

Concordiam

Journal of European Security and Defense Issues

■ **COUNTERING AN AUTOCRATIC POWER**

A formula for success

■ **WEAPONIZING ECONOMIC COERCION**

How China creates fiscal dependencies

■ **CONTROLLING THE NARRATIVE**

Beijing takes a page from Moscow's playbook

■ **A NEW THREAT ENVIRONMENT**

Understanding the hybrid warfare model

PLUS

Helping free countries succeed in the global economy

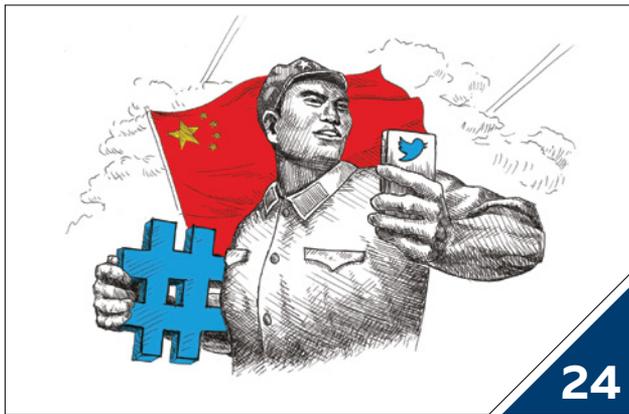
Protecting higher education from Beijing's malign influence

China's growing interest in the Western Balkans



CHINA'S EUROPEAN STRATEGY

features



7 For China, Europe is a Game of 'Go'

By **Joseph Vann**, Marshall Center professor

10 Leveling the Playing Field

By **Heino Klinck**, former U.S. deputy assistant secretary of defense for East Asia, and **Michael Ryan**, former U.S. deputy assistant secretary of defense for European and NATO policy

Countering China Requires Coherently Integrated Actions.

18 Following China's Lead?

By **Theresa Fallon**, director, Centre for Russia Europe Asia Studies
Beijing's Influence in Europe.

24 War by Narrative?

By **Dr. habil May-Britt U. Stumbaum**, team leader for Project Asia Pacific Security at the Bundeswehr Universität Munich, and **Susanne Kamerling**, associate fellow at the research group War, Peace and Justice at the Institute of Security and Global Affairs at Leiden University, The Hague, Netherlands

European Countermeasures Against Chinese Influence Operations.

28 China's Profile in Europe

By **Janne Jokinen**, deputy director of the Community of Interest on Hybrid Influence at the European Centre of Excellence for Countering Hybrid Threats

Applying the Hybrid Threat Model.

34 Countering China

By **Jan Famfollet** and **Jakub Janda**, European Values Center for Security Policy

How to Combat Beijing's Malign Economic Influence.

40 Higher Education and Security in Hungary

By **Anne Clary**, Ph.D. candidate at the Graduate School of Politics at Westfälische Wilhelms-Universität in Münster, Germany

The Implications of Opening Access to China.

46 Turkey-China Relations

By **Dr. Cüneyt Güner**, Marshall Center professor

Economic Needs and Global Desires.

52 China in the Balkans

By **Dr. Valbona Zeneli**, Marshall Center professor, and **Fatjona Mejdini**, Global Initiative Against Transnational Organized Crime

Countering Beijing's Regional Influence.

60 EU Solidarity Faces a Major Test

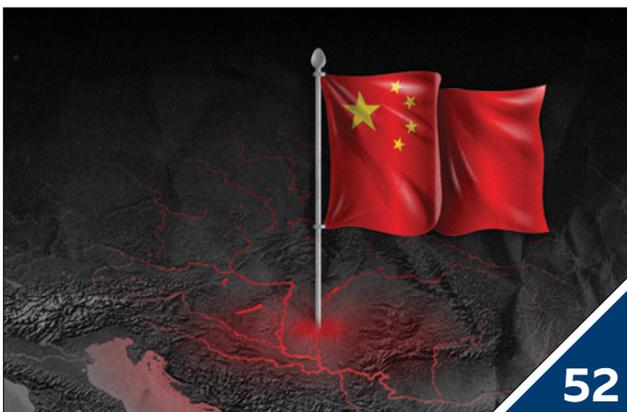
By **W. Brent Christensen**, senior policy advisor, Daniel K. Inouye Asia-Pacific Center for Security Studies

China's Economic Coercion Campaign Against Lithuania.

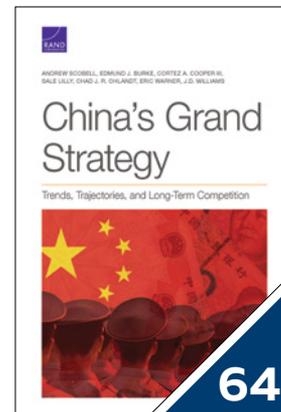
departments

In Every Issue:

- 4 DIRECTOR'S LETTER
- 5 CONTRIBUTORS
- 7 VIEWPOINT
- 64 BOOK REVIEW
- 66 COURSE DESCRIPTIONS



Book Review



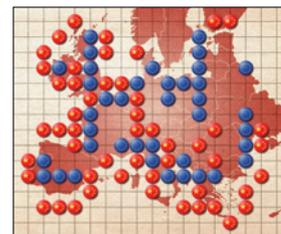
China's Grand Strategy

Written by: **Andrew Scobell, Edmund J. Burke, Cortez A. Cooper III, Sale Lilly, Chad J.R. Ohlandt, Eric Warner and J.D. Williams**

Reviewed by: **Patrick Swan**, per Concordiam contributor

Even if China does achieve its strategic near-term goals, it is not predestined to displace the U.S. and the West as global arbiters of international policy and actions.

On the Cover



China's engagement in Europe can be compared to the strategy used in the Chinese board game "Go."

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GEORGE C. MARSHALL
EUROPEAN CENTER FOR SECURITY STUDIES

In this 45th edition of *per Concordiam*, we consider a broad spectrum of Chinese engagement activities in Europe. Our interest in this subject is one of reflection and is centered on topics of interest to policymakers in Europe and the United States.

Over the past 20 years, the world has witnessed China's remarkable growth, lending to a larger presence on the international stage. As China increased toward global engagement, and as trade opportunities emerged, there was a euphoric sense of optimism that China would evolve into a partner nation, embracing ideals and values in line with the global rules-based order. However, as China's economy gained momentum, storm clouds appeared on the horizon. Concerns about trade practices set off alarms. Even so, the almost intoxicating enthusiasm about the vast untapped Chinese markets caused many to throw caution to the wind. The Chinese Communist Party soon became more confident in its authoritarian posture, adopting a bellicose foreign policy voice, creating islands in the South China Sea, intervening in Hong Kong, intimidating Taiwan and suppressing Uyghurs.

In this edition, our authors broadly frame different aspects of China's engagement in Europe. Marshall Center Professor Joseph Vann's Viewpoint article poses questions about China's European grand strategy. Heino Klinck and Michael Ryan, both steeped in geopolitical policy experience, address great power competition vis-a-vis China and the trans-Atlantic alliance. Think tank director Theresa Fallon sheds light on trending Chinese activities in European countries. Dr. May-Britt U. Stumbaum and Susanne Kamerling highlight some foundational European countermeasures against Chinese influence operations.

Other authors focus on specific examples of Chinese activity. Janne Jokinen of the European Centre of Excellence for Countering Hybrid Threats examines how China employs hybrid methodologies. Dr. Jan Famfollet and Jakub Janda of the European Values Center for Security Policy take a deeper dive into China's malign economic influence in Europe. Anne Clary delves into Chinese inroads into Hungary's educational sector, and Marshall Center Professor Dr. Cüneyt Gürer provides a snapshot of how Turkey serves as a unique Chinese gateway into the European economic zone.

Dr. Valbona Zeneli, a Marshall Center professor, and Fatjona Mejdini of the Global Initiative Against Transnational Organized Crime provide a compelling overview of Chinese infrastructure projects and lending practices in the Western Balkans. Finally, W. Brent Christensen of the Asia Pacific Center for Security Studies provides perspectives on Lithuania's diplomatic fallout with China.

It is with pleasure that I recommend this issue on the increasingly important role China will play in Europe and the world, and how the Western allies can best adapt and respond. As always, the Marshall Center welcomes comments. Please feel free to contact us at editor@perconcordiam.org

Sincerely,

Barre R. Seguin
Director



Barre R. Seguin

*Director, George C. Marshall
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China

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FOR CHINA, EUROPE IS A GAME OF 'GO'

By **Joseph Vann**, Marshall Center professor | Photos by The Associated Press

IF one were to look at the current depth and breadth of Chinese engagement activity in Europe — meaning its economic, scientific, cultural, political, academic and social engagement activities throughout Europe — it would look similar to the Chinese board game Go (known as Wei-chi). Those unfamiliar with the game would only need to understand that it is a game of strategy and encirclement. More challenging than chess and estimated to have more options for moves than the number of atoms in the known universe, Go is a combination of grand strategies, operational art and tactical battles played out concurrently. Unlike chess, where all pieces are on the board at the beginning of the game, in Go, pieces are added to the board as the game advances — much like the way Chinese engagement activity in Europe has developed and continues to unfold.

The parallels between Go and Chinese activity in Europe are worth considering. Go is a revered game in Chinese culture and has been played for centuries. It is often referenced in the teachings of Confucius and Sun Tzu. It has even been used to make sense of Mao's revolutionary strategy behind his Long March. Former U.S. Secretary of State Henry Kissinger is said to be a proponent of understanding the game in the context of understanding Chinese strategy.

Like the game of Go, Beijing's engagement in Europe is a strategy of encirclement in an advanced state of play. Across Europe, China is heavily involved in business acquisitions, infrastructure projects, academic collaboration, research and development agreements, think tank sponsorship, and panda diplomacy, all of which is being heavily funded and orchestrated with the oversight of the Chinese Communist Party (CCP) leadership. Acquisitions of European businesses have covered the spectrum from energy to advanced technologies to health care, with an increasing focus on sensitive high-tech sectors. In all aspects of Beijing's engagement, Chinese state influence and overwatch run very high.



The object of the Chinese game of Go is to surround more area with markers than your opponent and to capture an opponent's pieces by surrounding them. There are many parallels between Go and China's strategy in Europe.

In assessing Chinese engagement activity, it is important to understand that this is not only about investments and acquisitions. It is about much more, namely influence and the effective employment of soft power. A clear example is the importance that Beijing gives to its United Front Work Department, which exists to oversee the CCP's influence operations. China's well-known disinformation and propaganda capabilities, having been perfected at home, are now in play in Europe. China has invested a reported \$3.5 billion in European media outlets, giving it a unique platform to influence media content. A study by AMO, a nongovernmental organization and nonprofit based in Prague, detailed a correlation between Chinese investments in European media and the subsequent shift away from negative and neutral reporting to only positive coverage of China.

China's foray into European media is just one example of this strategic encirclement methodology. In 2019, the European Parliament raised questions about Serbia's "Safe City" project, which is essentially a high-tech law enforcement surveillance system that features advanced facial recognition technology built by the Chinese company Huawei and Chinese state-owned manufacturer Hikvision. The questions in this case centered on a section of the Chinese National Security Law that requires the companies to relay data in their possession to Beijing's intelligence services.

Questions about how these seemingly individual initiatives support Beijing's One Belt, One Road strategy deserve study. However, there is little transparency in the world of the CCP. Unlike Western democracies, Beijing's authoritarian and centrally directed nature allows it to encourage or compel its state-owned enterprises and other businesses to follow investment strategies that align with its long-term national strategy. As a result, Beijing is able to choreograph a national effort that can be executed globally toward achieving strategic outcomes. Perhaps the clearest example is the visible alignment of European investments and acquisitions that directly support its "Made in China 2025" industrial master plan aimed at making China a technology superpower.

in forcing foreign companies to give up their intellectual property as a condition of doing business saved Chinese companies from the long and costly research and development process. The aggregate effects of gaining technological insight in so many different business sectors allowed Beijing to propel China's economy forward in an incredibly short time — something it would have been very unlikely to have achieved on its own.

This is not to say that the Chinese have not been smart. They have been incredibly smart and very pragmatic in understanding how Western democracies work. Over the past two decades, Beijing has excelled in exploiting the seams and vulnerabilities in Western governments and business sectors. The CCP is centrally directed and able to task-organize like a major global business conglomerate. This allows Beijing to dictate roles and responsibilities to be implemented by Chinese industry and its various state organs.

But looking at the bigger picture, it is less about China being smart and more about the West being sloppy. Typically, a generation is defined as about 20-30 years. Collectively, the West appears to be suffering from generational dynamics that impair its ability to play the strategic long game. Today's Western decision-makers in government and business are generally younger and part of the post-Cold War generation. An appreciation of all that led to establishing the current 70-plus-year-old rules-based international order is likely not well understood, fully appreciated, or a very pronounced factor guiding long-term policymaking and economic decisions.

Similarly, Beijing has demonstrated disdain for rules and agreements it finds inconvenient and has enjoyed decades of not being held accountable. This lack of accountability is trending more aggressively and deserves the attention of Western leaders. Its island-building in the South China Sea has proceeded unchecked. After losing its 2016 case in the South China Sea Arbitration under the United Nations Convention on the Law of the Sea, Beijing simply rejected the finding. Separately, the United Kingdom's government has called out Beijing for violating the terms of the

1984 Sino-British Joint Declaration guaranteeing Hong Kong's rights and freedoms as part of the agreement returning Hong Kong to Chinese rule in 1997. The U.K. was clear in its statement: "Beijing's decision to impose radical changes to restrict participation in Hong Kong's electoral system constitutes a further clear breach of the legally binding Sino-British Joint Declaration ... part of



A restaurant worker in Beijing hoists a Chinese flag near a drawing of the country with the words "China, South China Sea, China's territorial right does not need arbitration." China ignored an international ruling against its expansion plans in the South China sea.

Looking at the U.S. experience, doing business with China came with immense costs. Companies, focusing on quick investment returns, willfully transferred an incalculable amount of intellectual property to Chinese companies as the price of doing business in China. Thinking that they would be able to weather trade conditions or invent new technology proved shortsighted. Beijing's perseverance



a pattern designed to harass and stifle all voices critical of China’s policies.” China’s imprisonment of an estimated 1 million Uyghur Muslims and its maltreatment of the larger Uyghur population in its Xinjiang region is another example of Beijing’s attitude of impunity when it comes to abiding by international norms.

Other examples of disdain for international law are equally egregious. According to the U.S. Cybersecurity and Infrastructure Security Agency (CISA), cyber activities attributed to the Chinese government targeted, and continue to target, industries and organizations in the U.S., including those in health care, financial services, the defense industrial base, energy, government facilities, chemical, critical manufacturing (including automotive and aerospace), communications, information technology (including managed service providers), international trade, education, video gaming, faith-based organizations and law firms. CISA further revealed that China is conducting operations worldwide to steal intellectual property and sensitive data from critical infrastructure organizations, including organizations involved in health care, pharmaceuticals and research working on COVID-19 responses.

China became a member of the World Trade Organization just over 20 years ago and has proved to be a formidable economic player. Now, as either the largest or second-largest economy in the world, depending on

Folded copies of the Apple Daily newspaper, with front pages featuring Hong Kong media tycoon Jimmy Lai, are displayed at a newsstand in Hong Kong after Lai was arrested in 2020 under China’s new national security law, forcing the newspaper to shut down.

how one chooses to measure, China’s role in the economic battlespace is indisputable. This begs the question of what the future holds. Our critical dependence on Chinese supply chains hit home in Europe and elsewhere during the COVID-19 pandemic. However, the pandemic should not have been the wake-up call. Beijing is doing many things that should trouble us, but we lack an ability to see them in aggregate, and this serves to diminish the seriousness of Beijing’s actions and its effect on Europe.

As we take stock of what has transpired over the past 20 years, it is clear that we have collectively allowed Beijing to dictate terms for play on its nonlevel field. We have been foolishly expecting positive change to eventually take place. Sadly, there has been no positive change — only an emboldened and more capable Beijing that continues to be enabled by Western naiveté. Once again, events have driven home the adage: “Hope is not a strategy.” Maintaining Europe’s core values should not be negotiable. Coming to terms with this reality is now an unavoidable strategic imperative. □



LEVELING THE PLAYING FIELD

**Countering China Requires
Coherently Integrated Actions**

By **Heino Klinck**, former U.S. deputy assistant secretary of defense for East Asia, and
Michael Ryan, former U.S. deputy assistant secretary of defense for European and NATO policy

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PER CONCORDIAM ILLUSTRATION

“
In strategy, the longest way round is often the shortest way home.”

~ Historian B.H. Liddell Hart

“
The indirect approach is by far the most hopeful and economic form of strategy.”

~ Sun Tzu

The West’s wishful thinking about the so-called peaceful rise of China has apparently come to an ignominious end, and not a moment too soon. The allure of cheap Chinese manufacturing and an insatiable Chinese market, facilitated by a dangerous blend of naivete and negligence, led to decades of ignoring the Chinese Communist Party’s (CCP) human rights abuses, intellectual property theft, revisionist history, unbridled military growth and just general duplicity. Finally, like-minded democracies have reluctantly concluded, some more publicly than others, that China is a pernicious actor. It has become increasingly clear that China’s growth in all elements of national power is accompanied and guided by a grand strategy antithetical to the Western way of life. In fact, the U.S. Department of Defense’s 2021 “China Military Power Report,” which refers to China as the People’s Republic of China (PRC), specifically states:

The PRC’s strategy aims to achieve “the great rejuvenation of the Chinese nation” by 2049 to match or surpass U.S. global influence and power, displace U.S. alliances and security partnerships in the Indo-Pacific region, and revise the international order to be more advantageous to Beijing’s authoritarian system and national interests. This strategy can be characterized as a determined pursuit of far-ranging efforts to expand the PRC’s national power.

China, as a unitary autocratic actor with the stated goal of becoming the world’s dominant power by the year 2049, enjoys a competitive advantage for two simple reasons: unity of effort and unity of purpose. Unity of effort means that a disciplined autocratic regime can coherently integrate all its elements of national power in pursuit of a determined comprehensive strategy. Autocratic regimes can make decisions faster, marshal resources more quickly and stay the course

longer in competition or conflict than can a disparate group of democratically elected governments simply because the latter derive their power at regular intervals from the consent of the governed. Unity of purpose means that the strategic coherence inherent in the regime’s execution of an orchestrated strategy is designed to achieve a shared vision, which in China’s case is to become the world’s preeminent nation within three decades to coincide with the centennial anniversary of the establishment of the CCP-led China.



NATO defense ministers meet in Brussels in 2021.

This long-term perspective is yet another competitive advantage of a unitary autocratic actor, endowing a strategic patience that enables the employment of indirect approaches aimed at weakening opponents through wisdom rather than bludgeoning them by force. Directed by autocratic actors, an indirect approach insidiously employs nefarious activities to undermine the ability and will of others to resist, while enhancing the autocrats’ relative power and influence. Such



A student walks in front of the remains of the Berlin Wall before a ceremony celebrating its fall.

a pernicious approach, hidden in plain sight within today's complex economic choreography, is particularly effective at pitting our competing priorities, interests and even allies against one another.

Understanding these fundamental advantages is key to discerning intent in China's actions, and those of other autocratic actors as well, and then deriving an effective multilateral counter to ensure that collectively we remain masters of our own fates, and in so doing protect and defend our prosperity and way of life from the predatory behaviors of others who see the world differently than we do and who embrace distinctly different visions of governance, freedom and human rights.

The first step is to admit that we have a problem. The problem is not China specifically, nor is it our autocratic competitors in general. The problem is our inability to put this new collective imperative ahead of our national interests. Our increasing understanding of China's pursuit of its comprehensive, indirect, long-term strategy should alert us to the growing trap that is our own strategic incoherence. The peril evident in China's assertive use of its elements of national power globally, in the context of its ambition, should alert us to the possibility that we, all of us, are at risk of having our way of life dictated by Beijing. To paraphrase a quote often attributed to Vladimir Lenin, communist China will hang us with the rope we have sold them.

The second step is to admit that only concerted and effective multilateral action can preserve our autonomy, prosperity and way of life. The rules-based world order put in place after the cataclysm of World War II sought to enshrine such an effective and inclusive multilateralism globally to ensure that reconciliation of conflicting viewpoints was by peaceful

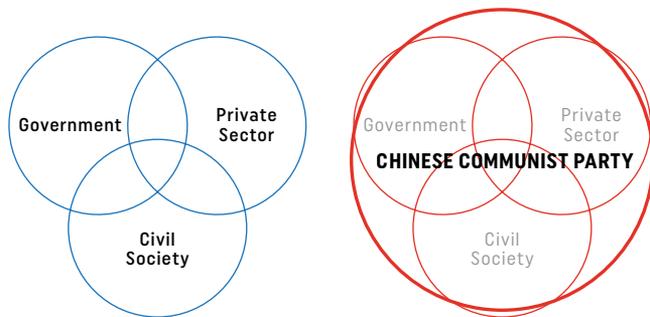
means. The collective experience of the world wars compelled such a comprehensive approach to cooperative security. With the rise of the Soviet Union, collective defense became an essential part of effective multilateralism for free nations within the construct of containment. After the end of the Cold War and bipolar confrontation, the necessity of crisis management, first in the Balkans and then further afield, stressed nations' commitment to effective multilateralism as respective national interests were threatened by increasingly distant confrontations. Thirty years on from the fall of the Berlin Wall, generations of new leaders, accustomed to peace, prosperity and unbridled freedoms, now face the conundrum of their forefathers: whether to contain, confront or appease dictators growing in strength and ambition. However, there is a fourth way. Our institutions and the lessons we've learned over the past 75 years offer the possibility that we can spiral up into a more coherently integrated approach to insist on a level playing field in international relations, particularly with respect to China, but also in our dealings with Russia, Iran, North Korea and others.

The Problem: What We Need to Learn

Why are we unable to put our collective interest in resisting China's efforts to dominate us ahead of our national interests?

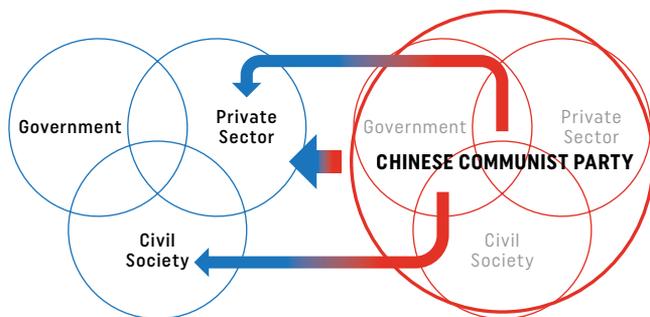
China's competitive advantage as a unitary actor with respect to free nations derives from the CCP's increasingly dominant role in the Chinese private sector and in civil society. In this way, the CCP leverages seemingly innocuous, legal and legitimate engagements with other societies to entrench its shadow efforts into the systems and institutions of others, while staying outside the reach and purview of most governments.

CHINA'S COMPETITIVE EDGE



Shielded from government scrutiny, this indirect approach easily facilitates Chinese intrusion and manipulation through networking, funding, partnering and pilfering, increasing Chinese influence within key industries and aspects of society. Even now, Chinese foreign direct investment in Europe, having been identified as a growing challenge in key industries, is hiding behind contract law, which keeps the details of their tactics hidden from governments.

THE INDIRECT APPROACH



The success of the Chinese indirect approach is evident in the European Union's accommodation with the CCP. What many in Europe see as a balancing act between the United States and China and/or a purely economic engagement with Chinese capital is in reality a death spiral for our Western way of life as the Chinese slowly and quietly tighten the noose. The reality has become that Chinese aggression and assertiveness in all domains is now so overt that the uncomfortable truth can no longer be ignored in sovereign European capitals as well as within the institutional headquarters of NATO and the EU. In 2019, the EU designated China as a systemic rival, acknowledging the CCP's efforts to undermine and subvert the free and open order to advance their interests at the expense of others. While the European Commission attempted to design an engagement strategy to protect Europe, the EU failed to recognize the poison pill in the CCP's economic rapprochement. For China to supplant the U.S. as the world's dominant power, it must first separate Europe from North America and sever or at least debilitate the trans-Atlantic economy, which continues to strengthen both Europe and the U.S. This

divide-and-conquer effort — within an indirect strategy that turns near-term greed into long-term weakness — would, if left unchecked, result in Europe as a vassal of China and America left to fend for itself.

China's One Belt, One Road strategy, later renamed the Belt and Road Initiative, is a high-stakes play to capture the European economy. With rising energy prices, aging populations and chronic unemployment, despite an increasingly smaller workforce, Europe seems willing to look the other way regarding the CCP's many nondemocratic faults in exchange for an export market, cheap goods and easy investment in European infrastructure. The Chinese, for their part, seem poised to cash in.

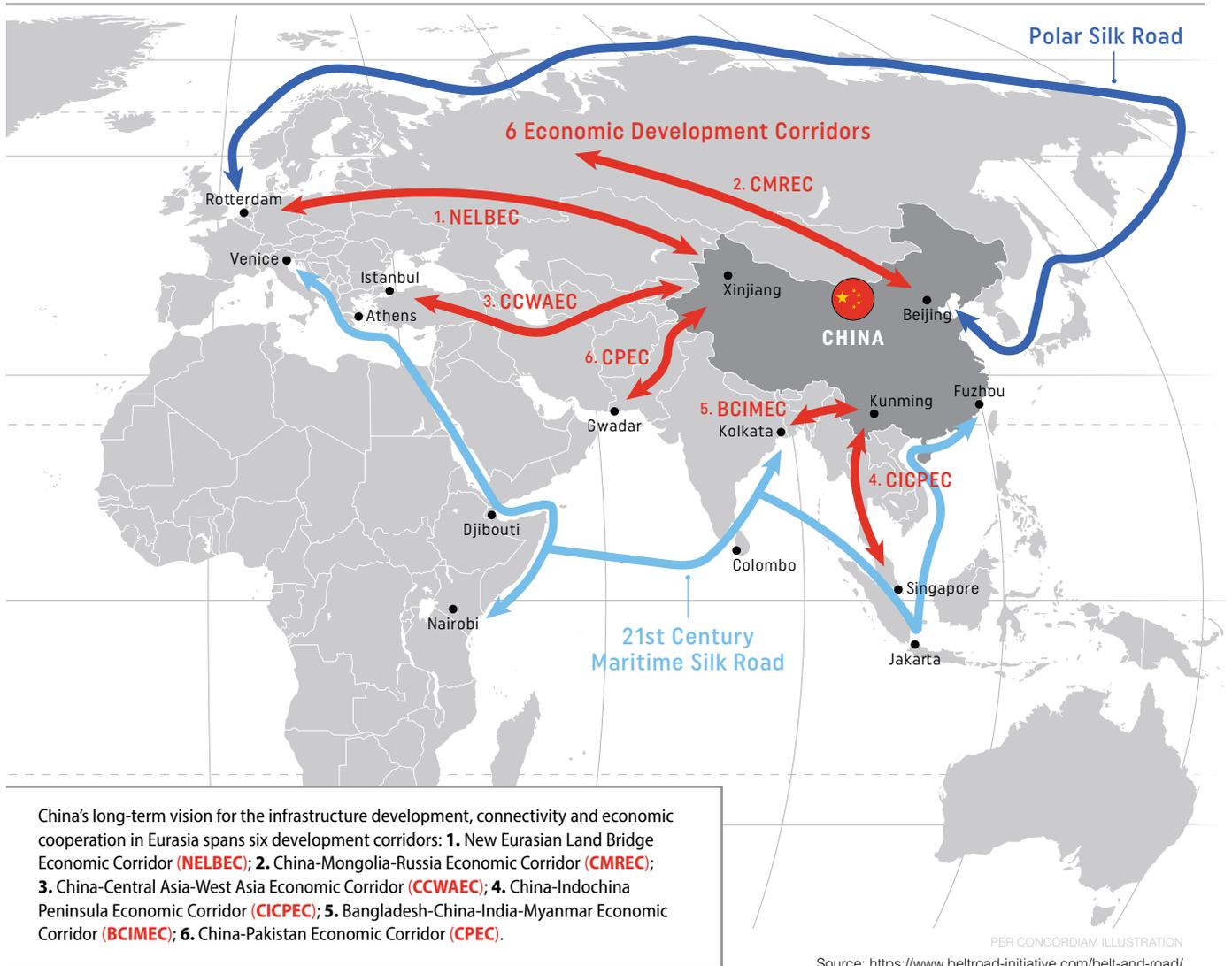
The CCP views the current international system as being in direct opposition to its own authoritarian system and an unacceptable impediment to its long-term objectives. Fundamentally, the implications of China's activities, actions and underlying strategic objectives undermine both the values and, perhaps most saliently, the interests of America's trans-Atlantic allies across all aspects of national power, a circumstance commonly referred to as **DIME**:

Diplomatically, China abided for many years by Deng Xiaoping's famous 24-character maxim, roughly translated to mean: "Observe calmly; secure our position; cope with affairs calmly; hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership." This has been jettisoned since the ascendancy of President Xi Jinping and replaced by actions such as renegeing on pledges on Hong Kong autonomy, as enshrined in the Sino-British Joint Declaration; punishing Norway for decisions by the Nobel Committee in recognizing a Chinese human rights activist; and most recently trying to isolate Lithuania and the Czech Republic for their deepening relations with Taiwan.

Informationally, China built an image as a peaceful, noninterventionist country that had suffered a century of humiliation at the hands of foreign powers. The establishment of Confucius Institutes throughout Europe fostered a soft-power narrative favorable to Beijing. Increasingly, these same "institutes" became hubs for intimidation and interference in the domestic politics of host nations. More ominously, espionage was cited as the reason for the expulsion of the Confucius Institute director in Brussels in 2019.

Militarily, Europe has afforded the People's Liberation Army (PLA) access to NATO tactics, techniques and procedures. While Sino-U.S. military-to-military engagements have been restricted by the National Defense Authorization Act of 2000, the PLA leveraged attendance at European Professional Military Education (PME) courses and other mil-to-mil activities to learn from America's closest allies what could not be learned directly from the U.S. Furthermore, the PLA Navy's presence in the Mediterranean and Baltic seas, as well as growing military ties to Russia, have made the rise of China an issue with which NATO must now contend.

THE LOGISTICAL GRIP ON EUROPE



Economically, Europe was a source of capital, technology and other resources central to China's rise. In some respects, Europe substituted for the harder target of the U.S. in terms of access to sensitive technologies, information and know-how. The lack of societal awareness, the absence of meaningful national and EU processes similar to the Committee on Foreign Investment in the United States, and the inability to form political consensus allowed China to exploit seams that weren't widely acknowledged until China's acquisition of the German robotics company Kuka and attempted purchase of the German semiconductor company Aixtron in 2016. Continuing the Faustian bargain of economic dependence at the expense of liberal democratic values is no longer feasible, as the panacea of a cheap Chinese supply chain and infinite market for European goods has been replaced by the realities of CCP-conspired and CCP-orchestrated technology theft for economic and ultimately military gain.

The U.S. National Security Strategy of 2017 and National Defense Strategy of 2018 served as our guides for competition,

directed us to strengthen our alliances and partnerships and align our resources with our highest priorities as we confront this challenge to the international order together. U.S. President Joe Biden's administration released a new National Defense Strategy in March 2022 that continues to focus on competition with China, as does its interim National Security Strategy, published in March 2021. The importance of strong alliances and partnerships to compete, deter and win against revisionist competitors such as China and Russia has never been more inescapable. As it did during previous competitions and conflicts with authoritarian and totalitarian regimes, the trans-Atlantic alliance must counter belligerent and malign forces through enhanced cooperation, providing a foundation for regional and global security, resilience and prosperity.

While the fundamental challenge is to our security, the essential tenets of our counterstrategy must directly address the subversive elements of China's indirect strategy in the private sector, civil society and across the whole of government.

Across the DIME, China can no longer be allowed to exploit seams across the Atlantic and within Europe itself. For European subregional organizations such as the 16+1,

relationships with China must be brought into alignment with the EU and NATO. China cannot be permitted to succeed in diplomatically or economically ostracizing Western democracies such as Lithuania and the Czech Republic that seek a more robust unofficial relationship with Taiwan. Chinese coercive, illegal and illiberal activities, particularly through the utilization of its aggressive “wolf warrior diplomacy” and ostensibly nonpolitical Confucius Institutes, must be met with resolute and unified action.

Militarily, the PLA must be viewed and treated as the armed component of the CCP. Not only have CCP and PLA publications and statements made it clear that China intends to “fully transform the people’s armed forces into a world-class force,” but the actions of the PLA, People’s Armed Police, Coast Guard, People’s Armed Militia, and even the fishing fleet have left little doubt as to Chinese intentions: namely that their geopolitical intent is hegemony, perhaps dominance. There is no discernible benefit to NATO in continuing to allow PLA officers to gain operational lessons learned through PME attendance. Moreover, the implications of European dual-use technologies for Chinese military modernization must be addressed at the national and EU levels through enhanced legislation and enforcement of export control mechanisms.

In the economic context, China’s “win-win” mantra with international interlocutors has turned out to actually mean that China wins twice. The costs of doing business with China in terms of joint venture exploitation, IP theft, the CCP’s role in corporate governance, intrusive cyber law and restricted market access have exceeded the touted potential gains that were realized by only a few foreign firms. Strengthened resilience, diversified supply chains and selective decoupling are now required to ensure that democratic countries’ businesses and national economies cannot be held hostage to China’s ire.

The Solution: What We Need to Do and Why

A simple formula defines the required relationship between democratic societies and autocratic ones: The sum of the resources of North America + Europe + n (where “n” represents our partners outside the trans-Atlantic space, such as Japan and Australia) must always be greater than the sum of the costs imposed by China + Russia + y (where “y” represents the few “partners” autocratic regimes have, such as North Korea, Iran, Cuba and Venezuela).

Our problem is the application of our resources is sporadic and unfocused while increasingly the costs imposed upon us (or threatened) by our autocratic competitors are targeted and sustained. If led properly as a community of interest, the U.S. and its allies and partners could find sufficient common ground among the private sector, civil society and government to identify the challenges, impose firewalls against inappropriate autocratic intrusion and focus our incredible resources on reducing the opportunities for competitors to weaken us, impose costs on us and unduly influence our societies. In this way, with their tactics neutralized through coherently integrated action, we may convince them that it’s better to play well with others than to make mischief.

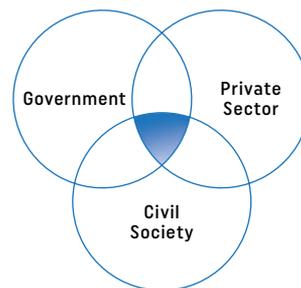
In this calculation, our most pressing concern is our security. The free world’s ability to maintain credible defenses and therefore to deliver effective deterrence is the fundamental requirement for strength in the face of determined assertiveness. From this strong foundation, we can engage autocrats deliberately and directly. NATO, as the embodiment of strength, solidarity and commitment, has a broad remit in the Washington Treaty and in its Strategic Concept. The treaty outlines economic, political, military and diplomatic solidarity to ensure the well-being of nearly 1 billion citizens, while the Strategic Concept identifies NATO’s core tasks of collective defense, cooperative security and crisis management. As the indispensable forum for trans-Atlantic security and defense consultations and decisions, NATO is the place where North America and Europe, 30 nations in all, sit together with 40 partners to discuss and decide. All aspects of security can be on the table should the nations choose to put them there.

“

What’s the fastest, simplest thing we can do with the highest probability of success? Build that.”

~ Author Simon Sinek describing Jeff Bezos’ approach

NATO has the power to convene meetings at the highest levels on a vast array of security-related topics. Based on our understanding of China’s (and Russia’s) indirect approach, NATO should be the central pillar of an effective multilateral process between governments, the private sector and civil society in the countries those governments represent, along with key international partners, such as the EU, to fully expose and then to understand the scope and scale of indirect actions targeting our will and ability to compete. This process should create a sense of urgency by laying out the implications of the challenge, then expand the security coalition to



include private and civil champions, who will then set the vision, start initiatives, remove barriers to progress and accelerate the necessary changes. Only this intersection of actors between governments, the private sector and civil society can achieve the necessary awareness, urgency and vision required to resist China’s deliberate, well-

financed, long-term indirect strategy. NATO in this case is merely the convening authority whose responsibility remains focused on security and defense as its contribution to the overall effort. But given that our security underpins our prosperity and way of life, the message conveyed through NATO’s role in this effort is correct and unmistakable.



An airstrip and buildings on China's man-made Subi Reef in the Spratly chain of islands in the South China Sea.

Article 2 of the founding NATO treaty directed the signatories to ensure the strength of free institutions and of our economies, with the implication in Article 4 that any one of them could convene all of them to discuss threats to their political independence and security. China, in particular, constitutes a threat to security; the actions of the CCP are clearly directed at our free institutions and our economies, which together form the foundation of our security.

Article 2

The Parties will contribute toward the further development of peaceful and friendly international relations by strengthening their free institutions, by bringing about a better understanding of the principles upon which these institutions are founded, and by promoting conditions of stability and well-being. They will seek to eliminate conflict in their international economic policies and will encourage economic collaboration between any or all of them.

Article 4

The Parties will consult together whenever, in the opinion of any of them, the territorial integrity, political independence or security of any of the Parties is threatened.

The process of coherently integrating the actions of disparate groups to create unity of effort and purpose, while challenging, is straightforward. First, we build trust by talking and demonstrate trust by staying out of each other's way. It's not NATO's job to tell the private sector or civil society what to do. Quite the contrary, it is NATO's job to highlight where NATO's ability to defend both is being undermined within their respective sectors by the actions of outsiders. Once the

lanes and boundaries are established and respected, then, based on mutual understanding of the challenge, the various players can begin to coordinate their actions and responses. Here, trust grows and learning accelerates so that over time coordination can lead to integration where it makes sense. The more we integrate the more we learn to do so coherently in a pre-planned and well-orchestrated way. This "longest way round" is "the shortest way home" to paraphrase military historian B.H. Liddell Hart. This is NATO's core task of cooperative security in action.

As the indispensable forum for trans-Atlantic security and defense consultations and decisions, and as the only table where the U.S. and Canada sit with their European allies, there is no better place to align our societies for the purpose of securing our prosperity and way of life. Article 9 of the North Atlantic Treaty empowers the signatories to take the necessary action under the direction of the North Atlantic Council: "The Council shall set up such subsidiary bodies as may be necessary." Such bodies urgently need to begin this important work as their predecessors once did, focusing with the same expansive vision on our resilience, our unity and our autonomy.

Resilience is critical. We must remain masters of our own fate while recognizing that we are under indirect attack. Our ability as a community of free nations to operate effectively under such pressures, to absorb the adversaries' blows, and to reconstitute and recommit ourselves to effective action constitutes our resilience within the trans-Atlantic community and beyond. Comprehensive resilience must be defended and retained; without it we can neither put forward nor sustain effective deterrence or defense.

The unified trans-Atlantic community comprises 1 billion people, generates half of global gross domestic product by value

and invests \$1 trillion annually in its own defense. With the addition of Japan, South Korea, Australia and other free societies, unity becomes even more powerful. The Chinese strategy of division, therefore, is an essential part of their drive for domination. Clearly, a resilient and unified set of democracies should be powerful enough to drive the rules-based world order toward a level playing field for all, including China and Russia.

Resilience is critical. We must remain masters of our own fate while recognizing that we are under indirect attack.

Demonstrating that strength through resolute, visible and meaningful actions in the global commons is an essential part of countering the indirect strategy of the autocracies. Trans-Atlantic strategic autonomy, evidenced by freedom of navigation exercises in the South China Sea, by building constellations of satellites in space for GPS and the internet, by collaborating in both defensive and offensive cyber actions, and by committing to free, open and credible press and information on an unregulated internet, the community of democratic nations, led by the trans-Atlantic alliance, will continue to show China and other autocracies that the collective power and will of free peoples will not be undermined.

Specifically, areas in which Europe and North America share common interests, and those in which China, in particular, would like to divide and conquer include:

- The future development of emerging and disruptive technologies, such as artificial intelligence (AI), machine learning (ML) and quantum computing is a common interest and one in which China seeks advantage. But our secure networks, ability to operate in space and competition in cyberspace are today's active challenges.
- Together, the U.S. and Europe can set the standards for the commercial applications of new technologies, which we must do lest China dictate to us how our societies will develop and how our way of life will be shaped in the future.
- The trans-Atlantic community must lead to enshrine in international law and in the rules-based world order the ethical use of AI and ML to forestall future nefarious manipulation of societies and the violation of human rights on a global scale, as is currently practiced inside China.
- Ensuring truth in the information space is critical for democracies, which means countering disinformation with rapid validation, original source referencing and imposing transparency regarding government-funded "news" outlets.

- NATO has a clear role to play in identifying for national governments, the private sector and civil society the key elements it needs to conduct credible collective defense and deliver meaningful deterrence. These requirements, once identified, need to be protected and placed behind firewalls that are impervious to Chinese and Russian whole-of-society tactics.

The ultimate goals of this effort remain the same as in 1945: A level playing field for all nations and the peaceful resolution of disputes. Only by publicly describing and condemning the indirect approach of the CCP, shining a light on its components and exposing the implications of its actions, can NATO, the EU and national governments begin to address the far-reaching repercussions of our collective inattentiveness thus far. A NATO-sponsored comprehensive approach, creating a unitary dialogue on all aspects of our security, is the necessary engine of a new enlightened approach to rising to the collective challenge of our day. This would then empower the other institutions of the rules-based world order to function more transparently and therefore more effectively enforce the rules laid down in their charters and mandates.



A student attends a Chinese painting class at the Confucius Institute at George Mason University in Virginia in 2018. The institute closed in 2020 amid protests by politicians, students and human rights groups that Confucius Institutes promote Chinese propaganda.

We are victims of our own success. Our historic prosperity and incredible freedom led us to self-centeredness and inward preoccupations; hence, the strategic coherence of the late 1940s has given way to geopolitical incoherence, creating new opportunities for those left out. The rapid onset of technology accelerated both impulses, distracting us deeper into our self-absorption while enabling those who would disrupt good governance, functional societies and fruitful partnerships. We must arrest both trends through awareness, agreement and action. We must do it now for our individual national securities depend on us effectively addressing this new collective imperative while there is still time. □

The views expressed in this article are those of the authors and do not reflect the official policy or position of the Department of Defense or the U.S. government.

Following
CHINA'S LEAD?



PER CONCORDIAM ILLUSTRATION

BEIJING'S INFLUENCE IN EUROPE

By **Theresa Fallon**, director, Centre for Russia Europe Asia Studies

China's sway over Europe has sometimes been very visible. For instance, in 2018, European countries bathed the Eiffel Tower in Paris, the Coliseum in Rome and the Brandenburg Gate in Berlin in red light in the hope of luring Chinese tourists. That same year, then-European Commission President Jean-Claude Juncker unveiled a massive monument to Karl Marx, donated by the Chinese Communist Party (CCP), in Marx's hometown of Trier, Germany — despite pleas from Central and Eastern European members of the European Union who had less than rosy memories of their Soviet pasts. Chinese signs are now commonplace in European airports, along with Chinese payment systems advertised on the doors to shops not only in European capitals but also in smaller towns. China's CGTN television channel is available in hotels across Europe in a variety of local languages, alongside the China Daily newspaper, which is available for free in most venues.

Other types of influence have been less visible. Through its United Front department, the CCP has created networks of business and political elites friendly to China, a practice known as elite capture. Beijing funds European think tanks to promote good narratives about China and cozy business arrangements for people close to those in power. The allure of market access to China's huge domestic market, along with Chinese investments in Europe, particularly in strategic infrastructure and in high-technology companies, have created dependencies.

Increasingly, China is weaponizing economic coercion. Under pressure from China, the Swedish telecommunications company Ericsson lobbied the Swedish government to reverse its ban on Chinese competitors Huawei and ZTE. China took its coercion to a new level in Lithuania for that country's recognition of Taiwan, punishing Lithuanian companies and those outside of Lithuania that use Lithuanian components in their supply chains. China also attempts to drive a wedge between Europe and the U.S. by feeding an anti-American narrative and encouraging the EU's "strategic autonomy," for which Beijing has expressed its support during several meetings with EU leaders. Engaging with individual European countries, China has been particularly successful at influencing those

in desperate need of Chinese funds after the financial crisis, such as Greece, and with semi-authoritarian outliers such as Hungary. In addition, Beijing has spread its influence in German business circles because Germany's large industries depend on exports to China — following the maxim that the customer, or potentially 1.4 billion of them, can't be wrong.

In a post-pandemic economic landscape, the need for trade, investment and other economic benefits is a more potent driver for European countries than other sources of potential influence.

In a post-pandemic economic landscape, the need for trade, investment and other economic benefits is a more potent driver for European countries than other sources of potential influence. Nevertheless, China's diplomatic and political influence has waned with the onset of the COVID-19 pandemic and dismay at Beijing's "wolf warrior diplomacy," which led public opinion to turn more decisively against China.

Beijing's influence has taken different forms in different countries. An examination of individual European countries — Germany, France, Hungary, Greece and Belgium — can provide useful case studies.

GERMANY

China is Germany's largest trade partner (bilateral trade was over 200 billion euros in 2020). Despite the downward trend of Chinese foreign direct investment (FDI) in Europe since its peak in 2016, Germany was by far the primary destination for Chinese investment in Europe in 2020 (25 billion euros). In turn, Germany's large automotive and pharmaceutical industries (BASF, BMW, Daimler-Benz, Volkswagen), as well as industrial giant Siemens, have made direct investments in manufacturing plants in China.

In 2019, China accounted for about 40% of Volkswagen's total automotive sales. Encouraged by Chinese authorities, German companies set up research and development centers in China. Siemens has established 20 such centers in the country, including its global headquarters for robotics. Naturally, these companies depend on the goodwill of the Chinese authorities to do business in the country. Therefore, it is not surprising that large German companies tend to toe the CCP line. For instance, in 2019 Volkswagen CEO Herbert Diess stated that he was unaware of human rights abuses in Xinjiang. However, small- and medium-size companies are more sensitive to China's unfair trade practices and appropriation of intellectual property rights. Moved by these companies, in January 2019 the German industry federation published a paper calling China not only a partner but also a systemic rival.

In December 2020, then-German Chancellor Angela Merkel and her EU peers insisted that the EU reach a political understanding with Beijing, resulting in the Comprehensive Agreement on Investment. One could say that Berlin has been driving EU policy on China — literally, as the German car industry is the main engine behind this. The EU is already largely open to Chinese investment, so the agreement was more about the treatment of European investors in China.

Chinese President Xi Jinping intervened personally to make last-minute concessions and conclude negotiations before the end of Germany's rotating presidency of the EU Council, and before the administration of newly elected U.S. President Joe Biden took office. From China's perspective, the agreement served chiefly to attract EU investment (which is useful for technological development and economic growth), to boost the international standing of China despite human rights abuses, and especially to drive a wedge into trans-Atlantic relations.

However, when the U.S. called on its European allies to send warships to the Indo-Pacific in a show of naval presence against Chinese encroachment there, Germany decided to follow the example of France, the Netherlands and the United Kingdom and send a ship to the region. In August 2021, the German frigate Bayern set sail for the Indo-Pacific, crossing the South China Sea on its return trip.

In June 2021, the Bundestag passed new legislation on corporate due diligence in supply chains. The new rules,

which go into effect on January 1, 2023, would oblige large German companies to check that human rights are respected before making investments abroad. This marks a significant change and signals that German companies have the legal responsibility to ascertain that human rights are respected in their supply chains. This could end German investment in Xinjiang, including the Volkswagen production facilities there. However, human rights advocates have criticized the law as not strong enough, as it only mandates due diligence of direct suppliers and covers indirect suppliers only if a company gains substantial knowledge of abuse. At the same time, during Merkel's tenure, Education Minister Anja Karliczek launched a program to develop independent expertise on China and reduce the influence of China's official Confucius Institutes in German education.

Merkel's government was particularly sensitive to lobbying by large companies because large industrial groups typically support her Christian Democratic Party and are responsible for much of the country's economic growth, tax revenue and job creation. As a result, the German government has tread very carefully with regard to China, balancing principles with economic interests to avoid upsetting Beijing.

Germany's September 2021 general elections brought in a new government coalition composed of the Social Democrat, Green and Liberal parties. The new foreign minister, Green Party leader Annalena Baerbock, is a strong supporter of human rights and of close relations with the U.S. (though skeptical of hard power) and an outspoken China critic. However, the new chancellor, Social Democrat Olaf Scholz, was Merkel's deputy in the previous coalition government. He follows a more cautious approach, in continuity with the previous government, seeking to balance principles and values with German economic interests. This two-pronged approach will continue to affect Germany's China policy.

FRANCE

France is the fourth-most common destination for Chinese FDI in Europe after the U.K., Germany and Italy, with a cumulative value of completed FDI in 2000-2020 of 15 billion euros. Conversely, according to French official data, France's FDI stock in China was worth 25 billion euros in 2017. French companies in China employ hundreds of thousands of people in manufacturing jobs. In July 2021, French prosecutors launched an investigation into the use of forced labor by French fashion goods producers in Xinjiang.

China is also a key export market for French companies. French President Emmanuel Macron is keen to promote sales of French luxury goods and of Airbus aircraft there. Also, China is a huge growth market for French farmers and other French producers.

In France, as in other European countries, surveys indicate that public opinion regarding China has deteriorated sharply in recent years. The French did not appreciate



China's handling of exports of personal protective equipment in the first stages of the pandemic or the especially aggressive style of some diplomats at the Chinese Embassy in Paris, who suggested that the French did not take good care of their aged.

Nevertheless, China's economic power is such that Macron still seeks to maintain good relations with Beijing. In December 2020, Macron supported Merkel's push for the EU-China Comprehensive Agreement on Investment. In July 2021, Macron, Merkel and Xi held a video summit in which Macron expressed continued support for the agreement, though he and Merkel also expressed serious concerns about the human rights situation in China.

Macron promotes a vision of strategic autonomy, whereby Europe would be less bound to the U.S. in its foreign and security policy. This is an old Gaullist idea. Macron seems to think that joining an anti-China bloc with the U.S. would be an erosion of European strategic autonomy, but seems less concerned about the effects of Chinese investment in the strategic sector of electric car batteries, an investment that brings jobs to a depressed area and that could possibly influence national elections.

In French domestic politics, Macron's China policies have been attacked both from the right and the left. From the right, Marine Le Pen's National Rally party has accused him of outsourcing jobs to China. From the left, France Unbowed and the Socialists have accused

Workers assemble cars at the Dongfeng Honda Automobile Company factory in Wuhan, China, in 2020. Pandemic-driven supply chain shortages have sparked calls in Western countries to rely less on China for goods.

THE ASSOCIATED PRESS

him of not being vocal enough about human rights abuses in China.

HUNGARY

In 2015, Hungary was the first European country to sign a memorandum of understanding with China over its One Belt, One Road program. Chinese investment in Hungary includes the construction of an upgraded, high-speed rail line between Budapest and Belgrade as part of a Belt and Road corridor between the Greek Port of Piraeus and Central Europe. Altogether, Chinese investment in Hungary remains limited in relation to the size of the economy and compared with other investors, including Japan and other Asian countries. Hungarian exports to China are also very limited.

However, China's limited investment has paid off handsomely. Hungarian President Viktor Orbán, a nationalist and populist, has decided to align closely with China and with Russia on many international issues, snubbing the EU. Over the years, Hungary has blocked EU statements critical of China: in July 2016, on the

ruling of the Permanent Court of Arbitration against Chinese claims in the South China Sea; in May 2017, on the torture of detained Chinese lawyers; and in April 2021, when Hungary vetoed an EU statement criticizing China over Hong Kong. In June 2021, Hungary, along with Cyprus, Greece and Malta, opposed an EU statement at the United Nations Human Rights Council over human rights abuses in Xinjiang.

There is growing opposition to this pro-China policy in Hungary, as more people see that it has benefited only a small, well-connected elite. Orbán's plans to open a new campus of China's Fudan University in Budapest sparked street protests. That city's left-leaning mayor decided to name streets after the Dalai Lama and others likely to incense China.

GREECE

Chinese FDI in Greece increased dramatically after the 2008 world financial crisis and the 2009 Greek government debt crisis. China found that Greek assets were cheap, and Greece desperately needed the money. In particular, China invested in the main Greek Port of Piraeus. During a visit by then-Chinese President Hu Jintao in November 2008, China's state-owned China Ocean Shipping Company Pacific (COSCO) signed a \$1 billion deal for a 35-year concession to operate and manage two container terminals at the port. In 2016, COSCO acquired a controlling stake of the port.

With hindsight, one may wonder whether it was wise for richer European nations and for the U.S. to let Greece fend for itself during the financial and debt crisis, allowing it to sell off strategic assets to a cash-rich outside power at fire-sale prices, rather than injecting the necessary cash to allow the country to withstand the crisis. The

Port of Piraeus soon became one of the key nodes in the Belt and Road program, connecting China with Europe by land and by sea. It allowed China to establish a foothold in Southern Europe, with plans to upgrade the rail line from Piraeus to Budapest.

Chinese investment in Greece has clearly translated into diplomatic and political influence, as the Greek government strives to preserve its good relations with Beijing. For example, in July 2016 Greece sided with Hungary and Croatia to prevent strong EU language supporting the ruling by the Permanent Court of Arbitration in The Hague against Chinese claims in the South China Sea. In June 2017, Greece blocked an EU statement critical of China at the U.N. Human Rights Council in Geneva. Greece called the statement "unconstructive criticism of China." In September 2017, when the European Commission proposed a mechanism for screening FDI in the EU, Greece initially opposed it. France and Germany were particularly keen on this mechanism, which would examine foreign investment in strategic assets, such as the Chinese investment in the Port of Piraeus. Eventually, in 2019, Greece agreed to a weaker FDI screening mechanism, whereby the commission issues nonbinding opinions but each EU member state makes the decisions on foreign acquisitions within its own borders.

China's influence on Greece did encounter some limits when it collided with core Greek interests on cultural heritage and social fabric. In 2019, Greece suspended construction of new facilities at the Port of Piraeus when it emerged that it would destroy archeological sites. Greece has also acted to counter COSCO efforts to weaken port workers' trade unions.

Greece is a member of China's 16+1 format to expand cooperation with Central and Eastern European countries.

Greek Prime Minister Kyriakos Mitsotakis, right, and Chinese President Xi Jinping visit the COSCO terminal at the Chinese-owned Piraeus Port near Athens in 2019. THE ASSOCIATED PRESS



Internationally, Greece often sides with China on issues of territorial integrity because of Greece's support for the reunification of the divided island of Cyprus. However, China's influence on Greek foreign policy is tempered by Greece's pursuit of its own national core interests and its desire to preserve good relations with the U.S. and with European partners. Notably, Greece needs support from the U.S. and Europe, including France, in its standoff against Turkey in the eastern Mediterranean. As a country with a worldwide shipping industry, Greece, in April 2021, supported the new EU strategy on the Indo-Pacific, which includes protecting the sea lines of communication and upholding the U.N. Convention on the Law of the Sea, under which China's territorial claims in the South China Sea were refuted by the Permanent Court of Arbitration.

BELGIUM

The Chinese presence in Belgium's economy includes the China Belgium Technology Center at the University of Louvain-la-Neuve, and a large logistics park at the Port of Zeebrugge, where construction started in June 2021. China is also the No. 1 client of the Belgian Microelectronics Research Centre.

Belgium has a special place as the country that hosts EU institutions in its capital, Brussels. China has provided funding to Brussels-based think tanks to promote Chinese narratives. For instance, the Friends of Europe think tank has been hosting annual Belt and Road conferences and has been sending young European leaders to visit China.

Ahead of Xi's visit to Brussels in March 2014, China donated a 10,000-volume library on China studies and computers to the College of Europe in the historic town of Bruges. In addition to Confucius Institutes and a special cultural center near the EU institutions in Brussels, China has been offering special exchange visits to a school in Shanghai for students at the European schools that teach the children of EU officials. The University of Ghent has also been sending students to China every year on an exchange program largely funded by the CCP.

China's lobbying efforts in Brussels include the opening in 2019 of a Huawei Cyber Security Transparency Centre, to convince European officials and companies of the transparency and reliability of Huawei 5G standards. European speakers at the opening ceremony included a member of the European Parliament and a former president of the German Federal Network Agency.

Chinese influence activities in Brussels have not been limited to soft power and lobbying. A Chinese academic with links to Belgian universities has been barred from Belgium because of his involvement in espionage. Former EU officials and think tank employees have been accused of improperly passing information to China. Computers donated to the College of Europe were found to be full of spyware. Spying devices were also found in the building that Chinese contractors built for the Maltese mission to the EU, just opposite EU headquarters.

After the spread of COVID, Chinese influence



Peter Altmaier, then-German minister of economic affairs and energy, visits the media center for the Belt and Road Forum in Beijing in 2019.

AFP/GETTY IMAGES

activities in Brussels, including visits and exchanges, have naturally abated, while China's response to the pandemic and increased crackdowns in Xinjiang and Tibet — which sparked EU sanctions and Chinese countersanctions in March 2021 — have alienated public opinion and strengthened the voice of China critics, especially in the European Parliament.

CONCLUSION

Through economic, political and diplomatic tools, and through elite capture, China has been increasing its influence in Europe. Large companies have willingly turned a blind eye to human rights abuses because of their business interests. Governments have been wary of irritating China in international forums. Hungary is a particularly troubling case because it has moved toward authoritarianism and has been seeking support from China to balance the EU's demands for rule of law and liberal democracy.

However, the pandemic seems to have been a watershed moment. Public opinion in Europe has become wary of China's initial withholding of information, of its weaponization of Chinese-made personal protective equipment (which showed the need to diversify supply lines), and its even harsher crackdown on human rights, especially in Xinjiang and in Hong Kong. Public opinion surveys show a deterioration of the public's perception of China across the board. Powerful economic interests still influence the policies of European countries toward China, but the balance of public opinion and public policy seems to have tilted to a critical view of the country. Hungary's support for the global minimum corporate tax rate in October 2021 also shows that Hungarian policy is more closely tied to EU economic policy despite other policy differences, and that China's influence over Orban's government has limits. □

WAR

by Narrative?

European Countermeasures Against Chinese Influence Operations

By **Dr. habil May-Britt U. Stumbaum**, team leader for Project Asia Pacific Security at the Bundeswehr Universität Munich, and **Susanne Kamerling**, associate fellow at the research group War, Peace and Justice at the Institute of Security and Global Affairs at Leiden University, The Hague, Netherlands



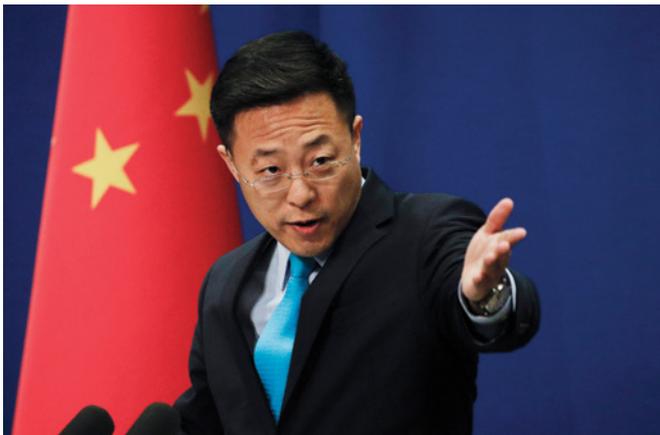
China has used COVID-19 to shape its image as “a responsible and benign world leader” and a leading power in reforming the international political system. In tune with Russia, China trumpeted the narrative that Western countries and political systems are incompetent and unable to effectively manage crises. It seeks to popularize authoritarian models and win the hearts and minds of key stakeholders in targeted countries. Chinese President Xi Jinping’s stated aim to strengthen the country’s international “discourse power” has led to the adoption of new methods of information operations that include interference campaigns and disinformation activities — on an industrial scale.

Beijing learns from methods long employed by Moscow, what Paul Charon and Jean-Baptiste Jeangène Vilmer call in their 2021 report for France’s Institut de Recherche Stratégique de l’Ecole Militaire, the “Russification” of Chinese influence operations. The Chinese Communist Party (CCP) uses hybrid operations to directly influence foreign countries’ policies and indirectly shape civil society’s attitudes toward China. The key objective of these operations is to ensure that narratives, third-party decisions and policies regarding China

are in line with CCP interests. The strategic intent of these operations and the distorted flow of information resulting from propaganda, targeted disinformation campaigns, censorship and self-censorship pose a real challenge to Europe’s open societies, democracies, and established norms and values — striking at the very essence of European life and decision-making. The CCP’s intensified global outreach has forced the European Union and its member states to rethink their approach toward China and Chinese influence in Europe. A whole range of sector-specific measures have been taken by European countries to counter Chinese influence and hybrid operations, encompassing media and information, politics, business and investments, research, and academia — all in preventive, reactive and punitive ways.

Disinformation on an industrial scale

The COVID-19 pandemic has amplified opportunities for Moscow and Beijing to push their geopolitical goals and national interests through influence, interference and hybrid operations. Many of these activities push — and cross — legal boundaries. Social media provides a cheap and easily



Chinese Foreign Ministry spokesman Zhao Lijian has falsely suggested on Twitter that COVID-19 might have come from the U.S. Army. THE ASSOCIATED PRESS



Protesters in Taiwan hold signs reading, "Protest Against Totalitarian Liquidation of Stand News" and "Support Press Freedom in Hong Kong." THE ASSOCIATED PRESS

scalable playing field for disinformation campaigns. A 2020 media manipulation survey by the Oxford Internet Institute in England found evidence of social media manipulation in each of the 81 countries surveyed, with more than 93% of those countries experiencing misinformation that is purposely being spread as part of a political messaging strategy. Influence and disinformation activities in digital environments have greatly intensified during the pandemic. Governments, though increasingly aware of the challenge, struggle to respond adequately, due in part to a lack of understanding of CCP tactics.

Integrating party and state resources, the so-called United Front Work (UFW) groups strive to control, indoctrinate and mobilize non-CCP masses to achieve CCP-defined objectives. As the congressionally mandated U.S. China Economic and Security Review Commission pointed out, China seeks "influence through connections that are difficult to publicly prove and to gain influence that is interwoven with sensitive issues such as ethnic, political, and national identity." The UFW benefits from the very factors that make for a thriving free society — a free press, a pluralistic political system and a broad array of civil-society institutions. The UFW follows common CCP tactics that can be tailored to specific circumstances. Under Xi, these UFW operations fall within four vectors, as outlined by China scholar Anne-Marie Brady in her 2019 submission to the New Zealand Parliament: 1) leveraging economic interdependencies and/or business interests; 2) seeking out and co-opting influential people; 3) seeking discourse control and self-censorship; and 4) where possible, leveraging the ethnic Chinese diaspora.

Key priorities for CCP operations in Europe in recent years have been silencing targeted countries regarding Taiwan in an effort to weaken Taipei politically, forcing countries to accept Huawei into their 5G networks, silencing targeted countries on China's human rights abuses (including in Xinjiang, Tibet, Hong Kong and against Falun Gong), deflecting responsibility for the pandemic, and positioning China as the medical savior of Europe and beyond. The diplomatic row between China and Lithuania, which now extends to all European Union member states that trade with

Lithuania, is illustrative of the first vector outlined by Brady.

Interestingly, in Europe the targeting of political and business elites and party-to-party diplomacy is accorded more relative weight as an influence tactic than the targeting of diasporas — given that only a few European countries have sizable Chinese populations (unlike Australia, where 5.6% of the population indicated Chinese ancestry in its 2016 census). The strategy in Europe is to leverage economic factors to facilitate political influence. The CCP often hides behind proxies, using economic-political entrepreneurs — often former high-ranking politicians and diplomats connected to the CCP through their own business interests — to improve China's image and align the targeted country with China's specific political and diplomatic interests.

While Chinese and Russian influence objectives often converge in Central Europe and the Western Balkans — a shared desire to push the United States from the region, to infiltrate national and local institutions, and to capture elites — the CCP does not use a one-size-fits-all approach in Central Europe. Approaches range from inducement in Hungary (where the political climate supports Chinese influence campaigns), to a mixture of inducement and coercion in the Czech Republic (using primarily proxies and staying in the shadows), to low-profile inducement/coercion activities in Slovakia.

CCP activities in Europe — as in other open societies — exploit weaknesses in political, economic and social systems while exacerbating anti-Americanism and euroskepticism in targeted EU states. COVID-19 has acted as a catalyst for amplifying Chinese intimidation tactics in Europe. The notorious "wolf warrior diplomacy" tactic — an aggressive style of coercive diplomacy on social media adopted by China — was deployed by the Chinese ambassador to France, who attacked French lawmakers and researchers via Twitter over the EU's sanctioning of Chinese officials for human rights abuses against Uyghurs and other minorities in Xinjiang. The Chinese Embassy in Sweden used the tactic to bully the Swedish government into restricting the Swedish press. Open democratic systems such as those in the EU are particularly vulnerable. Socially and politically polarizing

issues are targeted, along with social divisions and policies considered harmful to the CCP's interests. Striking examples can be found in China's efforts to portray European states as incapable of helping their citizens during the first wave of COVID-19. At the same time, China attempts to portray itself (and hence the CCP) as the world's savior while working hard to obliterate reports about the origins of the virus. Beijing employs a wide array of tools — including conditional investments/loan-indebtedness (particularly through its Belt and Road projects), lobbying and elite capture, acquisitions in media, tech businesses and vital infrastructure, and influence through academia, public diplomacy (e.g., panda diplomacy), culture and the Chinese diaspora. Beijing increasingly targets subnational and local governments that can pressure national governments “from below” and gain support for or prevent resistance to Chinese policies. The CCP thereby manages to incrementally and steadily — under the radar of conflict or heightened interest — change the very fundamentals of European public and private institutions and decision-making by altering norms, rules, information, attitudes and public opinion.

The COVID-19 pandemic has amplified opportunities for Moscow and Beijing to push their geopolitical goals and national interests through influence, interference and hybrid operations. Many of these activities push — and cross — legal boundaries. Social media provides a cheap and easily scalable playing field for disinformation campaigns.

European responses — preventive, reactive, less punitive

The CCP's pandemic campaign spurred European governments to address the challenges posed by Chinese influence, interference and hybrid operations.

Interestingly, Europe's smaller states and younger democracies have responded better than its larger, older democracies. Russian interference in the Baltic states and some Central European states, such as the Czech Republic, has generally made them more vigilant about China. These countries have publicized disinformation campaigns and other activities tied to the CCP or other Chinese state actors. Political and intellectual opposition to totalitarianism in these countries has nourished resilience against CCP influence (e.g., the reporting of these activities in the Czech Republic by civil-society organizations such as Sinopsis, ChinfluenCE and CHOICE).

As recently as 2019, the EU called China a systemic

rival that attempts to promote a governance model antithetic to the EU's liberal values. With growing awareness of Chinese influence operations (along with other authoritarian states, first and foremost, Russia) the EU has implemented a set of instruments that include the Code of Practice on Disinformation (a set of standards to fight disinformation), a cyber-diplomacy toolbox and a cyber-sanctions regime (a set of tools and processes), and the Rapid Alert System, adopted as part of the EU's Action Plan Against Disinformation. The Hybrid Fusion Cell was also created to receive, analyze and share information about hybrid threats. And cooperation with NATO has accelerated with the creation of the European Centre of Excellence for Countering Hybrid Threats. Additionally, the European Commission established a centralized mechanism for screening foreign direct investments, an anti-coercion tool to counter economic coercion by third countries and a toolkit to mitigate foreign interference, especially in research and innovation.

EU members have responded to China's tactics in three ways: preventive, reactive and punitive. The latter more often applies to countries geographically closer to China that are the target of prolonged and intense CCP operations. Most European countries focus on preventive and reactive measures. For example, Sweden established a whole-of-society and whole-of-government approach to build resilience against foreign interference from Russia and China. The government in 2019 named Fredrik Lööfdquist as the Swedish Foreign Ministry's first ambassador for countering hybrid threats and banned Huawei and ZTE from its 5G network.

Beyond these general responses, the EU and its members also reacted with a set of best practices for each vulnerable sector: In the media and information sector, for example, Slovakia enacted preventive legislation prohibiting cross-media ownership. France and Germany's foreign investment screening process includes the media (print, radio and TV) as a strategic industry. Sweden invested in automatic fact-checking platforms with functionalities for self-checking by citizens, and in teaching children about fake news and propaganda. As a reactive measure, Germany's Network Enforcement Act requires internet platforms to provide a process for users to report illegal content, such as hate and defamatory speech posted on their platforms. On the punitive spectrum, Latvia and Lithuania — the latter facing enormous pressure from Beijing for leaving China's controversial 17+1 Central and Eastern European investment platform in 2021 — imposed fines and suspensions for media that spread disinformation and adopted tougher regulations on media originating outside the EU.

Best practices in politics and for elites include preventive acts, such as the Dutch government's 2019 legislation restricting foreign political donations and the mayor of Prague canceling a sister city agreement with Beijing. Collective pushback included Germany's parliament canceling a delegation trip to China after one of its members was denied a visa, and the Swedish media calling out attempts at press intimidation. A recent “naming and shaming” warning from MI5, the United Kingdom's domestic counterintelligence and security



Some European Union members have moved to ban the tech giant Huawei over concerns that its products are used for spying and stealing intellectual property. THE ASSOCIATED PRESS

service, to members of the British parliament, accused the well-connected, pro-CCP lobbyist Christine Lee, a Chinese-born lawyer, of working on behalf of Beijing to corrupt British politicians.

Best practices in business and investment largely revolve around preventive measures. The EU adopted the 2016 trade secrets directive to harmonize protection across the EU, and in 2019 adopted regulations for screening foreign direct investment. Several European governments involve their domestic security services in collecting information about the Chinese government's corporate economic espionage to provide warnings to companies and other targeted actors. On the reactive front, British and Dutch intelligence and security services reported on Advanced Persistent Threat 10, a China-based hacking group that targets governments and telecoms.

Best practices in academia and research have generally been limited to preventive measures, such as awareness and resilience building. Some parliamentary hearings (especially in Great Britain) have occurred, ministry guidelines have been issued, and some universities have taken action. The 2020 report, "Towards Sustainable Europe-China Collaboration in Higher Education in Research" by the Leiden Asia Centre, a Dutch research center within Leiden University, outlined that Belgium, Germany, the Netherlands, Sweden and the U.K. have issued guidelines for academic and research cooperation with China. The Dutch Ministry of Foreign Affairs has added a checklist for universities and other research institutes calling for greater awareness and caution in cooperation with China. The Academic Freedom and Internationalization Working Group, based in Great Britain, issued a code of conduct to protect academic freedom and the research community. All Swedish higher education institutions have discontinued their ties with Hanban, the Chinese public institution affiliated with the Chinese Ministry of Education and widely known to be the Confucius Institutes' headquarters. Czech security services are briefing universities on potential risks. There have been some reactive measures in academia, including the closing of Confucius Institutes in Sweden and the Netherlands as the result of decisions taken by individual universities.



A poster shows two Chinese citizens suspected by the U.S. Justice Department of being members of Advanced Persistent Threat 10, a hacking group accused of stealing data from U.S. companies. THE ASSOCIATED PRESS

In the Czech Republic, the Chinese Centre at Prague's Charles University closed its doors after a scandal about secret payments received from the Chinese Embassy. Several universities have also taken actions against Chinese Students and Scholars Association (CSSA) branches on their campuses, such as Cambridge University's 2011 disbanding of its CSSA after the Chinese Embassy allegedly interfered in the election of the group's president.

The way ahead: a whole-of-government/society approach

The EU and its members must continue to expand and implement the necessary measures to protect its democratic systems, open societies, norms and values. A whole-of-society and whole-of government approach is crucial to this endeavor. The EU and its members should find ways to use democracy's strengths to protect them; transparency is key, but so is the strengthening of democratic narratives and practices inside the EU. Media outlets, publishers and digital platforms should be encouraged to refuse any cooperation with Chinese propaganda media outlets, to report economic or political pressure by China and to promote civil society campaigns against propaganda. The EU and its members should also support and fund independent research and journalism on China, educate relevant stakeholders about China's influence techniques and raise awareness among the broader public, including through media literacy campaigns. The EU could also create incident trackers in various fields and coordinate investigations into CCP influence networks, all while systematically assessing the resulting risks. The EU and its members should respond firmly to economic espionage, increase naming and shaming of trade-secret thefts and stimulate criminal prosecutions of technology theft. They should strengthen the punitive response, where legal action should be considered to defend European citizens, including the Chinese diaspora, against CCP influencing and interference. Finally, to adjust the EU's overall China strategy most effectively, the EU needs to broaden and promote the exchange of best practices and lessons learned with non-EU partners and in specific, like-minded states in the Asia-Pacific. □



A view of the China and Central and Eastern European Countries (CEEC) Expo and International Goods Fair in June 2021, in Ningbo, China. China uses its economic clout to influence policy in CEEC and other European countries.

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CHINA'S PROFILE IN EUROPE

Applying the Hybrid Threat Model

By **Janne Jokinen**, deputy director of the Community of Interest on Hybrid Influence at the European Centre of Excellence for Countering Hybrid Threats

The Russian invasion and occupation of parts of Ukraine in 2014 was the final wakeup call to European states that the post-Cold War security environment was decaying. Two facts became undeniable: The use of armed force had been reintroduced into interstate relations in Europe, and the definitions of armed conflict and peaceful competition were becoming increasingly fluid and overlapping. In hindsight, the shift had been apparent for some time — e.g., in Russia's invasion and occupation of parts of Georgia in 2008 — but it took a conflict involving a state bordering the European Union, and a campaign conducted efficiently and at a large scale, for the signals to be taken seriously.

Russia's leadership expressly linked its operations in Ukraine in 2014 with its broader objective to change the European security order by returning to a model in which the sovereignty of most states would be relative and subordinate to that of "great powers" (as perceived by Moscow), and especially of Russia itself. Again, this message was nothing new. Russia had been calling for such a reordering of Europe and the world for years.

The conflict in Ukraine and the Western reactions to it coincided with changes in European relations with China. These changes were the result of China's economic and political power having reached a level that made the exercise of that power tangible, and a shift in the way the Chinese Communist Party (CCP) leadership sought to secure its position domestically and internationally. Europeans were shaken by the increasingly stringent demands made by Beijing of foreign enterprises operating in Chinese markets, China's growing economic and technological clout around the world, as well as by agents of Chinese security services operating more blatantly within European societies and by the aggressive style of its "wolf warrior" diplomats. Consequently, while it was Russia that drew the spotlight to the new world of hybrid threats, China quickly emerged as a possible equal in many Western security threat assessments.

The European reaction to the new threat environment has — aside from those who deny any significant change or

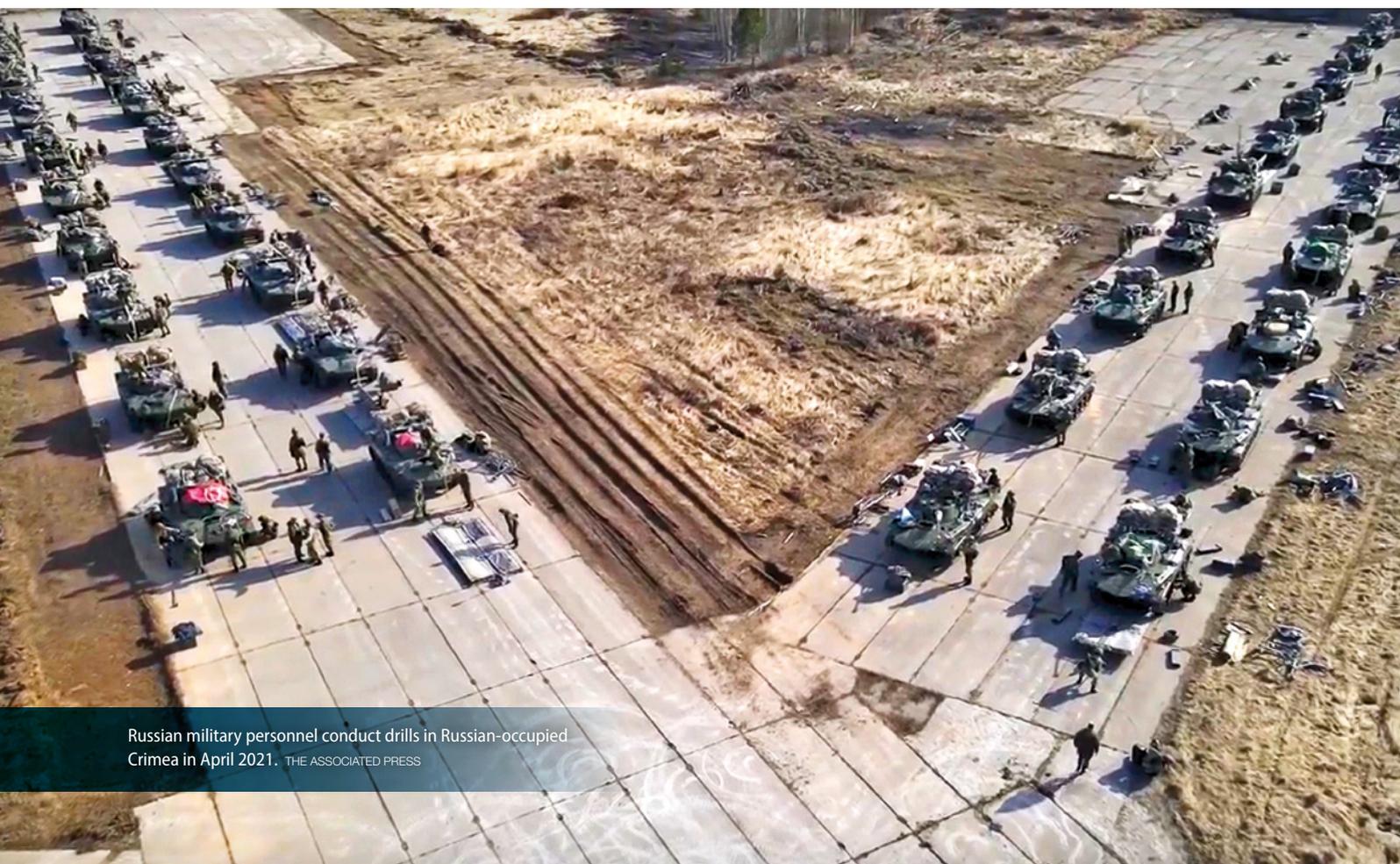
see it as positive — had three main components: the reactivation and (re)construction of conventional defense capabilities; the reactivation of security alliances and partnerships; and the return to the whole-of-society concept of security. While this idea is not new as such — the history of the Cold War is the history of “total defense” — most European states considered it irrelevant in the post-Cold War era. Defense and national security policy documents, formulated by Western states during the late 2010s, have grappled with the change by introducing and redefining terminology used in the context of counterinsurgency and conflict-management operations, with inevitable confusion and misunderstandings. Terms such as “hybrid warfare,” “hybrid threat activities,” “gray zone activities” and “asymmetric warfare” are being used interchangeably or with new definitions. Moreover, defense experts are now required to work together with counterintelligence, law enforcement, media, the private sector and civil society. These partners each bring to the table their own terminologies and modes of thinking. Consequently, a lot of work remains to be done at the conceptual level to make deterrence and countermeasures effective.

The conceptual model for hybrid threats, which is employed by the European Centre of Excellence for Countering Hybrid Threats (Hybrid CoE), seeks to replace the confusion with a common analytical frame of reference. The model is applied in this article to identify basic elements in China’s profile as a hybrid threat actor and develop recommendations for action.

The Conceptual Model for Hybrid Threats

The Hybrid CoE was created in 2017 in the aftermath of Russia’s invasion of Ukraine and illegal annexation of Crimea — operations in which Russia made extensive use of hybrid methods. The use of such methods by Moscow was not new. The history of the Cold War is replete with activities that fit the hybrid definition. Russian strategic thinking is a direct descendant of Soviet traditions. It is useful to remember that the same traditions find expression in the methods that the CCP has applied both domestically and abroad throughout its history. While examples of outright cooperation between Russia and China remain few, the Chinese carefully study the techniques Russia uses and are quick to adopt the ones that appear effective.

The Hybrid CoE, which has 31 participating states, is uniquely placed as a joint platform for the trans-Atlantic community (all member states of NATO and the EU are eligible to join) to build capacity for the prevention and countering of hybrid threats through networking, research and strategic discussions, as well as joint training and exercises. One of the Hybrid CoE’s first tasks was to develop a useful model for analyzing hybrid threats. As a first step, it was necessary to bring order to the conceptual free-for-all. The same activities were variously described as “surrogate warfare,” “gray zone tactics,” “new generation warfare,” “reflexive control” or “political warfare,” to name just a few. The work done by the Hybrid CoE, together with the Joint Policy Centre of the European Commission, resulted in the report “Landscape of Hybrid Threats: A Conceptual



Russian military personnel conduct drills in Russian-occupied Crimea in April 2021. THE ASSOCIATED PRESS

Model,” published at the end of 2020.

The conceptual model considers the landscape of hybrid threats as a continuum encompassing influence and interference through nonmilitary and military means, which the hybrid-threat actor uses to prime, destabilize and coerce the targeted society. The intensity and the choice of methods are determined by the degree to which the actor wishes to avoid detection and identification, and by the desire to stay below a threshold of what would trigger countermeasures. The conceptual model draws attention to the fact that hybrid threat activities specifically target key elements that underpin democratic political systems with the intention of turning them into vulnerabilities, and that these activities call for a comprehensive, systemic response.



Lithuania closed its embassy in Beijing in December 2021 after China lashed out against the Baltic nation over its relations with Taiwan. THE ASSOCIATED PRESS

According to the conceptual model, the term hybrid threat can be meaningfully applied when an actor with malign intent deliberately combines and synchronizes action, specifically targeting systemic vulnerabilities in democratic societies. The action may be characterized by the following:

- Using multiple synchronized tools to create linear and nonlinear effects.
- Creating ambiguity (covert action, plausible deniability) and hiding the real intent.
- Exhibiting deliberate threshold manipulation when it comes to detection and response.
- Exploiting the seams within a democratic society as well as the divisions between different jurisdictions.
- Often including a distraction element, such as action in one domain while the actual target is elsewhere.

The challenge for the targeted society is to identify the domains where hybrid threat activities are most likely to occur

and focus resources for resilience, deterrence, detection and counteraction where they are most needed. To do this, it is necessary to understand the particular characteristics of the potential hybrid threat actor, the targeted society and the channels of influence between the two.

It is also important to bear in mind that hybrid threat activities do tend to occur on a continuum. What is visible is usually just one part of a broader campaign. Much of the activity is aimed at priming, that is, laying the groundwork for more forceful action if and when it becomes necessary. Decision-makers and entire societies are influenced to predispose them to remain passive or to react in a certain way to certain impulses, in accordance with the Soviet theory of reflexive control.

The conceptual model uses 13 domains: diplomacy, political, culture, social/societal, legal, military/defense, space, administration, infrastructure, economy, intelligence, information and cyber. These can be organized in any order, as needed. It is important to make sure that all relevant areas of activity, civil and military, are included and considered.

China's Hybrid Threat Profile

When the conceptual model of hybrid threats was drawn up in 2018-2020, China's hybrid threat activities had already received attention in Europe and were studied in the construction of the model. The intensity of these activities has continued to increase, with the most recent example being the pressure campaign against Lithuania for allowing the opening of a Taiwanese representative office in its capital, Vilnius; the first time an EU member state has permitted Taiwan to use its own name for a representation abroad.

China's profile as a hybrid threat actor can be analyzed by looking at its strategic culture, the apparent receptiveness of European societies to China's hybrid tactics, and the channels of influence that exist between China and Europe.

China's Strategic Culture

The conceptual model presupposes malign intent: the pursuit of objectives that are in conflict with the interests and well-being of the targeted society. It is therefore important to look at the historical and cultural framework that guides Beijing in identifying its objectives. While the CCP publicly speaks of equality and mutually beneficial relationships, in practice it believes in the manifest destiny of China to lead the world. The roots of this objective lie in the domestic concerns of the party. According to its narrative, without the party, China would split into factions, fall into economic misery and political chaos, and become again a plaything of foreign powers.

China's first line of defense is outside its borders. As in

Russia, cultural security, such as securing the right mindset of the population, is a major concern. This is complemented by the perception that the outside world should engage in concrete and public acts of respect toward China and its leaders. Therefore, the global internet must be controlled: undesirable information has to be kept out with the “Great Firewall,” public authorities should decide what information goes out from China to the rest of the world, and Chinese control over the information space of other countries should be expanded.

Aside from nationalism, the party-state legitimizes its political system through economic success. It is necessary to convince the Chinese people that they have a vested interest in the perpetuation of CCP leadership and in providing the resources to build a global superpower. As China’s economy has matured and the demographic dividend has begun to peter out, the need for Chinese exports to and investments in foreign markets has increased. Demand for energy, key technologies and raw materials has continued to grow beyond what domestic resources can provide. Increasing China’s influence within foreign societies and global institutions is thus both an economic and a security necessity.

Why then is the CCP not satisfied with pursuing its objectives by using the economic, political and other legitimate tools available to a great power? Its perception of a global system dominated by the United States and its allies, and rigged against China, is one factor. However, the party is in fact predisposed to using hybrid tactics due to its strategic culture and history. Ancient Chinese history provides examples of unconventional warfare, and there are of course cultural continuities that mold its current leaders’ perceptions. However, referring to these examples is frequently used to give a nationalistic veneer to modes of thinking and operation, which in fact have a Soviet provenance.

The CCP and the state that it has constructed were first created in the model of the Communist Party and the Union of Soviet Socialist Republics, in their Leninist and Stalinist interpretations. Present-day thinking is largely based on Soviet models, including the United Front approach, and the drive toward reflexive control of adversaries. The CCP rose to power by using armed force, but also by what today could be called hybrid methods: weakening the resolve of opponents, applying pressure, disrupting opposing alliances, co-opting third parties and controlling the information space of the population at large. One notable present-day example of the application of these methods within China is the assimilation of Hong Kong into the one-party state.

Targeting European Societies with Hybrid Threats

For CCP leadership, Europe is a tempting target for hybrid threat activities. European states are generally open-market economies where political systems are democratic and governmental authority is limited by the rule of law. The outward orientation of these states is to seek stability and avoid conflict. Individually, European states are, at best, medium-sized powers and thus of limited means compared to China. However, most of them are allies or close partners

with the U.S. This makes them relevant to the great power rivalry as China can erode the position of the U.S. by weakening its European partners.

While militarily and politically weak in comparison with China, European states do provide significant economic and technological opportunities that can be exploited. The EU and its member states also have considerable normative power around the world both directly and through international institutions. Finally, millions of Chinese citizens have been exposed to European values and cultures while studying and working in Europe or interacting with Europeans inside China. This influence has to be discredited to ensure cultural and political security. Moreover, the party needs examples of democratic failure — manufactured if necessary, such as in the disinformation campaigns related to the COVID-19 pandemic — as proof of China’s superiority.

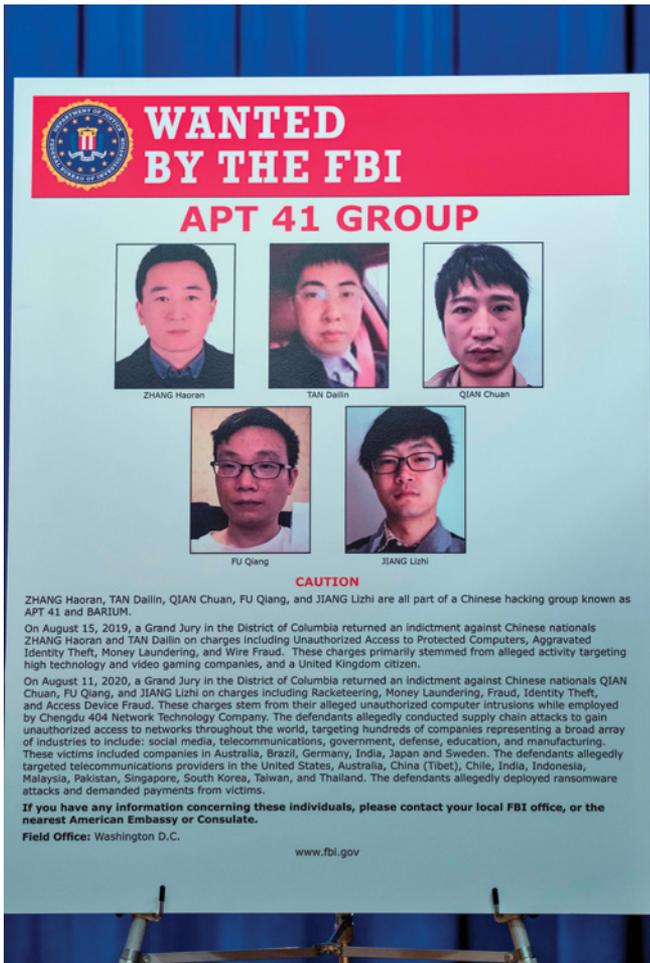
Consequently, for the CCP, already predisposed and experienced in using hybrid methods, Europe is an attractive target because it consists of numerous small- and medium-sized powers that are economically dependent on China. The open nature of European societies creates spaces in which the CCP can inject proxies in the form of Chinese and Chinese-controlled enterprise, media, research institutions, diaspora organizations and influential individuals. The party’s belief in the inherent superiority of authoritarian political systems in itself invites the use of hybrid methods against democratically governed countries.

Channels of Influence

The third element for the application of hybrid methods is the existence of channels of influence. Geography plays a role here. The application of armed force against Europe is unlikely except as part of a global conflict between China and the U.S. Even then, military force would probably be used mostly in cyberspace and against European assets in the Indo-Pacific region. China is, of course, hard at work expanding its blue water capabilities, including the presence of the People’s Armed Forces Maritime Militia under the guise of civilian fishing fleets, and this situation may eventually change, e.g., in the Arctic.

Even if the domain of armed force can largely be excluded from the threat landscape, China possesses many other potent means to influence Europe. Practically all European economies are integrated with China’s and, to varying degrees, dependent on it. Hybrid threat activities can thus be expected in the economic domain. Cyber is another domain where the interface between European societies and China is particularly broad. This is especially true in the field of information and communications technology but extends to other areas as well. The economic and cyber domains are ever more closely intertwined as economic activity becomes increasingly reliant on data flows. It is no accident that China is focused on gaining control of the global storage and transmission of data.

Chinese diasporas in Europe have not been large and homogeneous enough to influence political systems directly, such as through elections, unlike in some other parts of the



A wanted poster displays photos of members of the Chinese government-backed hacker group APT 41, who are wanted by the U.S. government for a computer intrusion campaign. AFP/GETTY IMAGES

world. Nor does China have significant cultural or religious connections with Europe that could serve as conduits of CCP influence. The same applies to politically based organizations. Overseas Chinese communities can, however, have a significant impact in more specific contexts such as among economic actors and within academic institutions and the research community. China has been able to exercise elite capture by cultivating numerous influential European individuals, including people holding strategic positions in international institutions.

China as a Hybrid Threat Actor

Going back to the definition of hybrid threats, China would indeed seem to have the motives, means and opportunities to use them to influence European societies. There is also plenty of concrete evidence of China engaging in such activities. The priming of European societies to be more receptive to China's objectives has been underway for some time through the expansion of economic dependencies (infrastructure, investments), elite capture, the acquisition of media outlets and making them dependent on Chinese material (especially when it comes to information about

China), the application of pressure against academics and other experts working on and teaching about China, the ownership of strategic assets such as power plants and port facilities, the expansion of dependence on Chinese technology and related services, and so on.

The exploitation of jurisdictional divisions within European states is quite evident in the economic field. Chinese actors approach local authorities, who control things such as zoning decisions, with lucrative proposals. By the time national-level security authorities become aware of the deal being struck, it may be difficult to stop it without overstepping administrative and legal boundaries. Chinese actors are also quick to react with various means, including threats of and actual legal action directed at those who do not conform to its wishes.

The exploitation of jurisdictional divisions extends to the international level. China's creation of regional groupings, such as the 16+1 format, are aimed at fracturing European unity. Gaining control of international norm-setting institutions undermines the ability of European states to use legal norms and technical standards to limit China's access to critical sectors.

When influence has failed, such as in the case of Lithuania, China has moved on to interference. It has used its economic power both inside China (boycotts of foreign products, administrative pressure, denial of visas for personnel), inside the targeted country (denial of critical raw materials and components), and at the global level (lawfare, preventing participation). Hybrid threat campaigns also include disinformation using Chinese-controlled media inside the targeted country, cyber tools and the mobilization of "the Chinese people" (persons and entities paid by the state but also genuine private citizens spurred by patriotism) to attack the target on social media. In the most extreme cases, individuals have been kidnapped and taken against their will to China to face imprisonment.

Reactions to illegitimate Chinese activities are smeared as racist Sinophobia and politically motivated disinformation. The use of nonstate proxies makes it easier to deflect attention from the role of China's state authorities, especially as European audiences are still not fully aware of the control that the party exercises over Chinese society. The party-state's messaging aims to undermine the credibility of European states as promoters of human rights, democracy and good governance in the eyes of the rest of the world, and to discredit the competing political model in the eyes of the Chinese people.

Conclusions

Looking at Sino-European relations through the lens of the conceptual model for hybrid threats, it is clear that CCP-led China meets the definition of a hybrid threat actor. In terms of the breadth of its activities, it is on par if not already superior to the other major actor, Russia, in almost any category except for the military domain. China has also been quite successful in priming many European societies to be receptive to its influence.

The flags of NATO member countries are displayed on a billboard in Riga, Latvia, on November 28, 2021, two days before the start of NATO foreign ministers' meetings where European Union and NATO leaders vowed to step up cooperation against hybrid threats. AFP/GETTY IMAGES



In recent years, China has applied pressure on European societies much more overtly than before. This has crossed a threshold, triggering a reaction in many targeted societies. Chinese behavior has been widely reported in the media and the public has grown more wary of China. Entrepreneurs have adjusted their assessments of political risk to China's detriment. Governments have reacted verbally, but more importantly, have tightened legislation and policies and created instruments, such as the anti-coercion instrument (AIC) that is being developed in the EU to close avenues of influence for the CCP. China as a security concern is now a regular item on the agenda of the EU and NATO, as the trans-Atlantic community, with its Asian and Pacific allies, works to create common responses.

While this pushback is likely to cause the CCP to adjust its tactics, it is unlikely that the party would give up on its use of hybrid methods. First, using these methods is built into the CCP's approach to its own society and the world at large. Second, these methods continue to be quite successful in many parts of the world. This helps China weaken the economic and political links that Western countries have with African, Latin American and Asian states, and to build a global constituency that it can mobilize at international institutions. Third, many of the methods are enhanced by advances in technology, as China has demonstrated.

As the threat is likely to persist, but assume new forms, it is important to ensure that Western societies have an adequate understanding of China, the mindset and objectives of its leadership, the tools that the CCP has available and is inclined to use, and of the potential vulnerabilities that it can exploit in Europe, in the West writ large and across the globe. It is important to be clear about the distinction between China

and its population at large, and the party-state. Cooperation with China is both necessary and natural while countering the hybrid threat activities by the party-state is essential. Beijing's efforts to control information flows from and to China must be resisted and adequate resources be ensured for independent research on China. Third countries should be encouraged and supported to conduct their own analyses. Some of these countries are among the main targets of Chinese hybrid threat activities and have valuable lessons to share. The safety and security of researchers is an urgent priority.

The mindset and methods of the CCP have strong roots in the Soviet Union, and Russia carries on the same traditions. The Chinese and the Russians, along with other authoritarian regimes, learn from each other as they seek more effective methods of influence and interference. It is therefore intellectually productive and operationally important to bring China experts together with Russia experts to get a complete picture of the hybrid threat landscape. This in turn should help overcome the handicaps resulting from the different orders of priority in the threat perceptions of the members of the trans-Atlantic community.

There is still much confusion regarding the definition of hybrid threat activities and how different domains relate to each other — notably the divide between the military and nonmilitary spheres. This must be overcome. Hybrid threats confront societies as a whole, so the response should also be inclusive and integrated. This makes the Hybrid CoE and other similar platforms all the more useful. They provide venues where experts from different fields, including the private sector and civil society, and different countries can come together to share information and create common frames of reference. □



PER CONCORDIAM ILLUSTRATION

How to Combat Beijing's Malign Economic Influence

By Jan Famfollet and Jakub Janda, European Values Center for Security Policy

Many countries around the world and particularly in Europe have recently experienced the effects of malign economic influence originating from China. This influence has manifested itself in many sectors of national economies. Entities linked to China and the Chinese Communist Party (CCP) engage in politically motivated predatory acquisitions of strategic assets, critical infrastructure and sensitive technologies, intellectual property theft, industrial and academic espionage, personal and biometric data harvesting, cyberattacks, corruption, and interference in universities, among other things.

China regularly threatens political and/or economic retaliation against foreign business for the autonomous actions of their home countries' governments, and often ends up resorting to coercion through tariffs, tourism restrictions, boycotts, and selective or all-out trade bans. Simultaneously, foreign businesses struggle in China's adverse domestic business environment, where regulations hamper foreign access to its markets, the public

procurement process is closed to foreign companies and the CCP forces mergers with Chinese companies. Moreover, the CCP may effectively interfere in any foreign company operating in China.

Predatory economic practices distort competition and price formation in Western markets. Some activities can even have security implications, such as controlling other countries' critical infrastructure, harvesting people's biometric and genomic data, building and exporting dystopic mass cyber-surveillance systems, or using Western capital markets to finance nuclear armament research and military buildup. Facing this challenge — amid trade disputes and concerns about China's militaristic posturing in its backyard, its coercive economic expansionism and its gross human rights violations — the European Union labeled China a strategic rival in 2019. The EU and many of its member states have begun to seek out and deploy countermeasures to withstand the negative effects of such malign economic influence and address risky and weaponizable dependence on China. Options for effective policy reactions are therefore in high demand.

This overview examines best practices and countermeasures adopted internationally by democratic countries to counter malign economic influence. The policy options are categorized into four types of measures: 1) for monitoring China's activities and understanding its modus operandi and objectives; 2) for protecting national economies and boosting the private sector's resilience to malign economic practices; 3) for holding foreign perpetrators accountable; and 4) for overcoming the systemic challenge posed by China and succeeding in strategic global competition.

MONITOR AND UNDERSTAND

The ability to act — either in a preventive or reactive manner — presupposes and requires good knowledge, constant monitoring and an understanding of the challenges posed by China in the economic domain. Analytical and policy development capacity is therefore needed even more in this new era, where complex links exist between trade, technology, security and human rights. In line with a holistic approach, studying these new challenges should take place on several levels.

Academia

To build knowledge capacity in academia, universities need to attract more students and train more scholars to study and understand China (Sinology) from the linguistic and cultural standpoint as well as the economics, security and other aspects of the modern Chinese state and society. To secure and strengthen independent China research, more financial support is needed from European states for Asia- and China-focused curriculums, such as a program announced by Germany to develop greater China expertise.

Chinese tools of interference and propaganda outshoots, such as the approximately 190 Confucius Institutes in the EU, are being reconsidered at hosting universities. Canada, France, the Netherlands, Norway, Sweden and other countries have already closed some of these institutes. Australia, by virtue of a new law, can review universities' agreements and veto them if they are judged to be incompatible with its foreign policy toward China.

As an alternative to Confucius Institutes, and to sustain Chinese-language programs while safeguarding academic freedom, European universities might consider developing and expanding cooperation with Taiwanese academic institutions. Several national governments already assist in such endeavors by pursuing educational partnerships, as Canada has done, or based on the example of the U.S.-Taiwan Education Initiative.

Nongovernmental sector

In the NGO sector, China expertise needs to increase, too. Several well-established European think tanks focus on economic issues, such as the Mercator Institute for China Studies in Germany and Bruegel in Belgium. However, given the magnitude and importance of the challenge

posed by China, Europe would benefit if more centers of policy expertise were established. For example, the Swedish Center for China Studies was founded in 2020, with support from Swedish industry, to provide industry, the public sector and civil society with analysis and advice on matters concerning China.

National governments

Academic and nongovernmental initiatives should not be the only sources of knowledge and analysis when policy-making is at stake. National governments might consider creating their own national centers for China that would be dedicated to the full-spectrum monitoring and study of China, since situational awareness is a first step toward countering malign interference. Such centers could be modeled on the National China Center recently established in Sweden — Nationellt kunskapscentrum om Kina.



A Royal Air Force aerobatic team flies above Carbis Bay, England, during the 2021 G-7 Summit, where leaders of the world's largest economies discussed China's global ambitions. THE ASSOCIATED PRESS

European level

The full-spectrum monitoring and study of China by a governmental body could also be effectively delivered at the European level, complementing national centers of expertise (or substituting for them where no national centers exist) and enabling joint European research endeavors. A specialized working group of researchers could be focused exclusively on monitoring, collecting and analyzing information about China, its entities and their activities and information operations. The EU External Action Service's (EEAS) Strategic Communications Division is well suited to fulfill this role. However, this division struggles with a serious shortage of suitably qualified personnel. To encourage the process, relevant bodies should push for expanding the EEAS's capacities on China, as the European Parliament's Special Committee did. In the past, national legislators, members of the European Parliament and security experts have also urged the EEAS to expand the StratCom team's personnel.

Parliamentary platforms

Another option is to empower legislators — instead of executive bodies — by placing a China center or working group under parliamentary authority. One good example is the United States Congress's U.S.-China Economic and Security Review Commission, established in 2000. This bipartisan commission is mandated to monitor, investigate and submit to Congress annual reports on the national security implications of bilateral trade and economic relations between the U.S. and China. This commission further provides recommendations, where appropriate, to Congress for legislative and administrative actions.

PROTECT AND RESIST

Detecting, studying and understanding China's goals and tools of malign economic influence are paramount for adopting effective policies that can shield domestic targets from the adverse effects of such influence and interference, and protect national economies and strategic assets.

Protecting critical infrastructures and sensitive technologies

The EU and its member states first need to define the scope of the strategic assets that need to be defended. Some areas are already, more or less, clearly defined and accepted as important for controlling related trade, including under international agreements and regimes, such as military equipment and dual-use items. European countries have also generally regulated access to their critical infrastructures, such as energy systems, health care services, the financial system, public/government services, and information and communications systems.

Untrustworthy foreign vendors are being gradually prohibited from supplying technologies to critical infrastructure providers. For example, Huawei, a heavily subsidized Chinese tech company serving the China regime's geostrategic goals and the CCP's interests at home and abroad, is increasingly facing distrust internationally. It has been charged with cyber espionage, fraud, obstruction of justice and theft of trade secrets.

The Czech Republic has been a pioneer in taking a cautious approach toward Chinese vendors by issuing a warning in 2018 against the use of Huawei and ZTE software and hardware because the products pose security risks, and by denying Huawei a security clearance in 2020. The U.S. blacklisted Huawei in 2019 and announced further restrictions in 2020. The U.S. has also made it clear to the Five Eyes intelligence alliance (Australia, Canada, New Zealand, the United Kingdom and the U.S.) that secret information cannot be entrusted to any partner that allows Huawei 5G into its national telecommunications network.

In 2020, the European Commission advised EU member states not to let companies that are considered a security risk build sensitive parts of 5G networks. In the same year, Lithuania urged its citizens not to buy Xiaomi cellphones and to get rid of those already purchased due

to the suspicious capability of the devices to recognize and censor content that Beijing considers inconvenient.

In addition, global competition is intensifying over access to sensitive technologies. In recent years, several European countries have been confronted with attempts by China to force the transfer of such technologies. The first step is to define these, which generally has not yet been done in the EU. As an example, Australia has identified a list of critical elements and technologies to protect their supply chains from being disrupted and stop China from dominating their development. These are critical minerals, advanced communications, artificial intelligence (AI), cybersecurity, genomics and genetic engineering, medicine, alternative fuels, quantum computing and robotics.

Once sensitive technologies are identified, the state could hold firms in the relevant sectors to a higher standard of accountability, in return for certain benefits. This could be done by requiring transparent ownership structures, conduct guidelines and supply chain policies, mandatory cybersecurity standards and counterespionage-related measures, a domestic tax domicile and at least some domestic production capacity, and other potential safeguards. This special regime would aim to increase the resilience and sustainability of critical segments of the economy, while preventing the loss of valuable know-how through covert and corrupt practices undertaken by foreign actors.

For example, in Taiwan certain strategic high-tech goods are subject to special regulations. Under the Taiwanese Foreign Trade Act, export restrictions apply to these goods (in addition to military equipment and dual-use items); they cannot be exported without permission and the recipients must be screened against the country's Entity List.

To protect research and development (R&D) of critical technologies on campuses, Australia is considering imposing restrictions on domestic universities conducting joint research with foreign institutions in certain fields, whereas the Canadian government has already imposed mandatory comprehensive national security risk assessments on funding requests submitted by university researchers to avoid transferring important data and technology to China through research partnerships — specifically to its military and security apparatus.

Inbound foreign investment review processes

To protect domestic companies from foreign predatory takeovers that are pursuing political rather than commercial goals, EU governments have been gradually introducing foreign direct investment (FDI) screening mechanisms. By the end of November 2021, 18 of the EU's 27 member states had already reformed their existing screening mechanisms or adopted new mechanisms based on the EU FDI screening regulation. This now allows them to screen and block harmful forms of FDI if there are risks to national security or public order.

The U.S. is a pioneer in this field. The Committee on Foreign Investment in the United States was established in 1975 to study foreign investments and later empowered to



reject deals. In 2018, the Foreign Investment Risk Review Modernization Act strengthened the committee to more effectively address national security concerns, mainly those related to China and technology. The new screening mechanisms emerging across the EU could benefit from U.S. expertise by capacity and capability building, sharing best practices and lessons learned. In Taiwan, foreign investment regulations have specific restrictions explicitly targeting China. There are strict regulations targeting Chinese investors owning Taiwanese companies in sensitive sectors (semiconductors, electronics components, solar energy), whether owned directly or indirectly through third-party entities.

Finally, the EU should have a common financial instrument that could acquire a controlling stake in sensitive EU assets, should no private, nonrisky buyers be available, to prevent a hostile foreign takeovers, as argued by The Hague Centre for Strategic Studies in its 2021 policy report, “Taming Techno-Nationalism.”

Transparency and notification schemes

EU institutions and national governments would benefit from a transparency and notification system that monitors financial and nonfinancial support for political parties, media outlets and NGOs provided by entities linked to the governments of non-EU countries. An EU-wide regulation implementing such systems could obligate these entities to disclose information about the nature of their relationship with third-country state actors and expose de facto political proxies hiding behind straw economic entities. The U.S. Foreign Agents Registration Act and the Australian Foreign Influence Transparency Scheme are good models.

Foreign purchases of prime agricultural real estate comprise another emerging issue. Land has been bought up at an increasing rate in the U.S. by purchasers having

Vietnamese workers commute to the construction site of the first Chinese car tire factory to be built in Europe, near the Serbian town of Zrenjanin. Reports have emerged of prison-like conditions for the workers.

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connections to the Chinese government. A 1978 law requires foreign nationals to report their U.S. agricultural holdings to the U.S. Department of Agriculture, but this requirement is hard to enforce. Therefore, on the grounds that China’s increasing presence in the food system could pose national security risks, the Newhouse Amendment to the Department of Agriculture-Food and Drug Administration spending bill prohibits new agricultural purchases by companies that are wholly or partly controlled by China’s government.

Governance structures

Policies governing economic protection and resilience can be even more effective when administered under the appropriate governance structure.

For example, the U.S. Bureau of Industry and Security (BIS), an agency of the Department of Commerce, cumulatively advances U.S. national security, foreign policy and economic objectives by ensuring an effective export control system and treaty compliance system, as well as promoting continued U.S. strategic technology leadership.

Besides having an appropriate bureaucratic apparatus, Japan in the last decade introduced an economic statecraft function in its National Security Council, and recently went a political step further and created a cabinet-level position — the minister for economic security — that will counter technology theft by China, coordinate government efforts to shore up supply chains, protect critical infrastructure and counter economic coercion. In late 2021, Japan also began preparatory work toward new

Measures do not have to be merely protective but can also be retaliatory and pursue the aim of deterrence

national economic security legislation. The four priority areas of consideration are: securing resilient supply chains, securing safe and trustworthy infrastructure, enhancing government/business partnerships for boosting disruptive innovation, and preventing theft of sensitive innovation by making patents confidential.

Overall resilience of the economy

Pandemic-borne challenges to global transport, coupled with the persistent threat of Beijing using China's manufacturing sector as a means of economic coercion, reveal the vulnerability of the supply chains on which individual states' security and prosperity depend. Therefore, national governments and the EU need to review their economic exposure to individual non-EU countries and carry out supply chain security audits. Then the EU and its member states should agree on a strategy to diversify away from overreliance on Chinese suppliers in strategic sectors and pursue investment and free-trade agreements with as wide a network of like-minded partners as possible to strengthen the EU's economic resilience and security.

Lithuania is a good example of how to engage Taiwan and gain practical economic and technological benefits while also taking a principled stance politically.

PUSH BACK AND HOLD ACCOUNTABLE

Measures do not have to be merely protective but can also be retaliatory and pursue the aim of deterrence. In effect, the measures adopted by several countries can push back against coercion, hold China accountable and impose a cost on pursuing malign economic practices.

Sanctions

After years of long debates, the EU passed its version of the Magnitsky Act, a global human rights system of sanctions that allows the EU to freeze the assets of, ban entry to, and prohibit dealings with human rights abusers. The EU joined other jurisdictions such as Australia, Canada, the U.K. and the U.S. The U.S. and Australian versions of this act also allow for targeting corrupt actors. On top of that, Australia can target cyberattackers. Some EU member states, such as the Baltic states, adopted their own versions alongside the EU system and made them more stringent.

Another example of an effective instrument is the U.S. Countering America's Adversaries Through Sanctions

Act. This legislation allows the U.S. to block the Chinese military's Equipment Development Department from applying for export licenses and participating in the U.S. financial system. Another powerful instrument in the U.S. toolbox is the Entity List, administered by the Department of Commerce's BIS. Huawei and dozens of its affiliates were added to the list in 2019, prohibiting the export and reexport of U.S.-origin goods and technology to those entities without a license from the Department of Commerce.

Strict rules enforcement

The Holding Foreign Companies Accountable Act, adopted by the U.S. in 2020, delists foreign companies traded on U.S. stock exchanges unless their auditors submit to a regular inspection. The act also requires companies to establish that they are not owned or controlled by a foreign government, among other disclosure requirements. Delisting CCP-linked companies may fundamentally damage China's financial interests, since these companies, intertwined with the communist regime, depend on raising funds in the world's most liquid capital markets.

OVERCOMING CHALLENGES

In the medium to long term, protective and reactive policies will not be sufficient. Sound strategies are needed to spearhead technological development and retain global economic leadership. If allied and like-minded partner countries are to set the direction for the evolving global order and the liberal rules-based, free-market model is to be ultimately successful, these countries must have sound economic positions, potential for innovation and strong technological sectors and industries.

Technology alliances

In response to the China challenge and the increasing importance of the Indo-Pacific region, new coalitions emerged after the U.S.-led Trans-Pacific Partnership initiative was not ratified. They include the Quadrilateral Security Dialogue (Quad), consisting of Australia, India, Japan and the U.S., and AUKUS (Australia, U.K. and U.S. trilateral security pact). The Quad should be an important forum for collaborative policies in critical technologies and could develop into a comprehensive strategic technology partnership. AUKUS, too, is set to become much more than just a submarines deal — it is expected to cover technologies such as cyber, AI, quantum and additional undersea capabilities. Australia also inked deals with Germany and Japan to enhance collaboration in technology innovation and research and development in sensitive technologies.

To address the opportunities and risks presented by technology and harness its potential, Denmark elevated technological trends to a foreign and security policy priority in 2017. Through technological diplomacy (TechPlomacy) and its apparatus, Denmark engages with the tech industry in a new form of domestic and international coalition building. TechPlomacy deals with issues

such as cybersecurity and disinformation, protecting privacy online, responsible AI and data ethics.

A new EU-U.S. platform, the Trade and Technology Council, is set to coordinate work on issues related to economic security and technology policy, including harmonizing definitions of sensitive technologies. This tech alliance presents an opportunity to connect on common challenges and let the world's tech-leading democracies spearhead the creation of a multilateral architecture for technology policy, as argued by the Center for a New American Security in its 2020 policy report "Common Code: An Alliance Framework for Democratic Technology Policy."

Focused and coordinated support for technology strategies

Senior management positions should be responsible for implementing the technology strategies developed by nations to ensure their strategic sectors can develop in a secure environment. Denmark is the first country in the world to appoint a dedicated ambassador for technology with an appropriate apparatus at the Ministry of Foreign Affairs and several offices worldwide to address the risk of emerging technologies, support technological development and innovative industries, promote investment, and build international alliances. Australia has made cyberspace and critical technology a foreign policy priority, too. Its ambassador for cyber affairs and critical technology is tasked with leading Australia's whole-of-government international engagement to advance and protect its national security, foreign policy, and economic, trade and development interests in cyberspace and critical technology.

Focused investment is also needed, ideally conducted in a coordinated manner among the members of technology alliances. Government investment in military R&D needs to be stepped up to co-develop technologies through military procurement, as argued by The Hague Centre for Strategic Studies in its 2021 policy report "Taming Techno-Nationalism." For example, Australia pledged to invest 89 million euros in quantum technology, which includes building strategic partnerships with like-minded countries to commercialize quantum research. This initiative should complement AUKUS in strengthening cooperation on critical technologies development and fostering greater integration of security- and defense-related science, technology, industrial bases and supply chains.

The U.S. Innovation and Competition Act (also known as the Endless Frontier Act) of 2021 is a \$250 billion legislative package of investments in R&D and innovation in a range of emerging technologies that also includes fostering a domestic microchip supply chain. Other programs cover the development of critical technologies, energy demonstration projects, secure domestic supply chains in critical fields, and the acceleration of domestic vaccine development and production.

In 2019, the member countries of the Three Seas Initiative (Austria, Bulgaria, Croatia, Czech Republic,

Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia) launched an investment fund to attract private capital and focus on projects to develop infrastructure in the energy, transport and digital sectors in Central and Eastern Europe. This initiative also stands to make the region resilient to Russian bullying and Chinese meddling and create an opportunity to keep Huawei out of the region's fledgling 5G networks.

In terms of safeguarding economic and national security, incentives for companies to relocate from China could be considered. For example, in the context of the U.S-China trade war, Taiwan provided incentives for companies in China to move back to Taiwan, including the relaxation of Taiwan's strict land-use regulations and expanded tax breaks for equipment upgrades, R&D and manufacturing automation. The policy reportedly added up to 34 billion euros to the Taiwanese economy.

Values-based approach

It needs to be underlined that the free world's emphasis on values is not a handicap in the global competition with authoritarian powers and centrally controlled economies. Universal values, such as human rights, individual liberty and dignity, democracy and rule of law, are not only correct per se, but are also powerful tools that appeal to large masses willing to sacrifice a great deal for them.

Therefore, human rights and universal values must be upheld across the measures and countermeasures being considered and adopted. For example, supply chain audits, as well as general economic vulnerability reviews, should be performed not only to mitigate national security risks, but also to ensure that human rights are protected throughout. Specifically, European businesses should integrate responsible business conduct into policies and management systems, in line with the European Commission's 2021 business guidelines concerning the use of forced labor in operations and supply chains. This conduct should also govern the export of cyber-surveillance technologies.

Businesses operating from EU territory would further benefit from applying the Organisation for Economic Co-operation and Development's Due Diligence Framework. Human rights and security-minded due diligence should also be performed with regard to companies active in capital markets, as the Prague Security Studies Institute's Roger W. Robinson has long emphasized. Likewise, in the area of technology policy, like-minded liberal democracies should strive to ensure that global technology rules and norms reflect liberal democratic values.

CONCLUSION

China represents a great challenge for the coming decades. Sound and effective policies are therefore needed not only in the EU, but in all countries throughout the free and democratic world to protect their economies and strategic assets from malign economic influence and ultimately succeed in the global strategic competition. □



HIGHER EDUCATION AND SECURITY IN HUNGARY

The Implications of Opening Access to China

By **Anne Clary**, Ph.D. candidate at the Graduate School of Politics at Westfälische Wilhelms-Universität in Münster, Germany

In May 2021, Hungary announced plans to open a branch of the Chinese Fudan University in Budapest. The new campus marks the first time China has exported a university satellite campus to a European Union member. The announcement follows the removal of Hungary's postgraduate Central European University (CEU) in 2019, which was famously forced out of the country through changes to education law and has since relocated to Vienna, Austria. Both developments have sparked public protests in Hungary by those who say the country's own higher education system is being undercut to advance Prime Minister Viktor Orbán's illiberal agenda. For China, the move is part of its overall geopolitical One Belt, One Road policy (OBOR) to take the lead in globalization, develop its higher education and research systems, and actively seek Western academic partners to attract talent. While these goals are often achieved in legitimate ways, the authoritarian nature of the Chinese regime raises concerns about its motives and its tactics. For the EU to strengthen its competitiveness in a shifting and globalized world, it remains imperative for its academic community, including policy-makers, scholars and students, to do a better job of studying and understanding China.

Heightened political tensions between the EU and China are adding new layers of complexity to academic collaborations, and EU stakeholders are beginning to recalibrate these partnerships. Possible protective measures include scrutiny of university agreements, skepticism toward the goals of China's authoritarian regime, and calls for transparency in the funding and internal governance of universities. These measures could help strengthen the defenses of the EU's higher education systems and institutions against misuse by China. Hungary illustrates why EU member states must uphold EU laws to protect the bloc's security interests, academic and otherwise, from malign foreign influence.

Budapest: A Tale of Two Universities

In March 2017, CEU found itself the object of a law passed by Hungary's parliament that, according to CEU's president and rector at the time, came as a surprise. The law's purpose was to outlaw the structure of the Hungary-United States partnership that established the highly respected university 26 years earlier. Among its key consequences were: 1) the end of the university's dual Hungarian and American legal identity; 2) the requirement that the university chooses either a Hungarian or an American accreditation; 3) the establishment of a CEU campus in the U.S.; and 4) a new agreement between Hungary and the U.S. Additionally, the bill restricts non-European universities from entering into cooperation with Hungarian universities.



Hungarian Prime Minister Viktor Orbán speaks during a plenary session at the European Parliament in Brussels, where he defended legislation that forced the Central European University to move to Vienna, Austria. THE ASSOCIATED PRESS

The new education law quickly became known as “Lex CEU” (or the CEU law) because, critics contend, it specifically targeted CEU. At the time, CEU consisted of two legal entities: CEU, accredited in the U.S., and *Közép-európai Egyetem* (CEU's Hungarian name), a private university accredited in Hungary. Both entities operated in Budapest, but a majority of CEU's programs received U.S. accreditation. University supporters argued that because of the majority international makeup of CEU's student body, depriving the university of the possibility of offering U.S. degrees would have detrimental consequences for CEU's status. However, then-Hungarian State Secretary Pál Völner said the legislation was needed to level the playing field between Hungarian universities and the 28 foreign universities that operate in the country. Völner further explained that the law ensures the transparent flow of money in the civil sector and holds nongovernmental organizations (NGOs) legally accountable for political actions.

The latter highlights what many opponents saw as the main purpose of the law: to target George Soros, the CEU's founder and Hungarian billionaire whose philanthropic efforts promote democratic values and open societies in former communist countries. Since its founding in 1991, CEU's mission and international reputation have become increasingly at odds with Orbán and his ruling Fidesz party's illiberal vision for the country. As Orbán has strengthened ties with authoritarian leaders within and outside of Europe, he has expanded the legal authority of the Hungarian government while maintaining that any changes to Hungarian law are well within the legal framework of the European Commission (EC). Nonetheless, the EC initiated a legal assessment of Lex CEU that same month, while thousands of protesters convened in Budapest the following month to oppose the law.

After a series of delayed and failed negotiations with the Hungarian government, CEU announced in December 2018 that it would move its campus to Vienna, and it resumed operations there in September 2019. The EC moved forward in its lawsuit against Hungary on the basis that the law is incompatible with EU legislation. In October 2020, the Court of Justice of the European Union (CJEU) ruled in favor of the EC and found that the law violated EU agreements with the World Trade Organization regarding fair market access as well as the provisions of the EU's Charter of Fundamental Rights protecting academic freedom and the freedom to conduct business. However, by 2020, the legal status of CEU in Hungary was moot. The university had already incurred a loss of 200 million euros in relocation expenses and had no plans to return to Hungary. Though handed a strong judgment by the CJEU, Orbán was ultimately successful in using the Hungarian and EU legal processes to achieve illiberal political gains.

For the EU's strategy to succeed — for the sake of the long-term cohesion of the EU — it is increasingly imperative that its members' governments commit to upholding EU laws and principles.

In December 2020, less than four years after the CEU conflict began, Orbán announced that the Hungarian government would host the first Chinese university campus in the EU, with the construction of a Fudan University satellite campus in Budapest. The project was one of several initiatives underscoring Orbán's focus on building closer ties with Beijing, despite rising Western European and American anxiety about China's deepening influence over parts of Central Europe. By 2021, China's investments and activities in Hungary were significant: the planned building of a new 4 billion euro rail line between Budapest and Belgrade, funded through OBOR; the increasing operations of the Chinese telecommunications giant Huawei in Budapest; and now the proposed construction of the Fudan campus, estimated to cost 1.5 billion euros. For comparison, the entire operating budget for Hungary's higher education system in 2019 totaled 1.3 billion euros.

Initial plans call for the Fudan satellite campus to open in 2024 and host 6,000 students. It plans to offer degrees in economics and international relations as well as medical and technical sciences, and Hungarian officials say they hope the campus will enhance the country's higher education offerings and boost Chinese investment. However, the Hungarian government agreed to provide the initial funding for the construction and maintenance of the campus. Hungary also plans to contract the construction project to a Chinese company and finance it with a loan from a Chinese bank. Estimated operating costs are budgeted at 275 million euros

from 2023 to 2027, and 45 million euros per year once the campus is fully established. At that point, according to the proposal, funding will be provided through the university's foundation with contributions from China.

Thousands of protesters convened in Budapest in June 2021 to oppose the planned campus, angered by the combination of Hungarian taxpayers having to pay for its construction and plans to build it on property originally designated for low-cost student housing. Budapest Mayor Gergely Karácsony, an Orbán opponent, has strongly opposed the project, highlighting its costs to taxpayers, its use of public property for private interests, and the lack of public input regarding the development of the proposal itself. Karácsony has also noted that the Fudan campus poses a risk to academic freedom in Hungary by positioning Hungarian universities in direct competition with a more well-funded Chinese counterpart. However, some academics have rejected this notion, pointing out that Western and Chinese academics have been collaborating for decades and arguing that limiting the expansion of Chinese universities in Europe would damage scientific relations. In response to the protests, the Hungarian government announced it would hold a referendum on the proposal. But the Hungarian Constitutional Court ruled in May 2022 that holding the vote would be unconstitutional, effectively killing the referendum.

Areas of Consideration

The planned Fudan University satellite campus in Budapest provides an opportunity to assess the risks and realities related to China's pursuit of a strong higher education presence in the EU. Considering the context of Hungary's Lex CEU law and the subsequent removal of CEU from Hungary, several questions emerge. For example, what legal authority do EU member states have over their higher education institutions, and how can the CJEU effectively respond when EU laws are violated in this arena? Additionally, how can the EU, its member states and higher education institutions address the financial transparency, academic integrity and security issues that are becoming increasingly urgent in university partnerships with China? Finally, as the EU determines how to manage heightened hybrid security risks posed by Chinese and other foreign actors, how can its higher education institutions, faculty and students be protected from political polarization within the EU?

Chinese investment and government control

As previously noted, China's investment in higher education opportunities in Europe is just one part of its overall OBOR expansion strategy. It is, however, an important part, with significant policy and financial commitments. By 2035, China aims to be one of the most powerful countries in terms of learning, research output and talent cultivation. In addition to strengthening its education sector domestically, China is intent on enhancing its international influence on education worldwide. Since 2012, China has spent 4% of its gross domestic product on education and has made an initial investment of 242 billion euros in the area of research and development. In June 2020, China's Ministry of Education outlined several

goals designed to enhance its international education ambitions. These include the expansion of joint degree programs with global partners, cross-border and overseas joint education programs and programs established by Chinese universities abroad. The Chinese government intends to achieve these aims through the removal of institutional barriers, improved facilitation of Chinese student and staff mobility globally, and an expansion of mutual recognition of academic credits and diplomas with foreign universities. Furthermore, China plans to increase the export of its university models around the world, expand Chinese language learning to more countries and strengthen the implementation of the 2016 Education Action Plan for OBOR.

China's financial investment and policy implementation in its education initiatives demonstrate the country's aim to be a major player in international education. China is signaling that it can adapt its higher education governance structures on an individual basis to be more compatible with partnering international institutions. This approach may be well suited for the EU, where higher education policies are essentially decided and implemented by individual EU member states. That is, each country can determine the teaching content and the organization of its educational system. However, this independence must be exercised within the framework of EU laws and principles. For example, according to the principle of equal treatment, EU member states cannot charge higher tuition fees for non-national EU students. In the EU, higher education institutions have the ultimate responsibility for the quality of their curricula. Universities are supported by external agencies, which assess quality standards, evaluate institutions and accredit programs.

Before the passing of Hungary's Lex CEU, the Orbán government had taken steps to assert greater influence over the country's higher education system. Starting in 2010, when Orbán's current period in office began, the Hungarian government introduced legislation aimed at overhauling and centralizing the country's higher education governance structures. Among the changes were: 1) new mechanisms for supervision and institutional governance that reduced the institutional autonomy of universities; 2) new processes in the selection of rectors; 3) the introduction of state-appointed financial inspectors; and 4) newly state-appointed, nonacademic chancellors responsible for the finance, maintenance and administration of higher education institutions. Many academics took notice and raised concerns over these changes. However, the reforms were not entirely inconsistent with current trends in higher education within the EU, and other restrictive Hungarian legislation focused on the media, the courts and free speech garnered more international criticism.

Following the CJEU's decision on Lex CEU, Orbán's government passed additional higher education legislation in 2021 that restructured the administrative hierarchy governing Hungary's 11 primary state universities by transferring oversight to organizations managed by private foundations. These foundations are expected to receive approximately 1.5 billion euros in government funding for their operations. Because Orbán's Fidesz party holds a supermajority in the parliament,

Timeline of Hungarian Higher Education Reforms Under Prime Minister Viktor Orbán

2011	New Higher Education Law <ul style="list-style-type: none"> Rectors nominated by the rectors instead of the Senate. Ministers can centrally allocate scholarship and tuition waivers.
2013	Constitutional Amendment <ul style="list-style-type: none"> Restricts university autonomy.
2014	Amendments to the Higher Education Law <ul style="list-style-type: none"> Introduces centrally nominated chancellors who decide all financial and administrative issues. Chancellors can indirectly influence the hiring of faculty.
2017	Amendment to the Higher Education Law – “Lex CEU” <ul style="list-style-type: none"> Forced the relocation of the Central European University (CEU) to Austria.
2019	New Higher Education Law <ul style="list-style-type: none"> Requires Hungary's Academy of Sciences to transfer its research institutes to the Ministry of Technology.
2021	New Funding Structure of Higher Education <ul style="list-style-type: none"> Transfers public funds to private foundations for oversight of public universities.

Sources: Attila Chikán, “Key Developments in Hungarian Higher Education”; European Commission, Eurydice Network

Orbán and party officials were able to revise the country's Constitution to reflect this transfer of administrative powers. As China continues its ambitious pursuit of international higher education partnerships, Hungary has systematically signaled its willingness to reform its own higher education governance structures to be more compatible with China's authoritarian regime.

Security risks at EU universities

Recognizing the increasing need for comprehensive frameworks when approaching university partnerships with China, EU stakeholders are establishing guidelines that protect their security interests. This is a notable shift in the EU's approach to China, as more security risks emerge and EU public opinion of Chinese policies and activities becomes more negative. Warrants for concern include alleged espionage in Brussels and Chinese refusals to share research data in several partnerships. There is a growing concern about the undermining of international academic freedom through inappropriate forms of Chinese political influence. In 2019, Prague's Charles University fired three faculty members and closed its Czech-Chinese Centre after investigations revealed they had received



The new Vienna campus of the Central European University was established in 2020, after it was forced to move from Budapest by a Hungarian law that violated European law. AFP/GETTY IMAGES

payments from the Chinese Embassy. The Free University of Berlin faced criticism from the German government after the university signed a contract binding it to Chinese law while accepting approximately 500,000 euros from China to establish a Chinese teacher training program. Critics said this would give the Chinese government leverage over teaching and scholarship on sensitive political and historical issues.

While the proposed Fudan University satellite campus would mark the first autonomous Chinese university in the EU, China's presence within European universities has been commonplace since the opening of its first Confucius Institute in 2005 in Sweden. Confucius Institutes are funded by the Chinese government and located at hundreds of host universities worldwide. Initially seen as mechanisms of soft power for the promotion of Chinese language and culture, these institutes are undergoing increased scrutiny regarding concerns over Chinese political influence as a threat to academic freedom. At present, there are approximately 190 Confucius Institutes operating within EU universities, including five centers at Hungarian universities. As tensions between the West and China rise, some Confucius Institutes in Europe, the U.S. and Australia have been closed or had their contracts amended amid claims of espionage and political influencing. In Europe, several institutions decided not to extend contracts with the Confucius Institutes on their campuses, while Sweden became the first European country to officially end all partnerships in 2015. In response to the growing international criticism of Confucius Institutes, Beijing

has transferred the governance of the centers from Hanban, the institutes' headquarters, to an NGO. However, despite these concerns, most host universities, including in the EU, remain committed to hosting Confucius Institutes on their campuses.

Realigning partnerships

Other security issues related to Chinese influence in EU higher education include the presence at EU universities of researchers and students with links to the Chinese military, the adoption of dual-use technology that could potentially hack into university networks, and intellectual property theft. Growing Western criticism of China's domestic and international policies, combined with China's initial handling of the COVID-19 outbreak, has caused EU public opinion of China to decline significantly since 2020. These factors have placed additional pressure on EU universities to develop a consistent framework of governance and transparency in their Chinese partnerships. Efforts in this regard are underway on the part of several entities, including the EC, universities and NGOs. The EC released a draft version of "Tackling Foreign Interference in Higher Education Institutions and Research Organisations" in 2020 and updated its "Global Approach to Research and Innovation" in 2021. Both documents address the need for academic engagement with foreign entities, including China, to be open, reciprocal and focused. Even though these EC policies may not be implemented by all member states, the guidelines could prove helpful for individual universities in developing better safeguards of academic integrity.

On a national level, the German Rectors Conference (HRK), an association of 268 German universities, and The Hague Center for Security Studies (HCSS) think tank have produced guidelines for German universities and Dutch stakeholders, respectively. The HCSS's "Checklist for Collaboration with Chinese Universities and Other Research Institutions" outlines 10 questions that help stakeholders weigh the advantages against the possible risks of collaboration with China. These questions are supported by examples of incidents and challenges that provide a rationale for risk assessment. HCSS states that the goal of the document is not to discourage cooperation, but rather to enhance its added value for the Netherlands. Though specific to stakeholders in the Netherlands, the document could be adapted and utilized as a concise and precise tool for enacting institutional measures elsewhere within the EU.

The HRK guidelines are specifically intended for German universities, but their questions are general enough to apply to stakeholders in other EU countries. These guidelines focus primarily on academic integrity and less on the strengthening of knowledge security. However, they do recommend that German universities work with the country's Federal Academic Exchange Service when entering into agreements with China and offer suggestions for strengthening collaboration in diplomatic ways. Examples include showing mutual respect in collaboration with China and improving the integration of Chinese students into the university community. While Germany's higher education system is managed at the level of the country's 16 federal states, rather than its national government, the German Federal Ministry of Education and Research announced its "China competence" initiatives in 2018 to promote a deeper and more comprehensive understanding of China throughout Germany's education sectors. If supplemented with the HRK guidelines, the China competence project at the university level could provide a road map for sincerely engaging with Chinese partners while protecting EU and academic security interests.

Even with the recent strain on EU-China relations, collaboration in higher education and research between the two has increased dramatically in recent decades. Such collaboration takes many forms, from student mobility to academic publishing and cooperation between businesses and research institutions. As such, universities also need to establish approaches to China that suit their specific interests and goals. A notable example of this effort is the Leiden Asia Centre's report, "Towards a Sustainable Europe-China Collaboration in Higher Education in Research." The report argues that to address increasing security challenges effectively, stakeholders in European higher education need to develop and implement approaches aimed at making collaboration with China more feasible. Doing so is not only in the interest of their security and the academic freedom of their faculty and students, but also beneficial for long-term competitiveness in research and reputation. The report makes a series of recommendations in advocating for effective collaboration between European universities and government organizations. In addition to taking protective measures, stakeholders should also develop an approach that

allows them to identify opportunities for sustainable collaboration. Throughout the report, the authors emphasize that an important prerequisite for all cooperative endeavors is the expansion and deepening of Chinese expertise in Europe.

Political polarization of academia

As previously discussed, very real security breaches have occurred at universities on behalf of Chinese actors. However, higher education is not the only vulnerable sector, China is not the only foreign actor, and decreased collaboration with China could negatively affect EU universities in a globalized economy. Similarly, an increasingly politicized environment within the EU can negatively limit academic freedom and research at its universities. In the case of Hungary, while the status of CEU was still pending, a pro-government website asked students to submit the names of professors who espoused "unmasked-for left-wing political opinions." A Fidesz-friendly weekly published an "enemies list" that included the names of dozens of academics, "mercenaries" purportedly working on behalf of George Soros. Faculty at various Hungarian universities were fired for their work on human rights issues. Alternately, when the Fudan campus was announced, several of Orbán's opponents quickly accused the facility and its operations of being a "spy harbor" for China. Although not a new tactic by any means, the political targeting of academia and other civil society actors puts the security of those targeted at risk.

Conclusion

Hungary's relationship with China is unique in the EU. Orbán has indicated a willingness to dispose of democratic principles through legal reforms across varying sectors, including higher education. This opens the door to malign influence not only by China, but by other foreign actors as well. However, the EC, certain member states, NGOs and universities are developing protective frameworks to proceed prudently with China as a partner in higher education. These are important steps because the security risks are real and the threats are complex. Here, implementation is key, and cooperative mechanisms like Europe's Bologna Process could serve as vehicles of facilitation for universities within its 47 member countries.

However, the guidelines are only effective if all member states are committed to upholding the liberal democratic values of the EU or are readily held accountable when they have violated EU norms and laws. Lex CEU is not the only Hungarian legislation that the CJEU has found to be in violation of EU law. The court has also recently ruled against Hungary on issues relating to asylum seekers and judicial interference. But the recent higher education reforms demonstrate Orbán's ability to consolidate power. The EU's 300 billion euro Global Gateway infrastructure strategy is meant to directly counter China's OBOR policy and to protect its security interests while pursuing mutually beneficial engagement with China. For the EU's strategy to succeed — for the sake of the long-term cohesion of the EU — it is increasingly imperative that its members' governments commit to upholding EU laws and principles. □



Turkey-China Relations

Economic Needs and Global Desires

By **Dr. Cüneyt Gürer**, Marshall Center professor | Photos by The Associated Press

When thinking about China's engagement in Europe, it is important to consider how Turkey plays into the strategic picture. Turkey straddles the Europe-Asia divide and serves as a gateway into the European economic zone. In this regard, it is important to understand how China's engagement with Turkey affects Europe. At the strategic level, Turkish and Chinese relations could be best described as a friendship of convenience, with each side having its own interests and priorities. Cooperation increased significantly after the signing in 2010 of a strategic partnership agreement that benefited Turkey in the short term, but that also provided China with long-term strategic advantages. China's approach to Turkey is closely aligned with its One Belt, One Road (OBOR) program (later renamed the Belt and Road Initiative), and Turkey considers China's growing interest in the region as helpful in meeting some of its economic challenges. But these short-term political calculations fail to address some significant issues, putting Turkey in a vulnerable position against China's more assertive policies in the region.

China's desire to reach Europe creates opportunities for Turkey to fund major construction projects begun before China unveiled OBOR. At the same time, Turkey's current economic challenges require external cash transfers to resolve a currency crisis that is due in part to changes in its selection of strategic partners in the region. Turkey's pursuit of a short-term economic remedy makes China's entry into Turkey much easier and increases China's ability to gain a foothold in the region.

Although some analysts warn that China's involvement in Turkey's critical infrastructure projects comes with potential traps, most experts in Turkey see the move as an opportunity. That opinion fails to address the risks involved in allowing China to take majority ownership of the infrastructure projects. Turkey's population seems to have a more realistic understanding of China's motives. According to the Transatlantic Trends 2021 survey, 53% of Turkey's population has a negative view of China's influence in global affairs, and 47% perceives China as a rival rather than a partner.

Chinese and Turkish diplomatic relations began in 1971 but did not progress until the 2010s because of structural, political and economic reasons. Turkey had always prioritized economic and political relations with the West and established partnerships to institutionalize these relationships. It actively promoted the international rules-based system. As Turkey moved toward a so-called independent foreign policy, it shifted away from Western institutions and created a need for a new direction at the global level. The complexity of domestic political and economic challenges that accompanied the introduction of a presidential political system in 2018 increased the need for new partnerships in the world that would contribute to the construction of a new regime in Turkey (defined as the "new Turkey" by the governing Justice and Development Party), and address economic challenges in the country.

Turkey's policy departures from the Western bloc provided an opportunity for China to pursue its interests in the region. At the same time, China's new policy of becoming more involved in world affairs and generating global influence through OBOR created an alternative for Turkey to fulfill its emerging economic needs. China's role in the Turkish economy has increased significantly over the past decade as Chinese companies have invested in critical infrastructure such as bridges, roads, ports and telecommunications. As a result, China has gained strategic advantages in Turkey and the region because Ankara is trying to address its pressing economic challenges with Chinese loans and currency swaps.

Turkey's geostrategic location makes the country an important partner for China's OBOR strategy, and China became a convenient alternative when Turkey looked for ways to solve its political and economic problems after the attempted coup in 2016. These two dynamics made the relationship significantly meaningful for both sides. The two countries have now signed 11 bilateral agreements to extend their partnership on strategic issues such as trade, transportation, banking, energy and health. While China's OBOR-linked interests help with Turkey's economic needs, they also represent substantial long-term ramifications and risks.

Short History of Turkish-Chinese Relations

The first diplomatic contact between Turkey and China dates to 1934 when the two countries signed a friendship and commerce treaty. However, after the People's Republic of China (PRC) was established in 1949, relations between the countries were terminated. Because Turkey supported South Korea during the Korean War, along with the U.S. forces under the United Nations' command, China and Turkey became adversaries. The countries had no contact until 1971, when Turkey supported the U.N. decision to restore the PRC's membership in the U.N. and recognized China's new regime. However, significant improvement in their relations did not occur until 1982, when Turkey's president visited China. It was two years after a military coup in Turkey and the new Turkish government, run by the military junta, set out to establish alternative economic relations to ease the country's post-coup isolation. The two countries extended their relations by establishing the Turkey-China Business Council in 1992, and then elevated them to a strategic partnership in 2010.

Turkey's new regional and foreign policies after 2011 required new alliances and alternative relations with the emerging powers. China presented an opportunity to advance Turkey's political and economic goals. Those two issues — economy and politics — are the major components of the relationship. Although issues such as the cultural and ethnic ties of Uyghurs to Turkish society and Chinese cultural initiatives in Turkey require some attention, these and all other issues are connected to the economic and political components.

Major Issues For Turkey-China Relations

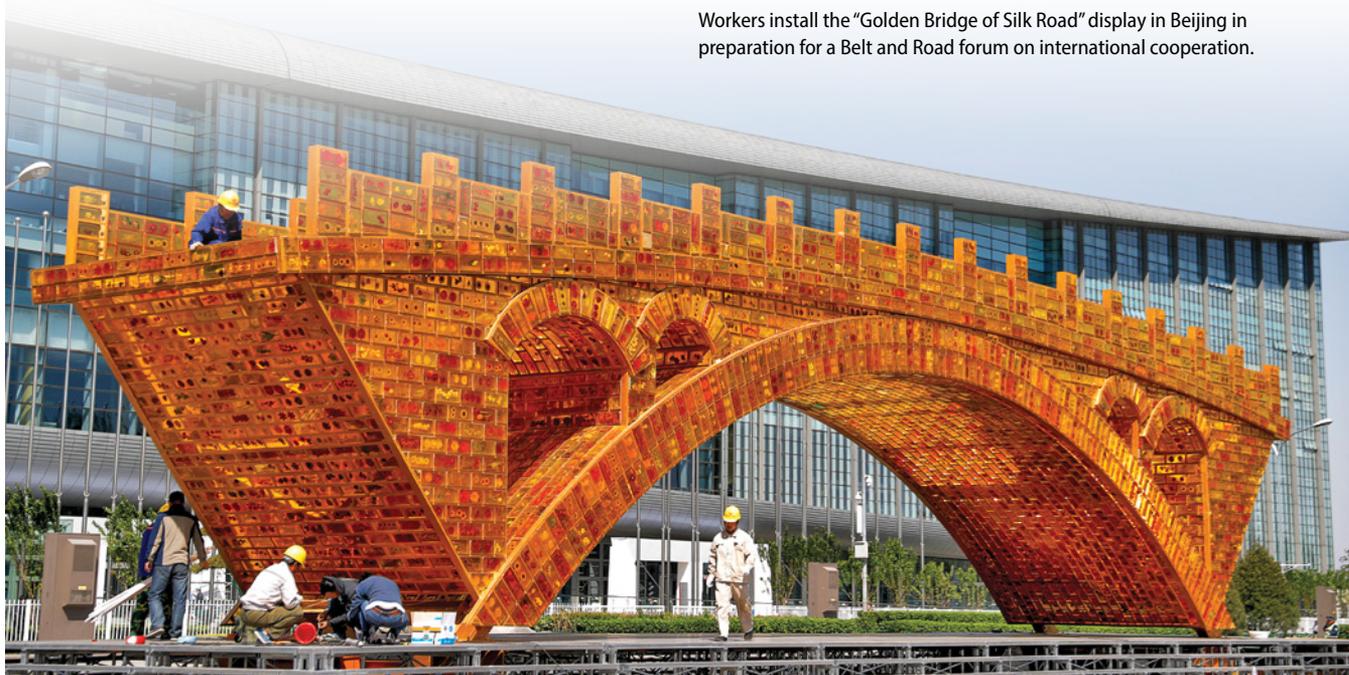
		TURKEY	
		Economy	Politics
CHINA	Economy	<ul style="list-style-type: none"> • Swap agreement creates financial connections. • Turkish economy benefits from banking loans (short term). • China increases its trade advantages (trade deficit favoring China). 	<ul style="list-style-type: none"> • Turkey eases economic stress with Chinese money. • Turkish government delivers promised infrastructure projects (despite being more costly).
	Politics	<ul style="list-style-type: none"> • China increases its presence in Turkey. • China is stronger in the region. • China increases OBOR-related investments in Turkey. 	<ul style="list-style-type: none"> • Turkey reduces its traditional support for the Uyghurs. • China develops political leverage and power in the region.

Source: Dr. Cüneyt Güreer

Turkey's Economy and China

The World Bank's 2021 assessment of the Turkish economy indicates that in past years, Turkey's macroeconomic structure has become more vulnerable and uncertain due to rising inflation, unemployment, and its currency and debt crises. The combination of a trade deficit and a drop in revenues from tourism widened Turkey's deficit in April 2020 to \$5.6 billion, up from just \$500 million in late 2019. In 2018, the value of the Turkish lira dropped 40%, and the Chinese

Workers install the "Golden Bridge of Silk Road" display in Beijing in preparation for a Belt and Road forum on international cooperation.

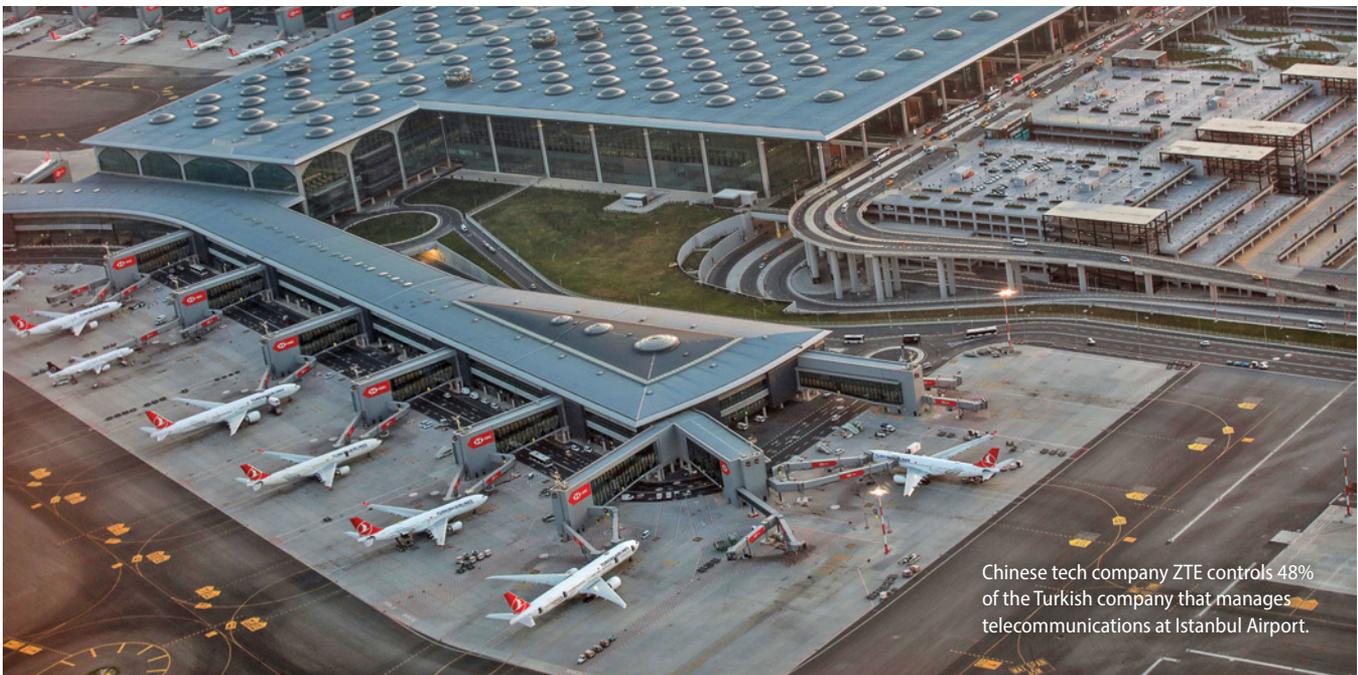


state-owned Industrial and Commercial Bank provided \$3.6 billion in loans for ongoing energy and transportation projects, a move the media defined as a lifesaver for the projects. According to a Harvard Business Review analysis in 2020, China uses direct loans as a way of increasing influence in receiving countries, which creates the potential for a debt trap for the receiving countries and a hidden debt problem globally. According to a National Bureau of Economic Research analysis, almost all of China's lending and investment abroad comes from state-controlled entities, and at least 50% of China's lending to developing countries is not reported to the International Monetary Fund (IMF) or World Bank, creating a hidden debt problem in the global financial system.

For the most part, information on Chinese direct loans is not public. Nevertheless, available information indicates an increase in loan transfers from China to Turkey in recent years. In 2019, Turkish Vakifbank accepted a \$140 million, one-year loan from China Eximbank to finance trade between Turkey and China, marking the first transaction between the two banks. In the same year, the Industrial and Development Bank of Turkey reported receiving a \$200 million loan from the China Development Bank under OBOR agreements, a first for those two banks. The Industrial and Commercial Bank of China purchased the majority of shares in Turkey's Tekstilbank in May 2015 and became the first Chinese bank to operate in the Turkish market with commercial, investment and asset management banking licenses. Chinese investment rescued Turkey's economy as the country ran out of crucial foreign reserves needed to pay down its debt and lower the pressure of economic crises in the country. By introducing more Chinese involvement in its banking sector and allowing Turkish banks to receive loans from Chinese state-owned banks, Turkey risks Chinese involvement in the most critical sectors of the country and allowing China to become more powerful in the region.

China uses currency swaps between central banks as an OBOR instrument globally. Turkey signed a currency swap deal with China in 2012, allowing the central banks of both countries to exchange their national currencies to reduce economic pressures. In June 2019, the Chinese central bank transferred \$1 billion to Turkey, helping President Recep Tayyip Erdoğan prevent an economic crisis just before an election. In June 2021, Erdoğan stated that Turkey and China had agreed to increase the swap agreement capacity from \$2.4 billion to \$6 billion. The IMF considers bilateral swap lines a valuable part of the global financial safety net (GFSN) and an appropriate response to economic crises. However, Turkey's swap agreements with China go beyond a financial safety instrument. According to international political economist and China analyst Daniel McDowell, China uses swap agreements as more than a financial safety instrument, turning them into a tool of Chinese financial statecraft by using "national financial and monetary capabilities to achieve foreign policy ends." From a strategic point of view, China considers swap agreements as connection points and cooperation priorities for OBOR. For China, the swap agreement with Turkey is more than a GFSN tool; it's a significant component of OBOR aimed at financial integration (coordination and cooperation in monetary policy) among OBOR countries.

Trade relations between China and Turkey reached \$23.6 billion in 2020, making China the third-largest trade partner with Turkey, after Russia and Germany, according to then-Turkish Commerce Minister Ruhsar Pekçan. The number of Chinese investments in Turkey increased 120%. There are 8,000 Chinese workers and more than 1,000 Chinese companies operating in Turkey. Chinese investments in Turkey amounted to \$2.8 billion in 2020 and were valued at \$1.5 billion between 2005 and 2018. In 2021, China sought to increase its investment in Turkey by \$6 billion per year.



Chinese tech company ZTE controls 48% of the Turkish company that manages telecommunications at Istanbul Airport.



A Chinese consortium bought 51% of the Yavuz Sultan Selim Bridge, which connects Europe and Asia through Istanbul and has significant strategic value in the region.

In late 2021, in response to Turkey's increasing inflation and currency crisis, Erdoğan announced that Turkey would transition to a Chinese-style economic system, but did not provide details.

OBOR and China's Investments

OBOR includes six economic corridors of power connecting China with Pakistan, Mongolia, Russia, India, Myanmar and Central/West Asia. Turkey is located in a strategic position on the China-Central Asia and West Asia Corridor. This economic corridor increases connectivity among China, Iran, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Turkey and Uzbekistan. China became more involved in the region after announcing its OBOR strategy, and Turkey played a central role in the Central Asia and West Asia Corridor. Before the initiation of OBOR, Turkey started a regional transportation project called the Middle Corridor Initiative (MCI). Turkey and China later agreed to merge MCI and OBOR because the two projects overlapped. In November 2015, during the G-20 Leaders' Summit in Turkey, the countries signed a memorandum of understanding aligning OBOR and the MCI.

The MCI objectives are to increase trade relations between Central Asian countries and to support the economic growth of countries in the Caucasus region. Originally a Western-oriented project supported by the U.S. and the EU, the MCI project is now under the heavy influence of Chinese investment. However, according to an analysis by the Slovakian-based think tank GLOBSEC, uncertainties in the Turkish domestic political structure and a lack of long-term



A Turkish drilling ship crosses the Marmara Sea after Turkey's Foreign Ministry rejected a European Union statement condemning Turkey's efforts to drill for gas off the coast of Cyprus, further dividing the country and the EU.

strategies in the region make Turkey an unreliable partner for China. Therefore, “despite a very welcoming discourse from Ankara and Beijing on Silk Road cooperation,” the analysis found, “it is difficult to say whether there is a road map to integrate” OBOR and the MCI. Despite some reluctance by China, earlier MCI planning and initial investments made it easier to integrate OBOR into MCI, and China made significant investments in some of the MCI projects connected to Turkey. It completed the Marmaray undersea railway, the Eurasia Tunnel, and the Yavuz Sultan Selim Bridge connecting Europe and Asia through Istanbul (directly connecting the Asian side to the new Istanbul Airport). The MCI is behind several other infrastructure projects, such as the Çanakkale Bridge, the Edirne-Kars high-speed rail and the Three-Level Tube Tunnel.

China made significant investments in these projects and continues to increase its investments in projects in the planning phase. In January 2020, a Chinese consortium bought 51% of the Yavuz Sultan Selim Bridge, which is considered a part of the MCI and has significant strategic value. China invested in the Marmaray undersea railway in Istanbul, a transportation project that is part of the MCI connecting the Asian and European parts of the city. In November 2019, as a symbolic action to demonstrate that these investments connect China to Europe, a train departed from Xi'an, China, and arrived in the European part of Turkey using the Marmaray. This had symbolic significance, showing for the first time that a train could travel nonstop from China to Europe. In addition, in 2015 a Chinese consortium bought 65% of the Kumport Terminal, Turkey's largest container terminal on the northwest coast of the Marmara Sea, which has a significant strategic link to Europe.

The controversial Istanbul Canal project is the largest that Erdoğan has initiated and, according to experts, it will have significant environmental, geostrategic and political consequences. However, past experience shows that announcing such projects brings significant support to Erdoğan during elections. With its magnitude, the project needs a significant amount of foreign investment, which presents an opportunity for China. Erdoğan publicly stated that he expected China to contribute to the \$15 billion project and to take part in building six bridges on the new canal. According to Turkey's

transportation minister, Chinese, Russian, Dutch and Belgian companies are interested in investing in and financing the project. The minister also mentioned the connection between the Istanbul Canal project and OBOR and added that the project will boost Turkey's share of global trade. Various news agencies also reported that Chinese companies are interested in investing in the project. But the project is a potential debt trap, and if Turkey cannot meet the financing obligations, a strategic route connecting the Black and Aegean seas could be left under Chinese control.

China has also made investments in Turkey's energy projects. Chinese banks are funding the \$1.7 billion Emba Hunutlu coal-fired power plant being built in Adana on the Mediterranean Sea. The plant, which is projected to produce 3% of the country's electricity, represents the largest Chinese investment in Turkey. Ankara also plans to sign a deal with China's State Nuclear Power Technology Corp. to build Turkey's third nuclear power plant.

Turkey's Approach to the Uyghurs

Human rights violations against Uyghurs in Xinjiang pose a dilemma for Turkey in its relations with China. In 2009, before the countries entered into strategic partnerships, Erdoğan, who was Turkey's prime minister at the time, called China's actions in Xinjiang "genocide" and requested an international response. And Turkey has long offered sanctuary to Uyghurs who had escaped from China. But Turkey's approach to China



A Uyghur in Istanbul holds a placard in protest to a visit by China's foreign minister in 2021.



changed dramatically as its economic dependency grew over the past decade. Abdulkadir Yapçan, a Uyghur political activist who had lived in Turkey since 2001, was arrested in 2016 and detained until his release in 2019 after a lengthy judicial and administrative process. During this time, Turkey began working on an extradition treaty with China that Erdoğan has signed and that was pending the approval of the Turkish parliament as this article was being written. As a result, Uyghurs in Turkey have been living in fear of being deported to China. Mevlüt Çavuşoğlu, Turkey's minister of foreign affairs, said in 2017 that "Turkey considers China's security as its own security and will not allow any activities in Turkey targeting and opposing China. Additionally, we will take measures to eliminate any media reports targeting China." In 2021, Turkey cracked down on Uyghurs protesting against China. The shift, based on political calculations, has not been widely supported by the Turkish public.

According to Metropoll, a private polling organization in Turkey, 53.2% of the public in 2021 considered the government's response to China on the treatment of Uyghurs to be inadequate. To counter the criticism, Turkish officials issued remarks decrying China's arbitrary arrests, physical assaults and political brainwashing in internment camps and prisons. Deng Li, China's ambassador to Turkey, issued a statement warning Turkey that such utterances would cause concern among Chinese investors and "would inevitably undermine bilateral ties." Erdoğan remained silent on the issue. But for many, what was more interesting was to see the silence of Erdoğan's coalition partner, the Nationalist Movement Party, which uses nationalist discourse at the domestic level at the highest possible volume whenever it fits its political agenda. COVID-19 vaccine diplomacy also had an impact on Turkey's response to the Uyghur issue; the country was among the first to purchase the Chinese Sinovac vaccine, which at the time had not been approved in other countries. According to an analysis by the nonprofit Global Voices organization, Turkey's participation to the Sinovac vaccine significantly contributed to China's global vaccine diplomacy and its international prestige at the early stages. However, China delayed the delivery of vaccines to Turkey to put pressure on the parliament to ratify the extradition treaty. According to Andy-Ar, a Turkey-based social research center, poll results in December 2020 showed only 5% of the Turkish people trusted the Chinese vaccine.

The Way Forward

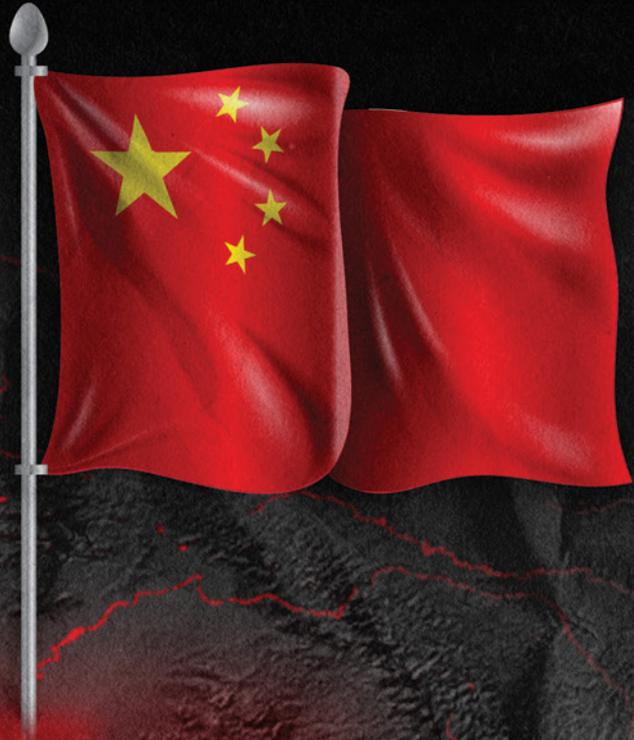
On January 4, 2022, Reuters reported that a group of Uyghurs living in Turkey had filed a criminal complaint with the chief prosecutor's office in Istanbul against Chinese officials, accusing them of committing genocide, torture, rape and crimes against humanity. As this article was being written, neither Chinese nor Turkish officials had made any statements about the complaint. But it shows that the Uyghur issue will remain an obstacle to Turkey-China relations, though China considers Turkey a significant piece of its OBOR strategy.

China is watching Turkey's foreign policy choices closely.

According to Jale Özgentürk, economic news editor of Turkey's Cumhuriyet newspaper, China's interest in investing in Turkey entered a wait-and-see stage in 2021. One of the reasons for that loss of interest is the rapprochement between Erdoğan and U.S. President Joe Biden in June 2021. According to the GLOBSEC think tank, Beijing is hesitant to reveal its grand strategy to Ankara because of Turkey's memberships in NATO and the Organisation for Economic Co-operation and Development, as well as failed deals to build a nuclear power plant and an air defense system. The Uyghur issue adds another complication because Turkey's population supports the Uyghur cause, and the ruling elite prefers to stay silent because of economic concerns. China is also aware that the Turkish public prefers Western institutions and culture over China's institutions and culture. That lack of social support means China will invest more in social projects and public relations to boost its image in the country. China has opened four Confucius Institutes in Turkey, all of them at prestigious universities and all working to increase exchanges between the two countries.

Despite some headwinds, there is sufficient evidence to show that China's interest in Turkey is growing, and that Beijing has been steadily increasing its presence in the region. Turkey's departure from Western-oriented policies and economic partnerships, and its failure to recognize China's long-term intentions, contribute to China's expansion into the country. The lack of transparency in Turkish-Chinese relations is another important factor that makes Chinese expansion in Turkey easier. Experts in Turkey must rely on limited data to make their analyses and, most important, much of that analysis takes Chinese economic involvement at face value rather than focusing on the underlying risks originating from China's political regime and concealed investment strategy. From a short-term economic analysis, it might be correct to assume Chinese investments in Turkey would bring relief to the country's shaky economy. However, failing to address the long-term strategic impact of the financial deals, and the structural challenges that created the economic hardship in the first place, will leave Turkey worse off economically than it is today.

In 2023, the Republic of Turkey will celebrate the 100th anniversary of its founding. China has now become an important economic actor in Turkey and is working on cultural and social image-making to increase its approval within Turkish society. The lack of transparency in the details behind the countries' cooperation makes it difficult to fully gauge the level of threat posed by the Chinese presence in the country. But publicly available information provides enough evidence to show that China's presence in the region is stronger than ever. At the same time, China uses the wait-and-see strategy to assess Turkey's commitment to its relations with Western actors and balances its actions accordingly. Turkey's domestic political actions are based on short-term gains and a "stay-in-power" strategy. Turkey has the potential to change the power balance in the region. It is not too late to return the balance back to its origins, which would benefit Turkey in the long run. □



CHINA IN THE BALKANS

COUNTERING BEIJING'S REGIONAL INFLUENCE

China's footprint in the Western Balkans has significantly expanded over the past decade, in line with the diplomatic trade and investment objectives of Beijing's One Belt, One Road (OBOR) strategy, later renamed the Belt and Road Initiative, and within the strategic context of wider China-European Union relations. A key tool in promoting engagement in the region, especially with the five Western Balkans countries (excluding Kosovo), has been the 16+1 initiative. Established in 2012, and later linked to OBOR, the 16+1 is an economic cooperation initiative between China and 16 Central and Eastern European countries that promotes OBOR, similar to other Chinese market penetration strategies in other regions of the world. It later grew to 17+1 with the addition of Greece in 2019, but Lithuania has dropped out and it is again 16+1. This regional platform, which brings together a diverse group of countries (11 EU and five non-EU countries) from the Baltics to the Balkans, is concentrated in three main areas: trade, investment and transportation.

16+1 supports Beijing's diversified strategy in Europe by allowing it to focus capital investments on strategic assets and new technologies in core EU countries, complemented by large infrastructure projects on its periphery. China's investment strategy appears to be tailored differently for different European countries, depending on economic wealth, technological advancement, geographical location and institutional framework. In the Western Balkans, Beijing is using a hybrid approach to gain influence, combining elements of infrastructure projects that we see in developing countries and economic interactions, similar to those in other EU countries.

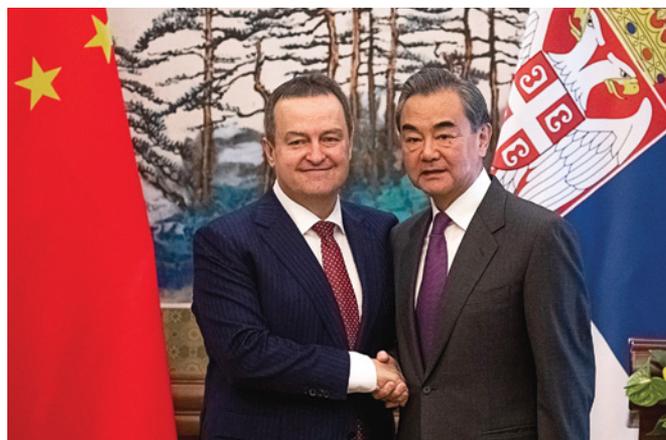
The reasons for China's growing interest in the Western Balkans are manifold. First, the region's geostrategic position makes it a perfect gateway to EU markets and a key transit corridor for OBOR. Second, Chinese interests in the region are strongly related to infrastructure projects and privatization opportunities, where demand for preferential lending is high and acquisition prices are low. Third, Beijing is searching for new markets to expand its exports and trying to gain control of strategic assets in the EU's front yard. Fourth, Chinese companies are securing access to natural resources and focusing on strategic sectors, such as energy, mining and mineral processing. Fifth, Beijing wants to increase its influence and deepen its economic and diplomatic presence in the region because of its proximity to the EU and as a counterbalance to the region's trans-Atlantic relationship.

In the Western Balkans, as in other regions of the world, Beijing is cultivating an image of itself as a benign global power, a credible source of economic development, and a ready and reliable partner looking for opportunities to invest in

strategically important sectors. Its official narrative emphasizes the mantra of mutually beneficial economic interaction. This narrative raises expectations of its ability to bring wealth to the region while directing attention away from politics.

A SHORT HISTORY

China is not a newcomer to the region. While Albania and the countries of the former Yugoslavia have had diplomatic, economic and cultural ties with Beijing for decades, in recent years China has been laying the groundwork for a long-term, multifaceted and ever-deeper presence in the Western Balkans. In its geopolitical narrative, Beijing deliberately highlights themes of "traditional friendship" and "shared past," focusing on the region's socialist past and the lingering degree of post-communist nostalgia.



Chinese Foreign Minister Wang Yi, right, and then-Serbian Foreign Minister Ivica Dačić shake hands at the Diaoyutai State Guesthouse in Beijing in February 2020. Serbia is central to Beijing's 16+1 framework for engagement in Southeast Europe. AFP/GETTY IMAGES

The diplomatic relationship between China and Albania officially began in 1949 and grew stronger based on a shared communist ideology. The split of Enver Hoxha's communist Albania from the Soviet Union in the early 1960s opened the way for a stronger and exclusive relationship with Mao Zedong's China. Those years were characterized by multidomain cooperation between the two countries, as Beijing became an isolated Albania's main supporter. During this period, China provided large loans for heavy and military industries, especially arms and ammunition. In an important 1961 agreement, China pledged technical support to Albania to build industrial plants and factories (chemical, food, clothing, construction materials, steel mills). Trade volume between the two countries increased as Albania

exported raw materials (oil, chrome, copper) and imported mainly industrial products and pharmaceuticals. Strong cultural links were developed during two decades of intensive friendship, but in 1978 the relationship fell apart over ideological disputes. Albania isolated itself from the rest of the world until 1991. Its relationship with China never returned to historic levels.

The Sino-Yugoslav diplomatic relationship was vibrant during the 1960s and 1970s and became even closer after the breakup between Beijing and Tirana. In 1977, Yugoslav President Josip Broz Tito visited China for the first time, followed by a return visit of Chinese Prime Minister Hua Guofeng to Belgrade in 1978. Ties were further strengthened in the mid-1990s, when internationally isolated former Yugoslav President Slobodan Milošević found an ally in faraway China and opened the door for the first Chinese migrants to Serbia. The alliance was further forged politically during the NATO bombing of Serbia in 1999, when an errant bomb partly destroyed the Chinese embassy in Belgrade, killing three Chinese journalists. Today, Serbia considers China a strategic partner and has become the biggest beneficiary of Chinese investments in Southeastern Europe.

CHINA-WESTERN BALKANS TRADE

Trade relations between China and the Western Balkans have increased rapidly over the past decade. While the EU remains the region's main trade partner, with over 70% of the total trade volume, China has become the region's second- or third-most important trade partner. Considering the small market of the Western Balkans (including Kosovo), trade exchanges reached \$6.3 billion in 2020, according to the United Nations Comtrade Database. (See Figure 1) Nearly 60% of this trade was conducted with Serbia (\$3.7 billion), China's main strategic partner in the region. Overall, the Western Balkans account for less than 5% of China's total trade with the 16+1/17+1 countries (\$122 billion.)

China — by almost 90%. The region's exports to China amount to \$634 million, while imports of Chinese products into the Western Balkans have reached \$5.7 billion.

Given the need for investment and low production costs in the region, we might see a future trade-substituting investment strategy that could potentially allow Chinese companies to circumvent trade restrictions and export products directly to the EU market of 800 million people, thanks to the free trade agreements that Western Balkan countries enjoy with the EU.

CHINESE INVESTMENT: REAL FDI?

Over the past decade, Chinese investment in the region has grown rapidly. According to a new study from the Balkan Investigative Reporting Network, published in December 2021, there are 122 Chinese projects with an estimated value of \$31 billion (27.6 billion euros). This makes up almost 40% of total foreign direct investment (FDI) in the five Western Balkan countries (excluding Kosovo), which amounted to \$80 billion in 2020, according to the United Nations Conference on Trade and Development. (See Figure 2)

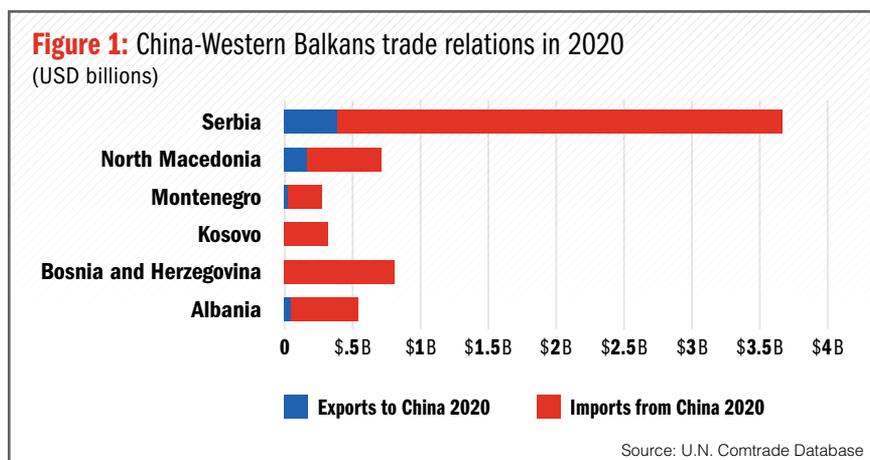
A misleading aspect of the data on Chinese investment in the Western Balkans is that most of the money is not actual FDI, but loans. In fact, the main form of Chinese economic cooperation in the region is concessional lending for infrastructure, mainly for transportation and energy, through its state-owned banks and financial vehicles, including the China Development Bank, the Export-Import Bank of China (Exim Bank), the Silk Road Fund and the Asian Infrastructure Investment Bank.

Sectors of economic cooperation are infrastructure, energy, mining and mineral processing, and communication technology, while engagement is mainly on a government-to-government basis. There have also been investments in the health sector, education and cultural centers. Despite all the activity, few projects have been concluded, most have been delayed,

some have stalled, and for others, given the lack of transparency, the status is unclear. Allegations of corruption, environmental pollution and worker exploitation appear to be part of the overall fabric of these investments.

Chinese interest in Serbia is noteworthy. With the largest economy in the Western Balkans, Serbia has become Beijing's go-to partner in the region and a clear bellwether within the 16+1 framework. Beijing's long-term strategy in the Balkans views Serbia as a strategic European transportation hub. With 61 projects worth more than \$21 billion, the most significant is the upgrade of the Belgrade-Budapest railway. Relations

between Belgrade and Beijing extend beyond economics, as Serbia has also signed a \$3 billion package for economic support and military purchases that has boosted Chinese influence in the country. Another important project is the



China no doubt sees the region primarily as a market for its own exports and as an opening into Western European markets. While exports from the Western Balkans to China have increased over the years, the actual trade balance favors

Huawei-led installation of smart surveillance cameras with advanced facial and license plate recognition software, which is billed as a measure to fight crime but has raised concerns about its compatibility with EU privacy and data protection

through North Macedonia and Serbia into Hungary and the Czech Republic. In 2019, COSCO bought a 60% majority stake of the Greek railway company Piraeus-Europe-Asia Rail Logistics and a minority stake in the Budapest train terminal

in Hungary. Chinese state-owned enterprises (SOEs) also hold a minority stake in the Port of Thessaloniki in Greece.

One of the biggest projects in the Western Balkans is the Belgrade-Budapest high-speed railway. This project was agreed to during the 16+1 summit in Riga, Latvia, in 2016. It is being financed at 85% by China's Exim Bank (\$2.5 billion) and built by the China Railway Construction Corp. For two sections of the Belgrade-Budapest railway, Serbia has already borrowed \$1.5 billion. Another major Chinese transportation project in Serbia is the modernization of the 204-kilometer railway between Belgrade and Serbia's third-largest city, Niš, which will eventually complete

standards, as enshrined in the EU's General Data Protection Regulation. However, the U.S. led a successful initiative in the area of security and technology to include the Western Balkans countries (except Serbia) in "The Clean Network," a comprehensive approach to safeguarding the most sensitive information and assets of the governments, citizens and private companies from aggressive intrusions by malign actors, such as the Chinese Communist Party. It was specifically meant to counter Huawei's efforts to gain a foothold in 5G networks, including in the Western Balkans.

The special bond between China and Serbia was further strengthened during the COVID-19 crisis, whereby China's provision of its Sinopharm vaccine gave the Serbian government an important boost in managing the pandemic. However, China's interest in accumulating a large portfolio of investments in Serbia is marred by strong concerns about environmental damage and data security issues.

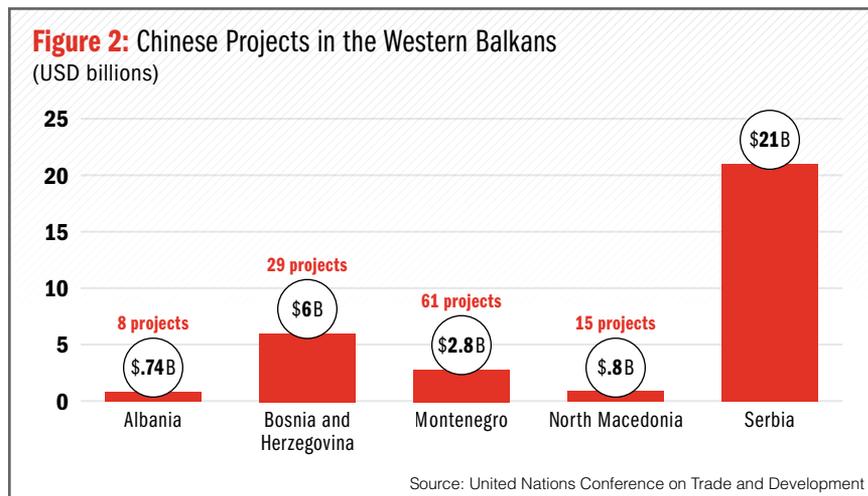
INFRASTRUCTURE: AN IMPORTANT PIECE OF THE OBOR PUZZLE

China is mainly attracted to the Western Balkans for its geostrategic location and proximity to EU markets. In line with its OBOR objectives, Beijing is heavily investing in large-scale infrastructure projects and taking advantage of the urgent need for infrastructure in the region.

Beijing is developing China-EU trade corridors on land and on sea. These are important components of OBOR that link China with Western Europe via the Port of Piraeus in Greece and are supported by infrastructure networks in the Balkans. The Chinese state-owned China Ocean Shipping Co. (COSCO) owns a controlling 67% share of the Port of Piraeus, which has become the main entry point for Chinese goods in Europe, shortening normal shipping times by one week. Chinese goods travel by sea to Piraeus, then by train

part of the Pan-European Corridor X that connects Salzburg, Austria, with the Port of Thessaloniki. The project is estimated to cost more than 2 billion euros, with the China Road and Bridge Corp. (CRBC) the likely tender recipient. The only completed, Chinese-funded infrastructure project in Serbia is the Pupin Bridge, China's first big infrastructure investment project in Europe, which was carried out by CRBC and opened by Chinese Premier Li Keqiang and his Serbian counterpart Aleksandar Vučić in December 2014.

North Macedonia is also an important country for OBOR. In 2013, the government of North Macedonia borrowed more than \$800 million from China's Exim Bank for the construction of two highways: the Miladinovci-Shtip highway, completed in August 2020, and the Kichevo-Ohrid highway (an integral part of European Corridor VIII), yet to be



The Chinese-made Sinopharm COVID-19 vaccine is administered in Budapest, Hungary. China has provided the vaccine to countries, such as Serbia and Hungary, as it competes with the West and Russia for influence in Central Europe and the Balkans. THE ASSOCIATED PRESS

completed. Costs for construction, which is being done by China's Sinohydro Corp., have increased to nearly \$1.2 billion (with interest included). Both projects have been overshadowed by corruption allegations.

In Montenegro, the Bar-Boljare highway, from the Port of Bar on the Adriatic Sea to the border with Serbia, is the biggest Chinese project and signals the level of Chinese interest in the Port of Bar. It was financed by China's Exim Bank for almost \$1 billion for just the first section of the highway, making it one of the most expensive highways per kilometer in the world at \$20 million per kilometer. It is being built by CRBC. Besides sending Montenegro's sovereign debt rocketing to 103% of economic output — and with only 41 out of 165 kilometers completed — there are questions about the financial feasibility and unsustainable debt associated with “the road to nowhere.” According to Montenegrin government estimates, the remainder of the highway will cost an additional \$2 billion. Chinese companies have also been involved in upgrading the railway network in Montenegro. In 2017, China Civil Engineering Construction Corp. completed reconstruction of a 10-kilometer segment of the Kolašin-Kos railway for \$8 million. For Beijing, it was a very important project because it represented the first railway project in Europe built by a Chinese company using EU funds.

In Bosnia-Herzegovina, Chinese construction companies are involved in building the 12-kilometer Počitelj-Zvirovići highway section costing \$75 million and financed by the European Investment Bank.

China's attempt to control regional infrastructure, however, was not as successful in Albania. In 2016, a state-backed Chinese company bought the concession to run Tirana International Airport, the only airport in the country at the time. Only four years after the deal and under less than clear circumstances, the concession was sold to a local company.

INFRASTRUCTURE CHALLENGES

Investment in infrastructure is a public good that could foster sustainable economic development, but the positive developmental spillovers depend on the practical details of implementing these projects and the institutional absorptive capacities of the host countries. Considering the huge infrastructure deficits in the Western Balkans, Chinese state-backed enterprises can easily outcompete Western companies with their opaque ways of doing business. With Western Balkan political elites accepting high levels of corruption, the Chinese can take advantage of the lack of transparency in contract negotiations. Chinese SOEs engaging in infrastructure development have acquired experience in other developing countries. They also enjoy economies of scale and can offer cheaper prices as a direct result of the Chinese state's interest in exporting its excess capacities and construction material, such as steel and cement.

Although much needed, these infrastructure projects and Chinese lending agreements are burdening the poor governments in the region with large debt obligations and unsustainable deals. The lack of due diligence results in sovereign guarantees shifting risk onto host countries at the expense of their financial stability. The resulting outcome is debt servitude to China. Montenegro is the perfect case study in this regard. Secret, single-bid contracts are usually awarded directly to Chinese SOEs without international public tenders or transparency. These opaque deals hide the responsible parties and create opportunities for corruption while allowing Chinese labor infiltration and degradation of the environment.

Chinese and Serbian flags fly over the Chinese-built Pupin Bridge over the Danube River near Belgrade, Serbia, in 2014. The bridge was China's first completed infrastructure project in Europe. AFP/GETTY IMAGES





Engineers walk toward the Pelješac Bridge on Croatia's Adriatic Sea coast in 2021. The European Union-funded bridge, built by China Road and Bridge Corp., connects sections of the Croatian coastline divided by Bosnia-Herzegovina. AFP/GETTY IMAGES

Another vulnerability is the ease with which Chinese-backed projects can be aligned with political cycles. When coupled with top-down rather than market-driven procurement decisions, Chinese business arrangements allow Balkan decision-makers to fuel patronage networks and boost short-term electoral advantages by focusing on short-term, unsustainable projects. Chinese fast money seems an easy way to maintain power to many Western Balkan leaders, and the political alignment of most media has not allowed broader public discussion of China's activities in the region.

ENERGY AND MINING

By investing in countries rich in natural resources, such as steel, copper and oil, China aims to secure a supply of commodities. The Balkan energy sector is also very attractive for Chinese SOEs because major Western utility companies are unwilling to make large capital investments. Albania, Bosnia-Herzegovina and Montenegro are attractive for their hydropower generation capacity, while Croatia, North Macedonia and Serbia offer wind energy potential. Chinese investments in these areas are mainly focused on acquisitions and privatization.

In 2016, China's state-owned Hesteel Group took over the steel mill in Smederevo, Serbia, for \$55 million. Smederevo was a former U.S. investment that U.S. Steel sold back to the Serbian government in 2012 for a symbolic price of \$1. Hesteel's Serbian subsidiary, HBIS Group Serbia, has become the country's biggest export company. The RTB Bor copper factory represents another important Chinese investment in Serbia's mining industry. Zijin Mining Group holds the

controlling majority interest, an estimated investment of more than \$1 billion, and has plans for expansion.

China Machinery Engineering Corp. is building a third, 350-megawatt unit at the Kostolac thermal coal power plant east of Belgrade, funded by a \$600 million Exim Bank loan, as well as the expansion of the Drmno open cast lignite mine in the Kostolac basin. Serbia meets 70% of its electricity needs with lignite, and concerns have been raised that Chinese investment in coal plants and mines are delaying coal phase-out plans and hindering Serbia's progress away from fossil fuels. Although significant investments support the Serbian economy and are good for local employment, concerns related to environmental pollution have sparked protests.

In Bosnia-Herzegovina, Chinese interest has focused on two big energy projects, the Stanari lignite coal power plant project in 2013, financed at \$400 million by China Development Bank, and the Tuzla lignite power plant in 2017. The latter is financed by an \$800 million loan from Exim Bank and implemented by the China Gezhouba Group, part of China Energy Engineering Corp. These two projects have accumulated more than \$1.2 billion of debt, which equals 13% of Bosnia-Herzegovina's external debt and is becoming an iconic example of the clash between Chinese investments and EU standards in the Balkans. In 2020, the government of the Republika Srpska, one of the two political entities that make up Bosnia-Herzegovina, signed an agreement with China Gezhouba Group for a \$216 million investment to build the Dabar hydropower plant in the country's south. Another investment from China Electric and Polish-Chinese firm Sunningwell International has been announced



A billboard that says "Iron friends, together through good and bad!" hangs from a municipal building in Belgrade, Serbia, in April 2020 as China tried to change perceptions of its handling of the COVID-19 outbreak. THE ASSOCIATED PRESS

for the construction of the Ugljevik 3 thermal power plant.

Since it purchased Canadian energy company Bankers Petroleum in 2016, China's Geo-Jade Petroleum has controlled the concession (about \$450 million) to the largest oil field in Albania. The Patos Marinz field near the city of Fier produces 95% of Albania's crude oil and accounts for 11% of its exports. This is also one of the largest onshore oil fields in Southeast Europe. According to Bankers Petroleum, it is the largest foreign investor, largest taxpayer and one of the largest employers in Albania, but it recently experienced environmental problems and was fined by state authorities.

China also has a major investment in Albanian copper mining. In 2014, Jiangxi Copper Corp., the largest copper producer, manufacturer and distributor of copper products in China, bought a \$65 million, 50% stake in Ekin Maden Tic. San. A.S., a Turkish-owned mining company operating in Albania. The Turkish-Chinese joint venture has a concession until 2043 for several copper mines and plants, and is the leading company for the exploration and processing of copper in Albania.

EU INTEGRATION AND ENVIRONMENTAL CHALLENGES

Coal-related projects in the region are not supported by European development banks or the World Bank due to environmental concerns and preferences for green energy. China, a large exporter of coal, is funding coal power plant investments in the Western Balkans, contrary to EU goals for the region. This is despite that the region remains one of the most polluted in Europe and is still largely dependent on

lower-grade lignite coal for electricity production. Western Balkans countries are not technically bound by EU environmental standards, but power plants will need to be retrofitted to continue operations if EU membership is secured. While, these countries have committed to adopting the EU's energy, transport and related standards, implementation is very poor due to weak institutions and vested economic interests. Hence, Chinese economic engagement in the region allows the Western Balkans countries to avoid costly EU environmental standards in the short run, while undermining their paths to EU integration.

CHINESE SOFT POWER

Beijing's narrative in the Western Balkans is centered on its promotion of the Chinese development model using its capital as an "economic miracle-maker," and the mantra of "win-win" relations. The overwhelming majority of China-Western Balkans cooperation involves state institutions and is based on a system of shared interests built on past relationships and new personalities from civil society, academia and media.

Academic links between China and Western Balkan countries are growing. Aiming to build a community of friendly countries, Beijing is heavily investing in cultural diplomacy, from Confucius Institutes — present in every capital of the region with two in the Serbian capital of Belgrade — to chambers of commerce and cultural centers. In addition, Beijing promotes the creation of "Confucius classrooms" in primary and secondary schools. China has also made scholarships one of its public policy tools, offering them on bilateral bases, with Serbia receiving the highest number. Informal

interactions between China and Western Balkans countries have grown through tourism, facilitated by visa relaxations and abolitions (Serbia and Albania). Governmental and party cooperation with China occurs at the bilateral and multilateral levels (China-Central and Eastern European Countries Young Political Leaders' Forum), as seen in Bosnia-Herzegovina, Montenegro, North Macedonia and Serbia.

In recent years, there has been a marked rise in China's media presence across the Western Balkans. China Radio International is an important media tool broadcasting in every language of the Balkans. News stories consist of information that is currently factual, neutral in tone, and oriented toward economic issues, but that generally lack critical evaluations of China's activities. These outlets often seem to avoid references to information about questionable conditions attached to Chinese projects.

THE WESTERN BALKANS ARE STRUGGLING ECONOMICALLY AND IN URGENT NEED OF INVESTMENT. BEIJING RECOGNIZES THAT IT CAN EASILY ESTABLISH A FOOTHOLD ON THE EDGE OF THE EU, WHERE ITS REAL INTERESTS LIE.

During the COVID-19 pandemic, the Western Balkans became a stage for China's mask diplomacy. This strategy involved showering target countries with medical supplies and allowed China to depict itself as a generous donor while simultaneously trying to clear itself of accusations that it mishandled data during the first phase of the outbreak. Mask diplomacy was successful in some countries of the region, presenting China as a legitimate partner or even a savior, as depicted in images of Serbian President Aleksandar Vučić kissing the Chinese flag. When mask diplomacy turned into vaccine diplomacy, Serbia remained at the center of China's strategy and took a strategic role, sharing Chinese vaccines with neighboring countries and creating "vaccine tourism." The only country that did not use or accept Chinese vaccines was Kosovo. Vaccine diplomacy was clearly used by Beijing — and Moscow — to strengthen their geopolitical positions in the region to the detriment of Western powers, and to undermine the EU's credibility.

CONCLUSIONS

The Western Balkans are struggling economically and in urgent need of investment. Beijing recognizes that it can easily establish a foothold on the edge of the EU, where its real

interests lie. Political elites see the presence of China as purely economic and mostly opportunistic. Their focus appears completely void of any strategic analysis about the long-term implications of Chinese influence in the region.

Beijing's diplomatic narrative supports the EU integration of the region, but several Chinese projects do not conform to EU standards and regulations of transparency and good governance. Issues of financial and environmental sustainability, debt dependency, lack of competition and state-led business models pose additional risk to the region, complicating the implementation of political reforms required for EU integration. Large-scale investments and the opening of new transportation routes could also serve as a vector of political and normative influence, and as an alternative to the Western democratic model of a liberal market economy.

Not having to comply with transparent tendering procedures, accountability and other elements of governance reform, but still receiving much-needed capital from China, could make Western Balkans' leaders less dependent on the EU and enable them to preserve their vested economic interests.

Contrary to China's "checkbook diplomacy," the EU's combined funds for infrastructure and economic development are larger and cheaper for recipient countries in the Western Balkans. Unfortunately, EU offers of aid may be less appealing than those from the Chinese because of cumbersome bureaucratic rules attached to EU funding and "enlargement fatigue," but also due to weak strategic messaging to citizens in the region. The EU should not only reaffirm its open-door policy and move quicker to inject more certainty and predictability in the enlargement process, it should also keep governments in the region more transparent and accountable. Further delays run the risk of decreasing the region's natural attraction toward the EU and creating space for competing visions to future EU integration.

From this perspective, the EU needs to incorporate China-specific measures when considering enlargement policy in the Western Balkans. It should demand increased transparency of Chinese projects, allow greater public scrutiny of their promised benefits and encourage the application of the EU FDI Screening Mechanism for strategic investment. This is essential to help build the region's resilience — a key EU objective. More structured and stringent policies in the EU accession process — relating to environmental and procurement standards, economic governance and debt sustainability — will build capacities in the region's governments and allow Western institutions to better define counterstrategies and increase transparency regarding Chinese government-to-government contracts, debt overreach and other hidden conditionalities.

The Western Balkans need to be part of a coordinated trans-Atlantic strategy toward China. The West in general needs better options for the Western Balkans and a clear strategy to develop economic opportunities and strengthen resilience, one aimed at promoting better foundations of democracy, rule of law and good governance. □

The views expressed are the authors' own and do not necessarily reflect those of the Marshall Center, the U.S. Department of Defense or the U.S. government.



EU SOLIDARITY FACES A MAJOR TEST

China's Economic Coercion Campaign Against Lithuania



By **W. Brent Christensen**, senior policy advisor,
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On November 18, 2021, Taiwan opened the Taiwanese Representative Office in Vilnius, Lithuania, which would seem unremarkable, given that Taiwan has over 50 similar unofficial representative offices around the world — usually named “Taipei Economic and Cultural Offices.” But for China, the use of “Taiwanese” in the office’s title crossed a bright red line because it could imply that Taiwan was independent of China, which claims sovereignty over the island. In an angry response, Beijing stated, “The Lithuanian government, in disregard of the Chinese side’s strong objection and repeated dissuasion, has approved the establishment of the so-called ‘Taiwanese Representative Office in Lithuania.’ The Chinese government expresses strong protest over and firm objection to this extremely egregious act. The Lithuanian side shall be responsible for all the ensuing consequences.”

The consequences were not long in coming. China withdrew its ambassador to Lithuania and demanded that Lithuania’s ambassador in Beijing leave. It then delisted Lithuania as a country of origin, which effectively blocked all trade with Lithuania, and turned away from its ports 120 shipping containers filled with Lithuanian goods. After an investigation of Lithuania’s claim that China had imposed “unannounced sanctions” on its products, the European Union on January 27, 2022, filed a case with the World Trade Organization accusing China of “illegal and discriminatory trade practices.” The EU had earlier affirmed its solidarity with Lithuania following a meeting of EU foreign ministers on January 14.

The standoff over Lithuania comes at a critical time in EU-China relations and represents an unprecedented test of the EU’s collective resolve to resist Chinese economic pressure. Because of economic and political disputes, the EU-China relationship has deteriorated to its lowest point since 1989, according to *The Diplomat* magazine. In May 2021, the EU Parliament voted to freeze ratification of the bilateral Comprehensive Agreement on Investment, signed in December 2020, after the Chinese government issued sweeping sanctions on European think tanks, scholars, European Parliament members and EU ambassadors in retaliation for EU sanctions against four Chinese officials responsible for human rights abuses in Xinjiang.

Because China ranks 22nd as a destination for Lithuania’s goods — less than 1% of the country’s total exports — China’s trade ban would have little direct impact on Lithuania’s economy. But as China moves to leverage European supply chains against Lithuania, the overall costs to the country and its other trade partners could be considerable. Although the Federation of German Industries (BDI) issued a strong statement of support for Lithuania, some member companies are reportedly rethinking their business relationships. German, French and other European companies with operations in China that rely on Lithuanian-made components are now unable to obtain these products. Companies have been warned by China against using Lithuanian imports. Jörg Wuttke, president of the EU Chamber of Commerce in China, described it as an unprecedented move to pressure the wider European business community, further complicating supply chain issues already affected by the COVID-19 pandemic.

Initially defiant in the face of Beijing’s actions, some Lithuanian politicians are now wavering as they assess the unexpected fallout from the Taiwan office opening. A recent poll conducted by the Lithuanian Foreign

Ministry in mid-December 2021 indicated that only 13% of Lithuanians support the government's hard-line policy on China, while 60% oppose it. Lithuanian President Gitanas Nausėda expressed doubts about the wisdom of his country's principled stand. "I think it was not the opening of the Taiwanese office that was a mistake, it was its name, which was not coordinated with me," Nausėda told a local radio program. Foreign Minister Gabrielius Landsbergis told reporters soon thereafter that the Taiwan office opening was coordinated with the president from the start. Landsbergis said the Foreign Ministry "stands firm in its decision to welcoming the opening of the Taiwanese Representative Office."

Taiwan, recognizing the mounting political and economic costs for Lithuania, has stepped up its support. Taiwanese businesses have offered to take Lithuanian exports originally bound for China, including the 120 containers rejected at Chinese ports. One Taiwanese company agreed to buy all 20,000 bottles of Lithuanian rum that were refused entry, and Taiwan consumers are buying up Lithuanian chocolates and other goods that are no longer welcome in China. In addition, Taiwan announced that it would create a \$200 million fund to invest in Lithuanian industries and boost bilateral trade, and a few days later rolled out a \$1 billion credit program. Kung Ming-hsin, Taiwan's National Development Council minister, explained that the \$200 million fund will be aimed at high-tech investments and that the \$1 billion credit loan will support joint Taiwanese-Lithuanian private sector projects. Aušrinė Armonaitė, Lithuanian minister for economy and innovation, said the announcement of the funds "is very good news. I think Lithuania can be assessed as a potential investment site for the semiconductor industry." Gaining access to Taiwan's semiconductor technology has been a longtime goal of the EU. Eric Huang, the head of Taiwan's office in Vilnius, suggested in public comments that Taiwan may consider semiconductor investments in Lithuania.



Lithuanian Foreign Minister Gabrielius Landsbergis said the ministry "stands firm in its decision to welcoming the opening of the Taiwanese Representative Office."
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The EU and its members have continued to voice strong support for Lithuania. On December 8, 2021, EU High Representative Josep Borrell and EU Trade Minister Valdis Dombrovskis issued a joint statement declaring, "The EU is ready to stand up against all types of political pressure and coercive measures applied against any Member State. The development of China's bilateral relations with individual Member States has an impact on overall EU-China relations." The statement also noted that the EU, in keeping with its One China Policy, "will pursue cooperation and exchanges with Taiwan in areas of common interest." As France prepared to assume the rotating presidency of the EU in January 2022, President Emmanuel Macron pledged to make the bloc's trade policy more assertive by bolstering its defense arsenal in commercial disputes with China. To that end, the EU unveiled a new anti-coercion instrument — formally titled "Proposal for regulation on the protection of the Union and its Member States from economic coercion by third countries" — that could be helpful in countering the weaponization of trade and investment.

The United States has also supported Lithuania's closer relationship with Taiwan and its move to let Taiwan open an office in Vilnius. Soon after the office was announced, the American Institute in Taiwan — the de facto U.S. embassy in Taiwan — issued a statement applauding the agreement. The U.S. also announced a \$600 million export credit agreement with Lithuania via the U.S. Export-Import Bank. In a press conference with German Foreign Minister Annalena Baerbock, U.S. Secretary of State Antony Blinken said, "We have immediate concerns about the government of China's attempts to bully Lithuania, a country of fewer than 3 million people. The United States will work with our allies and partners, including Germany, to stand up against intimidation like this." Baerbock added, "We as Europeans stand in solidarity at Lithuania's side." In a further gesture of support, on January 27, 2022, following the EU's WTO filing, the U.S. Trade Representative's office announced that it would request to join the WTO consultations "in solidarity with Lithuania and the European Union." Soon thereafter, the U.S. State Department sent Under Secretary for Economic Affairs Jose Fernandez to Vilnius and Brussels to discuss implementation of the \$600 million export agreement and issues of common concern, including countering economic coercion.

Lithuania has long been a critic of China, and in May 2021 pulled out of the 17+1, an effort by China to boost trade and investments with Central and Eastern European countries. The 17+1 concept has languished in recent years as expected Chinese investment and other economic benefits failed to appear. As Lithuania announced its withdrawal from the 17+1, Landsbergis commented, "From our perspective, it is high time for the EU to move from a dividing 17+1 format to a more uniting and therefore much more efficient 27+1." Despite this move, along with Lithuania's restrictions on Huawei (and other suppliers for its 5G networks) and its outspoken criticism of China's human rights abuses, Lithuania's trade relationship with China was not significantly affected at the time. Attempting to downplay the significance

of the Taiwan office, Landsbergis explained that Taiwan has opened offices across Europe, so its opening of an office in Vilnius should be no big deal.

Taiwan has been fighting a losing battle to have the international community accept Taiwan as its preferred name, including in the few international organizations and initiatives in which it is a full member. Taiwan has almost always had to compromise on the choice of names. Within the Asia-Pacific Economic Cooperation (a forum of 21 Asia-Pacific economies), at the Olympics and within a number of other organizations, Taiwan is known as “Chinese Taipei.” In the Asian Development Bank, it is “Taipei, China.” In the World Trade Organization, it is “The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei).” Efforts to change these designations have never gotten very far. For example, in 2018 a referendum in Taiwan proposed changing the name of Taiwan’s Olympic team from the “Chinese Taipei” Olympic team to the “Taiwan” Olympic team. But when the International Olympic Committee made it clear that Taiwan would not be allowed to compete under that name, the motion was voted down. Beijing meticulously monitors Taiwan’s designations in commercial, academic or other listings, and whenever it finds a “violation,” it applies intense pressure on the offending company, school or organization to change it. In 2017-2018, all foreign airlines that serve China were forced to revise their listings of Taiwan destinations on their websites. One exceptional success for Taiwan was the opening of a Taiwan office in the self-declared East African state of Somaliland, a polity that is not officially recognized by any country. Even then, China reportedly tried to stop it, but Somaliland pressed ahead. “We could become the Taiwan of the Horn of Africa,” said Somaliland Foreign Minister Liban Yousuf Osman. “Taiwan is a success story, and we want to replicate its development model.”

Although Taiwan has continued to lose diplomatic allies in recent years — from 22 down to 14 in the past six years — during the administration of Taiwan President Tsai Ing-wen it has made considerable progress in its unofficial relationship with the EU, especially in Central and Eastern Europe. In a demonstration of the strength of the Czech Republic-Taiwan relationship, Czech Senate President Miloš Vystrčil and a delegation of nearly 100 parliamentary and business representatives visited Taiwan in September 2020, and Taiwan sent a reciprocal delegation to Prague a year later. Taiwan Foreign Minister Joseph Wu has been a frequent visitor to the region, and made a much-publicized visit to Poland, the Czech Republic and Slovakia in the fall of 2021, speaking at the GLOBSEC think tank’s conference in Slovakia and giving a virtual speech to a meeting of the Inter-Parliamentary Alliance on China in Rome. Underscoring Taiwan’s international reputation as a democratic success story, Tsai also gave a virtual speech at Denmark’s Copenhagen Democracy Summit in 2021.

Given China’s hard-line stand, there is little room for compromise in the case of Taiwan’s office in Lithuania. By coming down hard on Lithuania, China is sending a warning to other countries in Europe that may be contemplating



Eric Huang, third from right, director of the Taiwanese Representative Office in Vilnius, Lithuania, stands with staffers at the office’s opening in 2021.

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a closer relationship with Taiwan. As a recent article on the Politico news website observed, this is a classic example of “killing the chicken to scare the monkey.” Even if Lithuania were to alter the office’s name to the more conventional “Taipei Economic and Cultural Office,” China will not relent. An op-ed in the January 22 issue of the Global Times, a mouthpiece for Beijing, stated that it would take much more than simply renaming the office. Lithuania would need to make “substantial adjustments to its overall China policy.” But Beijing’s threats may not be working. On January 17, Slovenian Prime Minister Janez Janša told an Indian TV station that Slovenia was working with Taiwan to set up mutual representative offices, which he said, “will be on the same level as other EU member countries already have.” Reacting to the news, a Chinese Foreign Ministry spokesman expressed “shock” and equated it with support for Taiwan independence. According to news reports, within days after the interview, Slovenian businesses were reporting that Chinese partners were terminating contracts.

Taiwan, the world’s 21st-largest economy, a successful democracy and a critical link in global high-tech supply chains, can offer many benefits to Lithuania. And Taiwan is a generous friend — witness the millions of face masks and other personal protective equipment that Taiwan donated to the U.S., the EU and other partners during the COVID-19 pandemic. But even with Taiwan’s generous offer of the combined \$1.2 billion in investments and trade credit for Lithuania, and the U.S.’s \$600 million in export credit, Beijing still has more economic leverage and a much more ruthless disposition to use it. On its own, Lithuania, the world’s 83rd-largest economy, inhabited by only 2.8 million people, is clearly outmatched in this test of wills with China. The stakes are high for the EU’s credibility as a defender of its member states against third-country coercion. While it still is too early to tell whether the proposed new anti-coercion instrument will help the EU counter the formidable economic coercion Beijing can bring to bear, for now it will be critical that the EU remain steadfast and united in standing with Lithuania against Beijing’s growing coercive pressure. □

MANAGING CHINA'S RISE

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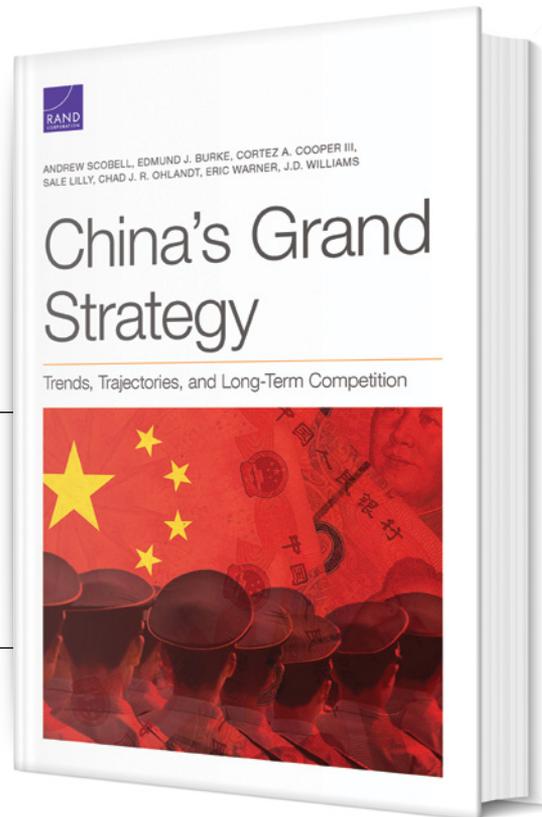
REVIEWED BY: Patrick Swan, per Concordiam contributor

Whether an ascendant China represents a so-called Thucydides Trap for the United States and the West is an open question. Graham Allison, a scholar and former U.S. defense official, posits that a clash is inevitable because a rising power seeks to unseat a reigning power. But, although historical examples abound where this has occurred, nothing is foreordained. A 2020 Rand Corp. study on China's grand strategy provides a blueprint for what ancient Chinese military strategist Sun Tzu well advised two-and-a-half millennia ago: "If you know the enemy and know yourself, you need not fear the result of a hundred battles."

The Rand study, "China's Grand Strategy," examines trends, trajectories and long-term competition. The six-chapter, 135-page analysis is packed with sound assessments and recommendations from scholars and strategists for how the West can manage China's rise.

The bottom-line conclusion is that China is not predestined to displace the U.S. and the West as global arbiters of international policy and actions. This is true even though the authors set 2050 as the year they expect China to reach its strategic near-term goals.

Chapters examine China's potential grand strategies; its ability to frame the future through political control and social stability; its rebalancing of diplomacy and economics; its restructuring of national



defense; and the 2050 scenarios and competitive trajectories for China and the West. The authors concede that China and the U.S./West will be engaged in a significant rivalry in world affairs for the foreseeable future — hence, 2050 as a marker in time.

The purpose of China's grand strategy is what Rand dubs a "national rejuvenation" to produce a China that is "well governed, socially stable, economically prosperous, technologically advanced, and militarily powerful." Whether China deploys this power as a responsible leader in the international community or as something less positive will determine whether this is good or bad for the U.S. and the West.

Rand traces four scenarios for what China might look like by 2050 in terms of its ability to wield instruments of national power to achieve its aims and ends. "Triumphant China" represents Beijing achieving its grand strategy; "ascendant China" is an achievement of some but not all of its goals; "stagnant China" means Beijing has failed to achieve its long-term goals; and "imploding China" posits a regime besieged by threats to its existence. Inside each scenario, the authors consider China's ability to achieve its goals, the domestic and foreign conditions required, the outcome

of each scenario for China's global influence, and the scenario's consequences for the U.S. and the West. Rand concludes that any of these four scenarios is possible by 2050.

Nevertheless, Rand finds "triumphant China" to be the least likely because it sees little margin of error for success. Conversely, "imploding China" is also unlikely because Chinese leaders, in Rand's words, "have proved skilled at organizing and planning, adept at surmounting crises, and deft at adapting and adjusting to changing conditions." Because China is likely to have achieved some of its strategic goals, if not all, the authors state that "ascendant China" and "stagnant China" are the more plausible scenarios.

What does this leave for the U.S. and the West to manage? According to Rand, each scenario could potentially produce specific trajectories in Chinese-U.S./West relations. These include the rivals becoming "parallel partners" or "colliding competitors," or two nations heading in "diverging directions."

"Parallel partners" returns the two countries' relations to pre-2018 status. This is more likely, Rand believes, in the "ascendant" and "stagnant" scenarios, at least with respect to out-of-area operations and nontraditional security threats. In the "colliding competitors" trajectory, the authors envision a more competitive and contentious relationship that is likely in a "triumphant China" scenario. In the third trajectory, "diverging directions," neither China nor the U.S./West would directly cooperate. But it would not lead to direct conflict. An "imploding China" scenario would feature a Beijing preoccupied with mounting domestic problems.

To manage its relationship with the U.S./West, the authors contend, China seeks to gain competitive advantages and to resolve threats without derailing its strategic priorities. In its own backyard, China seeks to control regional trends and changes to the regional status quo without awakening fears of a "China threat." The challenge for the U.S./West is properly preparing for the "triumphant" and the more likely "ascendant" China scenarios. These represent the strategic challenges with the greatest potential to harm the interests of the U.S. and the West. In such a scenario, the U.S. military should anticipate threats to its forward-based troops in the western Pacific and the potential loss of routine air and sea operations in that region.

Countering this will require joint force capability improvements to mobile and integrated air defenses and to cross-domain fire-support capabilities, among other assets. The purpose would be to reinforce conventional deterrence and to keep competition from becoming conflict. To this end, the authors recommend more bilateral and multilateral training

exercises with regional allies and partners, and marrying electronic warfare systems and capabilities with cyber or network attack operations. They support demonstrating sea denial and control operations, flexible communication and intelligence dispersal, and incorporating artificial intelligence at all levels. The U.S./West must employ highly capable, responsive and resilient maritime and air forces to effectively suppress Chinese military ambitions and keep them in a risk-averse posture.

Rand finds that the U.S. Army is best positioned to influence China's People's Liberation Army through military-to-military operations. Illuminating China's concerns about its weaknesses can provide Western policymakers with a "more robust understanding of potential opportunities as they arise." These opportunities could keep the relationship nonkinetic and help to manage China's ascendancy to ensure Beijing does not become an existential threat to the existence of the U.S. and the West.

Knowing one's adversary and one's self is important, at least in this case, because it can ensure that China does not defeat the U.S. without fighting a battle, what Sun Tzu called "the acme of skill."

Rand is stark in its belief that it is essential to understand how China's military strategy and restructuring efforts are integrated into China's overall approach to building comprehensive national power: "China's current perspective on its relationship with the United States is centered on competition that encompasses a wide range of issues, not simply geopolitical influence. ... Perhaps as important as developing and deploying concepts and capabilities ... is that applying a framework like the one used in this study can help to illuminate China's concerns about its relative weakness in key areas. This, in turn, may provide U.S. policymakers with a more robust understanding of potential opportunities as they arise."

Knowing one's adversary and one's self is important, at least in this case, because it can ensure that China does not defeat the U.S. without fighting a battle, what Sun Tzu called "the acme of skill." There will be no maneuvering the U.S./West into a checkmate if the U.S./West modernize their defenses and steel their resolve to peacefully compete with China where applicable and to successfully counter Chinese adventurism and aggression when encountered. The Rand report is an excellent road map for that proposal. □

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In the next issue of per Concordiam:
**NATO 2030:
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Royal Netherlands Air Force F-16 fighter jets participate in NATO's Baltic air policing mission in Lithuanian airspace.

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