Challenges, Influences, and Prospects of China-EU Relations:

The Belt and Road Initiative Case

Doctoral Ph.D. Dissertation

Written By Ji Li

Supervisor:

Dr. habil. Révés Béla

Department of Political Science

University of Szeged

Doctoral School of Law and Political Sciences

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Chapter 1. Introduction

1.1. Problem Statement and Objectives

Globalization in the 21st century has deepened as it touches all aspects of the economy, politics, and global governance. From the industrial to the information society, economic globalization brings technological progress, such as the worldwide telecommunication system influencing the economy, politics, and security. Because of the progress of technology, the broad and rapid process of globalization inevitably involves most countries and different influences on the international system. National power and domestic economy are now closely connected with geopolitics and geo-economy. With the development of China over 40 years of reform and opening-up, China has become the second-largest economy in the world and has played an increasingly important role on the international stage. At the same time, Europe created a peaceful and prosperous integration model after the post-war period. It is the most integrated and largest consortium of developed countries today and is also a significant force on the international stage. Therefore, China and the EU are the two important international forces that can potentially influence the international system considerably.

In this context, China-EU relations have been intertwined and dynamic and involve multiple levels of state, including China-EU cooperation and cooperation between China and individual EU countries like Hungary. 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 made a tremendous foundation for China's current economic power. China and the EU formed a comprehensive strategic cooperation in 2003, and the Chinese government also published its first piece of EU-related policy.[1] China was not as assertive as the EU at that time on many levels.

[1] 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:

Therefore, Chinese leaders chose to carry on the "hide capabilities and bide time" diplomatic strategy.[2]

Since 2008, the Western world has dealt with different problems and terrible situations that started with the financial crisis, such as the following stock market plummet, which caused "the great recession,"[3] and the Dollar and Euro crisis. 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. Its growth within international affairs' political, economic, and military domains has caught the world off guard. It also results in a slight shift in the power balance between China and the EU. Moreover, in 2013, during the 16th China-EU Leaders' Meeting, the two sides issued the "China-EU Cooperation 2020 Strategic Plan,"[4] jointly announcing the formal launch of China-EU investment agreement negotiations. With the deepening of economic cooperation and multiple areas involved, the Belt and Road Initiative (BRI)[5] was proposed by China in 2013.

However, the EU's internal disagreements and conflicts are rapidly explosive and deteriorating 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 with China and its strong and proactive economic actions. Brussels has noticed the situation and attempted to cope by proposing related policies. While the situation is developing too fast, catching Brussels off guard.

On the one hand, through this epidemic, the EU has deeply realized the European market's excessive dependence on the Chinese market, especially in some strategic

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https://www.fmprc.gov.cn/web/gjhdq_676201/gjhdqzz_681964/1206_679930/sbgx_679934/ (Accessed: 3 January 2023).

[2] 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/

[3] Weinberg, B.J. (2013) *The Great Recession and Its Aftermath.* Available at: https://www.federalreservehistory.org/essays/great-recession-and-its-aftermath

[4] 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).

[5] The abbreviation is used uniformly below BRI.

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*[6] to restrict Chinese companies' investment in Europe. Moreover, 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 emphasized "America first,"[7] which has intensely harmed the efforts of Europe in search of multilateralism and strategic autonomy. It is also an unstable factor in the game between China and the United States.

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.[8] However, Italian Prime Minister Giorgia Meloni announced Italy's exit from the Belt and Road Initiative (BRI) at the G20 Summit in New Delhi in 2023,[9] and the number of EU members who joined BRI has been reduced to 17. Compared to the

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6 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

7 *President Donald J. Trump at the United Nations General Assembly: Outlining an America First Foreign Policy – The White House (2017).* 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).

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

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

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.[10] 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. 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 analyze specific challenges and influences of the China-EU relations, such as trade, investment, technology cooperation, infrastructure construction,

[10] 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).

green energy, climate change, regional cooperation and conflicts, human rights, international norms and order.

(c) To use the case of the Belt and Road Initiative. The ten-year 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 political impact on the EU? Furthermore, what are its potential and direct political influences if it does?

1.2. Aim of the Research

This dissertation aims to use the Belt and Road Initiative to connect and analyze 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 an international perspective, and evaluating the possible prospects of China-EU relations and influences on the international system.

Furthermore, it analyses why China and the EU cooperated deeply after the Financial Crisis by comparing their economic systems, foreign policies, and political goals. 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. In addition, based on the Belt and Road Initiative, further exploring the economic and political challenges of China-EU relations and the ongoing negotiation, cooperation, and compromises between China and the EU. Finally, it investigates the influence of China-EU relations on geopolitics and the international system and analyzes their relationship prospects.

1.3. Theoretical Framework

The theoretical framework served to achieve the research aims. Based on the research questions, the proper perspective of this dissertation to observe and study China-EU relations is neorealism and Chinese characteristic international relations theory. Neorealism can give a general framework for the two actors' behaviour and goals in the international system. Chinese characteristic international relations theory can give a distinct perspective to understand China's behaviour and diplomatic goals.

1.3.1. Neorealism

Neorealism, also known as structural realism and defensive 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. Moreover, he presumes that states are rational in an anarchic international system to struggle for security because there is no authority above all nations. Specifically, Kenneth 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 attack.[11]

First, the possibility of explaining and understanding the state's behaviour can be based on Kenneth's neorealism and three assumptions proposed by structural realists. 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. 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

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

determine which type of another state is.[12] Second, states have tools like military capabilities to protect themselves in an anarchic international system and maximize their interests, like the distribution of the economy. 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 analyzed and reflected in the dissertation's research questions and objectives.

However, one argues that discussing economic cooperation between China and the EU on the Belt and Road Initiative is suitable for using neoliberalism to analyze the interdependence and values between China and the EU. In contrast, the highlights of China-EU relations in this dissertation is how the EU views economic cooperation with China, especially the BRI. 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.[13] Therefore, the EU still has not agreed with China to join the BRI. Only individual EU member states did, like Hungary.

Except for the abovementioned reason, cooperation between China and the EU is more like seeking 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 the national economy only based on the EU and the unfair distribution of resources within the EU.[14]

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

[12] Davidson, J. (2016) *The Origins of Revisionist and Status-Quo States.* Springer, chapter 1.
[13] 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
[14] Vangeli, A. (2018) 'Global China and Symbolic Power: The Case of 16 + 1 Cooperation', *Journal of Contemporary China,* 27(113), pp. 674–687.
Available at: https://doi.org/10.1080/10670564.2018.1458056.

global actor.[15] Moreover, the CEE 11 countries like Hungary and Poland cooperate with China in the economy, including infrastructure construction and trade, to recover their national economy.[16] Therefore, the cooperation of China-EU reflects more on the discussion of the balance of power and interests instead of the liberal economic system or the international norms.

To summarise, neorealism is a suitable theory for discussing China-EU relations to achieve their goals and mutual interests and analyzing how the two actors in the international system and region behave, discussing the political and economic goals of each other, and finding the influence between them on the region like Eurasia and the international system.

1.3.2. 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.[17]

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

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[15] 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

[16] Ibid. 85.

[17] 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*].

Western academy because many Chinese domestic scholars combine Chinese characteristic international relations thoughts with Chinese ancient philosophical thoughts, such as "governing by noninterference" [18] proposed by Laozi and Confucianism that emphasize "policy of benevolence."[19] This phenomenon can be seen in the subsequent two Chinese international relations theories: moral realism and processual construction. Based on the two Chinese international relations theories, the author examines their theoretical advantages and current deficiencies and comes to a conclusion called dialectical view: Chinese identity and collective consciousness.

Yan Xuetong: Moral Realism

Yan[20] is a prominent scholar within and outside China and he proposed a kind of classical realism known as moral realism. Unlike structural realism and offensive 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,"[21] which are further defined as:

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 dominating 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 small country only controls

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18 《老子》[Lao Tzu]

19 《孟子》[Mencius]

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

21 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*].

a small portion of the sub-region. Strength is divided into categories above based on relative rather than absolute strength.[22]

Sort political leadership styles into “inaction,” “conservative,” “aggressive,” and “struggle”[23] 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 fall to its political leadership. 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.[24]

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.[25] Yan believes international morality is universal rather than national, such as fairness, justice, civilization, and integrity.[26]

Ancient Chinese political and philosophical ideas provide another theoretical foundation. For instance, Xunzi's[27] idea of evil nature stresses that individuals are morally reprehensible by nature, but allowing this to grow will result in conflict and hatred.[28] Introduce international relations before examining whether the nature of profit-seeking is connected to standards of state behaviour and how political philosophy

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22 Ibid.
23 Xuetong, Y. (2020) *Leadership and the Rise of Great Powers.* Princeton University Press.
24 Ibid. pp. 33-38.
25 Clinton, D., Thompson, K. and Morgenthau, H. (2005) *Politics Among Nations: The Struggle for Power and Peace.* McGraw-Hill Education, P. 12.
26 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*]. (Accessed: 20 March 2023)
27 One of the Chinese Confucian scholars and thinkers in the Warring States Period.
28 《荀子・性恶》[Xunzi, *Theory of Original Evil of Human Nature*]

affects tactical choice-making. Yan also holds that national interests are inherently objective and that ideologies only affect how international interests are prioritized and how they are pursued.[29]

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" [30] describes the conflict arising during power transfer between the supreme and burgeoning powers. This is an inevitable natural contradiction brought about by the closing power disparity. The "rising dilemma"[31] 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. As a result, the redistribution of power in the international system is significantly influenced by national power.

Finally, Yan stated that China's change from a "conservative" to an "aggressive" foreign policy is mainly based on economic cooperation strategy, by the divide of national strength and political leadership type indicated above. He also holds that the problems revealed in Europe and the United States following the 2008 financial crisis, such as the decline in the international reputation of the United States.[32] 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 suggests a firm foreign policy that adheres to the correct concept of righteousness and interests, emphasizing righteousness and interests, putting righteousness first, and enriching

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[29] Yan Xuetong, Yang Yuan. (2013) *International Relations Analysis.* Peking University Press, P. 287.
[30] Ibid. P. 124.
[31] 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*].
[32] 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

amity, sincerity, mutual benefit, and inclusiveness.[33] However, moral realism is currently only a nascent theory. Chinese scholars will continue to pay attention to the impact of China's rise on the world structure and international order and put forward relevant understandings and theories.

In Yan's theoretical logic, the foundation of China-EU relations is economy-like 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.[34] Moreover, using this theory to examine the state of China-EU relations lacks a comprehensive perspective. For example, it can explain the economic goals of Chinese behaviour. However, it can not clarify the political intention behind China's initiatives like the BRI, as this theory still belongs to realism.

Qin Yaqing: Processual Construction

Qin[35] proposed a thought named Processual Construction based on Constructivism. It acknowledges three basic presumptions of Constructivism: social ontology, the state is the basic unit of the international system and principles of international social evolution.[36] To further put forward that system level, social ontology, and social evolution constitute the processual construction principle as the primary theoretical orientation of meaning. Furthermore, Qin thinks the lack of discussion about the constructional process and relation itself is the flaw of Constructivism.[37]

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[33] Publicity Department of the CPC Central Committee (2017) *Xi Jinping: The Governance of China.* Beijing: Foreign Languages Press.
[34] 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
[35] The dean and professor of China Foreign Affairs University.
[36] Wendt, A. (1999) *Social Theory of International Politics.* Cambridge University Press.
[37] Yaqing, Q. (2009) 'Relationality and processual construction: bringing Chinese ideas into international relations theory', *Social Sciences in China,* 30(4), pp. 5–20.
Available at: https://doi.org/10.1080/02529200903342560

Therefore, processual construction emphasizes the importance of process and relation in relational actor and power compared to Constructivism. In other words, actors in processual construction are more like a collective, not an individual. The process and the actor are symbiotic, mutually constructed, and participate in and carry out socialized practice together.[38] Moreover, the process breeds norms for cultivating collective feelings. It is not a standard version of Western international relations theory as it emphasizes individualism, while Chinese thoughts reflect collectivism.[39] For example, the evolution of EU standards by signing several legally binding treaties has always followed a highly organized pattern. However, in East Asia, where informal principles are prioritized and institutional development lags, it is evident that socialization rather than institutionalization—whether through ASEAN or regional cooperation among the 13 East Asian nations—is more effective at disseminating and popularizing norms.[40] In this logic, processual construction thinks the motivation of the process is itself.

The processual construction also learns one conception from Constructivism: social assumptions that identity determines interests and interests assess behavior.[41] Qin thinks the power in the process is somehow the relation itself. Power can arise from the relation network and restrict relations like countries sign agreements to cooperation instead of confrontation. Therefore, maintaining the process is significant in constructing collective feelings to balance power.

Overall, the core of processual construction is the process and relation. The process gestates the power and norms through the fluent of relationships and maintains the relationships by constructing collective feelings. Qin proposes processual

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[38] Ibid.

[39] Qin Yaqing. (2003) 'National identity, strategic culture, and security interests—three assumptions about China's relationship with the international community', *World Economics and Politics,* (01), pp. 10-15. [秦亚青（2003). 国家身份、战略文化和安全利益——关于中国与国际社会关系的三个假设，*世界经济与政治*].

[40] Qin Yaqing. (2008) Ideas, *Institutions and Policies: A Study of EU Soft Power.* Beijing: World Affairs Press Co. Ltd. pp. 11-17. [秦亚青（2008). *观念，制度与政策：欧盟软权力研究.* 北京：世界知识出版社].

[41] Yaqing, Q. (2009) 'Relationality and processual construction: bringing Chinese ideas into international relations theory', Social Sciences in China, 30(4), pp. 5–20. Available at: https://doi.org/10.1080/02529200903342560

construction mainly based on the Chinese geocultural background and Constructivism. Relationships are a big deal in Chinese culture. It is difficult for any culture not to view relationality as its defining characteristic, even while various societies have distinct or highly different interpretations. It is precisely due to the construction procedure that the processual construction has its potential universality. This thought can explain why China cooperates with the EU on multilateral issues like climate and energy, not only the mutual goal for each other to become a more effective global actor, but also China has the will to make its voice of values to the world.

Dialectical view: Chinese Identity and collective consciousness

Based on the above discussion of two ideas, moral realism and processual construction, promulgated by prominent Chinese scholars, Chinese international relations theory differs from Western theory. However, it is learned from Western theory. Both theories reflect a common theme in China's political worldview: the Chinese Identity and collective consciousness. For example, Yan's moral realism emphasizes and demonstrates that moral leadership in Chinese foreign policy is clear and necessary, especially in Chinese strategic partnerships. Qin's processual construction also emphasizes that constructing collective feelings, such as Chinese peripheral diplomacy, is essential in building relationships.

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, and these two theories can give a different and distinctive perspective to understanding Chinese behavior and foreign policy.

Critically speaking, on the one hand, these two theories have a common characteristic in that they serve 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 transferred 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 to shape Chinese diplomatic image and behaviour. Therefore, Chinese scholars usually argue that Western international relations theory has a value and principle problem, making them serve the Western world. However, the same problem also exists in the Chinese international relations theory that attempts to state China-central in nature. In general, Chinese international relations theory possesses little universality and is highly used to legitimize Chinese political actions. Furthermore, China's identity issue continues to impose restrictions on the veracity of its beliefs.

1.4. Research Design

1.4.1. Research Questions

Discussing the background of China-EU relations is the first part of this dissertation. As the statement mentioned above about the problem, the reasons why China and the EU choose to cooperate in many areas are crucial. Their cooperation is based on mutual interests and goals or the economic and political challenges, such as the EU's having to handle economic recovery within individual EU member states and the tense relations with China. Moreover, it is vital to analyze the two sides' relevant official and academic literature and speeches to investigate if there are challenges between China and the EU. Therefore, the first research question is:

What economic and political challenges are China-EU relations facing?

The next part is the EU's Belt and Road Initiative view. Is it true that the EU hesitates to join the BRI? How do we define the characterize and hesitation? What agreements and disagreements are within the EU? Why does this situation? Combined with these to further explain what actor the Belt and Road Initiative played in China-EU relations. Therefore, the following research questions are:

- *Why does the EU still not join the Belt and Road Initiative?*
- *How does the Belt and Road Initiative influence the China-EU relations?*

After analyzing the interaction between China and the EU and the EU's views on the Belt and Road Initiative, It is essential to analyze the influences of China-EU relations, such as what they can and will bring to each other. Based on what mutual interests and values? Furthermore, how China-EU relations influence the international system and their future cooperation agendas.. The last research questions are:

- *What are the influences of China-EU relations?*
- *What agendas can they cooperate on in the future?*

1.4.2. Research Methodology

This dissertation mainly uses the qualitative methodology in multidiscipline, as the topic belongs to the field of Politics and the sub-field of International Relations. It uses mixed methods research in International Relations, such as empirical analysis, context analysis, literature analysis and case study. Combined with data in the field of economics to test hypotheses and analyze 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.

Using official economic data and reports from the EU and the Chinese government, such as an updated list of countries that have signed documents on cooperation with China on the BRI, the Memorandum of Understanding (MoU), Joint Statement and so on from official departments such as the official website of the BRI, the Belt and Road

Portal (https://eng.yidaiyilu.gov.cn/), Ministry of Foreign Affairs of The People's Republic of China, Ministry of Commerce of The People's Republic of China.

Specifically:

The discussion concerns the state of China-EU relations and China's relations with some individual members, such as Hungary and Sweden. It uses observation, literature, documents, and descriptive analysis to collect data and analyze and introduce China-EU relations' economic and political background. The data is mainly based on considerable Chinese and EU official statements and agreements, policy documents, and speeches on foreign policy. Besides, the documents, reports, and data from authorized and academic institutions and organizations are also used for reference.

It intensely investigates and studies the scope and involvement of economic and political cooperation based on the abovementioned literature and the two actors' interaction and behaviour in the BRI. Based on the background, it uses a rhetorical method like the stasis theory to assume, address and explain China and the EU under what conditions they choose to cooperate and whether their cooperation is close. Besides, the BRI overview discussion uses official data on trade, investment, infrastructure, transportation, and energy from the EU, the Chinese government, and regional or international organizations.

For the challenges between China and the EU, rhetorical analysis is used to explore the two sides' existing and possible economic and political challenges. It uses descriptive analysis to explain these challenges through the Belt and Road Initiative. Moreover, it uses comparative policy analysis to investigate the causes of economic and political challenges, such as how the institutional arrangements influence economic policy or vice versa and whether the two sides' different economic institutions influence their economic and political relations. Furthermore, it finds the reasons why the political challenges between China and the EU exist and the feasible solutions to seek a balance to make more profound cooperation.

The last discussion is about the influences and prospects of China-EU relations. Firstly, it uses literature analysis to review and categorize the existing expression of influences on China-EU relations, finding the gap and enriching the discussion based on the categorization. Then, the rhetorical analysis will investigate and define the possible and potential economic and political influences of China-EU relations according to their future agendas. Therefore, the prospects of China-EU relations in the next three to five years can be presumed and described in a descriptive analysis.

1.4.3. 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 analyzes 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.

Chapter 2. Crossroads for the Belt and Road Initiative

This chapter is divided into four sections and mainly focuses on analysing the Belt and Roads (BRI) [42] at the crossroads instead of discussing the outstanding accomplishments achieved by the BRI. The introduction introduces BRI's current scale, function mechanisms such as financing sources and aims, and development status. The second section discusses the emerging issues of BRI, such as the allegation of debt trap, environmental, social, and governance concerns, and the public towards the BRI. The third section evaluates and analyses if these issues exist, to what extent and why these issues emerged, how China responds to these issues and the ongoing or future potential adjustment and management of BRI. The fourth section explores the butterfly effect of BRI. 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. Discussing the EU's Global Gateway under this context, exploring the competition rationale between the EU's Global Gateway and China's BRI, and analysing the potential opportunities of cooperating and the current challenges of the EU to implement its Global Gateway in the global infrastructure competition.

2.1. Introduction

In 2013, during the 16th China-EU Leaders' Meeting, China and the EU issued the "China-EU Cooperation 2020 Strategic Plan,"[43] jointly announcing the formal launch of China-EU investment agreement negotiations. The same year, China proposed the Belt and Road Initiative (BRI) based on deepening economic cooperation and multiple areas involved.

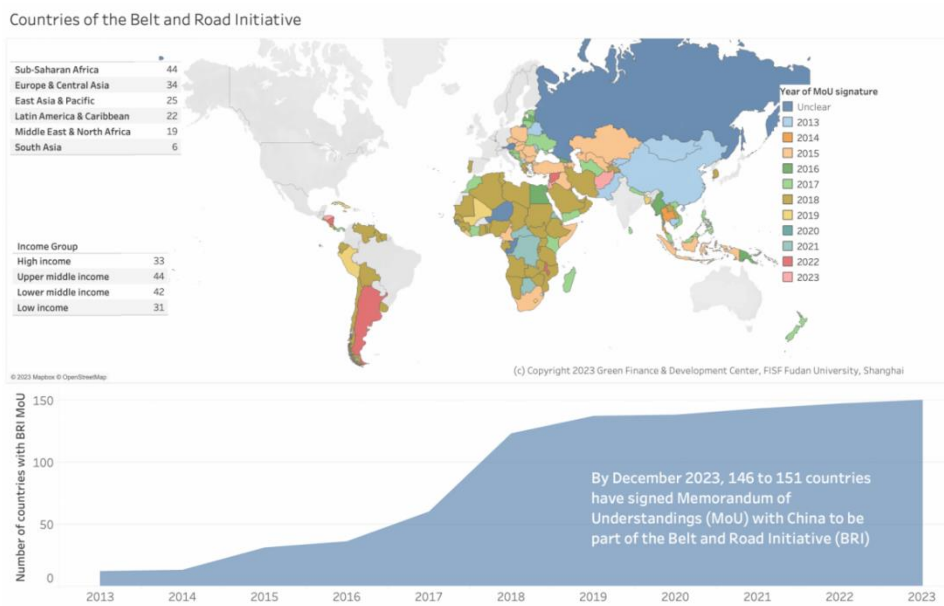
The Belt and Road Initiative, an economic mega-project, has developed a multidimensional cooperation framework that includes politics, economy, society, and security for eleven years since its first proposal in 2013. Based on the official data of the Ministry of Commerce of the People's Republic of China, and according to the *China Belt and Road Initiative (BRI) Investment Report 2023* produced by the Griffith

[42] The abbreviation is used uniformly below the Belt and Road Initiative.
[43] 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 2024).

University (Brisbane) and Green Finance & Development Center of Fudan University. The cumulative BRI engagement amounts to US$1.053 trillion.[44]

The Land-based Silk Road, which connected the Mediterranean nations by travelling from Xi'an to Central and West Asia, is one of its unique geographic routes. The Maritime Silk Road is additional. It is a 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.[45] By 2023, the number of countries have joined the Belt and Road Initiative (BRI) by signing a Memorandum of Understanding (MoU) with China is 150 (See Figure 1).[46]

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



Source: Green Finance & Development Center, FISF Fudan University (2023)

The main aims of the BRI are building the top-level framework and seeking a consensus of cooperation, especially economic cooperation, promoting connectivity

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

[45] 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).

[46] According to Belt and Road Portal, including Palestine, which is not an independent country under the United Nations. Available at: www.yidaiyilu.gov.cn (Accessed: 17 December 2023)

with involved countries, and efficient use of resources.[47] One crucial goal of the BRI's infrastructure investment is to reduce trade costs and promote market integration along the BRI countries.[48] It is not a Chinese foreign aid program but a platform for pursuing pragmatic collaboration. Mutual discussion, mutual construction, and mutual sharing are the core principles of this initiative.

The BRI's financial resources 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.[49] The primary funding sources for these BRI-participating projects are the Export - Import Bank of China and State Development Bank, Asian Infrastructure Investment Bank (AIIB), Chinese development banks, the Silk Road Fund, two large state-owned commercial banks, and the Shanghai Cooperation Organization Development Bank (SCODB). According to official data from the Chinese government, the total financing is around USD 44.6 billion in 2023.[50]

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. Financing could be used more effectively.

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[47] 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 (Accessed: 18 October 2022).
[48] 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.
Available at: https://doi.org/10.1016/j.ijpe.2019.01.027
[49] Liu, W., Zhang, Y. and Xiong, W. (2020) 'Financing the Belt and Road Initiative,' *Eurasian Geography and Economics,* 61(2), pp. 137–145.
Available at: https://doi.org/10.1080/15387216.2020.1716822
[50] The State Council of the People's Republic of China (2023) *10 years on, Belt and Road cooperation delivers fruitful outcomes.*
Available at:
https://english.www.gov.cn/news/202310/11/content_WS6526825cc6d0868f4e8e023e.html (Accessed: 11 December 2023)

China has been involved in BRI-related construction projects for more than 3000 and has signed more than 200 cooperation documents with 152 countries and 32 international organizations.[51] By the end of 2023, Chinese companies had established 17,000 overseas enterprises in countries participating in the Belt and Road Initiative, with a direct investment stock exceeding US$330 billion.[52] In terms of goods trade, by 2023, China's goods trade with the countries participating in the Belt and Road Initiative increased to US$2.8 trillion.[53]

The BRI has experienced a stage from a newborn to an adult after eleven years of development and accumulation. Apart from the remarkable achievements, emerging issues and challenges also attracted a lot of attention and controversy from involved countries, regions and other parties. The most frequent issues are the "debt trap", environmental issues, geo-economics and geopolitics concerns,[54] which will be elaborated and analyzed in the specific chapter below. However, the BRI is undoubtedly a crucial signal of China's aspiration to be a global power.

Motivations behind the BRI implementation are complex and intriguing and can generally be divided into domestic demands and foreign strategy. Reliving the industrial overcapacity and adjusting and upgrading 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 with the development of its economy. The increasing wealth gap, saturated domestic market, and the pressure of supporting an incredible amount of national people's living standards make it urgent to restructure the industry and maintain the national economy developing sustainably, especially with

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[51] 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)

[52] 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.

[53] 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)

[54] Based on the author's scientific literature analysis after organizing and analyzing a lot of Academic and scientific literature.

the influence of the COVID-19 pandemic on the global economy.

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 community with a shared future for mankind," it is a typical example of practice.

Although China insists that this initiative is an economic cooperation initiative, not a geopolitical or military alliance, it is not willing to target anyone nor exclude anyone, only an open and inclusive process, not a closed-door "small circle" or "China club."[55] The influence of such a tremendous economic initiative is inevitable in emerging and changing regional and global economies. Lu, Gu, and Zeng (2021) used difference-in-difference analysis to test the BRI's impact on bilateral political relations, the result shows that the BRI play a more significant role in promoting political relations with developing than developed countries.[56] Yu (2024) stresses that the BRI could transform China's formidable economic might into geostrategic leverage and influence.[57]

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 Community of Shared Future for Mankind strategy, and belongs to China's diplomacy in the new era. China's foreign policy become more assertive and proactive with its increasing economic capacity. The BRI was born out of the necessity of the notion and practice for China to engage 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. After ten years of development, the BRI faces risks such as the emergence of different issues, public concerns, and

[55] 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.
[56] 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. Available at: https://doi.org/10.1111/cwe.12387
[57] 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

design flaws. BRI is at a crossroads, and China's choice is critical and highly anticipated.

2.2. Emerging Issues

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. The world has a large infrastructure gap constraining trade, openness, and future prosperity.[58] It points out that the BRI faces a growing global infrastructure investment deficit at present and in the future. Indeed, the priorities of BRI are trade, finance and investment, and infrastructure construction. As the mega-project expands and evolves, many areas, such as transportation, global value chain, technology, energy, and environmental governance, are covered and involved. Scholars emphasize the importance of infrastructure construction along the BRI countries to boost the regional economy, whether the physical stocks, such as the roads and ports, or social development, such as social services.[59]

As the world's factory, China has maintained its market share by maximizing 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" proposal in 2015 evolved into "Smart Manufacturing in China", although the success is ambiguous as COVID-19 severely influences the domestic and global economy. However, it marks China's determination to transform and upgrade its industry. Therefore, BRI is a

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58 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

59 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. Available at: https://doi.org/10.1111/j.1467-9957.2008.01073.x

significant extent and practice of China's economic strategy.

However, questions and criticism towards the BRI continuously come forth with emerging issues like the allegation of a "debt trap" and environmental, social, and governance (ESG)[60] 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. Do these issues exist? If they do, what kinds of influences are in the implementation of BRI?

B. Why do these issues and influences exist?

C. How does China deal with these issues?

The following sections, including 2.2.1, 2.2.2, 2.2.3, and 2.3, will discuss, analyze and explain these questions.

In this study, the sources for examining and analyzing the BRI are Chinese official documents such as an updated list of countries that have signed documents on cooperation with China on the BRI, the Memorandum of Understanding (MoU), Joint Statement and so on from official departments such as the official website of the BRI, the Belt and Road Portal (https://eng.yidaiyilu.gov.cn/), Ministry of Foreign Affairs of The People's Republic of China, Ministry of Commerce of The People's Republic of China.

2.2.1. Allegations of Debt Trap

In several BRI nations, 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. According to the *China Belt and Road Initiative (BRI) Investment Report H1 2022*, over 50% of announced coal-fired power plants have been mothballed.[61]

[60] The abbreviation is used uniformly below Environmental, Social, and Governance risks.
[61] Nedopil, Christoph. (2022) *China Belt and Road Initiative (BRI) Investment Report H1 2022.* Green Finance & Development Center, FISF Fudan University, Shanghai.

A key worry about the BRI is that it could lead to debt traps.[62] 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.[63] The enormous investment and finance scale signals that China is a prominent global official creditor. Therefore, the allegation of a so-called "debt trap" spreads wide 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.[64]

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 published guidelines for Country-by-Country (Region-by-Region) Foreign Investment and Cooperation (2018 Version) by the Chinese Ministry of Commerce officially,[65] the World Bank International debt statistics. Another comprehensive and detailed data source is from the report of 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)[66] 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.[67]

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[62] *EU-China trade and investment relations in challenging times | Think Tank | European Parliament* (2020). Available at: https://www.europarl.europa.eu/thinktank/en/document/EXPO_STU(2020)603492 (Accessed: 23 January 2023).

[63] 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 categorized by the AidData Research Lad at William & Mary.

[64] 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. Available at: https://doi.org/10.1007/s42533-019-00026-7v

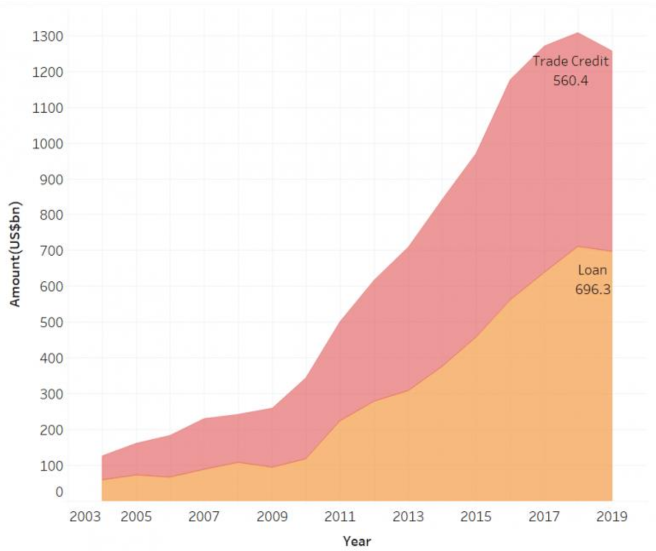
[65] Ministry of Commerce of People's Republic of China (2019) *Guidelines for Country-by-Country (Region-by-Region) Foreign Investment and Cooperation (2018 Version).* Available at: http://fec.mofcom.gov.cn/article/gbdqzn/

[66] 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.

[67] AidData at William & Mary (2023) *Global Chinese Development Finance Dataset, Version 3.0.* Available at: https://www.aiddata.org/data/aiddatas-global-chinese-development-finance-dataset-version-3-0

On the one hand, 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.[68] For example, 40 instances of debt renegotiations across 24 countries are ongoing (See Figure 3).

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



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

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

[68] 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)

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

Source: Rhodium Group research

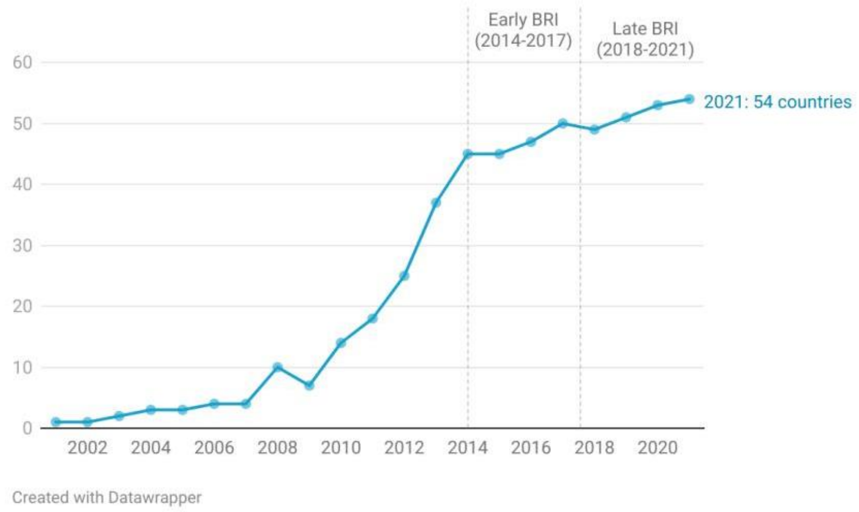
A large number of renegotiations reflect that the BRI faces a buyer's remorse problem. Many participating countries along the BRI are low-income and middle-income countries whose economies are distressed by the effect of COVID-19 and are not capable of repaying the debt, as many negotiations issued after 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.[69] The dramatically increasing debt and lack of data transparency are the main reasons for an allegation of the debt trap.

On the other hand, a common consideration of the debt implication of the BRI is that emerging countries boost the economy by using public borrowing to support

[69] 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

productive investment.[70] China has seen increasing requests for debt relief from BRI countries over the past few months 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.[71] For fiscal sustainability, the BRI's projects may undermine the debt situation in borrowing countries. By 2021, at least 57 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



Source: AidData of William & Mary

However, the allegation of a debt trap still lacks solid and apparent evidence. Lai, Lin and Sidaway (2020) stress that the labelling and interpretation of "financial" crises are political. They contend that the emphasis on China 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

[70] 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

[71] Yue, Mengdi, Nedopil, Wang, 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

BRI debt-trap narrative.[72] 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. Instead, China chooses to renegotiate the debts. They point out that China intends to seize opportunities to expand its influence in these countries, like other countries, based on the borrowing countries' behaviour, such as Sri Lanka.[73] Yu (2024) also argues that labelling the BRI as a "debt trap" is both factually wrong and exaggerated. No evidence indicates that China intentionally establishes a debt trap to ensnare low-income Belt and Road Initiative countries into financial crises or seeks to acquire their strategic assets forcibly.[74]

First, it is typical for a large-scale project like BRI to face fiscal risks for itself and the participating countries. Some BRI-participated 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.[75] By 2023, the BRI's investment in Pakistan will be $28 billion,[76] one primary source of Pakistan's public debt but not the vast majority constitution of public debt.

Second, the influence of debt is mutual for China and the participating countries.

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[72] 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

[73] 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

[74] 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

[75] 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.

[76] 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 (Shangha), DOI: 10.25904/1912/5140.

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 emphasize that smaller and less affluent countries are at a markedly higher risk of sovereign debt default if proposed BRI projects are accelerated and funded through sovereign loans or guarantees.[77] 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.

The last and most significant is the intention behind the BRI of the tremendous amount of investment and finance. Deborah (2021) argues that Zambians and multiple uncoordinated Chinese actors jointly produced Zambia's exceptional debt difficulties in the specific case analysis working paper. Beijing did not indebt Zambia for some strategic purpose.[78]

2.2.2. Environmental, Social, and Governance Concerns

The World Bank policy research working paper (2019) indicates that 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.[79] Its assessment also shows that the BRI would have minimal effects on CO2 emissions, resulting in a global rise of 0.5% due to changes in trade costs associated with the BRI.[80]

However, the report - *Elevating ESG: Empirical Lessons on Environmental, Social*

[77] 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

[78] Deborah Brautigam. (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.

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

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

and Governance Implementation of Chinese Projects in Africa by Green Finance & Development Center concludes that the study project cases of China do not meet the standards of Environmental, Social, and Governance (ESG) guidance. 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,[81] while exploiting regulatory deficiencies concerning worker conditions and taxation.[82]

Measuring and evaluating the ESG risks is difficult, as there is no universal reporting standard or framework. 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. Contrary to popular belief, the BRI have minimal effects on CO2 emissions of 0.5%, as discussed above. However, it still raises concerns, such as those about the energy sector of 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.[83]

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

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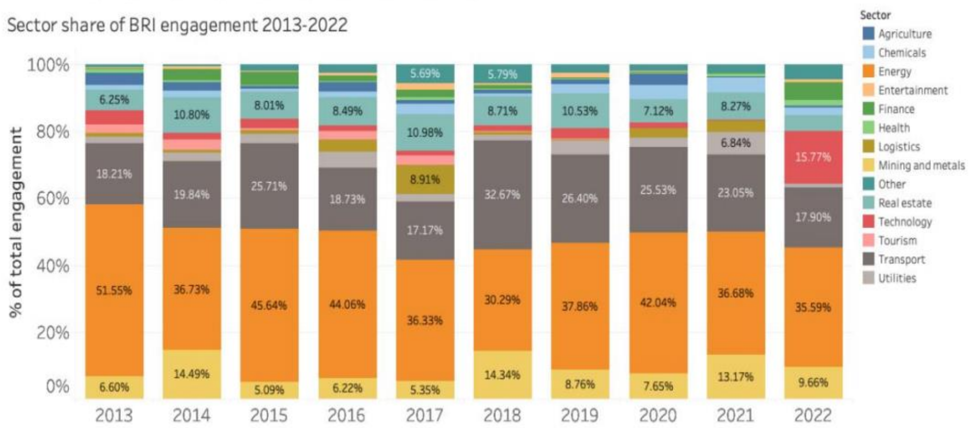
[81] ESG standards lack a unified, systematic and global framework and usually should comply with local requirements, SASB Sustainability (Accounting Standards Board) Standards and Sustainable Development Goals (SDGs) established by the United Nations.

[82] 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)

[83] Peter. (2023) Hungary political briefing: Setting the political discourse? The CATL story 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: 28 March 2023).

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.[84]

Figure 5: Sector Share of BRI Engagement, 2013-2022



Source: Green Finance & Development Center, FISF Fudan (2023)

Some BRI-related projects meet local protests and obstructions. For example, about 500 residents gathered to clash with a Chinese mining company worker in Kyrgyzstan.[85] 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 labour.[86] 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

[84] 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)

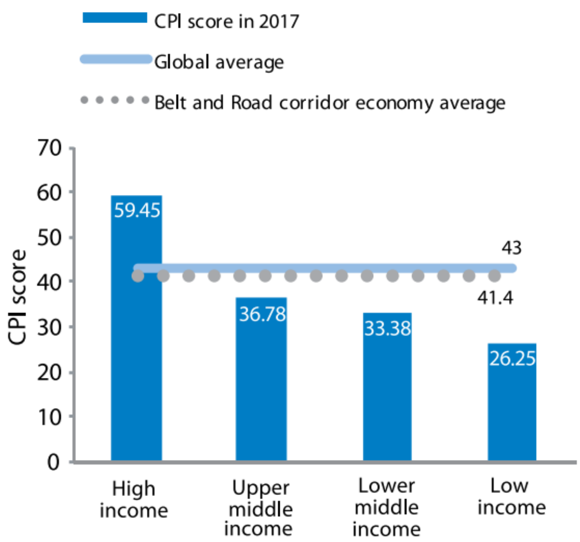
[85] RFE/RL's Kyrgyz Service (2019) 'Dozens injured as locals clash with Chinese mining company workers in Kyrgyzstan,' *RadioFreeEurope/RadioLiberty*, 6 August. Available at: https://www.rferl.org/a/dozens-injured-as-locals-clash-with-chinese-mining-company-workers-in-kyrgyzstan/30094924.html (Accessed: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

[86] 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

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 breeding ground for corruption. The Corruption Perception Index (CPI) scores from the World Bank in 2017 indicate that perceived corruption in Belt and Road 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).[87] However, the question is whether the massive influx of Chinese capital causes corruption or is just a catalyst. Shah (2019) demonstrates that some BRI-participated countries take advantage of BRI's resources and weak national institutional framework for their own benefit.[88]

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



Source: The World Bank using data on

CPI from Transparency International

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

88 Ibid.

Overall, environmental, social, and governance concerns are risky existing in some BRI projects. The environment and society of BRI-participated countries and governments' rule of law and governance capacity face significant challenges due to massive debt influx and the absence of BRI data transparency. Given that many BRI-participated countries are low- and middle-income countries without good governance and capacity to deal with these challenges that have never been encountered, China is also the first time to implement such a mega economic initiative, and it is evident that the massive debt without deliberate or malicious intention. The most important is what China did and will do in the subsequent adjustment of BRI facing the ESG concerns.

2.2.3. Public Towards the Belt and Road Initiative

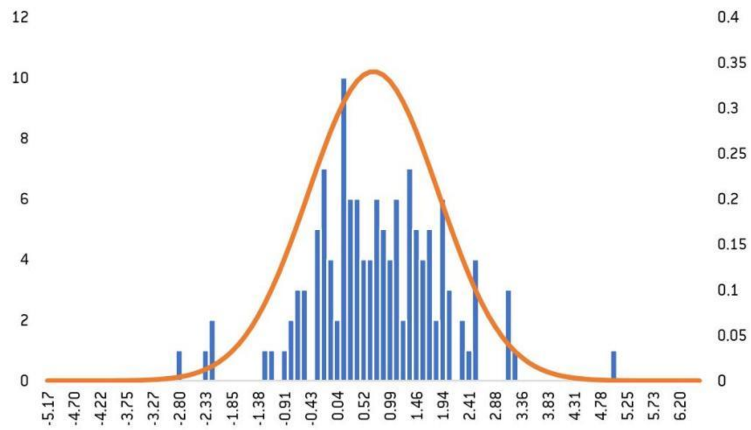
The Belt and Road Initiative is becoming popular worldwide as China's flagship global infrastructure initiative. China advanced the Belt and Road Initiative to enhance its international reputation and perception as a beneficent global force across the Global South. As Xi Jinping stated: "We should increase 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."[89]

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 since 2019. According to the public opinion data, including the data of public opinion, media sentiment and elite support of public approval of China, sources from professional institutions such as The Gallup World Poll, William & Mary, and other

[89] Xinhua (2014) *Xi eyes more enabling international environment for China's peaceful development (3) - People's Daily Online.* Available at: http://en.people.cn/n/2014/1130/c90883-8815967-3.html (Accessed: 18 August 2023)

related literature. García-Herrero and Xu (2019) uses the Global Database of Events, Language and Tone (GDELT)[90] to find that the Belt and Road Initiative (BRI) is predominantly seen favourably, 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 reception[91] (See Figure 7).

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



Source: Bruegel based on https://www.gdeltproject.org/.

AidData's report points out that investments in the Belt and Road Initiative (BRI) have sparked a heated debate between the public, opposition politicians and development partners. The report also demonstrates that Beijing's public approval rating in the developing world plunged from 56 percent in 2019 to 40 percent in 2021.[92] 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

[90] It covers broadcast, online and printed news from 132 countries in over 100 languages since 1979 to assess the image of BRI across the world, both in countries that participate in or not.

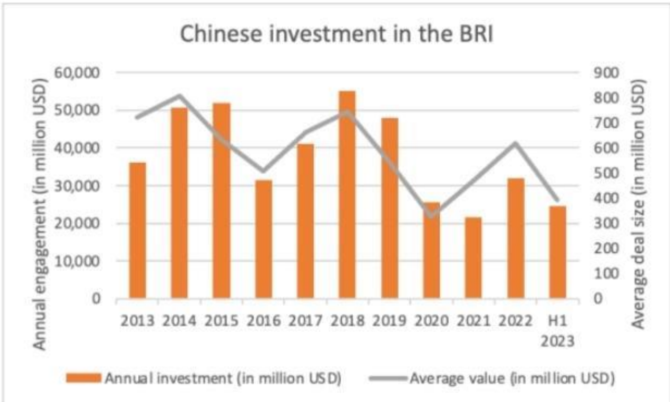
[91] García-Herrero, A. and Xu, J. (2019) 'Countries' perceptions of China's Belt and Road Initiative: A big data analysis,' *SSRN Electronic Journal* [Preprint]. Available at: https://doi.org/10.2139/ssrn.3430318

[92] 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

infrastructure construction partner.[93] Based on the 2022-2023 Perceptions of Chinese Overseas Development Survey (BRI Perceptions Survey) of AidData of William & Mary.[94]

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.[95] Another argues that the decline in BRI investments may signal a shift in China's foreign participation narrative from economics to politics and security.[96] 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 their impact.

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



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

[93] 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

[94] Analyzing 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

[95] 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

[96] 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

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.[97] 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.[98] Moreover, 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.[99] Coincidentally, in 2024, Brazil announced that it would not join China's global infrastructure push, the Belt and Road Initiative.[100] The two typical examples exemplify 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 stage.

Based on the above-discussed, global enthusiasm for the Belt and Road Initiative 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 declined. With the two significant partners, Italy and Brazil, announcing to withdraw or no longer join the BRI, the public is not optimistic towards the BRI. Readjusting the BRI to deal with the debt

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[97] 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

[98] Data from AidData of William & Mary.

[99] 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)

[100] 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)

issue and ESG concerns is the next important step to improving the reputation of the BRI.

2.3. China's Response

Large-scale infrastructure projects are notoriously challenging to implement. 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.[101] Šebok (2022) indicates that the Belt and Road Initiative faces two primary challenges: unsustainability stemming from insufficient governance and considerable financial risk for China, mainly owing to Beijing's heightened financial conservatism, which has led to a diminishing portfolio of policy bank loans.[102]

The questions are: is China aware of the debt issue? If so, how does it deal with or restructure its mega project?

On 27th April 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."[103] 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."[104] In the Third Belt and Road Forum for International Cooperation, 2023, Xi also said, "Carry out practical cooperation. China will coordinate the promotion of landmark projects and small but

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[101] 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. Available at: https://doi.org/10.1080/01944360208976273

[102] 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)

[103] Belt and Road Portal (2019) *Joint communique of the leaders' roundtable of the 2nd Belt and Road Forum for International Cooperation*. Available at: https://eng.yidaiyilu.gov.cn/p/88230.html (Accessed: 20 December 2023)

[104] Ibid.

beautiful livelihood projects."[105] Moreover, in 2017, China proposed building the Green Belt and Road Initiative. In 2022, China's four ministers published a key policy document on further greening the Belt and Road Initiative (BRI), entitled "Opinions on the Joint Implementation of Green Development in the Belt and Road Initiative."[106]

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. China will not give up on efficiently promoting this large-scale initiative. Therefore, the measures that China has taken to deal with the financial issue, especially the response to the debt problem, should be reviewed, and the framework should be adjusted to strengthen its governance for ESG concerns. However, the latest information, data, and literature on China's response to the BRI's issues and concerns are limited. This paper is based on the related published official Chinese documents and 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.[107] The IMF Managing Director, Christine Lagarde, gave a speech about the future of BRI using "BRI 2.0" to describe it in 2019.[108] Combined with the speech by Xi Jinping at the Third Belt and

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[105] People's Daily Graphic Database (2023) *Chairman's Statement of the Third Belt and Road Forum for International Cooperation*. [*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 (Accessed: 22 July 2024)

[106] 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"*. [*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 (Accessed: 22 July 2024)

[107] Yu, H. (2024) *Understanding China's belt and road initiative, Asia in transition*. Springer; 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; IMF (2019) *BRI 2.0: Stronger frameworks in the new phase of Belt and Road*.

[108] 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

Road Forum for International Cooperation indicates that the BRI will downsize, which can be seen in the series of de-risking measures taken in facing debt problems.

2.3.1. Debt Reconstruction

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.[109] Moreover, in 2023, China 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.[110]

China has taken two main coping measures. One is that China diminishes the utilization of policy banks, instead increasing the reliance on its central bank (People's Bank of China) and state-owned commercial banks (including the 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.[111] Given the large scale of China's foreign exchange reserves, China is now the most prominent official creditor to the developing world.[112]

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

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

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

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

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.[113] 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.[114] 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.[115] 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 has signed cooperation agreements with France and Japan in third countries, and such agreements could be expanded to other developed countries.[116] 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,[117] 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

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[113] 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

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

[115] 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

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

[117] Elaine K. Dezenski. 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

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 important, China has built a relatively strict penalty mechanism for late repayments.[118] For example, Chinese lenders have the exclusive right to freeze revenue accounts and withdraw them to fill the cash flow gap.[119]

From now on, there is no doubt that China is trying to reconstruct its debt by diminishing the utilization of policy banks, instead increasing the reliance on its central bank and commercial banks, and initiating a novel global framework of border rescue funding to nations experiencing debt difficulties. However, all these measures are at the early stage. Time is the only evidence to evaluate these measures' effectiveness, success and impact.

2.3.2. Building the Green Belt and Road

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.[120] China proposes to build the Belt and Road of Green Development Partnership Initiative and Beijing Initiative for Green Development in 2022 and 2023.

China was aware of the ESG issues of infrastructure projects along the BRI at an

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[118] 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

[119] 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.

[120] Ministry of Ecology and Environment of the Prople's Republic of China (2017) *Guiding opinions on promoting the construction of a green 'Belt and Road'*. [*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

earlier stage, but there is little literature to review what China has done to deal with these issues. The earliest indication is that the China Banking Regulatory Commission (CBRC) has promulgated new regulations mandating the China Development Bank (CDB) and China Eximbank to adopt more stringent environmental and social risk management protocols.[121] 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 Belt and Road Initiative (BRI).[122]

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 official documents encouraging ESG investments in the Belt and Road Initiative. 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.[123] 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 increased adoption of ESG principles in their investments rapidly. 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.

[121] *CDB News_China's green bond market goes to internationalization: expert* (2017). Available at: https://www.cdb.com.cn/English/xwzx_715/khdt/201802/t20180208_4930.html (Accessed: 14 June 2024)
[122] Morris, C.K. and S. (2023) 'America shouldn't copy China's belt and road initiative: Washington must invest in multilateral institutions, not infrastructure,' *Foreign Affairs*, 19 October. Available at: https://www.foreignaffairs.com/articles/united-states/2022-06-22/america-shouldnt-copy-chinas-belt-and-road-initiative
[123] 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

Companies for carbon commission objectives and measurements have risen from 840 to 1400.[124] 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 mean high environmental projects.[125]

In conclusion, the Belt and Road Initiative is China's mega flagship global infrastructure development plan, extensive practice of the "Going Out" strategy, complementary to the Community of Shared Future for Mankind strategy. It belongs to China's diplomacy in the new era. China's foreign policy become more assertive and proactive with its increasing economic capacity. The Belt and Road Initiative was born out of the necessity of China's notion and practice of engaging in global multilateralism. Implementing the Belt and Road Initiative enhances China's soft power regionally and globally while impacting the geoeconomic and geopolitical order led by the West. After ten years of development, the BRI faces risks such as the emergence of different issues, public concerns, and design flaws. BRI is at a crossroads. China's choice is critical and highly anticipated.

As discussed in the academic community, the prototype of the Belt and Road Initiative 2.0 emerged after it had been through the first decade. The public, media, scholars, politicians and competitors have different opinions on its development and the future. Despite the Belt and Road achievements, for example, the cumulative BRI engagement amounts to US$1.053 trillion, involved in BRI-related construction projects for more than 3000. It has signed over 200 cooperation documents with 152 countries and 32 international organizations. The emerging issues and concerns are curbing the development of BRI and may even be the causes of its collapse.

Maintaining the Belt and Road Initiative's sustainability is challenging because of the allegation of debt, the environmental, social, and governance concerns and the lack

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

125 National Development and Reform Commission of China (2022) *Opinions on Promoting Green Development in the Joint Construction of the Belt and Road Initiative*. [*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

of a comprehensive framework and mechanism. The situation of debt unsustainability in some participating countries exists 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, has exacerbated the local debt. Global enthusiasm and public perception for the Belt and Road Initiative is waning.

However, one can be positive that China is aware of the issues and problems related to risk management. Recalibration is ongoing. President Xi Jinping proposed that the next stage of the Belt and Road Initiative be small, beautiful, and digital in the Third Belt and Road Forum for International Cooperation in 2023, which is the origin of the concept of BRI 2.0. For the debt issue, China is reconstructing the debt by diminishing the utilization 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 organizations and parties to cope with the participating countries' debt issue. Regarding environmental, social, and governance concerns, China is improving the legal framework for financing, providing ESG risk mitigation measures, and reviewing and assessing mechanisms for key BRI infrastructure projects. Time is the only tool to witness and assess whether the Belt and Road Initiative's recalibration is effective.

2.4. Competition and Cooperation of China-EU: The Butterfly Effect of BRI

Many international organizations and institutions, such as the OECD, IMF, and Asia-Pacific Economic Cooperation, have pointed out that the world has an extensive infrastructure gap constraining trade, openness, and future prosperity.[126][127][128] The

[126] 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

[127] 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

[128] 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

world is facing a $15 trillion infrastructure gap by 2040.[129] China's BRI is the first national economic initiative to focus on and address the infrastructure gap. Besides, 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).

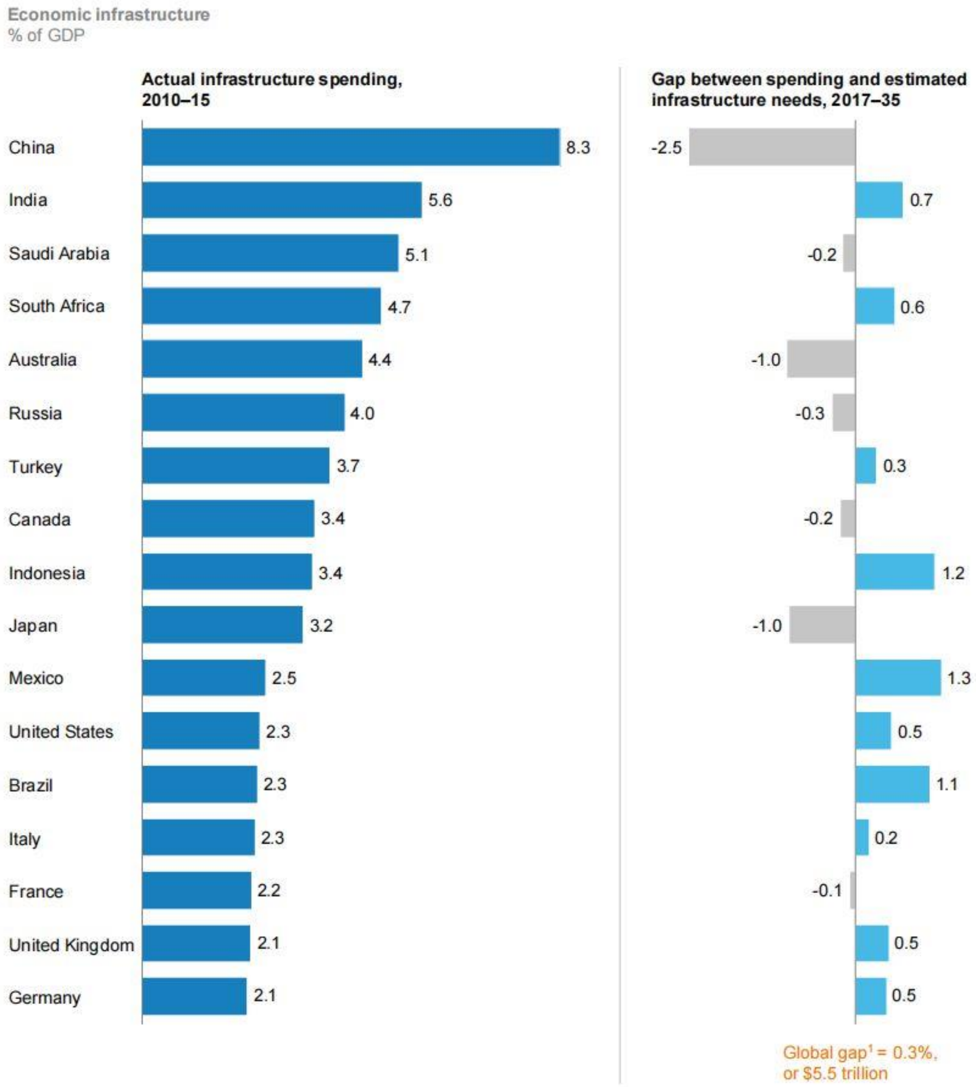
However, the competition in global infrastructure has been ongoing for some time. In 2015, the EU and China committed to establishing a Connectivity Platform. They reached a "China-EU Connectivity Platform 2019 Annual Action Plan" to improve transport connectivity and enhance synergies with China's BRI.[130] 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 plan 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.[131]

Figure 9: The infrastructure spending gap varies widely among geographies

[129] 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/

[130] European Commission (2019) *EU-China Summit Joint statement*. Brussels. Available at: https://transport.ec.europa.eu/document/download/10119587-267b-4509-ab9b-f7b22d0bca56_en?filename=2019-eu-china-summit-joint-statement.pdf

[131] 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. [Sun Yanhong (2022) 'The European Union has joined the global infrastructure boom through the "Global Gateway" plan,' *World Affairs*, (3): pp. 35-37.]



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

At the same time, the U.S. and other fellow G7 countries officially launched the 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.[132] Moreover, compared with the EU's more moderate attitude, American officials clearly stated that the push against China meant offering an alternative to Belt and Road following the

[132] The White House (2021) *FACT SHEET: President Biden and G7 Leaders Launch Build Back Better World (B3W) Partnership.* 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)

PGII launch.[133] 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.[134]

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.[135] 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.

It represents not merely a competition for global infrastructure construction but a broader competition for geoeconomics and geopolitics. The Belt and Road Initiative's gradual development and growing geoeconomic and geopolitical influences exemplify a butterfly effect. The EU has pressing economic security concerns, a diminishing role in the global order, and critical questions regarding the future of integration that must be addressed. Since the subject of this article is China-EU relations, the background and impact of the Sino-U.S. competition will be briefly mentioned below and in Chapter 3.

In this section, the first part discusses, explores and analyses the EU's perception and strategy towards the BRI, the geo-economic and geopolitical influences of BRI on the EU and the EU's economic security concerns to analyse the argument of the definition and function of BRI: an economic tool of China's economic statecraft or instrument for geopolitical effect or both. This part only focuses on the whole EU, not each EU member. The second is to explore and evaluate the possibility that the EU's Global Gateway and China's BRI can be compatible and complemented. China's officials and academic circles generally believe that the two can reach a consensus and

[133] 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)

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

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

complement each other. The point is the EU's consideration and strategy.

2.4.1. Assessing 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 recognized 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. 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, alongside the impact of other nations' economic actions on a country's geopolitical goals.[136]

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

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

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.[137] On the other hand, BRI's geoeconomic influences are connected closely to trade and investment, geopolitics and trade policy are becoming intertwined.[138] 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.[139]

With the rise of China, its economic power and role in the globalization process has 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',[140] indicating a geopolitical transformation in its foreign policy.

Global enthusiasm for the BRI is waning, as shown in the declining data on public approval ratings (See 2.2.3.). 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.

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137 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]. Available at: https://doi.org/10.1007/s11366-024-09888-0

138 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)

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

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

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 were mainly analyzed to see whether they have produced considerable differences in economic effects between participating and non-participating countries. Furthermore, evaluating the interaction of geoeconomic and geopolitical influences in the EU's dynamics.

EU's Perception of the BRI

By 2021, China has invested in nearly 1,000 projects throughout European nations under the Belt and Road Initiative, 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.[141] 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 nadir since 2010.[142]

The EU presently lacks a cohesive evaluation or framework to address the BRI, owing to the intricacy of the initiative itself (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. Sheng (2023) points out that new infrastructure construction under the BRI can boost EU trade by reducing transport costs and providing more market opportunities.[143]

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[141] 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.

[142] 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)

[143] Sheng, E.L. (2023) *China's Belt and Road initiative and the Triangle Great Game of contemporary*

While Peter (2024) indicates that China has gained a certain amount of political influence and created tensions within the EU through geo-economic strategies such as the BRI.[144]

Nevertheless, there is a common argument - the EU must develop a unified plan and framework to deal with BRI immediately. Understanding China's strategic thinking completely, tactically engaging with BRI and China, and balancing cooperation and competition. EU has realized 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. The BRI is a widely used tool in China within the rivalry between democracies and autocracies for an optimal governance model.[145] Holzer and Hackler (2022) argue that BRI is China's response to the dominance of Western economic and political narratives, which are increasingly being questioned by regional challengers with global ambitions, such as China, especially after the financial crisis.[146]

The establishment of a new Geopolitical Commission, and according to the *EU-China - A strategic outlook* published by the European Commission considered China 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.[147] Moreover, the European Commission and the EU High Representative have 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 geo-economic and geopolitical competition, seeking cooperation with China based on safeguarding its

international politics. Springer Nature.

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

145 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

146 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. Available at: https://doi.org/10.1007/978-3-030-86122-3_2

147 Publications Office of the European Union (2019) JOIN/2019/5 final, *EU-China – A strategic outlook*. Available at: https://op.europa.eu/en/publication-detail/-/publication/3a5bf913-45af-11e9-a8ed-01aa75ed71a1/language-en

interests and security.

The geoeconomic and geopolitical influences of BRI on the EU

Geo-economics underscores the interplay between geographical location, economic relations, and political power.[148] Garima Mohan (2018) concludes that the economic implications 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.[149] 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 trade market and investment. The geoeconomic influences of BRI on the EU are mainly due to trade market, investment, and the EU's economic security concerns.

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%).[150] European policymakers have realized 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.[151] 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.[152]

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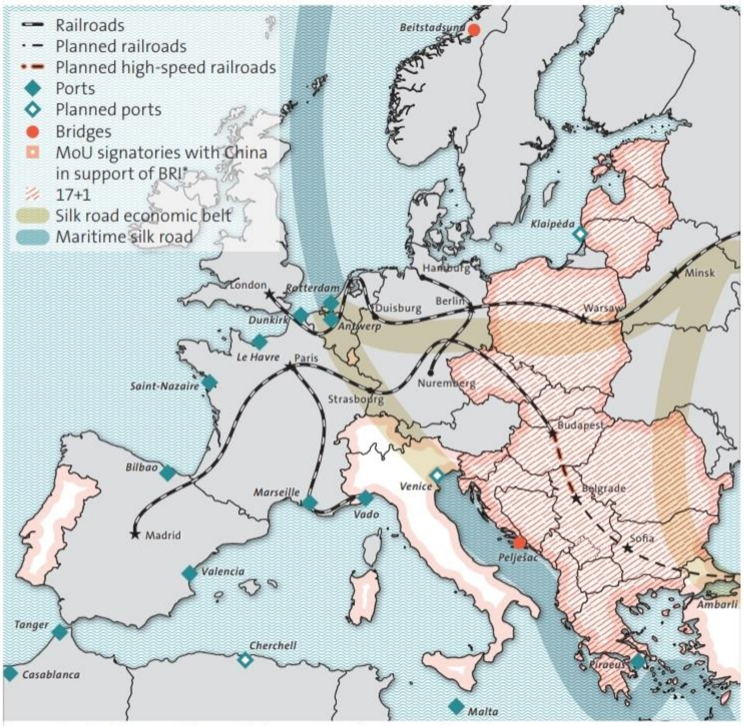
148 Wigell, M., Scholvin, S. and Aaltola, M. (2020) *Geo-economics and power politics in the 21st century: The Revival of Economic Statecraft.* Routledge.
149 Garima Mohan (2018) *Europe's Response to the Belt and Road Initiative.* German Marshall Fund of the United States.
150 Statistics from the Eurostat. Available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=China-EU_-_international_trade_in_goods_statistics
151 Garima Mohan (2018) *Europe's Response to the Belt and Road Initiative.* German Marshall Fund of the United States.
152 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.

Figure 10: Chinese Infrastructure Investment in Europe



* MoUs with China for a general framework of cooperation under the BRI as of December 2019.
Sources: Merics, CSIS Reconnecting Asia, Steer Davies Gleave, European Parliament Policy Department for Structural and Cohesion Policies, Republik, CSS research

Source: Larsen and Maduz (2020)[153]

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 build 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

[153] 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.
Available at: https://doi.org/10.3929/ethz-b-000413636

importance in Southeast Asia is far more than that of the EU.[154] Moreover, the EU also faces more tense competition in terms of the provision of trade and infrastructure in this area with China, especially the traditional physical infrastructure.[155] 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.[156] 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 promotion of EU norms and values and trade with Asia.

Second, the European Economic and Social Committee (EESC) also emphasizes that BRI investments may undermine the ownership of critical national infrastructure in EU Member States.[157] "Purchasing Diplomacy" has been a hot topic in the context of Chinese economic strategy across the EU. Over the next few years of Europe's increasing financial crisis, 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, then maintained an average of around 10 billion U.S. dollars 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.

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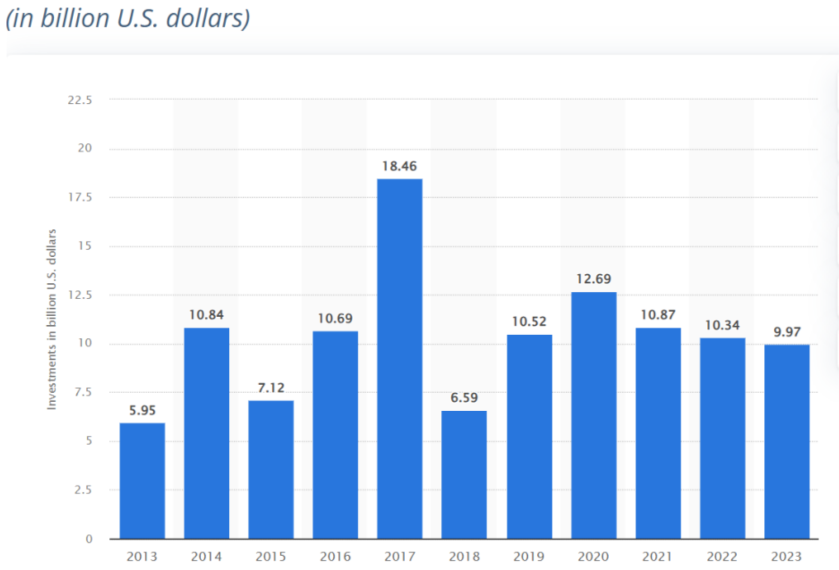
[154] Seah, S. et al. (2023) *The State of Southeast Asia: 2023 Survey Report*. Singapore: ISEAS-Yusof Ishak Institute.
[155] European Parliament (2024) *EU-China relations: De-risking or de-coupling - the future of the EU strategy towards China*. Policy Department for External Relations.
[156] The European 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_European_Involvement_in_China_s_Belt_and_Road_Initiative
[157] 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

Figure 11: Annual flow of foreign direct investments from China to Europe, 2013 to 2023



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.[158] 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.[159]

[158] 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.*
Available at: http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t233106.shtml (Accessed: 05 June 2024)

[159] 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)

Greek shipowners have historically played a dominant role in Greek politics. The increasingly internationalized Greek shipping industry profoundly affected Greek foreign policy toward China.[160] In 2016, Greece, Croatia and Hungary vetoed an EU declaration critical of China's South China Sea practices.[161] In 2017, Athens rejected a proposed EU submission to the UN Human Rights Council criticizing recent Chinese crackdowns, making it the first time the EU has failed to publish a UNHRC statement.[162] 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.

In addition, ports are also the logistics basis for China's development of overseas trade. COSCO also invests in other critical European ports, such as Antwerp of Belgium, Euromax of Rotterdam and Container Terminal Tollerort of Hamburg.[163] 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.[164]

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160 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

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

162 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)

163 Data from COSCO's business portfolio introduction. Available at: https://archive.ph/dYpCh

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

A “rearview mirror” approach has often characterized European analysis and responses to China.[165] This is reflected in the EU’s delayed response to BRI, the implementation of state-level screening mechanisms, and the deadlock in the EU-China Comprehensive Agreement on Investment (CAI) negotiations. EU established FDI screening mechanisms to ensure EU security. As of this paper, 23 out of 27 EU members have implemented FDI screening mechanisms.[166] 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 energy security, which is the key issue of the EU’s economic security concerns towards China. The energy sector connects to the global supply chain tightly, 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.[167] 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. Thomas and Jacob (2019) argue that BRI’s substantial investments in energy will facilitate the development of new industrial hubs in emerging economies and the establishment of China-centric supply chains, potentially changing the competitive environment in energy-intensive sectors and intensifying competition with the EU regarding energy.[168]

Furthermore, the EU has deeply realized the European market’s excessive dependence on the Chinese market, especially some strategic industries (for example, pharmaceutical industries that produce active ingredients for medicines) through the COVID-19 pandemic. This experience reveals that Europe was, in some cases,

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165 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).

166 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)

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

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

insufficiently prepared for new and emerging risks in the more challenging geopolitical context.[169] EU Commission and the High Representative conclude that the supply chain's resilience is one of the identified risks relating to the EU's economic security. As described above, BRI's investment in critical fields could directly threaten the EU's economic security. However, achieving 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.[170]

Last, evaluating the geopolitical influences of BRI based on China's active economic activities in the EU. The European Economic and Social Committee asserts that the BRI is a soft-power instrument, enabling China to adopt a new strategic geopolitical position on the world chessboard.[171] 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.[172] In this context, the European Commission inaugurated its new 'Geopolitical Commission' in December 2019.[173] However, a survey indicated that no European country surveyed had a majority in favour of prioritizing "preventing Chinese geopolitical expansion" as a foremost foreign policy objective.[174] According to Peter

[169] European Commission (2023) *JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL AND THE COUNCIL ON "EUROPEAN ECONOMIC SECURITY STRATEGY"*. Brussels.
[170] Spencer A. Wong (2019) *A disunited Europe? The EU's response to China's One Belt, One Road initiative*. Available at: https://theowp.org/reports/a-disunited-europe-the-eus-response-to-chinas-one-belt-one-road-initiative/
[171] European Economic and Social Committee (2024) *Global battle of offers - from the Chinese Belt and Road initiative to the EU Global Gateway: the vision of European organised civil society*. 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
[172] Sheng, E.L. (2023) *China's Belt and Road initiative and the Triangle Great Game of contemporary international politics*. Springer Nature.
[173] European Commission (2019) *Geopolitical Commission builds on International Partnerships*. Available at: https://international-partnerships.ec.europa.eu/news-and-events/stories/geopolitical-commission-builds-international-partnerships_en
[174] Richard Q. Turcsányi, Matej Šimalčík, Kristína Kironská, 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: https://media.realinstitutoelcano.org/wp-content/uploads/2021/11/european-public-opinion-on-china-in-the-age-of-covid-19.pdf

(2024), the BRI does not publicly contest military security, undermine alliances, or alter regional power balances, as stated by realist international relations theory.[175] Yet, from a political–economic perspective, it suggests that economic connections and capacity naturally influence politics.[176]

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.[177] A report from MERICS (a German think tank) in 2018 points out that economic ties with China are riskier than the stakes of Russia, and Beijing's increasing influences in the EU are bound to be much more consequential from the middle to the long term.[178] 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.[179] Huotari et al. (2015) also indicate that BRI is not China's deliberate strategy to divide the European continent.[180] Ling (2015) argues that the BRI is not a Chinese version of the Marshall Plan, although the two share similarities in the logic of economic development.[181]

Besides, based on the International Relations Neorealism theory, BRI's position

[175] Peter G. Thompson (2024) *The Geoeconomic Dimensions of Chinese FDI in Europe*. One Chapter of *Turbulence Across the Sea*. University of Michigan Press.
[176] 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. Available at: https://doi.org/10.1007/s41111-022-00215-7
[177] Karim Fathi (2024) 'The Belt and Road Initiative: Strategic Orientations for the EU,' *Zeitschrift für Außen- und Sicherheitspolitik*, 17, pp. 39-50. Available at: https://doi.org/10.1007/s12399-023-00973-5
[178] Thorsten B., Jan G., Mareike O., Lucrezia P., and Kristin S. (2018) *Responding to China's Growing Political Influence in Europe*. MERICS.
[179] 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]. Available at: https://doi.org/10.1007/s11366-024-09888-0
[180] 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).
[181] Ling Jin (2015) 'One Belt One Road: China's Marshall Plan?,' *China International Studies*, 1, pp. 88-99. [金玲（2015）"一带一路"：中国的马歇尔计划？«国际问题研究»]

in the great power of balance is critical. China's rise as a global power through the BRI poses a threat to the United States' dominance in the current world order.[182][183] 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.[184]

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 "legitimizer" of China's global political and economic activities.[185] 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.[186] 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.[187] BRI can potentially influence the EU's partial future choices under the context of the triangle power balance of the U.S.-China-EU.

In summary, 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 globalization have driven the expansion of economic ties between China and the EU. The BRI is born from the

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[182] Sheng, E.L. (2023) *China's Belt and Road initiative and the Triangle Great Game of contemporary international politics*. Springer Nature.
[183] Amineh, M.P. (2022) *The China-led Belt and Road Initiative and its Reflections: The Crisis of Hegemony and Changing Global Orders*. Routledge.
[184] 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.
[185] Thorsten B., Jan G., Mareike O., Lucrezia P., and Kristin S. (2018) *Responding to China's Growing Political Influence in Europe*. MERICS.
[186] 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)
[187] EU External Action (2020) *The Sinatra Doctrine. How the EU Should Deal with the US–China Competition.* Available at: https://www.eeas.europa.eu/eeas/sinatra-doctrine-how-eu-should-deal-us%E2%80%93china-competition_en (Accessed: 24 September 2024)

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.

This section analyzes and assesses BRI's geoeconomic and geopolitical influences on the EU. First, it discusses the EU's perception of BRI, showing that the EU elites and their member states' elites have different views on BRI. The EU is aware of and has launched many initiatives to address the various economic challenges brought about by BRI, such as the investment screen mechanism and the new EU Geopolitical Commission. However, leaders of member states in Central and Eastern Europe and Southern Europe are more welcoming of Chinese investment and cooperation on projects with BRI than Western Europe and Northern Europe. The principal challenge for the EU is the absence of a unified framework to address the BRI.

Second, the conclusion of BRI's geoeconomic influences on the EU regarding two significant indicators, trade market and investment, is that the development of BRI challenges the EU's overseas trade market, such as Southeast Asia. The potential of establishing economic integration threatens and weakens the EU's economy, as well as the promotion of EU norms and values and trade with Asia. Furthermore, BRI investments may undermine the ownership of critical national infrastructure in EU Member States. A typical example is the Piraeus Port of Greece. BRI's energy, information and communication technology (ICT) investments and other strategic industries directly threaten the EU's economic security.

Last, the assessment of BRI already has potential geopolitical influences on the EU. One is that the investment of BRI indirectly influences countries with the urgency of the influx of money to recover the economy, such as Greece. Because of economic needs, the leaders' decisions and movements quickly became reckless and against the EU. Another is that BRI's position in the great power of balance is critical. BRI could potentially influence the EU's partial future choices under the context of the triangle power balance of the U.S.-China-EU.

2.4.2. Global Gateway: Competing with BRI?

In 2021, the European Commission and the EU High Representative introduced 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.[188] 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 BRI. Global Gateway is seen as the EU's formal participation in the global infrastructure competition. The shared objectives of these two initiatives are enhanced transparency, reciprocal market access, and equitable conditions for enterprises in transport infrastructure development.

Chinese Foreign Minister Wang Yi emphasized again at the Munich Security Conference that China's BRI and 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.[189] Chen and Wang (2023) indicate that the BRI and the Global Gateway Initiative can not fill the huge gap in global infrastructure investment alone. 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.[190] In order to understand

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[188] 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

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

[190] Chen Chao and Wang Yiwei (2023) *There is huge room for the "Global Gateway" to connect with*

the similarities and differences between the two clearly, the author has created a simple table based on official data from both sides (See Table 1).

Chinese scholars generally believe that BRI poses challenges and opportunities to China-EU relations. The EU and its major member states have shown a stronger willingness to compete with China with the impact of the COVID-19 pandemic.[191] The European Union Chamber of Commerce in China argues that the EU and Global Gateway can complement the BRI as a credible alternative in some areas.[192] For example, The EU has unique advantages and experience in cross-regional regulatory coordination frameworks, such as managing goods, information and personnel. The two sides also have common goals in environmental governance and sustainable development.

Table 1: Comparison between Global Gateway and BRI

the "Belt and Road Initiative." China's Diplomacy in the New Era. [“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

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

192 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_European_Involvement_in_China_s_Belt_and_Road_Initiative

	Global Gateway	The Belt and Road Initiative
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	$1.053 trillion until 2024 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: Organized and made by author based on the data from BRI and Global Gateway official website and documents.

Given the growing tensions between China and Europe, competition with the BRI is inevitable. Nevertheless, the logic of competition for the EU must be clarified due to the sheer scope of BRI and its ambiguous definition. Besides, the EU's Global Gateway faces two challenges. One is the financing problem. The EU has announced it will mobilize up to €300 billion in investments for sustainable, high-quality projects. Sun (2022) argues that 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.[193]

[193] 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. [Sun Yanhong (2022) 'The European Union has joined the global infrastructure boom through the “Global Gateway” plan,' *World Affairs*, (3): pp. 35-37.]

Because EU member governments' fiscal deficits and debt levels have soared since the epidemic outbreak, 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 "prioritize price stability again instead of focusing on policy to fund indebted countries."[194] Another is that the EU's insistence on its model, which promotes EU values, may be met with cold shoulder in developing countries.[195]

Some researchers have even suggested that the West failed to replace China's international infrastructure financing. Hameiri and Jones (2023) use comparative political economy analysis to evaluate China and the United States' competitiveness in international infrastructure financing. They suggest that the West's persistent neoliberal strategy depends on ineffective strategies for mobilising private resources for infrastructure investment.[196] The exact mode has also been adopted and persists by the EU. However, this is only one perspective. The existing international relations and political economics framework makes it difficult to accurately analyse the reasons for the considerable differences in financing scale. According to neorealist international relations theory, a nation's capacity to engage in geo-economics depends on how much state managers can effectively mobilise necessary productivity and capital. This is in line with the challenging financing issue of the EU's Global Gateway.

Overall, the EU's efforts to compete with China in global infrastructure are still in their infancy, with only 220 projects currently underway, compared with China's 3,000. There are also few relevant studies comparing 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

[194] Li Qiaoyi and Cui Fandi (2021) *EU's Global Gateway 'another rubber check' from West*. Global Times. Available at: https://www.globaltimes.cn/page/202112/1240432.shtml

[195] 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

[196] 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. Available at: https://doi.org/10.1177/13540661231218573

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 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 cooperative thinking of further participating in globalization. However, there is room for cooperation between the Global Gateway Plan and BRI, and the specific actions still need time to be observed and analyzed.

Chapter 3. EU's Challenges and China's Growing Influences

The rise of China is the most profound change in the 21st century, as it changes the global balance of power, and its impact on the contemporary international political landscape is unparalleled. The fate of changes in the international landscape is exceptionally unpredictable. 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, 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, especially in global governance.

The EU faces internal disharmony and external geoeconomic and geopolitical challenges, which require the EU to take an effective and practical strategy. This chapter first introduces the state of China-EU economic relations through trade and investment. Secondly, this paper explores and analyzes the turbulence of the EU's difficulty of speaking as one voice facing China's increasing presence in the EU. Last, China's geoeconomic and geopolitical influences in the EU are assessed by comparing two EU member cases - Hungary and Sweden.

3.1. The State 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 decades to become the world's factory and second-largest economy based on its continuing market reform and openness. China's rise and deeper engagement in globalization has 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.[197] 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.[198] In 2014, 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 civilization," and further enhance the global influence of China-EU relations.[199]

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.[200] 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 WTO in 2001. Moreover, 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 WTO.

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197 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. *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).
198 European Parliament (2021) *A New EU-China Strategy*. Available at: https://www.europarl.europa.eu/doceo/document/TA-9-2021-0382_EN.html (Accessed: 19 June 2024).
199 Minister of Foreign Affairs of the People's Republic of China (2014) *China's policy paper on the EU: deepening the China-EU comprehensive strategic partnership of mutual benefit and win-win results*. [*中国对欧盟政策文件：深化互利共赢的中欧全面战略伙伴关系，中华人民共和国外交部*]. Available at: https://www.mfa.gov.cn/web/gjhdq_676201/gjhdqzz_681964/1206_679930/1207_679942/201404/t20140402_9389344.shtml (Accessed: 5 July 2024).
200 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

The 2008 global financial crisis is a surprising stepping stone 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.[201][202] While Italy criticizes China's aid as negative for the domestic economy and opposes granting China Market Economy Status in 2016.[203] The trade deficit between China and the EU members and China's increasing investment has been raising the economic security concern of the EU 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.

3.1.1. Trade Imbalance

China is the EU's second-largest trading partner for goods, following the United States, with bilateral commerce amounting to €739 billion in 2023.[204] Besides, China ranks as the third-largest partner for EU goods exports (8.8%) and the foremost partner for EU goods imports (20.5%).[205] China is undoubtedly the most significant trade partner of the EU. However, the EU has consistently experienced a trade deficit with

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[201] 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

[202] Reisach, U. (2018) 'Strategic considerations of Chinese investors in Europe,' *Made in China Journal,* 3(4). Available at: https://doi.org/10.22459/mic.03.04.2018.04

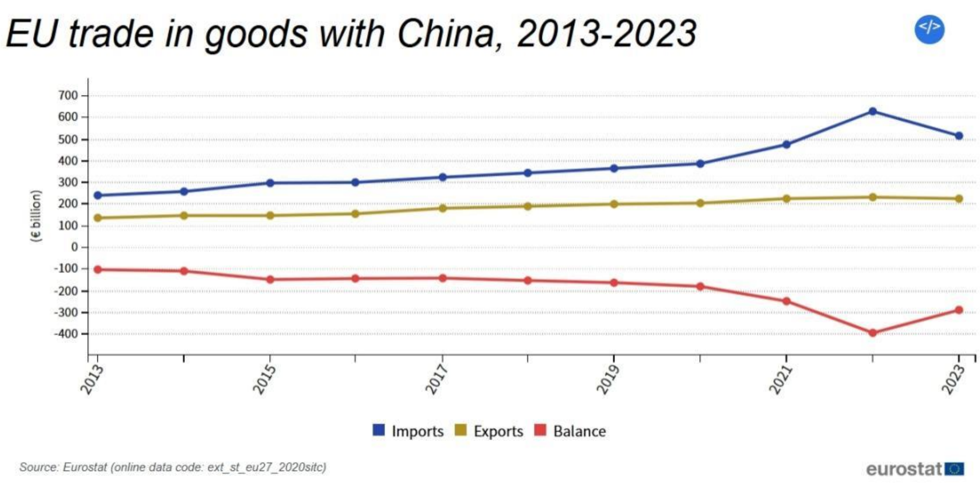
[203] Meadhbh Costello (2016) *China's market economy status: a political issue | IIEA*. Available at: https://www.iiea.com/publications/chinaas-market-economy-status-a-political-issue (Accessed: 20 October 2024).

[204] Statistics from the European Commission's official website. Available at: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/china_en#:~:text=Facts%2C%20figures%20and%20latest%20developments.&text=China%20is%20the%20EU's%20second,and%20the%20biggest%20for%20imports. (Accessed: 18 June 2024).

[205] Statistics from the Eurostat. Available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=China-EU_-_international_trade_in_goods_statistics (Accessed: 15 August 2024).

China (See Figure 12), which peaked at €396 billion in 2022.[206] The trade deficit has become a prominent issue and one of the flashpoints for tensions in China-Europe relations. While most economists disagree on viewing bilateral trade surpluses as a measure of trade benefits, the idea has gained political traction with the U.S.-China trade war begun.[207]

Figure 12: EU trade in goods with China, 2013-2023



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 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 Belt and Road Portal, as of June 2021, nearly 40,000 China-Europe trains have been operated.[208] The increase in export trade has dramatically stimulated the recovery of

206 Eurostat (2024) *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 August 2024).
207 European Parliament (2020) *EU-China trade and investment relations in challenging times | Think Tank* |. Available at: https://www.europarl.europa.eu/thinktank/en/document/EXPO_STU(2020)603492
208 National Bureau of Statistics (2022) *The "Belt and Road" construction has achieved fruitful results and promoted the formation of a comprehensive opening-up pattern - the 17th series of reports on economic and social development achievements since the 18th National Congress of the Communist*

China's domestic economy after the impact of the COVID-19 pandemic.

However, the EU questions if 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 addition, only four among the 27 EU member states have a trade surplus with China, while the rest have trade deficits to varying degrees (See Figure 13). The EU used trade-defense instruments such as anti-dumping measures to maintain mutual trade balance, but it 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.[209]

Figure 13: EU trade balance of goods with China, 2023

Party of China. [“一带一路”建设成果丰硕 推动全面对外开放格局形成——党的十八大以来经济社会发展成就系列报告之十七 – 国家统计局].
Available at: http://www.stats.gov.cn/sj/sjjd/202302/t20230202_1896693.html (Accessed: 12 February 2023).

[209] 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

EU trade balance of goods with China, 2023
(€ million)

	€ million
Germany	2,778
Finland	414
Ireland	284
Luxembourg	14
Malta	-319
Latvia	-683
Estonia	-695
Cyprus	-733
Croatia	-1,219
Slovakia	-1,437
Lithuania	-1,564
Bulgaria	-1,646
Austria	-2,047
Denmark	-2,076
Sweden	-2,883
Portugal	-4,452
Romania	-5,898
Greece	-6,516
Slovenia	-9,472
Hungary	-9,500
France	-17,006
Belgium	-22,567
Czechia	-22,963
Italy	-28,417
Poland	-28,606
Spain	-29,098
Netherlands	-94,644

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

Based on the current state of the China-EU trade relationship, this section discusses and explores the following research questions: Is the China-EU trade relationship 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. Starting from the EU questions if it is still necessary to apply the most-favoured-nation principle to China 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.[210] 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 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.[211] Although China is not mentioned directly, these measures are closely related to China.

The rapid globalization process involvement provides 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 telecommunication equipment and electronic components (See Figure 14).

This balance is still there today. The idea of complementarity has not changed, but the competitive side is strengthening.[212] 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.[213] Moreover, China's incremental technological progress and its entry into the high-tech sector of developed countries would exert a substantial influence on the

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[210] Publications Office of the European Union (2019) *JOIN/2019/5 final, JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL AND THE COUNCIL EU-China – A strategic outlook.* Available at: https://op.europa.eu/en/publication-detail/-/publication/3a5bf913-45af-11e9-a8ed-01aa75ed71a1/language-en

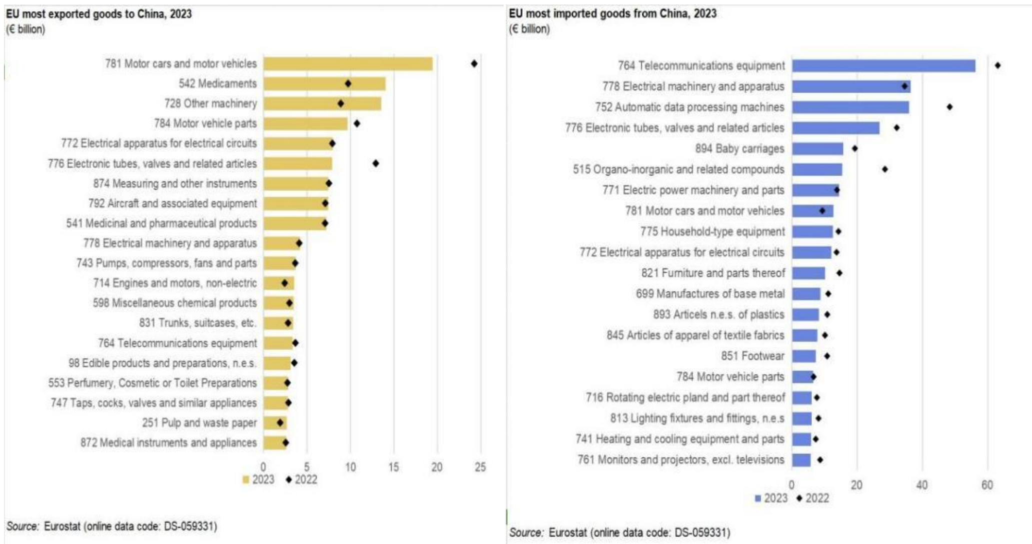
[211] European Commission (2023) *EUR-Lex - 52023JC0020 - EN, JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL AND THE COUNCIL ON "EUROPEAN ECONOMIC SECURITY STRATEGY."* Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52023JC0020&qid=1687525961309

[212] 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.

[213] 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. Available at: https://doi.org/10.1016/j.jdeveco.2011.12.004

capital and technology-driven trade upon which these nations heavily rely.

Figure 14: EU Most Exported and Imported Goods to and from China, 2023



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 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.[214]

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 arrival of the China-US trade war 2.0 or the China-US trade agreement, the focus of attention is the way 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

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[214] 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.

compete more on the same level.[215] 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 by the European Parliament- signals the upgrading of the EU strategy on China, indicating that de-risk coexisting cooperation. In 2022, the EU realized that over-dependence on imports of key goods could become a significant security issue for the EU.[216] The 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.[217]

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.[218] 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

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[215] 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

[216] 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).

[217] 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*', 21 October. Available at: https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT_22_6322

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

plants and electric motors).[219] 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.[220] Nevertheless, the EU has begun diversifying its supply markets for raw materials, such as Australia, Brazil and Malaysia, by implementing the *Critical Raw Materials Ac*t.[221] Furthermore, the European Commission has reiterated its intention to move towards EU industrial sovereignty by putting forward the *European Chips Act*.[222]

The European Commission President Ursula von der Leyen states that it is significant for the EU of China's position in the Russo-Ukrainian War, indicating that the EU's position on China has not softened. However, she also 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.[223] 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 considering different views, such as EU institutions, national governments and European companies.

3.1.2. 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 flows

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[219] Cappelletti, F. and Pogorel, G. (2024) *Sustainable? Competitive? The EU's industrial autonomy – facts and fantasies*. Available at: https://doi.org/10.53121/elfs7

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

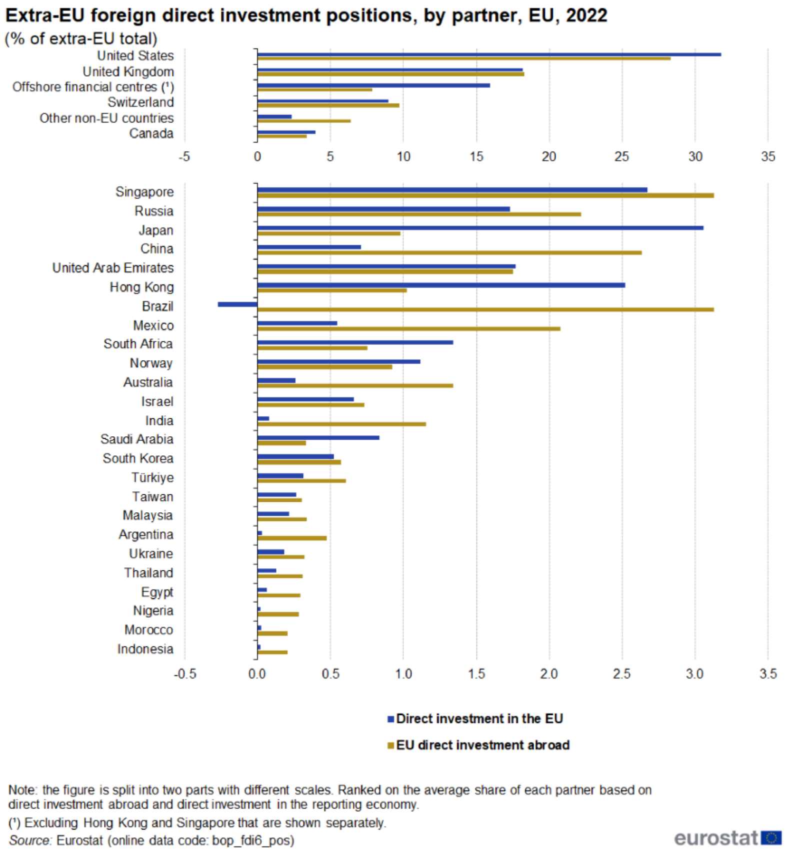
[221] European Commission (2023) *Critical Raw Materials: ensuring secure and sustainable supply chains for EU's green and digital future*, 16 March.
Available at: https://ec.europa.eu/commission/presscorner/detail/en/ip_23_1661

[222] *The European Chips Act 2022, c. 22.* Available at: https://www.european-chips-act.com/European_Chips_Act_Article_22.html (Accessed: 12 January 2024).

[223] 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*', 30 March.
Available at: https://ec.europa.eu/commission/presscorner/detail/en/speech_23_2063 (Accessed: 5 June 2024).

(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.[224] The EU direct investment inflow into China is far greater than China's investment in the EU in 2022 (See Figure 15). However, this situation faces challenges as many European companies complain about the lack of equal treatment and strict Chinese market access with Chinese SOEs in most industries.[225]

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



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

[224] 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
[225] 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

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 continue as the population ages and urbanises.[226] Besides, the EU's rate of return on China's direct investment is not optimistic, 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.[227] Some economists ascribe the increase in Chinese investment to market dynamics, citing China's rising economic capacity and domestic market as the primary drivers.[228][229] 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.[230] 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.[231] Meunier (2019) argues that

[226] 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
[227] 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. Available at: https://doi.org/10.1007/s10308-014-0382-x
[228] 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
[229] Reisach, U. (2018) 'Strategic considerations of Chinese investors in Europe,' *Made in China Journal*, 3(4). Available at: https://doi.org/10.22459/mic.03.04.2018.04
[230] Sukhonos, Yu. S. (2019). 'China's Foreign Direct Investments and Their Influence on the EU Countries,' *Business Inform*, [In Ukrainian], 12, pp. 51-56. Available at: http://jnas.nbuv.gov.ua/article/UJRN-0001106440
[231] 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. Available at: https://doi.org/10.1111/jcms.12932

Beijing is motivated by geopolitical ambitions and has used investment and financial resources to strengthen its European alliances.[232]

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 economic results and political potential gains of China's increasing investment in the EU.

Economic Results

China's investment in the EU is a continuous process, although it has attracted attention from many parties with a large amount of investment in the past decade. The academics generally believe there are two main reasons for this. 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.[233] Another is that the euro debt crisis brought opportunities.[234] 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 (including national defence and public safety) falls within the purview of each sovereign state. Member states have different tolerance for competition, making it difficult to reach a consensus on foreign investment

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[232] Meunier, S. (2019) *Beware of Chinese Bearing Gifts: Why China's Direct Investment Poses Political Challenges in Europe and the United States*. in Oxford University Press eBooks, pp. 345–359. Available at: https://doi.org/10.1093/oso/9780198827450.003.0019

[233] 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).
Available at: https://doi.org/10.2202/1547-7355.1226

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

issues.[235] The cohabitation of fragmented national approaches and the lack of consistency between existing 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.[236]

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. From 2010 to 2011, China bought an estimated €1.1 billion in Portuguese sovereign debt and is one of the major buyers.[237] Spain also sold its public debt of €6 billion in 2011 to China.[238] 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 internationalization 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.[239] In 2015, the headquarters of China Europe International

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[235] Ibid.

[236] 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. Available at: https://doi.org/10.1080/13501763.2014.912145

[237] 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).

[238] 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).

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

Exchange was established in Frankfurt, serving as the national strategy of the RMB internationalization and the “Belt and Road” Initiative.[240] The same year, Hungary launched the Budapest Renminbi Initiative to lead RMB provider in Central and Eastern Europe.[241] The RMB constituted around 40% of bilateral payments and 20% of bilateral trade and services in 2016.[242]

Another critical measurement of China’s FDI in the EU is the large scale of mergers and acquisitions. For example, Chinese automaker Geely acquired Volvo for $1.8 billion in 2010.[243] 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.[244]

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 a shareholder, the two businesses have formed a long-term strategic collaboration to promote the deployment of renewable energy in Europe and around the world.[245] China’s increasing investments

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[240] 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).
[241] 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).
[242] Reilly, J. (2021) *Orchestration: China’s Economic Statecraft Across Asia and Europe*. Oxford University Press, USA.
[243] '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
[244] Sustainable Bus (2024) 'Hungary - the future paradise for EV battery manufacturers?,' Available at: https://www.sustainable-bus.com/news/hungary-battery-plants-ev-projects/ (Accessed 26 November 2024).
[245] '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#:~:text=In%20the%20context%20of%20the,a%2021.35%25%20stake%20in%20EDP (Accessed 26 November
2024).

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.[246] On the other hand, EU member states have increased their scrutiny of foreign acquisitions.

The EU Foreign Direct Investment Screening Regulation was fully operational in October 2020.[247] Six percent of 488 ultimate investors in FDI notified cases by member states are China (including Hong Kong).[248] 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 lack of investment reciprocity can negatively impact overseas companies' productivity and innovation capabilities.[249] Hypothesize that the EU anticipates continuously cooperating with China. The lack of harmonization in Member States' national mechanisms will potentially diminish the EU's competitiveness.

Political Potential Gains

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.[250] As described above, Beijing seeks to encourage RMB

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[246] 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

[247] Regulation (EU) 2019/452 of the European Parliament and of the Council of 19 March 2019 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

[248] European Commission (2024) *REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL: Fourth Annual Report on the screening of foreign direct investments into the Union.* Brussels.

[249] 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

[250] Babić, M. and Dixon, A.D. (2022) 'Is the China Effect Real? Ideational Change and the Political

internationalization through continuous economic diplomacy. Besides, saving the euros also helps China diversify its foreign exchange reserve currencies and create a more stable international financial system where the US dollar is no longer dominant.[251] These measurements mitigated the euro's depreciation due to debt shocks at the time and stabilized the euro's position in the international monetary system. China's effort to internationalize the RMB is one of the impacts of its European purchase diplomacy. The payoff emerged in 2016 when the IMF Added the Chinese Renminbi to the Special Drawing Rights Basket.[252] More significantly, China reduces its dependency on the US's economic cycle and monetary policy due to its diverse foreign currency reserve.[253]

However, compared to the success of the economic results of increasing investments in the EU, the potential political impact seems to fail to reach Chinese expectations. There are two aspects to articulate and explain. The first aspect is that Reilly (2021) argues that economic engagement with China substantially advantages Europeans while imposing far lower political costs than typically suggested by prevalent analyses. Furthermore, he believes that Beijing's economic statecraft has not succeeded in advancing Europe's two principal policy objectives: attaining market economy status and lifting the arms embargo.[254]

Badkar (2011) points out that one requirement of Chinese assistance after the Euro Crisis is the 'market economy status' the Chinese Premier Wen Jiabao addressed and encouraged the EU to recognize China as a full-market economy at the World Economy Forum in Dalian and emphasized the "2016 deadline" in 2011.[255] However, the "2016

Contestation of Chinese State-Led Investment in Europe,' *The Chinese Journal of International Politics*, 15(2), pp. 111–139. Available at: https://doi.org/10.1093/cjip/poac009

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

[252] *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).

[253] 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

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

[255] 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).

deadline" is not a signal that automatically marks China as earning a market economy.[256] According to paragraph (d) of Article 15 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.*

The EU has the right to decide but 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 recognized China's market economy status, except the US and EU. 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.[257]

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,

[256] Bernard O'Connor (2011) Market-economy status for China is not automatic. Available at: https://cepr.org/voxeu/columns/market-economy-status-china-not-automatic

[257] 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).

whereas France, Spain and Italy have been the most vocally opposed.[258]

Furthermore, the EU's arms embargo against China has been going on since 1989. While 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.[259] 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 embargo on China and show a positive attitude about this issue.[260]

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.[261] Chinese authorities successfully implemented their economic strategy after Europe's financial crisis, but it does not mean they influenced EU's decision-making. The two critical goals - securing market economy status and ending Europe's arms embargo - failed.

The second aspect is comparatively effective. 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

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[258] 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

[259] 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).

[260] 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)

[261] 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)

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. The increasingly internationalized Greek shipping industry profoundly affected Greek foreign policy toward China.[262] In 2016, Greece, Croatia and Hungary vetoed an EU declaration critical of China's South China Sea practices.[263] In 2017, Athens rejected a proposed EU submission to the UN Human Rights Council criticizing recent Chinese crackdowns, making it the first time the EU has failed to publish a UNHRC statement.[264] It is a representative case to exemplify that Chinese strategic investments influence the recipient country to adopt policies that align with Beijing's preferences.

The EU 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.[265] From this perspective, it also indirectly reflects that China's investment has a political influence on the EU. 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.[266]

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

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[262] 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

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

[264] 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)

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

[266] 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)

electric vehicles (BEVs) imported from China.[267] This measurement indicates that the future economic and political influences of Chinese investment in the EU will be more regulated by the EU. There will be more tensions in China-EU economic relations, and how to cooperate against all challenges is China-EU relations's next significant research question.

3.1.3. CAI negotiations at a stalemate

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.[268] However, the European Parliament voted five months later to an indefinite freeze on the ratification because of diplomatic friction, such as disagreements on human rights issues.[269] The Comprehensive Agreement on Investment (CAI) is significant for the future economic cooperation of China and the EU, as the key elements of CAI negotiation are market access, a level playing field, and state-to-state dispute resolution. It will bring more open market access, simplified procedures, a fairer competitive environment, no longer forced technology transfer, and a new level to China-EU economic cooperation. The critical issue of the stalemate of CAI is the issue of the legal agreement text. Therefore, this section aims to discuss mainly the motivation and effect of CAI from a political perspective.

The motivation and effect of CAI can be seen, to some extent, as the same thing, as it has not yet come into effect. One is that the EU asks for more 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

[267] 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

[268] 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

[269] 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

unilateralism and the "America First" policy, have prompted Europe to seek its path. Wnukowski et al. (2023) argue that the EU aims not to agree with its allies' viewpoints with a growing desire to strengthen its strategic autonomy. Therefore, it seeks to augment its influence on a unified transatlantic policy in China.[270] Liu (2021) argues that CAI has geopolitically diminished the unity of European and American collaboration. At the same time, Europe's strategic autonomy and operational capability are more significant variables.[271] Another is that the EU seeks to protect its investment market. Danzman and Meunier (2023) emphasise that the logic of promoting a "shift from economics to security" in addressing market concerns is particularly apparent in the European investment screening mechanism analysis.[272]

Given that the CAI negotiation is still a stalemate, literature analysis can not give a substantial dimension to research it. From a political perspective, whether CAI can be finally negotiated and implemented is a key factor affecting China-EU economic relations and the global order.

In summary, according to the latest *World Economic Outlook Update* published by IMF, the global economy is recovering slowly, the divergence and uncertainty among countries intensifies, and economic growth still faces multiple risks and challenges.[273] UN Trade and Development (UNCTAD) also points out that the global economy is in a new low-normal state, and international trade and trade policies have been changing the structures.[274] 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.

In this context, the economic relations between China and the EU are under

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[270] 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.
[271] 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. 24-31.
[272] 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.
Available at: https://doi.org/10.1111/1758-5899.13215
[273] International Monetary Fund (IMF) (2025) *World Economic Outlook Update - Global Growth: Divergent and Uncertain.*
[274] 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

increasing tension and uncertainty. The EU and China maintain substantial divergences on various issues, such as imbalance in bilateral trade and the economic security concerns of China's increasing investment in the EU. China-EU economic relations are expected to continue and further cooperate. Dealing with each other to find a solution and maintain an autonomous balance is a significant future study topic.

3.2. 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.

3.2.1. China's Increasing Presence with EU Cohesion

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.[275] At the same time, China is also

[275] EU 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)

increasing its presence in the EU through large-scale investments. The importance of convergence is mentioned again in the latest Commission's Cohesion Report.[276] 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 integration[277] and is the same 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.[278] 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 3.1.2., exerts economic and political 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 the national economy. According to the World Bank, China has about $3.6 trillion in foreign exchange reserves from 2010 to 2014.[279] Therefore, it

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[276] EU 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)

[277] 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

[278] 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/

[279] Data from the World Bank Group. Total reserves (includes gold, current US$) - China. Available at:

explains why China is capable of investing massively in the EU, which amounted to $6.12 billion, accounting for 7% of total flows and 87% of European flows in 2012.[280] 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.[281] 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."[282]

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.[283] It is one reason why the EU takes a long time to establish and process the EU investment screening framework. The increasing geopoliticization of investment has prevented member states from promptly shifting from an economic perspective to a security perspective.

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https://data.worldbank.org/indicator/FI.RES.TOTL.CD?locations=CN (Accessed: 14 November 2024)

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

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

[282] '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)

[283] 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. Available at: https://doi.org/10.1080/07036337.2014.885754

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.[284] For example, Greece, Croatia and Hungary vetoed an EU declaration critical of China's South China Sea practices in 2016.[285] Athens rejected a proposed EU submission to the UN Human Rights Council criticizing recent Chinese crackdowns in 2017, making it the first time the EU has failed to publish a UNHRC statement.[286] 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)[287] 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.[288] The scale of two-way investment between China and Central and Eastern European (CEE) countries is close to US$20 billion until 2023.[289]

Some policy-makers and analysts are concerned and argue that this form of

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[284] 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

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

[286] 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)

[287] 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)

[288] 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

[289] 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 trade cooperation*. [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.]

cooperation is a tactic to divide and rule the EU.[290][291][292] 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.[293] 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.[294] 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.[295] 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.[296]

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, and the steps keep going as there are ten potential countries,[297] such as Bosnia and Herzegovina,

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290 Gaspers, J. (2018) 'Divide and Rule', *Berlin Policy Journal,* 2 March. Available at: https://berlinpolicyjournal.com/divide-and-rule/ (Accessed: 10 June 2023)

291 Meunier, S. (2019) 'Chinese direct investment in Europe: Economic opportunities and political challenges,' in *Edward Elgar Publishing eBooks*. Available at: https://doi.org/10.4337/9781786435064.00012

292 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)

293 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

294 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

295 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.]

296 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”，但这恰是他们的手法.’]

297 Data from the EU’s official website. Available at: https://european-union.europa.eu/principles-countries-history/eu-enlargement_en (Accessed: 10 March 2025)

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.[298][299] 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.[300] In this regard, the logic of EU enlargement and China's increasing presence in the EU is similar because they both utilize 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 its policies' consistency. 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. However, the EU should accept this fact. The current challenge is addressing the EU's cohesion issue when facing China's massive investment.

3.2.2. Difficulties for Speaking with One Voice

The EU political system is distinctive and complex, characterized by

[298] 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

[299] 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/

[300] 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)

'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 specialized processes, such as voting.[301] 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.[302][303] However, Müller, Pomorska and Tonra (2021) indicate that member states are not always committed to collective action on all matters.[304] Consequently, the EU sometimes fails to develop an overall foreign policy with the cohesion and consistency typically associated with member states' national foreign policies.[305][306]

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,

[301] 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]

[302] *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)

[303] Van Schaik, L. (2016) *EU effectiveness and unity in multilateral negotiations: More than the Sum of its Parts?* Springer.

[304] 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. Available at: https://doi.org/10.1080/07036337.2021.1927015

[305] 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

[306] European External Action Service (EEAS) (2020) *When member states are divided, how do we ensure Europe is able to act?* Available at: https://www.eeas.europa.eu/eeas/when-member-states-are-divided-how-do-we-ensure-europe-able-act-0_en

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 EU integration facing four challenging incidents: the euro crisis, the migration crisis, Brexit and illiberalism.[307] 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.[308]

One significant line of contemporary post-functionalism advances the concept of the EU as a "multi-level governance" form beyond the notion of cooperation under anarchy in international relations.[309] 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 organization.[310] Because it gives a 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 collaboration, establishing a hierarchy with European

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307 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. Available at: https://doi.org/10.1080/13501763.2019.1569711

308 Ibid.

309 Hooghe, L. and Marks, G.W. (2001) *Multi-Level governance and European integration.* Available at: http://ci.nii.ac.jp/ncid/BA52249672

310 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. Available at: https://doi.org/10.1080/09692290.2016.1247009

political authority and presenting a prime example of the increasingly blurred nature of national boundaries as the definitive delineation of political power.[311] The expanding EU control has fostered heightened Euroscepticism, significant societal differences, and an overarching legitimacy dilemma for the EU.[312][313] 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 institutionalization deepening.[314] 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. However, Hutter, Grande and Kriesi (2016) indicate that public scepticism about the EU has also helped to advance European integration.[315]

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.[316] However, scholars generally agree on one thing: the politicization of European integration is driven by its increasing authority, which is indicated by the transformation from a traditional international organization to a more encompassing "political system."[317][318] German Chancellor Merkel mentioned the necessity for "a

311 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. Available at: https://doi.org/10.1111/jcms.12784
312 De Wilde, P. and Trenz, H.-J. (2012) 'Denouncing European integration,' *European Journal of Social Theory,* 15(4), pp. 537–554. Available at: https://doi.org/10.1177/1368431011432968
313 Hobolt, S.B. and De Vries, C.E. (2016) 'Public support for European integration,' *Annual Review of Political Science*, 19(1), pp. 413–432. Available at: https://doi.org/10.1146/annurev-polisci-042214-044157
314 Genschel, P. and Jachtenfuchs, M. (2013) *Beyond the regulatory polity?: the European integration of core state powers.* Available at: https://cadmus.eui.eu/handle/1814/34498
315 Hutter, S., Grande, E. and Kriesi, H. (2016) *Politicising Europe: Integration and Mass Politics.* Cambridge University Press.
316 Rosamond, B. (2000) *Theories of European Integration.* Palgrave MacMillan.
317 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. Available at: https://doi.org/10.1111/j.1468-5965.2011.02232.x
318 Grande, E. and Hutter, S. (2015) 'Beyond authority transfer: explaining the politicisation of Europe,' *West European Politics,* 39(1), pp. 23–43. Available at:

political union, something that was not done when the euro was launched" in a speech on February 7, 2012, at Berlin's Neues Museum.[319]

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 the 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.[320] 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.[321][322][323] 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

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https://doi.org/10.1080/01402382.2015.1081504

[319] 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)

[320] Fabbrini, S. (2013) 'Intergovernmentalism and its limits,' *Comparative Political Studies*, 46(9), pp. 1003–1029. Available at: https://doi.org/10.1177/0010414013489502

[321] 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. Available at: https://doi.org/10.1080/07036337.2011.606681

[322] 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. Available at: https://doi.org/10.1177/0047117813497306

[323] Van Schaik, L. (2013) 'EU Effectiveness and Unity in Multilateral Negotiations,' *Palgrave Macmillan UK eBooks.* Available at: https://doi.org/10.1057/9781137012555

economic recovery.[324] 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.[325][326] 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. Northern European political economy model is its openness to economic globalization, 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."[327] 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 EU's initiatives and statements seeking to hold China accountable—in 2016 on the South China Sea and in 2018 on human rights.[328]

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

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[324] 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. Available at: https://doi.org/10.1007/s10308-017-0499-9

[325] 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

[326] 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. Available at: https://doi.org/10.1007/s10308-017-0499-9

[327] Hopkin, J. (2004) 'Hard Choices, Mixed Incentives: Globalization, Structural Reform, and the Double Dilemma of European Socialist Parties,' unpublished manuscript. Available at: https://www.researchgate.net/publication/228838796_Hard_Choices_Mixed_Incentives_Globalization_Structural_Reform_and_the_Double_Dilemma_of_European_Socialist_Parties

[328] Rohac, D. (2021) *How Viktor Orbán Became China's Most Reliable European Ally.* https://www.aei.org/op-eds/how-viktor-orban-became-chinas-most-reliable-european-ally/ (Accessed: 06 November 2024)

strengths.[329] Furthermore, the European Commission announced the Common Security and Defence Policy (CSDP) as one of the top priorities and emphasized it again in the subsequent agendas.[330] The following set-up of the Geopolitical Commission in 2019 underpins the EU's role on the global stage.[331] 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.[332] 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. In the 2019 China-EU strategy outlook, the EU first positioned China as a cooperation partner, a negotiating partner, an economic competitor and a systematic rival promoting alternative models of governance.[333]

However, a multipolar world was never a context in which the EU would feel comfortable.[334] Caught in more turbulent and unfavourable external conditions such as the Sino-US trade war and the Russia-Ukraine war, the EU has no choice but to step

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[329] 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

[330] European Parliament (2018) *The Juncker Commission's ten priorities.* Available at: https://www.europarl.europa.eu/RegData/etudes/STUD/2018/625176/EPRS_STU(2018)625176_EN.pdf

[331] European Commission (2024) *Achievements of the von der Leyen Commission - Stronger Europe in the world.* Available at: https://ec.europa.eu/commission/presscorner/api/files/attachment/879951/6%20Stronger%20Europe%20in%20the%20world.pdf

[332] 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)

[333] European Commission (2019) *EU-China – A strategic outlook.* JOIN(2019) 5 final. Available at: https://commission.europa.eu/system/files/2019-03/communication-eu-china-a-strategic-outlook.pdf

[334] Babić, M., Dixon, A.D. and Liu, I.T. (2022) *The Political Economy of Geoeconomics: Europe in a Changing world.* Springer Nature.

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 seeking more autonomy.[335]

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 crises and Brexit. Because of the internal disharmony, which are the different economic requirements within the EU, the imbalanced development, and the fact that EU members find common interests and political demands difficult 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.[336] 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.

3.3. Assessment of China's influence within the EU: Country Cases

Hungary and Sweden represent two compact case studies illustrating China's geoeconomic and geopolitical influences on the EU through its growing economic strength and rise, showcasing two contrasting approaches to China. As EU

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[335] 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. Available at: https://doi.org/10.1007/s42533-022-00095-1

[336] 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. Available at: https://doi.org/10.1111/jcms.13106

member states, similarities bring them into the same union, but at the same time, they have many differences.

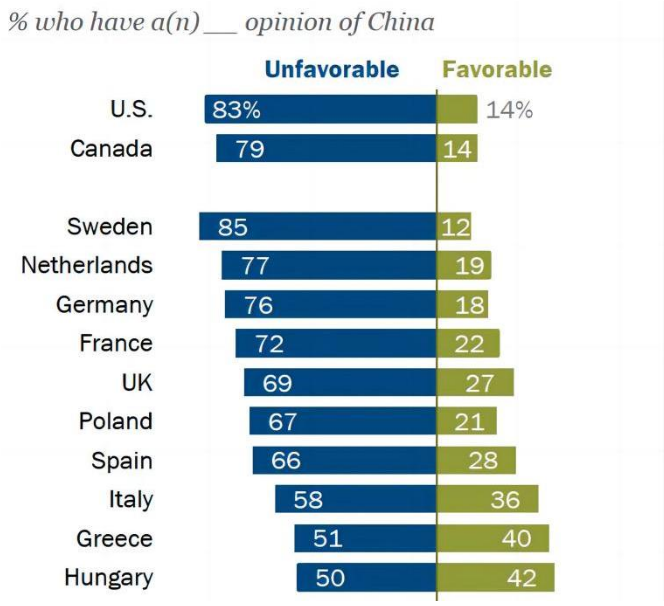
They share many respects in common. Sweden and Hungary are unitary, parliamentary, unicameral states with a single veto. They are both non-core EU countries, regardless of their geographical position or comparison to the discourse power of France and Germany in the EU. Moreover, they are significant forces in the sub-regional Europe, such as the 16+1 format (present 14+1 format) and Nordic countries. At the same time, they are two different capitalist economic models and export-oriented countries. Sweden is a highly competitive economy with a coordinated market based on innovation, while Hungary is a dependent market economy by the transfer of investment and technology of multinational corporations.

Furthermore, they represent two economic models and requirements within the EU - liberalism and protectionism - due to their different economic strengths. 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.[337] Besides, they experienced a different shift in the same historical incidents, such as the Second War and the Cold War. Sweden has kept its neutral country identity for about two centuries, while Hungary used to be a socialist country belonging to the Soviet Union and transitioned to a capitalist country belonging to the EU.

The rationale for comparing the two countries is their divergent strategies towards China and their different attitude towards the EU's China strategy. Moreover, whether the government's actions are consistent with the public opinion of the two countries is also different. In 2023, the Pew Research Center reported that 85 percent of the Swedish public held an unfavourable impression of China, while 50 percent of the Hungarian public shared the same sentiment, indicating elevated levels of disapproval (See Figure 16).

[337] 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)

Figure 16: China Seen Unfavorably in North America, Europe, and Asia but more favorably in Africa and Latin America, 2023



Source: Pew Research Center (2023)

This section mainly focuses on investigating and analyzing the economic exchanges such as trade and investment to answer the three primary questions: how attractive is China's economic cooperation? To what extent are the influences of bilateral relations with China under the sub-regional cooperation on the EU? Do the case countries' actions tend to be spontaneous, or are they influenced and persuaded by China's economic activities? Screening the literature to study the reasons for and impact factors of their difference is challenging because abandoning subjectivity completely in humanities and social sciences research is complex. It mainly refers to the domestic opinion of the public, scholars and politicians. Therefore, this paper attempts to analyze and study the official documents, policies, and literature of the two countries' media and academic researchers who study related topics without strong personal political preferences and opinions.

3.3.1. Hungary: The Spinning Peacock Strategy

In 2012, Viktor Orbán, Hungary's Prime Minister, described his foreign policy towards the EU as a "peacock dance" following the dance order of diplomacy.[338] Briefly, it is a balancing game that the movements include accepting and rejecting combining use to deal with the proposals from the EU. For example, say yes to some proposals to show friendship with the EU while rejecting two or three to protect Hungarian interests.[339] Aside from the EU, it can also be seen as the diplomatic strategy towards the U.S., China, and their competition. The Orbán government is very determined to safeguard national interests.[340] Therefore, the "peacock dance" is an eclectic strategy to achieve its short-term and long-term goals without offending any party to maximise benefits through cooperation.[341] This paper attempts to borrow the metaphor "the spinning peacock strategy" to describe the diplomatic strategy of the Orbán government to engage with the EU and China.

In the same year, the 16+1 format was established. The members include eleven EU countries and five Balkan countries which are Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, Slovakia, Slovenia, Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, and Serbia.[342] With the Greece joined in 2019, the 17+1 format developed. However, after the departure of Lithuania in 2021 and Estonia and Latvia in 2022,[343] the present is a 14+1 format.

Hungary has a significant strategic position in the Central and Eastern European

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338 Orbán: ellentmondtunk a csábításnak. Világgazdaság, 31 May 2012, Available at: https://www.vg.hu/vilaggazdasag-magyar-gazdasag/2012/05/orban-ellentmondtunk-a-csabitasnak (Accessed: 11 January 2025)

339 Éltető, A. and Szemlér, T. (2023) 'Hungary in the European Union – Cooperation, Peacock dance and autocracy,' *Comparative Southeast European Studies,* 71(3), pp. 272–299. Available at: https://doi.org/10.1515/soeu-2022-0051

340 Prime Minister's Office of the Hungarian Government. *Prime Minister Viktor Orbán's Speech at the Conference entitled 'National Interest in Focus',* 30 May 2013. Available at: https://2010-2014.kormany.hu/en/prime-minister-s-office/the-prime-ministers-speeches/prime-minister-viktor-orban-s-speech-at-the-conference-entitled-national-interest-in-focus (Accessed: 20 January 2025)

341 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.

342 Secretariat for Cooperation between China and Central and Eastern European Countries (2012) *About Us_Cooperation between China and Central and Eastern European Countries.* Available at: http://www.china-ceec.org/eng/jj/zyjz/202112/t20211228_10476286.htm (Accessed: 25 August 2024)

343 ERR News and ERR News, ERR (2022) 'Estonia, Latvia withdrawing from China's 16+1 cooperation format,' *ERR,* 12 August. Available at: https://news.err.ee/1608682231/estonia-latvia-withdrawing-from-china-s-16-1-cooperation-format (Accessed: 2 January 2025)

Countries (CEECs).[344] The significant geographical position as the inland hub for the Eurasian land route connects Austria, Germany, and the Balkan countries and further cargo trade transportation 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,[345] which account for approximately 14% of the EU's population and are represented by a total of 108 MEPs in the European Parliament.

However, the image of Hungary is getting complicated and criticized, especially by the EU, when it cooperates with China closely. Hungary is seen as the leading goat among the 14+1 format and a thornhead within the EU.[346] In 2022, the European Parliament declared in a report that Hungary systemically threatens the values on which the Union is founded.[347] The EU also criticizes the 14+1 format, arguing that it is a bilateral mechanism with high competition instead of a multilateral one.[348] At the same time, the Chinese government states that it is a cross-regional multilateral cooperation.[349] Jakóbowski (2018) asserts that the collaboration between CEECs and 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.[350]

Before the establishment of 14+1, the relationship between China and Hungary was not as close as it is today. Historically, the two sides established diplomatic relations

344 This abbreviation will be used uniformly below.

345 (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

346 EU Parliament (2024)*The Hungarian government threatens EU values, institutions, and funds, MEPs say | News | European Parliament,* 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)

347 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

348 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

349 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

350 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. Available at: https://doi.org/10.1080/10670564.2018.1458055

when China was founded in 1949 and developed economic and political exchanges. However, with the escalation of the Cold War and the disintegration of the Soviet Union, China's relations with Hungary and CEECs in general have become quite distant. The economic exchanges reflect the thawing of relations that commenced with the financial crisis but remain less frequent than China's connections with Western Europe. For example, in 2012, compared to the trade volume between China and the EU, the trade volume between China and CEECs was only approximately one-tenth of the latter. CEECs constitute an even smaller percentage of China's European investment.[351] Since 2012, China has frequent exchanges with CEECs, including Hungary. In 2017, China and Hungary established a Comprehensive Strategic Partnership. In 2024, the two sides established an All-Weather Comprehensive Strategic Partnership for the New Era. Hungary has the most significant investment in Central and Eastern Europe from China, and China is also Hungary's largest trading partner outside Europe.[352]

Therefore, what makes the situation change? Or why did the two sides choose to strengthen cooperation?

The first is the position of Hungary within the EU and its frustration towards the EU. The UK, Germany, and France used to be seen as the three primary forces driving the EU forward, while Brexit broke this balance. The different demands of Germany and France for the EU are long-term issues, including foreign and defence policies.[353][354] Compared with the three, Hungary is a relatively marginal country in terms of economic strength and geographical location, the same dilemma for the CEECs. Levy and Révé sz (2021) argue that the EU excessively highlighted non-compliance by Central and

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351 Ministry of Foreign Affairs of China (2013) *Li Keqiang Premier of the State Council of the People's Republic of China at Third China-Central and Eastern European Countries Economic and Trade Forum.* 28 November. Available at: https://www.fmprc.gov.cn/eng/wjb/zzjg_663340/dozys_664276/xwlb_664278/202406/t20240606_11391869.html (Accessed: 27 August 2024)

352 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

353 Alesina, A. and Perotti, R. (2004) 'The European Union: A politically incorrect view,' *The Journal of Economic Perspectives,* 18(4), pp. 27–48. Available at: https://doi.org/10.1257/0895330042632780

354 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). Available at: https://ecfr.eu/archive/page/-/the_big_engine_that_might_how_france_and_germany.pdf

Eastern European member states, thus strengthening the perception that these countries are regarded as second-class citizens within the EU.[355] 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 the tension and division between EU member states. Especially on the issue of immigration, Hungary and Poland are very determined to reject the EU quota.[356]

The second is Hungary's need for economic development and diplomatic goals. Hungary's economy is slowly recovering after the COVID-19 pandemic. However, inflation remains comparatively high (See Figure 17). Improving domestic consumption and employment rates are important reasons for the economic recovery. Meanwhile, Prime Minister Orbán's "opening to the East" policy[357] 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.[358]

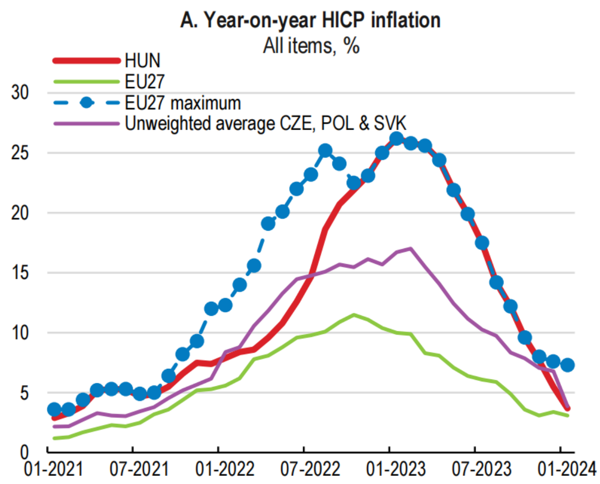
Figure 17: Headline Inflation in Hungary Has Declined But Remains High, 2021-2024

[355] 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. Available at: https://doi.org/10.1007/s11366-021-09769-w

[356] 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)

[357] 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)

[358] 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. [中国人民政府（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



Source: Eurostat Database on Harmonised Indices of Consumer Prices (HICP), OECD Database on Consumer Price Indices.

Hungary became the largest Chinese investment EU member recipient in 2024 (See Figure 18). China's FDI constitution has transitioned from mergers and acquisitions to greenfield investment, and the share increased to 78% in 2023.[359] The greenfield investment concentrates 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.[360] Moreover, in 2023, the Chinese automotive manufacturing enterprise - BYD announced the construction of a new energy vehicle production base in Szeged, Hungary.[361]

Figure 18: Geographical Distribution of Completed Chinese FDI in the EU (% of total)

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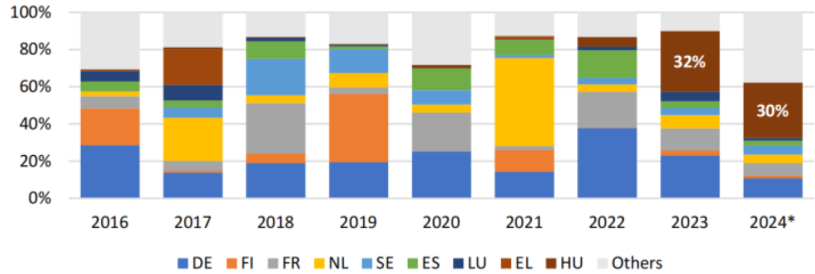
[359] Agatha, K. Max, J. Z. Alexander, B. Gregor S. and Armand M. (2024) *Dwindling investments become more concentrated - Chinese FDI in Europe: 2023 Update*. Rhodium Group and the Mercator Institute for China Studies (MERICS). Berlin. Available at: https://merics.org/sites/default/files/2024-08/merics-rhodium-group-chinese-fdi-in-europe-2023.pdf

[360] 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)

[361] '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)



Source: Rhodium and Merics (2023)

The last is the increasingly complicated and turbulent international situation and the geopolitical risks of Hungary's unique geographical location. The era of a universally favourable economic liberalisation perspective has ended to some extent.[362] The Brexit and the nomination of U.S. President Donald Trump in 2016 signalled the conclusion of an era. Trump's rejection of globalisation and emphasis on "America First" especially established a new tone. Furthermore, in 2019, Secretary of State Mike Pompeo visited Hungary and expressed concern about China's growing presence, particularly the expansion of Huawei Technologies.[363] 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.[364]

In addition, Hungary is bordered by Ukraine to the northeast. The geographical proximity has further intensified the conflict between Hungary and the European Union, as Hungary rejected the EU's proposal to permit the transit of weapons through its territory to assist Ukraine, arguing that this only escalated the situation.[365] While Hungary, at the same time, supports Ukraine's EU Membership through the National

[362] Patrik Andersson and Frida Lindberg (2024) *National Perspectives on Europe's De-risking from China.* European Think-tank Network on China (ETNC).
[363] Reuters (2019) 'Pompeo trip marks U.S. re-engagement with long-overlooked central Europe', 11 February. Available at: https://www.reuters.com/article/world/pompeo-trip-marks-u-s-re-engagement-with-long-overlooked-central-europe-idUSL5N2050DG/ (Accessed: 12 March 2025)
[364] 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.
[365] 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)

Referendum and has taken in almost 800,000 Ukrainian refugees.[366] This indicates that Hungary's behaviour is in accordance with its statement that it safeguards national interests first. However, both the EU and the U.S. can not buy into this behaviour of having a cake and eating it of Hungary. Furthermore, the Hungarian government claimed that the United States directly endorsed the opposition and meddled in internal affairs in 2022.[367] In 2024, an inquiry by the Hungarian National Audit Office determined that it was unlawful for the opposition to receive funds.[368] The increasingly complicated and turbulent international situation and the geopolitical risks are significant external factors that drive Hungary to cooperate closer with China.

Nevertheless, Matura (2018) notes that 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.[369] This argument leads to other questions: Are the actions of the Orbán government more spontaneous or influenced by China? To what extent is China's influence on Hungary? For example, is it far-reaching enough to affect Hungary's decision-making?

To answer these questions, putting Hungary in the framework of 14+1 is essential because the relationship between 14+1 and China can be seen as a microcosm and comparison of the relationship between Hungary and China to exemplify whether economic cooperation with China has promoted economic growth in CEECs, including Hungary and influence their decision-making. Considering its combined political and economic factors, Hungary is a leading goat and "pivot country" in CEECs.[370]

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366 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)

367 *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

368 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 jelölő szervezetnél.*] Available at: https://www.asz.hu/dokumentumok/23027.pdf

369 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.

370 Song, L. and Pavlićević, 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.

Secondly, Criticisms that China is attempting to "divide and rule" the EU through economic influence.[371][372] This article verifies this assertion by examining Hungary, the EU member with whom China presently maintains the most close relationships.

First, a certain correlation exists between the quality of bilateral political relations and Chinese investment. Hungary is the top country that receives most of China's investment in 2024.[373] China's direct investment in Hungary reached US$8.12 billion in 2023, constituting 58 percent of Hungary's total foreign direct investment, underscoring the effectiveness of Hungary's investment promotion strategy.[374] Compared with China's investment in Poland, according to MERICS (a German think tank), only EUR 200 million from 2020 to 2022 is at a comparatively lower level.[375] Polish-Chinese relations have been influenced by the conflict initiated by Russia against Ukraine, resulting in heightened negative impressions of Chinese policies in Poland.[376] Compared with China's investment in the Czech Republic, China's direct investment flow into the Czech Republic amounted to around US$13.02 million in 2022, also at a lower level.[377] For the Czech Republic, one reason is the same concern as Poland's of China's policy towards the Russo-Ukrainian War. Another is China's reclaim, which states that the Czech Republic should respect China's core interest - the One-China policy, as Prague pursues closer relations with Taiwan.[378]

277–302. Available at: https://doi.org/10.1007/s41111-019-00127-z

371 Lau, S. and 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)

372 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. Available at: https://doi.org/10.1080/09668136.2019.1648764

373 Belt and Road Portal (2025) 'China tops investments in Hungary as Asia leads 2024 FDI', 10 January. Available at: https://eng.yidaiyilu.gov.cn/p/03SQK62V.html (Accessed: 6 March 2025)

374 Ibid.

375 MERICS (2023) *Country profile: Poland.* Available at: https://merics.org/en/country-profile-poland

376 Konrad Rajca (2024) *Poland external relations briefing: The state and prospect of Polish-Chinese relations.* China-CEE Institute. Available at: https://china-cee.eu/wp-content/uploads/2024/03/2024er01_Poland.pdf

377 China Briefing (2025) *Unlocking Growth: China-Czech Republic Investment and Trade Opportunities.* Available at: https://www.china-briefing.com/news/china-czech-republish-trade-investment-opportunities/

378 Xinhua (2025) 'China open to good ties with Czech Republic provided core interests respected: FM', *Global Times,* 16 February. Available at: https://www.globaltimes.cn/page/202502/1328502.shtml (Accessed: 22 February 2025)

As for the trade, the relationship between the robustness of political correlation and commerce volume is weak. Trade between China and Hungary has increased more than fourfold during the last decade, from €3.024 billion in 2014 to US$14.52 billion in 2023.[379] However, the trade deficit, similar to those of other member states, has escalated to €7.732 billion in 2023, while it does not imply that the Hungarian economy has not benefited from the substantial rise in Chinese imports.[380] Interestingly, both the bilateral trade goods between China and the Czech Republic or Poland are higher than those between Hungary and China. According to Chinese customs data, the bilateral goods trade between China and the Czech Republic reached US$23.228 billion in 2024.[381] The bilateral goods trade between China and Poland reached US$42 billion in 2023.[382] The import and export trade products are similar: high-value-added machinery and electrical and electronic equipment, except for nuclear reactors.[383]

The statistics of investment and trade between China and Hungary, the Czech Republic and Poland exemplify the argument: a certain correlation exists between the quality of bilateral political relations and Chinese investment. In contrast, the relationship between the robustness of political correlation and commerce volume is weak. Hungary, the Czech Republic and Poland are the leading forces in the 14+1 format. However, the Czech Republic and Poland claim their disappointment with the cooperation regarding 14+1 as the growing trade deficit and economic effect are not

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[379] China Economic Information Service (2024) *New Horizons of BRI in New Era: China-Hungary Investment and Cooperation report.* Available at: https://www.yidaiyilu.gov.cn/a/icmp/2024/05/03/20240503198280547/6f12078edda04ec391517e2408a6bf70.pdf

[380] Hungarian Institute of International Affairs (HIIA) (2024) *Hungary and China – a multidimensional relationship.* Available at: https://hiia.hu/wp-content/uploads/2024/05/0508_Hungary-and-China_v3.pdf

[381] General Administration of Customs of China. *Coverage of Major Imports & Exports, 2019-2024.* Available at: http://english.customs.gov.cn/Statistics/Statistics?ColumnId=6&page=1 (Accessed: 17 March 2025)

[382] China Briefing (2024) *China-Poland Bilateral Relations: Trade and Investment.* Available at: https://www.china-briefing.com/news/china-poland-bilateral-relations-trade-and-investment/

[383] Comparison of the reports: *China-Hungary Bilateral Relations: Trade and Investment Outlook (2024), Unlocking Growth: China-Czech Republic Investment and Trade Opportunities (2025), China-Poland Bilateral Relations: Trade and Investment (2024)* from the China Briefing.

outstanding.[384][385] Moreover, China is frustrated with the closer ties of the Czech Republic and Poland with Taiwan, emphasising the significance of the One-China policy.[386][387] Despite this, Poland and the Czech Republic have not withdrawn from the 14+1 format, and trade between China and Poland and the Czech Republic is still promising.

Second, Hungary is distinctive in the 14+1 framework and within the EU. Prime Minister Viktor Orbán is the only EU member state leader attending the third Belt and Road Forum for International Cooperation in 2023.[388] 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."[389] 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 because of environmental concerns.[390]

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[384] Turcsányi, A.B. and R.Q. (2019) 'Behind the Huawei backlash in Poland and the Czech Republic,' *The Diplomat,* 9 February. Available at: https://thediplomat.com/2019/02/behind-the-huawei-backlash-in-poland-and-the-czech-republic/ (Accessed: 16 September 2024)

[385] Gosling, T. (2022) 'Czech Republic eyes exit from China's 16+1 investment club,' *Al Jazeera,* 8 June. Available at: https://www.aljazeera.com/features/2022/6/8/czech-republic-eyes-exit-from-chinas-161-investment-club (Accessed: 16 September 2024)

[386] Reuters (2023) 'China accuses Poland of meddling in its affairs after PM's Taiwan comments', 14 April. Available at: https://www.reuters.com/world/china-accuses-poland-meddling-its-affairs-after-pms-taiwan-comments-2023-04-14/ (Accessed: 28 September 2024)

[387] China Daily (2024) 'China calls for Czech Republic to honor its pledges', 20 March. Available at: https://www.chinadaily.com.cn/a/202403/20/WS65fa355ea31082fc043bd9e6.html

[388] *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

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

[390] 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-

Apart from the economic attractiveness of China's investment and trade, especially the investment. Form the political perspective, Matura (2023) interprets that Hungary's closer operation with China is Orbán's hedging approach in the "grand chess game with the West", especially the EU and the U.S.[391] Considering the unique geopolitical position of Hungary within the EU, this approach could give it an advantage in negotiations with the EU. However, Mr 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.[392][393] Eric (2023) indicates that Mr Orbán's judgement of the West is potentially based on frustration with the EU, which may further exacerbate tensions between the two sides.[394]

The challenges CEECs face are similar. As Jakóbowski (2018) argues, the critics point out that the "power asymmetry" in the cooperation with the 16+1 plan becomes explicit.[395] One critical reason is the initial 16+1 format in which China did not consult with the CEECs.[396] Iulia Monica (2018) concludes that although there is a big gap between actual results and expectations, CEECs still do not leave this initiative for the following reasons: to diversify export markets and investment sources to make the domestic economy more stable and dynamic, to strengthen their negotiating power within the EU and to balance the regional influence of Germany and Russia in Central and Eastern Europe.[397] However, unlike the other CEECs EU countries, Ilona and

catls-plant-in-debrecen-incl-co-comment/ (Accessed: 12 January 2025)

391 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). Available at: https://merics.org/sites/default/files/2023-08/ETNC_Report_2023_final.pdf

392 Cabinet Office of the Prime Minister (2018) 'Prime Minister Viktor Orbán speaks about building Eurasia', 10 November. Available at: https://2015-2022.miniszterelnok.hu/prime-minister-viktor-orban-speaks-about-building-eurasia/

393 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)

394 Eric Hendriks (2023) 'Why was Orbán the only Western leader in Beijing?', Danube Institute. Available at: https://danubeinstitute.hu/en/media-appearances/why-was-orban-the-only-western-leader-in-beijing

395 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. Available at: https://doi.org/10.1080/10670564.2018.1458055

396 Justyna Szczudlik (2019) 'Seven Years of The 16+1: An Assessment of China's 'Multilateral Bilateralism' in Central Europe,' Asie. Visions, No. 107, *IFRI, Center for Asian Studies*. Available at: https://www.ifri.org/sites/default/files/migrated_files/documents/atoms/files/szczudlik_161_2019.pdf

397 Iulia Monica, Oehler-Șincai (2018) '16+1, a New Issue in China-EU Relations?,' *Working paper*

Paulina (2024) point out that the limitation of Chinese-Hungarian cooperation is apparent, as the position of Hungary within the EU is more criticised and undermines its relations with the EU.[398]

Last, China is unable to use its stable relations to reverse the trends that the EU is taking more checks and balances on China, such as the de-risking policy. However, China consistently states that the cooperation between China and the 14+1 is a supplement to the China-EU relations. 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 2018 on human rights.[399] A commonality of these events from China's side is its national interest, including the "One China" policy and national sovereignty. For example, China asserted that the South China Sea is a territorial sovereignty dispute that should be resolved between China and the claimant nations, urging the EU to maintain neutrality.[400] Furthermore, no substantial data or academic case study supports the idea that China deliberately lobbied Hungary against the EU. Given that the "opening to the East" policy and the judgement of the Orbán government, the West is in relative decline in the emerging multipolar order, Hungary's diplomatic behaviour tends to be spontaneous.

Overall, Sino-Hungarian relations are a distinctive type of bilateral relationship under China-EU relations. On the one hand, the economic attractiveness of investment and trade in China is the foundation of closer cooperation between China and Hungary. On the other hand, it is different from other EU members after the EU positioned China as a significant global actor, a cooperation partner in different areas, an economic

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series of the China-CEE Institute Budapest. pp. 1-11. Available at: https://mpra.ub.uni-muenchen.de/88003/1/MPRA_paper_88003.pdf

[398] Ilona Gizińska and Paulina Uznańska (2024) 'China's European bridgehead. Hungary's dangerous relationship with Beijing', *Ośrodek Studiów Wschodnich.* Available at: https://www.osw.waw.pl/sites/default/files/OSW_Commentary_590.pdf

[399] Rohac, D. (2021) *How Viktor Orbán Became China's Most Reliable European Ally.* https://www.aei.org/op-eds/how-viktor-orban-became-chinas-most-reliable-european-ally/ (Accessed: 06 November 2024)

[400] Ministry of Foreign Affairs of China (2016) *China Adheres to the Position of Settling Through Negotiation the Relevant Disputes Between China and the Philippines in the South China Sea.* 13 July. Available at: https://www.mfa.gov.cn/eng/wjb/zzjg_663340/bianhaisi_eng_665278/plpbo/202405/t20240530_11324665.html (Accessed: 26 August 2024)

competitor, and a systematic rival in global governance and established the Geopolitical Commission in 2019 because of the geoeconomic and geopolitical security, Hungary still insists on maintaining closer relations with China.

However, no substantial data or academic case study supports the idea that China deliberately lobbied Hungary against the EU and the argument of "divide and rule" EU. The "opening to the East" policy and the judgement that the West is in relative decline in the emerging multipolar order proposed by the Orbán government is crucial in Hungary's decision-making. Hungary's diplomatic behaviour tends to be spontaneous. The consequence of Hungary's maverick action, though, is challenging for the future of China-EU relations. How Hungary maintains a balance between its national interests and the EU's cohesion is a big problem for the quality of its relations with the EU. In this situation, multilateral cooperation between China and the EU will be more challenging and complicated as China states that 14+1 is a multilateral cooperation and a significant supplement for strengthening China-EU relations.

3.3.2. Sweden: A Shift against Neutrality

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, the bilateral trade volume attained US$18.89 billion, reflecting a year-on-year growth of 0.2%.[401] Moreover, two-way investment operations continue to be vigorous, especially in the automotive and technology sectors. By 2019, Chinese (including Hong Kong) companies have acquired majority stakes in 51 companies in Sweden.[402] Chinese automotive manufacturing enterprise Geely acquired Swedish truck maker Volvo Group for about US$1.8 billion, becoming the largest shareholder of Volvo Group.[403] It was one of the most significant acquisitions

[401] 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)

[402] Jerker Hellström, Oscar Almén and Johan Englund (2019) *Chinese corporate acquisitions in Sweden: A survey.* Swedish Defence Research Agency.

[403] Zhejiang Geely Holding Group (2017) 'Geely Holding Acquires Strategic Stake in AB Volvo from

by a Chinese company in Europe in 2018.

However, relations between the two countries have deteriorated since 2017 because of the diplomatic conflict and lack of communication between China and Sweden,[404][405] including China's Foreign Ministry, which condemned Swedish TV for broadcasting a program insulting China.[406] After this situation continued for some time, the relationship between China and Sweden stabilized 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.[407]

The EU's 2016 Strategy on China, 2019 'EU-China – A strategic outlook' and 2024 de-risking strategy on China profoundly influences the Swedish strategy towards China. Sweden finally adopted the Screening of Foreign Direct Investments Act in 2023, after consistent arguing in Sweden around its history of free trade and investments since 1991, marking that Sweden is moving away from an open economy and towards a safety-oriented economic policy.[408] Furthermore, Sweden joined NATO in 2024, completely departing from its neutral country identity for two centuries.[409] Coincidentally, Hungary was the last member to approve Sweden's NATO bid after an 18-month delay.[410] The direct drivers are the Russo-Ukrainian War and the neighbour

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Cevian Capital', 27 December. Available at: https://zgh.com/media-center/news/20171227_1/?lang=en (Accessed: 12 March 2025)

[404] 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

[405] 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

[406] 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

[407] Ministry for Foreign Affairs of Sweden (2019) *Approach to matters relating to China.* Available at: https://www.government.se/contentassets/e597d50630fa4eaba140d28fb252c29f/government-communication-approach-to-matters-relating-to-china.pdf

[408] 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)

[409] Government Offices of Sweden. *Sweden in NATO.* Available at: https://www.government.se/government-policy/sweden-in-nato/

[410] NATO's Act (2024) *Hungarian Parliament Approves Sweden's NATO Bid.* Available at:

Finland joined NATO in 2023. The fundamental reasons for Sweden's shift are supply chain challenges caused by the Russia-Ukraine war, also known as the influences of the changing geo-economic landscape on the small and medium-sized economies,[411] and the increasing security concerns from the EU facing the influence of China's rising towards the international order.[412]

The changes in the global security framework have compelled Sweden to establish an accord with the European Commission regarding economic and security relations with China.[413] In 2023, the Swedish Security Service (Säkerhetspolisen) positioned China as "a long-term and growing threat", referring to China's acquisitions in Sweden undermining national interests.[414] A typical example is Sweden's ban on Huawei and its products from a 2020 public procurement bid for national security reasons.[415] Therefore, unlike Hungary, Sweden's actions tend to the public opinion (See Figure 19) and the EU's policy towards China. Despite the Swedish government's emphasis on economic cooperation with China, Sweden's economic model determines that it can diversify overseas markets and reduce dependence on and impact 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.[416] In the IMD World Competitiveness Ranking 2024, Sweden came sixth.[417]

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https://www.act.nato.int/article/hungarian-parliament-approves-sweden-nato-bid/

[411] Helena Löfgren (2024) *Sweden: A difficult balancing act between openness and de-risking.* In the repprt: *National Perspectives on Europe's De-risking from China.* European Think-tank Network on China (ETNC).

[412] Ministry for Foreign Affairs of Sweden (2019) *Approach to matters relating to China.* Available at: https://www.government.se/contentassets/e597d50630fa4eaba140d28fb252c29f/government-communication-approach-to-matters-relating-to-china.pdf

[413] Helena Löfgren (2024) *Sweden: A difficult balancing act between openness and de-risking.* In the repprt: *National Perspectives on Europe's De-risking from China.* European Think-tank Network on China (ETNC).

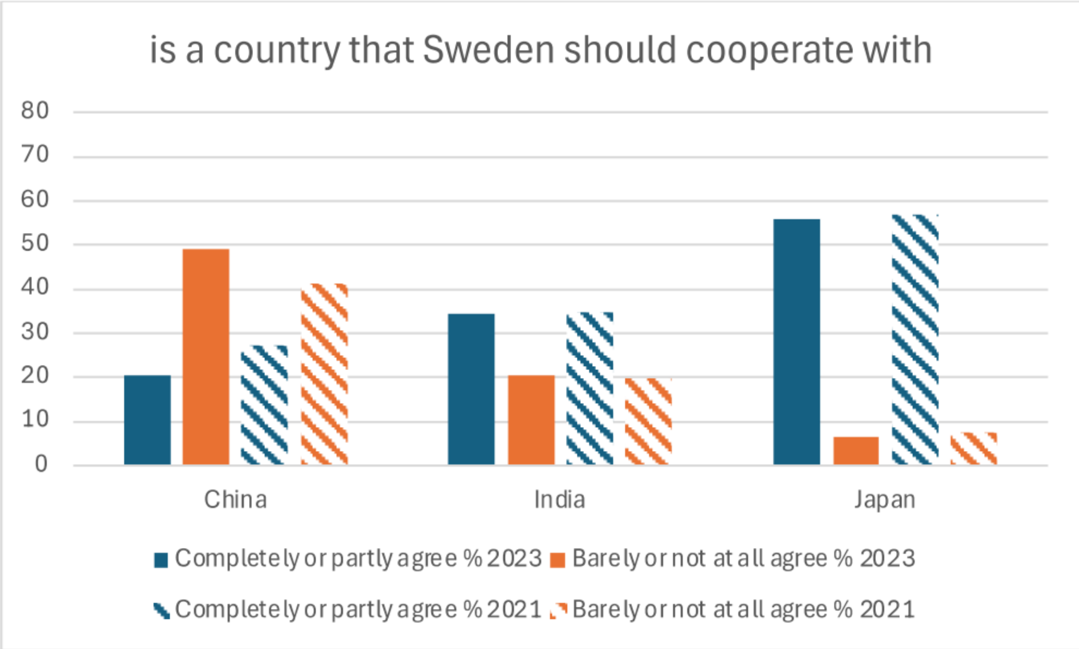
[414] Swedish Security Service (2023) *2022–2023 situational assessment report.* Available at: https://sakerhetspolisen.se/download/18.3222e1b7187a064b07057/1682587027358/SP_A%CC%8Arsbok_2022_Eng_Accessible.pdf

[415] Hofverberg, Elin (2022) Sweden: Prohibition on Huawei Products in Swedish 5G Network Upheld. 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/

[416] Farkas, B. (2016) Models of capitalism in the European Union: Post-crisis Perspectives. *Palgrave Macmillan UK eBooks.* Available at: https://doi.org/10.1057/978-1-137-60057-8

[417] 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)

Figure 19: Swedish Policy towards Asia, 2024.



Source: Asian Barometer 2024: Trends in Swedish views of China, India, and Japan[418]

In this regard, the attractiveness of China's investment and trade exchanges is less than Sweden's security concern and alignment with the EU. Sweden and Hungary are two countries at the forefront of the electric vehicle battery industry in the EU and are the world's largest battery producers.[419] 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.[420] The fact is that China has an irreplaceable and unparalleled advantage in this industry - low production costs, high output quality, a vast market for industrial products and a dominant position in the supply chain - which means collaboration with China in the electric vehicle battery industry is essential. One

418 Swedish Institute of International Affairs (2024) *Asian Barometer 2024: Trends in Swedish views of China, India, and Japan.* Available at: https://www.ui.se/globalassets/ui.se-eng/publications/ui-publications/2024/ui-report-no.1-2024.pdf

419 Győrffy, 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

420 China Briefing. *China's Electric Vehicle Supply Chain and Its Future Prospects.* Available at: https://www.china-briefing.com/doing-business-guide/china/sector-insights/china-s-electric-vehicle-supply-chain-and-its-future-prospects

significant reason for Hungary to receive the Chinese investment is to build a battery plant in Debrecen. In addition, Győrffy (2024) argues that research and development (R&D) is crucial in developing the electric vehicle battery industry, compared to Hungary's innovation, which is mainly dependent on transfer by multinational corporations, Sweden has a high innovative competition.[421]

Sweden, however, has been indifferent to the EU's imposition of tariffs on Chinese imported pure electric vehicles (BEVs) regarding the anti-subsidy investigation into imports.[422] 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."[423] Moreover, under the Stockholm China Forum in 2023, Mr. Ulf Kristersson reclaims that the balance between de-risking and the principles of free trade and open, competitive economies is not easy, and "China is an integrated part of the global economy and an indispensable part of the solution to many global problems."[424] It can be seen that Sweden's liberal economic model is struggling to integrate into the EU's de-risking strategy.

China is unsurprised that Sweden stands with the EU and aligns with NATO. As Lisa Zhang (2024) points out that China viewed Sweden as a member of NATO before joining, and there was a minimal short-term effect on China-Swedish bilateral relations.[425] 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.[426]

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[421] Győrffy, 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

[422] 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 (Accessed: 25 December 2024)

[423] 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)

[424] 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/

[425] Lisa Zhang (2024) *New developments in NATO:China relations and their potential impact on Sweden's future relations with China.* Swedish National China Centre.

[426] Ibid.

Simons, Manoylo and Trunov (2019) argue that Sweden joined NATO is a strategic realist response to great power politics, especially Russia.[427] It aligns with the argument of Michalski, Brommesson and Ekengren (2024): Sweden has transitioned from its historically independent foreign policy to a closer integration within the Western alliance due to more complicated and unpredictable geopolitical circumstances.[428]

Another comparison is the framework of sub-regional cooperation with China, the 14+1 format (original 16+1 format) and the potential China-Nordic sub-region 5+1 model, the two similar dialogue mechanisms, but the former established in 2012 while the latter remains on hold. Similar to the CEECs, China and the Nordic countries exhibit economic and trade complementarity, characterized by China's extensive domestic market and Northern Europe's advanced innovative economy, alongside the potential for enhanced collaboration in global governance, particularly regarding Arctic matters and climate issues.[429] China further proposed establishing the China-Nordic "5+1" dialogue mechanism in 2016, corresponding to the Nordic Ministerial Meeting and decided to explore ways to expand the Nordic sub-region's relations with China.[430]

The EU's concern about the "divide and rule" of this forum, given the example of 16+1, constitutes one of the major impediments to the launch. Another is the divergent political approaches towards China within the Nordic countries.[431] For example, in dealing with China, Sweden tends to focus on combining the EU with its policies towards China, while Finland is more proactive in cooperating with China on trade and

[427] 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. Available at: https://doi.org/10.1080/23340460.2019.1681014

[428] 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. Available at: https://doi.org/10.1093/ia/iiad244

[429] Ding Chun, Xu Haodong and Jiang Diwen (2020) 'Analysis of the potential and deepening path of economic and trade cooperation between China and Nordic countries under "The Belt and Road Initiative",' *Deutschland -Studien,* 2(35), pp. 52-58. In Chinese. [丁纯，徐浩栋，蒋帝文．“一带一路”背景下中国与北欧国家经贸合作潜力及深化路径分析 (2016).《德国研究》．同济大学德国问题研究所.]

[430] Nordic Cooperation (2016) 'Investigation into increased co-operation between China and the Nordic Council of Ministers', 4 February. Available at: https://www.norden.org/en/news/investigation-increased-co-operation-between-china-and-nordic-council-ministers

[431] Sverdrup-Thygeson, B., Lindgren, W.Y. and Lanteigne, M. (2018) *China and Nordic diplomacy.* Taylor & Francis Group.

investment.[432] Ulf and Marc indicate that the key to promoting sub-regional cooperation is balancing the potential ‘5+1’ mechanism so as not to conflict with the obligations of EU member states and maximize the integration of Nordic interests.[433] The 6th China-Nordic Economic and Trade Cooperation Forum in 2024 might be pivotal to further developing sub-regional cooperation.[434]

Overall, Sweden has adopted a policy towards China that is opposite that of Hungary. From an economic perspective, the attractiveness of China’s investment and trade exchanges is less than a national security concern for Sweden. Moreover, Sweden is less dependent on foreign investment than the Hungarian economic model. Although they are both export-oriented economies, Sweden is a highly competitive and innovative economy. The advanced economic model gives Sweden an advantage in a diverse global market to reduce the dependence risk, which is accordant with the EU’s de-risking strategy. From a political perspective, the attitude, evaluation and strategy of the EU and U.S. towards China influenced Sweden’s strategy towards China profoundly. 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.[435] Compared to Hungary’s hospitality with China and friction with the EU, Sweden is in a relatively calm situation with China and, in the opposite way, with the EU. In the long term, China-Sweden relations are not optimistic, as the future of the EU, NATO, and Russian movements is unpredictable and challenging.

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432 Global Times (2023) 'Finland optimistic about Chinese market, willing to strengthen cooperation with China: report', 8 June. Available at: https://www.ciie.org/zbh/en/news/exhibition/focus/20230608/37802.html (Accessed: 23 March 2025)

433 Ulf Sverdrup and Marc Lanteigne (2018) 'Sino-Nordic sub-regional diplomacy and the ‘5+1’ model', in *China and Nordic diplomacy.* Taylor & Francis Group.

434 Department of Commerce of Hubei Province (2024) 'The Ministry of Commerce held a special press conference on the 2024 China-Nordic Economic and Trade Cooperation Forum', 15 October. Available at: https://swt.hubei.gov.cn/stdt/dtyw/202410/t20241015_5373019.shtml (Accessed: 25 March 2025)

435 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. Available at: https://doi.org/10.1007/s12140-023-09397-6

3.4. Conclusion

China’s rise and deeper engagement in globalization has a knock-on effect on China-EU relations, especially in economic relations. 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. Moreover, 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 under increasing tension and uncertainty. At the same time, the complex nature of the EU political system and its integration process undermines the EU’s cohesion and affects its policies’ consistency because of the difficulty of speaking as one voice when EU members face the strategy towards China regarding economic cooperation.

In this context, the argument of “divide and rule” the EU of China is rising and spreading. However, there is no substantial data or material to support this argument. After comparing the two country cases of Hungary and Sweden, the conclusion is that the geoeconomic and geopolitical influences of the closer economic cooperation between China and EU members on the EU are limited and not as effective as generally expected. Because the member’s actions are spontaneous based on their national interests and security. Moreover, no substantial evidence exists of China lobbying the EU members against the EU. From China’s side, the prerequisite for building balanced and constructive China-EU relations is to respect the “One China” policy and national sovereignty. In addition, the downside of deepening China’s economic presence in the EU may exacerbate the EU’s anxiety, which could undermine China's diplomatic priorities.

Chapter 4. Assessment of China-EU Relations

Since the outbreak of the international financial crisis, global governance and the promotion of common interests have been hindered by protectionism and unilateralism, and countries represented by the United States have begun to prioritize short-term interests. The previous two chapters explored and analyzed China's Belt and Road Initiative and the challenges within the European Union from an internal perspective. The fourth chapter explores China's rise from the perspective of the external environment of the international pattern, the EU's pursuit of strategic autonomy, 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 always suffered from economic imbalances, which 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, converting external instability challenges into internal governance coordination issues.

To some extent, the Belt and Road Initiative threatens the EU's presence in Eurasia. It undermines the engagement of the EU in the market as many countries, including individual EU members, signed a bilateral investment agreement with China. The favourable and simpler policies of market access and investment are a powerful economic instrument these countries use to attract Chinese investment, which also considerably harms the EU's economic influence on Eurasia and internal unity. The insufficient influence of the EU's economy constrains its geopolitical power.

4.1. The 2008 Financial Crisis: A Surprising Stepping Stone to Deepen 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, it makes Europe has to accept substantial influx of investment to stable the market and recover economy, China's investment accounts for a considerably large proportion especially in the mergers and acquisitions, and the purchases of the southern European nations' bonds, both characterized 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 the knock-on effects 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.[436] 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.[437]

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 states experiencing a "politics without policy" and increasing political discontent, polarization, and Euroscepticism.[438] 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.[439]

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.[440] 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%).[441] However, as Zhang Jun (2019)

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436 Data from the Eurostat. Available at: https://ec.europa.eu/eurostat/en/web/products-statistical-books/-/ch_spotlight_2010 (Accessed: 28 February 2025)

437 European Parliament (2019) *A decade on from the crisis: Main responses and remaining challenges.* Available at: https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI(2019)642253

438 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

439 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/

440 Tselichtchev, I. (2012) *China versus the West: The Global Power Shift of the 21st Century.* Wiley.

441 HU Qiu-guang LI Hong-ying (2010) 'Empirical Analysis on Influence of Financial Crisis to Trade

points out, China has promptly changed its economic growth strategy, shifting the focus of economic development away from its continued export expansion strategy,[442] which minimises the impact of financial crisis.

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.[443] 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.[444]

This article 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.[445] 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.[446] While the crisis prolonged its impact on the EU, with the general economy not stabilizing until 2017.[447]

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of China,' *Journal of International Trade*, 3, pp. 3-11. In Chinese. [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] Available at: http://niis.cssn.cn/webpic/web/niis/upload/2012/12/d20121207180350199.pdf

442 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. [视点|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.]

443 Data from the Ministry of Commerce of China of 2010. In Chinese. Available at: https://www.gov.cn/jrzg/2010-03/28/content_1566773.htm (Accessed: 10 March 2025)

444 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', 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.]

445 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

446 Reporter, G.S. (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

447 European Parliament (2019) *A decade on from the crisis: Main responses and remaining*

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 global rise.[448] 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.[449] 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 the 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.[450] 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.[451] Chinese scholars attribute this, based on the Marxist political economy,

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challenges. Available at: https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI(2019)642253

[448] 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. Available at: https://doi.org/10.1177/00471178221082871

[449] Ishmael, L. (2022) 'Soft Power & Global Ambition: The Case of China's Growing Reach in Europe', Beyond the Horizon International Strategic Studies Group (BtH). Available at: https://behorizon.org/soft-power-global-ambition-the-case-of-chinas-growing-reach-in-europe/#

[450] 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.]

[451] 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. Available at: https://doi.org/10.1017/cbo9781316563243.011

mainly to the credibility of the narrative of Western capitalism, which is gradually declining with capitalism's cyclical crisis outbreak.[452][453][454] Furthermore, the tendency of international political multipolarity is bolstered by global economic diversity and the relative shrinking of US hegemony.[455][456][457]

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 significantly been 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.[458] 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

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452 Agnoletto, S. (2013) 'Periodic crises in capitalism: pathological or restorative?,' *Science & Society,* 77(4), pp. 459–485. Available at: https://www.jstor.org/stable/24584617

453 Yang ping (2019) 'Deglobalization, The Historical Logic of Capitalism and its Future,' *Beijing Cultural Review,* 8, pp. 28-38. In Chinese. [杨平. 逆全球化、资本主义的历史逻辑及未来趋势. 文化纵横.]

454 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 (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).]

455 Lachmann, R. (2024) *First-Class passengers on a sinking ship: Elite Politics and the Decline of Great Powers.* Verso Books.

456 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. Available at: https://doi.org/10.1080/13569775.2020.1777041

457 Nesmashnyi, A.D. (2023) 'European Security crisis and U.S. hegemony: Reversing the decline?,' Russia in Global Affairs, 21(1). Available at: https://doi.org/10.31278/1810-6374-2023-21-1-132-152

458 Pu, X. (2017) 'Controversial identity of a rising China,' *The Chinese Journal of International Politics*, 10(2), pp. 131–149. Available at: https://doi.org/10.1093/cjip/pox004

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 China-US relationship in the international order. Nevertheless, the 2008 financial crisis for China-EU relations is a surprising stepping stone to deepen 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.

4.2. Goals of China and the EU

China-EU relations tend to have greater competition than cooperation, with China's external influence continuing to expand and the shift of 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.[459] Thus, China-EU relations present a paradox that struggles between effective collaboration, profound challenges, and recurring conflicts.[460] Exploring the fundamental reasons behind the shift and disagreements between the EU and China can not only based on the different 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

[459] European Parliament (2024) *EU-China relations: De-risking or de-coupling – the future of the EU strategy towards China.* Available at: https://www.europarl.europa.eu/RegData/etudes/STUD/2024/754446/EXPO_STU(2024)754446_EN.pdf

[460] Gurol, J. (2022) *The EU-China security paradox: Cooperation Against All Odds?* Policy Press.

EU and China tend to seek more effective global influence. Therefore, investigating and analysing the goals of China and the EU's external actions and foreign policies can help better understand both sides' global strategies and assess their potential future. Official documents from the EU and China are crucial, as they are the primary source of an accurate grasp and analysis of their external objectives. This section firstly selects 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 Tools[461] 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), "S*trengthening 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).

Next, investigating and teasing out the foreign objectives and their possible adjustments in China and the EU after the 2008 financial crisis combined with academic research papers. Figuring out how European and Chinese researchers and scholars view the external goals and what suggestions they propose. It can give an internal perspective to understand what motivations drive China's and the EU's external actions. Finally, it

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

articulates and analyses the compatible or conflicting foreign goals of China and the EU to find the possibility of future cooperation.

This dissertation finds that shifting to be a more effective global actor for the EU is a strategic foreign policy goal until 2050 while maintaining the core traditional value of multilateralism and the rule-based principle of international order. For China, promoting an alternative to reform and improve the current international system, which is unfair in developing countries' institutional political and economic power distribution. The foreign goals of China and the EU are compatible but conflicting, just as the dual nature of China-EU relations is cooperative but 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.

4.2.1. EU: A More Effective Global Actor

The EU has always prided itself on its soft power and the DNA of multilateralism. However, the EU's advantage and capacity declined in the fast-changing and 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 frequent word, except for the "EU", in this document. 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.[462]

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

[462] 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 hardened global competition is essential. Moreover, this document stresses the significance of the speed and effectiveness of decision-making by improving the framework of majority vote regarding EU policies to improve the EU's prompt action towards global affairs.[463]

In the 2021 Joint Communication on *Strengthening the EU's Contribution to Rules-based Multilateralism*, the EU further described its goal to maintain a well-functioning multilateral framework as essential and significant in the background of competition in the global order, which is intensifying, and relations between major powers are becoming increasingly confrontational and unilateral.[464] The EU clarifies the significance of reinvigorating the multilateral order to achieve its effective global actor goal, and promote a rule-based value and interest-based approach to multilateralism.

In the 2024 *Common Foreign and Security Policy Report – Our Priorities in 2024* uses the "ambition" 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.[465] Moreover, the EU outlined its priorities in some detail, starting from analysing the geopolitical landscape in different areas and ending with 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. At the same time, the EU endeavours to effectively address and enhance its internal cohesiveness to attain its external goals.[466] The

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[463] European Commission (2018) *A Stronger Global Actor: A More Efficient Decision-making for EU Common Foreign and Security Policy*. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52018DC0647
[464] European Commission (2021) *JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL on strengthening the EU's contribution to rules-based multilateralism.* Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021JC0003
[465] 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
[466] European Commission (2021) *JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT*

proportion of common security and defence policy has gradually increased and become one of the main strategic priorities. Considering Finland and Sweden joined NATO to face the issue of geopolitical concerns (Russia-Ukraine war) and the EU's security, the return of traditional security concerns in 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. A good way is that the EU has learned to be pragmatic and realistic to accept that a multipolar world seems inevitable, although the EU is out of its element in a multipolar world. The EU Institutions have strengthened and developed significantly since the 2008 financial crisis.[467] For example, reforming the EU financial supervision system, establishing the European Stability Mechanism (ESM), Recovery and Resilience Facility (RRF), and the European Public Prosecutor's Office (EPPO), etc. Each crisis indirectly strengthens the functional integration of the EU. 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.[468][469]

As for the external environment, the growing trend towards deglobalization 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 prioritize the interests of the transatlantic alliance or to enhance

AND THE COUNCIL on strengthening the EU's contribution to rules-based multilateralism. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021JC0003

467 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. Available at: https://doi.org/10.1111/jcms.13106

468 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. Available at: https://doi.org/10.1177/0010414015617966

469 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. Available at: https://doi.org/10.1080/13501763.2021.1954068

collaboration with China. The EU must make decisions with utmost caution as the interplay between geoeconomics and geopolitics intensifies. Great nations can utilise the geoeconomic effects of infrastructure connections and international supply chains to secure political advantages.[470] Consequently, the connection between geoeconomics and geopolitics is susceptible to "weaponisation".[471] In this logic, the chance that the EU seeks to balance the relations with the U.S. and China is slim, and the complicated and intriguing triangle relations of the U.S.-China-EU need the EU to make a choice eventually.

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."[472] 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.[473] 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."[474] The path of strategic autonomy is full of challenges and operational barriers, as the internal disagreements on the issues of 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 not easy to describe all aspects in detail in this article. Therefore, it

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[470] 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. Available at: https://doi.org/10.1111/jcms.13106

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

[472] 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

[473] 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

[474] 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).

focuses on the highly connected relevant content about economic security strategy and foreign policy to 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.[475] 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 it is not a binary choice between simple comparison in dependence and independence or decoupling and engagement.[476] 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.[477]

Significant growing globalisation over the past few decades brings the contradiction between gradual closer interdependence between the global economy and finance and its risk for the erosion of national policy autonomy,[478] putting the topic of economic security back to the prior strategic position of foreign affairs of sovereign states. Thus, strategic autonomy can be seen as a policy and tool to deal with the fact that globalisation is slowing down with a global retreat from free trade or declining with the trade war between the US and China.

For a long time, the development of China has directly influenced the economic security of the EU, particularly through Beijing's stable, sustained, and environmentally sustainable economic growth.[479] The status quo becomes more

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[475] Miró, J. (2022) 'Responding to the global disorder: the EU's quest for open strategic autonomy,' *Global Society*, 37(3), pp. 315–335. Available at: https://doi.org/10.1080/13600826.2022.2110042

[476] 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. Available at: https://doi.org/10.54648/eerr2022009

[477] Geeraerts, G. (2010) 'China, the EU, and the new multipolarity,' *European Review*, 19(1), pp. 57–67. Available at: https://doi.org/10.1017/s1062798710000335

[478] 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. Available at: https://doi.org/10.1017/cbo9781316563243.011

[479] Nicola Casarini (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.

apparent as China is the EU's largest import partner and third-largest export partner.[480] The economic complementarity between China and Europe is weakening and intensified competition is inevitable. Economic security is one of the core strategies of both sides, and the European Economic Security Strategy, which was 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.[481] 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 when examining the official documents published by the EU over the previous decade.[482] 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 and 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 multilateralism, try to balance the competitive situation, avoid the escalation of conflicts, and create a

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Available at: https://www.iss.europa.eu/publications/occasional-papers/evolution-eu-china-relationship-constructive-engagement-strategic

480 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)

481 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 (Accessed: 15 June 2024)

482 Data was analysed mainly by Voyant Tool, and the author reviewed and screened official EU documents.

more balanced external environment for the EU.

4.2.2. 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.[483] In the 2011 *China's Peaceful Development*, the first systemically elaborates on the definition and objectives of China's peaceful development and emphasizes 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".[484] The definition of China's peaceful development road is scientific and open, independent and autonomous, and peaceful and cooperative development. Peaceful development is the core value and goal of China's development strategy and actions. Internally, realizing modernization 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 road of Chinese characteristic socialism is vital for the country's successful development. However, it also states to exclude the forced output of China's model to other countries, leading to the commitment that "China will never seek hegemony."[485] In this official document, China further promotes and elaborates the theory of "building

[483] Reporter, G.S. (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

[484] The State Council Information Office of the People's Republic of China (2011). *China's Peaceful Development*. Available at: https://english.www.gov.cn/archive/white_paper/2014/09/09/content_281474986284646.htm

[485] The State Council Information Office of the People's Republic of China (2019) *China and the World in the New Era*. Available at: https://www.cscc.it/upload/doc/ChinaAndTheWorldInTheNewEra.pdf

a new model of international relations", which is 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 the national priority agendas, and China's concept of security is a common, comprehensive, cooperative and sustainable security.[486] 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 global community of shared future" can be seen as a well-rounded China's significant diplomacy guideline and goal. Moreover, China perceives it as the reform and improvement of the international governance system without dismantling or starting afresh the existing one and in this official document,[487] building a global community of shared future synergies 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 with a shared future for humanity is the overall policy and goal, which includes various other sub-policies and goals involving the economy, security, culture and environment.

The topic of China's rise is usually connected with the transformation of the world order and international system. The decline of the US hegemonic order in the world system has raised concerns about whether China will challenge the US hegemony and take the path of hegemony. The worries and assumptions remain despite China's official documents and actions showing no interest in this path. Neo-realism and neo-liberalism

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[486] Ministry of Foreign Affairs of the People's Republic of China (2023) *Global Security Initiative*. In Chinese. Available at: https://www.gov.cn/xinwen/2023-02/21/content_5742481.htm

[487] The State Council Information Office of the People's Republic of China (2023) *A Global Community of Shared Future: China's Proposals and Actions*. Available at: http://www.scio.gov.cn/zfbps/zfbps_2279/202309/t20230926_771260.html

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.[488]

Academic circles find it difficult to gather common ground that 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.[489][490] It is the main reason China frequently states that there will never be a choice of hegemony in its current and future development. Furthermore, from a neo-realist approach, 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 have sufficient support at home and from key regional and global allies to establish its rules.[491] If China attempts to construct a hegemonic order, the primary obstacle is its inability to mobilize neighbouring countries to embrace its leadership and align on mutual interests.[492]

In contrast, China seeks 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.[493] China's choice of this method is realistic as the current world order will not be dismantled or replaced in a short time.[494] 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 Communist Party of China needs to fulfil

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488 Amineh, M.P. (2022) *The China-Led Belt and Road Initiative and its reflections: The Crisis of Hegemony and Changing Global Orders*. Routledge.
489 Ibid.
490 Acharya, A. (2014) *The end of American world Order*. Polity.
491 Jackson, V. (2019) 'Understanding spheres of influence in international politics,' *European Journal of International Security*, 5(3), pp. 255–273. Available at: https://doi.org/10.1017/eis.2019.21
492 Amineh, M.P. (2022) *The China-Led Belt and Road Initiative and its reflections: The Crisis of Hegemony and Changing Global Orders*. Routledge.
493 The State Council Information Office of the People's Republic of China (2023) *A Global Community of Shared Future: China's Proposals and Actions*. Available at: http://www.scio.gov.cn/zfbps/zfbps_2279/202309/t20230926_771260.html
494 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. Available at: https://doi.org/10.1080/03932729.2017.1345251

its promise, that is, to adhere to the path of peaceful development and national rejuvenation.

For China, hegemony is never a question or challenging issue, while the true 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.

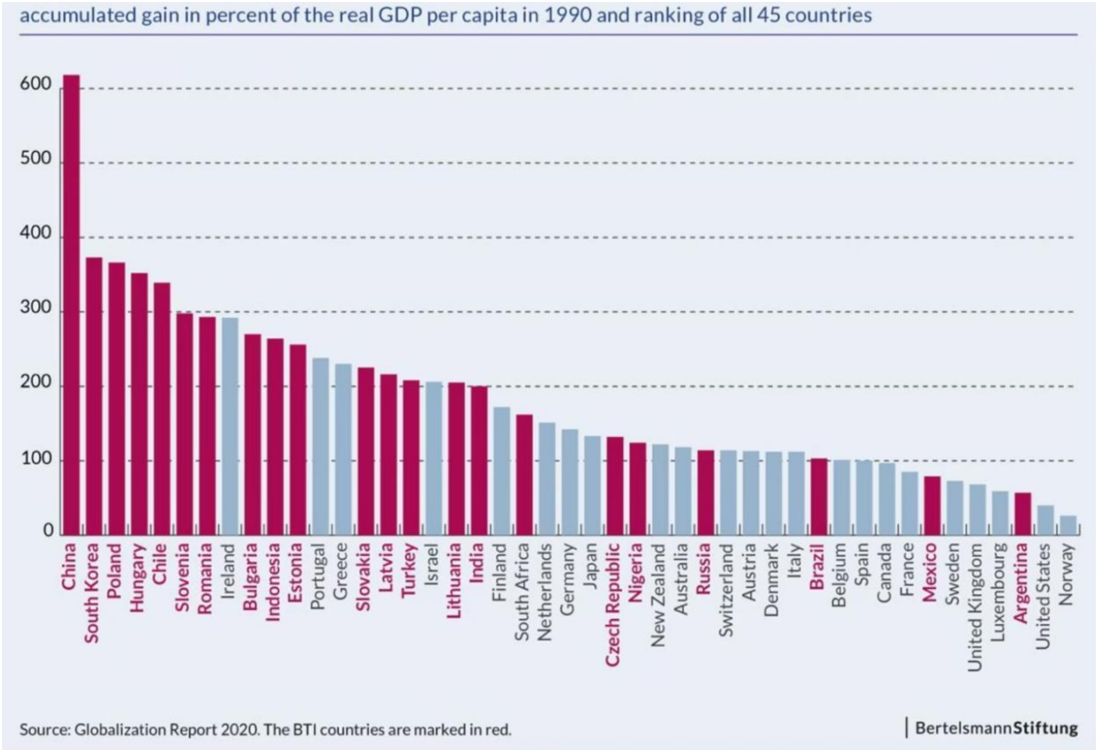
Firstly, China is undoubtedly a beneficiary of globalisation (See Figure 20). Likewise, China is gradually driving a similar path to the EU and other developed economies, which face uncertainty and sensitivity from globalisation. In Western narratives on China's position in economic globalisation, "threat" is the most frequent word to use, attributing China's catch-up to economic globalisation.[495][496][497] 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.

Figure 20: Accumulated globalization-induced GDP gain per capita between 1990 and 2018 by international comparison

[495] 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. Available at: https://doi.org/10.1080/09512748.2016.1201130

[496] 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. Available at: https://doi.org/10.1080/00131857.2021.1897573

[497] Roberts, A. and Lamp, N. (2022) 'Navigating complexity: globalization narratives in China and the West,' *China International Strategy Review*, 4(2), pp. 351–366. Available at: https://doi.org/10.1007/s42533-022-00113-2



In the Chinese narrative, globalisation is a win-win process as China is not only a recipient in the process of economic globalisation but also a promoter of the deepening of economic globalisation.[498] The Belt and Road Initiative narrative exemplifies that China tends 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."[499] 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 inability of the current global governance system to cope with many new challenges of the contemporary era and the unfair distribution of institutional political power among developing countries in the existing international order.[500]

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[498] 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-stage/ (Accessed: 22 May 2025)

[499] Zhao Kejin (2015) *The Belt and Road Initiative: From Vision to Actions* [In Chinese]. Beijing, China: Peking University Press.

[500] 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.

President Xi Jinping stated in 2014, "We should increase China's soft power, give a good Chinese narrative, and better communicate China's message to the world."[501] 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."[502] Jin and Wang (2019) define China's new diplomatic approach as dual-track diplomacy, namely, integrating economically into the global integration system and striving for more voice in politics simultaneously.[503] 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 while not prior to China's diplomatic relations with neighbouring countries.[504]

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.[505] The power of such interplay influence is stronger than in any period of history. China has engaged with the strategic autonomy of the EU on three interconnected dimensions: social forces, state structures, and global order.[506] 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

417–437. Available at: https://doi.org/10.1007/s41111-020-00146-1

501 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)

502 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*. Available at: https://www.mfa.gov.cn/eng/wjb/wjbz/jh/202405/t20240527_11312095.html

503 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.]

504 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.]

505 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. Available at: https://doi.org/10.1017/cbo9781316563243.011

506 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]. Available at: https://doi.org/10.1007/s42533-024-00174-5

strategic partnership has been criticised because it is mainly an economic relationship in practice.[507]

Conclusion

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 value of multilateralism and the rule-based principle of international order. For China, promoting an alternative to reform and improve the current international system, which is unfair in the institutional political and economic power distribution among developing countries. Therefore, here is the question: Are the goals of both parties compatible, conflicting, or both? It also answers why mutual disagreements between China and the EU in terms of 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.[508] However, the decline of liberal international order is difficult to attribute to China's rise and strategic actions, the same as academic circles find it difficult to gather common ground that 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.[509][510] 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 only arise inside a unipolar system where the preeminent state is a liberal democracy.[511] For the EU, the liberal international order is essentially

507 Maher, R. (2016) 'The elusive EU-China strategic partnership,' *International Affairs*, 92(4), pp. 959–976. Available at: https://doi.org/10.1111/1468-2346.12659

508 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%20final%201.pdf

509 Acharya, A. (2014) *The end of American world Order*. Polity.

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

511 Mearsheimer, J.J. (2019) 'Bound to fail: the rise and fall of the liberal international order,' *International Security*, 43(4), pp. 7–50. Available at: https://doi.org/10.1162/isec_a_00342

a specific one based on a strong transatlantic relationship, and the quality of US-EU relations significantly impacts it. In addition, it is difficult for the EU to promote its specific liberal international order to other places due to Russia's geopolitical competitor and external security threat.[512]

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, fact has 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 leading to order collapse.[513] China's economic strength and opposing political system cannot exist in the liberal international order of a unipolar world, therefore, multi-polarization 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."[514] The liberal 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."[515] However, the rhetoric of 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, but it will not completely disappear in the short

512 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.]

513 Mearsheimer, J.J. (2019) 'Bound to fail: the rise and fall of the liberal international order,' *International Security*, 43(4), pp. 7–50. Available at: https://doi.org/10.1162/isec_a_00342

514 Nye Jr. Joseph S. (2017) 'Will the Liberal Order Survive? The History of an Idea,' *Foreign Affairs*, 96(1), pp. 10-16.

515 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

to medium term, and a diversified international order will be the future trend.[516][517] 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."[518]

The narratives of China and the EU are different as they represent different major powers in the international system. The new geopolitical actor of the EU and the new position of China's rise, 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.[519] However, China is frustrated and confused about the EU's position of China as a cooperation and negotiating partner, an economic competitor and a 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 at the same time. How can you drive on?" such statements will only create interference and obstacles to China-EU relations.[520]

This dissertation puts forward that the foreign goals of China and the EU are compatible but conflicting, just as 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 or geopolitical or strategic clash between the two sides, and their mutual interests far surpass 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 solving an ageing population, unemployment, huge internal economic differences,

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516 Flockhart, T. (2016) 'The coming multi-order world,' *Contemporary Security Policy*, 37(1), pp. 3–30. Available at: https://doi.org/10.1080/13523260.2016.1150053

517 Acharya, A. (2017) 'After liberal hegemony: the advent of a multiplex world Order,' *Ethics & International Affairs*, 31(3), pp. 271–285. Available at: https://doi.org/10.1017/s089267941700020x

518 European Commission (2023) *Strategic Foresight Report 2023: Sustainability and people's wellbeing at the heart of Europe's Open Strategic Autonomy*. Available at: https://commission.europa.eu/system/files/2023-07/SFR-23-beautified-version_en_0.pdf

519 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. Available at: https://doi.org/10.1080/13569775.2018.1497463

520 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)

improving social welfare, and expanding urban complexes, which affect domestic economic and political stability and security and decide their foreign goals. The reason why their goals are conflicting is that, ultimately, they have different political systems and economic foundations. Practically, as a sovereign state with a one-party system, China is essentially different from the EU alliance, meaning that China's strategy guides its actions, while the EU is more like a response to problems and challenges. Therefore, there is coherence and consistency between China's strategy and actions. The EU's strategy and policies will be affected by its member states' different strategies and goals.

4.3. Influences of China-EU Relations

4.3.1. Complementary Roles in Reforming Global Governance

China and the EU, two significant actors in promoting global governance reform, will likely be the only two major powers left as the United States continues to withdraw from multilateral institutions. Global climate governance and global economic governance are intricately linked to China and Europe, with both sides substantially engaged in both spheres. The shift of China's actor in global governance from a participant to a leader challenges and influences the normative power of the EU in global governance. At the same time, just like China's rise promotes the transformation of the international order, solving global governance issues requires China to play a role and assume responsibility.

The focus of this dissertation is on how the interaction between the two sides in global governance, in turn, affects China-EU relations. Global economic governance is the central theme of this dissertation, which has a complex connection to the strategic economic partnership between China and Europe because of the Belt and Road Initiative and the Asian Infrastructure Investment Bank. The area in question exhibits the most substantial demonstrable changes and fluctuations.

Chinese research started relatively late compared to the broad and detailed Western academic research on global governance. In terms of time, global governance began to be studied in Chinese academia, mainly after China joined the WTO. It can be seen through the number of articles published on CNKI (The largest China National Knowledge Infrastructure, including almost every field of Chinese academic information) on the topic of 'global governance.' It has rapidly increased from approximately 300 articles in 2006 to approximately 800 in 2024, both of which are highly connected to the topic of global governance.[521] The overall goals and theories of China's official formation and proposal of a clear view of global governance can be traced back to 2005 when President Hu Jintao proposed a "harmonious world", namely respecting the sovereignty and territorial integrity, peaceful development, dialogue and consultation, and cooperation and inclusiveness.[522] "Harmonious world" represents China's new security paradigm. With this rationalist global governance framework, China has begun engaging in international affairs through multilateral means while avoiding US-led global governance in a non-confrontational way.[523]

The outbreak of the 2008 financial crisis provided an opportunity for the transfer of power in global economic governance to emerging powers.[524] In 2021, China is the world's largest official creditor.[525] China is deeply involved in multilateral development financing and the World Bank's global credit channels through the Belt and Road Initiative and AIIB.[526][527] The reconstruction of global economic governance

[521] Data from the CNKI (By the end of 2024). Available at: https://chn.oversea.cnki.net/kns/defaultresult/index (Accessed: 12 February 2025)

[522] Hu Jintao (2005) *Build Towards a Harmonious World of Lasting Peace and Common Prosperity*. At the High-level Plenary Meeting of the United Nations' 60th Session. Ministry of Foreign Affairs of the People's Republic of China. Available at: https://www.mfa.gov.cn/eng/xw/zyjh/202405/t20240530_11339785.html (Accessed: 25 February 2025)

[523] Chan, L.-H., Lee, P.K. and Chan, G. (2008) 'Rethinking global governance: a China model in the making?,' *Contemporary Politics*, 14(1), pp. 3–19. Available at: https://doi.org/10.1080/13569770801913355

[524] Heldt, E.C. and Park, S. (2025) 'China's rise and the reconfiguration of global economic governance,' *Review of International Political Economy*, pp. 1–8. Available at: https://doi.org/10.1080/09692290.2025.2482853

[525] Gelpern, A. et al. (2022) 'How China lends: a rare look into 100 debt contracts with foreign governments,' *Economic Policy*, 38(114), pp. 345–416. Available at: https://doi.org/10.1093/epolic/eiac054

[526] Hernandez, D. (2017) 'Are "New" donors challenging World Bank conditionality?,' *World Development*, 96, pp. 529–549. Available at: https://doi.org/10.1016/j.worlddev.2017.03.035

[527] Chen, M. (2021) 'Infrastructure finance, late development, and China's reshaping of international credit governance,' *European Journal of International Relations*, 27(3), pp. 830–857. Available at: https://doi.org/10.1177/13540661211002906

and the transfer of power are mutual, originating from China's actions and the reactions of existing powers to China's rise.[528] As a response, the EU launched the Global Gateway in 2021 to compete with China as a worldwide infrastructure financier.[529]

Constructivism and liberalism are usually regarded as the commonly used theories in global governance between China and Europe, exploring and analysing their identity, norms and values, engagement in international institutions, etc., and thus attributing China and Europe's strategic orientation and policy preferences in international affairs. The disparity between China and the EU regarding multilateralism rules is minimal, while the differences lie in the governance of global security issues.[530] Specifically, China and the EU have different approaches to global terrorism and war. China prefers multilateral political and diplomatic efforts rather than unilateral coercive measures and threats of force due to historical experience.[531] The EU focuses on the effectiveness of global governance and uses multilateralism to govern regional and global security issues as a global security provider.[532] This dissertation attempts to explore how China and Europe can complement each other in promoting global governance reform based on the theory of structural realism, focusing on the interests of the development (reciprocal) of both sides.

China initiated the Belt and Road Initiative and the Asian Infrastructure Investment Bank (AIIB) in 2013. The structure of the BRI has been described in detail in the previous Chapter 2 and will not be repeated here. The Asian Infrastructure Investment Bank (AIIB) is a multilateral development bank focused on developing Asia, whose approved members are 110, including 26 EU members, accounting for nearly a

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528 Heldt, E.C. and Park, S. (2025) 'China's rise and the reconfiguration of global economic governance,' *Review of International Political Economy*, pp. 1–8. Available at: https://doi.org/10.1080/09692290.2025.2482853

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

530 Ai, W. and Song, W. (2018) 'China and the European Union's participation in conflict resolution: norm dynamics, convergence and divergence in foreign policy,' *Journal of Contemporary China*, 28(116), pp. 277–292. Available at: https://doi.org/10.1080/10670564.2018.1511397

531 Tiewa, L. (2012) 'China and responsibility to protect: maintenance and change of its policy for intervention,' *The Pacific Review*, 25(1), pp. 153–173. Available at: https://doi.org/10.1080/09512748.2011.632978

532 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

quarter share in 2024, and China is the largest shareholder.[533] As the first multilateral development bank founded by a developing nation, AIIB learnt from the World Bank, Asian Development Bank, other multilateral development banks, and governance and policy research think tanks when it started.[534] It employs a voting mechanism similar to other multilateral development banks, establishing voting rights through a combination of basic votes, share votes, and votes from founding member nations. India is the second-largest shareholder, and Russia is the third-largest shareholder, except for the quarter share of the 26 EU members. An EU senior diplomat in Beijing believes that Western countries influence the AIIB, and China does not diffuse its norms that conflict with EU norms through the AIIB.[535]

The AIIB legitimises China's development financing role despite US and Japanese criticism. Moreover, the AIIB will give China unprecedented global economic governance rule-making and norm-setting capabilities.[536] The operations of the AIIB are surprisingly highly consistent with standard international norms and the policies of existing multilateral development banks.[537] Challenging the existing norm led and recognised by the US and the EU while not constituting a geopolitical threat.[538] Therefore, the influence of EU members in the AIIB, regardless of the purpose of their participation in cooperation or containment, increases the possibility and opportunity for consultation and cooperation on geopolitical issues of the EU.

Similar to many Chinese researchers, this dissertation posits that the predominant Western binary narrative (i.e., the emergence of a new Cold War and the bifurcation of

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533 Data from the official introduction website of AIIB. Available at: https://www.aiib.org/en/about-aiib/governance/members-of-bank/index.html (Accessed: 25 March 2025)

534 Jilong Yang (2022) *China's Strategic Shift and Sino-EU Relations in Global Governance The Quest for Identity?* PhD thesis. Vrije Universiteit Amsterdam. Available at: https://research.vu.nl/ws/portalfiles/portal/170375214/J%20%20Yang%20-%20thesis.pdf (Accessed: 28 April 2025)

535 Ibid.

536 Morris, D. (2021) 'Geopolitical shift at a time of Covid-19 and the Asian Infrastructure Investment Bank: A case study of Chinese innovation in multilateralism,' *Society and Economy*, 43(3), pp. 208–226. Available at: https://doi.org/10.1556/204.2021.00003

537 Fleur Huijskens, Richard Turcsanyi and Balazs Ujvari (2017) *The EU in the AIIB: taming China's influence from within*. Egmont Institution.

538 Babones, S., Åberg, J.H.S. and Hodzi, O. (2020) 'China's role in global Development Finance: China challenge or business as usual?,' *Global Policy*, 11(3), pp. 326–335. Available at: https://doi.org/10.1111/1758-5899.12802

international leadership between China and the United States) makes it challenging to explain China's practices consistent with multilateralism. The world is facing a US$15 trillion infrastructure gap by 2040,[539] and the infrastructure gap in Asia requires nearly US$1.7 trillion per year by 2030.[540] The construction and improvement of Asia's infrastructure is closely related to global climate governance. World Economic Forum and Oliver Wyman estimate it will cost US$50 trillion to promote the zero-carbon transformation of special economic zone industries in emerging market economies by 2050.[541] The enormous global infrastructure financing gap is difficult to fill by one country or organization, and cooperation is inevitable.

The Belt and Road Initiative and the AIIB are the "spanners" and "screws" for China's participation in global infrastructure financing. Western media and policymakers have questioned and criticised them for the financing and credit problems and environmental and local labour employment disputes caused during their operation. The key is that China's decision-making process is still opaque and unfamiliar to Western observers. American and British schools pay less attention to non-Anglo-American countries and their social actors and fail to study the political and economic dynamics of emerging markets and developing countries and their actors' social backgrounds, which is still the Western-centric tendency in their research.[542]

However, the circumstances have evolved since China's rise, resulting in an enlarged geoeconomic influence, prompting the EU to broaden its strategic narrative. The core projects of the Global Gateways strategy demonstrate the EU's commitment to engaging in projects in Africa, Latin America and Asia-Pacific. The experience of BRI in Africa can inspire the EU Global Gateway and supplement the

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539 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/

540 Asian Development Bank (2017) *Meeting Asia's infrastructure needs*. Available at: https://www.adb.org/sites/default/files/publication/227496/special-report-infrastructure.pdf

541 World Economic Forum and Oliver Wyman (2021) *Financing the Transition to a Net-Zero Future*. Available at: https://www.oliverwyman.com/content/dam/oliver-wyman/v3/Financing-the-Transition-to-a-Net-Zero-Future.pdf

542 Liang Haoguang (2024) 'The Belt and Road Initiative and New Type of Global Governance: An Analysis of International Political Economy,' *Pacific Journal*, 32(1), pp. 17-30. In Chinese. [梁昊光 (2024). "一带一路"与新型全球治理：一个国际政治经济学分析. 《太平洋学报》]

weak links of Western countries in global economic governance. Namely, over-emphasising the liberal reform of recipient countries' systems, the construction of social infrastructure and the high preferential nature of aid funds,[543] has led to local rejection and resistance.

Global governance's strategic orientation and policy preferences fundamentally derive from and serve internal governance. Tuo (2016) argues that state governance is the state governance in the context of global governance, with the paramount unification of normative and practical needs.[544] Despite the differences in the EU's and China's rules, norms, and values, they both emphasise multilateralism, negotiation, and the use of soft power. There is no fundamental conflict between China's governance concept of building a community with a shared future for mankind through the Belt and Road Initiative and the AIIB and the EU's governance approach of enhancing normative authority through the Global Gateway.

To sum up, two points of observable complementarity exist between the ideas and experiences of China and the EU in global economic governance based on the current practices, even though the number of cooperation cases is minimal. First, as a representative developing country among emerging economies, China has effectively supplemented the uneven power structure in global economic governance and the practical experience of the BRI in Africa, which supplements the weak links of the EU countries in global economic governance. Second, the influence of EU members in the AIIB, regardless of the purpose of their participation in cooperation or containment, increases the possibility and opportunity for consultation and cooperation on geopolitical issues of the EU.

In the future, firstly, China and Europe can strengthen the alignment of economic policies through cooperation through the Belt and Road Initiative and the Global Gateway, despite the competition. The EU-China Connectivity Platform is a successful

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[543] Yu Bowen (2021) '"Reform Methodology" and the Chinese Approach to Global Governance Reform,' *World Economics and Politics*, (10), pp. 105-129. In Chinese. [余博闻 (2021). "改革方法论"与中国的全球治理改革方略. 《世界经济与政治》]

[544] Tuo, C. (2016) 'Global governance and state governance: two strategic considerations in contemporary China,' *Social Sciences in China*, 37(4), pp. 138–151. Available at: https://doi.org/10.1080/02529203.2016.1241499

practice example of cooperation between China and the EU in the area of transport to enhance synergies between the EU's approach to connectivity, including the Trans-European Transport Network (TEN-T) and China's Belt and Road Initiative (BRI),[545] and China-EU future global economic governance cooperation can refer to this case. Secondly, China and the EU should return to the negotiating table and push for the completion of CAI negotiations at the earliest opportunity.

In a global context characterised by increasing unilateralism, protectionism, and a surge in anti-globalisation sentiments, cooperation and coordination between China and the EU, as two pivotal powers, is essential for upholding world peace, stability, and sustainable development. Consequently, during this critical transition in global governance, China and the EU ought to fully harness their intrinsic potential, capitalise on developmental opportunities, and investigate innovative cooperation mechanisms to transform China-EU relations into a new bilateral framework that enhances global governance and boosts mutual benefits.

4.3.2. Rebalancing Between Superpowers: US-China-EU

US-China-EU relations are the most tangled and dynamic, profoundly affecting contemporary international politics. The exchanges and interactions, cooperation, and conflicts in the triangular relationship have a butterfly effect and knock-on effect on current international events, determining the future direction of the international system, international patterns, and international order. This dissertation 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. Furthermore, it evaluates the possible changes or influences which constitute the future international relations paradigm.

Articulating and analysing the US-China-EU relations systemically and

[545] EU Commission (2019) *Joint Statement of the 21st EU-China Summit*. Available at: https://transport.ec.europa.eu/document/download/10119587-267b-4509-ab9b-f7b22d0bca56_en?filename=2019-eu-china-summit-joint-statement.pdf (Accessed: 5 June 2025)

comprehensively is challenging, not to mention that the situation is changing so fast. Briefly reviewing these dynamics, the starting point of complexity is Donald Trump's inauguration in 2017. Therefore, this dissertation starts from the "new normal" in US-China-EU relations, which has increasingly manifested since 2017, to provide a comparative understanding background. Next, explore the events, phenomena and practices of rebalancing and analyse the relationship models and influences seen in the next five to ten years.

The "new normal" in US-China-EU relations

Politically, handling China-US relations properly has become the top priority of the two countries' comprehensive strategies in the context of 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.[546] 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, represented by France and Germany, have differences with the US in foreign policy towards China, and the EU's new geopolitical role has emerged.

The "Thucydides Trap" and the argument of status quo and revisionism are still the core mainstream arguments and question the future of China-US relations. China and the US, regardless of whether policymakers, domestic researchers, or the public, have entirely different views. The prevailing view in the United States is offensive realism, as represented by John Mearsheimer, that is, great power competition, maintaining hegemony, and containing China.[547] China consistently insists on mutual benefit, a "win-win", and a peaceful development path.

However, the characteristics of the status quo and revisionism of China-US relations are controversial. At its most basic definition, a country's revisionist or status

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[546] 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. Available at: https://doi.org/10.1007/s42533-022-00095-1
[547] Mearsheimer, J.J. (2003) *The Tragedy of Great Power Politics*. W. W. Norton & Company.

quo orientation essentially refers to its support for or opposition of the existing international order. Based on this view, it is challenging to ascertain whether China supports or opposes the current international order. China's concepts and methods aim to reform the imbalances and unfairness of the existing international order as a representative of emerging nations. Behravesh (2018) further defined state revisionism as discontent directed at the current configuration of structures and institutions, and allocating resources, whether material or ideational, which leads to conflict/war or is prone to cause it.[548] Pisciotta (2023) indicates that the division of power between advocates of the status quo and proponents of revisionism in terms of stability and change is one of the most vexing issues in international relations because it is precisely the hegemonic state that is most capable and motivated to become a revisionist state.[549] China aspires to change the international power structure but takes peaceful means to achieve its goals and supports globalisation and multilateralism. The argument of status quo and revisionism can not accurately recognise and define the motivations and identity of China. Liu (2020) contends that China is beyond the status quo and revisionism as China supports the existing global order in many ways while it also competes with Western countries in terms of power redistribution and the revival of non-Western values.[550]

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.[551] 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.[552] The EU positions China as a cooperation and negotiating

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[548] Behravesh, M. (2018) 'State revisionism and ontological (in)security in international politics: the complicated case of Iran and its nuclear behavior,' *Journal of International Relations and Development*, 21(4), pp. 836–857. Available at: https://doi.org/10.1057/s41268-018-0149-x

[549] Pisciotta, B. (2023) 'Regional and global revisionism: Russia and China in a Comparative perspective,' *The International Spectator*, 58(3), pp. 96–112. Available at: https://doi.org/10.1080/03932729.2023.2194161

[550] Liu, L. (2020) 'Beyond the status quo and revisionism: an analysis of the role of China and the approaches of China's Belt and Road Initiative (BRI) to the global order,' *Asian Journal of Political Science*, 29(1), pp. 88–109. Available at: https://doi.org/10.1080/02185377.2020.1837193

[551] The White House (2017) *National Security Strategy of the United States of America*. WASHINGTON, DC.

[552] The White House (2022) *National Security Strategy of the United States of America*.

partner, an economic competitor and a systemic rival.[553] In the foreseeable future, US-China-EU relations, competition and conflict are inevitable and possibly intensified.

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.[554] As history repeats itself in another amazing form, similar tests are put in front of 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,[555] 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 U.S. goods trade deficit with China was $295.4 billion,[556] and the EU goods trade deficit with China was €304.5 billion,[557] likely to 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

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WASHINGTON, DC.

553 Publications Office of the European Union (2019) JOIN/2019/5 final, *EU-China – A strategic outlook*. Available at: https://op.europa.eu/en/publication-detail/-/publication/3a5bf913-45af-11e9-a8ed-01aa75ed71a1/language-en

554 Yong, W. (2019) 'Interpreting US-China trade War background, negotiations and consequences,' *China International Strategy Review*, 1(1), pp. 111–125. Available at: https://doi.org/10.1007/s42533-019-00019-6

555 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)

556 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)

557 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)

traditional economic goals.[558] 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.[559] 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.[560]

Predictable Models and Influences of US-China-EU relations

There are two predictable models under the influence of US-China-EU relations, mainly based on the neorealism theory combined with the current international dynamics and situation. 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 advancement has brought about more uncontrollable factors. On the other hand, China, the United States, and Europe are currently adopting aggressive foreign policies, and it is more challenging to return to the negotiation table with the participation of multiple interests. 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 course for all

[558] Cinzia Alcidi (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
[559] Sheng, E.L. (2023) *China's Belt and Road initiative and the Triangle Great Game of contemporary international politics*. Springer Nature.
[560] 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.

actors to learn.

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 geo-economic and geopolitical influences are expanding unprecedentedly, the relationship between China, the United States and Europe will determine the direction of the international system and international order, as well as world peace and development.

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