

DOCTORAL (PhD) DISSERTATION

**Challenges, Influences, and Prospects of China-EU Relations:
The Belt and Road Initiative Case**

By

Ji Li

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Abbreviations

AIIB	Asian Infrastructure Investment Bank
AUKUS	“U.S.-UK-AU” Trilateral Military Partnership
BRI	The Belt and Road Initiative
CAI	Comprehensive Agreement on Investment
CBRC	China Banking Regulatory Commission
CCDC	China Central Depository & Clearing
CDB	China Development Bank
CEE	Central and Eastern European Countries
CEECs	Central and Eastern European Countries
DSFs	Debt Sustainability Frameworks
DSSI	Debt Service Suspension Initiative
EEAS	European External Action Service
EESC	European Economic and Social Committee
EMEs	Emerging and Developing Countries
EPPO	European Public Prosecutor’s Office
ESG	Environmental, Social, and Governance
ESM	European Stability Mechanism
EU	European Union
FDI	Foreign Direct Investment
ICT	Information and Communication Technology
IMF	International Monetary Fund
ISSB	International Sustainability Standards Board
LIDCs	Low-income Developing Countries
MDBs	multilateral development banks
OFDI	Outward Foreign Direct Investment
PGII	Partnership for Global Infrastructure and Investment
PPG	Public and Publicly Guaranteed Debt
QUAD	Quadrilateral Mechanism

RRF Recovery and Resilience Facility

SASB Sustainability Accounting Standards Board

SOEs State-Owned Enterprises

UNCTAD UN Trade and Development

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Abstract

This dissertation uses the Belt and Road Initiative as a case study to systematically analyse the challenges, impacts, and prospects of China-EU relations. Employing various qualitative research methods, including policy document analysis, literature review, process tracing, and comparative case studies of Hungary and Sweden, it constructs a comprehensive theoretical framework integrating neorealist international relations theory, geoeconomics, hedging strategies, institutional balancing, and moral realism.

The study presents three core arguments. First, the EU's strategic response to the Belt and Road Initiative constitutes a geoeconomic balancing strategy, where the "global gateway" is a defensive institutional balancing measure adopted by the EU to counter China's offensive institutional balancing strategy. Second, the failures within the EU's China strategy can be explained by nested hedging strategies: member states adopt different strategies based on their economic dependence and security perceptions, such as Hungary's hedging strategy and Sweden's balancing strategy. Third, the overall paradigm of contemporary China-EU relations is competitive-cooperative multilateralism, in which systemic competition and necessary cooperation coexist to address common global challenges. The findings highlight how infrastructure competition becomes a core area of structural power struggles and how a loose multipolar order leads to governance deadlock.

This study contributes to international relations theory by integrating Western and Chinese perspectives. It provides policy-relevant insights into the complex interactions between the EU and China in the era of strategic competition.

Chapter 1. Introduction

1.1. Problem Statement and Objectives

Globalisation in the 21st century has intensified, influencing all facets of the economy, politics, and global governance. Economic globalisation, transitioning from the industrial to the information society, facilitates technical advancements, exemplified by the global telecommunications network, which impacts the economy, politics, and security. The advancement of technology and the extensive, swift pace of globalisation have eventually encompassed most nations and influenced the international system. National power and domestic economy are now closely connected with geopolitics and geoeconomics. Over the past 40 years of reform and opening-up, China has become the world's second-largest economy, significantly enhancing its international prominence. Simultaneously, Europe established a model of peaceful and economic integration during the post-Cold War era. It is the most integrated and largest consortium of developed countries today, serving as a substantial influence on the international stage. As a result, China and the EU are two significant international forces that can considerably influence the international system.

In this context, China-EU relations have been intertwined and dynamic and involve multiple levels of state, including China-EU cooperation and sub-regional cooperation between China and Central and Eastern European (CEE) countries - 14+1 format (17+1 2019-2021; 16+1 2021-2022).¹ Besides, global competition for the right to speak is ongoing and becoming more intense. China-EU relations have become more complicated and delicate since the 2008 Global Financial Crisis. Before this crisis, China received considerable support from the EU to proceed with its reform and opening-up economic policy, which laid a tremendous foundation for China's current economic power. China and the EU formed a comprehensive strategic

¹ Estonia, Latvia and Lithuania withdraw before 2022. Available at: <https://www.politico.eu/article/down-to-14-1-estonia-and-latvia-quit-chinas-club-in-eastern-europe/> (Accessed: 27 August 2024).

cooperation in 2003, and the Chinese government also published its first piece of EU-related policy.² China was not as assertive as the EU at that time on many levels, and Chinese leaders chose to carry on the “hide capabilities and bide time” diplomatic strategy.³

Since 2008, the Western world has dealt with different problems and challenging situations that started with the financial crisis, such as the following stock market plummet, which caused “the great recession”⁴ and the Dollar and Euro crises. This situation gave China a great chance, and the Western world could not prevent it. China has emerged on the world stage as a global power, and its growth within international affairs’ political, economic, and military domains has caught the world off guard. It resulted in a slight shift in the power balance between China and the EU.

In 2013, during the 16th China-EU Leaders’ Meeting, the two sides issued the “China-EU Cooperation 2020 Strategic Plan,”⁵ jointly announcing the formal launch of China-EU investment agreement negotiations. With the deepening of economic cooperation and multiple areas involved, China proposed the Belt and Road Initiative (BRI)⁶ in 2013. At the same time, the EU’s internal disagreements and conflicts have become increasingly explosive and deteriorated after dealing with the financial crisis, the subsequent refugee crisis, Brexit, the COVID-19 pandemic, and the Russia-Ukraine war. Consequently, the EU is facing a challenging situation due to the shift in the international balance of power, along with China and its assertive and proactive economic actions. Brussels has noticed the situation and attempted to cope

² Minister of Foreign Affairs of the People’s Republic of China (2023) *Relations between China and the European Union*. [中国同欧盟的关系, 中华人民共和国外交部]. Available at: https://www.fmprc.gov.cn/web/gjhdq_676201/gjhdqzz_681964/1206_679930/sbgx_679934/ (Accessed: 3 January 2023).

³ Hass, R. (2021) *The Trajectory of Chinese Foreign Policy: From Reactive Assertiveness to Opportunistic Activism*. Available at: <https://theasanforum.org/the-trajectory-of-chinese-foreign-policy-from-reactive-assertiveness-to-opportunistic-activism/>

⁴ Weinberg, B.J. (2013) 'The Great Recession and Its Aftermath', *Federal Reserve History*, 22 November. Available at: <https://www.federalreservehistory.org/essays/great-recession-and-its-aftermath>

⁵ Minister of Foreign Affairs of the People’s Republic of China (2023) *Relations between China and the European Union*. [中国同欧盟的关系, 中华人民共和国外交部]. Available at: https://www.fmprc.gov.cn/web/gjhdq_676201/gjhdqzz_681964/1206_679930/sbgx_679934/ (Accessed: 3 January 2023).

⁶ The abbreviation is used uniformly below BRI.

by proposing and implementing related policies. While the situation is developing too fast, catching Brussels off guard.

On the one hand, through this epidemic, the EU has deeply realised the European market's excessive dependence on the Chinese market, especially in some strategic industries (for example, industries that produce active ingredients for medicines). Therefore, Europe has already adjusted its supply chain by promulgating regulations such as the *Regulations on the Review of Foreign Direct Investment* and the *Report on Economic Coordination Responses to the COVID-19 Epidemic*⁷ to restrict Chinese companies' investment in Europe. However, avoiding the loss of key assets and core technologies will bring a complex challenge to the industrial chain cooperation between China and Europe.

On the other hand, the influence of the U.S. is a critical factor that needs to be addressed in China-EU relations. Europe and the United States have shared similar cultural backgrounds and values, and there has been deep cooperation in economics and military affairs for years. Since Trump came to power, the United States has practised unilateralism and emphasised "America first,"⁸ which has intensely harmed the efforts of Europe in search of multilateralism and strategic autonomy. The game between China and the United States is also an unstable factor in terms of China-EU relations.

Cooperation is undoubtedly the best solution due to the current political and economic circumstances. As of the time the author wrote this article, according to official Chinese government statistics, 18 European Union nations are currently a part of the BRI, and Hungary was the first member of the EU to sign the BRI with China in 2014.⁹ However, Italian Prime Minister Giorgia Meloni announced Italy's exit

⁷ Publications Office of the European Union (2021) *REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL First Annual Report on the screening of foreign direct investments into the Union*, COM/2021/714 final. Available at: <https://op.europa.eu/en/publication-detail/-/publication/846a4256-4c55-11ec-91ac-01aa75ed71a1/language-en/format-PDF/source-283460310>

⁸ The White House (2017) *President Donald J. Trump at the United Nations General Assembly: Outlining an America First Foreign Policy*. Available at: <https://trumpwhitehouse.archives.gov/briefings-statements/president-donald-j-trump-united-nations-general-assembly-outlining-america-first-foreign-policy/> (Accessed: 13 March 2022).

⁹ China Belt and Road Portal (2022) *International Cooperation, Country Profiles. Chinese Foreign*

from the Belt and Road Initiative (BRI) at the G20 Summit in New Delhi in 2023,¹⁰ and the number of EU members who joined BRI has been reduced to 17. Compared to the individual EU member states, the EU is prudential to the BRI as it still hesitates to sign an agreement with China.

There are two main reasons for the prudence and hesitation of the EU. One is that the mega-project involved too much money, and most projects are infrastructure construction and investment. According to the OECD's report *China's Belt and Road Initiative in the Global Trade, Investment and Finance Landscape* in 2018, global infrastructure investment is, on average, falling short by USD 0.35 - 0.37 trillion annually.¹¹ It points out that the BRI faces a growing global infrastructure investment deficit at present and in the future. In this regard, the EU is sceptical about joining this Initiative as the infrastructure is a key connectivity sector to the investment deficit. Besides, many high-risk infrastructure programs need the transportation and energy sectors involved. Infrastructure, transportation, and energy are tightly linked with national security and the economy. Another reason is that the EU is sceptical and worried about the intention of the BRI. Does this economic project influence the unity of the EU? Furthermore, whether the potential political influence of the BRI on geopolitics weakens the EU's presence and influence in Eurasia.

In conclusion, China-EU relations have entered a new stage, and both sides have little experience facing the other with different appearances. This dissertation has two primary objectives to study: the China-EU relations and the Belt and Road Initiative. It discusses:

(a) The state of China-EU relations after the 2008 Global Financial Crisis, including the situation and development of their economic and political relations.

Ministry. [中国一带一路网 (2022). 国际合作, 各国概要. 中国外交部].

Available at: https://www.yidaiyilu.gov.cn/info/iList.jsp?cat_id=10037 (Accessed: 2 March 2022).

¹⁰ Real Instituto Elcano Royal Institute (2023) *Italy shows the world how to exit the Belt and Road Initiative*. 21 September. Available at: <https://www.realinstitutoelcano.org/en/commentaries/italy-shows-the-world-how-to-exit-the-belt-and-road-initiative/> (Accessed 19 October 2023).

¹¹ OECD (2018) *The Belt and Road Initiative in the global trade, investment and finance landscape*. OECD Publishing. Available at: https://doi.org/10.1787/bus_fin_out-2018-6-en (Accessed: 3 December 2022).

Investigating and exploring why and how they cooperate deeper than before and what common interests, values, and practices they find challenging to seek.

(b) To elaborate and analyse specific challenges and influences of the China-EU relations, such as trade, investment, infrastructure construction, global and regional cooperation and conflicts, international norms and order.

(c) To use the case of the Belt and Road Initiative. The eleven-year (as of this dissertation writing) economic mega-project is still incapable of signing an ultimate agreement with the EU, only with some individual member states. The reasons behind this situation are intriguing, complicated, and essential to researching China-EU relations. Is the EU facing an opportunity or a problem from the Belt and Road Initiative? Is the Belt and Road Initiative a Trojan Horse for the EU? Does the Belt and Road Initiative have a potential or direct economic and political impact on the EU? If it does, what are they?

1.2. Aim of the Research

This dissertation aims to use the Belt and Road Initiative to connect and analyse the current situation of China-EU relations, especially the political and economic relations, investigating and concluding the challenges, opportunities, and influences of China-EU relations from a geoeconomic and geopolitical perspective to a global perspective, and evaluating the possible prospects of China-EU relations and their influences on the international system.

Furthermore, it analyses why China and the EU cooperated deeply after the Financial Crisis by comparing their different foreign policies and strategic goals based on their economic systems. It investigates the dynamic development of the Belt and Road Initiative to discuss the challenges and opportunities of economic cooperation between China and individual EU members and the potential political influences on the EU. Further exploring the economic and political challenges of China-EU relations and the ongoing negotiation, cooperation, conflicts and compromises between China and the EU, based on the Belt and Road Initiative case. Finally, it

investigates the influence of China-EU relations on the international system and analyses their relationship prospects.

1.3. Research Design

1.3.1. Research Questions

This dissertation introduces the background of China-EU relations, which is specified in every chapter in terms of different subjects. Next, exploring and investigating why China and the EU choose to cooperate in many areas is crucial when facing a complex international landscape and their competition and conflicts are intensified. Their cooperation is based on mutual interests and goals, or the economic and political challenges, such as the EU's handling of economic recovery within individual EU member states and the tense relations with China. Moreover, it is vital to analyse the two sides' relevant official and academic literature and speeches to investigate how the domestic demands influence their foreign policy and strategic goals. Therefore, the first research question is:

- What are the economic and political challenges shaping China-EU relations?

The next part is how the EU perceives the Belt and Road Initiative. Is it true that the EU hesitates to join the BRI? How do we define and characterise hesitation? What agreements and disagreements are within the EU? Why does this situation exist? Combined with these, it further explains the role the Belt and Road Initiative played in China-EU relations. Therefore, the following research questions are:

- How does the BRI influence the dynamics of China-EU relations?*
- Why is the EU, as a whole, unwilling to join the Belt and Road Initiative?*

After analysing the EU's views on and reasons for not joining the Belt and Road Initiative and its influence on China-EU relations. It is essential to analyse the influences of China-EU relations, such as what they can and will bring to each other based on their mutual interests, values and the possible future choices. Furthermore, how China-EU relations influence the international system and their future cooperation agendas. The last research questions are:

- How is the evolving China-EU relationship influencing the international system?

- What are the prospects for future cooperation between China and the EU in key global agendas?

1.3.2. Research Methodology

Building on these research questions, this dissertation advances three central propositions that will be systematically tested in the subsequent chapters. First, it argues that the EU's strategic response to the BRI constitutes a form of geoeconomic balancing. Second, it posits that the EU's internal dysfunction in its China policy is best explained by the mechanism of 'nested hedging'. Third, it contends that the overarching framework for China-EU relations is one of 'co-opetitive multilateralism.'

This dissertation uses a multi-method qualitative analysis approach in multidisciplinary research, guided by the theoretical framework. The topic belongs to the field of politics and the sub-field of international relations, referring to the areas of political economy, law, and sociology. It uses mixed methods research in International Relations, including document and policy analysis, literature analysis, case study, process tracing and empirical analysis. Combined with data in the field of economics to test hypotheses and analyse the part of the Belt and Road Initiative, the state of China-EU Economic Relations and EU member cases regarding the dynamic economic exchanges. Each chapter has an introduction and conclusion with or without

a title to give a basic background of the dynamics and the conclusion of emerging challenges.

Data Collection: This dissertation primarily relies on critically analysing a wide range of primary and secondary documents. It includes primary sources: official policy documents, strategy papers, and white papers from the European Union (e.g., *EU-China – A Strategic Outlook*, *Global Gateway communications*) and China (e.g., *BRI White Paper*), speeches and statements by key policymakers from both sides, trade, investment, infrastructure, transportation, and energy official data from the EU and Chinese government, and secondary sources: academic literature, reputable think tank reports, and media analysis. For example, investment reports and data from reputable trackers (e.g., MERICS, Rhodium Group, Green Finance & Development Center and AidData of William & Mary). It uses a data triangulation to process the diverse data to avoid relying on a single source of data by observing and cross-referencing, and it allows for a more comprehensive and nuanced examination of the BRI and Global Gateway as competing instruments of structural power.

Concept Definition: Structural power, geoeconomic tools, offensive/defensive institutional balancing and economic security extracted from the literature and policy analysis determine that framework analysis is a suitable way to explain how the observed differences between BRI and Global Gateway constitute a form of great power institutional balancing in the geoeconomic arena based on the theoretical framework. Process tracing is mainly used to understand and explain the EU's strategic response to China's geoeconomic influence by following and linking the key knots of the rise of the BRI to the launch of the Global Gateway. For example, China's investment and acquisition of the Piraeus port makes the EU realise the effects of geoeconomic influence and the significance of economic security.

Process Tracing: By tracing the key processes, this dissertation further employs process-tracing as the primary within-case analytical method to examine the causal mechanisms linking economic dependence and security perceptions to strategic outcomes and using process-tracing to examine and analyse the research questions and hypotheses proposed by the researcher, evaluating the observable implications of

hypothesised causal mechanisms.¹² This method enables the evaluation of how the key events and factors within the selected cases make a cause, or a set of causes, contribute to the outcome. Specifically, this article adopts the theory-testing variant of process-tracing, which tests whether a hypothesised causal mechanism is present in a case by evaluating whether the predicted observable manifestations of each part of the mechanism can be empirically documented.¹³

Moreover, it demonstrates how the EU's actions were a calculated response to the BRI's structural pressures and geoeconomic challenges, thereby validating the theoretical proposition of institutional balancing. This multi-method qualitative analysis approach offers a comprehensive and nuanced examination of how the BRI and Global Gateway compete as geoeconomic tools in the structural power of the international system.

Rationale for Case Selection in Chapter 4: This dissertation uses Most Different Systems Design (MDSD), a comparative method of theory-driven small-N analysis based on maximal differences in the background characteristics of the selected cases.¹⁴ It compares very different cases with the same dependent variable, based on three variables: type of economic dependence, degree of security and political leadership. Investigate the reasons for the different strategic choices of Hungary and Sweden, for example, their divergent strategies towards China and their different attitude towards the EU's China strategy, as they are both in a peripheral position within the EU, despite their geographical or power distribution position. Moreover, whether the government's actions are consistent with the public opinion of the two countries differs.

This dissertation follows critical events process of two states' in the context of China-EU relations, combining with the official policy documents, reports, and economic data from China, the EU, member states, authorised academic institutions, think tanks, and organisations, to verify the conclusion that the behavior of small

¹² Beach, D. and Pedersen, R.B. (2019) *Process-Tracing Methods: Foundations and Guidelines*. University of Michigan Press.

¹³ Ibid.

¹⁴ Przeworski, A. and Teune, H. (1970) *The logic of comparative social inquiry*. New York, Wiley-Interscience [c1970].

states has a nonlinear relationship between economic dependence and political alliance under the competition of great powers. At the same time, the goal is to identify a common independent variable that explains a shared outcome, or, in this instance, a specific combination of variables that explains divergent outcomes.¹⁵ In this study, Hungary and Sweden exhibit similar levels of exposure to Chinese FDI, despite their differences in economic models (innovation-driven liberal vs dependent-market), historical legacies (neutrality vs Soviet bloc), and geographic context (Nordic vs Central Europe). This method allows the study to recognise and distinguish between divergent outcomes (hedging vs balancing) based on the similar independent variables (type of economic dependence and the degree of securitisation).

Literature review: It distributes across Chapters 2, 3, 4, and 5 and therefore does not form a separate chapter. Each chapter has a clear and relatively independent research objective, as seen in the introduction and conclusion of each chapter. Therefore, each chapter presents a different literature review, defining relevant concepts, analysing current affairs, identifying key events, and addressing current literature gaps.

Selecting eight major relevant official policy papers from the EU and China (each side has four documents) in a content analysis with the help of Voyant Tools¹⁶ to tease out high-frequency words in these official documents and investigate their diplomatic and strategic goals. The four policy papers from the EU are: “*EU Global Strategy - Shared Vision, Common Action: A Stronger Europe*” (European External Action Service (EEAS), 2016), “*A Stronger Global Actor: A More Efficient Decision-making for EU Common Foreign and Security Policy*” (European Commission, 2018), “*Strengthening the EU’s Contribution to Rules-based Multilateralism*” (European Commission, 2021), and “*Common Foreign and Security Policy Report – Our Priorities in 2024*” (Council of the European Union, 2024).

The four policy papers from China are: “*China’s Peaceful Development*” (The

¹⁵ Anckar, C. (2008) ‘On the Applicability of the Most Similar Systems Design and the Most Different Systems Design in Comparative Research,’ *International Journal of Social Research Methodology*, 11(5), pp. 389–401. <https://doi.org/10.1080/13645570701401552>.

¹⁶ Sinclair, S. and Rockwell, G. (2016) *Voyant Tools* [Online tool]. Available at: <https://voyant-tools.org/> (Accessed: 19 April 2025).

State Council Information Office of the People's Republic of China, 2011), "*China and the World in the New Era*" (The State Council Information Office of the People's Republic of China, 2019), "*Global Security Initiative*" (Ministry of Foreign Affairs of the People's Republic of China, 2023), "*A Global Community of Shared Future: China's Proposals and Actions*" (The State Council Information Office of the People's Republic of China, 2023).

These eight documents constitute a structured and purposeful sample, rather than a random selection, that systematically reveals China and the EU's core demands and narrative priorities at different times and across different strategic dimensions to show the diverging strategic goals of China and the EU. It further tests a hypothesis that cooperation and competition in US-China-EU relations have created a delicate balance, which is why the current multi-polar international order has been formed and maintained. This dissertation uses China-EU relations as a "laboratory" to test the theoretical framework of this dissertation and explore possible broader theoretical arguments, as well as the prospects of China-EU relations for contending visions for shaping a multipolar international order.

1.3.3. Significance of the Research

China-EU relations are a hot topic in Chinese and European academics, and they are significant for the future development and cooperation of China-EU. The current international situation is complicated and competitive, and the US-China game influences the China-EU relations, which need both sides to decide and plan to cope. The EU's aim to enhance its international and global governance needs to cooperate with China regarding the economy, politics, and environment. Therefore, the BRI is a super economic project for the EU, and the vast investment and market of the BRI influence international trade and the global economy. Besides, the BRI is an ongoing development project that has been going on for ten years. It needs a complex investigation to discuss its scope and find the challenges and opportunities, while the current research is insufficient.

This dissertation connects and analyses China-EU relations with the BRI to enrich the discussion of China-EU relations. Moreover, investigating the influence of China-EU relations on geopolitics and the international system and analyzing their relationship's prospects can broaden and develop the scope and content of understanding the essence of China-EU relations and the logic of Chinese behaviour and foreign policy.

1.3.4. Limitations of the Research

The main limitation of the present dissertation is that longitudinal tracking should be essential to evaluate the effectiveness of the Global Gateway and the BRI as geoeconomic tools. Given the qualitative nature of this article, it could not incorporate quantitative metrics to assess project-level influences of the BRI and the Global Gateway. The Global Gateway is still in its early stages, considering that the new European Commission under von der Leyen's second mandate indicates the geoeconomic turn with a more offensive reorientation,¹⁷ and the transformation of the BRI is ongoing. Thus, longitudinal tracking will be essential to evaluate the effectiveness of the Global Gateway and the BRI as geoeconomic tools. In an era of strategic competition, infrastructure redefines the foundations of structural power.

The frequency and level of bilateral political meetings (especially their impact on trade and investment relations) and the exchange of official visits between the two sides can serve as another indicator of the strength of bilateral relations between China, EU member states, and the EU itself. In-depth interviews were not used in this article. Firstly, the questionnaire design made it challenging to cover China-EU relations, EU-member state relations, and China's regional relations with Europe. Secondly, since the BRI and Global Gateway are strategic economic and diplomatic policies of China and Europe, and their implementation and transformation are ongoing, the relevant design and financing information involved is sensitive and

¹⁷ Veselinović, J. (2025) 'From 'Strategic indispensability' to 'Comprehensive offers': Mapping proposals for the EU's offensive geoeconomic turn,' *The International Spectator*, 60(3), pp. 80-100. Available at: <https://doi.org/10.1080/03932729.2025.2495934>

challenging to obtain from officials on both sides.

1.3.5. Research Structure

This dissertation is structured into six chapters, each designed to address specific research questions and, collectively, to build a coherent argument about the challenges, influences, and prospects of China-EU relations through the lens of the Belt and Road Initiative (BRI). The structure follows a logical process from theoretical foundation to empirical analysis and finally to synthesis and conclusion.

Chapter 1 (Introduction) establishes the research context by outlining the problem statement, research objectives, and the central research questions. It presents the study's significance, acknowledges its limitations, and outlines the dissertation's structure.

Chapter 2 (Theoretical Framework) constructs an integrative, multi-level theoretical framework that guides the entire dissertation. It begins with neorealism (Waltz, 1979) as the macro-level foundation for understanding structural pressures in the international system. It then incorporates geoeconomics (Luttwak, 1990; Blackwill & Harris, 2016) and institutional balancing (He, 2008) to analyse the middle-level dynamics of geoeconomics and institutional competition. To capture micro-level state behaviour, it draws on hedging theory (Kuik, 2016, 2021) and, for a deeper understanding of China's foreign policy logic, engages with Chinese characteristic international relations theory, particularly moral realism (Yan, 2014, 2020). This framework is not a simple combination of theories but a hierarchical integration, where each theoretical lens addresses a distinct analytical layer — from systemic structure to domestic politics — thereby ensuring that clearly specified theoretical propositions guide subsequent empirical chapters.

Chapter 3 (The Belt and Road Initiative in the Global Arena: Responses and Competition) applies the middle-level components of the theoretical framework — geoeconomics and institutional balancing — to examine the BRI as a geoeconomic tool. It first analyses the BRI's strategic implications and internal challenges (debt

trap, ESG concerns, public perception), then investigates its external repercussions on the EU, and finally conducts a comparative analysis of the BRI and the EU's Global Gateway. This chapter argues that the BRI constitutes China's offensive institutional balancing. At the same time, the Global Gateway represents the EU's defensive institutional countermeasure, thereby revealing the underlying logic of contemporary great-power competition in global infrastructure.

Chapter 4 (Complexity and Competitive Interdependence: China-EU Relations Reshaped) shifts the analytical focus to the micro-level by employing hedging theory to explain the divergent responses of EU member states to China's rising influence. It first maps the dynamics of China-EU economic relations, including trade imbalances and investment patterns. It then examines the EU's internal turbulence and the structural difficulties in achieving a unified China policy. The core of the chapter is a comparative case study of Hungary and Sweden, utilising Most Different Systems Design (MDSD) to test two hypotheses: complementary economic dependence combined with low security leads to hedging (Hungary). In contrast, competitive economic dependence combined with high security leads to balancing (Sweden). This analysis introduces the concept of "nested hedging" to capture the multi-level contradictions within the EU's China policy.

Chapter 5 (Assessment of China-EU Relations) synthesises the findings of previous chapters and expands the analysis to the triangular dynamics among China, the EU, and the US. It begins by revisiting the 2008 financial crisis as a catalytic moment for deepening China-EU relations. It then conducts a systematic comparison of China and the EU's strategic goals through document analysis of eight key policy documents, revealing both compatibility and inherent tension. This chapter introduces strategic triangle theory (Dittmer, 1981) as a supplementary heuristic to analyse the structural pressures shaping the EU's hedging dilemma. Through a detailed process-tracing of the EU-China Comprehensive Agreement on Investment (CAI) stalemate, it demonstrates how China's strategic advancement during the US power transition window, followed by America's structural pull, reasserted the transatlantic alliance, leaving the EU paralysed under irreconcilable pressures. The chapter

concludes by outlining the prospects for China-EU relations, including the potential evolution of the BRI toward a “2.0” version and the contending visions for shaping a multipolar international order.

Chapter 6 (Conclusion) summarises the dissertation’s core arguments and synthesises its key findings. It presents three central theoretical contributions: (1) the conceptualisation of the EU’s response to China as geoeconomic balancing, (2) the development of the “nested hedging” framework to explain the divergence within the EU, and (3) the proposition that the emerging paradigm for China-EU relations is one of co-opetitive multilateralism — a durable state of affairs where systemic competition coexists with necessary cooperation on shared global challenges. This chapter also reflects on the theoretical and policy implications of the findings and suggests avenues for future research.

Chapter 2. Theoretical Framework

The theoretical framework served to achieve the research aims, and based on the research questions, the proper perspective of this dissertation to observe and study China-EU relations is an integrative realist framework dominated by the neorealism international relations theory of Kenneth Waltz (1979), combining with the geoeconomics of Edward Luttwak (1990) and the geoeconomic instruments argument of Robert D. Blackwill and Jennifer M. Harris (2016), and the argument of hedging (Cheng-Chwee Kuik) and institutional balancing (Kai He), and the Chinese characteristic international relations theory - Moral Realism of Yan Xuetong.

Neorealism and Chinese characteristic international relations theory can provide a macro, deep, and distinctive framework for the behaviour and goals of the two actors in the international system, particularly under the current international situation, which is characterised by the emergence of a multipolar international order that challenges unilateralism and protectionism. Geoeconomics, hedging, and institutional balancing can offer a medium-level theoretical and micro-level practical perspective on studying the transformation of China-EU relations and the nature of great power competition under the structural pressures of the international system.

2.1. Neorealism International Relations Theory

Neorealism, also known as structural realism, was first proposed by Kenneth Waltz in his book *Theory of International Politics*. He argues that national politics is the realm of authority, administration, and law. In contrast, international politics is the realm of power, struggle, and accommodation where the key actors are sovereign states. He presumes that states are rational in an anarchic international system to struggle for security because there is no authority above all nations. Specifically, Waltz (1979) presumes that every rational state struggles for power because they are insecure in anarchy. In this state, they can not ask for help or support from an

authority that can control other states' actions when they are in danger. Therefore, they had to struggle for power from the military to keep them from being attacked.¹⁸

Three assumptions proposed by realists based on the theory of Kenneth Waltz can explain the states' behaviour in the international system. First, states' reactions are usually cautious and guarded when facing other states because it is difficult for them to perceive and know other states' intentions.¹⁹ For example, there are two kinds of states: revisionist and status quo. Governments that support the status quo want to maintain the current balance of power, whereas revisionist governments seek to change it. In this situation, one state can never determine what type another state is.²⁰ Second, states have tools like military capabilities to protect themselves in an anarchic international system and maximise their interests, like the distribution of the economy.²¹ Last, the most critical goal of states is the security of survival in the international system. To achieve this goal, states accumulate as much power as possible to ensure survival. All the realistic assumptions can be analysed and reflected in the dissertation's research questions and objectives.

However, neoliberalism argues that studying economic cooperation between China and the EU on the BRI is suitable for using neoliberalism to analyse the interdependence and values between China and the EU.²² In contrast, the highlight of China-EU relations in this dissertation is that the critical issue between China and Europe lies in the EU's concerns about economic security and how to strike a balance between China and the US in the face of China's rise and the geoeconomic and geopolitical influence it brings. Moreover, the debate of offensive realism and defensive realism has resurfaced with the outbreak of the Sino-US trade war, the establishment of the EU Geopolitical Commission and the launch of the Economic Security Strategy. The security dilemma causes the state as an actor in the anarchic

¹⁸ Waltz, K.N. (1979) *Theory of International Politics*. McGraw-Hill Humanities, Social Sciences & World Languages.

¹⁹ Labs, E.J. (1997) 'Beyond victory: Offensive realism and the expansion of war aims,' *Security Studies*, 6(4), pp. 1–49. <https://doi.org/10.1080/09636419708429321>

²⁰ Davidson, J. (2016) *The Origins of Revisionist and Status-Quo States*. chapter 1. Springer.

²¹ Gilpin, R. (1981) *War and Change in World Politics*. Cambridge University Press.

²² Christiansen, T. (2016) 'A liberal institutionalist perspective on China-EU relations,' in *Palgrave Macmillan US eBooks*, pp. 29–50.

international system to present two modes: “maintaining its position in the system” and “enhancing its position in the international system”, and sometimes there will be rapid changes in state behaviour.²³ Security-driven states remain the main actors in the international system. The power distribution and the security dilemma within an anarchic international system explain the intensified competition between China and the EU, as China and the EU try to keep it selves safe in the challenging and complicated international landscape. In this structural pressure international system, the competition between China and the EU is inevitable.

In a global framework characterised by escalating competition, alongside a surge in unilateralism and anti-globalisation sentiments, the diminishing economic complementarity between China and Europe, coupled with heightened competitiveness, has re-elevated the national security dilemma to a critical level. For example, some EU politicians argue that the BRI is used as an economic tool to intensify the disagreements of member states within the EU, and the potential of its geopolitical influence and intention still needs evaluation.²⁴ Therefore, the EU still has not agreed with China to join the BRI as a whole, although several individual EU member states have, such as Austria, Hungary and Poland. Furthermore, the EU proposed the Global Gateway in 2021, a similar encompassing global infrastructure initiative as the BRI, focusing on sustainable and trusted connections that work for people and the planet.

Cooperation between China and the EU represents a balance of power. In other words, economic cooperation between China and the EU is a better way to achieve both sides’ goals and gain interests. The EU’s strength was weakened by the 2008 global financial crisis and the subsequent Eurozone crisis, refugee crisis, Brexit, and pandemic. Because of these events, EU member states find it difficult to recover their national economy based only on the EU and the unfair distribution of resources within

²³ Lobell, S.E. (2017) 'Structural Realism/Offensive and Defensive Realism,' in *Oxford Research Encyclopedia of International Studies*. Oxford University Press eBooks.

²⁴ European Parliament (2020). *EU-China trade and investment relations in challenging times* | *Think Tank* | *European Parliament*. Available at: [https://www.europarl.europa.eu/thinktank/en/document/EXPO_STU\(2020\)603492](https://www.europarl.europa.eu/thinktank/en/document/EXPO_STU(2020)603492)

the EU.²⁵ In this context, the EU and member states tend to cooperate with China to relieve internal pressure. For example, the EU chose to cooperate with China in climate and green energy to support and achieve one of the EU's goals, becoming a compelling global actor.²⁶ The CEE 11 countries, like Hungary and Poland, cooperate with China in the economy, including infrastructure construction and trade, to recover their national economy.²⁷ Therefore, the cooperation between China and the EU reflects more on discussing the balance of power and interests than on the liberal economic system or international norms.

This dissertation uses neorealism international relations theory to discuss the nature of China-EU relations in the dynamic and challenging international landscape, and how the two major actors secure their interests and seek a balance in the international system.

2.2. The Definition of Geoeconomics and Its Tools

Geoeconomics is an essential study by post-Cold War experts to extend future geopolitical wars into the economic field. Edward Luttwak is one of the first scholars to propose this argument. He argues that world politics does not give way to world commerce, and the competition among great powers has continued since the Cold War, transitioning from conventional military-geopolitical conflict to geoeconomic competition focused on economic and technological factors.²⁸ His argument of geoeconomics of the war continued in other ways focuses on the logic of a zero-sum game of competition and conflict of great powers instead of the logic of a positive-sum game of business development in economics, which fills the “economic

²⁵ Vangeli, A. (2018) 'Global China and Symbolic Power: The Case of 16 + 1 Cooperation', *Journal of Contemporary China*, 27(113), pp. 674–687. <https://doi.org/10.1080/10670564.2018.1458056>

²⁶ The European Union External Action (2016) *A Global Strategy for the European Union's Foreign and Security Policy*. Available at: https://www.eeas.europa.eu/eeas/global-strategy-european-unions-foreign-and-security-policy_en

²⁷ Ibid. P. 85.

²⁸ Luttwak, E. N. (1990) 'From Geopolitics to Geo-Economics: Logic of Conflict, Grammar of Commerce,' *The National Interest*, Summer 1990 (20), pp. 17-23.

blind spot” in neorealism theory, that is, economic competition replaces traditional military competition.

Infrastructure is one of the primary economic tools to gain geopolitical benefits for great powers.²⁹ Apart from infrastructure, Blackwill and Harris (2016) further define and categorise the policy of trade, investment, monetary and finance, aid, commodity, energy and cyber as the most commonly used geoeconomic tools in contemporary times.³⁰ This dissertation uses trade and investment as the primary economic tools to analyse the geoeconomic influence of the BRI on the EU. Furthermore, Blackwill and Harris (2016) introduce a more detailed definition of geoeconomics as “the use of economic instruments to promote and defend national interests, and to produce beneficial geopolitical results.”³¹

The BRI is not just a global infrastructure project for China’s economic development, but an economic foreign policy to potentially weaken the influence of the United States and its allies, such as the EU, in the international system, exemplified by the launch and implementation of the EU’s Global Gateway, showing the EU’s belated geoeconomic response. The two geoeconomic arguments are consistent in their roots and the neorealism theory. Both are based on the great powers’ pursuit of security and interests, explaining the nature of today’s great power competition and elaborating on a new form based mainly on economic tools. Core actors are still great powers in the international system. Only the power struggle has moved to a new battlefield, and the forms of competition are more diverse.

2.3. Hedging and Institutional Balancing

Great power competition indicates the dynamic interactions between major powers with substantial economic, military and diplomatic capabilities and endeavour to assert dominance over global or regional influence, resources, and authority using

²⁹ Ibid.

³⁰ Blackwill, R.D. and Harris, J.M. (2016) *War by other means: Geoeconomics and Statecraft*. Harvard University Press.

³¹ Ibid.

multidimensional means.³² In international relations, hedging and soft balancing are widely used concepts to enrich and broaden the traditional study of alignment and the power of balance. The concept of hedging is used more widely and frequently to describe the behaviour of small states. Hedging is defined as seeking insurance in situations of high risk and uncertainty, whereby sovereign actors adopt a series of opposed and deliberately ambiguous policies vis-à-vis their competitors to be prepared for fallbacks should the situation change.³³

This dissertation uses Hungary and Sweden as case studies to investigate the different strategies of EU members towards the rising influence of China in Europe in Chapter 4. Although experts have never agreed on what constitutes state size or the boundaries between small and large nations,³⁴ the significance of the international system as one of the most significant influencing factors of the foreign policy of small states, especially small states, tends to be more dependent on the global economy and trade.³⁵ Kuik (2021) suggests that small states may achieve risk diversification by relying on Country A for their economy and Country B for their security.³⁶ Hungary and Sweden can be seen as small states to demonstrate how small states leverage great power competition to maximise autonomy and safeguard security.

System-level variables and domestic variables further expand the research on small state behaviour, specifically, the intensity of great power competition, the geopolitical value and economic dependence type of small states, the cognition of political elites, and public perceptions.³⁷³⁸³⁹⁴⁰ Small states like Hungary and Sweden

³² Mearsheimer, J.J. (2003) *The Tragedy of Great Power Politics*. W. W. Norton & Company.

³³ Kuik, C.-C. (2016) 'How Do Weaker States Hedge? Unpacking ASEAN states' alignment behavior towards China,' *Journal of Contemporary China*, 25(100), pp. 500–514. <https://doi.org/10.1080/10670564.2015.1132714>

³⁴ Goetschel, L. (1998) *Small states inside and outside the European Union*. Springer eBooks.

³⁵ Archer, C., Bailes, A.J.K. and Wivel, A. (2014) *Small states and international security: Europe and Beyond*. Routledge.

³⁶ Kuik, C.-C. (2021) 'Getting hedging right: a small-state perspective,' *China International Strategy Review*, 3(2), pp. 300–315. <https://doi.org/10.1007/s42533-021-00089-5>

³⁷ Mearsheimer, J.J. (2003) *The Tragedy of Great Power Politics*. W. W. Norton & Company.

³⁸ Grygiel, J.J. (2006) *Great powers and geopolitical change*. JHU Press.

³⁹ Blackwill, R.D. and Harris, J.M. (2016) *War by other means: Geoeconomics and Statecraft*. Harvard University Press.

⁴⁰ Paul, T. (2018) 'When balance of power meets globalization: China, India and the small states of South Asia,' *Politics*, 39(1), pp. 50–63. <https://doi.org/10.1177/0263395718779930>

are under the increasing competition of China and the EU, representing two different strategic choices: hedging and balancing. Different from the strong competition between China and the US, the competition between China and the EU represents a weak mode, manifesting as a de-risking economic competition strategy, which means there is room for hedging.

Kai (2008) proposes the argument of institutional balancing. He uses a mixed comprehensive model of institutional balancing, situated at the intersection of neorealism and neoliberalism, to explain the behaviour of states within institutions. He uses the case of ASEAN countries to study their behaviour in the Southeast Asian multilateral institutions after the Cold War. This dissertation partly draws on his neorealism argument that the high degree of economic interdependence has led countries to choose a new realist balancing strategy - institutional balancing - rather than traditional military alliances to deal with threats or pressures from the system.⁴¹ Kai (2016) further characterises China's behaviour in East Asia as a realistic-offensive strategy to balance the influence of the US in this area.⁴² From this perspective, Chapter 3 argues that the BRI can be seen as China's offensive institutional balancing to reshape the rules of global economic governance and check the hegemony of the Western system. In contrast, the Global Gateway can be seen as the EU's defensive institutional balancing to provide an institutional alternative based on Western rules and standards to constrain the expansion of the Chinese model and thus protect the EU's economic security and structural power.

However, Acharya (2014) argues that not all institutional interactions fully adhere to the power logic of neorealism, as ASEAN countries in the Asia-Pacific region also exhibit a balancing approach centred on norms and values.⁴³ It differs from the BRI and the Global Gateway, which are used as geoeconomic tools to gain geopolitical results. Nevertheless, the argument of Acharya (2014) fails to explain

⁴¹ Kai, He. (2008) 'Institutional Balancing and International Relations Theory: Economic interdependence and Balance of power Strategies in Southeast Asia,' *European Journal of International Relations*, 14(3), pp. 489–518. <https://doi.org/10.1177/1354066108092310>

⁴² Kavalski, E. (2016) *The Ashgate Research companion to Chinese foreign policy*. Routledge.

⁴³ Acharya, A. (2014) *Constructing a security community in Southeast Asia: ASEAN and the Problem of Regional Order*. Routledge.

why the normative institutional approach, which ought to be a traditional advantage of the EU, has not played a significant role in the global infrastructure competition. Infrastructure has its intrinsic attributes,, as modern infrastructure (including ports, railways and 5G networks) is not a simple commercial asset, but a key physical foundation in structural power,⁴⁴ and it directly connects to the country's economic security.⁴⁵ Therefore, the global infrastructure competition between China and the EU is a struggle for gain over the structural foundation of the future international system.

2.4. Chinese Characteristic International Relations Theory

Chinese scholars usually study international relations from these theories: Realism, Liberalism, Constructivism, and Marxism, as they are the mainstream theories in international relations research. With the Chinese economic strength and the rise of China on the international stage, the Chinese domestic academy began to think and explore which theory was appropriate for Chinese development. Theoretical research on China's international relations can be traced back to the Reform and Opening-up in 1978, and the early stage was mainly about theoretical understanding and learning. It gradually turned to theoretical exploration since 2000, but has yet to enter the stage of theoretical innovation, and the Chinese theoretical paradigm has yet to be established.⁴⁶

However, discussing and examining Chinese characteristic international relations theories is essential to understanding China's political views and foreign policy. Chinese mode and experience are distinct and complicated to understand by the Western academy because many Chinese domestic scholars combine Chinese characteristic international relations thoughts with Chinese ancient philosophical

⁴⁴ Strange, S. (2015) *States and markets*. Bloomsbury Publishing.

⁴⁵ Blackwill, R.D. and Harris, J.M. (2016) *War by other means: Geoeconomics and Statecraft*. Harvard University Press.

⁴⁶ Qin Yaqing. (2008) 'The progress and problems of China's theoretical research on international relations', *World Economics and Politics*, (11), pp. 13-23. [秦亚青 (2008). 中国国际关系理论研究的进步与问题,《世界经济与政治》]

thoughts, such as “governing by noninterference”⁴⁷ proposed by Laozi and Confucianism, emphasising “policy of benevolence.”⁴⁸ This phenomenon can be seen in one representative Chinese international relations theory: moral realism. Based on moral realism, this dissertation examines its theoretical advantages and current deficiencies and comes to an argument called the dialectical view: Chinese identity and collective consciousness.

2.4.1. Moral Realism

Yan Xuetong⁴⁹ is a prominent scholar within and outside China, and he proposed a kind of classical realism known as moral realism. Unlike structural realism, moral realism is predicated on political determinism, views national strength and the nature of political leadership as the primary determinants of a country’s foreign strategic orientation, and introduces the two crucial variables of political leadership and strategic credibility.

Variables are grouped into four groups based on national strength: “dominant country,” “rising country,” “regional power,” and “small country,”⁵⁰ which are further defined as follows: a leading country has the power to lead systemic affairs in an independent international system, but it is not necessarily a top global country. A rising power is a nation that shares the dominant power’s global influence while waning in strength alongside it. A country under an autonomous international system is referred to as a regional power if it can rule over a particular region’s affairs while being affected by a foreign power. It might be a regional power (like modern-day Brazil or Germany) or a sub-regional power (modern-day South Africa or India). A

⁴⁷ 《老子》 [Lao Tzu]

⁴⁸ 《孟子》 [Mencius]

⁴⁹ A realist scholar in international relations in mainland China, and a professor in the Department of International Relations of Tsinghua University.

⁵⁰ Yan Xuetong. (2014) ‘An International Relations Theory of Moral Realism’, *International Studies*, (05), pp. 102-128. [阎学通 (2014). 道义现实主义的国际关系理论, 《国际问题研究》]

small country only controls a small portion of the sub-region. Strength is divided into categories above based on relative rather than absolute strength.⁵¹

Sort political leadership styles into “inaction,” “conservative,” “aggressive,” and “struggle”⁵² categories: Non-doing leaders are conceptual determinants because they have no specific political objectives, lack the will to advance national interests, and adhere to the idea of doing nothing. Conservative leaders want to keep things the same. They view economic interests as the most significant priorities and economic strength as the cornerstone of overall strength in the absence of the danger of a foreign military attack. Therefore, they believe in economic determinism. Aggressive leaders are political determinists because they want to elevate their nation’s standing abroad, hold to the idea that humans create everything, ascribe a nation’s success, and hold the political leadership accountable. Struggle leaders are military determinists because they want to use force to accomplish their objectives and think using the military to defeat adversaries is the most efficient strategy.⁵³

One of Yan’s theoretical bases is *Politics Among Nations: The Struggle for Power and Peace* by Hans J. Morgenthau, which discusses political realism and international morality as political realism rejects equating a nation’s moral goals with the moral norms that govern the universe.⁵⁴ Yan (2014) believes international morality is universal rather than national, such as fairness, justice, civilisation, and integrity.⁵⁵

Ancient Chinese political and philosophical thoughts provide another theoretical foundation. For instance, Xunzi’s⁵⁶ idea of evil nature stresses that individuals are morally reprehensible by nature, but allowing this to grow will result in conflict and hatred.⁵⁷ Introduce international relations before examining whether the nature of

⁵¹ Ibid.

⁵² Xuetong, Y. (2020) *Leadership and the Rise of Great Powers*. Princeton University Press.

⁵³ Ibid. pp. 33-38.

⁵⁴ Clinton, D., Thompson, K. and Morgenthau, H. (2005) *Politics Among Nations: The Struggle for Power and Peace*. McGraw-Hill Education, P. 12.

⁵⁵ Yan Xuetong. (2014). ‘An International Relations Theory of Moral Realism’, *International Studies*, (05), pp. 102-128. [阎学通 (2014). 道义现实主义的国际关系理论, *国际问题研究*].

⁵⁶ One of the Chinese Confucian scholars and thinkers in the Warring States Period.

⁵⁷ 《荀子·性恶》 [Xunzi, *Theory of Original Evil of Human Nature*]

profit-seeking is connected to standards of state behaviour and how political philosophy affects tactical choice-making. Yan and Yang (2013) argue that national interests are inherently objective and that ideologies only affect how international interests are prioritized and how they are pursued.⁵⁸

Yan's moral realism thinks that the zero-sum nature of power results in structural conflicts and systemic pressures in the emergence of great powers based on these two theoretical justifications. According to him, the structural tensions between the dominant and rising power are inescapable. On the one hand, the ascent of the rising power will become more and more challenging as the power gap closes. "Structural contradiction" describes the conflict arising during power transfer between the supreme and burgeoning powers.⁵⁹ This is an inevitable natural contradiction brought about by the closing power disparity. The "rising dilemma" refers to the fact that when a country's power expands quickly, so does its influence on the outside world and the strain it puts on the international system.⁶⁰ As a result, the redistribution of power in the international system is significantly influenced by national power.

Yan (2020) stated that China's change from a "conservative" to an "aggressive" foreign policy is mainly based on an economic cooperation strategy,⁶¹ as indicated by the divide of national strength and political leadership type above. He also holds that the problems revealed in Europe and the United States following the 2008 financial crisis include the decline in the international reputation of the United States.⁶² It prompted Chinese domestic scholars to question the Western international relations theory and reflect on their views. In addition, as China's influence abroad increases, the international community expects China to take on additional duties in line with that influence. China also has to bring about a great revival of its people. China

⁵⁸ Yan Xuetong, Yang Yuan. (2013) *International Relations Analysis*. Peking University Press, P. 287.

⁵⁹ Ibid. P. 124.

⁶⁰ Sun Xuefeng. (2011) *Dilemma of China's Rise: Theoretical Reflections and Strategic Options*. Beijing: Social Sciences Academic Press (China), P. 24. [孙学峰 (2011). 中国崛起困境: 理论思考与战略选择].

⁶¹ Xuetong, Y. (2020) *Leadership and the Rise of Great Powers*. Princeton University Press.

⁶² Stempel, J. (2014) "Angry Geithner once warned S&P about U.S. downgrade: filing," *U.S.*, 22 January. Available at: <https://www.reuters.com/article/us-mcgrawhill-sandp-lawsuit/angry-geithner-once-warned-sp-about-u-s-downgrade-filing-idUSBREA0K1PU20140122>

suggests a firm foreign policy that adheres to the correct concept of righteousness and interests, emphasising righteousness and interests, putting righteousness first, and enriching amity, sincerity, mutual benefit, and inclusiveness.⁶³ However, moral realism is currently only a nascent theory. Chinese realistic scholars continue to pay attention to the impact of China's rise on the world structure and international order and expand relevant understandings and theories.

In Yan's theoretical logic, the foundation of China-EU relations is economy mutual interests, such as China proposing the BRI based on the mutual economic interests of the EU. While the political intention and influence of the BRI are becoming apparent, many EU politicians argue that the BRI is used as an economic tool to intensify the disagreements of member states within the EU.⁶⁴ Using this theory to examine the state of China-EU relations lacks a comprehensive perspective. It can clarify the economic goals of Chinese behaviour. At the same time, it cannot explain the political motivations underlying China's projects, such as the BRI, as this theory remains rooted in realism.

2.4.2. Dialectical View: Chinese Identity and Collective Consciousness

Chinese international relations theory diverges from Western theory, despite its inspiration from the latter, as evidenced by the preceding consideration of moral realism, articulated by a Chinese scholar. The theory represents a common theme in China's political worldview: the Chinese identity and collective consciousness. Yan's moral realism demonstrates that moral leadership in Chinese foreign policy is clear and necessary, especially in Chinese strategic partnerships. However, examining Chinese international relations theory needs more practicality and is challenging to apply to other systems or national levels. It is tightly connected with China's unique geocultural, political, and historical background. Moral realism can give a different

⁶³ Publicity Department of the CPC Central Committee (2017) *Xi Jinping: The Governance of China*. Beijing: Foreign Languages Press.

⁶⁴ European Parliament Think Tank (2020). *EU-China trade and investment relations in challenging times* | *Think Tank* | *European Parliament*. Available at: [https://www.europarl.europa.eu/thinktank/en/document/EXPO_STU\(2020\)603492](https://www.europarl.europa.eu/thinktank/en/document/EXPO_STU(2020)603492)

and distinctive perspective on understanding Chinese behaviour and foreign policy.

Critically speaking, on the one hand, moral realism has a characteristic in that it serves Chinese politics to achieve its political goals in the Chinese system. As China's international standing increases, it is expected to assume greater responsibility in all spheres of life. At the same time, China wants to be heard by the rest of the world. In this context, Chinese scholars transitioned from theory learners to theoretical innovators. On the other hand, self-identity is crucial for Chinese leadership as it is tied tightly to the nation's identity. The recognition of the people is one of the tenets of the Communist Party of China, and internal expectation is one of the motivations and influences that shape the Chinese diplomatic image and behaviour. Therefore, Chinese scholars usually argue that Western international relations theory has a fundamental problem, making it serve the Western world. However, the same problem also exists in the Chinese international relations theory that attempts to state China's centrality in nature. In general, Chinese international relations theory possesses little universality and is highly used to legitimise Chinese political actions.

2.5. Theoretical Integration and Analytical Framework

This dissertation adopts neorealism (Waltz, 1979) as its foundational theoretical lens. Neorealism's focus on the distribution of power in an anarchic international system provides the macro-level context for understanding the structural pressures shaping the behaviour of China and the EU. The relative rise of China and the relative decline of US hegemony, as analysed in Chapter 5, generate a loose multipolar international order characterised by intensified great power competition. The structural pressure serves as the initial condition for all subsequent analyses.

To capture how great power competition manifests in the contemporary world, this framework integrates the concept of geoeconomics (Luttwak, 1990; Blackwill & Harris, 2016). It argues that geoeconomic tools — particularly infrastructure, trade, and investment — have become the primary tools of geopolitical competition. Building on this, this dissertation employs the theory of institutional balancing (He,

2008) to analyse how China and the EU utilise the geoeconomic tools for this competition. As Chapter 3 will demonstrate, China's BRI can be conceptualised as an offensive institutional balancing strategy aimed at reshaping global governance norms. At the same time, the EU's Global Gateway represents a defensive institutional balancing response, seeking to uphold existing rules and safeguard European economic security.

Although the macro and middle levels explain the strategies of the two central actors (China and the EU as a whole), they are insufficient to account for the divergent responses of individual EU member states. To address this gap, the framework draws on hedging theory (Kuik, 2016, 2021), which illuminates how small states navigate great power competition by adopting divergent strategies. As Chapter 4 will demonstrate, it allows for a nuanced analysis of Hungary's hedging strategy and Sweden's balancing strategy towards China, aligned with EU-level de-risking. The concept of 'nested hedging' is introduced to capture the multi-level nature of this phenomenon, where member state strategies interact with and constrain the EU's overarching approach.

To fully comprehend the motivations behind China's foreign policy, particularly its emphasis on the BRI guided by 'win-win cooperation' and 'a global community of shared future.' This framework incorporates elements of Chinese characteristic international relations theory, specifically Yan Xuetong's (2014, 2020) moral realism. While neorealism explains China's pursuit of power, moral realism provides insight into the distinctive normative narrative and leadership style that shape how China exercises its power. Given that this theory is still in its nascent stage and requires critical application, it offers a valuable corrective to purely Western-centric analyses. It helps decode the ideational dimension of China's economic statecraft, as seen in the BRI's discourse.

Finally, to analyse the complex triangular interactions among China, the US, and the EU — particularly in cases like the CAI stalemate — this framework selectively draws on strategic triangle theory (Dittmer, 1981). In Chapter 5, this theory serves as a situational heuristic rather than a full-fledged alternative to neorealism. It helps

illuminate how the specific configuration of bilateral relationships (EU-US: +; EU-China: +; US-China: -) places the EU in a 'pivot' role, making it the target of competitive pressures from both sides and explaining the paralysis that can result from irreconcilable structural pulls.

In sum, this dissertation advances an integrative, multi-level theoretical framework. It begins with the macro-structural pressures of a loose multipolar international order (neorealism), filters them through the middle-level dynamics of geoeconomic competition (geoeconomics + institutional balancing), and grounds them in the micro-level strategic choices of states, shaped by domestic politics and leadership (hedging + moral realism). The strategic triangle is deployed as a supplementary tool to capture specific triadic dynamics. This framework does not claim theoretical novelty in each component. However, its integrative and hierarchical structure offers a systematic way to analyse the complex, multi-layered reality of contemporary China-EU relations, ensuring that each empirical chapter is guided by a clearly defined theoretical lens.

Chapter 3. The Belt and Road Initiative in the Global Arena: Responses and Competition

The global infrastructure gap, estimated at \$15 trillion by 2040,⁶⁵ has emerged as a critical global trade and development bottleneck and a new arena for geoeconomic competition among major powers.⁶⁶ Global infrastructure competition has become the core element of geoeconomic competition among major powers. In this context, China's Belt and Road Initiative (BRI), the first and largest national infrastructure strategy, has been followed by the EU's Global Gateway, the U.S.'s PGII, and others. The competition is beyond simple commercial interests and constitutes a geoeconomic and geopolitical influence struggle.⁶⁸ As a pioneer, the BRI has a specific geoeconomic and geopolitical influence on the EU, particularly in critical sectors such as transport and energy infrastructure, weakening EU cohesion through divergent member state responses, and reshaping economic landscapes in key regions such as Southeast Asia. In response, the EU proposed the Global Gateway in 2021, which aims to reshape the global geoeconomic and geopolitical landscape based on European values, as the EU-China 2020 Strategy failed to achieve the EU's expectations.⁶⁹ What does the EU's response (Global Gateway) reveal about the nature of this competition?

Existing research has conducted a relatively detailed analysis of the BRI, focusing mainly on project scale,⁷⁰ financing investigation,⁷¹ and opportunities and

⁶⁵ World Economic Forum (2019) *The world is facing a \$15 trillion infrastructure gap by 2040. Here's how to bridge it*. Available at:

<https://www.weforum.org/stories/2019/04/infrastructure-gap-heres-how-to-solve-it/>

⁶⁶ OECD (2018) *The Belt and Road Initiative in the global trade, investment and finance landscape*. OECD Publishing. Available at: https://doi.org/10.1787/bus_fin_out-2018-6-en

⁶⁷ Zelikow, D. and Savas, F. (2024) 'Mind the gap: Time to rethink infrastructure finance,' *World Bank Blogs*. Available at: <https://blogs.worldbank.org/en/ppps/mind-gap-time-rethink-infrastructure-finance>

⁶⁸ Mazarr, M.J., Frederick, B. and Crane, Y.K. (2022) *Understanding a new era of strategic competition*. RAND National Security Research Division. Available at: https://www.rand.org/pubs/research_reports/RRA290-4.html

⁶⁹ Sun Yanhong (2022) 'The European Union has joined the global infrastructure boom through the "Global Gateway" plan,' *World Affairs*, (3): pp. 35-37. In Chinese.
[孙彦红. 欧盟通过“全球门户”计划加入全球基建潮[J]. 世界知识, 2022(3):35-37.]

⁷⁰ Nedopil, Christoph. (2025) *China Belt and Road Initiative (BRI) investment report 2025 H1*. Shanghai: FISF Fudan University.

⁷¹ Parks, B. C. et al. (2023) *Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative*. Williamsburg, VA: AidData at William & Mary.

challenges.⁷²⁷³ On the contrary, research on the Global Gateway is relatively limited, focusing mainly on policy content,⁷⁴⁷⁵ given that it is in an early stage. The few studies that conduct comparative analysis of the BRI and Global Gateway mainly focus on using them as factors in analysing the shift in China-EU relations from traditional economic cooperation to current confrontation,⁷⁶ or the challenges and prospects faced by the BRI and Global Gateway,⁷⁷ or how the EU should balance strategic autonomy with its partners.⁷⁸

However, there exists an absence of a systematic theoretical framework to understand this infrastructure competition as a fundamental struggle for structural power among major powers within an anarchic international system. This chapter aims to fill this gap by analysing the competition between the BRI and the Global Gateway through an integrative neorealist framework that combines Kenneth Waltz's structural realism theory, Edward Luttwak's geoeconomics, and Kai He's theory of institutional balancing. This chapter concludes that the BRI represents China's offensive institutional balancing, aimed at reshaping global governance rules. In contrast, the Global Gateway represents the EU's defensive institutional balancing to maintain existing rules and safeguard its economic security.

In the next five years, there will undoubtedly be fierce competition in global infrastructure for the increasingly involved players. In this context, the rise of unilateralism calls for de-globalisation and the formation of a multipolar international

⁷² Bhuiyan, M.A. and Beraha, I. (2022) *Opportunities and challenges for multinational enterprises and foreign direct investment in the Belt and Road Initiative*. IGI Global.

⁷³ Esteban, M. and Lin, Y. (2023) *China and international norms: Evidence from the Belt and Road Initiative*. Routledge.

⁷⁴ Heldt, E.C. (2023) 'Europe's Global Gateway: a new instrument of geopolitics,' *Politics and Governance*, 11(4), pp. 223-234. <https://doi.org/10.17645/pag.v11i4.7098>

⁷⁵ Karjalainen, T. (2023) 'European norms trap? EU connectivity policies and the case of the global gateway,' *East Asia*, 40(3), pp. 293-316. <https://doi.org/10.1007/s12140-023-09403-x>

⁷⁶ Gómez-Hernández, U. (2024) 'The European Union and China's geoeconomic tools in a multipolar world,' *Global Policy* [Preprint]. <https://doi.org/10.1111/1758-5899.13414>

⁷⁷ Alicia, García-Herrero. (2024) 'David and Goliath: The EU's Global Gateway versus China's Belt and Road Initiative,' *Bruegel*, 16 December. Available at: <https://www.bruegel.org/newsletter/david-and-goliath-eus-global-gateway-versus-chinas-belt-and-road-initiative>

⁷⁸ Soler i Lecha, E. (2025). *The Global Gateway: Connectivity and Competition in the Global Race for Infrastructures*. In: Costa, O., Soler i Lecha, E., Vlaskamp, M.C. (eds) *EU Foreign Policy in a Fragmenting International Order*. The European Union in International Affairs. Palgrave Macmillan, Cham.

order. Investigating and analysing the competition of the BRI and the Global Gateway reflects a deeper level understanding of the dynamic and intensified competition and conflict between China and the EU in the international system.

This chapter is divided into four sections and focuses on analysing the BRI in the global arena. First, it introduces the BRI's current scale and function mechanisms, such as financing sources, aims, and development status, and the strategic implications of the BRI. Second, it discusses the internal challenges of BRI and China's Responses, such as the debate of debt trap, environmental, social, and governance (ESG) concerns and the fluctuating international public perception towards the BRI, and how China responds to these challenges. Third, it investigates the evolving perception of the EU on the BRI and analyses the geoeconomic and geopolitical influences of the BRI on the EU, constituting the external repercussions of the BRI. Last, it uses a comparative analysis to investigate and explain the nature of the infrastructure competition between the BRI and the Global Gateway, and how they are used as geoeconomic tools to compete for structural power in the international system for China's offensive institutional balancing and the EU's defensive institutional balancing.

3.1. Overview and Strategic Implications of the Belt and Road Initiative

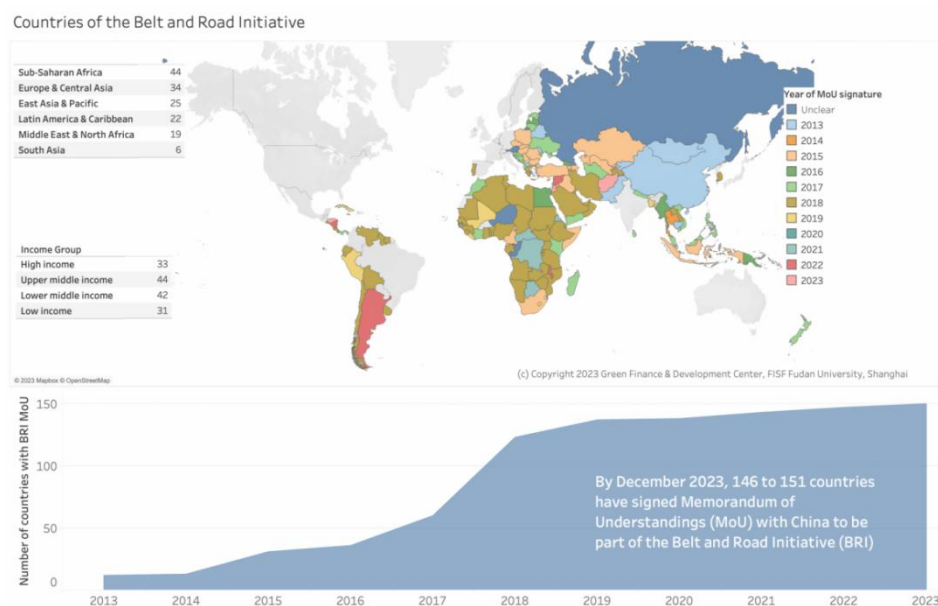
In 2013, China proposed the Belt and Road Initiative (BRI) based on deepening economic cooperation and involving multiple areas. In the same year, during the 16th China-EU Leaders' Meeting, China and the EU issued the "China-EU Cooperation 2020 Strategic Plan,"⁷⁹ jointly announcing the formal launch of China-EU investment agreement negotiations. As an economic mega-project, the BRI has developed a multidimensional cooperation framework that includes politics, economy, society, and security for eleven years (as of this dissertation writing). According to the official data

⁷⁹ Minister of Foreign Affairs of the People's Republic of China (2023) *Relations between China and the European Union*. In Chinese. [中国同欧盟的关系, 中华人民共和国外交部]. Available at: https://www.fmprc.gov.cn/web/gjhdq_676201/gjhdqzz_681964/1206_679930/sbgx_679934/ (Accessed: 3 January 2024).

of the Ministry of Commerce of the People's Republic of China, and the *China Belt and Road Initiative (BRI) investment report 2025 H1*, the cumulative BRI engagement amounts to US\$1.308 trillion.⁸⁰

The Land-based Silk Road, which connected the Mediterranean nations by travelling from Xi'an to Central and West Asia and Europe, is one of its unique geographic routes. The Maritime Silk Road is an additional maritime route that allowed ancient China and other nations to communicate, trade, and exchange cultures. The South China Sea is the primary focus of this route.⁸¹ By 2023, the number of countries that have joined the Belt and Road Initiative (BRI) by signing a Memorandum of Understanding (MoU) with China is 150 (See Figure 1).⁸²

Figure 1: Countries of the Belt and Road Initiative by 2023



Source: Green Finance & Development Center, FISF Fudan University (2024)⁸³

⁸⁰ Nedopil, Christoph. (2025) *China Belt and Road Initiative (BRI) investment report 2025 H1*. Shanghai: FISF Fudan University.

⁸¹ Based on the introduction on the website of China Belt and Road Portal. Available at: https://eng.yidaiyilu.gov.cn/list/w/know_about (Accessed: 21 January 2023).

⁸² According to the Belt and Road Portal, Palestine is not independent under the United Nations. Available at: www.yidaiyilu.gov.cn (Accessed: 17 December 2023).

⁸³ Nedopil, Christoph. (2024) *China Belt and Road Initiative (BRI) Investment Report 2023*. Shanghai: FISF Fudan University.

The BRI aims to build a top-level framework and seek a consensus of cooperation, especially economic cooperation, to promote connectivity with involved countries and to use resources efficiently.⁸⁴ One crucial goal of the BRI's infrastructure investment is to reduce trade costs and promote market integration along the BRI countries.⁸⁵ It is not a Chinese foreign aid program but a platform for pursuing pragmatic collaboration. The development concepts of innovation, coordination, greenness, openness, and sharing, as well as mutual discussion, mutual construction, and mutual sharing, are the core principles of this initiative.⁸⁶

The BRI's financing sources are identified into five types: pure assistance, preferential loans, development financing, commercial loans, and different special funds. Development finance and special funds are essential for the five types of BRI infrastructure development and connectivity projects.⁸⁷ The primary funding sources for these BRI-participating projects are the Export-Import Bank of China and the State Development Bank, the Asian Infrastructure Investment Bank (AIIB), Chinese development banks, the Silk Road Fund, two large state-owned commercial banks, and the Shanghai Cooperation Organisation Development Bank (SCODB). China leads most of the funding sources as the international financial institutions, such as multilateral development banks dominated by Europe and the United States show little interest in infrastructure investment projects or attach many political and economic additional conditions in the investment process that are unacceptable to the country and region where the project is located, resulting in infrastructure investment and financing could be used more effectively.

China has been involved in BRI-related construction projects around 3000 and has signed more than 200 cooperation documents with 152 countries and 32

⁸⁴ Belt and Road Portal (2017) *Building the Belt and Road: Concept, Practice and China's Contribution*. Beijing: Foreign Languages Press Co. Ltd.

Available at: <https://eng.yidaiyilu.gov.cn/wcm.files/upload/CMSydylyw/201705/201705110537027.pdf>

⁸⁵ Tan, K.H. *et al.* (2019) 'Riding the wave of belt and road initiative in servitization: Lessons from China,' *International Journal of Production Economics*, 211, pp. 15–21. <https://doi.org/10.1016/j.ijpe.2019.01.027>

⁸⁶ Institute of Party History and Literature of the CPC Central Committee (2023) *Xi Jinping on the Belt and Road Initiative (2023 Edition)*. Beijing: Central Party Literature Press.

⁸⁷ Liu, W., Zhang, Y. and Xiong, W. (2020) 'Financing the Belt and Road Initiative,' *Eurasian Geography and Economics*, 61(2), pp. 137–145. <https://doi.org/10.1080/15387216.2020.1716822>

international organisations.⁸⁸ By the end of 2023, Chinese companies had established 17,000 overseas enterprises in countries participating in the BRI, with a direct investment stock exceeding US\$330 billion.⁸⁹ In terms of goods trade, by 2023, China's goods trade with the countries participating in the BRI increased to US\$2.8 trillion.⁹⁰

The BRI is not only an extensive practice of China's economic strategy, such as the "Going Out" strategy, but also a complementary to the "a global community of shared future" strategy, and belongs to China's diplomacy in the new era. President Xi Jinping states that the Belt and Road Initiative construction is an essential platform for promoting and practising the concept of building a global community of shared future. It provides new ideas and solutions for improving the reform of the global governance system."⁹¹ The significant strategic position of the BRI leads to an important question: Why was the BRI proposed?

The motivations behind the BRI implementation are complex and intriguing, and they can generally be divided into domestic demands and foreign strategies. China's socialist market economy system is distinctive and very different from capitalism, characterised by public ownership that should play the dominant role in the economy, while diverse forms of ownership should develop together. In the distribution field, distribution according to work should act as the mainstay, with other forms of distribution existing alongside it.⁹² China achieved an economic miracle following its opening to the global market in the late 1970s. After joining the WTO, China

⁸⁸ The State Council of the People's Republic of China (2024) *Belt and Road cooperation adds vitality to global trade, economic ties*. Available at: https://english.www.gov.cn/news/202412/03/content_WS674ee881c6d0868f4e8eda36.html (Accessed: 11 December 2024).

⁸⁹ Ministry of Commerce of the People's Republic of China (2024) *2023 Statistical Bulletin of China's Outward Foreign Direct Investment*. Beijing: China Commerce and Trade Press.

⁹⁰ Ministry of Commerce of the People's Republic of China (2024) *The average annual growth rate of goods trade between China and the countries participating in the Belt and Road Initiative is 8.1%*. Available at: <http://fec.mofcom.gov.cn/article/xgzx/xgzxfwydyl/202408/20240803529669.shtml> (Accessed: 18 December 2024)

⁹¹ Institute of Party History and Literature of the CPC Central Committee (2023) *Xi Jinping on the Belt and Road Initiative (2023 Edition)*. Beijing: Central Party Literature Press.

⁹² Xinhua (2019) 'Decision of the Central Committee of the Communist Party of China on Several Major Issues Concerning Upholding and Improving the Socialist System with Chinese Characteristics and Promoting the Modernization of the National Governance System and Governance Capacity', *Xinhua*, 5 November. In Chinese. Available at: https://www.gov.cn/zhengce/2019-11/05/content_5449023.htm

accelerated its pace of opening up to the outside world. However, challenges following the opening up are: one is the transformation in China's economic development mode, from credit-driven investment and export-led growth to increased domestic consumption, posing a dilemma for the Xi administration, which has opted to prioritise meeting quantitative GDP targets over the challenging task of economic restructuring.⁹³ Another is that China finds itself out of tune with the existing multilateral mechanisms and international economic order as it becomes an economic superpower.⁹⁴

Relieving the industrial overcapacity and adjusting and upgrading the industry structure and related technology are the most important priorities for domestic demands. As China is a major traditional industrial manufacturing country, cheap labour and land resources have always been its advantages. However, the leverage is not evident in the development of its economy. The increasing wealth gap, saturated domestic market, and the pressure of supporting an incredible amount of people's living standards make it urgent to restructure the industry and maintain the national economy's development sustainably, especially with the influence of the COVID-19 pandemic on the global economy.

In this context, the BRI effectively aligns with China's new development model of "dual circulation," enhancing domestic demand while broadening external resources and markets.⁹⁵ For example, the BRI and the countries along its routes usually connect with provinces of China, promoting the circulation and growth of resource allocation such as capital, information and technology.⁹⁶ Although some argue that demand from BRI participating countries cannot fully accommodate

⁹³ Rolland, N. (2017) *China's Eurasian Century?: Political and Strategic Implications of the Belt and Road Initiative*. The National Bureau of Asian Research.

⁹⁴ Ohashi, H. (2018) 'The Belt and Road Initiative (BRI) in the context of China's opening-up policy,' *Journal of Contemporary East Asia Studies*, 7(2), pp. 85–103.
<https://doi.org/10.1080/24761028.2018.1564615>

⁹⁵ The National People's Congress of the People's Republic of China (2021) *Outline of the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and Vision 2035 of the People's Republic of China*. In Chinese. Available at:
https://www.gov.cn/zhengce/2020-11/03/content_5556991.htm

⁹⁶ Summers, T. (2016) 'China's 'New Silk Roads': sub-national regions and networks of global political economy,' *Third World Quarterly*, 37(9), pp. 1628–1643.
<https://doi.org/10.1080/01436597.2016.1153415>

China's surplus production capacity,⁹⁷ Chinese officials assert that the objective is not to offload outdated or lower-quality goods onto less affluent neighbours, but rather to export to countries with inadequate production capabilities, thereby fostering a mutually beneficial picture.⁹⁸

As a rising superpower, China's foreign policy is transitioning from a passive adherence to the international system to an active engagement in the reform of global governance and the international system after President Xi Jinping came to power. The BRI is an important initiative to promote global trade, investment, and financing and connect countries along the BRI routes. In line with the strategy of "building a global community of shared future," it is a typical example of practice. Although China insists that this initiative is an economic cooperation initiative, not a geopolitical or military alliance, as it is not willing to target anyone nor exclude anyone, it is only an open and inclusive process, not a closed-door "small circle" or "China club."⁹⁹ The influence of such a tremendous economic initiative is inevitable in emerging and changing regional and global economies.

The BRI plays a more significant role in promoting political relations with developing countries than with developed countries.¹⁰⁰ Yu (2024) contends that the BRI could transform China's formidable economic might into geostrategic leverage and influence.¹⁰¹ Ohashi (2018) suggests that China finds itself out of tune with the existing multilateral mechanisms and international economic order as it becomes an economic superpower.¹⁰² China reinstated its membership in the International Monetary Fund and the World Bank in 1980 and became a member of the Asian Development Bank in 1986. However, the membership conditions were

⁹⁷ Rolland, N. (2017) *China's Eurasian Century?: Political and Strategic Implications of the Belt and Road Initiative*. The National Bureau of Asian Research.

⁹⁸ Huo Jianguo (2016) 'China exporting industrial benefits, not overcapacity', *Global Times*, 17 March. Available at: <https://www.globaltimes.cn/content/974284.shtml> (Accessed: 14 September 2025).

⁹⁹ The State Council Information Office of China (2023) *The Belt and Road Initiative: A Key Pillar of the Global Community of Shared Future. White Paper*. Beijing.

¹⁰⁰ Lu, Y., Gu, W. and Zeng, K. (2021) 'Does the Belt and Road initiative promote bilateral political relations?', *China & World Economy*, 29(5), pp. 57–83. <https://doi.org/10.1111/cwe.12387>

¹⁰¹ Yu, H. (2024) *Understanding China's belt and road initiative, Asia in transition*. Springer.

¹⁰² Ohashi, H. (2018) 'The Belt and Road Initiative (BRI) in the context of China's opening-up policy,' *Journal of Contemporary East Asia Studies*, 7(2), pp. 85–103. <https://doi.org/10.1080/24761028.2018.1564615>

predominantly established by developed countries, especially the United States. The fragility of China's economic standing necessarily constrained its voice and influence within these institutions.¹⁰³ In this situation, Beijing's calls for reform of the existing international economic order and global economic governance system are unlikely to gain support from major powers that support the status quo. The BRI and the Asian Infrastructure Investment Bank (AIIB) were proposed precisely against this geoeconomic backdrop. However, since the AIIB's mechanism is not the focus of this dissertation, its discussion will be omitted.

The strategic implication of the BRI is that China proposes an alternative to shape global norms and standards based on the values and governance model advocated by China, complementing and reforming the current international economic order and global economic governance system dominated by Western countries. Through the BRI, China can form a regional economic alliance led by China, which challenges the current international system of structural power. While some scholars believe the BRI was not motivated by a "deliberate grand strategy" but rather a significantly looser policy platform,¹⁰⁴ the BRI nonetheless reflects bottom-up pressures within China's political economy, the urgency and necessity of its internal economic transformation, and the responsibility of the Communist Party to achieve China's great rejuvenation.

Overall, the Belt and Road Initiative is a mega global infrastructure development plan proposed by China, an extensive practice of the "Going Out" strategy, complementary to the "A Global Community of Shared Future" strategy, and belongs to China's diplomacy in the new era. China's foreign policy has become more assertive and proactive with its increasing economic capacity. The BRI was born out of China's necessity to engage in global economic governance and reform its internal economic structure. Implementing the BRI enhances China's soft power regionally

¹⁰³ Cai, K.G. (2018) 'The One Belt One Road and the Asian Infrastructure Investment Bank: Beijing's New Strategy of Geoeconomics and Geopolitics,' *Journal of Contemporary China*, 27(114), pp. 831–847. <https://doi.org/10.1080/10670564.2018.1488101>

¹⁰⁴ Jones, L. and Zeng, J. (2019) 'Understanding China's 'Belt and Road Initiative': beyond 'grand strategy' to a state transformation analysis,' *Third World Quarterly*, 40(8), pp. 1415–1439. <https://doi.org/10.1080/01436597.2018.1559046>

and globally while impacting the geoeconomic and geopolitical order led by the West. After eleven years of development, the BRI faces challenges such as the emergence of different issues and public concerns. BRI is at a crossroads, and China's choice is critical and highly anticipated.

3.2. Internal Challenges and China's Responses

Global infrastructure investment is, on average, falling short by USD 0.35 - 0.37 trillion annually, according to the OECD's report *China's Belt and Road Initiative in the Global Trade, Investment and Finance Landscape* in 2018, indicating that the world has a large infrastructure gap constraining trade, openness, and future prosperity.¹⁰⁵ It points out that the BRI faces a growing global infrastructure investment deficit at present and in the future. As the mega-project expands and evolves, many areas, such as transportation, global value chain, technology, energy, and environmental governance, are covered and involved. Infrastructure construction along the BRI countries is important to boost the regional economy, whether in terms of physical infrastructure, such as roads and ports, or social development, such as social services.¹⁰⁶

As the world's factory, China has maintained its market share by maximising the benefits of its lower labour costs and concentrating on labour-intensive industries. In recent years, China has been adjusting its industrial structure by developing domestic technology and engaging more technological sectors overseas to upgrade its economic system. The recent growth of numerous well-known Chinese firms, like Huawei and Alibaba, is evidence of this change. The "Made in China 2025" evolved into "Smart Manufacturing in China", although the success is ambiguous as COVID-19 severely influences the domestic and global economy. It still shows China's determination to transform and upgrade its industry. BRI is a significant aspect and practice of China's

¹⁰⁵ OECD (2018) *The Belt and Road Initiative in the global trade, investment and finance landscape*. OECD Publishing. Available at: https://doi.org/10.1787/bus_fin_out-2018-6-en

¹⁰⁶ Canning, D. and Pedroni, P. (2008) 'Infrastructure, Long-run Economic Growth and Causality Tests for Cointegrated Panels,' *The Manchester School*, 76(5), pp. 504–527. <https://doi.org/10.1111/j.1467-9957.2008.01073.x>

economic strategy in this context.

However, questions and criticism towards the BRI continuously come forth with emerging issues like the debate of the “debt trap” and environmental, social, and governance (ESG) concerns. It is typical for large-scale projects like the BRI to carry risks, like fiscal issues and ESG problems, but the questions are:

- A. To what extent do these issues exist?
- B. Why do these issues exist?
- C. What are the influences of these issues?

The following sections, from 3.2.1 to 3.2.5, will investigate, analyse and explain these questions.

3.2.1. Debate of Debt Trap

In several BRI participating countries, debt is a severe problem for future growth. Due to operational (e.g., travel restrictions or issues in supply chains) and financial constraints (e.g., challenges in financing or servicing debt), several investments in the BRI have had to be suspended, put on hold, or cancelled. For example, over 50% of announced coal-fired power plants have been mothballed.¹⁰⁷ A key worry about the BRI is that it could lead to debt traps.¹⁰⁸ In 2017, the Indian pundit Brahma Chellaney proposed the concept of ‘debt-trap diplomacy’ of China, asserting that China uses finance to intentionally entrap developing countries by extending unsustainable loans, which recipients struggle to repay, to exert political and economic influence on them.¹⁰⁹ In 2018, the Secretary of State and the national security of the US accused China of debt-trap diplomacy in Africa.¹¹⁰¹¹¹

¹⁰⁷ Nedopil, Christoph. (2022) *China Belt and Road Initiative (BRI) Investment Report H1 2022*. Green Finance & Development Center, FISF Fudan University, Shanghai.

¹⁰⁸ Himmer, M. and Rod, Z. (2022) 'Chinese debt trap diplomacy: reality or myth?', *Journal of the Indian Ocean Region*, 18(3), pp. 250–272. <https://doi.org/10.1080/19480881.2023.2195280>

¹⁰⁹ Brahma, Chellaney. (2017) 'China's Debt-Trap Diplomacy', *Project Syndicate*, 23 January. <https://www.project-syndicate.org/commentary/china-one-belt-one-road-loans-debt-by-brahma-chellaney-2017-01> (Accessed: 10 August 2025).

¹¹⁰ Tillerson, Rex W. (2018) 'U.S.-Africa Relations: A New Framework', *U.S. Department of State*, 6 March.

¹¹¹ Steve, Holland. and Lesley, Wroughton. (2018) 'U.S. to counter China, Russia influence in Africa:

However, the argument of China's 'debt-trap diplomacy' is not rigorous, sophisticated, and founded, as China's lending practices in Latin America and the Caribbean contradict this argument.¹¹² Brautigam (2019) points out that this negative bias is primarily reflected in Western reactions to China's role in Africa, threatening their global dominance.¹¹³ Labelling and interpretation of "financial" crises are political, and debt should centre on the scale of household and corporate debt in China, along with Chinese measures of dealing with negative international investments of banks and firms, rather than the speculative BRI debt-trap narrative.¹¹⁴

According to the database on Chinese lending to Africa curated by the Johns Hopkins School of Advanced International Studies, the evidence of 'asset seizures' of strategic assets of China to seize for paying the debt is not found.¹¹⁵ Himmer and Rod (2022) conclude that China has not detected the use of debt to gain strategic assets when Kenyan, Maldivian and Malaysian face difficulties repaying the debts impacted by the COVID-19 pandemic.¹¹⁶ No evidence that China intentionally establishes a debt trap to ensnare low-income BRI-participating countries into financial crises or seeks to acquire their strategic assets forcibly.¹¹⁷

For debt sustainability, the BRI practice differs from that of the World Bank. The BRI focuses on supporting economic growth and enhanced government debt repayment capacity for debt sustainability, while the World Bank considers the

Bolton', *Reuters*, 13 December. Available at:

<https://www.reuters.com/article/us-usa-trump-africa-idUSKBN1OC1XV/> (Accessed: 10 August 2025).

¹¹² Singh, A. (2020) 'The myth of 'debt-trap diplomacy' and realities of Chinese development finance,' *Third World Quarterly*, 42(2), pp. 239–253. <https://doi.org/10.1080/01436597.2020.1807318>

¹¹³ Brautigam, D. (2019) 'A critical look at Chinese 'debt-trap diplomacy': the rise of a meme,' *Area Development and Policy*, 5(1), pp. 1–14. <https://doi.org/10.1080/23792949.2019.1689828>

¹¹⁴ Lai, K.P.Y., Lin, S. and Sidaway, J.D. (2020) 'Financing the Belt and Road Initiative (BRI): research agendas beyond the "debt-trap" discourse,' *Eurasian Geography and Economics*, 61(2), pp. 109–124. Available at: <https://doi.org/10.1080/15387216.2020.1726787>

¹¹⁵ Brautigam, D. and Hwang, Jyhjong (2016) Eastern Promises: New Data on Chinese Loans in Africa, 2000 to 2014, *Working Paper*, No. 2016/4, China Africa Research Initiative (CARI), School of Advanced International Studies (SAIS), Johns Hopkins University, Washington, DC. <http://www.sais-cari.org/publications-working-papers>

¹¹⁶ Himmer, M. and Rod, Z. (2022) 'Chinese debt trap diplomacy: reality or myth?,' *Journal of the Indian Ocean Region*, 18(3), pp. 250–272. Available at: <https://doi.org/10.1080/19480881.2023.2195280>

¹¹⁷ Yu, H. (2024) *Understanding China's belt and road initiative, Asia in transition*. Available at: <https://doi.org/10.1007/978-981-99-9633-9>

recipient countries' debt repayment capacity.¹¹⁸ However, this model of the BRI could bring fiscal vulnerabilities, including fiscal imbalances and economic instability, to the recipient countries.¹¹⁹ Therefore, the lending of China is a complicated research. The 'debt-trap diplomacy' of China lacks solid evidence and grounded theory. At the same time, the debate of the debt trap of the BRI is worthy of exploring and investigating the influences of the BRI's lending in participating countries and the potential intention behind China's economic strategy.

China's official financial flows in the developing countries amounted to \$680 billion from 2014 to 2021, far exceeding the investment amount of \$319 billion in the United States and the single largest source of multilateral development finance - The World Bank.¹²⁰ The enormous investment and financial scale signal that China is a prominent global official creditor. Gradually, the argument of "debt trap" spreads widely as some local projects are beyond the capacity of some countries, and it is easier for these countries to borrow too much debt to maintain the operation of the relevant projects. When they can not afford these debts, the capital chain breaks and the debts become bad.¹²¹

The statistics on countries' debt levels along the BRI are insufficient, as China has not yet reported how its loans are allocated among countries. Therefore, the situation of debt levels can only be based on the official published guidelines for Country-by-Country (Region-by-Region) Foreign Investment and Cooperation (2018 Version) by the Chinese Ministry of Commerce,¹²² and the World Bank International debt statistics. Another comprehensive and detailed data source is from the report of

¹¹⁸ Zhang, H., Jiang, Y. and Hou, C. (2024) 'How does the "Belt and Road" initiative affect debt sustainability?,' *Sustainability*, 16(23), p. 10512. <https://doi.org/10.3390/su162310512>

¹¹⁹ Mutai, N.C. *et al.* (2024) 'Examining the sustainability of African debt owed to China in the context of debt-trap diplomacy,' *Scientific African*, 24, p. e02164. <https://doi.org/10.1016/j.sciaf.2024.e02164>

¹²⁰ Based on the data of The World Bank, total international development finance (ODA and OOF) commitments from the World Bank amounted to \$493 billion from 2014-2021. Collected and categorised by the AidData Research Lad at William & Mary.

¹²¹ Zhang, Y. (2019) 'Third-party market cooperation under the Belt and Road Initiative: progress, challenges, and recommendations,' *China International Strategy Review*, 1(2), pp. 310–329. <https://doi.org/10.1007/s42533-019-00026-7v>

¹²² Ministry of Commerce of People's Republic of China (2019) *Guidelines for Country-by-Country (Region-by-Region) Foreign Investment and Cooperation (2018 Version)*. Available at: <http://fec.mofcom.gov.cn/article/gbdqzn/>

Version 3.0 of AidData's Global Chinese Development Finance Dataset of William & Mary, which geographically covers 165 low- and middle-income countries' public and publicly guaranteed debt (PPG)¹²³ from Chinese state-owned creditors and non-PPG debt from official sector institutions in China between 2000 and 2021, and includes 180 Chinese lending institutions.¹²⁴

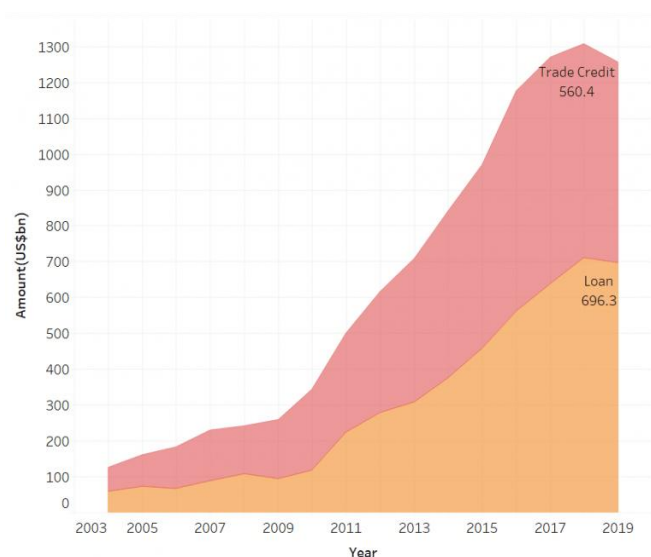
China's foreign debt increased dramatically from US\$59 billion to US\$696 billion, with a corresponding rise in trade credit, which is defined as the sum of Chinese importers' prepayments and exporters' account receivables in international trade, growing from US\$67 billion in 2004 to US\$560 billion in 2019 (See Figure 2). The dramatically increasing debt without a clear financial structure and transparency framework to guide leads to an unsustainable situation. According to the Rhodium Group, a quarter of China's overseas loans have run into trouble.¹²⁵ For example, 40 instances of debt renegotiations across 24 countries are ongoing until 2019 (See Figure 3).

Figure 2: China's Loans and Trade Credit, 2004-2019

¹²³ According to the World Bank, PPG debt consists of long-term external obligations of public debtors, including the national government, a political subdivision (or an agency of either), and autonomous public bodies.

¹²⁴ Dreher, A. *et al.* (2022) *Banking on Beijing: The Aims and Impacts of China's Overseas Development Program*. Cambridge, UK: Cambridge University Press.

¹²⁵ Matthew, Mingey. and Logan, Wright. (2023) *China's External Debt Renegotiations After Zambia*. Rhodium Group. Available at: <https://rhg.com/wp-content/uploads/2024/02/Chinas-External-Debt-Renegotiations-After-Zambia-1.pdf> (Accessed: 12 March 2024).



Source: State Administration of Foreign Exchange (SAFE); IIGF
Green BRI Center (2020)¹²⁶

Figure 3: Summary of China's External Debt Renegotiations by 2019

Country	Year	Amount renegotiated	Outcome
Angola	2015	USD21.3bn	Refinancing; Terms renegotiated
	2018	Unclear	Ongoing
Botswana	2018	USD7.2mn	Write-off
Cambodia	2016	USD90mn	Write-off
Cameroon	2001	USD34mn	Write-off
	2007	USD32mn	Write-off
	2010	USD30mn	Write-off
	2019	USD78mn	Write-off
Congo	2019	Unclear	Ongoing
Cuba	2008	Unclear	Deferment
	2010	USD2.8bn	Write-off; Deferment
	2016	Unclear (Up to 3bn)	Write-off
Djibouti	2019	USD800mn	Ongoing
Ecuador	2017-2018	USD1bn	Terms renegotiated
Ethiopia	2018	USD3.3bn	Deferment
	2019	Unclear	Ongoing
Ghana	2002-2003	USD54mn	Write-off
	2007	USD126mn	Write-off
	2014-2015	USD1.5bn	Withheld further lending
Kazakhstan	2018	Unclear	Deferment
Lesotho	2018	USD10.6mn	Write-off
Maldives	2019	Unclear	Ongoing
Mongolia	2017	USD2.2bn	Refinancing; Deferment
Mozambique	2017	USD34mn	Write-off
	2018	Unclear	Deferment
Sudan	2017	USD160mn	Write-off
Sri Lanka	2012	USD307mn	Terms renegotiated
	2016-2018	Unclear (At least USD1.1bn)	Asset seizure; Write-off; Refinancing
	2019	USD1bn	Refinancing
Tajikistan	2011	Unclear	(Rumored) asset seizure
Tonga	2018	Unclear	Deferment
Ukraine	2014	USD3bn	Deferment
Vanuatu	2016-2017	USD5mn	Write-off
Venezuela	2015	Unclear	Withheld further lending
	2016	Unclear	Deferment; Terms renegotiated; Withheld further lending
	2018	Unclear	(Rumored) refinancing; Deferment
Zambia	2017	Unclear (Up to USD4.4bn)	Ongoing
Zimbabwe	2010	USD54mn	Deferment
	2015	USD40mn	Write-off
	2018	n/a	Withheld further lending

¹²⁶ Yue, Mengdi. and Nedopil, Christoph. (2020) *Public Debt Situations in the BRI: How Covid-19 has exacerbated an ongoing debt problem in countries of the Belt and Road Initiative (BRI)*. Green BRI Center, International Institute of Green Finance (IIGF), Beijing.

Source: Rhodium Group research (2019)

A large number of renegotiations reflect that the BRI faces a buyer's remorse problem. Many participating countries along the BRI are low and middle-income countries whose economies are distressed by the effects of COVID-19 and are not capable of repaying the debt, as many negotiations have been issued after 2018. However, it also signalled that China needs to readjust its financial structure, principles and data transparency. Data transparency is an important indicator for borrowing countries and other creditors to understand and evaluate their capacity to decide the amount of debt and repayment plans.¹²⁷ The dramatically increasing debt and lack of data transparency are the main reasons for the argument of the debt trap.

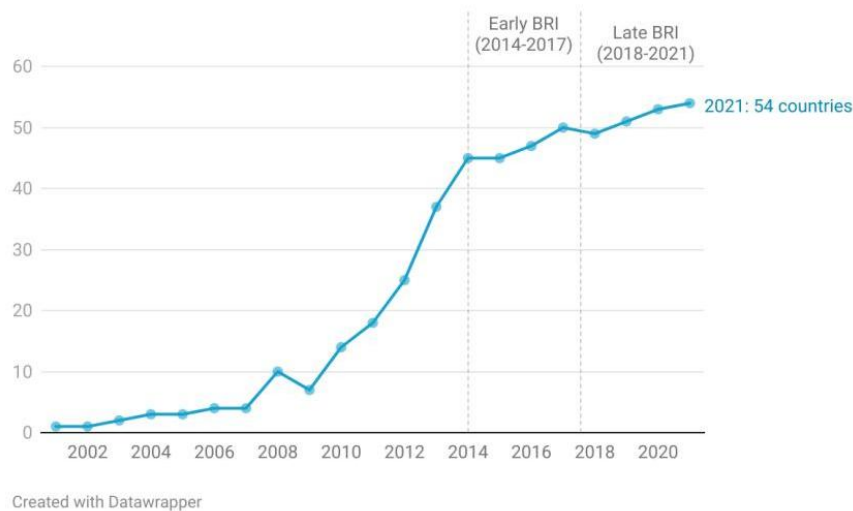
On the other hand, a common consideration of the debt implications of the BRI is that emerging countries boost their economy by using public borrowing to support productive investment.¹²⁸ China has seen increasing requests for debt relief from BRI countries in the wake of COVID-19, which caused a sharp economic downturn. For example, in April 2020, Pakistan and the Republic of Zambia negotiated with China in October 2020 to delay the debt.¹²⁹ For fiscal sustainability, the BRI's projects may undermine the debt situation in borrowing countries. By 2021, at least 54 countries with outstanding debt to China were in financial distress (See Figure 4).

Figure 4: Number of Financially-distressed Low- and Middle-income Countries with Outstanding Debt to China

¹²⁷ World Bank Group (2019) *Belt and Road Economics: Opportunities and risks of transport corridors*. Washington, DC: World Bank eBooks. Available at: <https://doi.org/10.1596/978-1-4648-1392-4>

¹²⁸ Hurley, J., Morris, S. and Portelance, G. (2019) 'Examining the debt implications of the Belt and Road Initiative from a policy perspective,' *Journal of Infrastructure Policy and Development*, 3(1), p. 139. Available at: <https://doi.org/10.24294/jipd.v3i1.1123>

¹²⁹ Yue, Mengdi. and Nedopil, Christoph. (2020) *Public debt situations in the BRI: How Covid-19 has exacerbated on ongoing debt problem in countries of the Belt and Road Initiative (BRI)*. Green BRI Center, International Institute of Green Finance (IIGF), Beijing. Available at: https://greenfdc.org/wp-content/uploads/2020/12/2020_China_Debt_Belt_and_Road_BRI-1.pdf



Source: AidData of William & Mary (2023)¹³⁰

Some BRI-participating countries have a long history of carrying debt from multiple debtors, such as Laos and Pakistan. For example, the primary sources of Pakistan's public debt, including government and central bank liabilities in its external debt, are multilateral financial institutions (excluding the IMF) at \$33.74 billion and the IMF at \$7.48 billion, which together account for 45.5% of public external debt. Paris Club members at \$11.55 billion, accounting for 12.8% of public external debt, and other bilateral debts at \$14.6 billion, accounting for 16.1% of public external debt.¹³¹ By 2023, the BRI's investment in Pakistan will be \$28 billion,¹³² one primary source of Pakistan's public debt but not the vast majority constitution of public debt.

The influence of debt is mutual for China and the participating countries. John Hurley, Scott Morris, and Gailyn Portelance (2019) point out that BRI is unlikely to cause a systemic debt problem in the regions of the initiative's focus. The scale of the economies poised to gain from BRI investments aligns with existing infrastructure investment levels. They emphasise that smaller and less affluent countries are at a

¹³⁰ Gelpern, A. *et al.* (2023). 'How China Lends: A Rare Look into 100 Debt Contracts with Foreign Governments,' *Economic Policy*, 38 (114), pp. 345-416.

¹³¹ Official data from the Finance Division of the Government of Pakistan, The Central Board of Revenue (CBR) of the Government of Pakistan, The World Bank and IMF.

¹³² Nedopil, Christoph. (2024) *China Belt and Road Initiative (BRI) Investment Report 2023*. Griffith Asia Institute, Griffith University (Brisbane) and Green Finance & Development Center, FISF Fudan University (Shanghai).

markedly higher risk of sovereign debt default if proposed BRI projects are accelerated and funded through sovereign loans or guarantees.¹³³ In this situation, China also faces a considerable risk that debtor countries are unable to repay their debts in time, resulting in unsustainable debt of the BRI.

Rising public debt in African countries has sparked a global debate about its sustainability in the region. Its key focus is China's significant role as a financier of various African infrastructure projects. BRI has encountered debt problems with the expansion of financing scale, increased projects and the impact of COVID-19. However, the rising public debt in African countries is a problem caused by multiple factors, such as the low economic level of participation and a long history of carrying debt from multiple debtors. The low local governance capacity and multiple uncoordinated Chinese actors jointly produced these countries' exceptional debt difficulties in the specific case analysis working paper.¹³⁴ However, no evidence that China intentionally establishes a debt trap to ensnare low-income BRI-participating countries into financial crises or seeks to acquire their strategic assets forcibly.¹³⁵¹³⁶

3.2.2. Environmental, Social, and Governance (ESG) Concerns

The BRI may elevate 7.6 million individuals from extreme poverty and 32 million from moderate poverty worldwide, based on the integration of a CGE model with a basic global microeconomic model.¹³⁷¹³⁸ Contrary to the public perception, the BRI would have minimal effects on CO2 emissions, resulting in a global rise of 0.5%

¹³³ Hurley, J., Morris, S. and Portelance, G. (2019) 'Examining the debt implications of the Belt and Road Initiative from a policy perspective,' *Journal of Infrastructure Policy and Development*, 3(1), p. 139. Available at: <https://doi.org/10.24294/jipd.v3i1.1123>

¹³⁴ Brautigam, D. (2021) How Zambia and China Co-Created a Debt "Tragedy of the Commons." *Working Paper*, No. 2021/51. China Africa Research Initiative, School of Advanced International Studies, Johns Hopkins University, Washington, DC.

¹³⁵ Ibid.

¹³⁶ Yu, H. (2024) *Understanding China's belt and road initiative, Asia in transition*. Springer.

¹³⁷ Using PovcalNet data to analyse the initial global distribution of per capita consumption/income. In low- and middle-income countries, extreme and moderate international poverty lines are preferred at PPP\$1.90 and PPP\$3.20 a day.

¹³⁸ World Bank Group (2019) *Belt and Road Economics: Opportunities and risks of transport corridors*. Washington, DC: World Bank eBooks.

due to changes in trade costs associated with the BRI.¹³⁹ However, some project cases of BRI do not meet the standards of Environmental, Social, and Governance (ESG) guidance.¹⁴⁰ The specific manifestations are the above-average risk to local biodiversity compared to other projects for World Bank and Chinese development-financed projects. Furthermore, Chinese corporations comply with basic ESG standards,¹⁴¹ while exploiting regulatory deficiencies concerning worker conditions and taxation.¹⁴²

Measuring and evaluating ESG risks is difficult, as no universal reporting standard or framework exists.¹⁴³ It is common to comply with local requirements, SASB (Sustainability Accounting Standards Board) Standards, the IFRS Sustainability Disclosure Standards spearheaded by the International Sustainability Standards Board (ISSB), and Sustainable Development Goals (SDGs) established by the United Nations. The environmental and social risks associated with the BRI are intricate, owing to its extensive scale and the challenges of collaborating with local governments to address these concerns. The prevailing environmental concern of BRI is the carbon emission problem. As mentioned above, the BRI have minimal effects on CO2 emissions of 0.5%. However, it still raises concerns, such as those about the energy sector of the BRI. In Hungary, Hungarian opposition forces consider the investment of CATL's (a Chinese battery manufacturer and technology company) battery plan to be terrible for the environment and unsuitable for moving up the added value chain.¹⁴⁴

¹³⁹ Maryla, Maliszewska. and Dominique, van der Mensbrugghe. (2019) *The Belt and Road Initiative: Economic, Poverty and Environmental Impacts*. World Bank Group. Macroeconomics, Trade and Investment Global Practice.

¹⁴⁰ Green Finance & Development Center (2023) *Elevating ESG: Empirical Lessons on Environmental, Social and Governance Implementation of Chinese Projects in Africa*. Available at: <https://greenfdc.org/wp-content/uploads/2023/09/Springer-et-al-2023-Elevating-ESG-China-Africa.pdf> (Accessed: 9 December 2024)

¹⁴¹ ESG standards lack a unified, systematic, and global framework. Usually, they should comply with local requirements, such as the SASB Sustainability (Accounting Standards Board) Standards and Sustainable Development Goals (SDGs) established by the United Nations.

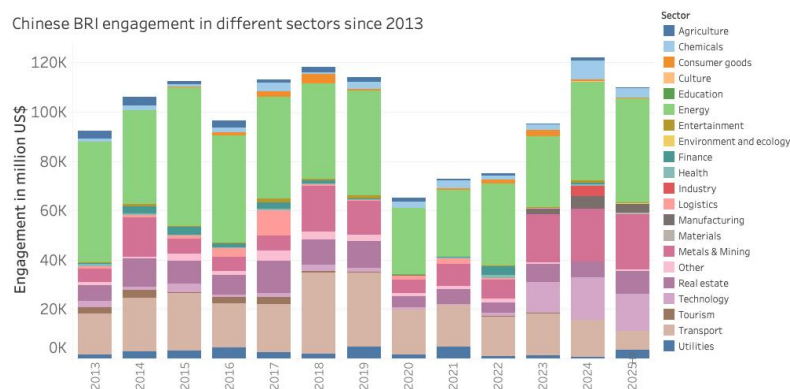
¹⁴² Green Finance & Development Center (2023) *Elevating ESG: Empirical Lessons on Environmental, Social and Governance Implementation of Chinese Projects in Africa*. Available at: <https://greenfdc.org/wp-content/uploads/2023/09/Springer-et-al-2023-Elevating-ESG-China-Africa.pdf> (Accessed: 9 December 2024)

¹⁴³ Ibid.

¹⁴⁴ Csaba, Moldicz. (2023) *Hungary political briefing: Setting the political discourse? The CATL story*

Indeed, the most engaged sectors of BRI are transport and energy (See Figure 5). However, many BRI routes cover the existing transportation lines, and many infrastructure construction projects use low-carbon materials and adopt green building technologies to ensure they cushion the environment from harmful emissions. For example, the Nairobi Global Trade Centre and Expressway, the wind power project, is located in Bangladesh's southeastern Cox's Bazar district and the construction of the Peljesac bridge.¹⁴⁵

Figure 5: China BRI Investment Sectors H1, 2013-2025



Source: Griffith Asia Institute & Green Finance & Development Center, FISF Fudan (2025)

Some BRI projects meet local protests and obstructions. For example, about 500 residents gathered to clash with a Chinese mining company worker in Kyrgyzstan.¹⁴⁶ It relates to another concern, which is social concern. The World Bank's report indicates that the BRI poses a unique challenge to the movement of people and

in the Hungarian media. China-CEE Institute. Available at: <https://china-cee.eu/2023/02/21/hungary-political-briefing-setting-the-political-discourse-the-catl-story-in-the-hungarian-media/> (Accessed: 18 March 2024).

¹⁴⁵ The State Council Information Office of The People's Republic of China (2023) *BRI in 10 years: A catalyst for positive environmental change*. Available at: http://english.scio.gov.cn/in-depth/2023-10/17/content_116751604.htm (Accessed: 18 March 2024)

¹⁴⁶ RFE/RL's Kyrgyz Service (2019) 'Dozens injured as locals clash with Chinese mining company workers in Kyrgyzstan,' *RadioFreeEurope/RadioLiberty*, 6 August. Available at: <https://www.rferl.org/a/dozens-injured-as-locals-clash-with-chinese-mining-company-workers-in-kyrgyzstan/30094924.html> (Accessed: 15 March 2024).

labour.¹⁴⁷ The labour that many transport or energy projects require is insufficient locally. Therefore, some Chinese overseas project companies employ outside labour, and the labour influx could challenge local labour competition and housing and social dynamics. It is also one reason leading to local protests and obstructions.

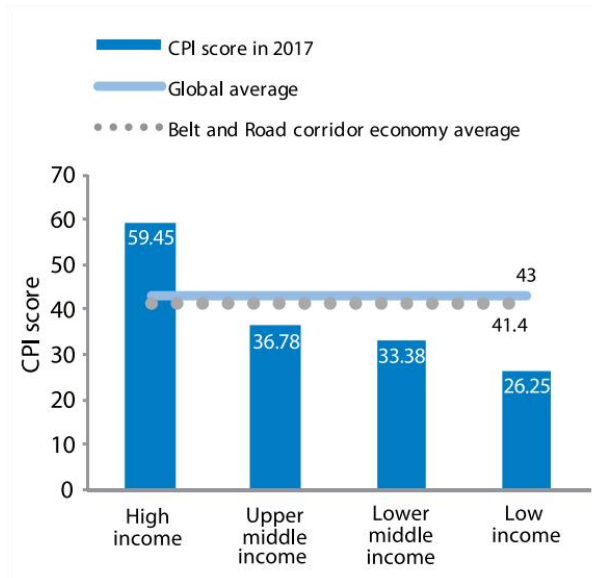
Apart from environmental and social concerns, corruption is a significant governance challenge for the BRI and its participating countries. First, huge amounts of BRI financing are a breeding ground for corruption. The Corruption Perception Index (CPI) scores from the World Bank in 2017 indicate that perceived corruption in BRI-participating economies exceeds the world average, with the highest levels observed in lower-middle and low-income countries (See Figure 6). It gives a supportive perspective for some scholars who think that the massive influx of Chinese capital is detrimental to good governance, such as promoting questionable practices (e.g. bribery and political intervention).¹⁴⁸ While Shah (2019) argues that some BRI-participating countries take advantage of BRI's resources and weak national institutional framework for their own benefit.¹⁴⁹

Figure 6: Corruption Perception Index scores for Belt and Road corridor countries, 2017

¹⁴⁷ World Bank Group (2019) *Belt and Road Economics: Opportunities and risks of transport corridors*. Washington, DC: World Bank eBooks. Available at: <https://doi.org/10.1596/978-1-4648-1392-4>

¹⁴⁸ Shah, A.R. (2019) 'China's Belt and Road initiative,' *Asian Survey*, 59(3), pp. 407–428. <https://doi.org/10.1525/as.2019.59.3.407>

¹⁴⁹ Ibid.



Source: The World Bank using data on CPI from Transparency International

Environmental, social, and governance (ESG) concerns are risky in some BRI projects. The environment and society of BRI-participating countries and governments' rule of law and governance capacity face significant challenges due to massive debt influx and the absence of BRI debt data transparency. Many BRI-participating countries are low- and middle-income countries without good governance and the capacity to deal with these challenges that have never been encountered. China also lacks experience and expertise in dealing with these challenges and implementing such a mega economic initiative. The massive debt is not due to deliberate or malicious intentions. However, it is significant for the BRI's credibility and reputation, which is tightly connected with the international public perception.

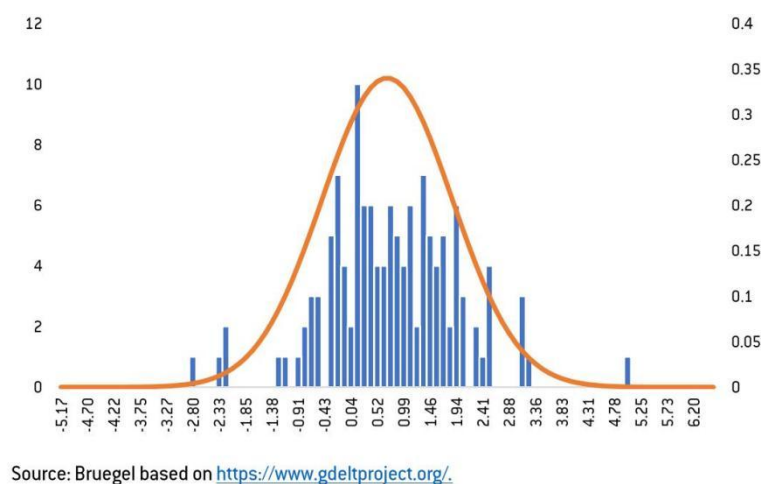
3.2.3. International Public Perception

The BRI has been attracting much attention worldwide as China's flagship global infrastructure initiative. China advanced the BRI to enhance its international reputation and perception as a beneficent global force across the Global South. As President Xi Jinping stated: "We should increase China's soft power, give a good

Chinese narrative, and better communicate China's message to the world,” “We should step up pragmatic cooperation, actively advance the building of the Silk Road Economic Belt and the 21st-Century Maritime Silk Road, work hard to expand the converging interests of various parties, and promote win-win cooperation through results-oriented cooperation.”¹⁵⁰

International public perception of the Belt and Road Initiative can be divided into two stages. One is the initial stage (2014-2018), with relatively high international enthusiasm. Another is that since 2019, according to the public opinion data, including public opinion data, media sentiment, and elite support of public approval of China, sources from professional institutions such as The Gallup World Poll, William & Mary, and other related literature. García-Herrero and Xu (2019) use the Global Database of Events, Language and Tone (GDELT)¹⁵¹ to find that the BRI is predominantly seen favourably from 2014 to 2018, as evidenced by a mean perception score of 0.7 and a median score of 0.66, both beyond zero, which suggests a largely good global reception¹⁵² (See Figure 7).

Figure 7: The Normal Distribution of the 130 countries' sentiments towards the BRI



¹⁵⁰ Xinhua (2014) 'Xi eyes more enabling international environment for China's peaceful development', *Xinhua*, 30 November. Available at: <http://en.people.cn/n/2014/1130/c90883-8815967-3.html> (Accessed: 18 August 2023).

¹⁵¹ It covers broadcast, online, and printed news from 132 countries in over 100 languages since 1979 to assess the image of BRI worldwide, both in countries that participate in it and those that do not.

¹⁵² García-Herrero, A. and Xu, J. (2019) 'Countries' perceptions of China's Belt and Road Initiative: A big data analysis,' *SSRN Electronic Journal* [Preprint]. <https://doi.org/10.2139/ssrn.3430318>

AidData's report points out that investments in the BRI have sparked a heated debate between the public, opposition politicians and development partners. It shows that Beijing's public approval rating in the developing world plunged from 56 percent in 2019 to 40 percent in 2021.¹⁵³ However, surprisingly, seventy-nine percent of leaders surveyed viewed Beijing as actively supporting development in their country, despite the challenges of debt distress and ESG concerns. Thirty-eight percent of leaders still choose China as their infrastructure construction partner,¹⁵⁴ based on the 2022-2023 Perceptions of Chinese Overseas Development Survey (BRI Perceptions Survey) of AidData of William & Mary.¹⁵⁵

The apparent decline in the public approval rating of the BRI is accompanied by a Chinese reduction in BRI's investment (See Figure 8). The main reason is the impact of the COVID-19 pandemic on the global economy, such as the rapid global interest rate and the domestic economy. One academic finding is that perceptions of the BRI are predominantly influenced by media narratives regarding investment and trade relations with China.¹⁵⁶ Another argues that the decline in BRI investments may signal a shift in China's foreign participation narrative from economics to politics and security.¹⁵⁷ It is still too early to define China's move now, as it remains to be seen whether China's measures to adjust the BRI are compelling and what influence the adjustment will have.

¹⁵³ Parks, B. C., Malik, A. A., Escobar, B., Zhang, S., Fedorochko, R., Solomon, K., Wang, F., Vlasto, L., Walsh, K. & Goodman, S. (2023) *Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative*. Williamsburg, VA: AidData at William & Mary. Available at: https://docs.aiddata.org/reports/belt-and-road-reboot/Belt_and_Road_Reboot_Full_Report.pdf

¹⁵⁴ Custer, S., Horigoshi, A., and K. Marshall. (2024) *BRI from the Ground Up: Leaders from 129 countries evaluate a decade of Beijing's signature initiative*. Williamsburg, VA: AidData at William & Mary.

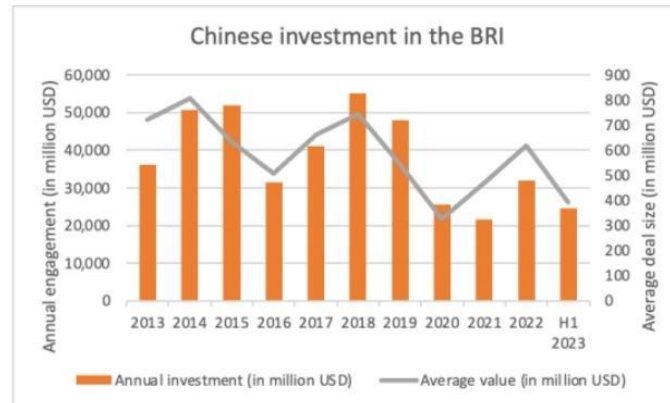
Available at: <https://docs.aiddata.org/reports/bri-from-the-ground-up/full-report.pdf>

¹⁵⁵ Analysing how 1,650 public, private, and civil society leaders from 129 countries think about the PRC as a development partner, the trade-offs of its projects, and the BRI overall. Available at: <https://www.aiddata.org/data/2023-perceptions-of-chinese-overseas-development-survey-data-aggregates-version-1-0>

¹⁵⁶ García-Herrero, A. (2024) 'What determines global sentiment towards China's Belt and Road Initiative?', *Economic and Political Studies*, pp. 1–19. Available at: <https://doi.org/10.1080/20954816.2024.2379671>

¹⁵⁷ Amighini, Alessia. (2022) *Loosening the belt: Beijing's global ambitions over digital and security*. Italian Institute for International Political Studies. Available at: <https://www.ispionline.it/en/publication/loosening-belt-beijings-global-ambitions-over-digital-and-security-36438>

Figure 8: Deal size of Chinese investment in the BRI 2013-2023



Source: © 2023 GAI and GFDC (Data AEI and others)

Considering the influences of the BRI that have already occurred, Yu (2024) argues that China has not succeeded in fostering the necessary strategic and political trust among the stakeholders on the BRI, and global attitudes toward the Belt and Road Initiative are progressively deteriorating.¹⁵⁸ This phenomenon can be seen in the UN's vote to align with China declined. From 2019 to 2021, there has been a slight decline in BRI-related country voting rates, from 0.42 to 0.39.¹⁵⁹ Moreover, important major participants withdrawing from the BRI may undermine the ongoing projects and cooperation. Italy gave Beijing a verbal note formally announcing that it will not renew the 2019 memorandum of understanding (MOU) regarding its formal participation in China's Belt and Road Initiative (BRI). Withdrawing from China's Belt and Road Initiative in 2023 signalled that the only G7 nation was no longer the BRI's partner.¹⁶⁰ In 2024, Brazil followed and announced that it would not join China's global infrastructure push, the Belt and Road Initiative.¹⁶¹ The withdrawal of

¹⁵⁸ Yu, H. (2024) *Understanding China's belt and road initiative, Asia in transition*. Springer.

Available at: <https://doi.org/10.1007/978-981-99-9633-9>

¹⁵⁹ Data from AidData of William & Mary.

¹⁶⁰ Galluzzo, M. (2023) 'L'Italia è uscita dalla Via della Seta: la nota d'addio consegnata a Pechino,' *Corriere Della Sera*, 6 December. Available at: https://www.corriere.it/politica/23_dicembre_06/italia-uscita-via-seta-caed5644-9423-11ee-bf17-27011c9bfd8d.shtml (Accessed: 17 March 2024).

¹⁶¹ Sweet, R. (2024) 'Brazil rejects joining China's Belt and Road,' *Global Construction Review*, 8 November. Available at: <https://www.globalconstructionreview.com/brazil-rejects-joining-chinas-belt-and-road/> (Accessed: 28 June 2024).

two major participants exemplifies that China fails to strengthen geopolitical closeness to some extent through its flagship, although cooperation with China continues. It also shows that the BRI is no longer as attractive as it was in the early stages.

Based on the above discussion, global enthusiasm for the BRI is waning, as shown in the declining data on public approval ratings. Trade and investment are the most popular themes of the BRI. However, there is a negative correlation between the frequency of these two topics mentioned in the local media and the public's perception of them. Public sentiment influences the media sentiment and elites' choices, such as the UN voting to align with China, which declined. With the two significant partners, Italy and Brazil, announcing their withdrawal or no longer joining the BRI, the public is not optimistic towards the BRI. The recalibration of the BRI is imminent. China has realised and started to adjust by proposing the Green Belt and Road Initiative, which includes debt reconstruction and sustainability. The following two sections will articulate what they are and how China does.

3.2.4. Debt Reconstruction and Sustainability

Large-scale infrastructure projects are notoriously challenging to implement, as they frequently experience significant delays and budget overruns while expressing apprehensions over pollution, biodiversity degradation, relocation of local populations, and the preservation of cultural property.¹⁶² The BRI has to deal with two primary challenges of adjusting the large-scale initiative: the unsustainability from insufficient governance and considerable financial risk for China, mainly owing to Beijing's heightened financial conservatism, leading to a diminishing portfolio of policy bank loans.¹⁶³

¹⁶² Flyvbjerg, B., Holm, M.S. and Buhl, S. (2002) 'Underestimating costs in Public Works Projects: Error or Lie?,' *Journal of the American Planning Association*, 68(3), pp. 279–295.
<https://doi.org/10.1080/01944360208976273>

¹⁶³ Šebok, F. (2022) *The Belt and Road: Bigger than Infrastructure*. Available at: <https://chinaobservers.eu/the-belt-and-road-bigger-than-infrastructure/> (Accessed: 13 January 2024).

In 2019, President Xi Jinping gave a speech at the Second Belt and Road Forum for International Cooperation, where he announced that China would “adopt widely accepted rules and standards and encourage participating companies to follow general international rules and standards in project development, operation, procurement and tendering and bidding.”¹⁶⁴ He conveyed during the same speech that “in pursuing Belt and Road cooperation, everything should be done in a transparent way, and we should have zero tolerance for corruption.”¹⁶⁵ In the 2023 Third Belt and Road Forum for International Cooperation, Xi also said, “Carry out practical cooperation. China will coordinate the promotion of landmark projects and small but beautiful livelihood projects.”¹⁶⁶ In fact, China proposed building the Green Belt and Road Initiative as early as 2017. However, China’s four ministers published a key policy document on further greening the Belt and Road Initiative (BRI) until 2022, entitled “Opinions on the Joint Implementation of Green Development in the Belt and Road Initiative.”¹⁶⁷

Obviously, China is aware that its flagship economic initiative is facing serious challenges, which impact the partner’s trust towards China and the reputation of China’s economic proposal and implementation, given that the BRI was born out of the necessity of the notion and practice for China to engage in global multilateralism. The official speeches and documents show that China will not give up on efficiently promoting this large-scale initiative. Therefore, it is worth reviewing and evaluating China’s measures to deal with the financial issues (e.g., debt issues and financing adjustments) and ESG concerns. However, the latest data, official documents and academic literature on China’s response to the BRI’s internal challenges are limited. This dissertation is based on the related published official Chinese documents,

¹⁶⁴ Belt and Road Portal (2019) *Joint communique of the leaders’ roundtable of the 2nd Belt and Road Forum for International Cooperation*. Beijing. Available at: <https://eng.yidaiyilu.gov.cn/p/88230.html>

¹⁶⁵ Ibid.

¹⁶⁶ People’s Daily Graphic Database (2023) *Chairman’s Statement of the Third Belt and Road Forum for International Cooperation*. Beijing. In Chinese. [第三届“一带一路”国际合作高峰论坛主席声明] Available at: http://paper.people.com.cn/rmrb/html/2023-10/19/nw.D110000renmrb_20231019_2-10.htm

¹⁶⁷ National Development and Reform Commission of China (2022) *Opinions of the National Development and Reform Commission and other departments on promoting green development in the joint construction of the “Belt and Road”*. In Chinese. [国家发展改革委等部门关于推进共建“一带一路”绿色发展的意见] Available at: https://www.ndrc.gov.cn/xxgk/zcfb/tz/202203/t20220328_1320629.html?code=&state=123

academic literature, and cases that have already been implemented to review whether the adjustment of BRI is grounded or just a verbal check and assess the influences on the BRI's future.

Many researchers mention the concept of the Belt and Road Initiative 2.0, saying it will probably be the next stage of small, beautiful and digital.¹⁶⁸¹⁶⁹¹⁷⁰ The IMF Managing Director, Christine Lagarde, gave a speech about the future of BRI, using “BRI 2.0” to describe it in 2019.¹⁷¹ Combined with the speech by Xi Jinping at the Third Belt and Road Forum for International Cooperation, it indicates that the BRI will downsize, which can be seen in the series of de-risking measures taken to face debt problems.

The most challenging debt issue of BRI for China is the repayment issue, and for recipient countries, it is the unsustainable debt development. China published a debt sustainability framework (BRI DSF) for low-income BRI countries at the 2nd Belt and Road Forum in 2019 to enhance debt sustainability by reconstructing debt.¹⁷² In 2023, China further published a debt sustainability framework for market access countries of the Belt and Road Initiative to complement and reinforce the DSF for LIC of BRI, which was released in 2019. It aims to support BRI countries in promoting sustainable economic and social development more effectively while ensuring debt sustainability.¹⁷³

The specific practice includes two main coping measures. One is that China diminishes the utilisation of policy banks, instead increasing the reliance on its central bank (People's Bank of China) and state-owned commercial banks (including the

¹⁶⁸ Yu, H. (2024) *Understanding China's belt and road initiative, Asia in transition*. Springer.

¹⁶⁹ Parks, B. C., Malik, A. A., Escobar, B., Zhang, S., Fedorochko, R., Solomon, K., Wang, F., Vlasto, L., Walsh, K. & Goodman, S. (2023) *Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative*. Williamsburg, VA: AidData at William & Mary.

¹⁷⁰ IMF (2019) *BRI 2.0: Stronger frameworks in the new phase of Belt and Road*. Available at: <https://www.imf.org/en/News/Articles/2019/04/25/sp042619-stronger-frameworks-in-the-new-phase-of-belt-and-road>

¹⁷¹ Ibid.

¹⁷² Ministry of Finance of People's Republic of China (2019) *Debt Sustainability Framework for Participating Countries of the Belt and Road Initiative*. Beijing. Available at: <https://m.mof.gov.cn/czxw/201904/P020190425513990982189.pdf>

¹⁷³ Ministry of Finance of People's Republic of China (2023) *Debt Sustainability Framework for Market Access Countries of the Belt and Road Initiative*. Beijing. Available at: <https://www.gov.cn/lianbo/bumen/202310/P020231019537946205678.pdf>

Industrial and Commercial Bank of China, the Bank of China, and the China Construction Bank). For example, according to the latest report from the State Council of China and the State Administration of Foreign Exchange of China, China is reducing the issuance of long-term, dollar-denominated bilateral loans and expanding China's yuan loans by the People's Bank of China.¹⁷⁴ Given the large scale of China's foreign exchange reserves, China is now the most prominent official creditor to the developing world.¹⁷⁵

Another is that China has initiated a novel global framework of border rescue funding to nations experiencing debt difficulties. The World Bank reports that Chinese state-owned banks and corporations have disbursed an extra USD 70 billion in rescue loans to balance payments assistance.¹⁷⁶ Furthermore, China has established a mechanism called "Bailouts on the Belt and Road" that assists recipient nations in averting default and maintaining their BRI debt obligations, at least temporarily.¹⁷⁷ The recipient countries are mainly low- and middle-income countries, such as Pakistan, Sri Lanka, Mongolia, and Turkey.

The World Bank and IMF suggest that China join the multilateralism of debt, such as joining the G20 and the Asia-Pacific Economic Cooperation forum. In response, China is executing the Group of Twenty's (G20) Debt Service Suspension Initiative (DSSI) and has deferred the highest volume of debt service payments among all G20 nations.¹⁷⁸ In August 2022, China declared its intention to cancel 23 interest-free loans to 17 African states and reallocate 10 billion dollars of its International Monetary Fund holdings to countries on the continent. Moreover, China

¹⁷⁴ Xinhua (2024) 'China's yuan loans expand amid policy support', *Xinhua*, 11 November. Available at: https://english.www.gov.cn/archive/statistics/202411/11/content_WS6731d88ec6d0868f4e8ecd12.html (Accessed: 2 January 2025).

¹⁷⁵ Dreher, A. *et al.* (2022) *Banking on Beijing: The Aims and Impacts of China's Overseas Development Program*. Cambridge University Press.

¹⁷⁶ Sebastian, Horn. *et al.* (2023) *China as an International Lender of Last Resort*. Policy Research Working Paper. World Bank Group. Available at: <https://documents1.worldbank.org/curated/en/099450403272313885/pdf/IDU046bbbd8d06cc0045a708397004cbf4d2118e.pdf>

¹⁷⁷ Horn, S. *et al.* (2023) 'Debt distress on China's belt and road,' *AEA Papers and Proceedings*, 113, pp. 131–134. <https://doi.org/10.1257/pandp.20231004>

¹⁷⁸ Belt and Road Portal (2023) *Reinvestigation: Truth behind Belt and Road's 'Debt Trap' myth*. Available at: <https://eng.yidaiyilu.gov.cn/p/0TEGGEN1.html>

has signed cooperation agreements with France and Japan in third countries, and such agreements could be expanded to other developed countries.¹⁷⁹ Whether China will join the Paris Club for better multilateral cooperation to manage its risks remains questioned.

In terms of effectiveness, contrary to previous presumptions by researchers, media and politicians that the Belt and Road is collapsing,¹⁸⁰ China is not willing to take financial losses to regain its reputation or improve the BRI's image. Instead, evidence shows that China is determined to reconstruct debt. China is sweeping cash out of the escrow accounts of its overseas borrowers for its short-term cash flow relief and issuing emergency rescue loans to ensure the borrowers have enough cash to maintain the existing infrastructure projects. More importantly, China has built a relatively strict penalty mechanism for late repayments.¹⁸¹ For example, Chinese lenders have the exclusive right to freeze revenue accounts and withdraw them to fill the cash flow gap.¹⁸²

China is trying to rebuild its debt by reducing the use of policy banks, increasing reliance on its central bank and commercial banks, and initiating a novel global framework for border rescue funding for nations experiencing debt difficulties. However, all these measures are at an early stage, and their effectiveness remains to be seen. As Jones and Hameiri (2022) argue, China's overseas development finance system remains 'too fragmented and poorly coordinated to pursue coherent strategic objectives.'¹⁸³ The lack of binding enforcement mechanisms and continued opacity in

¹⁷⁹ Huiyao, Wang. (2023) 'How China can multilateralise the BRI,' *East Asia Forum Quarterly*, 'China Now', Vol 15, No 1.

¹⁸⁰ Elaine K. Dezenski. and Josh, Birenbaum. (2024) *Tightening the Belt or End of the Road? China's BRI at 10*. Foundation for Defense of Democracies (FDD). Available at: <https://www.fdd.org/wp-content/uploads/2024/02/fdd-memo-tightening-the-belt-or-end-of-the-road-chinas-bri-at-10.pdf>

¹⁸¹ Parks, B. C., Malik, A. A., Escobar, B., Zhang, S., Fedorochko, R., Solomon, K., Wang, F., Vlasto, L., Walsh, K. & Goodman, S. (2023) *Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative*. Williamsburg, VA: AidData at William & Mary. Available at: https://docs.aiddata.org/reports/belt-and-road-reboot/Belt_and_Road_Reboot_Full_Report.pdf

¹⁸² Gelpern, A., Horn, S., Morris, S., Parks, B., & Trebesch, C. (2021). *How China Lends: A Rare Look into 100 Debt Contracts with Foreign Governments*. Peterson Institute for International Economics, Kiel Institute for the World Economy, Center for Global Development, and AidData at William & Mary.

¹⁸³ Jones, L. and Hameiri, S. (2020) *Debunking the Myth of 'debt-trap diplomacy' – How recipient countries shape China's Belt and Road Initiative*. London: Chatham House.

project-level data may therefore undermine the stated goals of ‘debt sustainability’ and ‘green development’. Time is the only evidence for evaluating these measures’ effectiveness, success, and influence.

3.2.5. The Green Belt and Road Initiative

In 2017, the Ministry of Ecology and Environment of China proposed “Guiding opinions on promoting the construction of a green ‘Belt and Road’” and pointed out that one of the aims is to build a relatively complete ecological and environmental protection service, support and guarantee system, implement several important ecological and environmental protection projects, and achieve good results in the next five to ten years.¹⁸⁴ China proposes to build the Belt and Road of Green Development Partnership Initiative and Beijing Initiative for Green Development in 2022 and 2023.

The earliest indication of China’s awareness of the ESG concerns is that the China Banking Regulatory Commission (CBRC) has promulgated new regulations mandating the China Development Bank (CDB) and the Export-Import Bank of China to adopt more stringent environmental and social risk management protocols.¹⁸⁵ Furthermore, China collaborated with the IMF Capacity Development Centre to educate government officials on debt sustainability frameworks (DSFs) in low-income nations and other policy matters linked to the BRI.¹⁸⁶

Specific practices include improving the legal framework for financing and providing ESG risk mitigation measures, as well as the review and assessment mechanism for key BRI infrastructure projects. However, China has yet to issue

¹⁸⁴ Ministry of Ecology and Environment of the People’s Republic of China (2017) *Guiding opinions on promoting the construction of a green ‘Belt and Road’*. Beijing. In Chinese. [关于推进绿色 “一带一路” 建设的指导意见] Available at:

https://www.mee.gov.cn/gkml/hbb/bwj/201705/t20170505_413602.htm

¹⁸⁵ China Daily (2017) ‘China’s green bond market goes to internationalization’, *China Daily*, 18 November. Available at:

https://www.cdb.com.cn/English/xwzx_715/khdt/201802/t20180208_4930.html (Accessed: 14 June 2024)

¹⁸⁶ Morris, S. and Kenny, C. (2023) ‘America shouldn’t copy China’s belt and road initiative: Washington must invest in multilateral institutions, not infrastructure,’ *Foreign Affairs*, 19 October. <https://www.foreignaffairs.com/articles/united-states/2022-06-22/america-shouldnt-copy-chinas-belt-and-road-initiative>

official documents encouraging ESG investments in the BRI. It just proposed the Belt and Road Green Investment Principles. According to AidData, China took de-risk ESG mitigation efforts to support at least 210 infrastructure projects in 66 LICs and MICs supported by grants and loans.¹⁸⁷ Besides, China declined the reliance on policy banks, instead increasing its reliance on its central and state-owned commercial banks because they have strong legal de-risk ESG safeguards.

Chinese financial institutions have rapidly increased adoption of ESG principles in their investments. In 2020, China Central Depository & Clearing (CCDC) introduced an ESG evaluation method that incorporates worldwide norms and requirements alongside the specifics of the domestic market. Chinese large companies incorporate environmental performance and social responsibility into the annual summary and assessments, and social responsibility reports are increasing due to the system. Companies for carbon commission objectives and measurements have risen from 840 to 1400.¹⁸⁸ Furthermore, China published “Opinions on the Joint Implementation of Green Development in the Belt and Road Initiative” to regulate the environmental behaviour of enterprises abroad and require no more “red” projects, which means high environmental projects.¹⁸⁹

As discussed above in 3.2.1. and 3.2.2, the debt issues and ESG concerns are challenging and may curb the development of BRI, and even cause its collapse. As discussed in the academic community, the prototype of the Belt and Road Initiative 2.0 emerged after the initiative had entered its first decade. The official discourse on a ‘Green BRI’ represents a significant normative shift. However, academic studies suggest that the overall carbon footprint of BRI projects, particularly in the energy sector, continues to pose significant environmental challenges, creating a gap between

¹⁸⁷ Parks, B. C., Malik, A. A., Escobar, B., Zhang, S., Fedorochko, R., Solomon, K., Wang, F., Vlasto, L., Walsh, K. & Goodman, S. (2023) *Belt and Road Reboot: Beijing's Bid to De-Risk Its Global Infrastructure Initiative*. Williamsburg, VA: AidData at William & Mary. Available at: https://docs.aiddata.org/reports/belt-and-road-reboot/Belt_and_Road_Reboot_Full_Report.pdf

¹⁸⁸ CCDC and the International Capital Market Association (ICMA) (2023) *WHITE PAPER ON ESG PRACTICES IN CHINA*. Beijing.

¹⁸⁹ National Development and Reform Commission of China (2022) *Opinions on Promoting Green Development in the Joint Construction of the Belt and Road Initiative*. Beijing. In Chinese. [关于推进共建“一带一路”绿色发展的意见(发改开放〔2022〕408号)] Available at: https://www.ndrc.gov.cn/xxgk/zcfb/tz/202203/t20220328_1320629.html?code=&state=123

rhetoric and reality.¹⁹⁰¹⁹¹

Maintaining the BRI's sustainability is China's most challenging priority, as there is a lack of a comprehensive framework and mechanism to deal with the debt issue and environmental, social, and governance (ESG) concerns. Debt unsustainability exists in some participating countries, and environmental, social, and governance (ESG) concerns are risky in some BRI projects. Due to the influx of large amounts of funds and the lack of a supporting framework and transparent data, coupled with the fact that some recipient countries are already heavily in debt and have poor governance capabilities, this has exacerbated the local debt. Contributing to the global enthusiasm and public perception for the BRI is waning.

China is aware of the issues and problems related to risk management, and the recalibration is ongoing. China proposes that the next stage of the BRI will be small, beautiful, and digital, which gave rise to the concept of BRI 2.0. For the debt issue, China is reconstructing the debt by diminishing the utilisation of policy banks, instead increasing the reliance on its central and state-owned commercial banks, implementing a novel framework of border rescue funding to nations experiencing debt difficulties, and cooperating with multilateral organisations and parties to cope with the participating countries' debt issue. Regarding environmental, social, and governance (ESG) concerns, China is improving the legal framework for financing, providing ESG risk mitigation measures, and reviewing and assessing mechanisms for key BRI infrastructure projects. The Belt and Road Initiative 2.0 will test China's rhetoric and reality.

3.3. External Repercussions: Geoeconomics and Geopolitics

¹⁹⁰ Geng, Q. and Lo, K. (2022) 'China's Green Belt and Road Initiative: transnational environmental governance and causal pathways of orchestration,' *Environmental Politics*, 32(7), pp. 1163–1185. <https://doi.org/10.1080/09644016.2022.2156176>

¹⁹¹ Yang, Z. *et al.* (2024) 'Environmental-social-economic synergy of China's investment on BRI countries,' *Resources Conservation and Recycling*, 214, p. 108039. <https://doi.org/10.1016/j.resconrec.2024.108039>

The global infrastructure gap, estimated at \$15 trillion by 2040,¹⁹² has emerged as a critical global trade and development bottleneck and a new arena for geoeconomic competition among major powers.¹⁹³¹⁹⁴¹⁹⁵ Global infrastructure competition has become the core element of geoeconomic competition among major powers. In this context, China's BRI, the first and largest national infrastructure strategy, has been followed by the EU's Global Gateway, the U.S.'s PGII, and others. The competition is beyond simple commercial interests and constitutes a geoeconomic and geopolitical influence struggle.

In 2015, the EU and China committed to establishing a Connectivity Platform. They reached a "China-EU Connectivity Platform 2019 Annual Action Plan" to improve transport connectivity and enhance synergies with China's BRI.¹⁹⁶ Subsequently, the European Commission and the EU High Representative have set out the Global Gateway in 2021. It aims to support and increase investments in high-quality infrastructure projects of digital, energy, and transportation, with its initial financing source being up to €300 billion. Sun (2022) argues that the Global Gateway initiative aims to reshape the global geopolitical landscape based on European values, as the EU-China 2020 Strategy failed to achieve the EU's expectations due to the profound influence of the 2008 Financial Crisis and the COVID-19 pandemic.¹⁹⁷

At the same time, the U.S. and other G7 countries officially launched the

¹⁹² World Economic Forum (2019) *The world is facing a \$15 trillion infrastructure gap by 2040. Here's how to bridge it.* Available at:

<https://www.weforum.org/stories/2019/04/infrastructure-gap-heres-how-to-solve-it/>

¹⁹³ Asia-Pacific Economic Cooperation (2011) *Filling the Infrastructure Gaps in the APEC's*

Developing Economies. APEC Committee on Trade and Investment. Available at:

https://www.apec.org/docs/default-source/Publications/2011/12/Filling-the-Infrastructure-Gaps-in-the-APECs-Developing-Economies/2011_cti_ieg_infrastructure-gaps.pdf

¹⁹⁴ OECD (2018) *The Belt and Road Initiative in the global trade, investment and finance landscape.*

OECD Publishing. Available at: https://doi.org/10.1787/bus_fin_out-2018-6-en

¹⁹⁵ Zelikow, D. and Savas, F. (2024) 'Mind the gap: Time to rethink infrastructure finance,' *World Bank Blogs*, 20 May. Available at:

<https://blogs.worldbank.org/en/ppps/mind-gap-time-rethink-infrastructure-finance>

¹⁹⁶ European Commission (2019) *EU-China Summit Joint statement.* Brussels. Available at:

https://transport.ec.europa.eu/document/download/10119587-267b-4509-ab9b-f7b22d0bca56_en?file_name=2019-eu-china-summit-joint-statement.pdf

¹⁹⁷ Sun, Yanhong. (2022) 'The European Union has joined the global infrastructure boom through the "Global Gateway" plan,' *World Affairs*, (3): pp. 35-37. In Chinese. [孙彦红. 欧盟通过“全球门户”计划加入全球基建潮[J]. 世界知识, 2022(3):35-37.]

Partnership for Global Infrastructure and Investment (PGII) in 2022. It also aims to invest US\$600 billion over the next five years to boost and deliver game-changing projects to close infrastructure gaps in underdeveloped countries.¹⁹⁸ Moreover, compared with the EU's more moderate attitude, American officials clearly stated that the push against China meant offering an alternative to the BRI following the PGII launch.¹⁹⁹ It is the first concerted endeavour of prominent democracies to formulate a viable and focused alternative to the BRI while addressing the challenges it presents to the rules-based international order.²⁰⁰

China has an advantageous position in this field due to its outstanding infrastructure capabilities, such as skilled labour, resource supply and rich experience. In contrast, Europe and the United States are in a relatively unfavourable position in global infrastructure (See Figure 9). Although researchers point out that the BRI is still the world's largest geoeconomic initiative, as other initiatives are either in the embryonic and preparatory stages or are challenging to implement.²⁰¹ The next five years are no doubt a fierce competition in the field of global infrastructure for the increasingly involved players, such as China's BRI, the EU's Global Gateway, the U.S.' PGII and Japan's Quality Infrastructure Investment.

Figure 9: The infrastructure spending gap varies widely among geographies

¹⁹⁸ The White House (2021) *FACT SHEET: President Biden and G7 Leaders Launch Build Back Better World (B3W) Partnership*. Washington, D.C. Available at:

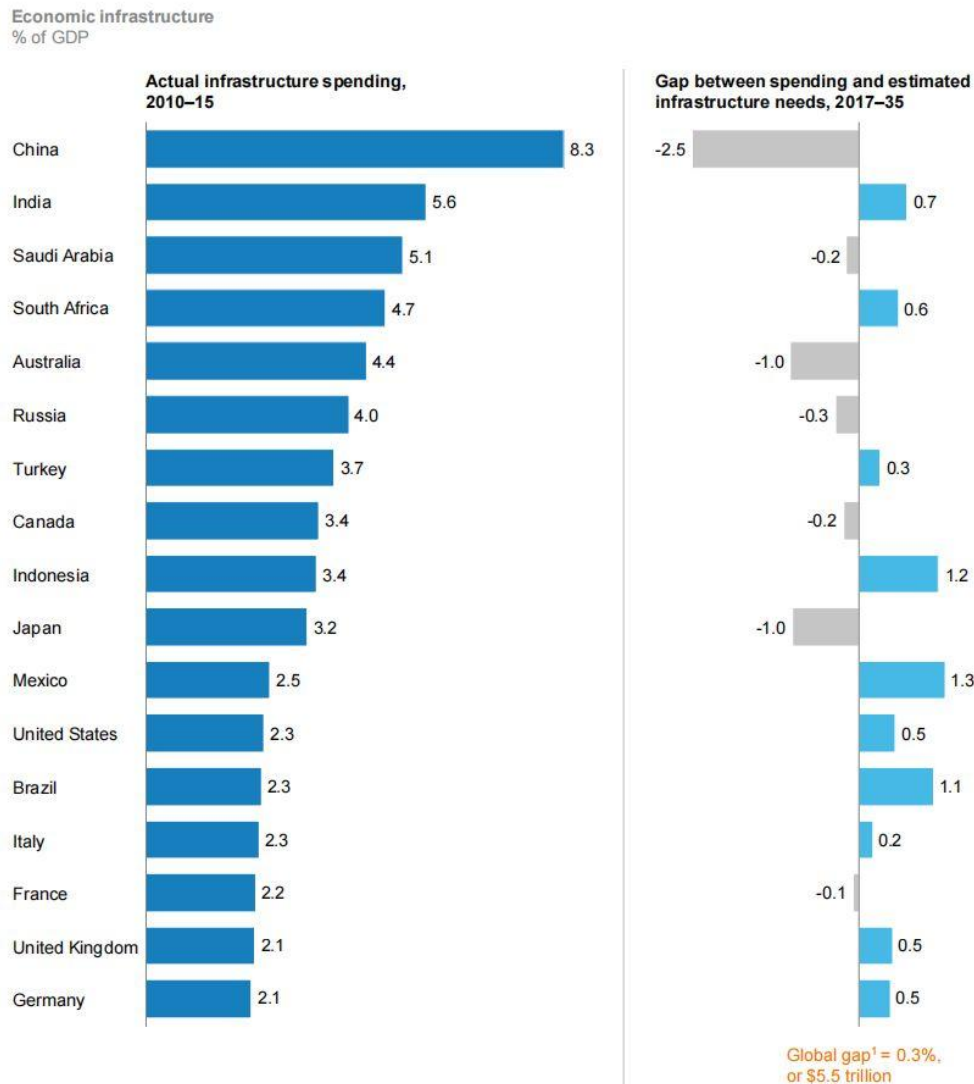
<https://www.whitehouse.gov/briefing-room/statements-releases/2021/06/12/fact-sheet-president-biden-and-g7-leaders-launch-build-back-better-world-b3w-partnership/> (Accessed: 27 December 2023).

¹⁹⁹ Lau, S., Herszenhorn, D.M. and Lynch, S. (2022) 'The G7 conundrum: How hard should you push China in a crisis?,' *POLITICO*, 26 June. Available at:

<https://www.politico.eu/article/g7-conundrum-push-china-crisis/> (Accessed: 27 December 2023).

²⁰⁰ European Parliament (2021) *Towards a joint Western alternative to the Belt and Road Initiative?* Brussels.

²⁰¹ Mazarr, M.J., Frederick, B. and Crane, Y.K. (2022) *Understanding a new era of strategic competition*. RAND National Security Research Division. Available at: https://www.rand.org/pubs/research_reports/RRA290-4.html



Source: IHS Global Insight; ITF; GWI, National Statistics; McKinsey Global Institute analysis

It represents not merely a competition for global infrastructure construction but a broader and deeper competition for geoeconomics and geopolitics for structural power in the international system. The BRI's gradual development and growing geoeconomic and geopolitical influences exemplify a knock-on effect in the international system, including the geoeconomic and geopolitical influences on Europe. The EU has pressing economic security concerns with the rising influence of China and is facing the critical issue of cohesiveness, which has a diminishing role in the global order, as it faces China's different engagement and cooperation with different EU members.

In this section, the first part discusses, explores and analyses the EU's evolving perception process, transitioning from perceiving economic opportunity initially, recognising the threat of the BRI's effects of geoeconomic influence, to a gradual response to protect its economic security. It further explains and analyses the definition and function of the BRI perceived as a geoeconomic tool to exercise geopolitical influence. This part mainly focuses on the whole EU, not each EU member, to give an EU-level perception of the BRI, as Chapter 4 will further analyse the different strategies of EU member states towards China's rising influence in Europe. The second is to explore and evaluate the nature of competition of the EU's Global Gateway and China's BRI, which is the nature of competition in geoeconomic tools. Based on it, 3.4.2. explains and analyses how the Global Gateway and the BRI compete at the operational level. It concludes that Global Gateway can be understood as the EU's embodiment of defensive institutional balancing, by building a rule-based infrastructure alternative to curb the expansion of the Chinese governance model, protecting the Union's economic security and safeguarding the EU's structural power in the international system.

3.3.1. The EU's Evolving Perception of the BRI

The EU's perception of the BRI is a dynamic and evolving process, transitioning from perceiving economic opportunity initially, recognising the threat of the BRI's effects of geoeconomic influence, to a gradual response to protect its economic security. By 2021, China had invested in nearly 1,000 projects throughout European nations under the BRI, totalling about \$226 billion in investment volume. Despite a dip in BRI investments due to the COVID-19 outbreak, Europe remains the fourth-largest destination for BRI funds.²⁰² Simultaneously, Chinese investment in Europe until 2023 (here defined as the EU-27 plus the UK) aligns with the trend, decreasing to EUR 6.8 billion from EUR 7.1 billion in 2022. It has represented the

²⁰² European Foundation for South Asian Studies (EFSAS) (2024) *China's Belt-and-Road Initiative in Europe: Assessing Germany and Italy's Responses and Strategic Shifts*. Amsterdam.

nadir since 2010.²⁰³

The EU presently lacks a cohesive evaluation or framework to address the BRI, owing partly to the intricacy of the initiative itself, as China has also not provided a complete and consistent definition. However, the EU's perspectives and stance on the BRI can be inferred from official documents and procedures released by the EU in recent years. Academic circles and European and Chinese observers have different opinions toward BRI, and generally, they can be divided into two ways: BRI is constructive or risky for the EU. The new infrastructure construction under the BRI can boost EU trade by reducing transport costs and providing more market opportunities.²⁰⁴ While Peter (2024) indicates that China has gained a certain amount of political influence and created tensions within the EU through geoeconomic strategies such as the BRI.²⁰⁵

Nevertheless, there is a common argument - the EU must develop a unified plan and framework to deal with BRI immediately - to understand China's strategic thinking, tactically engaging with BRI and China, and balancing cooperation and competition. The EU has realised the urgency of dealing with BRI, highlighting that its geoeconomic implications are interwoven with political divisions and a significant absence of a cohesive "China strategy" at the EU level. It marks a significant shift in the EU's perception of BRI. For example, in the 2021 *Towards a joint Western alternative to the Belt and Road Initiative?* of the EU, the BRI is perceived as a widely used tool in China within the rivalry between democracies and autocracies for an optimal governance model.²⁰⁶ Holzer and Hackler (2022) argue that the BRI is China's response to the dominance of Western economic and political narratives,

²⁰³ Rhodium Group and MERICS (2024) *Dwindling investments become more concentrated - Chinese FDI in Europe: 2023 Update*. Available at: <https://merics.org/en/report/dwindling-investments-become-more-concentrated-chinese-fdi-europe-2023-update#:~:text=Chinese%20investment%20in%20Europe%20drops,the%20lowest%20level%20since%202010>. (Accessed: 20 September 2024).

²⁰⁴ Sheng, E.L. (2023) *China's Belt and Road initiative and the Triangle Great Game of contemporary international politics*. Springer Nature.

²⁰⁵ Baranets, E. and Novo, A.R. (2024) *Turbulence across the sea: Transatlantic Relations and Strategic Competition*. University of Michigan Press.

²⁰⁶ European Parliament (2021) *Towards a joint Western alternative to the Belt and Road Initiative?* Available at: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/698824/EPRS_BRI\(2021\)698824_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/698824/EPRS_BRI(2021)698824_EN.pdf)

which are increasingly being questioned by regional challengers with global ambitions, such as China, especially after the financial crisis.²⁰⁷

The most apparent transition is the establishment of a new Geopolitical Commission, and according to the *EU-China - A strategic outlook* published by the European Commission, it is considered that China is no longer a developing country. It regards China as a significant global actor, a cooperation partner in different areas, an economic competitor, and a systematic rival in global governance.²⁰⁸ Moreover, the European Commission and the EU High Representative launched the Global Gateway in 2021. The issuance of these policy documents and the project clearly indicate that the EU has changed its foreign policy towards China and BRI and is determined to participate in the geoeconomic and geopolitical competition to safeguard its interests and security.

3.3.2. The Geoeconomic and Geopolitical Influences of BRI on the EU

Geoeconomics has been a popular theme in the field of political science in recent years and is an inherent factor in international relations. The commonly recognised definition is the combination of economic and geographic factors, especially relating to international trade and investment, using economic tools to advance geopolitical objectives, such as a governmental policy guided by geoeconomics.²⁰⁹ Geoeconomics can be broadly defined as the interaction of international economics, geopolitics, and strategy. Blackwill and Harris (2016) argue that competition for economic power surpasses military competition, as nations use economic instruments to strengthen and safeguard national interests while achieving favourable geopolitical outcomes,

²⁰⁷ Holzer, C. and Hackler, M. (2022) 'Narrating Models of Development—China and the EU between “Strategic Modernizer” and “Rules-Based Transformer”', in *Understanding China*, pp. 17–33. https://doi.org/10.1007/978-3-030-86122-3_2

²⁰⁸ European Commission (2019) *EU-China – A strategic outlook*. JOIN/2019/5 final. Brussels. Available at: <https://op.europa.eu/en/publication-detail/-/publication/3a5bf913-45af-11e9-a8ed-01aa75ed71a1/language-en>

²⁰⁹ Luttwak, E. N. (1990) 'From Geopolitics to Geo-Economics: Logic of Conflict, Grammar of Commerce,' *The National Interest*, Summer 1990 (20), pp. 17-23.

alongside the impact of other nations' economic actions on a country's geopolitical goals.²¹⁰

The amount of research regarding China's geoeconomic and geopolitical influences on regional and global economic development, international order, international relations and great power game is considerable. Research on BRI is facing a similar situation. Research regarding BRI's geoeconomic and geopolitical influences overlaps highly with China's geoeconomic and geopolitical influences. Therefore, there is little research that can use BRI as an independent topic and assess its geoeconomic and geopolitical influences separately from China's geoeconomic and geopolitical influences.

On the one hand, studying BRI as an independent topic is not easy as it is a great extension of China's foreign policy and economic strategy. However, the consequence is that overlapping impact assessments will be exaggerated, and it will be difficult to obtain a proper demonstration. The study of Wong and Downes (2024) points out that assessing the influences of BRI should account for the fact that BRI is a reflection of the preexisting (and ongoing) economic and political connections between China and the world, therefore, evaluating the BRI's influences should consider that existing continuous linkages between China and participants.²¹¹ On the other hand, BRI's geoeconomic influences are connected closely to trade and investment, geopolitics and trade policy are becoming intertwined.²¹² Geoeconomic influences and geopolitical influences are mutual, not one-way. Some participating countries are seeking external economic alternatives to the EU as well as political backing. For example, Hungary chose to join BRI because of geopolitical changes.²¹³

With the rise of China, its economic power and role in the globalisation process

²¹⁰ Blackwill, R.D. and Harris, J.M. (2016) *War by other means: Geoeconomics and Statecraft*. Harvard University Press.

²¹¹ Wong, M.Y.H. and Downes, J.F. (2024) 'Reassessing the impact of China's Belt and Road Initiative: A Mixed methods approach,' *Journal of Chinese Political Science* [Preprint].
<https://doi.org/10.1007/s11366-024-09888-0>

²¹² World Economic Forum (2024) *Centre for Regions, Trade and Geopolitics*. Available at: <https://www.weforum.org/stories/2024/12/global-trade-geopolitics-uncertainty-economic-policy/> (Accessed: 18 December 2024).

²¹³ Peter, Cai. (2017) *Understanding China's Belt and Road Initiative*. Lowy Institute. Available at: <https://www.lowyinstitute.org/publications/understanding-china-s-belt-road-initiative>

have gradually increased. From this perspective, BRI is China's leading economic tool to demonstrate its substantial economic power. At the same time, the deep integration of global trade links and financial markets makes geoeconomic tools more robust. China is arguably the world's foremost practitioner of geoeconomics. Correspondingly, in December 2019, the European Commission inaugurated its new 'Geopolitical Commission',²¹⁴ indicating a new geopolitical actor identity of the EU.

Global enthusiasm for the BRI is waning, as shown in the declining data on public approval ratings (See 3.2.3.). Trade and investment are the most popular themes of the BRI. However, there is a negative correlation between the frequency of these two topics mentioned in the local media and the public's perception of them. Similarly, the EU's enthusiasm for the BRI aligns with the trend. Increasing criticism within the EU arises, mainly focusing on the geoeconomic influence of BRI, which overlaps highly with the EU's and the potential influences on the internal cohesion within the EU and the geopolitics accompanying the increasing investments of BRI.

Geoeconomics underscores the interplay between geographical location, economic relations, and political power.²¹⁵ Garima Mohan (2018) concludes that the geoeconomic influences of the BRI on Europe can be evaluated in three primary categories: the effect on EU cohesion, the influence on European security, and the rivalry for trade, investment, and market access between Europe and Asia.²¹⁶ This section uses literature and empirical analysis in a qualitative method to independently induct and assess BRI's geoeconomic and geopolitical influences on the EU. The trade and investment exchanges between China and the EU in the context of the BRI are mainly analysed to see whether they have produced considerable differences in economic effects between participating and non-participating countries. Furthermore, it evaluates the interaction of geoeconomic and geopolitical influences in the EU's

²¹⁴ European Commission (2019) *Geopolitical Commission builds on International Partnerships*. Brussels. Available at: https://international-partnerships.ec.europa.eu/news-and-events/stories/geopolitical-commission-builds-international-partnerships_en

²¹⁵ Wigell, M., Scholvin, S. and Aaltola, M. (2020) *Geo-economics and power politics in the 21st century: The Revival of Economic Statecraft*. Routledge.

²¹⁶ Garima, Mohan. (2018) *Europe's Response to the Belt and Road Initiative*. German Marshall Fund of the United States.

dynamics. Therefore, this section is divided into three primary categories: the external influences of the BRI on the EU of competition for trade, investment, and market access in Eurasia,²¹⁷ and the internal influences of the effects on European economic security and EU cohesion and the evaluation of geopolitical influence of the BRI.

External Influences: Reshaping Regional Economic Landscapes

The main geoeconomic influences of the BRI are due to trade market and investment, as the core projects of BRI in Europe are transportation (See Figure 10), including roads, bridges, railways, ports, and other trade-related, energy, and digital. Broad coverage of areas possesses significant connections to the trade market and investment. Starting from the trade market. As of 2023, China ranks as the third-largest partner for EU goods exports (8.8%) and the foremost partner for EU goods imports (20.5%).²¹⁸ European policymakers are aware of the influence of the BRI outside Europe, particularly on the power dynamics and stability in Asia. Asian markets serve as significant export destinations for Europe, with the majority of its maritime traffic passing through the Indo-Pacific.²¹⁹ According to Eurostat, 21 Asian partner nations constituted 36% of the EU's total international trade in goods in 2020 and served as the destination for 27% of EU exports and the source of 45% of EU imports.²²⁰

Figure 10: Chinese Infrastructure Investment in Europe

²¹⁷ Ibid.

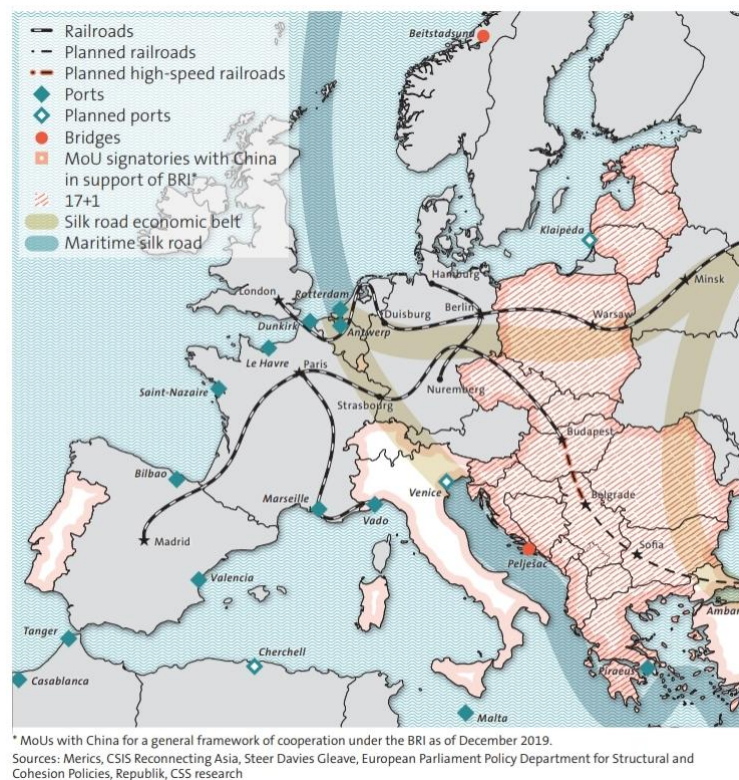
²¹⁸ Statistics from the Eurostat. Available at:

https://ec.europa.eu/eurostat/statistics-explained/index.php?title=China-EU_-_international_trade_in_goods_statistics

²¹⁹ European Commission (2021) *The EU strategy for cooperation in the Indo-Pacific*. Brussels.

Available at: https://www.eeas.europa.eu/sites/default/files/jointcommunication_2021_24_1_en.pdf

²²⁰ The 21 Asian partner countries are: Australia, Bangladesh, Brunei, Cambodia, China, India, Indonesia, Japan, Kazakhstan, Laos, Malaysia, Mongolia, Myanmar, New Zealand, Pakistan, Philippines, Russia, Singapore, South Korea, Thailand and Vietnam. Available at: <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/edn-20211124-1#:~:text=These%2021%20Asian%20partner%20countries,of%2045%25%20of%20EU%20imports.>



Source: Larsen and Maduz (2020)²²¹

At the same time, the BRI has emerged as one of the important drivers for regional economic integration in Asia. Multilateral cooperation frameworks, including the China-Japan-ROK Free Trade Cooperation Mechanism, China-ASEAN “10+1”, APEC, and the China-Arab Cooperation Forum, are facilitating the alignment of their economic development strategies with China’s BRI, thus creating an expansive free trade zone anchored by the BRI. China and ASEAN members jointly built a Regional Comprehensive Economic Partnership in 2024. Many cooperation projects, such as the China-Laos Railway, the Jakarta-Bandung High-Speed Railway, and the China-Malaysia “Two Countries, Two Parks” have promoted regional growth.

The influence of China’s economy-dominant power and strategic or political importance in Southeast Asia is far more than that of the EU.²²² The EU faces more tense competition in terms of the provision of trade and infrastructure in this area with

²²¹ Larsen, H. and Maduz, L. (2020) 'China as a stress test for Europe’s coherence,' in *Center for Security Studies (CSS)*, ETH Zürich eBooks, pp. 55–80.
<https://doi.org/10.3929/ethz-b-000413636>

²²² Seah, S. et al. (2023) *The State of Southeast Asia: 2023 Survey Report*. Singapore: ISEAS-Yusof Ishak Institute.

China, especially in the traditional physical infrastructure.²²³ Trade and market are the core pillars of the EU's economy, and one objective of the Global Gateway is to secure new markets for EU goods and services. The European Union Chamber of Commerce in China points out that European companies play a marginal role in the BRI and the competitive-debilitating impact of the Beijing-led initiative on global businesses.²²⁴ Southeast Asia is not only a significant overseas market for the EU to increase its presence, but a typical example shows that BRI expanding into key EU overseas markets weakens the EU's economy and influence and challenges the trade and investment of the EU with Asia.

Internal Influences: Threatening the EU's Economic Security and Cohesion

The BRI investments could undermine the ownership of critical national infrastructure in EU Member States.²²⁵ “Purchasing Diplomacy” has been a hot topic in the context of Chinese economic strategy across the EU.²²⁶ Chinese investment in Europe saw explosive growth after the 2008 Financial Crisis. From 2014, investment flows reached \$10.84 billion and peaked at \$18.46 billion in 2017, then maintained an average of around \$10 billion from 2019 to 2023 (See Figure 11). One typical investment project is COSCO's (China Ocean Shipping Enterprise) Piraeus project, and the agreement was signed pledging €490 million in exchange for the right to operate and develop Piraeus' Piers II and III in 2016.

Figure 11: Annual flow of foreign direct investments from China to Europe,

²²³ European Parliament (2024) *EU-China relations: De-risking or de-coupling - the future of the EU strategy towards China*. Policy Department for External Relations. Brussels.

²²⁴ The European Union Chamber of Commerce in China (2020) *The Road Less Travelled: European Involvement in China's Belt and Road Initiative*. Available at: https://www.europeanchamber.com.cn/en/publications-archive/762/The_Road_Less_Travelled_Europe_an_Involvement_in_China_s_Belt_and_Road_Initiative

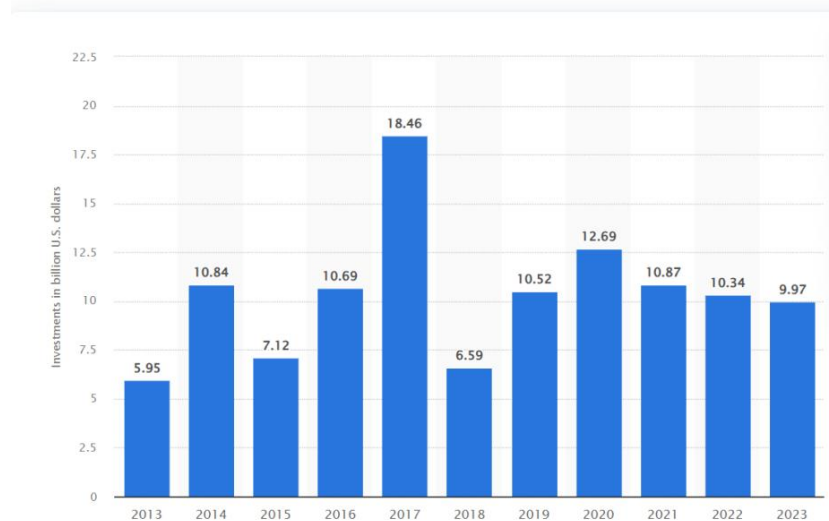
²²⁵ European Economic and Social Committee (2023) *Global battle of offers - from the Chinese Belt and Road initiative to the EU Global Gateway: the vision of European organised civil society*. REX/572-EESC-2023. Available at:

<https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/global-battle-offers-chinese-belt-and-road-initiative-eu-global-gateway-vision-european-organised-civil-society>

²²⁶ Reilly, J. (2021) *Orchestration: China's Economic Statecraft Across Asia and Europe*. Oxford University Press.

2013 to 2023

(in billion U.S. dollars)



Source: Statista

Piraeus's case illustrates how supportive Beijing is of its SOE, as they first signed an agreement with the witness of Chinese President Hu Jintao's November 2008 delegation in Greece. In 2006, Greek Prime Minister Konstantinos Karamanlis signed a bilateral "Comprehensive Strategic Partnership" focusing on Chinese investment and shipping cooperation in Beijing.²²⁷ COSCO's Piraeus projects are closely tied to Beijing's BRI, like infrastructure projects in southern Europe. The largest port in Greece was once on the edge of bankruptcy. With the funds and advanced technology and equipment provided by China under the BRI, the annual cargo throughput of the Port of Piraeus has increased to more than 5 million TEUs, making it the fourth largest TEU port in Europe.²²⁸

Greek shipowners have historically played a dominant role in Greek politics. The increasingly internationalised Greek shipping industry profoundly affected Greek

²²⁷ Ministry of Foreign Affairs of The People's Republic of China (2006) *Joint Communiqué between the People's Republic of China and the Republic of Greece on the Establishment of Comprehensive Strategic Partnership*. Beijing.

Available at: http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t233106.shtml (Accessed: 05 June 2024).

²²⁸ Yang, Yifan. (2022) 'Piraeus Port Project,' *Belt and Road Portal*, 25 March. Available at: <https://eng.yidaiyilu.gov.cn/p/0CLVEE6L.html> (Accessed: 16 June 2024).

foreign policy toward China.²²⁹ In 2016, Greece, Croatia and Hungary vetoed an EU declaration critical of China's South China Sea practices.²³⁰ In 2017, Athens rejected a proposed EU submission to the UN Human Rights Council criticising recent Chinese crackdowns, making it the first time the EU has failed to publish a UNHRC statement.²³¹ From this perspective, the investment of BRI indirectly influences countries with the urgency of the influx of money to recover the economy, such as Greece. Because of the economic needs, the leaders' decisions and movements easily become reckless and against the EU.

Ports are also the logistics basis for China's development of overseas trade. COSCO invests in other critical European ports, such as Antwerp in Belgium, Euromax in Rotterdam and Container Terminal Tollerort in Hamburg.²³² There are two other companies with considerable shareholdings in European ports: Hutchinson Port Holdings and China Merchants Port Holdings. Due to space limitations, this paper focuses on COSCO's investments in European ports as they are more typical and broadly impactful. Given that ports are crucial transport infrastructures with EU-wide security implications and facilitate trade between the EU and its member states and the rest of the world, China's economic ties with the EU are even more profound. The economic tie could be exploited for political leverage and determine whether European consumers can get goods through these key ports when Sino-EU relations become strained.²³³

A "rearview mirror" approach has often characterised European analysis and

²²⁹ Frédéric L. and Sébastien P. (2011) 'Polar super seaways? Maritime transport in the Arctic: an analysis of shipowners' intentions,' *Journal of Transport Geography*, pp. 1465-1473. <https://doi.org/10.1016/j.jtrangeo.2011.08.006>

²³⁰ European Parliament (2023) *Security implications of China-owned critical infrastructure in the European Union*. Brussels. Available at: [https://www.europarl.europa.eu/RegData/etudes/IDAN/2023/702592/EXPO_IDA\(2023\)702592_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2023/702592/EXPO_IDA(2023)702592_EN.pdf)

²³¹ Smith, H. (2017) 'Greece blocks EU's criticism at UN of China's human rights record,' *The Guardian*, 27 November. Available at: <https://www.theguardian.com/world/2017/jun/18/greece-eu-criticism-un-china-human-rights-record> (Accessed: 20 August 2024).

²³² Data from COSCO's business portfolio introduction. Available at: <https://archive.ph/dYpCh> (Accessed: 20 August 2024).

²³³ European Parliament (2023) *Security implications of China-owned critical infrastructure in the European Union*. Brussels.

responses to China.²³⁴ It is reflected in the EU's lagging response to BRI, such as the establishment of state-level foreign direct investment (FDI) screening mechanisms in 2019, and the impasse in the EU-China Comprehensive Agreement on Investment (CAI) negotiations. The state-level foreign direct investment (FDI) screening mechanisms aim to ensure EU economic security. As of this dissertation writing, 23 out of 27 EU members have implemented FDI screening mechanisms.²³⁵ However, many investment screening mechanisms are new or untested, and the EU needs to strengthen the implementation of comprehensive investment screening mechanisms.

Another critical issue of BRI's geoeconomic influences on the EU is the energy sector, which is the key issue of the EU's economic security concerns towards China. The energy sector is tightly connected to the global supply chain, as well as the high-tech field. According to MERICS, around two-thirds of Chinese expenditure on completed BRI projects is allocated to the energy sector, totalling over 50 billion USD.²³⁶ Furthermore, China's direct investments and loans for BRI-related energy projects exhibit significant geographical diversification, with total funding surpassing \$4 billion across all continents. The BRI's substantial investments in energy have the potential to facilitate the development of new industrial hubs in emerging economies. Thus, establishing China-centric supply chains potentially changes the competitive environment in energy-intensive sectors and intensifies competition with the EU regarding energy.²³⁷

The European market's excessive dependence on the Chinese market, especially in some strategic industries (for example, pharmaceutical industries that produce active ingredients for medicines), during the COVID-19 pandemic, is another thorny issue for the EU. It reveals that Europe was insufficiently prepared for new and

²³⁴ Dario, C., Mareike O., Jonas P., and Andrew S. (2021) *The Security Implications of Chinese Infrastructure Investment in Europe*. The German Marshall Fund of the United States (GMF).

²³⁵ European Parliament. *List of screening mechanisms notified by Member States*, last updated on 8 January 2025. Available at: <https://circabc.europa.eu/rest/download/7e72cdb4-65d4-4eb1-910b-bed119c45d47> (Accessed: 10 January 2025).

²³⁶ Data from MERICS. Available at: <https://merics.org/de/tracker/powering-belt-and-road> (Accessed: 19 May 2024).

²³⁷ Thomas, S. Eder. and Jacob, Mardell. (2019) *Powering the Belt and Road*. MERICS. Available at: <https://merics.org/de/tracker/powering-belt-and-road>

emerging risks in some areas in the more challenging geopolitical context, as the supply chain's resilience is one of the identified risks relating to the EU's economic security.²³⁸ As described above, BRI's investment in critical fields could directly threaten the EU's economic security. However, achieving the EU's economic security by itself is impossible. Coordination and cooperation are essential. The EU's fragmented stance left the establishment of a cohesive position on the BRI and other Chinese economic endeavours across the continent a formidable challenge.²³⁹

Geopolitical Influences: Leverage in Dispute

From opportunity to threat, the EU's perception of BRI experienced a significant transition. Eventually, the EU asserts publicly that the BRI is a soft-power instrument, enabling China to adopt a new strategic geopolitical position on the world chessboard.²⁴⁰ Sheng (2023) contends that Europe perceives China's rise and adoption of the Chinese model as the foremost issues confronting the EU and pivotal elements in the resurgence of geopolitical Europe.²⁴¹ In this context, the European Commission inaugurated its new 'Geopolitical Commission' in December 2019.²⁴² However, a survey indicated that no European country surveyed had a majority in favour of prioritising "preventing Chinese geopolitical expansion" as a foremost foreign policy objective.²⁴³ Peter (2024) explains that the BRI does not publicly

²³⁸ European Commission (2023) *European Economic Security Strategy*. Brussels.

²³⁹ Spencer, A. Wong. (2019) *A disunited Europe? The EU's response to China's One Belt, One Road initiative*. The Organization for World Peace. Available at:

<https://theowp.org/reports/a-disunited-europe-the-eus-response-to-chinas-one-belt-one-road-initiative/>

²⁴⁰ European Economic and Social Committee (2023) *Global battle of offers - from the Chinese Belt and Road initiative to the EU Global Gateway: the vision of European organised civil society*. REX/572-EESC-2023. Available at:

<https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/global-battle-offers-chinese-belt-and-road-initiative-eu-global-gateway-vision-european-organised-civil-society>

²⁴¹ Sheng, E.L. (2023) *China's Belt and Road initiative and the Triangle Great Game of contemporary international politics*. Springer Nature.

²⁴² European Commission (2019) *Geopolitical Commission builds on International Partnerships*. Brussels. Available at:

https://international-partnerships.ec.europa.eu/news-and-events/stories/geopolitical-commission-builds-international-partnerships_en

²⁴³ Richard, Q. Turcsányi. *et al.* (2020) *European public opinion on China in the age of COVID-19: Differences and common ground across the continent*. Palacký University Olomouc and Central European Institute of Asian Studies. Available at:

contest military security, undermine alliances, or alter regional power balances.²⁴⁴ However, from a political–economic perspective, it suggests that economic connections and capacity naturally influence politics.²⁴⁵ Economic ties with China are riskier than those with Russia, and Beijing’s increasing influences in the EU are bound to be much more consequential in the medium to long term.²⁴⁶

The most critical perspective on the BRI is shared by experts from the security sector, who argue that the BRI serves as a grand strategy for China to reclaim its historical status as a superpower and to contest the United States as the preeminent global force.²⁴⁷ However, from the recent analysis, the geopolitical influences of BRI seem to be exaggerated. Wong and Downes (2024) argue that the BRI is largely a reflection of China’s existing diplomatic relationships (with countries that have welcomed Chinese investment before and after the initiative) rather than serving as a strategy capable of altering the geopolitical landscape, as it fails to create new markets for Chinese investment and has negligible effects on informal participants and non-participants.²⁴⁸ Huotari *et al.* (2015) also indicate that BRI is not China’s deliberate strategy to divide the European continent.²⁴⁹ The BRI is not a Chinese version of the Marshall Plan, although the two share similarities in the logic of economic development.²⁵⁰

From the neorealist perspective, the BRI’s position in the great power balance is critical. China’s rise as a global power through the BRI poses a threat to the United

<https://media.realinstitutoelcano.org/wp-content/uploads/2021/11/european-public-opinion-on-china-in-the-age-of-covid-19.pdf>

²⁴⁴ Peter, G. Thompson. (2024) *The Geoeconomic Dimensions of Chinese FDI in Europe*. One Chapter of *Turbulence Across the Sea*. University of Michigan Press.

²⁴⁵ Cai, K.G. (2022) 'China’s Initiatives: a bypassing strategy for the reform of global economic governance,' *Chinese Political Science Review*, 8(1), pp. 1–17.
<https://doi.org/10.1007/s41111-022-00215-7>

²⁴⁶ Thorsten B., Jan G., Mareike O., Lucrezia P., and Kristin S. (2018) *Responding to China’s Growing Political Influence in Europe*. MERICS.

²⁴⁷ Karim, Fathi. (2024) 'The Belt and Road Initiative: Strategic Orientations for the EU,' *Zeitschrift für Außen- und Sicherheitspolitik*, 17, pp. 39-50. <https://doi.org/10.1007/s12399-023-00973-5>

²⁴⁸ Wong, M.Y.H. and Downes, J.F. (2024) 'Reassessing the impact of China’s Belt and Road Initiative: A Mixed methods approach,' *Journal of Chinese Political Science* [Preprint].
<https://doi.org/10.1007/s11366-024-09888-0>

²⁴⁹ Huotari M, Otero-Iglesias M, Seaman J, Ekman A (2015) *Mapping Europe-China relations: a bottom-up approach*. European Think-tank Network on China (ETNC).

²⁵⁰ Ling Jin (2015) 'One Belt One Road: China’s Marshall Plan?,' *China International Studies*, 1, pp. 88-99. In Chinese. [金玲 (2015) “一带一路” : 中国的马歇尔计划? «国际问题研究»]

States' dominance in the current world order.²⁵¹²⁵² U.S. experts generally recognise the BRI as a substantial endeavour that might profoundly influence Eurasia's economic and political future. The initiative is occasionally perceived as a calculated pretext to economically marginalise the United States, create a Eurasian sphere of influence, or augment China's military presence abroad.²⁵³

Politically, Europe is seen as a potential counterweight to the United States. Moreover, from the perspective of close economic cooperation, the EU can also serve as a "legitimiser" of China's global political and economic activities.²⁵⁴ French President Emmanuel Macron stressed strategic autonomy, saying the EU must reduce its dependence on the United States and avoid being drawn into Sino-US competition.²⁵⁵ Coincidentally, the EU stated that it must engage with the United States and China on its terms. The EU must adopt its perspective, uphold its principles and interests, and utilise the available instruments of power. Simultaneously, it emphasised the significance of collaboration.²⁵⁶ BRI can potentially influence the EU's partial future choices under the context of the triangle power balance of the U.S.-China-EU.

The current global economic downturn has intensified competition. As the influence of BRI continues to increase in Eurasia and globally, the EU has a very complex view of the BRI: on the one hand, it wants to participate in cooperation, and on the other hand, it wants to curb and propose alternatives. Moreover, China's rapid economic development and its central role in promoting globalisation have driven the

²⁵¹ Sheng, E.L. (2023) *China's Belt and Road initiative and the Triangle Great Game of contemporary international politics*. Springer Nature.

²⁵² Amineh, M.P. (2022) *The China-led Belt and Road Initiative and its Reflections: The Crisis of Hegemony and Changing Global Orders*. Routledge.

²⁵³ Chance, A., and Mafinezam, A. (2016) *American Perspectives on the Belt and Road Initiative: Sources of Concern and Possibilities of Cooperation*. London: Institute of China America Studies.

²⁵⁴ Thorsten B., Jan G., Mareike O., Lucrezia P., and Kristin S. (2018) *Responding to China's Growing Political Influence in Europe*. MERICS.

²⁵⁵ Anderlini, J. and Caulcutt, C. (2023) 'Europe must resist pressure to become 'America's followers,' says Macron,' *POLITICO*, 12 April. Available at: <https://www.politico.eu/article/emmanuel-macron-china-america-pressure-interview/> (Accessed: 24 September 2024).

²⁵⁶ European Union External Action (2020) *The Sinatra Doctrine. How the EU Should Deal with the US-China Competition*. Brussels. Available at: https://www.eeas.europa.eu/eeas/sinatra-doctrine-how-eu-should-deal-us%E2%80%93china-competition_en

expansion of economic ties between China and the EU. The BRI is born from the background as an extension of China's foreign policy and a powerful economic tool with geoeconomic and geopolitical influences on the EU.

Given the lagging indicator of the EU's responses to the BRI, a strategic vacuum of infrastructure investment emerges because the EU lacks coordinated infrastructure investment in Europe's neighbourhood, including countries granted EU candidate country status. China has used this opportunity to develop and expand the BRI, increasing related investment in the EU and taking the lead in occupying the vast gap in infrastructure in the global market. The growth of BRI brings similar geoeconomic and geopolitical challenges to the United States and those faced by the European Union. However, the argument that the BRI is a calculated pretext to economically manoeuvre to create a Eurasian sphere of influence is still in dispute.²⁵⁷

3.4. Global Infrastructure Competition: Global Gateway and BRI

3.4.1. The Essence of Global Infrastructure Competition

In 2021, the European Commission and the EU High Representative launched the Global Gateway, which seeks to enhance intelligent, sustainable, and secure connections in the digital, energy, and transportation sectors while strengthening global health, education, and research systems, following EU principles and standards.²⁵⁸ It is also the continuation and evolution of the Connectivity Platform in 2015. However, the difference is that the Connectivity Platform cooperates with China and strengthens synergy with the BRI. Global Gateway is seen as the EU's formal participation in the global infrastructure competition. They shared similar objectives: enhanced transparency, reciprocal market access, and equitable conditions for enterprises in transport infrastructure development.

²⁵⁷ Chance, A., and Mafinezam, A. (2016) *American Perspectives on the Belt and Road Initiative: Sources of Concern and Possibilities of Cooperation*. London: Institute of China America Studies.

²⁵⁸ Information from the European Commission's official website. Available at: https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/stronger-europe-world/global-gateway_en

The EU's Global Gateway did not emerge out of thin air. It represents a belated but calculated strategic response to China's BRI's geoeconomic and geopolitical challenges. The EU's perception of the BRI experienced a significant transition from viewing it as a largely economic opportunity to recognising it as offensive institutional balancing, threatening core European interests. The influence of China's investment in European critical infrastructure (e.g., the Piraeus port) and the subsequent vetoing of EU common positions by member states like Greece and Hungary demonstrated the BRI's potential to undermine EU cohesion, thus catalysing the EU's strategic awakening.

Chinese Foreign Minister Wang Yi proposed at the Munich Security Conference that China's BRI and the EU's Global Gateway are not contradictory but complementary, and both aim to promote global development. They are similar to China-EU relations: cooperation outweighs competition, and the two sides have more consensus than differences.²⁵⁹ From the feasible operational level, the BRI and the Global Gateway can not fill the vast gap in global infrastructure investment on their own, as the global infrastructure gap is estimated at \$15 trillion by 2040.²⁶⁰ In the long term, China and Europe can advance global infrastructure cooperation to a greater extent and with higher efficiency through third-party cooperation, taking economic recovery and green transformation as entry points.²⁶¹

However, modern infrastructure (including ports, railways and 5G networks) is not a simple commercial asset, but a key physical foundation in structural power,²⁶² and it directly connects to the country's economic security.²⁶³ For the global

²⁵⁹ China Daily (2025) 'No reason for China and EU not to be partners', *China Daily*, 19 February. Available at: http://en.chinadiplomacy.org.cn/2025-02/19/content_117720586.shtml (Accessed: 19 March 2025)

²⁶⁰ World Economic Forum (2019) *The world is facing a \$15 trillion infrastructure gap by 2040. Here's how to bridge it*. Available at: <https://www.weforum.org/stories/2019/04/infrastructure-gap-heres-how-to-solve-it/>

²⁶¹ Chen, Chao. and Wang, Yiwei. (2023) *There is huge room for the "Global Gateway" to connect with the "Belt and Road Initiative."* China's Diplomacy in the New Era. In Chinese. ["全球门户"对接"一带一路"空间巨大.] Available at: http://cn.chinadiplomacy.org.cn/2023-08/11/content_101236164.shtml

²⁶² Strange, S. (2015) *States and markets*. Bloomsbury Publishing.

²⁶³ Blackwill, R.D. and Harris, J.M. (2016) *War by other means: Geoeconomics and Statecraft*. Harvard University Press.

infrastructure productive facet, it stabilises and expands capitalist production and determines the economic incentives of public and private actors to engage in cooperation or competition.²⁶⁴ From a decision-making and strategic perspective, De Goede and Westermeier (2022) propose the concept of “Infrastructure Geopolitics” to explain how the hegemonic competition and divides in payment infrastructure.²⁶⁵ At the same time, infrastructure could compete or restructure power in great power competitions.²⁶⁶

The deepening of globalisation in the 21st century has created new structural conditions of power in global economic interactions that can weaponise complex economic interdependencies.²⁶⁷ As one of the traditional battlefields of global economic competition, today’s infrastructure’s structural power attributes are distinct and critical in geoeconomic competition. The EU and its major member states have shown a stronger willingness to compete with China in the global infrastructure.²⁶⁸ Thus, Global Gateway can be understood as the EU’s embodiment of defensive institutional balancing, by building a rule-based infrastructure alternative to curb the expansion of the Chinese governance model, protecting the Union’s economic security and safeguarding the EU’s structural power in the international system.

3.4.2. The Instruments of Balancing: A Comparative Analysis

The argument of institutional balancing proposed by Kai He, situated at the intersection of neorealism and neoliberalism, is used to explain the behaviour of states within institutions. He uses the case of ASEAN countries to study their behaviour in

²⁶⁴ Abels, J. and Bieling, H.-J. (2023) 'The geoeconomics of infrastructures: viewing globalization and global rivalry through a lens of infrastructural competition,' *Globalizations*, 21(4), pp. 722–739. <https://doi.org/10.1080/14747731.2023.2264667>

²⁶⁵ De Goede, M. and Westermeier, C. (2022) 'Infrastructural Geopolitics,' *International Studies Quarterly*, 66(3). <https://doi.org/10.1093/isq/sqac033>

²⁶⁶ Brunnermeier, M., Doshi, R. and James, H. (2018) 'Beijing’s Bismarckian Ghosts: How great powers compete economically,' *The Washington Quarterly*, 41(3), pp. 161–176. <https://doi.org/10.1080/0163660x.2018.1520571>

²⁶⁷ Farrell, H. and Newman, A.L. (2019) 'Weaponized Interdependence: How global economic networks shape state coercion,' *International Security*, 44(1), pp. 42–79. https://doi.org/10.1162/isec_a_00351

²⁶⁸ Center for China-Europe Relations (CCER) (2023) *Report on European policy towards China (2023)*. Shanghai: Fudan University.

the Southeast Asian multilateral institutions after the Cold War. In his neorealism part, he argues that the high degree of economic interdependence has led countries to choose a new realist balancing strategy - institutional balancing - rather than traditional military alliances to deal with threats or pressures from the system.²⁶⁹ Kai (2016) further characterises China's behaviour in East Asian as a realistic-offensive strategy to balance the influence of the US in this area.²⁷⁰ In this logic, the Global Gateway and the BRI represent a similar mode of interaction between China and the Southeast Asian multilateral institutions. The BRI can be seen as China's offensive institutional balancing to reshape the rules of global economic governance and check the hegemony of the Western system. In contrast, the Global Gateway can be seen as the EU's defensive institutional balancing to provide an institutional alternative based on Western rules and standards to constrain the expansion of the Chinese model and thus protect the EU's economic security and structural power.

BRI and Global Gateway have many differences at the operational level, although they have a similar aim to promote global development. In order to grasp the essence behind the differences from the theoretical perspective of geoeconomics and institutional balancing, this dissertation uses a comparative analysis conducted from three dimensions: rule-setting, financing model and geopolitical operation based on Table 1 (See Table 1). The data and documents are from official BRI and Global Gateway sources and an authoritative think tank. Given the recent launch of Global Gateway, many projects are still in the initial stages of development and implementation, resulting in limited available data. This dissertation presents a relatively concise and compact comparison based on this limited data.

Table 1: Comparison between Global Gateway and BRI

	Global Gateway	The Belt and Road Initiative
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²⁶⁹ Kai, He. (2008) 'Institutional Balancing and International Relations Theory: Economic interdependence and Balance of power Strategies in Southeast Asia,' *European Journal of International Relations*, 14(3), pp. 489–518. <https://doi.org/10.1177/1354066108092310>

²⁷⁰ Kavalski, E. (2016) *The Ashgate Research companion to Chinese foreign policy*. Routledge.

Financing Scale and Sources	€300 billion until 2027 EU and Member States, Global Gateway Fund, European Investment Bank, EU's aid budget (NDICI) Private Sector is a key stakeholder	\$1.308 trillion until 2025 State Development Bank, Export-Import Bank of China, Asian Infrastructure Investment Bank, Chinese development banks, Silk Road Fund State-led
Project Approval Process	Project approval requirements are high Project review is strict	Project approval is faster and simpler Project review is relatively loose
Brand Attractiveness	Attractiveness is relatively weak	Attractiveness is relatively high
Advantages	Efficient Economic tools Emphasis on sustainability	Wide range of investment Rich infrastructure construction experience
Disadvantages	Financing concerns Emphasis on EU values	Debt issues and ESG concerns Potential impact of conditionality
Feasibility	Unclear Possible difficult implementation	Compromising Adjusting and challenging

Source: Organised and made by the author based on the data and documents are from official BRI and Global Gateway sources and an authoritative think tank.

Rule-Setting

The difference between BRI and Global Gateway in rule-setting is reshaping and defending, showing the underlying competitive logic is for the right to speak and set standards in global governance. High ESG standards, transparency and good governance are the core brand values of Global Gateway,²⁷¹ which precisely respond to the challenges faced by BRI based on the above-mentioned discussion. Besides, the

²⁷¹ European Commission (2025) *Global Gateway Overview*. Brussels.
Available at:
https://international-partnerships.ec.europa.eu/policies/global-gateway/global-gateway-overview_en

EU has unique advantages and experience in cross-regional regulatory coordination frameworks, such as managing goods, information and personnel.²⁷² It represents that the EU can leverage the ‘Brussels Effect’ for the EU’s power to unilaterally transform global markets through its regulatory reach into the infrastructure domain.²⁷³ While the EU’s use of rules as a geoeconomic tool is defensive, the EU’s internal complexity constrains the speed of interpretation and practice.²⁷⁴

Therefore, the project approval process is slower and more complicated than the BRI, as the high standards restrain the project access. For example, only 225 Global Gateway projects are underway compared with China’s 3,000, although considering the short development time of Global Gateway. On the contrary, the rapid approval and review process is a distinctive advantage of the BRI, as the CPC leadership, which prioritises “promoting high-quality ‘Belt and Road’ development” as a primary objective of the country’s 14th Five-Year Plan (2021–2025) to realise the long-term goal of socialist modernisation by 2035.²⁷⁵ This dissertation argues that China plays one role as a rule innovator, filling the lagging gaps in the existing order as global issues arise. At the same time, it also weakens the authority of the existing rules system dominated by the West.

Financing Model

The scale and source of financing are another significant difference. The EU has announced it aims to mobilise up to €300 billion by 2027 in investments using mixed sectors, mainly from the private sector, for sustainable and high-quality projects.

²⁷² The European Union Chamber of Commerce in China (2020) *The Road Less Travelled: European Involvement in China’s Belt and Road Initiative*. Available at: https://www.europeanchamber.com.cn/en/publications-archive/762/The_Road_Less_Travelled_Europe_an_Involvement_in_China_s_Belt_and_Road_Initiative

²⁷³ Bradford, A. (2019) *The Brussels Effect: How the European Union Rules the World*. Oxford University Press eBooks.

²⁷⁴ Danzman, S.B. and Meunier, S. (2024) 'The EU’s geoeconomic turn: From policy laggard to institutional innovator,' *JCMS Journal of Common Market Studies*, 62(4), pp. 1097–1115. <https://doi.org/10.1111/jcms.13599>

²⁷⁵ Chen, Y. and Guo, C. (2022) 'Necessary and sufficient conditions for the BRI success,' *International Studies of Economics*, 17(4), pp. 417–429. <https://doi.org/10.1002/ise3.38>

Compared to the cumulative engagement of BRI, which amounts to US\$1.308 trillion by 2025,²⁷⁶ the financing of Global Gateway is still in its early stages, and the financing scale will take time to expand and be examined. The existing international relations and political economics framework makes it difficult to accurately analyse the reasons for the considerable differences in financing scale. However, it is difficult for the EU to leverage a total investment of up to 300 billion euros with a limited EU public budget and European Investment Bank funds.²⁷⁷ As EU member governments' fiscal deficits and debt levels have soared since the epidemic, their top priority is promoting economic recovery. With a significant gap in their infrastructure investment, there is minimal room to support overseas infrastructure projects. For example, Germany's incoming chancellor, Olaf Scholz and outgoing Bundesbank President, Jens Weidmann, sent strong signals for the ECB to "prioritise price stability again instead of focusing on policy to fund indebted countries."²⁷⁸ It reveals the EU's deficiencies in strategic investments as a fledgling participant in the geoeconomic arena.

The BRI has five primary financing sources: development financing and special funds (Silk Road Fund (SRF)), which are the core pillars, except for pure assistance, preferential loans, and commercial loans.²⁷⁹ The main difference from the Global Gateway is that China leads most of the funding sources, while the BRI represents a state-led financing mode. Policy banks (e.g. Export-Import Bank of China) and state-owned enterprises (e.g. COSCO) are the central bodies, reflecting the country's strong mobilisation capabilities and strategic patience, and the allocation of funds is often closely linked to long-term strategic goals. As a reference example, given that the Asian Infrastructure Investment Bank (AIIB) (with China having 26.6 percent of

²⁷⁶ Nedopil, Christoph. (2025) *China Belt and Road Initiative (BRI) investment report 2025 H1*. Shanghai: FISF Fudan University.

²⁷⁷ Sun, Yanhong. (2022) 'The European Union has joined the global infrastructure boom through the "Global Gateway" plan,' *World Affairs*, (3): pp. 35-37. In Chinese. [孙彦红. 欧盟通过“全球门户”计划加入全球基建潮[J]. 世界知识, 2022(3):35-37.]

²⁷⁸ Li Qiaoyi and Cui Fandi (2021) 'EU's Global Gateway 'another rubber check' from West', *Global Times*, 1 December. Available at: <https://www.globaltimes.cn/page/202112/1240432.shtml>

²⁷⁹ Liu, W., Zhang, Y. and Xiong, W. (2020) 'Financing the Belt and Road initiative,' *Eurasian Geography and Economics*, 61(2), pp. 137–145. <https://doi.org/10.1080/15387216.2020.1716822>

voting power) represents the dynamics of “leadership transition” in global economic governance, and China and Europe present an institutional balancing act.²⁸⁰ The significant differences in financing sources fundamentally affect the operation and effectiveness of Global Gateway and BRI, which is highly related to the effectiveness of institutional balancing.

Geopolitical Operation

Geopolitical operation in this dissertation refers to the process by which China and the EU use BRI and Global Gateway as geoeconomic tools striving to influence and shape order in the international system. The BRI represents an offensive institutional balancing characterised as state-led and institutional innovator to reshape the global economic governance. In contrast, the Global Gateway represents a defensive institutional balancing characterised as rule-export and defending to balance China’s growing influence on the global stage. The feasibility of Global Gateway is unclear from now, as many flagship projects are in initial implementation with challenges. Specifically, some researchers have even suggested that the West failed to replace China’s international infrastructure financing. Hameiri and Jones (2023) suggest that the West’s persistent neoliberal strategy depends on ineffective strategies for mobilising private resources for infrastructure investment.²⁸¹ A nation’s capacity to engage in geoeconomics depends on how much state managers can effectively mobilise the necessary productivity and capital, which aligns with the challenging financing issue of the EU’s Global Gateway.

Another is that the EU’s insistence on its model, which promotes EU values, may be met with cold shoulder in developing countries.²⁸² The EU established this new

²⁸⁰ Kai, He. and Feng, H. (2019) 'Leadership Transition and Global Governance: role conception, institutional balancing, and the AIIB,' *The Chinese Journal of International Politics*, 12(2), pp. 153–178. <https://doi.org/10.1093/cjip/poz003>

²⁸¹ Hameiri, S. and Jones, L. (2023) 'Why the West’s alternative to China’s international infrastructure financing is failing,' *European Journal of International Relations*, 30(3), pp. 697–724. <https://doi.org/10.1177/13540661231218573>

²⁸² Jacob, Mardell. (2021) *Competing with China’s Belt and Road Initiative*. MERICS. Available at: <https://merics.org/en/tracker/competing-chinas-belt-and-road-initiative>

tool to counter China's role as a global infrastructure lender in Africa.²⁸³ However, the lack of coordination between the EU and member states constrains not only the financing but also the establishment of long-term strategic partnerships, as member states prefer to utilise EU partnership instruments more geopolitically,²⁸⁴ whereas the Commission seeks to keep development goals and EU norms as the centre of its partnership programmes. Besides, corruption-related scrutiny is much stronger at the EU level, making these projects less attractive to some local governments.²⁸⁵

Although the BRI gained successful influences in some countries (e.g. Piraeus port), the geopolitical operation of BRI also faces challenges, such as the question of debt trap and ESG concerns mentioned above. The geopolitical influences of BRI are not as significant as expected as an economic tool of China's economic diplomacy strategy extension. Similarly, Global Gateway faces the tension of "rules vs. Reality" and is unlikely to replace BRI's financing efficiency and flexibility in the short term. Different acceptance of participating countries towards the two models shows a preference for pragmatic rather than ideological choices. The competition between BRI and Global Gateway shows a long-term trend, extending from "hard infrastructure" to "rules and standards".

The EU's efforts to compete with China in global infrastructure are still in their infancy, with only 225 projects currently underway, compared with China's 3,000. A few relevant studies have compared the Global Gateway and the BRI. One of the reasons is that the project's development still needs to be observed, given the relatively small scale of EU financing and the potential difficulties in its subsequent implementation, such as the acceptance of developing countries. As instability and uncertainty in international relations increase, China-EU relations are also becoming increasingly tense, making global overseas infrastructure show more complex

²⁸³ Heldt, E.C. (2023) 'Europe's Global Gateway: a new instrument of geopolitics,' *Politics and Governance*, 11(4). <https://doi.org/10.17645/pag.v11i4.7098>

²⁸⁴ Niklas, Helwig, and Mikael, Wigell. (2022) *The EU's quest for geoeconomic power: Pursuing open strategic autonomy*. Finnish Institute of International Affairs.

²⁸⁵ Alicia García-Herrero (2024) 'David and Goliath: The EU's Global Gateway versus China's Belt and Road Initiative', *Bruegel*, 16 December. Available at: <https://www.bruegel.org/newsletter/david-and-goliath-eus-global-gateway-versus-chinas-belt-and-road-initiative> (Accessed: 12 May 2025).

dynamic characteristics of confrontation, competition, and cooperation. It is unclear whether the EU's Global Gateway plan is based on the strategic thinking of "containing China" or the competitive and cooperative thinking of further participating in globalisation. However, there is still room for cooperation between the Global Gateway Plan and BRI, and the specific actions still need time to be observed and analysed.

3.5. Conclusion

The Belt and Road Initiative (BRI) is China's mega flagship global infrastructure development plan, an extensive practice of the "Going Out" strategy, complementary to the "A Global Community of Shared Future" strategy. It belongs to China's diplomacy in the new era. China's foreign policy has become more assertive and proactive with its increasing economic capacity. The BRI was born out of the necessity of China's notion and practice of engaging in global multilateralism. Implementing the BRI enhances China's soft power regionally and globally while impacting the geoeconomic and geopolitical order led by the West.

This Chapter examines China's BRI and the EU's Global Gateway through an integrative neorealist lens, highlighting how infrastructure is a key economic tool of structural power in contemporary great power competition. It demonstrates that the BRI has a specific geoeconomic and geopolitical influence on the EU, particularly in critical sectors such as transport and energy infrastructure, weakening EU cohesion through divergent member state responses, and reshaping economic landscapes in key regions such as Southeast Asia. In response, the EU has shifted from initial perceptions of the BRI as an economic opportunity to viewing it as a form of offensive institutional balancing, leading to the launch of the Global Gateway as a defensive institutional countermeasure. The competition between BRI and Global Gateway represents a deeper struggle over rule-setting authority and the future governance of the international order.

Great power competition has transitioned from traditional military arenas to

geoeconomic competition predominantly reliant on economic tools. The infrastructure serves as the core carrier of structural power. The EU must enhance Global Gateway's operability and financing capacity to navigate strategic autonomy. For China, addressing debt sustainability and ESG concerns remains critical to the BRI's long-term legitimacy. Given the qualitative nature of this dissertation, future studies could incorporate quantitative metrics to assess project-level influences. The Global Gateway is still in its early stages, considering that the new European Commission under von der Leyen's second mandate indicates the geoeconomic turn with a more offensive reorientation,²⁸⁶ and the transformation of the BRI is ongoing. Thus, longitudinal tracking will be essential to evaluate the effectiveness of the Global Gateway and the BRI as geoeconomic tools. In an era of strategic competition, infrastructure redefines the foundations of structural power.

²⁸⁶ Veselinović, J. (2025) 'From 'Strategic indispensability' to 'Comprehensive offers': Mapping proposals for the EU's offensive geoeconomic turn,' *The International Spectator*, 60(3), pp. 80-100. <https://doi.org/10.1080/03932729.2025.2495934>

Chapter 4. Complexity and Competitive Interdependence: China-EU Relations Reshaped

The rise of China is the most profound change in the 21st-century international system, as it changes the global balance of power, and its influence on the contemporary international economic and political landscape is unparalleled. The future of changes in the international landscape is exceptionally unpredictable and dynamic. When China was going through difficulties in its early days, Europe progressively established a union via economic collaboration and integration. While the 2008 financial crisis broke out, the EU experienced the Euro sovereign debt crisis and the following challenges of the refugee crisis, Brexit and the COVID-19 pandemic. Although the EU shows incredible resilience in dealing with these challenges, the comparative strength of China and the EU has changed.

China-EU relations enter a new stage where competition and conflicts increase due to the decreasing economic complementarity and growing geopolitical concerns. The EU's 2023 de-risking strategy towards China in the face of increasing economic competition is not entirely mirrored in its member states' strategy. Hungary vetoed an EU declaration critical of China's South China Sea practices,²⁸⁷ and facilitated the establishment of a Chinese electric vehicle (EV) battery plant in Hungary, whilst Sweden officially announced its NATO membership and prohibited Huawei,²⁸⁸ despite both states being non-core EU members with similar levels of economic cooperation with China. This paradox challenges the conventional arguments that economic dependence dictates political alignment.^{289,290}

Existing research has a relatively comprehensive literature on China-EU relations, but a research gap. It can be divided into the following categories: First, it is

²⁸⁷ European Parliament (2023) *Security implications of China-owned critical infrastructure in the European Union*. EP/EXPO/SEDE/FWC/2019-01/LOT4/3/C/15.

²⁸⁸ Hofverberg, Elin. (2022) Sweden: Prohibition on Huawei Products in Swedish 5G Network Upheld. The Library of Congress. Available at: <https://www.loc.gov/item/global-legal-monitor/2022-08-24/sweden-prohibition-on-huawei-products-in-swedish-5g-network-upheld/> (Accessed 8 May 2025).

²⁸⁹ Hirschman, A. (1945) *National power and the structure of foreign trade*. University of California Press eBooks.

²⁹⁰ Gowa, J. and Mansfield, E.D. (1993) 'Power politics and international trade,' *American Political Science Review*, 87(2), pp. 408–420. <https://doi.org/10.2307/2939050>

focused mainly on the game of great powers,²⁹¹²⁹²²⁹³ but has rarely systematically analysed how small states develop differentiated strategies within this competition. This chapter, comparing Hungary and Sweden, proposes a model of small state behaviour based on the type of economic dependence and the degree of security, explaining why similar small states (both non-core members of the EU) have distinct policies toward China. Second, research on China's influence in Europe is polarised. One emphasis is the expansion and penetration of China's influence in Europe.²⁹⁴²⁹⁵ However, it ignores the mechanisms by which EU member states convert China's economic presence into domestic political leverage. Another argues that China's influence is limited,²⁹⁶ but fails to explain why this limited influence still leads to divisions within the EU.

This chapter transforms China's influence into differentiated results and proposes that structural differences in economic dependence and the degree of security are key mediating variables. It explores how small states use great power competition to maximise their autonomy and guard security. It contributes to the existing theory by combining neorealism and Chinese characteristic international relations theory, drawing on moral realism. Existing theories on the strategic choices of small states in great power competition suggest that their behaviour is driven by systemic pressures,²⁹⁷ while hedging theory suggests that small states may achieve risk diversification by relying on Country A for their economy and Country B for their

²⁹¹ Meunier, S. (2019) *Beware of Chinese Bearing Gifts: Why China's Direct Investment Poses Political Challenges in Europe and the United States*. Oxford University Press eBooks.

²⁹² Casarini, N. (2022) 'A European strategic "third way?" The European Union between the traditional transatlantic alliance and the pull of the Chinese market,' *China International Strategy Review*, 4(1), pp. 91–107. <https://doi.org/10.1007/s42533-022-00095-1>

²⁹³ Tunsjø, Ø. (2025) 'The EU's China Strategies: A hedging framework for analysis,' *JCMS Journal of Common Market Studies* [Preprint]. <https://doi.org/10.1111/jcms.13749>

²⁹⁴ Thilo, H. and Daniel, H. R. (2012) *China Invests in Europe: Patterns, Impacts and Policy Implications*. Rhodium Group.

²⁹⁵ Meunier, S. (2019) *Chinese direct investment in Europe: Economic opportunities and political challenges*. Edward Elgar Publishing eBooks.

²⁹⁶ Babić, M. and Dixon, A.D. (2022) 'Is the China Effect Real? Ideational Change and the Political Contestation of Chinese State-Led Investment in Europe,' *The Chinese Journal of International Politics*, 15(2), pp. 111–139. <https://doi.org/10.1093/cjip/poac009>

²⁹⁷ Waltz, K.N. (1979) *Theory of International Politics*. McGraw-Hill Humanities, Social Sciences & World Languages.

security.²⁹⁸²⁹⁹ However, these studies fail to explain why similar small states choose different strategies fully and ignore the role of the autonomy of small states. This chapter incorporates the variable of political leadership and the concept of “rising dilemma” into the additional analysis of the different strategic choices of two country cases and how the small states manoeuvre to guard security.

This chapter is divided into four sections. The first introduces the dynamic state of China-EU economic relations based on trade, investment and the stalled EU-China Comprehensive Agreement on Investment (CAI). The second reviews the circumstances of China’s investment in Europe after the 2008 financial crisis, including its geoeconomic returns and the boundaries of buying influence. It explores the reasons for internal disharmony and the restraining of the external effectiveness of the EU. The third section compares the different strategies of Hungary and Sweden towards China’s rise in Europe via three variables, such as the type of economic dependence, the degree of security and the political leadership. The fourth conclusion gives a general understanding of China-EU dynamic economic relations. It concludes that Hungary adopts a hedging strategy to leverage economic opportunities and enhance autonomy. At the same time, Sweden aligns with the EU’s de-risking strategy, prioritising security and showing a state-level perspective to explain the turbulence within the EU, as it faces China’s rising influence in Europe.

4.1. The Dynamics of China-EU Economic Relations

Economic diplomacy has been a primary and significant content of China-EU relations and a distinctive characteristic of China’s foreign policy. As a comparatively less developed and highly populated country, China has accumulated over the decades to become the world’s factory and second-largest economy based on its continuing

²⁹⁸ Kuik, C.-C. (2016) 'How Do Weaker States Hedge? Unpacking ASEAN states' alignment behavior towards China,' *Journal of Contemporary China*, 25(100), pp. 500–514. <https://doi.org/10.1080/10670564.2015.1132714>

²⁹⁹ Kuik, C.-C. (2021) 'Getting hedging right: a small-state perspective,' *China International Strategy Review*, 3(2), pp. 300–315. <https://doi.org/10.1007/s42533-021-00089-5>

market reform and openness. China's rise and deeper engagement in globalisation have a knock-on effect on China-EU relations.

China and the European Economic Community formally reestablished diplomatic ties on May 6, 1975. China, the European Coal and Steel Community, and the European Atomic Energy Community established diplomatic ties on November 1, 1983. China and the European Community then officially announced the establishment of comprehensive diplomatic relations.³⁰⁰ In 1985, China and the EU signed the first trade agreement, "Agreement on Trade and Economic Cooperation between the European Economic Community and the People's Republic of China." In 1998, the EU released a document titled "Building a Comprehensive Partnership with China." In 2001, China-EU relations and economic ties strengthened, and a comprehensive partnership was established with China joining the WTO. In 2003, China and the EU established a comprehensive strategic partnership.³⁰¹ In 2013, China proposed to deepen the mutually beneficial and win-win China-EU comprehensive strategic partnership, fully implement the "China-EU Cooperation 2020 Strategic Plan", create four significant partnerships of "peace, growth, reform, and civilisation," and further enhance the global influence of China-EU relations.³⁰²

In many respects, the external policy activities of the EU are dominated by economic considerations and the use of economic instruments in a broad sense.³⁰³ Establishing diplomatic relations with the European Community coincided with the beginning of China's reform and opening up. The economic engagement then extended from the regular to high-level trade and economic dialogues between the EU and Chinese leaders and governments after China joined the WTO in 2001. Moreover,

³⁰⁰ Minister of Foreign Affairs of the People's Republic of China (2023) *Relations between China and the European Union*. In Chinese. [中华人民共和国外交部. (2023) 中国同欧盟的关系.]. Available at: https://www.fmprc.gov.cn/web/gjhdq_676201/gjhdqzz_681964/1206_679930/sbgx_679934/ (Accessed: 21 September 2024).

³⁰¹ European Parliament (2021) *A New EU-China Strategy*. Brussels. Available at: https://www.europarl.europa.eu/doceo/document/TA-9-2021-0382_EN.html (Accessed: 19 June 2024).

³⁰² Minister of Foreign Affairs of the People's Republic of China (2013) *China-EU 2020 Strategic Agenda for Cooperation released at 16th China-EU Summit*. Beijing. Available at: https://www.mfa.gov.cn/eng/zy/gb/202405/t20240531_11367275.html (Accessed: 5 July 2024).

³⁰³ Smith, M.S. (2014) 'EU-China relations and the limits of economic diplomacy,' *Asia Europe Journal*, 12(1–2), pp. 35–48. <https://doi.org/10.1007/s10308-014-0374-x>

trade, commerce, investment, infrastructure, energy, environment, and security based on the economic development between China and the EU expand the scope of economic diplomacy in China-EU. It also aligns with the multilateral frame pursued in EU economic diplomacy, such as the multilateral trade system in which China joined the WTO.

The 2008 global financial crisis was a catalytic moment for deepening China-EU relations. China has changed its previous low-key style and is actively negotiating with the European Union and its member states on investment and purchase of government bonds. EU members have different opinions about China's aid. For example, Greece and Hungary complement China's aid to revive the national economy.³⁰⁴³⁰⁵ While Italy criticises China's aid as negative for the domestic economy and opposes granting China Market Economy Status in 2016.³⁰⁶ The trade deficit between China and the EU members and China's increasing investment have raised the EU's economic security concerns regarding reviewing China-EU relations after the financial crisis. Furthermore, it is spreading to the political level as the complicated and intensifying geoeconomic and geopolitical circumstances of the EU after the COVID-19 pandemic, as well as the disagreements and confrictions between China and the EU and within the EU, are growing.

4.1.1. Two Political and Economic Modes of China and the EU

Understanding the structural divergence between China and the European Union is essential for analysing the dynamics of their relationship. They have different political systems and economic foundations. In practice, as a sovereign state with a

³⁰⁴ Thilo, H. and Daniel, H. R. (2012) *China Invests in Europe: Patterns, Impacts and Policy Implications*. Rhodium Group. Available at:

https://rhg.com/wp-content/uploads/2012/06/RHG_ChinaInvestsInEurope_June2012.pdf

³⁰⁵ Reisach, U. (2018) 'Strategic considerations of Chinese investors in Europe,' *Made in China Journal*, 3(4). <https://doi.org/10.22459/mic.03.04.2018.04>

³⁰⁶ Meadhbh, Costello. (2016) *China's market economy status: a political issue*. The Institute of International and European Affairs (IIEA). Available at: <https://www.iiea.com/publications/chinaas-market-economy-status-a-political-issue> (Accessed: 20 October 2024).

one-party system, China is fundamentally different from the EU alliance, meaning that China's strategy guides its actions, while the EU is more reactive to problems and challenges through bargaining, negotiations, debates, and checks stemming from the constitutional separation of powers and based on regular, fair elections.³⁰⁷ Thus, there is coherence and consistency between China's strategy and actions. The EU's strategy and policies are shaped by the different strategies and goals of its member states. The institutional architectures of China and the EU are not merely different as they embody distinct logics of political organisation, decision-making, and economic governance that shape how each actor formulates and executes policy. This section examines these two modes systematically, providing the structural foundation for understanding the co-opetitive interaction analysed in subsequent chapters.

China's Political Economy: The Party-State and Strategic Governance

China's political system is organised around the leadership of the Chinese Communist Party (CCP), which operates as the core institution integrating political authority and policy direction across all levels of governance. The constitutional status of the CCP as "the leading core of the socialist cause with Chinese characteristics" establishes a unified command structure in which party committees operate in parallel to government organs at every administrative level, ensuring policy coherence and implementation capacity. The institutional design is termed "party-state", which enables rapid resource mobilisation and the consistent execution of strategic priorities by integrating the political and administrative functions.³⁰⁸

The decision-making process within this political system is centred on the relationship between the Party and the government. The Party and the government each have their own decision-making systems. For example, the Party Committee

³⁰⁷ Appreciate Professor Pétervári Kinga for her constructive suggestions on the preliminary defence version of the dissertation, which this paper reborrows to describe the political system and decision-making process in the European Union.

³⁰⁸ Ye, M. (2020) *The Belt Road and beyond: State-Mobilized Globalization in China: 1998–2018*. Cambridge University Press.

operates under a collegial system of collective leadership, while the government operates under a system of responsibility for the chief executive. However, due to the integration of Party and government functions, in practice, the two have formed a composite decision-making system that combines the chief executive system with the collegial system.³⁰⁹ Therefore, China's decision-making process is not a one-dimensional game of interests or rational exploration, but a complex process involving the interaction of political and technological logics, namely, 'consensus-based' decision-making, which is a dual interaction of goal-oriented and problem-oriented approaches.³¹⁰

China operates under the framework of a "socialist market economy," a formulation that signifies the integration of market mechanisms with significant state ownership and strategic planning,³¹¹ characterised as centralised leadership, a mixed economy, and cooperation or synergy between private and public economic entities in various forms.³¹² The hybrid model enables the government to use state-owned enterprises as tools for industrial policy, as stabilisation mechanisms during economic fluctuations, and as vehicles for implementing long-term development strategies.³¹³ Some scholars describe China's economic model as the "party-state capitalism," which applies security logic (i.e., securitisation) to national economic intervention.³¹⁴³¹⁵ However, Chinese scholar also questions why use the label to differ

³⁰⁹ Qianwei, Z. (2025) 'The evolution of Party–Government relations and the impact on Decision-Making in China,' *China Policy Journal*, 3(1). <https://doi.org/10.18278/cpj.3.1.6>

³¹⁰ Zeng Wangfeng (2025) 'The Dual Logic of Politics and Technology: An Integrative Explanation of China's Decision-Making Process,' *Journal of the Party School of CPC Ningbo*, (47), pp. 67-76. In Chinese. [曾望峰 (2025) 《政治与技术的双重逻辑:对中国决策过程的一个整合性解释》中共宁波市委党校学报, 2025 年第 5 期, 第 47 卷.]

³¹¹ Brandt, L. and Rawski, T.G. (2008) *China's great economic transformation*. Cambridge University Press eBooks.

³¹² Nis, Grünberg. and Claudia, Wessling. (2021) *THE CCP'S NEXT CENTURY: Expanding economic control, digital governance and national security*. MERICS. Available at: https://merics.org/sites/default/files/2021-07/MERICSPapersOnChinaCCP100_3_1.pdf

³¹³ Nazeer *et al.* (2025) 'The Functional Strategies of the 21st-Century Socialist Market Economy of China: An Overview,' *Annals of Human and Social Sciences*, 6(1). [https://doi.org/10.35484/ahss.2025\(6-I\)62](https://doi.org/10.35484/ahss.2025(6-I)62)

³¹⁴ Nis, Grünberg. and Claudia, Wessling. (2021) *THE CCP'S NEXT CENTURY: Expanding economic control, digital governance and national security*. MERICS. Available at: https://merics.org/sites/default/files/2021-07/MERICSPapersOnChinaCCP100_3_1.pdf

³¹⁵ Pearson, M.M., Rithmire, M. and Tsai, K.S. (2022) 'China's Party-State capitalism and international backlash: From interdependence to insecurity,' *International Security*, 47(2), pp. 135–176. https://doi.org/10.1162/isec_a_00447

it from the socialist market economy. For example, Qiu (2018) argues that the “state capitalism,” a Lenin-proposed term from communist political economy rather than Western economics, has been abused to characterise growing market economies like China.³¹⁶

Despite the debate over “state capitalism,” the “party-state” collegial political system and the “socialist market economy” enable the coherence of China’s strategies. After the establishment of a policy objective for economic development—such as the Belt and Road Initiative or the “dual circulation” development model—it may be pursued consistently across various fields and across prolonged timeframes.³¹⁷ The ability to sustain strategic action is a defining characteristic of the Chinese model, setting it apart from political systems marked by regular electoral changes and multi-party negotiations.

The EU’s Political Economy: Multi-Level Governance and Consensus Decision-Making

The EU presents a fundamentally different institutional configuration. As a political system, it integrates supranational and intergovernmental components within a complicated framework that reconciles the sovereignty of its member states with collective action in areas of mutual competence. The EU is not a state but a “multi-level governance” system wherein authority is dispersed across the European Commission (proposing and executive functions), the Council of the European Union (member state representation), the European Parliament (directly elected representation), and national governments responsible for implementation and transposition of EU law.³¹⁸ This institutional fragmentation establishes several veto points and requires ongoing negotiation among stakeholders with differing mandates

³¹⁶ Qiu shi (2018) 'Recognize the truth about the problem of "state capitalism."', *Qiushi*, 1 September. In Chinese. [《认清“国家资本主义”问题的真相》来源:《求是》作者: 秋石] Available at: https://www.qstheory.cn/dukan/qs/2018-09/01/c_1123362691.htm (Accessed: 18 February 2026).

³¹⁷ Xianqing, W. (2025) *Understanding China’s path to modernization*. CITIC Press Corporation.

³¹⁸ Hooghe, L. and Marks, G.W. (2001) *Multi-Level governance and European integration*. Rowman & Littlefield Publishers.

and constituencies.

The decision-making process is defined as ‘consensus culture,’ with informal norms for consensus decisions around 81 percent, alongside formal voting rules.³¹⁹ Pourebrahimi (2025) further proposes a ‘consensus model’ to integrate formal procedural and informal negotiation methods and explains how member states reach consensus through an iterative bargaining model that determines whether challenges, given their national interests, serve as the starting point for negotiations proposed by the European Commission.³²⁰ It reflects a deeply embedded practice of seeking broad agreement within the EU. The EU’s decision-making process demonstrates features that differ from those of a unitary state: policy development involves multiple players with independent sources of legitimacy, execution relies on national governments with differing preferences and capabilities, and the overall system favours negotiation and compromise rather than hierarchical control.³²¹

The EU’s economic governance reflects its political structure, functions not as a singular economic entity but as a composite of distinct national economies. The single market operates on principles of regulatory harmonisation and mutual recognition, coordinated through an extensive framework of EU legislation and overseen by the Commission and the Court of Justice. Member states retain primary responsibility for fiscal policy, social protection, and industrial strategy.³²² Although goods and services circulate freely within the single market, key factors of production—capital, labour, and innovation—remain subject to state-specific regulation. Thus, it creates competition within the domestic market and hinders a coordinated response to external shocks.³²³

³¹⁹ Heisenberg, D. (2005) ‘The institution of ‘consensus’ in the European Union: Formal versus informal decision-making in the Council,’ *European Journal of Political Research*, 44(1), pp. 65–90. <https://doi.org/10.1111/j.1475-6765.2005.00219.x>

³²⁰ Pourebrahimi, A. (2025) ‘A consensus model in legislative decision-making: The council of the European Union,’ *European Policy Analysis*, 12(1). <https://doi.org/10.1002/epa2.70005>

³²¹ Richardson, J. and Mazey, S. (2015) *European Union: Power and Policy-making*. Routledge.

³²² Data from the official introduction of the single market of the European Commission. Available at: https://single-market-economy.ec.europa.eu/single-market_en (Accessed: 26 February).

³²³ European Commission (2025) *The 2025 Annual Single Market and Competitiveness Report*. Brussels. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52025DC0026>

Therefore, the two fundamentally different political and economic systems of China and the EU—between the stability and unity of a one-party system and the bargaining, negotiation, and checks characteristic of democratic governance—create persistent challenges in bilateral interaction despite neither being inherently superior. Chinese partners desiring predictable, long-term collaboration may perceive the EU’s consensus-driven decision-making as frustratingly slow and prone to reversal. European partners pursuing transparency and accountability may perceive China’s strategic coherence as obscure and its internal decision-making procedures as incomprehensible. These structural tensions, rooted in divergent political and economic modes, constitute the deep background against which the specific dynamics of China-EU relations—explored in subsequent sections—must be understood.

4.1.2. Trade Imbalance

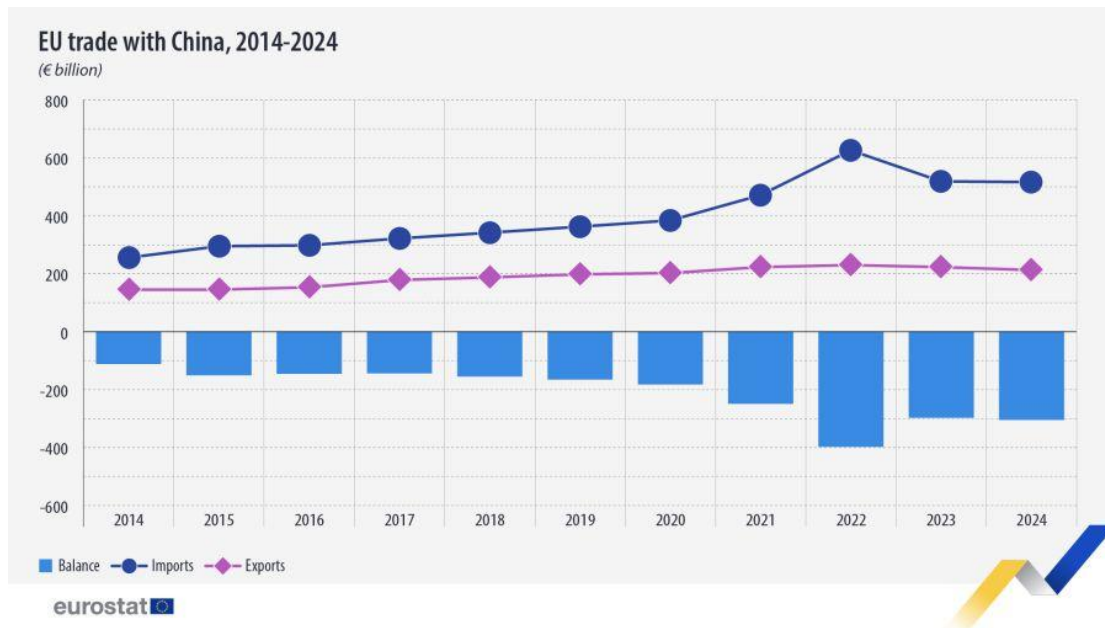
China is the EU’s most significant trade partner, as it is the EU’s third-largest partner for exports (8.3%) and its biggest for imports (21.3%), with bilateral trade in goods reaching €732 billion in 2024.³²⁴ However, the EU has consistently experienced a trade deficit with China (See Figure 12), which peaked at approximately €305 billion in 2024.³²⁵ The trade deficit has become a prominent issue and a flashpoint in China-EU economic relations. While most economists disagree on viewing bilateral trade surpluses as a measure of trade benefits, the idea has gained political traction with the US-China trade war.³²⁶

Figure 12: EU trade in goods with China, 2014-2024

³²⁴ Eurostat (2025) *China-EU - international trade in goods statistics*. Available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=China-EU_-_international_trade_in_goods_statistics (Accessed: 15 February 2025).

³²⁵ Ibid.

³²⁶ European Parliament (2020) *EU-China trade and investment relations in challenging times*. Brussels. Available at: [https://www.europarl.europa.eu/thinktank/en/document/EXPO_STU\(2020\)603492](https://www.europarl.europa.eu/thinktank/en/document/EXPO_STU(2020)603492)



Source: Eurostat

As the largest developing country, China benefited from reducing the tariffs faced by its exporters because of the principle of being the most favoured nation since it joined the WTO in 2001. Most trade between China and the EU involves mechanical, electrical, and labour-intensive goods, with very little service trade. With the development of China Railway Express under the Belt and Road Initiative, transportation costs have been reduced, and transportation time has been shortened, which has increased the export volume of goods. Based on the Chinese government's official data, the total number of China-Europe freight trains has exceeded 110,000, and the value of goods shipped has exceeded US\$450 billion by 2025.³²⁷ The increase in export trade has dramatically stimulated the recovery of China's domestic economy after the impact of the COVID-19 pandemic.

However, the EU questions whether it is still necessary to apply the principle of being the most-favoured-nation to China, as it has the second-largest world economy. As discussed above, the EU trade imbalance of goods with China is still an evident situation and challenge for economic cooperation. In 2024, only two of the 27 EU member states had a trade surplus with China, while the rest had trade deficits to

³²⁷ Based on the data center of the China Railway Express (2025) Available at: <https://www.crexpress.cn/zoblmenu/en/allTraffic> (Accessed: 12 August 2025).

varying degrees (See Figure 13). The EU used trade-defence instruments such as anti-dumping measures to maintain a mutual trade balance, but still failed to change the situation. The number of anti-dumping cases initiated by the EU against China has decreased significantly in recent years. For example, in 2019, the EU initiated five anti-dumping cases against China, and the EU only initiated two anti-dumping cases against China. Anti-dumping measures have proven to be limited in improving the trade deficit.³²⁸

Figure 13: EU trade balance of goods with China, 2024

EU trade balance of goods with China, 2024
(€ million)

	€ million
Ireland	144
Luxembourg	80
Malta	-319
Finland	-442
Latvia	-631
Estonia	-740
Austria	-878
Cyprus	-911
Slovakia	-1 324
Croatia	-1 351
Lithuania	-1 675
Bulgaria	-1 997
Denmark	-2 813
Sweden	-3 766
Portugal	-4 509
Germany	-5 826
Greece	-6 529
Romania	-7 118
Hungary	-8 718
Slovenia	-8 931
France	-19 852
Czechia	-22 449
Belgium	-24 224
Spain	-29 374
Poland	-30 989
Italy	-34 234
Netherlands	-85 160

Source: Eurostat (online data code: DS-059331)



Source: Eurostat

Based on the current state of the China-EU trade relationship, this section explores the following research questions: Is the China-EU trade relationship

³²⁸ European Parliament (2020) *EU-China trade and investment relations in challenging times*. Brussels.

Available at: [https://www.europarl.europa.eu/thinktank/en/document/EXPO_STU\(2020\)603492](https://www.europarl.europa.eu/thinktank/en/document/EXPO_STU(2020)603492)

complementary or substitutive? Are the two sides moving towards cooperation, negotiation, risk reduction, or economic decoupling? To find the challenges and opportunities in the trade relations of China and the EU.

Is the China-EU trade relationship complementary or substitutive?

Regarding the volume of China-EU trade, the two sides undoubtedly remain each other's most important trading partners, and both sides' markets are attractive. However, the shift in perception of the EU towards China is a red light signal. For the EU, questions arise about whether applying the most-favoured-nation principle to China is still necessary, as it has been the second-largest world economy. The EU positioned China as a significant global actor, a cooperation partner in different areas, an economic competitor, and a systematic rival in global governance in 2019.³²⁹ Furthermore, the narrative toward China has taken a decisive turn with the release of the *European Economic Security Strategy* in 2023. In this document, the EU states aim to manage their economic risks to protect economic security by strengthening their resilience in the supply chain, diversifying import and export markets, and building foreign investment screening mechanisms.³³⁰ Although China is not mentioned directly, these measures are closely related to China.

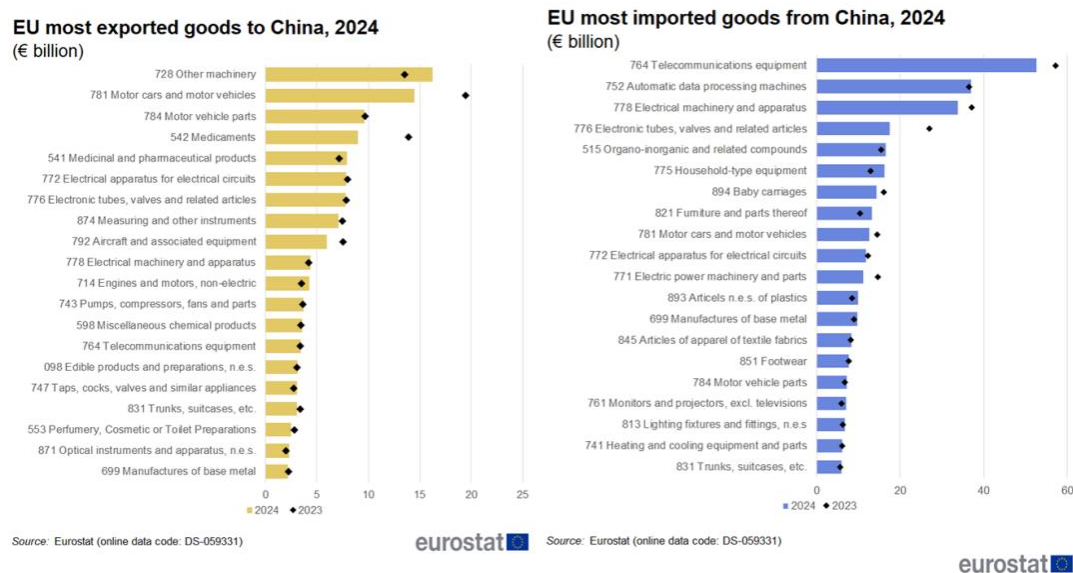
The rapid globalisation process involves a vast market for China's exports. During the 1990s, China mainly exported labour-intensive goods before joining the WTO, while the EU exported capital-intensive products. At this time, there is an evident complementarity in China-Europe trade imports and exports. In 2023, the categories of most exported goods from the EU to China are high-end finished products, such as cars, medical equipment, semiconductors and aircraft. The EU's imports from China are comparatively middle-end products, such as

³²⁹ European Commission (2019) *EU-China – A strategic outlook*. Brussels. Available at: <https://op.europa.eu/en/publication-detail/-/publication/3a5bf913-45af-11e9-a8ed-01aa75ed71a1/language-en>

³³⁰ European Commission (2023) *European Economic Security Strategy*. Brussels. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52023JC0020&qid=1687525961309>

telecommunication equipment and electronic components (See Figure 14).

Figure 14: EU Most Exported and Imported Goods to and from China, 2024



Source: Eurostat

This balance is still there today. The idea of complementarity has not changed, but the competitive side is strengthening.³³¹ Koopman, Wang and Wei (2011) indicate that China's exports of high-tech products are closely integrated with the global supply chain provided by other countries, and China has been profoundly involved in the global supply chain. Consequently, there is some overlap between the EU's and China's exports.³³² Moreover, China's incremental technological progress and its entry into the high-tech sector of developed countries would exert a substantial influence on the capital and technology-driven trade upon which these nations heavily rely.

Technological transformation may be inevitable for China, a country with a large population, as the old paradigm of relying on cheap labour becomes less sustainable

³³¹ Alicia, G. H. and Jianwei, Xu. (2022) 'EU-China Trade: A Review of the Facts and Where We Stand', in Kim, Y.-C. (ed.) *China and the Belt and Road Initiative: Trade Relationships, Business Opportunities and Political Impacts*. Springer.

³³² Koopman, R., Wang, Z. and Wei, S.-J. (2011) 'Estimating domestic content in exports when processing trade is pervasive,' *Journal of Development Economics*, 99(1), pp. 178–189. <https://doi.org/10.1016/j.jdeveco.2011.12.004>

in the face of rapid growth in labour income and an ageing population. Moreover, under the goal requirements of *Made in China 2025*, technological transformation and industrial upgrading are imperative for China. In other words, China is searching for a new area to sustain its economic development, which is resulting in a heightened level of competition with the high-end technology sector of the EU.³³³

Given that there is still a complementarity between China and EU trade relations, interdependence in goods trade will continue to be a feature of China-EU trade relations. In this respect, China-EU trade still has great potential for cooperation. Considering the potential arrival of the China-US trade war 2.0 or the China-US trade agreement, the focus is on how China-EU trade adapts to the new world economic order. However, the EU and China have to face the fact that the economic complementarity between China and the EU is weakening, which means that China and the EU will inevitably compete more on the same level.³³⁴ The primary issue in trade cooperation for the two sides is how to walk steadily on the balance beam of delicate competition and cooperation without further exacerbating European concerns.

Are the two sides moving towards cooperation, negotiation, risk reduction, or economic de-coupling?

The latest document, *EU-China relations: De-risking or de-coupling – the future of the EU strategy towards China*, released in 2024 by the European Parliament, signals the upgrading of the EU strategy on China, indicating that de-risking and coexisting cooperation. In 2022, the EU realised that over-dependence on imports of key goods could become a significant security issue for the EU.³³⁵ The

³³³ Alicia, G. H. and Jianwei, Xu. (2022) 'EU-China Trade: A Review of the Facts and Where We Stand', in Kim, Y.-C. (ed.) *China and the Belt and Road Initiative: Trade Relationships, Business Opportunities and Political Impacts*. Springer.

³³⁴ John, Fox. and François, Godement. (2009) *A Power Audit of EU-China Relations*. European Council on Foreign Relations (ECFR). Available at: https://ecfr.eu/archive/page/-/ECFR12_-_A_POWER_AUDIT_OF_EU-CHINA_RELATIONS.pdf

³³⁵ Alicia, García-Herrero. and Abigaël, Vasselier. (2024) 'Updating the EU strategy on China: co-existence while derisking through partnerships', *Bruegel*, 31 October. Available at: <https://www.bruegel.org/policy-brief/updating-eu-strategy-china-co-existence-while-derisking-through-partnerships> (Accessed: 17 January 2025).

interdependent commercial relationship is increasingly burdensome amid escalating geopolitical tensions resulting from supply constraints linked to the Russia-Ukraine conflict and China's zero-COVID policy. The European Commission is, therefore, looking for ways to reduce interdependence with China.³³⁶

The prevailing opinion is that the EU must avoid total decoupling from China and concentrate on specific actions where dependencies or risks are present. In this context, the EU has proposed a de-risking policy to mitigate the risks associated with economic and technological collaboration with China.³³⁷ China is the predominant producer of magnesium (used in fuel cells), indium, germanium, gallium, and silicon (employed in photovoltaic cells), as well as rare earth elements (applied in wind power plants and electric motors).³³⁸ A wide range of raw materials is crucial for Europe's energy transformation. The existing reliance on China in this domain is a compromise between sustainability and industrial autonomy.³³⁹ Nevertheless, the EU has begun diversifying its supply markets for raw materials, such as Australia, Brazil and Malaysia, by implementing the *Critical Raw Materials Act*.³⁴⁰ Furthermore, the European Commission has reiterated its intention to move towards EU industrial sovereignty by putting forward the *European Chips Act*.³⁴¹

The European Commission President, Ursula von der Leyen, states that it is significant for the EU to understand China's position in the Russo-Ukrainian War, indicating that the EU's position on China has not softened. However, she also

³³⁶ European Commission (2022) 'Opening remarks by President von der Leyen at the joint press conference with President Michel following the meeting of the European Council', *Statement*, 21 October. Brussels. Available at: https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT_22_6322

³³⁷ European Parliament (2024) *EU-China relations: De-risking or de-coupling – the future of the EU strategy towards China*. Brussels. Available at: [https://www.europarl.europa.eu/thinktank/en/document/EXPO_STU\(2024\)754446](https://www.europarl.europa.eu/thinktank/en/document/EXPO_STU(2024)754446)

³³⁸ Cappelletti, F. and Pogorel, G. (2024) *Sustainable? Competitive? The EU's industrial autonomy – facts and fantasies*. The European Liberal Forum. Available at: <https://doi.org/10.53121/elfs7>

³³⁹ Alexander, Sandkamp. (2024) *EU-China trade relations: Where do we stand, where should we go?* Kiel Institute for the World Economy.

³⁴⁰ European Commission (2023) *Critical Raw Materials: ensuring secure and sustainable supply chains for EU's green and digital future*. Brussels. Available at: https://ec.europa.eu/commission/presscorner/detail/en/ip_23_1661

³⁴¹ *The European Chips Act 2023*, on Article 22 Alerts and preventive action. Available at: https://www.european-chips-act.com/European_Chips_Act_Article_22.html (Accessed: 12 January 2024).

stressed that the EU will not seek to decouple its economy from China but will call for reducing risks. She also emphasised that continued dialogue and cooperation with China are critical for the healthy engagement of the China-EU relationship.³⁴² It is the priority of the EU to decide how to implement the de-risking policy in the coming years, given the increasing tension between China-EU economic relations and the China-US confrontation. Assessing the existing dependencies and potential risks should consider different views, such as EU institutions, national governments and European companies. The following section reviews China's increasing investment in Europe from 2008 to 2024, to explore the extent of China's investment in different EU member states and assess the attendant influences to make the EU choose a de-risking strategy towards China.

4.1.3. China's Increasing Investment and Its Influences on the EU

Compared to the trade imbalance between China and the EU, direct investments of China-EU are in a fluid state of balance. Chinese foreign direct investment (FDI) flows (including acquisitions and greenfield investments) peaked in 2016. In contrast, the recent investment flows from EU enterprises to China exhibit a generally consistent trend and are presently similar to Chinese FDI in the EU.³⁴³ Key sectors shifted from infrastructure to greenfield tech projects, as shown in the following: infrastructure and energy (2010-2016) to high-tech Mergers and acquisitions (M&A) (2017-2020) to greenfield research and development (R&D) (2021-2024).³⁴⁴ The EU direct investment inflow into China is far greater than China's investment in the EU in

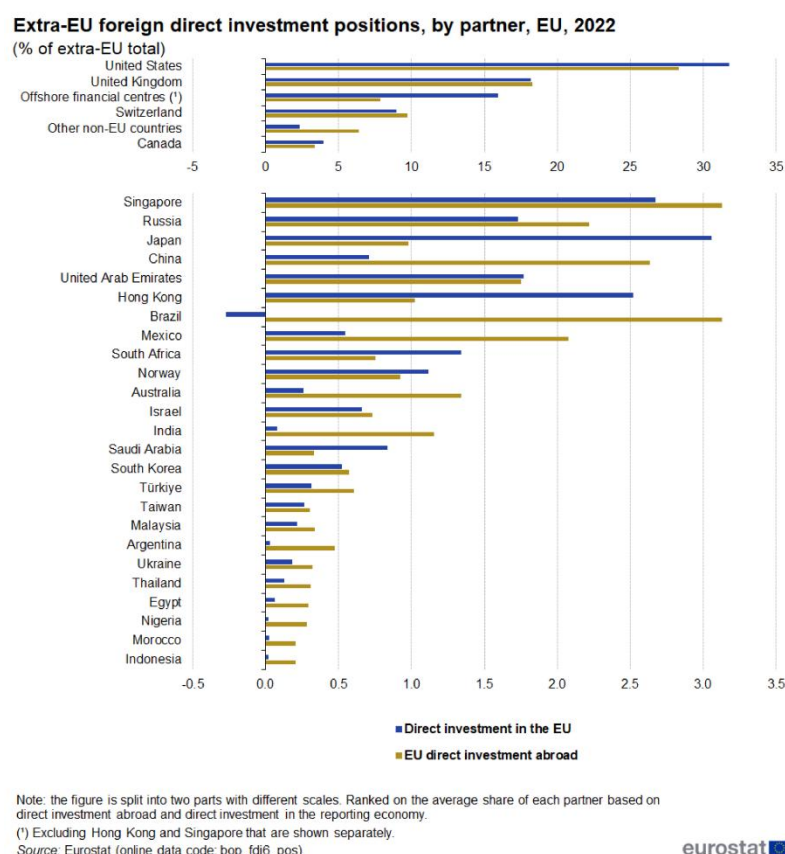
³⁴² European Commission (2023) 'Speech by President von der Leyen on EU-China relations to the Mercator Institute for China Studies and the European Policy Centre', *Speech*, Brussels, 30 March. Available at: https://ec.europa.eu/commission/presscorner/detail/en/speech_23_2063 (Accessed: 5 June 2024).

³⁴³ Pau, Durá. and Frank, Vandermeeren. (2024) *EU-China FDI: recent trends and implications on EU exposure, Single Market Economics Briefs*. European Commission. Available at: https://single-market-economy.ec.europa.eu/publications/eu-china-fdi-recent-trends-and-implications-eu-exposure_en

³⁴⁴ Agatha, K. Max, J. Z. Alexander, B. Gregor, S. and Armand, M. (2024) *Dwindling investments become more concentrated - Chinese FDI in Europe: 2023 Update*. Berlin: Rhodium Group and the Mercator Institute for China Studies (MERICS). Available at: <https://merics.org/sites/default/files/2024-08/merics-rhodium-group-chinese-fdi-in-europe-2023.pdf>

2022 (See Figure 15). However, many European companies complain about the lack of equal treatment and face strict Chinese market access for European companies compared to Chinese state-owned enterprises (SOEs) in most industries.³⁴⁵

Figure 15: Extra-EU Foreign Direct Investment Positions, by partner, EU, 2022



Source: Eurostat

From 2014 to 2017, Chinese investment in Europe saw explosive growth. From 2014, investment flows reached 10.84 billion U.S. dollars and peaked at 18.46 billion U.S. dollars in 2017. Yet, investment has declined since 2018 due to the influence of uncertainty in the global investment environment, and it maintained an average of around 10 billion U.S. dollars from 2019 to 2023 (See Figure 11). China's economy has transitioned from fast development to a phase of relative stability, anticipated to

³⁴⁵ The European Union Chamber of Commerce in China (2024) *Riskful Thinking: Navigating the Politics of Economic Security*. Available at: https://www.europeanchamber.com.cn/en/publications-archive/1175/Riskful_Thinking_Navigating_the_Politics_of_Economic_Security

continue as the population ages and urbanises.³⁴⁶ Besides, the EU's rate of return on China's direct investment is not optimistic,³⁴⁷ and concerns about China's increasing investments in critical industries, such as manufacturing, information and communication technology (ICT), energy, and retail.

There are different opinions among various circles in the EU on the influence of Chinese FDI on the EU. The earlier conclusion is that the emergence of Chinese outward foreign direct investment (OFDI) may influence European politics in three dimensions. Such as among European nations, within European nations, and between Europe and other countries.³⁴⁸ Some economists ascribe the increase in Chinese investment to market dynamics, citing China's rising economic capacity and domestic market as the primary drivers.³⁴⁹³⁵⁰ Sukhonos (2019) concludes that China's investment in EU nations seeks to acquire advanced technology, access the European and third-country markets, and obtain European trademarks.³⁵¹ While European authorities are increasingly aware that the drawbacks of divesting essential infrastructure, strategic assets, and sensitive technologies to China surpass the advantages of Chinese investment in these sectors.³⁵² Meunier (2019) argues that Beijing is motivated by geopolitical ambitions and has used investment and financial resources to strengthen its European alliances.³⁵³

³⁴⁶ IMF (2023) *Global Economy to Slow Further Amid Signs of Resilience and China Re-opening*. Available at:

<https://www.imf.org/en/Blogs/Articles/2023/01/30/global-economy-to-slow-further-amid-signs-of-resilience-and-china-re-opening>

³⁴⁷ Alicia, García-Herrero. and Abigaël, Vasselier. (2024) 'Updating the EU strategy on China: co-existence while derisking through partnerships', *Bruegel*, 31 October. Available at: <https://www.bruegel.org/policy-brief/updated-eu-strategy-china-co-existence-while-derisking-through-partnerships>

³⁴⁸ Meunier, S. (2014) 'A Faustian bargain or just a good bargain? Chinese foreign direct investment and politics in Europe,' *Asia Europe Journal*, 12(1–2), pp. 143–158. <https://doi.org/10.1007/s10308-014-0382-x>

³⁴⁹ Hanemann, T., Rosen, D.H. (2012) *Chinese Direct Investment in Europe*. Rhodium Group. Available at: https://rhg.com/wp-content/uploads/2012/06/RHG_ChinaInvestsInEurope_June2012.pdf

³⁵⁰ Reisach, U. (2018) 'Strategic considerations of Chinese investors in Europe,' *Made in China Journal*, 3(4). <https://doi.org/10.22459/mic.03.04.2018.04>

³⁵¹ Sukhonos, Yu. S. (2019). 'China's Foreign Direct Investments and Their Influence on the EU Countries,' *Business Inform*, 12, pp. 51-56. In Ukrainian. <http://jnas.nbu.gov.ua/article/UJRN-0001106440>

³⁵² Meunier, S. and Nicolaidis, K. (2019) 'The geopoliticization of European trade and investment policy,' *JCMS Journal of Common Market Studies*, 57(S1), pp. 103–113. <https://doi.org/10.1111/jcms.12932>

³⁵³ Meunier, S. (2019) *Beware of Chinese Bearing Gifts: Why China's Direct Investment Poses*

Both arguments have their ground, as Chinese investments' economic and political influences towards the EU are complex and have multiple effects for each member state. Moreover, the arguments about the influences of China's direct FDI on the EU raise the question of whether and how Chinese strategic investments can reshape domestic politics in the target country by supporting specific sectors, whose firms then persuade their government to adopt policies that align with Beijing's preferences. This section explores and articulates this critical question by analysing the geoeconomic results and the boundaries of buying influence of China's increasing investment in the EU.

Geoeconomic Returns

China's investment in the EU is a continuous process, and it has attracted attention from many parties due to a large amount of investment in the last fifteen years. The academics generally believe there are two main reasons for China's increasing investment. One is China's domestic industry overcapacity and fierce market competition, which forced companies to look to overseas markets, coinciding with the European Union's expansion.³⁵⁴ Another is that the euro debt crisis brought opportunities.³⁵⁵ Given the diverse nature of the EU, an EU-wide body to vet foreign investments takes work to come by. The EU is not a state but a market. National security, encompassing national defence and public safety, is the purview of each sovereign state. Member states have different tolerances for competition, making it difficult to reach a consensus on foreign investment issues.³⁵⁶ The cohabitation of fragmented national approaches and the lack of consistency between existing

Political Challenges in Europe and the United States. in Oxford University Press eBooks, pp. 345–359.
<https://doi.org/10.1093/oso/9780198827450.003.0019>

³⁵⁴ Cheng, S., Stough, R.R. and Kocornik-Mina, A. (2006) 'Estimating the economic consequences of terrorist disruptions in the national capital region: an application of Input-Output analysis,' *Journal of Homeland Security and Emergency Management*, 3(3), pp.1-21.
<https://doi.org/10.2202/1547-7355.1226>

³⁵⁵ Nicolas, F. (2014) 'China's direct investment in the European Union: challenges and policy responses,' *China Economic Journal*, 7(1), pp. 103–125.
<https://doi.org/10.1080/17538963.2013.874070>

³⁵⁶ Ibid.

regulations constitute a significant vulnerability for the EU. Foreign investors may take advantage of these regulatory disparities, which may be a source of conflict within the EU.³⁵⁷

Following the financial crisis, China boosted its investments in the EU, including purchasing sovereign debt bonds issued primarily by southern European nations, which aided their recovery. It intensified competition among members who attempt to attract Chinese investment.³⁵⁸ From 2010 to 2011, China bought an estimated €1.1 billion in Portuguese sovereign debt and is one of the major buyers.³⁵⁹ Spain also sold its public debt of €6 billion in 2011 to China.³⁶⁰ The same year, Premier Wen Jiabao pledged to buy Greek government bonds when they started issuance, demonstrating Chinese support for the country whose debt burden plunged the eurozone into crisis and necessitated an international rescue. Although China's financial resources were crucial to these individual European countries, bond purchases alone could not avert the European Monetary Union's serious catastrophe.

Furthermore, the EU is curious and sceptical about why China invested so much in the EU. From an economic perspective, the financial crisis allowed China to expand its cooperation with EU member states and deepen its economic cooperation with the EU. China encourages RMB internationalisation and creates a closer economic connection between China and the EU by promoting bilateral development of trade and investment. For example, the Bank of England is the first to convert 3 billion yuan via a significant offshore sovereign RMB bond, preserving the RMB revenues within its foreign exchange reserves.³⁶¹ In 2015, the headquarters of China

³⁵⁷ Meunier, S. (2014) 'Divide and conquer? China and the cacophony of foreign investment rules in the EU,' *Journal of European Public Policy*, 21(7), pp. 996–1016.
<https://doi.org/10.1080/13501763.2014.912145>

³⁵⁸ Meunier, S. (2014) 'Beggars can't be Choosers': The European Crisis and Chinese Direct Investment in the European Union,' *Journal of European Integration*, 36(3), pp. 283–302.
<https://doi.org/10.1080/07036337.2014.885754>

³⁵⁹ Chris G. (2011) 'China buys Portuguese sovereign debt', *Portugal Resident*, 14 January. Available at: <https://www.portugalresident.com/china-buys-portuguese-sovereign-debt/> (Accessed: 13 May 2023).

³⁶⁰ Reuters (2011) 'China to buy 6 billion euros of Spanish debt: report', *Reuters*, 6 January. Available at: <https://www.reuters.com/article/business/china-to-buy-6-billion-euros-of-spanish-debt-report-idUSTRE7051NE/> (Accessed: 13 May 2023).

³⁶¹ Bank of China (2016) 'Bank of China Successfully Arranged the First Chinese Sovereign RMB Bond Issued Outside of China to List at London Stock Exchange', 8 June.

Europe International Exchange was established in Frankfurt, serving as the national strategy of the RMB internationalisation and the “Belt and Road” Initiative.³⁶² The same year, Hungary launched the Budapest Renminbi Initiative to lead the RMB provider in Central and Eastern Europe.³⁶³ The RMB constituted around 40% of bilateral payments and 20% of bilateral trade and services in 2016.³⁶⁴

Another key indicator of Chinese direct investment in the EU is the type of mergers and acquisitions it engages in. For example, Chinese automaker Geely acquired Volvo for \$1.8 billion in 2010.³⁶⁵ Although this is not a large-scale acquisition project, it helps China better grasp how the international market works and sets the way for the current entry of electric vehicles into the European market. Chinese FDI gradually shifts up and down the EV value chain. Chinese suppliers of battery components such as cathodes and anodes have announced two greenfield projects worth more than a billion euros each, with construction slated to begin in 2024.³⁶⁶

A similar investment case is China’s Three Gorges Europe, which had an indirect presence in the Portuguese energy market through its ownership in EDP (Energias de Portugal) in 2011—the country’s leading electrical company. China Three Gorges Europe is EDP’s largest stakeholder. Since becoming shareholders, the two businesses have formed a long-term strategic collaboration to promote the deployment of

Available at: https://www.bankofchina.com/en/bocinfo/bi1/201606/t20160608_7046402.html (Accessed: 18 August 2024).

³⁶² China Construction Bank (2015) 'China Construction Bank and China Europe International Exchange Sign Memorandum', 30 October. Available at: https://en.ccb.com/eng/2021-01/22/article_2021012215420587776.shtml (Accessed: 18 August 2024).

³⁶³ Central Bank of Hungary (2015) 'The Hungarian Central Bank’s Renminbi Programme (JRP)', 19 February. Available at: <https://www.mnb.hu/en/pressroom/press-releases/press-releases-2015/the-hungarian-central-bank-s-renminbi-programme-jrp> (Accessed: 18 August 2024).

³⁶⁴ Reilly, J. (2021) *Orchestration: China’s Economic Statecraft Across Asia and Europe*. Oxford University Press, USA.

³⁶⁵ 'Zhejiang Geely completes acquisition of Volvo Car Corporation. Stefan Jacoby named President and CEO of Volvo Cars,' (2010).

Available at: <https://www.media.volvocars.com/global/en-gb/media/pressreleases/34397>

³⁶⁶ Sustainable Bus (2024) 'Hungary - the future paradise for EV battery manufacturers?', *Sustainable Bus*, 28 June. Available at: <https://www.sustainable-bus.com/news/hungary-battery-plants-ev-projects/> (Accessed 26 November 2024).

renewable energy in Europe and around the world.³⁶⁷ China's increasing investments or acquisitions in the EU correspond to the EU's concerns about the potential loss of technology and intellectual rights. However, the number and value of Chinese acquisitions of EU businesses have decreased since 2019. On the one hand, the composition of China's outbound direct investment has shifted, with greenfield investment surpassing mergers and acquisitions.³⁶⁸ On the other hand, EU member states have increased their scrutiny of foreign acquisitions.

The payoff came in 2016, as the IMF added the Chinese Renminbi to the Special Drawing Rights Basket.³⁶⁹ Saving the euros helps China diversify its foreign exchange reserve currencies and create a more stable international financial system where the US dollar is no longer dominant.³⁷⁰ These measurements mitigated the euro's depreciation due to debt shocks at the time and stabilised the euro's position in the international monetary system. China's effort to internationalise the RMB is one of the impacts of its European purchase diplomacy. More significantly, due to its diverse foreign currency reserves, China reduces its dependency on the US's economic cycle and monetary policy.³⁷¹ Furthermore, China's investment in the energy sector has helped Chinese electric vehicles and batteries gain a certain leading foothold in the European market and global supply chain.

The EU Foreign Direct Investment Screening Regulation was fully operational in October 2020.³⁷² Six percent of 488 ultimate investors in FDI notified cases by

³⁶⁷ 'EDP and China Three Gorges establish strategic partnership,' (2011) Available at: <https://www.edp.com/es/noticias/edp-and-china-three-gorges-establish-strategic-partnership> (Accessed 26 November 2024).

³⁶⁸ Agatha, K. Max, J. Z. Alexander, B. Gregor S. and Armand M. (2024) *Dwindling investments become more concentrated - Chinese FDI in Europe: 2023 Update*. Berlin: Rhodium Group and the Mercator Institute for China Studies (MERICS). Available at: <https://merics.org/sites/default/files/2024-08/merics-rhodium-group-chinese-fdi-in-europe-2023.pdf>

³⁶⁹ *IMF adds Chinese renminbi to special drawing rights basket* (2016). <https://www.imf.org/en/News/Articles/2016/09/29/AM16-NA093016IMF-Adds-Chinese-Renminbi-to-Special-Drawing-Rights-Basket> (Accessed: 15 May 2023).

³⁷⁰ Mező, J. and Udvari, B. (2012) 'Effects of the debt crisis on the EU-China relations,' *MPRA Paper* 40367, University Library of Munich, Germany. https://mpra.ub.uni-muenchen.de/40367/1/31-Effects_of_the_debt_crisis_on_the_EU-China_relations.pdf

³⁷¹ Casarini, N. (2022) 'A European strategic "third way?" The European Union between the traditional transatlantic alliance and the pull of the Chinese market,' *China International Strategy Review*, 4(1), pp. 91–107. <https://doi.org/10.1007/s42533-022-00095-1>

³⁷² Regulation (EU) 2019/452 of the European Parliament and of the Council of 19 March 2019

member states are China (including Hong Kong).³⁷³ It shows that EU member states' national FDI screening mechanisms are effective and in place. However, Thilo and Mikko (2018) argue that uneven market access and a lack of investment reciprocity can negatively impact overseas companies' productivity and innovation capabilities.³⁷⁴ Hypothesise that the EU anticipates continuously cooperating with China. The lack of harmonisation in Member States' national mechanisms will potentially diminish the EU's competitiveness.

The Boundaries of Buying Influence

During the past twenty years, Chinese state-led investment has emerged as a significant force in global capitalism. The international and local variables contributing to this increase are well analysed. However, its political implications are comparatively underexplored.³⁷⁵ Compared to the success of the geoeconomic returns of increasing investments in Europe, the potential geopolitical influence falls short of Chinese expectations. Reilly (2021) argues that economic engagement with China substantially advantages Europeans while imposing far lower political costs than typically suggested by prevalent analyses, as Beijing's economic statecraft has not succeeded in advancing Europe's two principal policy objectives: attaining market economy status and lifting the arms embargo.³⁷⁶

Badkar (2011) points out that one requirement of Chinese assistance after the Euro Crisis is the 'market economy status' that the Chinese Premier Wen Jiabao addressed and encouraged the EU to recognise China as a full-market economy at the

establishing a framework for the screening of foreign direct investments into the Union. *Regulation - 2019/452 - EN - EUR-LEX*. Available at: <https://eur-lex.europa.eu/eli/reg/2019/452/oj>

³⁷³ European Commission (2024) *Fourth Annual Report on the screening of foreign direct investments into the Union*. Brussels.

³⁷⁴ Thilo, H. and Mikko, H. (2018) *EU-China FDI: Working towards more reciprocity in investment relations*. MERICS and Rhodium Group. Available at: <https://merics.org/en/report/eu-china-fdi-working-towards-more-reciprocity-investment-relations>

³⁷⁵ Babić, M. and Dixon, A.D. (2022) 'Is the China Effect Real? Ideational Change and the Political Contestation of Chinese State-Led Investment in Europe,' *The Chinese Journal of International Politics*, 15(2), pp. 111–139. <https://doi.org/10.1093/cjip/poac009>

³⁷⁶ Reilly, J. (2021) *Orchestration: China's Economic Statecraft Across Asia and Europe*. Oxford University Press, USA.

World Economic Forum in Dalian and emphasised the “2016 deadline” in 2011.³⁷⁷ However, the “2016 deadline” is not a signal that automatically marks China as earning a market economy.³⁷⁸ Under Section 15 of the Chinese WTO Accession Protocol, China can be treated as a non-market economy (NME) in anti-dumping proceedings. The definition of China as an NME allows importing countries to use alternative methodologies to determine normal values, often leading to higher anti-dumping duties.

The correct interpretation of Section 15(d) of the Chinese WTO Accession Protocol has come under debate, as has whether that section stipulates the automatic granting of Market Economy Status to China after December 2016. The EU’s analysis examines the debate over the interpretation of Section 15(d) and the current policies of selected WTO members regarding China’s Market Economy Status.³⁷⁹

Section 15(d) of the Chinese WTO Accession Protocol:

Once China has established, under the national law of the importing WTO Member, that it is a market economy, the provisions of subparagraph (a) shall be terminated provided that the importing Member’s national law contains market economy criteria as of the date of accession. In any event, the provisions of subparagraph (a) (ii) shall expire 15 years after the date of accession. In addition, should China establish, pursuant to the national law of the importing WTO Member, that market economy conditions prevail in a particular industry or sector, the non-market economy provisions of subparagraph (a) shall no longer apply to that industry or sector.

It means that the EU has the right to decide, but it faces much pressure on this issue due to a lack of clarity in the legal text. Moreover, many countries, including Australia, Brazil, Argentina and Russia, have already recognised China’s market

³⁷⁷ Badkar, M. (2011) What China really hopes to get in exchange for a European bailout. <https://www.businessinsider.com/wen-jiabao-china-europe-debt-2011-09> (Accessed: 28 August 2024).

³⁷⁸ Bernard O’Connor (2011) *Market-economy status for China is not automatic*. The Centre for Economic Policy Research (CEPR). Available at: <https://cepr.org/voxeu/columns/market-economy-status-china-not-automatic>

³⁷⁹ European Parliament (2015) *Granting Market Economy Status to China: An analysis of WTO law and of selected WTO members’ policy*. Available at: [https://www.europarl.europa.eu/thinktank/en/document/EPRS_IDA\(2015\)571325](https://www.europarl.europa.eu/thinktank/en/document/EPRS_IDA(2015)571325).

economy status, except the US and EU. The WTO rules do not require members to automatically grant market economy status, as each country can decide based on its own criteria.³⁸⁰ Thus, it is not only a legal interpretation but more like a political issue. As a result, on 12 May 2016, the European Parliament announced that China is not a market economy and that the five criteria established by the EU to define market economies have not yet been fulfilled.³⁸¹

However, it exposes the disunity within the EU and undermines potential other areas of the China-EU relationship, such as ongoing negotiations over the Comprehensive Agreement on Investment and the potential Free Trade Agreement. The Council was divided on granting China market economy status due to bilateral relations between Member States and China. Specifically, Belgium, the Netherlands and the Nordic nations have generally supported granting China Market Economy Status, whereas France, Spain and Italy have been the most vocally opposed.³⁸²

Furthermore, the EU's arms embargo against China has been going on since 1989. The European Union had no common position on what items were covered under the expression "arms embargo". Therefore, individual member states can interpret the embargo following national laws, regulations and decision-making processes. From 2013 to 2021, EU countries issued an average of 188 licences yearly to export military goods to China, mainly to Hong Kong. These included small guns, chemical components, software and parts for missile systems.³⁸³ It shows that some member states do not follow the arms embargo. In 2004, the Commissioner for External Relations proposed a paper discussing the issue of whether to lift the arms

³⁸⁰ Hošman, M.T. (2021) 'China's NME status at the WTO: analysis of the debate,' *Journal of International Trade Law and Policy*, 20(1), pp. 1–20. <https://doi.org/10.1108/jitlp-09-2020-0054>.

³⁸¹ European Parliament (2016) *European Parliament resolution of 12 May 2016 on China's market economy status*. 2016/2667(RSP). Available at: https://www.europarl.europa.eu/doceo/document/TA-8-2016-0223_EN.html?redirect. (Accessed: 20 October 2024).

³⁸² Meadhbh, Costello. (2016) *China's Market Economy Status: a Political Issue*. The Institute of International and European Affairs. Available at: <https://www.iiea.com/publications/chinaas-market-economy-status-a-political-issue>

³⁸³ Vautmans, H. (2023) *Parliamentary question | Member States' non-compliance with the EU arms embargo against China | E-001066/2023 | European Parliament*. Available at: https://www.europarl.europa.eu/doceo/document/E-9-2023-001066_EN.html (Accessed: 16 November 2024).

embargo on China and show a positive attitude about this issue.³⁸⁴

However, the EU did not lift its ban on arms sales to China due to multiple considerations, such as human rights and security issues, in 2005. Still, in 2017, the EU upheld the arms embargo vis-à-vis China and the eight conditions established by the Council Common Position on military technology and equipment exports.³⁸⁵ Chinese authorities successfully implemented their economic strategy after Europe's financial crisis, but it does not mean they influenced the EU's decision-making. The two critical goals - securing market economy status and ending Europe's arms embargo - failed.

Another aspect is comparatively compelling, as China invests in many infrastructure projects in the EU under the Belt and Road Initiative (BRI), such as railroads, ports, and bridges. One typical investment project is COSCO's (China Ocean Shipping Enterprise) Piraeus project, and the agreement was signed pledging €490 million in exchange for the right to operate and develop Piraeus' Piers II and III in 2016. Given that Greek shipowners have historically played a dominant role in Greek politics.³⁸⁶ In 2016, Greece, Croatia and Hungary vetoed an EU declaration critical of China's South China Sea practices.³⁸⁷ In 2017, Athens rejected a proposed EU submission to the UN Human Rights Council criticising recent Chinese crackdowns, making it the first time the EU has failed to publish a UNHRC statement.³⁸⁸ The increasingly internationalised Greek shipping industry profoundly

³⁸⁴ Commissioner for External Relations (2004) *Lifting of the arms embargo on China: The Rueda Report on Arms Exports*. SPEECH/04/483.

https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_04_483 (Accessed: 28 August 2024).

³⁸⁵ European Commission (2017) *Frequently Asked Questions on EU-China relations*. MEMO/16/2258.

Available at: https://ec.europa.eu/commission/presscorner/detail/en/memo_16_2258 (Accessed: 28 August 2024).

³⁸⁶ Frédéric L. and Sébastien P. (2011) 'Polar super seaways? Maritime transport in the Arctic: an analysis of shipowners' intentions,' *Journal of Transport Geography*, pp. 1465-1473.

Available at: <https://doi.org/10.1016/j.jtrangeo.2011.08.006>

³⁸⁷ European Parliament (2023) *Security implications of China-owned critical infrastructure in the European Union*. Brussels. Available at: [https://www.europarl.europa.eu/RegData/etudes/IDAN/2023/702592/EXPO_IDA\(2023\)702592_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2023/702592/EXPO_IDA(2023)702592_EN.pdf)

³⁸⁸ Smith, H. (2017) 'Greece blocks EU's criticism at UN of China's human rights record,' *The Guardian*, 27 November. Available at: <https://www.theguardian.com/world/2017/jun/18/greece-eu-criticism-un-china-human-rights-record> (Accessed: 20 August 2024)

affected Greek foreign policy toward China. It exemplifies that China's economic influence has the potential for the recipient country to adopt policies that align with Beijing's preferences.

The EU further established the investment screening framework mainly because it perceives that foreign direct investment in one Member State may jeopardise security or public order in another Member State or the entire Union, given the EU's high level of integration.³⁸⁹ From this perspective, it also indirectly reflects that the geoeconomic and geopolitical influence of China's investment has a counter-effect on the EU's integration and coordination process. Moreover, internal divisions within the EU Parliament intensified following the 2024 election, potentially resulting in a more complex and uncertain cohesive approach regarding China. This situation presents difficulties for European firms engaging with China and Chinese and international enterprises operating in Europe, which must manoeuvre through a more unstable and unpredictable regulatory landscape.³⁹⁰

In response to the surge of Chinese greenfield investment, particularly in electric vehicles, the EU has promptly enacted a five-year decisive anti-subsidy duty on battery electric vehicles (BEVs) imported from China.³⁹¹ This measurement indicates that the future economic and political influences of Chinese investment in the EU will be more regulated by the EU, and there will be more tensions in China-EU economic relations. Deepen economic cooperation with EU member states and internationalise the RMB's success, while two failed public appeals - attaining market economy status and lifting the arms embargo - failed. China's economic diplomatic strategy, which was based on a large amount of investment in Europe, had a limited influence on the EU's decision-making. In response, the EU has successively launched the EU

³⁸⁹ European Commission (2020) *Key information about the EU framework for foreign direct investment screening*. Brussels. Available at: https://policy.trade.ec.europa.eu/enforcement-and-protection/investment-screening_en (Accessed: 12 December 2024).

³⁹⁰ China Briefing Team (2025) 'EU-China Relations After the 2024 European Elections: A Timeline', *China Briefing*, 21 June. Available at: <https://www.china-briefing.com/news/eu-china-relations-after-the-2024-european-elections-a-timeline/> (Accessed: 17 January 2025).

³⁹¹ European Commission (2024) EU imposes duties on unfairly subsidised electric vehicles from China while discussions on price undertakings continue. 29 October. Available at: https://ec.europa.eu/commission/presscorner/detail/en/ip_24_5589

framework for investment screening, the *Critical Raw Materials Act* and the *European Chips Act*, which are highly targeted to de-risk China's investments.

4.2. Turbulence of the EU

China's increasing presence, mainly via investment in the EU, challenges its cohesion. In this section, the EU's cohesion is different from the EU's cohesion policy, as the author uses a political perspective to discuss and analyse the EU's cohesion issue instead of investigating the efficacy of cohesion policy from an economic perspective. The timing of China's increasing investment coincides with severe European turbulence, especially the euro crisis, which raises concerns among all parties in the EU. To some extent, China's increasing foreign direct investment (FDI) exerts geoeconomic and geopolitical influences on the EU's cohesion. Second, this section investigates the reasons behind the difficulty of the EU in speaking as one voice based on the comparative analysis of EU integration theories under argument. The EU faces a challenging state of turbulence due to the fast-changing outer circumstances.

4.2.1. European Cohesion: China's Differentiated Engagement

Cohesion policy is one of the core policies of the EU, seeking to assist comparatively underdeveloped member states or regions in bridging disparities, fostering local economic diversification and change, and promoting unity, primarily through investment funds. To meet the varied developmental requirements across all EU regions, €392 billion—nearly one-third of the overall EU budget—has been allocated for Cohesion Policy for 2021-2027.³⁹² At the same time, China is also increasing its presence in the EU through large-scale investments. The importance of

³⁹² European Commission. *Cohesion Policy - The EU's main investment policy*. Available at: https://ec.europa.eu/regional_policy/policy/what/investment-policy_en (Accessed: 3 January 2025).

convergence is mentioned again in the latest Commission's Cohesion Report.³⁹³

However, China's increasing presence via investment differs from the conventional definition of cohesion in the EU context, which is related to mitigating regional development gaps through fiscal measures. This section seeks to examine the effectiveness of the cohesion of EU member states regarding EU integration from a political perspective. Moreover, this section explores and evaluates the extent of China's increasing presence, mainly through investments, and how effective China's growing presence is on the EU's internal cohesion. It provides the context for the next section to explain why it is difficult for the EU to speak with one voice.

Foreign Direct Investment (FDI) is considered the primary catalyst for global economic integration³⁹⁴ and is equally significant for EU integration. Thilo and Daniel (2012) argue that the influences of Chinese investment in Europe can be positive and negative simultaneously, depending on who you are.³⁹⁵ For example, China's substantial investment during the financial crisis alleviated the local employment issue in the EU member states. However, it also intensified competition among domestic enterprises.

China's increasing investment in the EU after the 2008 financial crisis, as discussed in 4.1.2, exerts geoeconomic and geopolitical influences on the EU. It coincides with the European sovereign debt crisis and a widespread economic recession in many EU countries, pushing EU countries to have no choice but to attract foreign investments to save and recover their national economy. According to the World Bank, China had about \$3.6 trillion in foreign exchange reserves from 2010 to 2014.³⁹⁶ Therefore, it explains why China is capable of investing massively in the EU,

³⁹³ European Commission (2024) *Ninth report on economic, social and territorial cohesion*.

Luxembourg. Available at:

https://ec.europa.eu/regional_policy/sources/reports/cohesion9/9CR_Report_FINAL.pdf (Accessed: 3 January 2025).

³⁹⁴ Robert E. Lipsey and Fredrik Sjöholm (2004) *Host Country Impacts of Inward FDI: Why Such Different Answers?* Stockholm School of Economics. Available at:

<https://swopec.hhs.se/eijswp/papers/eijswp0192.pdf>

³⁹⁵ Thilo, H. and Daniel H. R. (2012) *China invests in Europe: Patterns, impacts and policy issues*.

Rhodium Group. Available at:

<https://rhg.com/event/china-invests-in-europe-patterns-impacts-and-policy-issues/>

³⁹⁶ Data from the World Bank Group. Total reserves (includes gold, current US\$) - China. Available at: <https://data.worldbank.org/indicator/FI.RES.TOTL.CD?locations=CN> (Accessed: 14 November 2024)

which amounted to \$6.12 billion, accounting for 7% of total flows and 87% of European flows in 2012.³⁹⁷ Compared to before 2012, China's OFDI flow to Europe tripled with a general uptrend. Between 2013 and 2019, the flow fluctuated. China's OFDI flow in Europe recorded its lowest of USD 5.95 billion in 2013 and the highest of USD 18.46 billion in 2017, but it still registered at USD 12.69 billion in 2021.³⁹⁸ China is undoubtedly emerging as a significant outside force in Europe. The narrative of China's increasing investment also strengthens China's presence within the EU, influencing its internal cohesion.

The timing of China's increasing investment coincides with severe European turbulence, which is sensitive and critical. Moreover, this phenomenon has developed rapidly and outstripped policymakers' and experts' expectations and sensitivity. As a result, analysts and politicians of the EU are suspicious and cautious about the intentions behind China's increasing investments.³⁹⁹ In 2017, German Vice-Chancellor and Foreign Minister Sigmar Gabriel encouraged Beijing to respect the idea of "one Europe," prompting a declaration of "shock" from China's foreign ministry on his remarks. Cui Hongjian, a director of the China Institute of International Studies, stated, "Geographically, a unified Europe is feasible. However, it is not politically or economically viable."⁴⁰⁰

One sign of the influence of China's increasing investment towards EU cohesion is that it causes internal competition between member states. Member states compete to attract Chinese direct investment to mitigate their economic challenges, resulting in hesitation and resistance to pursuing EU-wide investment policy collaboration.⁴⁰¹ It is one reason why the EU takes a long time to establish and process the EU investment

³⁹⁷ Ministry of Commerce of People's Republic of China (2012) *2012 Statistical Bulletin of China's Outward Foreign Direct Investment*. Beijing. Available at: <https://images.mofcom.gov.cn/hzs/201409/20140918133802073.pdf>

³⁹⁸ Roy, I. and Hu, R. (2024) 'Chinese investments in Europe,' in *Oxford University Press eBooks*, pp. 1–27. <https://doi.org/10.1093/oso/9780192887115.003.0001>

³⁹⁹ Ishmael, L. (2020) 'Soft Power & Global Ambition: The Case of China's Growing Reach in Europe,' *Horizon Insights*, 3(2), pp. 10–29. <https://doi.org/10.31175/hi.2020.02.02>

⁴⁰⁰ 'Brussels rattled as China reaches out to eastern Europe,' *TODAY*, 1 December 2017. Available at: <https://www.todayonline.com/world/brussels-rattled-china-reaches-out-eastern-europe> (Accessed: 18 August 2024).

⁴⁰¹ Meunier, S. (2014) 'Beggars can't be Choosers': The European Crisis and Chinese Direct Investment in the European Union,' *Journal of European Integration*, 36(3), pp. 283–302. <https://doi.org/10.1080/07036337.2014.885754>

screening framework. The increasing geopoliticization of investment has prevented member states from promptly shifting from an economic perspective to a security perspective.

Another sign of the influence of China's increasing investment towards EU cohesion is the "China lobby" within the EU, which is formed by the bilateral relations between member states and China.⁴⁰² For example, Greece, Croatia and Hungary vetoed an EU declaration critical of China's South China Sea practices in 2016.⁴⁰³ Athens rejected a proposed EU submission to the UN Human Rights Council criticising recent Chinese crackdowns in 2017, making it the first time the EU has failed to publish a UNHRC statement.⁴⁰⁴ The extent of bilateral interactions between China and its member states, coupled with the short-term economic interests of these states, have impeded the EU's ability to consolidate its unified strategy regarding China.

The Cooperation between China and Central and Eastern European (CEE) countries - 14+1 format (17+1 2019-2021; 16+1 2021-2022)⁴⁰⁵ established in 2012 is a typical example to exemplify the sophisticated bilateral relations between China and a group of member states outside the EU. The EU pointed out that although it is called multilateralism, the model is still mainly bilateral and highly competitive in practice.⁴⁰⁶ The scale of two-way investment between China and Central and Eastern European (CEE) countries is close to US\$20 billion until 2023.⁴⁰⁷

⁴⁰² Godement, F. and Parello-Plesner, J. (2011) *The Scramble for Europe*. London: European Council on Foreign Relations. Available at:

https://ecfr.eu/archive/page/-/ECFR37_Scramble_For_Europe_AW_v4.pdf

⁴⁰³ European Parliament (2023) *Security implications of China-owned critical infrastructure in the European Union*. Brussels. Available at: [https://www.europarl.europa.eu/RegData/etudes/IDAN/2023/702592/EXPO_IDA\(2023\)702592_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2023/702592/EXPO_IDA(2023)702592_EN.pdf)

⁴⁰⁴ Smith, H. (2017) 'Greece blocks EU's criticism at UN of China's human rights record,' *The Guardian*, 27 November. Available at: <https://www.theguardian.com/world/2017/jun/18/greece-eu-criticism-un-china-human-rights-record> (Accessed: 20 August 2024).

⁴⁰⁵ Estonia, Latvia and Lithuania withdraw before 2022. Available at: <https://www.politico.eu/article/down-to-14-1-estonia-and-latvia-quit-chinas-club-in-eastern-europe/> (Accessed: 27 August 2024).

⁴⁰⁶ European Parliament (2018) *China, the 16+1 format and the EU*. Available at: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2018/625173/EPRS_BRI\(2018\)625173_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2018/625173/EPRS_BRI(2018)625173_EN.pdf)

⁴⁰⁷ The State Council of China (2023) *Deepen pragmatic cooperation and work together towards a better future - new observations on China-Central and Eastern European countries' economic and*

Some policy-makers and analysts are concerned and argue that this form of cooperation is a tactic to divide and rule the EU.⁴⁰⁸⁴⁰⁹⁴¹⁰ The EU argues that the Central and Eastern European countries have used the “14+1” model as a bargaining chip within the EU, undermining the EU’s unity.⁴¹¹ For example, Gizińska and Uznańska (2024) argue that Hungary has taken caution to prevent provoking China and has leveraged its favourable relations with China as a negotiating tool within the European Union. It used its veto power six times to avoid the EU Council’s resolutions denouncing China’s conduct from 2016 to 2022.⁴¹² However, Liu (2021) argues that the “divide and rule” argument is the EU turning it into a fact recognized by public opinion rather than a fact based on logical inference and experience, thereby shaping China into a “rival” through discourse.⁴¹³ Wu (2023) points out that the EU has always accused China of “divide and rule” while the United States does the same to Europe, and it is a fact that there are indeed differences within the EU.⁴¹⁴

Furthermore, the economic stickiness associated with FDI indicates that the potential decline of Chinese investment in the future is strongly linked to the economic stability of the EU. The economic stickiness is also the EU’s cohesive pillar, which explains the EU’s enlargement. The EU has experienced seven enlargements,

trade cooperation. Beijing. In Chinese. [中华人民共和国中央人民政府 (2023) 深化务实合作, 携手共向未来——中国-中东欧国家经贸合作新观察.]

⁴⁰⁸ Gaspers, J. (2018) 'Divide and Rule', *Berlin Policy Journal*, 2 March. Available at: <https://berlinpolicyjournal.com/divide-and-rule/> (Accessed: 10 June 2023).

⁴⁰⁹ Meunier, S. (2019) 'Chinese direct investment in Europe: Economic opportunities and political challenges,' in *Edward Elgar Publishing eBooks*.

⁴¹⁰ Karásková, I. (2020) 'Engaging China in 17+1: Time for the ACT strategy,' *The Diplomat*, 7 April. Available at: <https://thediplomat.com/2020/04/engaging-china-in-171-time-for-the-act-strategy/> (Accessed: 10 June 2023).

⁴¹¹ European Parliament (2018) *China, the 16+1 format and the EU*. Available at: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2018/625173/EPRS_BRI\(2018\)625173_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2018/625173/EPRS_BRI(2018)625173_EN.pdf)

⁴¹² Ilona Gizińska, Paulina Uznańska (2024) 'China’s European bridgehead. Hungary’s dangerous relationship with Beijing', *OSW Commentary*, 12 April. Available at: https://www.osw.waw.pl/sites/default/files/OSW_Commentary_590.pdf

⁴¹³ Liu Zuokui (2021) 'The Western Balkan Issue in the Relationship between EU and China--The Formation and Implications of the Discourse of “Rival” from the Perspective of Field Theory,' *Chinese Journal of European Studies*, 2, pp. 25-51. In Chinese. [刘作奎 (2021) 欧盟和中国关系中的西巴尔干问题——场域理论视角下“对手”语境的形成与启示. 《欧洲研究》, 第2期 25-51.]

⁴¹⁴ Wu Huiping (2023) 'Europe and the United States always accuse China of "dividing and ruling" Europe, but this is exactly their approach', in Chinese. [伍慧萍 (2023) ‘欧美总是指责中国对欧“分而治之”，但这恰是他们的的手法.’]

and the steps keep going as there are ten potential countries,⁴¹⁵ such as Bosnia and Herzegovina, Serbia and Ukraine, on the application list, except the criticizing voices that the EU should prioritize internal integration over the uncertainties and risks associated with incorporating new member states when it has already confronted with obstacles such as economic pressures and geopolitical conflicts.⁴¹⁶⁴¹⁷ However, Anghel (2024) argues that the EU enlargement is not a gamble but a strategic necessity, as it can convert external challenges into collective governance, thereby reducing risks and enhancing its global influence.⁴¹⁸ In this regard, the logic of EU enlargement and China's increasing presence in the EU is similar because they both utilise economic influence. The difference is in the actor and its prerequisites. It can enhance cohesiveness for the EU, while for China, an outsider, it functions as an economic instrument to undermine the EU's cohesion.

The Chinese model of influence through investment has been extensively studied. However, it has been getting more complicated as the geoeconomic and geopolitical situation of the EU has become more complex. The 2008 financial crisis exposed the economic fragility and the uneven development within the EU, such as in Southern and Eastern Europe. This economic fragility undermines the EU's cohesion and affects the consistency of its policies. The rise of China and the influx of large amounts of investment exacerbate the deterioration of geopolitical conditions for the EU. The EU is concerned about China's increasing presence and potential intentions behind the massive investment. The current challenge for the EU is addressing internal disagreements when dealing with China's differentiated engagement through massive investments.

⁴¹⁵ Data from the EU's official website. Available at: https://european-union.europa.eu/principles-countries-history/eu-enlargement_en (Accessed: 10 March 2025)

⁴¹⁶ Piotr Buras and Engjellushe Morina (2023) *Catch-27: The contradictory thinking about enlargement in the EU*. European Council on Foreign Relations (ECFR). Available at: <https://ecfr.eu/wp-content/uploads/2023/11/Catch-27-The-contradictory-thinking-about-enlargement-in-the-EU.pdf>

⁴¹⁷ Wilkenfeld, Y. (2023) 'Is more less? The challenges facing EU enlargement – GIS Reports,' *GIS Reports*, 28 December. Available at: <https://www.gisreportsonline.com/r/eu-enlargement/>

⁴¹⁸ Anghel, V. (2024) *Why EU enlargement is a strategic necessity*. ECPR. Available at: <https://theloop.ecpr.eu/why-eu-enlargement-is-a-strategic-necessity/> (Accessed: 10 March 2025).

4.2.2. Difficulties for Speaking with One Voice

The EU political system is distinctive and complex, characterised by ‘supranational’ and ‘intergovernmental cooperation’. It contrasts with the US federal government and is not similar to international entities like the United Nations. The nations that constitute the EU are independent sovereign entities. They have relinquished partial decision-making authority to EU institutions while engaging in EU decision-making via specialised processes, such as voting.⁴¹⁹ Historically, Europe has been perceived as a multilevel power structure where EU institutions are responsible for establishing and governing a European economic and social space. At the same time, member states retain control over the essential powers that shaped them into modern nation-states.

The complex nature of the EU is also reflected in the research on the EU’s integration. More specifically, one critical question of today’s EU integration study is why it is difficult for the EU to speak as one voice. Some politicians and scholars argue that the EU should use a single voice to take action effectively on the global stage.⁴²⁰⁴²¹ However, Müller, Pomorska and Tonra (2021) indicate that member states are not always committed to collective action on all matters.⁴²² Consequently, the EU sometimes fails to develop an overall foreign policy with the cohesion and consistency typically associated with member states’ national foreign policies.⁴²³⁴²⁴

⁴¹⁹ Ministry of Commerce of China (2020) *2020 Country (Region) Guide for Outward Investment Cooperation - European Union*. In Chinese. [对外投资合作国别(地区)指南 - 欧盟 (2020 年版), 商务部国际贸易经济合作研究院.]

⁴²⁰ Giscard d’Estaing calls for ‘a single voice’ for the European Union (2012). Available at: <https://racef.es/en/news/2010/giscard-destaing-calls-single-voice-european-union> (Accessed: 21 June 2024).

⁴²¹ Van Schaik, L. (2016) *EU effectiveness and unity in multilateral negotiations: More than the Sum of its Parts?* Springer.

⁴²² Müller, P., Pomorska, K. and Tonra, B. (2021) ‘The domestic Challenge to EU Foreign Policy-Making: From europeanisation to de-Europeanisation?’, *Journal of European Integration*, 43(5), pp. 519–534. <https://doi.org/10.1080/07036337.2021.1927015>

⁴²³ Grevi, G. et al. (2020) *Differentiated cooperation in European Foreign Policy: The challenge of coherence*. Zenodo (CERN European Organization for Nuclear Research). Available at: <https://doi.org/10.5281/zenodo.6511612>

⁴²⁴ European External Action Service (EEAS) (2020) *When member states are divided, how do we ensure Europe is able to act?* Brussels. Available at:

Given the complexity of the EU and its integration, this section focuses on one question: why is it difficult for the EU to speak as one voice? The first step is to discuss the complex nature of EU integration based on theories such as neo-functionalism, intergovernmentalism, and post-functionalism to catch a comprehensive picture of the EU integration process and explore the different challenges of EU integration. The subsequent step is to investigate the reasons behind the inability of EU member states to agree on a unified policy on China, thus undermining the coherence of the EU's foreign policy and raising questions about its global governance efficacy.

Hooge and Marks (2019) introduce a comparative method based on three theories, neo-functionalism, intergovernmentalism and post-functionalism, to explain the European integration facing four challenging incidents: the euro crisis, the migration crisis, Brexit and illiberalism.⁴²⁵ They conclude that neo-functionalism and intergovernmentalism perceive European integration as a process that enhances efficiency, driven by economic actors pursuing benefits. In the meantime, post-functionalism highlights the disruptive potential arising from the conflict between functional pressures and exclusive identity.⁴²⁶

One significant line of contemporary post-functionalism advances the concept of European integration as a “multi-level governance” form beyond the notion of cooperation under anarchy in international relations.⁴²⁷ Farrell and Newman (2016) argue that by excluding the EU from the rigorous “intergovernmental cooperation in anarchy” paradigm, one could say that a strong and effective International Relations tradition may classify the EU as an international organisation.⁴²⁸ Because it gives a

https://www.eeas.europa.eu/eeas/when-member-states-are-divided-how-do-we-ensure-europe-able-act-0_en

⁴²⁵ Hooghe, L. and Marks, G. (2019) 'Grand theories of European integration in the twenty-first century,' *Journal of European Public Policy*, 26(8), pp. 1113–1133.

<https://doi.org/10.1080/13501763.2019.1569711>

⁴²⁶ Ibid.

⁴²⁷ Hooghe, L. and Marks, G.W. (2001) *Multi-Level governance and European integration*. Rowman & Littlefield Publishers.

⁴²⁸ Farrell, H. and Newman, A. (2016) 'The new interdependence approach: theoretical development and empirical demonstration,' *Review of International Political Economy*, 23(5), pp. 713–736. <https://doi.org/10.1080/09692290.2016.1247009>

better perspective on understanding the current flexibility of the interplay of national and EU institutions and policy processes, creating opportunities for actors to perform different capacities.

However, McNamara (2018) contends that the current EU has more institutional power than previous global collaborations, establishing a hierarchy with European political authority and presenting a prime example of the increasingly blurred nature of national boundaries as the definitive delineation of political power.⁴²⁹ The expanding EU control has fostered heightened Euroscepticism, significant societal differences, and an overarching legitimacy dilemma for the EU.⁴³⁰⁴³¹ Genschel and Jachtenfuchs (2013) point out that the EU's governance has a greater impact on its citizens' daily lives and intrudes on its member states' essential competencies with the EU's integration and institutionalisation deepening.⁴³² Therefore, the stakes are so high for those involved in the EU's political system that the domestic public highly contests the EU's powers. While Hutter, Grande and Kriesi (2016) indicate that public scepticism about the EU has also helped to advance European integration.⁴³³

The EU's inability to address escalating economic, political, and security crises only through its foundational economic framework is increasingly evident. No single theory can explain the formation process of EU integration and how to solve the challenges it encounters. As Rosamond (2000) indicates, the notion of European integration is embedded, and no overarching theoretical integration system exists. Instead, there is a mosaic-like assemblage in which several theoretical schools and ideas are interwoven.⁴³⁴ However, scholars generally agree on one thing: the politicisation of European integration is driven by its increasing authority, which is

⁴²⁹ McNamara, K.R. (2018) 'Authority under construction: The European Union in comparative Political perspective,' *JCMS Journal of Common Market Studies*, 56(7), pp. 1510–1525. <https://doi.org/10.1111/jcms.12784>

⁴³⁰ De Wilde, P. and Trenz, H.-J. (2012) 'Denouncing European integration,' *European Journal of Social Theory*, 15(4), pp. 537–554. <https://doi.org/10.1177/1368431011432968>

⁴³¹ Hobolt, S.B. and De Vries, C.E. (2016) 'Public support for European integration,' *Annual Review of Political Science*, 19(1), pp. 413–432. <https://doi.org/10.1146/annurev-polisci-042214-044157>

⁴³² Genschel, P. and Jachtenfuchs, M. (2014) *Beyond the regulatory polity?: The European Integration of Core State Powers*. Oxford University Press.

⁴³³ Hutter, S., Grande, E. and Kriesi, H. (2016) *Politicising Europe: Integration and Mass Politics*. Cambridge University Press.

⁴³⁴ Rosamond, B. (2000) *Theories of European Integration*. Palgrave MacMillan.

indicated by the transformation from a traditional international organisation to a more encompassing “political system.”⁴³⁵⁴³⁶ German Chancellor Merkel mentioned the necessity for “a political union, something that was not done when the euro was launched” in a speech on February 7, 2012, at Berlin’s Neues Museum.⁴³⁷

The EU’s last decade of crises, beginning with the eurozone meltdown, followed by the refugee crises, Brexit, the Russo-Ukrainian War, and the following rising wave of eurosceptic populist parties, has fully demonstrated insufficient EU governance. The issues between European member countries and the European Union regarding core national powers, interests, and national security are becoming increasingly acute. Specifically, there is an insufficient capacity between the EU and its member countries to cope with issues while balancing power distribution and national security.

In the context of existing challenges, the Euro crisis has proved that the intergovernmental approach faced a structural difficulty in solving basic dilemmas of collective action.⁴³⁸ Correspondingly, the integration process has been expanded to include areas of policy that are typically thought to be sensitive to the national sovereignty of the member states, including economic and financial policies, foreign and security policies, welfare and employment policies, and military and security policies. Processing deep integration is also a challenge for the supranational mode.

A consensus has been developing that a more unified EU could improve its internal and global governance effectiveness. Many scholars have posited that a cohesive and unified EU is more assertive and effective in global governance.⁴³⁹⁴⁴⁰⁴⁴¹

⁴³⁵ De Wilde, P. and Zürn, M. (2012) 'Can the Politicization of European Integration be Reversed?,' *JCMS Journal of Common Market Studies*, 50(s1), pp. 137–153. <https://doi.org/10.1111/j.1468-5965.2011.02232.x>

⁴³⁶ Grande, E. and Hutter, S. (2015) 'Beyond authority transfer: explaining the politicisation of Europe,' *West European Politics*, 39(1), pp. 23–43. <https://doi.org/10.1080/01402382.2015.1081504>

⁴³⁷ Peel, Q. (2012) 'Germany and Europe: A Very Federal Formula,' *Financial Times*. Available at: <https://www.ft.com/content/31519b4a-5307-11e1-950d-00144feabdc0> (Accessed: 3 June 2024).

⁴³⁸ Fabbrini, S. (2013) 'Intergovernmentalism and its limits,' *Comparative Political Studies*, 46(9), pp. 1003–1029. <https://doi.org/10.1177/0010414013489502>

⁴³⁹ Jørgensen, K.E., Oberthür, S. and Shahin, J. (2011) 'Introduction: Assessing the EU’s performance in international institutions – conceptual framework and core findings,' *Journal of European Integration*, 33(6), pp. 599–620. <https://doi.org/10.1080/07036337.2011.606681>

⁴⁴⁰ Niemann, A. and Bretherton, C. (2013) 'EU external policy at the crossroads: The challenge of actorness and effectiveness,' *International Relations*, 27(3), pp. 261–275. <https://doi.org/10.1177/0047117813497306>

In this logic, the EU has not achieved the expectation. The direct reasons are the different economic requirements within the EU, the imbalanced development, and the fact that EU members find common interests and political demands difficult because of the slow economic recovery.⁴⁴² Initially, several experts and observers anticipated that the EU's recovery would be rapid, given its historical achievements and economic framework, and they expressed optimism over the EU's future.⁴⁴³⁴⁴⁴ However, the EU is incapable of retaining its internal stability and solving problems effectively with its economic power after the refugee crisis, the Brexit vote in 2016, and the terrorist attack in Brussels. The successive challenges have called into question the EU's governance capabilities.

The northern countries are asking for a more liberal economy, including trade, investments, and market access, while the southern, central, and eastern countries are becoming protectionist. The Northern European political economy model is characterised by its openness to economic globalisation, particularly trade. For example, Finland is known for its strong tradition of free trade. While southern, central, and eastern states like Italy, Hungary, and Poland remain less open to international markets yet offer strong employment protection for the system's "insiders."⁴⁴⁵ Moreover, the different economic demands drive each member's different political actions toward the EU and China. For example, as one of the participants of the 16+1 platform and BRI, over the years, Hungary has blocked the

⁴⁴¹ Van Schaik, L. (2013) *EU Effectiveness and Unity in Multilateral Negotiations*. Palgrave Macmillan UK eBooks.

⁴⁴² Chang, V.H.S. and Pieke, F.N. (2018) 'Europe's engagement with China: shifting Chinese views of the EU and the EU-China relationship,' *Asia Europe Journal*, 16(4), pp. 317–331. <https://doi.org/10.1007/s10308-017-0499-9>

⁴⁴³ Dong, L. (2014) 'Chinese perceptions of the European Union,' *Journal of Contemporary China*, 23(88), pp. 756–779. <https://doi.org/10.1080/10670564.2013.861172>

⁴⁴⁴ Chang, V.H.S. and Pieke, F.N. (2018) 'Europe's engagement with China: shifting Chinese views of the EU and the EU-China relationship,' *Asia Europe Journal*, 16(4), pp. 317–331. <https://doi.org/10.1007/s10308-017-0499-9>

⁴⁴⁵ Hopkin, J. (2004) 'Hard Choices, Mixed Incentives: Globalization, Structural Reform, and the Double Dilemma of European Socialist Parties,' *unpublished manuscript*. Available at: <https://personal.lse.ac.uk/hopkin/hopkin%20social%20democracy.pdf>

EU's initiatives and statements seeking to hold China accountable—in 2016 on the South China Sea and in 2018 on human rights.⁴⁴⁶

The internal disharmony limits external action, especially the EU's outstanding ability - the soft power. In 2016, the Vice-President of the European Commission, Federica Mogherini, proposed that the EU should engage in a practical and principled way, sharing global responsibilities with our partners and contributing to their strengths.⁴⁴⁷ Furthermore, the European Commission announced the Common Security and Defence Policy (CSDP) as one of the top priorities and emphasised it again in the subsequent agendas.⁴⁴⁸ The following set-up of the Geopolitical Commission in 2019 underpins the EU's role on the global stage.⁴⁴⁹ The series of EU actions reflects an assertive attitude and implication of the EU's external action, even though it has not finished the negotiation and implementation process. Considering Finland finally joined NATO on 4 April 2023 and Sweden followed by joining on 7 March 2024, to face the issue of the safety of the EU, the transformation of the EU's identity into a more effective global actor is ongoing and continuing.

How to address the disharmony issue? The most crucial issue for the EU's integration. For 27 member states, coordinating policies on crucial topics is not easy, and it is not clear that a better model is available.⁴⁵⁰ Although the EU still lacks a systematic framework to guide itself in practice, one of the EU's primary goals is clear, which is to be a more assertive and effective global actor in the international system. However, a multipolar world was never a context in which the EU would feel comfortable.⁴⁵¹ Caught in more turbulent and unfavourable external conditions, such

⁴⁴⁶ Rohac, D. (2021) *How Viktor Orbán Became China's Most Reliable European Ally*. The American Enterprise Institute. Available at: <https://www.aei.org/op-eds/how-viktor-orban-became-chinas-most-reliable-european-ally/> (Accessed: 06 November 2024).

⁴⁴⁷ European Union External Action (2016) *A Global Strategy for the European Union's Foreign and Security Policy*. Brussels. Available at: https://www.eeas.europa.eu/eeas/global-strategy-european-unions-foreign-and-security-policy_en

⁴⁴⁸ European Parliament (2018) *The Juncker Commission's ten priorities*. Brussels.

⁴⁴⁹ European Commission (2024) *Achievements of the von der Leyen Commission - Stronger Europe in the world*. Brussels.

⁴⁵⁰ Hemminga, L. (2021) 'Think the EU isn't acting on China? Look closer.', *The Diplomat*, 24 April. Available at: <https://thediplomat.com/2021/04/think-the-eu-isnt-acting-on-china-look-closer/> (Accessed: 28 June 2024).

⁴⁵¹ Babić, M., Dixon, A.D. and Liu, I.T. (2022) *The Political Economy of Geoeconomics: Europe in a*

as the China-US trade war and the Russia-Ukraine war, the EU has no choice but to step out of its comfort zone to defend its interests and values. It is worth noting that the EU has never used the word “confrontation” to describe China-EU relations when going through the official paper comparing the US, which signals that the EU is not entirely walking the same path as the US to confront China in many areas, but is seeking more autonomy.⁴⁵²

Overall, the nature of the EU political system and its integration process is too complex to study based on one theory, as various theories are under argument. The supranational and intergovernmental modes face challenges for the EU in strengthening its governance effectiveness and promoting the integration process based on the comparative method of analysing three theories: neo-functionalism, intergovernmentalism, and post-functionalism. Furthermore, the EU failed to achieve the expectation that a more unified EU could improve its internal and global governance effectiveness after the euro crisis, the refugee crisis and Brexit. Because of the internal disharmony, which includes the different economic requirements within the EU, the imbalanced development, and the fact that EU members find it difficult to find common interests and political demands due to the slow economic recovery. However, with a series of practical actions, the EU has shown resilience in the challenges of the COVID-19 pandemic and the Russia-Ukraine war.⁴⁵³ Therefore, with the EU becoming more assertive in showing its ambition to be an effective global actor in the international system, the future of EU integration is still in a loom but promising.

4.3. Case Studies in Divergence: Assessing China’s Influence in Europe

Hungary and Sweden represent two compact case studies that illustrate China’s

Changing world. Springer.

⁴⁵² Casarini, N. (2022) ‘A European strategic “third way?” The European Union between the traditional transatlantic alliance and the pull of the Chinese market,’ *China International Strategy Review*, 4(1), pp. 91–107. <https://doi.org/10.1007/s42533-022-00095-1>

⁴⁵³ Christiansen, T. (2020) ‘The EU’s new normal: consolidating European integration in an era of populism and Geo-Economics,’ *JCMS Journal of Common Market Studies*, 58(S1), pp. 13–27. <https://doi.org/10.1111/jcms.13106>

geoeconomic and geopolitical influence on the EU through its growing economic strength and rise, showcasing contrasting approaches to China. As EU member states, they share many similarities that bind them to the union, but they also have many differences. Sweden and Hungary are unitary, parliamentary, unicameral states with a single veto. They are both non-core EU countries, regardless of their geographical position or their relative power in the EU discourse. Moreover, they are significant forces in sub-regional Europe, such as the 16+1 format (now 14+1) and the Nordic countries.

However, they are two different capitalist economic models and export-oriented countries. Sweden is a highly competitive economy with a coordinated market based on innovation.⁴⁵⁴ Meanwhile, Hungary is a dependent market economy due to the investment and technology transfer from multinational corporations.⁴⁵⁵ They represent two economic models and requirements within the EU - liberalism and protectionism - due to their different economic strengths.⁴⁵⁶ For example, according to the latest data from the World Bank in 2023, Sweden's Gross Domestic Product (GDP) was worth 584.96 billion US dollars, while the Gross Domestic Product (GDP) in Hungary was worth 212.39 billion US dollars.⁴⁵⁷

Sweden and Hungary are two countries at the forefront of the EU's electric vehicle battery industry and are the world's largest battery producers.⁴⁵⁸ One significant reason Hungary is attracting Chinese investment is the planned battery plant in Debrecen. Györffy (2024) argues that research and development (R&D) is

⁴⁵⁴ Svensson, T. and Öberg, P. (2005) 'How are coordinated market economies coordinated? evidence from Sweden,' *West European Politics*, 28(5), pp. 1075–1100.
<https://doi.org/10.1080/01402380500311830>

⁴⁵⁵ Nölke, A. and Vliegenthart, A. (2009) 'Enlarging the varieties of capitalism: The emergence of dependent market economies in East Central Europe,' *World Politics*, 61(4), pp. 670–702.
<https://doi.org/10.1017/s0043887109990098>

⁴⁵⁶ Hopkin, J. (2004) 'Hard Choices, Mixed Incentives: Globalization, Structural Reform, and the Double Dilemma of European Socialist Parties,' *unpublished manuscript*.

⁴⁵⁷ World Bank Group. Available at:
https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=SE&most_recent_value_desc=true;
<https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=HU> (Accessed: 27 September 2024).

⁴⁵⁸ Györffy, D. (2024) 'Liberal and illiberal industrial policy in the EU: the political economy of building the EV battery value chain in Sweden and Hungary,' *Comparative European Politics*, 22(5), pp. 574–593. Available at: <https://doi.org/10.1057/s41295-023-00374-0>

crucial to developing the electric vehicle battery industry, whereas Hungary's innovation is mainly dependent on transfers from multinational corporations. Sweden has a high level of innovation.⁴⁵⁹ In the IMD World Competitiveness Ranking 2024, Sweden came sixth.⁴⁶⁰ Moreover, they experienced different shifts in the same historical events, such as the Second World War and the Cold War. Sweden has maintained its neutral status for about two centuries, while Hungary was a socialist country under the Soviet Union and has since transitioned to a capitalist EU member.

This section uses Most Different Systems Design (MDSD), which compares very different cases with the same dependent variable, based on three variables: type of economic dependence, degree of security and political leadership. Moreover, it employs a 2×2 analytical framework to systematise the comparison. Economic dependence is conceptualised as either complementary (where interdependence creates mutual gains and fills structural gaps) or competitive (where interdependence generates friction over market shares or technology). Security perceptions are operationalised as low (absence of official threat designation and restrictive legislation) versus high (explicit securitisation through official documents and legal bans).

To operationalise the distinction between types of economic dependence, this article classifies complementary economic dependence as Chinese investment that fills critical gaps in the host country's industrial chain, where there are clear industrial gaps or a lack of indigenous R&D capacity, without creating direct rivalry. For example, CATL's greenfield investment addresses Hungary's strategic gap in domestically controlled EV battery R&D and large-scale manufacturing capacity,⁴⁶¹

⁴⁵⁹ Györffy, D. (2024) 'Liberal and illiberal industrial policy in the EU: the political economy of building the EV battery value chain in Sweden and Hungary,' *Comparative European Politics*, 22(5), pp. 574–593. <https://doi.org/10.1057/s41295-023-00374-0>

⁴⁶⁰ IMD Business School (2024) *WCR-Rankings - IMD business school for management and leadership courses*. Available at: https://www.imd.org/centers/wcc/world-competitiveness-center/rankings/world-competitiveness-ranking/rankings/wcr-rankings/#_tab_Rank (Accessed: 15 March 2025).

⁴⁶¹ Ágnes, Szunomár (2024) *From Zero to Hero? Chinese Investment in Electric Vehicle Supply Chains in the Visegrád Four*. Prague, Czech Republic: Association for International Affairs (AMO). Available at: https://chinaobservers.eu/wp-content/uploads/2024/01/Chinese-investments-in-EV-supply-chains-in-Central-Europe_paper_A4_03.pdf.

and the production is oriented toward supplying European OEMs rather than competing with existing local firms, most of which are foreign-owned.⁴⁶²

Conversely, competitive economic dependence is mutual, and Chinese and host-country firms vie for leadership in the same high-tech sectors and value chains. For example, the fierce competition between Ericsson and Huawei in the 5G infrastructure. Especially, they both target competing for the global market, thereby generating zero-sum pressures. This analytical distinction, while acknowledging that most trade relations contain elements of both, is based on the dominant structural logic of the most observable Chinese engagement in the period under review.

To operationalise the distinction between the different degrees of securitisation, low security concern is indicated by the absence of official threat designation and restrictive legislation; high security concern is indicated by explicit securitisation (e.g., official threat assessments) and the adoption of restrictive measures (e.g., 5G bans, FDI screening laws). Political leadership is treated not as an independent explanatory variable, but as a reinforcing mechanism that amplifies the strategic direction indicated by the structural conditions and the pathway predicted by the 2×2 analytical framework based on the two key explanatory variables. In Hungary's illiberal political context,⁴⁶³⁴⁶⁴ Orbán's personalistic sovereignty narrative intensifies the translation of complementary dependence into hedging. In Sweden's consensus-driven polity, the cross-party security narrative provides political cover for the necessary shift towards

⁴⁶² For example, "Five of the world's largest 10 battery manufacturers have chosen Hungary as their European production base; Samsung SDI, SK On, CATL, Eve Power, and Sunwoda are investing here, and these are only the cell manufacturers. [...] More than 60 projects by over 40 companies have reached a positive investment decision, representing EUR 26.5 billion of foreign direct investment." Based on the speech by Rita Szép-Tüske, the Deputy CEO of the Hungarian Investment Promotion Agency (HIPA), at the Hungarian Battery Days conference in November 2025. Published in the *Budapest Business Journal* print issue of November 14, 2025. Available at: <https://bbj.hu/business/industry/manufacturing/hungary-determined-to-expand-battery-sector-operation-s/>.

Moreover, *Sustainable Bus* published a report ("Hungary – the future paradise for EV battery manufacturers?") in 2024. Available at:

<https://www.sustainable-bus.com/news/hungary-battery-plants-ev-projects/>.

⁴⁶³ European Parliament (2022a) *Existence of a clear risk of a serious breach by Hungary of the values on which the Union is founded (2018/0902R(NLE))*. Available at:

[https://oeil.europarl.europa.eu/oeil/en/procedure-file?reference=2018/0902R\(NLE\)](https://oeil.europarl.europa.eu/oeil/en/procedure-file?reference=2018/0902R(NLE)).

⁴⁶⁴ Halmai, G. (2024) 'From liberal democracy to illiberal populist autocracy: Possible reasons for Hungary's autocratization,' *Hague Journal on the Rule of Law*, 16(2), pp. 439–463. Available at: <https://doi.org/10.1007/s40803-024-00231-6>.

balancing. Therefore, political leadership reinforces the legitimacy of strategic choice.

By tracing key events and official documents in both countries, this section tests two hypotheses:

H1. Complementary economic dependence + low security → hedging strategy (Hungary)

H2. Competitive economic dependence + high security → balancing strategy (Sweden)

Through testing these hypotheses, the section verifies the broader conclusion that the behaviour of small states exhibits a nonlinear relationship between economic dependence and political alignment under conditions of great-power competition.

4.3.1. Hungary's Hedging: The Spinning Peacock Strategy

Hungary has China's most significant investment in Central and Eastern Europe, and China is also Hungary's largest trading partner outside Europe.⁴⁶⁵ The significant geographic position of Hungary, as an inland hub on the Eurasian land route connecting Austria, Germany, and the Balkan countries, and as a gateway for cargo transport from Greek ports. It is also a member of the Visegrád Group, also known as V4, which includes the Czech Republic, Hungary, Poland, and Slovakia, accounting for approximately 14% of the EU's population and represented by a total of 108 MEPs in the European Parliament.⁴⁶⁶ Given its combined political and economic factors, Hungary is a leading goat and a "pivot country" in CEE.⁴⁶⁷

In 2012, Viktor Orbán, Hungary's Prime Minister, described his foreign policy towards the EU as a "peacock dance," following the diplomatic dance order.⁴⁶⁸

⁴⁶⁵ Ministry of Foreign Affairs of China. *China and Hungary*. Available at: https://www.fmprc.gov.cn/eng/gjhdq_665435/3265_665445/3175_664570/202406/t20240611_11421637.html (Accessed: 6 March 2025).

⁴⁶⁶ (C) 2006-2010, International Visegrad Fund (2006) *The Visegrad Group: Czechia, Hungary, Poland, Slovakia | About the Visegrad Group*. Available at: <https://www.visegradgroup.eu/home>

⁴⁶⁷ Song, L. and Pavličević, D. (2019) 'China's Multilayered Multilateralism: A case study of China and Central and Eastern Europe Cooperation Framework,' *Chinese Political Science Review*, 4(3), pp. 277–302. <https://doi.org/10.1007/s41111-019-00127-z>

⁴⁶⁸ Orbán: ellentmondtunk a csábításnak. *Világgazdaság*, 31 May 2012, Available at: <https://www.vg.hu/vilaggazdasag-magyar-gazdasag/2012/05/orban-ellentmondunk-a-csabitasnak>

Briefly, it is a balancing game that involves accepting, rejecting, and combining to address the EU's proposals. For example, say yes to some proposals to show friendship with the EU while rejecting two or three to protect Hungarian interests.⁴⁶⁹ Therefore, the “peacock dance” is an eclectic strategy to achieve its short- and long-term goals without offending any party, thereby maximising benefits through cooperation.⁴⁷⁰

Aside from the EU, it can also be seen as a diplomatic strategy towards the US, China, and their competition. This strategy marks a significant departure from the strongly pro-EU orientation of Hungarian governments prior to 2010, a shift that Orbán has consistently framed as a necessary, more assertive defense of national interests. Aside from the EU, Hungary's China policy falls within Prime Minister Orbán's broader multi-vector 'Eastern Opening' strategy, initiated after 2010, which also closely ties Hungary to Russia, Türkiye, and the Turkic states. In the broader strategic context, China is a highly consequential yet not isolated pillar of Hungary's comprehensive hedging strategy within and beyond the EU. This dissertation borrows the metaphor “the spinning peacock strategy” to describe the diplomatic strategy of the Orbán government to engage with the EU and China.

Variable 1: Type of Economic Dependence

According to the OECD (2024), Hungary's economy is slowly recovering after the COVID-19 pandemic, and inflation remains comparatively high, reaching a maximum among EU countries (See Figure 16).⁴⁷¹ At the same time, Hungary became the EU's largest recipient of Chinese investment in 2024 (See Figure 17). China's FDI constitution has shifted from mergers and acquisitions to greenfield investment, and the share increased to 78% in 2023, accounting for 44% of all

(Accessed: 11 January 2025).

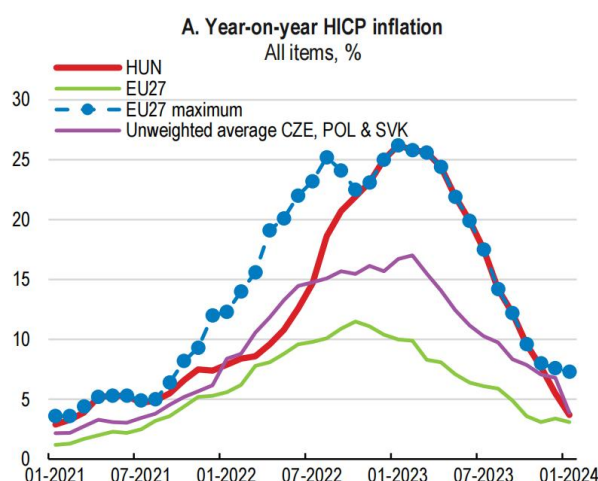
⁴⁶⁹ Éltető, A. and Szemplér, T. (2023) 'Hungary in the European Union – Cooperation, Peacock dance and autocracy,' *Comparative Southeast European Studies*, 71(3), pp. 272–299. <https://doi.org/10.1515/soeu-2022-0051>

⁴⁷⁰ Matura, T. (2020) Hungary: The Peacock's Dance. In: *Europe in the Face of US-China Rivalry*. Madrid: European Think Tank Network on China, pp. 91-98.

⁴⁷¹ OECD (2024) *Economic Surveys : HUNGARY 2024*. OECD Publishing, Paris.

Chinese foreign direct investment (FDI) in Europe that year.⁴⁷² This trend continues into 2024: Hungary attracted China’s investments worth EUR 3.1 billion, a 73 percent increase compared to the previous year,⁴⁷³ with the most significant investments from Chinese electric vehicle (EV) manufacturer BYD and Chinese battery maker CATL, putting Hungary at the “forefront” of the electromobility revolution.⁴⁷⁴ As the top recipient of China’s investment in 2024, Hungary underscores the effectiveness of its investment promotion strategy.

Figure 16: Headline Inflation in Hungary Has Declined But Remains High,
2021-2024



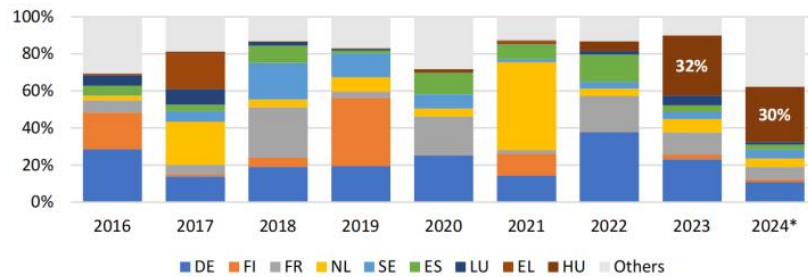
Source: Eurostat Database on Harmonised Indices of Consumer Prices (HICP), OECD Database on Consumer Price Indices.

Figure 17: Geographical Distribution of Completed Chinese FDI in the EU (% of
total)

⁴⁷² Agatha, K. Max, J. Z. Alexander, B. Gregor S. and Armand M. (2024) *Dwindling investments become more concentrated - Chinese FDI in Europe: 2023 Update*. Rhodium Group and the Mercator Institute for China Studies (MERICS). Berlin. Available at: <https://merics.org/sites/default/files/2024-08/merics-rhodium-group-chinese-fdi-in-europe-2023.pdf>

⁴⁷³ Ibid.

⁴⁷⁴ Péter, Szijjártó. (2025) FM: Chinese companies had brought the most FDI to Hungary in 2020, 2023 and 2024, Budapest, 4 April. Available at: <https://abouthungary.hu/news-in-brief/fm-chinese-companies-had-brought-the-most-fdi-to-hungary-in-2020-2023-and-2024> (Accessed: 15 August 2025).



Source: Rhodium and Merics (2023)

Hungary announced that it would be the European headquarters of Chinese electric vehicle manufacturer BYD and established an All-Weather Comprehensive Strategic Partnership for the New Era with China in 2024. The automotive industry is a leading industry in Hungary and has a long history of resources and markets. Since the 1990s, Hungary's automotive industry has grown to 13.7 trillion forints (around 34.4 billion euros) in 2024.⁴⁷⁵ Hungary is also a major battery producer, with the world's second-largest battery production capacity. China's greenfield investment focuses on electric vehicles and batteries. For example, in 2022, the Chinese battery development and manufacturing enterprise CATL planned to invest EUR 7.34 billion in building a 100 GWh battery plant in Debrecen, Hungary.⁴⁷⁶ In 2023, the Chinese automotive manufacturer BYD announced plans to build a new energy vehicle production base in Szeged, Hungary.⁴⁷⁷

However, Hungary's research and development (R&D) is comparatively low compared with Sweden.⁴⁷⁸ In contrast, China dominates global EV battery production

⁴⁷⁵ Péter, Szijjártó. (2025) FM: Hungary's automotive industry performs well and remains the engine of economic growth, Budapest, 14 May. Available at: <https://abouthungary.hu/news-in-brief/fm-hungary-s-automotive-industry-performs-well-and-remains-the-engine-of-economic-growth> (Accessed: 15 August 2025).

⁴⁷⁶ Hungarian Investment Promotion Agency (2022) 'CATL's New Battery Plant To Become Hungary's Largest Greenfield FDI Project Ever', 12 August. Available at: <https://hipa.hu/news/catl-s-new-battery-plant-to-become-hungary-s-largest-greenfield-fdi-project-ever/> (Accessed: 28 October 2024).

⁴⁷⁷ 'BYD Launches in Italy with Two Pure Electric Models: BYD ATTO 3 and BYD HAN', 22 December. Available at: https://www.byd.com/eu/news-list/BYD_to_Build_A_New_Energy_Passenger_Vehicle_Factory_in_Hungary_for_Localised_Production_in_Europe (Accessed: 28 October 2024).

⁴⁷⁸ Györffy, D. (2024) 'Liberal and illiberal industrial policy in the EU: the political economy of building the EV battery value chain in Sweden and Hungary,' *Comparative European Politics*, 22(5), pp. 574–593. <https://doi.org/10.1057/s41295-023-00374-0>

and supply chain, with the highest manufacturing capacity and a substantial portion of worldwide output.⁴⁷⁹ CATL's investment brings R&D and technology to Hungary, replacing part of the EU's frozen funds to promote economic growth and creating new interdependencies between the West and the East.⁴⁸⁰ It exemplifies complementary dependence, as Chinese investment compensates for Hungary's lagging R&D capabilities in EV batteries through greenfield investment.

Variable 2: Degree of Security

The image of Hungary is becoming increasingly complicated and is being criticised, especially by the EU, for its close cooperation with China. Hungary is seen as the leading goat among the 14+1 format and a thorn in the side of the EU.⁴⁸¹ In 2022, the European Parliament declared in a report that Hungary systematically threatens the values on which the Union is founded,⁴⁸² thereby weakening the EU's diplomatic strength and collective bargaining power on the international stage.⁴⁸³ Given Hungary's unique geographical location, it borders on Ukraine to the northeast and serves as the inland hub for the Eurasian land route connecting Austria, Germany, and the Balkan countries and further cargo trade transportation from Greek ports. Geographical proximity has further intensified the conflict between Hungary and the European Union, as Hungary rejected the EU's proposal to allow the transit of weapons through its territory to assist Ukraine, arguing that this would only escalate

⁴⁷⁹ Greitemeier, T. *et al.* (2025) 'China's hold on the lithium-ion battery supply chain: Prospects for competitive growth and sovereign control,' *Journal of Power Sources Advances*, 32, p. 100173. <https://doi.org/10.1016/j.powera.2025.100173>

⁴⁸⁰ Ricz, J. and Éltető, A. (2025) 'Paradoxes of green transition and developmentalism: The case of EV battery production in Hungary,' *Problems of Post-Communism*, pp. 1–15. <https://doi.org/10.1080/10758216.2025.2459268>

⁴⁸¹ EU Parliament (2024) *The Hungarian government threatens EU values, institutions, and funds, MEPs say*, 18 January. Available at: <https://www.europarl.europa.eu/news/en/press-room/20240112IPR16780/the-hungarian-government-threatens-eu-values-institutions-and-funds-meps-say> (Accessed: 20 January 2025).

⁴⁸² European Parliament (2022) *INTERIM REPORT on the proposal for a Council decision determining, pursuant to Article 7(1) of the Treaty on European Union, the existence of a clear risk of a serious breach by Hungary of the values on which the Union is founded*. A9-0217/2022. Available at: https://www.europarl.europa.eu/doceo/document/A-9-2022-0217_EN.html#_section4

⁴⁸³ Pinna, C. (2025) 'Member States' influence in shaping the EU as a global actor: Hungary, Italy, and the Netherlands in China's belt and road engagement,' in *Global Europe*, pp. 39–62. https://doi.org/10.1007/978-94-6265-666-6_3

the situation.⁴⁸⁴ While Hungary, at the same time, supports Ukraine's EU Membership through the National Referendum and has taken in almost 800,000 Ukrainian refugees.⁴⁸⁵

It indicates that Hungary's behaviour is consistent with its stated position of safeguarding national interests first. However, neither the EU nor the US can buy into this behaviour of having a cake and eating it in Hungary. The Hungarian government claimed in 2022 that the United States directly endorsed the opposition and meddled in internal affairs.⁴⁸⁶ In 2024, an inquiry by the Hungarian National Audit Office determined that it was unlawful for the opposition to receive funds.⁴⁸⁷ The increasingly complex and turbulent international situation, along with geopolitical risks, are significant external factors driving Hungary to cooperate closely with China.

The EU also criticises the 14+1 format, arguing that it is a bilateral mechanism that fosters high competition rather than a multilateral one.⁴⁸⁸ At the same time, the Chinese government states that it is a cross-regional multilateral cooperation.⁴⁸⁹ Criticisms that China is attempting to "divide and rule" the EU through economic influence.⁴⁹⁰ Jakóbowski (2018) asserts that the collaboration between CEECs and

⁴⁸⁴ Cabinet Office of the Prime Minister (2024) *FM: Hungary has refused to contribute to arms shipments to Ukraine*. Available at: <https://abouthungary.hu/news-in-brief/fm-hungary-has-refused-to-contribute-to-arms-shipments-to-ukraine> (Accessed: 16 January 2025).

⁴⁸⁵ Permanent Representation of Hungary to the European Union. *Hungary supports Ukraine's EU candidate status*. Available at: <https://eu-brusszel.mfa.gov.hu/eng/news/hungary-supports-ukraines-eu-candidate-status> (Accessed: 16 January 2025).

⁴⁸⁶ *Busted: Intelligence report uncovers HUF 3 bn in foreign support behind united opposition campaign* (2022). Available at: <https://abouthungary.hu/blog/busted-intelligence-report-uncovers-huf-3-bn-in-foreign-support-behind-united-opposition-campaign>

⁴⁸⁷ State Audit Office of Hungary (2024) *The Audit Report on the accounting of funds spent on the 2022 parliamentary election campaign in case of FIDESZ-KDNP, Solution Movement, Our Homeland Movement, Hungarian Two-Tailed Dog Party, National Self-Government of Germans in Hungary*. In Hungarian. [Állami Számvevőszék (2024) Kampánypénzek ellenőrzése. A 2022. évi országgyűlési képviselő-választási kampányra fordított pénzeszközök elszámolásának ellenőrzése öt jelölt szervezetnél.] Available at: <https://www.asz.hu/dokumentumok/23027.pdf>

⁴⁸⁸ European Parliament (2018) *China, the 16+1 format and the EU*. Available at: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2018/625173/EPRS_BRI\(2018\)625173_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2018/625173/EPRS_BRI(2018)625173_EN.pdf)

⁴⁸⁹ Belt and Road Portal (2022) *Create a model of cross-regional multilateral cooperation (International Forum)*. In Chinese. [中国一带一路网. 打造跨区域多边合作的典范 (国际论坛)] Available at: <https://www.yidaiyilu.gov.cn/p/240069.html>

⁴⁹⁰ Lau, S. (2020) 'China trying to divide and rule in Europe, EU foreign policy chief Josep Borrell says,' *South China Morning Post*, 16 May. Available at: <https://www.scmp.com/news/china/diplomacy/article/3084684/china-trying-divide-and-rule-europe-eu-foreign-policy-chief> (Accessed: 28 June 2024)

China has emerged as a “testing ground for the China-led regional platform model in the global North.” This platform exhibits a dual nature, integrating multilateralism and bilateralism, a defining characteristic of China’s regional strategy.⁴⁹² Moreover, Hungary’s withdrawal from economic cooperation with China in automotive manufacturing or battery R&D is a critical area of the EU’s Economic Security Strategy. Hungary views Chinese investment as an economic development issue rather than a security challenge. It contradicts the EU’s de-risking strategy, and the possible technology transfer exposes the EU to security risks.⁴⁹³

The era of a universally favourable economic liberalisation perspective has somewhat ended.⁴⁹⁴ Brexit and the 2016 nomination of U.S. President Donald Trump signalled the end of an era. Trump’s rejection of globalisation and emphasis on “America First” especially established a new tone. In 2019, Secretary of State Mike Pompeo visited Hungary and expressed concern about China’s growing presence, particularly the expansion of Huawei Technologies. It is a striking sign that the United States, with its renewed emphasis on CEECs’ geopolitics, is endeavouring to reorient Hungary towards the Western sphere of influence and inhibit its engagement with Russia and China.⁴⁹⁵

However, Hungary is the only NATO country that did not sign the ‘Joint Declarations on 5G Security’ initiated by the US among European Central and Eastern countries in 2019 and 2020.⁴⁹⁶ Despite Hungary’s strict foreign direct investment screening legislation, its critical infrastructure remains accessible to

⁴⁹¹ Garlick, J. (2019) ‘China’s economic diplomacy in Central and Eastern Europe: a case of offensive mercantilism?’, *Europe Asia Studies*, 71(8), pp. 1390–1414. <https://doi.org/10.1080/09668136.2019.1648764>

⁴⁹² Jakóbowski, J. (2018) ‘Chinese-led regional multilateralism in Central and Eastern Europe, Africa and Latin America: 16 + 1, FOCAC, and CCF’, *Journal of Contemporary China*, 27(113), pp. 659–673. <https://doi.org/10.1080/10670564.2018.1458055>

⁴⁹³ Pinna, C. (2025) ‘Member States’ influence in shaping the EU as a global actor: Hungary, Italy, and the Netherlands in China’s belt and road engagement’, in *Global Europe*, pp. 39–62. https://doi.org/10.1007/978-94-6265-666-6_3

⁴⁹⁴ Patrik, Andersson. and Frida, Lindberg. (2024) *National Perspectives on Europe’s De-risking from China*. European Think-tank Network on China (ETNC).

⁴⁹⁵ Matura, T. (2020) *Hungary: The Peacock’s Dance*. In: *Europe in the Face of US-China Rivalry*. European Think Tank Network on China.

⁴⁹⁶ Friis, K. and Lysne, O. (2021) ‘Huawei, 5G and security: technological limitations and political responses’, *Development and Change*, 52(5), pp. 1174–1195. <https://doi.org/10.1111/dech.12680>

Chinese enterprises. In 2019, Hungarian Foreign Minister Péter Szijjártó announced that China would involve Huawei in the 5G rollout.⁴⁹⁷ According to MERICS (2024), at least 53% of 5G networks will use Huawei equipment by 2024 (no 5G legislation currently restricts high-risk suppliers).⁴⁹⁸ It represents a low level of security in engagement with China, meaning failing to securitise.

Variable 3: Political Leadership

Hungary's need for economic development and diplomatic goals, such as improving domestic consumption and employment rates, are important reasons for Hungary's seeking a closer economic cooperation with China. Meanwhile, Prime Minister Orbán's "opening to the East" policy⁴⁹⁹ to find new economic opportunities coincides with China's statement that the "16+1 Cooperation" has vast potential and is an essential component and beneficial supplement to China-EU relations.⁵⁰⁰

Under Orbán's leadership, this complementary dependence is strategically leveraged not only for economic gains but also to assert national sovereignty vis-à-vis the EU. The Hungarian government interprets the EU's stance as indicative of a broader political and ideological struggle with Brussels, chiefly about national sovereignty and identity.⁵⁰¹ For example, Mr Orbán has publicly praised China's achievements, saying that "China tells a good story" and that the West is in relative

⁴⁹⁷ Reuters (2019) 'Hungarian minister opens door to Huawei for 5G network rollout', *Reuters*, 5 November. Available at: <https://www.reuters.com/article/business/hungarian-minister-opens-door-to-huawei-for-5g-network-rollout-idUSKBN1XF1UT/>

⁴⁹⁸ MERICS (2024) *Profiling European countries' resilience towards China*. Available at: <https://merics.org/en/report/profiling-european-countries-resilience-towards-china>

⁴⁹⁹ Viktor Orbán. 'Opening up to the East is more important now than ever.' *Hungary Today*, 31 January. Available at: <https://hungarytoday.hu/viktor-orban-opening-up-to-the-east-is-more-important-now-than-ever/> (Accessed: 13 February 2025).

⁵⁰⁰ The State Council of the People's Republic of China (2017) *Li Keqiang's speech at the Sixth China-Central and Eastern European Countries Leaders' Meeting (full text)*. In Chinese. [中国政府 (2017) 李克强在第六次中国—中东欧国家领导人会晤上的讲话(全文).] Available at: https://www.gov.cn/xinwen/2017-11/29/content_5243037.htm

⁵⁰¹ Kavalski, E. (2019) "China in Central and Eastern Europe: the unintended effects of identity narratives", *Asia Europe Journal*, 17(4), pp, 403–419. Available at: <https://doi.org/10.1007/s10308-019-00563-1>

decline in the emerging multipolar order.⁵⁰² Hungary's closer ties with China are Orbán's hedging strategy in the "grand chess game with the West", especially with the EU and the US.⁵⁰³ The 'opening to the East' policy deliberately frames Chinese investment as an alternative to Brussels' conditional funding, thereby reinforcing the hedging orientation. Thus, political leadership amplifies the strategic use of complementary dependence.

In 2025, the Pew Research Center reported that 42 percent of the Hungarian public held an unfavourable impression of China (See Figure 18). However, the Hungarian government still choose to deepen cooperation with China despite 42 percent of the Hungarian public having an unfavourable impression of China. It shows that the Hungarian leadership have failed to translate public concerns into policy. Moreover, unlike the Swedish Security Service (Säkerhetspolisen), which designated China as "a growing long-term threat,"⁵⁰⁴ no official Hungarian government document positions China as a threat. In contrast, Hungary and China established an All-Weather Comprehensive Strategic Partnership in 2024. Based on the above, Hungary's strategy towards China prioritises economic logic over security considerations.

Figure 18: Views of China Vary by Country, 2025

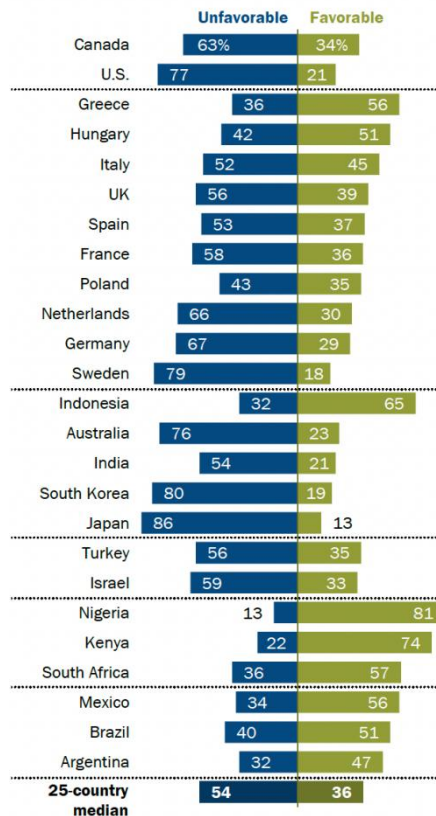
⁵⁰² Orbán, Viktor. (2025) "Opening up to the East is more important now than ever", *Hungary Today*, 31 January. Available at: <https://hungarytoday.hu/viktor-orban-opening-up-to-the-east-is-more-important-now-than-ever/> (Accessed: 25 May 2025).

⁵⁰³ Matura, T. (2023) *Hungary: China's last friend in the EU? In: From a China strategy to no strategy at all Exploring the diversity of European approaches*. European Think-tank Network on China (ETNC).

⁵⁰⁴ Swedish Security Service (2024) *The Swedish Security Service 2023–2024 annual assessment*. Stockholm.

Views of China vary by country

% who have a(n) ___ opinion of China



Note: Those who did not answer are not shown.

Source: Spring 2025 Global Attitudes Survey.

"International Views of China Turn Slightly More Positive"

PEW RESEARCH CENTER

Source: Pew Research Center (2025)

Hungarian opponents believe the Orbán government's endeavours to strengthen ties with Beijing constitute a game against Brussels, with economic interests being of minor significance in this context.⁵⁰⁵ Orbán's government's judgment of the West is driven by frustration with the EU, which may further exacerbate tensions between the two sides.⁵⁰⁶ The UK, Germany, and France were once seen as the three primary forces driving the EU forward, but Brexit disrupted this balance. The different demands of Germany and France for the EU are long-term issues, including foreign and defence policies.⁵⁰⁷ Compared with the three, Hungary is a relatively marginal

⁵⁰⁵ Matura, T. (2018) 'Absent political values in a pragmatic Hungarian China policy,' In: *Political values in Europe-China relations*. European Think Tank Network on China.

⁵⁰⁶ Eric, Hendriks. (2023) *Why was Orbán the only Western leader in Beijing?* Danube Institute.

⁵⁰⁷ Jana, Puglierin. and Ulrike, Esther Franke. (2020) *The Big Engine That Might: How France and Germany Can Build A Geopolitical Europe*. European Council on Foreign Relations (ECFR).

country in terms of economic strength and geographical location, a dilemma shared by the CEECs.

Levy and Révész (2021) argue that the EU excessively highlighted non-compliance by Central and Eastern European member states, thus strengthening the perception that these countries are regarded as second-class citizens within the EU.⁵⁰⁸ Furthermore, the EU faces other challenges after the Eurozone debt crisis: the weak European economy, the immigration crisis, the rise of populism and nationalism, and Brexit. These challenges exposed the failure of EU governance and intensified tensions and divisions among EU member states. Especially on immigration, Hungary and Poland are determined to reject the EU quota.⁵⁰⁹

In this context, Prime Minister Viktor Orbán is the only EU member state leader attending the third Belt and Road Forum for International Cooperation in 2023.⁵¹⁰ The EU points out in the latest report that “the Hungarian government continues to take a lone-wolf approach to China, abandoning the triptych framework entirely and viewing China only as an economic opportunity.”⁵¹¹ This argument can be supported by Prime Minister Viktor Orbán’s discussion in the third Belt and Road Forum for International Cooperation with the Chinese government. For example, the Budapest-Belgrade railway, a prominent BRI initiative, is experiencing considerable delays due to challenges with EU standardization (the ETCS train control system) and an absence of suitable technology the Chinese investor provides to address these issues. Moreover, Chinese enterprise - CATL’s investment in the battery plant project is another significant discussion point in this forum, as the residents opposed it

⁵⁰⁸ Levy, K. and Révész, Á. (2021) 'No common ground: A Spatial-Relational Analysis of EU-China relations,' *Journal of Chinese Political Science*, 27(3), pp. 457–491.
<https://doi.org/10.1007/s11366-021-09769-w>

⁵⁰⁹ Jonas Ekblom (2019) 'Poland, Hungary broke EU laws by refusing to host migrants: court adviser', *Reuters*, 31 October. Available at:
<https://www.reuters.com/article/world/poland-hungary-broke-eu-laws-by-refusing-to-host-migrants-court-adviser-idUSKBN1XA1S4/> (Accessed: 12 June 2024).

⁵¹⁰ *Xi Jinping Meets with Hungarian Prime Minister Viktor Orbán--The Third Belt and Road Forum for International Cooperation (2023)*. Available at:
<http://www.beltandroadforum.org/english/n101/2023/1017/c130-1126.html>

⁵¹¹ European Parliament (2024) *EU-China relations: De-risking or de-coupling – the future of the EU strategy towards China*. Brussels. Available at:
[https://www.europarl.europa.eu/thinktank/en/document/EXPO_STU\(2024\)754446](https://www.europarl.europa.eu/thinktank/en/document/EXPO_STU(2024)754446)

because of environmental concerns.⁵¹²

Hungary's closer operation with China is Orbán's hedging approach in the "grand chess game with the West", especially the EU and the US.⁵¹³ The 14+1 format exemplifies that CEECs still do not leave this initiative, even though there is a big gap between actual results and expectations, to strengthen their negotiating power within the EU and to balance the regional influence of Germany and Russia in Central and Eastern Europe.⁵¹⁴ Considering Hungary's unique geopolitical position within the EU, this approach could give it an advantage in negotiations with the EU. Moreover, the prime minister Orbán has publicly praised China's achievements, saying that "China tells a good story" and that the West is in relative decline in the emerging multipolar order.⁵¹⁵

However, the closer cooperation between China and Hungary is unable to leverage their stable relations to reverse the trend that the EU is imposing more checks and balances on China, such as the de-risking policy. Currently, two typical events in Hungary have blocked the EU's initiatives and statements seeking to hold China accountable — in 2016 on the South China Sea and in 2018 on human rights.

Despite public scepticism (42% of respondents held unfavourable views of China in 2025) and EU criticism, the Orbán government's sovereignty narrative consistently resists securitisation. By portraying Chinese cooperation as a matter of national development rather than a security threat, leadership sustains the low-security pathway and prevents alignment with EU de-risking policies. It illustrates how political leadership reinforces the hedging strategy under conditions of complementary dependence and low security.

⁵¹² Business & Human Rights Resource Centre (2023) 'Hungary: Pollution risks spark protest against Chinese battery giant CATL's plant in Debrecen', 16 March. Available at: <https://www.business-humanrights.org/en/latest-news/hungary-pollution-risks-spark-protest-against-chinese-battery-giant-catl-plant-in-debrecen-incl-co-comment/> (Accessed: 12 January 2025).

⁵¹³ Matura, T. (2023) *Hungary: China's last friend in the EU?* In: From a China strategy to no strategy at all Exploring the diversity of European approaches. European Think-tank Network on China(ETNC).

⁵¹⁴ Iulia, Monica, Oehler-Sincai. (2018) *16+1, a New Issue in China-EU Relations?* Working paper series of the China-CEE Institute Budapest, pp.1-11.

⁵¹⁵ Viktor Orbán. 'Opening up to the East is more important now than ever.' *Hungary Today*, 31 January. Available at: <https://hungarytoday.hu/viktor-orban-opening-up-to-the-east-is-more-important-now-than-ever/>

Process-tracing: The CATL Investment as a Critical Juncture

A process-tracing analysis of Hungary's 2022 approval of the CATL battery plant clarifies the mechanism linking complementary economic dependence and low securitisation to a hedging outcome. Step 1 (evidence of competition): Hungary lacked indigenous EV battery R&D and large-scale manufacturing capacity, making CATL's greenfield investment a strategic opportunity to fill the industrial gap mentioned above. Step 2 (decision-making background): In 2022, the European Commission suspended 55 percent of three funding programmes for Hungary, amounting to €6.3 billion, due to breaches of the rule of law and concerns around corruption,⁵¹⁶ which accounts for nearly 5 percent of Hungary's GDP alongside huge economic and political costs.⁵¹⁷

Step 3 (decision-making trade-off): In 2022, CATL agreed to invest nearly €7.6 billion in Hungary after 2 years of negotiation.⁵¹⁸ Levente Magyar, the parliamentary state secretary of the foreign ministry, explicitly stated that “at a time when the war in Ukraine has driven Europe to an economic crisis, the government aims to make Hungary a local exception and stay out of the deepening crisis by maintaining the level of economic growth by attracting large investments to Hungary.”⁵¹⁹ While no single official document declares a direct substitution, the Hungarian government's decision to highlight the CATL investment as its primary means of navigating a European economic downturn, at the precise moment when EU financial support was being held, strongly indicates a functional substitution logic whereby Chinese investment served as a critical alternative source of economic growth and a bargaining chip vis-à-vis Brussels.

⁵¹⁶ The Council of the European Union (2022) 'Rule of law conditionality mechanism: Council decides to suspend €6.3 billion given only partial remedial action by Hungary', Brussels.

⁵¹⁷ Koranyi, K. (2025) 'The limits of EU rule of law financial sanctions: how economic and political costs shaped Hungary's selective compliance strategy,' *Journal of European Public Policy*, pp. 1–28. <https://doi.org/10.1080/13501763.2025.2553752>.

⁵¹⁸ About Hungary (2022) 'CATL to launch Hungary's largest ever investment project', *About Hungary*, 16 August. Available at: <https://abouthungary.hu/news-in-brief/catl-to-launch-hungary-s-largest-ever-investment-project> (Accessed: 15 February 2026).

⁵¹⁹ Ibid.

Step 4 (outcome amplification): Hungary not only approved the CATL plant but subsequently deepened its strategic alignment with China, culminating in the 2024 establishment of an All-Weather Comprehensive Strategic Partnership. The mechanism thus operated through an economic opportunity logic that actively resisted securitisation, reinforcing Hungary's hedging strategy.

4.3.2. Sweden's Balancing: A Shift against Neutrality

Unlike Hungary, China-Sweden relations have transformed from cooperative to balancing, while remaining relatively stable. Sweden was the first Western country to establish diplomatic relations with China in 1950. China and Sweden are the foremost trading partners for each other in Asia and Northern Europe, respectively. In 2024, bilateral trade volume reached US\$18.89 billion, up 0.2% year on year.⁵²⁰ Moreover, two-way investment remains robust, especially in the automotive, technology, information and communications technology (ICT), and biotechnology sectors. Sweden was the sixth-largest destination for China's foreign direct investment until 2022.⁵²¹

However, relations between the two countries have deteriorated since 2017 due to a diplomatic conflict and a lack of communication,^{522,523} including between China and Sweden, and between China's Foreign Ministry and Swedish TV, which broadcast

⁵²⁰ Ministry of Foreign Affairs of China. China and Sweden. Available at: https://www.fmprc.gov.cn/mfa_eng/gjhdq_665435/3265_665445/3361_664782/ (Accessed: 12 March 2025).

⁵²¹ Liisa, Kaupila. and Björn, Cappelin. (2023) *The China dilemma in foreign direct investment screening: Comparing the Finnish and Swedish approaches*. Swedish National China Centre.

⁵²² Tim, Rühlig. and Oscar, Shao. (2021) *China's dwindling soft power in Sweden*. In the report: *China's Soft Power in Europe Falling on Hard Times*. European Think-tank Network on China (ETNC). Available at: <https://media.realinstitutoelcano.org/wp-content/uploads/2021/04/etnc-chinas-soft-power-in-europe-falling-on-hard-times.pdf>

⁵²³ Frida, Lindberg. (2023) *Sweden: From optimistic opportunities to growing challenges*. In the report: *From a China strategy to no strategy at all Exploring the diversity of European approaches*. European Think-tank Network on China (ETNC). Available at: <https://kinacentrum.se/wp-content/uploads/2023/07/etnc-report-2023-final.pdf>

a program insulting China.⁵²⁴ After this situation continued for some time, the relationship between China and Sweden stabilised somewhat. In 2019, Sweden issued a Government communication on China, claiming it followed the EU's China policy but also re-emphasised the necessity of cooperating with China.⁵²⁵

Variable 1: Type of Economic Dependence

China's investment is less attractive to Sweden than Sweden's security concerns and alignment with the EU. China's investment accounts for 2.41 percent of Sweden's GDP,⁵²⁶ which is comparatively high and close to Hungary's. By 2019, Chinese (including Hong Kong) companies had acquired majority stakes in 51 companies in Sweden.⁵²⁷ The most significant acquisition is that Chinese automotive manufacturing enterprise Geely acquired Swedish truck maker Volvo Group for about US\$1.8 billion in 2018, becoming the Volvo Group's largest shareholder.⁵²⁸

Sweden is at the forefront of the EU EV battery industry and is the world's largest battery producer.⁵²⁹ At the same time, China holds a leading position in the global EV supply chain and is the world's largest new energy vehicle (NEV) market.⁵³⁰ The fact is that China has an irreplaceable and unparalleled advantage in

⁵²⁴ The State Council of China (2018) *The Foreign Ministry spokesperson answered reporters' questions regarding the Swedish TV station's broadcast of a program insulting China*. In Chinese. [中华人民共和国中央人民政府 (2018) 外交部发言人就瑞典电视台播出辱华节目一事答记者问.] Available at: https://www.gov.cn/xinwen/2018-09/24/content_5325012.htm

⁵²⁵ Ministry for Foreign Affairs of Sweden (2019) *Approach to matters relating to China*. Stockholm. Available at: <https://www.government.se/contentassets/e597d50630fa4eaba140d28fb252c29f/government-communication-approach-to-matters-relating-to-china.pdf>

⁵²⁶ China Briefing (2024) *China-Sweden Economic Relations: Trade, Investment, and Opportunities*. Available at: <https://www.china-briefing.com/news/china-sweden-economic-relations-trade-investment-and-opportunities/> (Accessed: 12 May 2025).

⁵²⁷ Jerker Hellström, Oscar Almén and Johan Englund (2019) *Chinese corporate acquisitions in Sweden: A survey*. Swedish Defence Research Agency.

⁵²⁸ Zhejiang Geely Holding Group (2017) 'Geely Holding Acquires Strategic Stake in AB Volvo from Cevian Capital', 27 December. Available at: https://zgh.com/media-center/news/20171227_1/?lang=en (Accessed: 12 March 2025).

⁵²⁹ Györffy, D. (2024) 'Liberal and illiberal industrial policy in the EU: the political economy of building the EV battery value chain in Sweden and Hungary,' *Comparative European Politics*, 22(5), pp. 574–593. <https://doi.org/10.1057/s41295-023-00374-0>

⁵³⁰ Tian, J., Wang, P. and Zhu, D. (2024) 'Overview of Chinese new energy vehicle industry and policy development,' *Green Energy and Resources*, 2(2), p. 100075.

this industry - low production costs, high output quality, a vast market for industrial products and a dominant position in the supply chain,⁵³¹ which means the competition with China in the electric vehicle battery industry is fierce for Sweden.

Sweden's 2020 battery strategy, which aims to contribute to the development of the European battery industry, indicates that Sweden chooses to compete with China to take a leading position in global battery production. However, the process for Sweden is challenging and torturous. Northvolt, the largest Swedish battery manufacturer, laid off almost a quarter of its workforce in 2024 and filed for bankruptcy in 2025,^{532,533} a move that initially aimed to help make the continent self-sufficient in batteries and less dependent on China.

Sweden competes with China in the EV battery and Information and Communications Technology (ICT) (which will be articulated in the next variable) industries, not only because of geoeconomic influences and challenges but also because of national interests and security. Currently, Sweden is among Europe's most successful countries in minimising vulnerability in critical infrastructure.⁵³⁴ Despite the Swedish government's emphasis on cooperating while simultaneously de-risking with China, Sweden's advanced economic model indicates it can diversify into overseas markets,⁵³⁵ reducing its reliance on the Chinese economy. The Swedish economy is known for its openness and liberal approach to trade and business, as well as its high competitiveness and innovation. Therefore, Sweden's priorities in approaching China are reducing dependence risks and strengthening economic

<https://doi.org/10.1016/j.gerr.2024.100075>

⁵³¹ Greitemeier, T. *et al.* (2025) 'China's hold on the lithium-ion battery supply chain: Prospects for competitive growth and sovereign control,' *Journal of Power Sources Advances*, 32, p. 100173. <https://doi.org/10.1016/j.powera.2025.100173>

⁵³² Charles Szumski (2024) 'Swedish battery giant announces redundancies amid EU electric vehicles industry struggles', *Euractiv*, 24 September. Available at: <https://www.euractiv.com/section/politics/news/swedish-battery-giant-announces-redundancies-amid-eu-electric-vehicles-industry-struggles/> (Accessed: 15 March 2025).

⁵³³ Jordyn, Dahl. (2025) 'Europe faces battery catastrophe as Swedish champion goes bust', *Politico*, 12 March. Available at: <https://www.politico.eu/article/eu-battery-industry-independence-northvolt-bankruptcy-sweden/> (Accessed: 10 August 2025).

⁵³⁴ MERICS Europe-China Resilience Audit (2024) *Profiling European countries' resilience towards China*. MERICS. Available at: <https://merics.org/en/report/profiling-european-countries-resilience-towards-china>

⁵³⁵ Farkas, B. (2016) *Models of capitalism in the European Union: Post-crisis Perspectives*. Palgrave Macmillan UK eBooks.

security. The type of economic dependence between Sweden and China is competitive economic dependence.

Variable 2: Degree of Security

The EU's 2016 Strategy on China, the 2019 *EU-China – A strategic outlook*, and the 2024 de-risking strategy on China profoundly influence the Swedish strategy towards China. Sweden finally adopted the *Screening of Foreign Direct Investments Act* in 2023, after years of debate over its history of free trade and investment since 1991, marking that Sweden is moving away from an open economy and towards a safety-oriented economic policy.⁵³⁶ Mattlin and Rajavuori (2023) assert that the primary impetus for adjustments in FDI policies and regulations in the Nordic nations is not a particular “external shock” resulting from Chinese investment but rather the perception of Chinese investment as a security threat by the EU and the United States.⁵³⁷

In 2024, the Swedish Security Service (Säkerhetspolisen) positioned China as “a growing long-term threat”, referring to China's economic activities in Sweden undermining national interests.⁵³⁸ (Swedish Security Service 2024). A typical example is Sweden's ban on Huawei and its products in a 2020 public procurement bid due to national security concerns.⁵³⁹ The competition between Ericsson and Huawei in 5 G is a complex issue for the EU's strategic industrial policy. In 2022, Huawei submitted a request for international arbitration against the Swedish government to the World Bank's Arbitration Chamber to safeguard its 5G technology

⁵³⁶ Pouya Ghotbi and Wistrand Advokatbyrå (2023) 'Marking a New Investment Era in Sweden: Enter the Swedish FDI Regime', *CELIS*, 4 December. Available at: <https://www.celis.institute/celis-blog/marking-a-new-investment-era-in-sweden-the-upcoming-swedish-fdi-regime/> (Accessed: 15 March 2025).

⁵³⁷ Mattlin, M. and Rajavuori, M. (2023) 'Changing Causal Narratives and Risk Perceptions on Foreign Investment: the Riskification of Chinese Investments in the Nordic Region,' *East Asia*, 40(3), pp. 243–263. <https://doi.org/10.1007/s12140-023-09397-6>

⁵³⁸ Swedish Security Service (2024) *The Swedish Security Service 2023–2024 annual assessment*. Stockholm.

⁵³⁹ Hofverberg, Elin. (2022) Sweden: Prohibition on Huawei Products in Swedish 5G Network Upheld. The Library of Congress. Available at: <https://www.loc.gov/item/global-legal-monitor/2022-08-24/sweden-prohibition-on-huawei-products-in-swedish-5g-network-upheld/>

investments in Sweden, exceeding 520 million euros in value.⁵⁴⁰

Sweden banned Huawei's supply of 5G network technology because its products pose a security risk to Sweden,⁵⁴¹ without specifying the threat Huawei poses to Sweden's national security. Friis and Lysne (2021) indicate that the EU's approach towards Huawei is not a geoeconomic factor but more like a geopolitical factor,⁵⁴² and without an explicit securitisation of Chinese companies, while Sweden's explicit securitisation of Huawei has incurred a political cost due to China's reactions to its actions, which is the influence of China's market for Ericsson during the tension of China-Sweden relations.

Furthermore, Sweden joined NATO in 2024, abandoning its two-century-long neutral identity.⁵⁴³ Coincidentally, Hungary was the last member to approve Sweden's NATO bid after an 18-month delay.⁵⁴⁴ The direct drivers of Sweden's shift are supply chain challenges caused by the Russia-Ukraine war, the influence of the changing geoeconomic landscape on small and medium-sized economies,⁵⁴⁵ and the increasing security concerns in the EU regarding China's rising influence on the international order.⁵⁴⁶

China is unsurprised that Sweden stands with the EU and aligns with NATO. As Lisa Zhang (2024) points out, China viewed Sweden as a NATO member before it

⁵⁴⁰ Ericson, M. Scorsim. (2022) Arbitration between Huawei and Sweden Over the Exclusion of 5G Investments. Available at: <https://ericsonscorsim.com/en/arbitration-between-huawei-and-sweden-over-the-exclusion-of-5g-investments/> (Accessed: 12 May 2025).

⁵⁴¹ Supantha Mukherjee (2021) 'Ericsson's China ambitions in jeopardy over Sweden's Huawei ban', *Reuters*, 19 May. Available at: <https://www.reuters.com/technology/ericssons-china-ambitions-jeopardy-over-swedens-huawei-ban-2021-05-19/> (Accessed: 15 March 2025).

⁵⁴² Friis, K. and Lysne, O. (2021) 'Huawei, 5G and security: technological limitations and political responses,' *Development and Change*, 52(5), pp. 1174–1195. <https://doi.org/10.1111/dech.12680>

⁵⁴³ Government Offices of Sweden. *Sweden in NATO*. Available at: <https://www.government.se/government-policy/sweden-in-nato/>

⁵⁴⁴ NATO's Act (2024) *Hungarian Parliament Approves Sweden's NATO Bid*. Available at: <https://www.act.nato.int/article/hungarian-parliament-approves-sweden-nato-bid/>

⁵⁴⁵ Helena, Löfgren. (2024) *Sweden: A difficult balancing act between openness and de-risking*. In the report: *National Perspectives on Europe's De-risking from China*. European Think-tank Network on China (ETNC).

⁵⁴⁶ Ministry for Foreign Affairs of Sweden (2019) *Approach to matters relating to China*. Stockholm. Available at: <https://www.government.se/contentassets/e597d50630fa4eaba140d28fb252c29f/government-communication-approach-to-matters-relating-to-china.pdf>

joined, and there was a minimal short-term effect on China-Swedish bilateral relations.⁵⁴⁷ The influence of Sweden's NATO membership on its relations with China may hinge on the evolution of NATO-China relations in the Indo-Pacific area.⁵⁴⁸ Simons, Manoylo, and Trunov (2019) argue that Sweden's joining NATO is a strategic realist response to great-power politics, especially Russia.⁵⁴⁹ It aligns with the argument of Michalski, Brommesson, and Ekengren (2024): Sweden has transitioned from its historically independent foreign policy to closer integration within the Western alliance due to increasingly complex and unpredictable geopolitical circumstances.⁵⁵⁰

The changes in the global security framework have compelled Sweden to establish an accord with the EU regarding economic and security relations with China.⁵⁵¹ Positioning China as “a growing long-term threat” by the Swedish Security Service and a ban on Huawei for national security interests demonstrate that Sweden's securitisation of China is successful. Represent a high degree of security in engagement with China.

Variable 3: Political Leadership

Contrary to only one mention of China in Sweden's 2017 national security strategy, the 2024 national security strategy called out China 20 times.⁵⁵² Moreover, in 2025, the Pew Research Center reported that 79 percent of the Swedish public held

⁵⁴⁷ Lisa, Zhang. (2024) *New developments in NATO: China relations and their potential impact on Sweden's future relations with China*. Swedish National China Centre.

⁵⁴⁸ Ibid.

⁵⁴⁹ Simons, G., Manoylo, A. and Trunov, P. (2019) 'Sweden and the NATO debate: views from Sweden and Russia,' *Global Affairs*, 5(4–5), pp. 335–345. <https://doi.org/10.1080/23340460.2019.1681014>

⁵⁵⁰ Michalski, A., Brommesson, D. and Ekengren, A.-M. (2024) 'Small states and the dilemma of geopolitics: role change in Finland and Sweden,' *International Affairs*, 100(1), pp. 139–157. <https://doi.org/10.1093/ia/iiaad244>

⁵⁵¹ Helena, Löfgren. (2024) *Sweden: A difficult balancing act between openness and de-risking*. In the report: *National Perspectives on Europe's De-risking from China*. European Think-tank Network on China (ETNC).

⁵⁵² Jølle, Olsson. (2024) 'China is called out 20 times in Sweden's new national security strategy', *Kinamedia*, 12 July. Available at: <https://kinamedia.se/2024/07/12/china-is-called-out-20-times-in-swedens-new-national-security-strategy/> (Accessed: 26 August 2025).

an unfavourable impression of China (See Figure 18). The attitudes, evaluations, and strategies of the EU and the US towards China have profoundly influenced Sweden's approach to China. Compared to Hungary's hospitality toward China and friction with the EU, Sweden is in a relatively calm situation with China and, conversely, with the EU. Therefore, unlike Hungary, Sweden's actions tend to align with the public opinion and the EU's policy towards China.

However, Sweden has been indifferent to the EU's imposition of tariffs on Chinese imported pure electric vehicles (BEVs) in the context of the anti-subsidy investigation into imports.⁵⁵³ Swedish Prime Minister Ulf Kristersson stated that "it is a bad idea to dismantle global trade, and Europe should not be naive as supply can be disrupted for a number of reasons, whether it be due to pandemics or wars, and we have good reason to demand a level playing field."⁵⁵⁴ Moreover, at the Stockholm China Forum in 2023, Mr Ulf Kristersson stated that the balance between de-risking and the principles of free trade and open, competitive economies is not easy, and that "China is an integrated part of the global economy and an indispensable part of the solution to many global problems."⁵⁵⁵ Sweden's liberal economic model is struggling to align with the EU's de-risking strategy.

Sweden's priorities in approaching China illustrate that the leadership are reducing dependence risks and strengthening economic security, which supports the view that competitive dependence is a threat that requires balancing. Official communications emphasise the risks of technological dependence and supply chain vulnerability, thereby reinforcing the competitive-high security logic.⁵⁵⁶ The leadership's active securitisation of China and alignment with the public demonstrates

⁵⁵³ European Commission (2024) *EU imposes duties on unfairly subsidised electric vehicles from China while discussions on price undertakings continue*. 29 October, Brussels. Available at: https://ec.europa.eu/commission/presscorner/detail/en/ip_24_5589 (Accessed: 25 December 2024).

⁵⁵⁴ The Jordan Times (2024) 'Germany, Sweden lukewarm on tariffs on Chinese electric cars', 14 May. Available at: <https://jordantimes.com/news/business/germany-sweden-lukewarm-tariffs-chinese-electric-cars> (Accessed: 25 December 2024).

⁵⁵⁵ Government Offices of Sweden (2023) *Speech by Prime Minister Ulf Kristersson at the Stockholm China Forum*. 30 May. Available at: <https://www.government.se/speeches/2023/05/stockholm-china-forum/> (Accessed: 25 December 2024).

⁵⁵⁶ Swedish Security Service (2024) *The Swedish Security Service 2023–2024 annual assessment*. Stockholm.

how political agency intensifies the high-security pathway by mobilising elite and public consensus.⁵⁵⁷ It reinforces the prediction of the 2×2 framework: competitive dependence combined with high security leads to balancing, with leadership as an amplifying factor.

Process-tracing: The Huawei Ban as a Securitisation Priority

A process-tracing analysis of Sweden's 2020 Huawei ban illustrates the causal pathway from competitive dependence and high security concern to a balancing outcome. Step 1 (evidence of competition): The global 5G market is fiercely competitive between Huawei and Ericsson, as they still hold the top two positions in the global 5G RAN equipment market in 2025. Step 2 (security assessment): In 2020, the Swedish Post and Telecom Authority (PTS) issued an administrative decision banning Chinese tech companies Huawei and ZTE from building 5G network infrastructure, based on assessments by the Swedish Armed Forces and the Swedish Security Service.⁵⁵⁸

Step 3 (security priority): At the same time, the CEO of Ericsson criticises the Swedish Huawei ban for the risk to Ericsson's long-term competitiveness and for concerns about China's internal market.⁵⁵⁹ However, the Swedish Post and Telecom Authority (PTS) announced that the Swedish High Administrative Court overturned the ruling Huawei appealed and the former decision "suspending the Swedish Post and Telecom Authority's ("PST") ban on Huawei (November 9, 2020)", arguing that

⁵⁵⁷ Michalski, A., Brommesson, D. and Ekengren, A.-M. (2024) "Small states and the dilemma of geopolitics: role change in Finland and Sweden", *International Affairs*, 100(1), pp. 139–157. <https://doi.org/10.1093/ia/iiad244>

⁵⁵⁸ The official document of the Swedish Post and Telecom Authority (PTS) and the assessment by the Swedish Armed Forces and the Swedish Security Service are confidential. However, the article's expression quotes were drawn from many reputable news outlets, including Politico and Reuters, as well as from the Embassy of the People's Republic of China in the Kingdom of Sweden. Available at: <https://www.politico.eu/article/sweden-bans-huawei-zte-from-key-5g-parts/> and https://se.china-embassy.gov.cn/eng/sgxw/202010/t20201023_2814054.htm. Moreover, the Administrative Court of Stockholm's decision suspending the Swedish Post and Telecom Authority's ("PST") ban on Huawei (November 9, 2020) attests to the reliability of its source. Available at: https://www.domstol.se/globalassets/filer/domstol/forvaltningsratten_stockholm/pm/24231-20_.pdf.

⁵⁵⁹ Johannes, Nordin (2021) *The Next Generation Problem: The Ups and Downs of Sweden's Huawei Ban*. The Institute for Security and Development Policy.

the public interest in Sweden far outweighed Huawei's interests as a corporate entity and that the crucial 5G network deployment should not be delayed.⁵⁶⁰ Step 4 (outcome amplification): It shows that the Swedish government's decision explicitly prioritised security over commercial concerns, reflecting a clear securitisation logic that aligns with EU de-risking policy, leading to Sweden's transition from neutral engagement towards balancing.

Conclusion

Hungary and Sweden are two compact cases to test small states that have chosen different strategies toward China amid the great-power competition between China and the EU. CATL's investment in Hungary compensates for Hungary's lagging R&D capabilities and exemplifies complementary dependence. At the same time, Hungarian officials welcomed Huawei's involvement in the 5G rollout despite US warnings,⁵⁶¹ and the public held 42 per cent unfavourable views of China in 2025, indicating low security concern. In contrast, Geely's acquisition of Volvo and the rivalry between Ericsson and Huawei illustrate competitive dependence. Sweden's 2024 national security strategy explicitly calls China "a growing long-term threat,"⁵⁶² and its 5G ban on Huawei demonstrates successful securitisation (high security concern).

The comparison confirms the hypothesised pathways (see Table 2). Hungary adopts a hedging strategy towards China, coupled with its failure to securitise its economic relations with China. It perceives that deepening economic cooperation is an opportunity for the national economy and a bargaining chip in negotiations with the EU. In contrast, Sweden adopts a balancing strategy towards China that aligns with the EU's de-risking strategy. Political leadership played a reinforcing role in both cases. However, its relative weight may differ between Hungary's illiberal polity and

⁵⁶⁰ Ibid.

⁵⁶¹ Reuters. (2019) "Hungarian minister opens door to Huawei for 5G network rollout", Reuters, 5 November. Available at: <https://www.reuters.com/article/business/hungarian-minister-opens-door-to-huawei-for-5g-network-rollout-idUSKBN1XF1UT/> (Accessed: 18 December 2025).

⁵⁶² Swedish Security Service (2024) *The Swedish Security Service 2023–2024 annual assessment*. Stockholm.

Sweden's consensus-driven system: Orbán's sovereignty narrative amplified the hedging logic, while Sweden's cross-party security consensus strengthened the shift toward balancing. Significantly, the two cases also illustrate the boundaries of the framework: the two unexplored quadrants (complementary/high and competitive/low) remain logically possible but empirically absent in our sample, inviting future research.

Table 2: Hungary's Hedging and Sweden's Balancing Strategies: A Comparative Analysis

Case	Condition	Key Events Process Tracing	Outcome
Hungary	Complementary economic dependence	A. In 2010, Orbán's "opening to the East" policy B. In 2016, Hungary vetoed the EU's declaration towards China's South Sea practice	Diversification of partnerships
	Low degree of security	C. In 2021, Hungary vetoed an EU statement on criticising China's Hong Kong policy	Strained EU relations
	Political leadership: sovereignty narrative	D. In 2024, Hungary established an All-Weather Comprehensive Strategic Partnership with China	Increased autonomy
Sweden	Competitive economic dependence	A. In 2020, Sweden banned the public procurement bid of Huawei B. In 2022, Sweden positioned China as "a growing long-term threat"	Reinforced EU solidarity
	High degree of security	C. In 2024, Sweden shifted its neutrality identity - NATO	Security realignment
	Political leadership: Security consensus	D. In 2025, Sweden's alignment with the EU's China policy	Reduced strategic ambiguity

Source: Organised and made by the author.

4.4. Conclusion

China's rise and deeper engagement in globalisation have had a knock-on effect on China-EU relations, especially in the economic sphere. China and the EU are each

other's most important global trading partners, and their close trade cooperation is accompanied by an increasingly severe EU trade deficit with China. China's increasing investment in the EU after the 2008 financial crisis raises many concerns and questions within the EU. In this context, the economic relations between China and the EU are increasingly tense and uncertain. At the same time, the complex nature of the EU political system and its integration process undermines the EU's cohesion. It affects the consistency of its policies because of the difficulty of speaking with one voice when EU members differ in their strategies towards China regarding economic cooperation.

In this context, the argument of "divide and rule" is that China's EU is rising and spreading. However, this chapter finds that China's geoeconomic and geopolitical influence in the EU is less substantial than commonly perceived, as evidenced by the divergent strategies of Hungary and Sweden. Hungary adopts a hedging strategy to leverage economic opportunities and enhance autonomy, while Sweden adopts a balancing strategy that aligns with the EU's de-risking strategy, prioritising security. The findings highlight the significance of small-state agencies in great power competition, supported by a theoretical framework that combines neorealism in international relations and the moral realism of Chinese characteristic international relations theory. For the EU, internal disharmony and member-state autonomy challenge cohesive China policies. For China, deeper economic engagement may heighten EU anxieties, necessitating a more specific diplomatic approach. Future research could expand the scope to include more EU members or explore China's influence in other regions.

Chapter 5. Assessment of China-EU Relations

Since the 2008 financial crisis, global governance and the promotion of common interests have been hindered by protectionism and unilateralism, and countries led by the United States have begun to prioritise short-term interests. The previous two chapters explored and analysed the responses and competition of the Belt and Road Initiative in the global arena and the reshaped China-EU relations, showing complexity and competitive interdependence, mainly focusing on the two global actor and their responses and strategies to each other under the framework of China-EU relations. The fifth chapter, on the contrary, explores from the perspective of the external environment of the international system, the EU's pursuit of strategic autonomy, China's rise with an assertive foreign policy, the influence of the United States on China-EU relations, and the prospects of China-EU relations, namely, global governance.

Discuss the pros and cons of cooperation between the two and the pros and cons of worsening relations. The enlargement of the European Union is a double-edged sword: the eurozone has long suffered from economic imbalances that have hindered its development. In particular, the irresponsible fiscal policies of peripheral countries have led to unsustainable levels of public and private debt and fiscal deficits and have had harmful spillover effects on countries with good economic conditions. However, it is also in every crisis of opportunity that external instability challenges are converted into internal governance coordination issues.

To some extent, the BRI threatens the EU's presence in Eurasia. It undermines the EU's market engagement, as many countries, including EU members, have signed bilateral investment agreements with China. The favourable, simpler policies on market access and investment are a powerful economic instrument that these countries use to attract Chinese investment, thereby significantly undermining the EU's economic influence in Eurasia and internal unity. The EU's limited influence constrains its geopolitical power.

5.1. The 2008 Financial Crisis: A Catalytic Moment for Deepening China-EU Relations

Using the quotation “in the midst of every crisis, lies great opportunity” by Albert Einstein in describing the China-EU relations after the 2008 financial crisis is unexpectedly appropriate. Reflecting on the time since the crisis, economically, Europe has to accept a substantial influx of investment to stabilise the market and recover its economy. China’s investment accounts for a considerably large proportion, especially in mergers and acquisitions, and the purchases of the southern European nations’ bonds, which are characterised as China’s economic diplomacy. Due to its robust economic strength and subsequent economic influences, the upgraded image of China fosters the enhancement of bilateral connections between China and EU member states, thereby indirectly promoting the EU’s evolution into a political union.

The 2008 financial crisis started in the United States and spread promptly worldwide. The EU’s developed banking-based financial system and distinctive free market-based economic system make it the first to bear the brunt of the shock and impact of the crisis. The first domino effect was the surge in public debt, followed by the European sovereign debt crisis. For example, the Greek government debt in 2009 increased to 115% of GDP, the highest among EU countries.⁵⁶³ The Spanish real estate crisis, the banking crisis of Ireland and Cyprus, and the large and increasing macroeconomic imbalances of Portugal, the impact of the crisis spread further after the non-core EU countries experienced severe financial crises.⁵⁶⁴

The EU takes diverse measures to address and bail-in, such as the European Financial Stability Mechanism (EFSM) and facilitating the European Financial Stability Facility (EFSF) fund. However, Schmidt (2013) indicates that the EU’s “policy without politics” is founded on the liberal order ideology of macroeconomic austerity and the neoliberal ideology of structural transformation, resulting in member

⁵⁶³ Data from the Eurostat. Available at: https://ec.europa.eu/eurostat/en/web/products-statistical-books/-/ch_spotlight_2010 (Accessed: 28 February 2025).

⁵⁶⁴ European Parliament (2019) *A decade on from the crisis: Main responses and remaining challenges*. Brussels. Available at: [https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI\(2019\)642253](https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI(2019)642253)

states experiencing a “politics without policy” and increasing political discontent, polarisation, and Euroscepticism.⁵⁶⁵ Nevertheless, the opportunities lie in the crisis. Kalin (2016) argues that the financial crisis made Europe stronger by promoting the EU reform of its financial framework for the single market, such as building the European Stability Mechanism (ESM), and strengthening EU economic governance.⁵⁶⁶

The opportunity extends beyond the European Union to encompass China as well. This does not imply that China has been unaffected, but it has seen a lesser impact due to its socialist market economy, which differs from the West. As Tselichtchev (2012) argues, China’s economic resilience stems from its solid structural strength and macroeconomic factors, transforming the crisis into an opportunity for advancement.⁵⁶⁷ Specifically, the four cornerstones of China’s economic structure include a substantial domestic market size and demographic dividend,⁵⁶⁸ a complete industrial system as the world’s factory,⁵⁶⁹ a high savings rate and strict capital controls,⁵⁷⁰ and the government’s strong ability to mobilise resources.⁵⁷¹ Since this is not the primary research object of this dissertation, only a brief analysis is given. China’s strict capital controls established a firewall, contributing to internal financial stability and cushioning financial crises through its vast domestic demand market.⁵⁷² The government, leveraging its robust mobilisation capabilities and countercyclical fiscal and monetary policies,⁵⁷³ including the RMB 4

⁵⁶⁵ Schmidt, V.A. (2013) 'The eurozone crisis: a crisis of politics, not just economics,' *The International Spectator*, 48(3), pp. 1–6. Available at: <https://doi.org/10.1080/03932729.2013.824289>

⁵⁶⁶ Kalin Anev Janse (2016) 'How the financial crisis made Europe stronger', *World Economic Forum*, 16 March. Available at: <https://www.weforum.org/stories/2016/03/how-the-financial-crisis-made-europe-stronger/>

⁵⁶⁷ Tselichtchev, I. (2012) *China versus the West: The Global Power Shift of the 21st Century*. Wiley.

⁵⁶⁸ Cai, F. (2010) 'Demographic transition, demographic dividend, and Lewis turning point in China,' *China Economic Journal*, 3(2), pp. 107–119. <https://doi.org/10.1080/17538963.2010.511899>

⁵⁶⁹ Gao, Y. (2012) *China as the Workshop of the world: An Analysis at the National and Industry Level of China in the International Division of Labor*. Routledge.

⁵⁷⁰ Modigliani, F. and Cao, S.L. (2004) 'The Chinese saving Puzzle and the Life-Cycle hypothesis,' *Journal of Economic Literature*, 42(1), pp. 145–170. <https://doi.org/10.1257/002205104773558074>

⁵⁷¹ Ye, M. (2020) *The Belt Road and beyond: State-Mobilized Globalization in China: 1998–2018*. Cambridge University Press.

⁵⁷² Lin, J.Y. (2011) *Demystifying the Chinese economy*. Cambridge University Press.

⁵⁷³ Lardy, N.R. (2012) *Sustaining China’s economic growth after the global financial crisis*. Peterson Institute.

trillion stimulus package and the Ten Industry Revitalisation Plans, mitigated external shocks and paved the way for transforming the crisis into an advantage.

The RMB 4 trillion stimulus package is mainly used in the infrastructure industry, which laid the foundation for the launch of the Belt and Road Initiative. As a result, the extensive construction of infrastructure, particularly the rapid development of the high-speed rail network,⁵⁷⁴ has significantly decreased domestic logistics expenses, reduced economic time and spatial distances, and established a solid physical foundation for the future growth of e-commerce, logistics, and regional economies. At the same time, China has used its vast foreign exchange reserves to make large-scale investments in Europe.⁵⁷⁵ It has successfully included the RMB in the IMF's foreign currency basket, thus achieving RMB internationalisation. However, China's response to the financial crisis also brought about long-term structural problems in its current economy, such as overcapacity and declining investment efficiency.⁵⁷⁶⁵⁷⁷

The export trade plays an irreplaceable and important role in China's economic growth. For example, China's foreign trade dependence of 64.5% in 2017 exceeded the world average of 45% and is far higher than that of major economies such as the United States, Japan, India, and Brazil (generally around 14-20%).⁵⁷⁸ However, as Zhang Jun (2019) points out, China has promptly changed its economic growth strategy, shifting the focus of economic development away from its continued export expansion strategy,⁵⁷⁹ which minimises the impact of the financial crisis.

⁵⁷⁴ Yongnian, Zheng. and Minjia, Chen. (2009) *How Effective Will China's Four Trillion Yuan Stimulus Plan Be?* Brief paper. China Policy Institute, the University of Nottingham.

⁵⁷⁵ Dreher, A. et al. (2022) *Banking on Beijing: The Aims and Impacts of China's Overseas Development Program*. Cambridge University Press.

⁵⁷⁶ Liu, Q., Pan, X. and Tian, G.G. (2016) 'To what extent did the economic stimulus package influence bank lending and corporate investment decisions? Evidence from China,' *Journal of Banking & Finance*, 86, pp. 177–193. <https://doi.org/10.1016/j.jbankfin.2016.04.022>

⁵⁷⁷ Song, F. (2021) Reflections on the global financial crisis: a comparison of US and China policies. In Svejnar, J. and Lin, J.Y. (ed.) *China and the West*. Edward Elgar Publishing, pp. 29–38. <https://doi.org/10.4337/9781800374980.00012>

⁵⁷⁸ HU Qiu-guang LI Hong-ying (2010) 'Empirical Analysis on Influence of Financial Crisis to Trade of China,' *Journal of International Trade*, 3, pp. 3-11. In Chinese. <http://niis.cssn.cn/webpic/web/niis/upload/2012/12/d20121207180350199.pdf>

[胡求光, 李洪英. 金融危机对中国出口贸易影响的实证分析. 《国际贸易问题》2010年第3期]

⁵⁷⁹ Zhang Jun (2019) 'Why did 2008 become a watershed year for the reversal of China's economic strength?', School of Economics of Fudan University. In Chinese. [张军: 2008年为何成为中国经济实力反转的分水岭? 复旦大学经济学院, 2019年.]

Most surprisingly, China's economy continued to grow during the crisis, reaching 8.7% in 2009, and trade replaced Germany as the world's export champion.⁵⁸⁰ At the same time, China realized that the financial crisis had brought problems of structural non-optimization and extensive growth patterns behind the long-standing high-speed growth, intertwined with new contradictions from the outside, such as shrinking external demand and the prevalence of protectionism.⁵⁸¹

This section does not examine China's economic strategies and policies for addressing the financial crisis from an economic standpoint. The objective is to clarify the pivotal time juncture of China's rise and the corresponding shifts in the economic power of China and Europe. Over the fifteen years since 2008, China's quantifiable economic size has been fourfold, rising from approximately 4.1 US dollars in 2008 to approximately 17.8 trillion US dollars.⁵⁸² In addition, in 2010, China surpassed Japan to become the world's second-largest economy measured by gross domestic product (GDP), compared to Japan's GDP, almost twice that of China in 2008.⁵⁸³ While the crisis prolonged its impact on the EU, with the general economy not stabilizing until 2017.⁵⁸⁴

Undoubtedly, the remarkable scale and rapidity of China's ascent are unparalleled. If the statistic appears implausible, China's considerable investments, mergers, and acquisitions in the EU after the 2008 financial crisis then impressed the EU profoundly. Song and Fürst (2022) indicate that Chinese policymakers and analysts see the period after the 2008 financial crisis as an opportune time for China's

⁵⁸⁰ Data from the Ministry of Commerce of China of 2010. In Chinese. Available at: https://www.gov.cn/jrzq/2010-03/28/content_1566773.htm (Accessed: 10 March 2025).

⁵⁸¹ Xinhua (2010) 'Li Rongcan, director of the Policy Research Office of the Ministry of Commerce, talked about accelerating the transformation of foreign trade development mode', *Xinhua*, 28 March. In Chinese. [新华社 (2010) 商务部政研室主任李荣灿谈加快转变外贸发展方式.]

⁵⁸² Data from the National Bureau of Statistics of China, 2024. *The tenth in a series of reports on the achievements of New China's economic and social development over the past 75 years*. In Chinese. [中国国家统计局. 综合国力大幅跃升国际影响力显著增强——新中国 75 年经济社会发展成就系列报告之十(2024).] Available at: https://www.stats.gov.cn/sj/sjjd/202409/t20240912_1956418.html

⁵⁸³ The Guardian (2017) 'China overtakes Japan as world's second-largest economy', *The Guardian*, 25 May. Available at: <https://www.theguardian.com/business/2010/aug/16/china-overtakes-japan-second-largest-economy> (Accessed: 17 March 2025).

⁵⁸⁴ European Parliament (2019) *A decade on from the crisis: Main responses and remaining challenges*. Brussels. Available at: [https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI\(2019\)642253](https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI(2019)642253)

global rise.⁵⁸⁵ Meanwhile, the crisis has revealed weaknesses in southern and eastern Europe, creating optimal conditions for China to accelerate investment in strategic infrastructure and sensitive technologies.⁵⁸⁶ The vulnerabilities affect European cohesion and thus impact EU unified policy, including China's bilateral and regional engagement with Central and Eastern European countries, such as the 16+1 format founded in 2012.

The external circumstances surrounding the EU are also complex and rapidly evolving, as the primary problem for the relatively declining developed countries is the contradiction and dilemma of addressing their economic problems while facing rising economies. Chinese economist and politician Liu He (2013) indicates that the 2008 financial crisis exacerbated international economic differentiation and hastened the relative decline of developed economies and the ascent of emerging nations.⁵⁸⁷ The rising economies have changed the game of global economic interdependence. Besides, one goal of the typical example of rising economies, such as the BRICS, is to enhance the voice of the Global South. Not to mention that the successful economic growth of a formidable force like China challenges the prevailing international order, which predominantly reflects the Western perspective of liberal democracy and free markets.⁵⁸⁸ Chinese scholars attribute this, based on the Marxist political economy, mainly to the credibility of the narrative of Western capitalism, which is gradually declining with capitalism's cyclical crisis outbreak.⁵⁸⁹⁵⁹⁰⁵⁹¹ Furthermore, the tendency

⁵⁸⁵ Song, W. and Fürst, R. (2022) 'China's bid for international leadership in Central and Eastern Europe: role conflict and policy responses,' *International Relations*, 38(4), pp. 541–566. <https://doi.org/10.1177/00471178221082871>

⁵⁸⁶ Ishmael, L. (2020) 'Soft Power & Global Ambition: The Case of China's Growing Reach in Europe', *Horizon Insights*, 3(2), pp. 10–29.

⁵⁸⁷ Liu, He. (2013) *A comparative study of the two global crises*. Chinese Edition. Beijing: China Economic Press. [刘鹤.两次全球大危机的比较研究(2013). 中国经济出版社.]

⁵⁸⁸ Geeraerts, G. and Huang, W. (2016) 'The economic security dimension of the EU–China relationship: puzzles and prospects,' in *Cambridge University Press eBooks*, pp. 187–208. <https://doi.org/10.1017/cbo9781316563243.011>

⁵⁸⁹ Agnoletto, S. (2013) 'Periodic crises in capitalism: pathological or restorative?,' *Science & Society*, 77(4), pp. 459–485. <https://www.jstor.org/stable/24584617>

⁵⁹⁰ Yang, ping. (2019) 'Deglobalization, The Historical Logic of Capitalism and its Future,' *Beijing Cultural Review*, 8, pp. 28-38. In Chinese. [杨平 (2019) 逆全球化、资本主义的历史逻辑及未来趋势. 《文化纵横》]

⁵⁹¹ Hu Yuemin, Hu Huixin and WU Wei (2020) Research on Marx's Transcendence of Classical Political Economics: Based on the Perspective of Economic Crisis, *Journal of Northwest University*

of international political multipolarity is bolstered by global economic diversity and the relative shrinking of US hegemony.⁵⁹²⁵⁹³⁵⁹⁴

The 2008 financial crisis has yielded benefits and drawbacks simultaneously for China and the EU from a political perspective, as evidenced by today's reality and thorough analysis. Optimistically, for the EU, the political benefits outweigh the economic benefits. The key trait is that the EU has shed its political vagueness and naiveness and adopted a more pragmatic approach, such as building a Geopolitical Commission. The EU's internal governance capacity has been significantly tested and strengthened since the financial crisis and following challenges such as the refugee crisis, Brexit and the COVID-19 pandemic. For China, the 2008 financial crisis provided the ticket to enter the centre of the global stage. However, Chinese domestic academic circles have a continuing debate on the position of China in the current international order since the 2008 financial crisis. The mainstream view is that China should be stronger and more prosperous, but whether China should ultimately pursue a superpower status remains questionable and debated.⁵⁹⁵ China's assertive and proactive foreign policy since President Xi Jinping came to power has raised questions and debates to a fever pitch. Although China has always emphasised win-win cooperation, changes in the international order have heightened concerns among other global players.

Pessimistically, for the EU, the relative decline of the EU's overall economic strength and the uneven ability of its members to cope with crises have significantly damaged the EU's political cohesion. For China, the rapid rise presents a challenge, as the global attention and concern of the "Thucydides Trap" argument regarding the

(*Philosophy and Social Sciences Edition*), 50(5), pp. 37-46. In Chinese. [胡岳岷, 胡慧欣, 吴薇. 马克思超越古典政治经济学探赜 — 基于经济危机的视角. 西北大学学报(哲学社会科学版).]

⁵⁹² Lachmann, R. (2024) *First-Class passengers on a sinking ship: Elite Politics and the Decline of Great Powers*. Verso Books.

⁵⁹³ Tamaki, N. (2020) 'Japan's quest for a rules-based international order: the Japan-US alliance and the decline of US liberal hegemony,' *Contemporary Politics*, 26(4), pp. 384-401. <https://doi.org/10.1080/13569775.2020.1777041>

⁵⁹⁴ Nesmashnyi, A.D. (2023) 'European Security crisis and U.S. hegemony: Reversing the decline?,' *Russia in Global Affairs*, 21(1). <https://doi.org/10.31278/1810-6374-2023-21-1-132-152>

⁵⁹⁵ Pu, X. (2017) 'Controversial identity of a rising China,' *The Chinese Journal of International Politics*, 10(2), pp. 131-149. <https://doi.org/10.1093/cjip/pox004>

China-US relationship in the international order. Nevertheless, the 2008 financial crisis for China-EU relations is a catalytic moment for deepening their relations, as they are the two significant actors in promoting the reform of global governance, and their deepened and intertwined relations will profoundly affect the future tendency of international order.

5.2. Compatibility and Inherent Tension of China-EU Strategic Goals

China-EU relations tend to be more competitive than cooperative, with China's external influence continuing to expand and the shift in EU foreign policy. Specifically, the EU's triptych strategy toward China is to simultaneously view China as a partner, a competitor, and a systemic rival.⁵⁹⁶ Thus, China-EU relations present a paradox: effective collaboration, profound challenges, and recurring conflicts.⁵⁹⁷ Exploring the fundamental reasons behind the shift and disagreements between the EU and China cannot be based solely on differences in economic systems and development needs. The complexity of geoeconomics continues to grow, resulting in more sophisticated and unexpected geopolitical interactions among crucial global actors, including China, the United States, the European Union, and Russia.

Major actors' positioning and goals within a multipolar framework significantly determine their behaviour in this complex and dynamic international landscape. The EU and China tend to seek more effective global influence. Therefore, investigating and analysing the goals of China's and the EU's external actions and foreign policies can help better understand both sides' global strategies and assess their future potential. Official documents from the EU and China are crucial, as they are the primary sources for an accurate understanding and analysis of their external objectives. This section first selects eight major relevant official policy papers from

⁵⁹⁶ European Parliament (2024) *EU-China relations: De-risking or de-coupling – the future of the EU strategy towards China*. Brussels. available at: [https://www.europarl.europa.eu/RegData/etudes/STUD/2024/754446/EXPO_STU\(2024\)754446_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2024/754446/EXPO_STU(2024)754446_EN.pdf)

⁵⁹⁷ Gurol, J. (2022) *The EU-China security paradox: Cooperation Against All Odds?* Policy Press.

the EU and China (four documents per side) for content analysis using Voyant Tools⁵⁹⁸ to identify high-frequency words and investigate their diplomatic and strategic goals.

The four policy papers from the EU are: “*EU Global Strategy - Shared Vision, Common Action: A Stronger Europe*” (European External Action Service (EEAS), 2016), “*A Stronger Global Actor: A More Efficient Decision-making for EU Common Foreign and Security Policy*” (European Commission, 2018), “*Strengthening the EU’s Contribution to Rules-based Multilateralism*” (European Commission, 2021), and “*Common Foreign and Security Policy Report – Our Priorities in 2024*” (Council of the European Union, 2024).

The four policy papers from China are: “*China’s Peaceful Development*” (The State Council Information Office of the People’s Republic of China, 2011), “*China and the World in the New Era*” (The State Council Information Office of the People’s Republic of China, 2019), “*Global Security Initiative*” (Ministry of Foreign Affairs of the People’s Republic of China, 2023), “*A Global Community of Shared Future: China’s Proposals and Actions*” (The State Council Information Office of the People’s Republic of China, 2023).

These eight documents constitute a structured and purposeful sample, rather than a random selection, that systematically reveals China and the EU’s core demands and narrative priorities at different times and across different strategic dimensions. The four documents for choosing the EU’s documents accurately capture the key trajectory of the EU’s transformation, showing a geoeconomic and geopolitical turn. Specifically, the *EU Global Strategy - Shared Vision, Common Action: A Stronger Europe* is a landmark comprehensive strategic document for the EU in the post-Lisbon Treaty era, setting the overall tone for the EU to respond to the challenges of a globalised and the embryonic form of a multipolar world and clearly outlines the prototypes of “resilience” and “strategic autonomy.” The *A Stronger Global Actor: A More Efficient Decision-making for EU Common Foreign and Security Policy* focuses

⁵⁹⁸ Sinclair, S. and Rockwell, G. (2016) *Voyant Tools* [Online tool]. Available at: <https://voyant-tools.org/> (Accessed: 19 April 2025).

on decision-making mechanisms and answers the question of how the EU can become a stronger actor, providing a framework for assessing the EU's strategic implementation capabilities. The *Strengthening the EU's Contribution to Rules-based Multilateralism* clearly sets out the EU's core normative positions on global order, which can be contrasted with China's strategic objectives in this regard. The *Common Foreign and Security Policy Report – Our Priorities in 2024* – guides the EU in translating its grand strategy into action on current priorities.

The four documents for choosing China's documents systematically present the evolution of China's official narrative, from self-defence of "peaceful development" to confident declarations of a "new era" and then to the ambition to proactively offer "global alternatives" and "Chinese solutions." *China's Peaceful Development* represents the official narrative of China's rapid growth in power after the 2008 financial crisis, but its strategy still emphasised "hiding capabilities and biding time." It can serve as a key point for process tracing, demonstrating different diplomatic attitudes within the same Chinese narrative of "peaceful development." The *China and the World in the New Era*, issued following the significant political pronouncement that "socialism with Chinese characteristics has entered a new era," comprehensively outlines China's mid to long-term positioning globally. It marks China's public declaration of its shift from a "participant" to a "shaper" of the international system. It was chosen to capture China's growing strategic confidence and fundamental shift in its global role. The *Global Security Initiative* and *A Global Community of Shared Future: China's Proposals and Actions* jointly propose how China can proactively provide international public goods and alternative solutions in specific areas (security and development).

Next, investigating and teasing out the foreign objectives and their adjustments in China and the EU after the 2008 financial crisis, combined with in-depth policy document analysis, literature analysis, and process tracing. It is important to understand how European and Chinese officials, politicians, researchers, and scholars view the external goals and what suggestions they propose. It can provide a multi-perspective assessment of the relationship's drivers, challenges, and future

trajectories. Finally, it articulates and analyses the compatible or conflicting foreign goals of China and the EU to identify the possibilities for future relationship patterns.

This dissertation finds that shifting to be a more effective global actor for the EU is a strategic foreign policy goal for the EU until 2050, while maintaining the core traditional values of multilateralism and the rule-based principle of international order. For China, promoting an alternative to reform and improve the current international system, as it is unfair in terms of the distribution of institutional, political, and economic power among developing countries. The foreign goals of China and the EU are compatible yet conflicting, just as the dual nature of China-EU relations is both cooperative and competitive. However, there is still much room for future cooperation between the two sides. Defending multilateralism and globalisation is their common goal, and they need each other's participation and cooperation to enhance their global influence.

5.2.1. EU: Strategic Autonomy and Effective Global Actor

The EU has always prided itself on its soft power and its multilateralist DNA. However, the EU's advantages and capacity declined in the fast-changing, challenging times. In the 2016 *EU Global Strategy - Shared Vision, Common Action: A Stronger Europe*, published by the European External Action Service (EEAS) to replace the 2003 *European Security Strategy*, security is the most frequently used word in this document, except for the "EU". The EU emphasises that external action's primary and crucial priority is the Union's security and remarks on the willingness of a more unified, stronger and proactive Union and the shift to a more assertive and pragmatic foreign policy. Moreover, this policy paper indicates that investing in the EU's partnership is essential to being a more responsible global stakeholder.⁵⁹⁹

In the 2018 *A Stronger Global Actor: A More Efficient Decision-making for EU Common Foreign and Security Policy*, the commission clarified that increasing the

⁵⁹⁹ European External Action Service (EEAS) (2016) *A Global Strategy for the European Union's Foreign And Security Policy*. Available at: https://www.eeas.europa.eu/eeas/global-strategy-european-unions-foreign-and-security-policy_en

EU's credibility on the global stage and building a stronger global actor in the context of hardened global competition are essential. This document stresses the significance of speed and effectiveness in decision-making by improving the framework for majority voting on EU policies to enable the EU to act promptly in global affairs.⁶⁰⁰

In the 2021 Joint Communication on *Strengthening the EU's Contribution to Rules-based Multilateralism*, the EU further described its goal of maintaining a well-functioning multilateral framework as essential and significant in the context of intensifying global competition and relations between major powers that are becoming increasingly confrontational and unilateral.⁶⁰¹ The EU clarifies the significance of reinvigorating the multilateral order to achieve its goal of being an effective global actor and to promote a rule-based, value- and interest-based approach to multilateralism.

In the 2024 *Common Foreign and Security Policy Report – Our Priorities in 2024*, the “ambition” is to describe the EU's security and defence agenda for the first time in the official document and seeks to participate more constructively in global affairs to become a prominent global peace facilitator, security supplier, and defence actor.⁶⁰² Moreover, the EU outlined its priorities in some detail, from analysing the geopolitical landscape across different areas to promoting new security and defence partnerships.

Between 2016 and 2024, consistency in the official EU papers is evident. Multilateralism and security have consistently been the EU's main foreign policy priorities. Moreover, the EU aims to become a more assertive and effective global actor in response to external challenges by strengthening its internal cohesiveness and addressing external challenges.⁶⁰³ The proportion of common security and defence

⁶⁰⁰ European Commission (2018) *A Stronger Global Actor: A More Efficient Decision-making for EU Common Foreign and Security Policy*. Brussels. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52018DC0647>

⁶⁰¹ European Commission (2021) *JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL on strengthening the EU's contribution to rules-based multilateralism*. Brussels. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021JC0003>

⁶⁰² Council of the European Union (2024) *Report of the High Representative of the Union for Foreign Affairs and Security Policy "Common Foreign and Security Policy Report - Our priorities in 2024."* Available at: <https://data.consilium.europa.eu/doc/document/ST-11492-2024-INIT/en/pdf>

⁶⁰³ European Commission (2021) *JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT*

policy has gradually increased and become one of the main strategic priorities. Considering that Finland and Sweden joined NATO to address geopolitical concerns (the Russia-Ukraine war) and to strengthen the EU's security, the return of traditional security concerns to the European agenda indirectly reflects that the EU needs to reconsider its foreign strategy from a realistic standpoint.

The reason for the EU's shift in global identity is as complex and connected as its internal and external environment. Since the 2008 financial crisis, the EU has been buffeted by the events mentioned in the previous article. Contrary to expectations, the EU has shown surprising resilience, although the aftereffects are evident. Therefore, the EU has become more pragmatic and realistic, accepting that a multipolar world seems inevitable, even though the EU is out of its element in it.

The EU Institutions have strengthened and developed significantly since the 2008 financial crisis.⁶⁰⁴ For example, reforming the EU financial supervision system, establishing the European Stability Mechanism (ESM), the Recovery and Resilience Facility (RRF), and the European Public Prosecutor's Office (EPPO), etc. Each crisis indirectly strengthens the EU's functional integration. Some scholars call this process "failing forward", meaning the EU ultimately resorts to short-term or partial solutions to address the inherent limitations of its original design facing the crisis.⁶⁰⁵⁶⁰⁶

As for the external environment, the growing trend towards deglobalisation continues to erode the EU's advantages in free trade and multilateralism. During President Trump's two terms, the trade war with China and the adopted protectionism have exacerbated conditions for his ally, the European Union, placing the EU in a dilemma: to prioritise the interests of the transatlantic alliance or to enhance collaboration with China. The EU must make decisions with utmost caution as the

AND THE COUNCIL on strengthening the EU's contribution to rules-based multilateralism. Brussels. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021JC0003>

⁶⁰⁴ Christiansen, T. (2020) 'The EU's new normal: consolidating European integration in an era of populism and Geo-Economics,' *JCMS Journal of Common Market Studies*, 58(S1), pp. 13–27. <https://doi.org/10.1111/jcms.13106>

⁶⁰⁵ Jones, E., Kelemen, R.D. and Meunier, S. (2015) 'Failing forward? the euro crisis and the incomplete nature of European integration,' *Comparative Political Studies*, 49(7), pp. 1010–1034. <https://doi.org/10.1177/0010414015617966>

⁶⁰⁶ Jones, E., Kelemen, R.D. and Meunier, S. (2021) 'Failing forward? Crises and patterns of European integration,' *Journal of European Public Policy*, 28(10), pp. 1519–1536. <https://doi.org/10.1080/13501763.2021.1954068>

interplay between geoeconomics and geopolitics intensifies. Great nations can utilise the geoeconomic effects of infrastructure connections and international supply chains to secure political advantages.⁶⁰⁷ Consequently, the connection between geoeconomics and geopolitics is susceptible to “weaponisation”.⁶⁰⁸ In this logic, the chance that the EU seeks to balance relations with the U.S. and China is slim, and the complicated and intriguing triangular relations among the U.S., China, and the EU will eventually force the EU to make a choice.

How can the EU protect its interests and defend its values? A third path emerged against this background – the EU strategic autonomy, “refers to the capacity of the EU to act autonomously – that is, without being dependent on other countries – in strategically important policy areas.”⁶⁰⁹ In the 2016 *EU Global Strategy - Shared Vision, Common Action: A Stronger Europe*, the EU first proposed and declared it as an appropriate level of ambition for Europe’s security and peace.⁶¹⁰ French President Macron further proposed this initiative in 2017, stating that the only way to secure Europe’s future is to “re-establish a sovereign, united and democratic Europe.”⁶¹¹ The path to strategic autonomy is full of challenges and operational barriers, as internal disagreements over issues such as the liberal economy and protectionism, autonomous defence, and NATO independence first constrain the EU’s decision-making and implementation efficiency. Given that the EU’s strategic autonomy is an almost all-encompassing initiative, it is challenging to describe all aspects in detail in this article. Therefore, it focuses on highly relevant, connected content on economic

⁶⁰⁷ Christiansen, T. (2020) 'The EU's new normal: consolidating European integration in an era of populism and Geo-Economics,' *JCMS Journal of Common Market Studies*, 58(S1), pp. 13–27. <https://doi.org/10.1111/jcms.13106>

⁶⁰⁸ Farrell, H. and Newman, A.L. (2019) 'Weaponized Interdependence: How global economic networks shape state coercion,' *International Security*, 44(1), pp. 42–79. https://doi.org/10.1162/isec_a_00351

⁶⁰⁹ European Parliament (2022) *EU strategic autonomy 2013-2023: From concept to capacity*. Available at:

[https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/733589/EPRS_BRI\(2022\)733589_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/733589/EPRS_BRI(2022)733589_EN.pdf)

⁶¹⁰ European External Action Service (EEAS) (2016) *A Global Strategy for the European Union's Foreign And Security Policy*. Available at:

https://www.eeas.europa.eu/eeas/global-strategy-european-unions-foreign-and-security-policy_en

⁶¹¹ Emmanuel Macron (2017) *President Macron gives speech on new initiative for Europe*. Available at: <https://www.elysee.fr/en/emmanuel-macron/2017/09/26/president-macron-gives-speech-on-new-initiative-for-europe> (Accessed: 21 April 2025).

security strategy and foreign policy in China-EU relations.

Subsequent official EU publications further delineated strategic autonomy in the economy, military defence, energy, and foreign policy. A concept grounded in national security policy can extend into a widening array of policy domains, with the underlying rationale for this expansion being the growing politicisation of globalisation.⁶¹² Defining “strategic autonomy” from academic circles is still ambiguous, as it has many implications that apply to different EU policy areas. Helwig and Sinkkonen (2022) propose that strategic autonomy can be part of the broader research on the EU’s global actor, and that it is not a binary choice between simple comparisons of dependence and independence or decoupling and engagement.⁶¹³ The revival of China and its increasing influence undermine the status of Western industrialised nations in the global distribution of power and challenge their identity.⁶¹⁴

Significant globalisation over the past few decades has brought a contradiction: the gradual closer interdependence of the global economy and finance, on the one hand, and the risk of erosion of national policy autonomy,⁶¹⁵ on the other, putting the topic of economic security back to the forefront of foreign affairs for sovereign states. Thus, strategic autonomy can be seen as a policy and tool to address the fact that globalisation is slowing down amid a global retreat from free trade or declining amid the trade war between the US and China.

For a long time, China’s development has directly influenced the EU’s economic security, particularly through Beijing’s stable, sustained, and environmentally sustainable economic growth.⁶¹⁶ The status quo becomes more apparent as China is

⁶¹² Miró, J. (2022) 'Responding to the global disorder: the EU’s quest for open strategic autonomy,' *Global Society*, 37(3), pp. 315–335. <https://doi.org/10.1080/13600826.2022.2110042>

⁶¹³ Helwig, N. and Sinkkonen, V. (2022) 'Strategic autonomy and the EU as a global actor: the evolution, debate and theory of a contested term,' *European Foreign Affairs Review*, 27(Special Issue), pp. 1–20. <https://doi.org/10.54648/eerr2022009>

⁶¹⁴ Geeraerts, G. (2010) 'China, the EU, and the new multipolarity,' *European Review*, 19(1), pp. 57–67. <https://doi.org/10.1017/s1062798710000335>

⁶¹⁵ Geeraerts, G. and Huang, W. (2016) 'The economic security dimension of the EU–China relationship: puzzles and prospects,' in *Cambridge University Press eBooks*, pp. 187–208. <https://doi.org/10.1017/cbo9781316563243.011>

⁶¹⁶ Casarini, N. (2006) 'The evolution of the EU-China relationship: from constructive engagement to strategic partnership,' *Occasional Paper* No.64, The European Union Institute for Security Studies.

the EU's largest import partner and third-largest export partner.⁶¹⁷ The economic complementarity between China and Europe is weakening, and intensified competition is inevitable. Economic security is a core strategy for both sides, and the European Economic Security Strategy, launched in 2023, is a good example. Moreover, the EU has introduced various policies, such as the Foreign Direct Investment Screening Regulation, the Anti-Coercion Instrument, the Critical Raw Materials Act, and the European Chip Act, all of which significantly impact China and China-EU economic relations.

In addition to managing economic risks and security, "Economic Security" signifies a profound shift in the EU's approach to the international economy and foreign relations by integrating geopolitics with geoeconomics.⁶¹⁸ Since the establishment of the Geopolitical European Commission in 2019, the word "pragmatic" has frequently been used to describe the EU's foreign policy. The terms "multilateralism" and "security" are the most commonly encountered in examining the EU's official documents published over the previous decade.⁶¹⁹ The EU's aspiration and ambition to transform its global identity into a more assertive and effective actor in response to the rapidly evolving international landscape is evident and resolute.

To sum up, the EU's foreign goal is to be a more effective global actor. Specifically, first, being a more assertive, pragmatic, and autonomous global actor in dealing with the fast-changing, increasingly competitive international environment. Second, improve its rapid response capabilities by increasing decision-making speed and effectiveness. Last, give full play to the EU's traditional advantages in

Available at:

<https://www.iss.europa.eu/publications/occasional-papers/evolution-eu-china-relationship-constructive-engagement-strategic>

⁶¹⁷ Data from Eurostat. Available at:

https://ec.europa.eu/eurostat/statistics-explained/index.php?title=China-EU_-_international_trade_in_goods_statistics (Accessed: 16 March 2025).

⁶¹⁸ Mathieu Duchâtel and François Godement (2023) 'Europe's Economic Security and China: Where to Draw the Line', *Institut Montaigne*, 4 September. Available at:

<https://www.institutmontaigne.org/en/expressions/europes-economic-security-and-china-where-draw-line>

⁶¹⁹ Data was analysed mainly by Voyant Tool, and the author reviewed and screened official EU documents.

multilateralism, try to balance the competitive situation, avoid the escalation of conflicts, and create a more balanced external environment for the EU.

5.2.2. China: Promoting an Alternative

China's foreign strategy and goals have experienced substantial transformations to align with its new position in the international order since it surpassed Japan to become the world's second-largest economy in 2010.⁶²⁰ In the 2011 *China's Peaceful Development*, it first systemically elaborates on the definition and objectives of China's peaceful development and emphasises that China will not follow the traditional model of the rise of a great power, that "a strong country must become hegemonic", and will transcend the outdated international relations paradigm of "zero-sum game".⁶²¹ The definition of China's peaceful development road is scientific, open, independent and autonomous, and peaceful and cooperative. Peaceful development is the core value and goal of China's development strategy and actions. Internally, realising modernisation and shared prosperity for the people is the overall goal of China's peaceful development. Externally, continuing to adhere to the basic national policy of opening up to the outside world, adhering to an open strategy of mutual benefit and win-win results, creating a peaceful international environment and favourable external conditions, and promoting a harmonious world.

In the 2019 *China and the World in the New Era*, it emphasised again that choosing the path of Chinese characteristic socialism is vital to the country's successful development. However, it also states that China must not force its model on other countries, thereby committing to "China will never seek hegemony."⁶²² In

⁶²⁰ The Guardian (2017) 'China overtakes Japan as world's second-largest economy,' *The Guardian*, 25 May. Available at:

<https://www.theguardian.com/business/2010/aug/16/china-overtakes-japan-second-largest-economy>

⁶²¹ The State Council Information Office of the People's Republic of China (2011) *China's Peaceful Development*. Beijing. Available at:

https://english.www.gov.cn/archive/white_paper/2014/09/09/content_281474986284646.htm

⁶²² The State Council Information Office of the People's Republic of China (2019) *China and the World in the New Era*. Beijing. Available at:
<https://www.cscic.it/upload/doc/ChinaAndTheWorldInTheNewEra.pdf>

this official document, China further promotes and elaborates on the theory of “building a new model of international relations.” It should be built on the principles of mutual respect, equity and justice, and mutually beneficial cooperation. Major countries should fulfil their responsibilities to safeguard world peace and stability mainly through equal dialogue and consultation.

In the 2023 *Global Security Initiative*, security has been back on national priority agendas, and China’s concept of security is common, comprehensive, cooperative, and sustainable.⁶²³ Compared to economic security, China prioritises the stability and security of the external environment. It remains a commitment and a call to avoid hegemony, forsaking exclusive security and group confrontation. For China, sustaining global and regional security and stability is paramount.

In the 2023 *A Global Community of Shared Future: China’s Proposals and Actions*, “building a community with a shared future for mankind” can be seen as a well-rounded goal and guideline of China’s significant diplomacy. Moreover, China perceives it as the reform and improvement of the international governance system, without dismantling or starting the existing one afresh, and in this official document,⁶²⁴ building a community with a shared future for mankind synergises with building a new model of international relations and promoting high-quality Belt and Road cooperation. Therefore, viewing China’s foreign strategy as a whole is more appropriate. Building a global community of shared future is the overall policy and goal, which includes various sub-policies and goals in the areas of economy, security, culture, and environment.

The topic of China’s rise is usually connected with the transformation of the international order and international system. The decline of the US hegemonic order in the world system has raised concerns about whether China will challenge US hegemony and pursue hegemony. The worries and assumptions remain despite

⁶²³ Ministry of Foreign Affairs of the People’s Republic of China (2023) *Global Security Initiative*. Beijing. In Chinese. Available at: https://www.gov.cn/xinwen/2023-02/21/content_5742481.htm [新华社. (2023) 全球安全倡议概念文件(全文).]

⁶²⁴ The State Council Information Office of the People’s Republic of China (2023) *A Global Community of Shared Future: China’s Proposals and Actions*. Beijing. Available at: http://www.scio.gov.cn/zfbps/zfbps_2279/202309/t20230926_771260.html

China's official documents and actions showing no interest in this path. Neo-realism and neoliberalism agree on one argument that the Belt and Road Initiative of China possesses the capacity to change the existing global political framework and deconstruct post-Cold War American hegemony.⁶²⁵

Academic circles find it challenging to reach common ground on whether the decline of the US hegemonic order in the international system is due to China's intentional strategy or a natural result of China's rise.⁶²⁶⁶²⁷ From a neorealist perspective, the hegemonic state ought to be able to implement international order rules within its sphere of influence, following the ruling class's economic and ideological interests, and to have sufficient support at home and from key regional and global allies to establish those rules.⁶²⁸ If China attempts to construct a hegemonic order, the primary obstacle is its inability to mobilise neighbouring countries to embrace its leadership and align on mutual interests.⁶²⁹

In contrast, China's moves indicate a deeper engagement in multilateralism to enhance its voice and promote an alternative to reform and improve the current international system, which is unfair to developing countries.⁶³⁰ China's choice of this method is realistic as the current international order will not be dismantled or replaced in a short time.⁶³¹ A comparable challenge confronting quickly growing economies is the urgent requirement for domestic resource allocation and upgraded management. Given the size of China's territory, the situation is more complicated. On the economic level, China's domestic industry overcapacity and fierce market competition forced companies to look to overseas markets. On the political level, the

⁶²⁵ Amineh, M.P. (2022) *The China-Led Belt and Road Initiative and its reflections: The Crisis of Hegemony and Changing Global Orders*. Routledge.

⁶²⁶ Ibid.

⁶²⁷ Acharya, A. (2014) *The end of American world Order*. Polity.

⁶²⁸ Jackson, V. (2019) 'Understanding spheres of influence in international politics,' *European Journal of International Security*, 5(3), pp. 255–273. <https://doi.org/10.1017/eis.2019.21>

⁶²⁹ Amineh, M.P. (2022) *The China-Led Belt and Road Initiative and its reflections: The Crisis of Hegemony and Changing Global Orders*. Routledge.

⁶³⁰ The State Council Information Office of the People's Republic of China (2023) *A Global Community of Shared Future: China's Proposals and Actions*. Beijing. Available at: http://www.scio.gov.cn/zfbps/zfbps_2279/202309/t20230926_771260.html

⁶³¹ Caffarena, A. (2017) 'Diversity management in world politics. Reformist China and the future of the (Liberal) Order,' *The International Spectator*, 52(3), pp. 1–17. <https://doi.org/10.1080/03932729.2017.1345251>

Communist Party of China needs to fulfil its promise, that is, to adhere to the path of peaceful development and national rejuvenation.

Beijing constantly emphasises that hegemony is never a question or a challenge for China, as the real challenge is how a rising power adapts to its new status and which foreign policy to adopt. Official documents generally articulate national policies from a macro viewpoint. Therefore, academic analysis and interpretation of these documents can yield a more transparent and comprehensible insight into national goals and actions. However, China presents very different appearances in Eastern and Western narratives, as seen in the discussions of Chinese, European and American scholars.

Firstly, China is undoubtedly a beneficiary of globalisation.⁶³² Likewise, China is gradually driving a similar path to the EU and other developed economies, which face uncertainty and sensitivity from globalisation. In Western narratives on China's position in economic globalisation, "threat" is the most frequently used word, attributing China's catch-up to economic globalisation.⁶³³⁶³⁴⁶³⁵ The "threat" positioning is frequently associated with the characterisation of globalisation's current fragility, and concerns regarding economic security stemming from reliance on specific industrial sectors have instigated the US-China trade war and the tensions of China-EU economic relations.

In the Chinese narrative, globalisation is a win-win process, as China is not only a recipient of economic globalisation but also a promoter of its deepening.⁶³⁶ The

⁶³² Bertelsmann Stiftung (2020) *Globalization Report 2020: Who benefits the most from globalization?* Available at:

https://www.bertelsmann-stiftung.de/fileadmin/files/user_upload/GlobalizationReport2020_2_final_en.pdf (Accessed: 27 May 2025).

⁶³³ He, K. (2016) 'Explaining United States–China relations: neoclassical realism and the nexus of threat–interest perceptions,' *The Pacific Review*, 30(2), pp. 133–151.
<https://doi.org/10.1080/09512748.2016.1201130>

⁶³⁴ Peters, M.A. *et al.* (2021) 'The China-threat discourse, trade, and the future of Asia. A Symposium,' *Educational Philosophy and Theory*, 54(10), pp. 1531–1549.
<https://doi.org/10.1080/00131857.2021.1897573>

⁶³⁵ Roberts, A. and Lamp, N. (2022) 'Navigating complexity: globalization narratives in China and the West,' *China International Strategy Review*, 4(2), pp. 351–366.
<https://doi.org/10.1007/s42533-022-00113-2>

⁶³⁶ Xi Jinping (2017) 'China's Xi Jinping defends globalization from the Davos stage', *Speech*, The World Economic Forum at Davos. Available at:
<https://www.weforum.org/stories/2017/01/chinas-xi-jinping-defends-globalization-from-the-davos-stag>

Belt and Road Initiative narrative exemplifies China's tendency to construct a non-hegemonic sustainable development model. It embodies China's paternalistic developmentalism and expresses China's self-positioning as a "developed country among developing countries."⁶³⁷ Furthermore, "peace and development" and "inclusiveness" are the main themes of China in telling the story of the Belt and Road Initiative. It aligns with China's self-positioning as a "developed country among developing countries" to criticise the current global governance system's inability to address many new challenges of the contemporary era and the unfair distribution of institutional political power within the existing international order.⁶³⁸

In 2014, President Xi Jinping stated, "We should increase China's soft power, give a good Chinese narrative, and better communicate China's message to the world."⁶³⁹ The goal of telling China's story well also signals China's shift from a reactive to a more proactive diplomacy strategy. As the Minister of Foreign Affairs of China, Wang Yi, said, "China has never been so close to the centre of the world stage."⁶⁴⁰ Jin and Wang (2019) define China's new diplomatic approach as dual-track diplomacy, namely, integrating economically into the global integration system and simultaneously striving for greater political voice.⁶⁴¹ Wang (2022) further categorises it as a triadic multi-dimensional strategic goal: economic security, political security, and developmental security, and indicates that China-EU diplomatic relations belong to China's comprehensive global goal.⁶⁴²

e/ (Accessed: 22 May 2025).

⁶³⁷ Zhao, Kejin. (2015) *The Belt and Road Initiative: From Vision to Actions*. In Chinese. Beijing, China: Peking University Press.

⁶³⁸ Chan, S.I. and Song, W. (2020) 'Telling the China Story Well: A discursive approach to the analysis of Chinese foreign policy in the "Belt and Road" initiative,' *Chinese Political Science Review*, 5(3), pp. 417–437. <https://doi.org/10.1007/s41111-020-00146-1>

⁶³⁹ Xinhua (2014) 'Xi eyes more enabling int'l environment for China's peaceful development', *Xinhua*, 30 November. Available at: <https://en.people.cn/n/2014/1130/c90883-8815967-3.html> (Accessed: 12 March 2025).

⁶⁴⁰ Ministry of Foreign Affairs of the People's Republic of China (2014) *Remarks by Foreign Minister Wang Yi at the Opening Ceremony of China Foreign Affairs University*. Beijing. Available at: https://www.mfa.gov.cn/eng/wjb/wjbz/jh/202405/t20240527_11312095.html

⁶⁴¹ Jin, Canrong. and Wang, Heyi. (2019) 'China's diplomacy in the new era: new positioning and new adjustments,' *International Review*, (4), pp. 44-56. In Chinese. [金灿荣, 王赫奕. 新时代的中国外交: 新定位与新调整. 《国际观察》, 2019 年第四期.]

⁶⁴² Wang, Fan. (2022) 'Strategic ranking and multi-objective decision-making in Chinese Diplomacy', *Foreign Affairs Review*, 39(2), pp. 1-20. In Chinese. [王帆. 中国外交的战略排序与多目标决策. 《外交评论》, 2022 年第 2 期.]

Although China and the EU do not pose a direct military threat to each other, they are both major economic powers that affect each other's economic security.⁶⁴³ The power of such interplay is stronger than at any time in history. China has engaged with the EU's strategic autonomy along two interconnected dimensions: state structures and international order.⁶⁴⁴ The deeper China-EU cooperative-competitive partnership has made the mutual disagreements in political values, geopolitical interests and priorities more apparent. Consequently, the China-EU strategic partnership has been criticised for being mainly an economic relationship in practice.⁶⁴⁵

5.2.3. Discussion

Both sides state and clarify their foreign goals through official documents. For the EU, shifting to be a more effective global actor is a strategic foreign policy goal until 2050, while maintaining the core traditional values of multilateralism and the rule-based principles of international order. For China, promoting an alternative to reform and improve the current international system, which is unfair in its institutional distribution of political and economic power among developing countries. Therefore, the question is: are the goals of both parties compatible, conflicting, or both? It also explains why mutual disagreements between China and the EU over political values, geopolitical interests, and priorities are more apparent.

Some scholars argue that China challenges the liberal international order because of its ambition to make rules.⁶⁴⁶ However, the decline of the liberal international

⁶⁴³ Geeraerts, G. and Huang, W. (2016) 'The economic security dimension of the EU-China relationship: puzzles and prospects,' in *Cambridge University Press eBooks*, pp. 187–208. <https://doi.org/10.1017/cbo9781316563243.011>

⁶⁴⁴ Huang, J. (2024) 'China's role in the EU's search for strategic autonomy: nonhegemonic power relations during world order transition,' *China International Strategy Review* [Preprint]. <https://doi.org/10.1007/s42533-024-00174-5>

⁶⁴⁵ Maher, R. (2016) 'The elusive EU-China strategic partnership,' *International Affairs*, 92(4), pp. 959–976. <https://doi.org/10.1111/1468-2346.12659>

⁶⁴⁶ Mikko Huotari, Jan Weidenfeld and Claudia Wessling (2020) *Towards a "Principles-first Approach" In Europe's China Policy: Drawing lessons from the Covid-19 crisis*. Mercator Institute for China Studies, MERICS. Available at: <https://merics.org/sites/default/files/2021-03/Merics%20Papers%20on%20China%20EU-China%20fin>

order is difficult to attribute to China's rise and strategic actions, as academic circles struggle to reach a consensus on whether the decline of the US hegemonic order in the international system is due to China's intentional strategy or a natural result of China's rise.⁶⁴⁷⁶⁴⁸ The decline of the liberal international order is not exclusively attributable to Trump's statements or policies. Instead, the fundamental issue is that a liberal international order can arise only within a unipolar system in which the preeminent state is a liberal democracy.⁶⁴⁹ For the EU, the liberal international order is essentially a specific one grounded in a strong transatlantic relationship, and the quality of US-EU relations significantly shapes it. In addition, it is difficult for the EU to promote its specific liberal international order elsewhere due to Russia's status as a geopolitical competitor and external security threat.⁶⁵⁰

Europe anticipated that China would willingly embrace the liberal international system and evolve into a liberal democratic democracy upon its accession to the WTO. Nonetheless, facts have demonstrated that China's rise is one factor in the decline of the liberal international order. Nationalism and balance-of-power politics are usually the core factors driving the collapse of order.⁶⁵¹ China's economic strength and its opposing political system cannot coexist within the liberal international order of a unipolar world. Therefore, multipolarization is inevitable. As Joseph S. Nye, who is one of the most steadfast advocates of the liberal order, put forward, "The liberal order was largely limited to a group of like-minded states centered on the Atlantic littoral and did not include many large countries such as China, India, and the Soviet bloc states, and did not always have benign effects on nonmembers."⁶⁵² The liberal

al%201.pdf

⁶⁴⁷ Acharya, A. (2014) *The end of American world Order*. Polity.

⁶⁴⁸ Amineh, M.P. (2022) *The China-Led Belt and Road Initiative and its reflections: The Crisis of Hegemony and Changing Global Orders*. Routledge.

⁶⁴⁹ Mearsheimer, J.J. (2019) 'Bound to fail: the rise and fall of the liberal international order,' *International Security*, 43(4), pp. 7–50. https://doi.org/10.1162/isec_a_00342

⁶⁵⁰ Jian Junbo (2022) 'A brief analysis of Europe's view of international order: evolution, adjustment and challenge,' *Fudan International Studies Review*, 28, pp. 3-19. In Chinese. [简军波, 浅析欧洲的国际秩序观: 演变、调整与挑战. 《复旦国际关系评论》2022 年第 28 辑.]

⁶⁵¹ Mearsheimer, J.J. (2019) 'Bound to fail: the rise and fall of the liberal international order,' *International Security*, 43(4), pp. 7–50. https://doi.org/10.1162/isec_a_00342

⁶⁵² Nye Jr. Joseph S. (2017) 'Will the Liberal Order Survive? The History of an Idea,' *Foreign Affairs*, 96(1), pp. 10-16.

international order is a limited order facing the redistribution of global power.

The rise of emerging powers such as China, Russia, and India marks the arrival of a new realist international order, that is, competition among multiple international order concepts. China is entering a “competitive multilateralism” mode and turning it into “the most important method of reshaping the international order and forming China’s identity.”⁶⁵³ However, the rhetoric that China will overturn the current order is an exaggeration. It is generally recognised in the academic community that the decline of the liberal international order is a fact. However, it will not completely disappear in the short to medium term, and a diversified international order will be the future trend.⁶⁵⁴⁶⁵⁵ Alternatively, the diversified international order can be characterised as the major powers competing to promote their narratives. The EU further characterised it as “a ‘battle of models’ between democratic and authoritarian regimes.”⁶⁵⁶

The narratives of China and the EU differ, as they represent major powers with distinct economic and political systems within the international system. The new geopolitical actor of the EU and the new position of China’s rise are engaged in an ongoing process of competitive role-playing to enhance their respective status and position as global actors and seek recognition for their international roles through their strategic partnership.⁶⁵⁷ However, China is frustrated and confused by the EU’s position on China, both as a cooperation and negotiating partner and as an economic competitor and systemic rival. Chinese Foreign Minister Wang Yi likened the positioning to “driving to a crossing and finding the red, yellow and green lights all on

⁶⁵³ EU & China Think-Tank Exchanges (2022) *EU–China relations at a crossroads, Vol. I: Looking for a new modus vivendi*. EU & China Think-Tank Exchanges project. Available at:

https://epc-web-s3.s3.amazonaws.com/content/PDF/2022/EU-China_Think-Tank_Compendium.pdf

⁶⁵⁴ Flockhart, T. (2016) 'The coming multi-order world,' *Contemporary Security Policy*, 37(1), pp. 3–30. <https://doi.org/10.1080/13523260.2016.1150053>

⁶⁵⁵ Acharya, A. (2017) 'After liberal hegemony: the advent of a multiplex world Order,' *Ethics & International Affairs*, 31(3), pp. 271–285. <https://doi.org/10.1017/s089267941700020x>

⁶⁵⁶ European Commission (2023) *Strategic Foresight Report 2023: Sustainability and people’s wellbeing at the heart of Europe’s Open Strategic Autonomy*. Brussels. Available at: https://commission.europa.eu/system/files/2023-07/SFR-23-beautified-version_en_0.pdf

⁶⁵⁷ Song, W. and Hall, R.B. (2018) 'European Union’s construction of international identity via strategic partnerships: associating and social distancing,' *Contemporary Politics*, 25(2), pp. 172–189. <https://doi.org/10.1080/13569775.2018.1497463>

at the same time. How can you drive on?” Such statements will only create interference and obstacles to China-EU relations.⁶⁵⁸

This dissertation argues that China’s and the EU’s foreign goals are compatible but inherently conflicting, and that the dual nature of China-EU relations is cooperative but competitive. However, there is still much room for future cooperation between the two sides. First, there is no fundamental conflict of interest, geopolitical, or strategic clash between the two sides, and their mutual interests far outweigh their divergences. Second, defending multilateralism and globalisation is their common goal, and they need each other to achieve it. Last, both sides face similar social challenges, namely an ageing population, unemployment, significant internal economic disparities, improving social welfare, and expanding urban areas, which affect domestic economic and political stability and security and shape their foreign goals.

5.3. The Structural Pressures of Systemic Transition and the EU’s Hedging Dilemma

US-EU-China relations are the most tangled and dynamic, profoundly affecting contemporary international politics. The exchanges, interactions, cooperation, and conflicts in the triangular relationship have a butterfly effect, with knock-on effects on current international events, shaping the future direction of the international system, international patterns, and international order. The global economic framework is evolving into a geoeconomic structure. The main driver for reconstructing the economic and security landscape within the geoeconomic framework is the escalating geopolitical rivalry prompted by China’s rise as an economic and security adversary to the United States.⁶⁵⁹⁶⁶⁰ A new global competitive landscape has emerged, centred

⁶⁵⁸ Ministry of Foreign Affairs of the People’s Republic of China (2024) *Member of the Political Bureau of the CPC Central Committee and Foreign Minister Wang Yi Meets the Press*. Xinhua. Available at: https://www.mfa.gov.cn/eng/wjbzhd/202405/t20240527_11312296.html (Accessed: 8 May 2025).

⁶⁵⁹ Roberts, A., Moraes, H.C. and Ferguson, V. (2019) 'Toward a geoeconomic order in international trade and investment,' *Journal of International Economic Law*, 22(4), pp. 655–676. <https://doi.org/10.1093/jiel/jgz036>

⁶⁶⁰ Tucker, P. (2022) 'Geoeconomics within Geopolitics: China and the West Today, and Scenarios for

on a triangle in which business and global rules are located among the United States, China, and the European Union.

This section tests the hypothesis that cooperation and competition in the triangular relationships of US-China-EU have created a delicate balance - a loose multipolar international order - which explains why the current rulebook of global governance is complex to form. Furthermore, this section complements the neorealist framework with Lowell Dittmer's strategic triangle theory, which is defined as the dynamics of triangular relationships being determined by the combination of the nature (friendly or hostile) of the three bilateral relationships, with the "pivot" role (the actor maintaining friendly relations with the other two) maximising strategic advantage and influence.⁶⁶¹ The strategic triangle theory addresses the shortcomings of traditional international relations theories, such as the balance-of-power theory, in handling complex interactions among the three parties.

Applying to the contemporary China-US-EU strategic triangle, the key lies in conducting a "role typology" analysis of the EU. Dittmer (1981) uses '+' to indicate a "friendly or cooperative" relationship and '-' to indicate a "hostile or conflict" relationship, and identifies and categorise three main typical triangular relations such as 'ménage à trois' (+, +, +), 'romantic triangle' (+, +, -) and 'stable marriage' (+, -, -) to describe the triangular relationship of China, the US and the Soviet Union.⁶⁶² However, the dynamics among China, the US, and the EU in the 21st century represent not only a straightforward ideological clash but also a complex interplay of economics and politics. The "pivot" role is crucial as it is in an advantageous position to benefit from the competition of the other players,⁶⁶³ or maintain a considerable friendly relationship with the other players to gain concessions from both "wings."⁶⁶⁴

This dissertation presumes that the EU plays the pivot role, thus the model

Tomorrow,' in *Princeton University Press eBooks*, pp. 107–118.

<https://doi.org/10.23943/princeton/9780691229317.003.0004>

⁶⁶¹ Dittmer, L. (1981) 'The Strategic Triangle: An Elementary Game-Theoretical Analysis,' *World Politics*, 33(4), pp. 485–515. <https://doi.org/10.2307/2010133>

⁶⁶² Ibid.

⁶⁶³ Ibid.

⁶⁶⁴ Wu Y-S (2017) Pivot, Hedger, or Partner: Strategies of Lesser Powers Caught between Hegemons. In: Dittmer, L. (2017) *Taiwan and China: Fitful Embrace*. Berkeley, CA: University of California Press.

represents as the EU and the US is (+), the EU and China is (+), and the US and China is (-), resulting is a “romantic triangle” while different from the original “romantic triangle” proposed by Lowell Dittmer but a “pivotal competition romantic triangle” (+, +, -). The primary objective of the competition is to secure greater support or favour from the pivot (EU) to enhance its advantage in the triangular and international systems. Given the advantageous position of the “pivot”, the EU also has the autonomy to manoeuvre or maintain the balance, as exemplified by the EU-China Comprehensive Agreement on Investment (CAI) stalemate.

5.3.1. Great Power Competition in a Loose Multipolar Order: US-China Rivalry Structure

In neorealism (structural realism) international relations theory, polarity depends on the number of great powers as major actors in the international system. The structure of the international system is composed of three significant elements: the ordering principle, the character of the units, and the distribution of capabilities across these units.⁶⁶⁵ The material foundation of power, namely military and economic strength, determines the position of these major actors in the system,⁶⁶⁶ namely their ability and willingness to shape the international order, provide security guarantees (such as alliance leaders), set agendas, or safeguard their key interests globally. Based on the definition of pole in neorealism, the structure of the international system can be divided into three major types: unipolarity, bipolarity and multipolarity.

However, Waltz (2000) further argues that unipolarity is unstable due to the distribution of power, and multipolarity emerges as a result of the balance of power.⁶⁶⁷ Offensive realism further emphasises the dangers of a unipolar system, which can attract other major powers, either proactively or passively, to form alliances to counterbalance it, ultimately leading to large-scale conflicts.⁶⁶⁸⁶⁶⁹ Mowle and Sacko

⁶⁶⁵ Waltz, K.N. (1979) *Theory of international politics*. McGraw-Hill Humanities, Social Sciences & World Languages.

⁶⁶⁶ Ibid.

⁶⁶⁷ Waltz, K.N. (2000) 'Structural Realism after the Cold War,' *International Security*, 25(1), pp. 5–41. <https://doi.org/10.1162/016228800560372>

⁶⁶⁸ Mearsheimer, J.J. (2003) *The tragedy of great power politics*. W. W. Norton & Company.

(2007) offer a different perspective on the instability of the unipolar world, one that differs from the high cost of hard balance in offensive realism, as the primary danger stems from the potential for erroneous policies and excessive interference that the sole superpower, the United States, may adopt.⁶⁷⁰ Lack of balance also has a counteraction on the system, as unipolar hegemons are prone to making self-imbalance. Maintaining a hegemonic position comes at a cost, such as strategic overdraft.⁶⁷¹

The concept of bipolar international order refers to the characteristics of the international system during the Cold War, characterised by a clear division of factions, direct competition, and nuclear confrontation, as well as a high degree of system stability in the competition for dominance between the United States and the Soviet Union. The United States and the Soviet Union represented two major actors in the international system at the time, possessing comprehensive capabilities far exceeding those of other countries, thus forming a balance of power within the system.

In the 21st century, with the rise of China, the debate over whether the United States remains the dominant unipolar power in the international system has gradually shifted to the relative decline of the United States' hegemonic status and the emergence of a bipolar international order between China and the United States. Hegemonic transition is a complex process of changes in the distribution of power, usually accompanied by challenges from other rising major actors.⁶⁷² However, the bipolar international order formed by the US-Soviet rivalry during the Cold War is very different from the US-China competition in the 21st century. For example, there is no clear division of factions, and no stable international system has formed. This is why it is challenging for academics to determine whether the current US-China competition constitutes a clear and particular bipolar international order.

This dissertation adopts the concept of bipolar imbalance, which refers to the fact that China and the United States have not yet established a stable equilibrium in terms

⁶⁶⁹ Layne, C. (2006) 'The unipolar illusion revisited: the coming end of the United States' unipolar moment,' *International Security*, 31(2), pp. 7–41. <https://doi.org/10.1162/isec.2006.31.2.7>

⁶⁷⁰ Mowle, T. and Sacko, D. (2007) *The unipolar world: An Unbalanced Future*. Palgrave Macmillan.

⁶⁷¹ Mearsheimer, J.J. (2003) *The tragedy of great power politics*. W. W. Norton & Company.

⁶⁷² Gilpin, R. (1981) *War and Change in World Politics*. Cambridge University Press.

of comparative strength, influence distribution, and institutional construction, and are in a dynamic and tense state of competition. The concept of bipolar imbalance, which describes the competition between China and the United States, is gradually gaining support in academia. Allison (2017) defines the ‘Thucydides’s Trap’ as “when a rising power threatens to displace a ruling power, the resulting structural stress makes conflict more likely.”⁶⁷³ Structural pressure is the most direct manifestation of bipolar imbalance, that is, the tense state of the international system caused by changes in the balance of power. Therefore, the terms “rising power” and “established power,” as well as “revisionism” and “status quo,” arise to describe the roles of China and the United States in the international system. This binary classification of power overlooks the fact that the international system is currently characterised by a dynamic and multi-layered nature rather than a static one.⁶⁷⁴⁶⁷⁵

Bipolar imbalance in the dynamic international system eventually represents a loose multipolar international order. First, economic power shifts with the decline of American hegemony, leading to the fragmentation of the global economy and a resulting leadership vacuum. The United States, as A, is hardly able to push the B (major actors) to do something that B would not otherwise do,⁶⁷⁶ as the rise in economic power of China, India, ASEAN, Russia, Brazil and other emerging markets and developing economies, nearly accounting for the share of world GDP around 60 percent, and China accounted for 19.63 percent compared with the 14.65 percent of the US and 20.98 percent of Europe.⁶⁷⁷ The decoupling of China-US in the technological area (e.g., 5G, artificial intelligence, and semiconductors) and the

⁶⁷³ Allison, G.T. (2017) *Destined for war: Can America and China Escape Thucydides’s Trap?* Houghton Mifflin.

⁶⁷⁴ Acharya, A. (2014) *The end of American world Order*. Polity.

⁶⁷⁵ Johnston, A.I. (2019) ‘China in a world of Orders: Rethinking compliance and challenge in Beijing’s international relations,’ *International Security*, 44(2), pp. 9–60.
https://doi.org/10.1162/isec_a_00360

⁶⁷⁶ U.S. National Intelligence Council (2012) *Global Trends 2030: Alternative Worlds*. Center for the Study of Intelligence. The U.S. Intelligence Community.
<https://www.dni.gov/index.php/who-we-are/organizations/mission-integration/nic/nic-related-menus/nic-related-content/global-trends-2030>

⁶⁷⁷ Data from the International Monetary Fund (IMF). ‘GDP based on PPP, share of world Percent of World’, World Economic Outlook (October 2025).
<https://www.imf.org/external/datamapper/PPPSH@WEO/OEMDC/ADVEC/WEOWORLD> (Accessed: 31 October 2025).

de-risking of China-EU in key economic security areas (e.g., raw materials, energy, and artificial intelligence and semiconductors) are precisely the concrete manifestation of economic fragmentation that we are seeing today. Economic power dispersion has not only contributed to the decline of US hegemony but also has rendered it impossible for any single major actor to effectively advance the global agenda, creating a leadership vacuum.⁶⁷⁸ It is also supported by the liberal international order, namely the authoritarian crisis caused by the United States' inability to maintain its status as a "guarantor" of a system, which has led to the dispersion and struggle for governance power.⁶⁷⁹

However, Beckley (2018) argues that the United States will remain the world's only superpower in the 21st century, and China is currently unable to challenge its position in terms of comprehensive strength.⁶⁸⁰ Although Beckley's views still revolve around the idea that American hegemony stems from internal political disharmony and strategic missteps, and that the unipolar era has not ended, this dissertation argues that a looser multipolar international order has replaced the unipolar one. However, this dissertation also accepts Beckley's (2018) view that China is currently unable to challenge the United States in terms of comprehensive strength, primarily due to the high costs of the security dilemma resulting from China's geographical location and its limited global influence.

By elucidating the explicit definition of the pole in international relations, this dissertation explores the disadvantages and instability of a unipolar international order, as well as the imbalance of a bipolar international order. This dissertation proposes a loose multipolar international order formed under the competition between China and the United States. However, an unclear multipolar balance of power has left the international system in transition and chaos, making it difficult to establish a stable

⁶⁷⁸ Roubini, I.B. and N. (2022) 'A G-Zero world: the new economic club will produce conflict, not cooperation,' *Foreign Affairs*, 15 September. <https://www.foreignaffairs.com/world/g-zero-world>

⁶⁷⁹ Ikenberry, G.J. (2018) 'The end of liberal international order?,' *International Affairs*, 94(1), pp. 7–23. <https://doi.org/10.1093/ia/iix241>

⁶⁸⁰ Beckley, M.C. (2018) *Unrivaled: Why America Will Remain the World's Sole Superpower*. Cornell University Press.

equilibrium.⁶⁸¹ The dispersion of power, economic fragmentation and the leadership vacuum constitute the unstable, decentralised, disharmonious, turbulent and complex nature of a loose multipolar international order. It is the root cause of global governance failures and the difficulty in forming an accompanying rulebook to manage the governance system.

In this context, articulating and analysing the US-China-EU relations systemically and comprehensively is challenging, as the situation is changing fast. Briefly reviewing these dynamics, the starting point of complexity is Donald Trump's 2017 inauguration. Therefore, this dissertation focuses on the "new normal" in US-China relations, which has increasingly manifested since 2017, to provide a comparative background and examine the challenges and possibilities of the EU's strategically autonomous global strategy in the competition between China and the US. Politically, handling China-US relations properly has become the top priority for both countries' comprehensive strategies amid escalating conflicts and cooperation, while the EU is observing the competition between China and the US and has not established a formal alliance with the US to counter China.⁶⁸² However, the China-US trade war, the COVID-19 pandemic and Trump's re-election have vigorously shaken the EU's trust in the transatlantic partnership alliance established after World War II. Most EU countries, led by France and Germany, differ with the US in their foreign policy towards China, highlighting the EU's new geopolitical role.

The topic of China's rise is often linked to the transformation of the global order and international system. The decline of the US hegemonic order in the international system has raised concerns about whether China will challenge US hegemony and pursue hegemony itself. As mentioned above, academic circles find it challenging to reach common ground on whether the decline of the US hegemonic order in the international system is due to China's intentional strategy or a natural result of

⁶⁸¹ Schweller, R.L. (2014) *Maxwell's Demon and the Golden Apple: Global Discord in the New Millennium*. JHU Press.

⁶⁸² Casarini, N. (2022) 'A European strategic "third way?" The European Union between the traditional transatlantic alliance and the pull of the Chinese market,' *China International Strategy Review*, 4(1), pp. 91–107. <https://doi.org/10.1007/s42533-022-00095-1>

China's rise.⁶⁸³⁶⁸⁴ Thus, China presents very different appearances in Eastern and Western narratives, as seen in the discussions of Chinese, European and American scholars. At the same time, neorealism and neoliberalism agree on one key argument: the Belt and Road Initiative of China possesses the capacity to alter the existing global political framework and dismantle post-Cold War American hegemony.⁶⁸⁵ Coincidentally, in the 2017 *National Security Strategy* of the US, the Trump administration has positioned China as the United States' main strategic competitor and a revisionist power.⁶⁸⁶ In the 2022 *National Security Strategy* of the US, the Biden administration defines China as the only adversary with both the intention and the ability to reshape the international order.⁶⁸⁷

Economically, the US-China trade war signifies the resurgence and ascendance of unilateralism and trade protectionism. It is not a historical first. The trade protectionist policies enacted by the US Congress during the Great Depression of the 1930s precipitated the collapse of the global economy and ultimately instigated World War II.⁶⁸⁸ As history repeats itself in another form, similar tests are put before China and the United States: learn from experience or repeat the same mistakes? In addition, the large scale of economic exchanges between China, the United States, and Europe are estimated to account for roughly 54% to 58% of the global economy in 2025,⁶⁸⁹ and the high degree of economic dependence makes it costly and difficult for any side to achieve economic decoupling. The United States and the European Union have trade deficits with China. In 2024, the US goods trade deficit with China was \$295.4 billion,⁶⁹⁰ and the EU goods trade deficit with China was €304.5 billion,⁶⁹¹ likely to

⁶⁸³ Ibid.

⁶⁸⁴ Acharya, A. (2014) *The end of American world Order*. Polity.

⁶⁸⁵ Ibid.

⁶⁸⁶ The White House (2017) *National Security Strategy of the United States of America*. WASHINGTON, DC.

⁶⁸⁷ The White House (2022) *National Security Strategy of the United States of America*. WASHINGTON, DC.

⁶⁸⁸ Yong, W. (2019) 'Interpreting US-China trade War background, negotiations and consequences,' *China International Strategy Review*, 1(1), pp. 111–125. <https://doi.org/10.1007/s42533-019-00019-6>

⁶⁸⁹ Data from the IMF, GDP based on Purchasing Power Parity (PPP), share of the world. Available at: <https://www.imf.org/external/datamapper/PPPSH@WEO/EU/CHN/USA> (Accessed: 20 June 2025).

⁶⁹⁰ Data from the Office of the United States Trade Representative. Available at: <https://ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china> (Accessed: 20 June 2025).

persist and intensify competition as China climbs the global value chain through technological innovation.

In terms of military security, the Trump administration has raised the banner of unilateralism and protectionism of “America First”. The outbreak and continuation of the Russia-Ukraine war and varying degrees of friction worldwide have once again made the security issues advocated by traditional realism the centre of attention. The “new normal” of security issues is that all countries have developed comprehensive economic strategies that balance national security and technological dominance with traditional economic goals.⁶⁹² However, most EU policymakers do not perceive China as a direct military threat or consider Beijing a prospective enemy.

The expansion of NATO is another aspect of the “new normal” in military security. NATO will broaden its attention to the Indo-Pacific area, potentially engaging the EU in Indo-Pacific affairs and heightening uncertainty in China-EU relations.⁶⁹³ Furthermore, amid rising geopolitical tensions with China, the EU is increasingly compelled to navigate trade-offs among multilateralism, the transatlantic alliance, and enhanced collaboration with China, resulting in a progressively challenging balancing act.⁶⁹⁴

There are two predictable models under the influence of US-China-EU relations, mainly based on neorealism combined with current international dynamics and conditions. First, a precarious, constrained, fragile, and strained international order resembles the Cold War, characterised by the confrontation between China and the United States over dominance. In this situation, confrontation and conflict will be more intense than during the Cold War. On the one hand, global technological

⁶⁹¹ Data from Eurostat, *Slight decline in imports and exports from China in 2024*. Available at: <https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20250304-1> (Accessed: 20 June 2025).

⁶⁹² Cinzia, Alcidì. (2025) *EU economic security: Confronting the dual challenge of China and the US*. EU Commission. Available at: <https://webgate.ec.europa.eu/circabc-ewpp/d/d/workspace/SpacesStore/d53624dc-3217-4eb3-9271-dac7be77e511/download>

⁶⁹³ Sheng, E.L. (2023) *China's Belt and Road initiative and the Triangle Great Game of contemporary international politics*. Springer Nature.

⁶⁹⁴ Van Der Linden, R.W.H. and Łasak, P. (2024) *Sino-EU economic relations: Balancing De-risking Strategy with Global Cooperation and Competition*. Springer Nature.

advancement has brought about more uncontrollable factors. On the other hand, China, the United States, and Europe are currently adopting aggressive foreign policies, making it more challenging to return to the negotiation table with multiple interests involved. Another is a multipolar international system characterised by multidimensional and complex features, wherein interactions and collaboration intensify alongside the emergence of competition, conflict, cooperation, and compromise. In this situation, balance will be the most significant lesson for all actors.

The United States is at the top of the international system and is the world's leading military power. The European Union is a trade and civil power, while China is a rapidly rising, emerging, developing country and the world's second-largest economy. Under the Trump administration, the United States has increasingly deviated from the liberal system it once created, and unilateralism and protectionism are prevalent. The EU's growing disappointment with its transatlantic allies has even shaken the trust of EU member states. China's growing influence and novel practices in multilateralism and global governance have made it more difficult for the EU to balance China and the United States.

In today's complex and changing international landscape, where anti-globalisation is on the rise and geoeconomic and geopolitical influences are expanding at unprecedented levels, the relationship among China, the United States and Europe will determine the direction of the international system and international order, as well as world peace and development. In this context, the tension between the EU's goal of strategic autonomy and its internal divisions over foreign policy among member states (e.g., Hungary and Sweden) is an ongoing project. Its success or failure directly determines the EU's position in the future triangular relationship.

Given the feasibility of the EU's strategic autonomy, the United States' influence on the transatlantic alliance has necessitated the EU's assertion of its strategic autonomy. However, it has also increased its urgency and difficulty. The Chinese factor has objectively weakened the EU's ability to act collectively, thereby posing a core challenge to its strategic autonomy. Internally, institutional balancing at the EU

level and strategic balancing across the demands of different EU members constrain external action and effectiveness.

The influence of the United States leads the EU to believe it cannot rely entirely on the United States, especially given the security dependence under the NATO framework and the US's vigilance and opposition to the EU's strategic autonomy, which sets a ceiling on the EU's autonomy. At the same time, through its massive investments in Europe, economic diplomacy and China narratives such as the BRI and the 14+1 format, China has amplified internal divisions within the EU, making it difficult for the European Commission to form and implement a unified and strict policy toward China, thereby eroding the foundation of strategic autonomy from within.

The Chinese narrative of “a global community of shared future” and the differentiated engagement of the BRI in Europe constitute a collective Chinese identity, but its effectiveness is diminishing. It may even backfire, as the EU's geopolitical vigilance and geoeconomic responses (e.g., FDI screening mechanism and Global Gateway) grow. The contraction of Chinese narrative and the “reception effect” of the EU can test the Chinese characteristic international relations theory, which is moral realism, and provide an empirical case for the scope of validity of non-Western international relations theories.

The structural pressure generated by this intense competition is not a static background, but rather a direct driving force for both China and the United States to woo, shape, or restrict the EU's choices. It makes any major EU foreign policy decision (such as the CAI) inevitably become the focus of the trilateral game. Therefore, the compatible yet conflicting strategic goals of China and the EU, along with the “new normal” of US-China relations, constitute the initial conditions for the CAI game. The EU's choice and actions as a pivot are crucial for both China and the US, and whether the EU can defend its strategic autonomy will determine its future as an independent corner of the China-US-EU triangle, a pole in the nascent multipolar landscape, or a marginalised or dependent partner. The CAI case study in the next section will demonstrate how China and the US try to leverage discourse and

economic tools to win over the pivot.

5.3.2. The Stalemate of EU-China Comprehensive Agreement on Investment (CAI)

On 30 December 2020, following 35 rounds of discussions over seven years, China and the European Union (EU) conducted a virtual summit to declare the preliminary conclusion of the Comprehensive Agreement on Investment (CAI) negotiations.⁶⁹⁵ However, the European Parliament voted five months later to an indefinite freeze on ratification due to diplomatic friction, including disagreements over human rights issues.⁶⁹⁶ The CAI is significant for future economic cooperation between China and the EU, as the key elements of the CAI negotiations are market access, a level playing field, and state-to-state dispute resolution. It will bring greater open-market access, simplified procedures, a fairer competitive environment, an end to forced technology transfer, and a new level of China-EU economic cooperation, which means an upgrade and closer China-EU relationship.

The motivation and effect of CAI can be seen as the same thing, as it has not yet come into effect. One is that the EU seeks greater autonomy in its engagement with China or the United States. Differences between the US and Europe in their China policies and responses since Trump came into power, such as unilateralism and the “America First” policy, have prompted Europe to seek its path. The EU’s growing ambition to strengthen its strategic autonomy without aligning with its allies’ viewpoints. Therefore, it seeks to augment its influence on transatlantic policy toward China,⁶⁹⁷ as the CAI has diminished the unity of European-American geopolitical collaboration.⁶⁹⁸ Another is that the EU seeks to protect its investment market.

⁶⁹⁵ European Commission (2020) *EU and China reach agreement in principle on investment*. Available at: https://ec.europa.eu/commission/presscorner/detail/en/ip_20_2541

⁶⁹⁶ European Parliament (2021) *MEPs refuse any agreement with China whilst sanctions are in place*. 20 May. Available at: <https://www.europarl.europa.eu/news/en/press-room/20210517IPR04123/meps-refuse-any-agreement-with-china-whilst-sanctions-are-in-place>

⁶⁹⁷ Wnukowski, *et al.* (2021) *EU-China Comprehensive Agreement on Investment: Political and Economic Implications for the European Union*. Warsaw: The Polish institute of International Affairs.

⁶⁹⁸ Liu, Zuokui. (2021) 'Prospect of China-EU Comprehensive Agreement on Investment and Policy Coordination of the United States and Europe to China,' *Contemporary World*, in Chinese. (03), pp.

Danzman and Meunier (2023) emphasise that the logic of promoting a “shift from economics to security” to address market concerns is particularly evident in the analysis of the EU’s economic strategies and movements.⁶⁹⁹

Given that the CAI negotiation remains at a stalemate, from a political perspective, whether CAI can be finally negotiated and implemented is a key factor affecting China-EU relations and the international order. It is by no means a simple bilateral trade and economic event, but rather a highly dynamic struggle for gaining support and global influence between China and the US within a loose multipolar world, centred around the EU as a strategic “pivot.” According to the latest World Economic Outlook Update published by the IMF, the global economy is recovering slowly, the divergence and uncertainty among countries are intensifying, and economic growth still faces multiple risks and challenges.⁷⁰⁰ UN Trade and Development (UNCTAD) also points out that the global economy is in a new low-normal state, and that international trade and trade policies are changing the structures.⁷⁰¹ Moreover, the European Parliament elections 2024 marked a new chapter in China-EU ties. The election results indicated a significant shift in the political landscape, which may influence the EU’s China policy from a conflicting perspective. The EU and China maintain substantial divergences on issues such as an imbalance in bilateral trade and economic security concerns arising from China’s growing investment in the EU. The outcome of the CAI profoundly reveals why an effective governance system is so complex to establish.

5.3.2.1. China Strategic Advancement: Grasp the Window of Opportunity

During the crucial and tight period of power transition between the first Trump administration and the Biden administration, on 30 December 2020, China and the

24-31.

⁶⁹⁹ Danzman, S.B. and Meunier, S. (2023) 'Naïve no more: Foreign direct investment screening in the European Union,' *Global Policy*, 14(S3), pp. 40–53. <https://doi.org/10.1111/1758-5899.13215>

⁷⁰⁰ International Monetary Fund (IMF) (2025) *World Economic Outlook Update - Global Growth: Divergent and Uncertain*.

⁷⁰¹ UNCTAD (2024) *Trade and development report 2024: Rethinking development in the age of discontent*. Available at: https://unctad.org/system/files/official-document/tdr2024overview_en.pdf

European Union concluded the negotiations of the Comprehensive Agreement on Investment (CAI).⁷⁰² It is the first time that China has committed to ambitious provisions, such as sustainable development. Furthermore, it marks the first time China has committed to constraints on ‘rules’, such as state-owned enterprises, subsidy transparency, and forced technology transfer,⁷⁰³ precisely the core issues of ‘Chinese market barriers’ that the EU has long complained about.⁷⁰⁴

Germany and France are driving forces behind the agreement, as they are the two biggest EU trading partners and major investors with China.⁷⁰⁵ Germany’s determination to score a diplomatic success while holding the presidency of the EU Council, and France’s desire to demonstrate the Union’s growing political clout, were both driven by the need to secure a diplomatic breakthrough⁷⁰⁶ and protect their core interests. For example, China’s commitments on manufacturing market access, especially for new energy vehicles. The EU invested 28 percent in the automotive industry,⁷⁰⁷ and German manufacturers and suppliers within the EU accounted for 70 percent of total global R&D investment.⁷⁰⁸ In the financial services sectors, such as banking and insurance, China is committed to lifting restrictions on foreign shareholding to facilitate market access for EU investors. The banking and financial sector is a strategic strength for France and Germany which accounted for 42.8

⁷⁰² European Commission (2020) *EU and China reach agreement in principle on investment*. Available at: https://ec.europa.eu/commission/presscorner/detail/en/ip_20_2541 (Accessed: 20 November 2025).

⁷⁰³ Ibid.

⁷⁰⁴ Kuang, S., Orbie, J. and Blancquaert, S. (2023) 'The rise and fall of the EU-China Comprehensive Agreement on Investment: ‘open strategic autonomy’ in action,' *Journal of Contemporary European Studies*, 32(3), pp. 772–786. <https://doi.org/10.1080/14782804.2023.2293779>

⁷⁰⁵ Yao Ling (2025) *China-EU Economic and Trade Relations 50 Years after the Establishment of Diplomatic Relations: Retrospectus and Prospectus*. Available at: https://china-cee.eu/wp-content/uploads/2025/08/China_Watch_Yao-Ling_2025_31.pdf (Accessed: 12 January 2026).

⁷⁰⁶ Sebastian Płóciennik *et al.* (2021) *EU-CHINA COMPREHENSIVE AGREEMENT ON INVESTMENT: POLITICAL AND ECONOMIC IMPLICATIONS FOR THE EUROPEAN UNION*. Warsaw: PISM.

⁷⁰⁷ Sofia Baruzzi (2021) 'EU, China Reach Agreement on Investments in Principle: What Does it Mean for Businesses', *China Briefing*, 14 January. Available at: <https://www.china-briefing.com/news/eu-china-reach-agreement-on-investments-in-principle-what-does-it-mean-for-businesses/> (Accessed: 17 August 2025).

⁷⁰⁸ Germany Trade & Invest (GTAI) (2025) *The Automotive Industry in Germany*. Available: https://www.gtai.de/resource/blob/64100/ebdfca790aa0df33b694bfc4e653f998/20250520_IO_Automotive_WEB.pdf (Accessed: 12 December 2025).

percent,⁷⁰⁹ and France has the largest insurance sector within the EU.

The precise and timely “strategic gift” not only underscores the significance of the EU to China but also demonstrates China’s strategic initiative to strengthen the cohesion of its relations with the EU. Before the EU and China reached the agreement, on 2nd December 2020, the EU and the US agreed on “a new transatlantic agenda fit for today’s global landscape,” which established a new EU–US Dialogue.⁷¹⁰ However, in the final stage of CAI negotiations, despite Biden’s transition team urging the EU to wait until the new US administration takes office before signing the agreement, the process unexpectedly accelerated following a series of concessions from China.⁷¹¹ Beijing has taken the initiative to anticipate a common stance towards China that the EU and the US might adopt after Biden takes office. For example, the Biden administration, within one month of taking office in 2021, issued an executive order requiring the establishment of supply chains free of Chinese involvement.⁷¹² In other words, if the CAI is ultimately implemented, the EU will be heading towards a completely different market from its allies.

China regards the CAI as a touchstone for the EU’s strategic autonomy and emphasises that it is a cornerstone of China-EU economic and trade cooperation. However, Chen (2022) argues that the EU’s unpreparedness contributes to the CAI’s stalemate.⁷¹³ As China’s emphasis is on economic and trade relations, China’s narrative of “de-securitisation” cannot completely sway the EU, because for the EU

⁷⁰⁹ Eurostat (2022) Relative Importance of Financial and Insurance Activities (NACE Section K), EU, 2022. Available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Businesses_in_financial_and_insurance_activities_sector (Accessed: 16 May 2025).

⁷¹⁰ European Commission (2020) *EU-US: A new transatlantic agenda for global change*. Brussels. Available at: https://ec.europa.eu/commission/presscorner/detail/en/ip_20_2279 (Accessed: 28 July 2025).

⁷¹¹ Li, Y. and He, Z. (2022) 'The remaking of China–Europe relations in the new era of US–China antagonism,' *Journal of Chinese Political Science*, 27(3), pp. 439–455. <https://doi.org/10.1007/s11366-022-09792-5>

⁷¹² The White House (2021) Executive Order on America’s Supply Chains: A Year of Action and Progress. Available at: <https://bidenwhitehouse.archives.gov/wp-content/uploads/2022/02/Capstone-Report-Biden.pdf> (Accessed: 25 July 2025).

⁷¹³ Chen Xin (2022) *CAI: China is ready, what about the EU?* Institute of European Studies, Chinese Academy of Social Sciences. In Chinese. [陈新 (2022) 《CAI: 中方已准备就绪, 欧方呢? 》中国社会科学院欧洲研究所.]

and the US, the CAI is not just an economic agreement. It will also profoundly shake the stability of the transatlantic alliance. The attempt of China to use the window-of-opportunity of the transition between the first Trump administration and the Biden administration to advance the strategic relations and to gain the “pivot” of the EU while facing the paradox of the EU’s strategic autonomy by postponing the decision to avoid making a final and potentially costly choice between the two major powers finally led to the stalemate of the CAI.

5.3.2.2. America’s Structural Pull: Reasserting Transatlantic Alliance

The trade war initiated by the first Trump administration prompted the EU to seek greater convergence with China, despite their differing values. For the EU, CAI is conducive to increasing its equal status and initiative within the transatlantic alliance. The Biden administration’s action criticising the CAI as a naïve present to China,⁷¹⁴ which denies the EU’s strategic autonomy and its status as an ally with equal relationship. However, Poletti, Zambernardi and De Bièvre (2022) argue that the CAI is seen as a sign of contempt for the Biden administration on both sides of the Atlantic, jeopardising the transatlantic alliance’s common strategic goal of building a unified Western front to contain China and Russia.⁷¹⁵ Interestingly, Brussels called on the incoming Biden administration to establish an anti-China tech alliance and proposed a “Transatlantic Trade and Technology Council” on 30 November 2020.⁷¹⁶ Brussels’s direction, which contradicts that of major EU members such as Germany and France, constitutes internal structural pressure influencing the transatlantic alliance.

⁷¹⁴ Telò, M. (2021) 'Controversial developments of EU–China relations: main drivers and geopolitical implications of the Comprehensive Agreement on Investments,' *JCMS Journal of Common Market Studies*, 59(S1), pp. 162–174. <https://doi.org/10.1111/jcms.13226>

⁷¹⁵ Poletti, A., Zambernardi, L. and De Bièvre, D. (2022) 'Time for a new Atlanticism: the EU-China Comprehensive Agreement on Investment and the international Order,' *The International Spectator*, 58(1), pp. 23–37. <https://doi.org/10.1080/03932729.2022.2138054>

⁷¹⁶ Jakob Hanke Vela and David M. Herszenhorn (2020) 'EU seeks anti-China alliance on tech with Biden', *Politico*, 30 November. Available at: <https://www.politico.eu/article/eu-seeks-anti-china-alliance-on-tech-with-joe-biden/> (Accessed: 20 December 2025).

The direct structural pressure from the US is that Jake Sullivan, the President-elect Joe Biden's national security adviser, stressed on 22 December 2020 that "The Biden-Harris administration would welcome early consultations with our European partners on our common concerns about China's economic practices."⁷¹⁷ After taking office, the Biden administration quickly launched a multi-dimensional strategic countermeasure towards China. For example, the Biden administration prioritised democracy and human rights in its China policy and claimed that the world was pitting democracy against authoritarianism,⁷¹⁸ and described China as "our most serious competitor."⁷¹⁹ On 22 March 2021, the United States imposed sanctions on two Chinese government officials due to what they termed "serious" human rights violations against ethnic minorities in Xinjiang.⁷²⁰ On the same day, the EU imposed sanctions on four Chinese citizens, including a senior security official, for purported human rights violations in Xinjiang.⁷²¹

Some MEPs argued that the CAI undermines the EU's credibility on human rights and the values underpinning its alliances.⁷²² However, on 22 March 2021, China enacted sanctions against 10 individuals and 4 entities within the EU, including Members of the European Parliament and the Council's Political and Security Committee, claiming that their actions "severely harm China's sovereignty and

⁷¹⁷ Giorgio Leali (2020) 'EU-China investment deal hits a snag as US exerts pressure', *Politico*, 22 December. Available at: <https://www.politico.eu/article/eu-china-investment-deal-no-show-us-forced-labor/> (Accessed: 20 December 2025).

⁷¹⁸ Ryan Hass (2025) 'How will the Biden administration's China policy be remembered?', *Brookings*, 3 February. Available at: <https://www.brookings.edu/articles/how-will-the-biden-administrations-china-policy-be-remembered/> (Accessed: 10 January 2026).

⁷¹⁹ Reuters (2021) 'Blinken presses China on Xinjiang, Hong Kong in call with Beijing's top diplomat', *Reuters*, 6 February. Available at: <https://www.reuters.com/world/china/blinden-presses-china-xinjiang-hong-kong-call-with-beijings-top-diplomat-2021-02-06/> (Accessed: 10 January 2026).

⁷²⁰ China Briefing Team (2024) 'US-China Relations in the Biden Era: A Timeline', *China Briefing*, 9 December. Available at: <https://www.china-briefing.com/news/us-china-relations-in-the-biden-era-a-timeline/> (Accessed: 3 January 2026).

⁷²¹ Ibid.

⁷²² The Guardian (2021) 'China deal damages EU's human rights credibility, MEPs to say', *The Guardian*, 21 January. Available at: <https://www.theguardian.com/world/2021/jan/21/china-deal-damages-eus-human-rights-credibility-me-ps-to-say> (Accessed: 3 January 2026).

interests and maliciously spread lies and disinformation.”⁷²³ The tit-for-tat reciprocal sanctions not only strained relations between China and the EU but also directly led to the freezing of CAI. On 20 May 2021, MEPs refused to agree to any deal with China whilst sanctions were in place, and the European Parliament vetoed the ratification of the EU-China Comprehensive Agreement on Investment (CAI).⁷²⁴

Furthermore, on 15 June 2021, the EU-US Trade and Technology Council was established to deepen transatlantic trade and economic relations.⁷²⁵ It can be seen as an alternative framework for CAI, thereby diluting CAI’s strategic value. Undoubtedly, with Biden taking office, relations between the US and the EU have stabilised, and this series of actions has limited the space for further cooperation between China and Europe. With the arrival of Trump’s second administration, the complex triangular strategic relationship is once again changing.

5.3.2.3. The EU’s Dilemma: Hedging under Irreconcilable Pressures

The time came for the second European Geopolitical Commission (1 December 2024) and the second Trump term (20 January 2025): a tough “Trump 2.0” is back, shaking the stability of the transatlantic alliance intensely. Given the trend toward de-risking as the core of economic strategy, Trump is the first US president to view the EU as an economic competitor rather than a strategic partner.⁷²⁶ At the same time, the EU positions China as a partner for cooperation, an economic competitor and a

⁷²³ European Parliament (2021) *Chinese counter-sanctions on EU targets*. Available at: [https://www.europarl.europa.eu/RegData/etudes/ATAG/2021/690617/EPRS_ATA\(2021\)690617_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/ATAG/2021/690617/EPRS_ATA(2021)690617_EN.pdf) (Accessed: 4 January 2026).

⁷²⁴ European Parliament (2021) *MEPs refuse any agreement with China whilst sanctions are in place*. Available at: <https://www.europarl.europa.eu/news/en/press-room/20210517IPR04123/meps-refuse-any-agreement-with-china-whilst-sanctions-are-in-place> (Accessed: 4 January 2026).

⁷²⁵ European Parliament (2021) *EU-US Trade and Technology Council: New forum for transatlantic cooperation*. Brussels. Available at: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/698037/EPRS_BRI\(2021\)698037_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/698037/EPRS_BRI(2021)698037_EN.pdf) (Accessed: 4 January 2026).

⁷²⁶ Anderson, J. and Steinberg, F. (2025) 'The unbalanced transatlantic relationship: understanding US influence in Europe,' *Journal of European Integration*, 47(6), pp. 885–903. <https://doi.org/10.1080/07036337.2025.2537377>

systemic rival.⁷²⁷ When the US and the EU jointly confront China's policies, US unilateralism and interests will override the expectations and interests of its allies.⁷²⁸ In this context, the EU's strategic autonomy is at odds with Trump 2.0's unilateralism. The EU needs to be soberly aware that this situation will become the "new norm" over the next four years, and that it can only firmly choose one side: the transatlantic alliance or strategic autonomy.

Theoretically, the "pivot" role gives the EU leverage and autonomy. However, in practice, the EU's contradictory actions—from reaching an agreement to freezing its ratification—manifest as risk-averse paralysis under cross-pressures, avoiding making a final, potentially costly choice between two major powers by postponing decisions. According to the latest Pew data from 2025, the image of the US under the second Trump administration declines in many EU member states. For example, the reviews from Sweden, the Netherlands, Spain, Germany, France, and Italy all show over 50% unfavourable towards the US, and the UK is 49%.⁷²⁹ It marks that the transatlantic alliance ship has once again entered turbulent waters, and the potential window of opportunity may occur again.

China grasped the window of opportunity during the period of power transition between the first Trump administration and the Biden administration to advance the relationship with the EU by reaching an agreement on the CAI, while facing the structural pressure from the US of the Atlantic alliance by stressing the common fundamental values and interests, eventually leading to the freeze of the CAI. It is precisely the intensified power struggle between China and the US over the EU that has squeezed the EU's policy space, which could have been used for pragmatic cooperation, forcing it to respond in politicised, security-oriented ways. The stalemate of CAI is not the disappearance of the willingness for bilateral cooperation, but a

⁷²⁷ European External Action Service (EEAS) (2023) *EU-China Relations factsheet*. Available at: https://www.eeas.europa.eu/eeas/eu-china-relations-factsheet_en (Accessed: 4 January 2026).

⁷²⁸ Anderson, J. and Steinberg, F. (2025) 'The unbalanced transatlantic relationship: understanding US influence in Europe,' *Journal of European Integration*, 47(6), pp. 885–903. <https://doi.org/10.1080/07036337.2025.2537377>

⁷²⁹ Pew Research Center (2025) *U.S. Image Declines in Many Nations Amid Low Confidence in Trump*. Available at: <https://www.pewresearch.org/global/2025/06/11/views-of-the-united-states/> (Accessed: 17 January 2026).

direct result of triangular competition overriding the logic of bilateral governance.

The CAI's trajectory illustrates the core argument of this dissertation: in a loosely multipolar order characterised by US-China structural rivalry, the EU's hedging strategy—designed to maximise autonomy by maintaining cooperative relations with both—faces inherent limits. When the two poles exert competing pressures on the pivot, institutional cooperation (such as the CAI) becomes entangled in great-power competition, leading to a stalemate rather than governance. This finding lends empirical weight to the theoretical framework developed in Chapter 2: neorealism explains the structural pressure, institutional balancing explains the EU's strategic response, and the triadic logic introduced here illuminates the dynamics that paralyse cooperation. It also points toward the new order emerging from this configuration: a co-opetitive multilateralism where the search for a global governance “rulebook” remains elusive.

5.4. Prospects of China-EU Relations

5.4.1. The Belt and Road Initiative: Towards a “2.0” Version?

China's Belt and Road Initiative and the EU's Global Gateway are used as geoeconomic tools to address emerging structural pressures in the international system, characterised by geoeconomic and geopolitical challenges and influences. After 12 years (at the time of writing this dissertation) of development and amid internal and external challenges, China proposes the Belt and Road Initiative, which is characterised as small and beautiful. It shows that the recalibration and evolution of the BRI has shifted from a geoeconomic projection to institutional learning.

Beyond the 2.0 slogan, the BRI and Global Gateway have considerable potential for cooperation in green, digital and sustainable transformation. Specifically, the two initiatives may connect in the third market, such as Africa and the Balkans. However, instead of challenging strategic connectivity, two initiatives could focus on specific

projects, such as ports, photovoltaic and wind power, and unavoidable conflicts with rules and standards (e.g., labour and transparency). The two initiatives show a potential model of constructive competition and cooperation in specific regions and projects.

5.4.2. Contending Visions for Shaping a Multipolar International Order

This dissertation argues that the paths of China and the EU to shape a multipolar international order present a relationship paradigm of coexistence and co-opetitive. China and the EU advocate multipolarity, but their understandings of a diversified order differ fundamentally. The EU advocates a rules-based liberal order, while China advocates sovereignty at its core, characterised as a realist order. The polarity within the international system, as posited by neorealism, indicates a transition from unipolarity to bipolarity (e.g., between the United States and China). Still, this bipolar international system structure is instability and immature. Schweller (2014) proposed the concept of “bipolar imbalance” to describe an international system dominated by the United States and China, two poles whose power is not completely symmetrical.⁷³⁰ As a powerful actor not yet at the pole, the EU’s core strategic dilemma is to avoid taking a clear side between the United States and China to avoid losing its strategic autonomy.

Building a more resilient framework for China-EU relations means managing differences by institutional means. China and the EU should establish a more effective crisis communication and management mechanism to prevent misjudgments, especially at potential flashpoints such as Taiwan and the South China Sea. At the same time, for their resilient economic relations, promote the principle of asymmetric reciprocity, that is, based on recognising the differences in economic size and systems between the two sides, seek a fair trade and investment model that does not pose a threat to the EU single market and at the same time can meet China’s development

⁷³⁰ Schweller, R.L. (2014) *Maxwell’s Demon and the Golden Apple: Global Discord in the New Millennium*. JHU Press.

needs.

In terms of multilateral frameworks, China and Europe should jointly maintain and reform functional multilateral institutions. In organisations like the WTO and the World Health Organisation, China and Europe can serve as a reform alliance to prevent their paralysis and promote agreements on specific issues such as climate and oceans, demonstrating that global public goods can still be produced under co-opetitive multilateralism.

Chapter 6. Conclusion

This dissertation put forward the concept of nested hedging to give a comprehensive analytical framework to investigate how the contradictory hedging strategies at three levels - the EU as a whole (seeking strategic autonomy), sub-regional (e.g. Central and Eastern Europe vs. Western Europe and Northern Europe), and member states (e.g. Hungary vs. Sweden) jointly shape the EU's complex China policy - to evaluate the challenges of the EU to maneuver its strategic autonomy in the competition between China and the United States, from the geoeconomic and hedging perspective.

6.1. Summary of the Thesis and Core Arguments

This dissertation set out to investigate the complex interplay of challenges, influences, and prospects in China-EU relations, with the Belt and Road Initiative (BRI) serving as a central case study. Employing a multi-method qualitative analysis approach encompassing literature and policy document analysis, process tracing, and comparative case studies (Hungary and Sweden), this study has navigated the intricate landscape of a relationship in systemic transition. The journey began by constructing a synthetic theoretical framework (Chapter 2) that moved beyond paradigmatic exclusivity, marrying the structural insights of Neorealism with the analytical precision of Geoeconomics, and refining the understanding of state behaviour through the lenses of Hedging, Institutional Balancing, and the Chinese characteristic IR theory of moral realism.

Subsequent chapters applied this framework to decode the global and bilateral dynamics. The analysis revealed that the BRI, while a powerful tool for China's geoeconomic influence, has been met with a sophisticated European response combining selective engagement with institutional balancing, epitomised by the Global Gateway (Chapter 3). Delving deeper, the examination of EU cohesion (Chapter 4) uncovered a pattern of “nested hedging,” where the EU's overarching

strategy is consistently strained by its member states' divergent, interest-driven policies. Finally, the assessment (Chapter 5) synthesised these threads to argue that the China-EU relationship is fundamentally reshaped by divergent strategic goals and the structural pressures of a loose multipolar international order, culminating in a new state of co-opetitive multilateralism.

6.2. Key Findings and Theoretical Contributions

This dissertation set out to investigate the complex interplay of challenges, influences, and prospects in China-EU relations, with the Belt and Road Initiative (BRI) serving as a central case study. Employing a multi-method qualitative analysis approach encompassing literature and policy document analysis, process tracing, and comparative case studies (Hungary and Sweden), this study has navigated the intricate landscape of a relationship in systemic transition.

First, the EU's response to China's rise, the Global Gateway competing with the Belt and Road Initiative (BRI), is most accurately characterised as geoeconomic balancing. This finding bridges theoretical and empirical analysis: while structural realism correctly predicts the competitive dynamic, the primary instruments are economic and institutional rather than military. The EU employs its market power, investment screening mechanisms, and the normative appeal of the Global Gateway not to contain China in a traditional sense, but to shape the environment, manage risks, and uphold a rules-based alternative. This finding enriches the geoeconomics literature by providing a precise label for a dominant contemporary state practice.

Second, the internal dysfunction within the China-EU relationship is best explained by the mechanism of "nested hedging." This dissertation contributes to the hedging theory literature by conceptualising the EU not as a unitary hedger but as a multi-level polity where hedging occurs simultaneously and often contradictorily across the supranational, national, and transatlantic levels. The cases of Hungary and Sweden are not mere outliers. They are active components of this system, whose actions constrain the EU's capacity to act as a cohesive global actor and directly

impact the feasibility of its strategic autonomy. This framework provides a more nuanced tool for analysing non-great powers with complex internal governance.

Third, the overarching paradigm emerging for the future of China-EU relations is co-opetitive multilateralism. This concept synthesises the findings of the entire thesis. It acknowledges the reality of multipolarity and the coexistence of different systems (pluralism) while recognising that the interaction between these systems is inherently and enduringly competitive across trade, technology, and governance models. It is not the Cold War's binary ideological confrontation or the post-Cold War convergence. It is a new, durable state of affairs where cooperation on shared challenges like climate change will persist alongside fierce competition over the geoeconomics and rules of the international order.

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