Emerging Sino–European Corporate Elite Networks

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ABSTRACT

Chinese investments into Europe have been growing prodigiously in the past decade and are increasingly the subject of controversy. However, while a lot of empirical data and analysis are available on the flows and stocks of these investments, we still know very little about the loci of corporate power and control behind them. This article focuses on a domain where substantive power of decision making and control regarding these investments lies: corporate boards. The key aim is to assess how Chinese boards are relating to the existing European corporate elite networks by analysing the extent and nature of Sino–European corporate board interlocking by China’s largest firms as a particular networking mode. Based on business listings and databases, and applying social network analysis in combination with qualitative analysis, the article highlights the contours of an emerging Sino–European corporate elite, revealing under-exposed areas of ongoing Sino–European collaboration whilst at the same time indicating a sphere of potential influence by Chinese business elites at the top of Europe’s corporations.

INTRODUCTION

The gradual integration of China into the world economy since its opening up in the late 1970s, and particularly since its 2001 accession to the World Trade Organization, has turned it into the second largest investor in the world (UNCTAD, 2019: 6), thus giving it increasing control over capital flows and production in world markets. In spite of a recent global slowdown — caused by, amongst other things, an attempt of the Chinese leadership to control capital flight, an increasingly stringent review mechanism...
abroad (Kratz et al., 2020) and the COVID-19 crisis — Europe has in the past decade become a primary destination for these investments (Blanchard, 2019; Drahokoupil, 2017; Hanemann and Huotari, 2018; Meunier, 2019).

This has aroused growing public and scholarly attention and debate, as well as political contestation (Hanemann and Huotari, 2015; Meunier et al., 2014; Pieke, 2020). In particular, large investments in leading European firms (especially high-tech companies) and crucial infrastructure (such as ports and railways) have led to concerns about the protection of intellectual property rights, the competitiveness of European firms, and even national security. These concerns are related to China’s development strategy to become more competitive, innovative and self-sustaining, aiming to capture the higher end of the value chain and escape the ‘middle-income trap’ — a goal for which the now well-known ‘Made in China 2025’ plan is seen as emblematic (Butollo and Lüthje, 2017; Wütteke et al., 2016; see also Henderson and Hooper, and Rühlig and ten Brink in this special issue). In addition, there is a fear of the potentially divisive effect of Chinese engagements with individual European countries (or within regional frameworks such as 17+1), which could threaten unity and joint foreign policy formulation at the European Union (EU) level (Pieke, 2020), although this perception is not necessarily backed up by facts (Rogelja and Tsimonis, 2020). Underlying these concerns is the notion that the Chinese economy is driven by a distinctively different political system, with the one-party Communist state directing the (political) economy and still owning a large share of industry (Kurlantzick, 2016), which is perceived — from a Western perspective — to be in conflict with liberal values (de Graaff et al., 2020).

In this study we focus on a domain in which arguably substantive powers of decision making and control regarding these investments lies: firms and their corporate boards. By zooming in on the command centres of some of the largest Chinese firms expanding into Europe, this article provides a novel perspective on the practices and potential implications of Chinese economic engagements in Europe. Given the strategic and societal urgency to better understand and cope with the growing influence of Chinese investments in the world economy — and thus the ‘directive capacity for what is made, licensed and sold in world markets’ (Stokes, 2014: 1083) — a steadily growing academic literature has emerged on Chinese outward foreign direct investments (OFDI). This scholarship on Chinese OFDI has generated a wealth of empirical data on the flows and stocks of such investments, analysing sectoral and national trends (e.g. Clegg and Voss, 2011; Hanemann and Huotari, 2017; Zhang and Van Den Bulcke, 2014), focusing on institutional and economic drivers and constraints (e.g. Brennan, 2011; Buckley et al., 2007; Ma and Overbeek, 2015; Sauvant et al., 2010; Witt and Lewin, 2007) and examining the effects on firm performance, environmental policy and labour standards (e.g. Burgoon and Raess, 2014; Hanemann and Rosen, 2012).
Yet, in spite of this abundance of aggregate and case-based empirical data, we still know very little about the loci of corporate power and control behind these investments. This is an important lacuna. Strategy and decision making on investments are, to a large extent, located at the top of the corporate world, amongst corporate elites and within the (trans)national business elite networks that they establish, mediated by those elites’ values and interests. In this article we therefore take a different approach to studying the presence of Chinese corporations in Europe, by focusing on corporate boardrooms. We thus shift our gaze towards the firm level and, more particularly, to the people that are directing these firms. Rather than taking a case-based approach (as others have done in various illuminating ways, e.g. Drahokouphil, 2017; Knoerich, 2010) we look at the interconnections and networks established by and across these firms via their directors. From the existing literature on corporate boards and elite networks in Europe we know that there are extensive transnational networks of interlocking boards which create business communities with a shared consensus and outlook, in spite of the competing interests of individual firms (Heemskerk, 2011, 2013). The question at the heart of our study is how — with the expansion of Chinese investments and firms into Europe — Chinese business communities and networks relate to incumbent networks, and particularly the extent to which they are integrating (or not) into these existing networks of corporate directors and firms through interlocking directorates, a well-established pattern of Western elite formation and networking.

The article will proceed as follows. First, we sketch our conceptual and methodological approach to this study in relation to existing literatures. Second, we explain step-by-step the methodological choices that we made in terms of data collection and analysis. Based on data from business listings and databases, we identify the sample of the largest Chinese firms in 2018. We then employ social network analysis to map the ‘ego networks’ of the directors of these firms, in particular their interlocking directorates, in order to select only the directors that have such interlocks with European firms. Hence, we arrive at our selection of 141 directors from China’s largest firms, connecting a total of 78 Chinese and 228 European firms, which we call ‘Sino–European interlockers’. Building upon previous studies (e.g. de Graaff, 2014, 2019), we then assess how the networks established by these Sino–European interlockers are configured in terms of the kinds of firms involved and personal characteristics of directors. We also trace the ego

1. We are deeply aware of the fact that this agency takes place within an institutional and broader societal context in which not only firms and markets, but also the state plays a key role. Both domestically and internationally the state acts not only as a regulator, a protector of borders, laws, security and property rights (van Apeldoorn et al., 2012), but in the Chinese case also — and significantly — as an owner and a stakeholder. We elaborate on this below.
networks of the big linkers in these emerging networks of Sino–European corporate elite interlocks, to assess in a more disaggregated analysis their wider corporate and societal networks, based on qualitative research. Finally, we reflect upon the key findings, their implications and limitations, and suggest avenues for further research.

A NETWORK APPROACH TO STUDYING CHINESE ENGAGEMENT WITH EUROPE

As the point of departure for this analysis we focus on the key corporate actors involved in the expansion of Chinese capital and its interaction with Western (European) capital: the actual firms, and the people in charge of these businesses, that is, corporate elites. With this focus, our study taps into a long-standing scholarship on national and transnational — indeed global — networks of corporate control and ownership (Babic et al., 2019; Carroll et al., 2010; Heemskerk and Takes, 2016) and a tradition of what is also called power structure research (van Apeldoorn and de Graaff, 2014; Domhoff, 2014; Murray, 2017; Winecoff, 2015; Young, 2015).

Power structure research has produced ample evidence of the existence of transnational networks of corporate power and control through the interlocking ties of directors across the world’s major corporations (Carroll, 2010; Carroll and Fennema, 2002; Fennema, 1982; Heemskerk, 2013; Kentor and Jang, 2004) as well as through ties between corporations and so-called policy-planning bodies such as think tanks, foundations and advocacy groups (Carroll and Carson, 2003; Carroll and Sapinski, 2010; Comet, 2019), and revolving door networks with US politics (van Apeldoorn and de Graaff, 2014, 2016; de Graaff and van Apeldoorn, 2011; Murray, 2017). These transnational networks have been interpreted as signs of the emergence of a global corporate elite in the form of an Atlantic ruling class (van der Pijl, 1984), an international corporate elite (Fennema, 1982), or a transnational capitalist class (Robinson, 2004; Sklair, 2001).

Until recently, this scholarship on corporate and political elite networks has been focused predominantly on the globalization of Western firms, and elite power structures in the USA and Europe. One of the key reasons for this was the focus of these studies on Fortune’s Global 500 list of firms, which until recently did not include a large number of non-Western firms. With the rise of non-Western capital and emerging economies — China leading the way2 — the question of how their corporate elites and business classes are positioning themselves vis-à-vis these incumbent power structures is becoming more urgent. This has spawned a growing body of studies.

2. The Global 500 ranking during the past decade has contained more and more Chinese transnational corporations, in 2020 amounting to a total of 124 firms (source: https://fortune.com/global500).
on how emerging elites from China and other non-Western countries are relating to Western transnational corporate and political power structures (e.g. Babic et al., 2019; Cárdenas, 2015; Carroll and Sapinski, 2010; de Graaff, 2011, 2012, 2014, 2019; Starrs, 2017) to which the present study aims to contribute. This article builds on an earlier study that explored the different networking modes of directors in a smaller selection of China’s largest transnational corporations (TNCs) (de Graaff, 2019) and the extent of convergence with patterns and practices of Western elite formation displayed by this transnationalizing Chinese business elite. That study found that the boards of these TNCs were markedly international in terms of their composition and transnational in terms of their corporate board affiliation networks (ibid.: 214–18). It also established that the directors were significantly networked with so-called policy-planning networks, both domestically and abroad, as is common for Western corporate and political elites (Carroll and Sapinski, 2010; de Graaff and van Apeldoorn, 2018), and were extensively connected to politics (de Graaff, 2019: 224–26).

In the present study, we take a bigger sample of firms as our starting point, but narrow our scope to Sino–European corporate board interlocks and the configuration of the interlocking directorate networks we found to connect China’s largest firms to European firms. With this focus we can examine more closely the propositions in the current literature on interlocking directors and make the findings more compatible with that scholarship. Additionally, we aim to contribute a novel angle to the growing literature on the practices and potential impact of Chinese economic engagements with Europe which is the theme of this special issue. Given the size of the sample, we do not investigate other networking modes (i.e. with policy planning and the state) for our full sample, but we do provide an illustration of these multi-layered elite networks in our analysis of those we identify as exceptionally big linkers.

Our study also aims to add to the extensive scholarship on East and Southeast Asian transnational networks created by what are coined ‘overseas Chinese’ (Haiwai Huaren) investors (Dahles, 2015; Nyiri and Tan, 2016; Todeva, 2007; Weidenbaum and Hughes, 1996; Yeung and Olds, 2000). These studies tend to analyse a very different kind of business actor (smaller entrepreneurial networks, family businesses and start-ups) rather than the large, powerful, globalizing TNCs that are joining the ranks of the Global 500 and the corporate power structures at the apex of the world economy, which are the focus of our study.

While there is a rich literature on South–South relations in terms of Chinese economic engagements abroad — for instance Chinese investments in Africa (Brautigam, 2009; Lee, 2017), as well as in Latin America and Asia (Brautigam and Xiaoyang, 2011; Gonzalez-Vicente, 2017; Jenkins, 2018; Jepson, 2019; Nyiri and Tan, 2016) — the phenomenon of Chinese TNCs and capital expanding into Europe seems to constitute a different and novel kind of development relationship which can be conceptualized as a
South–North relation (de Graaff, 2019; Meunier, 2019). Although there are previous historical examples of such South–North relations, for example the rise of Japan in the 1980s, which generated initial concern and alarm amongst Western powers (Meunier, 2019), there are distinctive aspects to the contemporary phase of South–North relations, in particular pertaining to Sino–Western relations.

Indeed, the Chinese case has several unique traits. Two are especially relevant here. First, China is a non-Western, Asian power that not only has the potential to become an economic world leader but is also militarily independent from the US, which poses a stark contrast with Japan in the previous example (the latter’s rise, moreover, took place in an era in which US hegemony was much less contested; see, e.g., de Graaff and van Apeldoorn, 2018). Second, China has a distinctive political economy, labelled by some as authoritarian capitalism (Redding and Witt, 2010), and by others as Sino-capitalism (McNally, 2012, 2019), state-permeated capitalism (Nölke et al., 2020), or state-directed capitalism (van Apeldoorn et al., 2012). The South–North relation in this particular case therefore — and significantly — entails interaction with state-owned enterprises (SOEs) directly tied to the Chinese Communist party-state, as well as private enterprises which are more indirectly tied to the party-state, through the presence of party secretaries in the board structure and through personal affiliations (see de Graaff, 2019).

Building on the previous work (ibid.), the present study aims to contribute to this emerging field of South–North development relations by focusing on the Sino-European relationship and the expansion and interaction of Chinese capital and elites within Europe.

Conceptualizing Emerging Sino–European Corporate Elite Networks

As conceptualized in the power structure research tradition, one of the key means by which corporate elites are seen to establish social power structures is through overlapping corporate board membership ties, or what is called ‘interlocking directorates’: linkages among corporations created by individuals who sit on two or more corporate boards (Mizruchi, 1996). Collectively, these ties establish networks of interlocking directorates which, as Carroll (2010: 7) aptly puts it: ‘link the key centres of command within the corporate economy’. Corporate board interlocks, from this perspective, provide elites with inter-organizational ties that may be employed for the exercise of economic power; that is, they can serve ‘instrumental purposes of

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3. One might question to what extent China qualifies as a country from the global South, or an emerging economy. Yet, within the often-employed North–South division, China would still belong to the South rather than the North. It is precisely because it has recently become so powerful that it is reversing the flows of capital, investments, aid and development which makes it interesting to explore this notion of South–North relations.
capital control, coordination and allocation’ and can be a source of ‘strategic power [which] occurs at the level of structural decision-making and concerns the determination of basic long-term goals and the adoption of initiatives to realize those goals’ (ibid.: 7–8; also Carroll, 2004; Carroll and Sapinski, 2018). In addition, these interlocking ties may be a source of cultural-political power, establishing ‘expressive, cultural-political relations that build solidarity and trust among leading corporate directors’ (Carroll, 2010: 8). They thus not only serve as ‘channels of communication among directors’, but also, crucially, facilitate ‘a common world view’ (Koening and Gogel, 1981, cited in Carroll, 2010: 9) and ‘the integration of potentially contradictory interests based on property ownership alone’ (Soref and Zeitlin, 1987, cited in Carroll, 2010: 9; see also Useem, 1984).

Literature in the power structure research tradition has extensively documented the transnationalization of national corporate networks established by such interlocking directorates. National business communities have partly been transforming into an integrated global corporate elite network (Carroll, 2010; Robinson and Harris, 2000). Empirical evidence shows that this global network of interlocking directorates has a strong northern transatlantic core and is based on a few strongly connected network communities that remained stable after the 2008 financial crisis (Heemskerk, Fennema and Carroll, 2016; Heemskerk, Takes et al., 2016). The question that animates the present study is how the Chinese transnationalizing corporate elite is relating to these existing networks through corporate interlocking, with a particular focus on Europe. As the point of departure for our study we therefore focus on the directors of the largest Chinese firms who are also on boards of European firms, and on the basis of that sample we assess the nature and contours of this emerging Sino–European corporate elite network.

DATA AND METHODS

Data Extraction Steps

Given that our research aims to shed light on the top layer of China’s business elite globalizing into Europe, it is in the first instance within the group of the largest corporate players that we expect to find the most relevant patterns. Small-scale shopkeepers, family enterprises such as restaurants, online vendors and start-ups are not part of the kind of global corporate power structures and elite networks this research is investigating.

As a first step, we therefore extracted the largest Chinese firms from the Orbis Bureau van Dijk database in December 2018.4 Because most firms

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4. Orbis Bureau van Dijk is an extensive data source with around 300 million companies across the globe (www.bvinfo.com). The largest firms are defined as corporations with operating revenue of more than US$ 10 billion.
have nested corporate structures, we took as a main firm those entities that are the global ultimate owners of the corporate group. Subsequently, we used Fortune’s Global 500 and Forbes 2000 lists in 2018 — which are commonly taken as the starting point for research on corporate elite networks because they rank the world’s largest firms — to complement our initial data selection from Orbis with more Chinese firms from these lists. The correspondence between the Orbis, Fortune’s Global 500 and Forbes 2000 datasets is high but combining all of these data sources improves the representativeness of our comprehensive sample of China’s largest firms, in terms of company sectors and industry types. The full list of large Chinese firms that were selected for analysis from the named datasets can be viewed online. After a few cleaning steps to this selection (erasing duplicates, merging subsidiaries into one parent firm, tracing changes in firm names), we used Orbis to extract data on individuals who hold positions as directors, on supervisory boards, or on executive boards of these Chinese firms.

The common approach would then be to look at the interlocks created by firms and directors within this sample of Chinese firms. We are, however interested, in the interlock ties that these directors may create with European firms. We therefore applied an ego network design; this entailed mapping out for each of the directors in our sample of large Chinese firms their corporate board interlock ties and then selecting only those which interlocked with European firms. We refer to these individuals as ‘Sino–European interlockers’ because they create board interlock ties between Chinese and European firms. We subsequently undertook a further, manual cleaning of the data, removing dormant ties, duplicates and ties to foreign subsidiaries, which reduced the number of ties and directors significantly (by nearly 60 per cent). This led to the final dataset which we analyse in this article, consisting of 141 directors from China’s largest TNCs, who connect boards of 78 Chinese and 228 European corporations by a total of 403 board interlock ties. It should be noted that this sample thus excludes transnational interlocks of the directors of China’s largest TNCs with non-European corporate boards. It also excludes interlocks with Chinese boards that may be established by directors at other European firms. In that sense the analysis below does not cover the full scope either of transnational interlocking of

5. The global ultimate owner of a company is a controlling shareholder (directly or indirectly owning at least 50.1 per cent in shares) that is not owned by any other company.
6. For example, in the Orbis dataset, because our selection criteria are based on the highest operating revenue, some influential tech firms are underrepresented. Fortune’s Global 500 list ranks firms based on their revenue while the Forbes 2000 list uses a mix of four key corporate metrics (sales, profit, assets and market value) to rank global firms.
7. Available on the Open Science Framework website: https://osf.io/kr5hu/
8. In Orbis these are registered as distinctive directorships but when these overlapped with a directorship position at the parent firm, we merged the two since this does not formally establish an interlock between two different firms, even if it may be an indication of the directors’ international exposure and experience.
Chinese major firms across the globe, or of Sino–European corporate board interlocks. What it does provide is an insight into the extent and nature of Sino–European corporate board interlocking by China’s largest firms.

Methodological Approach

For our analyses we employ a mixture of qualitative and quantitative approaches. Our primary approach is social network analysis (SNA) (Scott and Carrington, 2011; Wasserman and Faust, 1994). At its core, SNA is about the systematic analysis of relations between units, providing a pertinent point of departure for studying elite networks, as it aids in the systematic descriptive analysis of relational data and facilitates visual qualitative analysis, revealing social ties and patterns that otherwise remain invisible. In this way, SNA can help to uncover and visualize channels and pathways of elite formation and elite networking (Knoke, 1993).

Social networks consist of nodes and ties (usually called ‘edges’ in SNA parlance). Nodes can be diverse types of actors (including people, organizations or other entities) and ties can represent all kinds of relationships (friendship, professional relations, citations). One relevant distinction that is made in SNA is between one-mode and two-mode networks. One-mode networks consist of the same types of actors and the ties between them (for instance, ties between individuals within one organization), while two-mode networks have two types of actors and ties occur between these two types of actors (for example, ties between individuals and organizations). Our initial network is a two-mode network of individuals and firms that we can also transpose into two one-mode networks (firm-by-firm and individual-by-individual networks) and analyse separately. The projection of two-mode board interlock networks into a one-mode network of firms and a one-mode network of individuals is a common approach to investigate connections between actors in corporate elite studies (Valeeva et al., 2020).

To analyse the positions of nodes and power relationships in corporate and political networks, the SNA approach applies measures such as centrality (Winecoff, 2015). Degree centrality is the most basic centrality measure which simply denotes the number of ties that a node has. A central node is assumed to hold an influential position in the network and to be in the centre of the resource and information flows. However, SNA measures — including centrality — can only uncover potential indications of power and influence, which then need to be followed up by additional qualitative analysis in order to assess the actual implications of these relational patterns (see also Mizruchi, 1996). Another relevant concept from SNA that we
employ in this article is ego networks. Ego networks are subsets of the full network that represent the direct neighbours of a particular node (a firm or an individual) of interest. In this article, we used an ego network design to map all the interlocking directorates of each individual director in our sample of largest Chinese firms to then extract the selection of Sino–European interlockers. In addition, we investigated the ego networks of a selection of ‘exceptionally big linkers’ (de Jong et al., 2019), that is, directors with five or more positions (elaborated below).

Finally, we apply the concept of network brokers to describe positions of individual directors in the Sino–European board interlock networks. Brokers are significant actors in social networks that connect otherwise disconnected parts of the network (Burt, 1992, 2004). Network brokers serve as bridges between these sparsely connected network parts and are at the centre of key information and resource flows. Rather than conducting any formal quantitative brokerage analysis (see e.g. Gould and Fernandez, 1989) we use the concept in this article to describe the relative positions of actors.

In the following section, we analyse the networks of our sample of 141 Sino–European interlockers. We first investigate the firm networks they establish, including their corporate sectors and ownership types, and then analyse the properties of the network of directors themselves, and investigate the ego networks of exceptionally big linkers. The network measurements and visualizations were carried out with the social network analysis software Gephi (Bastian et al., 2009) and Netdraw (Borgatti, 2002).

A SINO–EUROPEAN CORPORATE ELITE NETWORK OF INTERLOCKING DIRECTORATES

Firms

In Figure 1 we present a one-mode firm-by-firm network of interlocks between Chinese and European firms. The ties between the firms (nodes) thus represent the interlocking directors (these are not shown themselves). What the visualization reveals is a sparse network which contains many components, which is the result of our ego network design, aimed at investigating an interlock network of the largest Chinese firms (the black nodes) with European boards (the white nodes). Among the firms with most connections is CK Hutchison Holdings, a Hong Kong-based conglomerate registered in the UK (offshore, Cayman Islands), with an annual turnover of around
Figure 1. One-mode Network of Sino–European Interlocks between Chinese and European Firms

Notes: only Chinese firms with more than five interlock ties are labelled; white nodes are European firms; black nodes are Chinese firms
Source: authors’ compilation from Orbis 2018 data (www.bvdinfo.com), accessed December 2018.

US$ 56 billion globally, operating in more than 50 countries and five key sectors: ports, infrastructure, retail, energy and telecoms.10

As the second most central firm we find Jardine Matheson, another Hong Kong-based global conglomerate registered in the UK (offshore, Bermuda) which is controlled by the wealthy Keswick family — a trading dynasty — and which was founded in 1832 in what was then Canton,

10. See the CK Hutchison corporate website: www.ckh.com.hk/en/about/overview.php
as one of the earliest foreign large trading houses (hongs) of that time.\textsuperscript{11} Other relatively extensively linked firms are financial groups and investment companies such as Hong Kong-based AIA Group (of US origin), Fosun International and China International Capital; banks such as China Construction Bank; real estate company Sunac China; the large energy trading company Noble Group; major automobile and transport groups China International Marine Containers, BAIC Motor and Sinotruk Hong Kong; and tech giants Alibaba and Tencent holdings.

Because of our particular selection procedure (which started with the corporate board positions of the largest Chinese firms and then branched out to the European boards, as described above), the European firms in our sample generally display significantly fewer interlocking ties. The names of the European firms are therefore not shown in Figure 1, but this cohort contains a selection of well-known European TNCs in a diversity of sectors (though mostly in energy, finance and transport) such as Total, Royal Dutch Shell, Rothschild & Co., Lloyds Bank, ING, Ryanair, KLM, Skyscanner, Eurotunnel, Volkswagen, Ferrari, Scania, Porsche, MAN, Daimler, Deutsche Messe and Bertelsmann. It thus seems that the Sino–European interlockers on China’s largest boards are interlocking with the top of Europe’s corporate elite. In the following we will unpack this first finding by looking into the characteristics of the firms, in particular their sectoral composition and ownership types, in order to get a better understanding of the nature of these interconnections.

\textit{Sectoral Composition}

The sectoral distribution of these Chinese and European firms is shown in a comparative fashion in Figure 2, based on the Statistical Classification of Economic Activities in the European Community, known as NACE codes. What appears from this sectoral distribution is that Chinese firms in our network sample are more dominant in manufacturing, real estate and energy (mining, quarrying, electricity), whereas European firms are more prevalent in services (consultancy, support, administrative and so forth) and professional, scientific and technical activities. They are equally present in finance, IT, transportation and construction activities.\textsuperscript{12} This complementarity is an

\textsuperscript{11} See Jardine’s corporate website: www.jardines.com/en/group/history.html. Although we manually deleted as many redundant and duplicate ties as possible, including foreign subsidiaries, it was not possible to screen and correct for all the sometimes rather opaque and complex ownership structures. In particular in the case of big financial holding conglomerates like Hutchison and Jardine we will therefore still have remnants of such ownership ties in our sample. This partly explains why these firms have relatively numerous Sino–European interlocks. It should be noted that the control and influence of such interlocks have different implications from interlocks between independent firms.

\textsuperscript{12} For 15 per cent of the sample, Orbis did not provide a sector code.
Interesting finding in light of the scholarship and analysis of China’s attempts to move up the value chain and acquire greater knowledge and expertise in the field of services, management and technology (Butollo and Lüthje, 2017; see also other contributions to this special issue, e.g. Henderson and Hooper; Rühlig and ten Brink). This ambitious industrial policy has become best known in the West in the form of the much-discussed ‘Made in China 2025’ strategy launched by the Chinese leadership in 2015. The aim is to stimulate the shift from an export-led production model (based on production of low-end cheap products with low-cost labour) to a model of domestic consumption and innovation (based on high-end and technology-intensive production), thereby stimulating economic growth and avoiding the ‘middle-income trap’, whilst at the same time upgrading a wide range of industries and taking the lead in the fourth industrial revolution (Butollo and Lüthje, 2017). Acquisitions of firms abroad are seen as part of the Chinese leadership’s strategy to acquire the necessary knowledge and
technology. However, the interlocking board ties of Chinese firms via directorships with European firms presented here may also aid in the transfer of such knowledge and complementary skills. To interlock with firms that have these complementary resources and assets may therefore be an alternative strategy on the part of Chinese directors and firms. From that perspective, it is interesting to find that only 17 per cent of interlocks are within the same sector, whereas the large majority (69 per cent) are among different sectors (14 per cent of interlocks are unspecified). This proposition would need additional research in order to learn more about the driving forces and possible strategies behind these interlocks. The predominance of finance, finally, is not surprising, but does indicate that also in China the financial sector is particularly transnationally oriented and relatively more transnationally integrated, in this case through Sino–European interlocks.

Ownership Types

As mentioned above, a characteristic of Chinese firms, and one of the key concerns of Western observers, arguably increasing their ‘liability of foreignness’ (Zaheer, 1995), is their ‘statist’ nature — the idea that they are either state-owned or otherwise state-controlled. Yet, in spite of the state-led nature of the Chinese economy and the fact that a large share of its industry is still state-owned (Kurlantzick, 2016), research has started to highlight the increasingly hybrid nature of China’s globalizing capital (ten Brink, 2019; de Graaff, 2019; Kratz et al., 2020; Meunier, 2019; Milanovic, 2019). In order to assess how this applies to the Chinese firms in our sample, we applied a manual coding of their ownership types. Ownership structures and control in Chinese SOEs have been subject to continuous reform since the early 1980s and are far from straightforward (for a recent overview, see Lin et al., 2020). For instance, it is common practice for a Chinese SOE to have a large, listed subsidiary. While this subsidiary (which can be a massive corporation in terms of scope and size13) is majority state-owned, it has a more hybrid set of shareholders (state and private), a partially different board membership, and has to comply with different kinds of corporate governance practices than the SOE parent. We coded our sample firms into four categories: fully state-owned (SOE), partially state-owned (i.e. including the listed SOEs), public, and private. We found that for 47 per cent of the cases presented here, the listed firm have a state-owned parent; 44 per cent are public firms; 6 per cent are full SOEs and 3 per cent are private firms.

13. A clear example is Petro-China, the listed subsidiary of the National Oil Company China National Petroleum Corporation (CNPC), which at the height of the oil price spike in 2007 had the world’s largest market capitalization, eclipsing then world-leader ExxonMobil (Waerden, 2007).
### Table 1. Nationality of Sino–European Interlockers

| Country of nationality of directors | Number of directors | Percentage |
|-------------------------------------|---------------------|------------|
| China                               | 60                  | 43%        |
| Hong Kong                           | 23                  | 16%        |
| UK                                  | 20                  | 14%        |
| USA                                 | 5                   | 3%         |
| Europe: Germany, Sweden, Netherlands, Italy | 8 | 6% | |
| Asia: Japan, Malaysia, Thailand, Taiwan, Singapore | 7 | 5% |
| Canada, Australia                   | 7                   | 5%         |
| Chile, Brazil, South Africa         | 3                   | 2%         |
| Unknown                             | 8                   | 6%         |
| Total                               | 141                 | 100%       |

Source: authors’ compilation from Orbis 2018 data (www.bvdinfo.com), accessed December 2018.

The sample of Chinese firms connected by Sino–European interlockers thus has a roughly equal share of firms with direct or indirect state ownership as it has firms without any state ownership. This finding confirms a trend of hybridization of China’s globalizing capital; with those firms at the frontier of transnationalization not only integrating with European corporate networks through board interlocks but also representing a hybrid mixture of listed entities, private entities, and listed entities belonging to state-owned capital (see also de Graaff, 2014, 2019). However, as discussed elsewhere (de Graaff, 2019: 219–20), it should be noted that even in the case of private firms, the lack of state ownership does not necessarily imply a lack of state interference or even control, given the essentially state-directed nature of the Chinese political economy. In that sense, these findings may point towards a dualistic trend: on the one hand a transformation of Chinese capitalism into more liberalized and Westernized forms is taking place — which importantly also allows it to align with existing capitalist structures, markets and networks — while on the other hand Chinese capitalism retains and perhaps even increases its characteristic of party-state control.

**Directors**

We now move from the characteristics of the firm network connected to our Sino–European corporate interlockers to the directors themselves. Looking at the composition of this group of Sino–European interlockers in terms of their nationality and gender, it stands out that although our sample has a diverse composition in terms of nationalities (see Table 1), there is very little gender diversity here, with only 9 per cent female directors. This is low

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14. We used Orbis 2018 data for this analysis. Although nationality and gender data are sparse in Orbis in general, they are of relatively high quality for individuals on corporate boards of the largest global firms.
compared to the average number of women on boards in the UK (around 15 per cent), The Netherlands (14 per cent) and the USA (16 per cent), and very low compared to Scandinavian countries (between 25 and 40 per cent), and thus points to a lack of gender equality in these networks (Heemskerk and Fennema, 2014).

In terms of the nationality of the Sino–European interlockers, we find that 59 per cent of the sample have Chinese nationality (of which 16 per cent Hong Kong based), 35 per cent are non-Chinese, and the nationality of 6 per cent is unknown (see Table 1). Of the non-Chinese directors, the majority have European nationalities, with the British nationality being particularly dominant, but we also find a substantial number of American directors, directors with Asian nationalities other than Chinese (Taiwan being a delicate case here of course), and individuals from Canada, Australia, Brazil and South Africa.

The international composition of this set of Sino–European interlockers, all of whom hold seats on the board of at least one of China’s largest firms connecting with Europe, is an interesting finding because it seems to indicate the first steps of integration, with non-Chinese directors on Chinese boards serving as brokers or bridges to existing global corporate elite networks, connecting sparsely connected business communities (Burt, 1992, 2004). At the same time, the fact that a majority of these Sino–European interlockers are Chinese shows that the latter are also establishing transnational interlocks, and thus seem to be adopting the practices that are common to Western globalizing business communities. This supports initial findings on corporate networking modes of Chinese TNC directors in an earlier study (de Graaff, 2019).

Moreover, if the propositions in the power structure research literature discussed earlier have any bearing on these emerging corporate elite networks, this would imply that these interlocks provide the directors with inter-organizational ties that entail economic power, bridging Chinese and European boards — that is, the power to instrumentally control, coordinate and allocate capital, and ‘strategic power’ at the level of structural decision making and long-term planning (Carroll, 2010: 8) across corporate China and corporate Europe.

In addition, these Sino–European interlocks may be a fruitful basis for cultural-political relations of solidarity and trust (ibid.). This indicates that there is a base for intra-elite consensus building within the cohort of Sino–European corporate elites that direct China’s largest firms expanding into Europe. At the same time, it points to a potential area of Chinese influence and power within Europe that is, so far, underexposed. While much attention is paid to the acquisitions and mergers of firms and other types of investments, these inter-organizational ties of Chinese and non-Chinese corporate elites situated at the top of both Chinese and European firms may yield influence on corporate and economic decision making and planning that reaches beyond the boardrooms of the individual Chinese TNCs.
These propositions, again, would need further investigation and additional qualitative research, but what they do reveal is that opening up the black box of Chinese firms investing in Europe and investigating the properties of the networks of people and firms thus derived, generates surprising results. These findings counter the narrative of a closed, idiosyncratic and monolithic bloc of corporate elites-cum-state managers linked to the Communist Party of China, and show the much more diverse and internationalized (Westernized) composition of the directors at the helms of these firms. At the same time, they uncover a realm of potential economic influence for Chinese corporate elites that has so far remained out of sight. In the next section we will explore in greater depth some of these individuals and their networks in order to provide more insight into their profiles.

**An Inner Circle of Sino–European (Exceptionally) Big Linkers?**

In order to obtain a more granular analysis of the Sino–European interlockers and their (inter)connections, we distinguish those directors in our sample who have a relatively large number of corporate interlocks. Such ‘big linkers’ are usually seen in the literature to have the potential to wield more influence because they are more centrally located (David and Westerhuis, 2014; Heemskerk and Fennema, 2009). Useem (1984) conceptualized what he called the ‘inner circle’ of corporate elites that would hold board positions not only in corporations but also in other organizations (such as policy planning and non-profit) and in government. This inner circle is suggested to be highly cohesive, to share common goals and interests, and to have the capacity to shape corporate governance beyond the individual firms and into other — more public — realms of society.

Within our sample, 50 per cent of the directors with Chinese and Hong Kong Chinese nationality have at least three interlocking directorates — and thus qualify as big linkers — which suggests that the Chinese directors are adopting such elite-formation practices. However, that sample is too large (>60 in total) to provide a full biographical ego network mapping, which includes affiliations other than corporate ties, and over a longer time span. We therefore narrowed down our sample to the ‘exceptionally big linkers’, referring to directors with five or more directorships (following de Jong et al., 2019). When zooming in on the exceptionally big linkers, we find this top tier to be dominated by European directors, with only two Chinese directors, of which one comes from Hong Kong (see Table 2).

15. There is no established agreement in the literature on empirical identification of ‘big linkers’ in board interlock networks. For instance, Useem (1984) identifies big linkers as those individuals who hold two or more directorships, while more recent literature takes three or more positions as a boundary to detect big linkers (David and Westerhuis, 2014).
Table 2. Exceptionally Big Linkers in the Sino–European Corporate Elite

| Directors                        | Number of Interlocks | Nationality     | Age  | Gender |
|----------------------------------|----------------------|-----------------|------|--------|
| Edith Shih                       | 11                   | UK              | 65   | F      |
| Peter Keith Levene               | 10                   | UK              | 75   | M      |
| Andreas Hermann Renschler       | 9                    | Germany         | 59   | M      |
| David Bonderman                 | 8                    | USA             | 75   | M      |
| Hing Lam Kam                    | 7                    | China (HK)      | 71   | M      |
| John Raymond Witt               | 6                    | Canada          | 54   | M      |
| Adam Phillip Charles Keswick    | 5                    | UK              | 44   | M      |
| Bodo Knut Uebber                 | 5                    | Germany         | 58   | M      |
| Kai Xiang Liu                   | 5                    | China           | 47   | M      |
| Willem Kok                      | 5                    | Netherlands     | 79*  | M      |
| Woo Mo Fong, Susan Chow         | 5                    | UK              | 64   | F      |

Note: * passed away October 2018.
Source: authors’ compilation from Orbis 2018 data (www.bvdinfo.com), accessed December 2018.

Figure 3. Ego Networks of Exceptionally Big Linkers

Notes: Square nodes: directors; round nodes: firms; ties: interlock, degree centrality, expressed in size (i.e. more ties gives a higher degree and a larger size).
Source: authors’ compilation from Orbis 2018 data (www.bvdinfo.com), accessed December 2018.

Looking at this smaller sample gives us some more detailed insight into their interlocking practices and wider societal, economic and political networks. We first created a two-mode network of all the ego networks of this selection of exceptionally big linkers combined, looking only at interlocking directorates, which is shown in Figure 3. The black square nodes in this sociogram\(^{16}\) are the directors and the round nodes are the firms in which they

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16. A sociogram is the graphic representation of social relations of a person.
hold a board position; the size of the nodes expresses the degree centrality, and ties denote a Sino–European interlock. We find here, as mentioned earlier, some of the major European TNCs such as Shell, Total, Lloyds, ING, Volkswagen, Scania, Rothschild, Ryanair, Daimler and Bertelsmann. Just as the literature on big linkers proposes, our data suggest that this sample of Sino–European interlockers does indeed create a structure across Chinese large TNCs and a wide selection of European firms — amongst which many flagship European multinationals — through which information can circulate, a basis for social cohesion may be formed, and strategic power can potentially be exercised.

This applies particularly to the non-Chinese directors in the sample, which can therefore be seen as potential brokers with their Chinese counterparts. As the literature on brokers suggests (Burt, 1992; Granovetter, 1973), these directors create bridges between their European business communities and the Chinese corporate boards and may act as interlocutors, stimulating the dissemination of business practices between the two corporate worlds. Inviting such European big linkers onto Chinese boards may be a deliberate strategy on the part of Chinese firms to create interlocks with European firms, which is a proposition that needs to be verified by additional research. While this applies to the exceptionally big linkers, who are predominantly non-Chinese, Chinese directors — as already noted — make up 50 per cent of the total number of big linkers in our sample; it is therefore likely that the effective ‘inner circle’ will be larger and include more Chinese directors than the analysis above suggests.

Aside from creating many corporate interlocks, the literature anticipates that big linkers will be in a position to influence decision making and governance in more public realms of society, such as policy planning, think tanks, politics and education. While we could not conduct a full analysis on these additional ties for the full sample of exceptionally big linkers, we do sketch the profiles of a selection of them, based on their published biographies on organizational websites, databases and business reporting (see Table 3). This qualitative evidence supports the above propositions. In many cases these directors not only hold an exceptionally high number of corporate board positions at the same time, but also, throughout their careers, hold positions in various policy-planning and governance organizations, such as the Chartered Governance Institute (Edith Shih) and the Berlin Center for Corporate Governance (Bodo Knut Uebber); in politics (for example,

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17. Degree centrality (size of the nodes) here represents the relative number of incoming/outgoing ties within this selection of exceptionally big linkers only (i.e. only the firms and their ties in this particular sample are used to calculate the degree centrality).
18. Sources included: CK Hutchison (www.ckh.com.hk/en/about/directors_details.php); the Dutch Parliament (www.parlement.com/id/vg09lloazsxv/w_wim_kok); Forbes (www.forbes.com/profile/david-bonderman/#3fc43c832fce); Peking University (http://115.27.240.43/faculty/faculty1/21745.htm).
Table 3. Selected Profiles of Exceptionally Big Sino–European Linkers

| Name                  | Profile                                                                                                                                                                                                                           |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Edith Shih (CK Hutchison) British (HK) | Trained as a corporate lawyer and with a career in investment banking prior to joining CK Hutchison (then Hutchison Whampoa) in the early 1990s. Beside her role as executive director in the Hutchison conglomerate and her many corporate interlocks, holds several leading positions in policy-planning and governance organizations such as the Chartered Governance Institute, the Hong Kong Institute of Chartered Secretaries (HKICS), Governance Committee of the Hong Kong Institute of Certified Public Accountants, the Financial Reporting Council, and the Securities and Futures Appeals Tribunal. |
| Wim Kok (China Construction Bank) Dutch | High-level Dutch politician, former leader of the Dutch Labour Party, held posts of prime minister and finance minister of The Netherlands. He is a typical example of the big linker Inner Circle and ‘revolving door’ elite, holding many corporate directorships at major Dutch multinationals such as Shell, Unilever and PostNL after his political career ended. |
| Peter Keith Levene (China Construction Bank) British | Combined an expansive top-level corporate career with high-level political and policy-planning positions such as Lord Mayor, Alderman and Sheriff of London in the 1990s, Chairman of the Defence Reform Group, personal advisor and Chief of Defence procurement for the UK Ministry of Defence, UK National Armaments Director and Chairman of the European National Armaments Directors. He also served in government as advisor to the Secretary of State for the Environment, and to the President of the Board of Trade and the Chancellor of the Exchequer. His corporate board positions (have) included Docklands Light Railway, Canary Wharf and Sainsbury. |
| Kai Xiang Liu (BAIC Motor) Chinese | A prominent law professor at Peking University Law School, he has worked as an arbitrator of the China International Economic and Trade Arbitration Commission, Beijing Arbitration Commission and Singapore International Arbitration Institute, and is executive director at several professional and research societies such as the Civil Law Research Association of China Law Society and the Civil and Commercial Law Research Society. |
| Bodo Knut Uebber (BAIC Motor) German | Has held several leading positions in research and policy-planning bodies such as Chairman for Berlin Center of Corporate Governance, member of the executive committee and board of directors of the German Stock Institute (Deutsche Aktien Institute), member of the investment advisory board of the German Stifterverband. Was a Chairman of EADS (European Aeronautic Defense and Space Company NV) and held several prior corporate positions in defence and technology firms before joining Daimler. |
| David Bonderman (China International Capital) American | A US multi-billionaire business magnate. Trained in law, and held a political position as special assistant to the US Attorney General, before joining a corporate law firm. Subsequently developed an expansive corporate career, founding what now is TPG Capital, a large private equity firm with > US$100 billion in assets, in the early 1990s and holding directorships at many major US TNCs, including Uber, Continental Airlines, Virgin Cinemas, Burger King and American Savings Bank. He also serves on boards of numerous foundations and non-profit organizations. |

Sources: published biographies on organizational websites, databases and business reporting. Sources include: www.ckh.com.hk/en/about/directors_details.php; www.parlement.com/id/vg99loazsxv/w_wim_kok; www.forbes.com/profile/david-bonderman/#3fc43c832fce; http://115.27.240.43/faculty/faculty1/21745.htm

Wim Kok, prime minister of The Netherlands from 1994 to 2002; Peter Keith Levene, Lord Mayor of London in 1998–99 and a top-level advisor in the UK Ministry of Defence; David Bonderman, special assistant to the US Attorney General in 1968–69; and prominent university positions...
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(Kai Xiangliu). An in-depth analysis of the (exceptionally) big linkers along these lines falls beyond the scope of this article (see de Graaff, 2019) but would be needed to establish to what extent and to what purpose these ties are employed to influence decision making and governance in wider society.

CONCLUSION

In this article we set out to study the presence of large Chinese corporations in Europe from a novel perspective by focusing on corporate boardroom interlocks, aiming to address this gap in the extant literature on Chinese corporate engagements in Europe. We analysed the nature and composition of the firm and director networks established by what we identified as emerging Sino–European interlockers. In particular, we were interested in how these ‘transnationalists’ at Chinese major TNCs are relating to the existing corporate elite networks in Europe through interlocking directorates, which have been extensively studied in the power structure research literature reviewed in this article.

A number of findings stand out. Our research identified predominantly public firms, with only a small contingent being fully state-owned or private firms, yet with a large share of major listed SOE subsidiaries. This, on the one hand, seems to confirm the hybridizing trend of China’s transnationalizing capital already established in earlier studies and contrasts with the popular image of SOE predominance in China’s corporate presence in Europe (see also Kratz et al., 2020). At the same time, this finding illuminates the two faces of China’s transnationalizing capital, which retains a directing and controlling role for the party-state, while also converging with capitalist and Westernized practices, confirming earlier findings by de Graaff (2014, 2019). This intricate balancing act poses severe challenges to both the Chinese and the European leaderships; the struggles over tech-giant Huawei and the purported accompanying (national) security threats caused by its involvement in critical communications infrastructure provide a good example (see also the contribution on Huawei by Friis and Lysne in this special issue). Similarly, these concerns will undergird the fierce political struggles that are still to follow over the (at the time of writing stalled process of) ratification and potential implementation of the new Comprehensive Agreement on Investments (CAI) between the EU and China.

Underlying this debate, a competition rages over technological leadership and strategic autonomy. In that regard we found some interesting sectoral variation between the Chinese and European firms in the sample, with the former being more prevalent in manufacturing, real estate and energy, while European firms dominated in the services, consultancy and administrative sectors. This, we suggest, may point to an opportunity for knowledge transfer enabling Chinese industry to move up the value chain, not only through the much-studied investments, mergers and acquisitions, but also via these
less visible and less scrutinized interlocking directorates. Our study cannot with any certainty verify whether these interlocks are indeed partly driven by such strategic concerns, but this would be an exciting avenue for further research. Such a follow-up study could include both a wider sample (for instance also including the interlocks established by directors of Europe’s largest firms, or interlocks with other regions) and other kinds of qualitative analysis (interviews, surveys, or document analysis).

Our key findings with regard to the directors themselves revealed that the ‘transnationalists’ at the helm of China’s globalizing capital have quite a diverse international composition, with as many as 35 per cent having a nationality other than Chinese, and with a majority of those having a European nationality. This is in line with earlier findings (de Graaff, 2019) and confirms these transnationalizing corporate elites to be a very different kind of business elite from the well-researched transnational networks in South and Southeast Asia. By focusing on the interlocking directorates between Chinese and European boards the present study additionally shows that many directors of China’s largest firms are establishing Sino–European interlocks, thus adopting this practice from the transnationalists within Western business communities. The literature on transnational corporate elite networks suggests that such interlocks not only provide elites with economic power on decision making and long-term planning across firms but can also serve to build solidarity and trust, facilitating a common worldview and integrating contradictory interests based on ownership. Our study indicates this pattern to be emerging across Chinese and European firms.

The existence of these Sino–European interlocks, established by both Chinese and European directors, may thus point to an emerging Sino–European elite network and a basis for integration and calibration of interests, perspectives and values. In particular, we found a selection of exceptionally big linkers — directors that establish many corporate interlocks while also having (held) influential societal positions in politics, policy planning and education — who could have crucial roles as brokers in this context, channelling communication and bridging the Chinese and European business elite communities. In the emerging climate of distrust and caution between China and Europe, these networks could act as a moderating or counterbalancing force. At the same time, this reveals a realm of potential influence of Chinese corporate elites in European economies and industries that so far has remained out of sight.

These findings should be followed up with systematic qualitative research, including interviews and in-depth document analysis, to gauge their implications and test the above assumptions. The contribution of the current study is to illustrate the value of unpacking the black box of Chinese firms connected with European firms by focusing on their centres of command. This has revealed patterns of corporate networking and hitherto unexposed interconnections amongst the directors of China’s largest firms expanding abroad and the Sino–European corporate elite networks that seem to be emerging
in their wake. We hope to have demonstrated the value of including this dimension in future analyses of the particular features, drivers and implications of the South–North relations of which — this article suggests — China’s corporate presence in Europe is a part.

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