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## Countering Malign PRC Influence in Europe

Chairman Kean, Ranking Member Keating, and distinguished members of the Subcommittee: thank you for the honor to testify before you today. My name is Peter Rough. I am the director of the Center on Europe and Eurasia at Hudson Institute, where I serve as a senior fellow. The views I express in this testimony are my own and should not be construed as representing those of Hudson Institute.

### Why Europe Matters

Today's hearing addresses a matter of vital importance to the United States. Over a century ago, Halford Mackinder, the father of modern geopolitics, coined a term to describe the interlocking continents we call Eurasia. He described the Eurasian landmass as the World Island. "Who rules the World Island," Mackinder posited, "commands the world."<sup>1</sup>

On that World Island, Europe hosts the United States' forward operating bases and constitutes a significant source of our wealth and prosperity. The U.S. has tens of thousands of permanently deployed forces in Europe across a network of bases that safeguard the most significant economic relationship in the world.<sup>2</sup>

In 2023, the volume of goods that crisscrossed the North Atlantic was more than double what the United States exchanged with the People's Republic of China (PRC). In that same year American firms sold nearly a half-trillion U.S. dollars in goods to Europe.<sup>3</sup> Europe is also the top destination for U.S. crude oil and liquefied natural gas (LNG). The U.S. sends twice as much gas to Europe as it does to Asia.

Most important, the United States and Europe are integrated through foreign direct investment (FDI).<sup>4</sup> Over 60 percent of U.S. FDI, \$4 trillion, is in Europe; in fact, the U.S. has between two and four times as much FDI in Europe as it does in Asia. For its part, Europe has \$3.4 trillion in investments in the U.S., more than three times what Asian investors hold in the United States.<sup>5</sup>

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<sup>1</sup> H.J. Mackinder, *Democratic Ideals and Reality* (New York: Henry Holt, 1942), 150.

<sup>2</sup> Data for number of military and DoD appropriated fund (APF) civilian personnel, column I, row 241, Workforce Reports and Publications June 2024, U.S. Department of Defense, <https://dwp.dmdc.osd.mil/dwp/app/dod-data-reports/workforce-reports>.

<sup>3</sup> Daniel S. Hamilton and Joseph P. Quinlan, *The Transatlantic Economy 2024: Annual Survey of Jobs, Trade and Investment between the United States and Europe*, (Washington, DC: Johns Hopkins University, 2024), v.

<sup>4</sup> Hamilton and Quinlan, *The Transatlantic Economy 2024*.

<sup>5</sup> Hamilton and Quinlan, *The Transatlantic Economy 2024*.



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As these numbers illustrate, Europe is a significant actor in the unfolding competition between the United States and the People's Republic of China. But to tip the balance of power in its favor, the PRC does not need to win over European hearts and minds. Beijing needs only to neutralize European influence on matters essential to its interests, like the status of Taiwan and the international political economy. It is for this reason that the PRC is supporting Russia's war on Ukraine, adding proxy war to the mix of economic mercantilism and mercenary politics that Beijing has long employed against Europe.

Instead of following the mantra of "hide your capabilities, bide your time," the philosophy behind Chinese foreign policy for many decades, Chinese Communist Party (CCP) Chairman Xi Jinping now states his hostility to the West publicly. "Anyone who dares [challenge the PRC] will have their heads bashed bloody against the Great Wall of Steel forged by over 1.4 billion Chinese people," he warned at the centenary of the CCP's founding.<sup>6</sup>

Europe must fully wake up or fall prey to Chinese aggression.

### **The Sino-Russian Alliance**

China's primary military lever for weakening Europe is its relationship with Russia, which leaders of both countries have described as a "no-limits partnership." This alliance has "become a decisive enabler of Russia's war against Ukraine," according to the North Atlantic Treaty Organization (NATO) Washington Summit Declaration in July, "through ... its large-scale support for Russia's defence industrial base."<sup>7</sup>

Today, it is widely acknowledged that the PRC provides Russia with 70 to 90 percent of its computer numeric control (CNC) machine tools, which automate the production of precision-guided munitions and aircraft parts, and 90 percent of the microelectronics critical for its production of missiles, tanks, and aircraft.<sup>8</sup> Throughout the war in Ukraine, the PRC has supplied Russia with dual-use items—products that have both civil and military applications—from ball bearings and drone engines to optics and spare parts.<sup>9</sup>

The PRC has also helped the Russian Federation withstand the impact of transatlantic sanctions. The PRC's authoritarian controls over the flow of information have helped it evade Western sanctions.<sup>10</sup> Beijing has also served as an economic backstop for Russia. In 2023, Sino-Russian trade reached \$240 billion, a 26.3 percent increase over 2022.<sup>11</sup> Based on the first quarter of 2024, Sino-Russian trade is on pace to grow yet again this year.<sup>12</sup> Today, the PRC is Russia's largest trading partner, and accounts for one-third of Russia's overall foreign trade. Absent Chinese support, Russia could not continue its war effort at present levels.

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<sup>6</sup> Waiyee Yip, "CCP 100: Xi Warns China Will Not Be Oppressed in Anniversary Speech," BBC, July 1, 2021, <https://www.bbc.com/news/world-asia-china-57648236>.

<sup>7</sup> "Washington Summit Declaration," North Atlantic Treaty Organization, July 10, 2024, [https://www.nato.int/cps/en/natohq/official\\_texts\\_227678.htm](https://www.nato.int/cps/en/natohq/official_texts_227678.htm).

<sup>8</sup> Al Maggard, "War Machine," C4ADS, June 18, 2024, <https://c4ads.org/reports/war-machine/>.

<sup>9</sup> Maria Snegovaya et al., "Back in Stock? The State of Russia's Defense Industry after Two Years of the War," Center for Strategic and International Studies, April 22, 2024, <https://www.csis.org/analysis/back-stock-state-russias-defense-industry-after-two-years-war>.

<sup>10</sup> Samuel Bickett and Shannon Van Sant, "An Alliance of Autocracies Is Deepening. One City Plays a Central Role," *Washington Post*, August 5, 2024, <https://www.washingtonpost.com/opinions/2024/08/05/hong-kong-banned-technology-russia-iran/>.

<sup>11</sup> Natalie Sabanadze, Abigaël Vasselier, and Gunnar Wiegand, "China-Russia Alignment: A Threat to Europe's Security," MERICS, June 26, 2024, <https://merics.org/en/report/china-russia-alignment-threat-europes-security>.

<sup>12</sup> "Exclusive: Russia Payment Hurdles with China Partners Intensified in August," Reuters, August 30, 2024, <https://www.reuters.com/business/finance/russia-payment-hurdles-with-china-partners-intensified-august-sources-say-2024-08-30/>.

In addition to its defense-industrial and economic support, the PRC continues to back Russia diplomatically. Although Xi wrote of the Ukraine war in *Le Figaro* in May that “China is neither at the origin of the crisis, nor a party to it,” he practices a pseudo-neutrality that in effect favors Moscow.<sup>13</sup> The PRC’s major position paper on the war parrots Russia’s talking points on NATO enlargement and Western sanctions and refrains from calling on Russia to leave occupied Ukrainian territory.<sup>14</sup>

Xi and Russian President Vladimir Putin have personalized Sino-Russian relations. “President Putin is the foreign colleague that I have interacted with most extensively. He is my best friend, and I greatly treasure our friendship,” Xi told Russian media in 2019.<sup>15</sup> The two leaders have met over 40 times, more than twice as often as Xi has met with any other foreign leader, and their two militaries have conducted joint exercises around the world, including in the Mediterranean, Black, and Baltic Seas.<sup>16</sup> Xi has yet to sit down with Ukrainian President Volodymyr Zelensky.<sup>17</sup>

In March 2023, Xi told Putin upon departing Moscow, “Right now, there are changes the likes of which we haven’t seen for 100 years. And we are the ones driving these changes together.”<sup>18</sup> What this might mean is anyone’s guess. But if the U.S. loses its nerve in Ukraine, the PRC will approach the United States’ European partners and allies with a simple offer: we will use our influence in Moscow to address your concerns if you support the birth of a new Sinocentric world order.

### Leninist Mercantilism

The PRC’s primary economic lever for weakening Europe is a form of Leninist mercantilism. As the Sinologist Aaron Friedberg has written, “Neither market-loving capitalists nor true-believing Marxists, [Xi and his CCP colleagues] can best be understood as mercantilist Leninists whose top priority is to acquire and exercise political power.”<sup>19</sup>

The CCP has built an export-led manufacturing economy to strengthen its grip on power. Rather than follow the liberalizing obligations of the World Trade Organization, Chinese leaders aim to control global supply chains and manufacturing chokepoints. Beijing has stoked production in key export sectors and depressed domestic consumption, creating a highly imbalanced economy suited more for great-power war than its citizens’ well-being.

By now, the methods that the PRC has used to establish dominant positions in key manufacturing areas are well-known: state subsidies, intellectual property theft, market restrictions, regulatory

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<sup>13</sup> Xi Jinping, “Xi Jinping: I Come to France with Three Messages from China,” *Le Figaro*, May 5, 2024, <https://www.lefigaro.fr/vox/monde/xi-jinping-je-viens-en-france-avec-trois-messages-de-la-chine-20240505>; Kelly Ng, “Ukraine: U.S. Sanctions Chinese Firm Helping Russia’s Wagner Group,” BBC, January 27, 2023, <https://www.bbc.com/news/world-asia-china-64421915>.

<sup>14</sup> “China’s Position on the Political Settlement of the Ukrainian Crisis,” Ministry of Foreign Affairs of the People’s Republic of China, February 24, 2023, <https://www.mfa.gov.cn/>.

<sup>15</sup> Jun Mai, “Can Friendship between Xi Jinping and Vladimir Putin Really Be Pillar of China-Russia Relations?,” *South China Morning Post*, June 7, 2019, <https://www.scmp.com/news/china/diplomacy/article/3013612/can-friendship-between-xi-jinping-and-vladimir-putin-really-be>.

<sup>16</sup> David Pierson, “Why China’s and Russia’s Militaries Are Training Together,” *New York Times*, August 13, 2024, <https://www.nytimes.com/2024/08/13/world/asia/china-russia-military-patrols.html>.

<sup>17</sup> Bonny Lin et al., “Analyzing the Latest Xi-Putin Meeting and China’s Belt and Road Forum,” CSIS, October 23, 2023, <https://www.csis.org/analysis/analyzing-latest-xi-putin-meeting-and-chinas-belt-and-road-forum>. Although small in scale, Chinese troops also exercised this summer with Belarussian forces in Brest, five kilometers from the Belarus-Poland border.

<sup>18</sup> Valerie Hopkins (@VALERIEinNYT), “‘Right now there are changes, the likes of which we haven’t seen for 100 years,’ Mr. Xi told Mr. Putin through an interpreter after the state dinner as the leaders bid farewell. ‘And we are the ones driving these changes together,’” X, March 21, 2023, 5:59 p.m., <https://x.com/VALERIEinNYT/status/1638299396885315585>.

<sup>19</sup> Aaron L. Friedberg, “Stopping the Next China Shock,” *Foreign Affairs*, August 20, 2024, <https://www.foreignaffairs.com/china/stopping-next-china-shock-friedberg>.

interventions, and currency manipulation. Since 2022, it has also benefited from discounted Russian energy.

The U.S. first felt the shock of Chinese overcapacity during the 2000s. Now Europe is feeling the pain of Chinese dumping. The example of solar technology, which European firms helped pioneer, illustrates Europe's predicament.<sup>20</sup> As *Politico* reported in February, "EU [European Union] solar manufacturers say they face an existential crisis due to Chinese subsidies, which they blame for flooding the EU with dirt-cheap solar panels and creating a supply glut that is causing a wave of bankruptcies."<sup>21</sup> The PRC now controls 80 percent of the world's solar manufacturing capacity and dominates the production of silicon wafers for solar panels.

What Beijing has accomplished in solar technology, it is also pursuing in lithium ore batteries and electric vehicles. The PRC now exports more cars than Germany and outpaces Berlin in the production of cheap electric vehicles. Not content with merely dominating its own market, the PRC is making inroads across Europe, too. This month, Volkswagen weighed shuttering a factory in Germany for the first time in its 87-year history.<sup>22</sup>

The breakdown of the largest industry in Europe's largest economy would invite social disruption in the heart of the continent, with all the attendant risks to regional stability that would accompany such deindustrialization.<sup>23</sup> The recent elections in the German state of Thuringia, which strengthened the anti-American extremes there, may be a harbinger that the PRC would welcome.

Of course, Berlin is not blind to these risks. But the PRC leverages its relationship with Germany's multinational corporations to protect the predatory Chinese model. So dependent are Germany's automakers on the Chinese market, for example, that they lobbied against the European Commission's countervailing duties on Chinese electric vehicles.<sup>24</sup>

Moreover, the PRC has pulled few punches in threatening politically important industries. In response to Europe's electric vehicles probe, Beijing launched anti-dumping investigations into European pork, brandy, cognac, and dairy exporters.<sup>25</sup> These trade tensions have spurred some German multinationals to relocate facilities into the PRC.

Thus, Europe's economic dependency on Beijing only grows.<sup>26</sup>

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<sup>20</sup> Victor Jack, "EU Mum as Solar Industry Time Bomb Ticks," *Politico*, February 5, 2024, <https://www.politico.eu/article/eu-mum-as-solar-industry-time-bomb-ticks/>.

<sup>21</sup> Jack, "EU Mum as Solar Industry Time Bomb Ticks."

<sup>22</sup> Ryan Hogg, "Volkswagen Considers First German Factory Closure in 87-Year History," Yahoo Finance, September 3, 2024, <https://finance.yahoo.com/news/volkswagen-considers-first-german-factory-050000971.html?guccounter=1>.

<sup>23</sup> "What If Germany Stopped Making Cars?," *The Economist*, July 31, 2023, <https://www.economist.com/business/2023/07/31/what-if-germany-stopped-making-cars>; Hogg, "Volkswagen Considers First German Factory Closure."

<sup>24</sup> "Commission Imposes Provisional Countervailing Duties on Imports of Battery Electric Vehicles from China while Discussions with China Continue," European Commission, July 4, 2024, [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_24\\_3630](https://ec.europa.eu/commission/presscorner/detail/en/ip_24_3630); Antonia Zimmermann and Koen Verhelst, "German Ministers Dash to China in Bid to Escape Retaliation over EV Duties," *Politico*, June 27, 2024, <https://www.politico.eu/article/berlin-europe-china-ev-cars-automobiles-tariffs-brussels-dumping-probe-germany/>.

<sup>25</sup> Edward White, Adrienne Klasa, and Andy Bounds, "China Says EU Companies Dumped Brandy but Holds off on Tariffs," *Financial Times*, August 29, 2024, <https://www.ft.com/content/a3fcc562-dea3-47e1-8d04-41600022213c>.

<sup>26</sup> "Speech by President von Der Leyen on EU-China Relations to the Mercator Institute for China Studies and the European Policy Centre," March 30, 2023, European Commission, transcript, [https://ec.europa.eu/commission/presscorner/detail/en/speech\\_23\\_2063](https://ec.europa.eu/commission/presscorner/detail/en/speech_23_2063); Guy Chazan, "German Investment in China Soars despite Berlin's Diversification Drive," *Financial Times*, August 13, 2024, <https://www.ft.com/content/339ac2c7-f570-4ec0-8753-54f431c6aa10>; "BASF Begins Its Smart Verbund Project in Zhanjiang, China," BASF, November 23, 2019, <https://www.basf.com/dz/fr/live/News/2019/11/p-19-403>; Melissa Eddy, "Why Germany Can't Break up with China," *New York Times*, April 16, 2024, <https://www.nytimes.com/2024/04/16/business/germany-china-tariffs.html>; Noah Barkin, "Chinese Aggression in the Taiwan Strait," DGAP, August 19, 2024, <https://dgap.org/en/research/publications/chinese-aggression-taiwan-strait>.

## Europe's Balkan Underbelly

Germany may be the PRC's primary target, but Beijing has charted two other vectors into the European heartland.

The first is the clunkily named Cooperation between China and Central and Eastern European Countries (CEE), an initiative Beijing uses to promote economic integration between China and the nations of Central and Eastern Europe. The coronavirus pandemic and the war in Ukraine have badly damaged the PRC's reputation in these countries, leading the Baltic states to leave the CEE-China forum altogether. Today the forum no longer meets at the leadership level. Czech foreign minister Jan Lipavský summarized his disappointment with the PRC last year when he said, "The 14-plus-1 has neither substance nor future."<sup>27</sup> The PRC's path from Russia through the CEE states into Western Europe is more constricted today than at any point in recent years.

Beijing's second vector into Europe has been through the Balkans. This region has become the PRC's preferred route into the continent after Italy's departure from the Belt and Road Initiative last year.<sup>28</sup> In May, Xi embarked on his first tour of Europe in five years, and the countries he visited were telling: France, Serbia, and Hungary. In both Belgrade and Budapest, Xi described a "comprehensive strategic partnership" with each country for "a new era" of cooperation.<sup>29</sup> The centerpiece of that partnership is the Chinese-financed Budapest-Belgrade railway, designed, once it is completed in 2026, to facilitate trade from the Chinese-owned port of Piraeus in Greece into the heart of the European Union (EU).<sup>30</sup> Beijing has reinforced that project with a bevy of investments in strategic industries across Hungary and Serbia, from electric vehicles and battery plants to copper mining and steel mills.<sup>31</sup> Because Serbia is not a member of the EU, the PRC has a free trade agreement with Belgrade, too.

These economic ties have paid political dividends. Serbia's president, Aleksandar Vučić, speaks of an "ironclad" friendship with Xi, while Hungary's prime minister, Viktor Orbán, describes the PRC as "one of the pillars" of the multipolar world.<sup>32</sup> The PRC's inroads in the Balkans and Central Europe reflect its ambition of dividing, neutralizing, and ultimately weakening the continent.

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<sup>27</sup> Stuart Lau, "China's Club for Talking to Central Europe Is Dead, Czechs Say," *Politico*, May 4, 2024, <https://www.politico.eu/article/czech-slam-china-xi-jinping-pointless-club-for-central-europe/>.

<sup>28</sup> Ido Vock, "Belt and Road: Italy Pulls Out of Flagship Chinese Project," BBC, December 7, 2023, <https://www.bbc.com/news/world-europe-67634959>.

<sup>29</sup> Marton Dunai and James Kynge, "Xi Jinping Upgrades China's Ties with Hungary to 'All-Weather' Partnership," *Financial Times*, May 9, 2024, <https://www.ft.com/content/563be6d0-ab62-47cc-9076-5dd20cac8cbd>.

<sup>30</sup> Daniel Kochis and Ivana Stradner, "American Conservatives Love Hungary's Orbán—but Ignore His Wooing of China," *The Hill*, May 17, 2024, <https://thehill.com/opinion/international/4670436-american-conservatives-love-hungarys-orban-but-ignore-his-wooing-of-china/>.

<sup>31</sup> Justin Spike, "China's BYD to Build Its First European Electric Vehicle Factory in Hungary," Associated Press, December 22, 2023, <https://apnews.com/article/chinas-byd-building-electric-vehicle-plant-hungary-4c4754f43703d061e1dc02516be0c14a>; Zoltan Simon, "Hungary Spending \$2 Billion on Infrastructure Where BMW, CATL Build EV Batteries," *Bloomberg*, January 9, 2024, <https://www.bloomberg.com/news/articles/2024-01-09/hungary-to-spend-2-billion-on-upgrades-for-bmw-catl-plants?sref=boE5Wq9G>; Dusan Stojanovic and Jovana Gec, "China and EU-Candidate Serbia Sign an Agreement to Build a Shared Future," Associated Press, May 8, 2024, <https://apnews.com/article/serbia-china-xi-jinping-visit-nato-e37b7ad0e89ac73b83e754142ce8e399>; Una Hajdari, "Serbia to Xi Jinping: No One Reverses You like We Do," *Politico*, May 8, 2024, <https://www.politico.eu/article/xi-jinping-belgrade-serbia-china-aleksandar-vucic-investments/>.

<sup>32</sup> Carlo Martuscelli, Camille Gijss, and Pieter Haeck, "Hungary Is Flirting with China—at What Cost to the EU?," *Politico*, June 25, 2024, <https://www.politico.eu/article/hungary-flirt-china-cost-eu-trade-foreign-direct-investment/>; Zoltán Kovács, "PM Orbán: China Is One of the Pillars of Our New Multipolar World, It Is the Country That Now Shapes Global Economic and Political Processes," *About Hungary*, May 9, 2024, <https://abouthungary.hu/blog/pm-orban-china-is-one-of-the-pillars-of-our-new-multipolar-world-it-is-the-country-that-now-shapes-global-economic-and-political-processes>.

## Exploiting Strategic Autonomy

The PRC has also cultivated skepticism of America in Europe. During his visit to France in May, Xi played on French President Emmanuel Macron's susceptibility to flattery to promote Macron's vision of European strategic autonomy from the United States. This has been a long time coming. In 2019, the French president described NATO as "brain dead"; last year, during a visit to the PRC, he criticized American policy on Taiwan, cautioned Europe against getting "caught up in crises that are not ours," and questioned the "extraterritoriality of the U.S. dollar."<sup>33</sup> This is music to Xi's ears. Hours after Macron's departure from the PRC last year, Xi launched major exercises targeting Taiwan.

The PRC welcomes Macron's argument that Europe "must never be a vassal of the United States," as the French leader put it in an address to the Sorbonne in April.<sup>34</sup> Beijing has sought to leverage that attitude to disrupt transatlantic policy coordination, especially in advanced fields like semiconductors.

To that end, the PRC harshly criticized the Dutch government for working with Washington on the restriction of advanced lithography equipment.<sup>35</sup> The PRC's *Global Times* warned just last week that Beijing will take "corresponding counter-measures, such as imposing trade restrictions or seeking alternative suppliers, and reevaluating its cooperation with the Netherlands in more global areas."<sup>36</sup> Over the past year, the PRC has curbed the shipment of gallium and germanium to Europe, leading to a surge in prices on the continent.<sup>37</sup> It has also taken other steps to limit and ban the export of technologies essential for the exploitation of rare earth minerals.<sup>38</sup>

When possible, the PRC has encouraged companies in strategic sectors to bypass Western regulatory hurdles by moving to mainland China. After Berlin blocked the sale of a semiconductor factory in the German city of Dortmund to the Swedish subsidiary of China's Sai Microelectronics, the PRC persuaded the company to open a facility in Shanghai.<sup>39</sup>

The PRC's appetite for European capabilities remains voracious, especially in the military domain.<sup>40</sup> By penetrating Europe's defense industries, Beijing hopes to amplify the calls for strategic autonomy and undermine from within what it cannot subvert from abroad.

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<sup>33</sup> "Emmanuel Macron Warns Europe: NATO Is Becoming Brain-Dead," *The Economist*, November 7, 2019, <https://www.economist.com/europe/2019/11/07/emmanuel-macron-warns-europe-nato-is-becoming-brain-dead>; Jamil Anderlini and Clea Caulcutt, "Europe Must Resist Pressure to Become America's Followers, Says Macron," April 9, 2023, <https://www.politico.eu/article/emmanuel-macron-china-america-pressure-interview/>.

<sup>34</sup> Emmanuel Macron, "Europe Speech," April 24, 2024, transcript, Elysee, <https://www.elysee.fr/en/emmanuel-macron/2024/04/24/europe-speech>.

<sup>35</sup> "ASML Risks Losing Chinese Market Permanently If It Complies with U.S. Restrictions," *Global Times*, September 1, 2024, <https://www.globaltimes.cn/page/202409/1319035.shtml>.

<sup>36</sup> "ASML Risks Losing Chinese Market Permanently."

<sup>37</sup> Harry Dempsey and Edward White, "China's Export Curbs on Semiconductor Materials Stoke Chip Output Fears," *Financial Times*, August 26, 2024, <https://www.ft.com/content/9cd56880-4360-4e11-8c22-e810d3787e88>.

<sup>38</sup> Shunsuke Tabeta, "China Bans Exports of Rare-Earth Magnet Technologies," *Nikkei Asia*, December 21, 2023, <https://asia.nikkei.com/Economy/Trade/China-bans-exports-of-rare-earth-magnet-technologies>.

<sup>39</sup> Michael Nienaber and Arne Delfs, "Germany Blocks Two Chip Facility Sales to Chinese Investor," *Bloomberg*, November 9, 2022, <https://www.bloomberg.com/news/articles/2022-11-09/germany-blocks-sale-of-elmos-chip-facility-to-chinese-investor>; "European Semiconductors Giant Settles in Huangpu District," Huangpu Shanghai, April 25, 2024, [https://english.shhuangpu.gov.cn/2024-04/25/c\\_2337.htm](https://english.shhuangpu.gov.cn/2024-04/25/c_2337.htm).

<sup>40</sup> "Germany Stops Planned Sale of VW's Gas Turbine Business to China," Reuters, July 4, 2024, <https://www.reuters.com/business/energy/germany-stops-planned-sale-vws-gas-turbine-business-china-2024-07-03/>; Gavin Thomas, "Newport Wafer Fab: Semiconductor Plant Takeover Gets Go-Ahead," BBC, March 1, 2024, <https://www.bbc.com/news/uk-wales-68449303>.

## Espionage, Cyberwarfare, and Subterfuge

Additionally, PRC intelligence and influence operations in Europe are far more advanced than commonly appreciated. Beijing has worked to insinuate its products, instruments, and institutions into Europe's critical infrastructure.

To date, fewer than half of the EU's 27 member states have actively restricted the PRC's telecom giants Huawei and ZTE from their 5G network infrastructure, although the operating environment for these companies is steadily deteriorating in most countries in Europe.<sup>41</sup> The PRC is also uniquely positioned to surveil European populations through closed-circuit television, especially as cities adopt smart technologies. As a Radio Free Europe/Radio Liberty investigation revealed, "Dahua and Hikvision—two partially state-owned Chinese companies that are among the world's leading providers of closed-circuit television and surveillance systems—[dominate] markets in Hungary, Serbia, Romania, Moldova, Ukraine, Bosnia-Herzegovina, Kosovo, Bulgaria, and Georgia."<sup>42</sup>

The PRC has also taken stakes in ports that handle one-tenth of Europe's total shipping container capacity, including recently the port of Hamburg.<sup>43</sup> This poses risks for NATO. Last year, the Chinese-owned Gdynia Container Terminal blocked the unloading of U.S. Army equipment at Gdynia, Poland.<sup>44</sup> The presence of Chinese-developed software in European ports increases the likelihood that the PRC will surveil NATO infrastructure and other assets, too.<sup>45</sup> Additionally, the PRC has used hacking operations to attack European politicians and institutions, gaining access to personal data before earning official rebukes from several European governments.<sup>46</sup> In July, Germany summoned the Chinese ambassador over the PRC's 2021 cyberattack on Germany's Federal Agency for Cartography and Geodesy.<sup>47</sup>

To spread its influence, the PRC has built intelligence networks across Europe. As Richard Moore, chief of the United Kingdom's Secret Intelligence Service, said in November 2021, the PRC "monitor[s] and exercise[s] undue influence over the Chinese diaspora."<sup>48</sup> According to one tally by the nongovernmental organization Safeguard Defender, Beijing may have established three dozen police stations across Europe to monitor its diaspora.<sup>49</sup> As for Europeans, the PRC has co-opted

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<sup>41</sup> Cynthia Kroet, "Eleven EU Countries Took 5G Security Measures to Ban Huawei, ZTE," EuroNews, August 12, 2024, <https://www.euronews.com/next/2024/08/12/eleven-eu-countries-took-5g-security-measures-to-ban-huawei-zte>; "European Countries Who Put Curbs on Huawei 5G Equipment," Reuters, September 29, 2023, <https://www.reuters.com/technology/european-countries-who-put-curbs-huawei-5g-equipment-2023-09-28/>.

<sup>42</sup> Reid Standish, "Chinese-Made Surveillance Cameras Are Spreading across Eastern Europe, Despite Security Concerns," Radio Free Europe/Radio Liberty, February 8, 2024, <https://www.rferl.org/a/china-surveillance-cameras-europe-dahua-hikvision/32930737.html>.

<sup>43</sup> Committee on Foreign Relations, *Next Steps to Defend the Transatlantic Alliance from Chinese Aggression* (Washington, DC: United States Senate, July 2024), [https://www.foreign.senate.gov/imo/media/doc/risch\\_july\\_2024\\_report\\_-\\_next\\_steps\\_to\\_defend\\_the\\_transatlantic\\_alliance\\_from\\_chinese\\_aggression.pdf](https://www.foreign.senate.gov/imo/media/doc/risch_july_2024_report_-_next_steps_to_defend_the_transatlantic_alliance_from_chinese_aggression.pdf).

<sup>44</sup> Jeremy Van Der Haegen and Wojciech Kości, "Chinese Presence in a Polish Port Triggers Security Fears," *Politico*, April 3, 2024, <https://www.politico.eu/article/hong-kong-based-chinese-company-presence-polish-port-creates-security-worries-nato/>.

<sup>45</sup> Committee on Foreign Relations, *Next Steps to Defend the Transatlantic Alliance*.

<sup>46</sup> "UK Holds China State-Affiliated Organisations and Individuals Responsible for Malicious Cyber Activity," press release, Government of the United Kingdom, March 25, 2024, <https://www.gov.uk/government/news/uk-holds-china-state-affiliated-organisations-and-individuals-responsible-for-malicious-cyber-activity>.

<sup>47</sup> Geir Moulson, "Germany Says China Was Behind a 2021 Cyberattack on a Government Agency and Summons Its Ambassador," Associated Press, July 31, 2024, <https://apnews.com/article/germany-china-cyberattack-2021-ambassador-summoned-0adda42a886aebb20773719eaf2bf3ec>.

<sup>48</sup> John Curtis et al., *UK-China Relations: Recent Developments* (London: United Kingdom House of Commons, July 2024), <https://commonslibrary.parliament.uk/research-briefings/cbp-10029/>; "Speech by SIS Chief Richard Moore: Human Intelligence in the Digital Age," November 30, 2021, transcript, <https://www.sis.gov.uk/richard-moore-first-public-speech.html>; Marc Julienne, "Macron's China Policy: Dropping Illusions and Bringing Back Realpolitik," Prospect Foundation, May 14, 2024, <https://www.pf.org.tw/tw/pfch/13-10698.html>.

<sup>49</sup> *110 Overseas: Chinese Transnational Policing Gone Wild* (Madrid: Safeguard Defenders, October 2022), <https://safeguarddefenders.com/sites/default/files/pdf/110%20Overseas%20%28v5%29.pdf>.

elites through friendship groups, sister city programs, university-based organizations like Confucius Institutes, and other associations that advance narratives that promote Chinese interests.<sup>50</sup> The PRC uses a network of broadcast, print, and social media to amplify these narratives.

Beijing's theft of European intellectual property and its recruitment of Western talent also remain a problem. Ken McCallum, the head of the UK's Security Service, estimated that Chinese agents have used networking websites to approach over 20,000 targets in the UK alone.<sup>51</sup> European universities have partnered with entities affiliated with the Chinese military on thousands of research projects.

In all these efforts, Beijing manipulates the tools and traditions the West has long valued—openness, innovation, and an entrepreneurial spirit—in the service of its own interests. Since the PRC's intelligence and influence operations in Europe are more deeply entrenched than many realize, undoing them will take more work than many are currently planning to undertake.

### **The Path Ahead**

Yet there is a path forward to reclaiming Europe from the PRC's grasp. The first step is to recognize the threat Beijing poses to the Western way of life. Europe cannot rebuff China's influence if its leaders cannot be honest with their citizens about its scope.

Some recent developments reflect a growing awareness of the problem. The summit communiqué of the June 2024 G-7 meeting in Apulia, Italy, and the summit declaration of NATO's recent gathering in Washington, D.C., make clear that there is growing awareness in the West of the threat that Beijing poses. Yet even a fuller awareness of the PRC's malign influence is only the beginning. U.S. policymakers should encourage Europeans to reverse their economic dependency on Beijing before the political straitjacket it has left them in tightens even further. This involves further de-risking and de-linking European supply chains from the PRC, combating Chinese dumping practices by forging separate trading arrangements, and rebuffing Chinese-led infrastructure proposals. The strong political and security relationships that the U.S. has built with most European states should make it easier to urge allies to resist the false promise of PRC markets. In this endeavor, we should partner with Europe whenever possible rather than punish it.

Leaders in Washington should also urge Europeans to rebuke Beijing for its extensive espionage and cyberwarfare efforts on the continent and restrict the PRC's acquisition of European ports, factories, and defense concerns. Beijing must face consequences that go beyond the summoning of its ambassadors.

Too many in Europe still cling to the hope that the PRC can act as a "cooperation partner," as the European Union still officially defines it.<sup>52</sup> This only suggests to Xi that Europe is complacent and exploitable. If Europeans take steps to strengthen their independence, they are sure to experience harsh pushback from Beijing. But for every moment of delay, the risks to the transatlantic community grow. It is an urgent priority for us to take the threat of China's influence in Europe seriously. We must act to counter this threat before combating it effectively is no longer possible.

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<sup>50</sup> *Intelligence and Security Committee of Parliament Report: China* (London: United Kingdom House of Commons, July 2023), <https://isc.independent.gov.uk/wp-content/uploads/2023/07/ISC-China.pdf>; Committee on Foreign Relations, *Next Steps to Defend the Transatlantic Alliance*.

<sup>51</sup> Gordon Corera, "MI5 Head Warns of 'Epic Scale' of Chinese Espionage," BBC, October 17, 2023, <https://www.bbc.com/news/uk-67142161>.

<sup>52</sup> "EU-China Relations Factsheet," European External Action Service, December 7, 2023, [https://www.eeas.europa.eu/eeas/eu-china-relations-factsheet\\_en](https://www.eeas.europa.eu/eeas/eu-china-relations-factsheet_en).