China’s Influence in Southeastern Central, and Eastern Europe
Vulnerabilities and Resilience in Four Countries

Erik Brattberg, Philippe Le Corre, Paul Stronski, Thomas de Waal

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# Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preface: China’s Impact on Strategic Regions</td>
<td>1</td>
</tr>
<tr>
<td>Summary</td>
<td>5</td>
</tr>
<tr>
<td>Introduction</td>
<td>9</td>
</tr>
<tr>
<td>Greece: Still the Dragon’s Head?</td>
<td>15</td>
</tr>
<tr>
<td>Hungary: A Willing Chinese Partner in the Heart of Europe</td>
<td>27</td>
</tr>
<tr>
<td>Romania: No Longer China’s “Backyard”</td>
<td>39</td>
</tr>
<tr>
<td>Georgia: On the Silk Road but Looking West</td>
<td>48</td>
</tr>
<tr>
<td>Conclusions and Recommendations</td>
<td>60</td>
</tr>
<tr>
<td>About the Authors</td>
<td>75</td>
</tr>
<tr>
<td>Acknowledgments</td>
<td>76</td>
</tr>
<tr>
<td>Notes</td>
<td>77</td>
</tr>
<tr>
<td>Carnegie Endowment for International Peace</td>
<td>93</td>
</tr>
</tbody>
</table>
Preface: China’s Impact on Strategic Regions

China’s economic and political footprint has expanded so quickly that many countries, even those with relatively strong state and civil society institutions, have struggled to grapple with the implications. There has been growing attention to this issue in the United States and the advanced industrial democracies of Japan and Western Europe. But “vulnerable” countries—those where the gap is greatest between the scope and intensity of Chinese activism, on the one hand, and, on the other, local capacity to manage and mitigate political and economic risks—face special challenges. In these countries, the tools and tactics of China’s activism and influence activities remain poorly understood among local experts and elites. Both within and beyond these countries, meanwhile, policy too often transposes Western solutions and is not well adapted to local realities.

This is especially notable in two strategic regions: Southeastern, Central, and Eastern Europe; and South Asia. China’s economic and political profile has expanded unusually quickly in these two regions, but many countries lack a deep bench of local experts who can match analysis of the domestic implications of Chinese activism to policy recommendations that reflect domestic political and economic ground truth.

To address this gap, the Carnegie Endowment initiated a global project to better understand Chinese activities in eight “pivot” countries in these two strategic regions.

The project’s first objective was to enhance local awareness of the scope and nature of Chinese activism in states with (1) weak state institutions, (2) fragile civil societies, or (3) countries where “elite capture” is a feature of the political landscape.
Second, the project aimed to strengthen capacity by facilitating a sharing of experiences and best practices across national boundaries.

Third, the project sought to develop policy prescriptions for the governments of these countries, as well as the United States and its strategic partners, to mitigate and respond to activities inimical to political independence or well-balanced economic growth and development.

To establish a comprehensive picture of China’s activities and their impact, this project dug deeply into Chinese activism in four case countries in each region—eight countries in total.

We began by holding workshops, so that influencers across countries could share experiences and compare notes. Invited participants included policymakers, experts, journalists, and others—all with deep local knowledge, steeped in their countries’ politics, economics, and civil societies. In Europe, the four countries were Georgia, Greece, Hungary, and Romania, and in South Asia, Bangladesh, Maldives, Nepal, and Sri Lanka. Cross-national discussions among these regional participants aimed to raise awareness, discuss the implications of China’s growing activism in their countries, and compare notes on the diverse ways in which these various countries had managed the rapid influx of Chinese capital, programs, people, technology, and other sources of influence.

After holding several workshops for each region, Carnegie scholars conducted extensive interviews and a comprehensive review of open-source data and literature on Chinese activities—including extensive media monitoring in local languages, from Nepali to Bengali, Georgian to Greek. These deep dives aimed to measure Chinese influence along three dimensions:

(1) Chinese activities that shape or constrain the choices and options for local political and economic elites;

(2) Chinese activities that influence or constrain the parameters of local media and public opinion; and

(3) China’s impact on local civil society and academia.

The first of these three dimensions is important because China’s sheer size means that it will inevitably play a role in these two strategic geographies. China is the world’s largest trader and manufacturer—and it sits on a significant pool of foreign exchange reserves and capital that countries in all three regions will invariably wish to tap. For this reason, these surveys aimed to identify, distinguish, and analyze only those specific activities that could constrict options, reduce the scope of choice, and reward a narrow interest group or elite.

The second of the three dimensions is crucial because China frequently couples its use of economic and political carrots and levers to broad-ranging public relations outreach. When
China floods a country not just with investment but also with strategic messages designed to influence public opinion, there is often little space left for counter-narratives, especially in countries that lack independent media or have weak civil societies.

The third of the three dimensions is critical because in the most vulnerable countries of these two regions, civil society and academia are often too fragile to provide balanced coverage of the activism of external powers. In some cases, Chinese funding and so-called united front tactics have shaped domestic narratives.

Beijing, like other outside powers, cultivates friendly voices in nearly every country. But in some countries, there are few counterweights.

By exploring all three dimensions of Chinese influence simultaneously, Carnegie’s initiative has aimed to generate a clearer and well-balanced picture of Chinese activism and messaging in Europe and South Asia, while fostering a cross-national network of influencers who will continue to compare notes, learn across national boundaries, and spur a genuinely regional conversation about China’s rise and its far-reaching implications.

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China’s rapid global rise has created new challenges for the United States, the European Union (EU), and individual European governments. Beijing provides an alternative to the West and offers ready-made solutions to countries seeking economic development. Yet China also takes advantage of local vulnerabilities and weaknesses—such as fragile state institutions, elite capture, and weak civil society—to exert its own economic, political, and soft power influence. One region where Beijing has made significant inroads is Southeastern, Central, and Eastern Europe. For China, this region is particularly interesting as an entry point into the rest of Europe for the Belt and Road Initiative (BRI), with growth opportunities for Chinese companies and with more favorable regulatory and economic conditions than in Western Europe.

While China’s expanding footprint in Southeastern, Central, and Eastern Europe can bring socioeconomic opportunities, it can also exacerbate governance shortfalls, undermine political and economic stability, and complicate the EU’s ability to reach consensus on key issues. How countries manage their vulnerabilities and build resilience in their interactions with China is the key focus of this paper. It examines four countries in Southeastern, Central, and Eastern Europe—Greece, Hungary, Romania, and Georgia—who, despite their diversity, share certain common characteristics that affect their relations with China such as an eagerness to boost trade and investment from China. While not all four countries share identical vulnerabilities, and although China has been more successful in some countries than others, each case study nevertheless offers prescriptive lessons in how countries can manage vulnerabilities in different ways.
The goals and objectives of China’s activities in the four countries can broadly be described as threefold: to push Chinese exports and investments, exert political influence, and foster a positive image of China and relations with China. All four case countries are part of China’s massive Belt and Road Initiative. For example, in Greece, Chinese shipping giant COSCO has acquired a majority stake in the Port of Piraeus to create a regional transport and logistics hub in the Mediterranean as part of the maritime route of the BRI. China’s business model thrives in environments where local institutions and regulatory frameworks are weak and where local political and business leaders are eager to benefit from the lack of public scrutiny and transparency that often accompanies Chinese investments. A prime example of this is Hungary where the lack of public scrutiny or transparency benefits both China and local elites, further fueling local corruption and kleptocracy.

Moreover, while China can seek to have political influence on individual countries through developing bilateral ties, it is typically more interested in leveraging political influence to have a wider regional impact such as indirectly influencing European consensus and transatlantic alignment on particular issues of concern to Beijing such as human rights and the situations in the South China Sea, Hong Kong, Xinjiang, or Taiwan. For example, both Greece and Hungary have on different occasions come to China’s aid to undermine or block European Union statements on certain issues pertaining to China. Recently, in April and June 2021, Hungarian Prime Minister Viktor Orbán’s government blocked EU statements about Hong Kong. However, while the current Greek government is keen to be seen as a reliable player within the EU and the North Atlantic Treaty Organization (NATO), Hungary remains willing to come to China’s aid, driven by the government’s desire to open the door for Chinese investments, garner diplomatic support over Hungary’s democratic backsliding, and communicate Hungary’s political and economic alternatives to Brussels.

To varying degrees, Beijing has actively engaged in the region to foster a positive image of itself, promote its political and economic model, and shape local narratives about relations with China in all four countries. The presence of a weak civil society and oligarchic influence and control over media and nongovernmental organizations (NGOs) can also provide opportunities for China to step in and fill the void. While China engages in some soft power efforts, such as people-to-people exchanges and cultural activities, most of these are small-scale or legacy relationships with little current relevance. Recently, the COVID-19 pandemic provided China with new opportunities to make inroads by providing much-needed assistance in the form of medical equipment, pharmaceuticals, and eventually vaccine supplies.

However, rather than trying to win hearts and minds more widely, China’s soft power efforts are mostly directed at certain key influential elites in business, politics, academia, or NGOs. Chinese Confucius Institutes and academic partnerships in all four countries tend to be small-scale, but the massive planned construction of a Fudan University campus in Hungary, if completed, would constitute a major upgrade in China’s soft power presence at a time when academic freedom in the country is already in decline. Unlike elsewhere in Europe, where China has lately engaged in so-called wolf warrior diplomacy tactics, none of the four case countries have experienced any overtly aggressive Chinese diplomacy or
massive influence operations on social media. Even so, public perceptions of China have deteriorated across the region (as they also have elsewhere across Europe), although Greece and Hungary are still among the most China-friendly countries in Europe.

Despite China’s increased role in the region in recent years and the presence of local vulnerabilities that China can exploit to its advantage, there are several points of resilience that limit China’s influence in the four case countries. For instance, while many countries in the region looked to China as an important economic and political partner after the global financial crisis more than a decade ago, they have gradually become disillusioned with Beijing’s ability to deliver on its promises or the specific terms of certain investment deals. As a result, two of its showcase initiatives, the BRI and the 17+1 format, are increasingly perceived by local governments as a vehicle for Beijing to exert political influence with few tangible results to show for. Political shifts in some European countries have also recently replaced more China-friendly parties with governments that are more skeptical of China and keener on reaffirming ties with the United States and the EU. In other cases, Chinese projects have been interrupted by pushback from local and subnational actors such as trade unions or municipal politicians.

Moreover, China’s soft power efforts appear to have had fairly little impact on improving China’s image in the region. In countries with vibrant media landscapes, China’s influence on shaping local debates and narratives is quite limited. Even in countries where perceptions of China were largely positive or neutral, opinions have soured in recent years, especially during the COVID-19 pandemic. Accounting for the limited impact of Chinese soft power in the region is, first, the limited interest in China and its model especially from young pro-Western people. In addition, it is also possible that China’s inability to deliver on its economic promises, the growing international criticism of Beijing’s domestic and foreign policies, and China’s perceived role in the pandemic have all reduced the effectiveness of its public diplomacy. Even as China has stepped in to provide medical supplies and vaccines, overly politicized Chinese assistance has also prompted more hostile diplomatic and propaganda tactics.

The analysis in this paper identifies practical lessons and prescribes solutions for policymakers from the United States and the EU to help vulnerable states better manage the challenges of a rapid inflow of money and related efforts to exercise political, economic, or soft power influence from China. The study also seeks to help regional states and local analysts better understand and navigate the issues surrounding China’s approach toward Southeastern, Central, and Eastern Europe.

Recommendations to the United States, the EU, and regional countries:

- Avoid depicting Southeastern, Central, and Eastern Europe as a Chinese Trojan horse
- Don’t overplay China’s economic influence
• Better understand local interests
• Avoid assigning strategic significance to all of China’s actions
• Promote good governance and build local resilience
• Strengthen civil society capacity
• Don’t overfocus on soft power
• Be present and provide alternatives
• Hold Orbán and his cronies accountable
• Leverage Western attractiveness
• Reassure smaller states that the West has a lot to offer
• Deny China diplomatic openings
Introduction

As China’s footprint in Europe has expanded over the last decade, many countries—even those with relatively strong state and civil society institutions—have struggled to grapple with the implications and consequences. Central and Eastern Europe (sometimes referred to as CEE) as well as Southeastern Europe is often seen as particularly vulnerable to Chinese political, economic, or soft power influence. Policymakers in the United States and the European Union have at times expressed concern that China’s influence in this region could help exacerbate governance shortfalls, undermine political and economic stability, and complicate the EU’s ability to reach consensus on key issues.

After the 2008 global financial crisis, many regional countries looked to China as an increasingly important economic and, at times, political partner. Hoping China could help jump-start troubled economies, local players signed multiple agreements and deals with Beijing—often accompanied by highly crafted diplomacy, pomp, and ceremony—with unrealistically high expectations. In particular, China’s sprawling Belt and Road Initiative promised commercial and investment opportunities in areas like infrastructure, transport, and energy. Countries readily signed up for what is now called the 17+1 format in order to become preferred trade partners with Beijing. Notable examples of Chinese investments in the region include the Port of Piraeus in Athens and a railway project linking Budapest and Belgrade.

Several reasons account for China’s growing interest and activity in Southeastern, Central, and Eastern Europe. First, the region can serve as an entry point into the rest of Europe for BRI land and maritime projects. Second, it is less economically developed than Western Europe. Its dependence on foreign investment means greater opportunities for Chinese firms to win infrastructure bids and ultimately acquire critical assets. Third, local regulations
and economic conditions are typically more favorable for Chinese companies compared to Western Europe, where transparency and accountability mechanisms present bigger hurdles. Finally, China can also leverage local ties to influence EU decisionmaking or undermine EU unity on certain issues, as well as build legitimacy for the Chinese regime back home.

Fast-forward a decade and the situation looks far more complicated. While many countries in the region are still keen to receive Chinese trade and investment opportunities, Beijing’s track record has disappointed all sides for several reasons. First, while the 17+1 format is a useful way for China to engage with multiple individual countries, it never became a platform to advance Chinese interests broadly in the region. In fact, in many places, it has turned out to be an empty diplomatic shell, with summits and declarations but few clear policies. Six regional leaders skipped the most recent 17+1 summit in early 2021, which was chaired for the first time by Chinese President Xi Jinping himself, demonstrating a growing apathy toward the format. Second, frustration and discontent are mounting over the terms of specific Chinese investment deals in many of the regional states. There have been some high-profile deals, but they remain controversial and have not lived up to expectations that they would bring sustainable jobs and growth objectives. Third, political shifts in some European countries mean that seemingly pro-Chinese parties or politicians have been replaced at the ballot box with leaders more skeptical of China, who have canceled nascent deals. Fourth, several (though not all) of the countries in the region have pivoted away from China and back toward the United States and the EU in recent years, due to existing...
security partnerships and pressure from Washington and Brussels. The United States’ growing preoccupation with its rivalry with China has translated into increased pressure on regional European governments to reduce their dependence on Beijing and toe the line on issues such as 5G, Chinese ownership of ports and other strategic infrastructure, and investment screening. Similarly, the EU—increasingly wary about Chinese efforts to divide the EU with initiatives like the 17+1 format and the Belt and Road Initiative—has identified China as a partner, an economic competitor, and a systemic rival. Finally, the COVID-19 pandemic has further highlighted both the risks and the opportunities of China’s enhanced regional role. Even as China has stepped in to provide medical supplies and vaccines, overly politicized Chinese assistance has also prompted more hostile diplomatic and propaganda tactics.

This paper examines Chinese influence in four regional countries: Greece, Hungary, Romania, and Georgia. Much of Beijing’s activity in these four countries, as elsewhere in the world, can be characterized as regular commercial trade, which is broadly welcomed. The focus of this paper is on cases where Chinese influence has seemingly undermined democratic processes, fostered or taken advantage of corrupt practices, or been harnessed to a local political agenda.

Despite their diversity, all four countries share certain common characteristics that affect their relations with China. They have all been eager to attract Chinese investment to help jump-start job growth, reduce poverty, and build new infrastructure. In addition to infrastructure investments across the region, China has also invested in the energy and transportation sectors. For some countries, that influx of Chinese finance has added to their debt load.

Figure 1. Imports From China, Focus Countries

![Graph showing imports from China, focus countries](https://comtrade.un.org/data/)

Hit hard by the eurozone debt crisis, Greece, where China has extensive stakes in the Port of Piraeus, is the most recent member of the 17+1 club, joining the format in 2019. One of Eastern Europe’s biggest economies and a former ally in a previous era during the reign of Communist Party dictator Nicolae Ceaușescu, Romania followed this track initially but has grown more cautious. Disillusionment with Chinese investments and fraught domestic politics have blunted Beijing’s aspirations. Although not a member of NATO or the EU, Georgia enjoys a close security and political relationship with both through its long-standing participation in the alliance’s Partnership for Peace program, as well as its association and free trade agreements with the EU. Yet Tbilisi too looked toward China for help, signing a free trade agreement with Beijing, developing much needed infrastructure projects and seeking a counterbalance against an aggressive Russia to its north. Georgian hopes of a new Chinese partnership have dimmed, however. On big political issues Beijing tends to favor Moscow over Tbilisi, while Chinese investment to date has been smaller than many anticipated and often clouded by a lack of transparency.

On the other side of the spectrum is Hungary, where China has developed its closest partnership in Europe. As Hungary slides toward authoritarianism, the government of Prime Minister Viktor Orbán has embraced Beijing, allowing China to leverage pro-government local media and NGOs. The Hungarian government initially welcomed with open arms the proposal to establish a massive Fudan University campus in Budapest—the first outside China—although many Hungarians have pushed back at the project and the project’s future now is uncertain. Hungary has become a leading voice within the EU for closer relations.
with Beijing, having also opposed joint EU positions on several occasions, particularly when it concerned human rights issues.

**Methodology**

Greece, Romania, Georgia, and Hungary were selected for this study because they each share at least one of three characteristics that leave them potentially exposed to malign Chinese influence:

*State institutions* are weak, making it harder to vet or monitor Chinese economic or political activities. Examples include poor investment screening mechanisms and weak regulatory, law enforcement, anti-corruption, or judicial agencies.

*Captured or “capture-able” states and systems*, in which the political apparatus and/or civil society are subject to foreign penetration. Chronic crony capitalism, where elites have embraced China for personal or financial gain, has facilitated Chinese political influence, as have underfunded research institutions that accept Chinese funding, to provide Beijing-friendly voices and help justify questionable business arrangements.

*Civil society* has relatively few independent voices, and independent media often lacks the power to expose instances of corruption and other wrongdoing.

While not all four of these countries share the same vulnerabilities, each case study offers prescriptive lessons, even when China is not intensely active or successful. Countries that manage those vulnerabilities in different ways can help teach others by sharing and comparing their experiences. For example, while three of the four countries are members of both the EU and NATO as well as the 17+1 format, nonmember Georgia, which has shown an interest in developing its ties with China, was included because it provides a useful comparison of Chinese tactics and successes across the broader region.

In terms of research methodology, this paper measures Chinese influence along three crucial dimensions:

- Activities that shape or constrain the choices and options for local political and business elites
- Activities that influence or constrain the parameters of media and public opinion
- China’s impact on local civil society and academia
For each of the four case studies, the paper poses the following critical policy questions:

- What underlying strategic logic and objectives drive China’s activities?
- What vulnerabilities and weaknesses has China been able to leverage—and by what means (that is, political, economic, technological, or informational tools)? How well coordinated is China’s use of these various tools and efforts?
- How effective are Chinese influence activities? What impact do they have on local institutions and public or elite perceptions?
- What threats does a Chinese economic profile that fosters dependence and constrains choices pose to the interests of the United States, its allies, and partners? What about direct efforts to exert influence on domestic politics?
- Has China played an important role in supplying medical equipment or COVID-19 vaccines? How has China been involved in regional economic recovery during and after the pandemic?
- How have these countries managed and mitigated their vulnerabilities? What lessons can other countries draw from their experiences?

The analysis in this paper identifies practical lessons and prescribes solutions for policymakers from the United States and the EU to help vulnerable states better manage the challenges of a rapid inflow of money and related efforts to exercise political, economic, or soft power influence from China. The study seeks to help regional states and local analysts better understand and navigate the issues surrounding China’s approach toward Southeastern, Central, and Eastern Europe.
Greece: Still the Dragon’s Head?

Since 2015, Greece has been seen as one of China’s closest allies in Europe. Chinese companies have made two significant investments there. Piraeus harbor, at the core of the Greek economy, is now managed by a Chinese state-owned enterprise. Xi has referred to it as the “dragon’s head” of the Maritime Silk Road. Greek leaders have played along, visiting China frequently and, on some occasions, adjusting their foreign policy to please Beijing. In Thessaloniki, Greece’s second harbor, another Chinese company—China Merchants—has also been playing a key management role although not holding a majority share. Meanwhile, China has developed a positive narrative toward Greece, using media, culture, and education as tools of influence. Chinese officials have also paid multiple trips to Athens, culminating in Xi Jinping’s state visit in November 2019.

Still, in recent months, there has been a visible shift in Greece’s stance toward China. Domestic debates have grown tense and complex. Beijing offered modest help during the pandemic (and made sure the Greek public knew about it). Although the Chinese press depicts Sino-Greek relations in a positive light, Greeks no longer see China as a savior for their economy. In fact, polls show an increasingly defiant Greek public. The country’s conservative government, elected in mid-2019, has reaffirmed Greece’s strong commitment to the EU and NATO, and recent surveys suggest the public supports that stance. The cabinet of Prime Minister Kyriakos Mitsotakis retained the EU’s triad definition of China as a partner, an economic competitor, and a systemic rival, and it has reaffirmed its full support for the transatlantic alliance, notably during former U.S. secretary of state Mike Pompeo’s visits in October 2019 and September 2020.

China’s flagship investment project in Piraeus has also become mired in conflicting local interests and controversies. Twelve years ago, Greece was opening its arms to China. Now, a combination of shipowners, trade unionists, and local politicians is openly rallying against the port’s main shareholder. Things could change again if Greece’s economy deteriorates further following the pandemic. With the absence of tourists and slower business, Greece’s renewed vulnerability could make it a target for China. Facing a wave of blockages across Europe, Chinese companies in the maritime sector are currently sitting on the fence waiting to see what will come next in Southern Europe after the COVID-19 pandemic.

A Brief History

Chinese records describe early encounters between the Chinese and Greek civilizations as early as the reign of King Alexander the Great (336–323 BC), making the Sino-Greek relationship perhaps one of the oldest between an ancient European nation and imperial China. For all the niceties of antique imagery, though, they do not automatically unite the two countries in the twenty-first century. In Greece, some have called the relationship with China “a nostalgic look at a vaunted past,” which may reflect the country’s bitterness.
in the aftermath of a severe debt crisis as well as the need for renewed self-confidence. For a
decade or so, it appeared a honeymoon between the heirs of glorious Athens and an assertive
Chinese Communist Party suited both nations’ interests. Greece has been associated with
the “Maritime Silk Road of the 21st Century” described by Xi in his October 2013 speech in
Jakarta (weeks after he detailed the Land Silk Road in Astana), and it is now presented by
China as a key supporter of the global BRI project.

The Republic of Greece and the People’s Republic of China established diplomatic relations
relatively late, in 1972. For years, center-right parties in Greece kept political ties with
Beijing to a strict minimum, reflecting a strong traditional divide between the left and the
right as well as a polarized attitude toward the United States that formed in the Cold War
era. Former prime minister Andreas Papandreou, of the Panhellenic Socialist Movement
(PASOK), was the first modern Greek leader to visit Beijing in 1986, followed by then
Chinese premier Zhao Ziyang’s visit to Athens. Warmer relations followed. The hosting of
successive—and successful—Olympics in Athens (2004) and Beijing (2008) brought the
two governments even closer. For years, China had to make its first organized Olympics
the most symbolic international event ever staged as part of the country’s renaissance. As
the original Olympic nation, Greece was keen—and certainly flattered—to cooperate with
China on this issue.

**Figure 3. Greek Imports From China**

![Graph showing Greek imports from China from 2011 to 2020.](https://comtrade.un.org/data/)

Around 2006, then prime minister Kostas Karamanlis’s conservative government decided to liberalize port services to boost competitiveness. China quickly took a commercial interest in the Port of Piraeus, one of the Mediterranean Sea’s best located harbors, with connections to the Near East, Southern Europe, and North Africa. That same year, Karamanlis visited China and the two governments agreed to enter a dialogue “to provide facilitation for the cooperation between administrators of port affairs as well as other administrators in trans- portation, security and port building in the two countries.”

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**Figure 4. Greek Exports to China**

![Graph showing Greek Exports to China from 2011 to 2020.](https://comtrade.un.org/data/)

**Source:** UN Comtrade Database, https://comtrade.un.org/data/

**Figure 5. Greece’s Top Import Sources and Export Destinations, 2020**

**Import Sources:**
- 12% Germany
- 8% Italy
- 8% China
- 6% Netherlands
- 6% Russia
- Others (31%)

**Export Destinations:**
- 10% Italy
- 8% Germany
- 6% Cyprus
- 6% France
- 5% Bulgaria
- 3% China
- Others (32%)

**Source:** UN Comtrade Database, https://comtrade.un.org/data/
It did not take long for the Chinese state to purchase Greek bonds worth some $6 billion after the 2008 financial crisis. China also expressed interest in various infrastructure projects—especially in the Greek maritime sector, relevant to its own maritime global strategy as well as trade interests toward the European continent. Since the Hu Jintao era (2002–2012), China had been planning to become a strong maritime nation; the conveniently located Piraeus Port was a logical hub for Chinese shipping activities and trade in the region.

In November 2008, the Greek state reached a concession agreement for Piers 2 and 3 with the port management division of state-owned China Ocean Shipping Company (COSCO)—at the time the world’s seventh-largest container shipping company. The state-controlled Piraeus Port Authority (PPA) and COSCO agreed to a thirty-five-year lease for the concession of Piers 2 and 3. Eight years later, a $431 million investment led to COSCO becoming the majority shareholder of the PPA, with 51 percent of the stock listed as of April 2016 and a commitment for further investments. In the meantime, the financial crisis had brought China and Greece even closer as the Southeastern European country was steered by the international troika of creditors—the European Commission, the European Central Bank, and the International Monetary Fund—to accept massive financial support through three successive bailout agreements.

To cure Greece’s financial woes, international creditors imposed the privatization of state assets in addition to major structural reforms and belt-tightening. Despite the Greek electorate’s deep frustration over the latter, the Syriza-led left-wing coalition elected in 2015 had no choice but to follow suit. This was also the case regarding the Piraeus agreement. In fact, the left-wing coalition government turned around and opted to play the China investment card, perhaps even more forcefully than its predecessor. For example, then prime minister Alexis Tsipras surprised his European counterparts in July 2016 when he blocked an EU statement supporting the International Arbitration Court’s decision to rule against China in a case brought by the Philippines regarding the South China Sea. One year later, Greek diplomats blocked another EU statement at the United Nations (UN) that criticized China’s worsening human rights record. Tsipras’s decision was described as an opportunistic move (or perhaps as a bargaining tool with Beijing) by Western allies and commentators.

On the ground, the COSCO deal in Piraeus was not a foregone conclusion. The Chinese company was initially met on the docks with banners reading “COSCO go home” displayed along the waterfront and a ninety-day dockworkers’ strike by the port unions. Chinese shareholders, in response, adopted a purposefully low profile. For many years, the harbor had been torn by industrial disputes, as Greece’s unemployment rate reached 70 percent in the suburbs of southwestern Athens partly due to the poor performance of Piraeus Port. Under COSCO’s management, the port’s fortunes experienced an impressive turnaround. The Chinese company started renovating the infrastructure, introduced more efficiency and improved the port authority’s management style, which contributed to more traffic. Between 2010 and 2012, the transshipment traffic more than tripled. According to Sotirios Theofanis, the former chief executive of Piraeus Port Authority S.A., “The main reason for the increased traffic was China’s strategic decision to divert transshipment traffic to Piraeus.”
Between 2009 and 2018, Piraeus’s container volume moved from 0.8 million containers to 4.9 million (measured in twenty-foot equivalent units, the standard unit of cargo capacity), with a 190 percent increase from 2017. Under COSCO’s management, the container port jumped to the number six spot in Europe in 2018, and number thirty-two in Lloyd’s List’s 2018 global ports rankings. In 2016, COSCO formed the so-called Ocean Alliance with French shipping giant CMA CGM, Hong Kong’s Orient Overseas Shipping Line, and the Taiwanese Evergreen Line, which was streamlined to pass its traffic through Piraeus Port. Large companies—such as Hewlett-Packard (HP), Sony, or (less surprisingly) Chinese telecommunications equipment manufacturers Huawei and ZTE—started relocating parts of their distribution activities from other European harbors to Piraeus. In 2013, an agreement signed between HP, the Greek railway company, and COSCO led the electronics manufacturer to ship goods such as laptops, desktops, and printers to Greece, then deliver them by train or by ship from Piraeus to other ports in the Black and Mediterranean Seas. HP, which had been using Piraeus as one of its main ocean-freight gateways for Southeastern and Central Europe, was hoping to save costs in the long run by using rail transport from Piraeus for distribution to the Balkans, Hungary, and the Czech Republic. But one crucial factor—China’s ambitious railway project linking Budapest with Belgrade and ultimately to Piraeus—has taken much longer to materialize than originally planned.

The Port at the Center of the Sino-Greek Relationship

For the past twelve years, the China-Greece relationship has revolved around the Port of Piraeus and the role that Beijing hopes to play in the Mediterranean region under the BRI. Ever since COSCO opportunistically set foot in Greece, the Chinese investment there has been a source of pride in Chinese media.

Under the 2016 deal, Greece agreed to grant COSCO an additional 16 percent share of the PPA by 2021, provided the Chinese company completed mandatory investments worth $342 million. These additional investments would include a new cruise pier, a ship-repair zone, a logistics center, and a car terminal, as well as hotel facilities to attract larger numbers of Chinese tourists. That hospitality aspect has been a major element of the Chinese plan, especially since direct flights from Beijing to Athens on Air China were established in 2017. During the COVID-19 pandemic, however, all flights were grounded. The two governments are now cautiously looking to officially relaunch Chinese tourism in Greece in 2022. It is likely that travel operator Thomas Cook, owned by Shanghai-based Fosun International, will play a major role should Greece allow Chinese cruise ships to return to the area. Tourism, which has been badly hit since early 2021, remains a major industry for Greece.

But key problems lie elsewhere. In mid-2021, according to the Greek Ministry of Shipping and Island Policy, only 58 percent of the mandatory investments have been completed by COSCO and its subsidiary, Piraeus Container Terminal S.A. (PCT). Notably, some of the investments—including the new cruise terminal, to be built by a local Greek contractor selected by COSCO through a tender—will benefit from European structural funds. Local
China’s Influence in Southeastern, Central, and Eastern Europe

politicians, shipowners, and unions have rallied against COSCO. In the neighboring town of Perama, which was to benefit from improved infrastructure and equipment, there is disappointment that the area has remained a backwater. Ship-repair companies have strongly objected to COSCO’s plan to build a new shipyard in Perama, which was not part of the original contract and could be detrimental to existing Greek shipyards.

Shipowners—who provide chartered ships to Chinese shipping lines and are large customers of the Chinese shipbuilding industry—complain about market access in China itself. “On one hand, COSCO is desperate to improve its footprint in Southeast Europe, on the other hand there is no such thing as level playing-field in China,” said a shipping operator, who stressed “the arrogance of COSCO officials.” Greek shipowners say they still control a fleet twice the size of China’s and do not see a role reversal in the near future. Still, in 2017, China’s State Oceanic Administration (SOA) emphasized that the country’s maritime gross domestic product (GDP) represented roughly 10 percent of China’s overall GDP. It is, therefore, not a surprise that making China a maritime nation has been a national goal since the nineteenth Communist Party congress, which elevated the construction of a “strong maritime nation” to the “highest level.”

A few months after Greece’s New Democracy party won the 2019 elections under Mitsotakis, Greek media reported a growing number of controversial issues with regard to COSCO’s investment. These include the absence of an environmental impact assessment for the construction of the new cruise terminal, and risks that transferring debris in the city could cause congestion and pollution. Another issue of contention has been COSCO’s proposal to establish the Hellenic Port Community System (HPCS), a multifunction management e-platform for the Port of Piraeus. Following heated discussions, the Greek Ministry of Shipping introduced a new law replacing HPCS with the state-owned National Integrated Port Community System.

The Piraeus Chamber of Commerce and Industry, representing local businesses, appears to have become highly skeptical of COSCO. There are growing concerns that part of the shipbuilding orders might move to Chinese shipyards. During a Piraeus city council special session on November 20, 2020, shipowner Vangelis Marinakis expressed his strong opposition to the Chinese company’s extension plans, stating bluntly that “Piraeus can expect no benefit from COSCO.” He was supported by several political parties, along with environmental groups who have rallied against the company’s plan to build a fourth pier on reclaimed land. Later, China’s ambassador to Greece, Zhang Qiyue, tried to save the deal by stepping in for COSCO. In March 2021, however, she was promptly recalled to Beijing—apparently due to the lack of progress.

Instead of building a new pier, COSCO might now try to invest in additional equipment to increase handling capacity in Pier 1 to maintain Piraeus’s ranking for the next few years. It appears local actors have also refused to pay entry fees imposed by the COSCO-run PPA for commercial vehicles, even though these were part of the original global concession agreement between COSCO and the Greek government. “Currently, there is no fertile ground for
an extension of Chinese presence,” said Rui Pinto, deputy chief executive of the Thessaloniki Port Authority. COSCO’s plan to build a car terminal in an area used by local ship-repair businesses has also encountered heavy criticism from locals, who fear it would be contrary to the interests of Greek shipyard owners.

Current tensions reflect the fragility and emotional aspects of the Piraeus deal in the eyes of both the shipping industry and local communities. But as Greek resistance to the Chinese presence rises (sometimes influenced by outside players such as the EU or the United States), Chinese media sources consistently insist on the “Sino-Greek engagement over long-term Chinese investment,” reflecting a true contrast between Greece’s and China’s assessment of their bilateral relationship. Recent media coverage on each side could hardly be more different.

**Beyond Ports**

Though port business may be highly profitable, it is also very competitive in the region. Other Mediterranean harbors have started to catch up, beginning with Morocco’s Tanger Med (which now ranks higher than Piraeus) and Spain’s Valencia, not to mention the formidable alliance operation between Antwerp and Zeebrugge farther north.

China has attempted other inroads into the Greek market. For example, another port operator, CMPort—part of the China Merchants conglomerate—has been involved in Thessaloniki, Greece’s second-largest port, through Terminal Link, a joint venture with France’s CMA CGM. The former chief executive of Terminal Link, Boris Wenzel, also invited CMPort to install its terminal operating system at Thessaloniki. However, because the two Greek facilities are managed as completely separate businesses, they do not constitute a global investment strategy on the part of China.

Besides Piraeus and Thessaloniki, China’s business presence in Greece has stumbled. One of China’s largest commercial banks, Bank of China, proudly opened its Athens branch in late 2019, pledging to make greater contributions to the BRI by providing “professional and efficient financial services for Chinese ‘go global’ companies and use financial power to build a bridge for cross-border business between Greece and China.” The banking business, however, has flagged, in line with the global economic slowdown. Like many Chinese institutions, Bank of China is playing a long-term game and hopes to benefit from deeper interactions between Greece and China. For the time being, though, it has been a low-key operation—quite the opposite of China’s original goal.

Several Sino-Greek business deals have also been interrupted, if not outright canceled. In 2016, COSCO surprisingly stayed out of the race to privatize Greece’s railway operator TrainOSE, despite Premier Li Keqiang’s earlier interest. In 2018, the National Bank of Greece severed its negotiations with Gongbao for the sale of Ethniki Asfalistiki, the country’s largest insurance company. Five years after signing a $200 million investment agreement, real estate and financial group Fosun International withdrew in 2019 from a massive project.
to develop the former Hellenikon airport, apparently due to “years of delays caused by red tape and the country's economic crisis.” Tellingly, the Chinese consortium was not entitled to bid for a gambling license that was eventually awarded to the U.S.-based Mohegan group and Greek construction company Gek Terna. More recently, in January 2021, the Greek government did not allow China's State Grid (which already held a 24 percent stake in Greece's high-voltage Independent Power Transmission Operator) to bid for a 49 percent stake in the country's mid/low-voltage distribution network operator. Another Chinese state-owned enterprise, South Power Grid, was also disqualified. Lastly, the Greek government is leaning strongly toward non-Chinese suppliers for 5G technology. In March 2021, Cosmote, the largest Greek mobile service provider, selected Swedish telecommunications company Ericsson as its exclusive 5G equipment supplier. Greece also joined the U.S.-led Clean Network, an initiative on 5G launched by former president Donald Trump's administration.

**High Hopes for Chinese Tourists**

Despite COSCO’s long-term plan, which should in principle serve as an engine for potential Chinese cruise visitors, Greek tourism sector professionals have had mixed feelings. Of the 28 million foreigners who visited in 2019, the vast majority actually came from Europe and the United States—compared to only 200,000 from China. The ongoing COVID-19 pandemic has halted travel, and it is likely that Chinese tourists will not be back for some time. The island of Santorini, a huge draw for Chinese tourists, has been badly hit by the absence of international inbound flights. Santorini’s hotels have remained mostly empty, and it is unlikely that the newly branded “Greece-China Year of Culture and Tourism 2021” will bring Chinese tourists back to Greece in significant numbers anytime soon. Similarly, Sino-Greek cultural activities appear to be very limited, according to media coverage studied by the Institute of International Economic Relations (IIER) through 2020 and early 2021. This does not bode well for China's image among the general public.

**Golden Visas**

It has been almost a decade since Greece (along with nearby Malta and Cyprus) started luring individual Chinese investors willing to invest about $290,000 or more in a Greek property against the promise of a renewable five-year residence permit, which in theory allows free travel throughout the twenty-seven EU states. Foreigners who have spent at least seven years in Greece are able to use their so-called golden visa to obtain a much-coveted EU passport. As of November 2020, 70 percent of golden visa holders were Chinese citizens (5,504 out of 7,903 in total)—and numbers continue to rise. In 2019, foreigners invested some $1.7 billion in the Greek real estate market, including Chinese buyers who were able to defy China's strict capital control rules. Following a dire two years due to COVID-19, the Greek government will encourage new schemes in areas with fewer visitors, such as western or northern Greece.
Meanwhile, the EU continues to criticize Greece’s golden visa program. European Commission President Ursula von der Leyen warned in her September 2020 state of the union speech that “European values are not for sale.” In addition, local analysts have pointed out that Chinese media almost never mention the golden visa scheme. One explanation for this discrepancy could be that a growing number of Chinese applicants for visas in Greece are effectively communicating their intention to leave China. The Chinese government would not want that to be discussed openly.

**China’s Dedicated Soft Power Strategy**

Before the pandemic, many Greeks seemed grateful for China’s help. The combination of tourists, investors, merchants, and some cultural events—such as the Ancient Civilizations Forum in 2017 or the annual meeting of European Confucius Institutes in 2018—initially helped China win over the Greek public, or at least some Greek elites. This narrative no longer holds. The Greek public seems more interested in real action and jobs.

In 2016, China launched the first ever Business Confucius Institute at the Athens University of Economics and Business, with the clear aim of building stronger business ties between the two countries. There are also classic Confucius Institutes based at the Aristotle University of Thessaloniki and the University of Thessaly in Larissa. Both are mainly focused on Chinese language studies and avoid controversial issues such as Taiwan or Xinjiang. Much like in other European countries, China-backed organizations—such as the Greece-China Association and the Hellenic-Chinese Chamber—promote business ties between the two countries. Close Chinese contacts with Greek political parties have been irregular, apart from the hardline Greek Communist Party (KKE), which said in 2010 that “it continues to maintain bilateral relations with the [Communist Party of China].”

Collaboration has also extended to other fields. In 2018, China and Greece signed an action plan for scientific and technological cooperation. A Chinese AI application development company, DeepBlue Technology, announced it would start an innovation channel between Greece and China. Other impactful plans include a Center for China Studies jointly run by the Aikaterini Laskaridis Foundation and the Chinese Academy of Social Sciences, and programs to attract more Chinese students in the years to come. The University of the Aegean has even launched an online facility for Chinese-language classes.

The BRI is, of course, a permanent feature of China’s presence in Greece. In 2019, then prime minister Tsipras also felt the need to join the 17+1 format, a group of Southeastern, Central, and Eastern European countries that meet annually with top Chinese leadership (although the current Greek government has been much less enthusiastic than its predecessor). In the past, Greek officials have often taken part in BRI activities both in Greece and in China. Tsipras himself attended two Belt and Road forums in Beijing, in 2017 and 2019. During a separate official visit to China, he declared that Greece intended to “serve as China’s gateway into Europe.” His successor, Mitsotakis, has been more subdued, although
he hosted Xi in 2019 and has said that he hopes for a “new era in Greek-Chinese relations.” Wary of regional tensions with Turkey, the Greek prime minister has also realized how much Greece needs the United States and the EU; China has little to offer in terms of security.

**China’s Growing Media Presence**

In terms of media presence, China’s Xinhua News Agency established a bureau in Athens years ago, employing some Greek stringers. It has also engaged in an official exchange with the state-owned Athens-Macedonian News Agency (AMNA) since 2016. The China Economic Information Service, an affiliate of Xinhua, also signed an agreement with AMNA to set up a Belt and Road Economic Information Partnership. In addition, Chinese media outlets have cooperated with Greek newspapers like *Kathimerini*, which has an English edition and has frequently published editorial dispatches from Xinhua. Greek state television and China’s National Radio and Television Administration signed a memorandum of understanding in late 2019. Like many of their colleagues in Southeastern, Central, and Eastern Europe, Greek journalists have been frequently invited to BRI events in China. It is important to note, however, that the Greek public has not benefited from independent coverage of Chinese news because Greek media do not have their own correspondents in China. All in all, that means Greece has been vulnerable to Chinese media narratives for some years. It will remain so, unless it invests in specialized coverage of China or Chinese-European relations.

Through its local presence, Chinese media has been offering an interesting narrative to the Greek public. First, it presents China as a “benign superpower, which is promoting a new set of harmonious international relations, based on rapid socio-economic development and ‘win-win cooperation.’” But it also focuses specifically on the Sino-Greek relationship: according to a recent IIER report, China “wants to be seen as a true friend that offers generous assistance to Greece.” Through 2020, Chinese media reports countered any accusations over Beijing’s responsibility for the pandemic with examples of the aid it has delivered to Greece.

**The Impact of Chinese Influence in Greece**

Ever since the 2004 Athens Olympics (and especially since COSCO took over management of Piraeus), China has been courting the Greek public—with some success. Unlike other European countries, Greece has not been the target of China’s aggressive wolf warrior diplomacy (named for a popular Chinese blockbuster movie). Again, this softer diplomacy shows that China is playing a long-term game in Greece. As a sign of goodwill, Beijing has tried to remain accommodating and uncontroversial on its embassy’s Facebook and Twitter accounts. The Piraeus Port Authority has also been running soft communication campaigns through its own social media outlets. Although China’s image could be considered neutral in Greece, this moderate approach has yielded mixed results according to several recent surveys of the Greek public.
First, the Athens-based IIER determined that China’s soft power strategy toward Greece was largely successful between 2008 and 2018. According to its report, IIER found that “the general public assesses the relations between the two countries in a very positive light: in December 2016, a vast majority of the respondents (81.9%) qualified them as ‘friendly’ and ‘relatively friendly.’” The same IIER report also found that most Greeks appeared to support closer relations with Beijing regarding the economy (83.5 percent), politics (71.1 percent), and culture (87.5 percent). A second study, by the Pew Research Center in 2019, found Greeks, along with Hungarians, to be perhaps the most China-friendly Europeans: 26 percent said the world would be better with China as a leader, while 46 percent said the world would be better with the United States as a leader. For comparison, that same year, only 14 percent of respondents from Sweden favored China; 76 percent had more confidence in the United States.

The year 2020 appears to have been a turning point for China’s local perception, not only due to COVID-19 but also because of China’s clumsy attempts to fashion itself as a benefactor. Despite its overtures, the vast majority of medical supplies from China during 2020 were commercial orders rather than gifts. In April 2020, a survey conducted by Kapa Research, a Greek pollster, found that 44 percent of Greek respondents blamed China for the pandemic—a claim strongly rejected by China’s ambassador in Athens.

**Chinese Official Visits**

Since 2008, visits by senior Chinese officials have multiplied: former president Hu Jintao attended the COSCO signing ceremony at Piraeus in 2008, prime ministers Wen Jiabao and Li Keqiang both paid official visits in 2010 and 2014, respectively, and the regular flow of visitors includes deputy prime ministers, ministers, vice ministers, and the heads of state-owned companies. It is no surprise that Chinese Politburo member and foreign affairs supremo Yang Jiechi’s visit to Athens in September 2020 received more coverage in the Chinese media than in the Greek press. Tellingly, Yang—who was on a diplomatic tour including Myanmar and Spain—called for building Piraeus into a world-class port.

Chinese media’s positive spin on Sino-Greek relations does not often target the general Greek public. Instead, it’s aimed at business leaders, government elites, or, occasionally, a domestic Chinese audience, like when National Defense Minister Wei Fenghe visited Athens in March 2021. Although possible joint drills and training were discussed, it is highly unlikely that Greece, a NATO country, will engage in military exercises with the People’s Liberation Army (PLA). Rather, the goal of such a visit is to show to China’s domestic audience that Beijing has international friends willing to cooperate.

During his own prominent visit in November 2019, Xi referenced COSCO’s presence as a “dragon’s head.” The goal, he said, is to make China an even larger player in the Mediterranean. Building on the narrative of kinship between two old civilizations, Chinese media reported that Xi and Greece’s then president Prokopis Pavlopoulos had agreed to
“contribute the wisdom of ancient Eastern and Western civilizations to building a community with a shared future for mankind”74—this kind of discourse has been well-received among Greek elites.

Conclusions

Looking at Chinese maps of the BRI, Piraeus is always at the center of the Maritime Silk Road. After all, the construction of a strong maritime power has become a national goal for China, and the Chinese position in Greece is at the forefront.75 Before the pandemic, China initially saw the Piraeus deal as a “historic opportunity” for a declining European economy to “return to the centre of the world through the revival of Eurasia.”76 Like Hungary or several countries in the Balkans, Greece was chosen to be part of a Chinese sphere of influence on the European continent. Thanks to major Chinese investments, that seems to still be a priority.

The outcome of such a policy, however, remains unclear. First, Greece has been busy handling its regional disputes with neighboring North Macedonia and, especially, Turkey. It needs NATO and the EU’s diplomatic and military support to counter Turkey’s militarization of the region surrounding Cyprus. Second, as is often the case with Chinese investment projects, the reality has differed from the initial proposition. “In the grand scheme of things . . . China invested in the port of Piraeus at a time when nobody was interested and it has been a successful investment,” Mitsotakis said in a recent interview. “But,” he went on to say, “Greece is not particularly dependent on Chinese investment, when I look at the map of Foreign Direct Investment, certainly I look at countries that are interested in investing in Greece.”77 Problems continue to accumulate around the Piraeus deal, and locals are more sensitive and angrier than expected about the benefits—or lack thereof—from COSCO’s financial involvement and oft-overbearing presence.

For China’s ambition as a new superpower, the stakes are running high. Despite close contacts with both Russia (through the Russian Orthodox Church) and China, Greece remains firmly anchored in traditional Western institutions and alliances. Finally, the pandemic seems to have engendered the same sense of disappointment in the Greek public as in other Southeast European nations vis-à-vis China. Athens may still have a long way to go before becoming the dragon’s head. Soft power, official visits, and expansion plans have not managed to fill that gap and—for the time being—the Greek people do not want to trade their independence and European ties simply to comply with the grand strategy of Xi’s China. What is clear, though, is that China has engaged in a long-term game regarding Greece, which—despite recent turnarounds—Beijing still views as a valuable hub and partner in Europe. The way China has engaged with the country for almost two decades demonstrates clear commitment to its long-term plan. Both the EU and the United States may have managed to keep Greece on their side for now, but the future remains uncertain if China continues to pursue a strong and ambitious maritime agenda in the Mediterranean Sea and beyond.
Hungary: A Willing Chinese Partner in the Heart of Europe

Hungary, having embraced closer ties with China in the early 2000s, is something of an outlier in the EU. It has become one of the most vulnerable countries in the region for Chinese influence under the government of current Prime Minister Viktor Orbán. Hungary’s vulnerability is due to relatively weak state institutions that are largely controlled by an increasingly authoritarian ruling party and the limited voice of civil society. The ease with which Beijing has facilitated elite capture plays an important part in China’s ability to cultivate key decisionmakers, who, in turn, are eager for better relationships with their Chinese counterparts. Orbán, who personally directs the country’s policy toward China, has been in power for over a decade and has troubled relations with his counterparts from Hungary’s traditional Western partners. Reportedly, Orbán views the Chinese government—which prioritizes the principles of state sovereignty and nonintervention in the domestic affairs of its diplomatic partners—as an alternative to the liberal West, where his counterparts have been highly critical of Hungary’s democratic backsliding. He and other prominent Hungarians speak warmly of China’s economic development model.

For Budapest, Beijing became a key partner for diversifying its economic policy away from Europe after the 2008 global financial crisis. Over time, Orbán has begun to shift Hungary’s foreign policy strategy toward Beijing as well. The Hungarian government uses China as leverage with Brussels and to posture to Euroskeptic sentiment at home. Under Orbán, Hungary has positioned itself as a regional hub for China in Central and Eastern Europe, although the Chinese financial flows to the country have been far less than expected just a few short years ago. For Beijing, Hungary is a relatively open door in Europe, given the Orbán government’s embrace of China as a diplomatic and economic interlocutor and his search for partners in advancing his illiberal model of governance at home. For the Chinese leadership, he is a useful interlocutor to help deflect international criticism of and stymie European consensus on Chinese human rights violations, particularly in Hong Kong and Xinjiang.

State or government-friendly oligarchic control over the media stymies alternative views of Beijing, which enables leaders in both Budapest and Beijing to hail the relationship as a win-win. Positive media coverage helps compensate for the limited impact that Chinese soft power projection has had thus far in the country. Recent polling suggests that Hungary’s Western partners are viewed far more positively than China among average citizens—a finding that is in line with neighboring Poland and the Czech Republic. Hungarians harbor slightly negative views of China’s international clout and see Beijing primarily as a source of financing. China’s efforts to cultivate more positive views of itself among society at large—through public diplomacy such as Confucius Institutes or sister-city relationships—have largely fallen flat. Nonetheless, the positive top-down media coverage of China helps compensate for the limited impact of Beijing’s soft power efforts, particularly among Orbán’s key constituencies.
A Brief History

Budapest’s outreach to Beijing is not new. Like many former Warsaw Pact countries, Hungary formally recognized the People’s Republic of China in October 1949. Unlike other countries, however, both Hungary and China marked the seventieth anniversary of that diplomatic recognition with great fanfare in 2019. Relations ebbed and flowed during the Cold War depending on the ideological winds emanating from both capitals. Hungary was a pioneer of democratization in the Eastern bloc. The ruling Hungarian Socialist Workers’ Party surrendered power in October 1989, a month before the Berlin Wall came down.

After the end of the Cold War, the trajectories of Hungary and China quickly diverged for about fifteen years. Eager to shed all remnants of the country’s communist past, Hungary focused on integrating with the West and had little interest in China. Orbán and his right-wing Fidesz party, which originated in opposition to the communist party, ironically criticized the Chinese Communist Party and its human rights record in the 1990s. During his first term as prime minister (1998–2002), Orbán met with the Dalai Lama, creating a spat between the two countries. Yet since returning to office in 2010, he has avoided antagonizing Beijing with similar engagements or criticizing China’s human rights record.

The geopolitical and geoeconomic shifts of the past twenty years facilitated Orbán’s move closer to China. By the mid-2000s, around the time that Hungary joined the EU, Beijing began courting the countries of Southeastern, Central, and Eastern Europe. Chinese leaders saw new EU members as potential entry points into the union as a whole. These countries

Figure 6. Hungarian Imports From China

![Figure 6. Hungarian Imports From China](https://comtrade.un.org/data/).

were close to lucrative markets farther west and increasingly integrated into pan-European logistics and supply chains. Yet it was far cheaper to do business in the region, where labor costs were lower and regulations less stringent. The lack of transparency in Orbán's Hungary has since helped facilitate state capture, which is exacerbated by Hungary's lax attitude toward investment screening and its willingness to skirt EU requirements on public tenders. Hungarian elites' vulnerability to Chinese economic influence arises in large part from their eagerness to cooperate with Chinese investors for individual gain.
However, it was Hungary’s socialist government, led by Péter Medgyessy, that first embraced Beijing in the mid-2000s, facilitating the first wave of Chinese economic investment in the country. Medgyessy today remains an advocate of engaging China. His long track record with Beijing dates back to his time as a minister in the pre-1989 communist government. He has continued to visit the country in his post-government career, frequently highlighting the country’s governance economic models in public speeches in China. His praise reflects consensus across the Hungarian political spectrum of China’s importance as a trade and investment partner. The bulk of early Chinese investment in Hungary during Medgyessy’s time consisted of small businesses in the trading and service sectors geared toward selling Chinese-produced goods. With time, however, multinational Chinese firms—including Bank of China, Huawei, Lenovo, Wanhua, and ZTE, among others—came to see the country as a stepping-stone for more ambitious endeavors across Europe.

**Orbán’s Pivot**

Orbán’s embrace of China is twofold. On the foreign policy front, it is part of his broader effort to enhance his leverage with the European Union. A country like China attaches few strings to its diplomatic and economic engagement when it comes to governance, human or labor rights, debt, or environmental issues—all areas where Orbán’s government has problematic track records. On the domestic front, engaging China is intended to gain economic assistance, which was seen by many Central and Eastern European countries as vital after the 2008 global financial crisis. Some Chinese investments, such as the controversial and costly plan to build a new rail line between Budapest and Belgrade, have been handed to Hungarian oligarchs with close ties to the government. The turn toward China helps Orbán play to Euroskeptic sentiments in Hungary, by showing his own citizens that the country has alternatives to the EU—which has helped the populist leader consolidate his hold over Hungarian politics. Orbán uses outreach to Israel, Turkey, and Russia for similar purposes.

Upon returning to office as prime minister in 2010, Orbán launched his Eastern Opening policy to reduce Hungary’s dependence on the European Union and Western financial institutions, which impose strict conditionality on debt relief. The Eastern Opening is Orbán’s effort to rebalance Hungary’s foreign economic policy by engaging with partners to Hungary’s east, primarily China but also Azerbaijan, India, Japan, Russia, Singapore, South Korea, and Turkey. Orbán’s pivot to the East has been accompanied by his increased use of a so-called Eurasianist discourse, intended to reposition Hungary as a Eurasian rather than a completely European country. Orbán’s Eastern Opening sparked a flurry of business and commercial exchanges between Hungary and China, as well as high-profile diplomatic engagements with lofty hopes that it would jump-start the country’s troubled economy. The Orbán government’s efforts to reach out to other Asian powerhouses, however, have been far less successful.

Hungary has become one of Beijing’s strongest advocates within the EU. It was the first EU country to sign onto Beijing’s BRI. Since 2012, it has also been a member of what is now called the 17+1 framework; it hosted the format’s annual summit in Budapest in 2017.
Budapest today enjoys a prominent role in the group. In 2017, Budapest and Beijing upgraded their relationship to a comprehensive strategic partnership—largely a symbolic status that many other countries enjoy, but one that highlights the senior-level attention Hungary receives from China despite its small size, limited global stature, and relatively minor economy. Budapest’s importance to China has increased in recent years as other Central and Eastern European countries, particularly EU members, have soured on Beijing due to unfulfilled expectations or political shifts at home. Unlike some of his regional counterparts, Orbán attended the virtual 17+1 summit in 2021, praising Xi personally for the assistance China has provided to Hungary during the COVID-19 pandemic. China’s Defense Minister Wei Fenghe visited Budapest in March 2021 with a public message condemning Western sanctions against China over Beijing’s human rights violations in Xinjiang. High-level visits with Chinese leaders similarly help offset Orbán’s growing diplomatic isolation from Hungary’s traditional Western partners over the country’s own democratic backsliding.

It is primarily Orbán’s longevity in office that has helped keep Budapest firmly in line with Beijing and eager to avoid public fights with China, as one Hungarian interlocutor described in a private workshop organized by Carnegie. This was particularly evident when Michael Kovrig, a dual Hungarian-Canadian citizen, was arrested on trumped-up charges related to a Canadian-Chinese dispute over the detention of Huawei’s chief financial officer, Meng Wanzhou, in British Columbia. Unlike Canada, Hungary appeared eager to avoid any public spat with Beijing and handled Kovrig’s case as a relatively low-level consular case, effectively outsourcing the issue to Ottawa. Hungarian officials in Beijing even avoided attending a public protest by the Western diplomatic community outside Kovrig’s trial. All of this suggests Budapest simply seeks to avoid alienating Beijing in public whenever possible.

**Mixed Economic Results of Hungary’s Pivot to China**

The bulk of Chinese investment in the country under Orbán has not met expectations, although the flurry of recent high-profile projects could change that in coming years. China’s most successful projects in Hungary predate or coincide with Orbán’s 2010 return to office. China’s Wanhua Chemical Group, for example, is the largest investor in Hungary and an early symbol of the Eastern Opening policy’s success after the group acquired BorsodChem, a chemical plant in northern Hungary, for about $1.7 billion in 2010. The deal was formally signed by Orbán’s predecessor, but the actual investments occurred after he took power again. Additional cash flows to modernize the plant brought the total investment up to around $2.2 billion. The purchase positioned the Chinese company as a top producer of polyurethane materials in Europe and enhanced its role as one of the world’s prominent chemical producers—clearly a win for Wanhua and China. Wanhua’s acquisition of BorsodChem accounts for about 60 percent of cumulative direct and indirect Chinese investment in Hungary to date (roughly $3.7 billion), which suggests Chinese investment is lopsidedly concentrated in a few key industries and corporations.
Two of the most prominent and controversial Chinese investors in Hungary today, Bank of China and Huawei, established themselves in the country even earlier. Bank of China’s Central and Eastern Europe regional headquarters is in Budapest, where it has served since 2003 as an intermediary to facilitate Chinese investment flows and fund infrastructure. Bank of China (CEE) established its own standalone Hungarian affiliate, Bank of China (Hungary), in 2014, which soon expanded into Austria and the Czech Republic as well.\(^{100}\) The Hungarian National Bank consented to Bank of China (Hungary) becoming a regional renminbi (RMB) clearing and settlement house.\(^{101}\) Hungary also was the first Central European country to issue RMB-denominated sovereign bonds in 2016.\(^{102}\) Huawei arrived in 2005, establishing its main European supply center in Hungary. From there, it distributes products across Central Asia, Europe, the Middle East, North Africa, and Russia. Huawei is the second-largest mobile vendor in the country, enjoying 30 percent market share in mobile phones and 20 percent in tablets.\(^{103}\) Huawei also owns several assembly plants and is keen to expand its presence in the country’s telecommunications and internet infrastructure development sectors as the country moves toward 5G (as does its rival, ZTE). Both are sensitive points for the United States and many of Hungary’s EU and NATO partners, although there is little public pushback against Huawei in Hungary itself.\(^{104}\) Furthermore, despite pressure from the Trump administration to curb Huawei’s activities, the Orbán government in 2020 announced the establishment of the company’s new research and development center in Hungary.\(^{105}\) Although Hungary is the top destination for Chinese investment in Central and Eastern Europe, investment flows have slowed in recent years and are primarily focused on either infrastructure (like railways or dry ports) or acquisitions (such as hotels and assembly plants), creating few long-term sustainable jobs in new employment sectors.\(^{106}\) Solar energy is a promising new field for Chinese investment, particularly as Hungary strives to reduce emissions and comply with EU mandates on green energy. China’s National Machinery Import and Export Corporation is finalizing construction of a $120-million solar power plant in Kaposvar, first announced in 2019.\(^{107}\) Chinese officials continue to make grand promises of increased financial flows and the establishment of businesses in Hungary. Chinese firms are credited with creating roughly 15,000 jobs in the country,\(^{108}\) but that figure pales in comparison to companies from Europe, which remains Hungary’s most important trade and investment partner. Germany’s Bosch, for example, alone has 13,500 Hungarian staff members.\(^{109}\)

**Trade and Infrastructure: Less Than Meets the Eye**

Hungary is one of the most important trade partners for China among the members of the 17+1, but far less important among European countries as a whole. Multinational companies dominate Chinese-Hungarian trade with Hungarian subsidiaries of Western European conglomerates, like Audi, which exports Hungarian-made car parts to China.\(^{110}\) Trade turnover between China and Hungary has increased from $3.9 billion in 2005 to over $7 billion
in 2018, with Hungary now purchasing mainly mobile phones, electronic equipment, and other consumer goods. Hungarian car parts and machinery constitute the country’s major exports. Tourism is a growing sector of cooperation, although the pandemic has paused travel between the two countries. Recently launched flights between Budapest and Shanghai and Chongqing have been suspended. Tourism likely will rebound after the pandemic. For a relatively small European country, Hungary also has a high number of diplomatic missions in China, with an embassy in Beijing and consulates in Shanghai, Chongqing, and Hong Kong. Hungarian interlocutors indicate Budapest has plans to open a consulate in Guangzhou, although those plans appear on hold for now. These facilities aim to promote trade, investment, and tourism. A series of official trading houses, established by China but run by prominent Hungarians, perform largely the same task, while also apparently helping to enrich their Hungarian figureheads.

Both Beijing and Budapest see the country as playing a role in the BRI, given its central geographic location in Europe. Thus far, however, the BRI has had lacklustre results in Hungary. The most visible project under the BRI umbrella is the Budapest–Belgrade railway connection, first announced in 2013; the project has been long delayed in Hungary due to controversies over whether the Orbán government complied with EU regulations on issuing a public tender for its construction. Mired in corruption allegations and controversy for years, the Hungarian portion at last appears to be moving forward after Hungary signed a $1.9 billion loan agreement with China’s Export-Import Bank to cover 85 percent of the costs—the terms of which Budapest classified for ten years, allegedly as part of the loan agreement.

A second tender for the railway was awarded to a Chinese-Hungarian consortium consisting of China Railway Group Limited (China’s state railway company) and Opus Global, a holding company controlled by Hungarian businessman Lőrinc Mészáros, a long-time Orbán associate. This again highlights transparency concerns and the potential for corruption in a country where construction projects frequently go to friends and allies of the prime minister. Several Hungarian analysts also question the railway project’s long-term feasibility and profitability, noting the steep costs for construction and limited potential for cargo and passenger traffic. The purportedly unfavorable loan repayment terms will take decades or longer to pay off. These analysts, however, have few domestic platforms to convey these concerns. There appears to be greater awareness of these issues outside the country than within.

Given the country’s central location in Europe, both Beijing and Budapest highlight the new railway’s ability to link up with the planned Trans-European Transport Network, enabling Budapest to serve as a key freight forwarding center in continental Europe. Yet north-south cargo traffic between the Mediterranean and Hungary currently is minimal, and it is unclear whether demand will grow enough in the coming decades to justify large financial outlays, particularly because there is an existing rail line that could be modernized at far less cost.
COVID-19’s Impact on Hungarian-Chinese Relations

The COVID-19 pandemic accelerated the already warm relationship between the Chinese and Hungarian governments. Hungarian officials did not follow the Trump administration in 2020 as it laid blame on Beijing for the pandemic, although some individual Hungarians certainly did. Roughly one-third of Hungarians in a recent poll claimed their perception of China deteriorated over the past year, despite Hungarian officials and government-friendly media's frequent emphasis on the massive amounts of medical equipment, pharmaceuticals, and eventually vaccine supplies that China sent to Hungary. Both sides tout those shipments as symbols of close cooperation. That has helped push the narrative that China is part of the global solution to the pandemic, rather than to blame. Budapest, however, purchased most of these supplies, including large-scale orders of ventilators, pharmaceuticals, and other protective gear from China at far higher prices than other European governments and via offshore intermediaries. Much of the equipment remains unused.

Hungary’s willingness to use Chinese vaccines became apparent by January 2021 as the EU struggled to authorize, procure, and rollout adequate supplies of vaccines across the bloc in a timely manner. Orbán was the first EU leader to authorize the emergency use of two Chinese vaccines, Sinopharm and CanSino, directly flouting Brussels. With one of the highest COVID-19 mortality rates per capita in the world in early 2021, Hungary began looking elsewhere for vaccine options. Orbán eventually relied on a multivector approach to sourcing vaccines, authorizing Indian- and Russian-made vaccines in addition to China’s vaccines and the EU-approved shots. Securing these vaccine supplies from a broad base of suppliers enabled the Orbán government, which is up for reelection in 2022, to highlight its image as a problem solver, while European politicians dithered and the continent entered another deadly wave of infections.

Chinese vaccine purchases, however, have followed a similar pattern to COVID-19 mask and ventilator purchases. In March, the government announced it had acquired Chinese vaccines via a Hungarian intermediary company with a murky ownership structure, after Budapest waived public procurement requirements for the purchase. The end result again came at a far higher cost per Chinese dose ($37) than Western (roughly $2 to $15) or Russian vaccine counterparts ($10). Skirting public procurement mandates raised the ire of Orbán’s critics, although early on Hungary proved far more successful in inoculating Hungarians than the EU as a whole. In Hungary, 58.4 percent of people had received at least one dose and 28.7 percent had received two doses of a COVID-19 vaccine by May 7, 2021, according to EU statistics, whereas the EU average was just 33.3 and 11.8 percent, respectively.

Limited Chinese Soft Power

China’s media presence in Hungary is limited in large part because the Hungarian media generally takes a positive view of China, minimizing controversial issues like human rights or Beijing’s own struggles with the pandemic. Spreading favorable stories about China
in state or government-friendly media helps bolster Orbán’s foreign policy achievements, mitigates Budapest’s growing diplomatic isolation from its traditional Western partners, and plays to Euroskeptic segments of the population, which constitute an important base of support for Orbán’s ruling Fidesz party. Fidesz voters generally are now positively inclined toward Beijing, a remarkable turnaround for a party with origins as an anti-communist movement. The country’s opposition-oriented and independent media outlets disseminate more negative content—touching on human rights issues like the plights of Tibet, Xinjiang, or Hong Kong—but they have a much smaller reach.

Both the Chinese embassy and Chinese businesses keep a relatively low profile in Hungary. The embassy rarely engages in formal public relations activity, although it does host a series of cultural events. There generally is also no need for aggressive wolf warrior diplomacy from Beijing due to little public criticism of China. Hungary hosts a growing list of Chinese cultural institutions, which now includes a think tank, five Confucius Institutes, several formal linkages with Hungarian universities, a bilingual school, a traditional Chinese medicine facility, and numerous cultural and friendship organizations. There also are now approximately 20,000 ethnic Chinese living in Hungary, some of whom arrived via a now-discontinued golden visa scheme—similar to that in Greece—that the Orbán government promoted from 2013 until 2017. The reach of this diaspora population and all these institutions, however, appears limited.

The Chinese Academy of Social Sciences established the China-CEE Institute in Budapest in 2017. The first Chinese-sponsored policy research institution in the region, its aim is to establish linkages with academic institutions across Central and Eastern Europe. It has a broad research mandate, covering political, social, technology, economic, and governance issues across the whole region, not just in Hungary. Many of its reports are authored by the same small group of European scholars, with Chinese managers and editors overseeing and financing their work. The institute’s social media presence remains weak, with only 175 LinkedIn followers and 400 Twitter followers, although the institute posts the same feed across all of its social media platforms.

Hungary’s main Confucius Institutes are located at Eötvös Loránd University in Budapest, the University of Szeged, the University of Miskolc, and the University of Debrecen. There is also a Confucius Institute for Traditional Chinese Medicine at the University of Pécs with a dual focus on Chinese language and traditional healing methods. All five institutes serve as libraries, language schools, and cultural hubs—generally places where Hungarians, especially youth, can gain greater exposure to Chinese film, art, history, calligraphy, and sports, as well as research and prepare for foreign educational opportunities in China. The Budapest center claims to reach approximately 2,000 people each year with its language programs (though it has provided no supporting evidence to justify that estimate). The Chinese Student and Scholars Association, an official Chinese student organization with branches across the world, exists in Hungary, although its various chapters do not appear very active. Despite this presence, overall knowledge of and interest in China appear to remain limited in Hungarian society. Instead, China has focused on cultivating potential
future elites, often presenting them with prospective business or educational opportunities. 
Beijing offers study tours to Hungarian professionals, including journalists and academics, 
to learn about China, as well as lucrative scholarship programs for high school, college, and 
graduate school students. The alumni of these programs have gone on to advocate for closer 
political, commercial, and cultural ties.\textsuperscript{132}

One alumnus is Levente Horváth, the Hungarian National Bank’s chief adviser on China, who graduated from Shanghai’s prestigious Fudan University and headed its alumni organization in Hungary.\textsuperscript{133} He has spearheaded ongoing efforts to create a Fudan campus in Hungary by 2024, which would be the first branch of a Chinese university in the EU.\textsuperscript{134} The impetus for Fudan’s expansion into Hungary was a 2017 financial training exchange, in which the Hungarian National Bank sent a delegation to Fudan.\textsuperscript{135} It was followed by the creation of a joint MBA program between Hungary’s Corvinus University and Fudan in 2019.\textsuperscript{136} Serious negotiations on the establishment of a full-fledged Chinese campus began that year,\textsuperscript{137} just as Central European University (CEU)—founded by Hungarian-born American George Soros in 1991\textsuperscript{138}—was forced to move to Vienna after years of wrangling with the Orbán government over academic freedom, the university’s legal status, and Soros’s own criticism of the country’s democratic decline.\textsuperscript{139}

If finished, Fudan’s Hungarian campus certainly will be well-positioned to enhance Chinese soft power, cultivate a rising generation of elites, and enhance educational linkages with Chinese academic institutions, as the CEU previously did with its U.S. counterparts.\textsuperscript{140} The Hungarian minister of innovation and technology has said that Fudan’s proposed Budapest campus could transform Hungary into a regional knowledge hub.\textsuperscript{141} While prominent universities opening up global campuses has become a lucrative business, construction costs for Fudan in Hungary are high. Currently estimated at roughly $1.8 billion, these costs far exceed recent annual state allocations for all higher education in Hungary (generally between $900 million and $1.5 billion\textsuperscript{142}).\textsuperscript{143} The bulk of these costs (roughly $1.5 billion) will be financed through a loan from the China Development Bank to be repaid within fifteen years. The Hungarian state will fund the remainder, as well as donate a $2 million plot of land for the campus. The China State Construction Engineering Corporation—an entity sanctioned by the U.S. Department of Defense for alleged close ties with the PLA, and by the World Bank for corrupt practices\textsuperscript{144}—is the purported front-runner to build the campus, likely again without a public tender and supposedly with Chinese labor and materials. It is one more example of how Chinese projects appear to take advantage of state capture in Hungary, often at the expense of Hungarian taxpayers.

It is unclear where the anticipated 5,000–6,000 student body will come from, as there reportedly were only about 250 students majoring in Chinese language at Hungarian universities in 2017.\textsuperscript{145} The proposed university branch would likely have to draw on an international student population, including students from China. Some Hungarian academics have expressed concern that the Fudan project will dilute the state budget for higher education, help squelch academic freedom, and entice smart Hungarians away from the country’s established universities.\textsuperscript{146} If completed, the Chinese leaders of Fudan will be responsible for
developing course curricula, which will be geared toward higher education like the CEU before it. Replacing the CEU with Fudan is a strong statement of shifting political tides with broad implications for academic freedom. Hungarian academe has proven thus far to be resistant to Chinese overtures, although recent efforts by Orbán’s government to privatize universities and transform them into foundations controlled by oligarchs close to the prime minister are likely to curb academic freedom on its own.

The Fudan project has also sparked additional controversy. Budapest’s liberal mayor, Gergely Karácsony, has publicly opposed it and pledged to put the choice before voters in a referendum that could block or at least delay construction on grounds the central government is overriding local development plans for the site. City officials had earmarked the area for much-needed student housing for the city’s existing higher education institutions. On this issue, Karácsony may have a better finger on the pulse of average Hungarians than Orbán himself does. Civil society activists have begun to coalesce against the project, citing its high costs, heavy debt burden, and lack of any public engagement from the government or China. In a recent poll, roughly two-thirds of Hungarians said they oppose the project, and thousands protested against it on June 5, 2021—the first large-scale protest since COVID-19 restrictions were lifted. In a populist twist of his own, the mayor ordered four streets around the planned campus to be renamed Free Hong Kong Road, Uyghur Martyrs’ Road, Dalai Lama Road, and Bishop Xie Shiguang Road (after a persecuted Chinese Catholic priest)—a move that sparked an angry response from Beijing. Nonetheless, public anger is galvanizing the opposition against both the project and Orbán, forcing the government to put it on hold for now. The opposition appears willing to use Orbán’s nontransparent ties to China against his Fidesz party in the 2022 general election.

Conclusions

Hungarian politicians of all stripes recognize the importance of China as an economic and trade partner. Beijing’s main constituencies in the country are political and economic decisionmakers, who have turned toward China after a series of crises (that is, financial, migration, and the pandemic) or disputes with the West over Hungary’s democratic decline. Hungary, like the EU as a whole, will most likely continue to face political, social, and economic crises, with Beijing keen to offer relatively easy diplomatic or economic alternatives. The Hungarian government has no illusions about China, but it is willing to tolerate Chinese influence in order to score certain political and economic gains. With such a welcoming posture, Hungary has enabled China to make economic and political inroads into Europe.

Nonetheless, selling itself to average Hungarians appears far tougher. Sixty percent of Hungarian respondents in a late 2020 poll continued to see the EU as the most important partner for their country's long-term development—almost double the number that chose China (33 percent). Average Hungarians have little interest in Chinese culture or awareness of what is going on in China. However, policy is made not by average citizens, but by political elites. Engaging China reaps economic rewards for many of Hungary’s
prominent politicians and business leaders, particularly Orbán’s cronies. Some members of the opposition have also been accused of benefiting from Chinese corruption schemes; the lack of transparency in Hungarian business circles and willingness to buck EU public tender requirements are clear vulnerabilities that have facilitated a fair amount of elite capture.¹⁵⁵

Beijing, in turn, is a useful tool for Hungarian officials hoping to signal their government’s displeasure with its traditional partners in the West and gain leverage vis-à-vis Brussels (and Washington) by demonstrating that it has political and economic alternatives. Beijing never takes public stances on Hungary’s domestic challenges or its squabbles with Brussels. Rather, as an alternate source of capital, Beijing is perceived as a geographically distant partner that imposes few EU-style regulations or conditionality, even if the terms of some of Chinese-Hungarian economic deals often appear lopsided to China’s advantage. Repaying the debt for the Budapest–Belgrade railway or Fudan University’s envisioned Hungarian campus is not high on Orbán’s agenda, but staying in power certainly is. Hungary’s growing debt burden to Beijing will be left for some future leader to deal with.

For Beijing, Hungary is a relatively easy entry point for advancing its political influence on the continent and complicating EU consensus. Budapest shows hesitancy to go against China on the global stage and repeatedly has broken with the rest of Europe on China, including watering down criticism of Beijing’s posture in the South China Sea or condemnation of its human rights policies. Although Hungary did not block recent EU sanctions on Chinese officials responsible for gross human rights abuses in Xinjiang,¹⁵⁴ Hungarian Foreign Minister Péter Szijjártó denounced them in Brussels as “pointless, self-promoting and harmful.”¹⁵⁵ Szijjártó’s statements are primarily symbolic, but Hungary’s public criticism of the sanctions was well received in mainland China.

Citing the need to conform to the One China policy, Budapest broke with its European and transatlantic allies to block Taiwan’s bid to participate in the World Health Organization (WHO) with observer status during the height of the COVID-19 pandemic—a move that likely complicated the global response to the pandemic and denied Taiwan a platform to help disseminate lessons learned from its highly effective measures to stem the disease early on in the pandemic.¹⁵⁶ In April 2021, Hungary also blocked an EU statement criticizing Beijing’s imposition of a new national security law in Hong Kong that has diluted civil liberty protections for city residents and led to the arrest of several prominent democracy advocates.¹⁵⁷ With Hungary retaining such a welcoming environment for China, Beijing will continue its efforts to enhance its influence in Budapest, taking advantage of the country’s weak institutions, limited platforms for civil society, and the relative ease with which it has cultivated Hungarian decisionmakers. In addition, Budapest will likely continue coming to China’s defense, so long as it avoids any major reputational costs inside the EU or with the transatlantic alliance—something Hungary generally has evaded so far.

Yet for all the hype about Beijing’s economic ambitions in Central and Eastern Europe, China does not seem all that interested in Hungary itself. Apart from pandemic-related mask or vaccine diplomacy, Hungary rarely is a prominent topic in Chinese media, which
pays greater attention to Europe’s more geopolitically important countries. China clearly sees its engagement with Hungary as a stepping-stone into the EU. This approach does little to win the hearts and minds of average Hungarians, who remain skeptical of the benefits of partnership with China and disappointed by Beijing’s engagement—at least for now.

**Romania: No Longer China’s “Backyard”**

Located at the crossroads of Southeastern, Central, and Eastern Europe, Romania has often been perceived as a country that pivots between big powers. In 2004 and 2007, it became a full member of both NATO and the EU, respectively. Under the previous regime, dictator Nicolae Ceaușescu of the Romanian Communist Party (RCP) attempted to strike a balance between the Soviet Union and China, until his own government collapsed at the end of 1989, shortly after the fall of the Berlin Wall. While the young generation was looking west, Romanian elites kept relatively close ties to China for most of the 1990s, hoping to attract investment and preserve a once-powerful connection. Beijing, in return, was cautiously keeping Romania as a potential long-term ally. Today’s situation appears quite different, as Romania increasingly leans toward the West and away from China, which offers little to the new generation of Romanians and has not been able to deliver on its promise of investment. Although Beijing has managed to retain a small part of its old network of Romanian friends, its involvement in the country can be characterized as a missed opportunity as Romania becomes an increasingly self-confident EU member state.

**A Brief History**

Romania established diplomatic relations with the newly proclaimed People’s Republic of China in early October 1949, the same month the Chinese Communist Party took power officially in Beijing. Over the course of their relations, China supported Romania’s stance against Moscow as Bucharest embarked on its own political journey in and out of the Soviet Union’s orbit. For a while, Sino-Romanian bilateral exchanges intensified in education, technology, and industry. Romanian and Chinese experts visited, studied, and occasionally worked in the other country. In the late 1970s, former president Jiang Zemin became the most prominent Chinese figure to work in Romania, even going so far as to learn the language.

The zenith of Romania’s close relations with China was on display when Ceaușescu opposed the Soviet occupation of Czechoslovakia in 1968. Historians recall that China’s then premier Zhou Enlai encouraged Romania, saying “Resist, if you need, we will provide you guns too.” Indeed, Ceaușescu’s government received Mao Zedong’s direct support. Step by step, the Romanian leader became a close, reliable ally to China—one of the few in Europe at
the time of the Cultural Revolution (1966–1976), despite geographical and cultural gaps. In 1970, Beijing provided technical support to Ceaușescu’s regime when Romania was devastated by floods. These actions, in addition to personal bonds between Mao, Zhou Enlai, and Ceaușescu, helped build a unique connection between Beijing and Bucharest. To this day, the two countries are still tied by a certain degree of nostalgia, especially in China, where Romania is still often described—somewhat naively—as an old friend.  

China continues to try to cultivate Romania—both the government and the public at large—via diplomatic and soft power actions. For example, in late 2019, Jiang Yu, the Chinese ambassador to Bucharest, called for Romania to participate in a “community with a shared future,” one of Xi’s handpicked diplomatic slogans. “China is willing to work with its Romanian counterparts to hold a variety of cultural events, strengthen nongovernmental and local exchanges, and promote people-to-people ties, so that the idea of community with a shared future will find its way even deeper into the hearts of both peoples” she wrote in a Chinese newspaper. Her statement had little resonance, especially among the younger generation of Romanians who have come of age since Romania became a full EU member and remain highly critical of the pre-1989 RCP regime and its affiliates.

Following the collapse of the Ceaușescu regime in late 1989, Beijing kept in relatively close contact with the new Romanian leadership under the presidency of Ion Iliescu—a former communist—and organized multiple bilateral official visits, including those of Iliescu himself in 1991, 1994, and 2003, and return visits by Jiang Zemin in 1996 and his successor, Hu Jintao, in 2004. China took advantage of a weakened Romanian economy throughout

Figure 9. Romanian Imports From China

Figure 10. Romanian Exports to China

![Graph showing Romanian exports to China from 2011 to 2020.]


Figure 11. Romania’s Top Import Sources and Export Destinations, 2020

<table>
<thead>
<tr>
<th>IMPORT SOURCES</th>
<th>EXPORT DESTINATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany: 21%</td>
<td>Germany: 23%</td>
</tr>
<tr>
<td>Italy: 9%</td>
<td>Italy: 11%</td>
</tr>
<tr>
<td>Hungary: 7%</td>
<td>France: 7%</td>
</tr>
<tr>
<td>China: 6%</td>
<td>Hungary: 5%</td>
</tr>
<tr>
<td>Poland: 6%</td>
<td>Poland: 4%</td>
</tr>
<tr>
<td>Others</td>
<td>China: 1%</td>
</tr>
</tbody>
</table>


The 1990s to expand its exports across the board. Average annual bilateral trade amounted to around $3.5 billion between 2000 and 2009, with a deepening Romanian deficit toward the end of the decade. After 1989, political brotherhood did not mean a balanced economic relationship, which contributed—as in many other European countries, including Georgia and Hungary—to a sense of disappointment among average Romanians. Meanwhile, the Central European country was transitioning from a planned economy to a market economy, as it prepared for a full rapprochement with the West through memberships in both NATO and the EU. China’s domestic political positioning shrunk even further, despite attempts by
leaders of Romania’s center-left Social Democratic Party (PSD) to keep it alive. The PSD-led government under Adrian Năstase closely engaged with China to no avail. According to a senior Romanian official, “from the early 2000s, China itself appeared more focused on the EU and the US” than on small countries in Eastern Europe.\footnote{162}

In 2012, Romania became an active member of the China-backed 17+1 format (then only 16+1, prior to Greece joining in 2019), which meets annually. Beijing attempted to create a unique club of mostly former socialist countries in the hope they would become a separate community with a special relationship with China. This worked better in Hungary than elsewhere, although PSD leaders in Romania, such as former prime minister Victor Ponta, appeared flattered to receive such attention from Beijing. When Ponta himself hosted the second leaders’ summit in Bucharest in 2013,\footnote{163} his bilateral meeting with Chinese Premier Li Keqiang was described enthusiastically as “a landmark for Sino-Romanian relations.”\footnote{164}

The meeting was primarily meant to serve as a launchpad for fresh Chinese investments into Romanian infrastructure. Ponta and his ministers suggested a dozen projects to Chinese companies, including hydropower plants, a nuclear power plant, and high-speed railways, as well as a management contract for the Port of Constanta—all of which failed to materialize.\footnote{165}

The pattern of China making generous offers during 17+1 meetings without ultimately delivering gradually gave way to disappointment, “the more so as Chinese investments began to massively flow toward the more developed and prosperous parts of the European Union (2015-2016),”\footnote{166} At the same time, Romanian officials came to realize “the tension of being part of both 17+1 and the EU,” according to a senior diplomat.\footnote{167} While the old China-Romania friendship could be seen as an advantage in some ways, domestic politics soon showed the political elites where Romania belonged.\footnote{168} This was particularly evident during the Trump presidency, when Romania received high grades in Washington for raising its contribution to NATO to 2 percent of its GDP.\footnote{169} As a sign of their renewed partnership, President Klaus Iohannis and Trump together marked “with pride the 15th anniversary of Romania’s accession to [the] North Atlantic Treaty Organization” in October 2019 at the White House.\footnote{170}

Under Iohannis, such gestures have made a close relationship with Beijing highly unlikely.

Furthermore, despite apparent Chinese pressures,\footnote{171} both Iohannis and Prime Minister Florin Cîțu (of the right-wing National Liberal Party, or PNL) chose not to attend the latest virtual 17+1 summit, even though China was for the first time symbolically represented by Xi himself.\footnote{172} Five other leaders from Central and Eastern Europe did not attend the February 2021 meeting, bowing to a mixture of European and U.S. pressure as well as a sense of disillusionment with Beijing’s failed promises.

### The Current State of Economic Affairs

Sino-Romanian trade in the first decade of the twenty-first century saw a dramatic increase, which led to a large Chinese surplus.\footnote{173} According to the Romanian Ministry of Foreign Affairs, the total value of trade between Romania and China in 2020 amounted to $6.68
billion. The total value of Romanian imports was $5.74 billion, while Romanian exports to China rose to just about $943 million.174

Besides trade, long-term economic cooperation through Chinese investment has not produced substantial results. Chinese companies with a small Romanian presence—but very few local hires—include China Tobacco International, Eurosport DHS, Yuncheng Platemaking, Honest General Trading, and China’s two telecommunication giants, Huawei and ZTE. Other examples include branches of multinationals recently acquired by Chinese conglomerates, such as Pirelli (the Italian tire manufacturer was acquired by a Chinese state-owned enterprise, Chinachem Group, in 2015175) and Virginia-based pork producer Smithfield Foods’ Romania subsidiary (now owned by WH Group, formerly known as Shuanghui Group).176

In recent years, the Romanian government has started to revise its policies in line with the EU’s guidelines to enhance a foreign investment screening mechanism,177 which has been fully functional since October 2020. In addition, a set of mitigating measures on 5G technology—a particularly problematic issue for China given both European and U.S. concern over Chinese companies’ involvement in developing and building 5G infrastructure in Europe178—has been introduced by the European Commission along with the development of new rules on international procurement.179 Finally, a regulation on foreign subsidies distorting the internal market was announced by the EU in May 2021.180 None of these regulations or proposals, many of which were clearly aimed at Chinese economic expansion in the EU, were opposed by Romania, China’s so-called old friend.

Furthermore, the Romanian government has established its own rules to protect local businesses, especially from corruption.181 Assisted by the emergence of anti-corruption civic movements and by its membership in the EU, Romania has been pushing for better implementation of the rule of law.182 Such an operating environment has made it more difficult for state or private foreign actors (including from China) to take part in unofficial activities. In fact, foreign companies from countries that have not signed public procurement agreements with the EU are now blocked from public infrastructure projects. Foreign entities willing to bid for such projects will be barred—a move that, in theory, should harm Chinese companies that are eager to participate in tenders (although few have had much success in Romania). “We are wary of companies that benefit from direct and indirect subsidies from their home country and unfair competitive advantage,” said the prime minister in a recent interview. “I generally can’t have such companies making bids and winning contracts, whether they are from China or anywhere else,” he added bluntly.183

Romania has reversed course with Chinese investors frequently, as domestic politics fluctuate and unsuccessful prime ministers lose power before they can close on Chinese-Romanian economic projects. These frequent changes in Romanian governments have “hindered the development of closer relations under the Belt and Road Initiative.”184 For a country such as China, which likes entertaining long-term projections, it has been difficult to engage with Romanian governments under such fluid circumstances.
Once the great hope for Sino-Romanian cooperation, the nuclear energy sector presents other difficulties for China. Through its state-owned China General Nuclear Power Group (CGN), Beijing had tried to set up a nuclear facility in Cernavoda through a partnership with Romanian state company Nuclearelectrica. But in May 2020, the Romanian government asked Nuclearelectrica to “identify new partners” and terminate negotiations with CGN for the construction of two nuclear reactors.\footnote{185}

Similarly, the Tarnita-Lapustesti Hydropower Plant, a pumped-storage hydroelectric station that was first proposed under the Ponta government, was initially going to be assigned to one of three interested Chinese consortia in 2015. Instead, it was shelved by the next Romanian government.\footnote{186} Plans for a new 600-megawatt unit at the coal-burning Rovinari Power Station, funded by China Huadian Engineering, also did not move forward. Instead, the government launched a new energy plan for the years 2020 through 2030 without China’s help.\footnote{187} In the end, total Chinese foreign direct investments in Romania amount to just about $1.03 billion, according to the National Bank of Romania. Such figures do not include telecommunications giant Huawei’s sales and support activities in the country, as they are considered European investments—Huawei’s investment came to Romania via its European headquarters.\footnote{188}

Through its Bucharest office, Huawei has actively courted Romanian politicians in the hope of expanding its footprint in infrastructure. Their efforts did not prevent the Romanian government from passing legislation that bars certain non-European bidders from taking part in the 5G auction.\footnote{189} In April 2021, the Romanian government proposed a draft bill stating that companies controlled by a foreign government—which have a history of unethical corporate behavior, are not subject to an independent justice system in their home country, or do not have a transparent ownership structure—are not eligible to supply equipment for Romania’s 5G networks. Both Iohannis and his allies in the center-right government have repeatedly voiced resistance to awarding Huawei a contract to implement 5G technology in Romania. Looking at the company’s history and ties to the Chinese state, Huawei does not appear to comply with at least two of the stated conditions: it does not have transparent governance and it has, in the past, been sanctioned by the United States for alleged unethical behavior. Like any other Chinese corporation, Huawei is also subject to the opaque nature of China’s judicial system. According to the Romanian government, Huawei therefore presents “risks, threats or vulnerabilities to national security.”\footnote{190}

**China’s Low Profile in Romania**

Located in central Bucharest, the Chinese embassy is one of the largest diplomatic compounds in the city. It is, by and large, a legacy of a bygone era: activities, for the past couple of years, have been relatively low-key. Unlike other Chinese embassies, the embassy in Bucharest only launched its Facebook page in 2019 and has no obvious other social media presence. By staying away from controversies that could alienate a country it still sees as a friend (if not an ally), China seems keen to preserve what relationship remains. The total
number of Chinese residents in Romania, however, remains dismally low—according to the Ministry of the Interior, it stands at only 7,544, down from 10,000 residents in 2004. Overall, the Chinese population in Romania is small compared to other European countries of a similar size. There is no Sino-Romanian diaspora, like one could find in France, Italy, the Netherlands, or even Hungary.

Although its embassy has remained quietly active for decades in some circles (especially outside Bucharest), China has not had a strong public presence besides the occasional networking event or article in the local press. On the contrary, Romania’s profile in China is still relatively high compared to other Central or Eastern European countries. During the Ceaușescu years, the Chinese public heard a great deal about Romania. In some Communist Party circles, the perception of Romania as a close friend continues. The reality in Romania, however, is quite different. As one analyst commented, “there is clearly a generational shift regarding China. The old generation, especially those who lived through the communist era, tend to be more open to China, while younger people lean toward the EU and the U.S.”

In April 2018, three years after most European countries, Romania finally joined the China-backed Asian Infrastructure Investment Bank (AIIB) and has remained a quiet member. With regard to the BRI, a so-called Silk Road community-building initiative was launched in 2019 by the China NGO Network for International Exchanges to promote people-to-people exchanges in Romania. Contrary to countries including Hungary, Greece, or Georgia, China’s paramount infrastructure plan has not featured highly in Romanian media and there are no identifiable BRI projects in the country.

**Political Ties**

Since 2010, China’s official visits to Romania have included Prime Minister Li Keqiang, members of the Politburo Standing Committee, and other high-level or midlevel party officials that reflect long-term ties with an old friend. The reality on the ground, though, is again different. China has cultivated links mostly with retired politicians, some from the Ceaușescu era (or “the usual suspects,” as one government official privately described them) but also former PSD leaders like Adrian Năstase and Victor Ponta or the former center-right prime minister and mayor of Cluj-Napoca, Emil Boc, who frequently take part in conferences sponsored by China. Ion Georgescu, the PSD mayor of Mioveni, is another local leader with strong connections to China. Recent attempts by the Chinese embassy to engage with other political parties (particularly the ruling National Liberal Party) appear to have produced limited results. For example, in a recent *Economistul* article, the list of Romanian guests to a briefing by the Chinese ambassador included, among others, Gheorghe Popescu (general secretary of the Romania-China Friendship Association); Viorel Istitioia-Budura (the former long-time Romanian ambassador to China), and Alexandru Potor (public administrator of Ialomita County. This clearly shows that China’s constituency in Romania remains specific rather than mainstream. Although it still considers Romania a friend, China is neither attempting to reach a wide constituency nor investing in propaganda to spread its message.
Still, the embassy has been a patron to the Romanian-Chinese House, a pro-China association headed by businessman Nicolae Dumitru. The organization’s website proudly lists the support of businessmen, retired politicians, academics, and diplomats—including three former Romanian ambassadors to China.196 In a similar vein, the semi-official, embassy-sponsored Romania-China Friendship Association has expanded through the country with local county chapters that quietly serve as a way for the Chinese embassy to interact with local stakeholders.197

Romania has four active Confucius Institutes, which, prior to the COVID-19 pandemic, hosted cultural and educational events on China and offered scholarships for Romanian students studying Chinese.198 There are also Confucius classes in cities including Bucharest, Iași, Constanța, Deva, Bacău, and Pitești. Reports have mentioned other academic initiatives, such as a degree-granting program on Chinese medicine at the University of Transylvania and a joint MBA program between the Lucian Blaga University of Sibiu and the Shanghai-based East China University of Science and Technology, inaugurated in 2018 as the Sibiu Sino-European International Business School. In 2019, the two countries also launched the China-Romania Agricultural Science and Technology Park in Bucharest.199 However, these initiatives appear extremely limited compared to Romania’s ties with European universities through Erasmus dual-degree programs and EU-sponsored joint research projects.200

Sister Cities and Sister Counties

Due to the countries’ long-standing political relations, the number of sister cities and sister counties is relatively large. These range from large cities such as Bucharest (sister city of Beijing) or Constanța (sister city of Shanghai) to the small town of Pucioasa (which is twinned with the picturesque Yangshuo in Guangxi province). On principle, these agreements should help cooperation on investment, people-to-people exchanges, cultural activities, and official visits. Needless to say, due to the pandemic, these activities have been almost entirely nonexistent since early 2020. At the start of the pandemic, both sides donated some masks through these traditional channels and some Romanians requested Chinese medical supplies in limited numbers. But there has been no such thing as Chinese vaccine diplomacy in Romania. Asked if he would buy vaccines from China, Prime Minister Florin Cîțu declared instead that “he was in touch with the European Commission” and that “Romania would try to produce its own vaccine locally, through the Cantacuzino laboratory.”201

Conclusions

Previously considered one of China’s best friends in Europe, Romania has become firmly part of the Western camp. Iohannis, who has been described in local media as “pro-Western,” consulted closely with the previous U.S. ambassador to Romania, Trump political
appointee Adrian Zuckerman, who apparently lobbied heavily against Chinese influence. Zuckerman was also instrumental in securing the Romanian president’s visits to the White House in the summers of 2017 and 2019.

As a relatively new member of the EU, Romania is also well represented in Brussels. European Commissioner Adina Vălean holds the transport portfolio within the European Commission and Dacian Cioloș is chairman of the influential Renew Group in the European Parliament. The country’s leadership is keen to demonstrate it is not about to fall into China’s sphere of influence. Unlike Orbán in Hungary, who has been central to his country’s friendly relations with China, most Romanian politicians are extremely cautious toward Beijing.

Echoing countries such as Georgia, Hungary, and Greece, the Chinese-Romanian relationship today is characterized by a relative lack of debate regarding China’s growing international role. While Romanian media does not cover China extensively (due to the lack of China-based foreign correspondents), too few academics, analysts, or journalists seem to focus on this topic. Chinese commentators are keen to blame Washington for the shift. Some have even commented on the “return of the U.S. to Central and Eastern Europe.”

Beijing believes the United States—which has “rediscovered the strategic importance of Central and Eastern Europe”—is building an anti-China coalition. Although China sees rising confrontation with a Europe wholly under Washington’s influence, it has not invested much to preserve its image in Romania, where it has undoubtedly lost some credit with young generations over the past few years. Although there are examples of the West’s new approach to the region—such as the Three Seas Initiative, which includes Romania—the reality for this U-turn is more likely domestic. Local politicians, trying to stick to the EU line, use China in their own political messaging.

The stark dichotomy between China’s rhetoric about Romania and how younger Romanian generations perceive China in return, as well as bilateral relations, is sobering. While China wants to show its economic and political influence in the region, many analysts see different facts on the ground: “Chinese economic influence by itself cannot match Western economic ties,” explained the authors of a recent report that suggests one should study “the demand-side of China-CEE relations, not the Chinese supply-side.” Perhaps more preoccupied by Russia than China, the Romanian government tries to demonstrate its willingness to cooperate with the rising superpower while trying to avoid overdependency on Beijing’s largesse.

For China, Romania is a prime example of a lost opportunity. Beijing has failed to engage with the new leaders of a former ally, which has experienced a dramatic shift in the years since joining the EU and NATO.
Georgia: On the Silk Road but Looking West

A Brief History

When Georgia declared independence in 1992, after the dissolution of the Soviet Union, China was one of the first countries to recognize the new state. Despite this, the two countries never developed close political ties or cultural links. Georgia did not even appoint an ambassador to China until 2005. In the last decade, this has begun to change, thanks in large part to developing trade relations. Yet, after several years, more Georgians are disappointed than enthusiastic about the new relationship.

This reality check comes as both sides assess the importance of their relationship. For China, Georgia is ultimately not a country of strategic importance. It is small and does not occupy a prized location on the main routes of the BRI. It is not a member of the EU, like most members of the 17+1 framework. Moreover, Georgia is firmly pro-Western. The majority of its political elite and public remains oriented toward Europe and the United States, with a minority that favors Russia. On key issues, Tbilisi will choose Washington over Beijing. For example, in January 2021, Georgia and the United States signed a memorandum of understanding on 5G security, which forestalled China’s Huawei from taking over Georgia’s 5G network.

As a result, despite its size, Georgia has shown resilience in facing up to unwelcome Chinese influence. China’s impact in Georgia is limited to certain discrete initiatives, such as construction of road and rail infrastructure, some academic exchanges, and (more recently) vaccine deliveries—each of which is not without controversy. They are not significant investments by China’s global standards, but they still stand to make a difference in a small country like Georgia.

As recently as 2019, many in Georgia pinned great hopes on China. The burgeoning relationship, they said, would boost economic growth and serve as a new geopolitical counterweight to Russia, which is universally regarded as Georgia’s primary external threat. In 2016, a Georgian expert summarized the perspective of the country’s elite: “Moscow is strongly opposed to Georgia’s western choice. But if Georgia were to be a main hub between Europe and Asia in the [BRI] project, China would be the guarantor of Georgia’s stability.” In 2017, three Georgian experts wrote, “Georgia’s advanced political position in the region as the most westernized country politically and economically as well as its strategic geographical position, carries the potential to be transformed in tangible economic opportunities for both Georgia and China, but more importantly on the larger political scale.”

These hopes have not materialized. On one issue of mutual advantage—rejecting separatism—the two countries have expressed strong solidarity. China’s position was extremely helpful for Georgia in August 2008, following the five-day Georgia-Russia war and Moscow’s subsequent unilateral recognition of the breakaway territories of Abkhazia and South Ossetia as independent states. At a summit of the Shanghai Cooperation Organization on August 28,
2008, Russia lobbied other members to follow suit and recognize the two regions as independent states. China declined, making it easier for the five Central Asian states to back Georgia, not Russia, on this issue.\textsuperscript{213} That, in turn, gave cover to other post-Soviet states, such as Armenia and Belarus, to not support Russia’s maneuvers. While visiting Georgia in 2019, Chinese Foreign Minister Wang Yi pledged support for the country’s territorial integrity with regard to Abkhazia and South Ossetia, while Georgian officials reaffirmed their adherence to the One China policy.\textsuperscript{214} In recent times, however, China has stayed quiet about Abkhazia and South Ossetia.\textsuperscript{215} At the UN, Beijing did not support votes calling for the return of internally displaced persons to these regions. Maintaining relations with Russia appears to have taken precedence. During the COVID-19 pandemic, the two countries even seemed to use similar media narratives to tarnish the image of the United States in Georgia and elsewhere in the former Soviet Union. In September for example, state-run \textit{China Daily} repeated a Russian conspiracy theory that the U.S.-funded Lugar Research Center in Tbilisi is being used to manufacture biological weapons. While the Tbilisi lab has long been a target of Russian disinformation, Beijing’s interest in the story was likely part of an effort to obfuscate the origins of the COVID-19 virus and push back at the Trump administration’s attempts to blame China for the disease’s spread.\textsuperscript{216}

Georgia’s economic relationship with China is more dynamic. In May 2017, China signed its first-ever free trade agreement (FTA) in the former Soviet Union with Georgia (only the eleventh FTA China has signed). Thus far, this has unsurprisingly helped Chinese imports more than Georgian exports. Several Chinese companies—first and foremost the Xinjiang-based Hualing Group—have also invested heavily in Georgia.

\textbf{Figure 12. Georgian Imports From China}

![Georgian Imports From China](https://comtrade.un.org/data/)

In general, Georgian society is fairly suspicious of China. A 2010 survey by the Caucasus Research Resource Center found that only 16 percent of Georgian respondents would approve of a Georgian woman marrying a Chinese man. For comparison, in a 2020 poll, 42 percent of Georgians surveyed said they would approve of a Georgian woman marrying an American, and 48 percent said they would approve of a Georgian woman marrying a Russian. Moreover, the number of Chinese citizens living in independent Georgia has always been low. In 2007, there were estimated to be a little over 700 Chinese living in the country. In 2021, the number was estimated to be 1,768, most of whom are employees of Chinese state-owned companies. The number of Chinese visitors is also low. China has barely
taken advantage of Georgia’s recent tourism boom. Out of 9.3 million visitors to Georgia in 2019, only 48,000 came from China (compared to, for example, 1.4 million from Russia, 1.1 million from Turkey and 485,000 from EU countries).220

The Georgian-Chinese relationship once again shows prospects of improving. In April 2021, the Georgian government accepted large shipments of Chinese vaccines, having received fewer than 75,000 doses from the EU by early May. Further shipments followed in the summer of 2021. Even modest Chinese investment can make a significant difference in a small economy like Georgia. Compared to Georgia’s affinity for the West, however, the China-Georgia relationship remains dominated by elites, with little resonance in wider society.

A Stop on the Silk Road

The China-Georgia relationship has primarily been driven by trade and Georgia’s ambitions to become an East-West transport hub. In the 1990s, many Western commentators promoted the idea of a new Silk Road in the South Caucasus and Central Asia—a modern iteration of the ancient trade route that connected China and Europe.221 The ambition was to develop a route that would bypass Russia and Iran, bringing anticipated oil and gas resources from the Caspian Sea to Western markets.

The Silk Road theme is still popular in Georgia and Azerbaijan. In the last decade, however, the focus has shifted toward China. In March 2015, Georgia signed a memorandum to join China’s BRI (then known as One Belt One Road). Five months later, Georgia hosted an early meeting of the AIIB, during which the new bank picked its first president.222 In October 2015, Tbilisi also played host to the Silk Road Forum, a business conference with around 1,000 participants including 300 from China.223 In deference to China, the next conferences, in 2017 and 2019, were also called the Tbilisi Belt and Road Forum.224 Fewer participants from China attended these two gatherings, however.

In October 2015, then speaker of parliament David Usupashvili declared in Beijing that, “In restoring its relationship with Asia through the revival of the Silk Road, Georgia is also regaining its place in Europe. Georgia ceases to be in the periphery of Europe and the periphery of Asia. We are now at the center of a new trade route, a bridge between the developed and the emerging economies of the world.”225

Turkey uses a different term for the transit route to and from China via the South Caucasus: the Middle Corridor.226 The same route is also known as the Trans-Caucasus Trade and Transit Corridor.227 The Middle Corridor has been promoted as an alternative to the current main two routes between China and Europe: by sea via the Suez Canal or over land via the northern route, also called the New Eurasian Land Bridge, which runs through Russia and into Central Europe. These two routes maintain a virtual monopoly on East-West trade. In 2020, it was estimated that 81.5 percent of Chinese cargo—more than 10 million TEU (twenty-foot equivalent units)—was shipped by sea, with the majority of the rest going via the northern route.228 As little as 1 percent of cargo traveled via the Middle Corridor, even
though the COVID-19 pandemic and problems with world shipping shifted more cargo from sea to rail. According to World Bank data, the Middle Corridor route was the most expensive of the three, costing $3,500–$4,500 per 40-foot container and taking 16–20 days to reach European destinations. The northern route is both faster, taking 14–18 days, and cheaper, costing $2,800–$3,200 per 40-foot container. The maritime route is the slowest, taking 28–40 days, but by far the cheapest at only $1,500–$2,000 per container.

The Middle Corridor is more challenging to travel than the other two routes, as a report by Feride Inan and Diana Yayloyan lays out. Cargo must cross many borders and customs posts, as well as the Caspian Sea, which is prone to bad weather. On both the Middle Corridor and the northern route, trains entering Central Asia and then leaving Georgia must also change their gauge, because rails in the former Russian Empire and Soviet Union were wider than in China and Europe—another factor that increases cost and transit time. Azerbaijan has worked hard to make this route more attractive, principally by building the Baku–Tbilisi–Kars railway, which opened in 2017 and has sharply reduced journey times. For China, this is an alternate connection to Europe (and, notably, one built without Chinese investment). Cargo volumes are rapidly growing but remain modest compared to the northern route. The volume of freight shipped by rail through Azerbaijan in 2020 increased rapidly to just over 150,000 TEU and there is set to be another big increase in 2021. So-called block trains, which operate from origin to destination with all documentation having been arranged in advance, are also now being used on this route. A block train arrived in Tbilisi on February 20, 2021, having left Xian in China twenty-one days before. In December 2020, a train took only two weeks to travel from Çerkezköy in Turkey to Xian.

Overall, Georgia has potential to become a more important transit hub in the future. But the Middle Corridor—and, therefore, Georgia’s significance as a transit country—is of little geostrategic importance to China. As China specialist Jacob Mardell argues, “the Middle Corridor remains a firmly regional initiative. It faces serious obstacles to becoming an alternative China-EU route, but Trans-Caspian traffic can still flow without support from Beijing.”

**Black Sea Ports**

Georgia’s Black Sea ports are some of its most important assets, in pure economic terms as well as part of the country’s ambitions to become a strategic East-West transport hub. Chinese investors have been involved in both the projected port at Anaklia and the existing port at Poti, but they have ended up in control of neither one.

Georgia currently relies on its two main ports, Batumi and Poti, as well as the two oil terminals at Kulevi and Supsa. However, the ports at both Batumi and Poti, which date back to the nineteenth century, are not suitable for large container vessels—hence, the initiative to build a new deep-water port and free industrial zone (FIZ) at Anaklia, near the boundary line with Abkhazia. The ambition was to receive much larger container ships and dramatically boost Georgia’s status as a shipping hub. In February 2016, the Anaklia Development Consortium
(ADC) won the tender for construction of the new port. The consortium’s two key partners—
Georgian banking group TBC Holdings and U.S. container terminal operator SSA Marine—
promised to invest $2.5 billion in the project, aiming to open the port to shipping in 2020,
with a capacity of up to 900,000 TEUs that would increase to 2.5 million TEUs by 2036.²³⁶

A Chinese company, the state-owned Power Construction Corporation of China
(PowerChina), was one of the final two contenders but withdrew before the final decision
was announced, enabling ADC to win the tender. “This came as a surprise to some,” said
the two authors of a 2020 report on Anaklia.²³⁷ The two experts cite Georgian media
reports that China’s bid was rejected because it did not offer to employ sufficient numbers
of Georgian workers.²³⁸ (As elsewhere, unemployment is a major political issue in Georgia.)
Another reason may have been lobbying by the U.S. government, which has consistently
backed the Anaklia project. In 2019, former U.S. secretary of state Mike Pompeo affirmed
Washington’s support for Anaklia, saying implementation of the project “will strengthen
Georgia’s ties with free economies and will not allow Georgia to be under the economic
influence of Russia or China.”²³⁹

Another reason for China’s reluctance to proceed may have been that it did not want to
form a shared consortium like ADC. “Chinese investors want to have a majority,” says one
Tbilisi-based Western expert. It is also plausible that the Chinese company withdrew its bid
after deciding that investing in Anaklia came with geopolitical risks: Russia opposes the
port and Turkey is also reportedly cool toward the project.²⁴⁰ The Anaklia port project was
suspended in January 2020, after it fell afoul of Georgian domestic politics and the govern-
ment in Tbilisi canceled its contract with ADC. The project also failed to receive additional
financing from either the Georgian government or international financial institutions, which
wanted to see more political support before offering loans.

In the meantime, in 2016, Chinese conglomerate CEFC China Energy, later mired spec-
tacularly in scandal, invested in the port at Poti. The Poti Sea Port is operated by APM
Terminals, which is owned by Danish shipping giant Maersk. The affiliated free economic
zone, which some claim is the largest in the country, was established in 2011 by the previous
operator. In June 2016, a delegation from CEFC arrived in Georgia. They were received by
then prime minister Giorgi Kvirikashvili in a meeting attended by four other government
officials and influential businessman Ivane (Vano) Chkhartishvili. The Chinese delega-
tion announced its intention to fund three big projects: a $50 million National Fund for
Georgia’s Reconstruction in collaboration with the government-led Georgian Partnership,
a $1 billion investment in a new commercial bank, and a substantial investment in the
new Poti FIZ. According to Tinatin Khidasheli, a Georgian analyst and former minister
of defense, none of these three promises ever materialized.²⁴¹ Regarding the Poti FIZ, she
writes, “On September 18, 2017, the newly appointed Minister of Economy Giorgi Gakharia
handed over 75 percent of Poti FIZ to CEFC for $10 million, with the condition of $150
million in future investment. While the ten million dollars for the 75 percent stake appear
to have been paid, there is no information about the promised investment, or indeed any
activities in the Poti FIZ.”²⁴²
In November 2016, Chkhartishvili—one of Georgia’s most powerful businessmen, in his capacity as president of the Georgian-Chinese Friendship Association—signed a memorandum of understanding with Zang Jianjun, then executive director of CEFC.243 In February 2018, Irakli Garibashvili (who served his first term as prime minister of Georgia from 2013 to 2015) was appointed to be an adviser to CEFC’s Supervisory Board of Regional Projects Management Company. In 2021, Garibashvili returned as prime minister.

Before then, the Chinese side lost de facto control of its stake in Poti FIZ. In 2018, Ye Jianming, the chairman of CEFC, was arrested and the company was partially broken up. In April 2020, a Shanghai court declared the company and its subsidiaries bankrupt.244 By 2021, 75 percent of the Poti FIZ was managed by the Euro-Asian Management Group,245 which is owned by two companies registered in the British Virgin Islands.246 Half of these shares were owned by China International Group Corporation Limited, the successor to CEFC, which is still represented by Zang Jianjun. The other half of the shares were owned by Eurasian Invest. However, thanks to a court injunction, the board of directors of the Euro-Asian Management Group was in fact controlled by a sole Georgian director appointed by Eurasian Invest, who had de facto control of the entire company. All the Georgians involved were close to Chkhartishvili and former prime minister Bidzina Ivanishvili.247

These intra-elite maneuvers seem to be shaping decisions on Georgia’s ports more than any other single factor and to have halted any Chinese ambitions to take control of them. APM Terminals recently announced plans to expand Poti Sea Port in 2021, and the Anaklia project also appears to be back on the political agenda.248 A new tender may be announced, but the likelihood of a Chinese company bidding for it seems small, given their troubles with both Anaklia and the Poti FIZ.

**Trade and Investment**

Georgia, a low-income country keen to receive cheap consumer goods that also offers liberal regulations for foreign investors, is an easy market for Chinese companies. In the last decade, Chinese companies have provided Georgia with substantial foreign direct investment (FDI), while Western companies have frequently fallen short. “The economy is the appetizer,” says one China expert in Georgia.

Georgian business dealings with China are also associated with a few powerful members of the business-political elite, notably Vano Chkhartishvili and David Saganelidze, a former parliamentary leader from the Georgian Dream party. For example, Georgian wine has found a niche market in China (although it took a hit in 2020). In 2016, wine exports were dominated by one company—Shilda, a family business run by Chkhartishvili’s children.249

The two countries signed their first FTA (China’s first such agreement with a post-socialist European country) in 2017 after a year and a half of negotiations. Georgia was seen as a gateway to the EU (which does not have an FTA with China), having also recently gained
privileged access to EU markets by joining the EU’s Deep and Comprehensive Free Trade Area. Tariffs were lifted on almost all imports and exports. The Georgia-China FTA is lopsided. In 2020, Georgia’s imports from China were worth $708 million—less than the year before, but enough to make China the third-largest exporter to Georgia. As two Georgian analysts point out, China’s exports to Georgia are highly diversified, ranging from machine parts and vehicles to electronics and other consumer goods. In Georgia—as well as in Armenia and Azerbaijan—Chinese mobile phones hold about one-quarter of the consumer market. In April 2021, Huawei’s devices were used by 8.6 percent of the population. The Chinese company Xiaomi, popular for its low prices, also controls 15.8 percent of the market.

Georgia’s overall exports to China, by contrast, are much less diverse. They were officially worth $476 million in 2020, making China Georgia’s largest export market. This number, however, may be misleading. Copper ore is by far the biggest export to China, constituting more than 80 percent of total exports in 2020. Overall, Georgia’s global copper exports jumped more than sixfold between 2014 and 2019. But an economics expert in Tbilisi has pointed out Georgia has not witnessed dramatic increase in copper mining over that period. Instead, he speculated that much of this may be a misclassified reexport from Armenia.

China’s first major investment in Georgia was the construction of the still-functioning 24-megawatt Khadori hydropower station in the Pankisi Gorge, which opened in 2004. In 2020, a 230-megawatt thermal power plant began operating at Gardabani, in the southeastern region of Kvemo Kartli. It was constructed by the China Tianchen Engineering Corporation.

The largest Chinese investor in Georgia—and, at one point, the biggest foreign investor in the country—is the Xinjiang-based Hualing Group. Hualing first invested in Georgia in 2006. By 2013, Hualing’s plans for Georgia “looked like a big deal in the offing,” according to one Tbilisi-based Western analyst in March 2021. In 2014, Hualing’s investments had pushed China’s foreign direct investment to a total of nearly $218 million and, in 2015, Hualing opened an FIZ in an old Soviet automobile factory in Georgia’s second city, Kutaisi. But as analyst Franziska Smolnik writes, “the dominance of a single investment source carries with it a risk of fluctuation. Thus, in 2016 China’s direct investments were only about US$26 million. In 2017, FDI increased again, though far below 2014 levels.”

By far the company’s biggest project is the Hualing Tbilisi Sea New City, a planned mini city north of Tbilisi. The website for the project declares, “The residential space offers apartment and villa complexes, recreational zones etc. The commercial space includes an international trade and logistics center. There are 5-star hotel, fitness center, restaurant and other facilities, such as: high school, college, library, Exhibition Hall, cinema, police station, firefighting, administration, toilets, post office, hospital, clinics, gymnasium, sanatorium, etc.” Since construction began in 2013, the Hualing Group has spent at least $170 million on the new city. In 2019, a journalist reported that Hualing Tbilisi Sea Plaza was virtually empty and “shoppers were outnumbered by shops.” A Tbilisi-based economist
characterizes the city as the most significant real estate project in Georgia in many years, but ultimately a one-off project without greater strategic or political importance.

**Road and Rail Construction**

Chinese companies—particularly two Chinese state-owned corporations, Sinohydro Corporation and China Railway 23rd Bureau Group—have won almost all the multi-million-dollar contracts for major road and rail construction projects in Georgia since 2010. These projects have received most of their funding from international financial institutions, such as the EU’s European Investment Bank or the Asian Development Bank. The Chinese companies’ success in winning tenders is explained variously by their global expertise, competitive prices, and speed of construction.

Chinese-funded infrastructure projects in Georgia include:

- Adjara bypass road (Sinohydro)
- Tbilisi railway bypass (China Railway 23rd Bureau Group, more than half completed but then suspended)
- Batumi–Akhaltsikhe highway, a 42-kilometer section of the Khulo-Zarzma road (Sinohydro)
- Samtredia–Grigoleti highway (Sinohydro)
- E-60 highway section (Sinohydro)
- Tbilisi–Rustavi highway (Sinohydro)
- Expansion of the East-West highway (Sinohydro)
- The East-West Highway Corridor Improvement Project (China Railway 23rd Bureau)
- Kvesheti–Kobi North-South bypass road (China Railway 23rd Bureau Group)\(^\text{263}\)
- Georgian Railways Modernization Project Tbilisi–Batumi (China Railway 23rd Bureau Group)\(^\text{264}\)
- Rikoti road tunnel (Sinohydro)

The fact that Chinese companies won all these tenders is controversial in Georgia. In 2020, the Polish ambassador to Georgia publicly questioned why contracts were consistently going to Chinese companies, rather than “very good” European companies, for projects largely funded by the EU.\(^\text{265}\) A Georgian businessman, Paata Trapaidze, called the tenders “opaque”
and said it was unfair that Chinese state companies could participate in them while Georgian state companies could not. All the Georgian road and rail projects use a combination of local construction workers and migrant Chinese workers. Georgians working on the Tbilisi–Batumi railway went on strike in 2018 to protest low pay and dangerous working conditions.

Georgian civil society organizations and experts—such as former defense minister Tinatin Khidasheli, now of Civic IDEA and Transparency International Georgia—enumerate multiple concerns about Sinohydro’s reputation, lack of transparency, and close relations with some government officials. The company has been blacklisted by the African Development Bank. The Georgian government’s transparency portal offered no record of how Sinohydro’s qualifications were assessed.

The China Railway 23rd Bureau Group is also controversial. The company has powerful backers in China. Initially the railway troops of the PLA, it became part of China’s Ministry of Railways. In 1989, the China Railway Construction Corporation was established as a state-owned enterprise. In June 2019, the World Bank announced “the nine-month debarment of China Railway Construction Corporation Ltd. (CRCC), a Chinese, state-owned construction and engineering company, and its wholly-owned subsidiaries, China Railway 23rd Bureau Group Co., Ltd. (CR23) and China Railway Construction Corporation (International) Limited (CRCC International), in connection with misconduct under the East-West Highway Corridor Improvement Project in Georgia.” This did not prevent the company from winning the contract for the new north-south bypass road shortly afterward.

**Propaganda, Influence, and Vaccine Diplomacy**

Compared to many other European and Asian countries, Chinese soft power is not very visible in Georgia. The Georgian media is still dominated by television, which in turn is used by the main political actors in the country as an instrument of domestic politics. China has barely any impact in this environment. Media monitoring shows almost no coverage in Georgia of Chinese politics or global issues concerning China, such as Hong Kong or Xinjiang.

China has little influence in the Georgian media space. The only media website affiliated with China is a little-known multimedia page called 4U.ge, which is part of the *Global Times* network operated by the Chinese Communist Party. The website of China’s embassy in Tbilisi is extremely basic, with very little information. Bizarrely, it has pictures of Russia but not of Georgia on its homepage. China’s ambassador to Georgia, Yan Li, has published articles in newspapers that have very small readerships. In one such newspaper, *Rezonansi*, she praised “Georgia’s consistently right attitude on the Hong Kong issue.”

In the last decade, China has established a small niche in Georgian academia. There are Confucius Institutes at two small Tbilisi universities and Batumi State University, as well as plans to open one at Kutaisi University. Thus far, China offers only twenty state scholarships a year to Georgian students. The biggest Chinese language program is at Tbilisi’s Free
University, where 150 students are enrolled. By contrast, Georgia has a much more active educational relationship with the United States. Each year, more than 200 Georgians—from high school students to postgraduates—go to the United States on U.S. government–funded exchange programs. In 2020, a further 640 private students went to study in the United States.

In 2021, China has started to win more influence thanks to successful vaccine diplomacy. Georgia suffered a difficult second wave of COVID-19 in early 2021, despite having coped well with the first wave in 2020. That early success was in large part attributed to the high profile of three public health professionals known informally as the three musketeers. The Beijing-based Asian Infrastructure Investment Bank (AIIB) provided two loans of 91.3 million and 45 million euros ($107 million and $53 million) to Georgia in May and July 2020 to deal with the pandemic. In July, China donated medical supplies to Georgia. In February 2021, one of the three musketeers—Paata Imnadze, the deputy head of Georgia’s National Center for Disease Control and Public Health (NCDC)—commented negatively on Chinese vaccines, saying, “we could have a vaccine a long time ago, the one which is used by our neighbor Turkey, but can you imagine what could happen here? You probably remember what happened when we just mentioned that [the Chinese vaccine] will be also considered for vaccination.”

However, the failure of the EU and other Western partners to provide vaccine doses to Georgia eventually opened the door for China. On July 2, 2021, Georgia’s prime minister said the country had received 1 million doses of China’s Sinopharm and Sinovac vaccines—compared to less than 100,000 doses of AstraZeneca and Pfizer vaccines—with another million Chinese doses expected to arrive shortly. The Georgian government did a U-turn and authorized use of the Sinopharm vaccine before it had WHO approval. The first substantial shipment of a Western vaccine, half a million Pfizer doses, arrived in the country only on July 24, as infection rates were again climbing sharply. Another musketeer, Amiran Gamkrelidze, the well-known head of the NCDC, was among the first Georgians to publicly receive a Sinopharm shot. The success of this Chinese campaign may only be undermined by a general skepticism among Georgians toward getting vaccinated in the first place.

Conclusions

In geopolitical terms, China seems to see Georgia as a useful side bet. It is unlikely to do anything there that might offend Russia. Georgia is not a major component of the BRI, as the Middle Corridor is an expensive route of greater import to local economies than to Beijing. China’s economic intervention in Georgia is quite ad hoc, without much evidence of an accompanying political strategy. Chinese investments in Georgia have been welcomed but have not been transformative.

Georgia’s governance structures are still opaque, potentially making it vulnerable to influence operations from Russia or China. The country is sometimes referred to as a “captured state,”
due to the huge personal influence of former prime minister and founder of the Georgian Dream party Bidzina Ivanishvili, whose personal wealth was estimated in 2014 to be worth more than $5 billion—32 percent of Georgia’s GDP. However, if this picture of state capture by Ivanishvili and his associates is correct—and it is certainly mitigated by other factors, such as EU and U.S. influence and a strong civil society—this makes the country’s elite more vulnerable to domestic capture than to capture by foreign actors such as China.

Moreover, the story of the Georgian elite’s opaque interaction with Chinese companies arguably cuts both ways. In some cases, as the Poti FIZ, it is the Georgian partners who have emerged stronger. Unlike Western countries and Russia, China does not have a high profile (either positive or negative) in Georgia. The public attitude toward the country can be summarized as indifference. A public opinion survey conducted for the U.S.-based International Republican Institute in February 2021 found that Georgians consider China neither a strong friend nor a threat. Only 11 percent of respondents said that China was Georgia’s “most important economic partner,” despite the strong trading relationship between the two countries. A total of 57 percent of respondents evaluated the China-Georgia relationship as good—a positive result for China, but still a poor score compared to almost all other major countries, except Iran (48 percent) and Russia (7 percent).

Vaccine politics and other factors may yet sway more Georgians toward China. But the relationship itself does not seem to be a strategic priority for either country. For the foreseeable future, Beijing looks most likely set to be one more player in Georgia’s busy network of geopolitical relationships.
Conclusions and Recommendations

Strategic Logic and Objectives Driving Chinese Activities

China’s interests in Southeastern, Central, and Eastern Europe are all underpinned by at least three broad objectives and motivations: pushing Chinese exports and investments, exerting political influence in Europe, and fostering a positive image of China and relations with China.

Pushing Chinese exports and investments

China likes to consider countries in Southeastern, Central, and Eastern Europe as part of a Chinese sphere of influence on the European continent. From Beijing’s perspective, the region’s position at the doorstep of the European Union makes it uniquely attractive. Amid significant local demands for infrastructure investments, the region has become a priority for Chinese investments in areas such as energy, transportation, and logistics. All four case countries in this paper are part of China’s massive Belt and Road Initiative. Three of them—Greece, Hungary, and Romania—are members of the 17+1 format, which Beijing leverages to engage with regional states on BRI-related issues. While China’s direct economic stakes in Romania and Georgia are fairly limited, Beijing sees both Greece and Hungary as potential hubs for Chinese expansion in Central and Southern Europe and beyond.

China has a significant economic footprint in Greece, including big investments in the country’s ports and desire to create a regional transport and logistics hub in the Mediterranean as part of the maritime route of the BRI. China sees Hungary’s geographical position in the middle of Europe as a springboard for accessing other European markets. Similarly, Georgia’s location on the Black Sea has potential to become a transport and logistics hub between Europe and Asia—though progress has been slow so far and China faces stiff regional competition with Russia, Turkey, the European Union, and the United States to grow its footprint and influence in the South Caucasus and Black Sea regions. China’s bilateral trade agreement with Georgia can also provide a backdoor into the EU’s single market, making Georgia another stepping-stone for engagement with the rest of Europe. Meanwhile, in Romania—one of the biggest economies in Eastern Europe—China has had little economic traction.

Yet there are also limits to China’s direct strategic interests in each of these four countries. The major economies of Western Europe remain China’s main economic priority. In countries with small economies, like Georgia, Chinese interest is driven mainly by ad hoc commercial opportunities that arise. Elsewhere, the individual interests of Chinese firms often dictate the level of engagement. However, despite limited economic interest in Southeastern, Central, and Eastern Europe, China is unlikely to cease investing in the region, especially in Hungary and Greece, where Beijing has key economic and political stakes. China seems
to be planning for the long term. Should a clear opening arise—and given the frequency of economic and political crises in Greece and Georgia especially, such an opportunity seems likely—Beijing will be ready to step in.

Exerting political influence in Europe

For China’s relationships in the region, symbolism often matters more than substance. To Beijing, some countries are more stepping-stones than cornerstones of its strategy toward Europe. Developing strong ties with these states can allow China to indirectly influence European consensus and transatlantic alignment on particular issues of concern to Beijing. China’s interest in the region is less about influencing the countries themselves, and more about how to leverage influence to have a wider regional impact.

China has sought to use Greece and Hungary in this fashion. Under the Tsipras government, when Greece openly sought Chinese investments, Athens blocked two EU statements at the UN condemning China’s human rights record and an EU foreign policy statement on the South China Sea. Although the current government seems more strongly committed to maintaining EU consensus on China, Greece was one of four EU countries that refused to sign an EU statement critical of China’s Uyghur policies at the UN on June 22, 2021.282

Meanwhile, Hungary remains willing to come to China’s aid. Though it has few illusions about China, Hungary’s government led by Viktor Orbán has repeatedly avoided public fights with Beijing, likely hoping to keep the door open for Chinese investments, garner diplomatic support over Hungary’s democratic backsliding, and communicate Hungary’s political and economic alternatives to Brussels. For example, in April and June 2021, Orbán’s government blocked EU statements about Hong Kong. Moreover, in June 2021, Hungary joined Greece in abstaining from a Canada-sponsored joint statement at the UN Human Rights Council in Geneva against China’s human rights abuses in Xinjiang.283 For Beijing, these efforts not only dilute the EU’s approach to China but also complicate the transatlantic community’s ability to reach consensus on Chinese-related issues such as human rights violations. In other cases, Hungary’s willingness to criticize EU actions—even if it does not formally try to prevent them—can still provide China with symbolic gains, allowing Beijing to claim that others in the West support China and similarly driving a wedge into the transatlantic community.

Meanwhile, China’s ability to exert political influence in or via Georgia and Romania appears far more limited.

Fostering a positive image of China and relations with China

Beijing has actively engaged in the region to foster a positive image of itself, promote its political and economic model, and shape local narratives about relations with China. These narratives range from promoting “win-win” cooperation, stressing China’s “harmonious”
rise, playing up the economic opportunities afforded by the BRI, emphasizing historical or cultural special bonds between local countries and China, or criticizing the United States. While promoting these narratives can take a variety of forms, there is little evidence to suggest that Beijing has sponsored a massive campaign to win hearts and minds in the four countries. Instead, China’s soft power efforts seem mostly directed at certain key influential elites in business, politics, academia, or NGOs. Public perceptions of China have lately deteriorated across the region, although Greece and Hungary are still among the most China-friendly countries in Europe.

Unlike many others in Europe, none of the four case countries have experienced any overtly aggressive Chinese diplomacy or influence operations on social media. Chinese embassies in the region have, for most part, maintained low profiles and avoided engaging in the type of wolf warrior diplomacy seen in countries like Sweden, France, and the Czech Republic (especially during the COVID-19 pandemic). This could be due to China’s lack of strategic stakes in these countries, or possibly a dearth of sensitive issues that might warrant a more assertive approach. Chinese officials are also wary of upending their relatively friendly relations with local governments.

In response to growing pushback from the United States and the EU, China is keen to promote itself in the region as a useful partner to local countries. Beijing readily exploits Western weaknesses, including the difficulties of negotiating debt relief or strict requirements for loans. The COVID-19 pandemic provided China with new opportunities to make inroads, as many Western governments were either too preoccupied at home or simply unable to help. China stepped in to provide much-needed assistance in the form of medical equipment, pharmaceuticals, and eventually vaccine supplies to Georgia and Hungary. In the former, it was by necessity. Budapest, meanwhile, made a deliberate choice to buy Chinese vaccines, likely to please Beijing and express displeasure with Brussels over the EU’s slow vaccine rollout program. Yet it is unclear whether Chinese vaccine diplomacy will have any soft power traction. Average Hungarians still seem to prefer Western-manufactured vaccines, and vaccine hesitancy overall remains a public health problem in Georgia.

**How China Leverages Local Vulnerabilities**

There are several examples of China taking advantage of local vulnerabilities and weaknesses—such as fragile state institutions, elite capture, and weak civil society—in the four countries to exert economic, political, and soft power influence.

**Weak state institutions**

China’s business model thrives in environments where local institutions and regulatory frameworks are relatively weak. Many political and economic elites in the region appear
eager to benefit from the lack of transparency that often accompanies Chinese investments. Governments struggle to vet or monitor Chinese economic or political activities, while civil society and the media are often able to voice their concerns only after a deal has been signed. Countries in Southeastern, Central, and Eastern Europe generally provide China with a more hospitable business environment than in Western Europe, where countries have more stringent FDI screening mechanisms and transparency requirements.

China sees countries in Southeastern, Central, and Eastern Europe as developing economies. Beijing has sought to leverage economic weakness in the region to its advantage by portraying itself as a savior to gain control over strategic assets. The most obvious example of this tactic is Greece, where the government a decade ago, deeply affected by the global financial crisis and the strict austerity measures imposed by international creditors, turned to China as a new source for financing. China readily seized on investment opportunities in Greece after the privatization of state assets, but its biggest project—the Port of Piraeus—has been mired in controversy.

Countries like Hungary and Romania both struggle with broad corruption and governance problems that have created weak regulatory frameworks. Once again, the lack of public scrutiny or transparency benefits both China and local elites. Hungary, especially, is a hospitable place for China, and the Budapest–Belgrade railway is a high-profile example of why this is the case.

Georgia is economically vulnerable, given high poverty levels and much-needed road, rail, and other infrastructure development. It also seeks diplomatic partners to hedge against Russian aggression, so Tbilisi actively courts wealthy countries with geopolitical clout. Yet Georgia too suffers from weak transparency in public procurement decisions; Chinese state-owned companies have won tender processes to build major infrastructure projects where most of the financing is coming from international lenders. The fact that two Chinese state-owned companies have been allowed to dominate most major road and rail construction projects—despite complaints from Georgian state companies over the murky selection criteria—clearly speaks to these shortcomings.

Moreover, several of the countries in the region still lack adequate investment screening mechanisms, despite having been urged by both the EU and the United States to tighten restrictions and protect certain critical sectors against state-owned foreign companies. These shortcomings have allowed state-subsidized or state-controlled Chinese companies to acquire critical infrastructure assets such as ports, roads, and railways with relative ease in recent years. Hungary, for example, has resisted tightening investment screening or abiding by EU requirements on public tenders for fear of turning off Chinese investments into projects that benefit the country’s political and business elites. Budapest has even gone so far as to invite Chinese companies that have been sanctioned by the West for corruption to bid for major construction projects.
Elite capture

While elite capture and corruption are a serious problem in several of the countries surveyed in this paper, the situation is particularly acute in Hungary. Using their protected position in the country, Hungarian elites are highly receptive to Chinese deals because they can benefit financially and avoid accountability—despite the fact that investment flows and trade growth have proven far less impressive than expected. There are numerous examples of projects in Hungary—including a tender related to the Budapest–Belgrade railway—where contracts have been awarded to companies controlled by close associates of Orbán. Some high-profile members of the political opposition have also benefited economically from friendly ties to Beijing. The lack of public discussion or accountability over these ties has made it relatively easy for Beijing to facilitate elite capture—as does the apparent eagerness of some Hungarian decisionmakers to be captured. Hungarian government officials and business leaders seem keen to do China’s bidding in the EU, often proactively. While other countries, such as Romania and Georgia, also struggle with elite state capture and corruption, they have not experienced the same level of Chinese political influence as Hungary.

Weak civil society

The presence of a weak civil society and oligarchic influence and control over media and NGOs can provide opportunities for China to step in and fill the void.

The lack of objective reporting on China is particularly acute in Hungary, where pro-government oligarchs—who often made their fortunes through EU funds—have consolidated hundreds of media outlets under the so-called Central European Press and Media Foundation, an organization controlled by the Hungarian government. This allows the government to control approximately 90 percent of the flow of information in the country, especially in the countryside where access to the internet is limited. Rather than praising China itself, these media outlets tend to emphasize the importance of strong bilateral economic and political ties between the two countries. Given the Orbán government’s need to demonstrate to its own citizens that Budapest has political alternatives to the EU, promoting positive views of China and selling the strength of Hungarian-Chinese relations is helpful. Orbán’s government is already positively inclined toward China, so state or government-friendly media tend to eschew covering controversial issues that could anger Beijing. As a result, China apparently does not feel the need to influence media in Hungary.

In Greece, which has a vibrant media landscape, China does not control any media. However, China has attempted to indirectly control and influence local media outlets through cooperation agreements with national news agencies as well as through the embassy’s active use of social media. In Romania, the Chinese embassy has published op-eds and interviews in one business publication with which it enjoys close relations, but there seems to be little to no effort by China to actively influence Romanian public opinion. In Georgia, pro-government media outlets will occasionally show some support for the Chinese
government’s actions, but there is little evidence of China proactively trying to influence the country in any substantial way. In Romania and Georgia, there is scant public interest in China, so Beijing’s ability to influence public opinion via local media is limited.

Moreover, much of Chinese soft power efforts seem not directed at society at large but rather at certain elites or subnational and people-to-people links. In Hungary, China cultivates relationships with up-and-coming political and business leaders by offering generous academic scholarships and exchanges. In other countries, such as Romania, China benefits from legacy relationships dating to earlier periods, consisting of mainly retired politicians. Mainstream parties in Romania have proven fairly resilient to Chinese influence. Although it still considers Romania a friendly country, China is not attempting to reach out to a wide constituency, nor does it invest in heavy-handed propaganda to spread its message. Similarly, in Greece, China maintained good relations with the previously ruling left-wing Syriza party and the communist KKE, but Beijing has struggled to cultivate ties with more centrist-oriented parties.

Finally, China has initiatives such as Confucius Institutes and academic partnerships in all four countries, but these tend to be rather small-scale operations of limited influence. One major exception is the planned construction of a Fudan University campus in Hungary, which, if completed, would constitute a major upgrade in China’s soft power presence at a time when academic freedom in the country is already in decline. This would also represent a stepping-stone in China’s attempt to become a top international player in higher education, putting China in direct competition with leading U.S. and European universities.

**Points of Resilience**

China’s influence in the region is limited by a combination of several factors, including growing skepticism arising from initially unrealistic expectations of trade and investment, bottom-up pushback against some of China’s deals, pro-Western outlooks among the population at large, an economic or security dependence on the transatlantic community, and ineffectual Chinese soft power projection.

**Misplaced expectations of trade and investment**

Several factors mitigate some of the most glaring economic vulnerabilities. First, there is growing skepticism about China’s ability to deliver on its many lofty promises, even in Hungary. Countries, which a decade ago held high expectations about the potential benefits of Chinese investments, have become gradually disillusioned with Beijing’s ability to deliver on its promises. Though China is still perceived as an important economic partner, the much-touted BRI has resulted in few tangible projects and the 17+1 format is increasingly perceived by local governments as a vehicle for Beijing to exert political influence. A case in point is Romania, which has seen a significant increase in bilateral trade with China but little in terms of Chinese investments.
Second, even in cases where Chinese-funded projects have materialized, there is also growing apprehension about the conditions of Chinese engagement. This has to do with growing frustration and discontent over the terms of specific Chinese investment deals in many states (for example, ownership stakes, labor rights, environmental degradation, and the lack of benefits for local companies and workers). Some Chinese projects are infrastructure or so-called brownfield investments (when a company invests in an existing facility to launch a new operation), which have relatively little impact on sustainable job creation in new employment sectors. This shifting sentiment is particularly evident in Greece, which only a few years back regarded China as an economic savior but both the public and the government have since become disillusioned.

Third, several of the countries have tightened up their investment screening frameworks in recent years after being urged to do so by the EU and the United States. Growing pressure from Brussels and Washington has also influenced decisions to grant Chinese companies major tenders and contracts involving critical sectors or assets. Several of the case countries have also rejected Chinese offers due to concerns about the terms. The main exception is Hungary, which appears to keep its doors wide open to Chinese investments, even if expectations have not been met in recent years.

Of course, none of this suggests that regional countries are closing their doors to China. But there is far less illusion and optimism toward China today than only a few years ago. It is no longer enough for China to make grand promises without delivering.

Bottom-up pushback against Chinese deals

While members of the 17+1 club have had high expectations that Chinese investments would bring significant socioeconomic benefits, there are signs of growing disappointment among local and subnational groups against some of China’s projects. In several cases, deals with China have even been rejected or canceled, interrupted, or reversed due to such bottom-up pressures.

Once again, the Port of Piraeus is an indicative example. While COSCO’s investment in the port was long heralded as a major achievement and undoubtedly has led to an impressive turnaround of the previously crisis-ridden port, more recently local stakeholders such as municipal politicians, shipowners, and labor unions have begun to push back. Their protests have prevented the government from approving the construction of a new container terminal at the port (although it is generally expected that a compromise will eventually be found for the final stake to be acquired by COSCO). In another case, in Georgia, local workers launched a strike against the Chinese company building the Tbilisi–Batumi railway over concerns about low pay and bad working conditions. China’s bid for the Anaklia port received pushback over local concerns that it would not provide sufficient employment opportunities. In contrast, fewer protests from local labor unions and civil society have occurred in Hungary, despite similar concerns about the terms of certain Chinese deals and the lack
of economic opportunities they bring. The country’s democratic decline and clampdown on civil society have opened doors for new Chinese projects. One notable exception is the recent public backlash against the Fudan University campus in Budapest.

These examples point to the clear limits of China’s business model in Europe. While perhaps suitable in developing countries with fewer restrictions, some Chinese companies are less well equipped to handle situations in Europe when faced with tough legal or environment requirements or when subject to government and public scrutiny.

Deeply rooted orientation to and dependence on the West

While China has sought to increase its role and influence in the region, these countries remain highly integrated with Europe and dependent on the West overall. Democratic governance also builds resilience, as elections can significantly alter a country’s domestic, economic, and foreign policies. Democratic governance, especially when it leads a Chinese-friendly European country to pivot back toward its traditional transatlantic partners, can complicate Beijing’s efforts to engage the region.

Greece’s current government is less friendly to Beijing than previous administrations were, a development underpinned by a combination of apprehension about China and the need for security partnerships with the United States and NATO amid regional tensions in the eastern Mediterranean. Instability in the Black Sea has also reinforced Georgia’s and Romania’s partnerships with the West. Although Georgia is not a member of the EU and NATO, it remains firmly aligned with both. And despite its historical ties with China, Romania has made a concerted choice in recent years under the current president, Klaus Iohannis, to reinforce ties with the United States and to reassure the EU of its commitment.

In these three countries, Washington and Brussels have also been able to push policies such as anti-corruption efforts, impose new FDI screening mechanisms, limit Chinese telecommunications giant Huawei from building 5G wireless networks, or cancel deals with Chinese state-owned companies in critical sectors. Once again, the clear outlier here is Hungary, which remains a uniquely complicated member of the EU and NATO. Orbán, Hungary’s long-serving leader, has proven a reliable partner for China even as other European countries have become more skeptical toward Beijing. For instance, Hungary has so far resisted pressure from Washington to prevent Huawei from building out the country’s 5G infrastructure.

Limited effectiveness of soft power efforts

While China has repeatedly sought to make use of soft power efforts, it appears that these have had fairly little impact improving China’s image in the region. Even in countries where perceptions of China were largely positive or neutral, opinions have soured in recent years, especially during the COVID-19 pandemic. Even in Hungary, where the pandemic led to
closer cooperation between Budapest and Beijing and where officials and pro-government media have touted China’s assistance, public perceptions of China have further deteriorated.

Accounting for the limited impact of Chinese soft power in the region is, first, the fact that local people have limited interest in Chinese affairs, its culture, or its model. In addition, it is also possible that China’s inability to deliver on its economic promises, the growing international criticism of Beijing, and China’s perceived role in the pandemic have all reduced the effectiveness of its public diplomacy. Moreover, while China maintains legacy relationships and has made inroads with certain elite groups, younger generations in countries like Greece and Romania tend to be more pro-Western and skeptical of China. Chinese academic scholarships and Confucius Institutes do not add up to very much when compared to academic opportunities in the EU, the UK, or the United States. However, plans for a new massive Fudan University campus in Hungary would mark a major shift in China’s soft power presence; given the lack of clarity from where its student body will hail, it also could eventually bring an influx of Chinese students to Budapest and offer them a glimpse of life in the EU.

Finally, there is little coverage of China in local news in the four countries due to a lack of foreign correspondents in China and a lack of local academics or experts focusing on China. For example, coverage of China in the Greek press tends to be negative (with the exception of the BRI), while coverage of Sino-Greek relations tends to be presented fairly positively. Nor does China possess a very strong public voice in the local press, aside from the occasional op-ed penned by the embassy and placed in a local newspaper. The exception, once again, is Hungary, where pro-government media outlets have actively promoted Hungarian-Chinese ties and the Chinese ambassador frequently gives interviews to local press. While China has established some media partnerships that could give it a platform to promote Chinese narratives and shape reporting on China, such as in Greece, these appear not to have had any significant impact on shaping public perceptions. Meanwhile, Chinese media coverage of its relations with European countries is mainly aimed at its own domestic audience back home.

The main goal of China’s soft power influence in the region does not appear to be winning hearts and minds more broadly, but rather to target certain influential political and economic elites. While China engages in some soft power efforts, such as people-to-people exchanges and cultural activities, most of these are small-scale or legacy relationships with little current relevance.

**Recommendations for the United States, the EU, and Regional Countries**

China’s global rise has created new challenges for Washington, Brussels, and individual European governments. Beijing offers ready-made solutions to countries that struggle with poverty, economic turmoil, and uneven development. China provides an alternative to the West, helping countries gain leverage with their traditional partners (or adversaries) and seek
balance in their foreign policy. That is not necessarily a bad thing. Yet China also aims to assert its political influence—not just in individual states but on the geopolitical stage—by stoking problems and complicating consensus in the West on policy issues of importance to Beijing. China also seeks to take advantage of lax regulatory regimes and regional elites who are eager to be captured, often for financial or political gain, thus fueling local corruption. However, while this sort of economic engagement with Beijing may lead to the enrichment of a few, it does not lift others out of poverty. Ultimately, it may lead to periods of backlash, against both China and its local interlocutors.

China has not been uniformly successful across Southeastern, Central, and Eastern Europe. Two of its showcase initiatives, the BRI and the 17+1 format, have had more symbolic than actual influence. However, the story is notably different for many countries in the Western Balkans such as Serbia where China is leveraging a considerable amount of influence. Some societies are proving more resilient than others at identifying the perils of engaging with Beijing and weighing those risks against the potential rewards. Furthermore, while it is important to discern China’s growing influence in the region, not every instance of Chinese soft power is effective or inherently negative. Chinese vaccine diplomacy for example, may be aimed at improving China’s image, but can also enhance public health even though the efficacy of Chinese-made vaccines has been questioned. Educational exchanges and Chinese-language programs may build Beijing-friendly constituencies, but greater awareness of and knowledge about China could yield both positive and negative results. Understanding China is an essential step toward meeting the challenge Beijing poses to the liberal international order. Similarly, exposure by Chinese students to life in the West should be welcomed and great lengths should be made to ensure that Chinese citizens studying or working in Europe do not become subject to racist backlashes. Leaders in the West therefore should develop multipronged and nuanced approaches to address these issues:

- **Avoid depicting Southeastern, Central, and Eastern Europe as a Chinese Trojan horse.** It has become commonplace in Western policy and expert circles in recent years to refer to countries in Southeastern, Central, and Eastern Europe as “bought” by China. The reality, however, is that the vast majority of Chinese investments in Europe are in a handful of Western European countries and only a small percentage in Southeastern, Central, and Eastern Europe—far from enough to make these countries economically dependent on China.

- **Don’t overplay China’s economic influence.** Similar to elsewhere in Europe, regional states initially looked toward China as an economic opportunity. But gradually, they have become disillusioned and come to realize that their European partners are far more economically important. Moreover, geopolitical shifts in the eastern Mediterranean and Black Sea regions have pushed states to reinvigorate security ties with the United States, given their reliance on Washington and NATO as security guarantors. Negative views toward Russia have also reinforced skepticism of China. The real exception is Hungary, which remains a close partner to China in Europe and has, on several occasions, sought to undermine or block EU foreign
China’s Influence in Southeastern, Central, and Eastern Europe

policy statements and decisions pertaining to China. While China likes to present itself as an economic savior, the West should avoid feeding into this narrative when it is not warranted by facts on the ground.

- **Better understand local interests.** The Trump administration’s framing of competition with China as a binary choice was not helpful, because it put countries in the difficult spot of having to choose between either the West or Beijing. In reality, regional states often are forced to balance. The United States and the EU should recognize that countries in Southeastern, Central, and Eastern Europe have legitimate reasons to work with China and that not all Chinese-funded projects are by definition malign. Chinese projects that are transparent and bring tangible benefits can be beneficial. Those that take advantage of crony capitalism, create heavy debt burdens, or violate environmental or labor norms are certainly not.

- **Avoid assigning strategic significance to all of China’s actions.** Many of Beijing’s economic activities are commercial and uncontroversial in nature. Making sure that Chinese overseas citizens and legitimate Chinese businesses in Europe are not unduly targeted or face racist backlashes is vitally important. Yet, cheap Chinese goods sometimes risk flooding local markets and undercut local production and economies. As the four case country analyses suggest, China’s own activities do not adhere to a one-size-fits-all format. Instead, they are often tailored to individual countries’ national contexts and needs. Washington and Brussels should avoid employing a “whack-a-mole” approach to China’s activities in the region. A better strategy would be to, on the one hand, seek to better understand local demands and, on the other, provide technical training to increase officials’ ability to evaluate the impacts of proposed Chinese projects. Similarly, Southeastern, Central, and Eastern European countries should weigh their own specific long-term needs against what Chinese and other international companies are offering. Quick money and a rapidly developed infrastructure project might be a short-term fix for a sitting politician but may not be sustainable for the country in the long run.

- **Promote good governance and build local resilience.** Local institutions and regulatory frameworks have a significant bearing on China’s ability to exert political influence in countries. In other words, the problem is not always China’s economic activities, per se, but whether local countries have the ability to absorb and manage them effectively. Rather, when China can bypass tender processes, neglect environmental impact studies, or cut shady deals, it is able to exert political influence most effectively. U.S. and EU support to vulnerable countries in Southeastern, Central, and Eastern Europe should therefore focus on strengthening government institutions and regulatory frameworks, enhancing the rule of law and judicial systems, improving the accountability and transparency of contracts, and rooting out corruption and state or elite capture. Progress on shoring up resilience, however, must be driven by demand. In some places, that will be easier. In others, it may mandate both carrots (such as investments in technical assistance) and sticks (like
pushing countries to adopt and comply with EU regulations on investment screening and transparency around procurement). Biden’s upcoming Democracy Summit provides an opportunity to put corruption and kleptocracy front and center on the agenda with regional states and other partners.

- **Strengthen civil society capacity.** Understanding China is key to building resilience and driving demand for reforms that could curb Beijing’s ability to stoke fissures in the West and complicate Chinese commercial entities’ knack for capturing elites. Strong local civil society—such as labor unions, environmental groups, robust media, vocal opposition parties, and local communities—is needed to ensure accountability. Georgian, Greek, and Romanian civil societies have pushed back on some questionable Chinese projects. Even in Hungary, where civil society is markedly weaker, there are examples of strong pushback from local politicians and civil society against some of China’s more egregious actions. The United States and the EU should enhance their support to independent journalists and analysts, particularly in Hungary. The EU should facilitate independent analytical voices on China by funding China studies programs at universities and think tanks and promoting the sharing of information among pan-European China experts. The United States and the EU should also work with local politicians and members of parliament in regional states who may sometimes be more willing to openly criticize China than national leaders.

- **Don’t overfocus on soft power.** While China has actively tried to promote itself by leveraging a variety of soft power efforts—such as media outreach, cultural events, academic partnerships, and cooperation with NGOs and political groups—these efforts tend to be small-scale in nature and not particularly influential. Most of China’s soft power outreach targets certain influential elites rather than entire citizenries. Even the Confucius Institutes, which have garnered a lot of attention in the West for being potential vectors of malign Chinese influence, appear to be mostly inconsequential, though there is still a need to ensure that regional universities conduct thorough due diligence when entering into academic partnerships with China. Here the United States and the EU should step in and provide alternative funding to build up local research centers focusing on understanding China consistent with European values. A clear illustration of Beijing’s limited soft power reach is the fact that regional perceptions of China have soured recently in all four countries, especially during the COVID-19 pandemic. This suggests that China’s narratives do not appeal to most people in the region, especially younger generations who tend to be more oriented toward the West. Though there is still a great deal of interest in Beijing as an economic partner, China itself, its model, and its international behavior are far less attractive.

- **Be present and provide alternatives.** The combination of economic weakness and the lack of financing in some of countries has provided opportunities for China to step in over the past decade. Rather than lamenting this fact or telling
countries not to accept Chinese offers, Washington and Brussels should step up their own economic engagement to provide more attractive alternatives with better terms and with more positive impact on local economies. This again will mandate demand-driven reforms to improve the investor climate and the rule of law. There is also a risk that countries such as Greece or Georgia (or many of their neighbors) could be more economically vulnerable after the pandemic, thus providing opportunities for China to swoop in like it did after the 2008 global financial crisis. Lessons learned about why China was able to exploit the privatization of state-assets in Greece imposed by international creditors should inform increased spending on infrastructure projects and relaxed EU budget rules. Elsewhere in Central Europe, efforts such as the U.S.-led Three Seas Initiative are particularly relevant and should be scaled up and expanded in scope jointly with the EU and wealthy member states like Germany. There is a need to bolster investment in the regional infrastructure projects through the European Investment Bank, the World Bank, the International Monetary Fund, and the new U.S. International Development Finance Corporation. At the same time, lenders—as well as investors like the European Investment Bank or the European Commission’s structural funds—should insist that tender processes are fully transparent and increase their scrutiny of projects awarded to state-owned Chinese companies. Finally, U.S. embassies in the region should share more information with local officials about the risks of dealing with certain Chinese state-owned companies with a poor reputation or bad track record in delivering economic results.

• **Hold Orbán and his cronies accountable.** While Hungary’s relationship with China has been growing for the past decade, Budapest’s interventions in EU policymaking on Beijing’s behalf have been largely symbolic—until recently. Its 2021 decisions to block two EU foreign policy statements related to China are a wake-up call, mandating joint pushback from both Washington and Brussels. The Trump administration bypassed the EU and tried to cultivate relations with Orbán, ultimately with little to show. Mindful of its own domestic democratic challenges and more limited economic clout over Budapest, the United States should not shy away from pushing the EU and key member states (especially Germany, which is Hungary’s most important trading partner) to impose greater pressure on Orbán, including the potential use of sanction mechanisms against officials and businessmen engaged in local corruption schemes involving China. Brussels should consider applying the EU’s rule of law conditional regime.

• **Leverage Western attractiveness.** There are clear limits to how well China’s narratives are resonating in the region, especially among younger generations. The United States and the EU should cultivate rising regional leaders by extending more scholarships and academic partnerships, offering economic opportunities, and easing visa restrictions. Moreover, Washington should leverage vital security ties since, ultimately, China has less to offer when it comes to European countries’ security or long-term economic sustainability. Even Hungary, which has embraced
illiberal democracy and likes to say that it has alternatives, has few illusions about partnering with China. Countries such as Greece and Romania are both strong EU and NATO members and careful about safeguarding their standing in these organizations. It does not appear that any amount of Chinese soft power or economic opportunities could alter this orientation. Even Georgia—which is not a member of either the EU nor NATO and has a strong desire to counter the threat posed by Russia—is unlikely to embrace China for fear of upsetting relations with Washington and Brussels, both of whom are far more important to Tbilisi than Beijing. Moreover, the United States and the EU should counter China’s claims about its economic benevolence by pointing out that almost all countries in Europe have a sizable trade deficit with China and that long-term economic cooperation with China has generated few tangible results.

- **Reassure smaller states that the West has a lot to offer.** When it comes to smaller countries in the region, the West should remind their governments, business leaders, and the public at large that Chinese investment generally pales in comparison to what they receive from the United States and the EU. In Hungary, for example, Chinese investments in the country have done little to boost employment while creating a sizable debt burden for the government. Even the much-touted BRI has not been able to deliver substantially in Hungary, despite close relations. Finally, since China frequently sends high-level political and business delegations to relatively small European countries to demonstrate its commitment, the United States, Germany, France, and other EU states must provide more senior-level attention and reward pro-Western leaders with direct engagement.

- **Deny China diplomatic openings.** In Georgia, the United States and the EU failed to help the government acquire enough Western-manufactured COVID-19 vaccines. In Hungary, the EU’s slow vaccine rollout presented an opportunity for Orbán to highlight his alternatives. In both cases, China stepped in to fill the void. These are missteps that cannot be undone but avoiding similar policy shortcomings in the future is critical, particularly in regions where the pandemic continues to ravage public health and local economies. Furthermore, enhancing awareness that Beijing’s mask and vaccine diplomacy was largely conducted on a commercial—not humanitarian—basis can help highlight differences between the benefits of EU membership or U.S. assistance programs and limited Chinese largesse.
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Notes


7. For example, both Sweden and the United Kingdom established diplomatic relations with the People’s Republic of China in 1950, while France opened its embassy in 1964.


9. In January 2016, the state-owned enterprise officially renamed itself “China COSCO Shipping Corporation” following the merger of COSCO Group and China Shipping Group.


The Syriza government was elected in large part due to anger at EU-imposed austerity, but then had to agree to it.


Interview conducted on May 23, 2021.


Thanks to Boris Wenzel for detailed information concerning transshipment and port activities in Greece and the rest of Europe.

Frans-Paul van der Putten and Minke Meijnders, “China, Europe and the Maritime Silk Road,” Clingendael, March 2015.


The hospitality part of the deal is still uncertain due to local opposition.

The cruise terminal, the largest of eleven mandatory investments by COSCO, is co-funded through EU structural funds, in particular through Greece’s 2014–2020 National Strategic Development Framework. See https://www.efsyn.gr/oikonomia/elliniki-oikonomia/229847_stin-tekal-i-nea-problita-kroyazieras.


Interview conducted on March 4, 2021.


35 Interview conducted on May 5, 2021.

36 Interview conducted on April 14, 2021.


39 Merk, “China’s Participation in European Container Ports.”


46 Tonchev, “Sino-Greek Relations in Greek and Chinese Media, 2020.”

47 In October 2020, the European Commission has launched infringement procedures against Cyprus and Malta by issuing letters of formal notice regarding their investor citizenship schemes also referred to as “golden visa” schemes. Greece has so far not been targeted. See “Investor Citizenship Schemes: European Commission Opens Infringements Against Cyprus and Malta for ‘Selling’ EU Citizenship,” European Commission, October 20, 2020, https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1925.


49 Golden visas are openly advertised on some websites, which include pictures of Santorini island. See https://getgoldenvisa.com/ultimate-guide-to-greece-golden-visa.


52 The Chinese state does not allow dual citizenships.

53 Tonchev, “Sino-Greek Relations in Greek and Chinese Media, 2020.”


59 The Mitsotakis government turned down the opportunity to host the next 17+1 summit in 2022.

60 In an interview, Tsipras had good things to say about Mao Zedong and the Cultural Revolution in China. See https://www.schooligans.gr/articles/92.


62 “Xi Eyes Deeper Cooperation on Occasion of Visit to Greece,” I Kathimerini.


64 Tonchev, “Sino-Greek Relations in Greek and Chinese Media, 2020.”

65 For example, France, the Czech Republic, or Sweden.


69 Tonchev, “Sino-Greek Relations in Greek and Chinese Media, 2020.”


72 “Xi Eyes Deeper Cooperation on Occasion of Visit to Greece,” I Kathimerini. This is a clear reference to Shanghai, described in Chinese literature as the “dragon head of the Yangtze River Delta, the Yangtze River basin, and more broadly, China, into the 21st century through rapid economic growth and dynamic integration into the global economy.” See: Cheng Li, “Reclaiming the ‘Head of the Dragon’: Shanghai as China’s Center for International Finance and Shipping,” May 14, 2009, Brookings Institution, https://www.brookings.edu/articles/reclaiming-the-head-of-the-dragon-shanghai-as-chinas-center-for-international-finance-and-shipping/.

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78 Interview with a Hungarian political analyst, March 21, 2021.


88 Szunomar, “Hungarian and Chinese Economic Relations and Opportunities Under the Belt and Road Initiative.”


90 Szunomar, “Hungarian and Chinese Economic Relations and Opportunities Under the Belt and Road Initiative.”


Panyi, “Hungary Could Turn Into China’s Trojan Horse in Europe.”


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115 Hillman, *The Emperor’s New Road*.


126 Matura, “Chinese Influence Efforts in the Hungarian Media December 2020-March 2021.”

127 Ibid.

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133 Panyi, “How Orbán’s Eastern Opening Brought Chinese Spy Games to Budapest.”


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143 Panyi, “Huge Chinese Loan to Cover the Construction of Fudan University in Budapest.”


147 Urfi, “Öt-hatezer mesterszakos hallgatót akar felvenni Magyarországon a kínai Fudan Egyetem.”


152 Matura, “Ki szereti Kínát?”


162 Interview conducted on March 30, 2021.

163 Under then prime minister Alexis Tsipras (of the Syriza party), Greece became the seventeenth member in 2019.


167 Interview conducted on March 30, 2021.


In previous meetings, China was represented by Premier Li Keqiang.

According to Popescu and Brinza (2018), citing the MOFCOM data, China was Romania’s eighth-largest trading partner in 2017, while Romania had become China’s sixty-eighth-largest trading partner.


Popescu and Brinza, “Romania-China Relations.”


Popescu and Brinza, “Romania-China Relations.”


The author is indebted to Andreea Brînză’s comments on this section. See also https://www.china-cee-invest ment.org/.


Interview conducted on March 30, 2021.

Ibid.

Interview conducted on April 19, 2021.


198 The four Confucius Institutes are located in: University of Bucharest; University Lucian Blaga in Sibiu; University of Transylvania in Brasov; and Babeș-Bolyai University in Cluj-Napoca.

199 “Republica Populară Chineză,” Romanian Ministry of Foreign Affairs.


202 Trump political appointee Adrian Zuckerman left Romania in January 2021. Before a new ambassador is confirmed by the U.S. Senate, a chargé d’affaires will head the Bucharest embassy.


204 Ibid.

205 Le Corre, “Europe’s Tightrope Diplomacy on China.”

206 See https://3seas.eu/.


See data for 2019 on website of Georgian National Tourism Administration, https://gnta.ge/statistics/.


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Khidasheli, “Georgia’s China Dream.”


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