



Statement before the House Committee on Foreign Affairs
Subcommittee on Europe
On Countering Malign PRC Influence in Europe

Chinese Influence in Central and Eastern Europe

Dalibor Rohac
Senior Fellow

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Chairman Kean, Ranking Member Keating, and members of the subcommittee, thank you for the opportunity to address you today on this important subject.

My work focuses on the political economy of Central and Eastern Europe (CEE), as well as the transatlantic relationship. The challenge of China has been casting an ever-larger shadow over Europe and the transatlantic partnership, particularly in the wake of Russia's full-scale invasion of Ukraine, which itself came on the back of the announcement of a "no-limits" partnership between Moscow and Beijing.

Assessing China's influence in Europe is a daunting task. For one, European governments are pursuing different approaches in their engagement with China and harbor different perceptions of risk toward Chinese economic practices, investment, and technology. The European Union itself has seen China simultaneously as "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."¹

Even the EU institutions have been voicing subtly different messages about the bloc's relationship with China, ranging from a need to nurture "stable and constructive relations" (as per European Council president Charles Michel),² through Beijing's disappointment with the Commission's President Ursula von der Leyen,³ to the European Parliament's frequent though symbolic support of the Uyghurs,⁴ Tibetans,⁵ and Hong Kong.⁶ The EU's internal divisions were on full display during the visit of Emmanuel Macron and von der Leyen to China in April 2023, during which the Chinese Communist Party (CCP) offered starkly different welcomes and levels of access to the two European leaders.⁷

This statement focuses on the CEE region, the Balkans, and countries of the so-called Eastern Partnership. The region presents almost as much variation in China policies and levels of economic integration and technological penetration by China as does Europe at large. It also illustrates the simultaneous presence and the tensions between the cooperation, competition, and rivalry that underpins Europe's relationship with China.

With Russia's war of aggression against Ukraine, backed by China's record-high purchases of Russian oil⁸ and gas⁹ and its direct support to Russia's military-industrial base,¹⁰ the CEE region offers a stark reminder that the European and Indo-Pacific theaters are not easily separable. For one, Eastern Europe offers examples of countries that have aspired to join the EU and NATO, yet whose exclusion from Western political and security structures has created an opening for Chinese influence, which the collective West may yet come to regret. In engaging those countries under the US security umbrella, however, Washington does have leverage and means to thwart Chinese efforts at building influence while also reassuring its allies. The United States should not be afraid to use such tools.

China Hawks: Lithuania and the Czech Republic

Lithuania and the Czech Republic are perhaps the clearest examples of CEE countries with strained relations with China and deep-seated distrust of its regime. Most accounts of Lithuanian-Chinese relations focus on the opening of the Taiwanese Representative Office in Vilnius in November 2021 and China's

subsequent ban on imports from Lithuania, challenged by the European Union at the World Trade Organization.¹¹ However, Lithuania's frictions with China started earlier, notwithstanding Lithuania's earlier participation in the 17+1 format, the Belt and Road Initiative (BRI), and the plan to construct a rail link connecting that country and China.¹² Some of the tensions can be traced to Beijing's effective freezing of relations with Estonia following the Dalai Lama's visit to Tallinn in 2011¹³ and Chinese hybrid aggression against Lithuania in 2019, instigating violence against a protest organized in Vilnius in solidarity with the people of Hong Kong.¹⁴

In the Czech context, increased awareness of the threat posed by China was similarly gradual. Around the time of Xi Jinping's state visit to Prague in 2016, Chinese investors—most prominently the now-defunct CEFC group, an opaque private entity with ties to the Communist Party—purchased stakes in the country's national carrier, Czech Airlines; the Lobkowicz Brewery; and SK Slavia Prague—one of the country's beloved soccer clubs. The country's then-president Miloš Zeman elevated Ye Jianming, CEFC's head, to the position of economic adviser.

While the conflict of interest raised eyebrows, few pushed strongly against the sycophantic attitude toward Beijing, including a dismissive view of Taiwan.¹⁵ PPF Group, an investment organization owned by the late billionaire Petr Kellner, provided another conduit for Chinese investment into the Czech Republic¹⁶ where PPF-led projects, sometimes with Chinese involvement, led to a consolidation of media markets—typically touting editorial lines not exactly friendly to the United States and the EU.¹⁷

As extravagant promises of Chinese investment failed to materialize and China's diplomacy started to be seen as too ham-fisted, more circumspect voices received political traction. In September 2020, the speaker of the Czech Senate, Miloš Vystrčil, visited Taiwan in an act of defiance against China.¹⁸ Then, in 2023, the speaker of the lower house, Markéta Pekarová Adamová, arrived with a large business delegation¹⁹ and launched a "Czech Hub" in Taipei, a new platform involving exchanges between businesses and think tanks in both countries. The Czech Republic is the only European country that has established direct contact between its own and Taiwan's defense universities, police agencies, and cyber agencies and undertaken military-to-military cooperation with Taiwan.

Both speakers' visits prompted irritated, over-the-top rhetorical reactions from Beijing. The change of government in 2021, CEFC's fall from grace in Beijing, and Kellner's sudden death meant that China was forced to focus on narrower goals. Today, Chinese influence remains subtle but no less malign. As an example, after Huawei was admitted to the Czech Chamber of Commerce (Hospodářská komora), it has cosponsored a number of exchanges and incubation programs offering cash prizes, mentoring, and trips to China. In a recent, highly problematic episode, a Czech drone startup, Drontag, participated in a Huawei-sponsored incubation program—despite also being part of NATO's Defence Innovation Accelerator for the North Atlantic program, aimed at accelerating dual-use innovations in allied countries.²⁰

Neither Czech nor Lithuanian policies on China are set in stone. The 2025 parliamentary election in the Czech Republic might return Andrej Babiš to premiership, opening the way for a reset modeled after other countries in the region that are friendlier to China. Similarly and perhaps more urgently, China-friendly

forces are expected to gain strength in the upcoming elections in Lithuania in October 2024. The Lithuanian Farmers and Greens Union (LVŹS) represents constituencies that have been affected by Beijing’s economic coercion—most notably farmers, given that grains represented the most important part of Lithuania’s exports to China. Moreover, LVŹS already has a track record of cooperating with China during its time in government (2016–20), which is likely to come back to life should power in Vilnius change hands.²¹

China Sympathizers: Hungary and Serbia

On the opposite end of the spectrum, some CEE countries have welcomed and seemingly benefited from China’s economic heft and political influence—most notably, Hungary. Just one year into Viktor Orbán’s premiership, Huawei picked Hungary as its logistical hub for Europe²² in a deal worth \$1.2 billion. Orbán called Hungary a “pillar” of the BRI and has repeatedly blocked the EU’s initiatives and statements seeking to hold China accountable, such as on territorial violations in the South China Sea, the torture of detained Chinese lawyers, and abuses of power in Hong Kong. Not only has Orbán lambasted such efforts as “politically inconsequential and frivolous,”²³ but Hungary also rebuked the Trump administration’s 5G initiative aimed at excluding Huawei from the construction of new 5G networks.²⁴

In 2023, China became the largest foreign investor in Hungary, according to the Hungarian government,²⁵ and accounted, in some assessments, for 44 percent of all Chinese foreign direct investment (FDI) flows to Europe.²⁶ While the EU and the United States are considering preemptive responses to the challenge posed by the Chinese electric vehicle (EV) industry, Hungary is trying to capitalize on Chinese presence in the sector, as most new Chinese FDI is flowing into the EV industry. The Chinese battery manufacturer CATL is planning to launch a new battery plant in Debrecén in 2025, worth up to \$8 billion,²⁷ possibly paired with other EV projects.²⁸ In July 2024, it was revealed that earlier this year, the Hungarian government borrowed €1 billion from China Development Bank, Export-Import Bank of China, and the Bank of China, the largest loan of its kind in the country.²⁹

Even more worryingly, in February 2024, Hungarian authorities and China’s Public Security Minister Wang Xiaohong concluded an agreement ahead of Xi’s state visit³⁰ on security cooperation “in areas including counter-terrorism, combating transnational crimes, security, and law enforcement capacity building.” The deal is likely designed to give the Chinese government greater leeway to spy on and police its citizens living in Hungary.³¹ Already, Hungary serves as a major market for Chinese-made surveillance cameras, with 3,567 Dahua and 18,166 Hikvision devices operating in the country—both coming from companies suspected of poor data protection practices and intimate ties to the CCP.³²

Outside of Western political, security, and economic structures, China becomes even more assertive. In Serbia, China is the largest foreign investor, on par with all EU countries combined.³³ Geographically, Serbia represents another stop on the way from the Chinese-controlled port of Piraeus into the EU heartlands, critical to the BRI. The accidental bombing of the Chinese embassy in Belgrade in May 1999, killing three diplomats, has played an important symbolic role in bringing together Beijing and Belgrade as putative victims of “Western aggression.” Besides Paris, Belgrade and Budapest were the only stops on Xi’s 2024 tour of Europe. Serbia’s President Aleksandar Vucic commented: “[Xi] will be met with respect

all over the world, but the reverence and love he encounters in our Serbia will not be found anywhere else.”³⁴

In 2016, Smederevo Steel Mill was acquired by China’s Hesteel Group, marking an era of closer economic relations. This was followed, in 2018, by a large greenfield investment in a tire factory in Zrenjanin; Zijin Mining’s takeover of much of Serbia’s mining; and a series of smaller projects in the automotive sector,³⁵ jointly with Chinese large-scale investment into infrastructure,³⁶ including roads and wastewater. Loans financing Chinese investment have added around €3.7 billion to Serbia’s public debt.³⁷

Serbia has also purchased Chinese military systems—CH-95 and CH-92A drones as well as the QH-22/FK-3 medium-range anti-aircraft missile system—raising questions about interoperability with European militaries. The large purchases made China the most significant supplier to the Serbian military in 2022.³⁸ Cooperation on defense comes on top of a deeper alignment on security, with arrangements in place that allow for joint patrols of Chinese and Serbian police and penetration by Chinese surveillance technology.³⁹

No-Man’s-Lands and the “Mushy Middle”: Western Balkans, Georgia, and Poland

In fairness, neither Lithuania nor Serbia is representative of the entire CEE region, which is diverse. For countries outside the EU, typically poorer and with worse access to international finance, China is often an attractive option, especially in developing basic infrastructure. The tiny Bosnia, for example, has been on the receiving end of over \$3.4 billion in Chinese FDI since 2010,⁴⁰ oftentimes financed through construction loans. China has also overseen the development of the country’s 4G network.⁴¹ NATO members Montenegro and North Macedonia, in turn, have seen Chinese investment into their road infrastructure, railways, and energy sector. As in Serbia, with its growing public debt problem, the reliance on Chinese-held debt should trouble both local political elites and policymakers in Washington: 40 percent of Montenegro’s external debt is held by China, followed by 20 percent of North Macedonia’s.⁴²

Farther away, Georgia has seen a surge in Chinese influence, as well as trade and investment links, as the ruling Georgian Dream Party is increasingly renegeing on the country’s Western commitments. In 2022, China was Georgia’s third-largest trade partner. Its investment footprint is limited when compared to companies from Western Europe,⁴³ but it is growing.⁴⁴ Chinese entities have invested in energy, roads, railways, logistics centers, shopping malls, and the country’s 5G infrastructure⁴⁵—thus renegeing on a 2021 pledge to the United States to prevent Huawei’s access to Georgia’s 5G network. Georgia’s importance as a transit country within the so-called “middle corridor” has likely motivated Chinese interest in Anaklia, a deep-sea port that was initially meant to be developed by a US-led consortium—until the government scrapped the deal in 2020, initially worth \$2.5 billion,⁴⁶ and awarded it to a Chinese state-controlled entity, with few details disclosed.⁴⁷

Arguably, China’s value proposition for countries inside the EU, with access to EU funds and integrated into European single market, is far less compelling than for poor and vulnerable postcommunist countries outside the bloc. To be sure, that does not inoculate them against Chinese influence, as the example of Hungary shows—and that of Slovakia, where Robert Fico’s government seems poised to follow in Orbán’s footsteps vis-à-vis its outreach to China.⁴⁸

There is, however, a more nuanced set of attitudes toward China in a country that has been otherwise an extremely close and reliable ally of the United States: Poland. US policymakers would be well advised to reflect on a view that seems largely shared by the two main political parties, which otherwise agree on little.⁴⁹ As Poland's Foreign Minister Radosław Sikorski said in July 2024 at AEI,

There is only one country between Poland and China. We have a neighbor in common. And that determines everything. We respect China as a country that has a different political system, but that has brought hundreds of millions of people out of poverty.⁵⁰

What is more,

China has never done anything bad to Poland, nor did Poland take part in European colonialism against China. In that sense, we have a common experience. We were both victims of European colonialism in the 19th century. But we recognize that China is a competitor to our greatest ally. . . . So we will work to moderate the Sino American competition, to our limited abilities, to prevent it from going hot.⁵¹

The point is not to criticize Poland or its foreign minister. Rather, it is to understand the problem set faced by Eastern European allies as they try to navigate their neighborhood and China's rising role in it. For Poland, a degree of economic integration with China is seen as providing the country with leverage that may be used at critical moments (e.g., to prevent a full Russian-Chinese alignment). Poland thus joined the BRI in 2015 and was among the early countries in Europe to join the China-led Asian Infrastructure Investment Bank. China is Poland's second-largest trading partner, following Germany, and Poland is China's top trading partner in the CEE region, with mutual trade growing at over 10 percent annually over the past five years—reaching \$42 billion in 2023.⁵²

From the Chinese perspective, Poland matters as the end point of the New Eurasian Land Bridge economic corridor, connecting China to the EU via Kazakhstan, Russia, and Belarus; from the Polish perspective, its strategically important position provides it with a degree of bargaining power vis-à-vis China.

Poland has been also a destination for Chinese investment, albeit modest in scale. Annually, Chinese FDI remains in the hundreds of millions of dollars, which is a small fraction of the country's total FDI flows.⁵³ One notable exception is Tencent's acquisition of Techland, a successful computer game studio, worth \$1.5 billion.⁵⁴ Chinese manufacturing, clean energy, and pharmaceutical companies have all established their presence in Poland—alongside information and communications technology giants such as Huawei and ZTE.⁵⁵

That said, Poland has displayed a degree of circumspection around Chinese investment. In 2019, Poland joined other CEE countries and the US in their commitment to keep Chinese companies out of the country's 5G networks⁵⁶—a commitment that has been challenged by Huawei in court.⁵⁷ In June 2024, President Andrzej Duda visited China on a high-profile state visit; however, the list of policy deliverables was relatively light. Neither did Duda make any visible progress attenuating China's support to Russia's war effort in Ukraine.⁵⁸

Effectiveness of Chinese Strategy and Tactics in the CEE Region

The Chinese footprint in the CEE region should not be overstated. While, globally, BRI investment has continued its rise from pandemic levels and some CEE countries have seen large-scale Chinese commitments in recent years, Chinese FDI in Europe remains below its high-water mark in 2016.⁵⁹ With the health of China's economy in question, it is debatable whether sustaining large volumes of outbound investment flows will remain a priority for the regime.

More broadly, it is not entirely obvious how successful the CCP's outreach is. For one, tensions exist between elements of China's strategy. Its support for Russia's war of aggression in Ukraine, for instance, erodes the appeal that China can seek to project in countries such as Poland or the Baltic states. With China's global image in decline, even in bastions of pro-Chinese policy such as Hungary, only small segments of the population view China favorably: 35 percent, compared to 52 percent for the United States. In Poland, the relevant figures are 18 and 86 percent, respectively.⁶⁰ What is more, the war itself has accelerated discussions across Europe over the interdependencies that could be weaponized by Beijing, just as Moscow has used the supply of cheap natural gas to extort Europe.

Finally, there is the self-inflicted problem of "wolf warrior diplomacy" and direct intimidation employed by the Chinese regime. Far from making countries eager to cooperate with China, such practices ring alarm bells. The ban of Lithuanian exports to China, imposed in the aftermath of the opening of the Taiwan Representation Office in Lithuania, helped move European public opinion against China—as has the vitriol against the Czech Senate speaker Miloš Vystrčil around the time of his visit to Taiwan. Lu Shaye, China's ambassador to France, epitomizes the haughty approach to China's critics and indeed to countries of the CEE region. In a shocking interview in 2023, for instance, he stated that former Soviet countries "[had] no effective status in international law" and suggested that Crimea was rightfully Russian.⁶¹

China behaves in a particularly heavy-handed way in countries trapped in the no-man's-land outside the EU and NATO. The International Republican Institute in Bosnia and Herzegovina, for example, shared a story of a Bosnian political leader participating in the 2022 Global Assembly of the World Movement for Democracy in Taiwan. In response, the Chinese embassy in Sarajevo reportedly threatened to cut ties with her party. Moreover, assembly participants reported surveillance by Chinese intelligence during their visit to Taiwan. This year, Chinese embassies pressured lawmakers from Bosnia, North Macedonia, and Slovakia not to attend an Inter-Parliamentary Alliance on China conference in Taiwan.⁶² Representatives of relatively small and poor nations received particularly blunt threats.⁶³

Yet EU and NATO members are not immune to similar tactics. In March 2024, the Taiwanese president-elect's motorcade was tailed by a Chinese diplomatic car during a visit to Prague, nearly causing a traffic accident as the Chinese car ignored a red light in a central area of the city.⁶⁴ More broadly, Chinese students abroad, including in the EU, report being surveilled by Chinese authorities—with the specific aim of dissuading them from any activities that could be construed as critical of the regime.⁶⁵

Likewise, the CCP routinely represses relatives of exiled Chinese nationals—especially those with public profiles, engaged in journalism or activism.⁶⁶ According to Chinese authorities, "230,000 telecom fraud suspects [have been] educated and persuaded to return to China from overseas to confess crimes from

April 2021 to July 2022,”⁶⁷ suggesting a wide network of transnational coercion, likely run by overseas “police stations,” whose presence has been documented in CEE cities including Belgrade, Budapest, Bratislava, Odesa, and Prague.⁶⁸

Future Directions of US Policy

China’s efforts to build influence in the CEE region and beyond demonstrate that America’s strategic competition with China cannot be confined to the Indo-Pacific. After all, countries in which the CCP has made successful inroads happen to be countries that are also susceptible to Russian influence—and/or are countries that have been left behind in the process of expanding NATO and the EU. Conversely, the Czech Republic and Lithuania are simultaneously vigilant about the Chinese threat and are being exemplary allies within NATO, keen to deter Russian aggression.

This pattern suggests that securing peace and prosperity in Europe, particularly in the CEE region, and taking the concerns of our European allies seriously is an important component of a strategy to counter China. Frontlines Coalition, a new project of the Prague-based thinktank European Values, seeks to coordinate policy and create linkages between countries exposed to the Russian threat and those vulnerable to Chinese aggression. For example, Japan is the fourth largest donor to Ukraine during the ongoing war and Japanese and South Korean contributions expressed in per-gross domestic product terms exceed those of some European countries.⁶⁹

The United States must effectively connect the Russian and Chinese threat through policy, communications at home, and public diplomacy. Reassuring European allies of our commitment to NATO and Ukraine’s victory is a prerequisite for a greater buy-in to a US China strategy by frontline states on NATO’s eastern flank. By extension, a strategy of rolling back Russian influence in places such as Georgia and the Balkans and embedding them within Western alliance is necessary for pushing out undue Chinese influence. Beyond reassurance, the United States should not be afraid to be assertive with allies that are sitting on the fence or are, like Hungary, actively encouraging Chinese influence.

In practical terms, the carrot-and-stick approach that is needed should do the following.

- Emphasize to CEE countries the need to decouple from China in strategically important areas, such as information and communications technologies, dual-use technologies, and munitions,⁷⁰ and warn against creating dependencies on Beijing *while simultaneously* creating pathways to more and freer transatlantic trade and flow in services through more ambitious regulatory coordination and eventually a deep and comprehensive trade agreement.
- Use coercive measures when needed while explaining the rationale to CEE allies. There is credible evidence, for example, implicating CATL and Gotion—two major automotive players in China—in the ongoing genocide in Xinjiang.⁷¹ Not only should those companies be placed under US sanctions and have their products banned from the US market, but their European partners (e.g., Slovakia’s InoBat or, more importantly, Stellantis) should face the threat of secondary sanctions.
- Encourage closer ties between CEE allies and those in the Indo-Pacific—for example, through building a shared defense industrial base and military-to-military cooperation under US auspices. CEE

companies seeking to export military kit to Japan, the Philippines, South Korea, or Taiwan should enjoy preferential access to US funding—and vice versa.

- Ensure that countries of the region have compelling alternatives to BRI financing, in part through America's influence in international financial institutions and via vehicles such as the US International Development Finance Corporation.

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- ⁹ Reuters, “Russia’s Gazprom Breaks Daily Record for Gas Supply to China,” January 3, 2024, <https://www.reuters.com/business/energy/russias-gazprom-breaks-daily-record-gas-supply-china-2024-01-03>.
- ¹⁰ To provide just a few examples: An April 2024 report by *Financial Times* indicates that “China supplied 90 percent of microchips imported by Russia in 2023, and that these microchips were in tanks, missiles, and aircraft.” See Demetri Sevastopulo, Guy Chazan, and Sam Jones, “US Says China Is Supplying Missile and Drone Engines to Russia,” *Financial Times*, April 13, 2024, <https://www.ft.com/content/ecd934b6-8a91-4b78-a360-9111f771f9b1>. In December 2023, the US Department of Treasury sanctioned a network of individuals and organizations, most prominently Hu Xiaoxun and his company, Jarvis, which coordinated “[sales] of Chinese-manufactured weapons and technologies to Russia. Hu’s network has worked to structure deals circumventing United States sanctions and Chinese controls on the export of military-related materials, including for *conventional weapons and electronic components with Russian customers ranging from thousands of dollars for ammunition, to hundreds of thousands of dollars for loitering munitions, to millions of dollars for semiconductor microchip manufacturing equipment*. Hu and his associates . . . attempted to mask the identities of his customers by obfuscating the end-user of PRC-manufactured products.” See US Department of the Treasury, “Treasury Imposes Sanctions on More Than 150 Individuals and Entities Supplying Russia’s Military-Industrial Base,” press release, December 12, 2023, <https://home.treasury.gov/news/press-releases/jy1978>. Likewise, the EU has sanctioned Chinese entities involved in sales of European electronic components to Russia. See Julia Payne, Andrew Gray, and Gabriela Baczynska, “EU Approves New Sanctions Package Against Russia,” Reuters, February 21, 2024, <https://www.reuters.com/world/europe/eu-approves-13th-sanctions-package-against-russia-eu-sources-2024-02-21>. Russia has also purchased hundreds of Chinese-made military vehicles, including armored trucks. See James T. Areddy and Austin Ramzy, “Chinese-Built Armored Trucks Make Appearance in Chechnya,” *Wall Street Journal*, June 9, 2023, <https://www.wsj.com/articles/chinese-built-armored-trucks-make-appearance-in-chechnya-33af6e4a>.
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