SINO-EUROPEAN RELATIONS AND THE RESHAPING OF THE INTERNATIONAL ORDER

50th anniversary of EU-China diplomatic relations

EDITORS
Levente Horváth
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EURASIA CENTER

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China and the EU – Fifty Years Together

Building the Future Hand in Hand

H. E. GONG TAO, AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE PEOPLE'S REPUBLIC OF CHINA TO HUNGARY

Congratulations to the *Eurasia Center of John von Neumann University and the Center for China-europe Relations at Fudan University* on publishing a volume of studies on China-EU relations, marking the 50th anniversary of the establishment of diplomatic relations between China and the European Union. With its historical perspective, this book reflects on the journey so far and, together with the original aspiration for cooperation, looks ahead to the future – coming at just the right time.

It has been fifty years of continuous development in China-EU relations. The advancement of China-EU ties is a historic choice made by two major global forces based on their respective strategic goals and interests. In 1975, the elder generation of Chinese and European leaders, recognising the global situation and with extraordinary political vision, broke through Cold War barriers and made the decision to establish diplomatic relations. In 2001, China and the EU established a comprehensive partnership, which was upgraded to a comprehensive strategic partnership in 2003. In 2014, President Xi Jinping made a historic visit to the EU headquarters and proposed the fostering of a China-EU partnership for peace, growth, reform and civilization. During his visit to Europe last year, President Xi held a trilateral meeting with French President Emmanuel Macron and President of the European Commission Ursula von der Leyen. This year, he had a phone call with President of the European Council António Costa, further clarifying the direction of China-EU relations. On 7 May, President Xi Jinping and Premier Li Qiang exchanged congratulatory messages with President Costa of the European Council and President von der Leyen of the European Commission, jointly celebrating the 50th anniversary of China-EU diplomatic ties and injecting new momentum into the development of their relationship. China and the European Union held their 25th summit in Beijing on 24 July. President Costa and President von der Leyen met with President Xi Jinping, followed by a meeting with Premier Li Qiang.

It has been fifty years of mutually beneficial cooperation between China and the EU. Over the past five decades, China and the EU have developed a strong economic symbiosis, becoming each other's second-largest trading partner. Our annual trade volume has surged from USD 2.4 billion to USD 785.8 billion – a more than 300-fold increase. Today, the value of daily trade equals the total annual volume in the early years. The China-Europe Railway Express runs swiftly across the Eurasian continent, reaching more than 220 cities in 25 European countries. Cooperation between the two sides has yielded fruitful results in areas such as finance, environmental protection, culture, education, tourism and customs. Meanwhile, collaboration in emerging fields such as the digital economy, new energy and artificial intelligence is thriving and continues to gain momentum.

It has been fifty years of cultural exchange and mutual learning between China and the EU. The enduring vitality of China-EU relations stems from the harmonious coexistence of two great civilizations. In recent years, people-to-people exchanges between China and the EU have grown increasingly close. The two sides have jointly held themed years, such as the China-EU Year of Culture and the China-EU Year of Tourism. China's unilateral visa-free policy now benefits 24 EU Member States. During President Xi Jinping's visit to France last year, he announced a major initiative: to increase the number of French students studying in China to over 10,000 within the next three years, and to double the scale of exchanges for European young people coming to China. Pandas, Nezha and Black Myth: Wukong – more and more elements of Chinese culture are coming into view among the European public, building bridges of understanding and affinity between the people of China and the EU.

It has been fifty years of China and the EU jointly shouldering the responsibilities of the time. China and the EU are two major forces promoting multipolarity, two major markets in support of globalisation and two great civilizations that advocate for diversity. The two sides have maintained close communication on major international and regional issues, worked together to promote political solutions to global hot-spot issues and remained coordinated on critical challenges concerning the future of humanity, such as climate change and artificial intelligence, in an effort to enhance global well-being. As two of the world's largest economies, China and the EU have consistently upheld the principles of free trade and jointly safeguarded the multilateral trading system with the World Trade Organization at its core. In the face of unilateralism and protectionist measures – such as the imposition of unilateral tariffs – by certain countries, China and the EU have chosen dialogue, cooperation, openness and mutual benefit, standing together against the tide of protectionism.

Looking back on the 50-year development of China-EU relations, the most important lesson is that both sides must uphold the position of a partnership, respect each other's choice of social system and development pathway and respect each other's core interests and major concerns. As President Xi Jinping pointed out, China and the EU have no fundamental conflicts of interest or geopolitical rivalry – we are partners that can help each other succeed. In today's world of increasing turbulence and transformation, China-EU relations are of even greater strategic importance and have an even greater global impact. Standing at the milestone marking the 50th anniversary of diplomatic ties, China looks forward to working with the European side – including Hungary – guided by the original aspiration of establishing diplomatic relations. We will continue to uphold the spirit of partnership, strengthen dialogue and cooperation, properly manage differences and promote the steady and positive development of China-EU relations – joining hands to create a more peaceful, stable, developed and prosperous world.

Editorial Preface

2025 marks the fiftieth anniversary of the establishment of diplomatic relations between the European Union (and its predecessors) and the People's Republic of China. This half-century milestone offers a unique opportunity for reflection, at a moment when the international system itself is undergoing profound transformation. As the global order shifts from unipolarity to multipolarity, the importance of EU–China relations has continued to grow. Yet the trajectory of this relationship has been far from linear, marked by cycles of engagement and estrangement, expectation and disappointment, cooperation and rivalry, especially in recent years.

For five centuries, the world has been dominated by a Western-centred order, constructed and maintained largely by Europe and later reinforced by transatlantic institutions. In recent decades, however, the rapid rise of Asia – above all China, but also India and other emerging economies – has introduced new dynamics to global governance. China's ascent as the world's second-largest economy, its role as a driver of innovation and its expanding presence in international institutions have challenged traditional assumptions about hierarchy, power and legitimacy in world politics. Against this backdrop, EU–China relations are no longer a matter of bilateral cooperation alone; they are embedded in the larger question of how the international order can adapt to multipolar realities.

The European Union has long struggled to reconcile the dual character of China as both partner and competitor. On one hand, cooperation with China is essential for addressing global challenges – climate change, technological transitions and economic interdependence, and significant for the economic prosperity of each other. On the other, growing concerns about systemic rivalry, market access, security of critical infrastructure and a divergence in values have increasingly shaped Brussels' official discourse. The result has often been a relationship defined more by ambiguity and uncertainty than by strategic clarity and predictability. Although both sides try to show their common willingness to normalise bilateral relations, the most recent EU–China summits (2025) have underscored this ambivalence, with expectations of breakthroughs giving way instead to mutual suspicion and political discord.

This collection of studies, published on the 50th anniversary of EU–China diplomatic relations, is conceived as a contribution to both scholarly debate and policy reflection. The volume seeks to provide a balanced and multifaceted understanding of the evolution of Sino-European relations, situating them within the broader context of global transformation. By bringing together leading Chinese, Hungarian and other European scholars, we aim to present a dialogue that transcends national perspectives and sheds light on the common ground – as well as the divergences – that define this partnership.

The volume is structured around three main pillars. The first section, *China–Europe Relations*, examines the EU–China relationship in its broadest sense, providing an overview of political, economic and strategic dimensions. The contributions here reflect on how China and Europe might together shape a stable multipolarity, highlighting both the opportunities and the structural constraints of cooperation.

The second section, *China–CEEC Relations*, turns to the regional dynamics of Central and Eastern Europe. This part illustrates how the China-CEE cooperation emerged from Hungary and became an important, albeit contested, platform for dialogue. The authors analyse the specific challenges and opportunities facing individual countries – from the electric vehicle supply chain to the political pressures shaping national trajectories – and situate them within the broader EU–China framework.

The third section, *China–Hungary Relations*, provides a case study of one of the most active European states in engaging with China. Hungary's policy of "Eastern Opening" has sought to diversify its international relations, positioning itself as a bridge between East and West. This part of the volume highlights both the historical depth and the contemporary relevance of Hungarian–Chinese ties, and explores how national strategies intersect with European policymaking.

Taken together, the contributions underscore a critical conclusion: EU–China relations cannot be understood solely in terms of bilateral exchange. They are part of a larger process of global rebalancing, in which questions of connectivity, technological transformation and strategic autonomy will play decisive roles. Undoubtedly, China is now an important driver of multipolarisation. If the EU wishes to remain a relevant actor in the emerging multipolar order, it must adopt policies that are pragmatic, future-oriented and respectful of diversity in historical experience and political culture, and seek cooperation with China.

The purpose of this book is not only to analyse but also to offer guidance. At a time when misunderstandings and politicisation increasingly shape transcontinental dialogue, it is our hope that this collection will serve as a resource for policymakers, scholars and students alike. By presenting diverse perspectives, we seek to encourage informed debate, foster mutual respect and contribute to shaping EU–China relations in a more constructive direction.

The 50th anniversary of EU–China relations is therefore not only a moment of commemoration, but also a call for renewal. Europe and China face the shared responsibility of together shaping a stable, multipolar world order – an order that must be inclusive, balanced, stable and based on mutual benefit. The task presents challenges, but so do the opportunities. We trust that the insights contained in this volume will assist decision-makers in navigating this complex landscape and will inspire further academic dialogue in the years to come.

PART ONE

CHINA-EUROPE *Relations*

EU–China Relations – A Current Overview

GERGELY SALÁT[1]

ABSTRACT: This study provides a comprehensive overview of contemporary EU–China relations, examining their historical evolution, structural characteristics and recent sources of tension. Unlike the geopolitical rivalry between the United States and China, the EU–China relationship has traditionally lacked territorial disputes and direct strategic conflicts, allowing for the possibility of a pragmatic modus vivendi based on economic cooperation and political dialogue. However, since 2020, the relationship has markedly deteriorated due to four major factors: the ideological shift in Western perceptions of China; intensified economic competition driven by China's growing technological capabilities; the securitisation of China-related issues within European liberal discourse; and China's increasingly assertive international posture. This paper argues that these tensions are exacerbated by internal European weaknesses – most notably its economic underperformance and strategic dependency on the United States. While Washington pressures its allies to adopt a confrontational stance towards China, European national governments

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remain reluctant to sever ties with one of their biggest trading partners. As a result, a dual-track approach has emerged, in which anti-China rhetoric is outsourced to EU level, while national leaders pursue more pragmatic engagement. The return of Donald Trump to the White House in 2025 may inadvertently create new opportunities for recalibrating EU–China relations, as the decline in transatlantic ideological alignment grants Europe greater autonomy in foreign policy. The study concludes that although the fundamental reorientation of EU policy is unlikely, targeted efforts to improve competitiveness, revive the stalled Comprehensive Agreement on Investment and depoliticise China relations could enable the EU to pursue a more balanced and interest-driven approach in its engagement with Beijing.

KEYWORDS: EU-China relations, decoupling, US

EU–China relations differ fundamentally from those between the United States and China, as the former are not necessarily destined to turn into geopolitical rivalry. The great power competition between the US, intent on maintaining its global hegemonic position, and China is – according to many – inevitable (Mearsheimer, 2014; Allison, 2017; Doshi, 2021). In contrast, Europe faces no such structural confrontation: the EU is not a classical great power, it has no territorial disputes with China and their respective spheres of interest do not overlap. This does not preclude intense economic competition in various fields, yet there remains the potential for developing a modus vivendi in which rivalry is limited to specific domains, while cooperation prevails in others. The recalibration of China-EU relations is particularly appropriate now, as Donald Trump's policies have triggered significant changes across the globe.

Background

The establishment of relations between the European Economic Community (EEC) – the forerunner of today's European Union – and the People's Republic of China was facilitated by the major geopolitical shift of the early 1970s, during which the United States and China began to move closer. As a result, America's allies were also able to normalise relations with Beijing. First, most Western European states established diplomatic relations with China, and in 1975, the EEC itself formally initiated relations with the Far Eastern giant, then still under the leadership of Mao Zedong (Shambaugh et al., 2007).

This initial contact became truly significant only after China launched its "reform and opening-up" programme, opening the country up to the outside world. European companies saw great potential in the vast Chinese market and its highly skilled labour force, while China urgently needed Western capital and technology. Consequently, from the 1980s onwards, numerous European firms established factories or representative offices in China. Parallel to this economic cooperation, institutional relations also developed. As early as 1978, the two sides established a joint committee to oversee bilateral relations and signed a trade agreement, which was replaced in 1985 by a new trade and economic cooperation agreement. In 1980, delegations from the European Parliament and the National People's Congress met for the first time, and since then, reciprocal visits between various officials have become routine. The 1990s ushered in a flourishing period of EU–China relations. In 1994, the two sides established a framework for political dialogue on issues of mutual interest, which later evolved into the institution of annual summits from 1998 onwards. The EU published its first China strategy in 1995, and in 1998, Premier Zhu Rongji became the first Chinese head of government to pay an official visit to the European Commission. In 2003, China issued its own EU strategy, and the two sides declared each other comprehensive strategic partners. The period from 1995 to 2005 is often referred to as the "honeymoon" of EU–China relations, characterised by increasingly close economic, political and cultural ties, with disagreements typically addressed through constructive dialogue. A series of institutionalised dialogue was launched, enabling the two sides to convene regularly to discuss developments in specific areas (Shambaugh, 2008; Casarini, 2006; Salát, 2025a).

China's accession to the World Trade Organization in 2001 gave further impetus to trade expansion. Over the following decade, the Chinese economy surpassed that of France, the United Kingdom and eventually Germany, becoming the world's second largest around 2010 – overtaking Japan. The shift in relative power was accelerated by the global financial crisis of 2008, which severely impacted European economies but had a

more limited effect on China (Wang, 2011). Cooperation between the EU and China continued during this period, with a growing number of formal partnerships established in areas ranging from climate change and global governance to sustainable development. Investments flourished as well (Szunomár, 2016; Matura, 2017). For 15 consecutive years, the EU was China's largest trading partner, a position recently taken over by ASEAN (Huld, 2024).

Of course, the relationship was never without challenges. The EU repeatedly launched anti-dumping investigations into various Chinese products, refused to recognise China as a market economy and frequently criticised Beijing's human rights record. There were debates about European firms' market access in China and the enforcement of intellectual property rights. Nonetheless, the overall trajectory of the relationship was one of increasing closeness. Both sides recognised that they did not face a geopolitical conflict – there were no territorial disputes, and the EU, lacking traditional great power ambitions, did not have clashing spheres of influence with China. Moreover, the two sides complemented each other in many areas, offering opportunities for mutually beneficial cooperation.

Deterioration of relations

Despite overlapping interests, China–EU relations have been in sharp decline across all domains since 2020, with serious tensions accumulating between the two sides. This deterioration can be attributed to four primary factors.

First, a shift had occurred in the mindset of the American elite by the mid-2010s. Previously, there had been the widespread illusion that China would eventually integrate into the US-led international system due to its intensive engagement with the West. Albeit belatedly, the United States came to the realisation that this transformation would not materialise. Regardless of its intentions, China – by virtue of its growing weight – emerged as a clear challenger to American hegemony. This awakening led to the trade war initiated by the first Trump administration, as well as a sustained anti-China media campaign portraying the country not as a land of business opportunities, but as a rival to the democratic world. According to the simplistic dichotomy that has become mainstream in the West, the world is engaged in a moral struggle between democracies and autocracies, with the former naturally regarded as superior (Breslin & Mattlin, 2025). This cognitive shift gradually made its way to Europe, where mainstream media fully adopted the American narrative, and EU politicians became increasingly inclined to equate American state interests with those of EU citizens. This may be the result of American pressure, ideological bias on the part of European leaders or – most likely – a combination of both. One could argue that it is in Europe's interest to preserve US hegemony, but there has been no meaningful or honest public debate about this premise. Today, anyone failing to fully align with the American position can expect to be ostracised by the EU's political elite (the business elite, in contrast, takes a far more pragmatic view, but its role in shaping public opinion is limited).

Second, the strengthening of certain Chinese industrial sectors has indeed begun to threaten the interests of European companies. As long as China specialised in cheap assembly work and occupied the lower rungs of the value chain, everyone was happy to cooperate. European firms were not overly concerned about problematic Chinese practices (such as the flexible interpretation of intellectual property rights), as the vast Chinese market more than compensated for potential losses, and Western companies generally remained one step ahead of their Chinese imitators.

Profitability was therefore ensured. In the 2010s, however, China began to catch up with – and in some cases surpass – European firms in cutting-edge technologies linked to two major ongoing transitions: the green and digital transformations. As a result, China evolved from a low-cost supplier into a formidable competitor, gaining dominance in sectors such as solar panels and electric vehicles (Andersen, 2024; Andres, 2024). Europe had fallen behind in many areas, prompting the affected companies to lobby against China. Thus, Chinese business practices that had previously been overlooked suddenly became problematic.

Third, within Europe's prevailing liberal discourse – unsurprisingly influenced by American pressure and influence – everything related to China became suspect and dangerous. For certain political actors, adopting a tough stance on human rights and engaging in anti-China rhetoric is a means to gain electoral support. From their perspective, it is politically rational to advocate for a rollback of bilateral ties, even if doing so is economically irrational. The traditionally liberal press reinforces this narrative, creating an echo chamber in which China and its government are portrayed as fundamentally illegitimate actors. Both real and perceived issues related to China have become securitised, with everything from Chinese telecommunications equipment and Belt and Road Initiative (BRI) infrastructure projects to Chinese acquisitions of shares in European ports framed as national security concerns. The competition with Chinese companies has turned into an ideological battle – one that, in the eyes of many, pits good against evil (Schilder, 2022; Breslin & Mattlin, 2025).

Fourth, China's own behavior has changed significantly since the 2010s. Deng Xiaoping's well-known 24-character dictum (its main principle known as *taoguang yanghui*) – which emphasised maintaining a low profile – has receded, and Beijing has taken a more assertive stance in defending its interests (He & Feng, 2012). During this period, China's economy grew large enough to support its emergence as a global power, and the country's confidence rose accordingly. The more self-assured posture of Chinese diplomats and politicians has been interpreted by many abroad as a sign that China seeks to upend the current world order, exert pressure – economic, military or otherwise – on other countries and shape their behaviour. Such perceptions naturally provoke resistance, reinforcing the notion that China's rise is a threat (Loh, 2024).

Several specific developments have further reinforced the rise of anti-China sentiment in European discourse. The outbreak of the COVID-19 pandemic in 2020 intensified hostility towards China, even though China and the EU cooperated closely on tackling the pandemic (Song & Bian, 2021). The adoption of the Hong Kong national security law was easily interpreted as evidence that China, despite its promises, had no intention of waiting fifty years to change Hong Kong's system.

Farewell to realism

On the EU side, at political level, a serious challenge emerged with the retirement of Angela Merkel, which marked the departure of the last major European statesperson still capable of maintaining a rational, pragmatic discourse on China. She was also one of the few leaders who could be contacted when one wished to "speak with Europe." Her final act of pragmatic engagement was brokering the Comprehensive Agreement on Investment (CAI) with Chinese President Xi Jinping and French President Emmanuel Macron on the last working day of 2020. The CAI represented a significant step towards addressing European complaints regarding Chinese market access, levelling the playing field and fostering fairer

competition. However, as is well known, the agreement was not ratified by the European Parliament – which is dominated by actors far removed from realpolitik – and the politicisation of the whole China question rendered meaningful discussion of the deal impossible (Hamilton, 2022).

The extent to which German politics – the most important in Europe – has become ideologically driven and irrational in the post-Merkel era is well illustrated by debates over the EU's proposed "countervailing" (anti-subsidy) tariffs on Chinese electric vehicles. The Green Party, which – ostensibly due to its climate goals – should have been most enthusiastic about the rapid spread of cheap Chinese EVs, became one of the strongest proponents of tariffs. Meanwhile, the German automotive industry, which the tariffs were seemingly designed to protect, opposed them vehemently (Kyllmann, 2024).

French President Emmanuel Macron made several hesitant attempts to fill the void left by Merkel by advocating for European strategic autonomy and positioning himself as a broad-minded European statesman. However, he became too entangled in various interest groups and failed to develop a coherent China policy. As a result, European politics has lacked a strong actor capable of preventing the escalation of what can only be described as anti-China hysteria.

A further blow to China–EU relations came with Russia's 2022 invasion of Ukraine. As is typical in times of war, public discourse became black and white, and within this binary framework, mainstream European opinion placed China on the "dark side". It is true that China did not join the sanctions regime, did not condemn Russia, and has provided significant assistance in keeping the Russian economy afloat and sustaining its standard of living. India, too, plays a similar role, but because EU–India relations are less ideologically charged and India is not viewed as a strategic challenger, this has largely been ignored. A lesser-known fact is that China is not only Russia's top trading partner but also Ukraine's largest. In this sense, China plays a role in sustaining Ukraine's economic viability. Formally, Beijing supplies weapons to neither side, although Chinese-made components do appear in both countries' military equipment. China has not recognised Russia's territorial gains as legitimate (O'Neill, 2025). Thus, while black-and-white categorisation does not make sense in the case of China, the West continues to expect full alignment with its own position on the war. Failure to comply is considered morally unacceptable. This only worsens the situation, framing Chinese cooperation along a good-versus-evil axis rather than a useful-versus-useless one, thereby eliminating the space for meaningful dialogue or a China policy grounded in the concrete interests of European citizens and companies – rather than in nebulous moral considerations.

Decoupling is impossible

Europe's alignment with the United States has also manifested in symbolic gestures – such as the withdrawal of the Baltic states from the China–Central and Eastern Europe cooperation framework (known as the 17+1 format). These countries evidently calculated that their ties with China were marginal, while only the United States could guarantee protection from Russia. Thus, a demonstrative gesture towards Washington better served their national interests. Others, however, have shown less enthusiasm for severing ties with China, as the reality is that Europe needs China.

Over the past decades, exceptionally close economic ties have developed between China and the EU – well beyond the level of basic export–import relations. Of course, even trade alone is substantial (China and the EU are

each other's second-largest trading partners), but their interdependence goes far deeper. Supply chains are intertwined, with a significant portion of trade consisting of intermediate goods and components. There is also robust cooperation in research and development between Chinese and European companies, alongside numerous joint ventures. Mutual investment is considerable, and companies from both sides play key roles in each other's economies (Gurol, 2022).

To sever these ties may not be impossible, but it would undoubtedly be self-destructive. It is no coincidence that while the United States openly speaks of "decoupling", Europe has opted for the milder term "de-risking". In practice, however, both decoupling and de-risking are largely unrealistic, given the complexity of global supply chains (Jungbluth, 2023a). If we compare the deterioration of political relations between the US and China, or between the EU and China, with concurrent developments in the real economy, it becomes evident that – until very recently – economic interactions have not mirrored the political fallout. Despite the growing dominance of the decoupling/de-risking discourse, this has had little visible impact on actual economic relations.

EU–China trade reached an all-time high in 2022 (as did US–China trade), and the slight decline since then has likely been driven more by Europe's economic difficulties than by political intervention. Put simply: a German or American procurement manager deciding where to source a component is far more influenced by cost-effectiveness than by what their government's politician recently said about some ideological issue.

European policymakers are well aware of this reality. As a result, a division of labour has emerged: anti-China rhetoric is outsourced to EU level, while national leaders try to navigate between political-ideological expectations and practical realities. EU officials can denounce China without consequence, while national leaders cannot afford to do so. It is telling that while the European press is filled with alarmist headlines about China's "malign influence", "debt-trap diplomacy" and "backdoors built into high-tech devices", national leaders regularly visit Beijing – accompanied, of course, by large business delegations.

In just the second half of 2024, Presidents Andrzej Duda of Poland, Alexander Stubb of Finland and Sergio Mattarella of Italy, as well as Prime Ministers Giorgia Meloni of Italy, Jonas Gahr Støre of Norway, Viktor Orbán of Hungary and Pedro Sánchez of Spain all travelled to China – despite the fact that bilateral relations were at a low point due to the tariff dispute over Chinese EVs (needless to say, Europe's two largest economies also maintained engagement: German Chancellor Olaf Scholz visited China in April, and French President Emmanuel Macron hosted Xi Jinping in May). In short, there is no unified European anti-China front. In fact, those national leaders whose political survival depends on their countries' economic performance are more than willing to deepen ties with China and personally lobby Xi Jinping for investment (Jungbluth, 2023b).

The case of Giorgia Meloni is particularly illustrative. At the end of 2023, the Italian Prime Minister announced with great fanfare that Italy would withdraw from the Belt and Road Initiative – essentially meaning that it would not renew a soon-to-expire and largely symbolic memorandum of understanding. This move received extensive coverage in the Western press, where it was framed as an act of courage and used to highlight the risks of engaging with China. Far less attention was paid to the fact that, during the summer recess of the following year, Meloni travelled to Beijing, where she signed a new three-year action plan with her Chinese counterparts. This new framework contained far more concrete and intensive cooperation than the original BRI agreement.

This event clearly demonstrates how Meloni sought to make a gesture to both the Americans and her domestic audience by rejecting the empty symbolism of the BRI, while simultaneously catering to the needs of Italian companies and the imperative of job creation – which required Chinese involvement (Longhi, 2025). Mutatis mutandis, this is essentially the approach taken by every European leader, except for those whose relations with China are marginal.

European problems

Naturally, the deterioration of China–EU relations cannot be solely attributed to American pressure or the ideological dogmatism of European leaders. In reality, most of the problems labelled as EU–China issues are, at their core, internal EU problems. The other challenges largely stem from these underlying weaknesses.

As previously noted, Europe is militarily weak and therefore relies on American security guarantees (Madaio, 2025; Desmaele, 2025). In exchange, Washington expects European support for its broader strategic goal of countering China. At the same time, the EU also faces mounting economic difficulties, with declining competitiveness. Consequently, the rise of Chinese rivals poses a genuine threat to certain European industries, some of which are now facing existential challenges. However, if the EU's response is to restrict competition through protective tariffs, it will not enhance its own competitiveness. While such measures might offer short-term protection to the domestic market, they will do little to help European manufacturers compete for the seven-billion-strong global market outside the West, where Chinese producers are increasingly dominant (Lauer, 2024). What is needed is a different approach – one that avoids treating support for European manufacturers through state or EU-level subsidies as a taboo.

Progress is also needed in completing the unification of the internal European market. Chinese firms benefit from significant economies of scale, which EU companies struggle to match. Consider, for instance, that China – with its 1.4 billion citizens – has three national mobile service providers, all operating under a single regulatory authority. Meanwhile, in the EU's 27 Member States, dozens of regulatory agencies oversee hundreds of service providers under vastly different regulatory regimes. It is a rhetorical question which type of firm – Chinese or European – is better positioned to expand into the rapidly growing markets of the Global South (Bergeaud & Urabayen, 2025).

The recent focus on competitiveness is thus a welcome development. If Europe can achieve tangible results in this area, it would go a long way towards resetting the EU–China relationship. Without such progress, efforts to normalise political ties and de-emphasise ideological differences will yield limited results. After all, the economic competition between China and Europe is indeed intense – and the EU is not currently winning that race.

The return of Trump

The policies of Donald Trump's second administration and the US–China trade war may have a profound impact on EU–China relations. The trade war, underway since 2018, had already resulted in an average 15% tariff on Chinese exports to the United States by the time Trump's second term began. In 2025, however, the trade war entered a new and more intense phase. When Trump increased tariffs on Chinese products by an additional 10% in both February and March, China responded quickly but in a restrained manner, making the situation appear manageable. In April, however, tit-for-tat measures escalated sharply, with US tariffs rising to 145% – and in some cases 245% – while China responded with tariffs of up to 125%. These rates amount to a near-total bilateral trade embargo between the world's two largest economies, rendering trade virtually impossible (Nagy & Salát, 2025). In May, both sides agreed to de-escalate temporarily, significantly reducing tariffs for a 90-day period. After renewed disputes, the same arrangement was extended again in June. Regardless of how the tariff issue is ultimately resolved, one thing is certain: US–China relations will never return to the previous status quo.

On another front, the United States has also become embroiled in disputes with its European allies. Whereas the Biden administration pursued broad coalition-building strategies, Trump has shown little interest in maintaining traditional alliances and has made a series of unfriendly gestures towards Europe. Vice President J. D. Vance's speech in Munich, leaked Signal conversations among US officials, the administration's shifting stance on the Russia–Ukraine war, demands directed at NATO allies and the imposition of a blanket 20% tariff on all EU products have all made it clear to European elites that they can no longer rely on the United States as before. The ideological alignment between Washington and the European mainstream has crumbled. At the same time, European manufacturers – many of whom heavily rely on the US market – find themselves in an increasingly difficult position. Should the EU and China fail to reach a compromise on tariffs on electric vehicles, China is likely to retaliate with its own punitive tariffs. For now, Beijing has taken only symbolic measures – such as restricting imports of European brandy – in the hope of keeping the door open to negotiation. But it is unrealistic to expect China to passively accept EU tariffs (Mei, 2024). Thus, there is a real risk that the EU – already close to recession, and having lost access to cheap Russian energy and raw materials due to sanctions over the war in Ukraine – could find itself simultaneously engaged in trade wars with both its first and second-largest trading partners. The consequences of such a scenario would be catastrophic and may compel European leaders to reconsider their approach to China.

China, for its part, is also in a difficult position. Its economy is slowing, and the trade war threatens the country's primary remaining engine of growth: exports. Although China is far better prepared for a potential Trump presidency than it was in 2016 and has significantly diversified its global partnerships, the US tariffs will nonetheless weaken Beijing's bargaining position – including in negotiations with the EU. This creates a window of opportunity: China may now be more willing to make concessions – such as improving market access for European firms – that it previously resisted.

Signs of renewed pragmatism have already emerged. In spring 2025, both sides began sounding each other out. At the end of March, EU Commissioner for Trade and Economic Security Maroš Šefčovič held talks in Beijing; in early April, President of the European Commission Ursula von der Leyen and Chinese Premier Li Qiang discussed the implications of US tariffs by phone. On 10 April, the European Commission announced the launch of negotiations with China on phasing out tariffs on electric vehicles (contingent on the adoption of a minimum price). The following day, Spanish Prime Minister Pedro Sánchez visited Beijing, where he also addressed EU-related issues. In early May, China lifted sanctions imposed in 2021 on several Members of the European Parliament. Then, to mark the 50th anniversary of EU–China diplomatic relations, President Xi Jinping and Premier Li Qiang exchanged congratulatory messages with European Council President António Costa and Commission President von der Leyen. In July – after the submission of this manuscript – the annual EU–China summit is scheduled to take place in Beijing, even though it is technically Brussels' turn to host. The EU agreed to travel to the Chinese capital, and Chinese Foreign Minister Wang Yi is expected to visit Brussels beforehand. Diplomatic engagement has also increased at lower levels (Zhang, 2025).

This rapprochement is entirely logical. With the United States turning inwards and urging Europe to shoulder more of its own defence responsibilities, the EU may gain greater autonomy in foreign policy and feel less compelled to align with Washington on China. Trump has repeatedly stated that allies should contribute more to their own defence and is pressuring NATO members to raise defence spending to 3% of GDP. While meeting this demand will be financially burdensome, it could help enhance Europe's defence capabilities and reduce its dependence on the US. The EU should use this increased room for manoeuvre to recalibrate its relations with China and decouple its China policy from American grand strategy. Trump's "America First" doctrine may also entail fewer ideological expectations towards allies than Democratic administrations, offering greater flexibility in foreign relations. Trump's personal priority is not anti-China policy per se, but the rebuilding of American industry. From that perspective, he may be indifferent to the state of relations between his two primary competitors – China and the EU. Whether this more hands-off approach extends to his senior officials in foreign, security and trade policy remains to be seen. Many of them belong to the more hawkish camp and may continue to push Europe towards Washington's preferred direction. If that proves true, little will change: US pressure will persist, and neither EU leadership nor China policy is likely to undergo a significant shift – except perhaps where national governments carve out greater space for realist approaches (Olink, 2025).

Yet it is worth recalling that there is no genuine geopolitical antagonism between China and the EU. There are no territorial disputes, no clashing spheres of influence, and the EU is not a classical great power that inevitably comes into conflict with its peers. In fact, many interests overlap: the preservation of the international trading system, the maintenance of global stability and cooperation on climate change and counterterrorism are just a few examples.

What to expect

At present, both sides are awaiting the final configuration of the US tariff regime before determining how best to navigate the upcoming period. The United States has suspended its reciprocal tariffs on EU goods for 90 days and has also temporarily lowered tariffs on Chinese products. As a result, neither the EU nor China is currently prepared to commit to one another. According to reports, negotiations have thus far involved exploratory discussions rather than substantive offers, as both sides seek to assess the other's intentions.

The main obstacle to rethinking China–EU relations is structural in nature. As the United States turns inwards, both China and the EU are losing access to a critical market and are naturally looking to offset this loss. China does not want to see its export decrease, but a significant rise will likely provoke defensive measures from the EU, potentially igniting new conflicts (Tan, 2025). At the same time, no further market opening should be expected from China. The current economic policy priority in Beijing is to stimulate domestic consumption in order to counterbalance declining exports – but this primarily applies to domestic products, which support Chinese companies. This creates an irresolvable contradiction and presents a significant structural barrier to revitalising EU–China relations (Douglas & Leong, 2025).

Moreover, the current European political elite – and much of its electorate – remains receptive to anti-China rhetoric and harbours deep reservations towards the East Asian power. This attitude is unlikely to change. Additionally, many in the European mainstream view the Trump administration as a temporary anomaly and, despite all recent tensions, remain committed to Euro-Atlantic alignment. For this reason, a 180-degree shift in EU policy towards China is unlikely.

What, then, remains possible in EU–China relations? The most significant potential shift lies in the de-emphasis of ideological issues – which, in itself, could reduce tensions. In recent years, China policy in Europe has become a matter of moral identity, complicating negotiations at every level. If the EU is now compelled – however reluctantly – to set aside its moralistic reservations and focus on economic interests, it may be able to place relations on a more pragmatic footing. Once both parties start from a basis of interest, they will at least be speaking the same language. Even if they do not agree, they will be able to understand each other's motivations. In such a context, compromise becomes possible where interests align, and in areas of disagreement, positions can be clearly delineated – creating a more transparent framework (Buzna & Salát, 2024).

While the complete reorientation of policy is unlikely, there remains significant room for pragmatic cooperation. The parties should clearly define areas where they face direct and serious competition from the other and take robust measures to defend their interests in those domains. At the same time, mutual investments, scientific and technological collaborations, joint ventures and joint efforts on global health and environmental challenges can be mutually beneficial. Barriers to such cooperation should be broken down. As a first step, the reviving of the CAI – in some form, at least – should be considered as it could expand opportunities for European and Chinese firms on each other's market.

The changes taking place in the world bring many dangers, but they also offer opportunities. There are no fundamental conflicts between China and the EU, so they have every reason to strive for the joint exploitation of these opportunities.

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How Is China-Europe Co-shaping Stable Multipolarity?

Consensus, Challenges and Pathways

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ABSTRACT: As they navigate the current multipolarisation process, China and Europe should collaborate to ensure its stability, which would benefit both parties and the international community. Fortunately, China and Europe share some common ground in this area – they both recognise the importance of multilateralism in stabilising multipolarity and acknowledge the central role of the United Nations in multilateral efforts, despite existing cognitive differences and significant challenges posed by major power competition. Building on this foundation, the two sides should broaden their consensus through conceptual dialogue and foster practical cooperation to jointly establish a stable multipolar world.

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Specifically, in terms of action, China and Europe can enhance cooperation within multilateral frameworks, harmonise norms between them and work together to stabilise Eurasia.

KEYWORDS: multipolarisation, stability, co-moulding, conceptual structure, action

Due to the international power structure and with the gradual decline of US hegemony, multipolarisation has become an undeniable fact in today's international society. However, the process of multipolarisation does not mean the natural stability of the international order, and it may also be accompanied by an increasing number of unpredictable international conflicts and chaos.

If the multipolarisation caused by the change in power structure cannot ensure the stability and order of the international community, both China and Europe will become more vulnerable rather than stronger, and other additional countries will not be able to be protected from the harm caused by the increasing international conflicts. As two important open economies and international actors in the world, both highly dependent on the stability of external markets and respect for the UN Charter, China and Europe have the ability and obligation to jointly ensure that the current multipolarisation process is free from international conflicts, and are committed to shaping a more stable, prosperous and fairer international order.

In fact, China and Europe have a common foundation in shaping multipolarity that ensures stability. Therefore, this article will focus on exploring the consensus between China and Europe in jointly shaping stable multipolarity, and will also analyse the challenges that both sides will encounter in jointly shaping this order. On this basis, it will propose possible China-Europe cooperation from the perspectives of conceptual structure and specific actions.

I. The foundation for China-Europe to jointly build stable multipolarity – cognitive consensus

In shaping stable multipolarity, the basis for China and Europe to play a constructive role through cooperation is that the two sides have a number of important consensuses in this regard, including recognition of multipolarity as a reality, common respect for multilateralism and a common desire and need for a stable vision of multipolarity.

1. Both agree that multipolarity is an undeniable reality

Since the 2010s, Chinese scholars have demonstrated the reality of multipolarisation. For example, Cui Liru proposed that "the world has entered a multipolar era" and believed that "the essential feature of multipolarity is the diffusion of power."[3] Cui Hongjian, Zhou Hong[4] and others also elaborated on the current situation, causes, progress and characteristics of multipolarisation. Zhou Guiyin, Liu Feng, Yan Xuetong,

3 Cui Liru, The Evolution of the International Pattern and the Construction of Order in the Multipolar Era (Part 1), Modern International Relations (in Chinese), 2016, No. 01.

4 Cui Hongjian, ed., China-EU Relations in a Multipolar World, China European Studies Think Tank Network Report, 2024; Zhou Hong, ed., What Kind of Power is Europe?- On the Impact of European Integration on the Multipolarization of the World (in Chinese), Social Sciences Academic Press, 2008.

Cai Tuo[5] and others analysed multipolarity from the perspectives of international order, international system, globalisation and the Global South, etc.

From the government's perspective, since the mid-1980s, the Chinese government has believed that multipolarisation is a tendency of international society, and has explicitly supported the development of multipolarisation, emphasising China's position and role in multipolarisation. As early as 1990, Chinese leader Deng Xiaoping once said that "In so-called multipolarity, China is one pole. China should not belittle itself, it is one pole after all."[6] During the period from 1990 to 2010, the Chinese government recognised that multipolarisation would encounter difficulties, but still emphasised that multipolarisation is an irreversible historical direction and will "advance in twists and turns."[7] At present, the Chinese government's understanding of multipolarisation has been further deepened, and it has proposed "equal and orderly multipolarisation". Here, "equal multipolarisation" emphasises opposing

5 Zhou Guiyin, The Rise of the Global South and the Transformation of the Contemporary International Order, International Political Studies, Issue 1, 2024; Liu Feng, Definition and Typological Analysis of International Order, World Political Studies, Issue 4, 2021; Yan Xuetong, International Order in a Disordered System, International Political Science, Vol. 1, No. 1, 2016; Cai Tuo, International Order from the Perspective of Globalism, Modern International Relations, Issue 7, 2014.

6 Deng Xiaoping, International Situation and Economic Issues, in Selected Works of Deng Xiaoping (Volume 3), Beijing: People's Publishing House, 1993, p. 353.

7 See Jiang Zemin, The Current International Situation and Our Diplomatic Work, in Selected Works of Jiang Zemin (Volume 2), Beijing: People's Publishing House, 2006, pp. 195-196; Hu Jintao, Opening a New Situation in Diplomatic Work in the New Century and New Stage, in Selected Works of Hu Jintao (Volume 2), Beijing: People's Publishing House, 2016, p. 88.

the logic of power politics,[8] while "orderly multipolarisation" emphasises that under the existing basic framework of international law, major powers should maintain stable, coordinated and predictable institutional coordination.[9]

Western academic and decision-making circles have also gradually realised that multipolarisation is an indisputable fact. Anna Caffarena acknowledged that a "multi-order world" has emerged,[10] while Antoine Roth believes that the COVID-19 pandemic and the Russia-Ukraine war "have accelerated changes in international politics, and a multipolar international order is emerging in the field of international politics." Interestingly, Trissia Wijaya and others explored the changes in the international order from the perspective of domestic social structure, and believed that "the world is now contending with a new multipolar order – obscure the social class relations that underpin this new emerging order. At the core of this new order is the emergence of a new business class."[11]

The EU's official understanding of multipolarity has gone through a process of non-acceptance, vague acceptance to active acceptance and seeking to participate in shaping. At the beginning of the end of the Cold War, the EU was not overly concerned about the issue of multipolarity and did not agree with multipolarisation. Since the mid-1990s, Member States represented by France have gradually introduced the concept of multipolarity into the EU discourse system, believing that the world is inevitably moving towards a multipolar pattern and emphasising that Europe should play a strategic role in it.[12] After the global financial crisis in 2008, the EU's international status declined somewhat, and the description of multipolarity tended to be negative. Its official documents advocated the discipline of the multipolar pattern through multilateral mechanisms. After 2017, after experiencing the Crimean crisis, the refugee crisis, Brexit and the Russia-Ukraine war, the EU began to emphasise strategic autonomy and actively use the concept of multipolarity.[13] The 2017 White Paper on the Future of Europe emphasised that Europe needs to play a role in a multipolar world.[14] In 2019, the European Commission regarded multipolarity as a future trend.[15] In 2024, "multipolarity" was written into a resolution document of the European Council, which meant that for

8 Wang Yi Explains the Connotation of an Equal and Orderly Multipolar World and Inclusive Economic Globalisation, Ministry of Foreign Affairs of China, 7 March 2024, https://www.mfa.gov.cn/wjbzhd/202403/t20240307_11254898.shtml.

9 Advocating an equal and orderly multipolar world: the third article on implementing the spirit of the Central Conference on Work Relating to Foreign Affairs, People's Daily, 1 January 2024, p. 3, http://opinion.people.com.cn/n1/2024/0101/c1003-40150368.html.

10 Anna Caffarena, Diversity Management in World Politics. Reformist China and the Future of the (Liberal) Order, July 2017, The International Spectator 52(2):1-17.

11 Trissia Wijaya, Kanishka Jayasuriya, A new multipolarity: combined development, state forms and new business classes, International Affairs, Volume 100, Issue 5, September 2024, pages 2133–2152.

12 Jacques Chirac, Vie publique, 4 November 1999, https://www.vie-publique.fr/discours/137033-discours-de-m-jacques-chirac-president-de-la-republique-sur-les-orien.

13 Typically, in 2017, Macron proposed an initiative on "European sovereignty" in his speech at Sorbonne University, and subsequently launched a series of diplomatic appeals around the trend of multipolarisation and European strategic autonomy. See: Emmanuel Macron, Initiative pour l'Europe - Discours d'Emmanuel Macron pour une Europe souveraine, unie, démocratique, Élysée, 26 September 2017, https://www.elysee.fr/emmanuel-macron/2017/09/26/initiative-pour-l-europe-discours-d-emmanuel-macron-pour-une-europe-souveraine-unie-democratique.

14 European Commission, White Paper on the Future of Europe, 1 March 2017, https://commission.europa.eu/document/download/b2e60d06-37c6-4943-820f-d82ec197d966_en?filename=white_paper_on_the_future_of_europe_en.pdf.

15 European Commission, Strength in unity: Commission makes recommendations for the EU's next strategic agenda 2019-2024, 30 April 2019, https://ec.europa.eu/commission/presscorner/detail/en/ip_19_2309.

the first time, the EU jointly accepted the judgment of multipolarity at Member State level.[16]

2. Both advocate multilateralism and respect the central role of the United Nations

European scholars generally believe that international stability in the process of multipolarisation depends on the implementation of "multilateralism" in international relations. For example, Paul van Hooft said that without multilateralism, multipolarisation will only lead to a mixed and dysfunctional international order.[17] Thomas Renard and others talked about Europe's preference for multilateralism, saying that "The EU preference for a cooperative form of multipolarity is well-known as it constantly promotes an international order based on systemic and rule-based multilateralism referred to in Brussels jargon as 'effective multilateralism,'"[18] etc.

Although the EU's understanding of the relationship between multilateralism and multipolarity is fluid, and it believes that there is a contradiction between multilateralism and multipolarity at a certain point, it generally believes that "it can mitigate the power differences that exist between states by binding them by common rules. That is why

16 Jin Ling, The EU's Perception of Multipolarity and China-EU Multilateral Cooperation, International Studies, No. 1, 2025, p. 102.

17 Paul van Hooft, Multipolarity, Multilateralism, and Strategic Competition, GR:EEN-GEM Doctoral Working Papers Series, 2012.

18 Thomas Renard & Sven Biscop, A Need for Strategy in a Multipolar World: Recommendations to the EU after Lisbon, The Security Policy Brief, EGMONT Royal Institute for International Relations, January 2010.

Europe and the vast majority of states worldwide endorse it."[19] In June 2019, the EU Council reiterated in its document that "cooperation through effective multilateralism remains the best way to advance national as well as collective interests. The EU aims at an effective multilateral system that delivers results in tackling today's and tomorrow's global challenges."[20] Interestingly, however, Josep Borrell, the then EU High Representative, believed that the EU should promote "minilateralism" in the international community, that is "agreements on different issues between like-minded states", but in order to avoid confrontation between national groups, Borrell suggested adopting multilateralism that goes beyond the North or the West and attracts the support of major states in the South.[21]

Chinese scholar Jin Ling commented on the EU's attitude towards multilateralism. She believes that "for the EU, multilateralism is both a goal, a tool and a value [...] The EU has always relied on multilateralism as an important tool to manage and contain power politics."[22] Therefore, it is of great significance to the stability of multipolarity.

Similarly, the Chinese government also actively supports multilateralism. Since the 1980s, China has gradually joined various multilateral mechanisms dominated by the West. This selective

19 Josep Borrell, How to revive multilateralism in a multipolar world? 16 March 2021, EU website: https://www.eeas.europa.eu/eeas/how-revive-multilateralism-multipolar-world_en.

20 Strengthening multilateralism: Council adopts conclusions, 17 June 2019, EU website, https://www.consilium.europa.eu/en/press/press-releases/2019/06/17/effective-multilateralism-council-adopts-conclusions/.

21 Josep Borrell, Multipolarity without multilateralism, 24 September 2023, European External Action Service website: https://www.eeas.europa.eu/eeas/multipolarity-without-multilateralism_en.

22 Jin Ling, The EU's Multipolar Perception and China-EU Multilateral Cooperation, December 2024, ISSN: 2560-1628 2024 No. 3, https://china-cee.eu/wp-content/uploads/2024/12/Working_paper-202403-Jin-Ling.pdf.

multilateralism policy quickly turned into a more active multilateralism policy after China joined the WTO in the early 21st century.

In January 2021, Chinese President Xi Jinping pointed out at the World Economic Forum's "Davos Agenda" dialogue that "the world's problems are complex and intricate, and the way to solve them is to uphold and practise multilateralism and promote the building of a community with a shared future for mankind."[23] In October of the same year, he pointed out at a commemorative meeting that the Chinese people have always upheld the authority and status of the United Nations and practised multilateralism.

In March 2025, at an international seminar held by the Chinese Ministry of Foreign Affairs, Foreign Minister Wang Yi summarised four proposals on revitalising multilateralism and building a fair and reasonable global governance system: first, the role of the United Nations is indispensable; second, the trend of multilateralism is irreversible; third, the trend of unity and progress is unstoppable; fourth, reforming and improving global governance cannot be delayed. He also said that no matter how the international situation changes, China will continue to practise multilateralism, adhere to the ideals of the United Nations and firmly safeguard the authority of the United Nations.[24]

Therefore, China also adheres to and promotes the practice of multilateralism in the international community, and regards maintaining the authority of the United Nations as the core of multilateralism. In April 2024, Geng Shuang, China's Deputy Permanent Representative to the United Nations, stated that China has always been a supporter, advocate

23 He Yin, The World Needs Multilateralism, People's Daily, 22 January 2025, http://www.qstheory.cn/20250122/15bd61ad2a344040bf8634c3d486d501/c.html.

24 Wang Yi talks about the consensus reached at the Security Council high-level meeting on revitalising multilateralism, 19 February 2025, https://www.fmprc.gov.cn/wjbzhd/202502/t20250219_11558472.shtml.

and practitioner of multilateralism, and firmly supports the United Nations in playing a central role in international affairs.[25]

The idea of taking the United Nations as the core of multilateralism practice is also held by the EU. The official EU document stated that the EU and the United Nations are the main supporters and defenders of the world's multilateral and rules-based global governance system,[26] and promised that the EU is committed to effective multilateralism with the United Nations at its core, believing that this is a core element of the EU's foreign policy.[27] Although China and the EU may have different focuses on the form of multilateralism and the issues they are committed to solving, they have a consensus on institutionalisation, procedural consultation and a multi-participant structure.

3. Both advocate ensuring the stability of multipolarisation

In the process of multipolarisation, both China and Europe oppose the disorderly expansion of geopolitical rivalry. Therefore, although the two sides have different interpretations on the issue of "multipolarisation and disorder", they have similar positions on ensuring the stability of multipolarisation.

China believes that the disorder and chaos in the process of multipolarisation are not caused by the vigorous development of

25 Chinese representative: We need multilateralism more than ever, Xinhua News Agency, 21 April 2025.

26 Multilateral relations, EU website: https://www.eeas.europa.eu/eeas/multilateral-relations_en#12428.

27 Same as above.

multipolarisation, but are caused by "some major powers who are obsessed with their own country's priority and do not hesitate to provoke division and confrontation in order to maintain their unipolar hegemony."[28] In recent years, the United States and some other countries have gathered allies to impose unilateral sanctions, build high protectionist barriers and willfully "withdraw from groups and break contracts," which has brought a lot of chaos to the international community.[29] In order to ensure the stability of multipolarisation, the Chinese government has proposed "equal and orderly multipolarisation", in which "orderliness is reflected in ensuring the stable development of the multipolarisation process without causing new turmoil."[30] The specific connotation is to adhere to the international order based on international law, ensure the overall stability of the multipolarisation process and achieve unity rather than division, dialogue rather than confrontation and cooperation rather than conflict among countries. Between them, all countries jointly abide by the purposes and principles of the "Charter of the United Nations", jointly adhere to the universally recognised basic norms of international relations and practise true multilateralism, which is the specific requirement of adherence to the international order based on international law. In summary, China is highly concerned about the existing and potential disorder in the process of multipolarisation, and aims to ensure the "order" or stability of multipolarity through the international community's joint adherence to the international order based on international law and adherence to true multilateralism.

28 Zhang Yuyan and Xu Xiujun, Advocate for an equal and orderly multipolar world and inclusive economic globalisation, Qiushi, Issue 4, 2025.

29 Why should we advocate for an equal and orderly multipolar world? Qiushi.cn, 25 February 2025, http://www.qstheory.cn/20250225/6cb5279bc9ad4ab989afd-f6792f7d84b/c.html.

30 Ministry of Foreign Affairs: A multipolar world is becoming a new reality, 17 February 2025, http://www.news.cn/20250217/c7a33d29b13e43089e3a8b46ec-35fd1f/c.html.

The EU is also concerned about the disorder of multipolarisation. At the EU's annual ambassadorial meeting in 2022, Josep Borrell, then the EU's High Representative for Common Foreign and Security Policy, strongly criticised the chaotic trend of multipolarisation.[31] European Council President Charles Michel had also repeatedly mentioned the EU's emphasis on a multipolar international system based on rules and cooperation principles.[32] Fabian Zuleeg, a researcher at the European Policy Centre, wrote that "multipolarity is not an ordering principle, especially if it lacks a clear plan for reformed and inclusive international organisations able to define jointly acceptable rules, allowing for the peaceful mitigation of conflict. Rather, multipolarity, as currently promoted by some emerging powers, relies on the capacities of individual countries, and as such amplifies 'might is right'."[33] Similarly, in order to prevent the disorder of multipolarisation, the EU advocates incorporating multipolarisation into an institutional multilateral governance system based on international law, emphasising the use of institutional arrangements to ease the tension caused by the game of major powers.

31 Josep Borrell, Annual EU Ambassadors' Conference 2022: Opening speech by High Representative Josep Borrell, EEAS, 18 October 2022, https://www.eeas.europa.eu/delegations/ukraine/eu-ambassadors-annual-conference-2022-opening-speech-high-representative-josep_en.

32 Charles Michel, Speech by President Charles Michel at the 78th United Nations General Assembly, European Council, 21 September 2023, https://www.consilium.europa.eu/en/press/press-releases/2023/09/21/address-of-president-charles-michel-at-the-78th-sesion-of-the-un-general-assembly/.

33 Fabian Zuleeg, The global disorder of multipolarity, 12 February 2025, https://www.epc.eu/publication/The-global-disorder-of-multipolarity-61b1c4/.

II. Challenges of jointly shaping multipolarity between China and Europe – cognitive gaps and practical limitations

Obviously, in addition to the basic consensus between the two sides, the foundation for China and Europe to jointly build stable multipolarity must also be based on understanding the challenges they face in order to find appropriate means for practical cooperation. Overall, the challenges currently faced by both sides mainly include cognitive differences and practical limitations.

1. Misalignment of cognition regarding each other's functions in multipolarisation

The EU views China's multipolarisation proposition from a negative perspective, which undermines the mutual trust between China and the EU in jointly shaping multipolarity. The EU's negative perception of China in this regard includes two aspects. First, it views China's multipolarisation stance with the "logic of power", mistakenly equating China's multipolarisation concept to China's "geopolitical strategy". Since China has long advocated multipolarisation and opposed hegemony and a unipolar world, the EU misinterprets China's multipolarisation narrative as China's attempt to replace the United States' global dominance through multipolarisation. But in fact, China advocates multipolarisation with "equality" among all countries, including the equality of the status of major powers. For a long time, China has insisted on opposing hegemony, which also includes opposing China becoming an international hegemon. In other words, China's multipolarisation proposition includes the vision of international democracy and equality, rather than seeking to replace the hegemony of the United States.

In the 2010s, China took "joint consultation, joint construction and shared benefits" as the core principle of the One Belt, One Road initiative, respecting the existing international system and integrating China into it, rather than becoming a challenger or modifier of this system. Second, the EU believes that China is using multipolarisation to "export the Chinese model." Since the outbreak of the Ukraine-Russia war, in particular, the EU's vigilance against China's "neutral" position has increased, and it regards China's series of diplomatic initiatives (global development initiative, global initiative, global civilization initiative and global governance initiative)) as "starting anew" in opposition to the Western order. Von der Leyen once publicly stated that China "has other intentions" in multilateral affairs and seeks to establish an "alternative international order".[34] However, the EU does not realise that China does not oppose the existing international system and international order. The biggest reason is that China is a beneficiary of this system and order. It is just that China expects to improve the existing international order through appropriate reforms so that it can better reflect fairness and justice and take into account the interests of the vast majority of Global South countries.

Compared with the EU's misunderstanding of China's multipolar narrative, China's understanding of the EU's role in the construction of multipolarity is too idealistic. This is mainly reflected in Chinese

34 European Commission, Speech by President von der Leyen on EU–China Relations to the Mercator Institute for China Studies and the European Policy Centre, European Commission, 30 March 2023, https://ec.europa.eu/commission/presscorner/detail/hu/speech_23_2063.

"multipolar partner narrative", which is based on several core assumptions: China and the EU are both "victims" of the US unipolar hegemony and naturally have a common strategic goal of establishing a multipolar world order; the EU pursues strategic autonomy and independence from the US; there is no geopolitical conflict between China and Europe, and the institutional differences between the two sides will not become an obstacle to cooperation; and Europe is a natural pole, and so on. However, these positive narratives about Europe can all find contrary cases and evidence – the EU does not regard multipolarity as a principle and plan to oppose US hegemony, and the EU does not believe that there is no geopolitical confrontation between China and Europe. In fact, there is controversy over whether Europe has become an independent polar force. For example, some scholars claim that Europe has lost its influence in the Global South,[35] which means the decline of its power. Therefore, China and Europe's narratives on each other's functions in the multipolar process are highly subjective, and this misunderstanding will pose great challenges to the potential cooperation between the two sides.

2. Differences between China and Europe in their understanding of multipolarity

Currently, the EU is more worried about multipolarity than optimistic about it. Most Western (including European) scholars assert that if the international community does not respond, multipolarity may bring more chaos. Mathew J. Burrows believes that "Multipolarity has historically been less stable than when there has been a strong hegemon or even a bipolar distribution of power,"[36] while Marc Pierini said that "the concept of an increasingly multipolar world takes many forms. To begin with, there are the permanently disruptive actors… One outcome of all of this is that global and regional institutions have played a diminishing role."[37] Sean Butler declared that the transition to multipolarity will threaten the stability of the international system. It will hinder humanity's ability to deal with a series of major collective action problems.[38] As then High Representative Borrell said, multipolarity "could lead to the division of the world order into competing camps in the fields of security, economic integration and technology. Lack of consensus will lead to a divided world, forcing third countries to choose one of the competing systems. For example, in the Internet field, countries such as Russia and China may impose their own specific standards, thereby dividing the cyber world. Such a division will of course impose huge economic costs and undermine the motivation for cooperation on global issues such as climate."[39] However, China is more optimistic about the prospects of multipolarity, believing that it is conducive to stability or international fairness. A Chinese scholar wrote that "Multipolarisation breaks the traditional international relations model of 'stronger dominance'. International power is no longer solely in the hands of a few major powers, but is jointly participated in

35 Pierre Mirel, The European Union's Declining Influence in the South, Fondation Robert Schuman/European Issues, Policy paper, No. 642, 11 October 2022.

36 Mathew J. Burrows, Western Options in a Multipolar World, Atlantic Council Brent Scowcroft Center on International Security, https://www.atlanticcouncil.org/wp-content/uploads/2017/11/Western_Options_in_a_Multipolar_World_web_1127.pdf.

37 Marc Pierini, Adapting to a Multipolar World, 23 January 2024, https://carnegieendowment.org/middle-east/diwan/2024/01/adapting-to-a-multipolar-world?lang=en.

38 Sean Butler, Gemeinschaft as the Lynchpin of Multilateralism: World Order and the Challenge of Multipolarity, Irish Studies in International Affairs, Volume 29, 2018, pp. 17-34.

39 https://www.eeas.europa.eu/eeas/multipolarity-without-multilateralism_en.

by multiple centres. This pattern is conducive to countries resolving international disputes through dialogue and consultation, and reducing conflicts and wars... Multipolarisation does not necessarily lead to great power confrontation and disorderly competition."[40] Chinese President Xi Jinping said in a speech in 2024 that "Promoting the multipolarisation of the world and the democratisation of international relations is a necessary part of maintaining fairness and justice."[41] Therefore, China mostly views multipolarisation and multipolarity from a positive perspective that is conducive to the stability or fairness of the international community. Although it is also worried about international disorder in the multipolarisation process, China is generally more optimistic about the prospects of multipolarisation than Europe.

3. Challenges brought about by great power competition

Of the current competition between major powers, the Sino-US competition is the most significant and far-reaching case. It is largely regarded as a contest between the established power (hegemony) and the emerging power in the international arena. One of the key impacts of the Sino-US competition on multipolarisation is that Europe's development as an independent and autonomous power has been affected to a certain extent by increasingly complex factors. To a certain degree, the potential damage to Europe's interests brought about by the Sino-US competition (such as the United States' request for Europe to support it to jointly contain China's development or the United States' adoption of a special overall response policy that harms Europe) has stimulated Europe to seek independence. In recent years, Europe has been advocating and promoting European strategic autonomy, developing, in particular, a defence independence plan to support European strategic autonomy. These efforts can help Europe enhance independence and become a comprehensive power. However, given that Europe's independent defence force cannot be realised in the foreseeable future and will continue to rely on the United States for a long time, the independence of the European Union will in fact be very limited or the process of achieving independence will be relatively distant and difficult in the context of the intensified Sino-US competition and the fact that the European-US alliance will exist for a long time. Therefore, under the influence of the Sino-US game, there will be uncertainty about how the EU will promote its independence and become an international force with comprehensive influence, which casts a shadow on China and Europe's joint efforts to promote better multipolarity. In addition, the deterioration of EU-Russia relations has reduced Europe's willingness to cooperate with China. Due to the rapid deterioration of Russia-EU relations caused by the Ukrainian crisis, given that China's position on relations with Russia and the Ukrainian war is different from that of Europe, the EU has vented its anger on China on this issue and adopted geopolitical competition as the tone of its policy towards China as a whole. In this context, the EU is not very willing to strengthen cooperation with China in strategic areas, including promoting the development of stable multipolarity.

40 Zheng Tao, Multipolarization of the World in China's Eyes, People's Daily, 18 March 2025, p. 17. http://cn.chinadiplomacy.org.cn/2025-03/18/content_117771456.shtml.

41 He Yin, Adhere to fairness and justice, promote world multipolarisation - A mid-year review of the achievements of China's major power diplomacy with Chinese characteristics, People's Daily, 14 August 2024. https://www.idcpc.gov.cn/ldt/202408/t20240814_164852.html.

III. The path for China and Europe to jointly shape multipolarity – from conceptual structure to joint action

However, from a pragmatic point of view, if the current multipolarisation is to move towards a stable and fair international order, cooperation between China and Europe is very necessary. Specific cooperation includes the joint shaping and maintenance of specific conceptual structures, as well as the implementation of specific actions.

1. Co-shaping of conceptual structures

Stable multipolarisation requires the support of a specific conceptual structure, otherwise today's multipolarisation may make the international order more chaotic. Given that the two sides have different understandings of multipolarisation, they need to build a reasonable conceptual structure to govern and jointly shape multipolarity, which includes the understanding of multipolarisation itself and the specific connotation of the international order that multipolarisation should maintain.

First, China and Europe should jointly confirm the meaning of "multipolarisation" itself to ensure that they have a common understanding and a common vision on it. Although multipolarisation seems to have different definitions from different perspectives,[42] its meaning in terms of power structure is very clear, that is, there are three or more power centres in the international community. The interaction of these multiple power centres determines the basic appearance of the international community, and their mutual cooperation and conflict affect and dominate the development of global international relations. However, as far as the multipolarisation that China and Europe are jointly committed to is concerned, under the conditions of this multi-power structure, multipolarisation should promote the stability of the international community and the fair development of international relations, rather than breed more international conflicts and cause chaos in the order, so that the international community returns to the vortex of power politics where the strong prey on the weak. However, this prospect is not groundless. In his speech, US Vice President Vance acknowledged that the world today has entered a multipolar era, but he then vowed that the United States would continue to seek dominance in this multipolar process through great power competition.[43] This means that he not only regards multipolarisation as status competition between different powers, but also advocates that the United States obtain dominance or hegemony in this competition through power politics. However, this power politics brought about the chaos in Europe in the 19th century and the competition for colonies around the world. In particular, the recognition of unscrupulous competition will make the rules of global international relations and even international law a choice rather than a principle. Therefore, the

42 See Soluianov, VS, The Concept of Multipolarity: Diversity of Approaches and Interpretations, RUDN Journal of Political Science, Vol. 23. - No. 3, 2021, pp. 424-445.

43 Ben Norton published 31/05/2025, US VP JD Vance announces new strategy of blatant imperialism, aimed at China, https://geopoliticaleconomy.com/2025/05/31/us-vp-jd-vance-strategy-imperialism-china/.

multipolarity that China and Europe are jointly committed to should-be multipolarity that excludes power politics and hegemony competition, but one that promotes peace, stability and equality of sovereignties. In this multipolarity, the relationship between the powers as poles is not a competition for dominance, but relations between countries based on rules. If there is a force as a pole that breaks the common rules that are conducive to the stability and fairness of the international community, China and Europe should jointly oppose it.

In order to learn from the harm caused by the former multipolarisation based on power competition and rival, pluralistic multipolarisation should be jointly advocated by China and Europe. So-called pluralistic multipolarisation has two meanings; firstly, the poles in multipolarisation include not only certain specific countries, but also groups of countries (such as authoritative international organisations). This means that when establishing important agendas for the international community, not only do the countries that are poles have a legitimate position to participate in the setting of the agenda, but some important international organisations should also have certain rights to participate. Second, the poles in multipolarisation are fluid, not completely fixed. When the international agenda involves some specific topics and fields, the relevant international forces can play a key role in this agenda. Therefore, it is not necessarily the most powerful countries that decide on the resolution of international problems, but relevant parties should be involved. Therefore, future multipolarity means broader international democratisation, rather than a narrower oligarchic coordination of major powers.

Second, the importance of the post-World War II international order should be reaffirmed and emphasised to ensure that multipolarisation does not lead to hegemony among the great powers. No matter how multipolarisation develops, if to want to ensure the smooth, stable and predictable development of it, the world should continue to adhere to

and consolidate the achievements of the post-World War II order and maintain the effectiveness of its overall framework, and China and Europe should play an important role in this. The significance of confirming and consolidating the post-World War II order lies in the fact that it was accepted by countries around the world after and became the basis for establishing and maintaining the stability of the international community after World War II. In fact, it has also become the most widely accepted order in the world. If this order is seriously damaged, the international community will once again fall into disorder and chaos.

Specifically, the post-World War II order is mainly reflected in a set of principles, rules and norms of international relations that are widely accepted by the international community and constructed by the United Nations system, among which the principle of sovereignty is at the core of the order. Starting from this foundation, many concepts have been derived, such as equality of all countries, the pursuit of democratisation of international relations, the promotion of trade liberalisation, emphasis on the authority of international law and the non-violent settlement of international disputes, etc. If these concepts are destroyed – in fact, they are currently being deplored or abandoned by some countries – global stability will collapse, which will make the process of multipolarisation unpredictable and even lead multipolarisation itself to the wrong path of competition for hegemony among the great powers.

Based on this, China and Europe's joint cooperation to confirm, restore and maintain the post-World War II order built with the United Nations system at its core is key to ensuring that the current multipolarisation process will not be impacted by the disorder under international anarchy and evolve into a power struggle that neither China nor Europe wants to see.

2. Joint action

On the basis of the above-mentioned co-shaping of the conceptual structure, China and Europe should promote the stable development of multipolarity through concrete actions, which mainly includes promoting multilateralism as the core mechanism in the development of multipolarity, integrating different rules of China and Europe and jointly promoting the stability of the Eurasian continent.

First, both cooperate within the multilateral mechanism.

In terms of ensuring that multipolarisation does not lead to more international instability, multilateralism is the most core and fundamental factor. International cooperation and coordination based on multilateral mechanisms and principles can maximise the constraints on the self-reliance and unilateral actions of different powers. Only on the basis of multilateralism can it be possible for different international powers to reach consensus and take joint actions through negotiation, consultation and bargaining, thereby ultimately ensuring that in the case of a multipolar structure, even if there are conflicts and contradictions between major international powers, they can be dealt with or even resolved in an institutionalised manner, and conflicts and contradictions between other non-major powers (poles) can also be handled within the framework of international mechanisms. Therefore, multilateralism is crucial to ensuring the stability of multipolarisation and multipolarity. In this regard, both China and the EU accept multilateralism.

Therefore, the most important thing is that China and the EU should promote meaningful joint actions to promote multilateralism on the basis of the above-mentioned most basic consensus. The first is to promote the normal operation of the United Nations system and maintain its authority. However, the effectiveness and authority of the current United Nations system have been seriously weakened. Important functional international institutions in this system, such as the WTO, have been seriously damaged due to the withdrawal of the United States and its contempt for its rules. The United Nations system is the core and foundation of the existing international order that was painstakingly established after World War II. If the effectiveness and authority of the United Nations institutions are destroyed, and the international principles, rules and international law they represent are constantly eroded, international order under the current multipolarisation will gradually collapse, and the orderliness and stability of multipolarisation will be gone. Therefore, China and the EU should work together to promote the effectiveness and authority of the United Nations system and take the lead in abiding by the commonly recognised principles and norms contained in the United Nations system. In addition, China and the EU should jointly rely on a wider range of multilateral mechanisms to work on solving international problems. Another aspect of China and the EU jointly promoting the development of multilateralism is to jointly oppose unilateral actions. Obviously, unilateral actions by big countries are the main cause of major international conflicts and turmoil, which are more destructive than the armed adventures taken by small and medium-sized countries, which usually only have local and regional consequences. This also means that even if there are conflicts and contradictions between China and Europe, both sides try not to take unilateral actions, but take bilateral or multilateral approaches.

Second, the integration of China's and the EU's rules could be promoted.

The EU considers itself a "normative power", so it spares no effort in exporting European rules, norms and standards. This is in conflict with China's foreign policy that emphasises independence. The contradiction between the export and supervision of European rules and China's ideological independence has become an important factor in the EU's criticism and confrontation with China's foreign economic behaviour, and an important reason for the EU to adopt geopolitical competition and so-called "systemic rivalry" with China. Based on this point, the EU has formulated foreign FDI screen mechanisms, regulatory policies based on human rights and environmental protection and geopolitical competition policies against China throughout the world. In detailes in the field of investment, the EU formulated Investment Screening Mechanisms (ISMs) in 2019 to monitor foreign investment projects that bring harm and danger to the EU's security.[44] In addition, the EU has also specially formulated EU internal laws for human rights protection and carbon emission reduction,[45] and also released the EU Indo-Pacific Cooperation Strategy and Global Gateway initiative in 2020, respectively. Although the above-mentioned internal regulatory rules and external strategies and initiatives (also with the intention of maintaining European rules and standards) are not specifically aimed at China, they have become the main tools for geopolitical competition and systemic rivalry with China.

However, this geopolitical competition and systemic rivalry between China and the EU has become a significant manifestation of great power conflict in the multipolarisation process, which is not conducive to the stable development of multipolarisation. Therefore, in order to eliminate the EU's accusations against China in the field of regulation and geopolitical competition, and reduce the EU's dissatisfaction and doubts about China, the EU should not rudely implement geopolitical competition and systemic rivalry with China, but should seek the integration of common

44 Regulation (EU) 2019/452 of the European Parliament and of the Council of 19 March 2019 establishing a framework for the screening of foreign direct investments into the Union, Official Journal of the European Union.

45 This is mainly reflected in the introduction of rules such as the "Forced Labour Regulation" and the "Carbon Border Adjustment Mechanism".

rules with China, or more appropriately, help China better adapt to the EU's regulatory rules, or achieve the integration of the rules of both sides.

For China, with the advancement of technology, the upgrading of industries and the continuous internationalisation of Chinese enterprises, appropriately respecting and following EU rules is an important way to improve corporate efficiency, international influence and international competitiveness. Therefore, with the internationalisation, strictness and modernisation of Chinese rules and standards, China and the EU have laid the foundations for the integration of these rules, which will eventually create conditions for the EU to weaken and abandon geopolitical competition with China and achieve the smooth formation of multipolarity.

Third, both jointly promote the stability of Eurasia.

In the process of promoting and ensuring global stability and multipolarisation, China and Europe, as two major powers located at the east and west of the Eurasian continent, can make a key contribution to stable global multipolarity if they can work together to promote the stability of Eurasia. In addition, a stable and orderly Eurasia is also in line with the interests of China and Europe, which create a stable surrounding environment for them. To this end, China and Europe should assume common obligations for the stability of this continent. In addition, aside from the two major powers, China and Europe, there are other countries in the continent, Russia and Central Asian countries and the Caucasus countries. China and Europe should jointly strengthen their ties with Russia, Central Asia and the Caucasus, and the EU should change its policy of geopolitical competition to a policy of jointly promoting economic prosperity in the region with China and shaping a stable Eurasia.

Therefore, the trilateral relationship between China, the EU and Russia is of special significance in stabilising Eurasia's order. Although the relationship between the EU and Russia has fallen into a state of intense confrontation and tension partly due to the Russia-Ukraine war, after the war ends, the relationship between Russia and Europe should be reset, reshaped and normalised. This is also the premise for ensuring European security and continuing to promote European integration. Otherwise, the EU may delay or even cut off the opportunity for continued development of economic and social integration in a highly hostile state towards Russia, and focus on defending security threats from Russia and even geopolitical confrontation with other major powers including China.

In addition, China and Europe can incorporate Central Asia and the Caucasus into the connection hub and third-party market of the two major Chinese and European markets through the interconnection project. The integration of the Eurasian continent can be promoted through the integration of the economic and logistics systems of the countries in these regions, which will be conducive to promoting prosperity and stability in the region. Lastly, when it comes to better connecting China and Europe to promote the prosperity and stability of Eurasia, some Central and Eastern European countries, especially Hungary, can play a unique role. This is because Hungary and some countries in this region are not only part of Europe, but also maintain relatively friendly relations with Russia and close ties with the Chinese market. Therefore, it can play the role of a "bridge", especially considering its strong willingness as a "bridge", connecting China and Europe in promoting the connection and integration of Eurasia.[46]

46 Z. Andrew Farkas, Norbert Pap and Péter Reményi, Hungary's place on Eurasian rail land bridges and the eastern opening, Hungarian Geographical Bulletin 65(1):3-14, 2016.

Conclusion

In any case, multipolarity is an indisputable fact. On this basis, promoting the shaping of stable and orderly multipolarity is in the common interests of China, Europe and the international community. Based on this point, China and Europe should eliminate cognitive differences on the basis of basic consensus and carry out corresponding cooperation at the two levels of conceptual structure and joint action. At present, the most critical point is that the EU should abandon its prejudice against China, especially the awareness of geopolitical competition and confrontation against China, which is an important factor hindering China and Europe from jointly promoting the smooth transition of international order from the post-Cold War hegemonic or unipolar order to multipolarity at strategic level. Realistically speaking, given that the United States prefers multipolarity where the great powers compete for hegemony, some other secondary powers are unable to participate in the subjective shaping of the international order. Therefore, based on the existing consensus, China and Europe have essentially become the most important key powers for promoting the smooth transformation of the international order and shaping stable multipolarity. To this end, China and Europe should focus on the historical development process and make historic contributions to promote the formation of a stable and just multipolarity that is beneficial to all countries in the world.

EU-China Economic Relations in Turbulent New International Situations – Opportunities and Challenges

XU MINGQI[1]

ABSTRACT: Since the establishment of diplomatic relations between China and the European Union, EU-China relations have been developing rapidly in terms of bilateral trade and investment. However, in the last decade, bilateral relations have come under increasing pressure, as the careful handling of ideological and social value differences by both sides to avoid conflict has disappeared. The EU's new setting of bilateral relations with three dimensions as a "cooperation partner, economic competitor and systemic rival" lead to growing distrust from both sides. Trade frictions and an investment standstill manifested as a result of this kind of distrust. The Ukraine war added to this distrust and resulted in a not-quite-celebratory EU-China leaders' summit on the 50th anniversary of the establishment of diplomatic relations. In the US, the Trump administration's tariff war against all of its trade partners, especially

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against China and the EU, supposedly would have pushed the EU and China together to withstand the pressure from the US, leading to the EU having increased concerns about China and being more assertive towards China. Against this backdrop, the argument of this paper is that there is strong resilience in EU and China economic relations and the turbulent new international situation should provide unique opportunities for the two to enhance their relations. Some concrete proposals to both the EU and Chinese policymakers are made after fact checking and logical analyses.

KEYWORDS: EU-China economic relations; the US tariff war; global, geopolitical and economic

1. EU-China relations – Brief retrospect of the past 50 years

As we commemorate the 50th anniversary of the establishment of diplomatic relations between China and the European Union, we may briefly look back on how the EU and China have enhanced bilateral relations in the past 50 years and what major achievements have been accomplished. In the first decade, EU-China relations mainly focused on political and diplomatic engagement as China started to open the door to the outside world after the Cultural Revolution. During this period, both sides tried to avoid the chilly effect of the Cold War on their economic development and put aside ideological superstitions to pave the way for increased trade and economic exchange.

After China adopted a reform and opening-up policy, great changes took place, and the Chinese economy has been growing surprisingly rapidly since 1979. For almost 40 years, European countries as a whole regarded the Chinese economic miracle as a positive factor in the world's economic and political structure, and welcomed China's participation in the global economy. The EU believed that it was in the EU's interest that China was able to grow from a poor developing country into a middle-income country and escape poverty. The EU was supportive in China's accession to the WTO, although negotiations with China were tough. During Chinese economic development, European countries and the EU provided great help in terms of market opening to expand trade with China and increasing investment with technology transfers into Chinese markets. The EU also promoted legal and educational exchange and assistance, which helped China in modernising relevant institutions. It is because of this that Chinese people have very good feelings towards European people.

There were, of course, differences in ideological and social values, including different political systems, a divided view of human rights and divergent understanding of democracy and democratic systems. However, these differences were carefully handled by both sides to avoid conflict, which could lead to the disruption of economic cooperation.[2] It was because of this consensus and cautious handling of sensitive political drivers that China and the EU were able to establish a strategic partnership in 2013 and wanted to cooperate and coordinate with each other not only in economic relations but also political, legal, cultural and international relations.

Thanks to these rather friendly relations in the past, EU-China trade quickly grew from USD 2.4 billion in 1975 to USD 785.8 billion in 2024. Starting in 2004, the EU became the biggest trading partner until 2020. Now EU and China maintain the position of the second-largest trading partners to each other. Mutual investments are also growing faster. By the end of 2023, accumulated FDI stock from EU companies of member countries in China reached USD 257.7 billion, while China's FDI in the EU increased to USD 98.7 billion.

Technological and educational cooperation also developed quickly and people-to-people exchanges became frequent. Many programmes to promote the cooperation have been selected and implemented, such

2 For instance, Tibet and relations with the Dalai Lama was one of the problems between China and Germany when German Chancellor Angela Merkel, at that time, met the Dalai Lama at her office in 2007. China was unhappy and criticised the German Chancellor's official meeting with the Dalai Lama as political wrongdoing. After that, German government officials carefully handled the Tibet issue, and government officials have not met the Dalai Lama and his officials since. China and Germany's relations became much closer after this incident was put aside.

as the EU-China High Level Economic and Trade Dialogue, EU-China High Level Environment and Climate Dialogue, EU-China Joint Steering Committee Meeting on Science and Technology Cooperation, EU-China High Level People-to-People Dialogue on education, culture, youth and sport and the EU-China Energy Dialogue, etc. These dialogues and mechanisms have greatly promoted bilateral relations in the past.

The EU and China also cooperated in many aspects in international society to enhance global governance. The EU and China believed that the two have no conflict of geopolitical interests and both hold the view of promoting multilateralism. Together they promoted the G20 platform's role in global governance and safeguarded the Paris Agreement in combatting the threat of climate change and reducing greenhouse gas emissions. Both are willing to provide assistance to underdeveloped poor countries to help them tackle poverty reduction. Nowadays, the EU and China are the two most important pillars in support of multilateralism and safeguarding the existing international system.

2. New challenges in the changing international situation

Despite the steady development in bilateral trade and investment, China-EU relations witnessed profound changes owing to the changing geopolitical realignments and economic competition in the past decade.

The rapid Chinese economic and technological development and China's rise in the global arena left some European countries feeling displeased as the EU comparatively fell into doom and gloom in terms of its own economic growth. They are not quite suited to the new pattern of global competition. The US narrative of China's rise and threat greatly influenced the EU's China policy in the last decade. Internal populism in the EU member countries is on a rising trend and they mislead some countries and political forces to see China's rise as an alien force that needs to be contained together with the Atlantic Alliance. Anti-China political force gained more ground and had more influence over the EU's China policy in the past decade.

Against this backdrop, the EU Commission started to change its tune and redefine China from "strategic partner" into three dimensions as a **"cooperation partner, economic competitor and systemic rival". This new definition** first appeared in the "EU-China Strategic Outlook" document presented by the EU Commission to the European Council in March 2019, and since then, these three contradictory dimensions of China have become somewhat of a guideline for the EU in its dealings with China.[3]

Distrust began to increase in recent years owing to the notion of a systemic rival. The EU was more openly criticising China on human rights issues in Hong Kong and Xinjiang. One destructive symbolic incident was the suspension of the CAI rectification procedure by the European Parliament in 2021, resulting from sanctions in the dispute of human rights in Xinjiang. Sanctions on each other's political personnel and institutions damaged the trust and bilateral relations. Political consideration has played a more important role in the EU's handling of China relations since then.

3 This document explained that "China is, simultaneously, in different policy areas, a cooperation partner with whom the EU has closely aligned objectives, a negotiating partner with whom the EU needs to find a balance of interests, an economic competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance. "1fedf472-1554-416e-8351-1346f80a4ff8_en.

Starting with the Trump administration in 2017 and then Biden administration since 2000, US policy towards China has become increasingly hostile and attempts to contain China geopolitically and decouple from China economically. Pushed by the US China policy, the EU's China policy is also becoming less friendly. Yet, owing to more practical common interests than those of the US with China, the EU has tried to find a middle ground for compromise. Therefore, late in March 2023, the President of the European Commission Ursula von der Leyen created the concept of de-risking instead of decoupling with regard to China because deep economic interdependence exists between the two which is impossible for the two to decouple from. However, from a Chinese perspective, de-risking is similar to decoupling as the concept embodied deep distrust in China.[4]

Of course, China does not accept the EU's definition on EU-China relations and sticks to the strategic partnership.[5] Yet, some new incidences

4 On 30 November 2023, Chinese Foreign Ministry Spokesperson Mr Wang Wenbin clearly passed comment at a press conference on the EU de-risking policy about being misleading and emphasised that in any respective area, China is the EU's trusted partner and hoped that de-risking will not lead to de-escalating the cooperation.

5 On 7 March 2024, Chinese Foreign Minister Wang Yi held a press conference at the National People's Congress of China's Second Plenary Session. During this press conference, Wang Yi said that Europe's labelling of China as a "partner, competitor and systemic rival" at the same time is like reaching a traffic light and finding the red, yellow and green lights all on at the same time."How can one move on?" he asked. As long as China and Europe engage in mutually beneficial cooperation, no attempt to create bloc confrontation will succeed, and as long as China and Europe stay committed to openness and mutual benefit, deglobalisation will not prevail. Wang commented that "The traffic light analogy illustrates the underlying issues plaguing Europe's foreign policy, highlighting internal contradictions and conflicting interests that hinder a cohesive approach. He emphasised that "The correct positioning of China-EU relations should be that of a partnership, the mainstream tone should be cooperation, the key value should be independence and the development prospects should be win-win."

make the EU sceptical about changing the overall attitude towards China. Among these incidences, the Ukraine war was the particular case that has an extreme negative impact on EU-China relations. China's take on the Ukraine crisis was actually rather neutral and not fully understood by the EU and misinterpreted as an alliance stance with Russia. This was misleading to the EU and considered as violating strategic interests of the EU and pursued US secondary sanctions on some Chinese companies for doing business with Russia. Even now, after the Trump administration has pivoted on Ukraine policy and openly squeezed Ukraine, it has proved that China's neutral stance on the Ukraine war and appealing for an unconditional ceasefire in the early days of the military confrontation is correct and valuable. The EU is still doubtful of China in this security dilemma. Therefore, geopolitical misconception had a rather negative impact on EU-China bilateral economic and trade relations.[6]

Economically, the EU is becoming more concerned about its trade deficit with China despite the EU running a trade surplus with the rest of the world overall. The EU is increasingly criticising China for not opening its market up enough to EU exports. EU member country companies' investment in China has also begun to decline in recent years owing to more fierce competition in the Chinese market. The EU complained about Chinese government subsidies to the state-owned companies and not granting full national treatment to the EU counterparts. Chinese companies' investment in Europe is facing more security screening

6 In the EU Commission document "EU-China Relations factsheet" produced by the EU Diplomatic Service on 7 December 2023, China was described more negatively than positively. It made open criticisms, stating that "China has become less open to the world and more repressive at home, while taking a more assertive posture abroad, resorting to economic coercion, boycotts of European goods, and export controls on critical raw materials." The atmosphere is no longer balanced and friendly.

and constraints from the EU side owing to increasing national security concerns.

3. Strong resilience still exists in EU-China relations

Even though some setbacks accrued in recent years in the development of bilateral relations, both sides still want to maintain stable relations with each other .

First, EU-China economic interdependence is so profound that both will not easily give up their common interests and benefits. Until now, the EU has still seen trade and investment relations with China as mutually beneficial despite complaints and trade friction. Since the first Trump administration, more and more US politicians in Washington DC have changed their view of trade and investment with China from mutually beneficial to a zero-sum game, and believe that the US is a net-interests loser and should decouple and cut off as much as possible. The EU is different, even though the EU first created the concept of de-risking, and the intention behind the policy is different from that of the US. The EU is not going too far to reduce economic ties with China as much as possible, as is now pursued by the US.

Second, the EU attempts to maintain strategic autonomy although it still believes that the transatlantic alliance is important and should somewhat follow the US policy of containing China. Europeans will not wholeheartedly support all US policy measures and sacrifice their own interests to follow US China policy. The EU is not like the US, which could gain geopolitical interest in maintaining hegemonic power that could offset the loss of trade and investment benefits caused by the policy of decoupling from China. The EU is not a hegemonic power and it does not have specific geopolitical interests in containing China and decoupling economic ties with China. What is more is that the EU has little advanced technological monopoly for protection using the so-called "Small Yard, High Fence" concept that the US wanted to apply. The EU will not have that kind of monopoly benefit to offset the loss of economic interests from the Chinese market. The EU's strategic economic interests in China are much bigger than that of the US. For example, the EU exports more than USD 250 billion products to China while the US has only exported USD 150 billion annually in recent years, although the EU imports more from China and runs a deficit with China. The Chinese market is a lot more important to the EU and could not be neglected like what the US government is trying to ignore.

Third, at micro-level, the EU business sector still sees China as an important partner. It believes that there are mutual benefits in the economic and trade relations between the two. European companies have an optimistic view of China's future economic prospects and believe there are more opportunities to gain economic benefits as China promised to open up its economy further. Most European companies that have invested in China are making good profits despite competition becoming more fierce than before. This is unlike many US companies, which are resetting their supply chains and moving out of China to avoid potential geopolitical risks as the US government put increasing political pressure on companies investing in China. Even non-FDI equity investments in Chinese technological startups and venture capital are subject to increasing strict screening by the US government. The US government is also becoming hostile to Chinese investment in the US and using more security and political excuses to constrain Chinese companies' investment. Most of the EU companies invested in China are increasing their investment in the hope of more business opportunities. The only change may be adjusting from "in China for the world" to "in China for China" in order to withstand external market uncertainties and high tariffs. On the other side, Chinese companies see Europe as an attractive place to invest with sound and reliable legal infrastructure. Therefore, investment relations are much more resilient between the EU and China.

Fourth, the EU and China take a similar position in promoting multilateralism in spite of different interpretations of multilateralism. The EU does not want to see a unipolar world that is dominated by the only superpower, that is the US, nor does it want to have a bipolar world that is dominated by the US and China. China takes a similar position, and believes that global affairs should not be controlled by a few strong entities or superpowers and should be decided by a majority of the nations based on the UN Charter. The EU and China have common interests in upholding the current international system based on international conventions and agreements. The EU and China still believe that the current international system and order built by the majority of the countries after World War II need to be maintained even though some changes and reform need to take place. It is because of this that the EU and China led 16 WTO members to establish the Multi-Party Interim Appeal Arbitration Arrangement (MPIA) in 2000 after the first Trump administration refused to appoint new WTO Dispute Appellate Body judges and practically caused WTO dispute settlement mechanism dysfunction. These common beliefs provide a solid foundation for the two being inclined to carry out negotiations and come to a compromise when they have disputes and friction in trade and economic disputes.

Last but not least, Europe and China have a long history of civilizations and have mutual respect for each other's culture and history. This gives both a very reasonable assessment and understanding of the other side's position and intention and makes it easy to come to agreements and compromise instead of entering into zero-sum game competition and deep confrontation.

4. Turbulence of the international economic situation brought about by the Trump tariff threat will provide a unique opportunity for the EU and China to enhance their economic relations

Trump administration 2.0 adopted a set of protectionist policies aimed at resetting international economic order that could be more favourable to US interests. Of course, these US interests are, from the MAGA's perspective, not necessarily the real US interests in the long run. The so-called "reciprocal tariff" was merely the reflection of the Trump administration's protectionism. Trump views international trade with his limited experience in real-estate business and believes that trade deficit is a net loss of US interests and a subsidy to surplus countries. So he is determined to change this with high tariffs and other economic and political means to force surplus countries make the compromise he requires. Since he announced the reciprocal tariff on 2 April 2025, trade and economic relations between the US and the rest of the world are no longer based on the international principle of the WTO agreement. It is going to be a game based on economic might and the law of the jungle.

Shocks are already spreading from the US in trade with its main trading partners to the whole world after the US launched the tariff war. The cost of uncertainties is not only the trade contraction of most countries but also financial markets and economic growth being hit both in the US and the rest of the world. China and the EU are the two that would be hit more seriously by the Trump administration's policy not only because they are the two biggest trading partners of the US but also because both have a big surplus with the US. Trump actually took China and the EU as the main target for his tariff war. Therefore, he time and again openly criticises China and the EU and destroys the EU illusion that the EU is the most important strategic alliance for the US and deserves to be treated differently to the US. At the time of writing, China and the US have reached a temporary deal on cutting off the reciprocal tariff and emotional retaliation of the escalation tariff from 145% to 10% and agreed to negotiate a further deal. However, owing to the structural problems and geopolitical competition, the US and China will have difficulty solving their economic disputes in a short period of time even if a new deal could be reached. China will therefore be keen to maintain and enhance the trade and investment relations with the rest of the world. Against this backdrop, China will look to improve the bilateral trade and investment relations with the EU.

There are also several factors that will encourage the EU to reconsider China and enhance its economic relations with China. Firstly, an unfriendly and distrustful attitude towards the EU exhibited by the Trump administration and the turning upside down of the policy on the Ukraine war made the EU rethink its security dependency on the US and start to build strategic autonomy in a more decisive and urgent manner. Although many Europeans still believe that it is difficult to withdraw from political and security dependency on the US in the short term, it is indispensable for building the EU's own security shields and defence industry. Following

US policy in order to contain China is not necessary without a cost to the EU. Secondly, divergence between the US and EU economic interests becomes wider under Trump's economic policy and this makes it difficult for the EU to surrender to the Trump administration in order to reach an agreement as required by the US. The EU is not supporting the law of the jungle and still tries to maintain a global, multilateral free trade framework based on WTO rules. Thirdly, the tariff war launched by the Trump administration will disrupt and destroy the current global supply chain and both the EU and China have an incentive to maintain supply chain stability and resilience. Enhancing mutual trade and investment becomes important to the EU in a more turbulent international situation. Lastly, enhancing economic relations with China could strengthen the bargaining position for the EU to negotiate with the Trump administration on an EU-US trade deal. China and the US are also negotiating a trade deal and the EU believes it should have got a better deal than that available to China.

Against this backdrop, President of the EU Commission Ursula von der Leyen and Commissioner for Trade and Economic Security Maroš Šefčovič both expressed to the media that the EU will promote and expand trade and investment with China and exhibited more positive gestures in enhancing relations with China.[7] High-ranking officials from both

7 On 4 February, President of the EU Commission Ursula von der Leyen told the EU Ambassadors' Conference, "With China, there is also room for constructive engagement and finding solutions in our mutual interest. I believe we can reach agreements that could even expand our trade and investment ties. It is a fine line we must walk, but it can lead to a fairer and more balanced relationship with one of the world's economic giants. And that can make sense for Europe." Her attitude to EU-China economic relations became more positive compared to that previously. EU, von der Leyen: "Ready for agreements with China to strengthen economic ties" – LaPresse News. Maroš Šefčovič also expressed that the EU and China need to deepen economic cooperation when he visited Beijing on 27-28 March to meet Chinese Vice Premier He Lifeng. China, EU agree to deepen economic, trade cooperation_China's Diplomacy in the New Era.

sides are visiting each other more frequently and the EU-China summit conveyed a friendly accord. A trade dispute on Chinese EV exports to Europe is going to reach a compromise following negotiations. More importantly, both sides recently abolished the sanctions resulting from the Xinjiang human rights dispute and provided the possibility for the two sides to either continue the CAI rectification process or negotiate a new agreement to enhance trade and investment.

However, there are still some new obstacles to overcome in promoting bilateral economic relations. First, the EU is worried that China may shift more products to European markets as the high US tariff will hit Chinese exports to US markets. If China increases exports to the EU, it may cause more concerns and protectionist sentiment on the European side. Some EU media have already warned that China will take the European market as a replacement to the US market to absorb its excessive production capacity.[8]

Second, the EU's trade deficit with China is still a hot topic for some member countries and they started to put pressure on the EU Commission to take measures to urge China to solve the problem. The imbalance of trade, just like trade between the EU and US, requires mutual effort to deal with it and is not only the surplus country's responsibility. There should be more consultation and discussion between the two sides, and simply criticising China is not going to solve the problem. Recently, more European companies in China have also complained that China did not implement what it declared in terms of opening up further and granting more fair playing ground for the EU companies to do business in China. The EU Commission will therefore have to take some measures

8 For example, articles like the following are already gaining a lot of attention from both Chinese and European officials. US Trade War Could Divert Chinese Goods to European Markets Amid Tariff Uncertainty | DeepNewz Europe

to pressure China and may cause some unpleasant feelings between the EU and China.

Third, not all European countries and political forces see the Trump administration's policy as destructive, and they still wish that the US will soon return to normal as before. They still have a vision of the tradition of the transatlantic alliance. They are not happy to see an improvement of EU-China relations and still have deep feelings of distrust owing to traditional geopolitical sentiment. They proposed the enhancement of relations with Asian countries excluding China. After all, they do not like to see a strong China, especially in light of the fact that the EU is comparatively declining in terms of economic strength and technological advancement. These countries and people are posing challenges for the EU and other member countries to strengthen EU-China trade and investment relations.

Against this backdrop, the EU on the one hand is trying to improve relations with China, especially bilateral trade and investment; on the other, the EU is still hesitant to rebuild trustful strategic relations with China. Just before this article was finished, the EU cancelled the scheduled 2025 EU-China High Level Economic and Trade Dialogue meeting, which could undermine the 2025 EU-China leaders' summit reaching a fruitful result in commemorating the 50th anniversary of the establishment of diplomatic relations between the EU and China.

5. Suggestions for both EU and Chinese policymakers

A. On the EU side, the following aspects need to be considered.

First, change the overall definition of EU-China relations.

The EU currently still maintains a three-dimensional definition of EU-China relations. China could accept cooperation partner and competitor definitions, although China believes that the EU and China are strategic partners. The EU and China both believe that we have many common interests and we can cooperate on many aspects. In the economic and technology sector, we may face competition. So competitor could also be acceptable. The EU and China do have different political systems and cultural backgrounds, but we do not believe that China is trying to change the other side's political system and have political system competition. At least, China does not have any interest in criticising the EU political system and trying to interfere in the EU's internal political and social affairs. China is not a threat to the European political system and democracy as China does not have that kind of intention, not even the capability. Therefore, China does not accept the systemic rival definition in bilateral relations and believes this will produce a negative impact on bilateral relations. If the EU could drop this definition, the EU and China will have a great opportunity to enhance bilateral relations. China could offer much less control of rare earth exports to Europeans because the two sides are no longer systemic rivals. If the EU still takes China as a systemic rival, then the necessary control of rare earths as dual-use materials for limited use for military purposes is unavoidable.

Second, the EU should consider China and Russia relations as normal country-to-country relations but not an alliance, which leads to the EU being doubtful of improving EU-China relations.

China understands how sensitive China-Russia economic cooperation will be since the Russia-Ukraine war broke out. However, China holds a neutral position on Russia-Ukraine military confrontation and appealed for unconditional ceasefire in the early days. It is a shame that China's position was not recognised as neutral and good for both sides but interpreted by many Europeans as helping Russia. Now, after Trump has turned the US policy for Ukraine and Russia upside down, unconditional ceasefire proposed by Trump is no longer acceptable by Russian President Putin. Instead, Putin wants many preconditions for ceasefire that could not even be considered by the EU. Therefore, if the EU could see China's standpoint with visions, it would understand China's neutral position. What is more is that the EU cannot demand China's relationship with any other country as a precondition for improving EU-China relations just like China should not require EU-US relations as a precondition for the enhancement of EU-China relations. Russia is a close neighbour of China and we have a common border of thousands of miles. China needs to have stable and friendly relations with Russia, not to mention that the US and, to some extent, the EU consider China an as adversary and attempt to contain it. So if China had not been considered as the main threat and the US tried to contain it, there might not have been this war. Enhancing EU-China relations will have a good impact on the peace and stability of Europe and Asia as well as the whole world.

Third, using the opportunity arising from both sides abolishing the sanctions, the EU and China should start to negotiate bilateral FTAs to establish a new platform for economic cooperation.

Owing to the dispute on human rights in Hong Kong and Xinjiang, the EU sanctioned some Chinese officials and China retaliated with sanctions on EU personnel and institutions. Now both sides believe this should be removed and we should look forward to better relations in the future. The Chinese government hoped that the EU-China Comprehensive Agreement on Investment (CAI) that was suspended for rectification by the EU Parliament could be resumed for the rectification procedure. However, the EU is not interested in this regard. I personally understand that it is a political decision that is politically sensitive. So I shall propose a new way to promote economic relations for the two sides. We could start a more comprehensive agreement which could integrate CAI into it. That is a Free Trade Agreement or Economic Partnership Agreement. Just like the EU-Vietnam FTA or EU-Japan Economic Partnership Agreement. There will be enormous welfare gains if the EU and China could reach an agreement. The only obstacle is geopolitical considerations and this is what the EU and China need to overcome.

Fourth, geopolitical and security considerations by the EU and member countries should be rational and so-called de-risking should be correctly assessed.

As mentioned above, the EU could not change its de-risking policy in the short term as the US is still pushing for the geopolitical target to contain China. However, the EU needs to maintain a rationale when following US policy and be aware that the so-called risk from the US perspective is not necessarily a risk to the EU. For instance, Chinese EV and ITC companies' investment and operation in the US were considered by the US government to be a risk because the US government wants to protect the US company monopoly interests in the US, while in Europe there are no such monopoly interests of European companies. Cooperation will be beneficial to both sides and the EU should not assess these Chinese investments as a risk. Therefore, the EU, while still maintaining a de-risking policy towards China, should assess the so-called risk in a rational manner.

Fifth, pay attention to China's further opening-up policy and take the opportunity from China's market opening up new means to export more to China.

China is taking many new measures to open up the domestic market and allow foreign products easier access into China. Small and medium-sized European companies could establish a marketing strategy with Chinese e-commerce platforms to sell their products to Chinese consumers if they are having difficulty building their own marketing networks in China by themselves. I personally know that Shanghai Municipal Government officials and e-platforms are interested in importing various European products for Shanghai's middle-class citizens. This could be arranged in the city-to-city friendship network.

B. Proposals to Chinese policymakers

First, China should forcefully implement its further opening-up policies, especially those measures already announced for the opening-up.

The Chinese government has been pushing many new opening-up measures for foreign companies' investment and market entry. However, after foreign companies enter China, many post-border domestic management requirements are not fully consistent with national treatment. This has caused a lot of complaints from foreign companies, especially European companies. Many domestic non-tariff licence and technical requirements also need to be internationalised and simplified, or even abolished for much easier market access. The Chinese government has tried many measures to encourage imports from our trading partners, such as China import exhibitions in Shanghai, but it is a pity that a lot of bureaucratic procedures are still there and hinder the central government's further opening-up policy. In the next stage, policy focus should be placed on full national treatment after border entry and trade facilitations that ensure easy market access by foreign companies.

Second, import more European products to boost domestic consumption.

High-figure trade surplus with the EU caused the EU to be unhappy, although most economists are not worried about the bilateral imbalance as the EU runs at an overall surplus with the rest of the world. Chinese policymakers also believe that trade surplus is transitional. It is not for long-term interests either. China's domestic consumption is comparatively weak and this is somewhat linked to excessive investment and production.

In order to avoid any loss of economic benefits from large-scale production and export, we need to import more. Gradually balancing trade with our major trading partners is not only important to maintain good relations with them, but also imperative to balance domestic economic structures and sustainable economic growth. Chinese policymakers are aware of this importance and policy measures need to be more forcefully implemented.

Third, China should assure the EU that Chinese companies will not dump their products to offset its declining exports in the US market.

Owing to Trump's high tariff, China's exports to the US are declining and may not recover anytime soon. The EU is now afraid of a rapid increase in Chinese manufactured products in the EU market following Trump's high tariff that cause the Chinese to shift to other markets. Actually, China's export is increasing in East Asia, Latin America and Africa. China does not and will not just take Europe as the main market to offset a reduction in the US market. What is more is that in the end the US will have to maintain rather stable imports of manufactured products from China in spite of the high tariff because there are fewer alternative markets and complex global supply chains that are interdependent. Therefore, China could provide the EU with assurance that, in the future, China's exports to the EU will keep the pace of its import from the EU and leave the EU free to expand its trade and investment with China without any worry of Chinese export dumping.

Fourth, play a more active role in global conflict mediation and peacekeeping.

Europe is now in a deteriorating geopolitical situation. The Russia-Ukraine war is seemingly not ending anytime soon and the Middle East is on fire.

The Western Balkans are also unstable. All of these are an imminent threat to European peace and economic development. The EU is no longer sure that NATO could provide enough security under Trump's policy. Even though the EU does not trust China, it still hopes that China could play a more positive role in conflict mediation and peacekeeping. It is also in China's interest to play a more active role in this regard. China should revise its reluctance to avoid so-called "interfering domestic affairs" if the "affairs" are directly linked to global peace and stability. This will provide new impetus for the EU and China's cooperation.

C. Proposals to both EU and China to take common actions and efforts.

First, the EU-China High Level Economic and Trade Dialogue should convene more frequently, two or three times a year, to tackle trade and economic friction and disputes.

This will provide more opportunities for the two sides to discuss each other's concerns and demands about trade and investment policies, such as export controls and non-tariff barriers. It should also discuss companies appealing complaints and dissatisfaction from both sides to solve the problem in time. Only governmental officials are informed and involved in micro-level economic problems in good time; the settlement and solution of friction could be quickly realised. If there are several meetings of the EU-China High Level Economic and Trade Dialogue a year, there will not be many negative comments if one or two scheduled meetings are cancelled or delayed for some reason. Now the 2025 annual meeting is postponed, there have been rumours and negative comments about EU-China relations, which the two sides should avoid.

Second, both sides need to establish a working group on WTO reform to study and coordinate the efforts to safeguard the multilateral free trade framework based on the WTO.

The EU and China benefit from the global free trade system. Both are now dependent on the free trade system and trade relations with the rest of the world. There are some different views on how to promote the WTO system and reform the current rules of the WTO, but we both want to safeguard the WTO and protect this organisation from collapsing. The US policy is to marginalise and even dismantle the WTO and believes it is in its interest to use unilateral measures to reset the trade rules. A reciprocal tariff is the only reflection of the US principle of the law of the jungle. The EU and China therefore have a responsibility to work together to safeguard the WTO institution and maintain a basic global free trade system. Thus the EU and China need to converge their differences in WTO reform to revive the WTO function.

Third, strengthen the cooperation on AI technology and regulation.

In AI technology development, the US and China are now in the leading position as there are many companies in the US and China developing LLM and at the cutting edge of AI technology. European companies are comparatively lagging behind. The EU is pioneering a regulation in the digital economy and AI implementation activities. However, the lacking foundation for technological advancement makes the EU regulation vulnerable in the face of US pressure and difficult to implement. The EU and China need to cooperate on the collaborative development of an AI model and the practical implementation of an AI model in social and economic activities and make a regulation for human well-being. There

is a critical moral risk in AI development at this stage that an AI model is being used for immoral purposes such as developing weapons of mass destruction and to control human mindset and behaviour. We need a strong regulation and legal intervention to preserve our basic human ethics and moral standard. The EU and China should take responsibility and take common actions in this area.

Fourth, the EU and China need to strengthen their monetary and financial cooperation.

The US government is pushing irresponsible fiscal and financial policies to serve its own interests while neglecting international currency obligations and responsibilities. The US government is utilising the dollar and the US clearing network as a weapon to sanction those who are politically defined as opponents and enemies. Even though the EU follows most of the US policies and participating in financial sanctions against Venezuela, Iran and Russia, the economic and financial interests are not identical to that of the US. European monetary and financial integration and the international role of the euro are seen by the US as a competitor and not good for the US dollar hegemony. So it is in the common interest of the EU and China to enhance a form of check-and-balance mechanism for other international currencies. The EU and China need to cooperate to support each other's efforts in promoting the internationalisation of the euro and RMB. We also have common interests in maintaining international financial market stability. In the past two decades, the international financial system has experienced several turbulent and panic situations caused by a sudden shift and turn in US financial and monetary policy. The US frequently used its dollar hegemonic position to transmit the cost of fighting domestic financial unrest and crisis to the rest of the world. The European sovereign debt crisis was caused by a global financial crisis, which was triggered by the US subprime mortgage credit crisis. The EU and China therefore need to enhance their bilateral central bank swap arrangement and establish a direct euro-RMB clearing and settlement network to reduce dependence on the US dollar hegemony. I also propose that the People's Bank of China and European Central Bank should collaborate in a CBDC development programme to stimulate new channels for euro and RMB cross-border transactions, which could promote a multipolar international monetary system.

Hopefully, the EU and China could gain experience from the past 50 years of development of friendly relations and draw lessons on some setbacks to open up a new era of strategic partnership. EU-China bilateral trade and investment have been beneficial to the welfare of the peoples of both sides. Continuing to promote trade and investment relations will not only enhance the well-being of the people, but is also important for world peace and stability.

EU–China Relations in the Context of Financial Cooperation

MARCELL HORVÁTH[1]

ABSTRACT: In 2025, the European Union and China celebrates the 50th anniversary of the establishment of diplomatic relations. This occasion is also noteworthy because the current turbulent geopolitical environment might lead to a new chapter in bilateral relations. In addition to the trade war launched by the USA, several other current and future global challenges – epidemics, regional conflicts, climate change – make cooperation between the EU and China urgent. One of the most important areas of cooperation is the financial system, which is undergoing a profound transformation due to the consequent waves of digitalisation. The aim of this study is to present the results and opportunities of bilateral digital financial relations based on the role of the EU and China in the international financial architecture. The paper discusses the digital aspect and the Hungarian-Chinese relationship in more detail. In the digital field, it should be emphasised that both the EU and China have their own projects to develop central bank digital currencies (CBDC) and actively support the development of the financial innovations (FinTech) sector. Knowledge sharing related to CBDCs is also

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a key aspect of Hungarian-Chinese financial cooperation. In addition, the presence of Chinese commercial banks in Hungary, the MNB's Renminbi Initiative and supervisory cooperation deserve special attention. Future cooperation may be further strengthened by the fact that in the current geopolitical environment, the EU might formulate a cautious, more pragmatic approach for its cooperation with China.

KEYWORDS: European Union, China, geopolitics, digital finance, Hungarian-Chinese financial relations

1. Introduction

In 2025, the European Union (EU) and China will celebrate the 50th anniversary of the establishment of diplomatic relations. Over the half-century since these ties were established in 1975, the relationship between the two parties has reached numerous milestones on both economic and diplomatic fronts. In the current context of geopolitical turbulence, increasing bloc formation and global fragmentation, the year 2025 offers the prospect of renewed cooperation that could mark the beginning of a new chapter in bilateral relations (Szapáry & Plósz, 2019).

The EU and China, as the world's second- and third-largest economic powers, respectively, bear a shared responsibility for maintaining a rules-based global free trade system and other forms of multilateral cooperation – particularly in the fight against climate change (García-Herrero & Xu, 2019). The need to enhance cooperation between the EU and China is becoming increasingly urgent, as a series of global crises – such as the COVID-19 pandemic, the war in Ukraine, the escalating tensions in the Middle East and recent US trade policy measures – are contributing to a more fragmented world economy. This fragmentation is also reshaping the global financial system. According to a recent 2025 estimate by the World Economic Forum, the increasing fragmentation caused by trade barriers could result in losses of up to USD 5.7 trillion, which would equate to approximately 5% of global GDP (World Economic Forum, 2025).

The evolving world order is not only giving rise to new alliances but also highlighting areas such as the growing demand for financial sovereignty. A notable example of this is the 2024 declaration of the BRICS group, which underlined the need to establish a multipolar financial system that operates independently of the dominance of traditional international monetary structures. A founding member of BRICS, China has strongly endorsed this approach, placing emphasis on regional autonomy and financial sovereignty as key principles offering an alternative to the currently Western-dominated global financial architecture (OMFIF, 2024).

In order to map the current financial relations between the European Union and China and to explore potential directions for future cooperation, it is useful to briefly review the key milestones of their half-century-long relationship. The EU–China partnership – encompassing economic, financial and political dimensions – has been notably dynamic over the past fifty years. Economic cooperation between the two sides deepened considerably following China's accession to the World Trade Organization (WTO) in 2001, and in 2003 the EU and China elevated their ties to the level of a strategic partnership (Jungbluth, 2024).

In 2010, China became the world's second-largest economy after the United States, and its significance on the global stage grew rapidly with the rise of President Xi Jinping in 2013. During the 2010s, China launched the 16+1 format with Eastern EU Member States and the ambitious Belt and Road Initiative (BRI), which initially focused on infrastructure development. Hungary was the first European country to join the BRI. China also became a major player in international lending and foreign direct investment (FDI), while it sought to expand its global soft power through the establishment of a rapidly growing network of Confucius Institutes.

From 2015 onwards, however, European perceptions of China began to shift. European leaders increasingly called for greater reciprocity: while Chinese investors benefited from the openness of EU markets, European companies did not enjoy equivalent access to the Chinese market (FIIA, 2023). The Comprehensive Agreement on Investment (CAI), concluded on 30 December 2020 after nearly seven years of negotiations, was

intended to address this imbalance. Yet the agreement has still not been ratified. For China, the CAI would have represented the most significant investment deal ever reached with a third party. It sought to regulate several key areas, including a ban on the forced transfer of technologies and, for the first time, the operation of state-owned enterprises (SOEs). Moreover, it established comprehensive and transparent rules regarding subsidies, and included commitments related to sustainable development.

The main advantage of the agreement (had it been signed) would have been to grant EU investors access to the vast Chinese market of nearly 1.4 billion people, while also providing a more level playing field – a matter of critical importance for global competitiveness and the future of European industrial sectors (European Commission, 2020).

Since 2019, the European Union has simultaneously regarded China as a strategic partner (negotiation partner), an economic competitor and a systemic rival (Zajmi, 2025). From 2023, the EU also introduced the concept of "de-risking" into its economic strategy discourse (FIIA, 2023). Economic and financial relations between the EU and China are complex owing to the size of the Chinese market, China's leading role in global trade and manufacturing – including high technologies essential for the green transition – and the significant investment ties between the two sides.

China is an indispensable and unavoidable actor in the green transition, which itself is a fundamental economic (and political) priority of the European Commission. Currently, China produces three quarters of the world's solar panels, manufactures 80% of global wind turbine components and is responsible for 60% of global cobalt and lithium refining essential for battery technologies (FIIA, 2023).

With regard to investment relations between China and Europe, 2024 saw a notable shift in Chinese investment away from Western Europe towards Southern and Eastern Europe. In that year, Serbia

(EUR 5.1 billion) (Rakic, 2025) and Spain emerged as the top destinations for Chinese investment. China announced a total of 33 projects in Spain, including a EUR 2 billion investment by Hygreen Energy and a EUR 4.1 billion battery manufacturing investment by CATL (Myles, 2025; Hanemann et al., 2025).

Hungary has become a key hub for Chinese investment: over the past ten years, Chinese companies have brought the largest volume of foreign investment to Hungary. Supported by the Hungarian government, 54 major modern investment projects have been realised, with a total value of HUF 7,000 billion, creating more than 30,000 new jobs (Government of Hungary, 2025).

The direction of economic and financial relations between the European Union and China is significantly shaped by today's turbulent geopolitical environment. In recent decades, the balance of power in the global economy and geopolitics has undergone a significant transformation. Asia – particularly China, India and the rapidly developing countries of Southeast Asia – has been steadily gaining in prominence. While in 1990 Asia accounted for just 21% of global GDP, by 2023 this figure had risen to 39%, and it is projected to contribute up to 60% of global output by 2030 (Eastspring, 2024).

These countries are also leading in technological innovation and digitalisation: China, South Korea and Singapore are now counted among the most innovative nations in the world. In addition to growing economic strength, technological innovation is also shifting eastwards. According to the 2024 ranking by the World Intellectual Property Organization (WIPO), Singapore, South Korea, China and Japan were all ranked among the world's top 15 most innovative countries (Global Innovation Index, 2024).

This trend signals the transformation of the previously Western-dominated global order. A formerly unipolar system led by the West is giving way to a multipolar world in which the economic and political centre of gravity is shifting eastwards (Quah, 2011).

At the Munich Security Conference held from 14–16 February 2025, Chinese Foreign Minister Wang Yi emphasised that China has always regarded Europe as a key actor in a multipolar world order. According to the minister, the EU and China are partners, not rivals, and their relationship should be re-evaluated. This message is particularly important in light of the contrasting approaches between former US President Joe Biden, who viewed Europe as a strategic ally, and Donald Trump, who began his second presidential term in January 2025 and is known for his pragmatic, business-oriented stance in politics and international relations.

This shift is exemplified by Trump's protectionist trade policy, as well as his decision to initiate negotiations with Russia aimed at ending the war in Ukraine without the involvement of European powers. The EU's potential rapprochement with China does not necessarily imply full alignment with the Asian superpower. However, from the perspective of strategic autonomy and a pragmatic approach to foreign and economic policy, China could serve as a counterbalance to the United States' unpredictability and Russia's aggressive conduct (Zajmi, 2025).

One of the first signals of this shift came from President of the European Commission Ursula von der Leyen, who had previously advocated for a tougher EU stance on China. Yet in February 2025, she called for a more pragmatic and balanced partnership and stressed the need to expand trade relations (European Commission, 2025).

Among the many important areas of EU–China cooperation, one of the most significant is the financial system, which lies at the heart of the seismic transformations of our time. The challenges of the 21st century and ongoing geopolitical developments are closely intertwined with the international financial architecture, which is undergoing a radical transformation driven by successive waves of digitalisation. This transformation fundamentally influences the competitiveness of both the EU and China, while also creating numerous new opportunities for bilateral economic relations.

This study provides an overview of the evolution of financial relations between the EU and China. Chapter 2 positions both the EU and China within the international financial system (Subchapter 2.1) and then presents their current roles and achievements in the ongoing digital money revolution (Subchapter 2.2). Chapter 3 outlines the main areas and examples of financial cooperation, with special emphasis on the financial ties between China and selected key EU Member States, including Hungary. Chapter 4 summarises the conclusions and highlights further opportunities for relationship-building.

2. The EU and China in the international financial system and the digital money revolution

2.1. The role of the EU and China in the international financial architecture

2.1.1. The European Union

Over the past thirty years, the European Union has followed a significant development trajectory, centred on the establishment of a single internal market and the creation of the Economic and Monetary Union. As a result of these efforts, the EU has become one of the most deeply integrated economic and trading blocs in the world today. It not only guarantees the free movement of goods, services, capital and labour among its Member States, but also provides a unified regulatory environment for market participants. Consequently, the EU is considered one of the most open actors in the global economy and remains a staunch advocate of free trade and multilateral cooperation on the international stage (Miró, 2022).

The role of the euro in the international financial system

The introduction of the single currency, the euro, in 1999 marked a unique milestone in the economic and financial integration of the European continent and, at the same time, established the EU as an indispensable player in the international monetary system. Over the past 26 years, the euro has become the second most important currency in the world after the US dollar. Its global role spans several functions: it serves as a reserve currency, a unit of account and a means of payment.

In 2023, approximately 20% of global foreign exchange reserves were held in euros, compared with 58% in US dollars. Beyond its status as a reserve currency, the euro also plays a key role in international lending, debt issuance and foreign exchange transactions. For instance, 23% of global external debt is denominated in euros, while the euro accounts for 30% of global currency turnover. The European Union is actively working to strengthen the international role of the euro, including through the issuance of euro-denominated green bonds, which accounted for nearly 50% of global green bond issuances in 2023 (European Council, 2025). These measures not only reinforce the euro's global standing but also contribute to enhancing the EU's strategic autonomy.

2.1.2. China

With the gradual implementation of the "reform and opening-up" policy launched in 1978, China emerged not only as a major player in the global economy but also began to assert itself within the international financial system – though not yet to the same extent as in global trade. This is perhaps unsurprising, given historical experience: the influence of emerging powers has traditionally been felt last in the realm of international finance (Dalio, 2021). Nevertheless, China has already made notable progress in reshaping the global financial system, particularly in the following areas.

The internationalisation of the renminbi (RMB)
China's strategic aim is to promote its currency, the renminbi (RMB, also commonly referred to as the yuan or CNY), as a key means of payment and financial transaction in the global economy. The RMB can already be regarded as a (regional) global currency, particularly due to its increasing share in cross-border transactions in the Asia-Pacific (APAC) region and among Belt and Road Initiative (BRI) countries. According to the most recent report by the People's Bank of China (PBoC) on the status of RMB internationalisation, cross-border payments between China and BRI countries reached RMB 6.5 trillion (approximately USD 890 billion) in the first nine months of 2023, reflecting a year-on-year increase of 19% and accounting for 16.7% of total RMB-denominated international payments during that period (PBoC, 2023).

The global role of the RMB is being advanced through the easing of capital controls between mainland China and the rest of the world, the strengthening of market-based exchange rate mechanisms and a variety of international agreements (e.g. currency swap arrangements) and institutional developments.

Foreign lending and FDI – The role of China's financial system
Under the BRI framework, China has been financing large-scale infrastructure, green economy and other development projects around the world. These efforts are spearheaded by state-owned policy banks (especially the Export–Import Bank of China) and major commercial banks such as the Bank of China, China Construction Bank, ICBC and Agricultural Bank of China. Loans are typically used to fund construction projects carried out by Chinese consortia, while Chinese foreign direct investment (FDI) has also become increasingly significant. Although financing was traditionally denominated in US dollars, RMB-denominated lending has become more common in recent years.

The role of the Chinese financial system is also evident in RMB-denominated bond issuances. Since the 2010s, a growing number of foreign corporations and sovereigns – including Hungary – have appeared on China's domestic bond market (known as the "panda bond" market), with the major Chinese banks also acting as lead arrangers in these transactions (Barcza & Kádár, 2018).

New international agreements and institutions
In response to growing global demand for RMB liquidity, the PBoC has signed a series of bilateral currency swap agreements with central banks around the world. By the end of 2023, 40 such agreements had been concluded, of which 29 were still in effect (PBoC, 2023). In 2016, Beijing established the Asian Infrastructure Investment Bank (AIIB), a multilateral development bank that, as of March 2025, has 110 member countries (Hungary has been a member since 2017; AIIB, 2025).

In addition to the AIIB, the Silk Road Fund (SRF) was also created. These institutions aim to finance sustainable development projects – particularly in countries of the Global South – as a complementary alternative to the long-established, US-centric global financial institutions, while also maintaining cooperation with them.

2.1.3. Prospects for the development of EU–China financial relations

Given the significant – and in China's case, growing – role both the EU and China play in the global financial architecture, the future of their bilateral relations will be strongly influenced by forces pushing towards geopolitical fragmentation and bloc formation. These forces do not affect the European Union uniformly, and internal EU dynamics will continue to play a crucial role going forward.

While certain Central and Eastern European nations – such as Hungary – maintain close economic, financial and political ties with China, with the Asian giant acting as a key partner in high-tech investments in particular, others have taken different approaches. Greece, for example, has prioritised infrastructure projects (such as the Port of Piraeus) (Bi, 2025), while Spain has also expressed strong interest in attracting Chinese capital. Italy, by contrast, withdrew from the Belt and Road Initiative in 2023 (Crunkhorn et al., 2023).

At EU level, strategic documents concerning China are characterised by concepts such as de-risking, strategic partnership and economic competition. However, Member States also shape their bilateral relations with China at national level, in accordance with EU regulations. A clear example of this is Germany, which, on 13 July 2023, published its first ever Strategy on China, outlining the future direction of its relations with Beijing. The document, approved by the Scholz administration, had been long anticipated by the international community, following Chancellor Olaf Scholz's pledge in late 2021 – shortly after succeeding Angela Merkel – to deliver a comprehensive China strategy. It eventually materialised in 2023.

The German strategy represented a clear shift in foreign policy compared to previous eras. While it sought to recalibrate Sino-German relations, it also acknowledged geopolitical and economic realities. It explicitly rejected the idea of decoupling but envisaged greater strategic autonomy from China. This suggests that EU Member States are increasingly seeking to develop their Chinese relations in a pragmatic manner, focusing on mutual benefits and each party's respective strengths.

2.2. China and the EU – Commitments to financial digitalisation

2.2.1. The European Union

The EU's efforts in digitalisation date back many years; however, considering the competitiveness report published in September 2024 by former Italian Prime Minister and ECB President Mario Draghi, processes linked to digitalisation and innovation must be accelerated to sustain the pace of European economic growth. The document, commonly referred to as the Draghi Report (Draghi, 2024), warns that the EU's decades-long economic slowdown and it lagging behind the United States and Asia now threaten the welfare of European citizens. If Europe intends to continue financing its current social model, remain at the forefront of climate action and preserve its status as an independent actor in global politics, it must reignite growth – primarily through gains in productivity.

Should the anticipated productivity boost from the technology sector fail to materialise, Europe risks missing out on the artificial intelligence (AI) revolution. This would even cast a shadow over industries in which the EU has traditionally held a strong position, such as pharmaceuticals and automotive manufacturing. According to Draghi, a competitiveness turnaround requires immediate and collective effort, including significant financial commitments. The EU would need to invest between EUR 750 and EUR 800 billion annually – through both private and public sources – which corresponds to approximately 4.4–4.7% of the Union's 2023 GDP.

The development of digital financial systems and the broader digitalisation of finance within the EU could play a vital role in boosting productivity and enhancing competitiveness. Particular attention is being paid to the potential introduction of a digital euro, which would not only reinforce monetary sovereignty, but also contribute to more efficient, faster and inclusive payments across the single market. Although digital payments are increasingly widespread, a large share is reliant on non-European service providers, rendering the EU's financial system vulnerable.

This is why several central banks are considering systems in which a central bank digital currency (CBDC) would represent a direct claim on the central bank – much like cash – while retail services would be provided by the private sector (Auer, Cornelli & Frost, 2020). A digital euro would reduce the EU's dependence on foreign payment infrastructures and safeguard monetary sovereignty in the face of rising geopolitical risks. The European Central Bank (ECB) is currently working in collaboration with market participants on the regulatory framework, and innovation partnerships are already underway to explore potential applications of the digital euro. Special attention is being paid to the impact on financial stability, and preliminary findings suggest that everyday retail use would not pose a risk (Cipollone, 2025).

The European FinTech sector is evolving dynamically, but regulatory fragmentation continues to hinder the cross-border expansion of firms. Varying national regulations complicate the ability of FinTech companies to grow their international client bases and delay the emergence of a truly unified market for digital financial services. In response, the European

Commission has launched several initiatives, including the Digital Finance Platform, aimed at facilitating cooperation between FinTech firms and regulatory authorities. Additionally, both the ECB and the European Banking Authority (EBA) are actively working to harmonise the regulatory framework for digital financial services, with particular emphasis on crypto-assets and digital operational resilience.

2.2.2. China

Over the past decades, China has emerged as one of the global frontrunners in the digitalisation of finance. This success is largely attributable to the population's openness to technology and to an incremental innovation approach often described as "fast running in small steps." The digital wave was significantly accelerated by the rise of mobile applications that developed in response to the growing demand for online payment solutions. Two dominant players in the mobile payment space – Alipay and WeChat Pay – are both linked to major Chinese internet conglomerates. Alipay is part of the Alibaba Group, founded by Jack Ma, which is primarily engaged in e-commerce, while WeChat Pay is operated by Tencent, the social media giant associated with Pony Ma.

According to the People's Bank of China's (PBoC) Payment System Report, in 2024 non-bank payment service providers processed a total of 1.34 trillion online payment transactions, with a cumulative value of RMB 331.68 trillion (approximately USD 45.48 trillion; PBoC, 2025). The same report notes that electronic payment transactions initiated by customers through banks – including via POS terminals, telebanking, mobile apps and online banking – reached 301.668 billion in volume, with a total value of RMB 3,427 trillion (around USD 470 trillion) (PBoC, 2025). Transactions initiated by customers through external non-bank payment service providers, which merely affected the balance of a linked bank account, were categorised separately under the non-bank category.

These figures clearly illustrate the dominance of mobile applications in everyday low-value transactions. In fact, non-bank payment service providers accounted for 81.6% of the total volume of electronic transactions – an indication of their overwhelming popularity.

It was precisely the massive market share of private companies and the concern for preserving monetary sovereignty that prompted the PBoC to become the first central bank in the world to actively pursue the development of a central bank digital currency (CBDC). The PBoC established its Digital Currency Institute in 2016 (Zhou, 2021), and in spring 2020, it began real-world testing of the Digital Currency/Electronic Payments (DC/EP) system, commonly referred to as the digital yuan or e-CNY.

The e-CNY enables direct, instant payments and can even function in offline mode. While initially designed primarily for domestic use, recent years have seen growing international interest in its potential to bypass the US dollar and the dollar-based global payments infrastructure. In light of the progress achieved, the PBoC has since joined several cross-border payment projects, including the CBDC mBridge.

As of May 2024, the total transactions conducted using the e-CNY had reached RMB 6.6 trillion (USD 910 billion), representing a threefold increase compared to the previous year (Horváth, 2024a). The digital yuan has already been integrated into mobile payment platforms and is gradually being adopted across urban public transportation networks.

3. Key examples of EU–China financial relations

3.1. German–Chinese financial relations – Diversification strategy and the panda bond market

Germany is one of the primary destinations for Chinese investment in Europe. However, the Strategy on China adopted by the former government of Chancellor Olaf Scholz in July 2023 marked a clear shift away from pragmatic openness towards a more cautious “de-risking” approach. Chinese financial presence in Germany is primarily channelled through commercial banks, some of which also operate as RMB clearing centres. The Frankfurt branches of China Construction Bank (CCB) and the Industrial and Commercial Bank of China (ICBC), for instance, play a central role in promoting RMB-based trade and financing with German companies.

In 2024, the China Development Bank (CDB) and Germany’s Landesbank Baden-Württemberg (LBBW) – one of the country’s largest commercial banks – jointly launched a RMB 1 billion (approximately USD 140 million) fund aimed at supporting small and medium-sized enterprises (SMEs) and green investments (CDB, 2024). This initiative not only contributes to the internationalisation of the renminbi but also provides German firms with tangible financial opportunities in Asia.

German companies have also made an appearance on the panda bond market: in 2022, Mercedes-Benz International Finance B.V. became the first automotive company to issue a green panda bond, raising RMB 500 million (around USD 68 million) (Mercedes-Benz, 2022). In addition, the China Investment Corporation (CIC) has acquired stakes in several

German technology and green industry firms, partly within the framework of consortium agreements.

3.2. French–Chinese financial relations – Green finance and CBDC cooperation

French–Chinese financial cooperation is primarily focused on sustainable development and financial innovation. Chinese commercial banks – such as the Bank of China (BoC) and China Construction Bank (CCB) – are active in France, engaging in green infrastructure financing and corporate lending. Based on an agreement between BNP Paribas and BoC, green bonds worth USD 500 million have been issued to support projects aimed at improving energy efficiency. Among the projects implemented in China is a 31-kilometre metro line that will operate with zero direct CO_2 emissions (BNP Paribas, 2025).

Another example of bilateral financial cooperation is the Silk Road Fund-supported logistics infrastructure development in southern France, designed to facilitate the integration of Chinese and European supply chains. A flagship project is the collaboration between China's Minth Group and Renault in northern France, which involves the manufacturing of components for electric vehicles.

In the field of digital finance, France ranks among the frontrunners. In 2024, the Banque de France signed a cooperation agreement with the Hong Kong Monetary Authority (HKMA) to jointly explore the interoperability of central bank digital currencies (CBDCs), particularly in the wholesale domain. This initiative forms an indirect link with China's mBridge project, which also aims to facilitate cross-border digital transactions. The cooperation aligns with the EU's strategic objective of preparing for the global digital currency race while ensuring its own financial sovereignty (Choi, 2024).

3.3. Italian–Chinese financial relations – Stable financial ties despite BRI withdrawal

Although Italy officially withdrew from the Belt and Road Initiative (BRI) in 2023, Chinese financial presence in the country remains significant. The Rome branch of the Bank of China (BoC) maintains extensive relationships with Italian companies, particularly in the luxury goods and machinery manufacturing sectors. The Industrial and Commercial Bank of China (ICBC) has been involved in financing projects aimed at modernising southern Italian ports, partly within the framework of consortia.

The BoC and Intesa Sanpaolo – Italy's largest and one of the most prominent international financial institutions – have jointly launched several projects, including infrastructure development, logistics and energy investments in southern Italy (CDP, 2018). In terms of equity participation, Intesa Sanpaolo is also the second-largest shareholder in the commercial Bank of Qingdao (Intesa Sanpaolo, 2022).

Italy is also actively participating in the European Central Bank's digital euro project and considers the interoperability of digital financial systems to be of strategic importance.

3.4. Polish–Chinese financial relations – Targeted investments and strategic cooperation

Although the volume of Chinese capital investments in Poland remains relatively modest, China carried out a total of approximately EUR 2.5 billion in foreign direct investment in the country between 2000 and 2024 – significantly lower than the amounts directed towards Germany (EUR 33.2 billion), France (EUR 21.9 billion) or Italy (EUR 15.7 billion) (Bachulska, 2025). Nonetheless, Chinese investments have brought tangible economic and energy-related benefits to Poland through strategic infrastructure and digital projects.

The Warsaw branch of the Bank of China (BoC) supports numerous Polish companies in entering the Chinese market through loan and guarantee programmes, actively collaborating with actors in the Polish logistics and energy sectors. A portion of the joint lending initiatives targets the development of new Silk Road rail links: the Łódź–Chengdu railway line plays a key role in Sino-European trade, with several Chinese commercial banks contributing to its expansion.

Moreover, Poland is a member of the Asian Infrastructure Investment Bank (AIIB) and, in 2023, several preparatory projects were launched to boost energy efficiency in Poland involving Chinese financial partners (AIIB, 2025).

In the field of digital payments, cooperation has also begun; consultations between the National Bank of Poland (NBP) and the People's Bank of China (PBoC) have raised the possibility of a cross-border CBDC pilot programme, which could be of strategic importance to the Central and Eastern European region.

3.5. Hungarian–Chinese financial relations – Future-oriented complexity

Hungarian–Chinese financial relations have been enjoying a golden era since the early 2010s, largely thanks to Hungary's "Eastern Opening" policy launched in 2010 (Horváth, 2024b; Horváth & Horváth, 2024). The architect of this foreign policy approach – which maintains existing ties with the West while actively seeking engagement with the emerging East – was György Matolcsy, Minister for National Economy (2010–2013) and later Governor of the Central Bank (2013–2025). Prime Minister Viktor Orbán referred to him as the "founding father" of the Eastern Opening in a speech delivered at the 2019 Tourism Summit (Horváth & Horváth, 2024). The following section highlights the key areas of bilateral financial cooperation over the past 15 years.

The entry of Chinese commercial banks into Hungary

The Bank of China (BoC) has the longest-standing presence in Hungary, having opened a representative office in 1997, followed by the establishment of its subsidiary in Budapest in 2003. This subsidiary – now operating under the name Bank of China (CEE) Ltd. – has since evolved into the BoC's regional hub, opening branches in the Czech Republic and Romania as well. The bank offers a range of RMB services, including RMB savings, treasury products and RMB-denominated payment transactions. Its significance in Hungarian–Chinese financial cooperation is further underscored by its repeated involvement in Hungary's bond issuance operations in the Chinese market (Horváth & Banai, 2022). In addition, the People's Bank of China designated the Bank of China as the RMB clearing centre for Hungary and Central and Eastern Europe in 2015, a function it has now fulfilled in the region for a decade (BoC, 2016).

Alongside the Bank of China, the China Construction Bank (CCB) also entered the Hungarian market, opening its branch in 2023. Owing to the excellent working relationship Tian Guoli, CCB's Chairman (2017–2024), developed with Prime Minister Viktor Orbán and Governor György Matolcsy, Hungary was selected as the key destination for the CCB's Central and Eastern European expansion (Horváth & Horváth, 2024). Since 2022, Hungary has also hosted a representative office of the China Development Bank (CDB), one of China's three major policy banks.

Central Bank Renminbi Programme and regulatory cooperation

Since 2013, the Central Bank of Hungary (MNB) has placed considerable emphasis on non-conventional and targeted central bank instruments to achieve the objectives enshrined in its mandate. According to international feedback, the MNB is regarded as one of the most innovative central banks globally in this regard (Kolozsi, 2024). In March 2015, in connection with a bilateral currency swap agreement signed with the People's Bank of China (PBoC), the MNB launched its Central Bank Renminbi Programme with the aim of enabling Hungary to benefit as much as possible from the renminbi's increasing international role. The programme is built on five pillars: the bilateral currency swap agreement (which has since been renewed several times); the inclusion of RMB-denominated assets in the MNB's international reserves; supervisory cooperation relating to the operations of major Chinese banks in Hungary; the establishment of domestic renminbi settlement infrastructure; and the Budapest Renminbi Initiative Conference, aimed at fostering international knowledge exchange (Palotai & Sütő, 2018).

As the supervisory authority for Hungarian banks, the MNB cooperates closely with Chinese institutions to support prudent operations and the development of financial services. To this end, the MNB has signed memoranda of understanding (MoUs) with the National Financial Regulatory Administration (NFRA) of China – previously with its predecessor organisations – as well as with the China Securities Regulatory Commission (CSRC; MNB, 2024).

Moreover, since China and Hungary jointly announced their carbon neutrality roadmaps in 2020, they have continued to deepen their cooperation in the field of green finance, sharing achievements in technological innovation and industrial transformation.

Hungary's bond issuance in China and project financing from the Chinese banking system

Through the loans provided under the Belt and Road Initiative (BRI) and the liberalisation of its financial markets, China has become one of the world's foremost financial backers and platforms – particularly due to its traditional and emerging international financial hubs, such as Hong Kong, Shanghai, Beijing, Shenzhen, Chengdu and Chongqing. Like many other countries, Hungary has been continuously assessing the financing options available for its public finances, especially for specific objectives (e.g. sustainable development) and large-scale projects, thereby recognising the potential offered by Chinese markets.

Hungary has already achieved several "firsts" with its presence in the Chinese market (see Hu et al., 2024 for a comprehensive overview). In 2016, it became the first country from continental Europe to enter the offshore RMB bond market (known as the "dim sum" market, outside mainland China). Shortly thereafter, in 2017, Hungary debuted on the mainland Chinese (onshore) bond market – commonly referred to as the panda bond market – becoming the second continental European country to do so, after Poland. At that time, Hungary became the first sovereign issuer to be simultaneously present in both the offshore and onshore RMB bond markets. Furthermore, the Hungarian panda bond issued in 2017 was the first sovereign panda bond to be made available to foreign investors via the Chinese Bond Connect programme, which links the offshore and onshore bond markets. In 2021, Hungary became the first sovereign to issue a green panda bond, specifically aimed at financing green economy projects.

Beyond the bond markets, Hungary has also accessed institutional loans from Chinese or China-related sources. Notable among these are loans from the Asian Infrastructure Investment Bank (AIIB), as well as the financing provided under the BRI framework by the Export-Import Bank of China for the modernisation of the Budapest–Belgrade railway line.

3.6. Usage possibilities of Alipay and UnionPay in the European Union

One of the interesting aspects of financial transactions between China and Europe is the extent to which payment methods that are widespread in China – such as Alipay and WeChat Pay, which enable mobile (QR code-based) payments – can be used within the European Union. Similarly, it is worth examining how widely accepted UnionPay cards, issued by China's largest card provider, are across the EU (although the Chinese rarely use bank cards for everyday transactions, both Alipay and WeChat Pay typically rely on a registered bank card within the application).

These payment methods are increasingly available across the EU, particularly for Chinese tourists. Unsurprisingly, airports are the primary locations where such services are offered. Alipay and WeChat Pay allow European merchants to accept payments from Chinese tourists using their preferred methods, which can significantly boost consumer spending. In Hungary, for instance, UniCredit Bank was the first local institution to enter into a partnership with Alipay, making this mobile payment solution available to the bank's card-accepting merchants from 2019 onwards (UniCredit Bank, 2018).

In the same year, Alipay also launched a collaboration with six European mobile wallet providers to create a unified QR code-based mobile payment system. The initiative included Finland's ePassi and Pivo, Norway's Vipps, Spain's MOMO, Portugal's Pagaqui and Austria's Bluecode, thus offering coverage across 190,000 merchants for Chinese tourists (ePassi, 2019; FinTech Zone, 2019).

UnionPay cards are also increasingly accepted at various retail points across the EU. In Hungary, for example, a partnership between K&H Payment Services Ltd. and UnionPay enables the acceptance of UnionPay-issued cards at approximately 25,000 merchant POS terminals (K&H, 2023).

While Alipay and UnionPay continue to expand their presence in Europe, they are not yet targeting European consumers directly. Instead, their services are primarily aimed at meeting the needs of Chinese tourists visiting the EU, as well as Chinese nationals staying temporarily or semi-permanently in the region.

4. Challenges and opportunities

The post-World War II international order, anchored by the transatlantic alliance, is currently undergoing a transformation. The once unquestionable trust between the European Union and the United States is waning, and due to the emerging power vacuum, increasing bloc formation and fragmentation, the EU is being compelled to reassess its external relations – particularly with China, a relationship that dates back over five decades (Bi, 2025).

Strengthening ties between the EU and China, especially in the current environment of tariff conflicts, presents an opportunity for China to further consolidate its geopolitical position. For the EU, closer engagement with Beijing could serve as a counterbalance to the increasingly strained transatlantic relationship. Beijing is anticipating that Europe's "de-risking" efforts – which China perceives as destabilising – will gradually subside, paving the way for a possible improvement or rapprochement in Sino-European relations (Stec, 2025).

However, it appears unlikely that Trump's trade manoeuvres and the United States' drift away from its European allies will lead to a decisive turn towards China on the part of Europe. What seems more probable is that both EU institutions and individual Member States will pursue a cautious but more pragmatic form of cooperation in the future (Zajmi, 2025).

The European Union and China have several avenues open for further deepening their bilateral relations.

- One obvious instrument would be to "dust off" and sign the long-discussed EU–China Comprehensive Agreement on Investment (CAI), which could significantly enhance investment relations.
- As for the EU's strategy towards China, it would also be necessary for the Member States and relevant actors to share their experiences and insights regarding the Asian giant.
  - To this end, establishing a "European China House" could serve as a platform to facilitate discussion and coordination on strategic issues within the Union.
  - Moreover, under the comprehensive coordination of the European Commission, Member States should be more actively involved in developing a coherent and comprehensive approach to China.
- Additionally, coordination between different stakeholders should be strengthened (García-Herrero & Vasselier, 2024).

Individual Member States can also play a vital role in advancing EU–China relations. In this regard, Hungary occupies a particularly advantageous position. In recent years, the country has aimed to position itself as a multi-hub and, thanks to its favourable strategic location, has become a key actor in these processes. Hungary is determined to establish itself as a financial hub – a financial intermediary and meeting point between East and West, and therefore between China and the EU.

This ambition is best evidenced by the fact that Hungary has become one of the most favoured destinations for Chinese investment in recent

years. Furthermore, Sino-Hungarian financial cooperation has flourished, thanks to the MNB's Renminbi Programme, knowledge exchange on digital central bank currencies, supervisory cooperation and the presence of major Chinese banks in Hungary – all of which point to Hungary's emerging role as a connecting hub (Horváth & Horváth, 2024).

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PART TWO

CHINA-CEEC *Relations*

Aligning Pathways – China-CEEC Cooperation within the Broader China-EU Cooperation

SONG LILEI[1]

ABSTRACT: Both Europe's "multispeed" dynamics and its existing patterns of sub-regional cooperation reflect a defining feature of the European integration process – "Sub-regionalisation". In advancing Sino-European cooperation, one cannot rely solely on the overarching China–EU cooperation framework; equal attention must be paid to the expansion of sub-regional cooperation. As an important sub-regional bloc within the EU, Central and Eastern Europe (CEE) serves as a vital bridge. Deepening China–CEEC cooperation can play a positive role on two levels. Firstly, it can act as a leading demonstration of collaboration, thereby catalysing broader China–EU engagement. Secondly, by promoting cooperation in specific areas, it can leverage strong bilateral ties with CEE countries to enhance China's influence over EU policymaking and foster proactive Sino-European collaboration. Moreover, China–CEEC cooperation can strengthen China's engagement with relatively less developed states

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in Central and Southeastern Europe. The alignment of China–CEEC cooperation with the wider China–EU agenda can be pursued via three avenues: the Trans-European Transport Network (TEN-T), EU macro-regional strategies and the EU's Global Gateway strategy. Although competition over interests and regulatory tensions may pose obstacles to the realisation of both parties' connectivity agendas, such alignment helps to stabilise bilateral relations, promote more pragmatic collaboration and contribute to the achievement of sustainable development goals.

KEYWORDS: China–EU cooperation, China–CEEC cooperation, sub-regional cooperation, alignment pathways

Since the 1990s, Europe's integration has markedly slowed under the impact of successive crises, and the EU's internal cohesion has begun to wane. These trends have accentuated the EU's differentiated integration, prompting then European Commission President Jean-Claude Juncker to publish a White Paper in 2017 outlining five scenarios for the EU's future in the "Brexit era". In the third scenario, he noted that Europe was already evolving at "multiple speeds", and that the EU would therefore allow "one or several 'coalitions of the willing' [that] emerge to work together in specific policy areas" – such as defence, internal security and social policy (European Commission, 2017, p. 20). This reflects the emergence of a new geopolitical landscape within the EU, in which, especially following its 2004 enlargement and the subsequent debt crisis, the formation of "multidimensional concentric circles", a "core group of states", "peripheral states" and a "buffer zone" has been accelerated. Although the EU has long avoided openly advocating a "multispeed Europe" or a "core Europe", the growing number of Member States and the attendant difficulties of reconciling diverse interests have increasingly revealed the heterogeneity and uneven development of European integration. In this context – where the concept of "multispeed Europe", or more academically, "differentiated integration", has been revived – China should pay greater attention to diversity and differentiation in its cooperation with Europe, and actively engage with sub-regional groupings defined by distinct geopolitical parameters to sustain collaboration through the lens of differentiated integration.

In the geographical criteria of sub-regionalism, the CEE countries represent a sub-regional bloc of particular significance within the EU integration process, comprising both EU members and EU partner states. The China–CEEC cooperation framework has now entered a phase of adjustment following its period of rapid expansion. Factors such as the Russia–Ukraine conflict, which has reactivated security tensions in the CEE region; the intensification of Sino-American strategic competition, which has put pressure on China–EU political relations; and emerging domestic political variables within some CEE states have all contributed to shifts in these countries' foreign and security policies. Consequently, China's relations with certain CEE countries have acquired greater complexity and sharpness. Nonetheless, the special status of the CEE as a subregion within the EU remains undiminished; China–CEEC cooperation still holds substantial promise. By continuously integrating new cooperative drivers and initiatives, China–EU relations can be further enriched and deepened on the foundation of China–CEEC cooperation.

1. THEORETICAL REFLECTIONS

The process of European integration has been characterised by increasing sub-regionalisation, manifested in the emergence of sub-regional groupings formed on the basis of geographical, cultural and political linkages. Following the end of World War II, as regional cooperation in Europe advanced, sub-regional collaboration also began to take shape. Examples include the Benelux Union in Western Europe and the Nordic Council in Northern Europe. Initially, these were not conceived as sub-regional entities, but with the establishment of the EU and the deepening of integration, both evolved into sub-regional cooperative groupings under the framework of the EU. Their original functions in economic cooperation were gradually absorbed by the EU, resulting in a functional overlap between regional and sub-regional mechanisms.

A second wave of sub-regional groupings emerged after the end of the Cold War, when the political transformations in Eastern Europe

led many CEE countries to "look westward" and seek accession to the European integration process. In their efforts to join the EU and NATO, these countries pursued two main strategies: on the one hand, they strengthened multilateral cooperation with neighbouring regions to promote small-scale sub-regional integration, thereby enhancing their collective strength and preparing for a "return to Europe"; on the other hand, they engaged in sub-regional cooperation with EU Member States to support their economic and political transformation, often with the assistance of these Member States. The most prominent example of this is the Visegrád Group (V4).

Beyond the V4, other sub-regional institutions were established in the Baltic region, such as the Council of the Baltic Sea States (CBSS) in 1992 and the Baltic Council in 1993. More broadly, sub-regional initiatives aimed at supporting the transition of former socialist states include the Central European Initiative (CEI), founded in 1989, and the Organization of the Black Sea Economic Cooperation (BSEC), founded in 1999. The Central European Free Trade Agreement (CEFTA), established in 1992, served as an economic cooperation mechanism for these efforts.

The practical experiences of sub-regional cooperation in Europe have stimulated scholarly interest in the theoretical dimensions of the phenomenon. Researchers have examined EU-led sub-regional cooperation as a typical case, conceptualising sub-regional integration as part of the broader regional integration process. Some scholars argue that "sub-regionalism refers to smaller groupings of states within a larger regional community, and that sub-regional cooperation does not constitute an independent process, but rather serves the larger goal of regional cooperation" (Tsardanidis, 2012, p. 8). Within the framework of the new regionalism, sub-regionalism, along with inter-regionalism and trans-regionalism, has expanded the scope of regional cooperation studies.

Drawing on EU practices, international scholars have proposed three criteria for evaluating the degree of sub-regional cooperation: institutional criteria – the extent to which sub-regional frameworks are institutionalised, and the nature of their relationship with EU institutions; depth criteria – the intensity of sub-regional cooperation and its contribution to European integration; geographical criteria – the spatial and political relationship between sub-regional groupings and the EU or its Member States. Based on these criteria, EU sub-regional groupings can be categorised into three types: purely sub-regional, where cooperation is fully embedded within the EU framework, such as Benelux and the V4; peripheral sub-regional, involving both EU Member States and neighbouring non-Member States, such as the CBSS and CEI; external sub-regional, in which the EU acts as an external actor to promote sub-regional cooperation beyond geographical limitations, in order to facilitate economic cooperation and integration processes with the EU, as seen in the case of BSEC (Cihelková, 2006, p. 51).

In terms of theoretical orientation and emphasis, sub-regional cooperation can be divided into two main types. The first is based on the geographic specificity of border areas and the costs associated with distance, drawing on theories of geopolitical location. This model – often referred to as "cross-border sub-regional cooperation" – is particularly prominent in Asia (Liu, 2014, p. 2). It is conceptually aligned with "developmental regionalism", with a focus on reducing internal disparities and closing the development gap between peripheral border areas and central regions. Its primary objective is economic, aiming to maximise the utility of border zones.

The second type refers to sub-regional cooperation that operates as a component of broader regional integration, with the goal of promoting cooperation in selected areas to support broader diplomatic and regional agendas (Bu, 2016, p. 30). The cooperation between China and the CEE countries, as discussed in this paper, falls under this second category. It serves the overarching China–EU cooperation agenda by promoting localised collaboration that builds a foundation for regional engagement. It also acts as a testbed for innovation in cooperation mechanisms and provides a model for other sub-regional partnerships that China may pursue. Geographically, China–CEEC cooperation exemplifies external sub-regionalism, with three key characteristics: firstly, China, as an external actor, plays a crucial role in promoting internal integration within the CEE sub-region; secondly, the multi- and bilateral mechanisms established under the China–CEEC cooperation framework offer replicable models for China's broader sub-regional engagements (Song, L. & Pavlićević, D., 2019, p. 277); thirdly, compared with pure and dependent sub-regionalism, external sub-regionalism is relatively loosely structured and must take into account the interests and concerns of multiple stakeholders – including the EU, Russia and the United States.

2. FEASIBILITY OF ALIGNING CHINA – CEEC COOPERATION WITH CHINA–EU COLLABORATION

With the accession of CEE countries to the EU and their growing comprehensive national strength, states such as Poland have acquired increasing influence over the creation and implementation of EU policy. Through mechanisms such as the qualified majority voting system, veto powers, rotating presidencies of the Council of the EU and coordinated positions among sub-regional groupings, CEE countries have become increasingly capable of shaping EU decisions and priorities, particularly in the areas of enlargement, external relations and budgeting (Gao, 2014, p. 53). As such, enhancing sub-regional cooperation with CEE countries enables China to reinforce bilateral relations within a multilateral framework, thereby expanding its influence in the EU and improving the overall quality of China–EU relations. As a form of institutionalised external sub-regional cooperation, the China–CEEC cooperation framework supports economic development in CEE countries on the basis of mutual benefit. It also promotes infrastructure development, particularly in the Balkan region, thereby facilitating the region's deeper integration into the EU. Simultaneously, this cooperation enhances the balance and comprehensiveness of the China–EU relationship, aligning with China's broader policy objective of "cultivating four key partnerships with the EU: for peace, growth, reform and civilization" (State Council of the People's Republic of China, 2015).

The alignment of China–CEEC cooperation with China–EU cooperation can be advanced via three major elements.

First, alignment with the EU's Trans-European Transport Network (TEN-T) development strategy. In October 2013, the European Commission launched a comprehensive TEN-T plan aimed at promoting the efficient movement of people and goods, ensuring the accessibility of services and employment and boosting trade and economic growth.[2] The plan includes nine core transport corridors, six of which pass through CEE countries. In this context, China has actively promoted the China–Europe Land–Sea Express, which runs from the Port of Piraeus in Greece through Skopje in North Macedonia and Belgrade in Serbia to Budapest in Hungary.

2 View the official website of the European Commission: https://transport.ec.europa.eu/transport-themes/infrastructure-and-investment/trans-european-transport-network-ten-t_en.

The section in Greece overlaps with the TEN-T Western Balkans - Eastern Mediterranean Corridor, and the Serbia–Hungary railway modernisation project corresponds with the Rhine–Danube Corridor. These projects offer a major opportunity for synergy of connectivity between the EU and China, paving the way for deeper and more pragmatic cooperation.

In Southeast Europe, countries such as Serbia and Romania – located along the Danube River – have the potential to partner with China in the upgrading of inland waterway ports. Chinese construction of railways and highways in Southeast Europe can ultimately serve EU objectives for land–water connectivity. Additionally, China's investments in the modernisation of rail, road and port infrastructure in the Balkan region are intended to complement European initiatives by relieving transport bottlenecks and increasing the operability of the TEN-T.

Nevertheless, the infrastructure sector is inherently characterised by monopoly tendencies and historical dependency. Against the backdrop of the Ukraine crisis, the EU has accelerated implementation of the Global Gateway strategy in an effort to secure alternative supply chains and strengthen its own resilience. By imposing regulatory standards that exclude Chinese firms from local procurement processes, the EU has squeezed China's market share in countries along the Belt and Road Initiative (BRI). This move aligns with the US-backed Partnership for Global Infrastructure and Investment (PGII), designed to counterbalance China's BRI and to constrain its global influence. These developments highlight Europe's growing strategic anxiety in the face of China's expanding presence.

Second, alignment with the EU macro-regional strategies. To date, the EU has launched four such strategies: the EU Strategy for the Baltic Sea Region (EUSBSR) in 2009, the EU Strategy for the Danube Region (EUSDR) in 2010, the EU Strategy for the Adriatic and Ionian Region (EUSAIR) in 2014 and the EU Strategy for the Alpine Region (EUSALP) in 2015. These strategies lay out specific goals and action plans in areas such as transportation, energy, environment, tourism, culture and public health, and collectively involve 16 CEE countries. Within the framework of China–CEEC cooperation, identifying alignment opportunities with these four EU macro-regional strategies can serve as a key entry point for promoting broader China–EU collaboration. This alignment enables China–EU relations to progress in a "dual-track" model – deepening regional cooperation while advancing sectoral collaboration.

Table 1 EU macro-regional strategies

Strategy	Participating countries	Objectives & development domains
EU Strategy for the Baltic Sea Region (EUSBSR)	Sweden, Denmark, Finland, Germany, Poland, Estonia, Latvia, Lithuania	1. Save the sea: eutrophication management, pollutant discharge control, bioeconomy, clean transport, maritime safety 2. Connectivity: inland waterway transport, energy interconnection (BEMIP – Baltic Energy Market Interconnection Plan) 3. Increase prosperity: tourism, culture, innovation, health, education, security
EU Strategy for the Danube Region (EUSDR)	Austria, Bulgaria, Croatia, Czechia, parts of Germany, Hungary, Romania, Slovakia, Slovenia, Bosnia and Herzegovina, Montenegro, Serbia, Ukraine, Moldova	1. Connectivity: waterway mobility, rail-road-air mobility, sustainable energy, people-to-people contacts (culture, tourism) 2. Environmental protection: ecosystem management, water quality, biodiversity 3. Prosperity: knowledge society, business competitiveness, people and skills 4. Institutional capacity: democracy, security
EU Strategy for the Adriatic and Ionian Region (EUSAIR)	Greece, Croatia, parts of Italy, Slovenia, Albania, Bosnia and Herzegovina, Montenegro, Serbia, North Macedonia, San Marino	1. Sustainable blue economy: marine technologies, fisheries, marine governance 2. Connectivity: maritime and inland multimodal transport, energy networks 3. Environmental & ecosystem protection: marine conservation, cross-border terrestrial habitats, biodiversity 4. Sustainable tourism: digital and green transition of tourism, greening of tourism products and services, knowledge, skills and management 5. Social cohesion: youth engagement and employment, skills acquisition, equal opportunities on the labour market, social innovations
EU Strategy for the Alpine Region (EUSALP)	Austria, France, Germany, Italy, Liechtenstein, Slovenia, Switzerland	1. Competitiveness & innovation 2. Environmentally friendly mobility 3. Sustainable management of energy, natural and cultural resources 4. Robust macro-regional governance model

Source: Author's compilation based on European Commission documents.[3]

Third, alignment with the EU's Global Gateway strategy. Launched in December 2021, the initiative marks a new phase of EU engagement in connectivity. Eleven CEE countries currently participate in Team Europe Initiatives and Joint Programming under Global Gateway: Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Romania, Slovakia, Slovenia and Poland. At the 24th EU-China

3 Details can be found on the official website of the European Commission: http://ec.europa.eu/regional_policy/en/policy/cooperation/macro-regional-strategies/.

Summit in December 2023, China reaffirmed its willingness to pursue high-quality cooperation under the framework of the BRI, including alignment with the EU's Global Gateway strategy, to support developing countries' sustainable growth (Ministry of Foreign Affairs, 2023). The Global Gateway prioritises digital and green transitions – domains that closely correspond with China's Green Silk Road and Digital Silk Road agendas. There is significant scope for pragmatic collaboration on global climate change, clean energy development and public health resilience. For example, China has already partnered with Poland and Hungary on battery manufacturing and new energy vehicles, and on 15 May 2025, the Chinese electric vehicle manufacturer BYD officially established its European headquarters in Budapest. This milestone highlights the potential for enhanced Sino-European green cooperation. To capitalise on this opportunity, China should undertake comprehensive research to identify and co-sponsor green connectivity projects with European partners.

Simultaneously, China should explore the third-party market with Europe to foster the real economy under the BRI framework. China has signed third-party market cooperation documents with France, Austria, Spain and other EU Member States, establishing dedicated working groups for coordinated project implementation in regions such as the Middle East, Africa and Latin America (National Development and Reform Commission, 2019). The joint construction of the BRI has demonstrated robust resilience and is progressing towards high-quality development. To transform mutual benefits into mutual trust and thereby sustain healthy, stable China–EU relations, China must enhance the transparency of its financing mechanisms.

3. RISKS AND CHALLENGES IN ALIGNING CHINA–CEEC COOPERATION WITH CHINA–EU COLLABORATION

1) The need to strengthen the long-term motivation for cooperation

Firstly, the strategic imperatives of CEE countries and China are not symmetrical. For CEE countries, apart from Serbia's political needs regarding Kosovo's issues, there seem to be no other issues related to national security and important concerns that require China's international support. Their primary motivation for engaging Beijing stems from the need to mitigate the adverse impacts of the global financial and euro-area debt crises and to sustain economic growth through access to Chinese markets and investment. By contrast, China – while likewise prioritising economic cooperation – faces a broader spectrum of diplomatic challenges and therefore places greater importance on securing CEE states' support in EU and international debates concerning China. In sum, Beijing's strategic demand for a partnership with the CEE region significantly exceeds the reverse.

Secondly, unlike the BRI, launched with a long-term strategic vision, the China–CEEC cooperation puts more emphasis on economic purposes. Many CEE governments view the mechanism as a temporary expedient for escaping crisis-driven stagnation. Consequently, trade imbalances, structural asymmetries, slow trade growth compared with Western Europe and misalignment between Chinese investment and CEE countries' industrial needs have dampened local enthusiasm. CEE stakeholders regard China–CEEC cooperation as a "window of opportunity of uncertain duration." Since the EU's introduction of the "triple positioning" towards China in 2019, a chill in Beijing–Brussels relations has further complicated China–CEE engagement. In the report, the EU explicitly defined China as a partner, an economic competitor and a "systemic rival". As a partner, China and the EU collaborate on global challenges like climate change. As an economic competitor, the EU views China as a challenger in certain key economic sectors. As a "systemic rival", the EU perceives differences in political systems between China and itself (European Commission, 2019).

Thirdly, the political foundations between the two sides are unstable. After the Cold War, China–CEE relations transitioned from the foundation based on ideological affinity to a new paradigm of engagement across divergent ideologies and political systems. Historical prejudices against socialism and political-economic reforms' alignment with Western norms have led many CEE publics and elites to adopt EU-centric political stances and NATO-first security policies. Under EU consensus on issues such as Tibet, Taiwan, human rights and the Ukraine crisis, CEE countries have often joined in criticising China. As Hungary's former Ambassador to China once commented, value-system differences constitute the single greatest barrier to deeper China–CEE and China–EU relations (Zhu, 2016, p. 60).

Moreover, the rise of anti-globalisation and populism across Europe has sharpened conservative, anti-China rhetoric in Poland, the Czech Republic and other CEE societies, exacerbating public misunderstanding and undermining the institutional basis for long-term cooperation (Song, 2013, p. 48).

2) Pressure from key stakeholders

Firstly, the institutional pressure from the EU and major European power raises suspicion. The EU represents the most consequential external actor shaping China–CEE institutional cooperation. Despite Beijing's insistence that China–CEEC cooperation is a sub-regional complement to broader China–EU engagement, serving to deepen regional integration, Brussels harbours deep suspicion. The EU perceives Chinese infrastructure investment in the CEE as an opportunistic effort to exploit Europe's economic weakness under the guise of reviving the economy and promoting structural reforms in Europe. Concerns focus on contestation over geoeconomic space, geopolitical repercussions, the erosion of shared values and obstacles to unified EU-level decision-making on China. The EU has voiced its unease, right at the launch of the mechanism in 2012: the then High Representative of the Union for Foreign Affairs and Security Policy Catherine Ashton "released a guarded statement that contained indirect warnings to Beijing and the CEE countries not to form an alliance, and to play an open hand" (Hauger, 2012). Certain analysts even characterised the initiative as a "Trojan horse" for China's entry into Europe (Turcsányi, 2014). With the ascendance of more conservative parties in the CEE, the EU fears that states like Poland may use China as a counterbalance to both Brussels and Moscow (Pepe, 2017, p. 8). Simultaneously, China's growing economic influence in the CEE has raised concerns among Western European powers – particularly Germany – about their own economic stakes in the region.

Based on this, the countermeasures of the EU against the China–CEEC cooperation encompass three aspects: institutional constraints, economic exclusion and ideational pressure (Jin, 2015, p. 29). In terms of institution, the EU constrains the cooperation authority of CEE member states through the establishment of rules and legislative measures. For example, by invoking the Foreign Subsidies Regulation, the EU blocked Chinese company CRRC Qingdao Sifang Locomotive's bid for Bulgaria's electric train contract on the grounds of the allegation that "this company has been granted a foreign subsidy that distorts the internal market" (European Commission, 2024). Economically, due to the influence of geographical location and political factors, CEE countries are highly dependent on Western European markets and investments, and EU Member States in CEE have a high demand for EU structural funds. Conceptually, most CEE countries generally accept western values and ideologies, including the unified foreign policy towards China under the framework of the EU and the accusations against China on human rights and Xizang issues.

Secondly, political obstacles from the United States are non-negligible. "CEE countries' foreign policies remain firmly anchored in the Europe–Atlantic relations" (Sun, 2004, p. 44). From the perspective of the United States, its focus on Central and Eastern European countries is mainly reflected in geopolitics. Since the end of the Cold War, NATO has expanded eastwards several times. As of now, there are a total of 14 CEE countries among the 32 NATO member states. CEE states' pro-American stance during the Iraq War earned them the label "New Europe" in Washington, and they are regarded as key US partners for safeguarding American interests. From the perspective of CEE countries, shared values and reform agendas have fostered a "pro-US" orientation among them, with Poland and many Balkan states highly dependent on NATO for their security. The Ukraine crisis further deepened CEE demands for an increased NATO presence to secure their territories. Besides, the US also serves as a strategic lever for balancing both Russia and Europe in the process of European integration, since history has taught the CEE policymakers to guard against the emergence of a "German-French-Russian axis" that could

marginalise them. Consequently, the entrenched transatlantic security ties and US influence must be taken into account in the sub-regional cooperation between China and CEE.

CONCLUSION

The China–CEEC cooperation has significantly strengthened China's economic and trade connections with CEE countries, providing a platform and channels for adjusting and reshaping bilateral relations. By enabling both sides to adapt to the specific conditions of a given historical period and seize emerging opportunities, the mechanism has promoted the development of China–CEE relations. Since its formal establishment in 2012, China's trade and investment in the CEE region have increased markedly, and the framework has effectively facilitated multi-level, multi-sector and multimodal economic and trade exchanges between China and the entire CEE region.

As an external sub-regional cooperation initiative, China–CEEC cooperation has enhanced cross-regional collaboration between two important emerging and transition economies on the Eurasian continent. It has also deepened China's strategic ties with relatively less–developed states in Eastern and Southeastern Europe. By leveraging economic cooperation, China has transcended its traditional focus – established since the reform and opening-up era – on partnerships with Western and Northern European countries. It has thereby broadened the scope of China's engagement with European nations and elevated both the quantity and quality of China–EU cooperation, making it a vital complement to the broader China–EU relationship.

At the level of overarching policy frameworks for further China–EU connectivity, China–CEEC cooperation has played a "from-point-to-area" role. On the one hand, the mechanism has been at the forefront of the BRI, and its flagship projects – such as the China-Europe Railway Express and the Pelješac Bridge – have not only physically linked China and Europe but have also become paradigms for global connectivity projects. These initiatives provide replicable models for cross-regional cooperation under the framework of the BRI. On the other hand, China–CEEC cooperation embodies the inclusive spirit of the BRI: its objectives, rules and development orientations are all characterised by openness and pragmatism. It operates without rigid timetables or prescriptive rule sets, emphasises cooperation first and is driven by win-win outcomes and shared benefits. This inclusive form of sub-regionalism encourages a "sub-regional cooperation plus" model, which can effectively promote the establishment of dialogue-based connectivity mechanisms between China and the EU.

Nevertheless, ideological divergences between China and the EU, intensifying Sino-American strategic competition and the complex dynamics of the Eurasian region pose obstacles to the alignment of China–CEEC cooperation with broader China–EU collaboration. Although many European stakeholders are willing to engage with the BRI to derive economic benefits, political and core value considerations weigh heavily on decision-making among European elites, potentially complicating China-related issues. The EU has emphasised the formulation of a stronger China strategy grounded in "open strategic autonomy", yet Member States pursue pragmatic choices in practice. This duality helps explain the nuanced and often complex policy towards China within the EU and its Member States. While competition over interests and regulatory frictions may hinder the alignment of China–CEEC cooperation with China–EU connectivity strategies, these two frameworks still help to stabilise bilateral relations in the long term. Both sides can look forward to advancing further pragmatic cooperation and achieving sustainable development objectives at the upcoming EU-China Summit this year.

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CEECs as an "Intermediate Coordinating Force" in the Electric Vehicle Supply Chain and Its Implications for China-EU Relations

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ABSTRACT: Relying on its comparative advantages in areas such as technological innovation, critical minerals and consumer markets, China's electric vehicles industry has risen strongly in recent years. The European Union (EU) regards China's competitive advantage in this industry as so-called "market distortion" and launched an anti-subsidy investigation targeting the Chinese electric vehicle industry. Central and Eastern European countries (CEECs) are important production bases for the European automotive industry and will also become a key driver for Europe's automotive transformation. Thanks to their superior geographical location, CEECs have recently become important destinations for China's investment in battery manufacturing. Thus, CEECs have been deeply

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integrated into the electric vehicle industry chains of both China and Western Europe, formed an interdependence relationship with both sides and shawn the potential to become the "intermediate coordinating force" for electric vehicle cooperation between China and the EU. However, this role has not been fully exerted in the EU's anti-subsidy case for electric vehicles. In the future, China should further strengthen cooperation and enhance the integration of electric vehicle production capacity with CEECs, and build a "firewall" against political and economic issues between the two sides in order to unleash the potential of CEECs in China-EU economic and trade cooperation.

KEYWORDS: Central and Eastern European countries (CEECs), EU-China EV trade dispute, EU-China bilateral trade relationship

1. Introduction

The automotive industry has been one of the most integrated sectors in global trade and global value chains and has become an important pillar of national economic development. With the profound transformations in technologies such as batteries, engines, electronic control systems, autonomous driving and intelligent connectivity, and with the urgent need for global climate governance, the electric vehicle industry has emerged in recent years and has brought about a significant challenge for traditional combustion engine vehicles. China and the European Union (EU) have a similar definition of an electric vehicle, which refers to a motor vehicle equipped with a powertrain containing at least one non-peripheral electric machine as the energy converter to an electric rechargeable energy storage system, which can be recharged externally. Electric vehicles include plug-in hybrid electric vehicles (PHEV), battery electric vehicles (BEV), fuel cell electric vehicles (FCEV), etc.[2] The electric vehicle industry's demand for new technologies and critical minerals has surged dramatically, creating opportunities for latecomers to enjoy a leapfrog effect.[3] Relying on its solid automotive industrial foundation, abundant critical mineral resources and processing capacity, cutting-edge technological innovation and promising

2 "Order of the Ministry of Industry and Information Technology of the People's Republic of China", The Central People's Government of the People's Republic of China, 6 January 2017, https://www.gov.cn/gongbao/content/2017/content_5216432.htm; European Alternative Fuels Observatory, "General information-Glossary", European Commission, https://alternative-fuels-observatory.ec.europa.eu/general-information/glossary.

3 Li Wei, Zou Yue and Zhu Caihua: "The Electric Vehicle Revolution: Industrial Competition among Major Countries", *International Economic Review*, No. 4, 2023, pp. 93-117.

consumer market, China has become a key force in the electric vehicle industry. According to a World Trade Organization report, China has become the world's leading automobile manufacturer and consumer of automobiles, accounting for approximately 31.8% of global production and 32.9% of global sales in 2022, which is mainly attributed to electric vehicles.[4] Europe is the second-largest consumer market for electric vehicles in the world.[5] Correspondingly, China's share in the electric vehicle market of the European Union (EU) rose from 5% in 2015 to nearly 15% in 2023.[6]

As an important part of the European automotive industry, the Central and Eastern European Countries (CEECs) have the potential to become a critical driver for Europe's transition to electric vehicles. Traditionally, the economic development of CEECs was highly dependent on the automotive industry. In recent years, CEECs have become important destinations for China's investment in electric vehicle and battery manufacturing, and have gradually become important hubs in China's electric vehicle industry chain. Against this backdrop, this article will focus on discussing the roles that CEECs play in the electric vehicle industrial chains of China and Europe, respectively. Building on that, this article will explore the potential impact that CEECs have on the cooperation of the electric vehicle industry between China and Europe, as well as CEECs' potential to foster overall China-EU economic and trade development.

4 World Trade Organization, "Global Value Chain Development Report 2023", *World Trade Organization*, 1 November 2023, https://www.wto.org/english/res_e/booksp_e/gvc_dev_rep23_e.pdf.

5 "Global EV outlook 2024", International Energy Agency, 1 April 2024, https://www.iea.org/reports/global-ev-outlook-2024.

6 "Last year, China was the largest source of car imports for the EU, and new energy vehicles performed outstandingly", China Net News, 2 April 2025, https://www.cnwnews.com/biz/2025/0402/040222494.html.

2. Literature review

From the perspective of the electric vehicle industry chain, most CEECs are in geographical proximity to key global trade hubs for electric vehicles – Germany and China.[7] From a broader perspective, China and Europe essentially belong to the same trade network cluster, reflecting the high degree of integration of the China-Europe electric vehicle supply chain. Petr Pavlínek (2023) notes that CEECs are located on the periphery of Europe's automotive supply chain, occupying a subordinate position.[8] On the contrary, Ágnes Szunomár (2024) argues that CEECs, particularly the Visegrád Group, have become indispensable participants in the European automotive supply chain due to their advantageous geographical location.[9] In terms of exploring the integration of the electric vehicle industry chain between CEECs and China, K. C. Fung et al. (2009) demonstrate a positive correlation between foreign direct investment (FDI) inflows to China and the CEECs, indicating their significant interconnectedness

7 Cheng Yunjie and Bu Yuxin, "Global New Energy Vehicle Trade: Network Pattern, Evolution Characteristics and Driving Factors", *Modern Management Science*, No. 5, 2023, p. 45.

8 Petr Pavlínek, "Transition of the automotive industry towards electric vehicle production in the east European integrated periphery", *Empirica*, Vol. 15, No. 3, 2023, pp. 35-73.

9 Ágnes Szunomár, "From Zero to Hero? Chinese Investment in Electric Vehicle Supply Chains in the Visegrad Four," *Association for International Affairs (AMO)*, January 2024, https://chinaobservers.eu/from-zero-to-hero-chinese-investment-in-electric-vehicle-supply-chains-in-the-visegrad-four/.

within global supply chains.[10] Chen Yifan (2024) specifically examines the evolving positions of China and CEECs within the global electric vehicle supply chain, noting that both China and CEECs are progressively moving towards the centre of the global electric vehicle trade network.[11] Cong Haibin et al. (2018) analysed the structural characteristics and influencing factors of the electric vehicle trade network among countries along the Belt and Road Initiative, pointing out that China occupies a central position in the trade network, while CEECs such as Lithuania, Hungary and Slovakia occupy important node positions.[12] Scholars also pay special attention to the Visegrád Group, noting that its favourable policy environment and convenient logistics transportation links with Europe have attracted concentrated Chinese investment in the battery industry in the region.[13] Against the backdrop of China-EU electric vehicle trade disputes, Goran Pavel Santek (2025) proposes that cooperation between China and CEECs could serve as a potential stepping stone and bridge for Chinese electric vehicle companies to enter the EU market.[14]

In summary, current academic research on the China-Europe electric vehicle industry chain remains fragmented. While a few scholars focus on the positioning of CEECs within either the Chinese or European electric vehicle supply chains, they largely failed to clarify the potential advantages and constraints for China-CEEC cooperation. This article based on current research, argues that CEECs may function as an "intermediary coordinating force" in China-Europe electric vehicle cooperation. For China, amid the growing competitive pressure in the China-Europe electric vehicle industry, and in order to further expand the European market and bridge the gaps between China and Europe, it could leverage Central and Eastern Europe as a "gateway" to open up the European market and resolve contradictions in China-Europe electric vehicle cooperation, achieving mutual benefit and win-win outcomes.

Consequently, this paper will first examine the role of CEECs within European and Chinese electric vehicle supply chains. Building on this, this paper will conduct an in-depth analysis of the potential mutual dependencies and constraints between China and Central and Eastern Europe, as well as between the EU and Central and Eastern Europe. Finally, this paper will seek to argue that such relationships will drive CEECs to become an "intermediary coordinating force" influencing China-Europe electric vehicle cooperation.

3. Position of CEECs in the industrial chain of electric vehicles in China and Europe

CEECs are deeply integrated into both China's and the EU's electric vehicle supply chains, creating a relationship of mutual dependency. The superior geographical location of CEECs close to the EU forms a complementary

10 Fung, K. C. et al., "China and Central and Eastern European Countries: Regional Networks, Global Supply Chain or International Competitors?", *Journal of Economic Integration*, Vol. 24, No. 3, 2009, pp. 476-504.

11 Chen, Yifan, "*The Changing Role of Global Automotive Industry: Analyze the Automotive International Trade of CEE Countries and China*", Charles University, Master's thesis, Faculty of Social Sciences, Institute of International Studies, 2024.

12 Cong Haibin, Zou Deling and Gao Bo: "The Trade Network Pattern of New Energy Vehicles along the Belt and Road Countries and Its Influencing Factors", *Economic Geography*, No. 7, 2018, pp. 109-118.

13 Ágnes Szunomár, "From Zero to Hero?".

14 Goran Pavel Santek, Marko Vidnjevic, "Central and Eastern European Countries Collaboration on Electric Vehicle Market Development," *MEST Journal*, Vol. 13, No. 1, 2025, pp. 114-120.

advantage to China's high infrastructure capacity and investment potential. Therefore, CEECs are expected to become the "intermediate coordinating force" in China-EU cooperation on electric vehicles and exert a unique influence on China-EU trade cooperation.

3.1 Position of CEECs in the European electric vehicle supply chain

Since the end of the Cold War, CEECs have undertaken the industrial transfer of some developed Western European countries, including the automotive and parts industry, mainly because of their neighbouring geographical locations, excellent traditions in the automotive manufacturing industry and high-quality but low-cost labour. Some CEECs then joined the European Union and further integrated into the European automotive industry chain led by Germany, which facilitated their economic transformation. Among the CEECs, Slovakia has the highest degree of specialisation in automotive production. Its automotive industry accounts for 23% of the added value of manufacturing and 34% of the total export volume. In the Czech Republic, the automotive industry makes up 20% of the added value of manufacturing, and in Hungary, it accounts for 22% of the total export volume.[15] Thus, the significance of the automotive industry to CEECs is self-evident.

Driven by technological revolution and urgent climate governance needs, the EU proposed the "Fit for 55" package programme, which mandates a 55% reduction in CO_2 emissions for new cars (2030-2034 vs 2021 levels), a 50% reduction for new vans and 100% zero-emission requirements for new cars and vans from 2035 onwards.[16] Independent assessments indicate that in order to meet the EU's goal and criteria, electric vehicles must constitute approximately 65% of new EU car sales by 2030, transitioning to 100% battery electric vehicles by 2035.[17] In 2025, the European Commission reaffirmed the goal of achieving "zero emissions" by 2035 but decided to add a three-year grace period for automakers.[18] This indicates that the European Union's task to achieve its goals remains arduous at present. Within the framework of the EU, the EU Member State CEECs must accelerate domestic automotive industry transformation to align with EU strategy. And the non-EU members, due to their deepened integration into the EU market, will also have to follow through. At the same time, due to anxiety and concern over the potential job loss caused by the rise of China's electric vehicle industry, as well as the high degree of dependency on the foreign supply chain in Europe exposed by the COVID-19 pandemic and the Russia-Ukraine conflict, the demand for the EU to localise its supply chain is on the rise. The original industrial foundation of CEECs enables them to continue to play an important role in the new round of the "electric vehicle revolution".

CEECs play crucial roles in Europe's auto parts supply chain. On the one hand, countries like the Czech Republic, Slovakia, Hungary,

15 Doris Hanzl-Weiss, "The Automotive Sector in EU-CEECs: challenges and opportunities", Federal Ministry Republic of Austria Labour and Economy, https://www.econstor.eu/bitstream/10419/274173/1/1830072110.pdf.

16 "Fit for 55: why the EU is toughening CO_2 emission standards for cars and vans", Council of the European Union, 29 April 2021, https://www.consilium.europa.eu/en/infographics/fit-for-55-emissions-cars-and-vans/.

17 "Global EV Outlook 2023", International Energy Agency, 1 April 2023, https://www.iea.org/reports/global-ev-outlook-2023/prospects-for-electric-vehicle-deployment.

18 "EU gives automakers 'breathing space' on CO2 emission targets", *Reuters*, 4 March 2025, https://www.reuters.com/business/autos-transportation/eu-propose-giving-automakers-three-years-meet-co2-emission-targets-2025-03-03/.

Poland and Slovenia primarily undertake lower-value-added tasks such as vehicle assembly in the midstream segment of the industrial chain.[19] For instance, Slovakia has the most advanced automotive assembly production lines in Europe, with Volkswagen, Peugeot Citroen and Kia automobile manufacturing plants all investing in building factories in Slovakia. 80% of the small cars assembled by Suzuki Hungary are mainly exported to markets such as Italy, Germany and the United Kingdom.[20] On the other hand, CEECs serve as a vital European component manufacturing base. Among them, Slovakia hosts over 350 automotive parts suppliers; Hungary is home to over 50 of the world's top 100 automotive and auto parts enterprises; Serbia gradually formed a cluster advantage in the fields of automotive tyres, seats and interiors and various metal components.[21] In 2024, Serbia signed a Letter of Intent with EU representatives to build an electric vehicle value chain. Maroš Šefčovič, then Executive Vice-President of the European Commission, said that Serbia is expected to become a core node in the European strategic value chain, greatly promoting its own economic prosperity and employment growth.[22] Poland has over 1,500 companies engaged in the production of automobiles and parts, and it owns Volkswagen's most important engine factory in Europe. Poland produces almost 50% of Volkswagen cars in

19 Ibid.

20 "Country-specific Studies on the Automotive Industry in Central and Eastern European Countries", NingBo Municipal Bureau of Commerce, 9 January 2019, https://www.sohu.com/a/287779615_120058056.

21 Zhang Haibo, "Thoughts on Deepening Industrial Cooperation between Ningbo and Central and Eastern European Countries in the New Situation", *Ningbo Daily*, http://epaper.cnnb.com.cn/nbrb/pc/content/202505/20/content_214958.html.

22 "EU and Serbia sign strategic partnership on sustainable raw materials, battery value chains and electric vehicles", European Commission, 19 July 2024, https://ec.europa.eu/commission/presscorner/detail/en/ip_24_3922.

Europe.[23] Against the backdrop of automotive industry transformation, the existing production foundation for automotive parts in CEECs will continue to play the key role.

In addition, for the battery industry, which is the most important part of electric vehicles, the European Union has long relied on imports from Asia, especially China. As an essential assembly site for the European automotive industry, CEECs naturally become ideal destinations for the development of the battery industry within Europe. 13.3% of the lithium battery super factory projects in Europe are located in Central and Eastern Europe, with Hungary (5.5% of EU capacity) and Poland (4-9%) holding significant shares.[24] Meanwhile, in order to establish a robust battery supply chain, the EU launched initiatives like the European Battery Alliance and Important Projects of Common European Interest (IPCEIs). Consequently, the "European Battery Innovation" IPCEI project initiated by the European Union includes six Austrian firms, three Slovak companies and Croatia's Rimac, while another IPCEI battery project involves two Polish enterprises.[25] This highlights the important position of CEECs in the upstream segment of the European electric vehicle industry chain.

23 "Country-specific Studies on the Automotive Industry in Central and Eastern European Countries, NingBo Municipal Bureau of Commerce, 9 January 2019, https://www.sohu.com/a/287779615_120058056.

24 Peter Pavlínek, "Transition of the automotive industry", p. 64.

25 Doris Hanzl-Weiss, "The Automotive Sector in EU-CEECs: challenges and opportunities", Federal Ministry Republic of Austria Labour and Economy, https://www.econstor.eu/bitstream/10419/274173/1/1830072110.pdf.

3.2 Position of CEECs in the Chinese electric vehicle supply chain

CEECs serve as vital corridors for China's Belt and Road Initiative, bridging the dynamic East Asian economic sphere with developed Western European economies. The rise of electric vehicles complemented the advantages of China's electric vehicles with the extensive market demand in Europe, making Europe an important export destination for China's electric vehicles. However, this prompted the EU to protect its domestic industry through exclusive purchase subsidies, vertical industrial policies and market barriers.[26] To further open up the European market, CEECs have become key destinations for China to increase investment in the electric vehicle industry. The positioning of CEECs in the Chinese electric vehicle industry chain can be summarised based on the following aspects.

First, most of China's investment in the CEECs focuses on battery production. For instance, in August 2022, CATL announced an investment of EUR 7.34 billion in Hungary to build a battery manufacturing plant with a planned production capacity of 100 GWh. After completion, this project will become the largest electric vehicle battery factory in Europe and is expected to land in 2026.[27] In October 2024, the first European production base of Sunwoda Electronic officially entered the construction phase in Hungary. In November, EVE Energy announced the establishment of an advanced battery plant in Hungary, and in December, Guoxuan High Tech announced plans to build an electric battery production base in Slovakia.[28]

Second, CEECs supply intermediate products within the Chinese electric industry chain. Judging by the trade structure between China and CEECs, auto parts are an essential import and export product area for both sides.[29] Chinese auto parts suppliers are also investing in building factories in Central and Eastern Europe to leverage the region's advantages. Chinese auto parts suppliers such as Johnson Electric, Yanfeng, the Minth Group, Linglong Tire, Xingyu Automotive and Lianbo Precision, which are engaged in motors, seats, interiors and tyres, have already established factories in Serbia.[30] As an important enterprise in the field of Chinese automotive parts, the Junsheng Group has established 10 factories in six CEECs, including Romania, Hungary, Poland, Macedonia and Croatia. The car plant located in Hungary has become one of the largest and most automated car airbag factories in Europe.[31]

Third, CEECs are important levers for China to explore the European electric vehicle market. On 22 April 2025, Albania's Eurasian Group hosted a supply-procurement conference with 27 Chinese enterprises

26 "EU and Serbia sign strategic partnership on sustainable raw materials, battery value chains and electric vehicles", European Commission, 19 July 2024, https://ec.europa.eu/commission/presscorner/detail/en/ip_24_3922.

27 "Announcement of Contemporary Amperex Technology Co., Limited on the Investment and Construction of the Hungarian Times New Energy Battery Industrial Base Project", CATL, 12 August 2022, https://www.catl.com/uploads/1/file/public/202208/20220824151859_xrc00u671j.pdf.

28 Zhang Dongfang, "Power batteries: Chinese enterprises are actively entering the EU, while the EU is exploring, in the process of catching up and coexistence", *Financial Times Chinese,* 2 January 2022, https://www.ftchinese.com/story/001105192.

29 "Deepening Practical Cooperation and Moving Forward Hand in Hand towards the Future - New Observations on Economic and Trade Cooperation between China and Central and Eastern European Countries", *Xinhua News Agency*, 18 May 2023, https://www.gov.cn/yaowen/liebiao/202305/content_6874534.htm.

30 "A Review of Chinese New Energy Forces Venturing into France, Hungary, and Serbia", KrASIA, 11 May 2024, https://letschuhai.com/e6a7d141.

31 "Central and Eastern Europe is an important battle for Joyson Group's globalization", *Tidenews*, 29 August 2024, https://tidenews.com.cn/news.html?id=2886720.

in the electric vehicle industry chain. At the meeting, the Eurasia Group unveiled its electric vehicle procurement plan and signed a cooperation agreement with the "EU-China Premium Platform" to facilitate Chinese electric vehicle expansion into the Central and Eastern European markets.[32] From the perspective of enterprises, Chinese electric vehicle companies are further integrating into the European market by establishing overseas factories, building sales networks and launching differentiated services to unleash the potential of the European market. For example, in 2025, XPeng Motors successfully entered the markets of Poland, the Czech Republic and Slovakia by signing official agency cooperation agreements with car distributor Inchcape and well-known European dealer group the Hedin Group. Inchcape will be responsible for the import and national distribution of the Polish market, while the Hedin Group will be fully responsible for the CEEC markets.[33] And thus the automobile sales network in Central and Eastern Europe will be improved. Gu Hongdi, Vice Chairman and President of XPeng Motors, stated in an interview that the European market is one of the most important electric vehicle markets. In terms of the electric penetration rate and electric vehicle technology availability, Europe is second only to China. XPeng Motors regards Europe as a large market but implements differentiated marketing, services and charging network strategies in different European countries.[34] In conclusion, CEECs are important platforms for Chinese electric vehicle companies to explore the European market and achieve differentiated sales.

Fourth, the proportion of R&D investment by Chinese electric vehicle companies in Central and Eastern Europe is relatively small, but in order to further promote brand localisation and reasonably avoid the impact of tariff fluctuations, most Chinese electric vehicle brands are increasing such investment. To meet the demand for battery swap stations built in Europe, NIO announced in 2022 that it would establish its first European factory in Biatorbágy near Budapest, which also serves as its European manufacturing, service and R&D centre for charging products.[35] In May 2025, BYD officially announced the establishment of its European headquarters in Budapest, Hungary, and the establishment of a new European research and development centre.[36] In essence, the establishment of factories by Chinese electric vehicle manufacturers in Central and Eastern Europe can effectively introduce advanced manufacturing processes and promote the green transformation and upgrading of these countries.

32 "Deepening Cooperation in the New Energy Vehicle Industry between China and Europe", *Global Times,* 22 April 2025, https://m.huanqiu.com/article/4MLjWBDkw1E.

33 "Xpeng Motors is accelerating the implementation of its, Going Global 2.0' strategy as it expands further into the European market", XPeng Motors, 17 March 2025, https://www.xiaopeng.com/news/company_news/5451.html.

34 "XPeng Motors accelerates its overseas expansion: local production is a must, and it cannot merely rely on exports to capture the European market", *XueQiu*, 16 April 2025, https://xueqiu.com/1786904335/331914523.

35 "A road network: NIO announces the construction of the world's first overseas factory in Hungary, Belt and Road Initiative network", Belt and Road Portal, 31 July 2022, https://www.yidaiyilu.gov.cn/p/265099.html.

36 "BYD's European headquarters have been established in Hungary, marking another milestone in its global layout", BYD, 19 May 2025, https://www.bydglobal.com/sites/Satellite?c=BydArticle&cid=1617162650985&d=Touch&pagename=BYD_CN%2FBydArticle%2FCommon%2FArticleDetails.

3.3 CEECs as an intermediary coordinating force

The role of CEECs in the electric vehicle industry chain between China and Europe is highly complementary. Chinese battery manufacturers and automotive component suppliers have established production facilities in CEECs, supplying Western European automakers. This promotes the integration of the China-CEECs-Western Europe industrial chain. By deeply integrating into the electric vehicle industrial chains of Europe and China, CEECs are expected to leverage their advantages of interconnection and intercommunication in the bilateral industrial chains to become the "intermediate coordinating force" to bridge conflicts between the two sides.

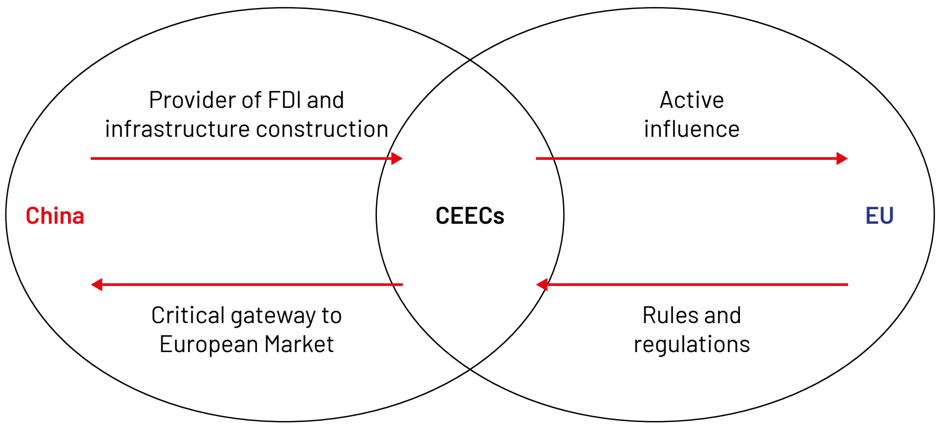

Figure 1 The role of CEECs in the China-EU EV chain

With regard to the relationship between China and Central and Eastern European countries, it is worth noting that there is inherent institutional tension between the European Union and its Member States. Those EU Member States within CEECs are to some extent constrained by EU rules and are obligated to serve the overall strategic layout of the EU. However, when their interests are threatened, they can still take the most advantageous path and try to influence. EU policy. At present, the vertical integration capacity of the European electric vehicle industry is insufficient, making it difficult to form a complete and flexible industrial chain to achieve cost reduction and efficiency improvement.[37] At the same time, the European electric vehicle industry is confronted with challenges such as sluggish growth in the sales of pure electric vehicles and the persistently high manufacturing costs of automotive batteries.[38] Europe had previously pinned its hopes on Swedish battery manufacturer Northvolt to reduce its "reliance" on Chinese battery manufacturers. Although it received financial support from multiple parties including Volkswagen, Goldman Sachs and the European Investment Bank, it filed for bankruptcy in November 2024 due to low production efficiency, loss of key customers and a shortage of funds. It seriously undermined the ambition of European countries to develop its independent electric vehicle industry.[39] For CEECs that take the automotive industry as their core economic pillar, the current sluggish development of the electric vehicle industry in Europe will be detrimental to their industrial transformation and economic growth, which prompts them to seek new possibilities for cooperation abroad. Cooperation between China and CEECs will help relieve the pressure on the transformation of the automotive industry.

37 "Hungary political briefing: Losing the competition? European automotive industry in 2025", China-CEE Institute, 8 April 2025, https://china-cee.eu/2025/04/08/hungary-political-briefing-losing-the-competition-european-automotive-industry-in-2025/#_ftn3.

38 Ma Junchi, "Complementary demands demonstrate the huge potential of investment cooperation", 13 June 2025, https://www.news.cn/world/20250525/554da5c3639d43efa3381bb1ad614391/c.html.

39 "Northvolt, the 'hope of Europe', has gone bankrupt, dealing a heavy blow to its ambitions for electric vehicles", Guancha, 22 December 2024, https://www.guancha.cn/internation/2024_11_22_756436.shtml.

Simultaneously, a "mutual dependence" relationship has been formed between China and CEECs. China regards CEECs as gateways to further integrate into Europe's electric vehicle industry chain and market, while CEECs rely on China's outward direct investment to maintain the advantages of their original automotive industrial clusters. Meanwhile, the huge market demand for CEECs in terms of infrastructure, connectivity and industrial upgrading could complement China's complete manufacturing system and production capabilities.[40]

Europe is one of the most important markets for electric vehicles, thus localising the electric vehicle industry is a key step for Chinese electric vehicle manufacturers to expand their presence in the European market. CEECs have obvious comparative advantages in developing the electric vehicle industry and become important destinations for China's investment in the electric vehicle industry in the European region. First, the dominant position of CEECs in the traditional automotive industry laid a solid foundation for their transformation to electric vehicles. For example, the Czech Republic and Hungary are traditional automotive manufacturing powerhouses among European countries. Hungary is the only country, apart from Germany and China, that has production bases for BMW, Mercedes-Benz and Audi. In recent years, the Hungarian government has openly welcomed investment in the electric vehicle sector, regarding the electric vehicle and battery industries as the key to industrial transformation. Battery enterprises from South Korea, Japan, China and Germany have successively set up operations in Hungary.[41] Meanwhile, among the world's top 20 automakers, more than 14 have established vehicle manufacturing plants and auto parts production bases in Hungary.[42] In addition, more than 40 of the world's top 100 most important automotive enterprises have invested and set up branches in the Czech Republic.[43] The dense and complete industrial chain has enabled the Czech Republic to have a solid foundation for the automotive industry.

Second, the internal policy environment of CEECs is more beneficial to the development of electric vehicles in comparison to some Western European countries, with higher consumption potential and more industrial policies for attracting foreign investment. Take Hungary as an example. In 2023, the Hungarian government launched an electric vehicle support programme. In 2024, the Hungarian government stipulated that enterprises could apply for government subsidy to purchase a varying number of pure electric vehicles, trucks or small buses based on their scale, which was well-received by enterprises.[44] These measures effectively unleashed the domestic consumption potential of electric vehicles and

40 Hua Hongjuan, "Research on the Path to Realisation of In-depth Industrial Cooperation between China and Central and Eastern European Countries", *Regional Economic Review*, No. 5, 2020, p. 118.

41 "Country (Region) Guide for Foreign Investment and Cooperation: Hungary (2023 Edition)", Department of Outward Investment and Economic Cooperation, https://fdi.mofcom.gov.cn/resource/pdf/2024/11/05/4f3c6257f89d4e1d-bc59da64bb28931f.pdf.

42 "Exclusive Interview with Ambassador Gong Tao of the People's Republic of China to Hungary", *CNR news,* 17 March 2024, https://china.cnr.cn/qqhygbw/20240317/t20240317_526630281.shtml.

43 "Country-specific Studies on the Automotive Industry in Central and Eastern European Countries, NingBo Municipal Bureau of Commerce, 9 January 2019, https://www.sohu.com/a/287779615_120058056.

44 "The electric vehicle industry in Hungary is developing rapidly", Ministry of Commerce of the People's Republic of China, 12 July 2024, https://hu.mofcom.gov.cn/scdy/art/2024/art_284cb8fd07f44bd4865051e58e8071a7.html.

increased the market share of electric vehicles in Hungary. Meanwhile, Hungary is also constantly attracting foreign investment and optimising the domestic investment environment for electric vehicles. As a result, Chinese investment in electric vehicles in Hungary has become more convenient. During President Xi Jinping's visit to Hungary in 2024, both sides reached an agreement on the third round of the "China-Hungary Belt and Road Cooperation Priority Projects and Issues List", and agreed to continuously deepen practical cooperation in areas such as infrastructure and investment.[45] The Hungarian government also offers tax incentives and investment subsidies to Chinese electric vehicle manufacturers, providing strong support for the settlement of Chinese electric vehicles in Hungary.

Third, the unique comparative advantages of CEECs such as high-quality but cheap labour, their proximity to the Western European market and the convenience of transportation made them an ideal investment destination for electric vehicles. A euronews analysis shows that within Europe, Northern and Western Europe has the highest labour costs, while Eastern Europe, especially Bulgaria, Romania and Hungary, has the lowest labour costs.[46] Coupled with the original solid foundation of the automotive industry, these countries have a large number of highly skilled labour forces. Meanwhile, CEECs are important transportation hubs for the China-Europe Railway Express and also key nodes for Chinese electric vehicle manufacturers to enter the Western European market. Countries such as Hungary and the

45 "China-Hungary Belt and Road Cooperation Priority Projects and Issues List", National Development and Reform Commission, 11 May 2024, https://www.ndrc.gov.cn/fggz/202405/t20240511_1379665.html.

46 "Labour costs across Europe: Where are they highest and lowest?" *euronews*, 19 April 2025, https://www.euronews.com/business/2025/04/19/labour-costs-across-europe-where-are-they-highest-and-lowest.

Czech Republic are members of the European single market and have the advantage of relatively low industrial electricity prices. Deploying electric vehicle factories in Central and Eastern Europe will further reduce the cost of expanding the Western European market. The high demands of European consumers for quality, safety and environmental protection will further force Chinese electric vehicle manufacturers to increase their research and development efforts, effectively enhancing the market competitiveness of their products.[47]

During the rapid development period of electric vehicles, CEECs still have needs in the following aspects to develop their electric vehicle sectors. First, CEECs are willing to attract foreign direct investment to help them adapt to the reorganisation of the electric vehicle industry chain. The large amount of FDI attracted by CEECs in the traditional automotive industry prompted their integration into the global industrial chain. Attracting FDI during the electric vehicle transition period can alleviate the employment pressure caused by the decline in the output of the traditional automotive industry to a certain extent. Second, unlike the traditional automotive industry, electric vehicles have higher requirements and a greater reliance on infrastructure. The construction of electric vehicle infrastructure is a core element for the complete release of consumption potential, and the consumer market is the core driving force for the development of the electric vehicle industry. However, CEECs are confronted with challenges in the construction of electric vehicle infrastructure, such as low coverage of charging stations and slow charging network speeds. Data released by the European Automobile Manufacturers' Association in 2023 shows that Croatia, Estonia and

47 Ma Junchi, "Complementary demands demonstrate the huge potential of investment cooperation", 13 June 2025, https://www.news.cn/world/20250525/554da5c3639d43efa3381bb1ad614391/c.html.

Latvia are among the countries with the lowest number of public charging stations in the European Union.[48]

CEECs are the main inflow destinations of China's FDI in Europe. For example, in 2021, China's investment in Germany, France and the United Kingdom accounted for 39% of the total investment in Europe, while its investment in Central and Eastern Europe accounted for less than 10%. In 2022, Central and Eastern Europe emerged as a powerful force, with Chinese investment in Hungary accounting for 20% of the total investment in Europe. In 2023, China's investment share in Central and Eastern Europe rose to 50%, and in 2024, the investment scale further expanded, with its investment share in Hungary alone reaching 31%.[49] At the same time, China is also far ahead in the layout and construction of electric vehicle infrastructure. As of May 2025, the cumulative number of charging infrastructure facilities across the country has exceeded 14.4 million. In the first five months, the increase in charging infrastructure was 1.583 million units. The ratio of the increase in charging infrastructure to the increase in electric vehicles in the first five months was 1:3. The construction of charging infrastructure and the sales of electric vehicles have formed a virtuous match.[50] Therefore, the demand for complementary advantages between China and CEECs increased, which is expected to further enhance the demonstration effect of bilateral cooperation and promote the positive development of electric vehicle trade between China and Europe.

48 "Interactive map - Correlation between electric car sales and charging point availability (2023 data)", *ACEA,* 7 May 2024, https://www.acea.auto/figure/interactive-map-correlation-between-electric-car-sales-and-charging-point-availability-2023-data/.

49 Ma Junchi, "Complementary demands demonstrate the huge potential of investment cooperation", 13 June 2025, https://www.news.cn/world/20250525/554da5c3639d43efa3381bb1ad614391/c.html.

50 "The increment ratio of piles to vehicles has reached 1:3! The construction of charging infrastructure has formed a virtuous match with the growth in sales of new energy vehicles", CNR news, 16 June 2025, https://china.cnr.cn/qqhygbw/20240317/t20240317_526630281.shtml.

To sum up, CEECs have deeply integrated into the electric vehicle industrial chains of Europe and China, and respectively formed interdependence with both sides. As a result, CEECs will also have the "structural power" to influence China and Europe, playing the role of an "intermediate coordinating force". Due to the sluggish development of the overall electric vehicle industry in Europe, tension emerges between Central and Eastern Europe with Western Europe. In contrast, the demand for cooperation between Central and Eastern Europe and China is on the rise. Against the backdrop of the EU's anti-subsidy investigation into electric vehicles in China, CEECs have become a key force that can be sought in the process of promoting the positive development of China-EU trade.

4. The stances of CEECs in the EU's anti-subsidy case for electric vehicles

Although the CEECs have the potential to serve as a communication bridge between China and Europe, this role has not been fully demonstrated. In the EU's anti-subsidy investigation into Chinese electric vehicles, the positions of CEECs are divided and far from forming a cohesive bloc capable of significantly influencing the EU's stance and policy. In her annual address to European Parliament on 13 September 2023, President of the European Commission Ursula von der Leyen announced the launch of an anti-subsidy investigation into Chinese electric vehicles, pointing out that the reason why Chinese electric vehicles are cheap is that they receive huge subsidies, and such subsidy behaviour "distorts the EU market." In June 2024, the EU imposed provisional countervailing duties on Chinese electric vehicles.[51] On 17 July 2024, the written feedback results from the 27 EU Member States on the provisional anti-subsidy measures against China's electric vehicles were released. The statistics are as follows: 10 EU Member States supported the provisional duties, 4 opposed, 11 abstained and 2 did not participate in the voting. Non-participating votes were counted as supportive. However, this vote has no binding force.[52] On 29 October 2024, the European Commission announced its final ruling, imposing a final anti-subsidy duty on electric vehicles imported from China for a period of five years. Tariffs range from 17.8% to 45.3%. The final vote saw 10 members in favour, 5 opposed and 12 abstaining, resulting in automatic adoption of the proposal.[53]

51 "EU to investigate 'flood' of Chinese electric cars, weigh tariffs", *Reuters,* 13 September 2023, https://www.reuters.com/world/europe/eu-launches-anti-subsidy-investigation-into-chinese-electric-vehicles-2023-09-13/.

52 "EU countries divided on Chinese EV tariffs in vote, sources say", *Reuters,* 17 July 2024, https://www.reuters.com/business/autos-transportation/eu-members-give-mixed-view-vote-chinese-ev-tariffs-sources-say-2024-07-16/.

53 To block the tariff proposal, one of the following two conditions must be met: the total population of the opposing countries must account for more than 65% of the total population of the European Union, or the total population of the opposing countries must account for more than 65% of the total population of the European Union; Ryan Featherston, "Slamming the Brakes: The EU Votes to Impose Tariffs on Chinese EVs", *Center for Strategic & International Studies*, 16 December 2024, https://www.csis.org/blogs/trustee-china-hand/slamming-brakes-eu-votes-impose-tariffs-chinese-evs.

Table 1 The voting results for CEECs in the anti-subsidy investigations into electric vehicles against China

Country	Non-binding vote in July 2024[54]	Final vote in October 2024[55]
Estonia	Abstain	In favour
Latvia	In favour	In favour
Lithuania	In favour	In favour
Poland	In favour	In favour
Slovakia	Against	Against
Czech Republic	Absent[56]/(In favour)	Abstain
Hungary	Against	Against
Slovenia	Abstain	Against
Croatia	Abstain	Abstain
Romania	Abstain	Abstain
Bulgaria	In favour	In favour
Greece	Absent/(In favour)	Abstain

The voting outcomes and positions indicate that over half of CEECs did not endorse the EU's imposition of tariffs on Chinese electric vehicles. Under the combined influence of factors such as geopolitical rivalries,

54 Giovanna Coi, Douglas Busvine and Koen Verhelst, "Mission Impossible: Germany's bid to kill EU duties on Chinese EVs", Politico, 24 September 2024, https://www.politico.eu/article/eu-duties-electric-cars-euoropean-union-autos/.

55 "How EU governments voted on Chinese EV tariffs", Reuters, 4 October 2024, https://www.reuters.com/business/autos-transportation/how-eu-governments-plan-vote-chinese-ev-tariffs-2024-10-04/.

56 The Czech Republic and Greece did not participate in the voting and were automatically regarded as "in favour".

economic interests and political pressure, CEECs exhibit markedly divergent stances in China-EU electric vehicle trade cooperation, demonstrating notable heterogeneity. Take the final ruling vote as an example, Estonia, Latvia, Lithuania, Poland and Bulgaria support the imposing of tariffs on electric vehicles from China. For instance, Triinu Prits, head of the Estonia foreign trade policy and international economic organisations' division at the Ministry of Foreign Affairs, said that Estonia will not question the European Commission's imposition of provisional tariffs on imports of Chinese EVs.[57] Poland supports the EU's imposition of tariffs on Chinese electric vehicles in order to protect its traditional automotive industry and auto parts manufacturers, and hopes that the EU will take the anti-subsidy case for electric vehicles as a starting point to truly break away from its reliance on foreign countries and achieve "strategic autonomy" and "de-risking" with regard to China.[58]

Hungary, Slovakia and Slovenia voted against the EU's motion. Hungarian Prime Minister Viktor Orbán, who has spearheaded a drive in central Europe to bring Chinese EV and battery manufacturing plants to Hungary, stated: "What they [the EU] are making us do right now, or what the EU wants to do, is an economic Cold War," and he said that his country did not want to be squeezed into either bloc and wanted to keep trading with both sides.[59] Michal Bartek, a member of the National Council of the

57 HuaXia, "Estonia prefers negotiation to tariffs on Chinese EVs: senior official", *Xinhua,* 24 July 2024, https://english.news.cn/20240724/8ae1d7f1b1c04513b3ca504de40f9105/c.html.

58 "Poland Votes for EU Autonomy from China's Electric Cars," *Visegrad Insight,* 7 October 2024, https://visegradinsight.eu/poland-votes-for-eu-autonomy-from-chinas-electric-cars-against-berlin-budapest-and-bratislava/.

59 Gergely Szakacs and Anita Komuves, "EU headed for 'economic cold war' with China, Hungary's Orban says", *Reuters,* 4 October 2024, https://www.reuters.com/world/europe/eu-headed-economic-cold-war-with-china-hungarys-orban-says-2024-10-04/.

Slovak Republic and Vice-Chairman of Trenčín Self-governing Region, remarked that "Imposing Tariffs on Chinese-made EVs is not the just solution."[60] Robert Fico, Prime Minister of Slovakia, labelled the tariffs as part of a "nonsensical trade war" pursued by the European Commission with "devastating effects for the European economy."[61] Fico visited China in October 2024 and highlighted that Slovakia was opposed to the tariffs imposed by the EU against Beijing.[62] Matjaz Han, Slovenia's Minister of Economy, Tourism and Sport, stated that "the global green transition has brought countless business opportunities to the automotive industry. Slovenia opposes the European Commission's imposition of tariffs on Chinese electric vehicles."[63]

Croatia, Romania, the Czech Republic and Greece abstained. The statements of these countries on imposing tariffs on China were quite different. Hrvoje Prpic, President of the Croatian Electric Vehicle Drivers Association, said: "Ultimately, tariffs won't help anyone, they will only harm European consumers, who will lose out, as well as the countries themselves."[64] Martin Kupka, Czech Minister of Transport, is convinced

60 "Central and Eastern European Representative: The EU's Decision Is Not the Right Way to Solve Problems", *Qilu Network*, 23 October 2024, https://sdxw.iqilu.com/w/article/YS0yMS0xNTk3NjUwNg.html.

61 Matej Šimalčík, "Fico's stance on EU tariffs: Why he's wrong on Chinese EVs", *CEIAS*, 29 October 2024, https://ceias.eu/ficos-stance-on-eu-tariffs-why-hes-wrong-on-chinese-evs/.

62 Krzysztof Mularczyk, "Beijing to withdraw from electric car production in Poland over EC tariffs", *Brussels Signal*, 12 November 2024, https://brusselssignal.eu/2024/11/beijing-to-withdraw-from-electric-car-production-in-poland-over-ec-tariffs/.

63 "Slovenian automakers are seeking to enhance cooperation opportunities with China", Belt and Road, 9 October 2024, https://www.yidaiyilu.gov.cn/p/0J3CJ7FV.html.

64 HuaXia, "EU's push for tariffs on Chinese EVs faces backlash from member states, auto industry", *Xinhua*, 5 October 2024, https://english.news.cn/europe/20241005/19abb9dea794440d80c61f3764928dd8/c.html.

that the EU must stand up for itself. He said: "The European market should not be completely isolated from the competition with China, but it must defend itself against incomparable conditions." Kupka also highlighted the billions of dollars in subsidies that Beijing provides to its automakers, creating a significant disadvantage for European manufacturers.[65] Although the CEECs that are not EU Member States have no right to participate in the voting, some of them have expressed their attitudes. For instance, Jelena Grubor Stefanovic, Director of the Representative Office of the Serbian Chamber of Commerce and Industry in China characterised the countervailing duties as "a false sense of security provided by the European Union to European enterprises." If fully implemented, it will not only harm European and Chinese businesses but also impose the greatest costs upon consumers.[66]

65 Aneta Zachová, "Czech carmakers warn tariffs on Chinese EVs could hit supply chains", *Euractiv*, 13 June 2024, https://www.euractiv.com/section/politics/news/czech-carmakers-warn-tariffs-on-chinese-evs-could-hit-supply-chains/.

66 Beijing Daily, "The first generation of the Serbian Chamber of Commerce and Industry in China: Countervailing duties are the 'false sense of security' given by the EU to enterprises", *Beijing Daily*, 22 September 2024, https://news.qq.com/rain/a/20240922A032DS00.

5. The implications of the electric vehicle industry for cooperation between China and CEECs

As previously discussed, at present, CEECs possess the capacity to function as intermediary coordinators in the industrial field between China and Europe. However, this potential has not been fully exerted due to the divergence of viewpoints and differences in strategic priorities among CEECs. When the Trump administration launched an indiscriminate trade war against the world, the global free trade system faced unprecedented shocks and threats. Both China and Europe expressed their willingness to ease the trade friction on electric vehicles as soon as possible to avoid getting caught up in a situation of fighting on two fronts. Since 2025, Chinese and European trade officials have conducted four rounds of negotiations successively. Both sides have consistently advocated for a price undertaking mechanism as an alternative to the EU's proposed countervailing duties. This approach seeks mutually acceptable solutions in a manner that complies with their respective legal frameworks and World Trade Organization regulations. Currently, the price undertaking negotiation has entered the final stage. Both sides agreed that they should work and move forward together to advance the sound, stable and sustainable development of bilateral economic and trade relations.[67]

67 Ministry of Commerce of the People's Republic of China, "Minister Wang Wentao held a video conference with European Commission Vice-President for Trade and Economic Security Šefčovič", Ministry of Commerce of the People's Republic of China, 20 June 2025, https://wangwentao.mofcom.gov.cn/zyhd/art/2025/art_d3f653191470444b9225bc456310b6cc.html.

But efforts are still needed from both sides, especially concerning the fact that the EU has asked China for an electric vehicle technological transfer, and urges China to properly handle the countermeasure against the EU's brandy export to China. To avoid the dilemma of trade friction and even competition between China and Europe, both China and CEECs should approach each other with greater sincerity and play a stabilising role in the turbulent international situation.

Firstly, China should further enhance its cooperation with CEECs in electric vehicle production capacity. CEECs have a solid foundation in the automotive industry. In particular, national brands such as "Skoda" from the Czech Republic and "Dacia" from Romania have a relatively high market share in their domestic markets. With the EU's continuous promotion of the climate neutrality agenda, these brands face mounting pressure to transform into electric vehicles and urgently need technical support and cooperation in the industrial chain and supply chain. As Chinese automakers have entered the CEEC markets, it is advisable for Chinese enterprises to pursue differentiated competition strategies with local brands in this area. For instance, rather than focusing solely on complete vehicle sales, Chinese firms should establish cooperative frameworks with local brands in core technological domains including batteries, charging piles, intelligent driving chips and operating systems. This approach would transform a "zero-sum game" into a "positive-sum game", thereby mitigating trade friction risks between China and CEECs.

Secondly, China and CEECs should construct institutional "firewalls" separating political-security concerns from economic cooperation. Poland and the three Baltic countries voted in favour of imposing tariffs on electric vehicles in China, not solely on the basis of economic considerations but rather in support of the "de-risking" policy proposed by the European Commission from a geopolitical and ideological perspective. It is equally undeniable that the Russia-Ukraine conflict and the resulting strategic mutual

doubts between China and Europe also impaired the advantages of CEECs in attracting trade and investment from China. Over the past four quarters, China's investment in Eastern Europe has significantly decreased, with the number of projects dropping by 4% and committed capital shrinking by 48%.[68] In order to prevent the politicisation of economic interdependence, CEECs should foster a balanced perception of China, and adopt a more active attitude towards China-CEEC cooperation. The engagement between China and the EU has been significantly resumed in the first half of 2025, due to Donald Trump's return to the White House and the subsequent divide between the US and the EU. In comparison, the China-CEEC cooperation mechanism is still frozen. CEECs should work with China and explore a way to revive the dialogue mechanism in order to increase mutual trust and provide leaders guidance for economic cooperation.

Thirdly, China should strengthen cooperation with countries like Hungary and Serbia to generate demonstration effects. These countries adopt a more balanced view of China, and have cultivated more substantive cooperation with Chinese electric vehicle enterprises. If China can achieve breakthroughs in the field of electric vehicle cooperation with these countries that are beneficial to their national economy and people's livelihoods, then on the one hand, it will help Chinese automakers integrate more deeply with the EU's supply chain. On the other hand, it will undoubtedly have a relatively prominent demonstration effect and could possibly change the EU's attitude towards Chinese automakers. Therefore, Chinese manufacturers should consider following the model of Tesla's Shanghai production base and establish a "gigafactory" in Hungary

68 Frankfurter Allgemeine Zeitung, "China fahrt Investitionen in Osteuropa drastisch zuruck", *Zeitung*, 23 June 2025, https://www.faz.net/aktuell/wirtschaft/polen-rumaenien-oder-bulgarien-auslandsinvestoren-machen-bogen-um-osteuropa-110539900.html.

or Serbia to boost local employment, so that more European countries can realise Chinese enterprises' constructive role and ultimately offer more open arms to Chinese investment.

6. Conclusion

Given the positioning of CEECs in the China-Europe electric vehicle supply chain, CEECs possess the capacity to function as an "intermediary coordinating force" prompting China-EU electric vehicle cooperation. The tariff war initiated by the Trump administration has, to a certain extent, prompted the "recovery" of trade relations between China and Europe. The two sides have gradually reached a consensus on the anti-subsidy case for electric vehicles. The consultations have entered the decisive final phase. Concurrently, CEECs will also play an increasingly vital role in the trade of electric vehicles between China and Europe.

Divergent attitudes towards China among CEECs will exert a dual impact on China-EU trade. On the one hand, certain CEECs prioritise economic and investment cooperation with China. This will have positive "spill-over" effects on broader China-EU trade collaboration, including the expansion of bilateral trade volumes, and the stimulation of mutual investment growth. These countries could also serve as a balancing power within the EU. They could influence the EU policies towards China via a bottom-up approach to achieve policy "calibration". On the other hand, some CEECs maintain distorted perceptions of China, adhering to misguided "China threat" rhetoric. Their negative stances on trade cooperation would create adverse consequences for China-EU collaboration.

Consequently, China should persistently advance trade and investment cooperation and promote bilateral policy coordination with CEECs in the future. While consolidating existing partnerships, China could actively seek to establish constructive relations with potential partners whose attitude is undecided. Meanwhile, CEECs should give their geographical advantages full play to identify convergence points of economic and trade policies between the EU and China, and use their influence within the EU to promote China-EU cooperation, thereby improving their own economic and trade environment as well as their bargaining status within the EU. Only with more engagement with China and by promoting a balanced view within the EU can CEECs' "intermediate coordinating role" be fully implemented.

Serbia-China-EU Relations – From (De-)hedging to Win-Win?

ALEKSANDAR MITIĆ[1]

ABSTRACT: The Republic of Serbia, as a military-neutral, EU candidate country, with Eurasian hedging tendencies in Euro-Atlantic surroundings, presents a unique case of cooperation between the People's Republic of China and Central and Eastern European (CEE) countries. As an early adopter of the 16+1 (China-CEEC) and Belt and Road Initiative (BRI) formats, Serbia entered a comprehensive, strategic relationship with the PRC at bilateral and multilateral levels due to its internal challenges, specific foreign policy orientation and geopolitical context. In a decade, Serbia revamped its development path, boosted its infrastructure, saved its metallurgy, improved internal and regional connectivity and received political support for its fundamental national interest of preserving territorial integrity. On the other side, Serbia's cooperation with China

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faces pressure from the "political West" aimed at curbing Serbia's hedging through de-hedging, wedging and negative strategic framing. Nevertheless, Serbia's objective remains to aim for win-win scenarios, which would not preclude either its EU membership talks, under way since 2014, or the building of the China-Serbia community with a shared future in the new era since 2024.

KEYWORDS: China, Serbia, CEEC, Belt and Road Initiative, EU, hedging

Introduction

In the fast-paced era of multipolarisation, flexibility, agility and resilience have become important traits of successful statecraft. Achieving them is difficult, however, in the face of rigid strategic framing, particularly by the "political West", which depicts the global scene in antagonising bloc dichotomies, and (new) Cold-War era dynamics, while curbing attempts of individual states aimed at foreign policy diversification. Such an approach has targeted countries in Central and Eastern Europe, in particular, which praise or practise variants of multivectorism, be it European Union members (such as Hungary and Slovakia) or candidate states (such as Serbia). The Serbian case is of particular interest given its uniqueness as a military-neutral, EU candidate country, with Eurasian hedging tendencies in Euro-Atlantic surroundings. With Serbia formally negotiating its EU membership since 2014, but also building the China-Serbia community with a shared future in the new era since 2024, its interest lies in overcoming the zero-sum securitisation narrative and aiming for win-win outcomes. Again, not an easy task given the overall atmosphere of mistrust and uncertainty, and the context of geopolitical changes stemming from the conflict in Ukraine, the militarisation of the European Union and the policies of US President Donald Trump. Nevertheless, the Serbian case provides valuable insights into the range of opportunities and challenges countries in the CEE region face in their cooperation with the People's Republic of China at bilateral and multilateral levels.

Serbia's unique position

Serbia's enviable geographic position, sitting on the most advantageous land route linking Central Europe with Asia Minor, has invited numerous invasions and wars throughout history. In the 20th century alone, after its liberation from the Ottoman Empire in the Balkan Wars, Serbia had to fight the Austro-Hungarian Empire in World War I, Nazi Germany occupation in World War II, and finally the NATO aggression in 1999, which was in clear violation of international law as it was carried out without consent from China and Russia as permanent UN Security Council members. The bombing was aimed at supporting the Albanian population and its separatist leadership in Serbia's southern province of Kosovo and Metohija. Following the aggression, the Western powers masterminded the "unilateral declaration of independence of Kosovo" in 2008, in yet another breach of international law and the UN Charter (Mitić, 2024a). On the other side, Beijing and Moscow opposed this move and never recognised it. They cite these two cases – the 1999 NATO aggression and the 2008 masterminding of "Kosovo's declaration of independence" – as the clearest violations of international law and arrogance of the US-led "unipolar world" and "rules-based world order" (RBO). However, as a European country surrounded by EU candidate members, Serbia has pursued a path to EU integration since 2000. This has been a strenuous road, full of political conditioning, considered highly biased and controversial by the Serbian public, which has led to relatively modest popular support for EU integration. After opening talks in 2014, in a decade, Serbia opened 22 and concluded only two negotiating chapters with the EU, out of 35. Nevertheless, the EU remains Serbia's largest trading partner and formally its strategic objective. On the other side, the leading EU countries have asked Serbia to recognise the independence of its province of Kosovo (22 out of 27 members do so), and to impose sanctions against Russia (and China). Furthermore, due to internal reform problems, a lack of political will and absorption capacity, which they call "enlargement fatigue", EU countries have been slow in making progress in EU integration talks with Serbia, as well as other Balkan countries. The combination of these factors contributed to heightened popularity for cooperation with Russia (as a traditional Serbian ally), but also China (as a relative newcomer to the region) (Mitić, 2024b). This eastward diversification – and indeed hedging – leans into the heritage of "non-alignment" from the period of socialist Yugoslavia, into "military neutrality" declared in 2007, as well as into a "four-pillar" (EU, Russia, US, China) foreign policy stated in 2009.

Serbia's stalled EU pathway

After a quarter of a century on the "EU pathway", the results of Serbia's integration process remain weak, spurring disappointment on all sides and a generally pessimistic perception among the Serbian public. A 2024 poll revealed that 63 per cent of the public believed Serbia would never enter the EU, with another 12 per cent citing the year 2050 (Mitić et al., 2025).

Belgrade had initiated its pathway towards Brussels on a high note following the political changes in October 2000, by participating at the EU-Western Balkans summit a month later in Zagreb (Mitić, 2024b). However, despite the promises of EU membership, promises of the Thessaloniki Agenda in 2003, the 2005-2008 negotiations in the first stage of the process – the Stabilisation and Association Agreement (SAA) – had already dealt a blow to the EU's reputation. These talks were held in the context of pressure to hand over former Serb political and military leaders to the International Criminal Tribunal for the former Yugoslavia – largely perceived by Serbs as biased. Furthermore, the EU crafted referendum conditions favouring Montenegro's independence from the union with Serbia, and at the December 2007 EU Summit masterminded the so-called "unilateral declaration of independence of Kosovo" from Serbia in 2008 – in flagrant violation of the Constitution of Serbia and international law (Mitić, 2007). The EU thus dealt a crushing blow to Serbia's territorial integrity and sovereignty, while at the same time inviting it to continue the process of integration.

The period following "Kosovo's UDI" was marked by further pressure from EU leading powers on other EU and UN member countries to recognise the move and thus legitimise it, as well as by pressure on Serbia to remove its remaining institutions from Kosovo and Metohija. At the same time, the EU – facing its own financial and economic crisis – became increasingly disinterested in investing in Serbian and indeed Western Balkans infrastructure, further reducing the attractiveness of its membership. Serbia, in return, proclaimed a "four-pillar foreign policy" on the basis of cooperation with the EU, the US, the Russian Federation and the People's Republic of China, with which it signed the Strategic Partnership Agreement in 2009.

Membership in the EU remained a strategic objective for Belgrade, nonetheless, leading to the opening of EU talks in 2014, consisting of 35 negotiating chapters. Yet, beyond the challenges of Chapter 23, regulating respect of the rule of law – a significant hurdle for all candidate states – Serbia is in major contention with the EU on two fundamental issues defined in Chapters 31 and 35 of the EU-Serbia negotiations framework (Mitić, 2024b). Under Chapter 35, Serbia's EU accession process is conditioned by the issue of the status of the province of Kosovo and Metohija and the "process of normalisation" between Belgrade and Priština. With the majority of EU countries recognising the "unilateral declaration of independence of Kosovo" in flagrant violation of international law, Serbia has leaned towards the Russian Federation and China as the main backers in the UN Security Council. In turn, under Chapter 31, which calls for alignment with the EU Common Foreign and Security Policy, Serbia has refused to impose sanctions against Moscow or accept any restrictive measure or critical declaration against Beijing. Beyond negotiation chapters, the EU has also struggled with internal "enlargement fatigue", particularly in the aftermath of the European economic and migration crises, effectively pausing the EU enlargement process officially (under the Jean-Claude Juncker European Commission presidency) or unofficially (Emmanuel Macron's French presidency). Despite an announced reinvigoration of the process due to "geopolitical" motives following the conflict in Ukraine, by mid-2025, Serbia had not opened a single negotiation chapter since December 2021.

Four cornerstones of Sino-Serbian cooperation

Serbia has unique relations with the People's Republic of China due to its specific geopolitical identity, shared memory and foreign policy orientation. While socialist Yugoslavia and China have had their ups and downs since the establishment of diplomatic relations in 1955, and Beijing remained on the side lines of the Yugoslav conflicts in the 1990s, the major turnaround was the NATO bombing of the Chinese embassy in Belgrade in May 1999. During the NATO aggression, on 7 May 1999, the Embassy of the People's Republic of China suffered an attack in which three Chinese journalists were killed. This attack prompted public outcry throughout China and transformed Beijing's foreign and security policy. Some US scholars, such as Peter Gries, considered that the impact of the bombing of the US embassy on Chinese foreign policy perception was such that one could talk about a "post-Belgrade China" (Gries, 2001). The attack made Chinese officials change their policies regarding the threat of the US unilateral actions and "coalitions of the willing", including in the Asia-Pacific (Pang, 2005). On the 25th anniversary of the bombing of the embassy, on 7 May 2024, Xi Jinping visited Belgrade and pointed out that "the China-Serbia friendship, forged with the blood of our compatriots, will stay in the shared memory of the Chinese and Serbian peoples" (Xinhua, 2024a). Indeed, memory culture has become one of the four cornerstones of China-Serbia's "iron-clad friendship", together with political cooperation inspired by Serbia's military neutrality and common fight for territorial integrity, comprehensive and unprecedented levels of economic cooperation and the shared vision of the global geopolitical transition towards multipolarity. This means a world order based on international law and the United Nations Charter and not a "rules-based" system based on the Western interpretation of international agreements and resolutions, which has had destructive consequences for Serbian national interests since the end of the Cold War through to today, as demonstrated by the 1999 NATO aggression and the 2008 EU-US masterminding of "Kosovo's UDI".

Based on these four cornerstones, under the auspices of President Xi and his host, President Aleksandar Vučić, China and Serbia elevated their relations from a Comprehensive Strategic Partnership by working together to build a "China-Serbia community with a shared future in the new era" – the highest level of China's bilateral cooperation in Europe, including a Free Trade Agreement – a first in Central and Eastern Europe, taking effect on 1 July 2024 (Draškić, 2024).

Building a China-Serbia community with a shared future in the new era

Serbia-China bilateral, CEEC and BRI cooperation

A conflux of several processes led to Serbia's emerging and fast-paced adherence to China-led global and regional initiatives. By the time Beijing proposed the 16+1 cooperation model with Central and Eastern European Countries in 2012, and President Xi Jinping outlined "One Belt, One Road" (Belt and Road Initiative) in 2013, the overall context of Serbia's strenuous relations with the EU following "Kosovo's UDI" and the long-lasting impact of the 2008 economic and financial crisis had coincided with political changes in Belgrade following the 2012 elections. With Serbian public finances in trouble and the EU's proclaimed pause in EU enlargement, Beijing's initiatives landed on fertile ground in Serbia. The new authorities built on the 2009 Strategic Partnership to embrace China's frameworks at bilateral and CEEC levels. President Xi's proclaimed BRI connectivity was particularly motivating for Belgrade.

After the 2009 signing of the Strategic Partnership Agreement, 2014 became the second turning point in Serbia-China relations. Belgrade hosted the third 16+1 Summit of Heads of State, during which Chinese Prime Minister Li Keqiang initiated Beijing's first infrastructure project in Europe – the "China-Serbia Friendship Bridge" on the Danube. China, Serbia and Hungary also signed a memorandum on the construction of the Belgrade-Budapest high-speed railway, a flagship project for the 16+1. As such, it became an important connectivity project for the BRI as a whole, with its aim to integrate into the pan-European Corridor X, linking the Mediterranean Port of Piraeus, Athens – acquired by Chinese COSCO – through Northern Macedonia, Serbia and then Hungary, thus effectively connecting the Mediterranean ("end of the Belt") with Central Europe ("end of the Road"). These initial successes prompted Serbia's formal entry into the BRI and the historic first visit by President Xi to Belgrade in 2016, followed by the implementation of the BRI's "five connectivities".

Policy connectivity was boosted, in particular, by the signing of the Joint Statement of the Republic of Serbia and the People's Republic of China on the Establishment of a Comprehensive Strategic Partnership, signed on the occasion of President Xi's visit (Xinhua, 2016). The agreement paved the way for sectoral cooperation, but laid the foundations for regular top-level coordination in particular. As a result, Serbia's President Aleksandar Vučić became a rare European leader to participate in all three editions of the flagship Belt and Road Forum for International Cooperation in Beijing – in 2017, 2019 and 2023 (Ministry of Foreign Affairs of the Republic of Serbia, 2024).

President Xi's decision to visit Serbia in 2024 on his three-country first European tour since the COVID-19 pandemic made a clear statement about Beijing's appreciation of Belgrade's commitment to bilateral and China-CEEC cooperation. He specifically chose the 25th anniversary of the NATO bombing of the Chinese embassy in Belgrade as a reminder of the shared past, but also future. Together with President Vučić, President Xi announced the building of a "China-Serbia community with a shared future in the new era". Thus, after becoming China's first "comprehensive strategic partner" in Central and Eastern Europe in 2016, Serbia was

again the first country in the region, and indeed in the whole of Europe, to elevate relations to the level of "community with a shared future". China's Ministry of Foreign Affairs argued that "this speaks volumes about the strategic, special and high-level relationship between the two countries," and it underlined that "high-quality Belt and Road cooperation between China and Serbia has produced substantial outcomes" (Ministry of Foreign Affairs of the People's Republic of China, 2024).

The "infrastructure connectivity" was particularly boosted after Xi's first visit to Serbia in 2016, which gave impetus to China's assistance in the takeover by the HBIS Group of the ailing Serbian steel mill of Smederevo, which had been abandoned by U.S. Steel in 2012, at the height of the economic crisis, effectively leaving the city in economic tatters and the Serbian budget in crisis. The takeover saw Smederevo's luck take a turn, as the steel mill became Serbia's largest exporter within a year (Mitić, 2024a). Furthermore, it became an important nod in the context of China-CEEC and BRI connectivity, as its operations are based at the strategic Smederevo port on the Danube, at the intersection between pan-European Corridors VII (Danube) and X (Athens-Belgrade-Budapest).

In the eastern Serbian city of Bor, near the borders with Romania and Bulgaria, China made another inroad into Serbia's metallurgy. In 2018, Zijin Mining Group acquired 63% of Serbia's primary copper mine, RTB Bor, a complex with a long-standing tradition and of key importance to the region, but also left in disarray after failed privatisation attempts. Zijin Mining went on to acquire the nearby copper deposits held by Canadian Nevsun Resources, investing 2.89 billion dollars in the green transformation of its copper and gold mines in Serbia, resulting in zero days with SO2 transgressions in 2023 (Đorđević, 2024). At the same time, two Zijin companies joined HBIS to become the top 3 Serbian exporters, with 2.5 billion worth of exports in 2023 (Radio Slobodna Evropa, 2024). Zijin's production led Serbia to take an 18 per cent share of European copper output, putting the country in the continent's second spot, with a leading position in sight for 2030 (Đorđević, 2024).

Further key projects were completed. When the new B3 350 MW unit of the Kostolac thermal power plant opened in December 2024, it became Serbia's first large-capacity energy facility in 35 years, aiming to provide five per cent of the country's electricity (Government of the Republic of Serbia, 2024). Chinese companies also worked on constructing clean energy projects through the heating pipeline between Serbia's largest thermal plant in Obrenovac and Belgrade's most populous municipality of New Belgrade (Spasić, 2023), as well as through a key nationwide wastewater treatment project, worth EUR 3.2 billion and implemented by the China Road and Bridge Corporation in 65 municipalities across the country (Todorović, 2021).

The automotive industry became another key target for Chinese investment, particularly after Shandong Linglong invested in what turned out to be the most valuable FDI investment in Serbia since the breakup of Yugoslavia. In 2019, the company opened its first venture in Europe, and second overseas, worth over USD 1 billion, and immediately became an important player on the European automotive scene, with consumers such as leading German producers Audi, Volkswagen and MAN. The success of the investment project prompted further Chinese interest in Serbia's automotive parts production, particularly given the proximity of Serbia's sites to European transportation corridors, and including the vicinity of the newly-planned BYD plant in Szeged, just north of the Serbian-Hungarian border, sitting upon Corridor X (Athens-Belgrade-Budapest), including the highway and the Belgrade-Budapest high-speed railway.

The high-speed railway, although a flagship BRI project – and perhaps because of it – faced numerous administrative and construction hurdles, particularly from the EU side. However, a decade after it was agreed, in 2024, Serbia completed its portion of the railway (180 km from Belgrade to the Hungarian border), with the Hungarian portion expected in 2026. The first portion (from Belgrade to Novi Sad), opened in 2022, has already boosted internal connectivity, mobility and tourist activity.

Chinese companies also contribute to a host of highway construction projects in Serbia. The Belgrade-South Adriatic highway, named "Miloš Veliki" in its Serbian part, aims to link the Serbian capital with Western Serbia and Montenegro, primarily the port of Bar, as a further link towards Southern Italy, and other Adriatic and Mediterranean ports (Global Times, 2022). This project increases connectivity within Serbia and on the BRI network, contributing to local and regional development. By the end of June 2025, construction made a significant breakthrough in Western Serbia, with a new portion opened, and the beginning of the final part, aiming to reach the border with Montenegro, where Chinese companies work to connect it to the Adriatic. Furthermore, the "Miloš Veliki" highway has allowed the construction of a series of a high-speed motorways connecting the highway to major towns in Western Serbia, and thus contributing to connectivity with neighbouring Bosnia-Herzegovina.

Furthermore, the construction of the Belgrade Bypass by POWERCHINA and the China Communications Construction Company contributes to a faster, more secure and less polluted passage around Belgrade, effectively linking Athens-Budapest Corridor X with the Belgrade-South Adriatic highway. Further projects aim to speed up connectivity between the Belgrade-Budapest highway and the Belgrade-Zagreb highway through the Fruška Gora mountain tunnel and road, built by the China Road and Bridge Corporation. Connectivity with the east is provided by the construction of the Danube corridor (built by Shandong), linking Belgrade and Corridor X to Požarevac and Golubac on the Romanian border. Lastly, under the "Vojvodina smile" project, the construction of a series of high-speed motorways in the shape of a letter "U" is expected to improve connectivity, impacting various regions of northern Serbia, with positive connectivity impacts on the Hungary-Croatia-Serbia border and the Hungary-Romania-Serbia border.

Trade and finance connectivity with China have become increasingly important for Serbia. Serbia's exports to China have increased steadily since the early 2010s, boosted to a large extent by Zijin's production and export of raw copper ore. However, the imports have also increased, leading to the tripling of the deficit. As a result, Serbia and China negotiated a Free Trade Agreement (FTA), which was officially signed at the Third Belt and Road Forum for International Cooperation in Beijing in October 2023. During his visit to Belgrade in May 2024, President Xi lauded the FTA as one of the first features of the Serbia-China community with a shared future in the new era, announcing its entry into force on 1 July 2024. Serbia thus became the first CEEC country to sign an FTA with China, and the first EU candidate country to do so (Chen, 2024). The agreement includes the immediate liberalisation of 60 per cent of the 10,412 products from Serbia, and 8,930 products from China, with the liberalisation of 90 per cent of the products to be completed within 15 years. With the FTA, Serbia aims not only to reduce the deficit but also to diversify its exports beyond raw materials, to boost the export of agricultural products such as apples, blueberries, wine, rakija and pharmaceuticals. It also aims to elevate its standing in the electric vehicle supply chain. Lastly, its objective is to complete its unique FTA network. It is the only European country with free trade agreements with the EU, the Russia-led Eurasian Economic Union, Turkey and China, thus becoming a potential hub for duty-free exports of most key industrial products – with only a few exceptions and annual quotas - to more than 2.5 billion people.

In sum, over the last decade China has become the largest single investor in Serbia, Chinese companies have been the country's top three exporters for years in a row and new deals on green energy promise to boost cooperation further.

One noticeable case is the military-technical trade cooperation, again unique in Europe, as Serbia became the first European country to acquire Chinese weapons systems. Belgrade has purchased CH-92A and CH-95 Chinese drones, and in 2022 acquired a battery of FK-3 medium-range, road-mobile, surface-to-air missiles made by the China Aerospace Science and Industry Corporation.

Serbia also helped the internationalisation of the yuan and its transactions in South-East Europe after signing a MoU on designating a clearing bank for the yuan in Belgrade (Xinhua, 2023).

Lastly, in terms of people-to-people connectivity, cooperation between Serbia and China expanded substantially in all fields. In the health sphere, China's "vaccine diplomacy" during COVID-19 was particularly hailed in Serbia, as it was ranked first in the world in the "Chinese Medical Diplomacy Index" by the Washington D.C. Center for Strategic and International Studies, which measured the success of China's efforts during the pandemic (ChinaPower Team, 2021).

A visa-free regime from 2018 opened the door to tourism from China. Despite being slowed by the COVID-19 pandemic, the figures surpassed the pre-pandemic levels by 2024, and in the first quarter of 2025 increased almost 60 per cent in comparison to the previous year (Ministarstvo turizma i omladine, 2025).

Such records were spurred by yet another direct effect of the 2024 elevation of Serbia-China relations. President Xi had then announced an introduction of two more direct flights from Belgrade – to Guangzhou and Shanghai – in addition to the one to Beijing (Ministry of Foreign Affairs of the People's Republic of China, 2024). Furthermore, he underlined the importance of an exchange programme under which 300 Serbian youths and 50 young Serbian scientists were invited to study and research in China in the next three years.

The third Confucius Institute in Serbia opened in the southern city of Niš, while academic cooperation continued to flourish, notably in the field of international relations, with the expansion of the yearly Dialogues on China conference organised by the Institute of International Politics and Economics in Belgrade.

Boosting Xi's global initiatives

Serbia has particularly welcomed some of the key elements of Xi Jinping's diplomatic thought based on the core tenet of "community with a shared future for mankind".

Thus, Belgrade has viewed favourably the four Chinese global initiatives presented by President Xi.

Why are these initiatives favourable to Belgrade? The 2021 Global Development Initiative (GDI) and the 2023 Global Civilization Initiative (GCI) both argue in favour of particular, unique development pathways for countries and regions, taking into account their specificities. For Serbia, as a unique case in Europe, such an approach is particularly welcomed as it pursues its own development pathway based on the history of Yugoslav non-alignment, its own military neutrality and openness to diversification, as witnessed by its FTA framework.

Serbia's support for the 2022 Global Security Initiative is also fully understandable. The GSI principles are fully compatible with Serbia's interests. They argue against expanding military alliances (Serbia is militarily neutral), against double standards on territorial integrity (Serbia accuses the West of supporting Ukraine's but not Serbia's territorial integrity) and against unilateral non-UN sanctions (members of the Serbian government have faced US sanctions in recent years). Thus, it was not surprising to hear President Vučić assess that the Chinese-Brazilian peace initiative on Ukraine is "common sense" and that "the People's Republic of China offered something that is truly the most logical that any grown-up, collected and sane person would offer" (Danas, 2024).

Lastly, Serbia's interests are fully compatible with Xi Jinping's 2025 Global Governance Initiative (GGI) and 2021 concept of "true multilateralism", with implications for key issues of territorial integrity, sovereignty, identity, political independence, security and economy. In fact, "true multilateralism" criticises the so-called Western "rules-based world order" (RBO) based on "pseudo-multilateralism" or "unipolarism in disguise", which creatively interprets international law to align with the interests of the political West (Mitic, 2024a). Serbia has suffered considerably from the "creative interpretations" of the RBO: in 1999, with the NATO aggression without UN Security Council authorisation due to opposition by China and the Russian Federation; in 2008, with the Western use of the argument of the "unique case"/"sui generis" to mastermind and organise "Kosovo's UDI" in breach of international law and with long-term consequences as a precedent for separatist causes worldwide; since 1995, with the constant eroding of the fragile Dayton Agreement on Bosnia-Herzegovina through the creative Western interpretations of the "Dayton spirit" to strip the Republika Srpska entity of its prerogatives and centralise Bosnia-Herzegovina. Here again, as in previous cases, Beijing has criticised the process, particularly when, in yet another demonstration of the RBO, Western members of the UN Security Council nominated German opposition politician Christian Schmidt to the post of the "High Representative for Bosnia-Herzegovina" without the approval of Russia and China in the UN Security Council. The refusal of Republika Srpska to accept such "nomination", and particularly in light of Schmidt's attempts to strip the entity from its property, in violation of the 1995 Dayton Accords, led to an escalatory crisis, including a trial against the President of Republika

Srpska Milorad Dodik and, in 2025, to one of the most serious political-security crises in the Balkans since the 1990s.

On the other hand, China's "true multilateralism" has complied with Serbia's key national interests to a large extent, with a particular focus on the UN Charter, the opposition to double standards regarding territorial integrity, opposition to the expansion of alliances and to unilateral non-UN sanctions (China Institute of International Studies, 2024). Such principles thus address the disrespect of Serbia's territorial integrity by the majority of the political West regarding Kosovo and Metohija, Serbia's proclaimed military neutrality and Serbian experiences with non-UN sanctions.

Serbia's eastward hedging

There have been various attempts made to describe modern Serbian foreign policy. The concepts of "balancing" (allying with others against the prevailing threat) and "bandwagoning" (allying with a potentially threatening power) do not apply to Serbia's current strategic posture, as it is a military-neutral country (Nikolić, 2024). The concept of India's "multi-alignment", as a "series of parallel relationships that strengthen multilateral partnerships and seek a common approach among the grouping towards security, economic equity and the elimination of existential dangers like terrorism" (Drishtiias, 2022), involves India's participation in a number of organisations (such as BRICS, the Shanghai Cooperation Organisation and QUAD), while Serbia remains outside NATO, the CSTO and (for now) the EU or BRICS.

A "multi-vector" policy – maximising national interest through diversified partnerships - as exemplified by Azerbaijan, Serbia's strategic

partner, has been a relevant concept, although not fully applicable as Azerbaijan is not an EU candidate and its multi-vector policy has strategic, rather than simply policy, tactical features.

The concept of "hedging" has thus been recently applied to Serbia's foreign policy actions. The concept has featured most importantly in the literature on China and Southeast Asia (Goh, 2005; Gerstl, 2022; Kim, 2023) and on the Middle East (Salman and Geeraerts, 2015; El-Dessouki and Mansour, 2020; Fulton, 2020). However, it is increasingly being mentioned in the Serbian case (Ejdus, 2023; Dettmer, 2023; Nikolić, 2024; Mitić, 2024a). Mitić and Nikolić both identify the sources of Serbia's hedging in the aftermath of "Kosovo's unilateral declaration of independence" and the simultaneous rise of multipolarisation. Serbia's hedging policy has several underpinnings, grounded mostly in its slow, if not stalled membership talks with the European Union. Primarily, as mentioned earlier, these are due to Chapter 23 (respect of rule of law – a major hurdle for all candidate states), Chapter 31 (alignment with EU foreign policy) and Chapter 35 ("normalisation of relations" with the Kosovo Albanian leadership in Priština), in addition to chronic challenges of EU "enlargement fatigue" and a lack of political will (Mitić, 2024b). These hurdles have prompted Serbia's "non-Western" turn, which has manifested itself in a struggle for support for Kosovo at the UNSC (China and Russia) and at the General Assembly and UN bodies such as Interpol and UNESCO (Global South). In addition, Serbia has increased military-technical cooperation with Russia and China (imports) and the Global South (exports), as well as cooperation in energy security (Russian gas), mining and infrastructure (China's investments and loans) and overall trade diversification. In the context of the conflict in Ukraine, particularly since 2022, Serbia's hedging has turned more prominently in China's direction.

China-bound hedging thus became an important feature of Serbia's foreign policy due to a host of political, security and economic reasons (support for Kosovo and Metohija, Republika Srpska, military neutrality, non-harmonisation with Western sanctions, unprecedented investments in infrastructure, energy and mining).

Western de-hedging, wedging and negative framing

Expectedly, Serbia's eastward hedging has not been welcomed by the European Union and the United States. Thus, the political West has used three types of strategies aimed at curbing Serbia's hedging: de-hedging, wedging and negative strategic framing.

First, Brussels, Washington and leading EU countries pushed for a "de-hedging" strategy, in reference to the process in the investment world of "closing out positions that were originally put in place to act as a hedge in a trade or portfolio," and may occur either all at once or incrementally (Chen, 2022). This was particularly visible throughout 2024. Serbia's President Vučić was under strong pressure not to attend the BRICS Summit in Kazan in October 2024. As a result, a Serbian ministerial delegation was sent instead, while Vučić met in parallel with a host of EU leaders, including President of the European Commission Ursula von der Leyen, Polish and Greek Prime Ministers Donald Tusk and Kyriakos Mitsotakis. In the security sphere, Serbia's long-term cooperation with Russia (MiG fighter jets) and potential expansion of cooperation with China after the purchase of the FK-3 system (J-10C fighter jets) was overturned by a deal with France to purchase 12 Rafale fighter jets from Dassault Aviation (Ruitenberg, 2024). French President Emmanuel Macron hailed the 2.7 billion contract as an "opening towards a strategic change" and an "opportunity for Europe" (France, 2024). In the economic field, under the auspices of German Chancellor Olaf Scholz, the EU and Serbia signed an agreement on a strategic partnership regarding sustainable raw materials, battery value chains and electric vehicles. One of its key objectives has been to limit Belgrade's energy dependence on Russia and China's access to lithium in Western Serbia's Jadar River Valley and other critical minerals in Serbia (Hodgson, 2024).

Second, there have been increasing attempts aimed at "wedging", namely creating wedges between Serbia and China. Wedging strategies – coercive or accommodative – intend to "move or keep a potential adversary out of an opposing alliance" (Crawford, 2021). Here, the wedges are also targeted to achieve specific results that aim to undermine various aspects of the relationship between rival alignment or hedging. Following its rather successful wedging strategy regarding Huawei and 5G in CEEC countries in the late 2010s, Washington applied a similar approach to Serbia. Under the auspices of Trump, Vučić signed the 2020 Washington Agreement, according to which Belgrade committed to a number of actions, including acquiring 5G equipment "supplied by untrusted vendors", an indirect dig at Chinese providers. Under the same agreement, Belgrade and the Albanian authorities in "Kosovo" committed not to pursue policies seeking (de-)recognition internationally. Such commitment was required by Washington to stop Belgrade's strong diplomatic success aimed at de-recognition of "Kosovo's UDI", which was in full swing at the time, running in parallel, although not directly linked, with China's gains in its policy of de-recognition of Taiwan among Global South countries. Such an approach, however, led to Belgrade losing momentum, while the Albanian authorities in Priština continued to plan inroads into the Global South, with the sponsorship of Turkey in particular, resulting in recognition of "Kosovo's UDI" in 2025 by Kenya and Sudan.

Furthermore, in 2025, a "wedging offensive" by the US was noticeable with the visit by the Washingon-based Atlantic Council to Serbia, and interviews by Vice-President and Senior Director for the Brent Scowcroft Center on International Security Matthew Koenig. He warned against relying on cooperation with China, arguing that "risks primarily stem from opening up to economic coercion by China, low-quality investments that fail to deliver on promises and security threats, as China is not a democracy based on Western rule of law but rather a dictatorship" (Newsmax Balkans, 2025).

Pro-US think tanks close but not directly linked to the Serbian authorities, such as the "Pupin Initiative" also pushed for stronger commitment towards the West. Its executive director, Vuk Velebit, has argued that Serbia should specifically work with CEE countries in a format reminiscent of the NATO-inspired "Three Seas Initiative" (Baltic-Black Sea-Adriatic): "For the stability and security of Europe, this will be a particularly important defence line for Europe against China, Russia, Turkey and other actors" (Apostolovski, 2025).

Western-sponsored Serbian think tanks, such as the BFPE in Belgrade, argued in May 2025 that the Sino-Serbian partnership presents "substantial long-term strategic risks, particularly in terms of technological dependence, surveillance concerns, and geopolitical positioning": "By deepening ties with Beijing, Serbia risks undermining its alignment with the EU and NATO, raising questions about its long-term security commitments and European integration trajectory," while "Chinese influence in Serbia could weaken NATO's position in the Western Balkans and complicate the EU's regulatory alignment efforts" (Vladisavljev, Dizdarević and Đorđević, 2025).

Such framing is in line with a negative Western depiction of China-CEEC cooperation over the last decade. Previous analyses have shown that "the obstructive narrative fosters negative sentiment and views

China-CEEC cooperation as toxic, undesirable and dangerous for the CEE countries. Such narrative encourages repulsion of cooperation, fosters disappointment, facilitates crippling criticism and smooths the way towards backlash against cooperation and concrete projects" (Mitić, 2022, 54).

Serbia's win-win scenarios

Reaching win-win outcomes is an enviable objective in today's geopolitical constellation. Examples from Asia and other regions show that maintaining diversified partnerships can yield long-term benefits in terms of economic growth, political stability and security.

Since the launch of the format, China's President Xi Jinping has framed the Belt and Road Initiative as a "win-win", "mutually beneficial cooperation" and as "sharing the fruits of development", intending to build a "community of shared future for mankind" (Xi, 2014; Xi, 2017). It is in line with "true multilateralism", which focuses on "the principles of the UN Charter as a foundational guideline", on extensive consultation, joint contribution, shared benefits and adapting to changes, particularly the rise of the Global South, global development and preventive diplomacy" (China Institute of International Studies, 2024, 44-46).

Through its cooperation with China at bilateral, CEE and BRI levels, Serbia has attempted to achieve win-win scenarios.

Beyond the Sino-Serbian win-win outcomes, outlined above, one particular success story has been the cooperation with Hungary, strengthened by mutual cooperation and interest in cooperating with Beijing and BRI-related projects. While Serbia-Hungary relations had faced difficulties in the past, including in the early 2000s, Belgrade and Budapest overcame them with Beijing's strong support role, with the Belgrade-Budapest high-speed railway as a showcase.

Interestingly, the high-speed railway could become a curious case of (de-)hedging turning into a win-win outcome. Its ultimate objective is to link the railway to Athens and the Port of Piraeus. For China, which owns Piraeus port through the COSCO company, the completion of the route would mean a fast transport connection for its goods from one of the Mediterannean's busiest ports into the hub of Central Europe. However, the route is part of pan-European Corridor X (highway and railway), and the same strategic transportation reasoning could apply to EU connectivity. In February 2023, the European Commission, the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and Serbia announced a joint EUR 2.2 billion financial package for the modernisation of the Corridor X railway section between Belgrade and the southern Serbian city of Niš (Western Balkans Investment Framework, 2023), bringing the completion of Corridor 10 closer. Thus, Serbia's China-leaning hedging strategy and the EU's de-hedging push could yield a win-win outcome for all three actors.

Furthermore, the high-speed railway increased compatibility and connectivity with China-Europe Railway Express, yet another key BRI project. Thus, China's Shandong province opened its China-Europe Railway Express Assembly Center in September 2024, in the town of Inđija, sitting on the high-speed train route between Belgrade and Novi Sad (Xinhua, 2024b). The aim is to assist the development of the "Shandong-Serbia-Western Europe" trans-Caspian transport corridor, an important BRI-related route.

Yet another win-win scenario is the construction of the Belgrade Metro, where POWERCHINA was designated as the constructor and French Alstom as the supplier of trains and signalling. In 2024, Serbia signed a EUR 720 million contract with POWERCHINA for Lot 2 of Metro Line 1 (Lađevac et al., 2025).

Conclusion

Exactly one year after his visit to Belgrade in May 2024, President Xi met President Vučić again, this time in Moscow, on the margins of Victory Day celebrations of the 80th anniversary of the defeat of Nazi Germany. The two presidents agreed to increase coordination by setting up a meeting of heads of state "at least once a year" to increase mutual support and win-win cooperation (Blic, 2025).

Vučić and Slovak Prime Minister Robert Fico, however, came under strong criticism from EU leaders, including from the CEEC, for visiting Moscow and meeting with President Vladimir Putin. Indeed, the conflict in Ukraine, in particular, and the process of multipolarisation, in general, have intensified antagonisms, with considerable implications for China-EU and China-CEE relations.

One might argue that the trend has been present for some time. One particular contrast can be made with the Czech Republic. While Serbia and the Czech Republic both signed agreements on a Comprehensive Strategic Partnership with China in 2016, their trajectories have since been diametrically opposed. Relations between Prague and Beijing deteriorated following a series of Czech political actions undermining China's sovereignty and territorial integrity with regard to Taiwan and Tibet. When Chinese Foreign Minister Wang Yi met his Czech counterpart Jan Lipavsky in 2025, he "expressed the hope that the Czech side would engage in earnest self-reflection, develop the right perspective about

China, and take concrete actions to rebuild trust with China" (Xinhua, 2025). On the other hand, Serbia went on to a full upgrade of relations with China, with the two countries mutually expressing absolute support in terms of the protection of territorial integrity.

For the EU, the already complex environment has grown even more complicated – from the effects of de-industrialisation on the economies (Germany's recession), Russia's advances on the battlefields of Donbas, China's growing prevalence in the EV industry and, finally, Donald Trump's victory in the US elections.

Trump's victory further complicated the tariff wars, but also opened up new avenues for cooperation between the EU/CEEC and China. Serbia is itself, in principle, opposing the excessive securitisation of globalisation, arguing against de-globalisation through protectionist concepts such as "decoupling", "de-risking", "tariff wars", EU "subsidy investigations" and US "friendly shore outsourcing".

Thus, given the uncertainty of its EU membership path, its unique geopolitical orientation and hurdles, Serbia is poised to continue its foreign policy and trade diversification. This vision will be further revealed at the Belgrade 2027 Specialised Expo, a worldwide hub for education, culture and innovation, drawing representatives from over 120 countries worldwide under the central theme and main title "Play for Humanity", and supported by both EU countries and China (Ministry of Foreign Affairs of the People's Republic of China, 2024).

Perhaps Serbia's lessons may not all seem applicable to fellow CEE partners. Yet, they are worth reinstating. Through bilateral, CEEC and BRI cooperation with China, Serbia has revamped its development path, stabilised its budget, boosted its infrastructure, saved its metallurgy, improved internal and regional connectivity, reached record tourist exchanges, completed its FTA network, contributed to alleviating poverty and pollution, initiated technology transfers and received political support

for its fundamental national interest in preserving territorial integrity. No small deed in the volatile and unpredictable era of multipolarisation, and a gentle reminder of the potential of China-CEEC cooperation.

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Czech-Chinese Relations under Pressure – Politics and Influence Networks

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ABSTRACT: This chapter examines the trajectory of Czech-Chinese relations over the past decade, highlighting the pivotal role of political factors, structural limitations of liberal democratic regimes and influence networks in shaping foreign policy. Using the Czech Republic as a case study, it tests three core hypotheses: (1) the centrality of bilateral political cooperation for successful relations with China; (2) the impact of domestic political instability, electoral cycles and external dependence on foreign policy consistency; and (3) the influence of security and intelligence agencies, NGOs and media in steering public discourse and policy against China. Drawing on official documents, media reports, think tank publications, public databases and discussions with diplomatic and political figures, the study reveals how a small Central European country became entangled in competing geopolitical narratives, resulting in the breakdown of a once-promising strategic partnership with Beijing. The chapter concludes by proposing concrete steps to restore pragmatic

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cooperation between the Czech Republic and China in the context of a multipolar world order.

KEYWORDS: Czech Republic, China, foreign policy, influence networks, United States

1. Introduction

The dynamics of Czech-Chinese relations have undergone significant shifts since the early 2010s. The Czech Republic's attempt to forge a strategic partnership with China was initially marked by mutual enthusiasm and pragmatic engagement. However, in the years following, the relationship deteriorated due to a complex interplay of domestic politics, structural weaknesses of the Czech liberal democracy and the influence of foreign and domestic actors. This chapter examines these developments by testing three interrelated hypotheses.

First, it argues that the foundation of any successful relationship with China must be constructive bilateral political relations. Economic, cultural or technological cooperation rarely flourishes without a stable and respectful political framework. The Czech experience vividly illustrates this dependency, as the breakdown in political dialogue quickly undermined broader cooperation.

Second, it posits that Czech-Chinese relations have been hampered by deep-seated structural political factors. These include volatile electoral cycles, shifting political representation and autonomous foreign policy gestures by regional and municipal authorities. Compounded by the Czech Republic's strong alignment with the United States and the European Union, these factors have created an unstable and reactive foreign policy environment.

Third, the chapter explores how Czech foreign policy towards China has been shaped by influence networks comprising intelligence agencies, NGOs and select media outlets. These networks, often supported by external actors from countries such as the United States, have systematically promoted a securitised and adversarial narrative around China, effectively neutralising earlier efforts at pragmatic engagement.

The study draws on a combination of public records, government and think tank reports, media coverage and insights from discussions with representatives of diplomatic, expert and political circles. Its aim is not only to analyse the current impasse but also to propose pathways for restoring pragmatic cooperation in the context of emerging global multipolarity. In this regard, the Czech case offers a window into the challenges faced by small liberal democracies striving to navigate an increasingly competitive and fragmented international environment. It also raises critical questions about sovereignty, ideological influence and the long-term costs of alignment with dominant geopolitical narratives that may not serve national interests.

2. Czech-Chinese relations since 2013

The Czech-Chinese relationship entered a new era in 2013, marked by the coinciding leadership of Xi Jinping in China and Miloš Zeman in the Czech Republic. Their mutual diplomatic "charm offensive" initiated a period of intensified bilateral engagement across political, economic and cultural domains. President Xi's state visit to Prague in March 2016 was the first of its kind by a Chinese head of state and symbolised the apex of this renewed engagement. In turn, Zeman became a frequent guest in China, attending major events such as the Belt and Road Forum in 2017 and 2019, and the China International Import Expo (Stanzel, 2016). These interactions were underpinned by Zeman's open endorsement of the "economic diplomacy" model, which aimed to reposition Czech foreign policy to reflect shifting global economic centres of gravity, particularly towards East Asia. The Czech Republic, as a small Central European country, adopted a policy of pragmatism and openness to all directions, aligning well with China's Belt and Road Initiative (BRI) and investment ambitions in Central and Eastern Europe. Notably, CEFC China Energy's acquisition of significant stakes in Czech media, sports and aviation industries symbolised an era of burgeoning economic cooperation. Additionally, cultural exchanges increased, including the establishment of Confucius Institutes and the strengthening of sister city ties (Turcsányi, 2020).

However, by 2018, tensions began to surface, culminating in a significant deterioration of relations following the COVID-19 pandemic. Political shifts within the Czech Republic facilitated the re-evaluation of ties with China. In 2020, Senate President Miloš Vystrčil, representing the opposition-controlled chamber, led a high-profile visit to Taiwan, invoking the spirit of the late Václav Havel and triggering sharp diplomatic backlash from Beijing (Karásková, 2020). This episode foreshadowed a turning point, reflecting a broader domestic realignment against China. The year 2021 further destabilised pro-Chinese advocacy within Czech politics. The sudden death of Petr Kellner, the country's richest businessman with deep economic ties in China, removed a key actor who had supported a pragmatic, interest-based foreign policy. Simultaneously, President Zeman's declining health significantly reduced his influence. The parliamentary elections that year saw the rise of a liberal coalition opposing Prime Minister Andrej Babiš, followed by the presidential victory of pro-government retired general Petr Pavel in 2023.

This comprehensive political shift resulted in a unified liberal government that dominated all significant state institutions, including both chambers of Parliament, the presidency and the security apparatus. This constellation enabled a radical foreign policy recalibration. Relations with Taiwan reached unprecedented levels: in 2023, Markéta Pekarová Adamová, Speaker of the Chamber of Deputies, led an official delegation to Taipei that included ministers, business leaders and intelligence chiefs. This visit, emblematic of Taiwan's growing role in Czech foreign policy, underlined a decisive strategic pivot. By contrast, Czech relations with mainland China have been minimal. In November 2023, National Security Advisor Tomáš Pojar visited Beijing, and the only significant political contact occurred in February 2025 when Foreign Minister Jan Lipavský met his Chinese counterpart Wang Yi on the sidelines of the Munich Security Conference. This meeting came amidst the Czech Republic's growing diplomatic isolation following Donald Trump's return to US presidency, which altered transatlantic dynamics and further marginalised pro-Biden governments in Europe (Belin, 2025).

Domestically, the liberal government's foreign policy has not only damaged relations with China but also led to the complete suspension of ties with Russia and a weakening of traditional regional partnerships. Relations with Slovakia and Hungary have cooled, and the Visegrád Group, once a cornerstone of Czech regional strategy, has been paralysed. In its place, the Czech Republic increasingly aligned with radical liberal actors within the EU and beyond, including the Baltic states, Ukraine and Taiwan, forming a new axis that is ideologically coherent but geopolitically isolating. Despite this downturn, future Czech governments retain the ability to recalibrate foreign policy. Based on multiple discussions with Chinese diplomats and policy experts, Beijing remains open to restoring strategic cooperation with Prague. They view the past decade's bilateral "zigzags" as surmountable should political will re-emerge in the Czech capital. Such a revival would require a rebalancing of Czech foreign policy, including the suspension of political and security cooperation with Taiwan in favour of renewed strategic engagement with Beijing. Given the strategic weight of China and the Czech Republic's need for diversified foreign relations, such a recalibration remains a plausible scenario.

3. Structural political factors in Czech-Chinese relations

The evolution of Czech-Chinese relations over the past decade has been profoundly influenced by structural political factors within the Czech Republic. These include domestic political dynamics, electoral cycles, external dependencies and the growing influence of actors such as intelligence agencies, NGOs and media outlets. These factors have contributed to the volatility and unpredictability of Czech foreign policy towards China, impeding the development of a coherent and strategic bilateral relationship. China policy in the Czech Republic has increasingly become a battleground for domestic political contestation, particularly on the part of liberal forces. For these actors, China is often framed not merely as a distant geopolitical entity but as a symbolic antagonist in a broader ideological confrontation between "democracies" and "autocracies". Liberal politicians have frequently invoked the 'China threat' narrative, portraying Beijing as an aspiring global hegemon intent on replacing the United States and subverting the liberal international order (Zemánek, 2024).

This ideological lens has material consequences at different levels. For instance, municipal-level political figures actively undermined central government policy by engaging in their own foreign policy initiatives. The most prominent case is the capital city of Prague, which in 2019 cancelled Prague's sister-city agreement with Beijing and forged a partnership with Taipei instead. This action contradicted the Czech government's official "One China" policy and provoked diplomatic tension, including the cancellation of performances by Czech cultural ensembles in China and a temporary cooling of bilateral ties (Šimalčík & Kalivoda, 2020). The Prague-Taipei connection demonstrates how decentralised political structures can disrupt national foreign policy, particularly in liberal democracies where regional autonomy is constitutionally guaranteed.

Another fundamental challenge is the volatility imposed by the Czech Republic's frequent electoral cycles. With national, regional and municipal elections occurring almost annually, political continuity is rare. This electoral churn produces inconsistent foreign policy orientations, particularly towards China. Each successive government tends to formulate its own distinct China strategy, reflecting its ideological leanings and coalition dynamics. Over the past decade, Czech China policy has oscillated between enthusiastic engagement under President Miloš Zeman and cautious distance and ideological confrontation under Prime Minister Petr Fiala and President Petr Pavel. The inability to formulate a long-term strategy results in a lack of predictability, undermining the Czech Republic's credibility as a partner. This discontinuity is particularly detrimental in dealings with countries like China, where long-term planning and consistency are highly valued. From a governance perspective, this reflects a potential disadvantage inherent in liberal democratic regimes when engaging with non-Western powers that operate under more centralised and stable political systems. Under the current circumstances, the very existence of a liberal democratic model poses challenges to cooperation with non-Western countries, whose global influence is steadily increasing. Simultaneously, it exacerbates the divide between liberal elites and the wider society – a dynamic that is likely to precipitate significant social conflict and, paradoxically, reinforce authoritarian tendencies aimed at preserving the existing political order (Zemánek, 2023).

The country's China policy is significantly shaped by its alliance with the United States. This dependency became starkly visible from 2018 onwards, when Czech security bodies issued warnings about Huawei and ZTE shortly after similar alerts from American security agencies. These actions made the Czech Republic a rare case in Europe, closely aligning with US positions on Chinese tech companies (Dębiec et al., 2019). The pattern continued with the 2020 visit by Senate President Miloš Vystrčil to Taiwan, which followed a similar trip by high-ranking US officials – the first since 1979. The synchronisation of Czech and US policy signals was again evident in 2023 when newly elected "President" Petr Pavel made an unprecedented phone call to Taiwanese President Tsai Ing-wen, becoming the second head of state globally to do so after the US president (Lau, 2023). Lastly, a prominent Czech non-governmental organisation planned to invite Tsai Ing-wen to Prague in 2023. However, the initiative was postponed due to ongoing diplomatic engagements between Washington and Beijing in the lead-up to the San Francisco summit between Presidents Joe Biden and Xi Jinping. Subsequently, the Czech government dispatched National Security Advisor Tomáš Pojar to Beijing, following his meeting with US National Security Advisor Jake Sullivan, who had also visited China during that period. These developments on the Czech side are difficult to interpret in isolation from the broader context of coordinated US diplomatic actions (Zemánek, 2023). These examples illustrate how Czech foreign policy is often reactive to American interests, limiting the country's strategic autonomy.

European Union policy has also exerted a growing influence. Since 2019, the EU has officially classified China as a "partner, economic competitor and systemic rival". Under Commission President Ursula von der Leyen, the EU adopted a "de-risking" strategy in its engagement with China, promoting caution and reduced dependency on Chinese technology and supply chains. The Czech government, led by Prime Minister Fiala since 2021, has closely aligned itself with this approach, echoing EU and US narratives of a global ideological struggle between "democracies" and "autocracies". This alignment was further solidified by the war in Ukraine, after which China was increasingly perceived not just as a strategic rival but as a geopolitical ally of Russia. The war intensified the securitisation of China in Czech policy discourse, sidelining pragmatic engagement in favour of value-driven diplomacy (Eberle & Daniel, 2023). As a result, the Czech Republic's China policy became more ideological and confrontational, narrowing the space for economic, scientific and cultural cooperation.

In addition, a powerful network of non-state actors has emerged as an influential force in shaping the China policy. Security and intelligence agencies have played a central role in constructing China as a national security threat, producing reports that have informed both media narratives and parliamentary debates (see Security Information Service, n.d.). These agencies often collaborate with Western counterparts, particularly the Five Eyes intelligence network, reinforcing external influence on Czech policy. NGOs and think tanks, many of which receive funding from Western foundations and governments, have also contributed to the securitisation of China. They have promoted narratives framing Chinese investments, technological engagement and cultural diplomacy as instruments of foreign influence and potential espionage (Karásková, 2022). Media outlets have amplified this discourse, creating a domestic echo chamber that constrains the policy options available to decision-makers. The dominance of these actors in shaping public and elite opinion can sometimes undermine democratic pluralism and strategic flexibility. Moreover, their alignment with foreign interests raises questions about national sovereignty in foreign policy formulation.

4. Influence networks and Czech-Chinese relations

4.1 Modus operandi of influence networks

Since 2018, the Czech Republic has experienced a significant shift in its political and public discourse surrounding relations with China. Apparently, this shift has not been the result of spontaneous public concern or sovereign political decision-making, but rather the outcome of a well-coordinated influence operation conducted through a network of state actors, media representatives and non-governmental organisations. The overarching objective of this operation was to undermine government policies aimed at deepening a strategic partnership with Beijing, discredit actors supportive of this relationship and ultimately reorient Czech foreign policy in a direction aligned with Western, particularly American, interests. By 2021, this effort had largely succeeded in achieving its goals, including the severing of key ties with China.

The operation began in earnest with a series of public warnings issued by Czech intelligence and security services. In late 2018, agencies such as the Security Information Service (BIS) and the National Cyber and Information Security Agency (NÚKIB) raised alarms over alleged Chinese influence activities. These included claims of espionage, efforts to infiltrate critical infrastructure and the specific targeting of Chinese technology firms such as Huawei and ZTE. These warnings, while framed as national security measures, were met with considerable approval in Washington and closely aligned with the strategic interests of the United States, particularly in the context of growing technological rivalry between the US and China. Simultaneously, a parallel campaign was launched in Czech media and civil society. Political non-profit organisations and think tanks, often working in conjunction with select members of the security and intelligence establishment, began to propagate a consistent narrative around the so-called "China threat". This narrative framed China as a hostile actor seeking to undermine democratic institutions, manipulate political elites and erode Czech sovereignty (Svárovský et al., 2019). These messages were amplified through public appearances by the heads of the counterintelligence agency, the intelligence service and NÚKIB – appearances which frequently contradicted the policy stance of the democratically elected government.

One central component of this campaign was the role played by NGOs and think tanks that had direct or indirect links to US funding sources. Organisations receiving financial support from the Open Society Foundations (OSF), linked to George Soros and his "family empire", as well as from US governmental and quasi-governmental bodies like the National Endowment for Democracy (NED), were particularly active.[2] These organisations closely coordinated with the aforementioned intelligence figures and media outlets, issuing policy briefs, organising conferences and disseminating reports that purported to offer independent analyses but in fact reflected a shared ideological agenda. Through these channels, demonstrable disinformation was at times introduced into public discourse. Select journalists led coordinated media campaigns that not only amplified anti-China narratives but also sought to professionally marginalise or discredit individuals deemed sympathetic to Beijing. In several instances, these campaigns resulted in the professional or reputational "liquidation" of such figures (Drulák, 2021). One of the most striking features of this influence network was the manner in which it

2 See annual reports of respective organisations available either on their websites or in the state-run Business Register (Ministerstvo spravedlnosti České republiky, n.d.).

created a façade of spontaneity and objectivity. By carefully orchestrating cross-references between institutions and reports, the actors involved in this operation constructed an illusion of a broad, decentralised concern over Chinese influence. In reality, these efforts were highly synchronised and guided by a core group of actors.

The Prague branch of the Open Society Foundations played a pivotal role in funding these efforts. Since at least 2016, it has disbursed significant financial support to projects explicitly aimed at countering China's influence in Central Europe (Open Society Fund Prague, n.d.). Initiatives such as *Rekonstrukce státu* (Reconstruction of the State) were ostensibly created to improve transparency and combat corruption but were re-purposed to support a broader geopolitical agenda. Other projects like *Sinopsis*, a prominent analytical platform critical of China, received funding through these channels, further reinforcing the anti-China narrative in academic and policy circles. Additional entities such as the European Values Center for Security Policy (EVC) and the Inter-Parliamentary Alliance on China (IPAC) were also instrumental in this network. In the Czech Republic, the IPAC gained an unusually strong presence, with active involvement in shaping parliamentary discourse and public opinion. These organisations frequently coordinated with Western diplomatic missions and received financial support from a combination of US government sources and private foundations associated with Western strategic interests.

In many instances, funding mechanisms were layered and mutually reinforcing. OSF grants were often complemented by funds from US State Department programmes or other Western European sources, creating a complex web of support that blurred the lines between civil society and state actors. The efficacy of this influence network became unmistakably apparent in 2021. That year, Chinese companies were excluded from a major public tender for the expansion of the Dukovany nuclear power plant – one of the most strategic energy projects in the country. This decision, based on biased assessments propagated by security actors and supported by the broader influence network, effectively marked the end of Chinese participation in major Czech infrastructure initiatives. Following the 2021 parliamentary elections, which resulted in the formation of a liberal government, the revision of relations with China was elevated to a foreign policy priority (ČTK, 2025). The new administration embraced the narratives and policy recommendations previously promoted by think tanks and media within the influence network. As a result, business actors and political elites who had previously advocated for pragmatic engagement with China were compelled to conform to the new ideological orthodoxy.

The Czech case offers a compelling illustration of how influence networks composed of state actors, media institutions and non-governmental organisations can be mobilised to effect significant shifts in national foreign policy. Far from being organic or spontaneous, these networks operate through coordinated actions, strategic funding and media manipulation. In the Czech context, they succeeded in realigning the country's stance towards China, curbing economic engagement and reshaping elite and public opinion. As such, the Czech experience underscores the power of influence operations in liberal democratic societies and the need for greater transparency regarding the sources of information and the interests that shape foreign policy decisions.

4.2 Think tanks as instruments of influence and realignment

The transformation of Czech foreign policy towards China in the last decade has not occurred in isolation. Instead, it has been influenced by a complex ecosystem of actors, including media outlets, state institutions

and non-governmental organisations. Among the most prominent contributors to the Czech discourse on China are three think tanks: *Sinopsis*, the *European Values Center for Security Policy* (EVC) and the *Association for International Affairs* (AMO). These organisations have played pivotal roles in shaping expert narratives, influencing public opinion and lobbying for strategic alignments that position China as a security threat. This section provides a profile of each organisation, examining their institutional missions, networks of influence and discursive practices.

Sinopsis is a media project linked to AcaMedia, a Prague-based non-profit organisation. Although its stated aim is to "provide a regular overview of developments in China and their international impact from the perspective of Chinese, Czech and world media and observers", its work has expanded far beyond neutral commentary. Since its inception, Sinopsis has functioned as a key node in what critics describe as an ideologically driven campaign to frame China as an existential threat to the liberal democracies and to undermine Sino-Czech relations (Drulák, 2020). The project's narrative depicts China as a revisionist and authoritarian power, with strategic engagement viewed as inherently dangerous. Sinopsis (2023) consistently advances securitised interpretations of Chinese policy, arguing for the containment of the Asian great power and active support for Taiwan's international recognition. Its publications advocate for the European Union's deeper involvement in Indo-Pacific security and alignment with the United States and regional allies against Beijing. The "One China" principle is dismissed as political fiction, with Taiwan portrayed as a sovereign and democratic country unjustly excluded from the international community and multilateral organisations (Sinopsis, 2024).

Financial disclosures and public documents reveal extensive international support for Sinopsis. Between 2021 and 2023, the organisation received funding from the Open Society Foundations (OSF), the National Endowment for Democracy (NED), the US Department of State, the Australian Strategic Policy Institute (ASPI) and Taiwan's "diplomatic mission" in Prague – the Taipei Economic and Cultural Office (TECO) (Ministerstvo spravedlnosti České republiky, n.d.). Sinopsis' high-profile engagements further illustrate its informal influence. In 2024, it hosted "Vice President-elect" Hsiao Bi-khim and "former President" Tsai Ing-wen in Prague, consolidating its role as a Czech conduit for Taiwanese "diplomacy". Additionally, Sinopsis regularly organises parliamentary conferences featuring intelligence officials and government representatives. At one such event in October last year, the head of Czech counterintelligence warned that "totalitarian China" was preparing for a war against the West, urging military support for Taiwan (Šopfová, 2024). Sinopsis also curated the China section of the international GLOBSEC conference in 2023, advocating for a more confrontational Czech foreign policy towards the PRC. This think tank's ability to dominate both academic and media discourse on China in the Czech Republic has elevated it from a scholarly outlet to a player in foreign policy formation. Its consistent framing of China as a malign actor represents a significant departure from Prague's previous emphasis on economic cooperation and pragmatic diplomacy.

The *European Values Center for Security Policy* (EVC) has emerged as another key institution shaping Czech strategic discourse on China. Founded as a liberal and Atlanticist think tank focused on countering the influence of "authoritarian regimes", the EVC has increasingly positioned itself as a vocal proponent of enhanced Czech-Taiwanese security and military cooperation. Its strategic objective is not merely to criticise global "autocracies" but to advance policy initiatives that institutionalise deterrence, de-risking and strategic alignment against Beijing. The EVC's activities reflect the Czech Republic's pivot towards strategic engagement

with Taiwan. In 2022, the think tank opened a legal and permanent office in Taipei – the first of its kind among European think tanks – with the support of the Taiwanese "President" and "Ministry of Foreign Affairs". This expansion enabled direct policy coordination and the facilitation of high-level diplomatic exchanges. For instance, in 2023, the EVC facilitated the visit of the Czech Chamber of Deputies' Speaker to Taipei and arranged meetings between President Petr Pavel and Taiwanese "Foreign Minister" Joseph Wu in Prague (Fraňková, 2023).

The EVC's funding sources reveal a diverse set of international backers. According to its annual reports, between 2021 and 2023, the organisation was supported by the European Commission, Czech and Canadian Ministries of Foreign Affairs, the US Department of State, USAID and the Embassy of Japan in Prague, alongside TECO (European Values Center for Security Policy, n.d.). These partnerships indicate a shared commitment to countering China and promoting a value-based foreign policy and alliances. By institutionalising Czech-Taiwanese security cooperation, the think tank plays a crucial role in embedding anti-China sentiment within the country's defence and foreign policy apparatus. The think tank's research output highlights a consistently hawkish stance towards China. The EVC's policy papers argue that the PRC undermines international law, supports what is perceived as Russia's war against Ukraine, engages in economic coercion and perpetrates hybrid warfare through cyber-espionage and disinformation campaigns (Bartošová, 2023). The organisation asserts that the EU's "appeasement" and engagement strategy has failed and must be replaced with a paradigm grounded in assertiveness, deterrence and large-scale de-risking. In this context, de-risking is no longer a precaution but a policy imperative, with Taiwan, Australia and Japan identified as strategic partners in the containment of Chinese power (Haar, Janda & Hefele, 2024).

The *Association for International Affairs* (AMO) represents a more moderate but nonetheless significant contributor to the Czech discourse on China. Unlike Sinopsis or the EVC, the AMO adopts a broader, less overtly politicised research agenda. Founded in 1997, it conducts policy analyses across various domains, including global governance, energy security and European integration. However, its China-related projects have increasingly aligned with narratives that emphasise the risks associated with the PRC's growing influence in Central and Eastern Europe. Currently, the AMO leads three China-focused initiatives: China Observers in Central and Eastern Europe (CHOICE), MapInfluenCE and the newly launched Central and Eastern Europe and the Future of the European China Debate. These programmes aim to map Chinese "influence operations", identify vulnerabilities and promote a coherent CEE perspective within broader EU-China policy debates. The latter initiative, launched in December 2024 with German and Polish partners, seeks to anchor the voice of smaller EU Member States in shaping China policy. Financially, the AMO was supported by the Czech Ministry of Foreign Affairs, the National Endowment for Democracy and EU institutions, according to the data from 2021–2023 (Asociace pro mezinárodní otázky, n.d.).

In its analyses, the AMO promotes the view that China has shifted from a benign actor to a more assertive and coercive one, using tactics reminiscent of Russia's alleged disinformation campaigns. The think tank argues for a pan-European response, advocating increased resilience through coordinated intelligence sharing, policy harmonisation and deeper strategic partnerships with like-minded countries in Asia-Pacific such as Japan, South Korea and Australia (Karásková, 2024). Additional risks are seen in Germany's reliance on trade with China, and political developments in Hungary and other countries. The think tank warns against the erosion of US-EU relations and disunity within the EU

because further discord could play to Beijing's advantage, enabling it to exploit opportunities in a less united Europe (Bachulska, Bērziņa-Čerenkova & Krstinovska, 2024). Although less ideologically explicit than Sinopsis or the EVC, the AMO ultimately converges with their core assessments: that China constitutes a systemic challenge requiring strategic recalibration.

Sinopsis, the EVC and AMO, while differing in tone and methods, all contribute to a securitised and increasingly adversarial narrative about China. Their discourse aligns with the liberal narrative warning against the alleged threats emerging from "authoritarian" countries, disinformation and economic coercion. However, critics argue that such framing risks oversimplifying the multifaceted nature of Czech-Chinese relations and subordinating national interests to foreign agendas (Havlíček, 2022). These think tanks, supported by a complex network of Western and Taiwanese actors, serve as intermediaries in a broader influence operation. Their narratives, embedded in media, academic and policy-making spaces, have materially influenced Czech foreign policy, contributing to the exclusion of Chinese companies from strategic projects, the securitisation of research, the elevation of Taiwan as a political partner and the adoption of a more confrontational posture towards the PRC. Ultimately, the Czech case illustrates how civil society actors – particularly think tanks – can operate as both agents of democratic oversight and vehicles for foreign strategic agendas. Their growing role necessitates deeper scrutiny of funding transparency, discursive practices and policy impact.

5. Conclusion

This study set out to explore the dynamics shaping the contemporary relationship between the Czech Republic and China, with a particular focus on the role of the domestic influence networks aligned with external actors. The initial hypothesis – that political factors are central to Czech-Chinese relations – has been strongly confirmed. The deterioration of bilateral ties since 2018 (and since 2021 especially) cannot be solely attributed to changes in political leadership or episodic diplomatic incidents. Instead, the analysis reveals deeper, structural factors behind the shifts in Czech foreign policy towards China, shaped by institutional, discursive and transnational forces.

One key finding of this research is the significant impact of domestic influence networks composed of non-governmental organisations (think tanks), liberal media and security agencies. These actors have played a central role in redefining China as a systemic threat and in pushing for policy realignment away from pragmatic cooperation towards geopolitical and ideological confrontation. This network has effectively displaced the earlier, more balanced approach to China that prioritised economic diplomacy and pragmatic cooperation. Their success in revising the Czech Republic's official China policy reflects the depth of their entrenchment within political, academic and security institutions.

Moreover, the study shows that this influence network operates not in a vacuum but is supported and often coordinated by foreign actors – most notably from the United States and Taiwan. The involvement of these external entities, including institutions such as the National Endowment for Democracy (NED), USAID, the U.S. Department of State and the Taipei Economic and Cultural Office (TECO), raises fundamental concerns

regarding national sovereignty and democratic accountability. When policy direction is heavily shaped by actors with little to no democratic mandate, it places the country in a position of dependency, potentially compromising its position within the broader geopolitical framework.

Given these findings, several recommendations can be made for the future direction of Czech foreign policy and Czech-Chinese relations:

- Democratic control over security institutions – Political authorities must assert greater oversight and control over security and intelligence bodies, which have, in some cases, advanced their own agendas in contradiction to the will of elected governments. Such autonomy, while perhaps justified in national security contexts, must not override legitimate political mandates.
- Revision of normative documents – National strategic frameworks should be revised to reflect a balanced and interest-based foreign policy. The current portrayal of China as a security risk or threat mirrors the narrative propagated by ideologically motivated NGOs and undermines the prospect of constructive engagement.
- Safeguard against foreign influence – The Czech state must strengthen legal and institutional mechanisms to protect itself from covert or semi-covert foreign influence. This includes a reassessment of the role played by foreign-funded NGOs and liberal media and a reduction of their role in society and public affairs. Such efforts, however, must be undertaken with respect for fundamental rights and freedoms to avoid excessive side effects.
- Adaptation to the multipolar order – The Czech Republic should recalibrate its foreign policy in light of the emerging multipolar, post-Western international order. This includes restoring an omnidirectional diplomacy that prioritises pragmatic cooperation with diverse partners – including China – based on mutual interests rather than ideological alignment (see Orbán, 2024).

Furthermore, the current administration in the United States has significantly worsened the position of the influence network that previously played a central role in shaping Czech foreign policy towards China. Key American institutions involved in the dissemination of anti-China narratives and assistance to local agents of influence – such as the National Endowment for Democracy (NED), the United States Agency for International Development (USAID) and specific agencies within the Department of State, including the Global Engagement Center – have been subject to budgetary reductions and strategic de-prioritisation. As a consequence, the principal financial sponsors of Czech political, non-governmental organisations aligned with this narrative have experienced notable funding shortfalls (Gedeon, 2025; Lu, 2025; Tharoor, 2025).

In parallel, the gradual rapprochement between Washington and Moscow has introduced additional complexities to the transatlantic political landscape (Reynolds, 2025). This shift has strained the relationship between the United States and liberal elites in Europe, many of whom have been key supporters of a confrontational stance towards China. Additionally, the prospective Russo-American thaw may erode the previously close coordination between the US and European intelligence and security agencies, diminishing the cohesion of the broader Western front on issues related to China. Taken together, these developments create a relatively favourable environment for reconsidering and potentially revitalising Czech-Chinese relations. They also offer a strategic window for implementing the long-term policy adjustments necessary to restore a balanced, sovereign and pragmatic approach to bilateral engagement – one that is more reflective of Czech national interests and less influenced by external ideological and geopolitical agendas.

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PART THREE

CHINA-HUNGARY *Relations*

Bridging East and West – The Evolution of Hungary–China Relations within the Framework of the European Union

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ABSTRACT: This paper provides a comprehensive analysis of Hungarian–Chinese relations in the context of the 50th anniversary of EU–China diplomatic ties. It traces the historical evolution of bilateral relations from their establishment in 1949, through the Cold War period, Hungary's post-1989 political and economic transformation and the diversification of cooperation in the 21st century. Particular attention is given to the post-2010 era, when Hungary's "Eastern Opening" policy fostered intensified political dialogue, expanded trade and investment flows and deeper cultural and educational exchanges. The study examines Hungary's role in China–Central and Eastern Europe (CEE) cooperation frameworks, including the 17+1 Initiative and the Belt and Road Initiative (BRI), while situating these within broader EU–China relations and global geopolitical shifts. It evaluates both the achievements and the challenges

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of bilateral cooperation, including differing strategic priorities, economic dependencies and the impact of EU-level policy debates on China. Finally, the paper outlines possible future scenarios for Hungary–China relations in light of changing global power dynamics, technological transformation and sustainability goals. By combining historical perspective with forward-looking analysis, it offers insights into the opportunities and constraints shaping the partnership's next phase.

KEYWORDS: Hungary–China bilateral relations, European Union-China diplomacy, Opening to the East policy, Belt and Road Initiative (BRI) in Europe

1. Introduction

The year 2025 marks the 50th anniversary of diplomatic relations between the European Union and the People's Republic of China – as China and the European Economic Community (EEC) established diplomatic relations on 6 May 1975 – an occasion that invites both reflection and forward-looking analysis of the evolving relationship between Europe and one of the world's most influential powers. Within this broader context, Hungary's bilateral engagement with China offers a compelling case study of how a medium-sized EU Member State navigates opportunities and challenges in its relations with Beijing. The commemoration of this anniversary provides an ideal platform to assess the historical trajectory, present dynamics and future prospects of Hungarian–Chinese relations in light of broader geopolitical shifts.

The 21st century is marked by a profound transformation of the international order, with China assuming – and set to maintain – a prominent role as the world's second-largest economic power. The unipolar world order that followed the end of the Cold War is gradually giving way to a more multipolar configuration, in which emerging and re-emerging powers increasingly shape economic, technological and security landscapes (Acharya, 2018; Kissinger, 2014). This dynamic has also been acknowledged by the Hungarian government; according to Prime Minister Viktor Orbán, "the changes we are seeing today are not simply a realignment, but a return to an earlier condition" (Orbán, 2024). China's rise to become the world's second-largest economy in nominal GDP and the largest in purchasing power parity (PPP) terms (World Bank, 2023) has been accompanied by significant advances in innovation, high technology and green development (OECD, 2021).

With its growing economic strength, China has also emerged as a leading voice of the Global South – a role rooted in the principles expressed at the 1955 Bandung Conference within the framework of the Non-Aligned Movement, which declared that the world order must be reformed, as it is currently dominated by a single civilisation – the West – that suppresses other civilisations.

For Hungary, China's growing role presents both strategic opportunities and complex policy considerations. As a country with a long-standing diplomatic relationship with China – dating back to 1949 – Hungary has engaged with Beijing across multiple domains, from trade and investment to education and cultural exchange. In recent years, policies such as the "Eastern Opening" have sought to deepen these ties, aligning national interests with China's Belt and Road Initiative (BRI) and other cooperative frameworks. Yet Hungary's engagement also unfolds within the EU's evolving China policy, which must reconcile the economic partnership with concerns over security, values and strategic autonomy (European Commission, 2019).

This study situates Hungarian–Chinese relations within the context of the EU–China anniversary and the shifting global order. It aims to provide a comprehensive analysis that draws upon historical patterns, examines present-day cooperation and evaluates the scenarios for future development. In doing so, it contributes to the scholarly understanding of how bilateral relations between a single EU Member State and China can illuminate broader dynamics in Europe–China interactions.

Against this backdrop of global change and the symbolic milestone of the EU–China diplomatic anniversary, it becomes essential to understand how the Hungarian–Chinese relationship has evolved over time. Bilateral ties have not developed in isolation but have been shaped by ideological shifts, economic transformations and strategic realignments at both regional and global level. From the early years of socialist solidarity, through the pragmatism of China's reform era and the profound changes following Hungary's democratic transition, each phase has left a distinct imprint on the partnership's political, economic and cultural dimensions. A historical perspective thus provides the necessary foundation for assessing present-day dynamics and identifying the structural factors that will influence the relationship's future trajectory.

2. Historical evolution of Hungarian–Chinese relations

Although, formal and informal contact between Hungary and China predate the 19th century – as in 1868, the Austro-Hungarian Monarchy sent an expedition to China, Japan and Siam to establish diplomatic and commercial ties, resulting in a commercial and navigation agreement with China in 1869, and while the mission mainly served Austrian interests, it paved the way for the opening of the Shanghai Consulate and, later, the establishment of the Beijing embassy in 1897 (Józsa, 1966) –, their official diplomatic relations were established following the founding of the People's Republic of China a (1949) nd have now lasted seventy-six years.

2.1 Establishment of diplomatic relations and early socialist cooperation (1949–1978)

Hungary was among the earliest countries to recognise the People's Republic of China (PRC) after its founding on 1 October 1949, formally establishing diplomatic relations on 4 October 1949. This decision reflected both ideological affinity within the socialist camp and the geopolitical realities of the emerging Cold War (Kovács, 2010).

Following the establishment of diplomatic relations in October 1949, Hungary and the newly founded People's Republic of China moved swiftly to formalise their ties. Ambassador Emanuel Safrankó presented his credentials in February 1950, followed later that year by Chinese Ambassador Huang Zhen in Budapest (Vámos, 2020). Even before these formal exchanges, Mátyás Rákosi and Mao Zedong had met in person in December 1949 in Moscow during the celebrations for Stalin's 70th birthday. The early 1950s saw the conclusion of numerous bilateral agreements in economic, scientific, technical and cultural fields, reflecting the shared ideological alignment within the socialist bloc (Tálas, 1989).

Initially, cooperation carried greater significance for Beijing than for Budapest, with China sending higher-level delegations to Hungary, while Hungarian representation in China remained more modest. This dynamic shifted in the aftermath of the 1956 Hungarian Revolution, when China emerged as a vocal supporter of the newly established Kádár government. Premier Zhou Enlai visited Budapest in January 1957 to express solidarity, and the same year saw the signing of a Chinese loan agreement worth 100 million roubles, underscoring the strategic importance of the relationship. The late 1950s brought intensified political engagement, including reciprocal high-level visits by Vice President Zhu De, János Kádár and other senior leaders, culminating in the signing of the Sino–Hungarian Treaty of Friendship and Cooperation in May 1959. This period cemented the foundations of the bilateral partnership, situating it firmly within the framework of close Sino–Soviet and Eastern European cooperation (Szobolevszki, 2001).

In the 1950s, bilateral relations were marked by political solidarity, economic assistance and the exchange of delegations in culture, education and youth affairs.

Trade during this period remained modest but symbolically important. Hungary exported industrial goods, machinery and pharmaceuticals, while importing agricultural products, raw materials and light industrial goods from China (National Archives of Hungary, 1955). Cultural diplomacy flourished, with Hungarian films and literature gaining audiences in China, and Chinese artistic troupes visiting Budapest.

The momentum generated by the high-level visits of 1959 soon dissipated as the deterioration of Sino–Soviet relations reshaped the geopolitical landscape. Within the Soviet sphere of influence, Hungary firmly aligned with Moscow's positions, which strained ties with Beijing. While occasional encounters between leaders occurred at international gatherings, party-to-party relations cooled rapidly from 1963 and were effectively severed by 1965. The Cultural Revolution deepened the rift: China recalled its ambassador from Budapest and left the post vacant for three years, during which the embassy was run by a commercial attaché. Although diplomatic relations were not formally broken, the Hungarian embassy in Beijing faced harassment and political demonstrations by the Red Guards, mirroring tensions with other so-called "revisionist" states. Despite official declarations in favour of strengthening bilateral trade and cultural ties, these efforts achieved little, and the 1960s became a decade of stagnation in Hungarian–Chinese relations (Salát, 2009; Vámos, 2022).

The 1970s marked a gradual thaw in Hungarian–Chinese relations, reflecting a broader easing of international tensions and Beijing's new foreign policy orientation. China's admission to the United Nations in 1971, its opening up towards the United States and developed capitalist states and the political changes following the Cultural Revolution created conditions for cautious re-engagement. From 1977, Eastern Europe once again attracted Chinese attention, with Hungary – alongside Yugoslavia – viewed as a reform-oriented state within the Soviet bloc (Tálas, 1989). The decade followed a "small steps" approach, with limited but symbolically important ministerial exchanges beginning in 1972, including reciprocal visits by foreign trade ministers. Although renewed Sino–Soviet tensions in 1973 slowed progress, the latter half of the 1970s saw a modest increase in professional exchanges and informal dialogue, laying the groundwork for broader cooperation in the following decade.

2.2 Reform era pragmatism and economic diversification (1978–1989)

The Third Plenum of the 11th Central Committee of the Communist Party of China (CPC), held in December 1978, marked the launch of the policy of reform and opening up, signalling a decisive shift in China's domestic and foreign policy. Internationally recognised as a turning point, this new orientation coincided with the easing of Sino–Soviet tensions in 1979, which removed one of the principal obstacles to closer Hungarian–Chinese engagement. Against this backdrop, the first significant exchange occurred in November 1979, when a four-member delegation from the Chinese Academy of Social Sciences, led by a vice-president, spent four weeks in Hungary. Hosted with extensive professional support, the delegation studied Hungary's socio-economic conditions in depth, later publishing highly positive reports that were disseminated in book form across China. Their findings, along with numerous public lectures, contributed to a well-informed Chinese understanding of Hungary's reform pathway in the early 1980s. Notably, during the preparatory phase of China's economic reforms, the "Hungarian model" was discussed in policy circles as a potential "target model" for adaptation.

A reciprocal visit by Hungarian social scientists and economists took place in May 1982, further consolidating academic and policy-level dialogue. From 1983 onwards, bilateral relations entered a phase of regular ministerial-level exchanges and the gradual restoration of direct cooperation between ministries after an interruption of nearly twenty-five years. In September 1983, the Chinese Vice Minister of Finance and his delegation conducted a two-week study tour in Hungary, culminating in the publication of an article in a leading financial journal and a book, *The Hungarian Budgetary System and Tax Administration* (匈牙利财政体制和财政管理) (Economic Research Journal, 1984), released by the China Financial and Economic Publishing House in 1984 (Renmin Ribao, 1983, 3). This exchange of economic expertise was followed in the summer of 1984 by the visit by Deputy Prime Minister József Marjai to Beijing – the first such visit by a Hungarian deputy prime minister since the 1950s. In 1985, Li Peng, then China's Deputy Prime Minister (later Premier), travelled to Hungary, during which the two sides announced the establishment of the China–Hungary Economic, Trade, Scientific, and Technological Cooperation Committee, set to convene annually.

The 1980s witnessed a steady increase in trade volumes and the signing of multiple economic cooperation agreements (Hungarian Ministry of Foreign Affairs and Trade, 1983). Hungary also became an attractive destination for Chinese students and researchers, creating new channels for educational exchange. These developments were reinforced by a gradual thaw in Sino–Soviet relations, which removed some of the political obstacles that had constrained bilateral cooperation over the previous two decades (Tálas, 1989).

The year 1987 proved pivotal for bilateral ties, marking the full normalisation of relations. Intergovernmental cooperation was restored alongside the re-establishment of formal party-to-party relations. Ferenc

Havasi, a member of the Hungarian Socialist Workers' Party (MSZMP) Central Committee and Secretary for Economic Policy, visited China in his official capacity, paving the way for Premier Zhao Ziyang's visit to Hungary in June 1987 as part of his Eastern European tour (Renmin Ribao, 1987b, 1.; Népszabadság, 1987, 1; Renmin Ribao, 1987c, 1.). This was followed in October by János Kádár's historic first visit to Beijing in three decades, during which he was received by Deng Xiaoping, Premier Zhao Ziyang and other senior Chinese leaders. The Hungarian delegation included Péter Medgyessy, then Minister of Finance (later Prime Minister). The joint communiqué issued during Kádár's visit declared that Hungarian–Chinese relations had "entered a new stage of development," underscoring both sides' commitment to consolidating political trust, expanding economic cooperation and deepening their engagement across multiple sectors (Tálas, 1989).

2.3 Political transition and strategic realignment (1989–2010)

The political transformation of 1989–1990 brought profound changes to Hungary's foreign and domestic orientation. The transition to democracy, coupled with the dissolution of the Warsaw Pact and the Council for Mutual Economic Assistance (COMECON) in 1991, signalled the country's shift towards Euro-Atlantic integration. Hungary joined the Council of Europe in 1990, the World Trade Organization (WTO) in 1995, the Organisation for Economic Co-operation and Development (OECD) in 1996 and the North Atlantic Treaty Organization (NATO) in 1999. In the immediate aftermath of the Soviet collapse and the end of communist rule, sustaining close political ties with China became less viable, resulting in a temporary loosening of bilateral relations.

Despite this cooling, high-level reciprocal visits continued, albeit at a reduced frequency and scale compared to previous decades. On average, one or two ministerial or higher-level meetings took place annually, often reported in the *Renmin Ribao*. A milestone occurred in March 1991 when Chinese Foreign Minister Qian Qichen visited Hungary – the first such visit after the regime change – marking a notable step in post-communist bilateral engagement. This was followed by President Árpád Göncz's official visit to China in 1994 and Chinese President Jiang Zemin's state visit to Hungary in 1995. From that point onwards, ministerial and sub-ministerial contacts were maintained on a regular basis, laying the groundwork for the more dynamic phase of Hungarian–Chinese relations in the early 2000s (Salát, 2009).

The 1990s saw a surge in Chinese migration to Hungary, particularly to Budapest, where a significant diaspora community formed. This migration was accompanied by the proliferation of Chinese-owned businesses and market activity, embedding a new socio-economic dimension in bilateral ties. Trade also grew rapidly: Hungarian exports to China included machinery, electronics and agricultural products, while imports from China were dominated by consumer goods, textiles and electronics (UN Comtrade, 2000).

In the early 2000s, China began expanding its multilateral engagement beyond Asia, with Europe – and Central and Eastern Europe in particular – gaining in strategic importance. Hungary was viewed in Beijing as a promising partner, owing to a history of friendly bilateral ties, the familiarity of Hungarian political elites with Chinese leadership and a measure of past ideological affinity. At the same time, Hungary was actively seeking foreign direct investment, while China was looking for new markets and cooperation opportunities. These complementary interests created the basis for a revival in economic relations (Horváth, 2020).

A new phase began in 2003 when the Hungarian government elevated the development of relations with China to a foreign policy priority, while Beijing intensified its attention towards the region. Prime Minister Péter Medgyessy – who had visited China as Minister of Finance in 1987 alongside János Kádár, and as Deputy Prime Minister in 1990 – paid an official visit to Beijing in August 2003, where he was received at the highest level (Renmin Ribao, 2003a, 1.; Renmin Ribao, 2003b, 1.). That same year, Hungary was granted Approved Destination Status (ADS) for Chinese tourists, paving the way for tourism flows (Renmin Ribao, 2003c, 4), and in 2004, a direct Budapest–Beijing flight was inaugurated (Renmin Ribao, 2004a, 6.).

In 2004, the two countries elevated their relationship to a "comprehensive partnership", laying the institutional groundwork for more ambitious cooperation (Hungarian Ministry of Foreign Affairs, 2004). High-level political exchanges intensified: Chinese President Hu Jintao visited Hungary in 2004 (Renmin Ribao, 2004b, 1.; Renmin Ribao, 2004c, 1.), followed by Medgyessy's return visit to China in 2005 and Prime Minister Ferenc Gyurcsány's visits in 2005 and 2007 (Renmin Ribao, 2005a, 1.; Renmin Ribao, 2005b, 1.; Renmin Ribao, 2007c, 1.). Numerous ministerial and professional meetings complemented these summits. Institutional developments included the reopening of the Hungarian Consulate General in Shanghai (2004), the establishment of the Hungarian–Chinese bilingual school in Budapest and the appointment of a special prime-ministerial envoy for Chinese relations. Economic cooperation deepened, while cultural ties entered a new golden age: the Confucius Institute opened in Budapest in 2006; "Hungarian Seasons" were held in several Chinese cities between 2007 and 2008; and China was the guest of honour at the 2008 Budapest International Book Festival. Expanded scholarship schemes brought more Hungarian students to Chinese universities and attracted a growing number of Chinese students

to Hungary, embedding educational and cultural links more firmly in the bilateral relationship (Salát, 2009).

Between Hungary's EU accession in 2004 and the launch of its "Eastern Opening" policy in 2010, bilateral relations entered a preparatory phase for deeper strategic engagement. High-level visits increased in frequency, signalling political commitment at leadership level.

Economic cooperation extended into finance, education and technology. Hungarian universities expanded partnerships with Chinese counterparts, while cultural diplomacy gained visibility through events such as the "Year of Hungary in China" (2007) and the "Year of China in Hungary" (2008). This period also saw Hungary taking a more proactive stance in seeking Chinese investment, particularly in manufacturing and infrastructure projects, anticipating the more intensive engagement that would follow in the 2010s.

3. Eastern Opening and the intensification of bilateral ties (2010–present)

The global financial and economic crisis of 2008–2009 accelerated the decline of the eurozone's influence and diminished the relative weight of the United States and the United Kingdom, while China – along with other rapidly developing Asian economies – emerged as a more prominent global actor by selectively adopting elements of the West's economic success (Matolcsy, 2015, 55–57). In this shifting international landscape, Prime Minister Viktor Orbán launched Hungary's "Eastern Opening" policy in 2010, aimed at diversifying exports and attracting foreign investment from high-growth Asian markets, with China as a central focus. The policy sought to build closer relations with Eastern partners across economic, political and cultural spheres.

Following his return to office, Orbán attended the closing ceremony of the Shanghai World Expo in late 2010 and met with Premier Wen Jiabao, who in June 2011 became the first Chinese Premier to visit Hungary in 24 years. During this visit, twelve bilateral agreements were signed in Budapest, and the Central European Economic and Business Forum was convened at the Hungarian Academy of Sciences to promote trade, investment and innovation between China and Central and Eastern Europe (CEE). This engagement paved the way for the institutionalisation of the annual China–CEE leaders' summit in 2012, at which annual meetings between the Hungarian and Chinese prime ministers became standard.

In February 2014, Orbán returned to China, meeting Premier Li Keqiang in Beijing and being received by President Xi Jinping. At the December 2014 China–CEE summit in Belgrade, Hungary, Serbia and China signed a landmark agreement on the modernisation of the Budapest–Belgrade railway. In June 2015, Chinese Foreign Minister Wang Yi visited Budapest – the first such visit in 15 years – meeting President János Áder, Prime Minister Orbán and Foreign Minister Péter Szijjártó. On this occasion, Hungary became the first European country to sign a cooperation agreement with China on the joint construction of the Belt and Road Initiative (BRI).

High-level political dialogue continued to intensify: Orbán met Premier Li Keqiang and President Xi Jinping at the 2015 Suzhou and 2016 Riga China–CEE summits, and in May 2017 attended the Belt and Road Forum for International Cooperation in Beijing, where bilateral relations were elevated to a *comprehensive strategic partnership*. This period also saw the signing of multiple agreements in trade, tourism and economic cooperation. The momentum culminated in November 2017, when Budapest hosted the

16+1 China–CEE summit, attended by Premier Li Keqiang, during which more than ten agreements were signed, underscoring Hungary's position as one of China's key partners in the region.

3.1 Policy background and strategic motivations

In 2010, the Hungarian government launched the *Eastern Opening* (*Keleti Nyitás*) policy, aimed at diversifying the country's economic partnerships beyond the European Union and North America. While the policy encompassed several Asian and Middle Eastern states, China emerged as a key focus due to its rapid economic growth, expanding global influence and alignment with Hungary's aspirations to attract foreign direct investment (FDI) and expand export markets (György & Veres, 2016).

This strategic reorientation coincided with Beijing's own increased engagement with Central and Eastern Europe (CEE), culminating in the establishment of the 16+1 format in 2012 (later expanded to 17+1 with the inclusion of Greece). The synergy between Hungary's Eastern Opening and China's outreach created fertile ground for expanding political dialogue, economic cooperation and cultural exchange.

3.2 Political relations and high-level dialogue

Since 2010, political engagement between Hungary and China has intensified significantly. Prime Minister Viktor Orbán and senior Chinese leaders, including President Xi Jinping and Premier Li Keqiang, have exchanged multiple state visits, highlighting the strategic nature of the bilateral relationship. Hungary has frequently positioned itself as a vocal supporter of closer EU–China ties and has, at times, diverged from the prevailing EU consensus in order to maintain constructive relations with Beijing (European Council on Foreign Relations, 2021).

High-level dialogue has produced a series of bilateral agreements in infrastructure development, finance, education and tourism. The two countries have also maintained coordination within multilateral platforms, with Hungary actively participating in both Belt and Road Initiative (BRI) summits and 17+1 meetings.

3.3 Economic cooperation – Trade, investment and finance

Bilateral trade volumes expanded markedly after 2010, with China becoming Hungary's largest trading partner outside the EU by the mid-2010s (Hungarian Central Statistical Office, 2022). Hungarian exports to China have included automotive components, pharmaceuticals and agricultural products, while imports have remained dominated by machinery, electronics and consumer goods.

Chinese investment in Hungary has focused on manufacturing, logistics and telecommunications. Notable projects include Huawei's European Supply Center in Páty and BYD's electric bus manufacturing facility in Komárom. In the financial sector, the Bank of China expanded its Budapest operations, and Hungary issued multiple renminbi-denominated government bonds, positioning itself as a regional hub for RMB financing (NDRC, 2019). In both 2020 and 2023, China emerged as the largest source of foreign direct investment (FDI) in Hungary. In 2023 alone, China accounted for EUR 7.6 billion of a record EUR 13 billion in total incoming FDI, maintaining its leading position; South Korea ranked second with EUR 2 billion. Together with Japan, these three Asian countries represented 82% of all new FDI in Hungary that year. Chinese

investment, which constituted only 1% of Hungary's total FDI in 2014, has since risen to 9% and is projected to grow further. Similarly, South Korea's share increased from 1% to 13% over the same period, while the overall proportion of FDI originating from Asian countries increased from 18.8% in 2014 to 34% today.

Hungary's stable political and economic environment has attracted substantial Chinese investment in recent years. Notable projects include CATL's HUF 3,000 billion (USD 8.2 billion) battery manufacturing plant in Debrecen; BYD's approximately HUF 1,500 billion (USD 4.1 billion) vehicle production facility in Szeged; Sunwoda's HUF 580 billion (USD 1.6 billion) investment in Nyíregyháza; Huayou Cobalt's HUF 520 billion (USD 1.4 billion) battery plant in Ács; EVE Power's HUF 400 billion (USD 1.1 billion) battery facility in Debrecen; and SEMCORP's HUF 65 billion (USD 0.18 billion) investment, also in Debrecen.

The flagship infrastructure project – the Budapest–Belgrade railway modernisation – has been promoted as a key BRI corridor in Europe, intended to improve freight connectivity between the Port of Piraeus (Greece) and Central Europe (Pavlićević, 2019).

3.4 Cultural, educational and scientific exchange

Cultural diplomacy has been an integral part of post-2010 relations. Hungary now hosts six Confucius Institutes – two in Budapest, and one in Szeged, Miskolc, Debrecen, Pécs – and the Chinese Culture Institute, which plays a role in language education and cultural programming. Student exchange programmes have increased under both bilateral agreements and the Chinese government scholarship scheme.

The proposed Budapest campus of Fudan University, announced in 2021, was presented as a milestone in Hungarian–Chinese educational cooperation, signalling the deepening of bilateral cultural and academic exchange. However, it also generated considerable domestic political debate. This controversy unfolded against a broader international backdrop in which the West, in recent years – albeit mistakenly – has increasingly politicised Chinese economic and cultural projects. Such initiatives have often been interpreted not solely based on their intrinsic merits, but rather through the prism of US–China rivalry and the wider West–East economic competition, thereby re-framing cooperative ventures as strategic instruments within a contested geopolitical landscape.

Beyond higher education, Hungary and China have also intensified cooperation in research and development, particularly in areas such as pharmaceuticals, renewable energy and agricultural technology.

3.5 Hungary's position in China–CEE and EU–China relations

Hungary has highlighted the 17+1 format as a practical channel for attracting investment in transport, energy, and digital infrastructure. The government has repeatedly argued that engagement with China through this framework serves the economic modernization of Central and Eastern Europe, while creating new business opportunities for Hungarian companies.

As noted earlier, the concept of China–CEE cooperation under the 17+1 format originated in Hungary, when Chinese Premier Wen Jiabao participated in the Central and Eastern European Economic Forum during his 2011 visit to Budapest. Following this meeting, the parties agreed to institutionalise the format through annual China–CEE prime ministers' summits. Hungary thus played a pivotal role in the establishment of the platform and has remained an active participant ever since.

Hungary's sustained engagement in the 17+1 format has distinguished it from certain other EU Member States, particularly as some participants have scaled back their involvement in recent years (e.g. Lithuania's withdrawal in 2021). Budapest has consistently maintained that CEE cooperation complements rather than competes with EU–China frameworks (Orbán, 2018). Nevertheless, Hungary's alignment with Chinese positions on select issues – such as investment screening and human rights resolutions – has occasionally generated friction within the EU (European Commission, 2019). This reflects the challenge of balancing national economic priorities with EU strategic guidelines, which increasingly define China not only as a partner but also as a systemic rival.

In recent years, however, the EU has increasingly politicised its relationship with China – arguably under American influence – resulting in heightened scepticism towards the 17+1 format. From Brussels' perspective, the format is seen as a potential instrument for China to divide Europe. Beijing, however, has repeatedly emphasised that its strategic interest lies in a united, stable and independent European Union, viewing such an EU as a valuable and reliable partner in an evolving multipolar world order.

4. Hungary-China relations in the EU–China context

4.1 EU–China relations – Historical evolution and strategic context

Relations between China and the European Union (and its predecessors) have deep historical roots, long centred on trade. The ancient Silk Road facilitated continuous commercial exchange between Europe and China, with Europe attracted to China's vast market and China seeking European scientific and technological innovations.

After the founding of the People's Republic of China (PRC) in 1949, Beijing firmly aligned with the Soviet bloc, viewing NATO – founded in 1950 – and the European Economic Community (EEC) as US-led instruments to control Europe's military and economic power. Western European countries, following Washington's lead, refused to recognise the PRC and maintained diplomatic ties with Taiwan. The 1960s brought shifts: Sino–Soviet relations deteriorated, and divisions emerged within the West, exemplified by French President Charles de Gaulle's opposition to US hegemony. In January 1964, France became the first major Western state to establish diplomatic relations with the PRC, marking a milestone in China–Europe ties.

Formal diplomatic relations between the EEC and the PRC were established in 1975, aided by shared opposition to Soviet dominance. However, as relations were driven largely by geopolitical considerations, economic cooperation remained limited.

The post–Cold War era reshaped the relationship. EU enlargement into Central and Eastern Europe created new opportunities, and the 1990s saw the adoption of the EU's first Asia strategy (*Towards a New Asia Strategy*, 1994) and a dedicated China strategy (*A Long-Term Policy for China–Europe Relations*, 1995), leading to the elevation of ties to a "strategic partnership" in the early 2000s. China reciprocated in 2003 with its first EU Policy Paper, emphasising mutual respect, win–win economic cooperation and cultural exchange.

Since 1998, annual EU–China summits have been the institutional backbone of the relationship. Trade and investment flows surged, making the EU China's largest trading partner. However, the 2006 EU communication *EU–China: closer partners, growing responsibilities*

marked a tonal shift, identifying China as not only a partner but also a competitor and strategic challenge. Political friction emerged over human rights, Taipei and – increasingly – Beijing's growing influence in Europe through initiatives such as the Belt and Road (BRI) and the 16+1 cooperation platform with Central and Eastern Europe.

From 2013, China sought deeper engagement in Europe to advance the BRI, with President Xi Jinping and Premier Li Keqiang conducting high-profile visits. While infrastructure connectivity proposals resonated with certain EU priorities, major Member States such as France and Germany viewed them cautiously, concerned about geopolitical implications. These concerns intensified when Italy became the first G7 country to sign a BRI agreement in 2019.

Economic tension also grew. European policymakers raised alarms over state-backed Chinese companies acquiring strategic assets, prompting the EU to adopt new investment screening mechanisms. In its 2019 *EU–China Strategic Outlook*, the European Commission labelled China a "partner, competitor and systemic rival", signalling a more guarded approach.

In the 2020s, the relationship has been further strained by disputes over Hong Kong, Xinjiang, the COVID-19 pandemic and Beijing's assertive diplomacy. While China maintains its interest in a strong, united EU as a partner in Eurasian connectivity, Brussels faces the challenge of balancing cooperation with strategic caution – a choice shaped not only by internal EU consensus but also by the broader dynamics of US–China rivalry.

In recent years, notable developments have unfolded in EU–China relations. While the EU's institutional stance has grown increasingly critical of Beijing – with negotiations moving in an unproductive direction – the most recent EU–China summit was widely seen as a setback rather than a breakthrough. In the lead-up to the meeting, President of the European Commission Ursula von der Leyen openly criticised certain

Chinese policies and increased sanctions against Chinese companies in connection with the EU's measures on Russia.

At the same time, EU Member States have been engaging Beijing with remarkable frequency. Over the past two years, the leaders of all EU countries have visited China, often accompanied by large business delegations, seeking to revitalise their economies amid Europe's current slowdown. The German Chancellor and French President each travelled to Beijing with delegations of around 50 top business leaders. Italy, while formally withdrawing from the Belt and Road Initiative in December 2024, sent both its Prime Minister and President on separate visits to China in 2025.

This juxtaposition underscores a clear dynamic: while individual Member States actively pursue close economic cooperation with China, the EU as an institution increasingly frames Beijing as a rival.

4.2 Hungary's position within the EU

To understand Hungary's position within EU–China relations, it is essential to appreciate its historical experience and strategic outlook. Over the past millennium, Hungary has often been described as a "bastion of Europe", defending the continent against eastern incursions – from the Mongol invasions to the expansion of the Ottoman Empire. For centuries, foreign powers were stationed on its soil: the Ottomans for 150 years, followed by Austrian dominance within the Austro-Hungarian Monarchy; after World War I, Hungary was partitioned by Western powers, and after World War II, it fell under Soviet control.

Following 45 years within the Soviet sphere, Hungary firmly sought to rejoin the West, joining NATO and later the European Union. With growing economic and political confidence, however, it aimed to pursue

a more independent foreign policy, one that would allow it to represent its own interests. This led to the launch of the Eastern Opening policy in 2010 – a strategy often mischaracterised in Western political and media discourse as a shift away from the West. In reality, the policy sought to diversify Hungary's international relations while maintaining its Western alliances. Prime Minister Viktor Orbán famously summarised the approach: *"We sail under a Western flag, but the wind is from the East."*

Hungary has repeatedly pointed out that it is not alone in engaging China; many EU Member States are pursuing similar economic cooperation. At the same time, Budapest has been critical of the EU's tendency to politicise relations with China on ideological grounds, sometimes at the expense of economic logic. One example frequently cited by the Hungarian government is the EU's decision to impose tariffs on Chinese electric vehicles, despite strong opposition from German automotive industry leaders who warned such measures would harm Europe's own competitiveness.

Within this context, Hungary has positioned itself as one of China's most active partners in the EU. This role became particularly visible after Premier Wen Jiabao's 2011 visit to Budapest, which included the Central and Eastern European Economic and Business Forum – the precursor to the "16+1" cooperation format. Hungary was instrumental in launching this platform and has continued to participate at the highest level, even as other EU members have scaled back their involvement (Jakób, 2020).

Economically, Hungary has become a key entry point for Chinese investment into Europe. Between 2020 and 2023, China was the largest source of foreign direct investment in Hungary, with projects such as CATL's multi-billion-euro battery plant in Debrecen, BYD's planned electric vehicle factory in Szeged and several other major industrial ventures. Cultural and educational links have also deepened, from the Confucius Institute in Budapest to plans for a Fudan University campus – the latter sparking domestic political debate but framed by the government as part of a long-term strategy for academic exchange.

Hungary's approach reflects a deliberate balancing act: remaining anchored in Western institutions while seeking to maximise opportunities arising from China's economic rise. This pragmatic engagement has set Budapest apart within the EU, aligning it more closely with Member States that prioritise national economic interests over the bloc's increasingly adversarial institutional stance towards Beijing.

4.3 Hungary's role in shaping EU–China engagement

The evolution of EU–China relations in recent years has been marked by growing politicisation, with ideological and strategic concerns increasingly shaping Brussels' policy framework. The European Commission's 2019 designation of China as a "systemic rival" crystallised this shift, reflecting a broader alignment with US strategic thinking. Issues such as human rights, cybersecurity and Beijing's stance on Russia's war in Ukraine have come to dominate the political agenda, often overshadowing discussions on trade, investment and economic cooperation.

From Hungary's perspective, this trend carries two risks. First, it constrains the EU's ability to engage pragmatically with China at a time when the global economic centre of gravity is shifting towards Asia. Second, it creates internal contradictions within the Union, as many Member States pursue bilateral economic partnerships with China while supporting a more confrontational collective stance at EU level. This dual-track approach undermines policy coherence and, in Hungary's view, diminishes the bloc's influence in Beijing.

Budapest has consistently argued that politicising economic cooperation is counterproductive, citing examples such as the EU's investigation into and proposed tariffs on Chinese electric vehicles – measures opposed by several European industries, most notably the German automotive sector. Hungary's leadership contends that such policies risk harming European competitiveness more than they affect China.

Instead, Hungary advocates a model of engagement that balances strategic caution with economic pragmatism. This approach is grounded in the recognition that China is not only a global competitor but also a vital partner in trade, investment, infrastructure and technological development. Hungarian officials frequently emphasise that a stable, prosperous and independent European Union is in China's interest, and that the EU should leverage this shared objective to foster constructive cooperation.

The Hungarian government's position is also determined by its broader foreign policy philosophy: diversifying international partnerships while remaining a committed member of Western alliances. The Eastern Opening policy embodies this principle, aiming to secure long-term economic opportunities without undermining Hungary's NATO and EU commitments. This pragmatic stance has, however, caused Budapest occasional friction with Brussels, particularly when Hungary has blocked or watered down EU statements critical of China on issues such as human rights or investment screening.

Ultimately, Hungary's response to the politicisation of EU–China relations reflects a calculated effort to navigate the tensions between institutional policy and national interest. While Brussels increasingly frames China through the lens of geopolitical rivalry, Budapest continues to view it as an indispensable partner in building economic resilience and diversifying global connections. This divergence is likely to remain a defining feature of Hungary's role within the EU's China policy for the foreseeable future.

4.5 Hungary's long-term strategic objectives

Looking ahead, Hungary aims to consolidate its role as a bridge between China and the EU, leveraging its geographic position, political ties and economic partnerships. The deepening of Chinese investment – rising from just 1% of Hungary's total FDI in 2014 to 9% in 2023 – underscores the growing economic significance of the relationship. At the same time, Budapest seeks to manage this engagement in a way that does not jeopardise its obligations within the framework of the EU.

Hungary's strategic vision positions China as a partner in economic modernisation, technological upgrading and infrastructure development, while preserving the country's standing within the EU. In an era where global power balances are shifting and West–East economic competition intensifies, Hungary's approach reflects a calculated blend of economic pragmatism and geopolitical positioning, rooted in the conviction that constructive engagement with China can coexist with a strong and cohesive European Union.

5. Challenges and constraints

5.1 Geopolitical environment – Between multipolarity and strategic rivalry

The international order in the early 21st century has entered a phase of profound transformation, shifting away from the post–Cold War unipolarity under US dominance and increasingly characterised by multipolarity (Acharya, 2017). The relative decline of American hegemony, the rapid rise of China as a comprehensive power and the assertive roles of other actors such as Russia, India and emerging middle powers in the Global South have reshaped global dynamics (Ikenberry, 2018). This transformation extends beyond the economic domain to include ideology, technology and institutional influence, making the international environment more competitive and fragmented.

At the heart of this shift lies the evolving US–China rivalry. The United States retains unmatched military capabilities and extensive alliance networks, while China has emerged as a peer competitor in trade, industry, infrastructure and increasingly in technological and geopolitical terms (Allison, 2017). This rivalry has expanded into virtually all sectors – from investment and infrastructure development to digital technology, military modernisation and competition over global governance norms (Mearsheimer, 2019).

For Europe, these dynamics present both opportunities and challenges. On the one hand, the EU remains tied to the transatlantic partnership and aligned with Washington in security matters; on the other, it is deeply economically interconnected with China, which has become one of its largest trading partners (European Commission, 2019). While the US increasingly frames the rivalry as an ideological confrontation between democracy and authoritarianism (White House, 2022), many European actors – including Hungary – emphasise the pragmatic necessity of engaging with China within a multipolar framework rather than aligning with a binary "Cold War" logic (Bürgin, 2020).

Multipolarity does not, however, automatically translate into stability. Instead, it is accompanied by renewed great-power competition, the re-emergence of spheres of influence and the securitisation of trade and technology (Lake et al., 2021). The war in Ukraine has further accelerated these dynamics, reinforcing the US–China divide while also reviving debates in Europe about strategic autonomy (Lippert et al., 2019). Meanwhile, China has deepened its global outreach – particularly through the Belt and Road Initiative – strengthening ties with regions such as Africa, Latin America, the Middle East and Central and Eastern Europe, presenting itself as an advocate of multipolarity and as a counterweight to Western dominance (Callahan, 2016).

For small and medium-sized states such as Hungary, navigating this environment requires balancing between systemic rivalry and economic interdependence. Hungary's "Eastern Opening" policy, launched in 2010, can be understood as a response to these structural shifts: an effort to diversify external relations and engage with rising powers in a multipolar system, while remaining formally anchored within Western alliances (Orbán, 2018).

5.2 Economic and technological dynamics

Over the past three decades, the global economic landscape has undergone a profound transformation. Whereas in the late 20th century the United States was the dominant trading partner for most countries, China has since emerged as the world's foremost hub of trade and

investment. As of 2018, about 70 per cent of global economies traded more with China than with the US, and China has become the largest bilateral trading partner for nearly twice as many economies as the US (Lowy Institute, 2019).

China's rise is equally remarkable in the realms of technology and innovation. Anchored in long-term strategic planning – through its five-year plans and initiatives like *Made in China 2025* – Beijing directs massive investments at transformative industries. For instance, China now controls over 80 per cent of the global solar panel supply chain, from polysilicon to module assembly (Yale Environment 360, 2023). It is expected to account for nearly 60 per cent of all new renewable energy capacity worldwide by 2028 (IEA, 2023). At the same time, China dominates the global supply of rare earth elements, which are critical for advanced technologies, from electronics to defence systems.

In artificial intelligence, Beijing's *Next Generation Artificial Intelligence Development Plan* has mobilised substantial state and private R&D investment, while in space exploration, China has demonstrated its ambition with the Chang'e lunar missions, the Tianwen-1 Mars mission and its operational Tiangong space station. These advances highlight how long-term planning allows China to make breakthroughs in areas where Western democracies, limited by four-year electoral cycles, face greater constraints.

By contrast, the European Union – once a powerhouse of global economic competitiveness – has experienced relative decline. High energy prices, slower digital adoption and fragmented internal markets have reduced its ability to keep pace with the US and China. Industries that historically underpinned Europe's leadership, such as automotive manufacturing, now face direct competition from Chinese electric vehicle producers like BYD and NIO, increasingly challenging German automakers both at home and abroad (European Commission, 2019).

Hungary's response to this shifting environment is embodied in its *Eastern Opening* policy, which aims to diversify external relations while maintaining its Western alliances. In practice, this strategy has prioritised high-tech investments that contribute to Hungary's long-term economic growth. Among the most notable projects are BYD's planned electric vehicle plant in Szeged and CATL's major battery manufacturing facility in Debrecen, both representing cutting-edge technologies with global market impact. In addition, other Asian firms, including South Korean battery producers, have expanded in Hungary, reinforcing the country's role as a Central European hub for next-generation industries (Hungary Today, 2023).

5.3 Strategic outlook

The emerging world order is increasingly shaped by the interplay of multipolarity, strategic rivalry and economic realignment. The United States continues to frame global competition in terms of systemic rivalry with China, while Beijing positions itself as both a cooperative partner and a leader of the Global South. For the European Union, the strategic challenge lies in balancing its long-term economic interests with political and normative commitments, especially as the EU struggles to reconcile internal divisions on how to approach China (European Commission, 2019).

China's global strategy rests on maintaining stability at home while building diversified partnerships abroad. Initiatives such as the Belt and Road, combined with its expanding role in multilateral institutions, reflect Beijing's effort to integrate more deeply into global governance structures (Rolland, 2017). At the same time, China seeks to project technological leadership and ensure access to critical resources, both of which are increasingly sources of geopolitical competition.

For the EU, the strategic outlook remains ambivalent. On the one hand, Europe's economic recovery and competitiveness depend on cooperation with China in trade, investment and green technology. On the other hand, growing concerns over security, critical infrastructure and technological sovereignty push Brussels towards a more cautious and, at times, confrontational stance. This duality is reflected in the EU's definition of China as a "partner, competitor and systemic rival" (European Commission, 2019).

Hungary, as an EU Member State, must navigate this contested landscape. Budapest's approach has been to argue that engagement with China strengthens, rather than undermines, European unity – emphasising complementarity rather than rivalry. The Hungarian government's *Eastern Opening* policy highlights the need for a diversified foreign policy that leverages opportunities from both East and West (Orbán, 2018). In practice, this means deepening economic ties with Chinese investors while maintaining NATO and EU commitments, thereby positioning Hungary as a bridge between Europe and Asia.

Looking forward, Hungary's role may become increasingly significant within the EU as debates intensify over how to manage relations with Beijing. If European integration continues to be challenged by divergent national interests, Hungary's pragmatic stance could serve as both a source of friction and an example of alternative strategic thinking. Ultimately, the strategic outlook for Hungary–China relations will depend not only on bilateral engagement but also on how the EU as a whole defines its position in the evolving multipolar order.

6. Conclusion and future scenarios

The transformation of the international order in the 21st century – marked by the rise of Asia and the Global South – has moved from projection to reality. Emerging powers such as China, India and Russia have long challenged the Western-designed and Western-dominated global order (Acharya, 2017; Rolland, 2017). Yet, the European Union and Western countries, deeply embedded in a five-century tradition of unipolar dominance, remain hesitant to abandon imperial world views, treating other civilizations as subordinate – despite growing calls for a multipolar, multi-civilizational system in which all nations act as equals.

Hungary's *Eastern Opening* policy, launched in 2010, represents a response to this global shift. Built on pillars of mutual respect, peaceful cooperation and reciprocal connectivity, it seeks to diversify Hungary's foreign relations while maintaining its Western orientation. This approach is deeply rooted in Hungarian historical experience – as a frontier state without a colonial past, often between East and West – allowing it to adopt a non-imperial, bridge-building posture in the emerging world order (Greilinger, 2023; Rolland, 2017).

In practical terms, Hungary refuses to pick sides among global powers – instead striving to sustain constructive relations with the US, China, Russia and Turkey. This diplomatic pluralism positions Hungary as a strategic crossroads akin to Switzerland or Singapore, enabling it to serve as an economic and political hub in Central Europe (Geopolitics, 2024; CEIAS, 2023).

Looking ahead, three plausible scenarios emerge:

1. **Strategic deepening**
   Hungary deepens bilateral cooperation with China in high-value sectors such as green energy, advanced manufacturing and education. While economically rewarding, this path may increase divergence from EU mainstream policies, requiring deft diplomacy to prevent institutional tension.
2. **Balanced engagement**
   Hungary maintains robust economic ties with China while aligning with EU frameworks for risk management and strategic autonomy. This pragmatic approach balances national opportunity with European solidarity.
3. **Constrained partnership**
   In response to escalating geopolitical rivalry or stricter EU regulations, Hungary–China cooperation becomes more selective – focusing on low-risk areas while major strategic projects face elevated scrutiny.

If Hungary sustains its connectivity strategy, it stands to benefit substantially. Its success could prompt the EU to rethink its China policy – potentially ushering in a reformed, diversified foreign policy model rooted in strategic autonomy, mutual respect and economic pragmatism. Conversely, if the EU seeks to enforce conformity – even intervening in Hungarian domestic politics – it may accelerate its own decline in influence and competitiveness in an increasingly globalised world (FT, 2024).

Regardless of institutional choices in Brussels, Hungary must continue to pursue its connectivity policy. By doing so, it can secure its national interests and contribute to the shaping of a more balanced, pluralistic global order.

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The Trump Factor in China-Hungary Relations

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ABSTRACT: The return of Donald Trump to US presidency has reconfigured Hungary's strategic environment regarding China. This article examines the "Trump factor", where ideological alignment between Trump and Prime Minister Orbán revitalises US-Hungary relations but is juxtaposed with the administration's hardened stance towards China. This shift puts pressure on Hungary's strategies of "Opening to the East" and "economic neutrality", which balance Western security commitments with pragmatic economic engagement with Beijing. Under Trump 2.0, US policy has evolved from tolerance to active pressure, narrowing Hungary's balancing space and demanding greater alignment from allies against China. Despite pressure from the US and EU, Hungary's China policy remains resilient, driven by domestic developmental needs, a desire for political autonomy from Brussels and the economic benefits of Chinese investment. Consequently, Hungary will likely pursue tactical flexibility rather than abandoning its China engagement. The article concludes that the Trump factor is a paradox for Hungary, offering short-term diplomatic

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manoeuvrability while reinforcing long-term structural pressures that make its East-West balancing act precarious. Hungary's navigation of this triple bind between Washington, Brussels and Beijing is a key indicator of how smaller states adapt to intensifying great power competition.

KEYWORDS: China, Hungary, Trump, EU, China-Hungary relations

Introduction

The return of Donald Trump to US presidency has injected new volatility into global geopolitical dynamics, namely intensifying pressure on the evolving strategic choices of small and medium-sized states. For Hungary, which has long sought to balance its economic and political relations between East and West, Trump's renewed emphasis on economic nationalism, decoupling from China and tightening control over transatlantic technological flows poses both challenges and opportunities. In this shifting context, the Trump factor has become a key external variable influencing the trajectory of Hungary's China policy.

Hungary's long-standing strategy of "Opening to the East" and its more recent articulation of economic neutrality were both designed to maximise room for manoeuvre amid global power competition. However, as US-China rivalry deepens – particularly under a Trump administration that is likely to further weaponise trade, technology and institutional alliances – the space for such balancing acts is narrowing. At the same time, Hungary continues to derive tangible economic and political benefits from its partnership with China, making outright alignment with Washington an unattractive option.

This chapter explores how the Trump factor is reshaping the dynamics of China-Hungary relations. It first examines changes in Hungary-US relations under Trump 2.0. It then analyses how the Trump administration views China-Hungary relations. Lastly, it assesses the overall trajectory of Hungary's China policy in this evolving environment, highlighting the risks, constraints and potential pathways for sustaining pragmatic engagement with China under an increasingly fragmented global order.

Changes in Hungary-US relations under Trump 2.0

During the Biden administration, Hungary–US relations reached a historic low, shaped by a fundamental clash of values, policy priorities and geopolitical visions. The United States repeatedly criticised Hungary for its perceived democratic backsliding, targeting concerns over judicial independence, media pluralism and civil society restrictions.[2] President Biden notably referred to Hungary as part of an "authoritarian club" within Europe, grouping it with countries like Russia and Belarus in speeches that alarmed the Orbán government. The downward spiral was institutionalised through punitive measures: in 2023, the United States terminated its long-standing bilateral tax treaty with Hungary, citing governance concerns and transparency issues, while also imposing targeted visa restrictions on senior Hungarian officials associated with corruption or authoritarian practices. Military and defence cooperation, once a pillar of bilateral ties, also faltered. Washington scaled back its engagement with Hungary through NATO frameworks, excluding it from high-level meetings and limiting joint operations. These developments signalled a broader reconfiguration of American expectations towards democratic norms and alliance behaviour under the Biden administration.

Faced with growing external pressure not only from Washington but also from Brussels, the Orbán government responded by doubling down

2 Marton Dunai, "US imposes sanctions on Viktor Orbán's chief of staff for alleged corruption", *Financial Times*, 7 January 2025, https://www.ft.com/content/d43181bb-ca62-4510-927c-72430b0b0acd. Accessed 3 July 2025.

on its strategy of foreign policy diversification.[3] While maintaining formal alliance commitments to NATO and the EU, Hungary moved closer to alternative partners, especially China and Russia, in both economic and diplomatic dimensions. This strategic pivot reflected Orbán's long-standing objective of securing greater autonomy from Western conditionality by cultivating ties with non-Western powers that emphasise sovereignty and non-interference. However, this eastward turn only further widened the gap between Budapest and Washington during the Biden years, exacerbating the perception that Hungary was drifting away from the Western liberal order.

The return of Donald Trump to presidency in 2025, however, has dramatically altered the tone and substance of Hungary–US relations. Several key factors account for the rapid and multi-dimensional improvement in bilateral ties under Trump 2.0. First and most notably, there is pronounced ideological alignment between President Trump and Prime Minister Orbán. Both leaders espouse a nationalist world view grounded in state sovereignty, anti-globalism and conservative social values.[4] Their mutual disdain for supranational governance – whether in the form of EU institutions, liberal internationalism or multilateral treaties – has fostered a unique form of personal rapport and political trust. Orbán was one of the few European leaders to openly endorse Trump during both presidential campaigns, while Trump has praised Orbán as an "outstanding leader" and "guardian of Western

3 Livermore Doug, "Orbán's 'Diplomacy' Reveals a Vulnerable West". *Center for European Policy Analysis*, 16 July 2024. https://cepa.org/article/orbans-diplomacy-reveals-a-vulnerable-west/. Accessed 3 July 2025.

4 Shapiro, Jeremy and Végh, Zsuzsanna "The Orbanisation of America: Hungary's lessons for Donald Trump". *European Council on Foreign Relations Policy Brief*, 9 October 2024. https://ecfr.eu/publication/the-orbanisation-of-america-hungarys-lessons-for-donald-trump/. Accessed 3 July 2025.

civilization". This ideological kinship serves as the psychological and rhetorical foundation for restored political confidence between the two governments.

Second, the evolving geopolitical environment has created new incentives for pragmatic cooperation. As the Russia–Ukraine war continues to destabilise Europe and put a strain on transatlantic unity, the United States has become more attuned to Hungary's geographical and strategic importance in Central Europe. Despite concerns over Hungary's position on Ukraine and its energy ties with Russia, the Trump administration has opted for a transactional and strategic approach, prioritising stability and influence over value alignment. This has translated into a willingness to re-engage Hungary as a regional actor, even if its domestic politics remain controversial. For Budapest, meanwhile, repairing relations with Washington offers a vital counterbalance to increasing friction with the European Commission, particularly on issues of rule-of-law conditionality and frozen EU recovery funds.

Third, both sides share a growing interest in recalibrating their relationship as a means of enhancing diplomatic leverage. Hungary seeks to offset its marginalisation within the EU by aligning more closely with Washington, using its special relationship with Trump as a diplomatic card to strengthen its international position. Simultaneously, Trump views Hungary as a valuable ideological ally in its broader effort to reshape the political dynamics within Europe.[5] Hungary is seen as a potential partner in countering the liberal consensus often associated with France and

5 Estrin Daniel, "Why Trump is lavishing praise on Hungarian Prime Minister Viktor Orbán". *NPR*, 20 August 2024. https://www.npr.org/2024/08/20/nx-s1-5075164/why-trump-is-lavishing-praise-on-hungarian-prime-minister-viktor-orban. Accessed 3 July 2025.

Germany, particularly on issues such as migration, family policy and cultural identity. In this context, Hungary is not merely a bilateral partner, but a symbolic and strategic outpost in a larger ideological contest over Europe's political future.

As a result of these dynamics, Hungary–US relations have markedly improved under Trump 2.0 across multiple dimensions. First, political relations have been rapidly restored. Trump's administration has ceased public criticism of Hungary's domestic policies and has instead framed Orbán as a key partner in the defence of conservative values. This has led to the resumption of high-level diplomatic exchanges, including reciprocal visits by cabinet-level officials and the revival of strategic dialogue on energy, security and innovation. Second, military cooperation has been reactivated. Joint training exercises have resumed, and previously suspended defence projects – such as Hungary's procurement of F-35 fighter jets – have been fast-tracked.[6] Hungary has also reaffirmed its NATO commitments under the Trump framework, emphasising burden-sharing and regional stability in line with US expectations.

Bilateral trade and investment have gained momentum. The Trump administration has encouraged US companies to view Hungary as a gateway to the CEE region, particularly in sectors aligned with US strategic interests – such as defence technology, semiconductors and energy infrastructure.[7] For Hungary, closer trade ties with the United States offer an opportunity to diversify its economic partnerships, reduce dependence on EU funds and assert its economic autonomy. This is

6 Catarina Demony, "Hungary discussing business deal with US to counter tariff impact", *Reuters*, 18 June 2025. https://www.reuters.com/business/hungary-discussing-business-deal-with-us-counter-tariff-impact-2025-06-18/. Accessed 3 July 2025.

7 Wang, Hongyi, "Great Powers in Central and Eastern Europe: Dynamics and Prospects", *International Journal of East Asian Studies*, Vol. 27, No. 1 (2022): 1–24.

particularly relevant in the context of ongoing EU scrutiny of Chinese investments in Hungary, such as the CATL battery plant in Debrecen.[8] Fourth, regional political coordination has deepened. Hungary and the United States have strengthened collaboration among conservative and right-wing parties across Europe, with Budapest increasingly positioned as a hub for ideologically aligned actors seeking to challenge the liberal mainstream in Brussels. Through this alignment, Orbán hopes not only to bolster his domestic legitimacy but also to amplify Hungary's regional influence in shaping EU debates on migration, sovereignty and security.[9]

In this light, the apparent resurgence of Hungary–US relations under Trump 2.0 must be understood not as a resolution of strategic contradictions but as temporary accommodation shaped by ideological proximity and geopolitical convenience. Whether this détente can continue in the face of deepening US–China competition, European integration pressures and domestic political shifts remains an open question – one that will define the future trajectory of Hungary's foreign policy in an increasingly divided world.

8 Xu Wei, "EU Starts Probe into CATL's Hungary Plant in Regard to Groundwater Directive, Politician Says". *Yicai Global*. 28 August 2023. https://www.yicaiglobal.com/news/eu-launches-probe-into-catls-battery-plant-in-hungary-over-groundwater-directive-local-politician-says. Accessed 3 July 2025.

9 Robert Sata, "Performing crisis to create your enemy: Europe vs. the EU in Hungarian populist discourse", *Frontiers in Political Science* 5 , 18 May 2023

How the Trump administration views China-Hungary relations

To fully understand how Trump's second term has recalibrated the geopolitical space in which Hungary conducts its China policy, it is essential to consider the baseline established during his first presidency. Trump's initial term marked a turning point in US engagement with Central and Eastern Europe (CEE), reflecting both continuity and transformation. While the administration's "America First" doctrine emphasised reducing security commitments in Europe and questioning multilateral frameworks like NATO, it simultaneously recognised the growing strategic importance of the CEE region amid intensifying competition with China and Russia.[10] Against this backdrop, Hungary emerged as a focal point – benefiting from Trump's ideological sympathy while also drawing attention due to its increasingly close partnership with Beijing. These dynamics laid the foundation for what would become a more confrontational phase under Trump 2.0, as the bilateral context shifted from cautious observation to active contestation. In this light, Hungary's experience during Trump's first term serves as a crucial reference point for assessing how the return of Trump has amplified existing tensions, reshaped US expectations of allies and narrowed the strategic ambiguity that previously allowed Hungary to hedge between East and West.

10 Holland, Edward, "Strategic Competition and Basing in Central and Eastern Europe". *Brookings Institution*. 7 February 2023. https://www.brookings.edu/wp-content/uploads/2023/02/FP_20230207_europe_basing_holland.pdf. Accessed 3 July 2025.

During Trump's first term, the US strategic approach towards Central and Eastern Europe (CEE) underwent a significant shift. On the one hand, Trump's "America First" agenda emphasised reducing security expenditures on European allies, reassessing traditional alliances and repeatedly expressing dissatisfaction with NATO. On the other hand, the administration also sought to strengthen bilateral ties with CEE countries as part of efforts to counter growing Chinese and Russian influence in the region.[11] This placed Hungary, among others, at the intersection of US-China competition, making it a focal point in Washington's broader geopolitical calculus.

In terms of China policy, Trump 1.0 adopted an overall hardline stance, particularly in the areas of technology, security and trade. While no specific restrictions were imposed on Chinese investments in Hungary, Washington remained wary of the increasingly close economic and institutional cooperation between Budapest and Beijing. Hungary's "Opening to the East" policy closely aligned with China's Belt and Road Initiative. High-profile projects such as the Chinese-funded Budapest–Belgrade railway and the planned Fudan University campus in Budapest sparked concerns in Western policy circles regarding potential "normative divergence" and governance risks.[12] Although the Trump administration did not overtly intervene in these initiatives, underlying concerns about transparency, financial security and strategic autonomy made these projects key points of interest for US policymakers.

11 Wright, Thomas, "Trump is choosing Eastern Europe". *Brookings Institution*, 23 May 2017. https://www.brookings.edu/articles/trump-is-choosing-eastern-europe/. Accessed 3 July 2025.

12 Peragovics Tamás and Ágnes Szunomár, "The Great Connection – The Budapest–Belgrade Railway Project and Its Significance for Hungary's Foreign Policy Identity". *Journal of Cold War Studies* 26, No. 2 (2024): 144–172.

More specifically, Trump 1.0 adopted a strategy of selective engagement towards Hungary. The U.S. Department of State and Department of Commerce frequently issued public warnings about the potential long-term strategic implications of Chinese projects, particularly in sectors such as telecommunications, energy and education. Simultaneously, the administration sought to strengthen bilateral cooperation through the Three Seas Initiative, launched in 2017, with President Trump personally attending its summit to promote alternatives such as US liquefied natural gas (LNG) and digital infrastructure, aiming to counterbalance Chinese and Russian influence.[13]

Despite Trump's public praise of Prime Minister Orbán's nationalist policies – calling him a "defender of Western civilization" – this ideological affinity did not translate into full tolerance of Hungary's China engagements. On the contrary, under initiatives such as the Clean Network Initiative, Washington encouraged allies to exclude "untrusted vendors" like Huawei from their 5G and digital infrastructure.[14] Although Hungary did not formally join this initiative, the US applied diplomatic pressure and leveraged media narratives to shape expectations of ally compliance. During a 2019 visit to Budapest, Secretary of State Mike Pompeo explicitly urged Hungary to "resist growing Chinese and Russian influence," signalling that Hungary's China policy had made it onto the US strategic watchlist.

13 Wąsko-Owsiejczuk Elżbieta, "US Security Policy towards Russia in the 21st Century – From Cooperation to Competition". *Security and Russian Threats*, edited by Mieczysław Banasik, Piotr Gawliczek and Anna Rogozińska, 83–102. Piotrków Trybunalski: Wydawnictwo UJK, 2019.

14 CNN. "Huawei, Mike Pompeo Visits Hungary amid Security Concerns". *CNN*, 11 February 2019. https://www.cnn.com/2019/02/11/tech/huawei-mike-pompeo-hungary/index.html. Accessed 3 July 2025.

Overall, Trump 1.0 adopted a strategy of "differentiated tolerance": maintaining a degree of ideological alignment with Hungary while exercising caution and restraint in key sectors such as strategic industries, security governance and technological standards.[15] This approach allowed Hungary to retain a degree of flexibility between Washington and Beijing, but also embedded latent tensions between governance alignment and alliance cohesion. As Hungary-China cooperation continued to expand, Hungary's balancing act increasingly featured in US national security deliberations.

Building on the strategic patterns observed during Trump's first term, his return to office in 2025 has significantly altered the parameters of Hungary's China policy. While many of the foundational dynamics – such as Hungary's pursuit of economic engagement with China and its ambivalent stance between global powers – remain intact, the broader geopolitical context has shifted markedly. Trump 2.0 has brought with it a sharper US approach to China, driven by an entrenched bipartisan consensus and a renewed emphasis on zero-sum great power competition.[16] As a result, Hungary now finds itself navigating a landscape where ambiguity is less tolerated and pressure for alignment is more direct. The Orbán government's attempt to preserve "economic neutrality" has thus come under intensified scrutiny, even from a US administration that shares its illiberal values. Understanding how Trump's second term has transformed the strategic calculus surrounding China-Hungary relations is key to assessing the evolving risks, constraints and contradictions that define Hungary's foreign policy posture today.

15 Gawron-Tabor, Katarzyna and Takashi, Yamada, "The Implementation of Trump's Energy Dominance Policy in Central European Countries". *European Journal of American Studies* 19 (2024): 1–29.

16 Groitl, Gerlinde, "The good, the bad, and the ugly: What Donald Trump's return to the White House means for US strategic competition with Russia and China". *Zeitschrift für Politikwissenschaft* 35 (2025): 75–82.

Since Trump's return to office in January 2025, the US approach to China – and by extension, to Hungary's relationship with China – has strengthened considerably.[17] The Trump 2.0 administration has made great power competition its primary foreign policy focus, with curbing China's global influence now enjoying broad bipartisan consensus in Washington. Compared to Trump's first term, rhetoric towards Europe is now more assertive. While Trump maintains a personal rapport with Orbán, US diplomats have openly warned that Hungary's close ties with China could become a point of contention.

In April 2025, US Chargé d'Affaires Robert Palladino publicly urged Hungary to exercise caution regarding Chinese investments, stating that "China poses a strategic challenge to the United States and its allies – one that demands vigilance, transparency and unity."[18] While Palladino emphasised that the US was "not lecturing" Hungary or forcing it to choose sides, the message was clear: even under a friendlier Trump administration, China remained a concern.

Recent US tariff negotiation signals also reflect this harder line towards allies' China policies. The administration is considering linking trade and tariff decisions to partners' relationships with Beijing.[19] In Hungary's case, this could involve leveraging US influence within international financial

17 Northrop, Katrina and Wu, Pei-Lin, "Despite tariff pause, U.S. and China continue bitter 'decoupling'". *The Washington Post*, 29 May 2025. https://www.washingtonpost.com/world/2025/05/29/us-china-decoupling-accelerates/. Accessed 3 July 2025.

18 DeepNewz, "U.S. Envoy Warns Hungary's Viktor Orbán on Chinese Investments amid Relations with Donald Trump". *DeepNewz Hungary*, May 2025. https://deepnewz.com/hungary/u-s-envoy-warns-hungary-s-viktor-orban-on-chinese-investments-amid-relations-3a64f2dd. Accessed 3 July 2025.

19 Daniels, Laura von, "Economy and National Security: US Foreign Economic Policy under Trump and Biden". *SWP Research Paper* 11/2024. Berlin: Stiftung Wissenschaft und Politik, 2024.

institutions or bilateral talks to discourage deepening economic ties with China. US lawmakers frequently frame Chinese infrastructure investments in Europe as "malign activities" undermining allies' sovereignty. For example, Senator Marco Rubio has labelled such investments "malicious behaviour", and bipartisan congressional proposals aim to condition future US security assistance on allies' technology choices regarding Chinese firms.[20] Trump 2.0 thus operates within a Washington consensus that is increasingly intolerant of ambivalent or "middle-ground" allies regarding China policy. This creates growing diplomatic pressure for Orbán's government, even as cooperation continues in other domains such as conservative values, migration and counterterrorism.

A comparison of Trump's two terms reveals three key shifts in the US approach to China-Hungary relations. First, diplomatic discourse has shifted from private caution to public disciplining, reflecting a transition from strategic tolerance to active containment – even towards ideologically aligned partners. Second, US policy towards Hungary has evolved from emphasising respect for national sovereignty to embedding expectations of alliance responsibility, pressuring Hungary to conform to a collective Western stance on China. Third, policy interventions have broadened from targeting specific projects (Huawei, 5G) to addressing systemic areas such as data governance, standards and cultural influence,

20 U.S. Senate Committee on Foreign Relations, "Senators Markey, Rubio Introduce Secure Equipment Act to Close the 'Security Loophole' and Address the China Tech Threat". *Senator Edward J. Markey*, 26 October 2021. https://www.markey.senate.gov/news/press-releases/senators-markey-rubio-introduce-secure-equipment-act-to-close-the-security-loophole-and-address-the-china-tech-threat. Accessed 3 July 2025.

expanding Washington's leverage.[21] These shifts are not simply the result of changes in Trump's personal diplomatic style, but rather a response to the structural evolution of the international order, the normalisation of US-China competition and growing bipartisan consensus on China policy within the Republican Party. Compared to the relatively restrained approach of 2016–2020, Trump 2.0's engagement with Hungary's ties to China is now framed by a more confrontational geopolitical posture – one in which Hungary's "economic neutrality" will face increasingly unavoidable tests.

Hungary's China policy under Trump 2.0

The intensification of US-China rivalry under Trump's renewed presidency has brought Hungary's self-proclaimed "economic neutrality" into sharper focus. Originally framed by Prime Minister Orbán as a pragmatic response to global polarisation, the policy aimed to preserve Hungary's autonomy by maintaining simultaneous engagement with both Washington and Beijing. However, as great power competition extends into domains such as advanced technology, supply chains and institutional governance, the viability of this balancing strategy is increasingly being tested. The second Trump administration, with its heightened scrutiny of allies' economic links to China, has significantly

21 U.S. News, "US Lawmakers Introduce Bill to Bar Chinese AI in US Government Agencies." *U.S. News*, 25 June 2025. https://www.usnews.com/news/top-news/articles/2025-06-25/us-lawmakers-introduce-bill-to-bar-chinese-ai-in-us-government-agencies. Accessed 3 July 2025.

reduced the strategic ambiguity that once allowed Hungary to manoeuvre between competing blocs. Against this backdrop, a closer examination of the mounting external and internal pressures on Hungary's neutrality reveals the shrinking space available for such calibrated ambiguity and the structural dilemmas it now faces.

The concept of economic neutrality was put forward by Hungarian Prime Minister Viktor Orbán at the end of 2024.[22] It reflects Hungary's strategic attempt to maintain open cooperation with both the United States and China amid an emerging trend of geoeconomic bloc formation. The aim is to preserve economic sovereignty, industrial security and diplomatic manoeuvring space without siding with any particular camp.[23] As an evolved form of Hungary's earlier "Opening to the East" policy, economic neutrality is designed to address two simultaneous challenges facing Central and Eastern European (CEE) countries in the current global value chain reconfiguration: on one hand, Washington is intensifying coordination requirements for its allies regarding technology security and investment screening; on the other, Beijing continues to deepen bilateral economic ties and institutionalise cooperation networks across Europe. Orbán frames economic neutrality as a realist approach to safeguarding sovereignty and rejecting forced alignment, with an emphasis on maximising national interests rather than pursuing

22 Presinszky, Judit, "Orbán lays out his plan for Hungary's economic neutrality". *Telex.hu*, 25 September 2024. https://telex.hu/english/2024/09/25/orban-lays-out-his-plan-for-economic-neutrality. Accessed 3 July 2025.

23 Schmidt, Andrea and Glied, Viktor, "Pragmatic foreign policy of Hungary in the shadow of the Russian–Ukrainian war". *Eastern Journal of European Studies* 15, Special Issue (October 2024): 247–268.

ideological alignment.[24] Portraying himself as a connector, Orbán insists that Hungary will be "neither a forward base for confrontation nor a victim of great power conflict." This stance has been exemplified by Budapest's opposition to EU tariffs on Chinese electric vehicles and its efforts to position Hungary as a key logistics hub within the CEE region.

However, as the US-China rivalry increasingly extends from trade into high technology, supply chains and institutional security, Hungary's economic neutrality is encountering growing external and internal pressures. Externally, US restrictions on Chinese high-tech enterprises have directly affected Hungary's flagship investment projects, such as the CATL battery plant in Debrecen, which has sparked debates over "strategic dependency" and "European supply chain security".[25] The US-led Clean Network initiative has also indirectly undermined Hungary's institutional credibility within EU-US digital cooperation frameworks by marginalising Huawei's participation.[26] Meanwhile, the EU is advancing a more harmonised screening of Chinese investments and integrating foreign investment review mechanisms, thereby reducing the regulatory flexibility Hungary previously enjoyed.[27] Internally, opposition from local

24 Daily News Hungary, "Orbán Interview: Economic Neutrality in 2025". *Daily News Hungary*, May 2025. https://dailynewshungary.com/zh-CN/orban-interview-economic-neutrality-2025/. Accessed 3 July 2025.

25 Yicai Global, "EU Starts Probe into CATL's Hungary Plant in Regard to Groundwater Directive, Politician Says". *Yicai Global*, 30 May 2025. https://www.yicaiglobal.com/news/eu-launches-probe-into-catls-battery-plant-in-hungary-over-groundwater-directive-local-politician-says. Accessed 3 July 2025.

26 Wells, Christopher and Henderson, Rebecca, "The Clean Network and the Future of Global Technology Competition". HBS Case No. 721-045. Boston: Harvard Business School, 2021.

27 European Commission, "Investment Screening". *European Commission – Trade Policy*. n.d. https://policy.trade.ec.europa.eu/enforcement-and-protection/investment-screening_en. Accessed 3 July 2025.

governments, environmental groups and political rivals – particularly regarding Chinese investments affecting energy and water resources – has further complicated Budapest's balancing act.[28]

In response, the Hungarian government has pursued institutional hedging, attempting to preserve room for manoeuvre through initiatives such as promoting "non-sensitive" US-Hungarian technological cooperation, establishing green channels for certain investments and leveraging platforms like the China-Europe Railway Express. However, as the US-China contest increasingly encompasses both technology and institutional domains, these tactical distinctions are becoming less tenable, and the original flexibility of Hungary's economic neutrality is giving way to a shrinking set of options.

Looking ahead, two main risks face Hungary's approach. First, should US-China competition become more institutionalised and bloc-based, Hungary may find it increasingly difficult to simultaneously "enjoy the privileges of the West in security" while "engaging with the East economically." Second, if domestic backlash against the costs of economic neutrality intensifies – particularly in relation to resource allocation and environmental concerns – Orbán's dominance in domestic political discourse could erode. For China, whether Hungary can sustain its role as a neutral corridor will significantly influence Beijing's ability to maintain an institutional foothold in the CEE region – an important variable in the future trajectory of China-Europe relations.

Despite rising geopolitical tensions – particularly under a second Trump administration and increased US pressure on CEE dynamics –

28 Daily News Hungary, "Europe's greatest battery plant in Debrecen criticized by locals, opposition". *Daily News Hungary*, December 2024. https://dailynewshungary.com/europes-greatest-battery-plant-in-debrecen-criticized-by-locals-opposition/. Accessed 3 July 2025.

Hungary's Opening to the East strategy, launched in 2010, continues to exhibit notable policy continuity and strategic resilience. Far from being a temporary expedient, this approach reflects a systematic recalibration driven by Hungary's developmental needs, economic transformation goals and aspirations for greater autonomy in foreign policy. Its core objective is to foster multidimensional cooperation – especially with China – in areas such as capital, technology, management and market access, thereby promoting structural economic upgrades and enhancing Hungary's bargaining power within the EU and global economic systems.[29]

First and foremost, Hungary's domestic developmental imperatives constitute a fundamental driver of the strategy's persistence. In the post-financial crisis era, Hungary has faced ageing infrastructure, lagging industrial modernisation and excessive concentration of Western capital – all structural challenges compounded by the conditionality attached to EU structural funds. Against this backdrop, Chinese investment has emerged as a crucial alternative source of capital. For instance, the China-led Budapest-Belgrade railway project has significantly strengthened Hungary's role within the CEE logistics network, spurring local economic development along its route. Meanwhile, CATL's EUR 7.3 billion battery plant investment in Debrecen has catalysed the formation of a new energy industrial cluster and elevated local technological standards and FDI integration capacity.[30] These developments have addressed structural gaps that traditional Western

29 Greilinger, Georg, "Hungary's Eastern Opening Policy as a Long-Term Political-Economic Strategy". Vienna: *Austria Institute for European and Security Policy (AIES)*, 2023. https://www.aies.at/download/2023/AIES-Fokus-2023-04.pdf. Accessed 3 July 2025.

30 Horváth, Levente, "The Geopolitical Role of China in the CEE Region". *China and Central and Eastern Europe Political Studies (CCPS)* 6, No. 2 (2020). https://icaps.nsysu.edu.tw/var/file/131/1131/img/CCPS6(2)-Horvath.pdf. Accessed 3 July 2025.

partners alone could not easily fill, making Hungary's reliance on Eastern capital a pragmatic choice.

A recent development that exemplifies Hungary's deepening strategy of becoming a regional hub for electric mobility is the establishment of BYD's European headquarters in Budapest. In May 2025, Prime Minister Orbán hosted BYD Chairman Wang Chuanfu for the signing of a strategic cooperation agreement, which included not only vehicle manufacturing but also the creation of a new European R&D centre.[31] The Hungarian government emphasised that BYD's investment reflects the success of its strategy to attract research-oriented foreign capital,[32] while Orbán publicly highlighted the partnership as a key opportunity for Hungary to embed itself in the global electric vehicle (EV) supply chain. BYD committed to creating thousands of high-value jobs, working with at least three Hungarian universities on training and education programmes, and localising key aspects of vehicle design and testing. This cooperation further illustrates how Chinese investment is not merely financial in nature but involves deep technological and institutional integration – positioning Hungary as a strategic node in the evolving European battery and EV ecosystem.

Second, the Opening to the East strategy also reflects Hungary's institutional desire for greater political autonomy. The Orbán government has long been critical of the EU's political and value-driven interventions, viewing Western positions on rule of law, migration and freedom of expression as encroachments on national sovereignty. In this context,

31 CNEV Post, "BYD plans to set up European headquarters in Hungary". *CNEV Post*, 16 May 2025. https://cnevpost.com/2025/05/16/byd-to-set-up-european-hq-hungary/. Accessed 3 July 2025.

32 The Budapest Times, "Orbán: BYD to locate EU headquarters in Hungary". *The Budapest Times*, May 2025. https://www.budapesttimes.hu/corporate/orban-byd-to-locate-eu-headquarters-in-hungary/. Accessed 3 July 2025.

China's non-interference investment model is perceived as more compatible with Hungary's political and institutional priorities.[33] Thus, Opening to the East serves not only as a means of economic diversification but also as a key instrument for building a strategic institutional buffer.

Third, the tangible economic returns of the strategy further reinforce its political and policy legitimacy. In critical sectors such as transportation, energy, electronics and automotive components, Chinese investment has created significant employment and tax revenue benefits while driving technological upgrades and managerial innovation among local firms. Moreover, deepening China-Hungary financial cooperation – such as RMB clearing, joint fund platforms and developmental finance instruments – has provided Hungary with new tools to hedge against eurozone financial volatility and tighten credit conditions from US-based banks, thereby enhancing financial resilience and institutional flexibility.

Taken together, Hungary's Opening to the East strategy is likely to remain stable, underpinned by three sources of resilience: (1) Hungary's ongoing demand for external capital and industrial upgrading; (2) the institutional autonomy and political security buffer it derives from Eastern partnerships; and (3) the demonstrable high returns and successful local integration of existing Chinese investments. Although the US and EU may intensify efforts to restrict or counter the strategy for geopolitical and security reasons, the likelihood of Hungary fundamentally reversing its approach to China remains low. More plausibly, Budapest will continue to pursue flexible balancing within the US-China-EU triangle, employing pragmatic issue-based cooperation and differentiated policy framing to sustain its Opening to the East framework. This will not only preserve Hungary's strategic agency but also gradually position it as a key

33 Völgyi, Katalin and Lukács, Edit, "Chinese and Indian FDI in Hungary and the role of Eastern Opening policy". *Asia Europe Journal* 19, No. 2 (2021): 167–187.

platform for China's institutional engagement and cooperation within the CEE region.

In the context of Trump's return to US presidency, Hungary's China policy is characterised by a combination of strategic resilience and tactical flexibility. While economic neutrality is under increasing constraint and Opening to the East faces mounting pressures, the Orbán government continues to view its partnership with China as vital for advancing Hungary's economic interests and strategic autonomy. Three broad trends are shaping this policy trajectory.

First, Hungary will seek to maintain a stable high-level political relationship with China. Budapest is expected to emphasise continuity in its China policy, reaffirm its commitment to the Belt and Road Initiative and the One China policy and actively support China-Hungary cooperation in multilateral settings. The government recognises that a strong relationship with China can enhance Hungary's bargaining power amid growing strategic divergences between Washington and Brussels.[34]

Second, economic and investment cooperation with China is likely to become more sector-specific and institutionally protected. In response to mounting scrutiny from Washington and Brussels, the Hungarian government will implement more refined management of Chinese investments – such as introducing green approval mechanisms and enhancing social impact assessments – to mitigate domestic political and social backlash. At the same time, Hungary will continue to prioritise high-value cooperation in areas such as energy transition, logistics and advanced manufacturing, promoting the deeper integration of Chinese projects into Hungary's industrial ecosystem.

34 Jóźwiak, Veronika, "Hungarian Policy Increasingly Linked to China". *Polish Institute of International Affairs*, 26 October 2023. https://pism.pl/publications/hungarian-policy-increasingly-linked-to-china. Accessed 3 July 2025.

Third, Hungary will simultaneously seek to enhance institutional resilience and cultivate a stronger regional role as a platform for China-Europe engagement. Budapest will leverage its geographic position and regulatory flexibility to position itself as both an institutional corridor and a logistics hub for China within the CEE region. At the same time, the government will carefully adjust its policy rhetoric to avoid exacerbating risks to China-Hungary relations under external pressure, while working to build a more flexible and resilient framework for bilateral cooperation.

Overall, while tactical adjustments and constrained space are inevitable, Hungary's structural demand for economic cooperation with China and its pursuit of political autonomy remain unchanged.

Conclusion – Managing the Trump factor in China-Hungary relations

The return of Donald Trump to US presidency has profoundly reconfigured the strategic environment surrounding Hungary's foreign policy – particularly in relation to its engagement with China. While on the surface Trump's ideological alignment with Prime Minister Viktor Orbán has revitalised bilateral political ties, the broader implications of his administration's hardened approach to China present Hungary with a renewed strategic dilemma. Trump 2.0 does not merely revive a previous style of diplomacy; it marks the entrenchment of great power competition as the defining axis of global politics, thereby narrowing the manoeuvring space traditionally available to small and medium-sized states like Hungary.

Hungary's long-standing strategy of maintaining a dual posture – aligning ideologically and militarily with the West while pursuing pragmatic economic cooperation with China – is becoming increasingly difficult to sustain. Under Trump's second term, the pressure to conform to US strategic expectations has intensified, particularly in sensitive sectors such as technology, infrastructure and investment screening. Even though Orbán has benefited from Trump's rhetorical support and political indulgence, the structural realities of US-China competition mean that Hungary's balancing act is being tested in new and more constraining ways. The core contradiction lies in the attempt to simultaneously deepen economic interdependence with China while positioning itself as a trusted ally of the United States – an ambition that becomes harder to reconcile as geopolitical fault lines harden.

At the same time, Hungary's evolving role within the European Union adds another layer of complexity. As Brussels moves towards greater coordination in its China policy – emphasising "de-risking" and strategic autonomy – Budapest's deviation from common EU positions continues to generate friction. Trump's return may embolden Hungary in its resistance to EU pressure, but it also risks deepening its isolation within European institutions. The combination of US expectations, EU dynamics and China's strategic patience places Hungary in a triple bind, where deviation from any one axis risks political or economic repercussions from the others.

Moreover, the "Trump factor" is not merely a bilateral variable; it has become a symbol of the broader transformation of the international order. In this new context, Hungary serves as a revealing case study of how smaller states attempt to adapt to the systemic pressures of great power rivalry without sacrificing autonomy. Orbán's foreign policy – rooted in national interest, institutional hedging and discursive pragmatism – has thus far enabled Hungary to extract benefits from both the East and the West. Yet the margin for such strategic ambiguity is rapidly shrinking. As the Trump administration sets its expectations of allies in its China strategy, Hungary's positioning as a neutral economic corridor will face increasing resistance and reinterpretation by external actors.

In the medium term, Hungary's China policy is likely to be shaped by a combination of structural constraints and tactical recalibration. On one hand, economic needs, infrastructure demands and developmental goals will continue to drive engagement with China. On the other hand, geopolitical pressures from Washington and Brussels will necessitate more nuanced, sector-specific and diplomatically shielded forms of cooperation. Hungary may increasingly rely on issue-based framing, selective decoupling and policy compartmentalisation to maintain a minimal equilibrium between its major partners. Yet such a strategy is inherently vulnerable to disruption – either from external shocks, such as sanctions or trade restrictions, or from internal shifts, such as political turnover or social backlash against foreign investment.

Ultimately, the "Trump factor" serves as both an enabler and a constraint in Hungary's China policy. It enables Hungary to reclaim short-term diplomatic space and rhetorical legitimacy in its East-West balancing strategy, but it also reinforces the long-term structural pressures that make such balancing more precarious. The paradox is that Trump's tolerance of Hungary's domestic politics may give Orbán greater latitude in the short run, while his administration's uncompromising stance on China simultaneously undermines the foundation of Hungary's economic neutrality. This duality underscores the limits of ideological alignment as a shield against geopolitical reality.

In this evolving landscape, Hungary's choices will reverberate far beyond its borders. Its capacity – or failure – to manage the contradictions between its Western commitments and Eastern partnerships will shape not only its own strategic agency but also broader patterns of China–

EU interaction and the resilience of transatlantic coordination. As the global order continues to fracture along geopolitical and technological lines, Hungary stands as a bellwether of how middle powers navigate complexity, contestation and convergence in a multipolar world.

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Introduction to the Eurasia Center and Fudan University cooperation

1. Eurasia Center

The Eurasia Center, based at John von Neumann University in Hungary, is a multidisciplinary research hub that explores the political, economic, financial and social developments shaping the Eurasian region. At the heart of its mission is the fostering of meaningful knowledge exchange among Hungarian and international experts. The Center supports both scholarly and policy-oriented dialogue through its peer-reviewed journal *Eurázsia Szemle*, its *Brief Analysis* series, the *Eurasia Magazine* and various edited volumes. Flagship programmes – such as the monthly *Eurasia Roundtables* and the biannual *Dawn of Eurasia Conference* – serve as key forums for international academic exchange, while advancing the Center's broader aim of informing the Hungarian public about Asia's contemporary transformations. Through its publications, public events and media engagement, the Eurasia Center plays a leading role in Hungary in deepening understanding of Eurasia's significance in the 21st century.

2. Fudan University

Fudan University, founded in 1905 in Shanghai, is one of China's most prestigious and selective universities. According to QS World University Rankings 2026, Fudan University is the 30th best university in the world.

It offers comprehensive programmes across humanities, sciences, engineering and medicine, with particular strengths in economics, international relations and cutting-edge technology. As a member of the elite C9 League, Fudan puts emphasis on research excellence, housing over 70 state key laboratories and research centres. Its alumni network includes influential leaders in politics, business and academia.

The Institute of International Studies at Fudan University (IIS Fudan) was founded in November 2000 on the framework of several research centres, including the Center for American Studies, the Center for Japanese Studies, the Center for Korean Studies and the Research Office for Latin American Studies of Fudan University, etc.

IIS Fudan and its affiliated research centres enjoy reputations in the academic and policy communities. IIS Fudan has been branded the Key Cooperative Research Institute for Policy Studies by the Ministry of Foreign Affairs of the PRC since 2013. IIS Fudan has evolved into a comprehensive research institute, leading 15 research centres, including the Center for China-EU Relations, which was founded in 2013.

3. Eurasia Center and Fudan University cooperation

The cooperation between John von Neumann University and Fudan University was signed in 2017 on the sidelines of the China–Central and Eastern European Countries Summit in Budapest, during the Hungarian–Chinese prime ministerial bilateral meeting, in the presence of Prime Ministers Viktor Orbán and Li Keqiang. Since then, numerous forms of cooperation have developed between John von Neumann University and Fudan University, including:

- In November 2024, the Eurasia Center and the Institute of International Studies at Fudan University jointly organised the China–EU Symposium in Budapest. One of the outcomes of this event is this volume of studies.
- John von Neumann University was a co-organiser of the “Youth Innovation Competition on Global Governance” held in Budapest and Kecskemét in 2024, an event that Fudan University has been organising since 2007.
- The Eurasia Center hosted the Youth Research Dialogue delegation from Fudan University in Budapest, where the Hungarian–Chinese Youth Dialogue was jointly held.
- The Eurasia Center welcomed the MBA group from the School of Economics at Fudan University in Budapest and gave them a half-day lecture.
- The Eurasia Center regularly participates in the Shanghai Forum organised by Fudan University.
- The Eurasia Center regularly gives lectures at various summer schools and on training programmes by Fudan University.

In addition to the above, several other forms of cooperation have been established or are currently in progress through various faculties of John von Neumann University and Fudan University.

2025 marks the fiftieth anniversary of the establishment of diplomatic relations between the European Union (and its predecessors) and the People's Republic of China. This half-century milestone offers a unique opportunity for reflection, at a moment when the international system itself is undergoing profound transformation. As the global order shifts from unipolarity to multipolarity, the importance of EU–China relations has continued to grow. Yet the trajectory of this relationship has been far from linear, marked by cycles of engagement and estrangement, expectation and disappointment, cooperation and rivalry, especially in recent years.

This volume brings together leading Chinese and European scholars to reflect on fifty years of EU–China diplomatic relations. It offers fresh perspectives on EU–China relations, China–CEEC cooperation, and China–Hungary ties, while capturing the latest transformations since the COVID-19 pandemic and the Russia–Ukraine conflict. By analyzing challenges and proposing pathways for deeper engagement, the book stands as a significant outcome of Sino-European academic collaboration and a timely contribution to commemorating the 50th anniversary of EU–China relations.

The 50th anniversary of EU–China relations is therefore not only a moment of commemoration, but also a call for renewal. Europe and China face the shared responsibility of together shaping a stable, multipolar world order – an order that must be inclusive, balanced, stable, and based on mutual benefit. The task presents challenges, but so do the opportunities. We trust that the insights contained in this volume will assist decision-makers in navigating this complex landscape and will inspire further academic dialogue in the years to come.