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Sleeping Dragon No Longer: China's Influence in Central Europe

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- **The issue of Chinese influence in Europe is a subject prone to entanglement and controversy. This is particularly true when focussing on the presence of such influence in Central Europe. When China's influence in a given region is discussed in policymaking circles, it is usually measured in terms of economic investment and diplomatic relations.**



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Certainly, this is true of Central Europe, where foreign direct investment from Chinese businesses has generally increased over the past decade, often in tandem with an increase in political dialogue.¹ However, assessing exactly how much influence China wields in Central Europe poses a significant analytical challenge from a data-gathering point of view – due to a lack of sufficient data by which to analyse Chinese influence – and from an ideological one, given that Chinese involvement in European industry and politics tends to provoke very polarised reactions.²

Indeed, since the global financial downturn of 2008, an increase in investment in Central European infrastructure and industry by Chinese companies has formed the basis for increasingly concerned analyses by Western political analysts.³ Some claim that foreign direct investment in Central Europe by China, the world's second largest economy, may constitute an insidious effort to undermine or split the integrity of the European Union by driving a wedge between Western Europe and the Central European nations.⁴ Others merely argue it merely represents a natural attempt to broaden China's overseas market in response to the needs of its growing middle class.⁵ However, in an era where global interconnectedness and integration is stronger than ever before, it may well be the case that China's involvement in Central Europe could open the door to consequences beyond simple economic growth, and on this basis a quantitative and qualitative analysis of China-Central Europe relations and influence is merited.

This paper will examine the economic and political influence wielded by the People's Republic of China in the Central European region – focussing particularly on the nations of the Visegrad Four: the Czech Republic, Slovakia, Hungary and Poland – and attempt to draw conclusions on the impact of such influence on the wider European region

in future. The V4 are influential actors in the Central European region, and in recent years several of them have experienced increasingly severe friction in their relationship with the European Union, with the recent finding of the European Court of Justice that Poland, Hungary and the Czech Republic acted in contravention of European law during the 2015 migration crisis merely the last in an ongoing saga of bitter disputes.⁶

In order to assess the extent, impact and intent of Chinese economic and political influence in the Visegrad Four, it is necessary to compare Chinese influence more broadly across Western Europe and the Balkans, and to assess whether Chinese influence – compared to Japanese, Korean or even Western influence – is qualitatively different enough to merit special consideration in its own right, and if so, what the long- and short-term implications of such influence might be.

Defining China's Influence

Since the global economic crisis of 2008, China's foreign policy has broadened to include the Central and Eastern European regions more thoroughly, as the "16+1 framework" – a joint pledge of cooperation between China and 16 Central and Eastern European nations formed in 2012 – set out a blueprint for closer relations. Building upon the 16+1 framework, the One Belt, One Road (OBOR) initiative (renamed to the Belt and Road Initiative (BRI)), China's modern instrument for increasing trade and economic cooperation with Africa, Asia and Europe, sets out a much more comprehensive approach for expanding China's overseas markets and expanding Chinese economic influence.

China has not been alone in seeking increased cooperation in the Visegrad region, or the Central European

¹ ['On China's Expanding Influence in Europe and Eurasia', P. Le Corre, Carnegie Endowment for International Peace, May 9th 2019](#)

² ['Chinese belts and roads stir mixed reactions in Europe', H.J. Gåsemvyr, B. Sverdrup-Thygeson, Lowy Institute April 6th 2018](#)

³ [Jennen, B. and Parkin, B., 'China is Bypassing Governments to Gain Influence in Europe', Bloomberg 2019](#)

⁴ [Gabriel, S., 'Rede von Außenminister Sigmar Gabriel bei der Münchner Sicherheitskonferenz' Auswärtiges Amt 2018](#)

⁵ [Cox-Brusseau, L. 'The dragon over Visegrad: China in Central Europe', Global Risk Insights 2018](#)

⁶ ['Czech Republic, Hungary and Poland "breached EU law" by refusing refugees', Euractiv, November 1st 2019](#)

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region as a whole. Central European countries affected by the 2008 financial crisis introduced more open economic policies intended to encourage economic cooperation and the promotion of trade with China. Famously, upon coming to power in 2010, Prime Minister Viktor Orbán of Hungary initiated the “Opening to the East” policy under which Hungary took strong steps to attract and retain Chinese investment.⁷ Similarly, Poland’s “Go China” strategy promoted greater dialogue and cooperation between Polish business and Chinese investors, with a multitude of programmes intended to expand cooperation in energy, agriculture and technology.⁸ Both the Czech Republic and Slovakia made initial attempts to welcome Chinese FDI in transport infrastructure, energy and in big business and SMEs, with mixed results. Whilst Slovakia receives little Chinese investment overall, the Czech Republic has become the host for the China Investment Forum, alongside a host of smaller programmes intended to expand Sino-Czech cooperation in aviation, transport and energy sectors.⁹

Across Europe and the West, interpretations of Chinese influence range from those who consider China an outright threat to Europe, specifically to the integrity of the Union, to those who consider it largely overblown and secondary to other pressing factors in international affairs. However, those who consider Chinese influence, particularly economic influence, a credible threat to European security are certainly well represented. Anna Sauerbrey of Der Tagesspiel writes:

*[P]art of China’s geopolitical strategy is to divide Europe. Six years ago [in 2012], it established the 16+1 framework, an initiative to engage 16 Central and Eastern European countries, 11 of which are members of the European Union, in closer relations to influence European policies in its favor.*¹⁰

Nevertheless, some do not ascribe such overtly hostile intentions to the Chinese, and instead consider increased investment from China to be a natural factor of living in an increasingly interconnected and globalised world. Moreover, such engagement with Europe, particularly Central Europe, may be motivated primarily by economic necessities and will in fact bring significant benefits and opportunities to countries where Chinese investment is a factor. A study by a group of Visegrad analysts in 2018 determined that:

*[M]ost analysts are convinced that political destabilisation in V4 countries is not in the Chinese interest and thus poses no threat to the unity of the European Union.*¹¹

The consensus reached by Denková, Zgut, Zbytniewska, Hendrych and Koreň is by no means shared by the majority of analysts in the West, but it is picking up increasing traction amongst analysts local to the Visegrad region. Studies from the Visegrad-based project Chinfluence.eu suggest that reports of China’s economic influence in the Visegrad nations as reflecting deeper, more malign political and strategic agendas may be misleading.¹² In fact, Richard Q. Turcsányi of the Institute of Asian Studies in Bratislava notes that:

[I]t is far from clear that China is to be blamed for ‘dividing Europe’ with its 16+1 platform. China lacks the economic leverage in the region to do so, and there is little persuasive evidence that China is ‘scoring any points’ with the 16+1 platform in swaying EU votes in its favour.’

However, although understandings of European security among policymakers are now broader and deeper than in the past, there is still no clear route forward for how to address the numerous threats facing Europe today. Such threats may be very broadly divided into two categories: extant – that is to say pre-existing – threats, and emergent

⁷ Tianping, K., ‘The 16+1 Framework and Economic Relations between China and the Central and Eastern European Countries’, CritCom 2015

⁸ Polish National Agency for Academic Exchange (<http://www.go-poland.pl/news/poland-strengthen-cooperation-china-new-initiatives-higher-education>) accessed 28/01/2019

⁹ China Investment Forum, Prague, 15-17 October 2018

¹⁰ Sauerbrey, A., ‘Germany’s China Problem’, New York Times 2019

¹¹ Denková, A. et al., ‘The Belt and Road Initiative: Visegrad Four’s Chinese dilemma’, Euractiv.cz 2018

¹² Matura, T., ‘The Misguided Discourse on Chinese Influence in Central Europe’, Chinfluence.eu 2018

¹³ Turcsányi, R., ‘China is Raising its Flag in Central and Eastern Europe’, Chinfluence.eu 2018

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threats, which latterly include some issues European policymakers have yet to address in a targeted manner.

Foreign Investment: Following the Data

In an increasingly integrated, globalised world, it is inevitable that foreign direct investment (FDI) plays a larger and larger role in determining international influence. In recent years, such influence has become much more apparent, from Chinese financing of infrastructure projects through the ambitious Belt and Road Initiative, to deepening diplomatic ties between China and the troubled EU member states of Central Europe, to the Huawei scandal currently gripping European and US media. Chinese influence in Europe is no longer limited by region, industry or sector; across the European Union, Chinese investment, whether in infrastructure or technology, has become embedded in the European way of life.

The extent to which FDI should therefore be vetted should be considered an issue of great importance for Europe's future dealings with not only China but many other global powers, and certainly is an issue of which the European institutions are aware. Chinese investment in Europe made headlines in 2018 as it dropped overall for the first time, but increased in France, Germany, Luxembourg, Spain, Sweden and Central and Eastern Europe, according to a study by law firm Baker McKenzie.¹⁴ The total value of Chinese FDI in Europe was \$22.5 billion in 2018, against \$80 billion in 2017. Prior to this, Chinese investment in Central Europe, Western Europe, the USA and Canada had grown year-on-year.

So what caused the drop in Chinese FDI and what implications did this hold for Chinese influence in Central Europe? Firstly, it is important to realise that European tools for monitoring FDI may not be wholly reliable. Gisela Griger of the European Parliamentary Research Service notes:

¹⁴ ['Chinese FDI into North America and Europe in 2018 Falls 73% to Six-Year Low of \\$30 Billion', Baker McKenzie 2019](#)

*'Recent FDI trends and policies of emerging FDI providers have cast doubt on the effectiveness of the EU's decentralised and fragmented system of monitoring FDI inflows to adequately address the potential (cross-border) impact of FDI inflows on security or public order without EU-coordinated cooperation among Member States.'*¹⁵

The new EU FDI screening mechanism agreed upon by the European institutions in November 2018 therefore reflected a common awareness in European circles that FDI could potentially influence the integrity of Member States, and therefore also that of the Union itself. However, whilst the screening mechanism was agreed upon, it did not lay any groundwork for establishing new screening mechanisms in Member States without pre-existing mechanisms (more than half the Member States overall), merely seeking to improve and refine existing cooperation between the Commission and Member States in the areas of legal certainty and transparency. In other words, where existing gaps in Member State screening existed no means for filling such gaps were introduced.

Therefore, some may feel fears over Chinese economic influence are unjustified, without adequate data to properly assess its scope or impact. However, what we do know of Chinese influence should be enough to justify – at the very least – greater and more rigorous assessment of China's capacity to project its influence, and at worst, enough to justify much more concern than presently appears to be felt by the European institutions.

A Justifiable Fear: China's Overseas Influence Elsewhere'

The scope of Chinese influence is in fact far more widespread, and much more subtle in its impact than is immediately apparent from simply comparing it to Western European or American investment. Chinese investment is very carefully targeted to secure significant influence in European infrastructure; it is already very apparent across the Union through infrastructure investment and the

¹⁵ [Griger, G., Briefing: EU framework for FDI screening, European Parliamentary Research Service 2018](#)

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buying-out of shares in European companies across a multitude of industries. The example of China's acquisition of shares in shipping ports across the European continent is an excellent – and under-discussed – instance of just this form of influence-building.¹⁶ Interestingly, there may be a key hidden in plain sight for understanding how China builds its foreign influence; the example of Africa, where Chinese business interests continue to diversify, including infrastructure, manufacturing, telecommunications, agriculture and oil and mining industries.¹⁷ Most worrying, however, is the direct political influence such investment allows Beijing to wield; both political and military influence from Beijing is now directly apparent in African states, with China-centric, pan-African defence coalitions now being mooted in African summits chaired by Beijing officials.¹⁸ Similar Chinese influence in African media is also apparent.¹⁹

But how might China's influence in Africa be relevant to European considerations? For some, the answer is straightforward: the V4 states historically have a cooler relationship with the governing institutions of the European Union than many of the Western states, with the Czech Republic showing the highest level of grassroots Euroscepticism of any EU Member State, and Poland and Hungary both embroiled in disputes with the Union.²⁰ It is perhaps understandable, therefore, that some Western analysts fear that extensive foreign influence, particularly in the form of direct investment in infrastructure, may be conducive to creating further distance between the V4 and the EU. Certainly, such already appears to be the case in Africa; and with Chinese influence in the Western Balkans steadily growing, with EU engagement in the region fading Beijing's ability to project further influence following its African blueprint will only increase.²¹

Whilst the issue of China in Africa is directly relevant to European concerns in the longer-term future, the specific issue of Chinese involvement in the Balkans should be more closely considered in the context of near-future European and Western politics. Where the Western Balkans is concerned, for example, it is certainly the case that Chinese direct investment in the region is rising; however, European engagement with the region has also stagnated and diminished, as made evident by the recent failure in accession talks for North Macedonia and Albania thanks to the French President's veto.²² Therefore, whilst China is increasing its influence gradually in the region, European influence is diminishing – largely through its own political missteps – and the resultant combination serves to add extra impetus to Chinese involvement that otherwise might have been avoidable, had European engagement in the region of late been more ambitious.

The opportunity such a move has created for foreign influence in the EU neighbourhood cannot yet be fully appreciated; with both Russian and Chinese involvement now a permanent reality in the Balkans, it is entirely possible that in China's case further influence in Central and Eastern Europe will radiate from its increased investiture in the Balkans, given the region's status as something of a gateway to Europe's markets and political scene.²³ It is also notable that Russia and China may increasingly cooperate in the region, given their mutual strategic interests, and thus further exclude Europe's already stagnant influence in the region.

¹⁶ ['Chinese Firms Now Hold Stakes In Over A Dozen European Ports', NPR, October 9th 2018](#)

¹⁷ ['China in Africa', Council on Foreign Relations, July 12th 2017](#)

¹⁸ ['China Militarizes Its Influence in Africa', National Interest, November 25th 2018](#)

¹⁹ ['In Africa, China Is The News' Foreign Policy, August 13th 2019](#)

²⁰ ['Standard Eurobarometer 91: Czechia: The key indicators: Spring 2019'](#)

²¹ ['How China Challenge the EU in the Western Balkans', The Diplomat, September 25th 2019](#)

²² ['Macron's Veto Leaves Balkans Wide Open for Russia and China', Foreign Policy, October 31st 2019](#)

²³ ['China in the Balkans: Economic Investments at What Cost?' Dexis, October 4th 2019](#)

Drawing Difficult Conclusions: China is an Unknown Quantity

In light of the statements above, it may seem somewhat ironic to describe China as an unknown quantity. However, it should be apparent that there are three obstacles posing a challenge to any attempt to understand and analyse China's political and economic influence in Central Europe must be overcome:

1. A **lack of empirical data** from both Chinese and Central European governments makes assessing economic influence extremely difficult;
2. Assessments of the CE-China relationship are heavily affected by **ideological concerns and motives**, whether anti- or pro-China, and can affect ongoing studies in the region;
3. European policy is **stagnant and divided** when it comes to China. Some Member States welcome greater engagement with China and others appear to mimic American concerns over Chinese influence.

What is needed to better understand the question of Chinese influence, therefore, is greater information-gathering efforts not only by European authorities but also by the Member States themselves. However, initiatives at

the Member State level are almost non-existent at present. In lieu of Member State commitment to such fact-finding, the European institutions must consider the potential impact disengagement with the Neighbourhood (as in the Western Balkan example) coupled with an increase in Chinese involvement is having on its own global status – and then consider whether the Western Balkan example might be a warning sign for the Union's own future integrity.

It is clear that the most dramatic conclusions from assessments of China's influence in the European Union tend to be expressed as fears that Chinese economic and political influence could cripple, or even divide, the European Union, and correspondingly weaken the transatlantic relationship. Whilst these concerns may be sometimes overly dramatized, the examples of the Western Balkans and Africa must be taken as clear warning signs by the European Union that its status as a global and regional actor will diminish if it refuses to engage more constructively with its own neighbourhood and heal existing rifts between its institutions and dissatisfied Member States. Such diminishment may indeed be a very long way off, given that there are other larger investors in Central Europe at present; but refusing to acknowledge that such danger exists, even distantly, would be a critical mistake that Europe cannot afford to make.



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