question of security was very acute [and when] European policymakers were pointing at the lack of access and openness to the Chinese market for European companies in the same field. So, I think you would have to take case by case. But Huawei is once again the company, that is where a lot of the public opinion is confronted with. [...]

**O: When you worked in the European External Action Service, did you come across any instances when Chinese were reaching out to EEAS or other EU institutions for official meetings or informal conversations?**

**R4:** I think it may be a change in the way Chinese companies were perceived. So, in that sense, what I can honestly say is I've never been invited by a Chinese company to attend a dinner. I have never been approached by a Chinese company to have coffee to discuss policy making while I was in charge of EU-China relations within the [European External Action] Service. So I think to the question of trust and mistrust and there is a level of distance.

At the same time, have I been approached by European companies who wanted to have coffee, to understand better the way that EU policy on China is being shaped? No. So I would say I'm not the right person, hence the question back to DG Trade. But I think it also tells you that, in terms of shaping policy, the government, the public relations, people within these companies have also not proactively reached out to us and the reality is the only ones that have reached out was in the context of the civilians question in Sanjiang and they were received and we saw them, but a technical level not at political level, so not at the level where decisions could actually be made.

So, I think we are not representative because EEAS is not the place [to go to]. It's a bit like asking a ministry for Foreign Affairs. It's not where the decision on e.g. the FDI screening case is going to be made. And if I was a Chinese company about to buy a port in Europe, I wouldn't go to the diplomatic service or to the Minister of Foreign Affairs. I would go to the Minister of Economy. So same goes for the EU. But at the same time, they are not very proactive. [You can consider reaching out to] BusinessEurope. You can reach out to DG Trade, you can reach out to the EU Delegation in China. It's not necessarily that you will have a response because there is a lot of requests that comes in and they are filtered [...].

**O: Thank you!**

[Wrap-up]

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