

Written evidence submitted by Simon Vitting (BFA0030)

My name is Simon Vitting and I have been invited to submit evidence on the basis of a recent article, published together with Dr Jan Knoerich at King's College London: *The distinct contribution of investment promotion agencies' branch offices in bringing Chinese multinationals to Europe*. We have conducted research on the role played by European Investment Promotions in promoting Chinese investments in Europe.

In this brief response, I will mostly focus on the second question:

2. How does the FCDO assess whether a potentially hostile party is seeking to secure significant influence or control over a UK company?

The key term, as I see it, is the term hostility and what the underlying intentions are behind the acquisition/investment of the UK company. To assess this, prior to any investments, requires on the ground knowledge in the Chinese mainland. Chinese companies are relatively more connected to various levels of government than what's the case in the UK. All of this is relatively well-known. Thus, to obtain information about intentions and relationships with other parties with potentially malicious intents, it is important for the UK to have a presence in the country and a range of contacts within and in the periphery of various levels of governments.

In our recent article (*The distinct contribution of investment promotion agencies' branch offices in bringing Chinese multinationals to Europe*) we show that European (including the UK) Investment Promotion Agencies are uniquely positioned in China and engages with the Chinese companies in a unique way that often transcend organisational boundaries. This has, as we show, potentially a positive effect on promoting FDI but in relation to this specific inquiry, I will argue that IPAs are also uniquely positioned to assess underlying intentions behind acquisitions/investments coming from China. This is due to their close interpersonal relationship between the IPA employees and leading officials from the company. Furthermore, the IPA and their employees have the necessary business and governmental contacts that can provide a unique context to FCDO in relation to the investment and the general climate. Furthermore, the infrastructure is already in place as the IPAs have existed for nearly 15-20 years now and thus, this would certainly be a line of enquiry that can be utilised in the short-term.

I think it is also important to make a distinction between large and largely public investments vs small investments in key technologies that are likely to go under the radar. While I am confident that extremely large investments will be scrutinised on a macro political level and thus, *hidden* malicious intent is likely to be investigated, I believe the IPAs offer a better chance to obtain information about small/medium sized investments in less obviously critical sectors.

In conclusion, I think the UKs Investment Promotion Agency (such as China Britain Business Association and Department for International Trade China) should be involved in discussions about screening processes.

References:

Knoerich, J. & Vitting, S., (2021), The distinct contribution of investment promotion agencies' branch offices in bringing Chinese multinationals to Europe
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January 2021