Europe can only be as strong as it is united, and it can only be as united as it is bound together by common values. … How we deal, for example, with the rise of China as an economic, political and military power … depends in large part on whether Europe actually speaks with one voice – or not.1

- Chancellor Merkel of Germany

Forging European Unity on China: looking beyond value-politics

Upon receiving the Carlos V European Award on the 14th of October 2021, Chancellor Merkel used these words to voice what is a common sentiment on European China policy: Europe must unite to meet China as an effective partner, competitor and rival. European unity, furthermore, must be founded on values. Sentiment contradicts reality. Member states can be divided on China, even on issues such as human rights. Often singled out as an agent of division is the Hungarian government of prime minister Viktor Orbán. In June 2021, it blocked an EU-statement that criticized China’s Hong Kong-policy.2

Hungarian dissent begs the question: how can the EU and Member States move forward on China given Hungary’s strategy of obstructive dissent? We argue that a deeper look at the causes of European division shows that Orbán’s illiberalism is not the most fundamental issue. More importantly, it should prove unsustainable in light of

---

1 “Speech by Federal Chancellor Dr Angela Merkel at the presentation of the Carlos V European Award at the Royal Monastery of Yuste, Spain”, The Federal Government, October 14, 2021.

long-term trends that push Europe towards more unity on China. To bank in on these trends and move Europe forward on China, European cooperation ought not wait for unanimity, nor should it rely on value-politics: member states should play the power game to circumvent or break lingering impasses.

A divided playing field: Hungary, France and Germany and China

To assume that Europe’s division on China stems from one dissenting voice, would be missing the point. Let’s discuss three main presumptive causes of division in turn – the (I) Hungarian government, (II) France and Germany and (III) Chinese interference.

Source I: the Orbán-government

In short, Orbán’s friendly relations to China serve private economic interests in the first instance. Although his Eastern Opening-strategy has failed in broad terms, three flagship projects have contributed to a strong partnership between the Chinese and Hungarian governments, leading Hungary to be the first EU country to join the BRI in 2015. The reconstruction of the Budapest-Belgrade railway line was awarded to a consortium of Chinese state-owned corporations and a company affiliated with Lőrinc Mészáros, Orbán’s childhood friend who in a matter of years became Hungary’s richest man as a result of government-awarded contracts. Corruption issues in Hungary have been widely reported and have indeed been subject of diplomatic agendas, with the Secretary of State Pompeo arguing that ‘the corruption problem [in Hungary] creates pathways for Russian and Chinese influence.’ The European Commission has written letters to both Hungary – as well as to Poland - saying that problems with corruption pose a risk to the EU.

Nevertheless ideology has indeed become part of the Orbán-strategy. In Orbán’s narrative the West disintegrates and decays as the East rises. Hungary is the civilizational fulcrum between East and West. Vetoing EU declarations denouncing Chinese human rights abuses serves the purpose of signalling that myth by counterposing European division and weakness against illiberal strength. The Orbán-government increasingly needs the anti-Western narrative to legitimize its inimical relations with the European Union. China is a character in, rather than the author of this narrative, just as it is one of many enablers, rather than the cause of corruption issues in Hungary.

Source II: France and Germany

If any great power has leverage over Hungary, it is not Russia or China, but Germany. Germany is Hungary’s main trading partner, accounting for approximately 27% of trade volume, with more than 3000 German companies active in Hungary. This raises the question, when the German government is – and crucially when it is not – willing to pull on the Hungarian lever to force a unified stance on China in the EU. Chancellor Merkel has not prioritized China as an issue for which to force Hungarian support, in particular not on human rights declarations. The new government is expected to be less lenient, both with regard to China’s human rights abuses and Hungary’s stance on them.

3 Exports to China have only risen by 0.1% since its advent, with the Hungarian economy remaining overwhelmingly dependent on European FDI and trade, see Tamás Mészáros, “As Hungary lauds its ‘Eastern Opening’ policy, statistics fail to show benefits”, Euractiv, May 12, 2021; Jakub Janda & Richard Kraemer, “Orban’s Hungary: A Russia and China Proxy Weakening Europe”, European Values Center for Security Policy, December 8, 2021.

4 Panyi Szabolcs, “Huge Chinese loan to cover the construction of Fudan University in Budapest”, Direkt36, April 6, 2021.


This points to another dividing line that runs across European China-policy formulation, namely the one between France and Germany and the rest.\(^8\) France and Germany have long had and still have an ambiguous relation to the project of a unified European China-strategy – wavering between positioning the EU as a power bloc on the global stage through cooperation and a strong reflex to national geoconomics.\(^9,10\) Budapest exploits the strategic voids left between Berlin, Paris and Brussels.

**Source III: China**

The Chinese government, in its 2018 policy paper on Sino-EU relations, says it ‘welcomes a united, stable, open and prosperous Europe.'\(^11\) President Xi has welcomed the concept of European strategic autonomy\(^12\) as the path to weakening US influence on European China-policy.\(^13\) And yet, the inability of the European Commission and HR/VP to act as the geopolitical representative of a united Europe is a core strategic assumption of the Chinese government.\(^14\) China prefers to deal on a bilateral basis with EU member states. If opportune, it leverages and reinforces existing intra-European divides. In Budapest 2012, it launched the ‘16+1’, a platform to bring together 16 Central and Eastern European Countries\(^15\) and China, to the exclusion of EU institutions. When pursuing certain strategic goals with the European Union as a whole, it prioritizes parallel or even prior engagement with France and Germany. This reinforces the legitimacy-problem of the EU HR as the European spokesman on the world stage.\(^16\)

China’s strategy is reactive and therefore malleable. China has experimented with the politics of division, which its Covid-era influence campaign attests to.\(^17\) China’s use of active measures in Europe – such as disinformation, coercive strategic messaging

---

8 Traditionally, the UK would have been the third in this list, but given the British exit from the European Union, the UK is not a relevant constitutive element in current EU foreign policy making on China.

9 Already in 1997 President Chirac blocked an EU-wide UN-resolution denouncing Chinese human rights abuses only to visit China month later and sign a ‘global partnership agreement’ with his counterpart Jiang Zemin, benefitting above all the French aviation industry, see “Lucratief bezoek, Chirac aan China”, Trouw, May 16, 1997.

10 Officials from Italy, Poland, Belgium and Spain criticized the way Chancellor Merkel closed the Comprehensive Agreement on Investment with China in the final days of the German presidency of the Council of the EU in 2020, allegedly putting German industrial interests before broader European geostrategic considerations, see Jakob Hanke Vela, Giorgio Leali & Barbara Moens, “Germany’s drive for EU-China deal draws criticism from other EU countries”, Politico, January 1, 2021.


14 As was already noted by the Advisory Council on International Affairs (see AIV, “China and the Strategic Tasks for the Netherlands in Europe”, AIV Advisory Report 111, June 2019), and Ties Dams, De Nieuwe Keizer, Xi Jinping, China’s machtigste man sinds Mao, Prometheus, 2018.

15 When Greece joined, it was named ‘17+1’. In 2021, Lithuania left the group.

16 The ambiguous Franco-German stance on a unified EU geopolitics is reflected in a fragmented European representation on the world stage. Neither the President of the European Commission nor the President of the EU Council of Heads of State, nor the High Representative of the Union for Foreign Affairs and Security Policy (HR/VP), are empowered with full spokesmanship. For the past years, China’s main interlocutors for pan-European relations have been – in order of relative weight – the German Chancellor, the French President, the President of the European Council and the President of the European Commission. Together, they can forge a unified China-policy – none can claim European spokesmanship. This shows in who engages China on behalf of Europe For a more in-depth analysis of this, see Ties Dams & Monika Sie Dhian Ho, “Will the European hero please stand up? An essay on European global narrative strategy”, Clingendael, April 2021.

and political interference – seem to be aimed at amplifying division between and within European societies.\(^\text{18}\) Engaging China with greater unity of policy and spokesmanship would logically command it not to escalate its tactics of division. Given the rising tensions between China and the US, China may well change its strategic posture to an active-divisive one, seeking to weakening the US’ most important block of allies. To this strategy the Orbán government, member of the EU and NATO, would be a most potent pawn.

**Trends toward unity: Europeans, the EU and the US**

Since 2018, the EU is making strides in forging a European united front on China. There are at least three trends that move Europe forward in spite of lingering points of contention: (I) electoral sentiment and the widening of diplomatic debate, (II) the EU’s geopolitical wake-up and (III) American pressure.

**Trend I: electoral sentiment and the widening of diplomatic debate**

Prime minister Orbán is quickly losing popular support for his close friendship to China.\(^\text{19}\) Even amongst his own supporters, China is by the majority seen as an undesirable partner.\(^\text{20}\) Recently, an incident concerning a Hungary-based campus of the Chinese Fudan University lead to thousands of protestors to take to the street. The Campus is to cost more in loans from a Chinese bank than the sum of the Orbán-government’s entire higher education budget,\(^\text{21}\) and is mired in corruption-concerns, with the Hungarian government keeping the financial conditions of the project unknown.\(^\text{22}\) The protests have forced the prime minister to put the issue to a referendum, organisation of which is being stalled.\(^\text{23}\) The Hungarian government’s strategy seems to be to downplay the issue until public attention shifts to something else.

The main diplomatic umbrella for Sino-Hungarian relations – 16+1 – is falling apart. Formerly named ‘17+1’, the Lithuanian government has chosen to officially depart from the platform, seeking closer ties to Taiwan instead, leading to significant economic coercive measures from China. More broadly, other members have expressed disappointment over the economic benefits of 16+1.\(^\text{24}\) Not too long ago, 16+1 was often framed as a potent way for China to divide Europe.\(^\text{25}\) Today China should worry, seeing its main European diplomatic platform is losing support. The Orbán-government is the dissonant, as it is not in tune with the vox populi in the way other governments in the region are.

---

18 Ties Dams, *“Why China gave up on being liked by Europe”,* Clingendael Spectator, October 27, 2021; Paul Charon & Jean-Baptiste Jeangène Vilmer, *“Les opérations d’influence Chinoises. Un moment Machiavelien”,* IRSEM, October 2021.

19 The pandemic has been a crushing blow to Chinese appeal amongst the Hungarian people, with over 40% believing that the virus was made artificially and spread intentionally by China, see Ties Dams et al (eds.), *“China’s Soft Power in Europe”*. \(^\text{21}\)

20 Almost 50 percent of Hungarian respondents hold negative or very negative views of China, while only about 25 percent held positive or very positive views. Hungarians are more negative about China than Poles, Slovaks, Italians, or Spaniards, and on a comparable level as Germans or the French. The Budapest-Belgrade Railway-project is particularly unpopular, see *“Global views on China”,* Sinofon, last accessed February 23, 2022.

21 *“Budapest roads renamed in protest against Chinese university”,* BBC, June 2, 2021; *“Budapest protest against China’s Fudan University campus”,* BBC, June 5, 2021.

22 Szabolcs, *“Huge Chinese loan to cover the construction of Fudan University in Budapest”*. \(^\text{22}\)


25 Jonathan Hillman & Maesea McCalpin, *“Will China’s ‘16+1’ Format Divide Europe?”,* CSS, April 11, 2019; Dusan Stojanovic, *“China’s spreading influence in Eastern Europe worries West”,* AP News, April 11, 2019.
‘China’ is a topic of urgency in a growing number of European countries. This leads to new advocates to push the debate and electorates across Europe becoming more engaged with China-policy.

**Trend II: the EU’s geopolitical wake up**

Since 2018, the EU has made great strides in forging strategic unity on China. Notably, member state initiatives have had an important agenda-setting role. The Dutch government calling for more European cooperation on China in 2018\(^{26}\),\(^{27}\) is a prime example. The EU Strategic Outlook on China set the tone for a stronger debate on Sino-European relations and empowered EEAS to claim legitimacy as a spearhead in this domain. The same goes for the Indo-Pacific strategies published by the Dutch, German and French governments, which touches upon important aspects of geopolitical engagement with China, and were followed by an EU strategy. The EEAS StratCom-unit is increasingly focused on challenges set by China, countering Chinese interference in the European information sphere.

In the past year, three instruments\(^{28}\) have come forward that empower the EU in its China-relations indirectly. These are the Global Human Rights Sanctions Regime\(^{29}\) (GHRSR), the Anti-Coercion Instrument\(^{30}\) (ACI), and the International Procurement Instrument.\(^{31}\) All three give the EU capacity to act strategically in its relations to China – if defensively.\(^{32}\) The fact that the GHRSR has been accepted by the Orbán-government shows it is far from consistent in its dissent.\(^{33}\)

Recently, the Commission and HR/VP have passed a new milestone: Global Gateway\(^{34}\) (GG) – a connectivity strategy that potentially provides 300 billion euro’s in infrastructure.

---

27 AIV, “China and the Strategic Tasks for the Netherlands in Europe”.
28 A fourth instrument may the long-awaited, but not yet adopted Corporate Social Responsibility and Due Diligence Instrument.
32 The GHRSR provides a framework for sanctioning individuals and organizations involved in serious human rights violations worldwide. The adaptation of the list of targeted entities requires unanimous approval by member states in the EU Council. This happened without obstruction by the Hungarian government in March 2021, when several Chinese entities were sanctioned for involvement in human rights abuses. ACI is a proposed instrument that is intended to empower the Commission to apply trade, investment or other restrictions towards any non-EU country unduly interfering in the policy choices of the EU or its Member States, thus deterring the economic coercion of any Member State by a third party. The Commission would be aided by the targeted member states in preparing a menu of response measures. The Commission would be empowered to adopt those measures via an implementing act, further changes to the measure package being adherent to EP and Council involvement. Once adopted, the IPI would allow the Commission to limit the access to open EU public procurement tenders of non-EU companies from countries that do not offer similar access to EU companies. The Council and the Commission intend to finish negotiations with EU ministers in spring. Within the now proposed legislative framework, the Commission has the right to initiate an investigation into restrictive or discriminatory procurement measures and the ability to apply restrictive counter-measures.
33 The rising tensions between Lithuania and China should provide a first test-case for the ACI, see EEAS, “Joint Statement by High Representative/ Vice-President Josep Borrell and Executive Vice-President Valdis Dombrovskis on China’s measures against Lithuania”, December 8, 2021.
investments all over the world. Interestingly, it should follow a Team Europe approach, meaning it brings together funding by the EU, relevant and engaged member states and European financial institutions. This enables swift action, as implementation is not dependent on unanimous agreement by member states.

The Council is expanding its capacity on foreign affairs in general and China-relations specifically. Strong synergies with the Commission and HR/VP are possible, but by no means self-evident. Closer coordination and clearer division of roles is needed to avoid bureaucratic cannibalism. Vitally, neither defensive autonomous instruments, nor connectivity-frameworks solve the spokesman’s conundrum: for more forceful engagement with China, Europe will need to develop a voice.

**Trend III: American pressure**

One last trend that may be moving Europe towards unity on China is growing American pressure on European government to pursue more hawkish policies.

When it comes to Hungary specifically, the Biden-administration seems to draw upon the line sketched by Trump: namely, that as a NATO-member, undue influence by China and Russia over the Hungarian government is a security concern for the US, and that Hungary’s democratic backsliding gives ample opportunity for influence. Biden invited all EU countries to its Democracy Summit – except Hungary. Hungary, in turn, blocked EU-participation at the summit.

In this way, Biden plays into Orbán’s hands: giving Hungary the opportunity to flaunt its illiberal image, but failing to exert hard influence. The opposite happens too: GHRSR was adopted despite Hungarian attempts to block it, thanks to pressure from US Republican Senators. This shows that if US pressure is used in service of EU-strategic goals, it can move the Hungarian government to tone down its obstructive dissent when it matters most.

There is also reason to believe that the US pushing for more hawkish China-policies in Europe can create new divides. Although various explanations for Lithuania’s antagonism to China have been offered, some commentators argue this is either directly the result of US pressure, or an indirect consequence: Lithuania may have chosen to be the driving force behind anti-Chinese initiatives in order to guarantee that Washington will not scale back its presence in Eastern Europe and the Baltic states.

In this way, tackling China may be a tactic for securing US backing against Russian aggression. Whatever the motivation, Lithuania is taking steps in its China-policies other European countries are not willing to take, thereby exposing a potential new division.

**Gameplay: four ways to move Europe forwards on China**

The case of Hungary shows that obstructive dissent can be a potent tactic for hindering European unity on China, but that is it not the only, nor the most fundamental reason for division. More importantly, it should prove unsustainable in light of long-term forces – from Hungary and beyond – that push Europe towards more unity on China. Based on analysis of the main sources of division and trends towards unity, individual member states would be wise to pull on the following four levers to forge greater European unity on China.

---


37 For instance, Alex Lo, “Lithuania is a US proxy against China”, South China Morning Post, December 1, 2021.

Engage the Hungarian people
The single most promising factor in the future of Hungary, including its contributions to EU foreign policy, are the Hungarian people. EU member states should have their representatives in Budapest double down on engaging the Hungarian public through public diplomacy on pan-European issues, such as human rights, democracy and East-West relations in their geopolitical context. Member states’ representative bodies in Budapest could pool resources with others to stage debates on China-relations, involving both Hungarian and non-Hungarian experts. In addition, external funding for China-related research publications in Hungary can be supported through bilateral cooperation.

Alliance Against Strategic Corruption
Hungarian corruption may provide an easy way in for undue Chinese influence, but Chinese influence does not cause it. Public procurement documents show that companies held by the Meszaros-family won tenders to the tune of €1.5 billion between 2010 and 2017, with 83% of the contracts on EU-funded projects.9 EU institutions have struggled to safeguard against corruption within the frameworks of funding. It is not just a matter of protecting European rule of law, but a matter of growing geopolitical urgency to make sure this happens.

In addition to contributions to GRECO (GRECO is the Council of Europe’s Group of States Against Corruption, which brings together 50 states, EU and non-EU),40 a vanguard of motivated member states can put pressure on Hungary to demand greater financial transparency, more stringent anti-corruption safeguards and democratic standards in relation to EU-funded projects. This alliance should finance in-depth research into the use of ‘strategic corruption’ and ‘corrosive capital’ by third powers vis-à-vis EU Member States.41 It should publish yearly reports on financial links between industrial elites in various European countries (incl. Hungary) and third powers.

It can support and seek synergies with the global anti-corruption drive of the Biden administration, also addressing the geopolitical risks resulting from corruption and democratic backsliding within NATO. Aside from the Alliance, European member states should request the US to address democratic backsliding in Hungary and Poland via NATO and bilateral channels, including the US-EU Interparliamentary Dialogue.

Support ‘27+1’ as the main diplomatic forum for Europe-China relations
The problem of European spokesmanship will not be solved in the near future. However, member states can make greater efforts to forge a common strategic culture on China and speak in concert. Lithuania proposed an important way forward: a 27+1. Member states can support the Lithuanian initiative.

The 27+1 Forum should serve two distinct but equally important purposes. First, it brings together member states for the greater thematic strategic discussions that precede Council-decisions or Commission-policies. The 27+1 Forum can be organised around tables that focus on specific issues that cut across policy-divides, engaging a select group of most engaged member states. Aside from supporting a 27+1 in general, the Netherlands could take the initiative to form a Indo-Pacific Table, discussing ways to bring the various national and the EU Indo-Pacific strategies forward, where they relate to China-policy, or a High-Tech table, exploring ways in which European industries can better cooperate and compete with China on high-tech.

40 See: Welcome to the GRECO website (coe.int)
The second purpose of a 27+1 Forum would be to jointly organise engagement with China. The first act of member states after setting up the 27+1 would be to invite China to join. Member states would have to support the President of the European Council and the President of the Commission as joint first spokespersons for 27+1 in dialogue with the PRC President. When it comes to specific issues, leading Table Members can take up that role together with HR/VP.

**Initiate a track 1.5 dialogue on China with Germany and Visegrád-countries**

The exploitation of division can be preempted by addressing those divisions before they reach the negotiating table. Keeping and intensifying bilateral dialogue with dissenting parties is important. On China, a more fundamental dialogue is needed that crosses European regional divides. A 1.5-track dialogue on China with (at least) Germany, the Netherlands and the Visegrád-countries (Czech Republic, Hungary, Poland, Slovakia) could be a powerful early-warning system for potential impasses, as well as a channel for informal influence.
About the Clingendael Institute
Clingendael – the Netherlands Institute of International Relations – is a leading think tank and academy on international affairs. Through our analyses, training and public debate we aim to inspire and equip governments, businesses, and civil society in order to contribute to a secure, sustainable and just world.

www.clingendael.org
info@clingendael.org
+31 70 324 53 84

About the author
Ties Dams is Research Fellow at the Clingendael Institute. His research focuses on China’s geopolitical strategy and European foreign policy formation.

PROGRESS
The research for and production of this policy brief have been conducted within the PROGRESS research framework agreement. Responsibility for the contents and for the opinions expressed rests solely with the authors and does not constitute, nor should be construed as, an endorsement by the Netherlands Ministries of Foreign Affairs and Defence.

Project
This policy brief is part of a project that explores ways to improve the effectiveness of EU foreign policy. It is one of three case-briefs, the others analyse defence specialisation and the role of the EU as a moderator in the Belgrade-Pristina Dialogue respectively. A fourth essay – Europe cannot wait on unity. Teaming up to improve EU foreign policy effectiveness, and what the Netherlands may contribute to it – is the synthesis of the main insights gained from the case-studies, but also the result of independent research into policy-domain transcending issues related to the effectiveness of the EU as a geopolitical player.