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**Explaining various policy responses of Britain and Germany to
different Chinese investments in high-tech and critical
infrastructure sectors since 2012**

Haoran Zhang

张浩然



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School of Social & Political Sciences
College of Social Sciences
University of Glasgow

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Abstract

The study provides a new explanation for European recipient countries' varying policy responses towards Chinese investment inflows into high-tech and critical infrastructure sectors from a social evolutionary perspective. Focusing on Britain and Germany, the two representative Chinese investment destinations in Europe, the study has explained why they selectively accepted some Chinese investment cases over others. Adopting a set-theoretical multi-method combining fuzzy-set qualitative comparative analysis (fsQCA) and process-tracing (PT), the study, to the best of the author's knowledge, has conducted the first medium-N comparative study with 16 selected cases in the research field on Europe's investment policy on Chinese investment. As a result, this study has identified two distinct causal mechanisms leading to the acceptance of Chinese investments: the mechanism of a highly tolerant social context and the mechanism of economic incentives. These mechanisms are commonly backed by the social evolutionary paradigm (SEP) that highlights the pressure of selection in policymaking. This means that the two mechanisms, acting as two distinct selection pressures resulting from complex interactions between the social system, agents, and other agents in specific social circumstances, can filter the winning coalition(s) to emerge among policy-ruling actors, thereby allowing their policy preferences to remain and dictate the final policy outcome. With the identified causal mechanisms that highlight the role of selection pressures in shaping final policy outputs, the study advances the field by broadening the extant views, seeing policy results as recipient states' trade-offs between security concerns and economic incentives, the two contrasting policy considerations that have puzzled extant studies.

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Author's declaration

I declare that, except where explicit reference is made to the contribution of others, that this dissertation is the result of my own work and has not been submitted for any other degree at the University of Glasgow or any other institution.

Signature: Haoran Zhang

Chapter 1 Introduction

Over the last 10 years, the massive Chinese investments flows, in particular into critical sectors of European states, have sparked a fierce policy debate in the recipient states on the reception versus rejection of Chinese investment. Unsurprisingly, this topic has also drawn some attention from academics, but it is still understudied in extant research, thus giving this study an opportunity to fill the knowledge gap. Focusing on Germany and Britain, two representative Chinese investment destinations in Europe, this study investigates the divergent policy responses of European recipient states towards Chinese investments flowing into the critical sectors. In particular, this study addresses a research question that has been overlooked by previous studies: why have European recipient states, particularly Britain and Germany, selectively demonstrated greater acceptance of some Chinese investment projects than others, especially with regards to investments in high-tech and critical infrastructure sectors since 2012?

With two causal mechanisms identified, this study provides a new explanation for the acceptance of Chinese investment: either the social context with higher receptiveness to Chinese investment, or certain economic incentives, establish two specific selection pressures under which the liberal policy response towards a certain Chinese investment case is more likely to remain, whereas its rival policy suggestions are discarded. This is exactly the social evolutionary process in terms of policymaking in which the selection pressure, as the product of complex interactions between policy actors and social circumstances, as well as between different groups of policy actors, filters which one of the many policy options can eventually survive and thereby become the final policy output. As such, this new explanation of this study advances the field by broadening the views of previous studies, which viewed policy results as recipient states' trade-offs between incompatible policy targets.

In the remaining part of the chapter, Section 1.1 introduces the general research background before section 1.2 defines the specific research field, identifying its key debate, puzzle, and gap which justify this study. Section 1.3 presents the research methods, while section 1.4 demonstrates the research findings. After presenting research novelty and contributions in section 1.5, the chapter ends with an overview of the whole thesis in section 1.6.

1.1 Why focus on China and Chinese investment in Europe

The specific topic of acceptance or rejection of Chinese investment is embedded in the general research field of Chinese investment in Europe. This study's concentration on this specific research field can be explained by a number of valid reasons.

Firstly, in a narrow sense, the massive influx of Chinese investments into Europe has become a critical subject of discussion, drawing increased attention and provoking mounting concerns and disputes in Europe. Over the last 20 years, China's foreign direct investment (Chinese FDI) has seen a significant increase (e.g. from \$4.6 billion in 2000 to \$216 billion in 2016, see: World Bank, 2023) and has grown to become an influential global investor (OECD, no date-a). Also, Europe attracted the most Chinese investments (\$415 billion), far surpassing those of other regions such as North America (\$260 billion) and East Asia (\$205 billion) from 2005 to 2023 (Scissors, 2023). Over the

past 10 years or more, Chinese investments in Europe have grown significantly, reaching a peak of \$98,960 and 84 transactions in 2017 (Scissors, 2023), demonstrating a strong and prominent role in the European market. They mainly consist of M&A transactions with a focus on western countries like Germany and the UK (Scissors, 2023) and a recent shift towards industries such as automotive and consumer-oriented sectors (Kratz et al., 2023).

The rising Chinese investments in Europe have raised concerns and protectionist sentiments, especially regarding those targeting critical infrastructure and sensitive technology sectors. One notable aspect of such concerns is the possible technology transfer following the acquisition of European high-tech businesses by Chinese investors (European Parliament, 2017: 4). Leading economies, such as Germany, whose companies frequently hold dominant technology positions in the sector, are deeply concerned about the potential weakening of German enterprises' technological and competitive advantage due to Chinese technology-seeking investments (Mozur and Ewing, 2016). They are also concerned about another consequence of this technology transfer: that high-value-added economic activities will also be transferred to Chinese-owned enterprises, causing the European economy to lose its development momentum (Hanemann and Huotari, 2015: 39). Another concern is that China, through such M&A, could obtain authority over important industrial enterprises in the field, critical infrastructure, and geopolitical nodes (European Commission, 2017). Europe is concerned that the ownership transfers resulting from massive Chinese FDI inflows may have political motives behind them. The potential threat posed by these entities, under the influence of a foreign state with a heterogeneous political regime, can be a source of concern for Europe's national security, as China has the potential to exert punitive measures or sanctions by disrupting the economic operations of these entities in conflict situations (Hanemann and Huotari, 2015: 41). In addition, others doubt whether China is trying to gain influence in Europe by buying its loyalty (Benner and Weidenfeld, 2018).

Such a trend and pattern of Chinese FDI significantly influence the focus of this research, which will explore a specific universe of investment cases in further detail: the research focuses on the flow of Chinese investment into Europe, which has attracted the largest amount of Chinese investment compared to other continents, as mentioned previously. Furthermore, it specifically focuses on Chinese investment cases in the top recipient countries of Germany and the UK. Also, the cases investigated all took place between 2012 and 2022, which was the decade when Chinese investment experienced significant growth. Moreover, the cases are all investments in critical infrastructure and sensitive technology sectors, as investment in these sectors frequently incurs mounting concerns and disputes in Europe.

In the reality, it is unsurprising that Chinese investment into Europe witnessed divided stances with many hold a protectionist position, with some even implementing it into policy practice (Kratz et al., 2023: 17). This has led to the fact that Chinese investment proposals flowing into Europe include both accepted and rejected ones, with many drawing much attention and triggering debates. For instance, the purchase of the leading German industrial robot firm KUKA and involvement in the construction of the Hinkley power plant by Chinese investors, though permitted, has sparked considerable debate and raised security concerns in both countries. Furthermore, Huawei's foray into the European 5G telecommunication market has sparked even greater

controversy. The Chinese supplier has steadily expanded in Europe and already gained a significant portion of the European 4G market, becoming one of the mainstream suppliers for European telecommunication operators (Strand Consult, 2020). However, its entry into Europe's 5G network has escalated doubt: many European countries have enforced tougher limitations and closer monitoring of Huawei's involvement in their 5G networks, with the intention of eventually phasing out Huawei from their networks (Szabolcs, 2020); some are even already fully prohibiting its involvement (Reuters, 2023; Otero-Iglesias, 2022). Furthermore, Chinese companies have acquired a number of ports in Europe, including the notable acquisition of the Piraeus port in Greece. Although Chinese enterprises have helped these ports grow and succeed, these acquisitions have raised concerns in Europe about potential Chinese control over strategically important trading routes in the region (Pandya and Tagliapietra, 2018). Above all, the considerable presence of Chinese investment in Europe has emerged as a critical subject of discussion in many real-world cases.

Secondly, from a broader perspective, the significance of the topic of Chinese investment in Europe extends beyond the approval or rejection of a specific investment project but also delves into the future development and order of the world. This in particular refers to the ongoing debate surrounding the potential of economic globalization to sustain a stable global capitalist system, as well as the role and compatibility of China within the framework of the liberal international order. The subject matter is situated within the broader context and larger conversation of China's relationship or interactions with Europe or the Western world, two economically connected blocs but characterized by heterogeneous systems and values (Le Corre, 2019; Geeraerts, 2019).

In this situation, investments have the potential to foster the healthy relationships between them. However, there is also the possibility that investments may yield undesirable outcomes and cause problems. For one possible scenario, if European countries and China are able to maintain constructive economic partnerships, continuing to invest in each other's countries despite their differing political systems, then it is plausible that global capitalism can provide a sense of stability (Brattberg and Soula, 2018; Li, 2024). With Europe already occupying a central role in the capitalist landscape, China has the potential to become one of the main pillars of the global economy and edge closer to the core of the capitalist system (Weber, 2022; Panitch and Gindin, 2013). Together, they can work towards technological solutions for the physical and environmental constraints facing the world (European Commission, 2022). By contrast, if China and Europe were unable to find common ground and instead rejected each other's investments based on political disagreement, there would be a problem of competing separate blocs for limited resources (Kupchan, 2023). As such, the Chinese investment issue actually reflects the ongoing debate about the feasibility of globalization as a path for global development.

However, the European reaction towards Chinese investment also has implications for the future of the liberal order, given China's distinct political system and values. For another possible scenario, permitting Chinese investment is not just about bringing Chinese money to Europe to help the European economy develop but also about legitimizing the Chinese system (e.g. China's political and economic system and its ambitious project of "going out", see Dempsey, 2019). Similarly, prohibiting Chinese investment is not just about narrowly preventing risky investment projects due

to security concerns but also indicates a larger collision between two different worlds (European Commission, 2023) and two different models of capitalism (European Parliament, 2022)—a more relevant political issue regarding the future direction of global capitalism. Indeed, the subject matter of Chinese investment also reflects controversy over how much China will integrate into or change the existing system, and the terms on which it intends to do so (Weiss and Wallace, 2021; Ikenberry, 2008): the distinct political structure and increasing strength of China have enabled the country to assert its demands. China's potential alignment with existing orders may not be unconditional, and it may seek to establish its own regulations rather than solely conforming to those of Europe (Mitter, 2022; Chan et al., 2019).

Therefore, politicians in the Western world have reasons to be concerned that China is attempting to alter the liberal international order in ways that not only benefit its own interests but also have the potential to undermine important principles relevant to Western countries. These could encompass liberal laws, democratic systems, digital freedom on the internet, and the relationship between the private sector and the state (Long et al., 2018; Council on Foreign Relations, no date). This alteration of principles would significantly jeopardize the basic social system of the Western world, as well as the well-established and refined way of living embraced by the people (Benner et al., 2018). There is a potential for disagreement between China and Europe regarding these matters, as a China-led order may contradict the principles promoted by the current order backed by Europe and Western nations (Pearson et al., 2022).

As such, this may be the deep ideological reason why Western countries may be suspicious of Chinese investment. The source of their concerns lies in China's grand ambitions to transform the current world order through its extensive overseas investments. The nation is actively working to fortify its own power, build up spheres of influence, and reshape the current pattern of global economic power (Hanemann and Huotari, 2015: 35), all in the pursuit of restructuring the existing order. This indicates that China is changing the rules of the game (European parliament, 2023). Hence, European politicians are unwilling to readily embrace a significant influx of Chinese investment. This is especially true when they recognize that accepting Chinese investment may imply legitimizing China's regime, political ideals, and power, which may conflict with their own Western perspective and principles (Dempsey, 2023).

In addition, Europe may be concerned about Chinese investments bolstering Russia's military power. This is because Europe is on the edge of conflict with Russia (Raik and Sild, 2023), and Russia heavily relies on China for trade (Abrams, 2022). As a result, European politicians are raising questions about the types of technology being transferred, where Western high-tech is ending up, and who ultimately has control over the technology following Chinese acquisitions of Western high-tech companies. They have reason to be concerned that their high-tech will flow to rivals who may use it to arm themselves and eventually defeat the Western world.

In sum, all the above reasons explain why the whole topic of Chinese investment is important and why it is essential to not just consider the "approval or disapproval" of a certain investment project but also for Europe to approach Chinese investment with caution from a broader perspective (Bequelin, 2023). Moreover, the topic might also interest European elites by influencing them to

think more critically about their response to Chinese investment. Rather than simply reacting in a random way, depending randomly on which decision-makers have what stances in making case-by-case policy responses to varying Chinese investment projects, they are obliged to actually consider the bigger picture and how they are going to respond to the overall rise of China (Bergsen et al., 2022; Chatham House, 2023). Above all, these empirical reasons clarify why this study specifically focuses on Chinese investments rather than those from other countries and why it focuses on Chinese investment flowing into Europe rather than in other regions. The next section will further explicate the scholarly justifications in support of the imperative and necessity of the study.

1.2 The specific field and problem statement of the study

Studies of Chinese investments in Europe have been extensively conducted, including not only Chinese outward foreign direct investment (FDI) directly, but also broader topics such as the Belt and Road Initiative (BRI), Chinese economic statecraft, Chinese corporations "going-out" in Europe and China-Europe or European state relations. These studies generally consider various focus points at different levels of analysis: international, national, and subnational.

On a cross-national level, the first group of studies investigates the pattern of Chinese investments in Europe, either on an overall (Hanemann, 2014; Defraigne, 2017) or a sub-continental (Matura, 2021; Pavličević, 2018) and sectoral level (Liedtke, 2017; Otero-Iglesias and Weissenegger, 2020). The second category of studies evaluates the global implications of such investments, generally concluding that they may bring both benefits and risks to the European recipients (Tekdal, 2018; Le Corre, 2018; Meunier, 2014).

At the national level, studies are further divided into two subgroups: sender-focused and recipient-focused. The sender-focused studies further have two key areas: exploring China's motivations for promoting investment abroad, which uncover a variety of motives of China behind investment abroad (Heath, 2016: 183; Zhang and Keith, 2017: 190; Henderson and Hooper, 2021); and evaluating how Chinese investment outflows interact with economic statecraft, including either using investments as a means for political purposes (Norris, 2021; Reilly, 2017), or promoting investment through political leverage (Hooijmaaijers, 2021).

The recipient-focused studies mainly address two topics: one is the assessment of the impact of Chinese investment inflows on the politics of the European recipient countries; the other is about how these recipients respond to the influx of Chinese FDI. Certainly, many studies in this category actually address the two topics together. These studies generally suppose that Chinese investments bring both pros and cons to Europe (Meunier, 2016; Svetlicinii, 2023), thus triggering enormous policy debates in Europe about reception or rejection (Seaman et al., 2017). Thus, these studies, with their recipient-focused perspective, also establish the specific field that my research addresses regarding European recipients' acceptance or rejection of Chinese investment (see section 1.2).

At the sub-national level, studies present the impacts of Chinese investment on stakeholders, such as workers and labour organizations, and decisions of Chinese companies on investment target

countries and sector (Burgoon and Raess, 2014; Rencz, 2023). All the above literature provide valuable insights into Chinese investments in Europe.

Within the general field of Chinese investments in Europe, my study, as with many others, focuses on a specific sub-field exploring the policy responses of European recipient states to Chinese investment inflows.

In this field, the key debate revolves around different explanations or understandings of European recipient states' policy-making and the corresponding results in response to Chinese investments in Europe. But this debate is not only directly addressed by the specific literature focused on Europe's policies towards Chinese investments, but is also indirectly addressed by the general theoretical literature on the policy-making of acceptance or rejection of foreign investment in international relations (IR), international political economy (IPE), foreign policy analysis (FPA), and public policy.

However, the key debate still preoccupies scholars working in this field, leaving a puzzle unsolved: the literature proposes two contrasting causal pathways, which follow cooperative and conflictual logics, respectively leading to acceptance and rejection of Chinese investment inflows. The cooperative logic reflects the real or perceived harmonious interests between the investor and the recipient, thus driving the recipient to accept the investment. By contrast, the conflictual logic emphasizes the real or perceived conflicts of interests, resulting in the recipient's rejection of the investment. Obviously, the two are mutually exclusive, providing contrasting understandings regarding foreign investment inflows. Yet, scholars still debate which pathway prevails over the other when both come together in a real-world case and which can, therefore, be applied to explain recipient states' policy responses.

1.2.1 The puzzle in extant literature

The puzzle of two contrasting logics, as discussed above, is widely presented in two groups of literature that address the policy responses of European recipient states towards Chinese investment inflows.

The first group of literature refers to the specific literature addressing Europe's policies on Chinese investments. Scholars following the cooperative logic contend that Chinese investment presents Europe with an opportunity to invigorate their economies, such as by using Chinese investment for renovating infrastructure, consolidating FDI destination status, funding enterprises, and boosting economies (Nordin and Weissmann, 2018: 235; Meunier, 2016; Pacheco Pardo, 2018). These economic benefits motivate Europe to embrace Chinese investment and thereby explain their acceptance of it (Meunier, 2016).

Conversely, studies following the conflictual logic see Chinese investment posing a threat to Europe. The threat lies in a leakage of advanced technology or an over-reliance on China, as Europe's sensitive sectors are under the control of Chinese stakeholders (Chan and Meunier, 2022; Hooijmaaijers, 2019), many of whom appear to be suspiciously backed by the Chinese government. Regardless of whether these potential risks of receiving Chinese investment are real or perceived

(Rabe and Gippner, 2017; Babić and Dixon, 2022), they cause Europe's increased vigilance, stricter foreign investment restrictions, and explain Europe's rejection of Chinese investment to avoid such risks.

The second group of literature refers to the general theoretical literature on accepting or rejecting foreign investments. Literature following the cooperative logic supposes that states accept foreign investment in pursuit of gains (Powell, 1991; Snidal, 1991). The gains are primarily material and can be of various kinds, such as the pursuit of absolute gains in economic benefits (Powell, 1991; Moravcsik, 1997; Topalli et al., 2021; Bagwell and Staiger, 2001: 282), fulfilling complementary mutual benefits with the investment sender (Watson, 2016), receiving technology transfers or foreign capital (Almeida and Fernandes, 2008; Reuveny and Thompson, 2001: 238), using the gains to consolidate state strength (Kim, 2018; Reuveny and Thompson, 2003; Deudney and Ikenberry, 1999: 189-190; Krasner, 2000: 23), and even being prompted by domestic workers and enterprises who gain (e.g. jobs and business) from the foreign investment (Schneider and Slantchev, 2018; Van Assche and Gangnes, 2019: 40). Meanwhile, the gains can be both real and perceived. Liberal economic ideologies (Reuveny and Thompson, 2001: 239; Bhagwati, 1987), key policymakers' psychological trust in investors, and cultural, identity, and alliance closeness between investment parties can shape recipient states' perceived interests that motivate them to accept foreign investment (Gowa and Mansfield, 2004; Gokmen, 2017; Rousseau and Garcia-Retamero, 2007; Garcia-Retamero et al., 2012).

In contrast, the literature standing on a conflictual perspective supposes that recipient states restrict or even reject foreign investment to avoid potential losses or in pursuit of greater benefits from rejection. For instance, recipient states resist foreign investment inflows out of fear that their key technologies will be exposed to rivals (Reuveny and Thompson, 2001: 235-236; Thompson and Vescera, 1992: 518; Chan and Meunier, 2022), potentially catalysing power transitions that harm their prestige (Allison, 2018; Liff and Ikenberry, 2014); and the fear that investment-sending countries gain political leverage by controlling their key sectors (Newman and Posner, 2011; Blackwill and Harris, 2016; Vihma, 2018). Also, recipient states can even deliberately manage investment inflows to more effectively pursue state strength: foreign investment restrictions are not detrimental but advantageous for state strength if recipient states can actively promote economic development by selectively receiving foreign investment (Oatley, 2012: 100; Cohn and Hira, 2012: 91). Meanwhile, domestic entities (e.g. labour and firms) who are negatively impacted by foreign investment can also strengthen the resistance that states have towards it (Tingley et al., 2015: 34; Hiscox, 2010: 34). Besides real losses, recipient states may also decline foreign investments due to perceived ones: protectionist economic ideologies (Cheng et al., 2019; Libby, 2020), cultural, identity, or alliance remoteness between the investment sender and recipient (Gowa and Mansfield, 2004; Gokmen, 2017), and mistrust in investors can all lead to the rejection of foreign direct investment by recipient countries (Hearn, 2014: 126; Rousseau and Garcia-Retamero, 2007).

1.2.2 The nature of the puzzle and imperfect solutions in existing literature

As shown in the literature discussed above, the puzzle of contrasting logics can clearly be seen in the specific field of Europe's policy responses towards Chinese investments. The puzzle, due to the

mutually exclusive causal pathways it supposes, undermines the validity of explanations given by extant literature on Europe's policies toward Chinese investment.

Indeed, extant literature falls into a reductionism pitfall, because their explanations simply rely on one of the two logics without taking both into consideration. For instance, studies explain that investment recipients accept Chinese investment because they have harmonious interests with the sender (Meunier, 2016; Pacheco Pardo, 2018; Watson, 2016; Bagwell and Staiger, 2001). Obviously, this explanation overlooks that a conflict of interests between investment recipients and their Chinese senders may also exist in a single investment case at the same time. As a result, the explanation actually not solid because it cannot answer why the recipient decided to approve the Chinese investment, but not reject it due to the conflict of interests. Likewise, studies explaining the rejection of Chinese investment by conflict of interests (Hooijmaaijers, 2019; Chan and Meunier, 2022; Farrell and Newman, 2019) ignore the possibility of mutually beneficial interests between the recipient and sender. This explanation is not solid either, as both harmonious and conflicting interests often interweave in real-world cases; yet the explanation cannot answer why policymakers reject the investment cases but not accept them due to the harmoniousness of interests. Above all, these explanations, without taking into account both logics, actually give insufficient explanations as to why, for instance, the approval of a Chinese investment had to happen.

Since the puzzle weakens the explanations given by extant literature in the specific field, some studies, which can be classified into two groups, have given efforts to resolve the puzzle. However, this study supposes that their solutions still come with imperfections.

Compared to studies that rely solely on a single logic, the first group of studies acknowledges both cooperative and conflictual logics: they portray Chinese investment as having both advantages and drawbacks for the recipients, showing that both logics are present, providing a more comprehensive outlook than focusing on one side (Meunier et al., 2014; Seaman et al., 2017). They also reveal that these two mutually exclusive logics fuel debate and hesitation among European states about their policies towards Chinese investment inflows (Meunier et al., 2014; Seaman et al., 2017). Nevertheless, these studies still fail to address the key debate about which of the two logics can prevail over the other, and what leads to it. As a result, a convincing explanation of the recipients' policies is still absent in these studies.

The second group of literature provides a solution to the puzzle by viewing recipient states' policy-making as a trade-off between their real or perceived gains and losses from receiving Chinese investment, attributing recipients' policy change to changes in the trade-off balance (Meunier et al., 2014; Meunier, 2019; Babić and Dixon, 2022). Yet the solution is still imperfect due to following problems: one is that scholars still debate which side of the trade-off recipient states tend to favour. Some argue recipients accept Chinese investments despite risks (Pacheco Pardo, 2018), while others contrarily claim countries restrict the investments as security risks outweigh the potential economic benefits (Bauerle Danzman and Meunier, 2023; Babić and Dixon, 2022). The other is that recipients states often have different trade-offs in specific Chinese investment cases despite the general policy stance endorsed by the government on a national scale. Obviously, a clear

theoretical statement addressing why the trade-offs and their resulting policy decisions differ across investment cases is still absent.

1.2.3 The motive and necessity of the study

As illustrated above, existing studies have left the puzzle unsolved, with debates still ongoing as to which of the two logics prevail in shaping the final policy result, particularly in specific Chinese investment cases. As a result, they overlook and still cannot answer a more important question: as Chinese investments bring both gains and risks, indicating that both cooperative and conflictual causal pathways that respectively lead to acceptance and rejection are logically possible, why have recipient states approved some Chinese investment cases despite potentially incurring losses, and why have they approved some Chinese investments rather than others? In other words, why have cooperative logics, rather than conflictual ones, turned out to be the final policy in some Chinese investment cases, but not in others? As a result of overlooking or not fully addressing these questions, existing studies leave a gap by failing to explain case-specific varying policies given by the Chinese investment recipient states.

Therefore, these shortcomings of previous research justify the necessity of conducting this study, which is going to explore the following aspects: first, this study seeks to fill the gap of extant studies in which a solid explanation of recipients' case-specific policies in Chinese investment cases is still absent. In particular, the study narrows down to the positive cases wherein Chinese investments have been approved, aiming to identify causal mechanisms that can provide sufficient explanations as to why the recipients approved some Chinese investments rather than others. Second, as a payoff for filling the gap, the study is going to provide a new solution to the puzzle in existing studies, revealing a micro-level social evolution process in policy-making that has been ignored by previous research in the field. As such, the study advances the field by modifying the views of previous studies, stating that it is not the trade-off, but the selection pressure of the social system that filters which policy option becomes the final policy outcome. This social evolutionary understanding is more comprehensive than trade-offs, as the selection pressure it highlights is the product of the complex interactions between the social system, agents, and other agents, which inevitably involves more than just trade-offs. Third, the study zeroes in on Germany and Britain, two representative European recipients of Chinese investment, focuses on Chinese investment cases into their critical sectors (e.g. high-tech and key infrastructure), which have sparked greater debates regarding the economic advantages and national security risks they pose, and conducts comparative case studies.

Hence, the study will address the following research question: why since 2012 have European recipient states, particularly Britain and Germany, selectively demonstrated greater acceptance of some Chinese investments projects than others, especially with regards to investments in high-tech and critical infrastructure sectors?

1.3 Research methodology and design

The section outlines the research methodology to present how the study has been conducted.

1.3.1 Research philosophy

To begin with, the study is established on critical realism as its core research philosophy. There are three reasons to justify this choice. First, critical realism holds a mechanistic-causation worldview, thus best fitting the aim of this study of exploring complex causal processes. Indeed, critical realism views causation as complex causal mechanisms that can be discovered through scientific research (Bhaskar, 2008: 37 and 52; Wight, 2007: 382; Mingers, 2011; Zachariadis et al., 2013: 857). Meanwhile, this study adheres to the mainstream view of critical realists to define causal mechanisms as the generative or constraining processes converting causes into outcomes. In essence, it seeks to understand how conditions interact and activate each other, transmitting causal forces along a dynamic chain of causation with generative power (Goertz, 2017: chapter 2 and 4; Bunge, 1997: 414; Waldner, 2012: 18; Hedström, 2008: 322).

Second, critical realism is more sensitive to complex causal mechanisms than the empiricist and idealist philosophical traditions, the two major research philosophies. Empiricism refers to causality as objective law-like regularities (Bryman, 2012: 27-28), but overlooks that they are still merely descriptive correlations, as one cannot truly confirm a causal relationship between two factors without knowing the mechanistic causal processes between them (Zachariadis et al., 2013: 862). Idealism or relativism asserts that causes are human ideas; i.e., the context-embedded constructed meanings (Perri 6 and Bellamy, 2012: chapter 4). However, critical realists believe that this reduces causal processes, which belong to the domain of reality, to merely subjective ideas that exist in the domain of the actual and empirical (Bhaskar, 2008: 47).

Third, it is generally accepted that, when conducting research, the researcher is able to purposefully pick a research philosophy that displays their own implicit convictions in regard to certain ontological postulates (Furlong and Marsh, 2010: 184). As such, critical realism is appropriate for a study which explores causal relations from a complex, systemic, and mechanistic perspective.

Furthermore, the choice of critical realism affects the study-specific methodological position because the three foundational concepts of ontology, epistemology, and methodology are interconnected components that systemically determine what is learnable, how it is learnable, and how knowledge can be obtained (Furlong and Marsh, 2010: 185). As such, ontologically, this study views policy outputs as social products emerging from complex interactions between entities, such as contexts, actors, preferences, and behaviours, controlled by generative causal mechanisms in dynamic social systems; epistemologically, this study seeks to explain the emergence of policy outputs by figuring out the causal mechanisms underlying the complex interactions between entities; methodologically, the study adopts the multi-method design. In particular, critical realism upholds the selection of a multi-method design not only because such an ontological belief is in line with a number of methods, thereby reconciling the use of multiple methods (Mukumbang, 2023: 108; Zachariadis et al., 2013: 855 and 864); but also because a mixture of methods satisfies different data-collection requirements for achieving critical realists' aim of exploring causal mechanisms (Zachariadis et al., 2013: 864; Goertz, 2017: 29-30).

1.3.2 Research methods

This study adopts a set-theoretical multi-methods design combining two major methods:

qualitative comparative analysis (QCA) and process-tracing (PT). The reason for choosing these two is that they, both individually and together, are useful in exploring causal mechanisms.

In overview, QCA was chosen due to its multiple interconnected method features that are capable of acknowledging causal complexity (Ragin, 2014: 23-25; Pappas and Woodside, 2021: 4; Schneider and Wagemann, 2012: 78). First, QCA involves a kind of configurational thinking about causal relationships, enabling an understanding of causality that goes beyond single-cause reasoning, thus opening up the black box of causation and making room for the complexities of causal relationships (Ragin, 2000: 40; Ragin, 2008: 109). Such a configurational thinking encompasses two aspects: It acknowledges that a single outcome can be caused by multiple pathways (QCA calls each of these pathways a "term" and the entire QCA output a "solution" consisting of all these terms), referred to as causal equifinality (Ragin, 2008: 53; Schneider and Wagemann, 2012: 78). For each pathway, it holds a multi-conjunctive causation perspective, asserting that particular outcomes are due to the combination of multiple conditions rather than just one cause. Second, it introduces set relations to reflect causal relationships, thus broadening the understanding of causality. QCA is a method used to qualitatively evaluate whether a given condition is part of a particular set and measures the degree of inclusion by assigning membership scores (from 0 to 1) (Rihoux and De Meur, 2009: 36-44; Schneider and Wagemann, 2012: 23-32). It views the combination of conditions in each causal pathway as the intersection of sets of each cause, and the total solution composed of several causal pathways as the union of these intersections (Rihoux and De Meur, 2009: 36-44; Schneider and Wagemann, 2012: 42-51).

The study specifically employs fuzzy-set QCA (fsQCA) rather than crisp-set QCA (csQCA) and multi-value QCA (mvQCAs). In csQCA, only a binary scale is used to score conditions: score 0 indicates full membership status, while score 1 shows non-membership status (Rihoux and De Meur, 2009: 39-42). In mvQCA, multiple discrete integers (e.g. 0, 1, 2, 3, 4) used for the measurement (Vink and Van Vliet, 2009: 269). By contrast, the fsQCA evaluates conditions on a continuous interval scale, permitting them to be given any decimal values between 0 and 1 (e.g. 0.2, 0.4, 0.6, 0.8). This measurement captures more information on conditions than csQCA, while also more easily measuring the gradations of membership than mvQCA's discrete measurement (Ragin, 2009: 88).

Meanwhile, PT was chosen due to its ability to sustain the investigation of causal mechanisms. First, PT is a "Y-centered method" that looks into the reasons behind the outcome by examining the causal chain that inevitably leads to a certain result when the specific causal mechanism is present (Blatter and Haverland, 2012: 84). It is also a cause-process oriented method that traces the causal mechanism by reviewing the stepwise progression of the causes leading to the occurrence of the effect (Beach and Pedersen, 2016: 840; Beach and Pedersen, 2013: chapter 1). Hence, PT is also a chronologically-oriented method; it examines the sequence of events in a case in order to understand the causes and effects in a relay-like chain. It pays particular attention to the timing of the various elements, as the causes must come before their effects in order for the causal chain to be complete (Blatter and Haverland, 2012: 85; Mahoney, 2012: 571)

Second, PT is also a strong within-case oriented and evidence-based method. In PT, the quality of evidence within a case matters. It focuses on snapshots, finely-detailed processes, and sequences

in order to obtain the "diagnostic evidence" (Bennett, 2010: 208), which enables strong and in-depth single case causal inference (Beach and Pedersen, 2013: 2; Waldner, 2012: 18), sustaining the identification of case-specific causal mechanistic explanations (Saylor, 2020: 983). To examine the strength of the evidence, PT introduces four types of causation testing (Van Evera, 1997: 31-32; Collier, 2011: 825): the hoop test (failing undermines theory, whereas passing does not support it), the smoking gun (passing supports theory but failing does not undermine it), the doubly decisive test (passing confirms theory while excluding alternatives), and straw in the wind tests (passing or failing neither supports nor undermines the theory). All these tests help determine if observations confirm a causal relationship.

Moreover, payoffs justify combining QCA and PT for a multi-method design. First, PT conducts strong within-case testing of causal mechanisms (Blatter and Haverland, 2012: 88), whereas QCA makes cross-case causal inferences by comparing multiple cases (Berg-Schlosser and Meur, 2009: 8). Thus, combining them can benefit from their complementarity. Indeed, PT and QCA, both based on configurational thinking, can provide different insights into causal mechanisms in a mixed-methods design (Blatter and Haverland, 2012: 207; Waldner et al., 2019: 163; Beach and Pedersen, 2013: 45).

Second, PT can be used as a post-QCA corroboration to verify the QCA results. This is because QCA indeed commits a reductionist fallacy, reducing mechanistic causal relations to set relations (Beach and Rohlfing, 2018: 5 and 10; Møller and Skaaning, 2019: 81). The combinations of conditions it identifies are merely an assemblage of conditions rather than authentic generative causal process (Møller and Skaaning, 2019: 78). Without information about the timing of conditions, QCA results only tell what conditions must be present (Blatter and Haverland, 2012: 84; Williams and Gemperle, 2017: 124), but not how they activate each other to lead to an outcome. Thus, double-checking the QCA findings with case-specific analysis, such as PT, makes for a more prudent causal inference (Møller and Skaaning, 2019: 83).

1.3.3 Case selection criteria and results

Case selection criteria in this study fulfil both general and study-specific needs. Due to the use of multi-methods combining PT and QCA, the general principles need to selectively integrate components according to different criteria. Meanwhile, study-specific criteria are also considered to reflect the empirical reality of the research topic.

Regarding the general criteria, the first and most essential consideration is to ensure that cases are representative of the research question in a qualitative sense. This is because the qualitative nature of PT and QCA supports an interpretivist strategy for case selection, expecting cases to be considered typical representatives of a causal path (Della Porta and Keating, 2008: 29). Second, QCA sets two principles affecting the number of selected cases: enough to ensure accuracy of the analysis (e.g. 11 cases for 4 conditions, see Marx, 2010: 152), but not too many as QCA is best suited for moderate-N samples (Ragin, 2008: 7). In addition, QCA requires that cases include both positive and negative results to ensure enough heterogeneity for comparison (Berg-Schlosser and Meur, 2009: 25; Ragin, 2008: 147-149). Third, PT sets the principle that selected cases should contain rich mechanism elements so that tracing the mechanism through the case becomes

possible. In other words, cases fulfil the "Possibility Principle" (Mahoney and Goertz, 2004) because only by studying a case where the outcome is potentially possible can the causal mechanism be understood.

Regarding the study-specific criteria, there are also several case-selection guidelines to consider. First, this research aims to investigate Chinese investment from 2012 to 2022; hence, it focuses on cases whose major transaction period, from investment initiation to the final policy decision, takes place within this decade. Second, the study specifically focuses on Chinese investments in Germany and Britain, which are the top destinations of Chinese investments in Europe. Thus, the selected cases are Chinese investment flowing in these two countries. Third, selected investments should fulfil at least one of the following case-specific criteria: 1) significant transaction amounts or shares; 2) being in critical sectors related to national security (e.g. high-tech sectors and critical infrastructure); 3) triggering controversy in recipient countries or worldwide; 4) being intervened by recipient states; 5) having ample evidence to make case studies feasible.

As a result, the study has selected 16 cases, 8 from Britain and 8 from Germany, following the outlined criteria as the best practice guidelines (details see table 1 in section 3.3). In Germany, selected cases include four successful takeovers (China National Chemical Corporation acquiring KraussMaffei; Beijing Enterprises acquiring EEW; Midea acquiring KUKA; Advanced Technology & Materials acquiring Cotesa), three failed takeovers (State Grid Corporation of China acquiring 50Hertz; Yantai Taihai Group acquiring Leifeld; Fujian Grand Chip Investment Fund LP acquiring Aixtron), and one regarding Huawei's conditional admission into the German 5G telecommunications market. In Britain, the cases incorporate four successful takeovers (Shaanxi Ligeance Mineral Resources acquiring Gardner Aerospace; Gardner Aerospace acquiring Northern Aerospace; Hytera acquiring Sepura; ShaGang group acquiring Global switch), two failed takeovers (Gardner Aerospace acquiring Impcross; Aerostar acquiring Metis), one regarding China General Nuclear Power Corporation participating in the construction of the Hinkley C power plant, and one regarding Huawei's failed market access to the British 5G telecommunication market.

1.3.4 Data collection

This study gathers various types of data, such as textual, numerical, documentary and interview, from different sources to support the research findings.

First, the study uses high-quality documentary data from German, British and Chinese authorities and institutions. These documents come in various forms such as archives, press releases, policy notifications, speeches, memorandums, treaties and statistics. The data provides evidence of government policies and their considerations by revealing publicly articulated stances of government and leaders.

Second, the study also uses mainstream multimedia sources such as Reuters, BBC, DW, Handelsblatt, The Telegraph, and The Guardian, which present details of cases. These data contain both textual and numerical information, providing cases details with even unique evidence, revealing the "real stories" behind policy decisions, which supplement government documents. As such, this study triangulates this data with official and press sources to increase trustworthiness.

Third, the study also acquires data from think tanks such as the American Enterprise Institute (AEI), the Mercator Institute for China Studies (MERICS) and the Pew Research Center. The data includes both text and numeric information from reports, datasets, and surveys. In addition, the study also draws upon data from several academic journal articles, which provide some pertinent evidence.

Fourth, the study conducted three elite interviews with senior members of economic confederations and experts from think tanks to supplement the data collection (details are in the appendix). These key informants provided insight into the policy preferences of policymakers and the government's stance towards Chinese investment, thus enriching the data collection. Nevertheless, the research topic is difficult to get first-hand data for, due to decisions related to foreign policies typically being made by a small group of political elites. These elites, usually heads of state and ministers, keep the process a black box to the general public. Hence, this feature weakened interviewing as an effective method of data collection: recruiting eligible interviewees for the study was difficult due to the distance between the researcher and political elites on social networks; interviewees lacked knowledge of specific investment cases; interviews may not be reliable because political figures may avoid tough questions or engage in small talk. As such, this study relies heavily on documents for data collection and triangulates numerous this data with a few interviews.

1.3.5 Data analysis

Using QCA and PT techniques, the study conducts data analysis in the following steps: first, the study conducted preliminary pre-QCA case studies to prepare for the QCA analysis. This has been done by reviewing documents from official and social media and analysing statistical data. The study particularly focuses on what the documents conceive as the rationale behind the policy decision for a certain investment case, and summarizes them as potential conditions. For statistics, the researchers collect the most relevant numerical data and sort it to show a comprehensive overview of Chinese investment in Europe (e.g. trends in investment flows, rankings of the top investment destinations). Consequently, the study gained preliminary case knowledge that inductively indicates four key explanatory conditions of the policy results (see Chapter 4).

Second, the study conducts coding and calibration of identified conditions, which refers to converting qualitative data regarding each condition to quantitative membership scores so that the QCA software can process them. For coding, the study creates a four-point scale to assign scores for each condition in each case (see table 2 in section 4.2). Then, the study calibrates the raw scores of coding to turn them into decimal values between 0 and 1, making them compatible with QCA software analysis.

Third, the study runs the QCA software to process the coded and calibrated conditions for the fsQCA analysis. The study sort out the conditions and their scores in a table format so that QCA software can identify them. The study then selected the appropriate button in the QCA software to input the table into the program. Afterwards, the study still needs to run the necessary condition checks in the QCA software before obtaining the final fsQCA output. QCA best-practice requires this step, even though its results are irrelevant to this study, which focuses on mechanisms, not

necessary conditions. Next, the study used the QCA software to calculate the outputs, setting the consistency threshold to 0.8 (the default, which can range from 0.75-1, see Ragin, 2008: 46; McKnight and Zietsma, 2018), selecting standard analysis, and gaining three kinds of solutions: complex, parsimonious, and intermediate. Like other studies, this study uses the intermediate solution as the fsQCA results, and the other two solutions as triangulations. Eventually, the fsQCA outputs indicate two condition combinations (see table 4, section 4.2).

Fourth, the study tests the robustness of fsQCA outputs in three different ways before viewing them as final results: changing calibration; changing consistency thresholds; triangulating with csQCA (Schneider and Wagemann, 2012: 287-293; Skaaning, 2011: 394; Waldkirch et al., 2021: 11). Overall, the robustness tests results clearly indicate that the fsQCA outputs are reliable (see section 4.3).

Finally, the study employs PT to better reconcile the fsQCA results with case stories in order to identify underlying causal mechanisms. The operation of causal mechanisms in a case leaves traces which may be reflected in evidence such as interviews, archival material, memoirs, public speeches, historical scholarship, and newspapers (Beach and Pedersen, 2013: 132-140). These evidences can provide case knowledge regarding comprehensive storylines, smoking gun events, and key actors' confessions, which have strong inference value indicative of causality (Blatter and Haverland, 2012: 115-118). Thus, the study looks at these evidence to find the traces for identifying the mechanism. Also, the study uses the four types of causation testing (as mentioned earlier in section 1.3.2), which are hoop, smoking gun, doubly-decisive, and straw-in-the-wind tests, to test the strength of evidence reflecting causal mechanisms. Eventually, the study gained two causal mechanisms that explain why the acceptance of Chinese investment cases have occurred (see section 1.4).

1.4 Research findings

The section demonstrates the research findings with three parts: preliminary case study findings; fuzzy-set QCA (fsQCA) results, including a robustness test; and process-tracing (PT) results and causal mechanisms.

1.4.1 Findings from preliminary studies of the cases: conditions and conceptualization

Preliminary case studies indicate two possible values for the final policy outcome: the approval or rejection of Chinese investment cases by the recipient states, and that four outstanding causal conditions are responsible for the outcome.

The first one is the non-compensatory economic interests in a specific investment project. This condition refers to the potential loss in key economic dimensions, either real or perceived, resulting from rejecting a certain Chinese investment, which cannot be compensated for by any other solution except accepting the investment itself. This indicates that policy makers must accept a Chinese investment case if it presents such an irreplaceable economic interest.

The second one is the non-compensatory security interests in a specific investment project. This condition refers to the potential security risks, either real or perceived, resulting from accepting a certain Chinese investment, which cannot be compensated for by any other solution except

rejecting the investment itself. This indicates that policy makers must reject a Chinese investment case if it poses such an unmitigable security risk.

These two conditions, the economic and security interests, are a pair of decisive policy considerations in policy makers' trade-offs, having a direct and discernible impact on policy actors' conscious policymaking. This is not only evident in empirical Chinese investment cases, as the study found in preliminary case studies, but also widely recognized by previous research (see section 1.2).

The third condition is the highly tolerant general social context towards Chinese investment. This condition depicts the overall attitude and receptiveness of a country towards Chinese investment. It refers to a holistic or overall social system character in regards to Chinese investment inflows, sustained by both material and ideational properties of the social system at the time. Thus, it essentially depicts the macro-social background in which the policymakers are situated. The approval of Chinese investment is generally encouraged in a high tolerance social context, whereas it is normally discouraged in a low tolerance context.

In contrast to the first two causes, which focus on the specific external factors that directly inform policy actors' preferences, this cause emphasizes the general social climate, which can have either a direct or underlying influence on actors. The influence taking effect can be viewed broadly as a socialization process, not just the narrow definition proposed by IR constructivists, but rather the overall impact of the social system on its members through multiple channels (Tang, 2013b: chapter 5). Moreover, social system not only affect actors' policy preferences, but also their policy-making capabilities.

The fourth condition is the powerful opposition coalition. It refers to the informal and loose coalition of opponents who advocate rejecting the investment in a particular Chinese investment case. Apparently, the presence of such a coalition in a particular case might immediately cause the rejection, or at least pose a significant obstacle to the approval of the investment. The policy-making actors are those directly involved in policy-making processes and thus capable of reflecting their preferences in the policy output for a particular case. In the studied cases, these are usually a small number of politicians, typically government ministers. Members of coalition varies across cases because individuals may advocate one Chinese investment while opposing another, and are grouped according to opinion convergence in a particular case. Moreover, the opposition coalition has become powerful either through the inclusion of at least a few authoritative actors or the majority of actors, forming a strong countervailing force against the proponents of a certain Chinese investment.

Overall, with all these conditions identified above, the study can further use fsQCA to identify possible combinations of them, which are indicative of the final causal mechanisms.

1.4.2 Findings from the fuzzy-set QCA (fsQCA)

The fsQCA this study employs begins with a coding strategy that provides measurement criteria to transform conditions' qualitative features into quantitative sets of relationships. This study uses a four-point scale (0, 0.25, 0.75, 1) to code the identified conditions, which is long enough to

differentiate their varying degrees (Joshi et al., 2015).

First, the study uses "year and month" as a unit of measurement for the condition of "tolerance," as the timing of a particular case can indicate its historical context, including the overall receptiveness of Chinese investment. By identifying critical junctures (e.g. milestone events) that indicate receptiveness change, the study classifies four distinct time frames in both Britain and Germany regarding their respective degrees of tolerance towards Chinese investment. They are rated according to their level of tolerance: high (1), moderate (0.75), low (0.25), and rare (0).

Second, the measure of "non-compensatory economic interests" is the potential economic losses from rejecting a Chinese investment. The two indicators of such losses are the size of the affected population and the adequacy of compensation: losses are great if they affect many while alternative compensatory options are not possible. Given there are limited possibilities for compensation, the condition is rated 1 (present) if it affects the public, and 0.75 (largely present) if it affects specific sector. Conversely, it is rated 0.25 (largely not present) when ample alternative options can compensate for the economic losses of many, and rated 0 (not present) when only the target firm suffers losses which are seen as ignorable by the recipient states.

Third, the measurement unit for "non-compensatory security interests" is the potential security risks from accepting a Chinese investment. "Smoothness" of policy-making process and acceptance of remedies are the two indicators of such risks: risk level is high if recipient states intervene an investment on security grounds and reject remedies. The condition is rated 1 (present) when the recipient rejects risk-taking as impossible, and 0.75 (largely present) when they view it as partly possible. In contrast, it is rated 0.25 (largely not present) when the recipient mitigates, disproves, or downplays the risks after review, and 0 (almost not present) when no real or imaginary security risks have ever triggered recipient intervention.

Fourth, the condition of a "powerful opposition coalition among ruling actors" can be measured by the constellation of advocates and opponents among policy actors and their respective policymaking power regarding a given Chinese investment. Constellations of actors in a given case can easily be seen because actors' policy stances are visible in their statements, actions, and activities. For actors' policymaking power, examined cases have ample evidence of who made the final decision, what their positions are, and what power those positions are given in the political system. The rating for this condition is 1 if all policy actors oppose the investment, 0.75 if many oppose it, 0.25 if few oppose it, and 0 if all agree to accept it.

Finally, the policy results are easy to measure: successful approval (rated 1) and firm rejection (rated 0) can be seen as two ends of the spectrum, with conditional approval (rated 0.75) and hesitant rejection (rated 0.25) occupying the space between them. Overall, scoring of conditions regarding each of the studied cases (see table 3, section 4.2) has been conducted based on the above measurements (see table 2, section 4.2).

Furthermore, the study conducts an essential fsQCA step called calibration prior to fsQCA analysis. Adopting the commonly-used direct calibration (Schneider and Wagemann, 2012: 35), which

defines 1 (full membership), 0 (non-membership), and 0.5 (crossover point) as anchors, the QCA software converts the raw scores of conditions into calibrated fuzzy-set membership scores (Ragin, 2008: 71-73). Afterward, the fsQCA output identifies two paths (details see table 4 in section 4.2): either the presence of a tolerant social context, the absence of both security risks and opponent coalitions (term 1), or the presence of considerable economic interests and the absence of security risks can lead to the approval of Chinese investments (term 2).

Moreover, the study tests the robustness of such findings in three different ways: by changing the calibration and consistency thresholds, and by using csQCA for triangulation (Schneider and Wagemann, 2012: 287-293; Skaaning, 2011: 394; Waldkirch et al., 2021: 11). First, the study compares the raw calibration anchors (1, 0.5, 0) to three ordinary (0.8, 0.55, 0.2; 0.85, 0.55, 0.25; 0.7, 0.5, 0.3) and one extreme (1.1, 0.45, -1) thresholds and finds that the fsQCA output remains the same with the three ordinary anchors, and is almost unchanged with the extreme one. Second, when comparing raw consistency threshold (0.8) to two ordinary (0.9; 0.6) and two extreme ones (0.95; 0.5), the fsQCA output remains the same using the ordinary ones. Term 1 survives without change with a stricter threshold of 0.95. With 0.5 (very extreme), term 2 stays the same and Term 1 moderately changes with fewer elements in the condition combination. Third, the CSQCA output gives the same solution as that of fsQCA. Overall, the results of the robustness test clearly support that the fsQCA output is reliable. The two paths which fsQCA identified can support the PT (see next sub-section) to identify the causal mechanisms.

1.4.3 Findings from process-tracing (PT) results and the identified causal mechanisms

The section overviews the two mechanisms identified by the PT and then details each step:

(1) The highly tolerant social context mechanism: an opposition coalition amongst policy-ruling actors will hardly be possible to emerge in a social context that generally tolerates Chinese investment, where security risks associated with the investment are either absent, disproven, or can be mitigated. As a result, policy actors will approve the investment project.

(2) The economic incentives mechanism: relevant economic losses caused by the rejection of an investment, as a costly aftermath, will enforce policy ruling actors to at least accept the investment with remedies and discourage the emergence of an opposition coalition among them. In this circumstance, policy actors will approve the investment project.

Both mechanisms indeed reflect the mechanisms of selection, representing the core insight of the social evolution paradigm (SEP, Tang, 2013b). In detail, the mechanism of selection is embedded in the two-step social evolutionary process regarding micro-level policy-making (see figure 1, chapter 4): the formation of policy preferences and subsequent policy-making activities; the emergence of final policy output as a social outcome produced by interactions between actors. The two mechanisms thereby highlight two distinct patterns of selection pressure in particular social circumstances, exerting two different influences on actors and activating two different policy formation routes. In simple terms, in certain Chinese investment cases, specific selection pressures from the social system can select the winning coalition among policy-ruling actors whose policy preferences can thereby survive and guide the final policy outcome.

As the first step, policy actors form their policy preferences by interacting with the social context. On one hand, the highly tolerant social context and the specific economic incentives are the two distinct selection pressures of the social context that shape actors' policy preferences: either the overall liberal-climate in the social system or the pressure of specific economic incentives enforces or induces each individual to have a liberal policy preference. As a result, individual are more like to have higher receptiveness of Chinese investment rather than its counterpart in such a given social setting where liberal attitudes are more encouraged. On the other hand, individual are contingent agent who can either accept or resist the top-down influence of external context, regulated by cognitive and calculative mechanisms in the individual's mind. As a result, the external influences, though generally encourage liberal thinking and behaviours, have heterogeneous effect at the individual level, thus leading to the differentiation of policy preference among actors. But putting together, as seen in the positive cases, liberal actors outnumber the hardliners due to the selection pressures from the given social circumstance.

As the second step, individual-level preferences, through their subsequent policy-making activities, are converted into the eventual policy outcome. In precise, like-minded individuals ally to form groups that advocate for respective policy claims; then the inter-group competition determines the winning coalition, which dictates the policy output. In this step, the mechanism of selection can also be seen in three dimensions: first, as discussed earlier, the two distinct selection pressures encouraging individuals' liberal preferences over hardliners shape the specific constellation of coalitions that the liberal coalition more likely to be the majority of policy actors. Second, the two pressures also shape actors' policy-making capabilities, due to the majority liberal coalition outnumbers the minority opponents; liberal individuals occupy powerful positions; liberal policy suggestions better persuasiveness; institutional settings systemically limit bargaining capabilities of hardliners. Third, given that both constellation of coalition and policy-making capabilities are liberal-favoured, non-liberal coalition has lower winning likelihood whereas the liberal coalition become the winning coalition in the inter-group interactions.

In sum, when the social context generally tolerates Chinese investment inflows, or specific economic incentives are present, a liberal policy response towards a certain Chinese investment case is more likely to be selected to remain whereas its rival policy suggestions are discarded. As a result, the policy of approving the Chinese investment case is the only policy option that can survive under the selection pressure under the given social context.

At last, the findings are useful to explain the policy results of selected cases. The highly tolerant social context mechanism explains eight positive cases: in such contexts, policy actors in KraussMaffei, EEW, and Global Switch cases are not given or downplay security risks information, allowing them to unanimously and smoothly approve the investment. In the Gardner, Northern, and Sepura cases, the majority of policy actors are happy with the remedies to mitigate the risks, thus approving the investment. In KUKA and Cotesa, key policy actors, despite having expressed concern about security risks at one time, eventually dismissed the presence of these risks after review, giving the green light to the cases. Furthermore, the economic incentives mechanisms explain the Hinkley and Huawei Germany case: decisive policy actors allowed the Chinese investments to avoid the unacceptable economic costs they would have otherwise suffered.

1.5 Research significance, novelty and contribution

This study has theoretical, methodological and policy significance. Theoretically, first, the study contributes to the specific field exploring the policy responses of European recipient states to Chinese investment inflows. In this field, the key debate over whether recipients accept Chinese investments for economic gains or restrict them on national security grounds still puzzles extant studies. Seeing recipients' policies as trade-offs between such gains and losses, extant studies fail to sufficiently explain why recipients selectively approve certain Chinese investments over others, leaving an unanswered gap in their case-level policies. With identified mechanisms, this study introduces a new explanation for the acceptance of Chinese investment, filling the gap and giving the puzzle a new solution: either the social context with higher receptiveness to Chinese investment, or certain economic incentives, establish two specific selection pressures under which the liberal policy response towards a certain Chinese investment case is more likely to remain, whereas its rival policy suggestions are discarded. This new explanation reveals the micro-level social evolution process of policymaking which was ignored by extant studies.

Second, this study's new explanation not only matters to the specific field regarding Chinese investments, but also offers new insight into classic debates (e.g. the relative-absolute gain debate; the liberalism-protectionism debate) of general theoretical studies in IR, IPE and FPA. These debates, in sum, reflect contrasting logics to understand inter-state economic ties (investment, trade, aid), divergences in whether such economic network benefits or harm states, and whether states should accept or restrict them. Backed by the social evolution paradigm (SEP, Tang, 2013b), this study's explanation sheds light on these debates by revealing the effect of selection pressure on final policy output, which was underrepresented in previous studies. Such selection pressure refers to the overall effect of the given social setting during the time of policy-making, as well as the subsequent interactions among actors within that setting, which generally determine which policy option can more easily survive than others. As a result, specific selection pressure in a given situation filters which of the two contrasting logics, as previously mentioned, survives, while the other is discarded.

Third, the study also extends the use of the social evolution paradigm (SEP) that back this study's explanation to the micro field of investment policy. The SEP has been used to study a variety of topics from macro to micro level, including international system transformations, institutional change, state security strategies, intergroup cooperation and conflict (Tang, 2020: chapter 6). But these fields have not yet included policy-making in general, and Chinese investment in Europe in particular. This study introduces one of the core insights from SEP, the selection pressure that exists in the social system, to the field of policy-making, particularly Europe's policies towards Chinese investments: like those macro social outcomes discussed above, the emergence of policies also evolves through the process of social evolution. The selection pressure in a given social setting filters what policy preferences and policy-making behaviours are selected to remain, becoming the eventual policy outcome. As such, this will enlighten further studies on policy-making referring to the SEP approach rather than inadequately overlooking it.

Meanwhile, the study also has methodological significance beyond those theoretical ones. This

study presents a novel medium-N comparative analysis of China's inward investment policy in Germany and Britain, in particular, combining fsQCA and process tracing for a multi-method research design. To the author's knowledge, it marks the first time such an analysis has been conducted within the field regarding European states' policy towards Chinese investments. This methodological novelty brings the payoff of compensating for previous studies in the field that rely either on large-N regression (Chan and Meunier, 2022; Tingley et al., 2015) or small-N case studies (Rabe and Gippner, 2017; Reilly, 2017; Babić and Dixon, 2022). It thereby makes up for the difficulty of regression analysis in conducting cross-case comparisons and in-depth case investigations, as well as the difficulty of small-N studies in generalizing their research findings. More importantly, the shortcomings of the two designs in extant studies hinder their knowledge-seeking to answer why some of the Chinese investment cases, rather than others, have been approved. Instead, the medium-sized design of this study balances in-depth case knowledge and cross-case comparison, allowing research findings to give straightforward answers to the research question.

Moreover, this study also has some policy implications. First, addressing some well-known real-world Chinese investment cases (e.g. Huawei's 5G market access; KUKA takeover), the study may enlighten politicians, officials, and entrepreneurs for a better understanding of Sino-German and Sino-British economic relations. Second, the identified mechanisms of this study may also be useful to explain economic policies of other countries beyond Germany and Britain towards Chinese investments. Third, these mechanisms, which show that selection pressure can filter what policy options are chosen over others, may also explain policy-making results in other trade-off situations. Fourth, the study may also enlighten Chinese policy makers in managing China's overseas interests effectively, prudently choosing investment targets, and evolving economic policy in line with industrialization and the scope of overseas investment.

1.6 Thesis overview

The whole thesis consists of 8 chapters. As the introductory chapter, chapter 1 overviews the entire thesis by presenting the identified research field, setting up the research question based on the identified puzzle and gap in extant research, and demonstrating an overview of research methods, findings, and novelty.

Chapter 2 conducts a literature review for the study. After mapping topic-relevant literature, the chapter reveals the key puzzle that hinders extant literature from adequately explaining the policy results towards Chinese investments. As such, it ends with the justification of this study to look for better explanations to make up for the puzzle.

The Chapter 3, as the methodology chapter, presents the choice of critical realism as the research philosophy; the selection of the set-theoretical multi-method, which combines fuzzy-set qualitative comparative analysis (fsQCA) and process-tracing (PT), to conduct the research design; the case selection criteria and results; and the techniques used for data collection and analysis.

Afterwards, chapter 4 demonstrates the research findings: findings from preliminary case studies indicate what conditions are relevant to explaining the results. Afterward, the fsQCA findings present how the study codes and calibrates the identified conditions for the fsQCA analysis, before

presenting the two combinations of conditions fsQCA has identified and the robustness test for the results. Then the PT findings demonstrate the final research findings, i.e., the two causal mechanisms, based on the fsQCA outputs.

In chapters 5-7, the study offers empirical evidence to support the operation of the two identified causal mechanisms in the selected cases. Chapter 5 demonstrates how the mechanisms of highly tolerant social contexts explain policy results in eight cases, including six representative cases (KraussMaffei, EEW, Global Switch, Gardner, Northern, and Sepura) and two variations (KUKA and Cotesa). Chapter 6 presents the operation of the economic incentives mechanism in two cases (Hinkley and Huawei Germany). Chapter 7, despite not identifying the mechanisms of investment restrictions, indicates the necessary conditions for the policy results of negative cases that might inspire future research.

In the end, chapter 8 summarizes the main ideas discussed in the preceding chapters, as well as suggesting possible directions for future research.

Chapter 2 Literature review

This chapter will systematically and critically review literature on the research question of the thesis regarding why recipient countries approved some Chinese investments over others. It consists of three sub-sections. Section 2.1 will identify relevant literature and analyse what light it has shed on the research question. Then, section 2.2 will pinpoint a key puzzle of this literature that restrains them from providing a satisfactory answer to the research question. Finally, Section 2.3 will present how this study will mitigate this puzzle so as to gain a better answer to the research question.

2.1 Mapping relevant literature and contributions

Many pieces of literature from different research fields have addressed the research question of why recipient countries approved some Chinese investments over others. Generally, these can be categorized according to their varying levels of abstraction when addressing this question. The first group of literature are the Chinese investments in Europe and European countries literature, which are typically less theoretical but directly address the research topic (see section 2.1.1). The second group of literature are the theoretical literature, which consists of literature from various subject areas in political science, such as international relations (IR), international political economy (IPE), foreign policy analysis (FPA), and public policy. These theories provide general theoretical claims on the reception or rejection of foreign investment, thus they can also shed light on Chinese investments addressed in this study. Moreover, these theories are more abstract, exploring theories in greater depth and offering theoretical underpinning that can bolster the first group of literature. In both groups, scattered theories, schools, and arguments have contributed different perspectives to address the research question. Therefore, the remaining part of this section will elaborate on these contributions before proceeding to their common puzzle in the next section.

2.1.1 The Chinese investments in Europe literature

Literatures encompassing a variety of themes have addressed the topic of Chinese investments in Europe. They not only include literature that explicitly discuss Chinese investments in Europe, such as in titles like China's outward foreign direct investment (Chinese FDI) into Europe in general, into a specific European geographic area (e.g. Chinese FDI in Eastern Europe), European countries (e.g. Chinese FDI in Britain) or even the European Union (EU) (e.g. Chinese FDI in the EU energy sector), and into certain sectors (e.g. Chinese FDI in European strategic industries). They also include literature that implicitly address Chinese investments in Europe associated with broader topics, such as titles like China's Belt and Road Initiative (BRI), China's economic statecraft, and Chinese corporates' "going-out" in Europe, and even bilateral economic relations between China and a specific European country (e.g. Sino-British economic and trade relations).

These literature generally have several foci at different levels of analysis. On a cross-national level, the first group of representative studies illustrate the pattern of Chinese investment in Europe, either focusing on the overall pattern or that of a particular sub-continental region and sector. For instance, studies present a Chinese investment boom overseas, particularly in Europe and the US (Hanemann, 2014), and present a heterogeneous distribution in different European countries due to varying technological levels (Defraigne, 2017). Furthermore, some specifically overview Chinese

investments in the Central and Eastern European (CEE) area (Jacoby, 2014; Matura, 2021) and assess their implications for this region (Pavličević, 2018). For another instance, studies evaluate the influence of Chinese investments in the European energy sector, either through a general overview (Liedtke, 2017) or the lens of a specific transaction (Otero-Iglesias and Weissenegger, 2020).

Meanwhile, the second group of representative studies focus on the general implications of the Chinese overseas investment boom for the world in general as well as for Europe in particular. For example, a number of studies associate the Chinese investment boom with China's Belt and Road Initiative and/or China's use of economic statecraft, analysing the potential effects these investments may have on many different topics such as globalization, the Eurasian and global order, and China-Europe relations (Liu and Dunford, 2016; Zhao, 2016; Rolland, 2017; Tekdal, 2018; Le Corre, 2018). Study also conducts a systematic assessment of the impact of Chinese investments on European politics in general (Meunier, 2014). Moreover, this study has noticed that these literatures generally agree that Chinese investments bring mixed implications, namely both opportunities and risks, to Europe.

On a national level, studies can be further divided into two sub-types, which focus respectively on the investment sender (e.g. China) and the investment receiver (e.g. a specific European country; an EU member state) sides. In terms of the sender side, the first group of representative studies pay much attention to analysing China's motivation and intention to promote investment overseas. They suggest a wide range of motivations, ranging from the liberal-oriented goal of facilitating Sino-European free trade (Heath, 2016: 183) to the mercantilist objectives of securing overseas energy and resource supply (Zhang and Keith, 2017: 190), easing domestic surpluses of capacity and the US dollar, and increasing Chinese firms' international competitiveness (Defraigne, 2017; Tekdal, 2018: 10-11); to the realist motives of looking for economic partners to balance the containment of the US-led Trans-Pacific Partnership (TPP) economic alliance (Tekdal, 2018: 9-10; Ploberger, 2017: 302); and even to the offensive-mercantilist aim of acquiring advanced technology and establishing a certain degree of control over European states through takeovers in the high-tech and infrastructure sectors in Europe (Henderson and Hooper, 2021).

Meanwhile, the second group of representative studies focus on how the growth of Chinese investment in Europe reflects China's use of economic statecraft. These either include using investment projects as an economic statecraft tool for China's political goals or adopting political support to push investment forward. For instance, some studies illustrate how Chinese outward foreign investments, including those in Europe, serve China's grand strategy or general foreign policy (Norris, 2016; Norris, 2021), and how they contribute to China's political purpose in a specific event (Fuchs and Klann, 2013; Reilly, 2017), while others investigate how China adopts political support to push investment forward (Hooijmaaijers, 2021).

In contrast, studies focusing on the investment receiver side mainly investigate what makes recipient states' respond to the Chinese investment inflow, thus relating most closely to the research question of this study. In overview, representative works reveal the policy decision-making difficulties faced by European recipient states based on their analysis that Chinese

investments bring both benefits and challenges to Europe, which respectively sustain the reception and rejection policy responses.

In precise, the first group of representative studies emphasize that economic benefits motivate Europe to embrace Chinese investment. For instance, studies argue that European states' eagerness for funding, in particular after the Eurozone crisis, explains their acceptance of Chinese FDI inflows as well as the more macro-level social results, namely, the massive influx of Chinese investment into Europe (Meunier, 2016; Pacheco Pardo, 2018). They also claim many other economic payoffs that Chinese investment can bring to the recipient states; such as renewing their infrastructure, promoting their enterprises, and even boosting the national economies (Nordin and Weissmann, 2018: 235; Meunier, 2016).

Meanwhile, the second group of representative studies emphasize the potential challenges and risks of receiving Chinese investment, which eventually results in increased vigilance and stricter investment reviews at the country and even EU levels. For instance, studies indicate that, due to the potential risk of Chinese state manipulation behind the investment, European recipient states are exercising increased scrutiny (Meunier, 2014; Hooijmaaijers, 2019; Svetlicinii, 2023). It is also suggested that the technology level of recipient states and, thereby, the anxiety over technological leakage explain the different support of receiving Chinese investment (Chan and Meunier, 2022; Bauerle Danzman and Meunier, 2023). Moreover, a number of studies attribute stringent regulation on Chinese investment inflow to the ideational conditions, suggesting that increased threat perception and narratives of Chinese investment have prevailed over its economic attractiveness (Rabe and Gippner, 2017; Brennan and Vecchi, 2021; Babić and Dixon, 2022; Mattlin and Rajavuori, 2023).

Yet the third group of representative studies further propel the field by analysing the effects of both the benefits and risks of receiving Chinese investment together on recipient states' policy responses. For instance, studies indicate that both have contributed to the growing debate among European states as well as their country-level differences and similarities in policies regarding Chinese and foreign investment inflows (Meunier et al., 2014; Seaman et al., 2017). A prevailing perspective is to see European states' policy stance as a balancing act or trade-off between the benefits and challenges of receiving Chinese investment, as they want to both consolidate economic security and preserve economic openness (Meunier, 2019). But following this view, studies still debate over which side of the trade-off balance recipient states tend to favour. For instance, the one side suggests many European states embrace Chinese investment for economic gains despite security risks (Pacheco Pardo, 2018), whereas the other side supposes the national security concern prevail over economic attractiveness of receiving Chinese investment (Bauerle Danzman and Meunier, 2023; Babić and Dixon, 2022). Apparently, studies reach no consensus about how European recipient states trade off gains and risks of receiving Chinese investment.

Lastly, there is another group of studies focusing on sub-national level actors. For instance, one study investigates the ramifications of Chinese investments on European workers and labour organizations to gain insight into how stakeholders may be impacted (Burgoon and Raess, 2014), while other studies explore Chinese firms' choices of geographic locations and sectors when

investing in Europe (Rencz, 2023; De Beule and Zhang, 2022). In the next sub-section of 2.1.2, the study will proceed by reviewing theoretical literature that sheds light on the research question of this study.

2.1.2 The theoretical literature

Beyond the Chinese investment in Europe literature reviewed in Section 2.1.1, there is also a group of theoretical literature providing general theoretical claims with greater in-depth theoretical perspectives on the reception or rejection of Chinese investment. In overview, this group of literature comprises a wide range of scattered theoretical claims from IR, IPE, FPA, and public policy. They mainly emphasize various conditions explaining European recipient states' policy response to Chinese investment inflow, with some of them also noting the policy-making process. To make it simple and clear, this part will present the conditions these theories have emphasized to conduct their explanations in a summarized manner. Despite the different typological strategies that can be adopted, this study divides these conditions into two major categories: material and ideational.

2.1.2.1 Material conditions and effect

Explanations using material conditions basically claim that a particular material interest explains the policy output. They suppose a variety of material interest conditions, such as economic benefits (Trofimov, 2017; Reuveny and Thompson, 2001), political power (Kim, 2018), advanced technology (Thompson and Vescera, 1992), and strategic assets (Ding and Dafoe, 2021), as the key motivations of recipient states' policy-making. Then, studies further categorize these material interests according to their different statuses or different change rates; as a consequence, defining more specific and narrower scopes of a material interest condition. Regarding the statuses of conditions, literature suggests, for example, an advantageous or adverse economic situation of state or industries; a leading or lagging position in high-tech; an upper hand or a lower hand in power competition, can affect policy results (Van Assche and Gangnes, 2019; Reuveny and Thompson, 2001; Krasner, 2000; Rogowski, 1987; Baldwin, 1992). Regarding the change rates, Theories suggest, for instance, that cyclical fluctuations of the economy, radical economic crises and critical junctures, a surge in technological innovation, and the changing rate of widening or narrowing the gap between leading and following enterprises or states (Gallarotti, 1985; Gourevitch, 1986; Rodrik, 1992; Wallerstein, 1987). Above all, these studies commonly agree that material interests shape policy preferences and drive the behaviour of actors at societal, state, and inter-state levels, with some of them also discussing the effect of the material condition on actors' policy-making capability.

Next, this part will also review the theoretical claims regarding how these material conditions shape policy outputs. Existing literature do not reach consensus, but divide into cooperative and conflictual perspectives regarding the effect of conditions: the cooperative one advocates that the conditions would lead to reception of Chinese investment, while the conflictual one believes they would cause rejection. This division can be seen in their debate on different research agendas.

For instance, the cooperative perspective generally agrees that recipient states favour foreign investment for benefits. The absolute gain approach and IR and IPE liberalism suggest that inter-state investment ties could fulfil complementary mutual benefits for both sender and receiver

(Powell, 1991), thus allowing both parties to embrace investment to increase their gains. In the openness-protectionism debate, the cooperative perspective also suggests that an openness stance toward foreign investment is generally better than protectionism for a state's strength (Reuveny and Thompson, 2003; Krasner, 2000: 23-24), unless there are unusual circumstances, such as a crisis (Gallarotti, 1985: 159). For instance, countries, in particular those that are technologically lagging behind, can benefit from the technological transfer brought by foreign investment inflows (Thompson and Vescera, 1992: 518; Reuveny and Thompson, 2001: 238). Moreover, a state's acceptance policy may also be shaped by the support of domestic advocates who get economic benefits from foreign investment (Van Assche and Gangnes, 2019: 40; Trofimov, 2017: 3; Cohn and Hira, 2012: 91). Meanwhile, the international setting characterized by complex interdependence generally encourages the reception, rather than rejection, of investment inflow (Keohane and Nye, 2012; Cohn and Hira, 2012: 79). Above all, the cooperative perspective agrees that it is better to accept foreign investment for the benefit than not to.

In contrast, the conflictual perspective expects recipient states to beware of, restrict, or even reject, foreign investment if they gain less or suffer from it. As the relative gain approach argues, the side actually suffering from the unequal distribution of interests in the investment certainly rejects it (Powell, 1991; Keohane, 1998: 89; Huang, 2012: 129; Snidal, 1991). For instance, recipient states may be wary of technological leakage or foreign control of key sectors, considering that investing states may use the investment as a form of statecraft to gain leverage in the recipient country (Reuveny and Thompson, 2001: 236; Wigell, 2016: 137; Vihma, 2018: 4). Recipients may also be concerned about power transitions that could arise from technological diffusion, which could potentially damage their positions (Reuveny and Thompson, 2001: 232 and 238). Regarding the openness-protectionism debate, the conflictual perspective contends that a protectionist-oriented restriction of foreign investment inflows is advantageous for a state's strength. For instance, using protectionist-oriented strategic economic policies, hegemony can manage current economic development to maintain their future leadership (Oatley, 2012: 100), while weaker states can pursue more autonomy in order to secure their survival (Reuveny and Thompson, 2001: 232 and 238). The conflictual perspective also considers the impact of domestic actors (e.g. workers and companies) on policy, arguing that these actors might resist foreign investment if it threatens their businesses or job positions (Ugur, 2011: 654; Bennesen and Feldmann, 2002; Zeng and Sherman, 2009).

2.1.2.2 Ideational conditions and effect

Meanwhile, explanations highlighting ideational forces generally enact the independent position of ideas relative to material interests, and attribute policy attitudes to these ideas. These explanations can be further divided into three major schools: constructivist, deconstructivist, and cognitive. The former two emphasizes macro-structural ideas such as various economic arguments, principles, discourses, ideologies, and cultures, as normative foundations for policy preference (Tran-Nam et al., 2018; Poletti and Sicurelli, 2018). These ideas can construct actors, shaping their policy preferences on the one hand, while actors can also form their preferences by deconstructing ideas on the other. The cognitive school focuses on individual's psychological activities during policy-making. This school lists a wide range of psychological conditions, such as cognition, emotion, perception, images and belief systems, and their impacts on the formation of policy

preferences (Mercer, 2010; Jervis, 2017; Walker, 2011).

Literature also analyses the impact of these ideational conditions on policy outputs from both cooperative and conflictual perspectives. For a cooperative perspective, for instance, it is suggested that liberal economic ideologies are relevant motivation for the acceptance of foreign investment (Goldstein, 1986: 161; Bhagwati, 1987). Meanwhile, investments are more likely to be accepted when the sender and recipient have formed an alliance or share a similar culture and identity (Wendt, 1999b; Gowa and Mansfield, 1993; Gowa and Mansfield, 2004; Gokmen, 2017). At the micro level, trust increases acceptance of foreign investment. This is particularly prominent when individual decision-makers can build trust through a trusting psychological path, perceiving certain foreign investors as trustworthy (Garcia-Retamero et al., 2012; Rousseau and Garcia-Retamero, 2007). Moreover, building or strengthening the symbolic image of economic power and FDI attractiveness can also motivate recipient states to be open to foreign investment inflows (Nye, 2004; Lee, 2016; Lai, 2018: 171).

Conversely, the conflictual perspective suggests protectionist economic ideologies often trigger rejection of foreign investment inflows (Cheng et al., 2019; Libby, 2020; Lehner, 1995: 454; Winters, 1990). It also argues that non-allies, cultural dissimilarity, and a lack of identity between the investor and the recipient cause the investment to fail (Wendt, 1999b; Gowa and Mansfield, 1993; Chen, 2021; Gowa and Mansfield, 2004; Gokmen, 2017). On individual policymakers, a mistrustful psychological process may cause them to have a suspicious attitude towards foreign investors, thus rejecting the investment (Reinke de Buitrago, 2009; Rousseau and Garcia-Retamero, 2007). Moreover, some remarkable cross-border investments even imply the redistribution of symbolic assets between states, creating a positive image for the one investing while a negative reputation for the one being acquired (Pu, 2019; Lebow, 2008; Jackson et al., 2004).

2.1.2.3 Other perspectives

There are also a few fields that fall between materialism and idealism. For instance, the perspective focusing on reciprocity suggests that policy preferences may reflect the need for reciprocal counterbalance to the behaviours of others (Bagwell and Staiger, 2001: 282). This need can be pursuit of either self-interest or fairness. Another field is institutionalism (Hall and Taylor, 1996), incorporating a variety of schools and theories that range from rational-choice institutionalism at the materialist end of the spectrum to discursive institutionalism at the constructivist end, with many other theories of institutionalism in-between that integrate both material and ideational conditions.

Beyond the focus on conditions affect policy-making in the above theories, policy-making processes draw much attention from public policy theories and some attention from FPA, IR, and IPE. Public policy theories have modelled different outlooks in the policy-making process and related them to the policy results. Public policy theorists debate whether policies are the choice of the public (Hildebrandt et al., 2013; Fieleke, 1976) or merely decisions of elites (Jervis, 2013; Byman and Pollack, 2001); reflect the functional needs of neutral public interest or just self-serving interests; are generated by the equilibrium of group competition or dominated by powerful groups (Dye, 2017: chapter 2). Some theories in FPA, IR, and IPE also focus on actors' policy-making

abilities during the policy-making process, which can affect the policy outcomes (Ballard-Rosa et al., 2016: 713; Moravcsik, 1993). But these theories typically incorporate process implicitly as part of their theoretical frameworks, rather than having it modelled independently, as with public policy theories.

In sum, existing literature shed light on different angles to understand European recipient states' policy response toward Chinese investment inflow. The Chinese investment in Europe literature see European recipient states' policy response as their balancing act between benefits and risks of receiving Chinese investment. The theoretical literature incorporating scattered arguments in IR, IPE, FPA, and public policy highlight the importance of various material and ideational conditions as key drivers for a certain policy to emerge, with some of them indicating that policy actors' capabilities are also relevant. Meanwhile, theories in public policy and in some of the IR, IPE, and FPA theoretical statements imply that different policy-making processes could produce different policy results. Above all, this study has gained an overview of the contributions of existing theories from reviewing these literatures. The next section will reveal a relevant puzzle that is dispersed in the theoretical claims of these literatures, which impede them from addressing the research question properly.

2.2 The puzzle of two contrasting logics

This section discusses a key theoretical debate relevant to the topic: the puzzle of two contrasting logics. This puzzle confuses extant literature, preventing them from obtaining a sufficient explanation for the reception of a specific Chinese investments case.

2.2.1 An overview of the puzzle

The puzzle is depicted as follows: investment recipient states may face both economic gains and national security risks when receiving Chinese investments. Though both appear in certain cases, the two respectively advocate contrasting policy outputs: the gains typically sustain the approval of a Chinese investment, reflecting a cooperative logic; in contrast, the risks usually prompt rejection, reflecting a conflictual logic to operate. However, extant literature lack a unified response as to how recipient states decide between the two incompatible logics, namely, whether they approve the investment for the gains or reject it due to the risks.

In fact, the terms, i.e., cooperative and conflictual logic, reveal the underlying causal relations that underpin the superficial conditions of economic gains and national security risks: the condition of economic gains in receiving Chinese investment indeed reflects the real or perceived harmonious interests between the investor and the recipient, thus driving the recipient to accept the investment. Likewise, the national security risks condition actually reflects the real or perceived conflicts of interests, resulting in the recipient's rejection of the investment. Apparently, the two logics reveal two incompatible causal pathways that lead to contrasting policy results; however, existing studies still have no idea, or only imperfect answers, about which logic prevails in a certain (Chinese) investment case and why, thus leaving this study with such a puzzle to resolve.

In precise, this puzzle can be seen in extant literature in several different forms:

(1) the most rudimentary explanations simply explain recipient state's approval of a Chinese

investment with the cooperative logic (e.g. the economic gains it can obtain), while explain the disapproval with the conflictual logic (e.g. national security risks). Obviously, such kind of explanations provides less insight into what would happen if both cooperative and conflictual logics are taken into consideration. The explanation conducted on only one of the logics usually selectively overlooks the other, even if both appear in an empirical investment case, thus avoiding addressing this puzzle at all.

(2) Another kind of rudimentary perspective realizes the puzzle's presence; i.e., they realize that the theoretical claims based on one of the logics are challenged or even fully invalidated by those following the other. However, they often merely depict how both logics are portrayed in Chinese investment inflow (e.g. discussing both benefits and challenges Chinese investments bringing to the recipient states) without further exploring which can prevail. Again, they still do not address the puzzle.

(3) More advanced explanations tend to resolve the puzzle by seeing recipient states' policy-making as a balancing act between the two logics; e.g. the trade-off between the gains and risks they face when receiving Chinese investments. However, this perspective is merely an imperfect answer to addressing the puzzle. It at best illustrates the conditions that affect the trade-offs shaping a state's general policy position on receiving foreign investment. But this trade-off between two logics often varies on a case-by-case basis, even if one is generally favoured at a national or regional level. Nevertheless, the perspective is still not precise enough to address such a divergence; i.e., trade-offs and resulting policy decisions differ across investment cases. This indicates that these literatures indeed have no idea as to why the trade-offs apply to some investments that fit with the state's general policy stance, but not others. As such, their efforts to address the puzzle are still incomplete.

Above all, the puzzle hinders extant literature from adequately addressing why one of the cooperative or conflictual logics, rather than the other, turned out to be the final policy in a particular case, and why in other cases this advocated logic failed to do so; why recipient states approved some Chinese investment cases over others, and why they did so despite potential risks and losses. Also, as a result of the unsolved puzzle, extant literature leaves a gap whereby they can at best explain a recipient state's general policy stance, while overlooking case-specifically varying policy responses to Chinese investment inflow.

The remaining subsections will elaborate on how the puzzle surrounding the cooperative versus conflictual logics occupies a prominent place in literature from various subfields, including literature on Chinese investment in Europe (section 2.2.2); material conditions at the state or inter-state (section 2.2.3) as well as the societal levels (section 2.2.4); macro-level ideational (section 2.2.5) and micro-level psychological conditions (section 2.2.6); and the policy-making process (section 2.2.7). In each field, different terms may be used to refer to a specific debate, but they all essentially center on the same underlying debate over cooperative or conflictual logics and can thus be integrated into it.

2.2.2 Contrasting arguments regarding Chinese investment in Europe literature

Literature on Chinese investment in Europe has been developed around the dichotomy of the opportunity and threat perspectives regarding inbound Chinese investment. Apparently, the former seeing Chinese investment inflows as an opportunity for economic gains, resonates with cooperative logic that favours acceptance, while the latter, concerning a series of risks that threat recipient national security, reflects the conflictual logic that advocates rejection. As the two logics lead to two opposing policy outcomes, i.e., acceptance and rejection, a prevailing solution is to see European recipients' policy-making as a trade-off between both logics. However, such efforts still fail to resolve the puzzle, as they are still debating over whether the weight shifts to a more cooperative or conflictual side.

In precisely, studies more oriented towards the cooperative logic argue that the economic payoffs that Chinese investments bring to European recipient countries explain their acceptance. For instance, it is argued that Chinese investment can benefit European recipients by providing funds for European businesses, modernizing infrastructure, enhancing Europe's FDI attractiveness, and stimulating the economy (Nordin and Weissmann, 2018: 235; Meunier, 2016; Pacheco Pardo, 2018). Regarding how European states balance between the cooperative and conflictual logic, it is even argued that recipient states are prepared to accept the potential security risks associated with Chinese investment in order to obtain economic benefits (Pacheco Pardo, 2018). This is also evident by the fact that many European states often overlook potential security risks in favour of the economic advantages they receive from Chinese investment (see chapter 5).

Conversely, studies more oriented towards the conflictual logic argue that potential risks posed by Chinese investment inflows to European states explain their restrictions and rejections. For instance, many argue that European nations are national security concerns when it comes to an abundance of Chinese capital entering their essential industries. They fear potential leakage of essential technology, foreign control of their important businesses, and potential manipulation by the Chinese government using these investments as political leverage (Chan and Meunier, 2022; Rabe and Gippner, 2017; Babić and Dixon, 2022; Brennan and Vecchi, 2021; Mattlin and Rajavuori, 2023). In terms of how the recipients trade-off between benefits and risks, studies argue that the conflictual logic, leading to the rejection of Chinese investment, prevails over the cooperative one (Bauerle Danzman and Meunier, 2023; Babić and Dixon, 2022); this is evident in that European states have placed more stringent restrictions and have rejected many Chinese investment projects (Meunier et al., 2014; Hooijmaaijers, 2019; Svetlicinii, 2023).

In summary, there appears to be a clear dichotomy of two opposing logics that confound existing research on the policy responses of Europe to the influx of Chinese investment. In the following sections (2.2.3-2.2.7), it is presented that this puzzle also confuses the theoretical literature as well.

2.2.3 Contrasting arguments regarding material conditions at (inter-) state level

Tackling the debate at its roots, the cooperation and conflictual logics have contrasting understandings of whether inter-state economic ties, such as Chinese investment inflows, bring more positive than negative external effects to the investment recipient states. This bifurcation reflects theoretical debates in many sub-fields, which directly or indirectly shed light on recipient states' policy responses to inward Chinese investment.

2.2.3.1 Contrasting arguments on economic interdependence

Regarding inter-state economic interdependence, radical cooperative logic implies investment brings only economic gains, not losses. Thus, rational states would always choose a cooperative policy. The absolute gain approach asserts receiving Chinese investment increases gain for both sender and receiver (Powell, 1991). Similarly, IPE theories, based on comparative advantages, optimistically expect states to pursue complementary mutual benefits through investment (Watson, 2016). Also, IR-liberalism expects states to cooperate spontaneously. Furthermore, the harmonious perspective of economic statecraft studies sees investments as a tool for inducing more economic cooperation between states (Okano-Heijmans, 2011: 20; Wigell, 2016: 141).

Comparatively, moderate cooperative logic suggests that states may cooperate because the cost of cooperation is lower than conflict. For instance, economic disruptions (e.g. rejecting Chinese investments) could have severe repercussions, such as frustrating the market or obstructing growth and development (Topalli et al., 2021; Irwin, 2017). This is also the logic of commercial liberalism which claims the high cost of such economic disruptions forces states to cooperate (Moravcsik, 1997; Gowa and Mansfield, 1993). Moreover, IR-liberalism suggests that the international setting characterized by complex interdependence encourages states to cooperate (Keohane and Nye, 2012; Cohn and Hira, 2012: 79), and neoliberal institutionalism supposes that states are forced to cooperate by international institutions.

By contrast, the conflictual logic proposes that investment may not only bring gain, but also losses. or an unequal distribution of gains which can exacerbate asymmetric power relationships between states. Hence, this logic is generally pessimistic about inter-state economic cooperation.

The relative gain approach believes that receiving Chinese investment divides investing and recipient states into winners and losers, respectively, due to an uneven distribution of gains between them, thus suggesting that if recipient states suffer losses from receiving Chinese investment, they should reject the transaction (Powell, 1991; Snidal, 1991). Likewise, the realist tradition/realism postulates that economic gains can be converted into military capability, thus exacerbating insecurity between states: over time, the gains may even result in power transitions, security dilemmas, or security spirals (Reuveny and Thompson, 2001: 235-236; Kim, 2018: 1269).

Meanwhile, economic statecraft studies take it even further, regarding economic activities themselves as weapons (Farrell and Newman, 2019), market power (Newman and Posner, 2011; Nordin and Weissmann, 2018), or statecraft (i.e., a tool for more power) to leverage target states' behaviour (Wigell, 2016: 137; Vihma, 2018: 4), and seeing the economic gains as a "strategic asset" (Ding and Dafoe, 2021) or an "embodiment of state power" (Busemeyer and Thelen, 2020).

IPE theories argue that increased economic activities might also increase the chance of economic frictions (Huang, 2012: 129; Keohane, 1998: 89; Peterson and Zeng, 2021). Specifically, a large amount of investment in sensitive or strategic sectors of the target countries might provoke protectionist mood and reactions, such as tightened FDI screening, rather than exerting a conflict-reducing effect (Chan and Meunier, 2022; Grossman and Helpman, 2001). Similarly, if a Chinese

bidder is an SOE (state-owned enterprise), recipients may respond with vigilance (Yang et al., 2020).

A moderate conflictual perspective does not reject the existence of common interests between states, but contends that if states can pursue greater, long-term gains in more effective and straightforward ways (e.g. expansion of the territory through military force; using state power to protect national advanced technologies and industries), they may forgo the minor gains from current cooperation (Copeland, 2014; Zeng, 2023), i.e., from the Chinese investment project .

In summary, cooperative and conflictual logics provide contrasting understandings of economic interdependence in general, which also sheds light on investment ties between China and recipient states. The next part continues with the openness-protectionism dispute.

2.2.3.2 Contrasting arguments on openness versus protectionism

The cooperative and conflictual logics commonly imply that states take their current power status into account and pursue interests (Reuveny and Thompson, 2001: 243). However, due to their differing understandings of inter-state economic ties, they suggest contrasting ways through which states can achieve their goals.

The cooperative logic highlights the benefits of economic openness and prioritizes it over protectionism. For instance, the cooperative logic emphasizes the benefits of openness, arguing that recipient states can fully exploit their economic and technological status to achieve political and economic returns (Krasner, 2000: 23). Similarly, the principles of IR-realism, unlike conventional pessimistic expectations about inter-state cooperation, actually support economic openness, as it is seen as a means of maximizing a state's strength (Kim, 2018: 1271). Hence, the hegemon pursues leadership by implementing openness (Reuveny and Thompson, 2001: 241; Reuveny and Thompson, 2003; Deudney and Ikenberry, 1999: 189-190). This logic works until the hegemon is threatened by a rapidly emerging economic power, as either one or both sides may no longer maintain economic openness due to their political tensions. (Allison, 2018; Reuveny and Thompson, 2001: 232 and 238; Liff and Ikenberry, 2014). The cooperative logic also implies that openness brings benefits to developing countries: openness gives them an opportunity to embrace technology transfer, allowing them to catch up with leading economies in the future (e.g. "market for technology" strategy; Almeida and Fernandes, 2008; Reuveny and Thompson, 2001: 238). Above all, the cooperative logic implies that, unless one's own economy is in a crisis (Gallarotti, 1985: 159), openness is better than protectionism in order to enhance the power of both developed and developing countries. The cooperative logic does not highlight the drawbacks of openness.

In contrast, the conflictual logic implies theoretical claims that are opposite to the cooperative one. It warns openness also brings developed countries the risk of technological diffusion (Chan and Meunier, 2022; Thompson and Vescera, 1992: 518). Hence, they may consider protectionism to contain other powers and avoid power transition. Furthermore, the conflictual perspective also suggests that the pursuit of future leadership also motivates the hegemon to adopt strategic economic policies in the present, manipulating policymaking regarding strategic goods and winning sectors, and proactively managing long-term economic growth (Oatley, 2012: 100; Reuveny and

Thompson, 2001: 236; Baldwin, 1985). At the same time, it states that developing countries may also rely on protectionism to pursue autonomy (Van Assche and Gangnes, 2019: 40; Cohn and Hira, 2012: 91). Above all, the conflictual logic underlies the perception of differing interests regarding economic networks cross nations.

2.2.3.3 Contrasting arguments on reciprocity

The debate between the cooperative and conflictual logics is also reflected in theories relying on the perspective of reciprocity to explain economic policies.

The cooperative logic emphasizes reciprocity. For instance, by mutual reduction of trade or investment barriers, reciprocity liberalizes bilateral economic relationships (Bhagwati, 2002; Bagwell and Staiger, 2001: 282; Keohane, 1986: 5). Reciprocity provides shared benefits between states.

In contrast, those following the conflictual logic claim that reciprocity also motivates protectionism. For instance, a recipient state may restrict FDI inflow from other countries as a punishment in order to force them to open up their investment market (Chilton et al., 2017). However, even though such reciprocal punishments aim at coercing others, their effectiveness is in doubt because they may unintentionally provoke reciprocal retaliation. Moreover, states may selectively target specific sectors with requests for reciprocity (Tomimura et al., 2021: 2), indicating they are implementing a de facto protectionist policy.

As such, reciprocity leaves an open question as to whether it induces more cooperation (Pahre, 1998), because it causes alignment of trade, or more conflict, as investment policies can be redirected to protectionist ends.

2.2.3.4 A brief assessment

The two logics, cooperative and conflictual, imply contrasting arguments on the pros and cons of Chinese investment inflows. Obviously, the cooperative logic highlights benefits of receiving foreign investment cannot explain why recipient states reject a Chinese investment project. Contrarily, the conflictual logic accentuating shortcomings of foreign investment inflows fails to explain why recipient states may approve a Chinese investment project. Moreover, in the real-world policy-making of the relevant Chinese investment cases in this study, recipient states are often conscious of both conflicts of interests and shared interests. However, the two logics are unclear how recipient states adjudicate between these interests, why and how they selectively place more weight on one interest over the other in policy decisions, or have a balanced approach to policy-making. Taken in isolation, the two contrasting logics regarding gains or losses from foreign investment obstruct a better explanation of recipient states' policy preferences in responding to inward Chinese investments.

Chinese investment inflows not only affect policy preferences at state level, but also influence domestic policy preference in the investment recipient countries. In the next section, I review the debate over whether inter-state economic ties benefit the material interests of societal actors.

2.2.4 Contrasting arguments regarding material conditions at societal level

Theory opening up the blackbox of state policy-making suggests that state economic policies reflect domestic interests. However, the cooperative and conflictual logics provide contrasting views about how international economic linkages affect domestic actors.

2.2.4.1 The cooperative perspective

The cooperative perspective highlights the positive domestic distributional effects of international economic linkages. It accentuates the payoffs of international economic ties and supposes that such payoffs motivate societal actors to support international cooperation (Milner, 1997; Moravcsik, 1997: 618; Schneider, 2013; Schneider and Slantchev, 2018). For instance, it is argued that export-oriented sectors, transnational corporations, leading industries in international competition, and enterprises that benefit from openness advocate liberal economic policies (Van Assche and Gangnes, 2019: 40; Trofimov, 2017; Cohn and Hira, 2012: 91).

Regarding the Chinese investment inflow in particular, it is argued that Chinese funding rescues businesses, especially those in difficulties (Pacheco Pardo, 2018). Meanwhile, it is also argued that Chinese investment inflows promote closer capitalist links between China and recipient countries (Nordin and Weissmann, 2018: 237). Furthermore, closer economic connections escalate bilateral friendships. As it is argued, the extensive social involvement can further transform the "cold peace" between nations into a "warm peace" (Press-Barnathan, 2006).

2.2.4.2 The conflictual perspective

In contrast, the conflictual perspective underlies the divergence of interests between domestic actors and Chinese investors, which encourages opposition to Chinese investment. For instance, it is argued that industries faced with strong foreign competitors or suffering decreasing profits as a consequence of the openness policy usually stand for protectionism (Thompson and Vescera, 1992: 499; Chase, 2003). Also, voters are more likely to support protectionism when their unemployment risks are high due to local sectors being in a disadvantaged position relative to their foreign rivals (Ehrlich, 2010: 1014; Wallerstein, 1987: 732).

Regarding the Chinese investment inflow in particular, the conflictual perspective claims that enterprises and their employees of recipient countries would resist Chinese investment that might hurt businesses and cut jobs (Tingley et al., 2015: 34). Moreover, economic ties reflect the sending country's economic ambitions, as one type of economic statecraft, to establish political influence in the target country (Lektzian and Biglaiser, 2014; Wigell, 2016: 137-138; Blackwill and Harris, 2016: 20). Hence, through investment, the Chinese sender can purposefully seek out local partners who are in agreement with foreign demands and gain leverage to manipulate public opinion and political coalitions in the target state (Grimmel and Eszterhai, 2020; Morgan, 2019; Farrell and Newman, 2016; Lektzian and Patterson, 2015; Blanchard and Ripsman, 2008).

2.2.4.3 A brief assessment

Nevertheless, the two contrasting perspectives cannot determine whether investment recipient countries are more cooperative or not regarding inward Chinese investment for two major reasons.

First, Chinese investment, in its distributional effects on interests, indeed creates both winners and losers in the recipient countries (Lektzian and Patterson, 2015; Hiscox, 2010: 34; Rogowski, 1987). Winners advocate Chinese investment inflows while losers oppose them, and both attempt to translate their preferences into state policy through lobbying and elections (Oatley, 2012: 70; Ugur, 2011: 654; Farrell and Newman, 2016). Therefore, both the cooperative and the conflictual perspective, by focusing on a single group, ignores the influence of their counterparts on state policy. They fail to take into account the different policy-shaping abilities of societal actors.

Second, the cooperative and conflictual logics imply paradoxical arguments on whether Chinese FDIs save or hurt business and employment. Hence, analysts have difficulties in determining whether domestic actors are winners or losers in a certain Chinese investment case, and whether they support or reject this transaction. Furthermore, the two contrasting logics overlook the possibility that both pros and cons can be true, meaning that domestic actors need to make trade-offs in order to form a specific policy preference. Nevertheless, neither logic provides much insight into this point.

In sum, the two contrasting logics obstruct a consistent explanation of state policy on Chinese investment inflows from a domestic interest perspective. The next section shifts focus from material interests to ideas.

2.2.5 Contrasting arguments regarding macro-level ideational conditions

In contrast to the above material perspective attributing policy results to rational calculations of material interests, extant theories also suggest that various ideational conditions can affect policy-making following the logic of appropriateness (Tran-Nam et al., 2018; Poletti and Sicurelli, 2018). Thus, this section focuses on these macro-level ideational structures, such as economic ideology, identity and culture, and soft power, showing that the debate between the cooperative and conflictual logics can be seen in all these sub-types.

2.2.5.1 Contrasting arguments regarding economic ideology

Two contrasting economic ideologies, i.e., the liberalism versus protectionism in the ideas domain, exert normative pressure on actors to adopt corresponding economic policies conforming to their principles (Trofimov, 2017: 2; Reuveny and Thompson, 2001: 239). Again, this dichotomy essentially reflects the debate between the cooperative and conflictual logics.

Liberal ideology typically acknowledges the importance of economic cooperation, viewing it as a key condition for prosperity, growth, and development, and rejects government interference in economic operations. Economic ideas, sharing a cooperative core in common, can take many different forms, such as thoughts of openness, economically liberal rules, norms and institutions, neoclassical economics, Laissez-faire; economic thoughts suggesting reciprocity-based mutual tariff-reduction, and so on (Goldstein, 1986: 161; Bhagwati, 1987). It is unsurprising that these ideas encourage recipient states to comply with such cooperative economic arguments and accept Chinese investments.

In contrast, protectionist economic ideologies challenge the idea that economic cooperation

always automatically leads to positive outcomes, highlighting instead the competitive nature of economic gains and stressing careful management, regulation, and intervention as possible strategies for achieving greater prosperity and development. Such a perspective incorporates different concepts, such as economic nationalism, traditional mercantilism, economic interventionism, national security arguments, and a re-defined and widened interpretation of the IR non-traditional security concept that encompasses many economic issues (Cheng et al., 2019; Libby, 2020; Lehner, 1995: 454; Winters, 1990). By this logic, recipient countries should reject inward Chinese investment unless there are very clear reciprocal benefits offered as a *quid pro quo*.

Nevertheless, the two perspectives face an explanatory problem that, in the real world, both logics are present on the ideas market. At least in the economic domain it is evident that protectionist logic, such as economic nationalism, national security concerns, and self-reliance, has become increasingly prevalent in major economic powers in recent years (Babić and Dixon, 2022; Lake, 2018). But the transition from a more economically liberal world to a more confrontational one is still ongoing, and the latter has not yet fully "overridden" the former. Indeed, both ideas have abundant "devotees" who firmly believe that they know the best way to achieve greater welfare for all and have opinions on the issue of receiving Chinese investments. Thus, unless the last stubborn advocate of one of the ideas is eliminated or persuaded, both ideologies will continue to influence policy decisions. Existing theory cannot answer as to which logic eventually affects policy-making.

2.2.5.2 Contrasting arguments regarding identity and culture

Theories also pay attention to identity and culture to understand the formation of economic policies. It is generally argued that countries with similar worldviews have a higher probability of economic cooperation than those with different worldviews. For instance, one argues that cooperation (e.g. through investment) is more likely between allies and less likely between enemies (Gowa and Mansfield, 2004). Also, it is asserted that cultural dissimilarities obstruct economic and commercial collaborations between nations (Gokmen, 2017). Meanwhile, theories admit that non-allies can also engage in cooperation, but to a limited extent. For example, it has been demonstrated that, though former enemies can purposefully promote the transition from hostility to cold peace by carrying out several key economic cooperation initiatives, they still have a long way to go before they reach warm peace (Press-Barnathan, 2006). As such, identity similarity generally contributes positively to inter-state economic cooperation.

But such theoretical claims face the problem of determining whether recipient countries have constructed an identity of rival or partner with China, or a more complex identity that mixes the two. Making it worse, identity varies in different issue areas and shifts over time. For instance, investment recipient countries, Germany and Britain, typically regard China as their political rivals but economic partners (Brown, 2018: 114; Fulda, 2020); however, in recent years, they tend to label China as competitors in the economic sphere too (Larres, 2020: 105; Burchard, 2019a). However, the cooperative logic may emphasize China's identity as an economic partner, accounting for the acceptance of Chinese investment, whereas the conflictual logic expects a negative policy response due to the competitor or rival identity of China. Both logics oversimplify the complex identities between recipient countries and China, and fail to address how the complex identities

commonly drive recipient countries policy-making toward Chinese investment inflows.

2.2.5.3 Contrasting arguments regarding soft power

Investment recipient states not only calculate gains or losses in material terms (seen in Section 2.2.2), but also reflect their ideas when making policy decisions towards inward Chinese FDI. However, contrasting arguments can still be seen around whether Chinese investment promotes or damages the soft power of the recipient countries.

The cooperative logic suggests that states adopt a liberal attitude towards inward foreign investment, as it is a means of using or increasing their soft power (Nye, 2004; Lee, 2016). The influx of Chinese investment indeed proves the recipient country's attractiveness to the world's investors, thus increasing the symbolic value of its economic hegemony. As is it argued, the recipient country can embrace Chinese investment as a means of building an image of openness to global audiences. This posture gives justification to the state's leading economic status and bolster its soft power (Lai, 2018: 171). As such, this perspective advocates an acceptance policy toward Chinese investment inflow.

In contrast, the conflictual logic claims that receiving foreign investment in certain circumstances, may hurt soft power. The influx of Chinese investment, especially the purchase of the "national champions" enterprises of an industry or sector in the investment target country, contain an implicit re-distribution of symbolic power between states: successful acquisition of other enterprises creates a positive reputation of economic success, while being acquired may construct a negative image of business failure (Meunier, 2014). From this standpoint, the "national champions" enterprises obtain a symbolic value such as prestige, honour, or glory (Pu, 2019; Lebow, 2008; Jackson et al., 2004). Thus, the Chinese investment inflows of this kind indeed indicates a competition between China and recipient countries.

In sum, the cooperative perspective sees Chinese investment inflow as bringing gains to recipient states' soft power, whereas the conflictual one does not. The contrasting theoretical claims obstruct a consistent understanding.

2.2.5.4 A brief assessment

In the relevant Chinese investment cases of this study, policy decisions are often made in a situation where both cooperative and conflictual ideas (are present in the ideas market. However, the cooperative logic cannot explain why, in some cases, conflictual ideas prevail. In contrast, the conflictual perspective fails to answer why recipient states may accept a Chinese investment. Put together, the two categories of ideas impose contrasting normative expectations for actors to follow. But it is still unclear why and how actors selectively choose one over the other in policy decisions.

2.2.6 Contrasting arguments regarding micro-level psychological conditions

Instead of macro-level idea structures, the psychological school focuses on the micro-level cognitive conditions driving individuals' policy preference formation. The psychological conditions influencing policy-decisions can be categorised into two contrasting processes: trusting versus

suspicious, which essentially reflect the debate between the cooperative and conflictual logics.

2.2.6.1 The cooperative perspective

Following the cooperative logic, psychological activities of individual decision-makers present a trust-building process: they may *ex ante* obtain a positive stereotype of Chinese investment inflows as part of their belief system. They may thereby tend to attribute Chinese investors' intentions to being benign instead of malicious. Such a view may also affect their message-framing, leading them to emphasize the pros while downplaying the cons of a particular investment project in order to avoid cognitive inconsistency (i.e. avoiding cognitive dissonance, seen Walker and Schafer, 2010; Jervis, 2017). Moreover, a group-centric mind-set may emerge in their minds, directing them to see Chinese investors as inclusive in-group members (e.g. reliable cooperative partners). Overall, individuals' endorsement to a particular inclination, accompanied by the emergence of related emotions, such as trust, leads them to a policy-making shortcut that is pro-cooperation (Hearn, 2014: 126; Garcia-Retamero et al., 2012; Rousseau and Garcia-Retamero, 2007).

2.2.6.2 The conflictual perspective

The conflictual logic, by contrast, suggests a cognitive process in the opposite direction; i.e., the formation of suspicious perceptions of individual decision-makers: a negative image *ex ante* has been deeply embedded in decision-makers' belief system, leading to a malicious attribution of Chinese investors' intentions (Tang, 2009). Thus, they are more likely to emphasize negative messages over the positive regarding a Chinese investment project to maintain consistent cognition (Walker and Schafer, 2010; Jervis, 2017). From a group-centric thinking, they see investors as non-partners (e.g. economic rivals) who are exclusive to their group. This attitude triggers negative emotions (e.g. fear, dissatisfaction, resentment, vigilance, a sense of loss, etc.), resulting in a conflict-oriented policy-making shortcut (Hearn, 2014: 126; Reinke de Buitrago, 2009).

2.2.6.3 A brief assessment

The two self-reinforcing cognitive paths are still challenged by the empirical policy-decision situation in which information that can activate both paths are often at play within a specific Chinese investment case. This means theories still need to answer what makes individuals choose one path over the other.

According to recent psychology research, individuals are expected to have two possible strategies in response to the two contrasting cognitive paths: they either opt for one (i.e. the extreme solution, either cooperative or conflictual) or mix both (i.e. the mixed solution) when faced with a trade-off between two mutually exclusive choices (Shaddy et al., 2021: 183). These strategies are also backed by some IR-studies. Some statements support the absolute solution. For instance, it is more commonly observed that individuals accept one cognitive path while rejecting the other (Walker and Schafer, 2010; Jervis, 2017): adhering to fixed cognition is easier than change; accepting pleasant messages is easier for the brain than unpleasant ones; it is never easy for an individual to abruptly switch from one inherent cognitive path to another. Contrarily, other arguments support the hybrid solution: individuals as contingent agents have the capacity to learn and to re-interpret received idea (Schmidt, 2008; Wendt, 1999b: 326-335; Röper, 2021: 1634-1635), and some of them might be more open-minded to messages challenging their own views.

Therefore, though not generally applied, it is logically possible to start with, for instance, a cooperative cognition, but end with a conflictual conclusion after thinking.

Nevertheless, these claims still give no clear answer as to what actually makes an individual choose a particular solution. This study has observed in the selected Chinese investment cases that, although the empirical situation contains information that can activate both paths, actors selectively rely on partial information to conduct their cognitive process within a case, and their choice of cognitive path differs across cases. But in above arguments, it is still unclear why policy actors selectively have had cooperative-oriented cognitive processes in some Chinese investment projects over others.

2.2.7 Contrasting logics regarding policy-making process

While theories in sections 2.2.3 and 2.2.6 link material and ideational conditions to policy preferences and policy results, there is another group of theories that focus on the policy-making process. But these theories, similar to those discussing conditions, can also be divided into two logics: the consensual versus competitive policy-making process. Moreover, it is worthy to notice that the debate reflected by these two terms is essentially about the cooperative or conflictual debate.

2.2.7.1 Policy-making as a consensual process

The cooperative logic sees policy-making as a consensual process in which actors coordinate to reach consensus. Theories that follow this logic can be further divided into two groups: unitary and pluralist perspectives.

From the unitary perspective, for instance, the bureaucratic model argues that the state, as represented by its benevolent bureaucrat, is seen as the only actor responsible for making decisions in the interests of the whole society (Trofimov, 2017: 4; King et al., 2010; Edwards et al., 2022: 145-167; Canes-Wrone et al., 2001). A similar view can be seen from the elite model, which highlights the capabilities of political elites to represent interests that fulfil the functional needs of the public, and to direct, convince, and persuade the public to accept their policy proposals (Dye, 2017: 18-19). Furthermore, the incrementalist model assumes that political leaders make new policies by adjusting previous policies rather than making drastic modifications (Dye, 2017: 15-16; Bendor, 2015; Feitsma, 2020). Above all, the unitary perspective sees policy-making as a top-down process from centralized policy-makers.

In contrast to the unitary view, the pluralist view of policy-making recognises the involvement of a range of societal actors in addition to the state. Representatively, the public choice theory argues that policy is shaped by a decentralized collective decision-making process involving rational, self-interested individuals (Dye, 2017: 12-14 and 20). Another argument claims that the government does not even actively pursue the public interest at all, but rather passively collects the interests of different domestic groups to make decisions (Richardson, 2000; Milner and Tingley, 2015; Bechtel et al., 2017). In common, a pluralist view sees the policy-making process as a process of aggregating different social interests.

2.2.7.2 Policy-making as a competitive process

In contrast, the conflictual logic demonstrates that actors, such as states, industries and voters, have different policy preference and compete to influence policy outputs in the policy-making process.

For instance, bureaucrats may have different views to societal actors regarding policy-making. It is argued that bureaucrats hold their own views, have increased autonomy, or have independent interests in particular policy issues (Nicholson-Crotty, 2005; Egeberg, 1995). Furthermore, voters and firms can affect state policy-decisions through elections and lobbying (Bennedsen and Feldmann, 2002; Ugur, 2011: 653). They may even unite to become social coalitions (Hiscox, 2001: 34), exerting stronger influence on the state than if they acted alone. However, voters and firms may also compete with each other, for instance, highly organized firms are more powerful than diffused voters in shaping policy-decisions (Gawande, 1998). Furthermore, powerful firms can even capture state policy-making through rent-seeking (Cheikbossian, 2008; Rowley et al., 2013; Tullock, 2003), but they may also encounter strong counter-lobbying from their domestic business rivals.

At the same time, firms' lobbying ability and the final lobbying result are regulated by the domestic institutions (Keohane and Milner, 1996: chapter 1). It is argued that the executive branch can limit the ability of organized domestic business interests to influence policy decisions (Destler, 2005). Similarly, the concept "stateness" implies strong states to have more power against domestic pressure, are less responsive to it, and allow societal actors limited ability and fewer opportunities to influence policy decisions (Blanchard and Ripsman, 2008). As a result, the state may conduct policy decisions under domestic pressure on one hand, while resisting such pressure relying on its state power on the other.

In sum, the competitive perspective of policy-making can best be depicted by the group model (Dye, 2017: 16-18), which states that the policy-making process is a struggle between different groups with opposing interests.

2.2.7.3 A brief assessment

The consensual perspective fails to account for the potential struggle between actors during the policy-making process. The unitary perspective assumes too much power for states to direct public opinion in resolving disagreements. The incrementalist view mistakenly assumes that actors are conflict-averse, adopting a gradual approach to policy-making to reduce the risk of conflict. The pluralist perspective mistakenly reduces policy-making to only a harmonious process in which domestic interests can be easily reconciled and aggregated. Its claim is too optimistic about how self-interested individuals can take collective action to pursue the common good, or select an optimal solution for the greatest public gain. Above all, the consensual perspective ignores the fact that domestic interests can also be zero-sum, and different actors may pursue them through competition, resistance, and struggle.

The competitive perspective overstates the confrontation in policy-making process. In fact, conflict, even in the most extreme form of interstate war usually returns to the negotiation table before a resolution is reached. Disputes around economic policy-making are usually less confrontational, as

they are conducted discursively, and the conflict severity is reduced by the laws, regulations and domestic institutions. Moreover, such verbal disputes can also be seen as negotiations rather than conflict. The fact that actors can compromise and reach policy consensus undermines the claim that the policy-making process is purely conflictual. Overall, seeing policy-making as a competitive process ignores the fact that there is negotiation, coordination, and collaboration in real-world policy-making.

In terms of Chinese investments, the consensual perspective cannot explain the policy-making process in cases that are highly disputed and provoke strong opposition. In contrast, the competitive logic cannot explain those that are smoothly approved or unanimously rejected. Nevertheless, the cooperative and conflictive logics, which underlies the debate between the consensual and competitive policy-making, merely reflect partial aspects of policymaking, and only a synthesis of both can capture the accurate nature of policy-making process (Tang, 2010a: 216). Actors certainly compete in policy-making, but they can also reach a consensus. Thus, the policy result mainly reflects the preferences of powerful winning groups, but may also incorporate some views of the opposing party.

2.3 Bridging the contrasting logics to the policy result: taking complexity seriously

As is shown in the section 2.2 above, tensions between contrasting arguments supposed by the cooperative and conflictual logics can be widely seen in various literature in existing studies. I find that the reason for this puzzle is that the existing studies fall into the reductionist pitfall when understanding policymaking. They oversimplify (1) the complex nature that multiple conditions can affect actors' policy preference formation and (2) the complex nature of the causal links between policy preferences, policy-making processes, and policy consequences in the empirical world. They often reduce the complexity of causality to a specific condition and its intended impact on policy formulation or outcomes, i.e., either material interests (Trofimov, 2017; Reuveny and Thompson, 2001) or ideas (Poletti and Sicurelli, 2018; Walker, 2011) that account for the constellation of policy preferences among actors, and either the harmony of such interests or ideas that sustain approval or the conflict of them that prompt rejection. Nevertheless, their analytical frameworks typically neglect competing conditions or the unintended effects of their proposed conditions. Both may challenge their theoretical expectations. Moreover, they also fail to address how these interweaving conditions and effects may interact to influence policy outcomes. As a result, this pitfall hinders existing studies from proposing a sufficient explanation of why divergent policy results across different cases have emerged, i.e., why recipient states have selectively approved some Chinese investment cases over others, even though these already approved cases may have brought both benefits (e.g. economic gains such as receiving Chinese funds) and losses (e.g. national security risks such as key companies under foreign control) to the recipients and could have been potentially rejected.

Hence, this research adopts the social evolutionary perspective (SEP, Tang, 2013b), which has unique advantages in capturing complexity in real-world policymaking and can reconcile the debate in existing research. At a glance, the SEP has the following core propositions: (1) it sees the social context as a system which comprises of multiple elements, and proposes a systemic

framework that captures the complex interactions between different elements of the social system (Tang, 2013b: chapter 5; Tang, 2020: 108) that influence actors (e.g. actors' policy preference as to this research). This inherits the advantages of systemic and complex thinking in IR (Jervis, 1998: chapter 2); (2) it further introduces a dynamic view by seeing the social context also as an evolutionary system to develop Jervis's systemic approach, which is nevertheless still static. The SEP posits the evolution of human society is driven by a fundamental mechanism of (artificial) variation–selection–inheritance (Tang, 2020: chapter 4). These concepts reflect the generation of diversity, the elimination and retention of specific traits, and the replication and spread of traits that are selected out, ultimately shaping the changes and stability of the social system / human society (Tang, 2013b: Part I).

In light of this study, the SEP has two outstanding advantages compared to existing approaches in current theories: (1) vertically, the SEP framework is designed to capture the complex interactions between multiple traits of the social system that influence policymaking instead of a single trait; (2) longitudinally, it captures the complex process of policymaking by clearly distinguishing policy preference, policymaking activities/behaviour, and policy outcomes, with the selection mechanisms as a link between them. These are the two conceptual contributions of SEP shedding light on policymaking, either in general or in terms of Chinese investment flowing into Europe.

To be precise, the SEP vertically establishes a synthesis framework to capture the complex interactions between the social system, agents, and other agents behind policy-making (Tang, 2020: 107-109): (1) it suggests that the social system is more than just a structure. Instead, the social system comprises multiple traits, including the structure, physical environment, emergent trends (e.g. globalization), and the behaviour of other agents, which collectively create the external environment that influences a certain actor's preference or behaviour; (2) these traits subsume various facets. For instance, the structure in the SEP framework refers to both material and ideational structure, as the SEP synthesizes both in its analyses and rejects the omission of either of them. Similarly, the emergent trend may encompass both material innovations (e.g. new technologies) and ideational shifts (e.g. emerging new thinking). Likewise, other agents' behaviour could be both real and rhetorical activities; (3) these traits also subsume multiple channels (e.g. the channels of constraining, constitution, learning, anti-socialization, etc.) through which they can influence agents.

Longitudinally, the SEP benefits from its core mechanism of variation–selection–inheritance, can clearly distinguish preference, behaviour, and social outcomes as ontologically different facts that occurred in different phase (in terms of a certain episode of policymaking) over time (Tang, 2020: 56). This means behaviour is the product of preference and can thereby never occur before nor be reduced to preference; social outcomes are the product of preference and behaviour and can thereby never occur before nor be reduced to them. The complex policymaking process can thereby be divided into the following phases, with complex interactions among individuals and groups occurring in each phase: (1) forming divergent policy preferences among different individuals, influenced by existing social settings. Here, the policy preferences diversity reflects SEP's variation mechanism, while the impact of existing social settings reflects SEP's inheritance mechanism. (2) Only preferences that become purposeful policymaking behaviour, and only

behaviour that predominate over other behaviour, have the opportunity to become the policy outcome. This reflects SEP's selection mechanism, as some policy preferences and policymaking behaviour are selected out during this process (Tang, 2020: 180). As such, policies can be clearly seen as the social outcomes produced by the intricate interactions between the social system, agents, and other agents during policymaking, rather than simply a preference or activity (Tang, 2016: 3).

These two advantages make the SEP differ from approaches in the current literature, which often oversimplify the complex interactions between multiple traits of the social system and conflate policy preference, policymaking activities, and policy outcomes. Instead, the SEP obtains an advantage of comprehensiveness, with an integrative nature that can synthesize many current approaches.

First, it is more comprehensive than IR approaches that underline the impact of socialization on agents' preference formation. Both constructivist and rationalist IR approaches render respective perspectives on socialization. But with the prevalence of the former, socialization has almost been equated to social construction (Wendt, 1999b) relying mainly/solely on ideas (i.e. idea structure, such as culture, identity, norms, discourse or even institution, see: Wendt, 1999a; Wendt, 1999b; Kratochwil, 1991; Onuf, 2012; Checkel, 2001; Finnemore, 1996). This perspective, in a nutshell (Tang, 2013b: chapter 5), asserts (1) the mutual construction between agents (Adler and Barnett, 1998) and (2) the existing idea structure that "penetrates" agents, which could construct their preferences or behaviour (Finnemore and Sikkink, 1998). Here, the construction indicates the agents internalise the ideas that change their preference or behaviour through changing their identity (Risse et al., 1999). By contrast, rationalist approaches view socialization as the material structure's constraint on entities' behaviour, for instance, the establishment of a global hierarchy in which powerful states, through the use of hard and soft power, force or induce weaker states to conform to the hegemonic authority and hegemonic-led norms, ultimately moulding their preferences over long-term interests towards those that align with hegemonic goals (Ikenberry and Kupchan, 1990; Atkinson, 2006).

SEP challenges these two perspectives from two viewpoints:

(1) Socialization cannot be reduced to just the influence of ideas (as emphasized by IR-constructivists) or material structure (as emphasized by IR-rationalists). This is because, as SEP supposes, human society is a combination of both physical and ideational worlds (Tang, 2020: 10). Meanwhile, socialization is also not just the influence of the structure, as SEP sees human society as a complex social system that incorporates structure and other elements (e.g. physical environment, emergent trends, and other agents' behaviour, as mentioned earlier, see: Tang, 2020: 10). Indeed, existing approaches emphasize too much on one element (typically the structure) and its channel of influence on agents (e.g. IR-constructivism underlies the influence of idea structure through the channel of construction; IR-rationalism highlights the influence of material structure through the channel of constraining and learning) while overlooking that these are all components of the entire social system. Instead, SEP synthesizes existing approaches by stating that all these elements (including their channels of influence) as a whole produce the collective character of the

social system, and socialization refers to the influence of such a collective character on agents. Obviously, this perspective is more comprehensive than current IR approaches that merely render oversimplified or incomplete understanding of socialization.

(2) More importantly, SEP also provides a more comprehensive understanding of the effects of socialization. It goes beyond the narrow focus of many approaches on socialization alone. Instead, it considers both socialization and "anti-socialization", subsuming their collective influence under the impact of the social system on individuals. Here, "anti-socialization" refers to the phenomenon of unsuccessful socialization: as revealed by critical theories, individuals resist socially endorsed norms and instead critique them to deconstruct their power (Stephen, 2011; Eschle and Maiguashca, 2007). As such, the synthesis of both socialization and "anti-socialization" in SEP reflects the systemic effect: while socialization may be successful, it can also lead to unintended backfire (Bonjour and Vink, 2013).

Both IR-constructivism and rationalism mainly zoom in on successful socialization, i.e. agents' preferences shaped by the idea or power structure they embedded in, while largely marginalizing unsuccessful socialization in their theoretical framework. This vulnerability, by contrast, has been mostly exposed by critical theories that specifically focus on unsuccessful socialization, i.e. preferences of agents marked by their opposition to certain structures (Rengger and Thirkell-White, 2007; Weber, 2005). However, with regard to the SEP, both sides fall into the reductionism pitfall: IR-constructivism and rationalism reduce the social system's influence on agents to socialization, whereas the critical theory reduces it to anti-socialization. SEP can overcome such a shortcoming in existing approaches using the variation mechanism (part of SEP's complete mechanism of variation–selection–inheritance), which suggests diversity of the consequences of socialization (Tang, 2020: 53-54 and 98): despite being in the same external social setting and facing similar socialization pressure, some have embraced and defended it, driven by external constraints (the constraining channel, as earlier mentioned) or a desire to emulate fellow agents (the channel of learning) or internalize advocated protocols (the channel of construction), whereas others refuse, challenge or even overthrow the existing power of socialization (the channel of anti-socialization). In other words, SEP's framework endows actors with agency who can either accept or reject socialization, synthesizing both the intended consequence (as underlined by IR rationalism and constructivism) and backfire (as underlined by critical theories) of the social system's influence on agents. This indeed reveals the foundation of individuals' divergent preference towards Chinese investment even though they are in a same given situation.

Above all, the synthesis nature of SEP is particularly useful to the selected cases of this research.

(1) It is due to the fact that policymaking toward Chinese investment inflows is affected by both material and ideational factors: China's economic rise brought about changes in both power structure and perception, and European recipients' policy responses may have been driven by both real and perceived interests (Maher, 2017); (2) it is because policymaking is not only affected by the structure. The structure is often long-lasting and stable, but, beyond it, unexpected and volatile events may also impact policymaking (Alden and Aran, 2016). For instance, the concept of emergent trends (see previous paragraphs) in the SEP framework can capture the trend of western countries adopting stricter reviews of Chinese investments; Likewise, the concept of other agents'

behaviour (see previous paragraphs) can capture sudden and isolated incidents that may also impact European states' policy decisions, such as the US's sanctions on Huawei. These are all not structural changes, but they are nonetheless integral to the social system and have the potential to cause changes to the overall characteristics of the system; (3) it is because there are often competing policy proposals coexist despite the same policymaking situation in a single Chinese investment case (Wintour, 2020). Only SEP that synthesizes successful and unsuccessful socialization captures such a diversity of preferences in real-world cases.

Second, SEP also has advantages over political economy (PE) approaches that focus on the impact of external security pressures on agents' preference formation. PE approaches, in essence, place their analytical focus on the material economic origin of national security. It investigates how inter-state economic interdependence, i.e. trade and capital flow, affect inter-state relations, particularly war and peace: not only the system character of economic interdependence promotes or inhibits political conflict between rational agents, but also under what circumstances agents use economic statecraft (i.e. sanctions and inducement) most effectively to affect other agents or even the system (Kirshner, 1998).

In a nutshell, their many arguments pertaining to this study can be summarized as follows: (1) Europe's economic ties with China as a source of peace, cooperation, and closer bilateral relations (Moravcsik, 1997; Press-Barnathan, 2006): this is because receiving massive Chinese investments can promote recipients' economic growth, which is the source of their state power, the material interests of specific domestic groups, or even the public (Nordin and Weissmann, 2018: 235; Meunier, 2016; Pacheco Pardo, 2018). Therefore, there is no need to consider national security risks in the recipients' policymaking in this scenario; (2) By contrast, Europe's economic ties with China as a source of war, power-competition, and even confrontation (Drezner, 2010; Fetzer, 2022): this is because receiving massive Chinese investments increases the chances of economic frictions, or the relative gains could enhance China's advanced productive capacity, which could be the source of China's power of coercion or attractiveness; this in turn undermines recipients' defence ability and autonomy, manipulating or inducing them to unwillingly align national interests with those of China (Chan and Meunier, 2022; Rabe and Gippner, 2017; Babić and Dixon, 2022; Bauerle Danzman and Meunier, 2023). In addition, receiving Chinese investments may trigger a complex security dilemma, as China claims that its promotion of overseas investment does not have an offensive purpose, while Europe argues that its scrutiny of these investment inflows is defensive (Jervis, 2011; Tang, 2009). Hence, these are all national security problems that recipients must consider, which lead them to restrict Chinese investment inflow. In sum, PE approaches render contrasting perspectives on whether Chinese investments result in external security pressures that impact the recipient countries (exactly as previously elaborated in section 2.2).

Nevertheless, with regards to the SEP, PE approaches still have the major weakness of oversimplifying the intricate impact of external security pressure on the recipients' policy preferences: while PE approaches remain fixated on debating whether interstate economic ties bring about security pressures or not, in the real world, states are faced with more complex decision-making situations whereby Chinese investment may bring both security pressures and, at the same time, the opportunity for economic growth to the recipients (Meunier, 2019; Meunier et

al., 2014; Seaman et al., 2017). In other words, both gains and risks, as two sides of a coin, often co-exist in a single Chinese investment case. Hence, the two contrasting perspectives in current PE approaches that solely focus on one aspect while failing to consider the common effect of both gains and risks on policymaking are not tenable.

Instead, SEP renders a solution to the PE debates from a more systemic perspective: while PE approaches reduce the security pressure to merely the uneven distribution of material interests in cross-border economic interactions, SEP argues that such pressure is indeed both material and ideational (Tang, 2020: 96-97; Tang and Long, 2011); the impact of this pressure on agents is not solely determined by their rational calculations of the externally imposed security situation with regard to the PE approaches. Instead, SEP's framework endows actors with agency who can both calculate and cognitively perceive their interests (Tang, 2020: 96-97 and 113 and 189). This allows SEP to address the differentiation of preferences in the real world (Tang, 2020: 53-54 and 98): individuals may have different interpretations despite facing the same security pressure. Some may specifically attribute this pressure to receiving Chinese investments, while others who emphasize the economic gains may tend to downplay the pressure. Additionally, there are also individuals who may take a middle-ground stance. Obviously, this viewpoint of SEP can reconcile and even subsume the two contrasting perspectives presented by current PE approaches and better reflect the cleavage of policy preferences that can be seen often in real-world Chinese investment cases.

Third, SEP goes beyond current approaches in existing literature that mainly focus on policy actors' preference formation but also sheds light on how diverse preferences can link to the final policy results. This is exactly the SEP's advantage in the longitudinal dimension, as discussed in the early paragraphs (Tang, 2020: 56 and 180; Tang, 2016): ontologically, policies are social outcomes, which are the products of policy preferences and policymaking behaviour and thereby differ ontologically from these two; the selection mechanism can link them because some preferences and behaviours might have been selected out, whereas only preferences that become purposeful policymaking behaviours and only behaviours that predominate over other behaviours have the opportunity to become the eventual policy outcome. Hence, epistemologically, SEP insists on looking at the intricate interactions between the social system, agents, and other agents during policymaking, from which the final policy results as social outcomes have been generated. This is the unique conceptual contribution that SEP renders that captures the real-world complexity of policymaking process.

In sum, SEP has a significant advantage over existing approaches by accounting for the intricate nature of real-world policymaking. While existing theories often oversimplify the complexity of policymaking, resulting in contrasting arguments that fail to fully explain the policy outcomes related to Chinese investments, the SEP framework considers both the complex interactions within the social system that can influence agents' preference formation as well as the intricate policymaking process by which these preferences ultimately switch to policy results. This is more comprehensive than existing theories that often solely underlie the influence of material or idea structure and unconsciously overlapping preferences, behaviours, and social outcomes in policymaking. As such, this research adopts SEP that can render a more systemic and encompassing theoretical perspective than existing approaches.

Chapter 3 Research methodology

This chapter outlines the research methodology used to establish the research, acquire research findings, and address the research questions. It consists of four sub-sections. Section 3.1 explains the chosen philosophical position and its implications for the subsequent research design. Then, section 3.2 elaborates on the research design, including the choice of research method and strategy, before section 3.3 presents case selection criteria and results. Finally, section 3.4 depicts research techniques, including data collection, analysis, and operation.

3.1 The research philosophy

To begin with, the section explicitly states that the study stands on critical realism (also known as scientific realism) as the research philosophy. Next, the section first discusses why critical realism is chosen and then how it affects the research design.

3.1.1 The choice of critical realism

In this study, the theoretical challenge to be overcome greatly influences the selection of research philosophy. This challenge, as discussed in the literature review chapter (see section 2.3), is to find better explanations of policy outputs by viewing the empirical world as an evolutionary and complex social system and exploring causal processes through complex interactions between various social system properties in the real-world. For this perspective, in fact, critical realism is the only fitting research philosophy for the following three reasons.

Firstly, the most direct reason is that the mechanism-based view of causality in critical realism suits the above theoretical concern with exploring complex causal processes. In fact, the core claim of critical realism lies in seeing objective causal mechanisms that exist independently of the mind as the nature of causal relations, and scientific research is about seeking such causal mechanisms (Bhaskar, 2008: 37 and 52; Wight, 2007: 382). The causal mechanism, despite different definitions, refers to the generative or constraining process of converting causes to effects, as commonly agreed upon by critical realists (Goertz, 2017: chapter 2 and 4; Bunge, 1997: 414; Hedström, 2008: 322; Waldner, 2012: 18).. Meanwhile, critical realism also admits a view of causal complexity, sustaining the above theoretical perspective. As it is argued, critical realism is compatible with an understanding of complex and systemic causation (Mingers, 2011; Byrne and Uprichard, 2012; Zachariadis et al., 2013: 857). Again, this aspect of critical realism underpins the above theoretical endeavour to create causal explanations from a systemic angle.

Secondly, an indirect reason can be given in a comparable sense: critical realism is more sensitive to complex causal mechanisms than other major research philosophies. Empiricism, along with epistemological positivism, understands causality as objective, law-like regularities concerning the constant conjunctions between causes and effects, usually inferring causality by examining the average effect of observable data through regression analysis (Bryman, 2012: 27-28). But at least from the critical realist view, this "causality" is at best a descriptive correlation because, without a mechanistic causal process, one actually cannot confirm the real causal relationship between two factors (Zachariadis et al., 2013: 862). Idealism or relativism sees causality as subjectively constructed meanings behind social actions, relying on non-generalised, context-specific

interpretation instead of explanation to understand them (Perri 6 and Bellamy, 2012: chapter 4). However, from the critical realist view, idealism reduces causal processes, which stays in the domain of reality, to merely the embedded meaning in context, the subjective ideas of human beings who exist in the domain of the actual and empirical (Bhaskar, 2008: 47). In sum, neither empiricism nor idealism philosophical traditions treated causality as causal mechanisms. In comparison, critical realism is still the most suitable research philosophy for exploring mechanistic causations in this study.

Thirdly, the selection of critical realism can also be justified for the reason that researchers are allowed to make a purposeful choice of research philosophy based on their personal preferences. Researcher's orientation subtly and inevitably reflects their implicit beliefs about certain ontological and epistemological positions (Furlong and Marsh, 2010: 184). Given that this study has a complex, systemic, and mechanistic perspective for exploring causal relations, it is appropriate to use critical realism for this investigation.

3.1.2 Implications of critical realism for the subsequent research design

The choice of critical realism as the research philosophy has further implications for the research design of this study because it determines the ontological and epistemological position and supports the methodological stance of multi-methods design.

Despite the fact that ontology is often implicitly embedded in research design, it doesn't necessarily need to be explicitly stated or restrict the choice of methodology. Nonetheless, this research seeks the greatest possible consistency between ontology, epistemology and methodology (Hall, 2003: 374; Chatterjee, 2013: 73).

Ontologically, this study views policy outputs (the research object of this study) as social products emerging from complex interactions among different entities (including but not limited to contexts, actors, preferences, behaviours, etc.), under the domination of generative causal mechanisms within dynamic social systems. As such, epistemologically, this study seeks to explain the emergence of policy outputs as social outcomes by figuring out the causal mechanisms underlying the complex interactions between entities.

Critical realism also supports the adoption of a multi-methods design for this study. This is primarily because ontology, epistemology, and methodology are interrelated concepts that outline what can be known, how they can be known, and how knowledge can be systematically gained (Furlong and Marsh, 2010: 185). It is widely agreed that critical realism underpins a multi-method design. For instance, it is argued that the application of critical realism enables researchers to employ a combination of methods to meet diverse data-gathering needs for investigating causal mechanisms (Zachariadis et al., 2013: 864). Similarly, critical realism's ontological beliefs are suggested to be compatible with many methods, which provides a basis for the adoption of a multi-method design (Mukumbang, 2023: 108; Zachariadis et al., 2013: 855 and 864). Likewise, multi-method research has been highlighted as a crucial way in achieving critical realists' aim of exploring the causal mechanisms of social science inquiry (Goertz, 2017: 29-30). As such, critical realist ontology is compatible with a multi-method research design of this study.

3.2 The research design

As discussed above, this study intends to adopt a multi-method research design from the philosophical position of critical realism. This section explains the specific research methods chosen for the multi-method design and justifies the selection. In general, this study adopts a set-theoretical multi-methods design combining two major methods: qualitative comparative analysis (QCA) and process-tracing (PT). The remaining parts of the section will justify this choice; i.e., exploring the usefulness of each method individually and how they can be integrated to explore causal mechanisms.

3.2.1 Justification for selecting qualitative comparative analysis (QCA)

This section assesses the strengths and limitations of the QCA method in exploring the causal mechanisms. The QCA is a technique used to identify which combinations of conditions explain a specific outcome. Created by Ragin in 1987, QCA has developed three mainstream sub-types, which are crisp-set QCA (csQCA), fuzzy-set QCA (fsQCA) and multi-value QCA (mvQCAs) (Pappas and Woodside, 2021). QCA is based on set theory, i.e., expressing the causal relations between combinations of conditions and a certain outcome with set relations (Ragin, 2014): converting the qualitative nature of conditions and outcomes to numerical membership scores of sets, QCA assesses if combinations of conditions are subsets of the outcome to determine if they can explain it.

3.2.1.1 QCA's usefulness in exploring causal mechanisms

Although QCA does not directly identify causal mechanisms, but merely combinations of conditions that can explain a certain outcome, it has several methodological advantages which help to identify causal mechanisms.

First, QCA takes causal complexity into consideration based on a few inherently interconnected methods features (Ragin, 2014: 23-25; Pappas and Woodside, 2021: 4; Schneider and Wagemann, 2012: 78). To be precise, QCA acknowledges causal equifinality, allowing that there may be multiple, simultaneously existing causal pathways leading to the same result. Empirically, QCA software can identify several parallel causal paths (QCA calls each of them a "term" and the entire QCA output a "solution" consisting of all these terms), which exert an equivalent causal effect on the results. For each path, QCA also holds the perspective of multiple-conjunctural causation. It suggests that each path comprises a combination of multiple causes, rather than just one. In other words, QCA represents a kind of configurational thinking regarding causal relations, which transcends conventional single-cause causal reasoning, opens up the black box of causality, and resonates with causal complexity. Empirically, the combination of conditions that QCA identifies for each path is, though not the causal mechanism itself, approaching an embryonic form of it. Therefore, studies can more easily generate hypotheses about mechanisms based on these early forms.

Second, QCA's above claims are underpinned by a new understanding of causality that sees causal relationships as set relations. As Ragin (2008: 13) ambitiously states, the nature of social science research is about investigating set-relations. Empirically, QCA software converts causal relations to set-relations based on set-theoretical models. Specifically, it qualitatively identifies whether a

condition (either cause or outcome, both seen as conditions by QCA) is a member of a set or its negation (e.g. a specific country vis-à-vis the set of "developed countries"), and uses membership scores (usually ranging from 0 to 1, with 0.5 as the critical value) to express the degree of membership (e.g. Britain being given a score of 1 to express its membership in the set of developed countries). Accordingly, QCA sees the combination of conditions of each term as the intersection of conditions, and the entire solution composed of several terms as the union of these intersections. Moreover, these combinations of conditions, seen as equifinal existent sufficient conditions responsible for the outcome, are different subsets of the outcome from the set-relation perspective. In sum, just as Jervis (1998: chapter 2) introduces systemic and complex thinking in international relations (IR) studies from a more theoretical focus, QCA from the set-theoretical perspective provides a practicable approach to investigating such complex causal relationships. Hence, QCA can sustain this study, as also illuminated by Jervis, aiming to explore complex causal mechanisms.

A third reason for adopting QCA in this study includes the advantages brought by QCA's cross-case capability. Essentially, QCA is a comparative method, indicating that it needs to investigate multiple cases in order to make comparisons between them possible. Despite relying on within-case knowledge to determine the scoring of conditions (Pappas and Woodside, 2021: 8; Ragin, 2008: 25 and 32), it eventually aims to conduct cross-case causal inference. Empirically, QCA is suitable for moderate-N to large-N samples, but is especially useful for moderate-N samples (Ragin, 2008: 7), which are too few for quantitative regression analysis but too many to be interpreted in-depth using interpretive methods. As such, it sits between the quantitative and qualitative methods, combining the advantages of both while being increasingly used as a quantitative method for large-N samples in recent years.

Finally, from three major sub-methods of QCA, which are the crisp-set QCA (csQCA), the fuzzy-set QCA (fsQCA) and the multi-value QCA (mvQCAs), this study mainly employs fsQCA. The choice can be justified by the different measurement scales the three sub-methods rely on: csQCA only allows a binary or dichotomous scale to score conditions (Rihoux and De Meur, 2009: 39-42): score 0 means a condition fully belongs to a certain set (full membership status), while score 1 indicates it does not belong to it at all (non-membership status). By contrast, the fsQCA evaluates conditions on a continuous interval scale (Ragin, 2008: 31), permitting them to be given any decimals between 0 and 1 (e.g. 0.2, 0.4, 0.6, 0.8). The interval scale of fsQCA captures more information on conditions, which is better than that of csQCA. The mvQCA allows using multiple discrete integers (e.g. 0, 1, 2, 3, 4) for measurement (Vink and Van Vliet, 2009: 269). But fsQCA's continuous scale can more easily measure gradations of the membership (Ragin, 2009: 88) than mvQCA's discrete measurement. Therefore, due to the advantage of precision, it is no wonder that fsQCA is more popular than the other two. This study will employ fsQCA, with csQCA used only as part of a robustness test (see chapter 4).

3.2.1.2 QCA limitations in exploring causal mechanisms

Nevertheless, QCA still has the following limitations when exploring causal mechanisms. First, the combinations of conditions QCA identifies are essentially set relations, but from the standpoint of causal mechanisms, causal relations cannot not be reduced to set relations. Rather, causality is

more about how conditions interact with and activate one another, how causal forces are transmitted from one to another, making the entire causal chain dynamic with generative power. Thus, a combination of conditions, though QCA claims it as a sufficient explanation for an outcome, is not sufficient unless additional statements about the causal process are included. QCA indeed commits a reductionist fallacy when it comes to mechanistic causal relations.

Second, due to this fallacy, the combinations of conditions that QCA identifies are merely an assemblage of conditions that do not describe the generative causal process. Researchers may know what conditions are required for an outcome to occur, but not how these conditions trigger and influence each other, leading to the outcome occurring. Many studies grasp arbitrary within-case evidence from QCA and mistakenly interpret the findings as a causal relationship, which is merely a crude relationship rather than an authentic causal mechanism (Møller and Skaaning, 2019: 78).

Third, as another consequence of the fallacy, the combinations of conditions QCA identifies do not consider the time sequence of the conditions. It is commonly agreed that the QCA solution does not contain information about timing of conditions (Blatter and Haverland, 2012: 84; Williams and Gemperle, 2017: 124). However, despite all conditions being present, changing their sequence could result in the mechanism no longer functioning. This view is different from that of QCA, which assumes that the absence of a result is solely due to the absence of a condition.

Lastly, measurement of QCA relying on set membership scores is vulnerable to measurement errors. For each condition, static scoring of QCA membership scores may not reflect a changing process, especially when there is a twist in the case story. For instance, if a leader persistently favours Chinese investment in one case, and only the last leader after frequent leadership turnovers does so in another, the condition, "leader's support," still achieves the same high score, which ignores the distinct decision-making processes between the two. Moreover, QCA software cannot handle the condition of being assigned a score of 0.5, indicating that it neither holds membership to a set nor its negation. But in reality, there might be conditions that need to be given a score of 0.5. For instance, a Chinese investment project partially approved by recipient states represents such a circumstance. The high risk of measurement error undermines the reliability of QCA, as QCA outputs are very sensitive to the scoring of each condition (Hug, 2017).

Overall, the above limitations indicate that relying solely on QCA may not be sufficient to comprehensively and reliably explore causal mechanisms. Therefore, the next section presents how QCA can be integrated with PT to conduct mixed-method research.

3.2.2 Justification for selecting process-tracing (PT)

Like the previous sub-section, this section assesses the strengths and limitations of the PT method in exploring the causal mechanisms.

3.2.2.1 PT's usefulness in exploring causal mechanisms

Five methodological features make PT a suitable method for investigating causal mechanisms. First, PT is a causal-process oriented method. It focuses on the causal chain linking the causes and effects.

The causal chain is the product of complex interactions between the causes which eventually lead to the effect (Blatter and Haverland, 2012: 84). PT traces the causal chain by looking at how the causes proceed stepwise to the occurrence of the effect (Beach, 2016: 463-464; Beach and Pedersen, 2013: chapter 1). This process-oriented causal relationship inquiry reflects PT's goal of unlocking the causal black box between the causes and results, answering how, or in other words, through what causal mechanism the causes have led to the results (Beach, 2013: 13).

Second, PT is a "Y-centred method" (Blatter and Haverland, 2012: 84) that explores sufficient causal explanations for the outcomes. The causal chain it investigates is therefore what inevitably causes a certain result to happen. It can confirm what must have happened when the identified causal mechanism is present. This also indicates that the valid causal chains identified by PT are inseparable: since the completeness of the causal chain ensures the outcome will happen, incomplete causal chains, with missing mechanism components, must not result in the same outcome (Saylor, 2020: 996-997; Mikkelsen, 2017: 739).

Third, PT is a chronologically-oriented method that emphasizes the temporal order of the occurrence of causes. Tracing the timeline of a case, PT can investigate how the conditions of the causal chain are organized in a specific sequential order (Blatter and Haverland, 2012: 85). The timing of the conditions is critical to the entire causal relationships because the causes and their effects are transferred like in a relay race, in which the cause comes before its effect (Mahoney, 2012: 571). It is also suggested that studies need to ensure the comprehensiveness of the case story being traced (Blatter and Haverland, 2012: 115-118).

Fourth, PT is an evidence-based method. It is argued that PT specifically focuses on snapshots, finely-described processes, and sequences in order to obtain the "diagnostic evidence" for causal inference (Bennett, 2010: 208). As such, this indicates that, for PT, it is not the quantity but the quality of evidence that matters; hence, PT introduces four types of causation testing to examine the strength of the evidence: hoop (failing undermines theory, whereas passing does not support it), smoking gun (passing supports theory but failing does not undermine it), doubly decisive (passing confirms theory while excluding alternatives), and straw in the wind (passing or failing neither supports nor undermines the theory) methods (Van Evera, 1997: 31-32; Beach and Pedersen, 2013: 103; Mahoney, 2012: 571-572; Collier, 2011: 825). These tests are used to determine the degree to which the observations from each step of a case story can confirm the causal relationship. Among them, the smoking-gun test is the most commonly used to make causal inferences using PT (Blatter and Haverland, 2012: 115-118).

Finally, PT is a within-case oriented method. It is suggested that PT is a method used to uncover how causal mechanisms operate in a single case through an in-depth analysis of the case in order to make more accurate causal inferences (Beach and Pedersen, 2013: 2; Waldner, 2012: 18). PT views each case as a unique "analytical ideal type" for the causal mechanism it represents, and relies on identified causal mechanisms to provide case-specific explanations (Saylor, 2020: 983). Thus, PT actually carries out a strong testing of the causal mechanisms within the case, thus having high internal validity about the causation (Blatter and Haverland, 2012: 88).

In summary, the above five features make PT a useful method for exploring within-case causal relationships.

3.2.2.2 PT's limitations in exploring causal mechanisms

However, PT specializes in within-case causal inferences, and it was not originally designed for cross-case comparisons. This limitation not only results in PT's major shortcoming in analysing the external validity of the identified mechanisms but may also undermine its ability to make causal inferences with internal validity.

First, as discussed earlier, PT's causal inference is established by tracing the within-case causal process without offering a systemic analytical tool as to whether the mechanism of this case can be applied to other cases. This method is not suitable for cross-case comparison, and as a result, researchers cannot be aware of how much external validity the identified causal mechanism has. Research designs using PT alone have difficulty in generalizing the conclusions gained from within-case investigations.

Second, although PT can make causal inferences with high internal validity, the lack of cross-case comparisons can actually be detrimental to the internal validity of identified causal mechanisms.

To be precise, PT assumes that a single case can be treated as an analytical stereotype reflecting causations with high internal validity while denying that the context-dependent causal process is comparable. It makes weak propositions because an isolated example may not stand alone. Without the triangulation of cross-case analysis, it might be very difficult, or even impossible, to exclude alternative, theoretically possible explanations for the same result (Blatter and Haverland, 2012: 235). Empirically, researchers may easily fall into attribution bias. Researchers with differing stances may provide contrasting causal explanations for the same result in a single case, and both may seem true. There is a risk that some explanations might be just self-confirming or self-deceptive stories, which are biased interpretations rather than real causal mechanisms. For instance, the functionalist view may never agree with what it sees as the stereotyped view of its Foucauldian counterpart which interprets any given power structure as merely an "erosion" of agency. As it is argued, PT using only a single case cannot fully ensure the internal validity of causal explanations unless a cross-case comparison is made to exclude falsified explanations (Blatter and Haverland, 2012: 15).

Recent efforts to develop comparative process tracing (CPT) have been made, but the method has not yet become well established. Scholars have broadened the methodological general criteria for CPT (Bengtsson and Ruonavaara, 2017), but the supposed code of practice applied to specific examples still lacks generality. Instead, it is more popular to combine PT with other methods in a mixed/multi-method design involving cross-case comparison (Beach, 2018). This is also what this study will do, combining PT with the QCA method for a multi-method design (see subsection 3.2.3). The next sub-section will justify this choice.

3.2.3 Justification for selecting set-theoretical multi-method

As previously discussed, this study combines PT with QCA to adopt a set-theoretical multi-method

case study for exploring causal mechanisms: employing fsQCA to look for combinations of conditions, and then conducting within-case PT based on the identified combinations to determine the actual mechanisms.

Speaking broadly, multi-method generally means a combination of qualitative and quantitative methods, which can incorporate different method sub-types in practice. This kind of design is supposed to be better than using a single method for various advantages (Zachariadis et al., 2013: 865; Blatter and Haverland, 2012: 207-212). Specific to this study, the combination of PT and QCA presents many of these advantages, which are elaborated on in the following paragraphs.

3.2.3.1 Compensation and corroboration

While QCA has the strength of cross-case comparisons for causal inference, it comes at the cost of overlooking important within-case elements, such as process and sequence, as it reduces this versatile and detailed information to set relationships. Meanwhile, PT has the strength of conducting in-depth case investigations to examine within-case causal chains with strong internal validity; however, its lack of cross-case comparison largely limits the external validity of the PT findings drawn from a particular case.

Nevertheless, the usage of QCA and PT is complemented by their compatible features: when combined, they create a stronger research design compared to using them individually. QCA can complement PT by providing additional inferential leverage across cases (Blatter and Haverland, 2012: 205), thereby helping to overcome PT's blind spot in overlooking cross-case comparison. Specific to this study, the fsQCA can help narrow down the range of possible causal paths, allowing PT to be conducted in a more targeted manner.

Meanwhile, PT can offer abundant within-case information sustain QCA. At least for a range of cases, it is argued that set-theoretical methods such as QCA do not ensure reliability of identified causal paths because, in essence, the logical relations from the set-theoretic perspective are still distinct from causal ones (Beach and Rohlfing, 2018: 5 and 10; Møller and Skaaning, 2019: 81). Therefore, it is suggested that a more prudent causal inference can be made by double-checking the QCA findings with case-specific analysis (Møller and Skaaning, 2019: 83), such as PT. Specific to this study, PT traces actual mechanisms that can triangulate the QCA findings with within-case information.

Indeed, PT and QCA, despite having different inferential tools and goals (Waldner et al., 2019: 163), are both sustained by configurational thinking (Blatter and Haverland, 2012: 207; Beach and Pedersen, 2013: 45) and can shed different lights on causal mechanisms in a multi-method design. The two types of causal inferences gained from PT and QCA can mutually corroborate one another, thus reinforcing the internal validity of the overall multi-method design.

3.2.3.2 Method development and improvement

The use of PT and QCA together also resonates with the prevalence of method integration. One of the frontiers is to dismantle the border between within-case and cross-case analysis by developing set-theoretic multi-method research (SMMR) (Møller and Skaaning, 2019: 81; Schneider and

Rohlfing, 2019) to enhance the existing set-theoretical comparative method (STCM) (Paine, 2016; Munck, 2016). Apparently, the multi-method combining PT and QCA applied in this study reflects such developments.

Furthermore, the PT-QCA combination also represents one of the conventional benefits of a multi-methods approach, which is to combine qualitative and quantitative research techniques (Hendren et al., 2018; Greene et al., 1989: 259). On the one hand, QCA has been recognized as a middle ground between qualitative and quantitative methods, and the method progresses by "moving beyond" them (Rihoux, 2020: 2; Ragin, 2014). On the other hand, the multi-method design links PT as a purely qualitative method to QCA as a qualitative method with a quantitative character. Above all, the combined use of PT-QCA in this study exhibits the current trend of using multi-method in doing research.

In sum, the set-theoretical multi-method approach adopted in this study has numerous benefits, including elevating the quality of causal inference through method complementarity, triangulating findings from different techniques, and getting a comprehensive overview of both within- and cross-case knowledge.

3.2.3.3 Employing fsQCA and PT as independent techniques for separate research procedures

Nevertheless, the combination of fsQCA and PT for a multi-methods design does not suggest that the researcher is conflating them. Instead, the researcher takes care to ensure the independent use of fsQCA and PT throughout the research process.

First, the researcher clarifies that the documentary data used by both fsQCA and PT do inevitably have some overlaps even though they are not fully identical. This is justified by the real-world limitation that not all of the selected cases have abundant data. Obviously, the two methods have to share a piece of same data if it is the only one that available. In fact, it is understandable and not uncommon for these methods to rely on overlapping pieces of data given limited availability of real-world data. However, this does not mean that this research compromises the integrity and validity of the findings. Instead, the researcher exhaustively analysed all available documents, using them to their fullest potential in an effective and appropriate manner. In this process, the documents that serve as decisive evidence are valuable for multiple uses, and the researcher cannot deliberately avoid using those that provide critical information for a specific case multiple times.

Second, the documentary data employed by both fsQCA and PT in this study display some overlap; however, they are not entirely identical. This is mostly due to the distinct timeframes during which each analysis was performed. The fsQCA was carried out during the researcher's second year of doctoral studies, while the PT was conducted in the third year. Furthermore, during the course of the PT, the researcher acquired additional documentary data that were not collected in the second year. While these additional data were not critical for the fsQCA, they were deemed necessary for the PT.

Thirdly, whether fsQCA and PT are sharing the same data or not, they use the data in different ways

as they are fundamentally distinct techniques, carrying out their own distinct research processes for specific purposes that are not interchangeable. The essential data for fsQCA is designed to aid in its target of finding combinations of conditions, while the data needed by the PT serves to support its aim of identifying links between the conditions. As such, the data relevant to fsQCA may also be applicable to PT or irrelevant at all, depending on a case-by-case situation. This serves as a further justification for the overlapping but not entirely congruent data used in both methods. Moreover, the completion of fsQCA only provides a starting point for using PT. The results of fsQCA can only indicate which combinations of conditions are significant, but they cannot reveal how one condition activates its connection to another. This is where PT techniques come into play.

For instance, fsQCA indicates, as seen in the highly tolerant social context mechanism, that a tolerant general social climate must be present when the policy of acceptance of a Chinese investment appears. The supporting evidence is that all of the accepted investments occurred before the date of the amended foreign investment regulation, which indicates a high tolerance for foreign investments prior to the regulation change. However, this fsQCA result still has not yet revealed the mechanism due to being unable to further figure out how the social context links to the recipients' policy. Thus, the researcher has further conducted the PT to make reasonable conjectures of the mechanism relying on PT-relevant evidence (e.g. the smoking gun evidence): the liberal general social climate can exert an underlying influence on actors' liberal preferences, which can then impact the creation of policies. This can be, for instance, sustained by the PT evidence, including the survey of the public's positive attitude towards foreign investors and the policymakers who explicitly highlight the economic benefit obtained from receiving a Chinese investment in a certain case.

3.3 Case selection criteria and results

This section presents the criteria and results of case selection. After outlining the general principles and study-specific criteria, the section proceeds to present the results of the selected cases and ends with a brief evaluation of the case selection in this study.

3.3.1 General principles

Due to the use of PT-based multi-methods, case selection principles are not as clearly defined as in pure positivist or interpretivist studies. Rather, they have to be informed by the requirements of both PT and QCA, with each method typically having distinct criteria for case selection. This indicates the need to selectively integrate compatible parts from their distinct criteria. Moreover, the gap between principles and reality indicates that the principles may not be strictly applied to case selection, but rather they serve as best-practice guidelines.

Indeed, the most important principle that fits this study is the qualitative representativeness of the cases, justified by the following reasons. First, given that both PT and QCA are qualitative methods, the multi-method design in this study overall has a qualitative nature. This favours an interpretivist strategy for case selection that expects cases to be considered typical representatives of a causal path (Della Porta and Keating, 2008: 29).

Second, criteria from PT alone also support such an inclination, suggesting that the selected cases

need to contain abundant mechanism elements so that studies can trace the mechanisms' operation in the cases for causal inference or explanation (Beach and Pedersen, 2016: 839-840; Saylor, 2020: 981). Moreover, the "Possibility Principle" (Mahoney and Goertz, 2004) may also sustain this claim, because cases in which an outcome is possible indicate that they at least contain the relevant elements of the causal mechanism leading to the outcome.

Third, QCA sets additional criteria for case selection. One of them is about the number of cases. QCA typically requires medium-N, although it allows for large-N sampling if needed. It also recommends a minimum number of cases with the given number of conditions to ensure its accuracy, for instance, testing 4 conditions requires no fewer than 11 cases (Marx, 2010: 152). The other is that cases need to include both positive and negative results so that there are enough heterogeneous cases for comparison (Berg-Schlosser and Meur, 2009: 25; Ragin, 2008: 147-149).

3.3.2 Study specific criteria

After presenting the general case selection principles, this part demonstrates the study specific case selection criteria. As the first criterion, this research aims at investigating Chinese investment since 2012. The study chooses this year because a major transformation of the state's leadership occurred when President Xi Jinping became the new leader. As a result, China began to carry out a more active new foreign policy (Yan, 2014: 153), along with the launch of the Belt and Road Initiative (BRI) in 2013, which aimed at promoting Chinese investment overseas. This research regards an investment as a gradually developing process. In this process, this research will concentrate on the part relevant to the research topic, which consists of the initiation, negotiation, and final approval or signing up steps of the investment. As is shown in table 1, the relevant part in each selected investment exactly falls into the period from 2012 to 2022.

Secondly, the focus is on Britain and Germany. This is initially because of their high rank in attracting Chinese investment (Scissors, 2019). In Europe, the top three target countries of Chinese investment in 2005-2019 are Britain (\$87170 million of investment; \$4190 million of construction contracts), Switzerland (\$59180 million of investment) and Germany (\$47740 million of investment). This study excludes Switzerland, even though it ranked second in attracting Chinese investments in total, because the total number was mainly contributed by just one unique case with extremely high transaction volume (China Reform Holdings plus Chem China acquired 98% share of Syngenta in 2017 for \$43.06 billion.) whilst the remaining cases in this country are all very minor.

Compared to Switzerland, the high total volume of Chinese investment in Britain and Germany was distributed in a wider range of investment projects. The volumes also far outnumbered the remaining developed countries in Western Europe. For the purposes of this research, Britain and Germany are more important than not only Switzerland but also other European countries.

Thirdly, the selected investments meet at least one of the following criteria: 1, direct investments with big or even record-breaking transaction amounts and share sizes; 2, investments belonging to crucial sectors relevant to the national security, especially high-tech sectors and critical infrastructure; 3, investments drawing much attention from various actors, in particular the

regulatory bodies, and becoming controversial in the recipient country or even worldwide; 4, investments in which the recipient state intervened, and the investment process or results were significantly affected by the intervention. In addition, the selected investment cases also need to satisfy an implicit condition, namely that there is abundant empirical evidence to make the investigation of the case feasible.

3.3.3 Case selection results

As is shown in the table 1, the study has selected 16 cases (8 each from Germany and Britain) relevant to the research topic according to the aforementioned criteria.

Table 1: The selected cases (in chronological order)

Case name	Bidder and target firms	Time of decisive policy-decisions	Country
KraussMaffei	China National Chemical Corporation (ChemChina) acquires KraussMaffei	Jan-May 2016	Germany
EEW	Beijing Enterprises (BEHL) acquires EEW	Dec 2015-Mar 2016	Germany
Global-Switch	ShaGang group acquires Global switch	Sep-Dec 2016	Britain
KUKA	Midea acquires KUKA	Jun-Aug 2016	Germany
Cotesa	Advanced Technology & Materials (AT&M) acquires Cotesa	Sep 2017-May 2018	Germany
Hinkley	China General Nuclear Power Corporation (CGN) & EDF sign the construction contract of Hinkley C power plant	July-Sep 2016	Britain
Huawei DEU	Huawei enters into German 5G telecommunication market	Feb 2019-April 2021	Germany
50Hertz	State Grid Corporation of China (SGCC) acquires 50Hertz	early-July 2018	Germany
Leifeld	Yantai Taihai Group acquires Leifeld	July-Aug 2018	Germany
Aixtron	Fujian Grand Chip Investment Fund LP (FGC) acquires Aixtron	May-Dec 2016	Germany
Impcross	Gardner Aerospace acquires Impcross	Dec 2019-Sep 2020	Britain
Mettis	Aerostar acquires Metis	Dec 2019-Feb 2020	Britain
Huawei UK	Huawei enters into British 5G telecommunication market	April 2019-July 2020	Britain
Gardner	Shaanxi Ligeance Mineral Resources (SLMR) acquires Gardner Aerospace	Nov 2016-June 2017	Britain
Northern	Gardner Aerospace acquires Northern Aerospace	Mar-July 2018	Britain
Sapura	Hytera acquires Sapura	Nov 2016-May 2017	Britain

The cases selected due to considerable transaction volume include KUKA, EEW, KrausMaffei, and

Global Switch. Furthermore, cases such as KUKA, Hinkley, and the two Huawei cases in both Germany and Britain are chosen for their high visibility and considerable controversy. The four closely related transactions of Gardner, Northern, Impcross, and Mettis are all relevant suppliers in the aviation sector, wherein Britain has technological leadership. Moreover, cases including 50Hertz, Aixtron, Leifeld, Cotesa, and Sepura are all in critical sectors and have been affected by government intervention on national security grounds. Indeed, many of these cases simultaneously satisfy more than one overlapping criterion.

3.3.4 Limitation, challenge and mitigation

By applying a multi-method research design, the blending of multiple case selection criteria makes it difficult to perfectly adhere to the best practice principles in empirical research practice. This study is no exception, and the case selection inevitably has certain limitations.

First, case selection is based on their representativeness of the causal path they present. The more representative they are, the greater the causal inferential value they contain for the research topic. However, the researcher has to choose cases a priori to investigate them in-depth, and, even though he has accumulated some preliminary case knowledge, the choice inevitably reflect subjective interpretations when making qualitative decisions on the representativeness of the cases. Therefore, there might be a risk of not enough representative cases being chosen.

Second, the medium-N sample size, though it avoids the limitations of both large-N and small-N, means losing the chance to enjoy the benefits of both. On one hand, findings from the medium-N samples may be too specific to be widely applicable across larger populations, and they could potentially not be completely indicative of the overall reality. On the other hand, qualitative case investigations for medium-N samples cannot go in-depth to the same extent as small-N studies.

Nonetheless, the above limitations of case selection can be mitigated by the following ways: first, triangulation can mitigate the risks of inadequate representativeness. The study does not rely on a single source of evidence or a single method but employs multiple sources and methods in combination for cross-referencing. Second, the study does not overestimate the external validity of the findings when drawing research conclusions.

3.4 Data collection, analysis and operation techniques

Finally, section 3.4 presents how this study collects empirical data, outlined in two sub-sections. Section 3.4.1 demonstrates what data are gathered and assesses how they contribute to the research topic. Section 3.4.2 presents what technique this study uses to operate and analyse the data to obtain research findings.

3.4.1 Data collection

This study gathers data from various sources and of different types in order to comprehensively support its research findings. They include textual, numerical, documentary and interview data.

Generally speaking, the study heavily relies on high-quality documentary data from the relevant authorities and credible institutions. Many of them are the official documents of the German,

British and Chinese central government ministries, departments, or regulatory bodies. The documents take various forms, ranging from archives, press releases, policy notifications, speeches, memorandums, treaties, and statistics, and thereby provide both textual and numerical data. All these data can directly demonstrate the publicly articulated stances of government or particular leaders, and the considerations and grounds on which policies are devised. Hence, they are extremely useful to illuminate this study with key evidence about the target cases.

Meanwhile, another relevant source of documentary data is mainstream social media and news agencies, such as Reuters, BBC, Deutsche Welle (DW), Handelsblatt, The Telegraph, The Guardian, etc. They are mainly textual data, but minor scattered numerical data can also be seen. These data are very useful in obtaining details of cases, particularly by revealing the "real stories" behind the policy decisions that complement government official documents. In addition, some data obtained from social media provide unique evidence. This study triangulates these data with official or mainstream press ones to ensure or enhance trustworthiness.

The study also acquires data from well-known think tanks, research, and survey institutes, such as the American Enterprise Institute (AEI), the Mercator Institute for China Studies (MERICS), and the Pew Research Center. They provide both textual and numerical data from reports, data sets and survey results. In addition, the study also draws upon data from several academic journal articles, which provide some pertinent evidence.

Moreover, the study conducted three elite interviews as a supplement to the data collection. Without violating research ethics that ensure the anonymity of the interviewees, the study can disclose that the interviewees included senior members of economic confederations in Britain and experts from think tanks in Germany (further details can be found in the appendix). Given their familiarity with the policymakers' policy preferences and the government's general policy stance towards China and Chinese investment inflow, their in-depth testimony enriches the data collection.

It must be acknowledged the nature of the research topic made it difficult to collect first-hand data. Decisions related to foreign policies, such as those towards Chinese investments inflows, are rarely part of the everyday lives of citizens but typically a black box to the general public. Decisions regarding such matters are typically made by a small group of political elites, usually consisting of heads of state and ministers.

This feature substantially undermined interviewing as an effective way of data collection: firstly, the distance between the researcher and political elites on social networks makes it difficult to recruit eligible interviewees for this study. Secondly, even though the interviewees are senior, they generally only know the general policy stance and some well-known cases, but are still unfamiliar with most of the specific investment cases selected in this study. Thirdly, even if one was able to speak to prominent political figures, there is no certainty that they will give accurate information. As such, this study relies heavily on documents for data collection and triangulates numerous this data with a few interviews.

3.4.2 Data analysis

The study uses PT and QCA techniques to analyse data and gain research findings in the following steps: preliminary studies of the cases, fuzzy-set QCA (fsQCA) and process-tracing (PT).

First, the study conducted preliminary case studies in order to gather essential case knowledge for the fsQCA. Specifically, the study acquired this knowledge from both documents and statistical data related to Chinese investment in Europe, both in general and in specific cases. These documents, as discussed in section 3.4.1, can take various forms. The study examined these documents to understand the reasons behind recipients' policy decisions in Chinese investment cases and summarized them as potential conditions. Additionally, statistical data was collected and organized to provide a comprehensive overview of Chinese investment in Europe, including trends in investment flows and rankings of top investment destinations. This initial research resulted in the identification of four key explanatory conditions for the policy outcomes (see Chapter 4).

Second, the fsQCA involves coding and calibration of identified conditions, where qualitative data for each condition is transformed into numerical membership scores on a four-point scale (see section 4.2, table 2) in order to be processed by the QCA software. Once coded, the calibration step converts these scores into decimals ranging from 0 to 1 to meet the QCA software's criteria. The software itself can perform the necessary calculations for this step.

Third, the study runs the QCA software to process the coded and calibrated conditions for the fsQCA analysis. The study organizes the conditions and their scores into a table for compatibility with the QCA software. Next, the study selects the appropriate button in the QCA software to input the table into the software program. Afterwards, this study will need to check the necessary conditions before proceeding to the final fsQCA output. However, these necessary conditions are not pertinent to the study's objective of identifying causal mechanisms through sufficient condition-combinations identified by fsQCA, rather than the necessary conditions. Despite their irrelevance, it is recommended by QCA best-practice principles to examine the necessary conditions. Therefore, the study will still conduct the necessary condition checks, but they will not be displayed in the final fsQCA output.

Next, the research employs QCA software to generate results, with a consistency threshold set at 0.8. This threshold is the default, but it can vary between 0.75 and 1 (Ragin, 2008: 46; McKnight and Zietsma, 2018). After this step, the study selects the standard analysis in the QCA software and obtains three types of solutions: complex, parsimonious, and intermediate. As with other mainstream QCA studies, this study considers the intermediate solution as the fsQCA findings, while the remaining two solutions are used for triangulation purposes. Ultimately, the fsQCA results reveal two combinations of conditions (see section 4.2, table 4).

Fourth, the study conducts robustness tests of the QCA outputs. This study adopted three different kinds of robustness tests, including changing the calibration and consistency thresholds and using csQCA for triangulation (Schneider and Wagemann, 2012: 287-293; Skaaning, 2011: 394; Waldkirch et al., 2021: 11). Speaking more broadly, PT can also be seen as a robustness test for the QCA results (Rihoux et al., 2011: 55; Skaaning, 2011: 393). Overall, the robustness tests results clearly indicate that fsQCA outputs are reliable (see section 4.3). Following fsQCA, the study can further identify

causal mechanisms based on the fsQCA outputs. These identified causal mechanisms are demonstrated in the next chapter (see section 4.4).

Finally, the study employs PT to carefully reconcile the results of fsQCA with case narratives, aiming to uncover the underlying causal mechanisms. When a causal mechanism is at work in a particular case, it often leaves noticeable indications that can be found in various sources such as interviews, archives, speeches, historical literature, and newspapers (Beach and Pedersen, 2013: 132-140). By examining these sources, the study seeks to uncover important information such as overarching storylines, key events, and confessions from key actors, all of which provide strong evidence of causality (Blatter and Haverland, 2012: 115-118). Therefore, the study thoroughly examines these sources to identify traces of the causal mechanisms. Moreover, the four types of causation - hoop, smoking gun, doubly-decisive, and straw-in-the-wind tests (as mentioned earlier in section 3.2.1.1) - are used to evaluate the strength of evidence related to the causal mechanisms. Eventually, the study identifies two key causal mechanisms that explain the occurrence of Chinese investment acceptance cases.

In sum, the methodology chapter outlines how this study was conducted, including the research philosophy, research design, case selection, and research techniques. The following chapter will further elaborate on the research findings obtained through this research design.

Chapter 4 Research findings: QCA results, causal mechanisms and explanatory framework

This chapter demonstrates the research findings of the study through a threefold structure: section 4.1 introduces the conditions, outcomes, and their conceptualization, which were inductively identified from preliminary studies of cases. Based on such findings, section 4.2 presents combinations of conditions, i.e., the results of the fuzzy-set qualitative comparative analysis (fsQCA). After the robustness text of the fsQCA presented in section 4.3, section 4.4 demonstrates the causal mechanisms the study has identified from case process-tracing.

4.1 Findings from preliminary studies of the cases: conditions, outcomes and conceptualization

Not all conditions within the social system are pertinent to the case outcome. Hence, the study has investigated policy decision-making process in all the selected cases to capture conditions that best explain the policy outcomes. Through induction, the study identifies four conditions, and depicts the policy outcome with two possible values. The remaining parts of this section will elaborate on and conceptualize these conditions and their outcomes.

The first condition: non-compensator economic interests in a specific investment case

The non-compensatory economic interests refers to the potential loss on key economic dimensions that would result from the rejection of a specific Chinese investment, which cannot be compensated for by any other solutions except accepting the Chinese investment project. Thus, it has the following influence on policy-actors: policy-makers are more likely to approve a Chinese investment project when the above economic interests are present, whereas they are less likely to do so in the absence of such interests. This influence becomes even more pronounced when economic interests cannot be compensated by any alternative solutions at all.

The second condition: non-compensator security interests in a specific investment case

The non-compensatory security interests refers to the potential security risks of accepting a certain Chinese investment, which cannot be compensated for by any other solution except rejecting the investment project itself. The influence of this condition on policy-actors is overtly discernible: policy-makers are less likely to approve a Chinese investment project when the above security risks are present, whereas they are more likely to do so in the absence of such risks. This influence is even greater when the security interests cannot be compensated by any alternative solutions at all: decision makers must eliminate any policy options that do not satisfy these interests, then make a choice from the remaining options.

The study selected these two as conditions of relevance for their empirical importance: they are a pair of decisive policy considerations in policy actors' conscious policymaking activities in selected cases. In particular, the security risks, in almost all of the chosen cases, set up the threshold that determines whether the project can be approved or not. Indeed, the study found that investments are only approved when they do not present such security risks, or, at least, decision-makers are confident that the investment is secure. Conversely, once an investment is suspected of creating such security risks, the chances of it being approved become extremely slim. Also, the study found that in many of the selected cases, economic and security interests are the two decisive dimensions in policy actors' trade-offs. This is because the two interests are mutually weakening, so satisfying

one necessarily entails a loss in the other. For instance, approving a Chinese investment may fulfil economic interests, but could come at the cost of national security interests, and vice versa. In sum, economy and security are a pair of relevant policy considerations that directly affect actors' conscious policymaking in empirical cases.

Moreover, both conditions are integrative concepts reflecting both "subjective" and "objective" economic and security interests. In other words, the conditions reflect actors' calculations or perceptions of interests, both of which can be seen in empirical cases. In fact, the study found that, taking security interests as an example, regardless of whether a real or imagined security threat exists, it would motivate policy actors to reject a certain Chinese investment. The same logic also applies to the economic interests. Thus, there is no need to distinguish which situation actually applies. The condition should indicate itself as "presence" no matter if there is a genuine or imaginary interest.

This conceptualization also brings a payoff of balancing theoretical parsimony and comprehensiveness. Taking economic interests as an example, previous literature has argued that free trade ideology and the economic benefits of trade are two separable conditions of economic openness (Reuveny and Thompson, 2010). But Tang and Long (2011: 513) suggest a better explanation should synthesize material and ideational forces as both work together. Evidently, the conceptualization in this study achieved the fusion of two forces with fewer conditions, thus outperforming previous theories.

The third condition: the highly tolerant general social context toward Chinese investment

The third condition is the tolerance off Chinese investment. It depicts the overall inclination or the level of welcome toward Chinese investment in the recipient country. The approval of Chinese investment is generally encouraged in a high tolerance social context, whereas it is normally discouraged in a low tolerance context.

The study identified this condition primarily for empirical, but also for theoretical, reasons. Empirically, this condition depicts the macro-social circumstance in which the policymakers are situated. The study found that, in many cases, the social circumstance exerted underlying influences on actors' policy preferences, and such influences were particularly decisive in many cases where policy decisions seemed to take place "naturally and spontaneously" without an explicit direct cause. Theoretically, unlike the above two conditions, which shape policy actors' conscious considerations in policymaking, the condition of tolerance captures underlying influences (Barnett and Duvall, 2005; Isaac, 1987) from the given social context that unconsciously shape actors' policy-making, i.e., the deep reason for their policy-making behaviour. In this way, the thesis avoids the reductionist pitfall of understanding policy-making without considering the underlying, intangible and unnoticeable influence of the social context or initial social conditions.

In addition, the study needs to clarify that tolerance should never be simply understood as a solely ideationally constructed collective attitude. Rather, like the first two conditions, this condition is a highly synthesized concept, too. It actually reflects the overall attitude towards Chinese investment, a holistic social system characteristic, sustained by both material and ideational properties of the

social system. As such, its influences on actors are not just limited to the narrow sense of socialization as postulated by the IR-constructivists school, but extend through multiple channels (Tang, 2013b: chapter 5), and can influence actors' motives and capabilities.

The fourth condition: powerful opposition coalition against a certain investment among policy-making actors

The last condition is the powerful opposition coalition. It refers to the case-specific coalition of policy actors who support the rejection of a certain Chinese investment. Apparently, the presence of such a coalition in a particular case might immediately cause the rejection, or at least pose a significant obstacle to the approval of the investment.

The study also clarifies this condition further: first, the policy-making actors are those who are directly involved in the policy circle, the policy-making process, of a specific investment case. In other words, they are the actors whose preferences are likely to be reflected in the policy output. In the selected cases of this study, the range of policy actors fluctuates from case to case. They are usually a small number of politicians, mostly government ministers, but could even include MPs and other types of officials. By contrast, the public, for instance, despite being contingent actors with preferences, do not play any role in policy-making regarding the studied cases. Therefore, they are not policy actors in this context.

Second, in each Chinese investment case, policy actors may unanimously approve or reject the investment, or they may split into two camps: proponents and opponents. Put differently, in each case, policy actors may include both supporting coalitions and opposing coalitions or may only include one of the two. The opponent coalition is exactly the informal and loose grouping of the opponents in a particular Chinese investment case. Additionally, as an actor may advocate one Chinese investment while opposing another, the composition of this coalition varies across cases.

Third, the power of the opposition coalition, though based on its absolute power relying on either the number or authority position of its members, mainly refers to its relative power compared to the proponent coalition in a specific case. The opposition coalition has become powerful either through the inclusion of at least a few authoritative actors or the majority of actors, forming a strong countervailing force against the proponents of a certain Chinese investment.

Both empirical and theoretical reasons justify the choice of this condition. Empirically, the selection of this condition was based on the observation that a strong opposing coalition did exist in many cases, and they do indeed impact the content, process, and final outcome of the policy. Theoretically, this condition captures the agency of policy actors (Schmidt, 2008: 314; Röper, 2021: 1634-1635), as opposed to the other conditions that focus on the policy-making context. Moreover, it implies that, even in the same situation, actors can vary between being supporters and opponents.

The policy outcome with two possible values:

Beyond these conditions above, the policy outcome depicts the recipient states' final policies towards Chinese investment cases. The study conceptualized the policy outcome as having two

possible values: approval and rejection, indicating respectively the recipient states' acceptance and rejection of Chinese investment cases.

Overall, the identification and conceptualization of these conditions take into account both longitudinal levels of analysis and transverse stages of the policy-making process, allowing for synthesis of both material and ideational forces. Based on these identified conditions mentioned above, the study could, at least at this stage, suggest that a highly tolerant social context toward Chinese investment, relevant economic incentives, disproved security risks in a specific investment project, and the absence of an opponent coalition against a certain investment among policy-making actors, are the four key conditions for the approval of a Chinese investment within the selected cases.

But these findings are a prelude for the identification of causal mechanism(s), the final aim of this study. In fact, the identified conditions can be seen as candidate mechanism elements, the components of the mechanism. In order to find the mechanism, the study needs two more steps. The next step, the fsQCA, will identify combinations of these conditions. Afterwards, the study can intuit the mechanism using combinations pinpointed by the fsQCA.

In addition, the study needs to briefly clarify the definition of the causal mechanism. From many different definitions, the study accepts the perspective of seeing the causal mechanism as a real process linking and driving factors (Tang, 2015: 274). As such, the steps outlined in the preceding paragraphs are valid specifically for this view of causal mechanism.

4.2 Findings from the fuzzy-set QCA (fsQCA) result

Having discussed the conceptualization of candidate conditions, this section moves on to the findings gained from cross-case comparison using the fsQCA technique. According to the general steps of fsQCA, this section can be divided into three parts to present the analysis process and the results: the selection of conditions for the fsQCA; operationalization, scoring, and calibration; and the results and implications. The following paragraphs will present these phases in succession.

4.2.1 The selection of conditions for the fsQCA

The following fsQCA will directly use the conditions identified in section 4.1 as the selected conditions to be analysed. This section will make two additional points that further enhance the justification of conditions.

First, the above conditions selection conforms to the usage of QCA as an inductive tool. As methodologists have argued, QCA is applicable to both inductive and deductive reasoning approaches (Pappas and Woodside, 2021: 1; Berg-Schlosser et al., 2009: 6), indicating that conditions for QCA can be either derived inductively from reality, or deductively from theories. Practically, there have been already numerous studies using QCA as an inductive tool (Hug, 2017: 255; Thomann and Maggetti, 2017). Apparently, the inductive selection of conditions is in line with the methodological principle and practice convention of QCA.

Second, the number of chosen conditions is also in accordance with QCA's best practice principles,

thus ensuring the reliability of the QCA findings. QCA typically recommends that a minimum number of cases be studied under the given number of conditions. This is mostly because the study needs to avoid the emergence of the "limited diversity" problem (Ragin, 2008: 147; Schneider and Wagemann, 2012: chapter 6). For a given quantity of n conditions, the total number of possible condition combinations is 2^n . If conditions far outnumber cases, some of the condition combinations (called the "logical remainder") generated from the logical analysis of the QCA cannot be empirically tested due to the lack of corresponding actual cases. For instance, if there are 10 conditions but only 24 cases being selected, then only 24 out of 1024 possible combinations can be tested, leaving 1000 logical remainders untested.

In fact, methodologists currently do not give clear-cut mandatory rules, but merely suggest guidelines. For instance, Berg-Schlosser and Meur (2009: 28) roughly suggested that from 4 to 7 conditions are acceptable for a small-N case selection (10-40 cases). Marx (2014: 152) suggests, regarding csQCA, at least 12 cases should be employed when there are four conditions and at least 15 when there are five. This study also referred to these different criteria for case and condition selection: finding condition combinations for 4 conditions in 16 cases in the fsQCA analysis apparently meets the requirements of the above standards.

4.2.2 Operationalization, scoring, and calibration

After selecting the conditions, the study provides measurement criteria to transform the conditions' qualitative features into quantitative sets of relationships. As shown in the table 2 below, this study chooses a four-point scale to code the condition (Joshi et al., 2015).

This choice can be justified by following reasons: first, it is better than the two-point scale, as the latter, with only two available values to code the conditions, is more suitable for the crisp-set qualitative comparative analysis (csQCA) rather than the fsQCA of this study. Second, QCA studies suggest that even-numbered scales (e.g. 2, 4, 6, and 8) are preferable to odd-numbered (e.g. 3, 5, 7, and 9) ones to avoid the occurrence of a score of 0.5, which would not indicate either belonging or not belonging to a set and its complement. Moreover, four-point scales are long enough to distinguish the different degrees of each condition, regarding the selected cases of this study.

Table 2: Measurement and coding strategy of the conditions

Conditions	Measurement and scoring strategy
Tolerance (Tole)	<p>Germany</p> <p>Highly tolerant (1): before the KUKA takeover (before Aug 2016)</p> <p>Moderately tolerant (0.75): after the KUKA takeover (Aug 16-July 17)</p> <p>Less tolerant (0.25): after the 9th AWV Amendment (July 17-Dec 18)</p> <p>Rarely tolerant (0): after the 12th AWV Amendment (after Dec 2018)</p> <p>Britain:</p> <p>Highly tolerant (1): during Sino-UK "Golden Era" (before July 2016)</p> <p>Moderately tolerant (0.75): after PM May in power (July 16-June 18)</p> <p>Less tolerant (0.25): after Enterprise Act amendment (June 18-Mar 19)</p> <p>Rarely tolerant (0): after Sino-UK Hong Kong dispute (after Mar 2019)</p>

<p>Non-compensatory economic interests (Eco)</p>	<p>Present (1): limited alternative options for compensating for economic loss that affects the majority (e.g. the entire public)</p> <p>Largely present (0.75): limited alternative options for compensating for economic loss that affects certain groups (e.g. the sector and its upstream/downstream sectors)</p> <p>Largely not present (0.25): ample alternative options are compensating for economic loss that affects the majority, despite some costs still being incurred.</p> <p>Almost not present (0): even without alternative options for compensation, only a minority are suffering economically (e.g. only the target firm), which is ignorable.</p>
<p>Non-compensatory Security interests (Secu)</p>	<p>Present (1): a kind of security risk that must be avoided at all costs and cannot be compensated for by any remedies; no trade-off can be seen as risk-taking is an impossible policy option.</p> <p>Largely present (0.75): despite rejected remedies, a trade-off process can be seen because risk-taking to some extent is still possible.</p> <p>Largely not present (0.25): security risks that can be mitigated with remedies, or objectively disproved or subjectively downplayed after review.</p> <p>Almost not present (0): no real or imaginary security risks</p>
<p>Powerful opposition coalition among ruling actors (Oppo)</p>	<p>Policy actors unanimously oppose the investment (1)</p> <p>Majority of policy actors oppose the investment (0.75)</p> <p>Minority of policy actors oppose the investment (0.25)</p> <p>Policy actors unanimously favour the investment (0)</p>
<p>The policy result (Poli)</p>	<p>Smoothly approved (1)</p> <p>Conditionally approved (0.75)</p> <p>Hesitantly rejected (0.25)</p> <p>Firmly rejected (0)</p>

According to the general principle of the QCA technique (as discussed earlier in section 3.2.1.1), the rating scores range from 0 to 1 and the critical value of 0.5 is used to distinguish between "membership of a set" and "non-membership of a set" statuses for all five conditions. Regarding the condition "tolerance", the study chooses "year" as its unit of measurement. This is because the timing of a particular case indicates the historical context of the era, including the degree of tolerance toward Chinese investment. The atmosphere towards China and Chinese investment at a specific time can be considered evidence for the condition. The atmosphere can be perceived from various sources, such as IR literature that reflects on major power dynamics, as well as various documentary data revealing real-world events, including leaders' rhetoric on their attitudes

towards China/Chinese investment, major powers' China policies, and FDI regulatory changes, and mainstream media's comments on some prominent Chinese investment cases. All of the above provide information on the "big picture" of any changes in the overall attitude towards Chinese investment.

The research classified four distinct time frames with different tolerance degrees for Britain and Germany, respectively (see table 2). To gauge the level of tolerance in each case, the study can juxtapose the case's timeline with four distinct time frames. The timeline for each case can be determined by two points in time: (1) the moment when the final policy decision is made, and (2) the initial intention or earliest contact for involving Chinese investors in the transaction. These points are evident by documentary data such as official releases or reports from mainstream media, which precisely document the dates of the events. Meanwhile, the evidence also includes documentary data that may extend beyond the sources mentioned above to provide relevant qualitative information about the "big picture" of any changes in the general attitude towards Chinese investment. The timeline of the most selected cases can be clearly matched to one of the four specified time frames and thereby can be easily given their respective coding value (as shown in table 3).

However, the four time frames do not necessarily represent clear-cut shifts of tolerance in the policymaking environment. This is not a flaw, but reflects the gradual nature of changes in tolerance in the real world: these changes may take place over time and have a period of transition, as it is unrealistic to expect the environment to transform completely within the next second. Therefore, this categorization approximates the tolerance level in each case and allows a case's timeline to fall into multiple time frames. In some cases (e.g. Cotesa; Aixtron; Hinkley; Northern), this may create the appearance of varied tolerance levels throughout the course. However, with additional qualitative evidence taken into consideration for the entire case, their coding score can still be determined and justified.

In precise, Cotesa and Northern are two cases that occurred during a transitional phase, but their decision-making circumstances did not witness any substantive changes. A wealth of qualitative evidence indicates that when their decisions are made, the decision-making context has not yet fully shifted to the new one, but rather resembles the previous one (see section 5.2.2 for Cotesa and section 5.1 for Northern). For instance, Cotesa becomes a fortunate exception as the last case in a somewhat moderately tolerant atmosphere (with 0.6), before the less tolerant context sincerely began a few months later with the occurrence of the Leifeld case. Similarly, Northern received a score of 0.75 for its final decision only came shortly after the "moderately tolerant" timeframe, and its story closely mirrors Gardner (with 0.75, undoubtedly). In contrast, both Aixtron and Hinkley are classified as "moderately tolerant" (with a score of 0.75) due to their final policy decisions occurring during the transitional phase, where substantive changes in decision-making circumstances were already starting to have an impact (see section 6.1.4.4 for Hinkley and section 7.1 for Aixtron).

In terms of the condition "non-compensatory economic interests," the measurement unit is the magnitude of potential economic losses resulting from the rejection of a particular Chinese

investment. Two indicators, the breadth of the affected population and the adequacy of compensation, count as evidence for the condition. On one hand, from the perspective of a country, losses to the entire public or multiple sectors are greater than those to a single sector or firm. The more people affected, the greater the loss. On the other hand, abundant compensation (e.g. other bidders, financing, or policy alternatives) can make up for the losses, whereas inadequate compensation cannot. Putting together, outstanding losses that affect many but lack compensation can constrain actors' policy considerations more than the negligible ones that have impacted a few but have sufficient compensation. This is because people tend to define avoiding greater losses as their interests and have stronger resolution to protect against them.

Furthermore, assessing the two indicators for the condition relies on different kind of data. To determine the extent of the affected population, crucial evidence lies in the qualitative data that can uncover the branch or sector in which the target firm operates: infrastructural firms will undoubtedly have a wider influence than those that are not. Furthermore, evidence should include media and official documents that contain assessments of the transaction's importance for the sector. This is because some transactions may have a greater impact on the entire sector, as well as the upstream and downstream sectors, while others may only affect the future of individual enterprises. To assess the adequacy of compensation, key evidence would be the data that discloses whether alternative investors or solutions were available if the Chinese investors were rejected. This data can be gathered from statements made by company executives and reported in the media.

In precise, a number of cases received a rating of 0.1, indicating that recipient countries may suffer small but still real economic losses if they decline Chinese investment. This is supported by qualitative evidence showing that, in these cases, there is no available compensation to offset losses that do not extend beyond the individual firm. Comparably, EEW, Cotesa, and Leifeld all scored 0 because there are sufficient compensations available to off-set the same level of losses, allowing recipient countries to decline Chinese investment without consequences. Compared to all the cases above, both 50Hertz and Huawei UK cases had a higher score of 0.25 due to their wider impact on other sectors (the highly politicized nature of the Huawei case) and the public (both cases involving infrastructural investments). But they eventually do not received a higher score because sufficient compensation can off-set the impact. In contrast, the Hinkley and Huawei Germany cases both received a score greater than 0.5. This is because there is either less (Huawei Germany) or no compensation (Hinkley) to offset the higher impact they have had.

Similarly, the measurement unit for the condition of "non-compensatory security interests" is the magnitude of potential security risks resulting from the acceptance of a particular Chinese investment. Two indicators, namely the "smoothness" of the policy-making process and the acceptance of remedies, serve as evidence for the condition. The selection of the former as an indicator was based on the fact that, in the cases studied, security risks were the only stimulus for the recipient country to intervene, thus preventing the policy-making process from running smoothly. Meanwhile, the acceptance of remedies suggests that the security risks can be ameliorated, while the rejection of remedies could signify that the security risks are too great to be mitigated.

A variety of data can aid in the evaluation of the two indicators for the condition. To evaluate the "smoothness" of the policy-making process, the researcher thoroughly considers a range of qualitative data that illustrates the progress of the entire case. But the researcher specifically focuses on data reflecting whether security concerns have ever emerged among policy actors, particularly the proponents of Chinese investment; whether these concerns trigger additional reviews of the Chinese investment project; and whether any fluctuations in the trade-off process have occurred during the review. Depending on individual cases, the researcher may also compare the concerns of different leaders if leadership turnover occurred during policymaking. This cross-referencing may provide additional useful data to strengthen the researcher's assessment. To assess the acceptance of remedies, the research focused on the extent to which policy actors are hesitant to acknowledge remedies as potential solutions. This involved examining whether they consider remedies as viable policy options or outright reject them. The above information can be obtained from qualitative data which varies on a case-by-case basis. This data is typically derived from various sources such as social media and official documents that disclose inside information about the case.

In detail, KraussMaffei, EEW, and Global-Switch scored 0 as they have been smoothly approved without any policy disputes surrounding security concerns ever emerging. KUKA and Cotesa received a higher score of 0.15 as they underwent a review before being approved. Compared to KUKA and Cotesa, whose security risks were excluded after the review, Gardner, Northern, and Sepura have a higher rating score (0.25) because they require additional measures to mitigate some level of security risks in order to be approved. Hinkley shares similarities with the three cases but received a slightly lower score (0.2) due to the potential exaggeration of security risks by new PM May. This is in contrast to the lack of concerns raised about security risks during PM Cameron's term, when Chinese investment was being considered for several years to be involved in the Hinkley project. Huawei Germany scored higher (by 0.3) due to a noticeably less smooth policymaking process, frequent and contested trade-offs before a final policy could be proposed, and a greater reluctance to accept remedies. However, this score should not exceed 0.5, as the remedies were ultimately not rejected, indicating a degree of viability in taking risks to some extent in this case. In contrast, Huawei UK and Aixtron scored 0.75, while 50Hertz, Leifeld, Impcross, and Mettis all scored 1, with all scores greater than 0.5. This is because remedies were declined either after hesitant consideration (Huawei UK and Aixtron) or without any consideration of their tenability at all (50Hertz, Leifeld, Impcross, and Mettis).

Regarding the "powerful opposition coalition among ruling actors," relevant actors' policymaking authority and the constellation of their attitudes count as evidence for the condition. To evaluate the policymaking authority of actors, the data includes documents displaying who advanced the development of the transaction and ultimately made the final policy decision. Also, their political positions, as well as whether they are incumbents or not, and the level of power they hold within the political system, are all explicitly visible. To assess the constellation of actors' attitudes, however, the researcher needs to navigate a few obstacles:

First, the attitude of actors during policymaking is mutable, seemingly due to the fact that

policymaking involves a process of actors weighing and debating, persuading and being persuaded, and adjusting their initial beliefs in order to reach a consensus. As the solution, the researcher considers the actor's "eventual" attitude as close as possible to the final policy decision, in order to avoid potential difficulties in assigning values that may arise due to frequent changes in the actor's stance.

Second, for most cases, the researcher can typically rely on media and official documents to provide useful qualitative data, including actors' speeches, opinions, and activities, as well as comments from peers during the policymaking process. However, due to the diversity and uniqueness of case stories, a single piece of data contained in these documents may support more than one condition. This is mainly due to the fact that there seems to be some overlap between actors' acceptance of remedies (relevant to the condition "non-compensatory security interests") and their attitude towards Chinese investment (relevant to the condition "powerful opposition coalition among ruling actors"). Nonetheless, the researcher made determinations in two combined ways to ensure that this situation did not compromise the quality of scoring.

One aspect is that the research further "dismantled" the piece of data into different sub-dimensions to support different conditions. This operation is clearly not unreasonable, given that a single piece of data does not necessarily only indicate one aspect of information. Indeed, a piece of data typically encompasses a wealth of information, allowing the researcher to emphasize different component of it for evaluating different conditions. For instance, an official document concerning the final policy decision (e.g. the rejection of a Chinese investment) may also outline the reasoning behind it (e.g. no available or acceptable remedies to mitigate security risks) and occasionally reveal the opinions and actions of pertinent individuals (e.g. the official's comments regarding the decision and perspectives on similar decisions in the future). Apparently, these three aspects of information can respectively, fully or partially, support the evaluation of at least three different conditions (i.e., policy result, security interests, and the constellation of actors, in partial).

The other aspect is that, in the situation described above, the researcher typically does not rely solely on this one dimension of information. Rather, the researcher usually combine it with other pieces of data and even in conjunction with the entire case story to assign an appropriate rating score. This is not only due to the benefits of triangulation, but also the fact that a certain piece of data may fully support one condition while only partially supporting another. Taking the same instance described above, an actor's attitude towards Chinese investment is not just their willingness to accept remedies. Hence, the researcher may assess an actor's acceptance of remedies based on a particular piece of data or dimension of this data, but still needs to collect more data to completely evaluate the actor's attitude towards a Chinese investment case. Also, given that the last condition refers to the attitude constellation among actors rather than a single actor's attitude, the researcher needs more data that can reflect the attitudes of other individuals or groups. This highlights the need to include more data on both proponents and opponents to accurately determine if the investment is opposed by all policy actors or just the majority of them, namely, the whole picture of the constellation of actors. This clearly indicates that the third condition, which examines actors' constellation, and the fourth condition, which assesses actors' attitudes towards remedies, are ultimately dependent on different sets of data, despite some

potential overlap between them.

In detail, 50Hertz, Mettis, Impcross scored 1 because policy actors unanimously oppose the Chinese investment, while Huawei UK and Aixtron scored 0.75 because a majority, but not all, policy actors oppose the investment. Comparatively, Huawei Germany scored 0.6 for having more proponents, despite opponents occupying the majority. As an exceptional case, there are actually more opponents than it appears in the KUKA case, because the case involves a story in which policy actors want to intervene in an investment where they are unable to identify security risks. These actors were merely reluctant "proponents" who were compelled by Germany's domestic legal system at the time to "unanimously" enact approval. In contrast, Gardner, Norther, Sepura, KraussMaffei, and EEW all scored 0 due to the eventual unanimous agreement among policy actors regarding the investment. Yet the Global Switch scored 0.1 because evidence suggests the presence of a few opponents who may still be politically influential and thereby considered to be quasi-policy actors. Comparatively, Hinkley received a higher score (0.25) due to more (relevant) opponents being identified. As an exception, Cotesa scored a 0.2 because the "proponents" acknowledged that they only approved Cotesa exceptionally and were willing to take a hardline stance for future cases.

Finally, the policy results are easy to measure: successful approval and firm rejection can be seen as two ends of the spectrum, with conditional approval and hesitant rejection occupying the space between them. Overall, scoring of conditions regarding each of the studied cases (see table 3) has been conducted based on the above measurements (see table 2).

Table 3: Scoring of conditions by cases

Cases	Tolerance	Economy interests	Security interests	Opposition coalition	Result
KraussMaffei	1	0.1	0	0	1
EEW	1	0	0	0	1
Global-Switch	0.75	0.1	0	0.1	1
KUKA	1	0.1	0.15	0.4	0.8
Cotesa	0.6	0	0.15	0.2	0.8
Hinkley	0.75	1	0.2	0.25	0.75
Huawei_DEU	0	0.75	0.3	0.6	0.6
50Hertz	0.25	0.25	1	1	0
Leifeld	0.25	0	1	1	0
Aixtron	0.75	0.1	0.75	0.75	0.2
Impcross	0	0.1	1	1	0
Metis	0	0.1	1	1	0
Huawei_UK	0	0.25	0.75	0.75	0.1
Gardner	0.75	0.1	0.25	0	0.75
Northern	0.75	0.1	0.25	0	0.75
Sepura	0.75	0.1	0.25	0	0.75

Prior to providing fsQCA results, a step called calibration is still required by fsQCA. Calibration is an operation to transform the raw scores (seen in table 3) into fuzzy-set membership scores

(Schneider and Wagemann, 2012: 24; Ragin, 2008: 71-73), allowing the raw score to be processed by the QCA software. This study uses the direct calibration method, which is a more formalized (Schneider and Wagemann, 2012: 35) and commonly-used calibration method: this study defines 1, 0, and 0.5 as three calibration anchors, which respectively indicates the full membership, non-membership, and crossover points (the boundary between membership and non-membership) of the fuzzy-sets. Then, using the three anchors as a reference, the QCA software converts the raw scores into calibrated scores.

Table 4: The fsQCA result

Combinations	Positive cases	Consistency
High tolerance * no security risks * no opposition coalition	KraussMaffei; EEW; Global_Switch; Gardner; Northern; Sepura; Hinkley; KUKA; Cotesa	0.994859
Economic interests * no security risks	Hinkley; Huawei_DEU	0.902622
Solution consistency: 0.965398		
Solution coverage: 0.938341		

As shown in the table, the solution that fsQCA identifies contains two paths towards the positive result, the approval of Chinese investments:

(1) The first one is "high tolerance*no security risks*no opposition coalition". It means that a generally tolerant social context toward Chinese investments, absence of real or imaginary security risks, and lack of policy opposition amongst policy actors are the essential conditions combination for the approval of Chinese investments.

(2) The second one is "economic interests* no security risks". This means that the presence of significant economic interests, coupled with the absence of real or imaginary security risks, are the conditions combination for the approval of Chinese investments.

It is worthy to be noticed that the Hinkley case can be understood as having features of both of the two paths, but is more representative of the second path for two reasons: numerically, its membership in the first path (0.82) is lower than that of the second (0.86). Also, it belongs to the "moderately tolerant" rather than the "highly tolerant" category in fsQCA scoring (see table 3). Empirically, when PM May made the final decision on Hinkley, tolerance towards Chinese investment, though it persisted, had already decreased to some extent compared to that in PM Cameron's "Golden Era". Thus, Hinkley is not that representative of the first path which highlights tolerant context. For the two reasons above, the study will elaborate on the Hinkley case in chapter 6 with the second path.

Moreover, consistency is a crucial determinant for the validity of a QCA analysis, as it indicates how well a perfect subset relationship is maintained (Ragin, 2008: 44). A consistency of 0.75 is typically regarded as a benchmark for determining the validity of a given set of relationships (Ragin, 2008: 46; Schneider and Wagemann, 2012: 129 and 279), while other scholars have adopted higher consistency thresholds ranging from 0.8 to 1.0 (Fiss, 2011; McKnight and Zietsma, 2018). Upon these criteria, the fsQCA results shown in the table 4 present the consistency of each path and the

entire solution all reaching over 0.9, which is high enough to confirm validity. Additionally, the solution coverage of over 0.9 is also high enough, indicating that the solution is able to explain most of the studied positive cases. As such, the solution, including the two paths, identified by fsQCA make sense.

4.3 Triangulation and robustness tests

Robustness test results can further enhance the confidence in the reliability of the fsQCA results. Regarding the QCA, if modification of the model did not create major differences in the consistency and coverage of the solutions, i.e. no different set relationships emerge, and no new substantial interpretation is needed, the original results are robust (Schneider and Wagemann, 2012: 286). This study adopted three different kinds of robustness tests: changing the calibration and consistency thresholds and using csQCA for triangulation (Schneider and Wagemann, 2012: 287-293; Skaaning, 2011: 394; Waldkirch et al., 2021: 11). Removing cases and changing the minimum frequency threshold, which also leads to fewer cases, are robustness test strategies suitable for studies with large-N sampling. Thus, these two are unavailable to this study.

4.3.1 Robustness test through changing calibration

The study primarily changes the calibration anchor to test the robustness of the fsQCA results. As shown in the table 5, the study compared four different calibration anchors to the original anchor (row 2), three of which were ordinary (row 3-5) while the fourth (row 6) was more extreme.

Table 5: Robustness under different calibration anchors

Anchors	Solution and indicators	Positive cases
1, 0.5, 0 (raw)	Term 1: High tolerance * no security risks * no opposition coalition Term 2: Economic interests * no security risks Solution consistency and coverage: 0.965398; 0.938341	Term 1: KraussMaffei; EEW; Global_Switch; Gardner; Northern; Sepura; Hinkley; KUKA; Cotesa Term 2: Hinkley; Huawei_DEU
0.8, 0.55, 0.2	Terms unchanged Solution consistency and coverage: 0.961454; 0.934689	unchanged
0.85, 0.55, 0.25	Terms unchanged Solution consistency and coverage: 0.942222; 0.94327	unchanged
0.7, 0.5, 0.3	Terms unchanged Solution consistency and coverage: 0.98218; 0.963001	unchanged
1.1, 0.45, -1	Term 1: High tolerance Term 2: Economic interests * no security risks Solution consistency and coverage: 0.926527; 0.957594	Term 1: unchanged, except Aixtron Term 2: unchanged

In this study, the initial upper threshold, cut-off point, and lower threshold were set as 1, 0.5, and 0, respectively, which were used in the prior fsQCA. Afterward, three alternate anchor points (0.8, 0.55, 0.2; 0.85, 0.55, 0.25; 0.7, 0.5, 0.3) were adopted to conduct subsequent fsQCA. The study found that the new fsQCA results were not substantially different from the original ones, with all three new results exhibiting the same solution and positive cases. Only the solution consistency and coverage were slightly different, but still above 0.9, indicating that the differences were not substantial.

Beyond the conventional ones, this study also assessed the validity of fsQCA findings by exploring the impact of extreme anchors (1.1, 0.45, -1). The extreme anchor does not significantly reduce the robustness. The second term and its associated positive cases remain unchanged, however the first term experienced a decrease of two conditions (economic interests * no security risks) with the addition of case Aixtron. But the reasonableness of the result remained unimpaired despite the change. The Aixtron case (detailed in chapter 7) indeed almost became a positive case for this term, but was unsuccessful. The adoption of extreme anchor is the reason for its appearance, therefore, the result is not unexpected.

4.3.2 Robustness test through changing consistency threshold

The study also alters the consistency threshold to conduct a robustness test. Table 6 below shows the comparison of four different consistency thresholds, two of which are regular (rows 3-4) and two of which are extreme (rows 5-6), to the original one (row 2).

Table 6: Robustness under different consistency threshold

Consistency threshold	Solution and indicators	Positive cases
0.8 (raw)	Term 1: High tolerance * no security risks * no opposition coalition Term 2: Economic interests * no security risks Solution consistency and coverage: 0.965398; 0.938341	Term 1: KraussMaffei; EEW; Global_Switch; Gardner; Northern; Sepura; Hinkley; KUKA; Cotesa Term 2: Hinkley; Huawei_DEU
0.6	unchanged	Unchanged
0.9	unchanged	Unchanged
0.95	Term 1 unchanged; but no term 2 Solution consistency and coverage: 0.994859; 0.867713	Unchanged
0.5	Term 1 has changed to: High tolerance Term 2 unchanged Solution consistency and coverage: 0.869301; 0.961883	Term 1: unchanged, except Aixtron Term 2: unchanged

The original fsQCA results were generated under the default consistency threshold set at 0.8. The study then use two different thresholds of 0.6, 0.9, respectively, in the subsequent fsQCA. As a result, the study got exactly the same results, both in terms of the solution (including its consistency and coverage), and the constellation of positive cases, despite the different thresholds.

In addition, the study also employs two extreme thresholds of 0.95 and 0.5. Indeed, these two threshold values are really unconventional and anticipated to have disruptions to the initial fsQCA results. The study deliberately introduces these extreme values to assess if the results remain stable.

By imposing a stringent requirement for consistency (a 0.95 threshold), the first term (high tolerance * no security risks * no opposition coalition) and its positive cases remain the same. By contrast, the second term (economic interests * no security risks) and its positive cases were excluded. Meanwhile, only slight changes in solution consistency and coverage can be seen. These indicate that the first term passed the rigorous test with a higher consistency threshold. As such, the study gains more confidence in the robustness of the first term over the second one. Nonetheless, this does not mean that the second term is not robust, as the threshold of 0.95 is very high.

When setting the threshold as 0.5, the second term and its positive cases remain the same. Yet the first term saw a decrease of two conditions (economic interests * no security risks) with the inclusion of the case Aixtron. This is still logical according to Aixtron's case story, which will be elaborated on in chapter 7.

In sum, the tests conducted demonstrated the robustness of the initial fsQCA results. Employing a standard consistency threshold did not affect the results, while a more stringent threshold altered the results slightly but still to an acceptable degree. Overall, the results remained steady across varying consistency thresholds.

4.3.3 The crisp-set QCA (csQCA) result as robustness test

The study further conducts a csQCA as a triangulation of the initial fsQCA results. In fact, csQCA can be seen as introducing an alternative measurement for the conditions employed in earlier fsQCA, thereby allowing for the assessment of the fsQCA results' sensitivity to different measurements (de Block and Vis, 2018: 509).

Table 7: The csQCA results

Combinations	Positive cases	Consistency
High tolerance*no security risks*no opposition coalition	KraussMaffei; EEW; Global_Switch; Gardner; Northern; Sepura; Hinkley*; KUKA*; Cotesa*	1
Economic interests* no security risks	Hinkley; Huawei_DEU	1
Solution consistency: 1		
Solution coverage: 1		

As shown in table 7, the csQCA results contain the same terms and constellation of positive cases as the fsQCA results, with both consistency and coverage reaching 1, indicating high validity of the csQCA results. These csQCA findings further support the prior fsQCA results.

In conclusion, the results of three tests of robustness, which are modifying calibration and consistency thresholds, and cross-referencing with csQCA, confirm that the fsQCA results are trustworthy and accurate. These QCA findings can be used to further explore causal processes in the following section of this study.

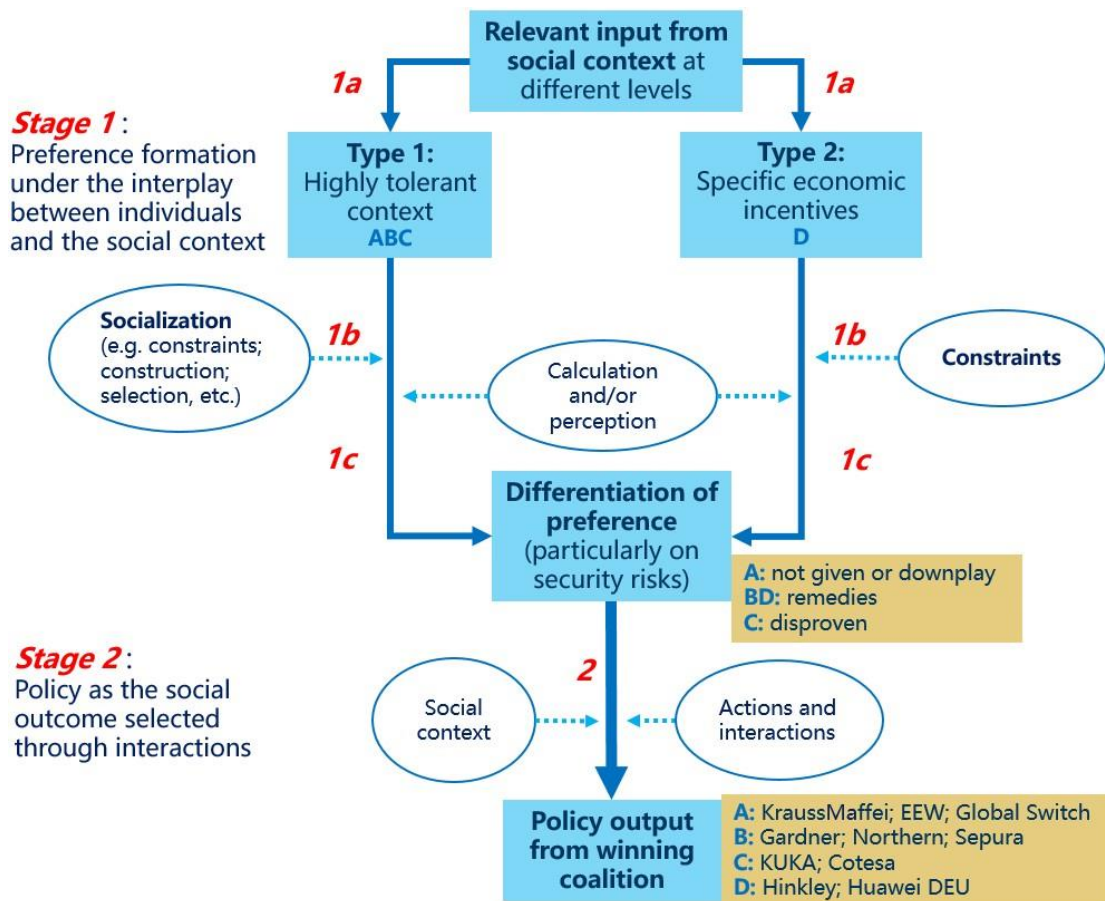
4.4 The causal mechanisms

Previous QCA results indicated two possible combinations of conditions for the approval of Chinese investments: one with high tolerance, no security risks, and no opposition coalitions, and the other with economic interests and no security risks. Based on these findings, the study further identifies two positive causal mechanisms, the causal processes that can link these conditions of each combination. Primarily, the study demonstrates the two mechanisms at a glance:

(1) The highly tolerant social context mechanism: an opposition coalition amongst policy-ruling actors will hardly be possible to emerge in a social context that generally tolerates Chinese investment, where security risks associated with the investment are either absent, disproven, or can be mitigated. As a result, policy actors will approve the investment project.

(2) The economic incentives mechanism: relevant economic losses caused by the rejection of an investment, as a costly aftermath, will enforce policy ruling actors to at least accept the investment with remedies and discourage the emergence of an opposition coalition among them. In this circumstance, policy actors will approve the investment project.

Figure 1: The two positive mechanisms



After the brief overview, the following paragraphs will depict the two mechanisms step by step in precise detail.

4.4.1 The stage 1a

Looking longitudinally, both mechanisms share a two-stage causal process. The first stage (includes 1a and 1b, see the red-coloured number in figure 1) addresses the formation of preferences under the interplay between individuals and the social context. Afterward, the second stage (see the red-coloured number 2 in figure 1) regards the policy result as a social outcome selected through the interactions of actors.

Regarding the stage 1a, input from the social context influences individuals' preferences. The study identifies two particular inputs relevant to the studied cases: the first is the "highly tolerant social context," which drives the mechanism of the same name and accounts for the positive case type of ABC (seen in the orange-coloured box at the bottom). The second is the "specific economic incentives," which drives the mechanism named after it and can explain the case type D.

Moreover, this bifurcation reflects the influences at different levels of the social context: the "specific economic incentives" capture the immediate, obvious, and consciously-influenced material interests that constrain actors' choices. By contrast, the "highly tolerant social context" reflects both explicit and more implicit shaping forces of the social circumstance — not only the easily perceptible influences (e.g. information on real security risks) but also the deep, underlying,

and nuanced impact on actors unconsciously. Such differentiation is primarily backed by the IR discussion regarding "three (or more) faces of power". The explicit influence, captured by the "specific economic incentives", is approximately equivalent to the direct control of another agent or the structure (Barnett and Duvall, 2005: 48; Isaac, 1987; Tang, 2013a). In contrast, the underlying influence, reflected in the "highly tolerant social context", is similar to the diffuse control of the socially remote agents or structure (Barnett and Duvall, 2005: 51 and 55). As such, these two forces are not identical, which further affects their way of exerting influence over actors (see section 4.4.2).

4.4.2 The stage 1b

The stage 1b addresses the ways in which the policy-making social circumstance impacts on actors, which is one part of the interplay between them.

In fact, the interplay is not a one-way influence of social context over actors, as the latter have agency. Therefore, the results of this interplay are affected by two regulators (as indicated by the circle in figure 1). The one is the channel and intensity through which social context exerts influences (discussed here), while the other is actors' calculation or perception (see section 4.4.3).

In the two mechanisms this study identified, channels through which social context affects actors are different. Regarding the "specific economic incentives" mechanism, only the constraining/enabling channel of material interests becomes prominent: particular economic interests limit actors' policy choices, and, if not, enable some policy choices. Specific to the studied cases, economic constraints affect actors' considerations regarding security risks: the economic costs associated with rejecting an investment are so high that actors are often forced to accept investments that could have security risks. In short, actors tend to take more risks with security and be more liberal with an investment due to particular economic constraints. Moreover, this channel mainly resonates with the insights from IR and IPE liberalism (Rogowski, 1990; Moravcsik, 1997: 528; Keohane and Nye, 2012), which all highlight the material economic incentives that constrain actors' interests and preferences.

In contrast, the "highly tolerant social context" mechanism has multiple channels, summarized by the term socialization. Here, socialization is not the constructivist's narrow understanding of socializing through ideas, but the comprehensive influences of the social system, which include constraints, constructions, selections, and so on (Tang, 2013b: chapter 5). Generally speaking, a highly tolerant social context promotes the liberal attitude to prevail among actors toward receiving foreign investments.

Specific to the representative cases of this mechanism, the social context, seen as a complex system, impacts on actors through multiple channels (Tang, 2013b: chapter 5). The first is the combination of channels of constraining and short-term learning (e.g. short-term memory and superficial learning). A highly tolerant social context towards Chinese investment indicates the presence of an underlying liberal social structure (e.g. the liberal institutional settings; previous collaborative gains and the fond memories of it; spill-over of new common interests with reduced interest conflicts; more information on benefits and less on security risks given to actors). This

structure places double constraints—both material and ideational—under which actors calculate and perceive their interests, thus increasing the likelihood that they will continue to cooperate in a given investment. Moreover, the context also contains the power of punishment that limits actors' capability to not cooperate (e.g. the KUKA case).

The second way is the combination of construction and deep learning. Apparently, this channel is primarily backed by IR-constructivism (the "structural" constructivism, seen Wendt, 1999b). A highly tolerant social system contains the already-constructed prevailing ideational structure that favours Chinese investment. The idea can either work in the same way as Foucauldian productive power, which can penetrate actors unconsciously, or affect them when they deeply learn and internalize it (Tang, 2013b: chapter 5; Barnett and Duvall, 2005: 51 and 55). Consequently, actors take it for granted that they should hold a liberal preference, seeing the approval of the investment as the default policy response, and even disregarding security risks in interest calculation or perception despite receiving related information. In fact, in the high tolerance period when the relevant positive cases occurred, intervening and rejecting a Chinese investment on national security grounds was still quite exceptional in Germany and Britain.

The amalgamation of the two channels above also generates a third channel, the pressure of selection. This channel is primarily backed by the social evolutionary paradigm (SEP) of IR discipline (Tang, 2013b: chapter 5; Tang, 2020; Tang, 2010b). In a highly tolerant social context where liberal attitudes are more encouraged (as discussed in the previous two channels), the liberal preference, actors and policy response find it easier to survive than their opposition counterparts (e.g. protectionism). In short, liberal-oriented activities are selected to remain while its opponents are discarded in highly tolerant social settings.

4.4.3 The stage 1c

In this stage, the study shifts to the individual level to assess the influence of social context. Regarding both mechanisms, the influence of the above top-down channels is regulated by active agents' calculation or perception, which is the source of preference differentiation. Even though a highly tolerant social context generally promotes liberal thinking and behaviours, its effect is heterogeneous at the individual level. Some individuals (often the majority) accept the influences of external context, thus holding up a liberal preference towards a Chinese investment, whereas others may resist the influences and oppose it. This differentiation is regulated by cognitive and calculative mechanisms in the individual's mind.

This perspective is backed by theories in various subject areas in politics. For instance, the social coalition approach (Rogowski, 1990; Hiscox, 2001) revealed that preference differentiation (social coalition as a subsequent consequence of the differentiation) can be generated from actors' given interests and their corresponding calculations. Meanwhile, cognitive schools in foreign policy analysis state that differences in preferences often arise across individuals due to their own experience or position, framing effects, and attribution biases (Mintz and DeRouen Jr, 2010: chapter 3 and 8). Furthermore, tensions between constructivist and deconstructivist theories are also a source of preference differentiation. The former highlights obeying that preserves the replication of the established structure (Fioretos et al., 2016: 10; Finnemore and Sikkink, 1998),

whereas the latter seeks to reveal the unequal power relations, advocating for individual resistance and overthrowing the ruling establishment (Moolakkattu, 2009; Antunes de Oliveira and Kvangraven, 2023).

For the studied case, the preference of individuals, especially regarding security risk in a particular Chinese investment, matters the most in influencing the subsequent policy-making actions. For liberal actors, their preferences for managing security risks can be seen in a taxonomy of three sub-types (as seen in the orange-coloured box in figure 1): first, they are not given security-related information or they downplay the information they receive (as seen in cases such as KraussMaffei, EEW and Global Switch); second, they dismiss the presence of the risks after review (e.g. KUKA; Cotesa); third, they adopt remedies to mitigate the risks (e.g. Gardner; Northern; Sepura; Hinkley; Huawei Germany). Regardless of which sub-type, they share the common ground of a liberal preference, with no need to reject a particular Chinese investment for security reasons. By contrast, there might be individuals whose preference differs from these liberal actors. These non-liberal actors oppose any such measures, but instead advocate that the only way to avert the security risks is to reject certain investments.

Such differentiation has two implications. At the individual level at first, the given external circumstance (either a highly tolerant social context or the presence of specific economic incentives) enforces or induces each individual to have a liberal preference, although individuals acting as active agents can resist such influence. As a result, as seen in the positive cases, most, if not all, individuals have a liberal preference towards the specific Chinese investment, though a minority might always disagree. As such, a differentiation of preference whereby the liberals outnumber the opponents can be seen.

Afterward, preference differentiation also has further implications at the collective level, which works together with other mechanism elements to result in a certain policy outcome. This will be discussed in the next section, the stage 2.

4.4.4 The stage 2

This stage addresses how individual-level preferences are converted into the eventual policy outcome. Briefly, like-minded individuals ally to form groups that advocate for respective policy claims, creating a constellation of coalitions; then, inter-group competition determines the winning coalition, which dictates the policy output.

This process is managed by two regulators. The one is actors' actions and interactions. This is because groups stem from interactions between individuals, and winning coalitions stem from interactions between these groups. To be precise, individuals may gather spontaneously, or rely on persuasive or coercive power to form groups. The same strategies are also prevalently adopted in inter-group interactions. All these activities regulate the creation of the eventual winning coalition. The other regulator is social contextual constraints that decide actors' capabilities in taking actions. Actors participate in interactions with their given positions, powers, and authorities. Despite having agency, they are still limited by the existing organizational, ideational, and institutional establishment (e.g. structures) of the social system, which dictate what actions and interactions

are more likely to be successful in creating the winning coalition.

This conversion process from individuals' preferences to the final policy is backed by various theories, but primarily the social system and social evolutionary perspectives. Both see the social context as an (evolutionary) system (Tang, 2013b; Jervis, 1998), thus seeing the policy not always just as the immediate product of ideas (as suggested by constructivism) or actions (as suggested by behaviourism), but in many circumstances the emergent social outcome resulting from the complex interactions between various ideas, different actions, and even their combinations (Tang, 2016: 9; Moravcsik, 1997: 545). The social evolutionary process (SEP) further highlights the selective nature of policy-making, suggesting that only preferences that become purposeful actions, and only actions that predominate over other actions, have the opportunity to become the policy outcome (Tang, 2016: 3). Obviously, this insight reflects the stage 2 mechanisms: it is unsurprising that even in some positive cases, non-liberal preferences and related activities can be seen. But they failed to prevail in the competition of the liberal preferences and actions, thus being unable to shape the content of the final policy outcome.

This interacting process is also sustained by other theories. For instance, public choice theories, rational-choice institutionalism and liberal intergovernmentalism advocate the spontaneous aggregation of self-interests actors for collective actions (Olson Jr, 1971; Buchanan and Tullock, 1965; Hall and Taylor, 1996; Moravcsik, 1993). Discursive institutionalism and post-functionalism illustrate contingent agent mobilization through persuasion bridges individuals with collectives (Schmidt, 2008; Hooghe and Marks, 2009; Wendler and Hurrelmann, 2022). Various kinds (i.e. "faces") of power (e.g. coercive, institutional, productive power, etc., seen Barnett and Duvall, 2005: 48), as suggested widely by different theories (e.g. IR-realism; critical theories, institutionalisms and constructivism, etc., seen Sørensen, 2009; Fioretos et al., 2016; Jackson et al., 2004), not only motivate collective actions, but also determine capabilities of individuals and groups.

Specific to the studied two positive mechanisms, either highly tolerant context or particular economic incentives enforce or induce more liberals than hardliners to emerge, shaping the constellation of coalition. As such, in both mechanisms, the liberal coalition is more likely to become the majority of policy-ruling actors, thus having more likelihood to become the winning coalition in the end. Additionally in the former mechanism, social context also placed more limitations on non-liberals' bargaining capabilities than liberals', reducing the former's winning likelihood. Finally, the liberal-winning coalition implements a complete liberal policy (e.g. full approval), or one that is predominantly liberal but incorporating some opposition claims (e.g. approval with remedies on security risks).

Next, the following three chapters (chapters 5-7) will demonstrate the operation of the above mechanisms in relevant cases with more detailed evidence.

Chapter 5 The mechanisms of highly tolerant social context

This chapter demonstrates how the highly tolerant social context mechanisms operate in empirical cases. The mechanism is one of two positive mechanisms identified in the thesis. As the major mechanism, it covers most of the positive cases (8 out of 10). In overview, the mechanisms highlight that the overall liberal climate, i.e., high tolerance towards Chinese investments, of the whole social system makes it easier for the liberal coalition, whose members advocate a certain Chinese investment case, to survive than the opponents' coalition. As a result, the final policy outcome; that is, the approval of a Chinese investment case, is more likely to emerge, as it reflects the policy suggestions of the liberal winning coalition.

In precise, the liberal atmosphere highlighted in the mechanisms reflects the overall feature of the entire social system at the time, which thereby reflects its material and ideational structure and other social system properties. As such, these features can influence policy actors not only explicitly and perceptibly, but also implicitly through their underlying and nuanced impacts. Together, these affect actors' calculations or perceptions of their interests in a certain case.

For instance, explicitly, the highly tolerant social context contains less information on security risks in a certain case that enables actors' acceptance of Chinese the investment; implicitly, the generally liberal atmosphere in the social context can unconsciously constitute actors' preferences for liberal policies towards foreign investment, thus they may be more likely to downplay the information that Chinese investments may pose threat; existing liberal-oriented establishment of the social context constrains non-liberal actors' capabilities in policy-making. As a result, despite diverging effects due to actors being contingent agents (Schmidt, 2008: 314), the liberal social background generally promotes a liberal preference to prevail among actors, encouraging them to downplay security risks and preventing powerful protectionist coalitions from emerging.

There are three subtypes of the highly tolerant social context. The representative one is referred to here as "general market regulatory logic;" it contains all mechanism components comprehensively, while there are two variants which deviate slightly from the representative one: the variant "reluctant liberal logic" for the KUKA case, and the variant "deferred effect" for the cases of Cotesa. Section 5.1 elaborates on the representative mechanism. Afterwards, section 5.2 presents the two variations.

5.1 The representative mechanism of general market regulatory logic

This section demonstrates how the representative mechanism operates in six cases: EEW, KraussMaffei, Global Switch, Gardner, Northern and Sepura. However, this chapter will omit Global Switch and Sepura due to space considerations.

In the following, section 5.1.1 briefly overviews the case history. Section 5.1.2 illustrates common social context overarching these cases as the macro-level social setting exerts underlying influence on policy actors. Section 5.1.3, focussing on the micro-level interest calculation or perception of actors, displays the disregarding of case specific security risks. Finally, Section 5.1.4 shows the pattern of liberal-protectionist cleavage among policy actors eventually forming under the

common influence of both macro and micro circumstances, and it relates the diversity of actor-coalitions to the final policy results.

5.1.1 Overview and case history

This sub-section will briefly introduce the case histories of the six cases relevant to the representative mechanisms. Firstly, the EEW case addresses the Beijing Enterprises (BEHL) bid for the German leading waste-to-energy company EEW owned by the EQT group at the time (Beijing Enterprises, 2016b). The transaction can be traced back to December 2015 when several candidates including BEHL bid for EEW (China Tianying, 2015). Eventually BEHL won the bid and reached a preliminary deal with the EQT group in February 2016 (EQT Group, no date; Beijing Enterprises, 2016a). After receiving the German government's approval, BEHL successfully completed the takeover in March 2016 (AVP Group, 2016).

Secondly, the KraussMaffei case refers to transaction by the China National Chemical Corporation (ChemChina) to acquire the German machinery manufacturer KraussMaffei from Onex. The earliest report was by Reuters on 7 January 2016, disclosing that a Chinese company was to acquire KraussMaffei (Barreto and Thomas, 2016). A few days later, several sources confirmed a deal was agreed among ChemChina, KraussMaffei and Onex (ChemChina, 2016; FCHEM, 2016; Tianhuayuan, 2016). On 15 March, the takeover passed the market review of the EU commission (Reuters, 2016j). The previous owner Onex then announced the successful completion of the takeover on 29 April (Onex, 2016), which was also confirmed by the bidder on 3 May 2016 (Siyuankuner, 2016: 12).

Thirdly, the Gardner case refers to the Shaanxi Ligeance Mineral Resources (SLMR) bid for the British aerospace manufacturer Gardner Aerospace (Gardner) from the private equity firm Better Capital fund LP (BECAP). It was first reported on the 16th November 2016 that SLMR talked to BECAP about the acquisition (Reuters, 2016b). All three parties agreed on this transaction by signing a Memorandum of Understanding (MoU) the next day (Reuters, 2016c; CNINF, 2016). Afterward, SLMR fulfilled all the requirements to obtain the company entities and the stake in Gardner on 4th May 2017 after passing a series of approvals (e.g. the labour union of Gardner's French subsidiary; China's National Development and Reform Commission; the French Economy Ministry; BECAP; SLMR shareholders meeting, see: CNINF, 2017b: 10; CNINF, 2017d: 6; Rannard, 2017; CNINF, 2017c). Eventually, BECAP confirmed that SLMR successfully acquired Gardner on the 12th June (Financial times, 2017; Gardner Aerospace, 2017).

Fourthly, the Northern case refers to another SLMR acquisition in the British aerospace sector: Gardner, owned by SLMR already at this time, purchased the British aerospace manufacturer Northern Aerospace (Northern) from BECAP. The transaction can be traced back to the 31st March 2018 when Gardner and BECAP reached an initial agreement (named a "call option", see: CMA, 2018b: 2-3). They then proceeded with the acquisition in early June, setting up a completion date of the 22th June (CMA, 2018b: 2-3; Department for Business Energy and Industrial Strategy, 2018c). Nevertheless, the transaction was put on hold because the British government decided to investigate the case for the national security reasons: Greg Clark MP, the Secretary of State for Business, Energy and Industrial Strategy (BEIS) issued a "public interest intervention notice" (PIIN) on 17 June 2018 (Department for Business Energy and Industrial Strategy, 2018c) to start the

government review. In this case, the review was conducted by both the Competition and Markets Authority (CMA) and the Ministry of Defence (MoD) who submitted reports to BEIS in July (Department for Business Energy and Industrial Strategy, 2018c; Department for Business Energy and Industrial Strategy, 2018b). On 19 July 2018, the BEIS minister Greg Clark MP concluded the acquisition would give rise to no security risks and approved it the next day (Department for Business Energy and Industrial Strategy, 2018b). Eventually, Gardner officially announced its successful acquisition of Northern on 24 July 2018 (Gardner Aerospace, 2018).

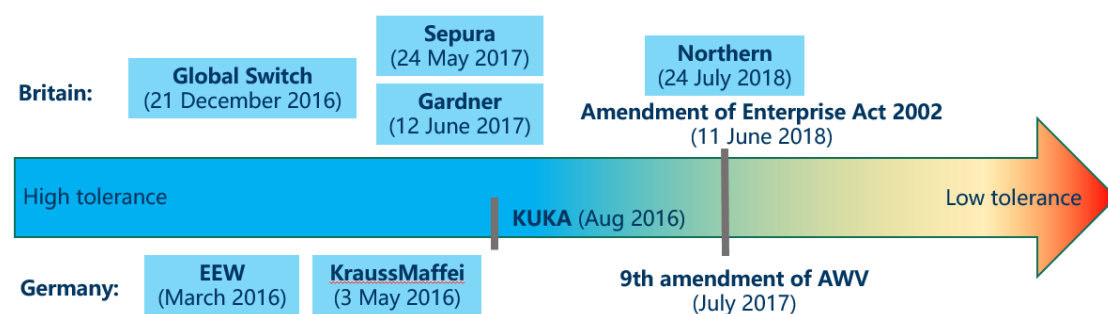
5.1.2 The underlying influence of the general social context on actors

This section will present how the general social context characterised by a high tolerance of Chinese investments exerts underlying influence on actors' policy preference to approve the takeovers of relevant cases (KraussMaffei; EEW; Global_Switch; Gardner; Northern; Sepura). But before elaborating the social context's influence, the overall trend of tolerance will be reviewed.

5.1.2.1 The overall trend of tolerance in the social context

After the Cold War ended, Germany and Britain (as well as other western countries) generally adopted an engagement approach toward China, especially in the economy (Kundnani and Parello-Plesner, 2012: 3; Pantucci, 2010; Breslin, 2004: 415-416). This also led to a generally tolerant attitude in terms of economic exchange with China including investment, except that more stringency could be seen occasionally in the US (The Wall Street Journal, 2005). But this attitude was approaching its critical juncture in about 2016-18. In Germany, protectionist sentiment against Chinese investment had been emerging since the KUKA deal in 2016, and had become increasingly prominent after the 9th amendment of the Foreign Trade and Payments Ordinance (AWV, the *Außenwirtschaftsverordnung*) in 2017 (Federal government of Germany, 2016a). Likewise, tolerance in Britain sharply decreased after June 2018 when the amendment of the Enterprise Act 2002 favoured stricter scrutiny against Chinese investment (The Enterprise Act 2002: Section 23 and 23A). Nevertheless, all relevant cases mentioned above occurred before the critical junctures happened. They were still in an era when resistance against Chinese investment was absent or very weak.

Figure 2: Case timeline and the changing social context



Notes: the date refers to the critical moment at which decisive policy decisions were made in each case, despite the fact that policy-making in each case goes through a particular process.

As is shown in the figure, the two cases in Germany occurred before the KUKA case, following which protectionist sentiment began to emerge. In Britain, most cases were completed more than a year

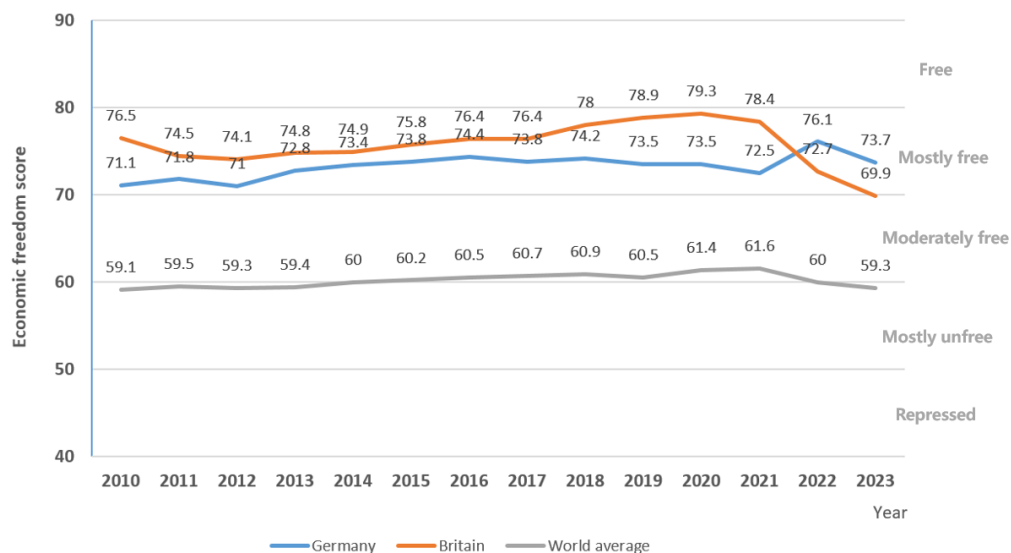
before the critical juncture, except Northern. This case occurred at the critical juncture (it was completed on 24 July 2018 and the legislation amendment came into force on 11 June 2018), during the transition period toward a more stringent investment scrutiny. But story of this case indeed coincides with the tolerance change (seen as a continuum): comparing it with a similar case, the Gardner one, Northern suffered a more cautious review but eventually was approved like Gardner. Therefore, the story of Northern reflects some but not the full influence of the tolerance change, and indeed lies more to the tolerant side.

Next, the remaining part of this section will elaborate what relevant social properties sustain the high tolerance social context and how they influence actors. From a systemic view, this social context could be a system consisting of different kinds of properties (e.g. structure, emergent trend, other agents' activities), and exert influence on actors (who are the permanent members of the social system) through multiple channels (Tang, 2013b: chapter 5). This section identifies some relevant properties contributing to the preservation of the high tolerance social context, and illustrates their shaping power over actors' preference.

5.1.2.2 Domestic liberal social setting and its impact on openness towards investment

As the first social system property sustaining the highly-tolerant context, domestic liberal social settings in economy in both Germany and Britain promote the approval of Chinese investments. A variety of evidence proves that liberal social settings do exist in the two countries. Quantitatively, different indices indicate that both countries are among the most open economies (see figure 3).

Figure 3: Ranking of economy freedom (out of 184 countries and regions worldwide)



Source: (The heritage foundation, 2023)

The quantitative data come up with the economy freedom index provided by the heritage foundation at first. According to figure 3, both Germany and Britain were among the mostly free economies between 2010-2023, out of 184 countries and regions worldwide. These countries had economic freedom scores of over 70, which is significantly higher than the world average of approximately 60. The data clearly indicate that both countries have high economic freedom.

Moreover, other indices also support the fact that Germany and Britain are countries with a high level of economic freedom. For instance, the Global Index of Economic Openness (the Legatum institute, 2019) shows that out of 157 countries and regions worldwide, Germany consistently ranked in the top 11-15 from 2009 to 2017, with its highest ranking being in the top 11 in 2009. Similarly, Britain has consistently ranked in the top 5-12, with its highest ranking being in the top 5 in 2017. This serves as evidence that both countries are among the top-ranking in terms of economic openness. For another instance, the FDI regulatory restrictiveness index (OECD, no date-b) further reinforces the previous perspective. This index uses a 0-1 scale to illustrate the least (score 0) and most (score 1) restrictive FDI regulations. According to this index, Germany and Britain scored no higher than 0.1 in 1997-2017, indicating that they are among the countries with the least restrictive FDI regulations.

Qualitatively, liberal social settings in Germany and Britain can mainly be seen from an institutional perspective, including both economy and legal system. Regarding the nature of the economic system, both the varieties of capitalism (VoC) approach and the comparative economics shed important lights on this research.

First, although scholars from different schools brought different typologies of economy systems, they agreed to categorize Germany and Britain as two subtypes of the market economy. For instance, Germany is usually labelled as social market economy also known as “Rhineland capitalism” (Müller-Armack, 1978); “negotiated /consensual capitalism” (Coates, 1999); and the “coordinated market economy” (CME, Hall and Soskice, 2001). The German model which approaches the Nordic model of market socialism (Economics in Context Initiative, 2021: 48). Britain has often been given labels such as “Anglo-Saxon capitalism” (Neumann and Egan, 1999: 175-176; Siepel and Nightingale, 2014: 27); “liberal market economy” (LME, Hall and Soskice, 2001; Fioretos, 2010: 696); “market-led capitalism” (Coates, 1999); and “market capitalism” (Economics in Context Initiative, 2021: 48). Regardless of how they categorize economic systems and what labels are placed on Germany and Britain, it is widely agreed they belong to different subtypes but overall belong to the market economy category.

Second, the above categorizations have further implications for state-market relations and government power in the economy. As market economy, Germany and Britain thereby share basic nature of their economic model: even though government is more or less involved in the economy with regulatory power, market mechanisms instead of central authority determine prices, production, supply and demand, as well as incentives, efficiency and innovation (Economics in Context Initiative, 2021: 4-5).

Third, the liberal element more or less operates in the economic systems of Germany and Britain despite the differences in their economic models. Britain undoubtedly stands on the liberal side of the market economy. It is normally recognized that German model is comparably less "liberal" than that of Britain (McMenamin, 2012: 9-12). For instance, VoC studies argued non-market institutions rather than competitive market relations determined German firms' coordination with other economic actors (Hall and Soskice, 2001: 8). Other studies (Hasse, 2017: 98-99; Siebert, 2005: 24)

suggest the German social market economy is more organized and regulated for the purpose of societal order, equity, fairness and cohesion, going against the liberal market ideology emphasizing individual autonomy, efficiency and competition.

But it is also counter argued that Germany in fact has a mixed model that shares many elements with the liberal market economy by combining strong regulation for the purpose of social fairness and order. Germany and Britain are only two to different extent liberalized systems (Hall and Soskice, 2001: 33). They hold different positions on the spectrum of liberalization but still share the common ground of the market economy. Arguments even suppose the German model promotes the liberalism. For instance, Schnyder and Jackson (2013: 340) believe neo-liberal policies successfully co-exist with, are integrated into and legitimize the traditional corporatist economy of Germany. Another study argues, a liberal economic policy (especially in trade) has been traditionally advocated by a cohesive political and economic elite (Chan and Crawford, 2017: 685). This evidence sustains the point that Germany cannot by any means be seen as a non-liberal model.

Fourth, the German and Britain market economy models are not incommensurable, and an overall liberalization trend can be seen in both models in the decades after World War II. Both countries made several reforms to modernize their economic systems. Britain's model used to lean toward the social market economy like Germany's, but after 1980 turned to the liberal end of the spectrum (Coates, 1999: 652) and this change was consolidated from 1990 to 2000 (Fioretos, 2011: 68). Germany established its social market economy in the post-war era, but tended to become more liberal from 1990 to 2010 (Fioretos, 2011: 3-4). Such a history has following implications: first, Germany and Britain share a liberalizing convergence in recent decades even though they still differ. Second, both countries absorb more or less liberal elements and indeed have a mixed system in-between either the extreme liberal or socialist market economy.

Another institutional perspective sustaining liberal social settings in Germany and Britain is the legal system. In Germany, AWV is a code that regulates economic activities between Germany and foreign countries, including the German government's intervening power on foreign investment. This code, introduced in 1961, maintained a loosely regulated investment market for a long term (Federal Law Gazette of Germany, 1961; Federal Law Gazette of Germany, 2013) until the 2017 amendment began to increase government intervening power (Federal Ministry of Justice and the Federal Office of Justice of Germany: section 55, 58, 59 and 62). In Britain, the Enterprise Act 2002, traced back to the Fair Trading Act 1973 (1973: introductory text), established the legal cornerstone for limited government intervention on investment until the enactment of the amendment order in 2018 (The Enterprise Act 2002: section 23 and 23A, the version of 11 June 2018). In both countries, the above framework set up a high legal threshold against government power to conduct investment scrutiny.

All the above evidence sustains the presence of domestic liberal social settings in Germany and Britain. These settings bring a variety of interrelated systemic effects that shape actors' behaviour along both preference and ability dimensions. First, they bring constraining effects: as discussed above, the legal framework constrains policy actors' intervening power. The law actually

determines who are the policy actors and who not in a certain country, and "how much" power they have to intervene in an investment.

Second, the constitution effect is reflected in the policy actors' policy preferences. The mainstream preference is for a low overall level of protectionism. The Pew survey reveals that, in 2014, the public in Germany (73%) and Britain (65%) favoured a free market economy (Pew research center, 2014: 18, Question 13a). In 2016, majorities in Germany (70%) and Britain (64%) believed integrating into the global economy brings prosperity (Pew Research Center, 2016: 34, Question 43). Meanwhile, a positive attitude toward globalisation prevailed (55%) in Europe (European Parliament, 2018: 36).

In terms of investment, data shows the majority in Germany and Britain held positive views on China's economy (Pew research center, 2014: 159, Question 108). Qualitatively, Germany saw Chinese investment as less sensitive than it is in the US, and regarded government intervention in Chinese investment as extraordinary (Barreto and Thomas, 2016). Similarly, Britain actively embraced inward Chinese investment, and was inclined to manage any security risks through enhanced regulation rather than discriminating against the investors' country of origin (UK Government, 2014). In sum, the above evidence shows that policy actors in Germany and Britain generally have low willingness to engage in intervention.

Third, the above two effects create a synergic effect: actors' low intervening ability further discourages their willingness to intervene. Just as Tang (2012: 309) argued, the higher the policy actors' capabilities, the more ambitious goals they pursue (and vice versa). This argument can be applied to the discussion by indicating that intervening power and willingness are indeed interrelated. Finally, all the three effects put together establish a pressure of selection. Apparently, liberal preferences and policy-choices find it easier to survive than protectionism in such a liberal social setting (see detailed discussion in section 5.1.4). Overall, the liberal setting is the first social system property that underlies the high-tolerance for Chinese investment.

5.1.2.3 Pragmatic China policy and its impact on openness towards China investment inflows

The second property of the highly-tolerant context that promotes the approval of Chinese investment is the pragmatic China policy of Germany and Britain. Before 2017, both Germany and Britain followed a pragmatic diplomatic course toward China, that is, they emphasized economic cooperation while downplayed ideological controversy.

As is shown by the evidence, German chancellor Merkel since 2010 insisted on an engagement policy, featuring frequent state visits to China (10 times in 2008-2019, Deutsche Welle, 2021a), blooming Sino-German economic relationships and her resistance against the China scepticism mood even when this mood enormously increased after 2017 (Barkin, 2021b). Likewise, Sino-British relations since 2013 went along the track of the "golden era", and an unprecedented thriving bilateral economic cooperation. Even the leadership turnover when PM May took office in 2016 did not fundamentally terminate this China policy stance (BBC, 2016b; The Guardian, 2018). Apparently, this "pro-China" policy course prevailed in the two countries during the period.

The influences of this trend reflect in its continuity and change dynamic, creating both constraining and policy-learning effects on actors. Firstly, foreign policy follows the logic of historical institutionalism in having a self-reinforcing effect that constrains actors' policy choice thereafter (Morin and Paquin, 2018: 49-50; Kay, 2013: chapter 34). The pragmatic China policy did not occur in a vacuum but was a social outcome sustained by certain ideas such as China engagement strategic thinking and the identity of China as an economic partner, and interests, mainly economic interests in bilateral trade and investment, which in turn constrained actors' policy preference. Dynamically, preferences for the current policy were less likely to change unless the policy lead to or was faced with a crisis. As is shown in the above paragraph, decisive actors entrenched the continuity of this policy course even when faced with leadership turnover as in Britain, and increasing public opposition as in Germany. This fact indeed proves the key actors' commitment to maintain a pragmatic policy stance toward China, which was favourable for the Chinese investment.

Secondly, policy-learning provided another channel for the pragmatic China policy to shape actors' preference. Theoretically, this was because actors often made policy decisions based upon incomplete knowledge and information, and thereafter coordinated their preferences with the feedback of previous policies (Morin and Paquin, 2018: 48; Kay, 2013: chapter 36). Empirically, leader's willingness to maintain the same policy course was also caused by the lessons they learnt from their previous failed ideology-oriented China policy. German Chancellor Merkel in the early years of her term used to have explicit criticisms on human right issues in her China policy. She even put this stance into practise by meeting with Dalai Lama in 2008. But these caused Germany to suffer retaliation from China in the form of freezing the bilateral diplomatic and economic (especially trade) relationship thereafter (Fuchs and Klann, 2013: 166; Barkin, 2021b). Consequently, Merkel had to turn to the pragmatic engagement approach toward China. Four years later, the "Dalai Lama effect" happened again to British PM Cameron. To get out of the political tension after PM Cameron's meeting with Dalai Lama (Fuchs and Klann, 2013: 166; Barkin, 2021b), the PM turn to the "golden era" China policy that highlighted economic cooperation while downplaying ideological controversy with China (Reilly, 2017: 177; Foreign & Commonwealth Office, 2015). As such, pragmatic China policy is responded to relevant negative experiences.

Overall, the pragmatic China policy, as the second pillar of the high-tolerance social context, created a favourable social circumstance for Chinese investment. The general foreign policy stance of the recipient states did not have to be the only factor that determined specific decisions. However, it did serve as an overarching guideline for policy actors, in terms of China affairs, including investment. As a result, actors were generally encouraged to maintain a cooperative attitude toward Chinese investment when pragmatism dominated their foreign policy on China.

5.1.2.4 The international setting and its impact on openness towards Chinese investment

The volatility of the international environment also affects the potential for maintaining a highly tolerant social context towards Chinese investments: while the international environment before 2017 was less tense than that after, the year of 2017 marked the juncture when an adverse international environment against Chinese investment began to form. Therefore, this section will elaborate on the pre- and post-2017 situations sequentially.

In the pre-2017 situation, the less tense international environment helped maintain a highly tolerant social context for Chinese investment: (1) in the first place, this is marked by the fact that western countries have generally maintained a long-term engagement approach towards China in the context of deepening economic integration and globalization; (2) the critical political incidents, especially the 2008 global financial crisis (GFC), reinforced this approach as Western countries relied on Chinese funding, investment, and trade to recover from the GFC and the Eurozone crisis after 2010 (Tiberghien, 2021: 34).

To be precise, it is evident that Western countries have had a longstanding policy of engagement with China. The US's economic policy towards China followed a strategy of integration until President Obama's term (Poletti, 2018: 52), when it began to incorporate more competitive elements (Garrison and Wall, 2016; Zhang, 2022). In fact, it was during Obama's administration that the US began trying to contain China, ending its strategy of cooperation that had been pursued since the 1970s (Poletti, 2018: 52; Leoni, 2021). His overall China policy, marked by the "Pivot to Asia" policy, signifies a strategy of containment (Zhang, 2022). Nonetheless, the deviation of Obama's approach from the US's previous China policy, especially when compared to Trump's tough China policy that followed, was not particularly significant. Firstly, Obama compromised with China on a number of issues, including the South China Sea, cyber security, climate change, etc (Ljunggren, 2020). Secondly, the subtle change in America's China policy under Obama's presidency has not been strong enough to result in significant changes in the overall liberal international climate. On the contrary, Obama hedged against China through a liberal means, which paradoxically promoted the liberal international order and economic integration instead of reversing it. For instance, the proposed Transatlantic Trade and Investment Partnership (TTIP) pursued higher absolute gains through further liberalization and multilateral cooperation among Western allies in order to counterbalance China's economic rise (Poletti, 2018: 50). As such, Obama's strategy, if realized, could actually have created a more liberal and globalized world.

Furthermore, Obama's policy shift has not swayed its European allies' views on China, either. In Europe, there was neither a prevalent containment policy stance against China nor comprehensive protectionism towards Chinese investment before 2017. At the time, developed European countries continued their economic cooperation with China. Their more vigilant views toward China have occurred since around 2017 rather than earlier (Perthes, 2021: 57; Schüller, 2021: 124-133). For instance, the unified (inward) FDI screening mechanism for EU member states, established in 2019, has been originally initiated by Germany, France and Italy in 2017 (Corre, 2021: 144-145).

Also, the two European powerhouses, Britain and Germany, maintained an engagement strategy towards China for a long time. In Germany, the frequency of discussions on China within Germany's Parliament has sharply risen since 2017, indicating increased anxieties towards China from this time rather than before (Reimers and Brussee, 2021: figure 1). Also, it is said that the economic recovery from the Eurozone crisis was one of the decisive stimuli for German trade with China (Kundnani and Parello-Plesner, 2012: 2). In 2015-16, the main concern for Germany regarding inbound Chinese investment was "reciprocity" rather than security: German policymakers assert Chinese companies face fewer barriers when investing in Germany compared to German

companies investing in China. Hence, reciprocity was about reducing entry barriers for German firms' investment into China (Hanemann and Huotari, 2015: 35), rather than restricting Chinese investors' access into Germany. In the aspect of identity, Germany labelled China more as a trading partner than rival before 2017, Germany for a long time saw China as a "strategic partner" and stuck to the clear engagement approach of "change through trade (in German: Wandel durch Handel)" during Chancellor Schröder and most of Chancellor Merkel's term (Huotari et al., 2015: 30; Fulda, 2020). Similarly, Britain implemented a strategy of engagement with China that prioritized economic cooperation and downplayed ideological differences (Reilly, 2017: 177; Foreign & Commonwealth Office, 2015). It also constituted and maintained its "accommodating free trader" (Brown, 2018: 114), a partner identity of China (Foreign & Commonwealth Office, 2015) in PM Cameron's and most of PM May's term.

Moreover, it is clear that both countries shifted their engagement strategy and perception of China after approximately 2017, rather than before. For instance, the "EU three" (referring to the large founding members of the EU, including Germany) began to hold more of a threat perception from about 2016 (Larres, 2020: 105) and to apply the label of "systemic rival" toward China in 2019 (Burchard, 2019a). It has been argued that this shift was exactly triggered by the US's new National Security Strategy in 2017, which sees China as a "strategic competitor." (Malloy, 2017; Perthes, 2021: 57). This is because the US's policy repositioning resonated with Europe who suddenly realized their incompatibility with China on many issues, according to the evidence (Perthes, 2021: 61). Likewise, Britain began to label China as a "systemic competitor" after 2017 (UK Government, 2021: 26). According to a UK parliament report, it was exactly President Trump's tough policy shift toward China in this year which led to such a recalibration of China policy (including this identity shift) of Britain (International Relations and Defence Committee, 2021: 16). Obviously, these events have taken place since around 2017, when adverse international conditions emerged.

Above all, the pre-2017 situation witnessed a less tense international environment in which a highly tolerant social context for Chinese investment can be maintained more easily. This is evidently distinct from the post-2017 situation, which will be clarified further in this section.

In the post-2017 situation, however, the adverse international environment is characterized by an increased prominence of (friend-foe) identity politics, a growing hostile perception, and intensified power politics, which undermines the previously highly tolerant social context for Chinese investment.

The trigger in the first place was the election of Donald Trump and his "America first" policy in November 2016. The Trump administration shared the same goal of containing China's rise with Obama and many European allies, but relied on different means. His policy, characterized with a nationalist, anti-globalist and illiberal rhetoric, was distinct from Obama's "Pivot to Asia" policy of greater liberalization and denser multilateral cooperation network among western allies (Leoni, 2021: 230). As a result, Trump's policy brought some unprecedented changes to international relations: intensified geopolitical and ideological rivalries (Lippert et al., 2020), accelerated de-globalization (Tiberghien, 2021: 24; Ripsman, 2021: 1318), and the undermining of the liberal international order (Sharma, 2020: 83). Moreover, other US elites have also shifted to a tougher

stance towards China. For instance, the US elites' attitudes towards China changed significantly around the 2016 presidential campaign, with candidates like Hillary Clinton also seemed willing to change foreign policy course on China (Sutter, 2019).

Secondly, beyond Trumpism (as the trigger), the shifting balance of power constituted an adverse circumstance for Chinese investment. Scholars still have disagreements about the bipolarity of international power structure (Brooks and Wohlforth, 2016; Øystein, 2021). But they at least admit that the rising economic power of China and other developing countries has weakened or even ended the unipolarity of the US (Leoni, 2021). Consequently, this change in power structure created a multipolar world but with more confrontational interstate relationships (Layne, 2018; Wyne, 2022) and increased insecurity (Liff and Ikenberry, 2014).

Thirdly, several critical political incidents were auxiliary contributors to the unfavourable international climate for Chinese investment. For instance, Germany's response to the refugee crisis in 2015 and Brexit (2016) amplified the nationalistic mood in Europe (Lees, 2018; Martini and Walter, 2023). Furthermore, China's strategic actions, including the BRI (Belt and Road Initiative) project and the "Made in China 2025" industrial policy, have inadvertently contributed to the growth of China scepticism sentiment in Europe since 2018 (Tiberghien, 2021: 36). In sum, these auxiliary causes reinforced an adverse climate for Chinese investment.

Such changing international settings have both constraining and constituting effects on European recipients. First, the constraining effect primarily manifests through the US's influences in Europe, particularly in the UK, which are evident in multiple dimensions: Britain is the US's closest partner in politics, security, economy and diplomacy, reflecting the well-known "Anglo-American special relationship" (U.S. Embassy & Consulates in the United Kingdom, no date; Rees and Davies, 2019; Marsh and Baylis, 2006). Furthermore, the US is also the irreplaceable defence provider of Europe, retaining a massive military presence in Europe and underwriting the NATO security alliance with major European powers (Howorth, 2017; Forster and Wallace, 2007). Moreover, beyond NATO, close transatlantic relationships can also be seen in many areas as economics, governance, institutions, values and culture (Riddervold and Newsome, 2018; Smith, 2011). Indeed, the US and Europe share many similarities such as market economies and democratic political ideology and systems.

As a result, Trumpian diplomacy triggered European countries' re-alignment of their China policies after 2017. In precise, Trumpian diplomacy revived zero-sum thinking beyond Sino-US relations (Perthes, 2021: 59), and also impelled European countries to evaluate their interests in terms of China through a rivalry lens. Trump's coercive diplomatic style amplified power competition mainly with China but also other powers, putting pressure on European allies' to choose sides (Larres, 2020: 119-124). As a result, while Britain followed the US more closely after Brexit (Patalano, no date: question 1), European major powers had grown conscious of their vulnerability to over-reliance on either the US or China, and their strategic motivation was to pursue more solidarity with/among European countries and greater independence vis-à-vis other major powers (Tiberghien, 2021: chapter 2). As such, the direction of this policy alignment in both Britain and Europe created an adverse circumstance for inward Chinese investment.

Second, the international settings also affect recipients through the constitutive effect, primarily manifested in changing perceptions and identities of China in Germany and Britain. As discussed earlier, starting in approximately 2017, both countries began to view China as both a partner and a competitor. Britain began to label China as a "systemic competitor" (UK Government, 2021: 26), while Germany also began to see China as a "systemic rival" (Burchard, 2019a). The identity or perception shifts, as proved by several sources, were triggered by Trump's harder stance towards China that started in 2017 (International Relations and Defence Committee, 2021: 16; Perthes, 2021: 61).

5.1.3 The direct influence of specific security risks on actors

The social system not only exerts underlying influence (see above section 5.1.2) but also direct influence over actors (see this section 5.1.3). The underlying influence is approximately equivalent to the "control over socially distant others" and "control through diffuse social relations" (Barnett and Duvall, 2005), or the delayed, indirect and (maybe) unintended systemic effect (Jervis, 1998). As such, actors may be unaware they have been affected by this kind of influence when making policies. By contrast, the direct influence refers to the immediate and explicit influence the social system exerts over actors' preferences. Specifically, this influence is reflected in the perceived security risks of each Chinese investment case. On one hand, the risks constrain or enable actors' choice: the presence of security risks constrains actors' willingness to approve an investment, whereas its absence enables approval. On the other, actors as active agents either approve or dismiss the existence of security risks: they deal with the security related information of each case given by the social system, and perceive or calculate their interests in response. As a result, this two-way interaction between actors and their case-specific micro-level policy-making circumstances features in the core policy-making process.

However, this process may have two possible scenarios: first, actors may not be given security related information at all or can dismiss security risks after review, if there is indeed no objective security risk in a case. Second, security risks can also be subjectively imagined. Thus, actors may overlook the information or dismiss the risks because of subjective interpretations and perceptions. In the four relevant cases (EEW; KraussMaffei; Gardner; Northern) analysed here, security risks, no matter whether they objectively exist or not, barely feature.

5.1.3.1 EEW

Objectively, the evidence shows that security risks were unlikely to exist in the EEW case. Firstly, the security risk of technology diffusion is not evident for two reasons: first, EEW does own advanced emission control and garbage collection technology (Reuters, 2015). However, the technology itself is nothing special but is easily accessible from multiple suppliers on the international market even for free (Erling, 2016) Hence, just as a waste industry expert says, EEW is merely an operator rather than a high-tech company (Wei, 2016). The second reason, experts assert that BEHL was not interested in obtaining EEW's technology as part of the takeover. This was not only because BEHL's technology does not lag behind that of EEW by much, but also because EEW's technology could not be used directly in the Chinese market where a mature waste sorting system had still to be introduced (Wei, 2016). Therefore, BEHL's praise of EEW's technological

advantages may actually be a rhetorical tactic to advertise its own business success. This view is backed by another expert who regards the takeover as business oriented rather than technology seeking (Hou, 2022).

Secondly, the risk of foreign ownership of key infrastructure appears not to be present. First, the waste-to-energy sector EEW belongs to may not be sensitive enough to be a national security issue. EEW undertakes 4.7 million tonne of annual garbage disposal and energy supply for industry and 700,000 households in several European countries (Chazan, 2016). However, Chinese investors are indeed ubiquitous in Europe's waste and sewage industry, ranging from Germany (EEW and Alba), Netherlands (AVR), Poland (Novago) and Spain (Erling, 2016). Apparently, they could not be omnipresent if they give rise to outstanding security risks. Second, no evidence indicates security concerns about foreign ownership were ever triggered throughout the takeover. Rather, the transaction seems to be a normal acquisition where international investors are welcomed. EEW's candidate bidders included four international consortiums (Schuetze, 2016): BHEL (China), a consortium of Tianying (China) and Pingan (China), a consortium of Beijing Capital (China) and Steag (Germany), and the Finnish investor Fortum (China Tianying, 2016). BHEL eventually outbid three other candidates and became EEW's new owner. Obviously, the reality shows the bidder's nationality was not a security concern in the EEW takeover. Overall, it is very likely that the EEW takeover itself did not present any objective risks involving technology diffusion and foreign ownership.

Counterfactually thinking, it would be impossible for the German government to overlook security flaws if they were present. . First, the German government did not oppose the takeover, but rather approved it quickly, smoothly and in a quite straightforward manner: it only took less than a month instead of three, the standard review duration (Beijing Enterprises, 2016b). Second, German chancellor Angela Merkel as the key policy actor promoted the takeover: she and China's PM Li Keqiang witnessed the contract signing between EEW and BEHL and the Silk Road fund emerged as a financial sponsor for BEHL's takeover (Beijing Enterprises, 2016c; Silk road fund, no date). Third, the EEW case broke the price record of 1400 million euros for Chinese investment in Germany at that time (Handelsblatt, 2016a). However, in Germany most focussed on economic benefits and EEW's bright business future (Erling, 2016). Therefore, the lack of security concern established an "e Silentio evidence" that German government regarded the EEW case as an opportunity rather than a threat.

5.1.3.2 KraussMaffei

Similar to EEW, security risks were absent in the KraussMaffei case as shown by three arguments. First, KraussMaffei no longer had sensitive technology at the time of the takeover: it used to be a tank combat vehicle manufacturer a very long time ago. But in 1999 KraussMaffei sold this part of business and thereafter has had no affiliation with the defence industry (KMW, no date). Now the company is a leading machinery supplier for the plastic industry (KraussMaffei, no date; Deutsche Welle, 2016a). As such, it seems there could be no sensitive technology diffused as a consequence of the takeover.

Second, as in the EEW case, the takeover of KraussMaffei raised few security concerns, even though

it was the largest Chinese investment in Germany at the time. The purchase price (900 million €) topped the inward investment Germany received from China (Danlan, 2016b), although it was soon outdone by the EEW case a few months later. With such a record-breaking price, the investment immediately drew abundant attention from mainstream German media (Danlan, 2016b), such as *Der Spiegel*, *Frankfurter Allgemeine* and the *Süddeutsche Zeitung*. However, no evidence indicates that the German government ever had protectionist sentiment toward the takeover despite its salience. Like EEW, the government seemed to be "invisible" during the transaction. Indeed, the takeover only had the anti-monopoly review, a "normal" market review rather than the "extraordinary" security-driven review (Deutsche Welle, 2016a). Whether the government downplayed information on security, it made no security intervention at all so that the transaction went ahead smoothly.

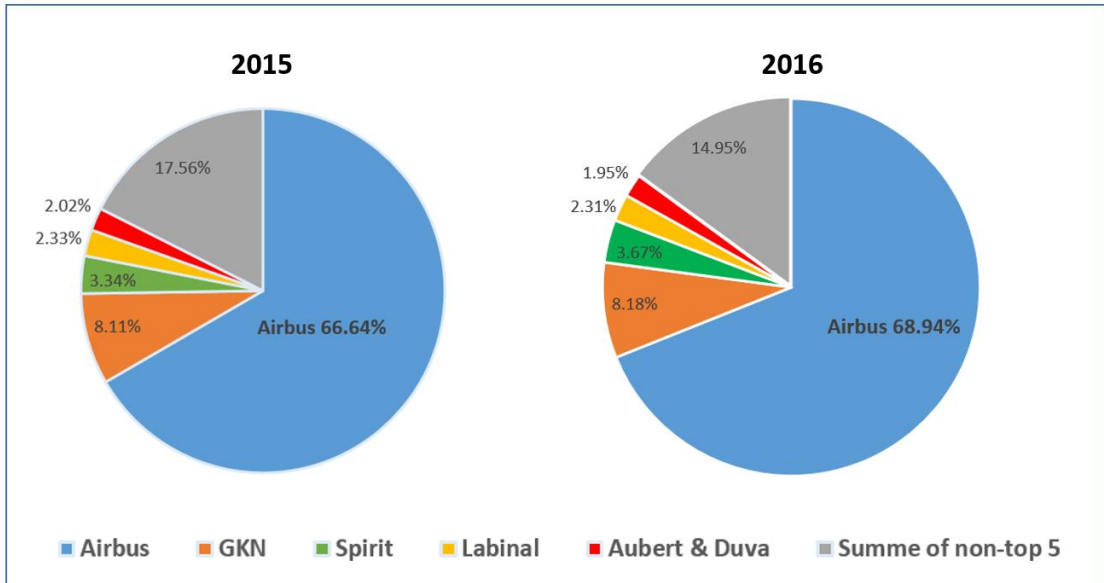
Third, the perspective of seeing the takeover as an opportunity rather than a security threat prevailed. For example, KraussMaffei's CEO Frank Stieler said optimistically that the bidder ChemChina could accelerate KraussMaffei's business growth in Asia and China, and consolidate its strength in Europe (Tsang, 2016). KraussMaffei's China branch CEO Christian Blatt emphasized the opportunities of the expanding Chinese market: the growing demand for automation exactly matches the field where the German machinery manufacturer has competitive advantage (Kanthor, 2016). In addition, it is also said the takeover could secure local employment, which is not only in the interests of labour and the unions, but also in the national interest of social stability (Spiegel, 2016a). Counterfactually thinking, if the investment cases did give rise to security concerns, the study expected the CEOs to say something about the concerns, typically using denial rhetoric to downplay the security threat since they welcome Chinese investors. However, in this specific case, no similar evidence has been observed, suggesting that security concerns have not arisen.

As in the EEW case, the evidence above indicates no outstanding security risks, real or perceived, in the KraussMaffei case. Therefore, the case seems very likely to have been a normal transaction in the acquisition market.

5.1.3.3 Gardner

Three pieces of evidence support the notion that security risks were dismissed in the Gardner case. Firstly, the supply chain security risks in this takeover were minimal. These risks came from Gardner's deep engagement in the supply chain of Airbus. In fact, Gardner was an Airbus approved tier-1 supplier (CNINF, 2017b: 197) in its 3-tier suppliers system, under which it receives parts from lower tiers for final assembly by Airbus (Aerospace Export, no date). Gardner also was a "global champion" in Airbus's detailed parts partnership programme (D2P) (Gardner Aerospace, 2021). Airbus contributed almost 70% of Gardner's sales in the two years before Gardner was overtaken by SLMR.

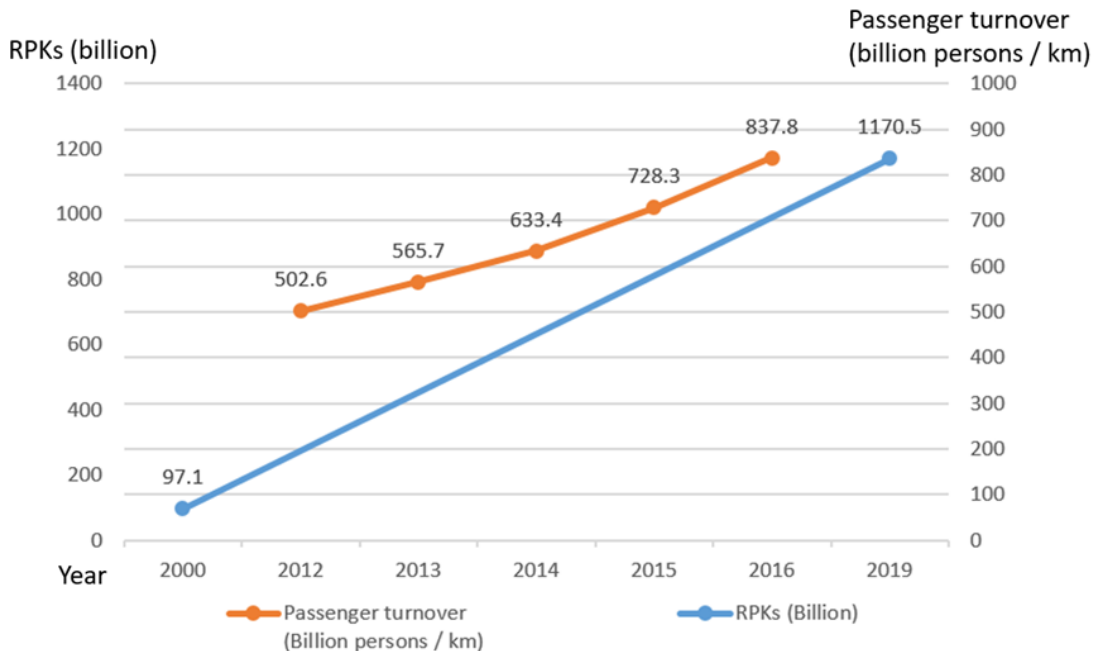
Figure 4: Sales share of top 5 customers of Gardner Aerospace in 2015 and 2016



Source: (CNINF, 2017b: 110)

However, the mutual reliance did not give rise to security risks, but motivated deepened cooperation between Gardner and Airbus, including this takeover. In fact, this transaction was mainly driven by the pursuit of commercial interest: China's rapidly growing aircraft market is attractive to manufacturers in the aviation sector. They gave a very optimistic market forecast in 2016 (Airbus, 2016a; Boeing, 2016a), as shown in figure 5.

Figure 5: China's aircraft demand



	Aircrafts demand	Growth rate of RPK
Airbus	5970	6.8% (world average: 4.5%)
Boeing	6810	6.2% (world average: 4.8%)

Source: (Airbus, 2016a; Airbus, 2016b: 51; Boeing, 2016a; Boeing, 2016b: 22; COMAC, 2020: 13; CAAC, 2017: 26). Notes: **Revenue Passenger Kilometres (RPK)** is a representative metric unit in the aviation industry meaning the number of kilometres travelled by paying passengers (AirlineGeeks, 2016). It is one of the most important indicators to measure the scope of (airline) traffic. **Passenger turnover** reflects the number of passengers transported by airline enterprises.

As Airbus's important business partner, Gardner kept close pace with Airbus's deepening engagement with the Chinese market. Only a month after the takeover, Gardner constructed its new flagship factory in Chengdu (CNINF, 2017a), and Airbus's new assembly line for the A330 model went into operation in Tianjin (Airbus, 2017; Reuters, 2017a). Indeed, Airbus encouraged Gardner to settle in China and helped the takeover pass the review of the French Economy Ministry (CNINF, 2017b: 50). Apparently, the mutual reliance led to optimism and deepened business cooperation, instead of subjective concerns and awareness of objective risks, disconfirming the supply chain security risks.

Secondly, evidence shows that security risks over technology and sensitive sectors were dealt with through mitigation measures. Undoubtedly, the takeover did have the potential to give rise to security risks: as is shown in the table 8, Gardner supplied aircraft parts not only for passenger planes, but also the military transport aircraft A400M for Airbus. More importantly, this model was also in service for the Royal Air Force (RAF) at the time of the merger (CNINF, 2017b: 98-100).

Table 8: Gardner as an aircraft components supplier

Gardner's Capabilities: machining, assembly, inspection and control, integrated logistics, processing and finishing, fabrication and sheet metal and engineering		
Aircraft Manufacture	Model	Gardner furnished parts
Airbus	A380	Structural parts ("longeron"; door; trailing edge of wing) and accessories (bracket; belt; sealing plate)
	A350	Structural parts (trailing edge of wings) and accessories (bracket; pin; "mount" part)
	A330	Structural parts (leading edge of wing; central structure kit) and accessories ("kraft" kit; cowl)
	A320	Structural parts (rib column; door; visual unit kit) and accessories (stair; hinge; bearing box; pin; belt)
	A400M	Accessories ("rolling pin"; "crown")
Boeing	B787	Key parts (engine assembly)
	B767	Structural parts (leading edge of wings assembly)
ATR (Airbus takes share)	ATR	Structural parts ("secondary structure" of cabin)
Dassault	Falcon 7X	Accessories ("mount" part)

Sources: (Gardner Aerospace; CNINF, 2017b: 98-100)

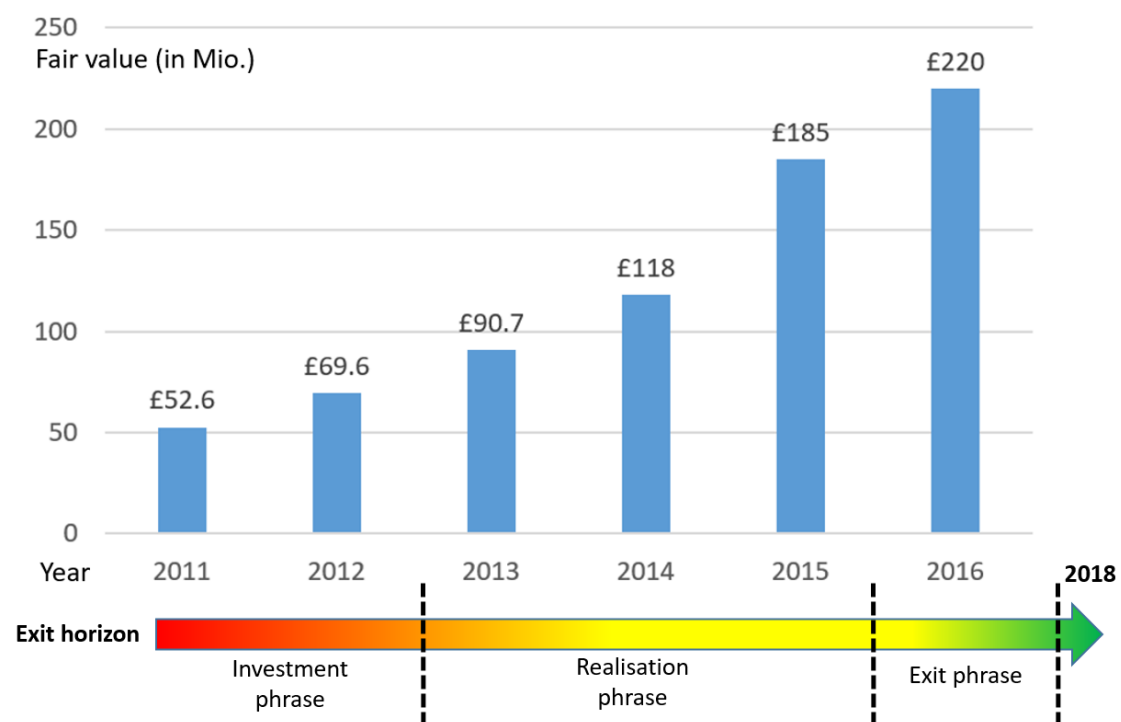
The British government identified these risks early. The "whistle blower" was a manufacturer from the aviation sector who warned the government about its concern over a component Gardner

fabricated (Millard and White, 2018). Moreover, the CMA report acknowledged it was told by MoD that the government did have concerns over SLMR’s potential access to the “restricted information” held by Gardner (CMA, 2018b).

Nevertheless, the authority indeed did not officially intervene in this case even though it "almost stepped in" to review it (Millard and White, 2018). Rather, they agreed on risk mitigation measures. Sources revealed that MoD indeed requested two "deeds to undertakings," meaning the letter of commitment the transacting enterprises gave to the authority, the security risks mitigation measures to be applied in the case, and it believed they were sufficient to protect British national security (CMA, 2018b). This evidence has two implications: either the objective security risks on sensitive information and sector were not severe and could be easily mitigated, or the mitigation measures as a useful placebo appeased the authority's concern. In any event, these security risks whether objective or imagined did not influence the outcome.

Thirdly, BECAP was driven by positive returns rather than bad business performance to sell Gardner to SLMR. This fact enhances the confidence that the takeover was just a normal transaction on the investment market.

Figure 6: Gardner's performance and BECAP's investment plan



Source: (BECAP, 2016: 12)

As is shown in the figure above, BECAP's investment plan was to exit in 2016, and the quoted price of £220 Million it evaluated for Gardner was 4 times more than the purchase price of £52.6 Million. Hence, BECAP was neither coincidentally nor being forced to sell Gardner due to commercial failure, but meant to quit at the end of the investment cycle with considerable returns.

Overall, the three pieces of evidence above indicate that security risks in either the supply chain or in the sensitivity of technology, sector or information did not affect the outcome. This enabled policy actors to allow the takeover to go ahead.

5.1.3.4 Northern

Like the Gardner case, the existence of security risks in the Northern case was dismissed by the policy actors. Firstly, according to a CMA investigation, plenty of alternative suppliers, even a household workshop, produce the same parts, named the "long-bed machined parts," as Northern (CMA, 2018b: 11). Thus, Northern had high substitutability in the supply chain and was indeed not technologically advanced. Furthermore, Gardner and Northern were complementary businesses: Northern specialized in the production of "long-bed machined parts", while Gardner could also produce this part with old technology, but focused more on the manufacture of the "short-bed machined parts" (CMA, 2018b: 11). This implies the takeover was more likely a normal investment in which Gardner "naturally" expanded its manufacturing capability.

Secondly, security risks referring to sensitive technology, information and the defence industry did not affect the outcome. As in the case of Gardner, the British authorities did notice the potential risks in the Northern case: Northern provided a confidential product to an anonymous defence/aerospace company for an unknown military transport plane (CMA, 2018a: 3). Also, Northern admitted that it did manufacture this product as well as two other categories of products, which were all recognized as "restricted goods" (CMA, 2018b: 7). More importantly, it was exactly the "national security public interest consideration" that gave Greg Clark MP the incumbent BEIS minister the reason to conduct a merger intervention through issuing a PIIN (Department for Business Energy and Industrial Strategy, 2018a). He acknowledged the decision to investigate the Northern case depended on representations received from the Secretary of State for Defence (Department for Business Energy and Industrial Strategy, 2018c).

Nevertheless, the same mitigation measures adopted in the Gardner case were applied again to Northern (CMA, 2018b: 20): MoD requested two "deeds to undertakings", referring to limited information access and security arrangements on audit, to be taken by Gardner in the Northern case. In this way, MoD was confident that British national security could be firmly safeguarded. This evidence indicates that, either there were not many objective security risks on sensitive technology so that they could be fully mitigated, or the authority subjectively believed the risks were nothing serious. Regardless of which of the two possibilities is true, the result was that the security risks were mitigated.

Overall, both supply chain risks and sensitive technology risks (being mitigated) were minimal in the Northern case. This enabled policy actors to approve the investment.

5.1.4 Diversity of actor-coalitions and policy results

This section illustrates the liberal-protectionist cleavage among policy actors that forms under the common effect of the given macro and micro social settings (see section 5.1.2-5.1.3) and relates the cleavage to the final policy results.

The cleavage came from the heterogeneous nature of socialization: though individual(s) are shaped by the social system, they are vital agents who interpret circumstances upon own knowledge, have own (heuristic) views, and take self-determined actions (Schmidt, 2008), which all can be heterogeneous; they can thereby either accept or resist socialization as a result of agency. As such, there is always some differentiation among actors in the degree of socialization, leading to the diversity of preferences: not only actors holding different preferences form a certain "pattern" of liberal-protectionist cleavage within a case, but also the patterns are case by case different.

More importantly, the pattern contributes to the policy result of each case because it indeed reflects the disparity of policy power and preference combinations, the winners and losers, formed in the process of policy making (Press-Barnathan, 2006): only policy claims backed by the winner coalition(s) survive and turn into the final policy.

In terms of empirical cases in this chapter, the liberals are all winning coalitions in each case explaining the policy results to approve Chinese investments: liberals dominated more powerful policy-making positions, whereas protectionists were absent or only occupied less powerful positions. The powerful liberals could either simply ignore opposition (if there was any) from protectionists, or partially absorb protectionists' policy claims into their liberal-oriented policies (e.g. approve investment, but with risk-mitigation measures).

The final decision to approve the investment of each case can be understood as the policy backed by the liberals' winning coalition, the policy as a social outcome "naturally" emerged from a complex network of interactions comprising actors' diverse policy claims and actions. Specifically, in KraussMaffei and EEW cases, protectionists are fully absent whereas liberals includes powerful policy actors (e.g. German government; German chancellor Merkel; EU commission, etc.) and a few non-policy actors (as coordinators smoothing the policy-making process). In Global Switch and Gardner cases, there are only a few protectionist non-policy actors (e.g. Sir Malcolm Rifkind, Admiral Alan West and Australia government for Global Switch; an anonymous aircraft parts manufacturer for Gardner), whereas liberals include important policy actors such as British PM Theresa May (in Global Switch case), BEIS minister Greg Clark MP and MoD (in Gardner case). Finally, in terms of Northern and Sepura, protectionist policy actors include several anonymous UK defence and security services (for both), the Home Office and some unknown governmental third parties (for Sepura). But the BEIS minister Greg Clark MP was the liberal policy actor who has power to make the final decision to approve both Chinese investments.

5.2 Two variations

The section demonstrates the two variations of the high tolerant social context mechanisms. The KUKA case (section 5.2.1) exemplifies the reluctant liberal logic, while the Cotesa case (section 5.2.2) reflects the deferred effect of the highly tolerant social settings currently in place.

5.2.1 KUKA

Starting with a brief case history, KUKA case concerns the Chinese electrical appliances manufacturer Midea group (Midea)'s bid for the German leading robotics manufacturer KUKA AG (KUKA). Midea started the takeover in August 2015 (Deutsche Welle, 2016b), gradually increasing

its share of KUKA from 13.5% in May 2016 to 76.4% in July; and 95% in August (Deutsche Welle, 2016d; Preisinger and Hübner, 2016; Handelsblatt, 2016b), and eventually completing the transaction in December 2016 (Deutsche Welle, 2016e). During this period, the German government failed in both of its two attempts to block the takeover. The first was in June when ministers failed to find European alternative bidders to substitute for Midea (Rinke and Schuetze, 2016). Then in August, government had to give up formal intervention against the deal because it could not find security risks in the preliminary review (Reuters, 2016k; Frankfurter Allgemeine, 2016a). Consequently, Midea successfully acquired KUKA in December 2016 (Deutsche Welle, 2016e).

After reviewing the case history, the section will first demonstrate similarities the case of KUKA shared with the representative mechanism, and then the differences. In fact, the KUKA case occurred under the same social context as representative cases: a highly tolerant macro situation and minimal security risks at the micro level. This view is strongly sustained by the following evidence:

First, the KUKA case occurred at the time when Germany still in a high tolerance macro social context toward Chinese investment, as shown in the figure 2 in section 5.1.2. In fact, protectionist sentiment in Germany began to emerge with the KUKA case. It is exactly the KUKA case which triggered the sentiment: learning lessons from government's failure to stop the takeover (Wrage and Kullik, 2022), Germans began to realize the mismatch between the government's intervening ability and the reality of Chinese takeover inflow. Since then, their desire to protect companies against Chinese takeovers has grown. Thus, policy actors in the KUKA case were not affected by future but previous social settings when Chinese investment was still highly tolerant.

Second, the highly tolerant social context exerted apparent constitutional effects on policy actors, especially the key actor, Chancellor Merkel. During the entire transaction, she insisted on a moderate liberal stance despite strong concerns raised by other ministers. For instance, she admitted efforts had to be made to resolve the KUKA issue without violating liberal market principles because "no one is prohibited to acquire KUKA in Germany", as she stated (Federal government of Germany, 2016e: 13). As a German leader, she even stood on the Chinese side to defend KUKA, saying that the case was nothing special but the same as previous takeovers because Midea just wanted to increase the KUKA shares it already owned (Federal government of Germany, 2016e: 13). These reflects Merkel's self-constraints following the liberal stance.

The effect also was reflected in other ministers and government's general attitude toward the KUKA case. For instance, German government rejected a rough interventionist approach, but tried to find a solution for the KUKA case within the legal framework and liberal market conventions (Federal government of Germany, 2016c: 40; Frankfurter Allgemeine, 2016c), by looking for German or European bidders like Siemens as alternatives (Rinke and Schuetze, 2016). Furthermore, the government, as least superficially and rhetorically, complied with liberal principles by saying that it was reviewing the case (if possible) in conformity with the law (Federal government of Germany, 2016d: 30) and would not enact "a KUKA law" (Frankfurter Allgemeine, 2016b), even though one year later it broke the promise by assigning more intervening power to the government

through legal amendment (Federal government of Germany, 2016a). As such, the government in KUKA case was very careful to avoid any possible violation of the rule of law and market principles.

Thirdly, the constraining effect of the highly tolerant social context can also be seen. It reflects the liberal principle of free capital flows embodied in the legal framework at the time, setting the standard or range on what kinds of investment can be blocked by the government. The German Economy ministry admitted it could not launch a formal intervention in the KUKA case not only because its intervening power had been limited to the strategically relevant sectors (e.g. telecommunications and hydropower) in which robotics at the time was not included (Deutsche Welle, 2016e), but also because the intervention could not just be based upon concerns on potential risks, but only on real and severe risks (Frankfurter Allgemeine, 2016a), which however could not be confirmed by the government (see next paragraph).

Fourthly, at micro level, policy actors dismissed the presence of objective security risks in the KUKA case. As mentioned in the above paragraph, the Economy ministry confirmed after a preliminary review, that they did not find any indications of "public order or national security risks arising from the takeover " and decided not to refer the case to formal intervention (Federal government of Germany, 2016c: 41; Reuters, 2016f). It was exactly due to the lack of security risks the government had to allow the takeover to go ahead.

All these above evidence clearly proves that the KUKA case has the core mechanism components (highly tolerant social context and disregarded national security risks) same as the representative mechanism (as shown in section 5.1). Nonetheless, KUKA reflects a variant mechanism with two outstanding differences: first, dominant protectionist coalition has formed despite the highly tolerant social setting; second, the protectionist coalition has nonetheless approved the investment reluctantly due to the limitation the highly tolerant social setting placed on their policy capabilities. In other words, the highly tolerant social settings ensure the KUKA to be approved not by shaping ruling actors' liberal policy preference but by restraining their intervening capabilities.

In precise, contingent actors kept a single and unanimous coalition consisted of the Christian Democratic Union (CDU) and Social Democratic Party (SPD) instead of forming any cleavage throughout the takeover. But the coalition attitude has shifted: at the beginning, the dominating coalition intended to approve KUKA like what they usually did in other early Chinese investments (Rinke and Schuetze, 2016): they had neither reason nor actual intentions to change the liberal stance (Taylor and Burger, 2016; Nakamura, 2016). But since then the actors began to have concerns with the investment. The government itself admitted it regards KUKA takeover as "not worrying, but noticeable" and understands KUKA's strategic importance to German industry (Heller and Prodhan, 2016). An insider even disclosed the government indeed had stronger concerns than what it stated to the public (Reuters, 2016d; Delfs and Donahue, 2016). This attitude shift also led to the government's efforts to assess KUKA takeover's impact on German industrial digitalisation (Rinke and Schuetze, 2016), find alternative European bidders (Heller and Prodhan, 2016), and persuade KUKA only sell the half of its shares (Reuters, 2016k). Hence, KUKA case variates from the representative by having protectionist ruling coalition despite the same tolerant social setting.

But the protectionist actors can only exercise their agency within the limitation (mainly constraining, but a little bit constitution) of the highly tolerant social setting. Following points clearly present that they are eventually incapable of turning the protectionist attitude into policy. First, the German government can only attract rather than enforce European firms as alternative bidders. However, it was eventually frustrated by the fact that European candidates (e.g. Siemens and an unknown German automobile company) rejected the government's overtures (Federal government of Germany, 2016b: 12; Reuters, 2016g; Reuters, 2016i).

Second, the government can merely suggest KUKA to sell minority of shares to Midea, whereas KUKA's stakeholders can easily refused this suggestion (Reuters, 2016k; Magenheim, 2016). Third, despite conducting a preliminary assessment, German government could not confirm any objective security risks in the takeover (Reuters, 2016k). This assessment result constraints actors to block KUKA takeover mostly because the legal framework at the time did not allow the authority to formally investigate and block an investment upon speculative security risks (Federal Law Gazette of Germany, 2013; Buzer.de; Wrage and Kullik, 2022; Federal Ministry of Justice and the Federal Office of Justice of Germany: section 55a). In sum, the highly tolerant social setting undermined protectionist actors' intervening capabilities.

Moreover, the German government at that time can only express its favour of European bidders for KUKA, but cannot explicitly saying its objecting attitude to the Chinese bidder (Reuters, 2016d; Heller and Prodhan, 2016). This fact reflects constitution effect of the highly tolerant social setting on KUKA.

5.2.2 Cotesa

This section also contains three parts: reviewing the case history briefly, demonstrating the similarities and distinction of this case with the representative mechanism.

The Cotesa case refers to the Chinese specialty metals producer Advanced Technology & Materials (AT&M), backed by the state-owned enterprise China Iron & Steel Research Institute Group, bidding for the German company Cotesa, the composite-fiber parts supplier for aircraft and automobile (Hofmann, 2018; Cotesa). After the AT&M and Cotesa reached the agreement about the deal in September 2017, the Economy ministry of German government launched the investment review against the takeover in December (Steinvorth, 2018; Reuters, 2017b). After a long review period, the takeover has been approved by German economy ministry in April 2018 and eventually completed in May (CNINF, 2018).

Compared to representatives, the most significant distinction of Cotesa is that it occurred after the climate toward Chinese investment has become stringent in Germany. It is an "after KUKA" case which occurred in September 2017-May 2018. However, German's protectionist sentiment grown since KUKA has led to the AWW's 9th amendment taken effect in July 2017 (Federal government of Germany, 2016a), the milestone of tightented scrutiny and protectionist mood against foreign investment. In fact, Cotesa was the first case being reviewed and approved by German government since the legal amendment (siyuankuner, 2018). Apparently, Cotesa is a positive case in a social context no longer favourable to Chinese investment.

It seems the social context change only enhanced German actors' intervening ability but did not affect their preference. Even if before the 9th amendment of AWV, German government already obtained enough power to intervene cases like Cotesa. Now the amendment has even expand government's power by allowing longer investigation time with 3 months in extra (Steinvorth, 2018). In addition, the micro-level policy-making circumstance also enhanced government power: there was about 30 alternative bidders for Cotesa so that government would suffer no cost if reject the Chinese investor (Airliners, 2018; Spiegel, 2018).

Yet actors' preference was barely affected by the social context change. German government continued its previous liberal stance toward Cotesa, even though it has more intervening power and calculate or perceive its interests in an already formed unfavourable context toward foreign investment. After AWV's amendment in July 2017, German government had defacto protectionist turn by rejecting the Leifeld case in August 2018 (BBC, 2018a; Miao Zi, 2018), four months after approving Cotesa. This fact that German actors' preference turn lag behind the social context change (in Cotesa case) reflects the "deferred effect" mechanism variant.

In precise, key policy actors including German's economy, foreign and defense ministries and the Chancellery commonly conducted the investigation of Cotesa (Steinvorth, 2018), motivated by concerns over technology diffusion and foreign ownership of critical enterprises (Chow, 2018; Reuters, 2018a). Six months later, the government approved Cotesa by concluding that no security risks have been found (CNINF, 2018). The research believes German government made this conclusion upon subjectively perceived interests more likely than objective interests because of the quasi "smoking-gun" evidence: as an unnamed German official said, approving Cotesa is only an exception (Spiegel, 2018), implying German government will no longer tolerate subsequent cases like Cotesa. Just as expected, the government did reject Leifeld case a few months later, which was the first case to be blocked since the AWV's 9th amendment, the tightened regulatory framework being introduced. The "deferred effect" mechanism could exactly provide a reasonable explanation: Cotesa occurred in the transition period when the social context turned to less tolerant toward Chinese investment. It is apparently more in line with the real-world situation to assume that actors' preference would gradually adapt to the social context change instead of inverse abruptly. Therefore, German policy actors in Cotesa case were not that ready to change their liberal preference shaped by the previous highly tolerant social context for a long run.

Chapter 6 The economic incentives mechanism

This chapter demonstrates how the economic incentives mechanism operates in empirical cases. As the second positive mechanism (beyond the one in chapter 5), it covers one representative case of Hinkley (section 6.1) and a variant case of Germany's Huawei (section 6.2). In short, the mechanism highlights specific economic incentives in particular Chinese investment cases, establishing outstanding selection pressures that directly constrain policy actors' conscious calculations or perceptions of their interests. Under such pressures, the liberal coalition among policy actors is more likely to emerge and become powerful than that of hardliners. As a result, the liberal policy option is more likely to remain, while its protectionist counterpart is discarded, leading to the approval of the investment. Obviously, this mechanism reflects the insights of the trade-domestic coalition approach (Rogowski, 1990), commercial liberalism (Moravcsik, 1997) and complex interdependence (Keohane and Nye, 2012), which all highlight economic incentives as a relevant stimulus for policy-making.

Such a mechanism can explain the acceptance of Chinese investors in the representative Hinkley case and the slightly varied Huawei Germany case. In the Hinkley case, potential electricity deficits, lack of funding, reliance on foreign builders, sunk and opportunity costs, and potential reputational loss all make for strong economic incentives that forced Britain to approve the Hinkley project because they would otherwise have suffered unacceptable economic loss. In the Huawei Germany case, the decisive economic incentive is indirectly derived from Germany's overall national economic interests, as the German national economy, in particular its pillar industry of automobiles, is heavily reliant on China. This is because such existing bilateral economic ties can motivate states to avoid potential opportunity costs caused by deteriorated interstate economic or political relations (Zeng, 2023), and the Huawei case occasionally being a highly politicized issue in developed countries, influencing their economic relations with China.

Overall, avoiding potential economic losses is the primary motivation that constrains decision makers' policy choices in both the Hinkley and Huawei Germany cases. In the following sections, further details and evidence will be presented to further illustrate these two cases.

6.1 The representative case of Hinkley

This section demonstrates the operation of economic incentives in the representative case of Hinkley. After a brief overview of case history in section 6.1.1, section 6.1.2 reviews relevant economic incentives embedded in-depth in the case, while section 6.1.3 presents other ancillary influences of the social context. Afterwards, section 6.1.4 assesses the diverse effects of such influences on actors by looking at actors' agency in their policy-making practices. Eventually, this sub-section concludes that policy results from the balance of liberal and protectionist influence among relevant actors.

6.1.1 Overview of case history

The Hinkley case addresses the involvement of the Chinese nuclear investors consortium led by China General Nuclear Power Corporation (CGN) with China National Nuclear Corporation (CNNC) and the French nuclear manufacturer Électricité de France S.A (EDF) in the construction of the

Hinkley Point C (Hinkley) nuclear power plant in the UK. In the following, CGN will be used to represent the Chinese part of the consortium because CNNC played an insignificant role in Hinkley project (Chinese government, 2016).

The complex storyline can be simplified to five critical moments. First, the Hinkley project can be traced back to the former PM Blair's UK energy policy review in 2005 and the policy decision to build a new nuclear power plant for Britain's future energy supply (Wintour and Adam, 2006). Meanwhile, the possibility of Chinese investors' involvement in Hinkley emerged for the first time in 2012, when Britain began to contact Chinese nuclear industry for the construction of British nuclear plants: sources have confirmed that ministers and officials from British energy department have met with officials from China's nuclear industry to discuss the possibility of involving Chinese nuclear firms in the construction of reactors in Britain (Macalister and Harvey, 2012).

Second, in 2013, the energy minister Edward Davey gave official permission for EDF to construct and operate Hinkley (Department of Energy and Climate Change, 2013b; BBC, 2013), and a commercial agreement was reached. At the same time, the Chinese investor (CGN) became a potential participant (Carrington, 2013; Chazan, 2013) and began negotiations with British government (Osborn, 2013).

Third, in 2015, the Cameron government officially accepted CGN as a minor stakeholder to take part in the Hinkley construction with EDF (Department of Energy and Climate Change, 2015). After EDF eventually decided to proceed despite some financial and technological pressures (The EDF group, 2016; The Guardian, 2016), it fell to the British government to grant final approval.

Fourth, in July 2016, the new PM May's government suddenly suspended the approval just a few hours before the previously agreed signing off meeting (Holton, 2016). Britain reassessed the investment over security concerns about CGN, representing a policy U-turn (Holton and James, 2016).

Finally, in September 2016, the May government eventually approved the Hinkley project including CGN's involvement, after 6-7 weeks re-evaluation and upon the introduction of several risk mitigation measures (Department for Business Energy and Industrial Strategy, 2016).

6.1.2 Relevant economic incentives

This section reviews relevant economic incentives directly constraining actors' policy-choice in the Hinkley case. There are four economic incentives which matter: the potential electricity deficit, financial pressure, technological reliance and sunk, opportunity and audience cost. These conditions forced the UK Government to approve CGN's involvement in the Hinkley project because they otherwise would have suffered unacceptable economic loss.

6.1.2.1 Potential electricity deficit

Britain's potential electricity supply deficit was the most prominent constraining conditions to affect actors' policy making in the Hinkley case. The declining capacity of nuclear power generation raised the risk of the possible shortages. Nuclear power has been a relevant component of

electricity generation in Britain for a long time. As the third largest fuel type for electricity generation after coal and gas, nuclear power contributed about one-sixth to Britain's annual electricity supply in 2008-2013 (Department for Business Energy and Industrial Strategy, 2013). However, the capacity has declined persistently since 1990 and is anticipated to drop by half in 2025 due to the decommissioning of aging reactors (Haves, 2021). Yet over the period 1980-2012 demand rose significantly from around 250 up to over 350 terawatt-hours (TWh) (Department of Energy and Climate Change, 2013d: 29).

The deficit exerts a strong constraining effect on actors' policy preferences. It is a kind of "hard" constraint on the pure material forces (e.g. electricity, gas, oil) which form part of the actors' external social system. This is because these resources sustain the normal operation of the modern society. According to the UK energy in brief report (Department of Energy and Climate Change, 2013d: 29), households, industries and services sectors each consume around one third of the generated electricity in Britain. If all or even some parts (e.g. the one sixth contributed by nuclear power plants) of the electricity generation capacity were absent, Britain would endure unaffordable social and economic consequences.

As such, building up new nuclear power plants (Hinkley C included) to make up for a potential electricity deficit and secure future electricity supply was necessary to secure the energy supply structure. The functional need of electricity supply prevailed over other concerns (e.g. costs of building up new plants) and provided the strongest and decisive motivation for policy actors in the Hinkley case. Unsurprisingly, relevant government officials supported the Hinkley project. For instance, the PM Cameron commented that the construction of Hinkley C power station would fulfil "future energy needs" and "longer term security of supply", and the Energy Minister Edward Davey said the Hinkley C project could "increase energy security and resilience" (Department of Energy and Climate Change, 2013c).

Davey further explained that his decision to permit the Hinkley C construction was motivated by the prime goal of pursuing a clean, diversified and secure energy supply for Britain (Department of Energy and Climate Change, 2013b). He also confirmed the government's target of securing future electricity generation capacity (Wintour, 2013a; Rustin, 2013), and the Hinkley C project represented the government's promise to cement Britain's energy security through building up a new generation of nuclear power plants as the substitute for current aging stations (Department of Energy and Climate Change, 2013a).

Even PM May's government who had concerns over security and cost admitted Hinkley's contribution to Britain's energy supply. Approving Hinkley highlighted the government's effort to secure diverse and sufficient electricity for the future (Department for Business Energy and Industrial Strategy, 2016). Also, the BEIS minister Greg Clark said he clearly understood Hinkley's importance for Britain's future energy security (Department for Business Energy and Industrial Strategy, 2016). A government spokesman also actively supported Hinkley's benefits to consumers and electricity supply (Reuters, 2016h).

In sum, the condition of a potential electricity deficit shaped Blair's, Cameron's and May's

governments' preference for nuclear power plant construction including Hinkley. The three British PMs varied on many issues (e.g. tolerance toward foreign investors' involvement in Hinkley, external policy-making context, personal beliefs), but all intended to proceed with its construction. This is exactly because making up the electricity deficit was a functional needs they had to fulfil, and so became the target of highest priority. Therefore, their policy decision primarily served this goal even at the cost of other secondary ones (e.g. security concerns over CGN's involvement, high construction expenditure, etc.). This pressure, as discussed in the above paragraphs, also affects PM May's consideration to approve CGN's involvement because the rejection would otherwise cause the Hinkley project to be placed on hold.

6.1.2.2 Financial pressure

Financial pressure also forced Britain to recruit CGN as an additional sponsor to fund Hinkley's construction. EDF was facing a heavy financial burden throughout Hinkley's construction. In 2015, the project was expected to have a construction cost of £18bn (The EDF group, 2015). The financial pressure (and technological challenges) even caused the French manufacturer once to consider abandoning or postponing the Hinkley project (Lichfield, 2016b).

Meanwhile, this pressure can also be seen from Britain's efforts to fund EDF in various forms: for instance, the British government gave EDF de facto subsidies in the form of setting a fixed electricity price (the "strike price") of £92.50 per megawatt hour, twice the market price for electricity at that time, in the initial commercial agreement signed on the 21th October 2013 (Wintour, 2013a). Then in 2015, another £2billion governmental guarantee was given to relieve EDF's finance pressure from the Hinkley project (Phillips et al., 2015).

In this context, Britain involved CGN in the Hinkley project because the Chinese investor was an indispensable financial sponsor of the project. In 2013, the British minority stakeholder Centrica abandoned its ownership of a 20% share of Hinkley and withdrew from the project (Schaps and Turner, 2013). At the time Chinese investor(s) speculated about filling the gap as successors (Carrington, 2013; Chazan, 2013) and negotiations among the Chinese investor(s), EDF and Britain were still on-going (Osborn, 2013). According to an EDF report on the Hinkley project partnership structure at that time, EDF as the "responsible designer" was about to take a 45-50% share, followed by the Chinese investor(s) occupying around 30-40% in common, while a French nuclear company AREVA owned 10%, leaving up to 15% for potential partner(s) to be determined (The EDF group, 2013; Wintour, 2013b). In 2015, it was eventually agreed that the CGN-led Chinese investors would joint EDF as minority stakeholders with 33.5% (The EDF group, 2015).

Britain and EDF could not proceed with the Hinkley project without Chinese investors' participation. EDF failed to find other investors throughout the entire planning and preparation phases, and thereby would have to take most of the financial pressure if did not recruit the Chinese investors (Lichfield, 2016a). It is also reported that, if Chinese investors had quit, British government would have had to hold about £6bn stakes of Hinkley (Yurman, 2016). Moreover, the Hinkley project might have collapsed early in 2013 if the Chinese investor(s) had not stepped in to fill the gap left by Centrica's withdrawal (BBC, 2014a; Macalister, 2014).

Therefore, financial pressure forced Britain to keep the door open to foreign investors, including from China, in the case of Hinkley. CGN was a proper candidate to help Britain to mitigate the financial pressure: as a reliable, experienced and long-term cooperation partner with EDF, CGN undertook about one-third of the total investment price especially when the Hinkley project was persistently short of funding (Macalister, 2014; Macalister, 2015; Clercq, 2015). As long as Britain still stuck to nuclear electricity to resolve its future power deficit, and still intended to proceed with the Hinkley project, it needed CGN to make construction feasible (Davies, 2016).

6.1.2.3 Technological reliance

Britain's approval of CGN was also motivated by its severe reliance on foreign technology (including CGN) to build Hinkley. Britain at the time was incapable of designing and building a nuclear power plant itself. Due to the recession of the British nuclear industry, Britain lacked the mechanical skills and manufacturing and management know-how to implement the Hinkley project, including the construction, operation and maintenance of new reactors (House of Commons Energy and Climate Change Committee, 2013: 28). Instead, the new reactors to be constructed in Hinkley were fully designed by EDF using "French" nuclear technology (The EDF group, no date).

Indeed, CGN has expertise in manufacturing and management know-how for nuclear reactors. Except for one of the Taishan power plants constructed jointly with CGN, EDF's other reactors (including Hinkley and two in France and Finland) using similar technology all suffered delays in their target construction completion deadline due to newly emerged technological problems (Lichfield, 2016a). Thus EDF relied even more on CGN's expertise in the Hinkley project, because the Taishan station was the only one using EDF's new technology already in operation (Clowes, 2020). Although there has been some skepticism over the involvement of Chinese workers and materials in the construction of the Hinkley project, which has been denied by EDF (Taylor, 2020), it is clear that CGN owns the necessary know-how for constructing nuclear power plants (Farah, 2016).

Third, for the two reasons above, it was economically not worthwhile for Britain to construct Hinkley on its own. As mentioned above, even EDF faced technological challenges in construction. Britain could not have built it on its own, but it obtained absolute gains by relying on EDF and CGN: not only gaining French (and Chinese) technology and Chinese funds to cultivate British (nuclear) industry and create thousands of jobs, but more importantly constructing a British nuclear power station(s) to consolidate its energy supply security (Wintour, 2013a).

6.1.2.4 Sunk, opportunity and audience cost

Upon a historical understanding, policy actors are also constrained by sunk, opportunity and audience cost embedded deeply in the case story. As is shown in section 6.1.1, the Hinkley project can be traced back to Britain's 2005-6 decision to build nuclear power plants. From its initiation, the case witnessed the turnover of 4 British PMs (i.e. Blair, Brown, Cameron and May) over the time span of more than a decade. Plenty of visible costs (e.g. fixed assets, personnel, financing) and invisible costs (e.g. patent, design, intellectual capitals, training, administration, negotiation) s had been already invested in the Hinkley project. Meanwhile, both markets (e.g. EDF and CGN, financial investors, investors in related industries and sectors) and political actors (French and

Chinese officials, opposition parties, etc.) were expecting and prompting the PM prop up Hinkley. At the G20 Summit press conference in September 2016 the PM publicly committed to make the final decision on CGN's involvement in Hinkley within the month (UK government, 2016). Moreover, when it came close to final investment decision, making a major or thorough reverse of the Hinkley project (e.g. refusing CGN's involvement; abandoning the entire Hinkley project; overriding nuclear in favour of traditional thermal or renewable energy) was no easier than sticking to the current plan. As such, the PM's agency was indeed largely limited by all the above costs.

6.1.3 Ancillary influences from the social context

British actors' policy preference (e.g. to approve Hinkley) was not only significantly affected by economic incentives (see section 6.1.2), but also benefited from the highly tolerant social attitude toward Chinese investment at the time. In this mechanism, the influence from the macro social context, though not the key condition, could also exert ancillary impacts. The following paragraphs will present several main dimensions.

First, the Hinkley case occurred before the general social context became adverse toward Chinese investment (details see section 5.1.2). In Britain, tolerance declined after the Enterprise Act 2002 amendment in June 2008 (The Enterprise Act 2002: Section 23 and 23A). Internationally, the US-China trade war burst out in 2018 and provoked wide-ranging vigilance toward Chinese investment. But the key decisions of the Hinkley case occurred between 2013 and the end of 2016, falling in a beneficial period for Chinese investment.

Second, Britain's pragmatic China policy at the time also favoured CGN's involvement in Hinkley (see section 5.1.2.3). For the Cameron government, the background was Britain's U-turn in China policy: before 2013 the policy can be labelled "ideological free trader", which means keeping closer business ties with China despite putting pressure on it over ideological issues (Brown, 2018: 104-105). The landmark event was PM Cameron's meeting with the Dalai Lama in May 2012 which resulted in China's immediate retaliation by downgrading the bilateral relations commercially and diplomatically (Reilly, 2017: 177).

Then in 2013, the China-Britain relation got back on track after the PM promised to keep distant from the Tibetan spiritual leader (Watt, 2013) and, as a return on such a policy reorientation, witnessed considerable business deals during his state visit in Beijing (Reilly, 2017: 177). Influenced by Chancellor Osborne (Sudworth, 2013; Breslin, 2017: 76), Britain in 2013 shifted its China policy to that of an "accommodating free trader": doing good business while downplaying normative divergence (Brown, 2018: 92). Consequently, both countries in 2015 embraced the "golden era" of their bilateral relation, reaching a series of deals on economic cooperation including the Hinkley project.

For the May government, strong inertia of the "golden era" China policy overcame the difficulties which some negative external factors placed in the way of the Hinkley project and even the Sino-British relations. The leadership turnover happened in Britain when the Hinkley project was about to be approved, and the new PM May was personally sceptical of too much openness toward Chinese investment (Holton and James, 2016; Boffey, 2016). She was unsurprisingly less motivated

to approve Hinkley in haste, since it was a project she disliked decided by a previous government. Rather than rejecting it, she suspended the approval procedure to allow herself more time to review the transaction (Ahmed, 2016; Watts, 2016). However, despite speculation that the new PM would re-orient China policy, the current "golden era" course was resilient. In a public speech at the G20 summit in 2016, PM May restated her support for the "golden era" (BBC, 2016b; James et al., 2016). The continuity of such a China policy was also beneficial to the approval of Hinkley. The PM approved Hinkley because it otherwise might come at the cost of worsened bilateral relations and reduced business opportunities (Deutsche Welle, 2016c).

Third, the positive intergovernmental interactions created a favourable political setting for the approval of CGN's involvement in Hinkley. For instance, China and Britain signed the Memorandum of Understanding on bilateral nuclear cooperation in 2013 (HM Treasury, 2013b; HM Treasury, 2013a) and updated that to an agreement in 2014 (Department of Energy and Climate Change, 2014). Further, The CGN-EDF joint construction agreement for Hinkley (Department of Energy and Climate Change, 2015; The EDF group, 2015) was signed during President Xi Jinping's state visit to the UK in 2015 (UK government, 2015; BBC, 2015). These political settings all paved the road for Chinese investment's participation in Hinkley (UK Government, 2013b) and the decision to proceed with the project.

In sum, from a historical-sociological view, Britain's policy on Chinese investors' involvement in Hinkley was affected by the social and political background at the time, even though in an ancillary manner. The continuity of Britain's cooperative China policy course, the highly tolerant international attitude toward Chinese investment, and institution building on Sino-British nuclear cooperation, created an advantageous environment for the approval of Hinkley.

6.1.4 Balance of actor-cleavages and policy results

Despite being in the same social settings (see section 6.1.2-6.1.3), actors had diverse policy preferences (e.g. from liberal to protectionist stances) on CGN's involvement in Hinkley, and like-minded actors thereby teamed up as informal coalitions. Meanwhile, actors from such coalitions had different abilities to influence Hinkley policy-making. Put together, the final policy result emerged from complex interactions of such actors with imbalanced strength. In the following, details will be given to present who these actors were and what they did in Hinkley case.

6.1.4.1 The liberals

In the Hinkley case, actors with a liberal stance toward CGN's involvement in the Hinkley project included important/core cabinet members who were powerful enough to turn their preferences into relevant policy-making activities.

First, the energy minister Edward Davey, an enthusiastic proponent of the UK's energy transformation, showed a very optimistic attitude toward foreign investment by anticipating "massive" investment from China, Japan and Korea possibly flowing into the nuclear and other sectors in Britain (Green, 2013; Osborn, 2013). The minister recognised Chinese companies' good safety record in operating nuclear stations and offered his welcome to any (foreign) companies' investment in the UK, as long as they complied with government regulations and were capable of

providing safe nuclear power (Department of Energy and Climate Change, 2013a). He also regarded cooperation with China in the nuclear field as an "exciting development" (HM Treasury, 2013a) bringing benefits to Britain's nuclear energy transformation (Department of Energy and Climate Change, 2014).

The minister also took essential actions to promote the Hinkley project, including recruitment of Chinese investors. For instance, the minister engaged in the negotiation with a Chinese company whose name was unknown at that time (13th October 2013) on the Hinkley project investment (Osborn, 2013). In another instance, he made efforts to shape the dominant discourse and view among politicians of the Liberal Democratic Party which was part of the coalition government at that time: he actively persuaded his fellow liberal democrats to accept the nuclear option, as a consequence of which the party members voted to approve atomic energy in a party conference in September 2013 (Mason, 2013). Afterwards, nuclear power won the green light from ministers of the coalition government who agreed to sign off the initial commercial deal on the Hinkley C project (Wintour, 2013b). This view later turned to the department's policy stance: at least in the energy and climate change department, it was quite clear that Britain would develop nuclear to cement future energy security (BBC, 2014b). This clearly indicates Davey was a liberal entrepreneur who applied "foreground discursive abilities" (Schmidt, 2008) to expand liberal coalitions on Hinkley.

Second, the UK chancellor George Osborne, also advocated an open attitude toward foreign investment in Hinkley. He believed funding from foreign (Chinese) investors could cover the massive cost of such a large infrastructural construction project so that the British government could reach the target of securing future energy supply without overdrawing the accounts of British taxpayers (Ruz, 2015). He even announced a UK government position to allow Chinese nuclear companies' to enter the British nuclear electricity market and even to take majority stakes in the future (HM Treasury, 2013a). Meanwhile, he accepted that an improved relationship with China would be in the public interest (Phillips et al., 2015).

Osborne also made his own contribution to Chinese investment's participation in Hinkley. The Chancellor actively engaged in the process when EDF was seeking Chinese investors to share the high cost of constructing Hinkley (Peston, 2013). He went on a state visit to China in 2013, visited the CGN operated Taishan nuclear station which uses EDF technology and was jointly built by EDF and CGN, and while there he praised the potential opportunities of Britain-China civil nuclear cooperation (Grammaticas, 2013). On another state visit to Beijing in 2015, he repeated his support for China's involvement in Hinkley by calling it a "triple-win" (Phillips et al., 2015).

Third, energy minister Amber Rudd, successor to Davey, also highly praised Chinese investment in Britain's new nuclear power stations in 2015, resonating with the British government's embrace of China in the nuclear sector (Pamilih, 2022).

Fourth, two British PMs were also supportive of China's involvement in Hinkley. Cameron acknowledged the potential benefits of the Hinkley project in creating more jobs and reliable low-carbon electricity (Department of Energy and Climate Change, 2015; Wintour, 2013a). His

leadership also contributed to the emergence of Britain's pragmatic China policy of the "golden era", and the bilateral nuclear cooperation agreement (as discussed in section 6.1.3). PM May was a "reluctant" liberal toward China on Hinkley (details see the section 6.1.4.4). Nonetheless, despite delayed approval and stringent entry conditions, she eventually gave the green light to Chinese investors' involvement in Hinkley and thereby can be seen as a liberal actor.

6.1.4.2 The protectionists

Contrary to the liberals, the protectionists merely include peripheral actors who were less powerful to shape the policy on Hinkley.

Protectionists have national security concerns over Chinese companies' involvement. For instance, the former Downing Street energy policy director Nick Butler claimed Chinese companies may hack into the grid system, control British electricity supply and obtain illegal access to British nuclear technology (Macalister and Harvey, 2012). Another concern came from the British government adviser John Large who said the business of state-owned Chinese nuclear companies lacks transparent regulation due to its close affiliation with the state (Macalister and Rankin, 2013). Furthermore, shadow energy secretary of the Labour party Lisa Nandy cited an anonymous intelligence agency source saying that they strongly worried about the backdoor software the Chinese company could insert to cut off Britain's electricity (Mason and Perraudin, 2015). Moreover, there were also vigorous critics on various aspects such as expensive cost of construction, safety of nuclear energy and inappropriate financing through government subsidies (Macalister and Farrell, 2015; BBC, 2014b).

However, these criticisms and security concerns did not transfer to the dominant discourse among officials in power, failed to find a place on the Cameron government's agenda and had no effect on its policy stance. Details will be given in the next part.

6.1.4.3 Interactions between the liberals and protectionists

After the above preference formation phase, the imbalance of strength between the two coalitions with contrasting preferences affected the result of their competing interactions: peripheral protectionist policy preference was overwhelmed by the dominant liberal stance of the winning coalition.

The liberals, in the name of British government, showed strong determination to resist opposition to China's involvement in Hinkley. Evidence shows the relevant actors such as Chancellor Osborne and Energy minister Davey deliberately calmed down opposition. For instance, Davey said any foreign company can invest in the British nuclear market as long as they can meet the UK's stringent safety and security regulations (Department of Energy and Climate Change, 2013a; Osborn, 2013). Similarly, Chancellor Osborne said the Chinese company CGN can take a minor or majority stake in a British new nuclear power station project, as long as they satisfy rigorous safety and security standards (Macalister and Rankin, 2013). Further evidence presented by the Chancellor privileged economic benefits over security concerns. He regarded China-Britain cooperation in the Hinkley project as an example of how a good bilateral relationship could have straightforward economic benefits to British people, and thereby would appease anxieties about Chinese firms' involvement

in British nuclear sectors (Phillips et al., 2015). Moreover, the study can confirm Osborne's pro-Chinese investor stance by looking at his opponent, who blamed the Chancellor for arbitrarily regarding China "as an opportunity" rather than a threat (Mason and Perraudin, 2015).

As a result, the involvement of Chinese investors the Hinkley project reflected the will of the winning coalition who led the government at the time.

6.1.4.4 PM May

PM May's preference will be reviewed independently in this part because she was indeed a "reluctant" liberal in the Hinkley case. She personally opposed China's involvement in Hinkley, but had to approve it due to real-world constraints. This distinguishes her from "normal" liberal actors, bringing some fluctuations in the policy-making process.

What drove the PM to halt Hinkley was concern over national security. On the 29th July 2016, May's government delayed Hinkley's final approval and decided re-evaluate the project more prudently to make sure it was secure and reliable (Ruddick and Grierson, 2016). An anonymous source revealed it was May's personal security concerns over Chinese investors that resulted in the delay (Holton and James, 2016). Further evidence came from Vince Cable, the former business secretary, as well as the PM's former colleague who ascertained that May had been dissatisfied with Chancellor Osborne's openness towards Chinese investment when May herself had been in charge of home affairs (Boffey, 2016). Cable's testimony may exaggerate PM May's opposing attitude because he stood for the Hinkley project (BBC, 2016a). But another former minister said PM May's choice was "hundred percent" influenced by Nick Timothy (Boffey, 2016), who was the joint Downing Street chief of staff as well as a long-term and closer political adviser of PM May (Gracie, 2016). Timothy sharply condemned the government's position of making deals with China on Hinkley, saying it was "selling our national security to China" (Timothy, 2015; Gracie, 2016). All the above indicates the PM May was not an authentic liberal on China's involvement in Hinkley.

Other evidence further strengthens this view: on the second day of PM May's term, 14th July 2016, there were still no significant indications that Britain was going to change policy toward the Chinese company's role in Hinkley. At the time, the focus of controversy was on Hinkley's expenditure, not security concerns over Chinese investors. The new Chancellor Hammond acknowledged that high expenditure brought some "uncertain atmosphere" to the Hinkley project, but confirmed the project must continue due to its apparent contribution to Britain's electricity generation (Macalister, 2016). Moreover, until 5 days before Britain put Hinkley on hold on 24th July 2016, Chancellor Hammond still confirmed Hinkley without giving any signs implying the government would change its policy stance (Ahmed, 2016). Combined with evidence from the above paragraph, it seems suspending Hinkley was more likely PM May's decision rather than that unanimously agreed by all ministers within the government.

Nevertheless, May's agency was still under the constraints given by external policy-making circumstances, especially the economic incentives as is shown in section 6.1.2. Consequently, she went back to the liberal stance, though reluctantly, to allow Hinkley to go ahead. But it can also be seen that her agency could and did affect the policy on Hinkley. Despite the same / similar policy-

making context, PM May's preference differed from PM Cameron's by taking more security concerns into account. PM May's agency resulted in Britain's policy adjustment on Hinkley, from previous full approval to a conditional green light with remedies (Department for Business Energy and Industrial Strategy, 2016).

Britain eventually made major revisions to the Hinkley agreement for the sake of safeguarding national security (Department for Business Energy and Industrial Strategy, 2016). First, government has been empowered to intervene if EDF were to sell the shares it held before Hinkley construction is completed. Second, government also introduced a new legal framework with enhanced intervening powers for all future nuclear critical infrastructure projects, including Hinkley. To be precise, government will hold a special share in these projects to assure major stakes cannot be passed on without the government's permission. Third, government has also been authorized to supervise the Office for Nuclear Regulation (ONR) to oversee any ownership change. Moreover, government has been granted the right to conduct a public interest review on national security grounds to scrutinise foreign ownership in critical infrastructure facilities.

Moreover, actors agency can be established based on their subjective interpretation of interests. This also was reflected in PM May's security concerns in the Hinkley case. Critics from the opposition Labour party claimed these remedies are merely "window-dressing", "hot air", and "new powers they already possess" (Mason and Goodley, 2016). Only controlling the potential change of ownership might offer no essential protection if back-door software allows cutting off electricity supply. On this reading, remedies are more likely to have a self-consolatory effect so that policymakers "feel safe".

In sum, the final result of Hinkley can be understood as a social outcome emerging from complex interactions among different actors, and between actors and their external policy-making environment. It was exactly the PM May's more protectionist orientation compared to Cameron and the economic incentives together, which lead to her stance as a reluctant liberal and the conditional green light given to Chinese investor's involvement in Hinkley.

6.2 The variant case of Huawei 5G's German market access

The section investigates a variant of the economic incentive mechanism: Huawei 5G's market access to Germany. This case shares the core driver with the representative case of Hinkley: economic incentives significantly constrain actors' policy-making preferences and activities. But it differs from Hinkley in having a stronger protectionist coalition and thereby more stringent prerequisites for approval.

This section consists of three parts: after a brief case history in section 6.2.1, section 6.2.2 presents decisive economic incentives relevant to the case. Afterwards, section 6.1.3 demonstrates what distinguishes this variant case. Due to a strong protectionist coalition, Huawei has only been given a conditional green light with stringent remedies for Germany's 5G market. Moreover, the research points out that the adverse social context for Chinese investment at the time explains the presence of a strong protectionist coalition in the case.

6.2.1 Overview the case history

In the Huawei Germany case, the German government gave partial access to the Chinese telecom provider Huawei to supply equipment using its fifth generation of telecom technology (5G) to the German telecom market.

This case experienced a very long policy-making process of about 2 years. The entire storyline can be divided into four critical moments. First, early in February 2019, there were discussions about Huawei's involvement in the German 5G market before Germany formally started its 5G network construction (Deutsche Welle, 2019b). Ministers held a meeting to debate what role should be given to Huawei in Germany's forthcoming 5G network (FAZ, 2019b). At the time, government preference guided by Chancellor Merkel allowed Huawei's entry into the 5G market, but with security conditions (FAZ, 2019c).

Second, Germany's 5G spectrum auction in March 2019 marked the formal start of the 5G network construction (Sullivan, 2019). At the time, German Chancellor Merkel, like several other European countries' leaders, was not going to ban Huawei (South China Morning Post, 2019; Deutsche Welle, 2019a). This attitude later reflected in a draft of 5G network regulations enacted in October, which did not explicitly prohibit Huawei (Deutsche Welle, 2019d). But this document did not establish a formal decision, according to Reuters (Reuters, 2019a), as it lacked any specific terms on Huawei.

Third, the draft nevertheless provoked wider and intense debates among German politicians in terms of Huawei's role in the German 5G market, leading to consensus-building difficulties and severe delays in policy-making: from 2019 October to 2020 November, the German government could not reach a final conclusion on its Huawei policy for almost a whole year. After a parliamentary discussion on Huawei in November 2019 (Rinke and Hansen, 2019), responding to growing domestic critics on government current stance in 2019 Autumn (Leipzig, 2019), Chancellor Merkel had to delay the decision due to a lack of consensus (Rinke, 2020b). In early 2020, Merkel was still persuading opponents for a consensus on Huawei (Bubrowski, 2020). But even in July German government still could not bring out a policy on Huawei (Koch, 2020a) despite preliminary unanimity having been reached (Rinke, 2020a).

Finally, Germany eventually concluded on Huawei through the enactment of "the German IT Security Act 2.0s (in German: IT-Sicherheitsgesetz 2.0)": allowing partial market access to Huawei and similar risky vendors with stringent scrutiny. This act was successively approved by the government and parliament (the Bundestag and Bundesrat) in winter 2020 and summer 2021 (Koch, 2020b; Federal Ministry of the Interior and Community of Germany, 2020). By this time, Germany had completed its policy-making on the Huawei 5G issue.

6.2.2 Relevant economic incentives

This section presents the main economic incentives and auxiliary conditions affecting German actors' policy considerations in the Huawei case.

As a variant case of the economic incentive mechanism, the decisive economic incentive in the Huawei Germany case is indirectly derived from Germany's overall national economic interests. To

be specific, Germany's dependence on China for its national economy, especially its automotive industry, establishes Germany's national economic interests. This is because existing bilateral economic ties can serve as a strong incentive for states to avoid potential opportunity costs that may arise from strained economic or political relations between them (Zeng, 2023). Occasionally, the Huawei Germany case was exactly a specific instance because, at the time, the Huawei 5G issue had become highly politicised in developed countries. As a result, countries' Huawei policies have the potential to significantly impact their economic relations with China. Therefore, it is unsurprising that avoiding such opportunity costs was the decisive policy consideration of the Merkel government in the Germany Huawei case. It was exactly this consideration that strongly constrained German actors from rejecting Huawei, but rather motivated them to give Huawei even partial green light for the 5G market. Meanwhile, the auxiliary condition concerned the risk of higher cost and delay on 5G deployment without Huawei, which offered weak constraints to rejection. These conditions establish the micro-level policy-making circumstances that directly influenced actors' conscious calculation or perception of interests on Huawei. Further details and evidence on these incentives will be presented in the section.

First, it is unsurprising that automobiles are the mainstay of the German national economy. Automobiles for a long time have been Germany's most powerful sector, with the strongest economic performance in many aspects such as turnover, R&D (research and development) and exports (Schott, no date). For instance, industrial machinery and motor vehicles (including parts) have been Germany's two major products exports to China since 2010 (Huotari et al., 2015: 33). At the time Germany's Huawei 5G policy-making began in 2019, the automobile industry contributed an annual revenue of \$474.94 billion and exports of \$243.5 billion, occupying 17% of Germany's total exports, far exceeding the mechanical engineering sector, which ranked second in terms of revenue with \$278.16 billion. (Schott, no date). This sector also brought growth to up- and downstream sectors, providing good jobs and above-average wages, and thereby became the core sector which was particularly crucial for Germany's social stability and prosperity (Niebergall, no date).

Second, evidence clearly shows that the German automobile industry structurally relies on the Chinese market. From 2016 to 2019, China has been the world's largest car sales market since 2010, with annual sales of over 25 million units, surpassing those of the US and Europe, neither of which have exceeded 18 million units in car sales (IEA, 2022). Thus, the Chinese car market unsurprisingly won strategic relevance for the world's major car-manufacturers including the Germans. Evidence confirms the Chinese market accounted for 40%, 28% and 25% of total car production of German manufacturers VW, Daimler and BMW in 2019 (Krpata, 2021). Afterward, the pandemic caused recession in the European and US car markets which further highlighted the Chinese market's importance for German car-makers (Ulrich, 2020). China remained the top export destination of German vehicles in 2020 (export value: \$16.7 billion) and 2021 (export value: \$18.08 billion), which was especially important in the context of slow recovery from the pandemic in 2020 (Federal Statistical Office of German government, 2022; OEC, no date). As an analyst from a research institution specialising in the automotive industry said, the thriving Chinese market assisted in the survival of global automobile manufacturers, including the Germans, who were heavily reliant on China (Ulrich, 2020).

China's importance to German carmakers is also reflected in their past investment and development history. For instance, the VW group established one of the first Sino-foreign Joint venture enterprises with a domestic assembly line (SAIC Volkswagen, no date). Later BMW and Daimler also developed assembly lines in China to meet the rising demand for luxury vehicles in the domestic market (The BMW group, no date; The Daimler Group, no date). The three main automakers of Germany continue to invest heavily in the Chinese market. For instance, their R&D activities, including partnerships with Chinese companies and China-based R&D centres, have more than doubled since 2017 (Sebastian, 2022). In 2015-2021, their investment in China expanded by 65% (Sebastian, 2022). These three made up for 42% of FDI in China from Europe, and, together with German chemical giant BASF, contributed 34% of European FDI in China in 2018-2021 (Sebastian, 2022; Kratz et al., 2022). These massive investments certainly paid off: German automakers still maintained a significant lead as the most trusted automobile brands in China (Krpata, 2021), despite suffering blows in the European and American markets as a result of emissions scandals.

Third, beyond the structural aspects above, German car firms' reliance on China can also be acknowledged from a non-structural aspect: China's possible retribution against German automakers for banning Huawei aggravated German actors' concerns over such vulnerability. For instance, the German ambassador to China warned repercussions would be foreseeable because the Chinese government will not remain silent over Huawei's potential ban. He argued that China's reaction to Huawei's ban would be as irrational as Germany's reaction if it were to hear that German cars sales for civilian usage had been banned for national security reasons (Czuczka and Arons, 2019; Martin et al., 2019; Düben, 2020).

In sum, German actors received two external social system inputs over their car industry's reliance on China: structurally, the Chinese market as German car firms' major sales market and investment destination revealed its strategic importance. Beyond, Germany also perceived its reliance on China as vulnerability to its power. Both inputs constrained German actors' policy-making space on Huawei.

Fourth, an auxiliary economic incentive also offered weak constraints on German actors in the Huawei case. This condition addresses the extra cost and time to install 5G in Germany if it excluded Huawei. Indeed, Chancellor Merkel's 5G strategy, which rejects protectionism, is crucial for maintaining Germany's competitiveness in the areas of 5G telecommunications and digital infrastructure, in which Germany is currently perceived to lag behind many other European countries (Deutsche Welle, 2019c; Knight, 2019).

For instance, Germany got pressure from phone vendors who wanted to acquire Huawei's 5G expansion components since they are less expensive than rivals' offerings (Kuhn, 2020). Moreover, excluding Huawei, while not preventing the installation of 5G infrastructure due to other suppliers, would not only come at a cost of billions of dollars (Frankfurter Allgemeine, 2020; Hoppe and Koch, 2020), but also presumably cause a 10-year delay to install the new 5G network (Staudenmaier, 2020). But this condition exerted only a weak constraint because Huawei was not

the only 5G vendor due to the presence of alternative suppliers.

After reviewing the two economic incentives that sustained German actors' micro-level policy-making circumstances, the remaining part of this section provides evidence on why these conditions, particular the main one of the automobile industry's reliance, was able to constrain German actors' policy preference.

To be precise, the revolving door between German automobile firms, industry associations and the political sphere were widely reported. To merely cite a few of the many instances, numerous former senior government officials, even including former presidents, chancellors and ministers, accepted leadership / relevant roles in industry lobbying groups and automotive manufacturers as lobbyists (Smale, 2015). The tight corporate-government nexus is particularly evident in one extreme case of an alleged collusion to cover up the emission scandal (Knight, 2017). For this and several other reasons, such as Germany's strongly corporatist political economy and elitism nature of German foreign policy, German corporates enjoy affluent lobbying options and their interests may readily be perceived in the government approach to China (Fulda, 2020).

Unsurprisingly, Merkel's strategy has been leveraged by the dependency of a few significant German firms, most notably the automakers, involving them deeply in the Chinese market (Barkin, 2021a). Merkel avoided a hard-line posture for fear of China's economic reprisals. As disclosed by Norbert Röttgen, a senior CDU politician and the head of the Bundestag's foreign affairs committee (Burchard, 2019b), she did this because China is the major export destination of German vehicles. In their Huawei policy assessment, Merkel and the economy minister were concerned about damaging trade ties with China and telecom operators' costs (Koch et al., 2019; Kuhn, 2020). For similar reasons, the interior minister publicly stated his opposition to the exclusion of Huawei (Reuters, 2019a).

In sum, all the above evidence clearly suggests that economic incentives did influence (at least some of) German actors' policy preference on Huawei. The effect of economic incentives can be thereby confirmed.

6.2.3 Actor cleavage and policy results

As in the case of Hinkley, the German Huawei policy result was also a social outcome emerging from complex interactions of competition and compromise between the informal coalitions that aligned like-minded actors on Huawei. But compared with Hinkley, the case of Huawei witnessed a more politicized policy-making process, more fragmented and less consensual policy-making elites, more intense struggles between the informal coalitions and a more symmetrical balance of power between them. It is thereby a case of nearly rejected investment that was approved under strong resistance. The economic incentives, which feature in the mechanism being discussed, still substantially dictated the policy decision, albeit with greater limitations than in the representative Hinkley case. This section will look into the above process by showing which actors were incorporated into particular coalitions, how they interacted for policymaking, and how unique is this variant case.

6.2.3.1 The liberals

This coalition comprises actors who would involve Huawei into German 5G network construction to avoid potential economic losses (as discussed in 6.2.2) and mitigate possible national security risks with stricter regulations and diversified telecom vendors.

In the Huawei case, these actors are of numerical minority but crucial governmental positions. For instance, the coalition's position on Huawei is best reflected in the chancellor Merkel's view, which can be seen from various aspects: first, she took economy interests as a relevant aspect of her policy considerations. She has stressed economic consequences of excluding Huawei because it might probably trigger China's economic reprisal (Barkin, 2019), harming Germany's already fragile economy which has close trade ties with China (Kuhn, 2020) and some large German companies in particular relied heavily on Chinese market (Burchard, 2019b). Apparently, economic incentives, including national economic interests and those of the industries, are relevant motivation of Merkel's stance in the Huawei case.

Second, Merkel's emphasis on economic interests also influenced her response to potential security challenges in Huawei, in other words, the balance between both interests: undoubtedly, she was well aware to protect Germany's security interests in the Huawei case. She admitted that security serves as a precondition for telecom vendors to gain German market access and supported stringent security standards for the 5G network (Deutsche Welle, 2019a; Rinke, 2020b). In fact, she favoured European suppliers (e.g. Ericsson and Nokia) more than Huawei but just avoid an unneutral position toward the Chinese supplier (Martin et al., 2019). However, despite these propositions, she disagreed with safeguarding security interests at the cost of economic interests potentially resulted by the rejection of Huawei.

As such, she suggested to treat Huawei in a neutral, non-discriminatory and de-politicized manner (Rinke, 2020b; Martin et al., 2019), insisting any company meets the specific security standards can take part in German 5G construction (Deutsche Welle, 2019a). She also supposed a vigorous entry standard and the diversification of telecom vendors would be sufficient to preserve Germany's security interest (Martin et al., 2019; Federal government of Germany, 2020).

At the same time, the economy minister Altmaier stood in the same trench as the chancellor. He was not going to dismiss Germany's security interests at all, but was rather well aware of their significance. For instance, he had concerns over rising large Chinese state-owned companies and requested Huawei to meet Germany's security requirements (Düben, 2020; Kraemer et al., 2019). He also supported European suppliers to play more important role in the 5G telecom sector (Knolle and Seythal, 2020). However, he opposed to ban Huawei which might harm Germany's economy, but reduce possible security risks by tightened security standards for all vendors including Huawei (Reuters, 2019f). Apparently, his above views kept close in line with Merkel. Indeed, Altmaier, including the economy ministry he led, has become Merkel's most important proponent in the Huawei case (Düben, 2020).

Furthermore, Jochen Homann who chaired the federal network agency also opposed the exclusion of Huawei due to lack of hard evidence. He believed that, as his agency did not confirm that Huawei

constitutes a security danger, Germany has no intentions to block it from the 5G market if Huawei complies with security regulations (Financial Times, 2019; Delhaes and Scheuer, 2019).

Lastly, considering Merkel's position and seniority, her inclinations on Huawei were more likely to shape the German government stance, in other words, the stance of a broad group of German officials. For instance, government sources confirmed Germany would not beforehand to blacklist any businesses but introduced vigorous security criteria for all vendors (Rinke and Busvine, 2019).

In addition, the interior minister Seehofer could be seen as a quasi-liberal actor with a wavering attitude. He was also an influential politician who led the CSU (Christian Social Union in Bavaria), not only a sister party of CDU (Christian Democratic Union of Germany) led by Merkel, but also forms the CDU-CSU union governed the coalition government. Seehofer at the very beginning shared very similar views with the liberals on Huawei. For instance, he opposed excluding Huawei out of concern that it would hurt economic growth and instead favoured safeguarding security through dialogue, technical solutions, and stricter regulations on any vendors (Rinke et al., 2019; Martin and Busvine, 2019). But it is said Seehofer once has been persuaded by foreign minister Maas after a personal meeting, turning to a protectionist stance that urged a political evaluation on 5G vendors' reliability, which was highly possible to trigger Huawei's put-out (Düben, 2020). However, after a few months Seehofer reiterated Huawei's importance in constructing Germany's 5G network and his objection to excluding Huawei (Associated Press, 2020; Staudenmaier, 2020). Overall, Seehofer was categorised as a quasi-liberal actor (although more on the liberal side) due to his "back and forth" posture.

6.2.3.2 The opponents

By contrast, the protectionist coalition includes (relatively) less powerful actors on the numerical majority who did not consider economic interests and would thoroughly excluding Huawei from Germany's 5G network for the national security reason.

For instance, the foreign minister Maas put security in the first place of his policy preference on Huawei (DPA Economy, 2019). He suggested to conduct not just a technological but a political assessment on Huawei (DPA Economy, 2019) based on his belief that Chinese government controlled Huawei and could access Germany's sensitive information through the company (Reuters, 2019c).

Meanwhile, German intelligence agency shared similar views with the foreign minister, warning that Huawei's 5G facilities might have technical "backdoors" that would result in the risk of cyberspionage (Düben, 2020). Just according to the Federal Intelligence Service (BND) president Bruno Kahl, Germany's 5G network construction cannot rely on untrustworthy companies like Huawei (FAZ, 2019a).

Furthermore, defense Minister Karrenbauer also joined the opposition coalition, stressing the need of preventing all critical information from German telecom networks from reaching Chinese authorities (Düben, 2020). She advocated the government to set security criteria and ensure telecom vendors to meet them (Knight, 2019).

Even the majority of CDU party members and opposition parties objected Huawei's involvement in German 5G network. For instance, a group of more than 50 MPs from Merkel's CDU party, led by Norbert Röttgen, chair of Bundestag's Foreign Affairs Committee, the party's General Secretary Paul Ziemiak and other unnamed Merkel's opponents, was urging the chancellor to exclude Huawei from German 5G networks on national security ground (Burchard and Posaner, 2019; Knight, 2019). Beyond the CDU, for instance, SPD publicly issued a policy document, pressing the government to eliminate unreliable suppliers accused of being influenced by a foreign authority for espionage (Leipzig, 2019). Similarly, the Green party also explicitly rejected Huawei's inclusion in Germany's 5G network (Leipzig, 2019). Indeed, senior leaders of all German political parties have criticised Merkel's proposals and cautioned against Huawei's participation in 5G development (Düben, 2020).

6.2.3.3 Interactions across the cleavage and policy result

Germany's final policy result on Huawei was emerging from the interactions, including both competition and compromise, across the cleavage in above section.

Both sides were in competition for Huawei policy-making. The liberals found they were unable to prevent the Huawei case from being politicised as increasingly more actors have become involved in the debate over Huawei, and, making things worse, these actors rejected the liberal approach. Just as interior ministry's spokesman said, the situation has escalated to the political level since conversations across departments at the working level failed to reach a consensus (Kuhn, 2020). Moreover, opponents made use of politicization as a mean to prevent the liberal policy on Huawei. For instance, some senior CDU members openly expressed their worries regarding Huawei on the German social media platform "Handelsblatt," exacerbating the controversy (Burchard and Posaner, 2019). They organised a rebellion motion against Merkel, which has been approved by major CDU members, calling for a parliament debate on the government's Huawei policy (Burchard and Posaner, 2019; Leipzig, 2019). In addition, opponents at one time seemed to have persuaded the interior minister, Seehofer, to agree to a political assessment of Huawei's trustworthiness (Koch, 2020c). As such, the few liberals actually were under much domestic pressures from a major number of opponents.

By contrast, the liberals were not sitting still. As a minority but more powerful coalition, they were active in fighting back against their opponents. After the revolting motion in November 2019, the liberals in particular Merkel decided to postpone her Huawei decision so that she could find opportunities to re-build consensus (Rinke and Hansen, 2019). In fact, for lack of consensus on Huawei, delaying was the only consensus shared by the liberals and their opponents at that time. Just as SPD MP Jens Zimmermann stated, the consensus would be reached in January of next year (actually much later, Rinke and Hansen, 2019). Then in February 2020, the liberals drafted a statement paper advocating a risk-mitigation approach instead of banning risky vendors like Huawei, for the purpose of re-building the common ground on 5G policy with the opponents (Rinke, 2020a).

Both sides began to form a tentative consensus in September 2020 albeit their fierce competition around a draft regulation: as three insiders disclosed, the liberals were making every effort to stop

a total ban of Huawei, whereas the hardliners were attempting to confer on ministers more power to monitor and intervene with risky vendors like Huawei (Donahue, 2020). Both sides eventually compromised and agreed to retain above claims which became the prototype of Germany's final policy stance on Huawei via the IT-security Act 2.0: after German government agreed on the draft version of this Act in December 2020 (Federal Ministry of the Interior and Community of Germany, 2020), the Bundestag approved this Act in April 2021 and the Bundesrat formally published it in May (Federal Office for Information Security, 2021). This Act regulated Germany final Huawei position: though not publicly prohibit Huawei, German interior ministry now has greater power to oversee and veto Huawei's presence in German 5G network (Deutsche Welle, 2021b).

6.2.3.4 Uniqueness of the variant case

As the variant, the Huawei Germany case deviates from the economic incentive mechanism by the fact that the economic incentives merely motivated a minority of liberals whereas a majority of hardliners unexpectedly emerged. The liberals were actually making Huawei policy under the greater limitations imposed by the hardliners. They have to compromisingly accept tightened scrutiny on Huawei requested by hardliners to avoid a formal ban on the Chinese firm. As such, the Huawei Germany case, despite a positive case, almost became a negative one.

This research believes the adverse social context was responsible for the emergence of the hardliners. Compared to the representative case of Hinkley in 2016, the Huawei case occurred in 19-21, the time strong oppositions against Chinese investment prevailing in Germany and international circumstance (as discussed in section 5.1.2.): apparently, the Huawei case is an "after KUKA" case when Germany's legal framework and general attitude has become stringent toward Chinese investment. Internationally, this case occurred after the China-US trade war, which provoked the popularity of vigilance on Chinese investment. In addition, the US has politicized the Huawei 5G debate in particular in international sphere. The US has succeeded in convincing itself as well as several of its allies to ban Huawei, but has repeatedly exerted significant pressure on Germany to do the same throughout Germany's Huawei policy decision (BBC, 2019b; Koch, 2020d). In short, the adverse social context has reduced the effect of the economic incentives in the variant Huawei Germany case.

But the German liberals, the chancellor Merkel in particular, have successfully resisted the above pressures for following reasons. First, Merkel was in power for a very long time and highly regarded in German politics, giving her sufficient political clout. Second, she has consistently insisted on a liberal and multilateral international order, while opposing isolationism, protectionism and, in particular, the Trumpism (Rinke, 2020b). Third, Germany learns a lesson from the "Prism" scandal: alleged US wiretapping of German Chancellor Merkel damages her confidence in the US, undermining the persuasive power of the US's espionage accusation against Huawei (Poushter and Huang, 2019). As such, German liberals impede Huawei from being fully banned, which has been advocated by hardliners.

Chapter 7 The negative cases

This chapter presents the research findings from negative cases, i.e., cases in which Chinese investment projects were rejected. The six negative cases investigated in this research can be presented in the following three groups: section 7.1 presents how the highly tolerant social context mechanisms broke down in the Aixtron case. Similarly, section 7.2 shows the breakdown of the economic incentive mechanism that occurred in the Huawei UK case. Section 7.3 presents the remaining four cases (50Hertz, Leifeld, Impcross, and Mettis), which indicate the necessary conditions for the negative policy result, the rejection of a specific Chinese investment.

Before proceeding, I will elucidate and provide justification for the categorization of the negative cases into the three distinct groups above. This is mostly because even the most cutting-edge methodologies have discrepancies regarding what cases to consider as negative cases when considering a causal mechanism and, subsequently, their effectiveness in identifying and examining the mechanism (Saylor, 2020: 982): (1) the "inferential" school believes comparing a negative case with a nearly identical positive one can conduct inferential testing of the target positive mechanism (Beach and Pedersen, 2016: 838). They believe that the two cases share many common mechanism elements. It is only because the breakdown of the bespoke mechanism, which was originally responsible for the positive case result, has ultimately led to the negative case result. Hence, comparing the two cases can help identify missing conditions (Beach and Pedersen, 2016: 838) and provide a better understanding of the mechanisms in both positive and negative cases (Mikkelsen, 2017: 753); (2) conversely, the "explanatory" school opposes such comparisons. They start from the definition of causal mechanism, arguing that the mechanism is an inseparable connection of causal conditions that must sufficiently lead to a predetermined outcome, whether that outcome is positive or negative. Therefore, the outcomes of positive and negative cases should be explained by two completely different mechanisms. These mechanisms are not methodologically comparable (Beach and Pedersen, 2016: 850-852).

This research takes a neutral stance towards this ongoing methodological debate, mostly due to the primary research target of identifying causal mechanisms in empirical cases rather than proposing new methodological approaches to address the debate. Therefore, as an eclectic compromise, this research accepts both methodological stances and applies them to different negative cases involved in this study: (1) the Aixtron case (see section 7.1) and the Huawei UK case (see section 7.2) represent the breakdown of highly tolerant social context mechanisms and the economic incentive mechanism, respectively. This reflects the application of the "inferential" school's methodological approach, as the two cases are negative cases that have almost become positive ones: in both cases, Chinese investments were almost successfully approved but ultimately unsuccessful due to US intervention; (2) By contrast, the four cases (see section 7.3) of 50Hertz, Leifeld, Impcross, and Mettis reflect the use of the "explanatory" school's approach. They are irrelevant to any causal mechanisms that operate in the positive cases selected in this research, making them incomparable to any of the cases. Instead, they act as independent negative cases, which can indicate the necessary conditions responsible for their negative policy results alone.

7.1 The breakdown of the highly tolerant social context mechanism in the Aixtron case

This section elaborates on how the highly tolerant social context mechanism broke down in the Aixtron case. After a brief case history in section 7.1.1, section 7.1.2 presents Aixtron, which has most of the mechanism components and has almost become a positive case of this mechanism. Afterwards, section 7.1.3 presents the US intervention that prevented Aixtron from being approved in the last minute, leading to the breakdown of the positive mechanism. Finally, section 7.1.4 concludes with a brief discussion of the Aixtron case's significant inferential value to strengthen the mechanism's validity.

7.1.1 Case history

The Aixtron case addresses the German government, which, despite having approved the takeover once, eventually rejected the Chinese firm Fujian Grand Chip Investment Fund LP (FGC)'s bid for German LED chip equipment maker Aixtron. The research identifies several critical moments in the case story.

The transaction can be traced back to May 2016, when FGC offered a takeover bid for Aixtron, which could save the German company's business and financial difficulties at the time (Spiegel, 2016b; DanLan, 2016a). The bid was welcomed by Aixtron's board (FAZ, 2016b) and has been smoothly approved by the German government in September (Sheahan and Copley, 2016). At the time, the deal was almost complete and could have been a successful takeover. But the German government soon reversed the policy decision under US pressure: in October, being convinced by the US's warning and evidence on the national security risks of Aixtron takeover (Reuters, 2016e), German government cancelled its previous approval and would conduct a re-examination (Sheahan and Copley, 2016). In November, the US regulatory body, the Committee on Foreign Investment in the United States (CFIUS), requested the transaction parties to give up the deal on national security grounds (FAZ, 2016a). The America has the right to intervene because the takeover involved Aixtron's US branch and business, and the CFIUS determined that it would pose a national security risk to the US. As the parties did not comply with CFIUS's request to suspend the takeover, US President Obama, who has the final say on this matter, officially blocked the deal in December (The White House, 2016; FAZ, 2016a). Consequently, FGC withdrew the takeover in December (Sheahan, 2016b). The US not only rejected the Aixtron takeover but also prompted the German government to reverse its approval and reject the deal as well.

7.1.2 Aixtron as a quasi-positive case

The Aixtron case has actually been almost a typical positive case of the highly tolerant social context mechanism (details of the mechanism were discussed in chapter 5): the takeover occurred under a social context that was still favourable for Chinese investment in general. Due to the underlying influence of the social background, the German government, before eventually rejecting the takeover under US influence, was originally unaware of taking security risks into consideration and had already approved the takeover for a time. This indicates the highly tolerant social context mechanism that operated in part of the case story before it broke down Germany's policy reverse. The remaining part of the section would give evidence on why a highly tolerant social context matters and how it shaped German policy actors' stance in the first policy decision to approve the Aixtron takeover.

There has been a highly tolerant social context in Germany in the year 2016 when Aixtron takeover took place. As discussed earlier in section 5.1.2, this context was featured by a generally liberal domestic social settings (Schnyder and Jackson, 2013: 340), Chancellor Merkel's pragmatic China policy and engagement approach in the economy (Kundnani and Parello-Plesner, 2012: 3), and the international setting, which was generally favourable for Chinese investment, in particular among western-developed countries (Tiberghien, 2021: chapter 2).

Also, the time of the Aixtron case was before the critical juncture of this highly tolerant social context: domestically, as the 9th amendment to the Foreign Trade and Payments Ordinance (AWV, the *Außenwirtschaftsverordnung*) reinforced government power to monitor inward foreign investment in 2017, Germany's domestic vigilance against Chinese investment, which had emerged since the acquisition of KUKA in 2016, had been increasingly outstanding. The US-China trade war in 2018 also intensified international vigilance against Chinese investment going abroad. As such, the Aixtron case "fortunately" happened in an era that was relatively tolerant of Chinese investment.

Furthermore, the Aixtron case was actually taking place almost at the same time as the KUKA case. The KUKA case, which lasted from August 2015 to December 2016, has become a contentious issue in German society since May 2016, thereby stirring up protectionist sentiment against Chinese takeover in Germany (Wrage and Kullik, 2022). The Aixtron case's timeline, ranging from May to December 2016, mostly coincides with the KUKA case. In fact, Germany was still in a transition period from a tolerant to a protectionist general attitude toward Chinese investment at the time of the Aixtron case (see figure 2 in section 5.1.2). Because the dominant social attitude towards Chinese investment was still in transition, protectionist thinking had not yet "penetrated" German policy actors. As such, they continued to favour liberal policies in Aixtron takeover.

In precise, before the policy U-turn later, they still treated Aixtron as a standard market transaction and approved it as usual, like in those cases in Chapter 5. The research did not identify evidence showing German policy actors have ever had any security concerns at this stage, which would lead to the rejection of the deal. The research believes the absence of security concern exactly conducted an "e Silentio evidence": German policy actors were unaware that they needed to review, if not block, the transaction on national security grounds. Just as some analysts had predicted, German regulators would give the green light to the Chinese takeover without undue hardship (DanLan, 2016a).

Further evidence also enhances the point of view that German policy actors at the time downplayed the potential security risks regarding Aixtron takeover: FGC was suspected of being backed by the Chinese government, such as the Chinese National Fund, the SINO IC Capital LTD, and the Treasury of Xiamen City (CENA, 2016). The bidder, the FGC, might also be a company with government background because it was able to receive a loan from the China Development Bank, a state-owned bank that rarely granted private loans (Ren, 2016; Fahrion, 2016). In addition, some media even suspected the Aixtron takeover was a scheme deliberately designed by a Chinese firm, Sanan Optoelectronics (Sanan), which co-financed FGC's takeover of Aixtron in order to acquire

Germany's key strategic companies (FAZ, 2016b). Nevertheless, it seems that German policy actors downplayed all these risks and approved the Aixtron takeover before they reversed their policy decision under the US's intervention. This indicates a highly tolerant social context has unconsciously or even subconsciously shaped German policy actors' policy stance regarding Aixtron takeover.

Meanwhile, the research also needs to clarify why the highly tolerant social context mechanism but not the economic incentive mechanism operated in the Aixtron case, even though Chinese investment would have saved Aixtron's business difficulties at the time.

Undoubtedly, evidence confirmed Aixtron did have serious business problems: first, the chip-making equipment market in which Aixtron was involved was in a situation of fierce competition, in particular from the market leader, Veeco Instruments, and overcapacity, which, consequently, squeezed Aixtron's profitability (DW, 2016a; Sheahan and Copley, 2016). Second, the deep reason for Aixtron's dilemma was a slowdown in LED market growth and a drop in demand (Ge, 2016). Third, Aixtron's share price plunged 43% due to losing the order from the Sanan (Nicola and Brautlecht, 2015; FAZ, 2016b). Unsurprisingly, the Chinese investors FGC could be Aixtron's saviour, as its CEO Martin Goetzeler stated (Spiegel, 2016b).

Nevertheless, these economic incentives have not become German policy actors' motivation in both the approval of the takeover and the subsequent policy U-turn of suspending the deal. The research believes this is due to the minority of affected populations and alternative policy options: first, the Chinese investment might be really decisive for Aixtron's survival. But standing on the German government's view, it is only one business closing down and a small number of population, such as Aixtron's employees and stakeholders, being affected, taking the entire country as a coordinate. Aixtron was not like some cases, such as Huawei 5G, which caused widespread impact on upstream and downstream sectors and even Sino-German economic relations. In other words, the economic loss is not large enough to constitute a factor in decision-making. Second, alternative solutions existed to alleviate Aixtron's business crisis. For instance, the CEO, Martin Goetzeler, stated Aixtron could save itself by developing new products, focusing on niche markets, or adopting a diversification business strategy. (Sheahan, 2016a). This in fact undermines the statement that economic incentives really matter in policy-making on Aixtron. Third, the evidence also presents that economic conditions did not draw much of German policy actors' attention in Aixtron policy-making. For instance, German economy ministry "coldly" stated the company should decide on its own strategy and proper future path, which has nothing to do with the economy ministry (Reuters, 2016a).

Hence, it is unsurprising that the research found no evidence that economic incentives have ever been a reason for Germany's policies toward Aixtron: German policy actors' approval of the Aixtron takeover was not specifically motivated by economic conditions but only because they followed previous liberal practice. Then, they did not consider latent economic loss either when rejecting the takeover. In sum, economic incentives influenced neither the approval nor the rejection of Aixtron by the German government.

7.1.3 Mechanism breakdown due to US intervention

As discussed earlier (see section 7.1.2), the highly tolerant social context at the time shaped German policy actors' policy stance to approve Aixtron takeover before they changed their minds to reject it. Thus, the Aixtron case could have been completed successfully and thereby become a typical positive case regarding the highly tolerant social context mechanism. But the mechanism eventually did not operate "to the full", but broke down under the US's intervention.

In particular, the Americans believed the technologies to be transacted in the Aixtron takeover could be used for military weapons, especially those similar to the US's "Patriot" missile defence system (Wolde and Siebold, 2016). Clearly, Aixtron refuted this accusation, claiming that its equipment has been approved for export for three decades and that hundreds of similar pieces of equipment have been purchased in China from Aixtron and its US rival Veeco (FAZ, 2016a). But this could not affect the US's choice to intervene in the Aixtron takeover.

A key piece of evidence indicates that the US had an influence on German policy actors' policy considerations in terms of Aixtron: on Friday, October 21, 2016, US intelligence presented Germany with key evidence of the national security risks of the Aixtron takeover (Reuters, 2016e). Only three days thereafter, on October 24, Germany withdrew its previous approval of the deal and decided to reassess it (Sheahan and Copley, 2016). The two events occurring successively within a close timeframe could exactly establish smoking-gun evidence, proving a strong causal relation between the US warning and Germany's policy U-turn.

This view can be further enhanced by evidence: first, mainstream media reported and believed it was exactly the US influence that resulted in the change of German actors' preference (DW, 2016b; FAZ, 2016a). Second, evidence proves the decision to halt Aixtron takeover was made in two meetings attended by the German economy, interior, defence and finance ministries, as well as the Chancellery (Dams et al., 2016). Third, the policy reversal, as the deputy economy minister Matthias Machnig confessed, was brought on by previously unreported security-related information (Sheahan and Copley, 2016). Upon all the above evidence, the research could confirm that the US intervention was responsible for the mechanism breakdown in Aixtron case.

7.1.4 A strong causal inferential leverage

In addition, the negative case of Aixtron could provide strong causal inferential leverage for testing the highly tolerant mechanism. The reason is that the bespoke mechanism, if it did not otherwise break down due to US intervention, could have been operated "to the full" in the Aixtron case, like the authentic positive "onliers" of this mechanism (e.g. KraussMaffei; Gardner, etc.). In other words, Aixtron is representative enough of the bespoke mechanism before its breakdown. It obtained most of the mechanism elements of the bespoke mechanism.

Hence, as contrasting cases, Aixtron and those positive cases conduct a controlled comparison regarding the mechanism, which remarkably lifts the mechanism's validity, according to some methodologists' argument (Mikkelsen, 2017: 744; Zhou and Tang, 2018). As a result, this could be a strong testing consolidating the confidence about the highly tolerant mechanism.

7.2 The breakdown of the economic incentive mechanism in the Huawei UK case

This section elaborates on how the breakdown of the economic incentive mechanism explains the Huawei UK case. Section 7.2.1 briefly reviews the case history. Section 7.2.2 demonstrates that the Huawei UK case has many similar aspects to the positive cases of the mechanism. Section 7.2.3 presents how US influence altered Britain's policy stance in the final stage of its Huawei policy-making. Finally, section 7.2.4 discusses the weak inferential value the Huawei UK case can provide to help approve the mechanism's validity.

7.2.1 Case history

The Huawei UK case addresses the British government's decision to ban the Chinese telecom provider Huawei from accessing the British 5G telecom market. The research identifies a few critical moments that direct this case.

First, the transaction can be traced back to early 2018, when Huawei published its comprehensive 5G product package (Huawei, 2018; Zhou, 2018) and the British government began its ambitious plan to build a future nationwide 5G telecom network (Department for Digital Culture Media and Sport, 2018: 69). As Huawei has already been a major 4G supplier for mainstream telecom operators in Britain (Wakefield, 2018), it would be very likely to continue as the 5G supplier for these operators. In the worldwide context, the US blacklisted another major Chinese telecom supplier, ZTE, in April (Kuo, 2018), and Australia and New Zealand banned Huawei's 5G service in late 2018 (BBC, 2018b; Jolly, 2018), leaving the question of whether Britain would be the next to follow.

Second, in 2019, Britain was once very close to making a decision on Huawei. The media disclosed in April that the PM May stated its intention to give Huawei partial access to build the non-core parts of British 5G telecom network (BBC, 2019d; Bond et al., 2019). But there was no formal confirmation (BBC, 2019c) or official announcement of this "decision" (Sandle, 2019). As a result, the British government's decision on the Huawei 5G issue was still pending. Meanwhile, the US formally blacklisted Huawei in May 2019 (BBC, 2019e), giving Huawei significant difficulty getting the chips its 5G equipment relies on from US chipmakers (Jiang, 2019).

Third, Britain came to its first formal policy decision on the Huawei 5G issue in 2020. In January, the PM Johnson would permit Huawei to partially participate in constructing non-sensitive parts of the British 5G market with up to 35% market share (Department for Digital Culture Media and Sport, 2020d; Reuters, 2020e; Sandle and Stubbs, 2020). This decision was seen as favourable to Huawei while disappointing the U.S. (Kelion, 2020b).

Fourth, however, Britain reversed its previous stance and made the final decision to ban Huawei. After a reassessment in May 2020 (Satake, 2020), Britain in July not only prohibited the purchase of new Huawei 5G equipment from December 31, 2020, but also required the removal of Huawei 5G equipment from the British telecom network by 2027 (Department for Digital Culture Media and Sport, 2020c). Later, Britain announced its intention to move the deadline for the removal of Huawei equipment even earlier, to September 2021 (Reuters, 2020a; BBC, 2020a). As such, the UK 5G market eventually closed its doors to Huawei.

7.2.2 Huawei UK as a quasi-positive case

This section indicates that, prior to Britain's eventual ban on Huawei, the tale of the Huawei UK case is less typical but somewhat representative of how the economic incentives mechanism works: economic incentives impose, though not extreme, important constraints on policy actors. Next, the section contains two parts about why economic incentives matter and how they shaped Britain's policy stance.

7.2.2.1 Relevant economic incentives

There are following relevant economic incentives that constraint British policy actors' policy choices in this case: the first refers to the financial cost to remove Huawei from existing 5G network. As the major supplier in Britain (Fildes, 2021), Huawei cooperates deeply with mainstream operators and has already taken some steps in building up British 5G networks before the government's ban. For instance, Huawei participated in the 5G networks operated by Vodafone, which have already been running in some British cities, promoted hundreds of 5G sites operated by EE, and signed contracts with O2 and Three for the constitution of their 5G networks (Williams, 2019).

The deeper Huawei's integration into the UK market, the greater the sunk cost of removing it: the "kick-out" cost is expected to be 2 billion pounds in total, according to the Digital Secretary Oliver Dowden (BBC, 2020b). Unsurprisingly, British mobile operators would shoulder the cost: it is said operators would have to upgrade their current network as a result of replacing Huawei with alternative suppliers (Kelion, 2020a). But the national treasury might ultimately cover the payment: the government may have to compensate by providing tax relief for British mobile operators (Fildes, 2021).

Second, the exclusion of Huawei would also postpone the rollout of 5G in the UK (Huawei 2020). This is because Huawei has already integrated deeply into British telecom market: it is in fact one of the three major telecom equipment suppliers (Ericsson, Nokia, and Huawei) and cooperates with all four mobile network operators (Vodafone, EE, O2, and EE) in their 2G, 3G, and 4G networks (Department for Digital Culture Media and Sport, 2020a; Fildes, 2021). In 2018, it occupied 35% of the 4G mobile market and 45% of the fixed access market (Department for Digital Culture Media and Sport, 2019: 29; Kelion, 2020b). However, for above mobile operators, introducing alternative vendors (e.g. Ericsson and Nokia), including some new vendors (e.g. Samsung and NEC), to fill the market vacancy left by Huawei would be technically complicated: they would have to upgrade their current system in order to integrate different solutions offered by various 5G vendors into their networks (Fildes, 2021; Kelion, 2020a). For above reason, the Digital Secretary Dowden estimated the delay of 5G deployment in Britain would be 2-3 years if removing Huawei (BBC, 2020b). It is also why British operators were given a 7 years transition period to fully move away from Huawei (Department for Digital Culture Media and Sport, 2020c).

In addition, such a delay due to switching suppliers would not only be time-consuming but would also negatively impact the British economy. This is not just because of the financial cost, as discussed earlier, but also because the telecom network is relevant infrastructure for economic

development. As other developed countries accelerated their 5G deployment, delays in British 5G rollout might erode its economic competitiveness.

Third, the removal of Huawei might cause another economic aftermath, the audience cost, in particular to other Chinese investment. This is because the symbolism of Britain's Huawei decision is greater than the event itself.

Undoubtedly, Huawei possesses significant symbolic value. The company started its UK business by opening up its first UK office in 2001 (Huawei, no date) and became a leading supplier in the British telecom market after about two decades. As one of the most notable "national champions", Huawei is representative of Chinese firms' success on the overseas market (BBC Reality Check team, 2019; Reuters, 2020b).

Thus, Britain's response to the Huawei 5G issue might become an indicator of its attitude and policy stance toward Chinese investment. It might spill over to other sectors or even affect the bilateral Sino-British relationship. In other words, Britain may rely on Huawei to maintain its attractiveness to Chinese OFDI (outward foreign direct investment). The UK's policy toward the Chinese national telecom champion as a relevant symbol may affect Chinese investors' confidence in Britain as their investment target (Falconbridge and Pollard, 2020).

Above all, these economic incentives presents that the exclusion of Huawei does give rise to a somewhat economic loss for Britain. Furthermore, these economic incentives have shaped Britain's policy considerations regarding the Huawei case.

7.2.2.2 Britain's liberal policy stance on Huawei 4G shaped by economic incentives

Until Britain's final ban of Huawei 5G in 2020, economic incentives have shaped the liberal policy stance of Britain on Huawei for a decade since 2010, across the 4G and 5G era. The liberal stance can be summarized as loss avoidance in the economic but risk taking in the security interests: Britain has maintained a liberal policy and emphasized more on economic interests than security regarding Huawei. It prioritised avoiding potential economic loss as a result of excluding Huawei while considering it acceptable to take some security risks from Huawei's involvement: adopting a mitigation strategy to minimise the risks rather than simply banning Huawei. Next, the paragraphs below will add more evidence in details.

Evidence proves that the British government has been well aware of its economic and technological reliance on Huawei. The government stated that there are only a few major telecom providers (e.g. Ericsson, Nokia, Huawei, ZTE, Samsung, etc.) but numerous countries worldwide as their users (UK Government, 2013a). This has three indications: it indicates that, other than the suppliers' country of origin, any other countries, including Britain, were facing this asymmetric supply-demand structure, the contextual constraint regarding their telecom decision-making. It also indicates that changing the whole picture is too costly and indeed impossible for any countries, including the UK. It further indicates that, unless a country decides not to establish the modern telecom system, which is apparently an impossible option for Britain, it more or less has to include foreign technology or vendors into the telecom network. In sum, Britain's such understandings were a

relevant starting point for its policy considerations on Huawei. This motivation also matches the reality that Britain allowed Huawei to become one of the major telecom suppliers in the 4G network (Wakefield, 2018).

The motivation above also affected Britain's decision to adopt a mitigation strategy regarding the potential security risks of Huawei's involvement. The British government believed the risks were still manageable and mitigable by setting up regulators to oversee Huawei's operations in the UK instead of roughly excluding Huawei. For instance, as early as 2010, the British government required Huawei to establish the oversight body, the Huawei Cyber Security Evaluation Centre (HCSEC), in order to monitor Huawei's source code, detecting and preventing any cyber espionage (Huawei cyber security evaluation centre (HCSEC) oversight board, 2015; Corera, 2020). Afterwards, the British government still insisted on aligning the mitigation strategy to match the increasing security demand over time (UK Government, 2013a; Intelligence and Security Committee, 2013) and gave positive evaluations to the effectiveness of the strategy (Huawei cyber security evaluation centre (HCSEC) oversight board, 2016; Huawei cyber security evaluation centre (HCSEC) oversight board, 2017). Moreover, the British government was still confident in the mitigation strategy even when HCSEC detected new technical deficits that might undermine its effectiveness: in 2017-18, HCSEC reported some shortcomings in Huawei's software engineering and cyber security processes that would bring new risks and long-term mitigation challenges to the UK (Huawei cyber security evaluation centre (HCSEC) oversight board, 2018; Huawei cyber security evaluation centre (HCSEC) oversight board, 2019). But these findings did not give rise to any drastic changes in the government's mitigation policy toward Huawei.

7.2.2.3 Continuity of liberal stances in PM May's intended policy on Huawei 5G

PM May's intended policy on Huawei 5G continued Britain's previous liberal stance on Huawei 4G. In precise, two pieces of evidence prove PM May's policy consideration.

First, at a National Security Council (NSC) meeting attended by the PM and ministers, the British government was approaching its first 5G policy decision on Huawei. It is disclosed that the May government, at this meeting, stated its intention to partially allow Huawei to take part in British 5G telecom network construction (BBC, 2019d).

But evidence also proves this policy intention was facing strong opposition: the meeting was confidential but was occasionally leaked to the media, and the public (Sabbagh, 2019). Thus, after the leak, May investigated and consequently sacked the defence secretary, Gavin Williamson, who has been suspected of being involved, even though he denied the accusation (BBC, 2019a). But curiously, the PM only fired him without charging the Secretary with any crime. Furthermore, this scandal even did not affect his political career: only two months later, he was nominated as the Education Secretary of the new PM Johnson's cabinet (Bennett, 2019). Therefore, this research believes this is "e silentio" evidence (Beach and Pedersen, 2013: 126) showing that the leak was very likely intentionally implemented to pressure May against her policy intention.

This assertion is further proved by another piece of evidence: it has been reported that a number of ministers, such as Home Secretary Sajid Javid, Foreign Secretary Jeremy Hunt, International

Trade Secretary Liam Fox, International Development Secretary Penny Mordaunt, chair of the Commons Foreign Affairs Committee Tom Tugendhat, the head of GCHQ Jeremy Fleming, and certainly the Defence Secretary Gavin Williamson disagreed with PM May's intention to consent to Huawei's access, even partially (BBC, 2019c; Sabbagh, 2019; Woodcock, 2019).

Putting above evidence together, the fact is becoming quite clear: the British government's policy intention to give partial 5G market access to Huawei reflected the PM's liberal stance, whereas a number of ministers opposed the PM's policy intention.

Second, the UK telecoms supply chain review report also proves the May government's position on Huawei. The report was updated on July 22, 2019, just two days before Prime Minister May handed over power to her successor, Boris Johnson. Therefore, this document can be seen as a summary of the May government's policy considerations for the UK's 5G future and Huawei.

In this report, it was stated that the government's future 5G policy would be drafted based on its current 4G policy (Department for Digital Culture Media and Sport, 2019: 45). To be precise, the government intended to flexibly design different measures based on its understanding of individual cyber risks through the assessments and would implement rigid control and oversight to manage the risks (Department for Digital Culture Media and Sport, 2019: 45). Taking Huawei as an example, the government acknowledged the usefulness of the oversight body, the HCSEC and its oversight board, and said it would require Huawei to correct the technological issues being identified by the oversight bodies (Department for Digital Culture Media and Sport, 2019: 39-40). Apparently, what the report disclosed is congruent with the first evidence regarding May's intended policy on Huawei 5G.

Overall, the two pieces of evidence above profile PM May's policy stance on Huawei 5G: allowing Huawei to participate in the British 5G network, though partially, while retaining the security risk mitigation strategy. Such a stance obviously shows the continuity of Britain's liberal stance on Huawei 4G (see parts A and B in section 7.2.2.2).

7.2.2.4 Continuity of liberal stances in PM Johnson's first policy decision on Huawei 5G

While May's government witnessed the transition from 4G to 5G policy, Johnson's government officially issued the first 5G policy decision for Britain on Huawei. Nevertheless, Johnson's first policy largely inherited Britain's policy on Huawei 4G and the predecessor PM's intended policy on Huawei 5G. In other words, Britain's policy inclination continued despite the change of government. Such continuity can be seen from three pieces of evidence:

First, the following sequential events provide a very solid verification of PM Johnson's preference in relation to his first policy on Huawei 5G: when a U.S. delegation visiting London on January 14, 2020 urged Britain to block Huawei (BBC, 2020e; Reuters, 2020d), British PM Johnson stated he was going to embrace the benefits of Huawei's cutting-edge technology while mitigating its security risks as well as maintaining intelligence cooperation with the U.S. (Faulconbridge and MacLellan, 2020). The next day, the UK government made its first decision to permit Huawei to acquire a maximum of 35% of the non-sensitive part of Britain's 5G market (Department for Digital

Culture Media and Sport, 2020d). Apparently, this piece of evidence confirmed the PM's liberal stance did motivate his policy.

Second, Johnson's government acknowledged its policymaking (which only refers to his first policymaking on Huawei 5G) was based on the conclusion of the Telecoms Supply Chain Review (Department for Digital Culture Media and Sport, 2020d), a report issued by the previous government of PM May. In particular, the government confirmed its policy-making was based on a comprehensive consideration of the risks mentioned in this report, such as vendors' supply chains resilience, relations with their origin state, strategic transparency, etc. (Department for Digital Culture Media and Sport, 2020b). But most of these risks were not "full of innovative thinking", but one could find prototypes or similar statements claimed by the previous British government (Department for Digital Culture Media and Sport, 2019: 23-32). In other words, the perception sustaining Johnson's policy-making is not new but mostly originated from Britain's previous policies. This piece of evidence offers strong and direct verification of the continuity nature of Johnson's first policy-making on Huawei 5G.

Third, the content of Johnson's policy was also similar to previous ones. For instance, he continued the previous risk-mitigation measures by putting Huawei under (bespoke) oversight (e.g. the HCSEC and its oversight board), the measures Britain has taken in the 4G era for a long time. Meanwhile, his "new" policy terms were just the narrowing down of PM May's intended policy of giving Huawei partial 5G market access: he kept the high-risk vendors (e.g. Huawei) away from the sensitive part of British 5G network and limited their maximum 5G market shares to 35% (National Cyber Security Centre, 2020: 21-23). Apparently, these are consistent with what PM May ordered at the NSC secret meeting (BBC, 2019d). Johnson's government would still mitigate rather than eliminate risks and manage rather than exclude high-risk vendors (Department for Digital Culture Media and Sport, 2020b).

In sum, the continuity of Britain's liberal stance in PM Johnson's first policy decision on Huawei 5G can be confirmed.

7.2.3 Mechanism breakdown due to US intervention

Until the second decision of the PM Johnson to remove Huawei from British 5G network, economic incentives prevailed over security concerns, forcing British policy actors' to allow Huawei to access British telecom network, including 5G construction, because they would otherwise suffer relevant economic loss, which is a costly aftermath. However, the story of the Huawei UK case bifurcates with representative cases of the economic incentives mechanism when Britain's final policy decision blocked Huawei 5G in the UK. The US intervention was exactly the "antagonist", the intervening factor, responsible for the breakdown of the economic incentive mechanism.

Earlier, the US had continuously pressed Britain to block Huawei from its 5G network, including through rhetoric persuasion (BBC, 2019f; Reuters, 2019d; Reuters, 2020c), threats to cut off bilateral intelligence cooperation (Reuters, 2019e; Reuters, 2019b), and the economic sanction of blocking US chips' shipments to Huawei (Shepardson and Freifeld, 2019). But these efforts, except for the strengthened chips sanctioned for Huawei in 2020, did not work out. In fact, the US chip

sanctions exerted in 2019 failed to prevent Huawei from accessing US chips (Alper and Freifeld, 2019a; Alper and Freifeld, 2019b; King and Leonard, 2019). As a result, Britain merely assessed the potential impact while not producing policies based on it: the economic incentives mechanism still operated when Johnson's first decision in early 2020 gave Huawei 5G partial market access (Department for Digital Culture Media and Sport, 2019: 40).

Hence, the US enacted a more rigorous chip sanction in May 2020 (Shepardson and Freifeld, 2020), making up the "loophole" left by the sanction in 2019 and exacerbating the vulnerability of Huawei's supply chain relying on US chips (Shepardson et al., 2020). This time, the US pressure caused Britain's policy U-turn on Huawei, breaking down the economic incentives mechanism.

In May 2020, the tightening of US sanctions triggered Britain's re-evaluation of the resilience of its (5G) telecom network, which incorporates Huawei devices (Kelion, 2020c; Russon, 2020), as the sanctions further weakened Huawei's ability to manufacture 5G base stations and devices relying on US technology (Gold, 2020). For instance, it is reported that PM Johnson asked officials to draft plans on minimising Huawei's involvement a few days after the new US sanctions (Tominey, 2020). Afterwards, the assessment gave rise to the UK's final decision to entirely remove Huawei from British 5G network in July. The reason behind the policy U-turn, as the British government acknowledged, is that Britain would no longer rely on Huawei as the 5G vendor as its manufacturing stability and reliability had been undermined by the US new sanctions (Department for Digital Culture Media and Sport, 2020c; Helm, 2020). This was also confirmed by the foreign secretary, Dominic Raab, who stated the new US sanctions underlined Britain's policy U-turn (BBC, 2020d).

In addition, while a clear link between new US sanctions and Britain's policy reverse can be seen above, competitive factors (e.g. pressure from hardliner MPs; compromising Huawei to promote UK-US trade relations; growing concerns over reliance on China after the Covid-19 outbreak) that are speculative to explain PM Johnson's drastically reversed stance either lack solid evidence or are challenged by counter-evidence (Tominey, 2020; BBC, 2020c; Sabbagh, 2020; Reuters, 2020f; Reuters, 2020g). Thus, it is most likely the truth that America's new sanction caused Britain's policy U-turn to ban Huawei 5G, leading to the breakdown of the economic incentive mechanism.

7.2.4 A weak causal inferential leverage

The negative case of Huawei UK could also serve as causal inferential leverage to boost confidence in the validity of the economic incentive mechanism. This is because, if it were not for the US new sanction, the bespoke mechanism could have been fully operated in the Huawei UK case, just like in the positive cases of this mechanism (such as the Hinkley case and the Huawei Germany case).

Put differently, the Huawei UK case, before its breakdown, is somewhat a representative case of the economic incentive mechanism. However, it is not as prominent as the Hinkley and Huawei Germany cases, in which economic incentives greatly influenced policy decisions. Nevertheless, it is still somewhat representative, as economic incentives played a role in Britain's initial willingness to accept Huawei before ultimately reversing their stance at the last minute.

As such, the Huawei UK case serves as weak rather than strong causal inferential leverage, providing some support for the economic incentive mechanism's validity information. Just as some methodologists argue (Zhou and Tang, 2018; Mikkelsen, 2017), the Huawei UK case and those typical positive cases establish a controlled comparison that slightly improves the researcher's confidence in the mechanism's validity. Consequently, this could be at least a test that can improve our certainty regarding the existence of the economic incentive mechanism.

7.3 Rejection under absent positive conditions

This section presents the identified necessary conditions that explain the rejection of Chinese investment in four negative cases (50Hertz, Leifeld, Impcross, Mettis). In particular, the section emphasizes the 50Hertz case due to limited word counts. After a brief review of case history (section 7.3.1), section 7.3.2 demonstrates the necessary conditions responsible for the policy result of rejection in the 50Hertz case. Then section 7.3.3 concludes with the final policy result.

7.3.1 Case history

On German electricity market, 50Hertz was one of the four leading power grid groups (Tennet, Amprion, 50Hertz, TransnetBW) owned by the Belgian grid operator Elia (60%) and the Australian infrastructure fund IFM investors (40%) at the time (50hertz, no date-b). The 50Hertz case addresses the state grid corporation of China (SGCC)'s two attempts to acquire the shares of 50Hertz from the IFM investors.

The first attempt started in January 2018. The SGCC would acquire a 20% share of 50Hertz when the IFM investors intended to sell half of their 40% share of 50Hertz (Elia group, 2018b). But it was disappointed by Elia, the majority owner of 50Hertz, who exercised its pre-purchase rights to buy the shares, increasing its total share to 80%, defeating SGCC's bid in March 2018.

After that, however, SGCC was still interested in the remaining 20% share of 50Hertz held by IFM investors and, as the second attempt (in May to July of 2018), intended to purchase these shares. Nevertheless, this attempt fails again. Elia has no intention to purchase and hold these shares for long term, but bought them and then sold it immediately to the KfW Bank group (Credit Institute for Reconstruction; in German: Kreditanstalt für Wiederaufbau), a state-owned bank of Germany, in July 2018 (50Hertz, 2018a; Federal Ministry for Economic Affairs and Energy and Federal Ministry of Finance of German government, 2018; KfW, 2018). In this way, 50Hertz avoided being bought by SGCC.

7.3.2 Relevant necessary conditions

The study found that the German government's policy stance towards the 50Hertz acquisition was influenced by the absence of positive mechanism elements, resulting in their intervention in both takeover attempts. The section outlines these absent elements, the negation of which could actually serve as necessary conditions leading to the policy outcome of rejection.

7.3.2.1 No highly tolerant social context

As argued earlier in the chapter 5, a highly tolerant social context generally favours the approval of Chinese investment. But this condition was not met regarding the 50Hertz case: it rather occurred

in the social context, which has already become adverse to Chinese investors.

In 50Hertz case, two attempted acquisitions occurred in 2018 when the social settings were no longer favourable for Chinese investors (as discussed in section 5.1.2). Domestically, Germany's vigilance against Chinese investment, emerged since the KUKA takeover in 2016, has become increasingly outstanding when the 9th amendment of the Foreign Trade and Payments Ordinance (AWV, the *Außenwirtschaftsverordnung*) in 2017 strengthened foreign investment review. Internationally, the US-China trade war in 2018 exacerbated the adverse environment for Chinese investment overseas. Above all, Germany's policymaking regarding the 50Hertz acquisition, occurred in 2018, was exactly under a social background with declining tolerance toward Chinese investment.

7.3.2.2 No specific economic incentives motivated the deal's approval

As argued earlier in the chapter 6, the presence of economic incentives generally favours the approval of Chinese investment. However, this condition was also not met regarding the 50Hertz case: no significant economic losses would arise if Germany rejected the acquisition of the Chinese investor.

First, Germany could reject SGCC with no economic losses due to 50Hertz's healthy economic situation at the time. According to 50Hertz's annual business report, the company enjoyed a stable business environment, normal income, increased employees, a profitable financial position (although less than that of the previous year), increased cash flow, a generally satisfactory economic situation, and normal and optimistic expectations (50Hertz, 2018c). Such a satisfactory economic situation was also verified by the majority parent company of 50Hertz, the Elia group: it reported 50Hertz was the branch that grew fastest in the company, with a 13% compound annual growth rate of its profit, since it acquired 50Hertz from the company of Vattenfall (Elia group, 2018b). In addition, statements from the IFM investors, the former owner of 50Hertz, also reflected the company's economic situation; they reported that its divestment of 50Hertz was merely opportunistic (IFM Investors, 2020) rather than the company being in a poor business status.

Nevertheless, it is argued that Chinese funds might be very attractive to Germany. For instance, in the first acquisition attempt, SGCC's bid amounted to about €800 million to €1 billion for only 20% share of 50Hertz, which is about 5 to 6 times more than the sale price of it in 2010 and was seen as a considerably high price (Steitz et al., 2018). It is really expensive for Elia to bid against this price, making the company reluctant to invest further (Stratmann, 2018). Similarly, in the second acquisition attempt for the remaining 20% of 50Hertz's share, Elia was suspected of having insufficient funds because of the high expenditure it just spent to bid against SGCC's first attempted acquisition.

But these arguments are inconsistent with the reality: regarding the first attempted acquisition, Elia actually did not divest (even though IFM divested and Chinese bid price was too high to be defeated), but it increased its 20% share of 50Hertz with €976,5 million (50Hertz, 2018b; Reuters, 2018c). Elia disclosed to fund such a transaction with 70% hybrid and 30% senior debt issuance and estimates a stable credit rating of its own (Reuters, 2018c). Also, Elia stated it feels happy with

the transaction despite the high price (Elia group, 2018a). For the second attempt, the KfW Bank group on behalf of German government helped Elia solve such a financing problem (Federal Ministry for Economic Affairs and Energy of German government, 2018c). Elia bought these shares again, making use of its pre-emption rights, and then sold them immediately to the KfW for about €976 million (Victoria and Gernot, 2018). In this way, the KfW bank (temporarily) took these shares on its own, and Elia did not need to bear any costs on its own (Federal Ministry for Economic Affairs and Energy of German government, 2018b: 3-5).

Second, Germany could reject SGCC with no economic losses because of 50Hertz business nature: 50Hertz located its main business in Germany and European market rather than that of China. It was one of the four Transmission system operators (TSOs) for German and cross-European electricity market (50Hertz, no date-a; 50Hertz, 2018c: 15). By contrast, it has less business affiliation with China. The only observation here is made by 50Hertz's CEO (Chief Executive Officer), Boris Schucht, who claimed his company welcomes expanded cooperation partners in the field of environmentally friendly energy when he was asked about the SCGG's purchase of its shares (Stratmann and Sigmund, 2018; Xinhua, 2018). Thus, no existing close business ties between 50Hertz and Chinese partners can be confirmed. This indicates rejecting SGCC's acquisition request would not result in major economic losses to Germany.

Third, 50Hertz technological leading status also indicates Germany can reject SGCC without concerns over economy losses. Evidence shows that one of the relevant motivations behind the SGCC's acquisition was its eagerness for German energy technology (Stratmann and Sigmund, 2018) to serve the country's ambitious plan "Made in China 2025", which regarded the energy sector as relevant to the future manufacturing leadership of the country (The state council of China, 2015). Another piece of evidence came from SGCC's Chief engineer, Zhang Qiping, who said that German firms had a technological advantage on wind forecasting and using renewable energy for the grid network (Stratmann, 2018). Apparently, 50Hertz with advanced technology held the upper hand while SGCC was on the technologically disadvantaged side. Therefore, Germany's approval rather than rejection of SGCC might result in economic losses.

Above all, Germany could defeat SGCC's acquisition attempts without worrying about potential economic losses. The economic incentives, the condition that would promote Germany to approve SGCC, was not met regarding the 50Hertz case.

7.3.2.3 German government security concerns

Evidence also indicates that the German government has had a strong sense of insecurity regarding the 50Hertz acquisition. First, German government paid close attention to the first attempted acquisition since it initially emerged as a possibility: in January 2018, Matthias Machnig, the deputy economy minister, held a conversation with Werner Kerschl and Lars Bespolka of IFM investors (the owner), as well as Li Lequan, Wang Xinglei and Dai Tiantian of SGCC (the bidder) in order to acknowledge the intention of the acquisition (German Bundestag, 2018b). The government also reacted rapidly to the second attempted acquisition: it soon acknowledged its resolution to take up the target shares that IFM investors would sell (Federal Ministry for Economic Affairs and Energy of German government, 2018d), which turned into the actual policy activities later.

Second, German government acknowledged that special safety/security requirements should be introduced to critical infrastructure, such as 50Hertz, whereas it would otherwise suffer serious aftermaths, such as shortages of supply or public safety turmoil (Federal Office of Civil Protection and Disaster Assistance and Federal Office for Information Security, 2018). Hence, the government states it would authorise the Federal Network Agency (in German: Bundesnetzagentur) to monitor the security of electricity supply and network operation and might even transfer the enterprise to public ownership (Federal Ministry for Economic Affairs and Energy and Federal Ministry of Finance of German government, 2018; Federal Ministry for Economic Affairs and Energy of German government, 2018c).

Third, German government's security concerns also reflect in its strong intervening resolution: despite the fact that SGCC's two bids (20% of 50Hertz share) did not meet the legal threshold (25% share) on which German government can intervene, according to the AWV at the time (Federal Ministry for Economic Affairs and Energy of German government, 2018a: 2; Federal government of Germany, 2018b: 14), the government found an alternative way, the state-backed KfW bank, to block the acquisition beyond this legal framework. The government admitted the security concerns to protect critical infrastructure motivated itself to treat 50Hertz as an exception (Federal Ministry for Economic Affairs and Energy of German government, 2018c; Federal government of Germany, 2018b; Federal government of Germany, 2018a), even though acquisitions below the 25% threshold are normally not discussed in depth within the government (German Bundestag, 2018b: 5).

Fourth, German government's self-justification of blocking SGCC also reflects its preference: it argued the intervention was not "protectionism (in German: Protektionismus)", but the government's obligation (Federal government of Germany, 2018a: 14) to "safeguard (in German: schützen)" the market (Federal government of Germany, 2018b: 13). It even states that it actually has restricted foreign investment as little as possible (Federal government of Germany, 2018b: 16), and the 50Hertz is one of the few deals that have to be restricted because the power grid refers to critical infrastructure (Federal government of Germany, 2018b: 14).

In sum, above evidence elaborates on the German government's security risk verification process in 50Hertz case: since the acquisition had begun, the government almost immediately raised security concerns and reacted promptly to block the deal.

7.3.2.4 The policy actor coalition

In the 50 Hertz case, the German government has unanimously taken a protectionist stance to reject the acquisition, whereas no evidence indicates there have been liberal actors within the government supporting the approval of the investment.

Evidence present a number of particular actors on behalf of German government engaged in the intervention of 50Hertz transaction. For instance, the deputy economy minister Matthias Machnig had intervened in Elia's decision to buy 20% of 50Hertz, defeating SGCC's first attempted acquisition. A government document (German Bundestag, 2018b: 4) confirms he talked to the CEO

of Elia, Chris Peeters, a few times on January 17, February 13, and March 9 and 13, before Elia eventually decided to increase its share of 50Hertz on March 23, 2018 (Elia group, 2018b). Despite government's denial (German Bundestag, 2018b: 4; German Bundestag, 2018a: 46), multiple media sources agreed that the government had successfully "nudged" Elia on such a decision (Deutsche Welle, 2018; Sigmund and Stratmann, 2018; Stratmann, 2018).

Further, German economy minister Peter Altmeier questioned SGCC's background and motivation and said he personally felt it difficult to let an investor from a third country such as China participate in the critical infrastructure (Reuters, 2018b; Reuters, 2018d). The minister also engaged in the blockade of SGCC's second attempted acquisition: he had talked to Elia's CEO, Chris Peeters, on June 1 and met the CEO of 50Hertz, Boris Schucht, two times on June 1 and 29 (German Bundestag, 2018c: 2). Meanwhile, another actor, State Secretary Ulrich Nußbaum, also met Boris Schucht two times, on June 19 and August 27, and held discussions with Günther Bräunig, CEO of the state-owned bank KfW (German Bundestag, 2018c: 2). Despite the confidentiality of these conversations, it was not coincidental that Elia bought the last 20% share of 50Hertz and immediately sold them to the KfW bank, defeating SGCC's second bid. There would not have been such a smooth transaction among 50Hertz, Elia, and the KfW bank if German government failed to coordinate them.

Apparently, the KfW bank was another relevant actor that participated in SGCC's second attempted acquisition. In precise, evidence presents the negotiations with Elia were conducted by KfW with the participation of German economy ministry (Federal Ministry for Economic Affairs and Energy of German government, 2018b: 4). On 24 July, the board of directors of the KfW has approved the shareholding scheme (Federal Ministry for Economic Affairs and Energy of German government, 2018b: 5). The next day, Elia and KfW signed the contract for the sale of this 20% portion of 50Hertz shares (Federal Ministry for Economic Affairs and Energy of German government, 2018b: 3). Two days later, a joint statement from the German finance and economy ministries publicly announced such a transaction (Federal Ministry for Economic Affairs and Energy and Federal Ministry of Finance of German government, 2018).

In addition, evidence disclosed that the decision on the purchase of Elia's shares by the government in order to bid against SGCC's acquisition attempt was made between various German government departments (no exact name), with the involvement of the Federal Chancellery (Federal Ministry for Economic Affairs and Energy of German government, 2018b: 5). Thus, the protectionist coalition includes these actors as well.

In sum, the German government, including the Chancellery, the economy and other unnamed ministry, and the state-owned KfW bank, have formed a powerful protectionist coalition regarding 50Hertz transaction whereas the liberal coalition was insignificant. Therefore, the policy results of rejection have undoubtedly emerged.

7.3.3 The policy result

Overall, the 50Hertz case demonstrates that in the absence of positive conditions, decisive policy actors recognized the investment as potentially having security risks and rejected it. Indeed, the

case occurred under the circumstance that none of the positive conditions that might otherwise lead to an approval policy existed: a highly tolerant social background and economic incentives were absent, while policy actors approved the security risks regarding the transaction and thereby formed a solid protectionist coalition. As such, it is impossible for the case to be approved due to the absence of essential conditions. Rather, it is exactly due to the missing conditions that key policymakers in Germany have acknowledged that the investment may pose security threats that cannot be mitigated unless it is rejected. Furthermore, this logic used in the 50Hertz case can also be applied to explain the policy outcomes of rejection in the other three cases of Leifeld, Impcross, and Mettis.

Chapter 8 Conclusion

This chapter is divided into the following sections: section 8.1 provides a summary of the research, whereas section 8.2 evaluates the theoretical and policy implications of the research findings. Finally, section 8.3 outlines the limitations of this study and offers possible directions for future research.

8.1 Research summary

The section effectively summarizes the study by sequentially presenting the research aim, design, and findings.

8.1.1 Research aim

Given the significant influx of Chinese investments into Europe in light of China's economic rise and the implementation of the Belt and Road Initiative (BRI) since 2013, this research has conducted a comparative study of the policies used by Britain and Germany in dealing with inward Chinese investments in high-tech sector and critical infrastructure since 2012. Specifically, this study has examined the distinct policy responses of these two countries as they are among the top European recipients of Chinese investment (Scissors, 2023). Furthermore, it has focused on the Chinese investment inflows in the high-tech and critical infrastructure sectors, which are often met with policy controversies and draw widespread attention, making them worthy of investigation. In particular, the study has addressed the specific topic of acceptance or rejection of Chinese investment in order to explain why recipient states selectively demonstrate greater support for the approval of certain Chinese investment projects over others. As a result, this study has identified two distinct causal mechanisms: the mechanism of a highly tolerant social context and the mechanism of economic incentives. These mechanisms act as two distinct selection pressures in specific social circumstances, filtering the winning coalition among policy-ruling actors and allowing their policy preferences to survive and guide the final policy outcome. With the identified selection pressures, this study offers a new explanation from the perspective of the social evolutionary paradigm (SEP, Tang, 2013b) for European countries' investment policies towards Chinese investment inflows.

The answer provided in this study is of great importance to the specific research field targeting the explanation or understanding of European recipient states' policy responses to Chinese investment inflows, a research topic (Seaman et al., 2017; Svetlicinii, 2023) further embedded in the broader research field focusing on Chinese investment in Europe (Meunier, 2014; Meunier et al., 2014; Defraigne, 2017). This answer, which highlights the role of social evolution in policy-making, effectively addresses a particular puzzle in this field and addresses the gap in current research due to the unsolved puzzle: existing research has been unable to fully explain the diverse policies of European countries towards Chinese investments due to this puzzle. This creates a need for conducting this study.

The puzzle is about the presence of two contrasting logics in the main discussion of this research field regarding European recipient states' reactions to Chinese investments. This discussion is analysed through both specific literature on Europe's policies towards Chinese investments and

broader theoretical IR, IPE and public policy literature on foreign investment policy-making. In this puzzle, the cooperative logic emphasizes that the interests of both the investor and the recipient align, leading to the acceptance of the investment, while the conflictual logic highlights that there are opposing interests between them, resulting in the rejection of the investment. These two logics offer mutually exclusive causal pathways for recipients' policies. However, there is an ongoing debate about which pathway can dominate in real-world cases where both come into play and why it can be dominant in some cases over others. However, the existing literature in this field leaves the relevant puzzle unsolved, which undermines their theoretical claims, thus giving this study an opportunity to join the discussion and push the field forward. However, existing literature in this area has not fully solved this issue. This undermines their theoretical claims, creating an opportunity for this study to contribute to the discussion and advance the field.

It is evident that this puzzle is widely represented in existing literature on European policies towards Chinese investment inflows. In the literature, the cooperative perspective believes that Chinese investment can strengthen European economies by renovating infrastructure, funding businesses, and promoting economic growth (Nordin and Weissmann, 2018: 235; Meunier, 2016; Pacheco Pardo, 2018). This is seen as a driving force for Europe to embrace and welcome such investments (Meunier, 2016). In contrast, the conflictual perspective suggests that there are growing concerns about Chinese investment posing a threat in Europe, including potential technology leakage and reliance on China (Chan and Meunier, 2022; Hooijmaaijers, 2019). This also could be due to Chinese government ties to Chinese companies in sensitive sectors (Svetlicinii, 2023; Brennan and Vecchi, 2021), leading Europe to respond with stricter foreign investment restrictions.

Likewise, in the wider theoretical literature, the cooperative viewpoint posits that the acceptance of Chinese investments is motivated by the potential for economic gains, receiving advanced technology, and the strengthening of state power (Watson, 2016; Powell, 1991; Almeida and Fernandes, 2008; Deudney and Ikenberry, 1999). Ideational factors, including economic ideologies, policymakers' trust, and cultural ties between the involved parties, also contribute to the acceptance of Chinese investments (Gowa and Mansfield, 2004; Gokmen, 2017; Rousseau and Garcia-Retamero, 2007; Garcia-Retamero et al., 2012; Bhagwati, 1987). On the other hand, the conflictual perspective suggests that recipient states may reject foreign investments to safeguard their own key technologies, avoid power shifts, and prevent foreign control over critical sectors (Reuveny and Thompson, 2001; Allison, 2018; Newman and Posner, 2011). Perceived threats, such as protectionist ideologies and mistrust in investors, can also lead to the rejection of foreign investment (Cheng et al., 2019; Libby, 2020; Gokmen, 2017; Rousseau and Garcia-Retamero, 2007).

This existing literature actually falls into a reductionist pitfall, relying on either harmonious or conflicting interests, but ignoring the possibility of both types of interests being present in a single investment case. As a result, these explanations, without taking into account both logics, are insufficient in explaining why, for instance, the approval of a Chinese investment was necessary due to harmonious interests rather than rejecting it due to a conflict of interests.

Even the efforts of some literature to resolve the puzzle still come with imperfections. Some studies

acknowledge both cooperative and conflictual logics, demonstrate that these two logics are both present in empirical cases, and takes a more comprehensive approach (Meunier et al., 2014; Seaman et al., 2017). However, these studies do not fully address which logic ultimately prevails and the reasons behind it, thus they still leave the puzzle out there. Other literature explains recipient states make policy decisions regarding Chinese investment as the trade-off between potential gains and losses (Meunier et al., 2014; Meunier, 2019; Babić and Dixon, 2022). However, this angle still not resolve the puzzle for two reasons, not only due to there is still ongoing debate about which side of the trade-off recipient states tend to prioritize (Pacheco Pardo, 2018; Bauerle Danzman and Meunier, 2023), but also that this angle still cannot answer recipient states have varied trade-offs in different Chinese investment cases. Therefore, a comprehensive theoretical framework that can explain these discrepancies is still missing from this line of research. Even though some literature has attempted to solve the puzzle, it is still flawed. Some studies recognize both cooperative and conflictual logics and demonstrate their presence in empirical cases, taking a more comprehensive approach. However, they do not fully address which logic ultimately prevails and the reasons behind it, leaving the puzzle unsolved. Other literature explains that recipient states make policy decisions regarding Chinese investment based on a trade-off between potential gains and losses. However, this perspective also falls short for two reasons. Firstly, there is still an ongoing debate about which side of the trade-off recipient states prioritize. Secondly, this angle cannot account for the fact that recipient states have different trade-offs in different Chinese investment cases. Therefore, a comprehensive theoretical framework that can explain these discrepancies is still lacking in this line of research.

Above all, the unsolved puzzle of existing studies serves as a valid reason for undertaking this study, aiming to identify causal mechanism(s) that can explain why recipient states have selectively accepted some Chinese investment projects over others.

8.1.2 Research design

This study employs a set-theoretical multi-method design, which integrates two primary methods, qualitative comparative analysis (QCA) and process-tracing (PT).

QCA (Qualitative Comparative Analysis) was chosen as the method for its ability to handle complex causation. This method involves configurational thinking, recognizing that there can be multiple causal pathways leading to a single outcome (Ragin, 2014: 23-25; Pappas and Woodside, 2021: 4; Schneider and Wagemann, 2012: 78). This facilitates a deeper understanding of causality beyond the traditional approach of identifying a single cause (Ragin, 2000: 40; Ragin, 2008: 109). QCA employs set relations to represent causal relationships, specifically through set membership scores (Rihoux and De Meur, 2009: 36-44; Schneider and Wagemann, 2012: 23-32). These membership scores define the combination of causes as the intersection of sets, while the total solution comprises of several such combinations as the union of these intersections (Rihoux and De Meur, 2009: 36-44; Schneider and Wagemann, 2012: 42-51). The study specifically opts for the use of fuzzy-set QCA (fsQCA) out of the three main QCA methods (crisp-set QCA, multi-value QCA, and fsQCA). This is because fsQCA uses a continuous interval scale, allowing for conditions to be given decimal values between 0 and 1 (e.g. 0.2, 0.4, 0.6, 0.8). This enables the capturing of more information and makes it easier to measure the gradations of membership compared to the binary

measurement scale of csQCA and the discrete measurement scale of mvQCA (Ragin, 2009: 88).

PT was chosen for its capacity to examine causal mechanisms because it is a "Y-centred method" that investigates the underlying reasons for a particular outcome by tracing the sequence of events leading to it (Blatter and Haverland, 2012: 84). Moreover, it is also a cause-process focused and chronologically-oriented method, which focuses on the sequence of events and the timing of causes and effects (Beach and Pedersen, 2016: 840; Beach and Pedersen, 2013: chapter 1). Additionally, PT is a within-case, evidence-based method that emphasizes the quality of evidence within a specific case and evaluates whether the evidence confirms a causal relationship (Bennett, 2010: 208).

Put together, the combination of QCA and PT is advantageous for a multi-method design due to their complementarity. QCA is valuable for establishing causal connections across cases (Berg-Schlosser and Meur, 2009: 8), while PT is successful in testing causal mechanisms within a case (Blatter and Haverland, 2012: 88). Using both can provide different insights into causal processes and validate QCA findings. Moreover, PT can rectify QCA's shortcoming by providing insights on the temporal sequence and interplay of conditions (Møller and Skaaning, 2019: 83). This promotes a more comprehensive and precise understanding of causality.

This methodological stance, in combination with the specific circumstances of the research topic, determines the criteria for case selection. These criteria consider several aspects such as an appropriate number of cases, diversity of case results, and cases' relevance to the research question, specific time periods and countries (Marx, 2010: 152; Berg-Schlosser and Meur, 2009: 25; Ragin, 2008: 147-149; Mahoney and Goertz, 2004). Additionally, cases also need to have significant transaction amounts or shares, be involved in key industries, and provide ample evidence that are indicative of the explored causal mechanisms.

Consequently, the study adopts a medium-N sampling strategy to analyse a dataset of 16 Chinese direct investments in Germany and Britain, including corporate takeovers and infrastructural constructions. As far as the study's knowledge goes, this is the first medium-N comparative study on the inward Chinese investment policy in Germany and Britain. It fills the gap left by similar studies that have either relied on large-sample regression analysis or small-sample case studies. Therefore, this study highlights the advantages of medium-N studies in exploring causal mechanisms.

For data collection, this study uses various types of data from different sources, such as official documents, media sources, think tanks, and scholarly journals, to support its research findings on government policies and decision-making regarding Chinese investment. These sources provide a wide range of textual and numerical evidence, highlighting both the government's stance and real-life case details. In addition, the study conducted three elite interviews to supplement the data. However, due to limitations in obtaining first-hand data, the study primarily relies on documents and triangulates them with a few interviews.

For data analysis, this study follows the general procedures required by the QCA and PT techniques.

This process includes conducting pre-QCA case studies, coding and calibrating identified conditions, running QCA software, and testing the reliability of the outcomes (Ragin, 2008). The study also uses PT to reconcile the QCA results and identify underlying causal mechanisms by referring to evidence such as interviews and archival materials. Consequently, the study identifies two distinct causal mechanisms for the acceptance of some, rather than other Chinese investments by Germany and Britain.

8.1.3 Research findings

The study has identified two distinct causal mechanisms that lead to the approval of Chinese investment projects in the explored cases.

(1) The highly tolerant social context mechanism: an opposition coalition amongst policy-ruling actors will hardly be possible to emerge in a social context that generally tolerates Chinese investment, where security risks associated with the investment are either absent, disproven, or can be mitigated. As a result, policy actors will approve the investment project.

(2) The economic incentives mechanism: relevant economic losses caused by the rejection of an investment, as a costly aftermath, will enforce policy ruling actors to at least accept the investment with remedies and discourage the emergence of an opposition coalition among them. In this circumstance, policy actors will approve the investment project.

Both mechanisms indeed reflect the mechanisms of selection, one of the core insights of the social evolution paradigm (SEP, Tang, 2013b): the selection pressure is created by complex interactions among the social system, agents, and other agents, and can filter out which groups of policy actors become the winning coalition that is able to reflect their policy preferences in the final policy outcome. Therefore, the two identified mechanisms act as two distinct selection pressures in specific social circumstances. They filter out liberal actors as the winning coalition and allow their policy preferences to survive, ultimately leading to the approval of Chinese investments in the positive cases.

With some more details, the two mechanisms is embedded in the two-step social evolutionary process regarding micro-level policy-making: the formation of policy preferences and subsequent policy-making activities; and the emergence of a final policy output as a social outcome resulting from interactions between actors.

The first step in policy making is for policy actors to form their preferences, which are shaped by their interactions within the social context. The social context, with its tolerant social climate or economic incentives, can influence individuals' policy preferences towards a more liberal stance. This influence may have a heterogeneous effect at the individual level, where some may accept or resist the top-down influence, but ultimately encourages individuals to hold liberal attitudes. As a result, in positive cases, liberal actors outnumber hardliners due to the selection pressures within the given social circumstances.

In the second step, like-minded individuals form groups to push for their preferred policies. The

intergroup competition then determines the winning coalition that ultimately dictates the policy output. In this process, the opposition hardliner group has a lower chance of winning due to its minority of members and limited bargaining capabilities. This is because the two specific selection pressures generally favour liberals over hardliners. As a result, the policy approving of Chinese investments survives, while the opponents are discarded.

Above all, the findings of this study have thus responded to the research question explaining why recipient states selectively approved some Chinese investment projects over others: overall, the specific selection pressure in particular social circumstances prevents rejection while permitting the approval of Chinese investments in the positive cases. The theoretical and empirical implications of the findings are discussed in the next sections.

8.2 Research implications

The above research findings have both theoretical and policy implications, which are discussed in the following sections.

8.2.1 Theoretical implications

First, the research findings of this study contribute to a specific field that focuses on policy responses of European recipient states to Chinese investment inflows. Through a social evolutionary perspective, the study offers a new explanation for the variation in European countries' investment policies towards Chinese investments. This perspective highlights the role of selection pressures in shaping policy outcomes, which has previously been overlooked by existing studies. While previous research has predominantly concentrated on recipient states' general policy approach towards Chinese investments, this new explanation addresses the distinct policies adopted for different investment cases. Thus, it provides a more comprehensive understanding of distinct policies at the case level, advancing to the research field by bridging the gap in existing studies that predominantly focus on national policies without a thorough understanding of policy variations across specific cases.

Second, with the identified causal mechanisms that highlight the role of selection pressures in shaping final policy outputs, the study also challenges the traditional idea that European recipients' policy responses towards Chinese investments are the result of trade-offs between security concerns and economic incentives, instead arguing that they are influenced by selection pressure in the social system.

This is not to say trade-offs are incorrect; instead, the social evolution in terms of policy-making, which argues policy results are the social outcomes comprehensively produced by the complex interactions between the social system, agents, and other agents, inevitably incorporates agents' trade-offs. Attributing policy outputs to trade-offs alone is not enough and incomplete; trade-offs tend to emphasize the formation of certain policy preferences, usually at the individual level, and do not consider the given social background, which may affect trade-offs consciously and unconsciously. Indeed, policy-making is a more complex process than just trade-offs. It is affected by the given social context, policy preferences, and subsequent policy-making activities. Also, the latter two have both individual and group dimensions. Moreover, the mutual interactions between

each of them also need to be considered if possible. Just as it is argued, both preference and bargaining power, and even the mutual influences between them, matter to the results (Moravcsik, 1997: 545; Tang, 2012). Above all, the overall effect of the complex interactions, as this study reveals, is the selection pressure, which can filter what policy suggestions are selected to remain as the final policy, whereas others are disregarded.

This new perspective offers new insight into the puzzle of cooperative or conflictual logics to understand inter-state economic ties (investment, trade, aid), debating over whether inter-state economic networks benefit or harm states and whether states should accept or restrict them. The distinct selection pressure in a given policy-making situation filters which logic can prevail over another, becoming the eventual social outcome. This mechanism is also useful to explain policy-making results in other trade-off situations. As such, it sheds light on not only debates regarding whether Europe accepts or restricts Chinese investments but also well-known classic debates, such as the relative-absolute gain debate and the liberalism-protectionism debate, in general theoretical studies in IR, IPE, and FPA.

Third, the study also extends the use of the social evolution paradigm (SEP) that back this study's explanation to the micro field of investment policy. The SEP has been used to study a variety of topics from macro to micro level, including international system transformations, institutional change, state security strategies, intergroup cooperation and conflict (Tang, 2020: chapter 6). But these fields have not yet included policy-making in general, and Chinese investment in Europe in particular. This study introduces one of the core insights from SEP, the selection pressure that exists in the social system, to the field of policy-making, particularly Europe's policies towards Chinese investments: the selection pressure in a given social setting filters what policy preferences and policy-making behaviours are selected to remain, becoming the eventual policy outcome. This not only indicates the SEP as a vital approach research field pertaining to policy-making but also enlightens further studies on policy-making by referring to the SEP approach rather than inadequately overlooking it.

Finally, the research and its findings also advances critical realism by exemplifying the usefulness of maintaining this critical framework as the meta-theoretical foundation to guide the entire research.

First, critical realism has guided the researcher of this study to clearly identify the research target, which is the identification of causal mechanisms. It directs the researcher to focus on finding the mechanisms responsible for the observed phenomena related to the research subjects, rather than just individual or combined factors. The implementation of this principle subsequently allowed this research to successfully identify two mechanisms that serve as the substantial answer to the research question of why Europe selectively received certain Chinese investments. In light of the findings, the research successfully elucidates the topic through a mechanistic lens of causation. This exemplifies how critical realism's proposition of a mechanistic understanding of causation can be implemented as a feasible and effective framework for research.

Second, the research process of this study, specifically the multi-method research design involving

fsQCA and PT, also advances the critical realism framework. This is because critical realism sets the research target of identifying causal mechanisms, which subsequently affects the design of this study, including the choice of methods and the implementation of the practical research process. The successful implementation of the design, along with significant progress in research and meaningful results, illustrates the feasibility of conducting research with this design under the guidance of critical realism. Therefore, the study can bolster the confidence of other researchers in using critical realism to conduct similar research with similar methods; it also provides an example for methodologists, showcasing how the application of a multi-method approach within the critical realism framework can lead to successful research.

Above all, this study contributes to advancing the framework of critical realism by demonstrating the usefulness of keeping it as the overarching guidance for conducting research. It showcases the utility of critical realism's insights which state that ontologically, the essence of causality lies in causal mechanisms, and epistemologically, that scientific research is the act of discovering these mechanisms.

8.2.2 Policy implications

The findings of this study have policy implications for the specific research area of Chinese investment in Europe, which is the central focus of inquiry. The implications, in a narrow sense, undoubtedly revolve around whether or not specific Chinese investments are approved in the first place. In particular, they render explanations for successful investments in 16 selected Chinese investment cases. Moreover, the explanation could extend beyond the 16 mentioned cases and be relevant to additional situations, such as Germany and Britain's reactions to other Chinese investments; or the reactions of other European countries to Chinese investments. Thus, the explanation may have the potential to offer valuable insights to relevant stakeholders, including politicians, government representatives, and business leaders in both China and Europe, regarding the policy responses adopted by European host nations towards substantial inflows of Chinese investments. For instance, this could inform Chinese investors on advantageous approaches for overseeing their FDI initiatives and assist policymakers in advancing China's global interests.

Furthermore, the research findings suggest certain patterns in the policymaking of Germany and Britain regarding Chinese investments. These patterns can be viewed from multiple perspectives: First, the results of this study present a striking contrast to the commonly held belief that the varying capitalist models of Germany and Britain result in significant differences in policies, with Britain's LME model being more "liberal" or open to Chinese investments. On the contrary, despite having different capitalist models, both countries maintain an overall open attitude towards foreign FDI, including Chinese investment inflows (prior to 2017-18); additionally, in cases where Chinese investments were declined, the impact of domestic institutional differences between Germany and Britain was found to be insignificant.

Second, the study's results do not substantiate the notion that Germany, in light of its firms' formidable technological dominance in the industry, exhibits a higher level of vigilance against Chinese technology-seeking investments than Britain. Instead, both countries, regardless of their respective technological advancements, share a similar determination to strengthen government

regulations in protecting their domestic relevant enterprises.

Third, the research findings suggest that the different levels of proximity between the UK and US, and between Germany and US, may have played a role in shaping their distinctive policies in specific situations. This is particularly evident in their differing approaches to Huawei's involvement in 5G networks: while Britain has opted to side with the US in entirely prohibiting Huawei, Germany has taken a more autonomous position by not completely dismissing Huawei. Additionally, the economic interdependence between China and Germany contributes more significantly than that between China and Britain to a stronger commitment from Germany and its leaders to maintain an engagement stance with China and Chinese investment in this case.

Nevertheless, as discussed earlier in section 1.1, the policy implications of this study are not solely limited to whether a specific Chinese investment is made or not. This is because Europe's responses to Chinese investment are part of the broader interactions between China and the Western world, yet the two blocs are economically connected but characterized by heterogeneous systems and values. The underlying logic behind the interactions (including those surrounding the issue of Chinese investments) is indeed how the Western world is going to react to a rising China. As such, Europe's responses to Chinese investments also address larger real-world concerns about whether these investments can act as a stabilizing force in fostering healthier relations between China and the Western world, whether China can fit into the Western-led liberal world order, and what the overall global landscape will be like in terms of peace or conflict.

Hence, the findings of this research may also have several policy implications in this light: initially, they may enlighten European elites to carefully and systematically consider whether to (1) maintain a generally open environment towards Chinese investments or (2) maintain their economic reliance on China—the two reasons for accepting a Chinese investment project as indicated by the research findings. Yet the two are also social results of the Western world's decades-long engagement with China, which was founded on the goal of incorporating China into the liberal order. Nevertheless, if European or Western elites no longer hold optimistic expectations about China's compatibility with the liberal international order, they may potentially shift their China policies towards reducing economic dependence on China and cultivate a less liberal climate for Chinese investment. As exemplified in recent occurrences, there has been a noticeable decoupling trend between Western economies and China's in the past few years. Preceding this, Western countries have enforced more rigorous barriers for Chinese investments, resulting in a transformation from a relaxed atmosphere to a more stringent one.

However, European elites may also have to more prudently consider the complex systemic effects when considering their reactions, as their policy responses may have both immediate and delayed unintended consequences in various aspects. For instance, rejecting Chinese investment will inevitably come at a cost, such as economic losses, for the recipient countries, as seen in the case studies. Also, Europe's leaders' reactions can also result in different domestic political dynamics. Domestic interest groups (e.g. German automobile industry) that benefit from China's economy may pressure leaders not to disengage with China. However, reconfiguring economic ties with China could in turn potentially lead to changes in domestic interest groups and coalitions.

But the most notable and profound effect could be that such an endeavour to reconfigure economic relations with China could have far-reaching impacts on the future of the world order. The possibility of a growing economic disconnect between Europe and China has the potential to deepen the existing divide between the two regions, ultimately impeding China's integration into the liberal international order. However, this may also signal to China that integration into the Western world is unrealistic, which might provide China with even more compelling reasons to propose an alternative order centred around China. Apparently, the new order that China would pursue must be a set of rules that primarily benefit China's interests rather than those of Europe. As a result, such a move could potentially pose even greater challenges to the existing liberal order, potentially weakening it instead of strengthening it. Hence, this scenario warrants careful and thorough consideration from European elites due to the complexity of the implications of their reactions.

Paradoxically, even if European elites do not hold overly pessimistic expectations regarding China's integration into the liberal order, things may not necessarily become easier. From a material strength standpoint, Europe's acceptance of Chinese investment helps to enhance the technological expertise, expand markets overseas, and increase the global competitiveness of Chinese businesses. This will ultimately bolster China's overall national strength. However, the growth in national power may prompt China to institute new rules instead of simply adhering to the existing liberal order, with the goal of actively managing economic interactions with foreign entities. Obviously, enhanced state power will not only encourage China's ambition for such a China-led order, but also secure its capability to achieve this grand objective.

Meanwhile, Europe may also face a dilemma from a symbolic perspective if it chooses to embrace Chinese investment inflows. Standing from Europe's perspective, China's heterogeneity within its system and values may lead to a different kind of order that contrasts with the liberal one. Yet Europe's embrace of Chinese investment inflows may signify a symbolic approval of such an order characterized by Chinese influence. Clearly, this policy choice is not easily accepted by European leaders, especially when there is still uncertainty surrounding China's ultimate willingness to actively integrate itself into the liberal order. Indeed, European leaders may be striving to avoid such a symbolic effect, as acknowledging an order that contradicts the fundamental values of Europe in many aspects could undermine the foundation of social systems in Western countries. Therefore, it is not surprising that Western leaders advocating for disputed and highly politicized Chinese investment projects, such as the Huawei 5G issue, face significant domestic pressure from hardliner elites, the general public, and even their Western allies. They may question whether their approach panders to China and if they are leaning too heavily towards China.

Above all, this research highlights the broader policy implications for European politicians by indicating that the question of how to react to Chinese investments is fundamentally embedded within the broader picture of the substantive bilateral relationship between China and the Western world: the two blocs were engaged in collaboration to pursue pragmatic gains, rather than being driven by solidarity; they avoided direct confrontation not out of mutual trust, common values and a genuine sense of camaraderie, but rather to avoid the high costs associated with such a move.

This is the underlying logic of the relations and interactions between China and the West. Therefore, the research may imply to European elites that instead of randomly reacting to various Chinese investment projects, they are also obliged to recognize the whole picture. This involves reflecting on their deliberate considerations of what role they anticipate China will play in the future order, and considering the effectiveness of their policy responses for this purpose.

8.3 Limitations and suggestions for future research

In the end, this section assesses the limitations of this study and possible directions for future research perspectives that may improve them. Despite not being able to cover all of the limitations, there are a few significant ones worth noting.

First, the study, despite setting its primary research target as investigating the causal mechanisms explaining positive results and having fulfilled this target well, admits that it does not adequately address the causal mechanisms explaining negative results. The major reason for this imperfection is that current methodologies leave unanswered questions concerning how to clearly define and categorize negative cases based on causal mechanisms, and what different causal inferential values these different kinds of negative cases contain for the investigation of causal mechanisms. As a consequence, the study found that some of the negative cases share a majority of the components of a positive mechanism (the breakdown of positive mechanism, see section 7.1 and 7.2), while others can be explained by the negation of some of these components (see section 7.3).

However, this question still needs to be studied separately in future research, and answering this question is beyond the capabilities of this study at its current stage. Nonetheless, the researcher believes a tentative, sophisticated mitigation is to maintain the status quo and only offer prudent conclusions on the negative cases (see chapter 7): instead of overconfidently identifying sufficient negative mechanisms, the study figures out either the missing conditions that lead to the positive mechanisms breakdown (see section 7.1 and 7.2) or the necessary factors (see section 7.3) that explain the negative results of these cases. In this way, these identified factors can be useful in identifying the real negative mechanisms in future studies, which may be supported by future methodology development that may clarify the negative cases' causal mechanisms.

Secondly, the limitation lies in the small number of cases (16) used in the research design, which may restrict the generality of the findings to a broader population. As discussed in Chapter 3, this number of cases was chosen to fit the investigation of the causal mechanisms and ensure the internal validity of the research findings. However, in pursuit of better research, if the study were to take more cases into consideration, it would gain greater confidence in the generality of the identified causal mechanisms.

Hence, the study may further investigate more cases in future research. In fact, there are many alternative ways and opportunities to expand this study. For instance, by investigating only the Chinese investment cases in Germany (68 cases) and Britain (117 cases) (see Scissors, 2019), the study can easily switch to a large-N design. It can further incorporate Chinese investments in other European countries and even beyond Europe. In addition, taking these abundant cases into account also has the advantage of allowing for a variety of comparisons, such as comparing Chinese

investments in developed European countries with those in developing ones or those in Europe with those on other continents. These opportunities for conducting large-N studies could not only provide a chance to further test the identified causal mechanisms of this study but also serve the ambitious goal of expanding the causal mechanisms that have the potential to inform a more general theoretical framework of foreign policy making.

Beyond the above limitations, there are also two future research perspectives that the study can explore in future research. First, the study can look for more refined mechanisms that reveal the interplay between actors and the social context, in particular between the macro-social structures and actors' cognitive activities. This attempt may further confirm the identified causal mechanisms of this study or, more ambitiously, thoroughly clarify the interactions between agents and their external system for a better understanding of both actors' behaviour and the system's evolution. Indeed, there are already studies attempting to bridge IR constructivism and IR political psychology (Shannon and Kowert, 2012; Ross, 2016). But constructivism is apparently not sufficient because the social system contains more than just the ideational structures that constructivists conventionally emphasise.

Second, this study has subtly realised a turn of intensified great-power competition in the international system. Some interesting questions regarding this turn might inspire further research. For instance, to what extent is the turn fuelled by economic competition among great powers, and how might it extend to technology, the military, or even institutional areas? Is this turn merely a fleeting phenomenon, or will it have a profound impact on the international order? These tentative inquiries may provide some inspiration for future research in this and associated domains.

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Appendix

Appendix 1 The first interview

The first interview was conducted in March 2022. The interviewee works as an analyst for a leading think tank based in Germany, with a focus on Chinese studies. The interviewee specializes in China's economic policy and overseas economic activities and relationships. The interviewee has also written numerous reports and articles that can be found online. Additionally, the interviewee holds a degree in social science, is proficient in Chinese, and has experience as a consultant on a Chinese team within a company.

Furthermore, the following section presents the interview questions that were asked during the interview. The specific questions asked may vary depending on the interviewees and their responses. However, they will generally be similar to the given interview questions.

The interview questions included:

1. What is the trend of Chinese investments in Germany in recent years (2012-2021)?
2. What is the German government's (general) attitude toward Chinese investments in Germany?
3. What featured the German government's policy-making process of the investment reviewing regime?
4. Who or what authorities significantly affect German government's policy responses to Chinese investments, and what stances did they have?
5. What lead to the German government or policy-maker(s) approved some Chinese investments whereas rejected others?

Appendix 2 The second interview

The second interview was also conducted in March 2022. As a senior economic analyst, the interviewee came from an influential German think tank focusing on Chinese studies. The interviewee has considerable experience in China, including a significant role as a writer on China-related topics, as well as a senior manager of a highly influential international organization with political ties. The interviewee specialises in the political economy of China and Europe-China economic relations, holding degrees in social science and Chinese language from top universities and having working experience in China.

The interview questions included:

1. What is the trend of Chinese investments in Germany in recent years (2012-2021)?
2. What is the German government's (general) attitude toward Chinese investments in Germany?
3. What featured the German government's policy-making process of the investment reviewing regime?
4. Who or what authorities significantly affect German government's policy responses to Chinese investments, and what stances did they have?
5. What lead to the German government or policy-maker(s) approved some Chinese investments whereas rejected others?

Appendix 3 The third interview

The third interview was conducted in April 2022. The interviewee has significant background in both the public and capital markets, holding top positions as a chair or CEO for a considerable amount of time, leading business in multiple areas. The interviewee, who has specialized knowledge of China, has worked there for over two decades and has held several senior positions, including chair, board member, and senior advisor, in multiple associations focused on promoting business between China and Europe, gaining abundant work experience over the course of many years. Additionally, the interviewee specializes in economy and leadership, as demonstrated by their roles as executive chair and director in various companies. Through these experiences, the interviewee has established a tight network with both economic and political elites in the homeland.

The interview questions included:

1. What is the trend of Chinese investments in Britain in recent years (2012-2021)?
2. What is the British government (general) attitude toward Chinese investments in the UK? Can it be described as a balanced approach between economy gain and national security risks?
3. What featured the policy-making process of the foreign investment reviewing regime of the British government, in general or in certain transaction?
4. Who or what authorities significantly affect British government's policy responses to Chinese investments, and what stances did they have?
5. Why the British government or the policy-maker(s) approved some Chinese investments whereas rejected others? What lead to the different results?
6. What is the policy decision-makers' considerations in a certain investment case, and what led to their considerations?