



Foreign Policy For Sale?

Analysis of China's Relations with Poland and Hungary

Master's Thesis

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Summary

Today, decisions taken in Beijing have a direct impact on foreign policy-makers from Tokyo and Manila to Warsaw and Budapest. The emergence of the Belt and Road initiative shows that China has global ambitions that expand beyond its geographical periphery. Namely, the formation of the 17+1 summit, a forum for policy coordination and investment facilitation between China and Eastern and Central European countries, has triggered a debate whether China is carving out a piece of Europe. However, the extent of China's involvement in Hungary and Poland has not been extensively analysed. Therefore, this thesis aims to establish a comprehensive overview of China's hard and soft power in the two EU member states and interpret foreign policy making through the lenses of realism and liberalism. I based this qualitative research on a wide range of indicators, from economic relations to cultural influence, as well as gathered data on Chinese FDI and infrastructure projects. I also compiled data on all major Chinese projects and China-related foreign policy decisions. Contrary to the prevailing discourse, the research reveals contradictory results – the more Chinese investments a country receives, the less likely it is to take pro-China foreign policy positions. I conclude that although Chinese capital can reinforce already existent policy positions and domestic interests, China so far cannot combine its hard and soft power to achieve preferred outcomes, but it can entrench existing preferences.

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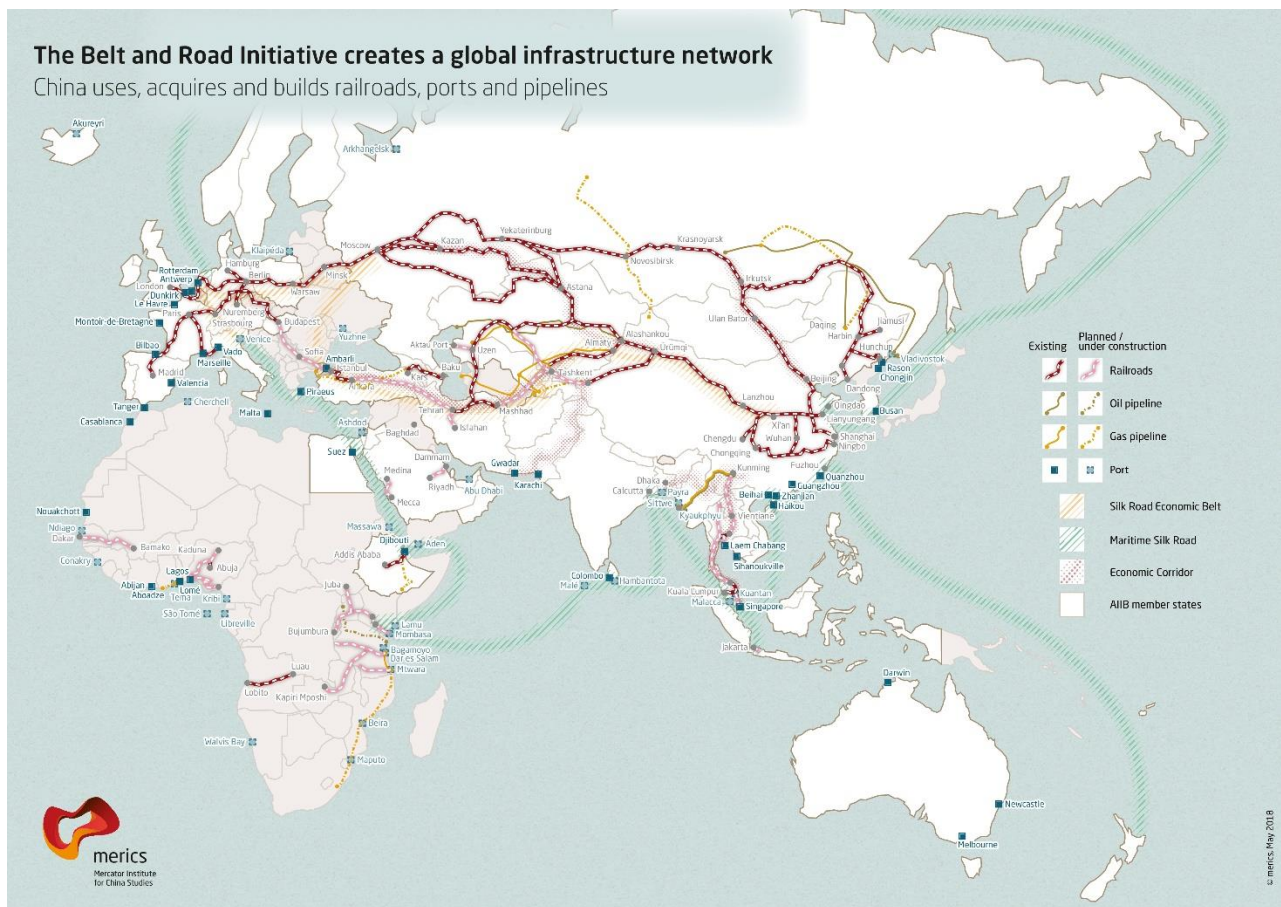
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1. Introduction

1.1 The Belt and Road Initiative

Figure 1: Global Infrastructure Network under the BRI



Source: MERICS (2018).

In 2013, the President of the People's Republic of China (PRC), Xi Jinping, announced that China will revive the ancient Silk Road (Xi, 2013). The new project, titled the Belt and Road Initiative (BRI), is a response to the challenges posed by globalization and, consequently, the challenges and opportunities China and other Asian countries are facing (Xi, 2013). The BRI is a global project, encompassing Eurasia, Oceania, and Africa. No other initiative rivals the geographical and demographic scope of the BRI

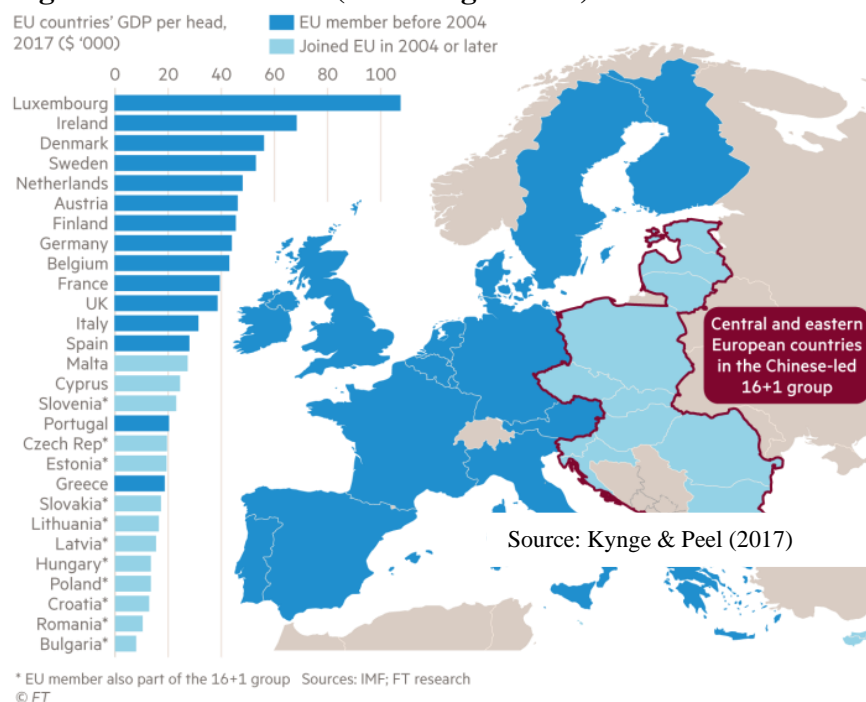
(Maçães, 2018). The Office of the Leading Group for the BRI (OLGRI) (2017) establishes four pillars of the BRI: enhancing commerce, strengthening financial cooperation, building connectivity, and facilitating cultural exchange. The Economic Belt consists of three land-borne routes: Northwest and Northeast China to Europe, Northwest China to the Persian Gulf and the Mediterranean Sea, and Southwest China to the Indian Ocean (OLGBRI, 2017). The Maritime Road begins at coastal China and extends to the South Pacific and Europe (OLGBRI, 2017). Figure 1 illustrates the BRI, which includes railroads, maritime lanes, pipelines, and ports. These political developments marked a new outward direction of Chinese foreign policy and sent a signal to governments all around the world. China had turned towards shaping the global architecture through Chinese-led projects.

The BRI is not limited to Asia. The financial crisis of 2007-2008 incentivised Central and Eastern European Countries (CEEC) to look for alternative sources of investment. China was the only major economy untouched by the crisis and had the resources to provide a lifeline to struggling economies. In 2012, China committed to raising US\$ 500 million for an investment fund, created a US\$ 10 billion credit line, and encouraged Chinese businesses to invest in CEECs (Kong, 2015). After China had made these commitments, it motivated CEECs to establish the 16+1 forum and formalize relations with China (Gorski, 2018).¹ Four incentives drove the institutionalization of the 17+1 framework. First, the economic structure in CEECs is conducive to China's economic needs (Liu, 2017). Infrastructure development in

the region facilitates the export of Chinese steel and cement. Second, this framework gives impetus to China's vision to enhance connectivity by linking China with Europe (Liu, 2017). Third, CEECs act as a mediator between the East and the West. CEECs are an attractive gateway to the EU. An appealing investment climate, stable economic growth and access to the EU's single market characterize these economies (Liu, 2017).

Within this framework, China and CEECs seek to coordinate policy, enhance

Figure 2: 16+1 Summit (excluding Greece)



¹ After Greece joined the summit in 2019, the forum has been rebranded to 17+1. Twelve EU Member States participate in the initiative: Bulgaria, Croatia, Czechia, Estonia, Greece, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia. The remaining five states are Albania, Bosnia and Herzegovina, North Macedonia, Montenegro, and Serbia.

connectivity, expand commercial ties, and facilitate people-to-people exchanges (China-CEECs, 2019). The China-CEEC think-tank presents this framework as a novelty and a breakthrough in China's regional diplomacy because it illustrates that China can establish depoliticized regional groupings that centre around economic development. China did not attach a geopolitical or ideological direction to the 17+1 cooperation and established the cooperation framework as a forum, rather than a regulatory institution (Liu, 2017). According to Liu (2016), Senior Research Fellow at the Chinese Academy of Social Sciences, a think-tank associated with the PRC's State Council, Chinese policy-makers recognize the political potential of the Visegrad Group in the European Council and European Parliament. Hungary and Poland are pillars of the 17+1 framework because they are physical gateways for goods to Europe and have politically indicated their willingness to work with China (Liu, 2016). The China-CEEC think-tank identifies that China would have unparalleled political access and influence in the European Union (EU) if it could leverage its power in the 17+1 framework (Kong, 2015). Such predictions have not gone unnoticed in Brussels. The European Commission (2019a) describes China as 'systemic rival promoting alternative models of governance' (p. 1) and explains that Chinese investment has 'distortive effects' on the EU common market as China subsidizes 'national champions', which then engage in unfair competition. Similarly, the United States Secretary of State remarked that Hungary is in a dangerous position by allowing Chinese capital in the Hungarian economy (Pompeo, 2019a). This statement was a response to a number of pro-China decisions taken by Hungary, which indicated that China is not a peripheral political player but a considerable power within the EU.

1.2 Research question

China's global ambitions have purportedly had an influence on European integration. I seek to explore the links between Chinese investment in Hungary and Poland and these countries' foreign policies. My main goal is to explain why Hungary is more likely to support Chinese foreign policy goals than Poland. Both countries have received similar amounts of investment and China views these countries as strategic partners. Consequently, I will use congruence analysis to explain whether favourable foreign policy decisions stem from Chinese influence through interest groups or rational decision-making on the part of policy-makers.

Research Question:

How can we explain the development of China policy in Hungary and Poland? How do realists and liberals explain foreign policy decisions?

Sub-questions:

How do neorealism and commercial liberalism explain the formation of the national interest? How can states use power to influence the foreign policy of another state?

Why is there a difference between Hungary and Poland regarding foreign policy decisions that concern China?

1.3 Structure

I divided the thesis into eight chapters. First, I will discuss the theoretical and social relevance of the thesis, segueing into the literature review. The review will expand on the most relevant aspects of the BRI: motivations, political and economic goals. The section will conclude with an assessment of China's political influence through economic development. After I identify a gap in the literature, I will develop the theoretical framework. I will discuss realist and liberal international relations (IR) paradigms and introduce theoretical propositions. Then I will present the research design, justifying my case study design: the use of congruence analysis, the choice of case studies, and the operationalization of concepts based on theoretical IR and epistemological considerations.

In the fifth and sixth chapters I will present the data on Hungary and Poland by discussing the indicators on economic cooperation and soft power, followed by an overview of major foreign policy decisions taken in line with or against China. In the seventh chapter I will test the IR propositions in the light of empirical findings. Lastly, I will conclude the thesis by discussing the limitations of my research, further research opportunities, and the theoretical and social relevance that readers can derive from the thesis.

1.4 Theoretical Relevance

Theoretically relevant research should empirically test untried hypotheses, attempt to identify inconsistencies within theories, apply theories to new domains, or expand the theoretical framework (Lehnert, Miller & Wonka, 2007). I will contribute theoretically by testing untested hypotheses and synthesizing different theories. The evaluation of previously untested hypotheses will involve exploration of theoretical explanatory power, which will expand the knowledge of these theories as well as contribute to the academic discussion on China's political rise and supplement the literature on the BRI.

1.5 Social Relevance

Research is socially relevant if it helps to understand social phenomena that have an impact on a society (Lehnert et al., 2007). Social scientists, while evaluating a phenomenon, should provide an evaluative standard (Lehnert et al., 2007). Based on that standard, a researcher should explain that different outcomes have a different score that is derived from the evaluative standard (Lehnert et al., 2007). Academic research should explain if one particular outcome is better or worse for the society (Lehnert et al., 2007).

Wang Yi (2019), Minister of Foreign Affairs of China, indicated that the BRI encompasses 126 countries and 29 international organizations. The trade volume between China and the BRI states is almost US\$ 6 trillion (Yi, 2019). China has invested more than US\$ 80 billion in BRI, creating almost 300,000 jobs (Yi, 2019). Future projections show that China will continue to increase its economic and political weight. By its very nature, every society will have to decide whether they are willing to work with China. I will attempt to shed light on possible political consequences. Policy-makers will have to decide whether they are willing to accept the second and the third order effects that stem from participation in the BRI.

2. Literature Review

The Belt and Road Initiative is as much a domestic project as it is an international strategy. In the first part of the chapter, I investigate the dual nature of the initiative and the interaction between domestic and international political, economic, and social contexts. In the other half, I aim to answer the question whether China deliberately uses the economic and soft power instruments within the BRI. A review of China's influence in CEECs will follow the overview of the motivations, goals, and instruments of the BRI.

2.1 Motivations Behind BRI: Economic, Financial, Developmental

The BRI is a continuation of the 'Go West' campaign that the Chinese government launched in the 1990s (Zhao, 2016). The campaign sought to reduce the regional disparities between China's coastal and western provinces (Singh, 2002), but attempts to develop a regional and global platform came to a standstill. The lack of financing and the absence of infrastructure between coastal and western provinces left China's west underdeveloped (Sing, 2002). By 2012, China built 9000 km of high speed rail lines and upgraded existing lines (Wu, 2014). These railroads projects covered 90% of cities that have a population greater than 500 000, remedying the infrastructure gap (Wu, 2014). China's economic growth and the expansion of infrastructure allowed the central government to divert capital to western provinces. The BRI makes it possible to utilize neighbouring countries in China's west to co-develop western provinces and reduce domestic overcapacity through newly built railways that connect the coast to the western border (Zhao, 2016). Ideally, the BRI should bring together regional partners and western provinces would benefit from investment coming from China

Connectivity enhancement is the main principle of BRI. The official vision of the BRI (2015) outlines that connectivity enhancement is a precondition for policy coordination, free trade, financial integration, and cultural exchange between China and recipient countries. Along planned highways and railways, Chinese capital will build economic zones and industrial hubs (Maçães, 2018). These plans will give China a stake in domestic economies, as critical infrastructure connections will support Chinese-led economic hubs. The ideal project under the BRI scheme involves China lending money in RMB with the intention to construct a connectivity-enhancing project. The recipient government then issues a tender, which a Chinese company wins. The contractor uses Chinese machinery, labour, and capital to fulfil the tender. Such transactions are a 'win-win' scenario to both parties. The recipient government gets financing for an infrastructure project and China can reduce overcapacity and establish physical links with commercial partners. However, the BRI is not a solely economic-oriented project. 'Connectivity' in

Chinese discourse entails reinforcing popular attitudes towards China-led projects (Summers, 2016). A public diplomacy campaign supports the BRI, whose message can give an insight into the thinking of Chinese leaders.

Overcapacity is a major challenge facing the Chinese economy (Wang, 2016). Overcapacity originates in state-owned enterprises (SOE) as these entities are not responsive to market signals; however, politicians are reluctant to scale back operations due to social considerations (Lam, Liu & Schipke, 2015). SOEs were the foundation of China's rapid growth since the late 1980's, but now they are struggling to reorient towards a service-based economy. SOEs exploit other businesses opportunities, such as investing in real estate or e-commerce to prevent high unemployment (Lam et al., 2015). The BRI is a government-led effort to reduce overcapacity during a gradual economic transformation. The initiative makes it possible to export excess production without incurring high social costs that would stem from the restructuring of SOEs

The lagging internationalization of the Renminbi (RMB) poses a structural threat to China's BRI plans. The People's Bank of China's controls the currency, but internationalization of the currency would give China more influence through exchange rate management and financial sanctions (Maçães, 2018). Financing in RMB would eliminate financial risks that arise from currency exchange, such as inconvertibility and exchange rate fluctuation (SCIOPRC, 2018). Considering the RMB remains the sixth most-used currency in domestic and international payments, occupying a 1.70% market share (Smith, 2018). The efforts to internationalize the currency have stalled. The international issuance of RMB bonds have decreased by 60%, from a peak in March 2015 (Smith, 2018). These statistics show that the willingness to use the currency is decreasing, hindering China's financial reach. China must rely on the dollar to promote investments under the BRI, diminishing its foreign reserves (Smith, 2018).

2.2 China's BRI Objectives

Public Diplomacy

China seeks to achieve three goals through public diplomacy. First, China wants to present itself as an accountable and responsible growing power (d'Hooghe, 2014). Secondly, China aims to convince the international community that it can make a valuable contribution to global development (d'Hooghe, 2014). Thirdly, China seeks to promote understanding of its internal politics. This goal concerns developing a positive image of China's transformation from the 'iron rice bowl' to an economic superpower (d'Hooghe, 2014).

China has a fivefold strategy for public diplomacy in CEECs (Song, 2017). The first concerns top-down engagements with the public, led by high-ranking government officials (Song, 2017). Second,

China seeks to increase the presence of Chinese media in CEECs (Song, 2017). The third action concerns communication with civil groups, and the fourth level is to establish think-tanks that would influence public opinion in CEECs (Song, 2017). Callahan (2016) identifies that a surreptitious China's goal is to expand its economic leverage and then use Chinese-led investment projects to build a Sino-centric community, encompassing the South Pacific, Eastern Africa, and Eurasia. The diffusion and recognition of a Chinese-led alternative world order hinges on opinion shaping. These five strategies in CEECs illustrate that China has a comprehensive public diplomacy campaign that engages both high-level policy makers and civil society. However, publics in CEECs are not receptive to the message and the means that the Chinese government uses to propagate its discourse.

China exerts negative soft power due to the centrality of nationalism in the 'China Dream' notion (Callahan, 2015). This dream entails 'rejuvenating the Chinese nation' and regaining the wealth, power, and prosperity of Imperial China (Callahan, 2015). The Chinese government uses Sino-centric ideas to explain its increasingly active international role, but non-Chinese societies interpret the message as repulsive due to an emphasis on Chinese nationalism (Callahan, 2015). This soft power strategy is not efficient in CEECs (Song, 2017). Civil societies in CEECs are generally sceptical of centralized media, which is the primary outlet of China-related news (Song, 2017). CEECs have a poor understanding of China's politics and the 'China Dream' message reinforces the notion that China is 'evil' (Song, 2017). Lastly, Song (2017) identifies that China simply lacks soft power for a successful public diplomacy campaign. China relies on its traditional culture and cultural exchanges to promote a favourable view towards China (Song, 2017), but it is unclear if Chinese cultural can products compete with modern cultural messages that emanate from the US.

Holyk's (2011) survey of China's soft power influence in the US, Japan, Republic of Korea, Indonesia, and Vietnam shows that China's public diplomacy strategy will not increase its political and diplomatic influence as the public views China as a commercial partner and a potential competitor. Hall & Smith (2013) find no correlation between public diplomacy campaigns in Asia and improved perception of the country that is conducting the campaign. In East Asia, China has not been successful in dislodging Japan's and America's soft power influence as historical disputes overshadow public diplomacy (Lee & Hao, 2018). Even though China has completed large-scale projects in Africa, China's soft power is inconsequential (Rønning, 2016).

2.3 China's Grand Strategy?

Power provides the means to influence political outcomes. Fundamentally, there are two types of power: hard and soft. Hard power is the 'military, economic, and technological capabilities of the state' (Gilpin,

1981, p.13). Mearsheimer (2001) differentiates between military power and latent power. The latter incorporates ‘the socio-economic ingredients that go into building military power ... the raw potential [a state] can draw on when competing with rival states (Mearsheimer, 2001, p. 55). Hard power strategies include military intervention, coercion, and economic sanctions (Wilson, 2008).

Nye systematized and popularized the concept of soft power. Soft power is ‘the ability to get what you want through attraction rather than coercion or payments’ (Nye, 2004, p. x). States build soft power through attractive culture, political ideals, and exemplary policies (Nye, 2004). The opacity of soft power has garnered criticism. Scholars using soft power tend to blend deliberate use of soft power strategies with genuine attractiveness to policies (Lukes, 2007). Kearn (2011) argues that soft power might only be relevant in extremely close-knit international communities, such as the European Union. Lastly, soft power partially relies on hard power. For example, Nye (2004) states that nations admire America’s ‘science and technology’. However, a strong research and development sector is built on hard power capabilities: infrastructure and economic development (Kearn, 2011).

Hard and soft power do not automatically translate into influence. Influence is ‘the act of modifying or otherwise having an impact upon another actor’s preference or behaviour in favour of one’s own aims’ (Goh, 2016, p.1). We can understand influence through three components: causality, intentionality, and goal attainment (Goh, 2016). The researcher must be able to show that China has used power resources to influence outcomes (Goh, 2016). Goh (2016) suggests to select key issue areas and observe if China has either 1) influenced the outcome or 2) or shaped the context to limit or present favourable alternatives. Secondly, influence must be intentional (Goh, 2016). Lastly, if a country wields influence, it must attain foreign policy goals through influence (Goh, 2016). Table 1 below shows the different Chinese modes of influence.

Table 1: Chinese Modes of Influence

Mode of Influence	Extant Preferences	Goal	Influence Methods	Goal Attainment Potential	Potential for Establishing Causality	Examples
Preference multiplier	Aligned	‘Win-Win’ cooperation	Structural, inducement, persuasion	Ideal	Weak	Economic development, economic regionalism,
Discursive persuasion	Unclear	Reframe the discourse	Persuasion, demonstration, argumentation,	Mixed	Reasonable	Promoting the notions of win-win cooperation, countering the China threat discourse
Institutional Shaping	Mixed	Agenda-setting	Inducement, persuasion, bargaining	Difficult	Difficult	Intergovernmental institutions
Power to prevail	Opposed	Ensure the protection of self-interest	Coercion, inducement, persuasion	Unpredictable	Strong	Island and border disputes, war

Source: Goh (2016)

The framework of the BRI gives credence to claims that the initiative is a geopolitical power project. The Chinese state has an active role because it defines the structure of bilateral cooperation (Maçães, 2018). The Chinese government, the Asian Infrastructure Investment Bank (AIIB), and the New Development Bank (NDB) will provide the estimated US\$800 billion financing that Belt and Road projects require (Alon, Zhang & Lattemann, 2018). The AIIB is a Chinese-led international financial organization through which China curates BRI’s projects, whereas the NDB combines Brazil, Russia, India, China, and South Africa (Yu, 2017; Schortgen, 2016). In 2015, the AIIB had capital nearly half of the World Bank’s, rivalling its influence in Asia (Maçães, 2018). The AIIB exclusively funds BRI projects, strengthening China’s regional agenda-setting role (Yu, 2017). China can direct funds towards Chinese policy objectives, rather than assign money based on the utility of projects. Consequently, China invests with the intention to decrease the economic dependency on the US (Ferdinand, 2016).

Bhattacharya (2016) conceptualizes the BRI as a ‘well thought-out grand strategy that the Chinese leadership has formulated to reclaim its geopolitical dominance in Asia’ (p. 322) and views it as an extension of China’s imperial periphery policy. This led to the portrayal of China as a ‘civilization-state’, in which the government seeks to build a ‘nation-family’ and acts as a guide by bringing together different nations under Chinese rule (Jacques, 2012).

Chinese leaders have emphasized China’s global role as a peaceful power. Xi Jinping (2014) stressed non-interference and common development as preconditions for ‘win-win cooperation’. President Xi stated that ‘[BRI] is neither the Marshall Plan after World War II nor an intrigue of China. It is, if anything, a plan in the sunshine’ (Xinhua, 2018a, paragraph 2). The official vision of the Belt and Road Initiative (2015) declares that no country claims ownership of the initiative, but China will promote ‘equal-footing consultation’ with participating states. Huang Kunming, member of the Political Bureau of the CCP, reiterated that ‘the Belt and Road Initiative is a grand strategy to manage global deficits [and] a platform for global cooperation’, which has a track record of increasing prosperity all over the world (Jin, 2019, paragraph 1).

China is not a monolithic actor. SOEs, local governments, policy banks, governmental ministries and agencies, small and medium enterprises, and political factions within the CCP have an influence on foreign policy (Breslin, 2013). Correspondingly, the BRI lacks a coherent geopolitical vision and action plan (Summers, 2016). Jones & Zeng’s (2019) analysis of China’s governance structure demonstrates that the BRI is a fragmented, bottom-up approach to foreign policy. Chinese leadership steers the bureaucracy by outlining vague principles, such as ‘common development’ and ‘striving for achievement’. The absence of clear strategic goals incentivizes proactivity and search for niche opportunities. However, the lack of central BRI leadership resulted in intragovernmental conflicts. For instance, the National Reform and Development Commission builds infrastructure, whereas the Ministry of Commerce promotes bilateral trade (Yu, 2017). Both departments compete for funding and undermine China’s reputation in Silk Road countries by causing confusion and miscommunication. Lack of coherence leads to red tape, uncertainty, and slow implementation of Chinese-led projects (Yu, 2017).

A study of United Nations voting patterns shows that high imports from China correlate with foreign policy alignment (Struver, 2016). Struver (2016) stipulates that Chinese influence stems from its position as a seller. Importing countries want to achieve a political understanding with China, thus adopt a pro-China stance (Struver, 2016). Strong commercial links with China result in pro-China views on economic issues, but the evidence is ambiguous on political issues (Kastner, 2016).

Qualitative studies demonstrate that China can entrench existing preferences, but fails to force policy alignment. Chinese SOEs built forty dams, oil and gas pipelines, but China does not have an influence on decision-making processes in Myanmar (Goh & Steinberg, 2016). Chinese capital has

entrenched existent policy interests, namely the support for weak environmental regulations (Yeophantong, 2016). A nationalist response to Chinese economic development prompted Myanmar to strengthen relations with the US (Goh & Steinberg, 2016). China envisioned Sri Lanka as a strategic country that could accommodate China's maritime ambitions, which led to the signing of twenty-seven bilateral agreement (DeVotta, 2016). US\$4.76 billion of loans have loomed over Sino-Sri Lankan relations since 2002 as the government amassed this debt when a small political elite controlled governmental institutions (DeVotta, 2016). When a new government ascended to power, it immediately distanced itself from China and is courting regional powers to counterbalance China and bring new investments to repay Chinese loans (DeVotta, 2016). In the Philippines, the case of Chinese influence is ambiguous. Chinese SOEs reinforced the preferences of the Philippines elite through patronage to shape the decision to establish a 'Joint Marine Seismic Undertaking' in the South China Sea. Chinese stakeholders enticed the government to enter a broadband development project with a Chinese telecommunications company (Baviera, 2016). China has promoted joint development agreements to change the discourse surrounding the South China Sea. This agreement reframes the dispute as an opportunity to build and capitalize on common economic interests, legitimizing China's claims (Emmers, 2016). The dispute involves Vietnam, the Philippines, Brunei, and Malaysia - countries that are economically and geographically close to China. While claimant states support the idea of joint development, they have turned towards other policy options, namely litigating in international courts (Emmers, 2016). China failed to exert any significant influence over its periphery questioning the true extent of China's influence.

2.4 China and CEECs

Musabelliu (2017) traces the inception of China-CEECs relations to 1968 when Chinese Premier Zhou Enlai initiated an alliance between Romania, Yugoslavia, and Albania. The fall of the Iron Curtain interrupted Chinese relations with previously socialist CEECs, as interests began to diverge. China maintained a state-led economy. CEECs experienced a 'big bang' capitalist transformation. But the Great Recession brought these parties together. During the founding meeting of the 17+1 initiative in 2012, PRC Premier stated 'Chinese leaders hope that the two side will make joint efforts to inject new vitality on the development of China-Europe relations' (Musabelliu, 2017, p.65). This remark signals that China views the 17+1 platform not as an isolated strategy, but as an instrument to shape relations with the EU (Musabelliu, 2017). Although the Chinese government had established the 17+1 framework before the BRI, the region regained its importance after the promulgation of official BRI implementations plans because CEECs occupy a central geographical position between the EU and China (Goralczyk, 2017).

China offered twelve measures to enhance relations. Most important included establishing a

US\$ 10 billion credit pool and a cooperation fund that should raise at least US\$ 500m in the first round (Gorski, 2017). CEECs leaders were eager to join the initiative. Czech president Zeman even stated that the country would be an ‘unsinkable aircraft carrier for China in Europe’ to attract interest from China (Hala, 2018, p.85). The BRI framework stresses the importance of regions in economic development, but China has also a tendency to maintain bilateral relations to custom-tailor relations with its partners (Vangeli, 2017). Hala (2018) notes that the forum is multilateral only in name as Chinese leaders only offer bilateral agreements during annual summits. On the contrary, Chinese scholars view the forum as a success. First, the summit is a major policy platform to expand the BRI to Europe (Vangeli, 2017). Second, China was successful in dividing Europe in ‘Russia’s backyard’ without objections from either party (Hala, 2018), but Gorski (2018) proposes that the summit only entrenches the existing historical division between eastern and western Europe. Goralczyk (2017) argues that annual meetings between prime ministers is the strong point because China gets exclusive direct access to twelve EU member states, which a significant achievement for a non-western power.

China is trying to mitigate the asymmetries in its relations between richer western European countries and CEECs through the forum (Vangeli, 2017). By establishing a regional formation solely focused on these countries, China expects to build a community that would silence anti-China voices in Brussels that come from CEECs (Vangeli, 2017). However, political and economic differences pose threats to successful cooperation under the 17+1 umbrella. Some of the members are not part of the EU and some countries, especially in the Balkans, are fragile democracies (Musabelliu, 2017). This constrains policy options within the platform because the EU limits the behaviour of EU member states. In addition, historical enmities and current political disagreements generate animosity within the summit (Musabelliu, 2017). Finally, the summit brings together structurally different economies, complicating large-scale transnational projects (Musabelliu, 2017).

There is mutual distrust between CEECs and China (Musabelliu, 2017). China is sceptical of inconsistencies in European-policy making. Chinese leaders must engage both EU-level officials and national governments that often conflict regarding China policy (Musabelliu, 2017). For example, the EU neither has a coherent China policy nor approves bilateral relations with China (Gorski, 2017). From the CEECs perspective, countries have concerns that economic development is a veil for the expansion of China’s sphere of influence (Musabelliu, 2017). Hala (2018) proposes that the function of the summit is to politicize CEE economies and advance a state-led economic model through elite capture. Du & Zhang’s (2018) quantitative study on the relation between BRI and Chinese FDI concludes that the formation of the 17+1 summit led to a more active FDI coming from SOEs. This statistic ostensibly confirms the concern that the Chinese government can extend its arm to CEECs through SOEs.

Ferchen et al. (2018) studied Chinese investments and stakeholders in the Hungary-Serbia railway and the port of Piraeus. The study concluded that the ‘divide and conquer’ discourse overestimates the systematic shortcomings and roadblocks that Chinese investments in CEECs encounter (Ferchen et al., 2018). The failure to build the Hungary-Serbian railway, a flagship project of Sino-CEEC cooperation, shattered the view that China can provide an alternative financial vehicle for infrastructure building (Ferchen et al., 2018). Turcsányi (2014) warns that ‘China wants to secure the critical geopolitical space between Germany and Russia’ (p. 4) through its special relations with CEECs under the 17+1 forum. The Mercator Institute for China Studies (MERICS), a German think-tank, discusses the ‘authoritarian advance’ in Europe. European states tend to compete among themselves by adopting pro-China stances to attract investment (Benner et al., 2018). This raises the confidence of Chinese investors to invest in CEECs (Benner et al., 2018). China capital then permeates domestic politics and pushes countries to accommodate Chinese interests (Benner et al., 2018). For example, CEFC China energy, led by a chairman with ties to Chinese intelligence services, purchased assets and acquired companies that were linked to Czech President Zeman (Hala, 2018). In return, for a relatively small price, CEFC bought Zeman’s unrelenting support for the BRI and revision of Czechia’s foreign policy (Hala, 2018).

Still, Chinese academics note the mismatch between China’s power and influence. Glosny’s (2016) review of Chinese-language literature concludes that experts view China’s international and regional influence as still in the early formation stage. In general, China lags behind Europe and the US in terms of soft power (Glosny, 2016). To bridge the gap, Chinese scholars agree that ‘win-win’ economic cooperation is a successful method because China can exert influence through tangible outcomes, such as trade, investment, and infrastructure (Glosny, 2016). China faces difficulties promoting its discursive power and ideas, and is unable to reform existing or build legitimate multilateral institutions (Glosny, 2016). The obstacles behind China’s power gap are China’s late arrival to the international stage, the US’s efforts to curtail China’s rise, and an unattractive foreign policy (Glosny, 2016).

2.5 My Contribution

I will address three gaps in the literature. First, I will provide an updated account of Chinese FDI and soft power efforts in CEECs and systematize the decisions taken by Polish and Hungarian governments regarding China.. Most reports and studies tend to highlight a small number of decisions to support the narrative that China is buying CEECs policy-makers or that China is not relevant in the region. Secondly, I aim to expand the idea that besides cultural diplomacy that uses traditional products, China utilizes ‘win-win’ cooperation to build soft power. Thirdly, I will expand Goh’s (2016) framework by applying it in a non-Asian context. The goal of my research is to identify if Hungary and Poland are indeed

experiencing Chinese 'authoritarian advance' by implementing pro-China foreign policy decisions that disrupt European integration, as current studies focus on Asia and Africa and provide only a superficial explanation of the BRI in CEECs. Do countries adopt pro-China decisions to curry favour with Beijing? Is it a concerted effort to influence foreign policy makers? Does the level of investment and quality of projects lead to states adopting pro-China policies? Before attempting to answer these questions, I will present the theoretical framework and explain my research design.

3. Theoretical Framework

The national interest is ‘a concept that enables national security policymakers to articulate what matters to the country and how a nation should set its priorities’ (Reveron & Gvosdev, 2018, abstract). Political actors discursively use national interests to shape policy and influence the preferences of political actors (Burchill, 2005). International relations (IR) scholars utilize the national interest as an analytical tool which helps to describe and assess foreign policy and foreign policy behaviour (Burchill, 2005).

The national interest is not flexible because it reflects the fundamental characteristics of a nation (Burchill, 2005). Members of a national community prioritize survival as the principal interest, but the government interprets the national interest on behalf of the nation (Burchill, 2005). Policy makers define national interests within the boundaries of political culture and in reference to the physical, political, and cultural attributes of a nation and physical defence of a nation (Morgenthau, 1952). Consequently, the national interest concerns the defence of political and cultural identity (Morgenthau, 1952). The executive branch of government also has the agency to shape the national interest by advancing the interests of privileged institutions or interest groups (Reveron & Gvosdev, 2018). The extent of centralization of domestic power generally defines whether private groups can influence policy makers (Krasner, 1978). Decision makers have agency and can integrate their own aspirations in national interests. Preferences of individuals can range from amassing wealth, crippling political opposition, expanding the state geographically, or attaining justice (Krasner, 1978). The state formulates the interest in isolation from domestic society, but it must justify the choices and overcome the resistance that might arise (Krasner, 1978).

3.1 Liberal Theory of IR

Following the liberal theory, the national interest is the aggregate of individual preferences (Burchill, 2005). This is a result of the institutional design in democracies. In liberal democracies, the citizens elect the government which then protects the rights of each citizen and represents them on an international level (Owen, 1994). Consequently, liberal thinkers can predict and explain state behaviour based on the intrinsic needs of individuals. Every individual seeks to maximize their own welfare; therefore, states seek to enhance absolute gains (Powell, 1991). All individuals have an inborn interest in enhancing their wellbeing, but the importance of freedom, security, and prosperity surpass other preferences (Doyle, 1983; Owen, 1994). As a result, states seek to promote these values on the international level, which forms the basis for cooperation and development of international institutions (Doyle, 1983). This process ensures that the state translates individual preferences to foreign policy. In contrast to realism, states do

not seek to become a hegemon or ensure their safety through extensive militarization (Keohane & Nye, 1987).

Moravcsik (1997; 2011) develops a framework of liberal theory based on three assumptions.

1) Societal actors are the primary actors in international politics

The national interest is a result of the preferences of domestic and transnational civil societies (Moravcsik, 2011). Political actors define their interests individually and then promote those ideas through collective action (Moravcsik, 1997). Actors aim to maximize welfare, but also seek favourable social, cultural, and political outcomes (Moravcsik, 1997). Societal actors are risk averse, facilitating the maintenance of the status-quo and exhibiting a reluctance to participate in conflicts (Burchill, 2005; Moravcsik, 2011). The proliferation of liberal ideas during the Enlightenment established a set of preferences - harmonic ideals, self-preservation and prosperity - which societies share universally (Owen, 1994).

2) States represent only a subset of domestic civil society

Liberals view the state as a domestic mediator and international representative, but it is impossible for a government to represent the whole society (Moravcsik, 1997). Therefore, societal actors vie between themselves to capture state institutions (Moravcsik, 1997). Opinion leaders, such as media, civil servants, scholars, and interest groups can shape policy strategies (Rosenau, 1961), but it is unlikely that state preferences will change (Moravcsik, 2011). Interest groups can shape policy strategies, such as goals that the bureaucracy must achieve, but preferences, which are the broader foreign policy behaviour guidelines, do not change (Moravcsik, 2011). Well-organized interest groups can capture governmental institutions and policy-makers. In 'cartelized' political systems non-elected can shape foreign policy in isolation (Snyder, 1991).

3) The international system is interdependent

States realize their policy within an international system of states (Moravcsik, 1997). States must take into account the preferences of other states. The international order imposes constraints on political action (Moravcsik, 1997). International institutions have a transformative impact on state behaviour (Keohane, 1986). Even though interdependence does not automatically lead to cooperation (Keohane & Nye, 1987), states have established international institutions and organizations to facilitate collaboration. International

institutions reduce uncertainty, gather and disseminate information, and monitor compliance with international agreements, but diminish sovereignty (Koremenos, Lipson & Snidal, 2001).

Following the presentation of fundamental characteristics of the liberal theory of IR, Moravcsik (1997) introduces three variants of liberalism: ideational, commercial, and republican. These variants are not mutually exclusive. They illustrate the different aspects of liberal theory.

Ideational Liberalism

Social identity determines the national interest. Social identity is a ‘set of preferences shared by individuals concerning the proper scope and nature of public goods provision, which in turn specifies the nature of legitimate domestic order by stipulating which social actors belong to the polity and what is owed of them’ (Moravcsik, 1997, p. 525). These ideas might arise from historical experiences or through collective discourse formation (Moravcsik, 2011). Social identity involves three factors. First, the scope of the nation and the rights that come with citizenship (Moravcsik, 2011). The second concern encompasses the legitimate political decision-making processes, governmental institutions, and the structure of political ideology (Moravcsik, 1997). Lastly, socioeconomic regulations, equity, and fairness (Moravcsik, 2011). Societal actors will attempt to realize the three concerns through foreign policy (Moravcsik, 1997).

Commercial Liberalism

The concept of interdependence is at the centre of the liberal theory (Mansfield & Pollins, 2001). The theory argues that FDI and trade reduce incentives to engage in an inter-state conflict because commerce substitutes the resources that could be gained through war (Mansfield & Pollins, 2001). The ‘spirit of commerce’ permeates states, which then seek to prevent conflict and enhance trade (Doyle, 1986). Commercial liberalism holds that due to comparative advantage, each state is better off by exchanging goods and services (Doyle, 1986). Consequently, there is a material incentive to maintain these ties by avoiding confrontation with trade partners (Doyle, 1986). The underlying principle of commerce is trust. States themselves have to uphold open markets to avoid autarky and ‘beggar-thy-neighbour’ policies (Doyle, 1986).

However, commercial liberalism is a reductionist theory that equates economics with politics (Keohane, 1990). States are not automatically open to commerce or seek to deepen economic interdependence to such extent that it would prevent wars. Keohane (1990) stipulates that only ‘commerce on a non-discriminatory basis within an orderly political framework promotes cooperation on the basis of enlightened national conceptions of self-interest’ (p. 179). States sign preferential trade agreements of establish groupings that act as a forum for negotiation and facilitate information (Mansfield

& Pevehouse, 2000). These groupings establish norms of trade and shape the expectations of participating states (Mansfield & Pevehouse, 2000). Commerce then is built on a common understanding and states form institutions that further reinforce trade and financial links (Mansfield & Pevehouse, 2000).

Moravcsik (1997) describes this type of liberalism as ‘changes in the structure of the domestic and global economy that alter the costs and benefits of transnational economic exchange, creating pressure on domestic governments to facilitate or block such exchanges through appropriate foreign economy and security policies’ (p. 528). In short, societal actors seek to maximize their wealth through foreign policy. The more economic benefits a society derive via international cooperation, the more domestic groups will pressure the government look for such opportunities (Moravcsik, 1997). However, groups that lose from economic liberalization will lobby the government to enact trade barriers to protect domestic industries (Moravcsik, 1997). Therefore, two forces, pro-liberalization and pro-isolation, compete for the representation of their interests. Commerce is one of the fundamental principles of the liberal theory. The benefits of economic interdependence incentivise the public and policy-makers to seek policies that lead to convergence between countries.

Republican Liberalism

Republican liberalism emphasizes the institutional configuration and how it translates the preferences of societal actors into national interest and foreign policy (Moravcsik, 2011). For example, in democracies the legislature scrutinizes the executive, and the public might vote in a referendum on critical matters (Keohane, 2002). These institutional safeguards ensure that the government represents plural interests. If one societal group dominates policy-making, it will result in rent seeking (Moravcsik, 1997). Additionally, if a group captures institutions, it results in risky foreign policy behaviour because the elite will be able to isolate themselves from costs. (Moravcsik, 1997). In essence, this approach emphasizes the primacy of institutions while explaining state behaviour (Keohane, 2002).

3.1.1 Commercial Liberalism propositions:

Economic interdependence strengthens pro-China interest groups in CEECs EU member states;

Economic interdependence incentivises domestic actors to pressure the government to maintain good relations with trade partners;

Pro-China foreign policy decisions arise from an enhanced influence of pro-China interest groups.

3.2 Realist Theory of IR

‘International politics, like all politics, is a struggle for power’ (Morgenthau, 1948; p.13). Nation-states seek to enhance their prosperity, security, and freedom through economic, social, and philosophical goals (Morgenthau, 1948). Power maximization is the only instrument to achieve these objectives (Morgenthau, 1948). ‘Realism paints a rather grim picture of world politics’ because war is always a threat (Mearsheimer 1995, p.9). Every state, even the closest ally, has the capacity to inflict damage and threaten the survival of other states (Mearsheimer, 1995). States can never be certain about the behaviour of other states (Mearsheimer, 1995). However, realists disagree about the motivations that galvanize such behaviour.

Hobbes’s (1996) maxim ‘in the nature of man, we find three principal causes of quarrel. First, competition; secondly, diffidence; thirdly, glory’ (p.83), describes the position that classical realists take. Morgenthau (1948) explains that behaviour of states on the international level mirrors human societies. Human behaviour is grounded in objective behavioural laws; therefore, the behaviour of states does not diverge from human nature (Morgenthau, 1948). States must support foreign policy and national interest with resources in order to maximize power (Morgenthau, 1948). The only rational foreign policy goal is to enhance security by dominating and controlling other states, but ‘biological realism’ does not explain the different strategies that states employ (Donnelly, 2000). Classical realism cannot explain whether a state will attack or defend, seek safety by increasing defensive capabilities or if a state will take risks to expand (Donnelly, 2000). Democracies often adopt moral goals or economic objectives as primary national interests, whereas oligarchies favour the wellbeing of the ruling class (Donnelly, 2000). Providing human behaviour laws guide state behaviour, such variation should be impossible. Morgenthau’s conceptualization of state behaviour provides broad categories of political action, rather than developing a scientific framework (Donnelly, 2000).

Neorealism emphasizes the anarchical nature of IR. The international system does not have a higher authority that could guarantee sovereignty (Waltz, 1979). Hence, states develop policies that would increase their chances of survival by strengthening the state (Waltz, 1979). Although foreign policy strategies might differ between states, but the underlying principle is survival (Waltz, 1979). Keohane (1986) presents three neorealist assumptions. The state-centric assumption articulates that states are the primary actors in IR (Keohane, 1986). The rationality assumption promotes the idea that states are inherently rational actors and decisions taken by states maximize their utility (Keohane, 1986). The power assumption explains that states calculate interests based on power (Keohane, 1986). Mearsheimer (1995) articulates that IR is ‘a state of relentless security competition’ (p. 9), where uncertainty about state

behaviour lead to the prioritization of survival. Neorealists argue that relative power is more important than absolute power because the survival of a state depends on other states (Donnelly, 2000).

National interest formation in a neorealist conceptualization relates to the anarchic structure of IR. In contrast to liberalism, states disregard the interests of domestic societies and prioritize survival. Every iteration of foreign policy directly or indirectly addresses security. Waltz (1979) explains the differences in foreign policy by arguing that although states have similar interests, they do not have equal capabilities. Schweller (1996) asserts that neorealism does not adequately explain threat formation in IR. In his view, if states seek to only maximize security and chances of survival, then states would not balance against each other and feel threatened (Schweller, 1996). Neorealism fails to account for rogue states, which, driven by other motivations than security, upset the balance of power (Schweller, 1996).

A foreign policy theory should make determinate predictions about a state's behaviour – decisions that concern the state's relations with other states (Elman, 2013). Critics contend that an interpretation of foreign policy behaviour based solely on structural IR factors will result in unsystematic results concerning state behaviour (Wivel, 2005). Elman (2013) presents four possible objections against the use of neorealism as a theory of foreign policy, namely a) the theory does not produce determinate behavioural predictions, b) unit-level variables are excluded c) neorealism relies on an evolutionary model of competition and rational choice assumptions are not relevant d) poor conceptualization of variables. Addressing the first issue, scholars can attach secondary assumptions about states that lead to different and determinate predictions about behaviour (Elman, 2013). Scholars must derive secondary assumptions, such as state motivations or calculations of costs of strategies, from core principles of neorealism (Elman, 2013). Second, it is not problematic to exclude domestic variables. Researchers will only be able to make general predictions while testing theories, but these findings are nevertheless worthy. Realism adds value to IR by delineating relevant actors who participate in foreign policy-making, presenting the considerations' of policy-makers, and defining a set of outcomes (Elman, 2013; Jervis, 1998). In effect, realism advances the notion that the most important consideration in foreign policy-making is security (Jervis, 1998). Elman (2013) attributes the conceptualization of neorealism as using an evolutionary mechanism to a misreading of neorealism. Evolutionary accounts can explain trends of state behaviour, but neorealism ascribes a set of assumptions based on which policy-makers act. Realism offers a set of assumptions, based on which scholars can predict state behaviour and explain foreign policy choices (Elman, 2013, Jervis, 1998). Lastly, rigorous academic debates about the meaning of core neorealist concepts lead to shared meanings, strengthening their validity and reliability (Elman, 2013). Neorealist foreign policy analysis 'may not be content specific, but ... is not content-free' (Elman, 2013, p.46).

I will apply these principles in my thesis primarily by deriving secondary assumptions from the geopolitical context in the region. Hungary and Poland theoretically should have security considerations regarding China's influence as it is a rising non-Western power. Russia is also threatening the region, which should further incentivize foreign policy-makers to either enhance security by aligning with China or deepening the integration with the main security guarantor in the region – the United States. This is the assumption based on which I present the realist explanation of foreign policy behaviour. I assume that foreign-policy makers seek to increase their security that is threatened by a rising power and a belligerent state, which upset the existing balance of power. Therefore, I expect policy-makers to implement decisions that would enhance security. I will synthesize rather than compare neorealism and commercial liberalism. Although neorealism is a 'big tent', my goal is to evaluate the influence of both commercial interests and security considerations. Neorealism explains the trade-offs between trade and security.

3.2.1 Neorealist proposition

Foreign policy decisions stem from rational calculations based on the balance of power.

4. Methodology

4.1 Case Study Research: Congruence Analysis

Small-N research permits expanding the theoretical approach and applying it to concentrated empirical findings (Blatter & Haverland, 2012). Researchers can apply a broader range of concepts while studying transnational phenomena (Blatter & Haverland, 2012). Case study research is relevant in IR. It is debatable if correlation-based comparative analysis is more effective than in-depth case study analysis of processes that are unique and the result of social, economic, political, financial, and other forces (Blatter & Haverland, 2012). However, Case study research has weaknesses. Namely, it is difficult to generalize about trends from a small-N research (Simons, 2014). Additionally, qualitative studies are subjective. Conclusions drawn from small-N studies depend on the interpretation of the author (Simons, 2014). Congruence analysis partially minimizes the subjectivity of the researcher. Congruence analysis is a small-N study in which the researcher gathers empirical evidence to substantiate the power of explanation and the relative strength of a theoretical approach (Blatter & Haverland, 2012).

Case studies are relevant when a researcher 1) poses 'how' and 'why' questions 2) cannot introduce a control variable 3) analyses a contemporary phenomenon (Yi, 2014). Case study research is applicable because I intend to conduct an exploratory study. Foreign policy is a complex phenomenon and it is impossible to control variables, especially when the process is still ongoing. Lastly, a case study approach will allow me to gather in-depth data that is necessary to test the theories.

4.2 Case and Theory Selection

A congruence analysis should begin with reviewing the scholarly discourse and identify whether the study seeks to contribute to existing paradigms or develop theoretical novelties (Blatter & Haverland, 2012). Blatter & Haverland (2012) advocate selecting more than one theory to be able to derive comprehensive explanations from theories, yet selected theories should facilitate differentiated results. Different set of theories will enhance the study's theoretical conclusions, but will allow a small number of observations that can be evaluated (Blatter & Haverland, 2012). Case selections should be most-likely case with respect to one theory and least-likely case regarding the countertheory (Blatter & Haverland, 2012). The goal of congruence analysis is to contribute to academic debates on the strength of theories (Blatter & Haverland, 2012).

Blatter & Haverland (2012) suggest to select theories first and then case studies, but if the researcher is interested in explaining socially important cases, case selection can precede the selection of

theories. Ideally, case study and theory selection should complement each other - deepening the understanding of theories and utilizing theories for explanatory insights into important cases (Blatter & Haverland, 2012). Then researchers must specify propositions derived from theories, which then will be tested after the presentation of empirical data (Blatter & Haverland, 2012). Propositions can be formulated focusing on the explanatory framework, causal relationships between two concepts, or in relation to other theories that would lead to contradictory explanations (Blatter & Haverland, 2012).

Although Poland and Hungary have received a similar amount of Chinese investment since the establishment of the 17+1 forum, these countries diverge in attitudes towards China. Consequently, Poland and Hungary can be categorized as most-likely cases in relation to commercial liberalism. These cases present contradictory results - I analyse China's FDI and soft power, and find that high Chinese presence in a country leads to less pro-China decisions. This is a contrary finding to the theory and literature outlined in chapters 2-3. Hungary gets relatively little Chinese FDI but is more likely to take pro-China political positions, and vice versa in Poland. I will introduce neorealism to provide a comprehensive explanation of the phenomenon, following the complementary theories approach. This approach allows the researcher to distil different explanatory insights (Blatter & Haverland, 2012). My goal is to explain the counterintuitive decisions that Hungary and Poland have taken, rather than contrast the efficacy of theories. Therefore, the complementary theories approach is the most suitable to my research.

4.3 Validity and Reliability

Internal validity will be high if the investigation accounts for all other explanations and possibilities to conclude that X caused Y (Yin, 2014). Explanatory studies have to account for all factors that might contribute to Y, making it difficult to isolate the relation between X and Y (Yin, 2014). Because congruence analysis does not transfer findings into metric measurement tools, the most important criterion for judging internal validity is 'whether the observations express the meaning of the abstract conceptualization in an abstract manner' (Blatter & Haverland, 2012, p.166). The richness of concepts characterizes the congruence approach. This could lead to imprecision while discussing empirical findings (Blatter & Haverland, 2012). Therefore, the interpretation of phenomenon should be ingrained in theories to maintain transparency of conclusions (Blatter & Haverland, 2012). I am interested in highly complex policy making processes. Without a control variable, it will be difficult to achieve high internal validity. However, I will use quantitative indicators and will ground the interpretation of data in IR theories. This will ensure that the relation between X and Y is as closely isolated as possible.

External validity concerns the possibility to generalize beyond the study (Yin, 2014). The results

of a congruence analysis can be generalized in two ways: either to contribute to theoretical discourse on the efficacy of mainstream theories or highlight the potency of undervalued theories (Blatter & Haverland, 2012). The case of Poland is the most-likely case in regards to main theory, and least-likely in respect of the countertheory. The findings of this case will have a relatively high level of external validity.

A study is reliable if it is possible to repeat the study and reach the same conclusions (Yin, 2014). Reliable case study research depends on transparency. Consequently, Yin (2014) advocates to operationalize as many concepts and steps as possible. Providing that congruence analysis primarily assesses the predictive power of theories, operationalization of concepts and theoretical propositions provide the structure within which the study has to make conclusions, enhancing the reliability and objectivity (Blatter & Blume, 2008).

4.4 Analysing National Interest

Scholars can study the formation of the national interest using either deductive or inductive approaches. The deductive method is inherently prescriptive. It is grounded in the fundamental principle that states seek to preserve their sovereignty (Krasner, 1978). Then, the researcher develops predictions and prescriptions about what state behaviour *should* be (Krasner, 1978). This method leads to considerations about what actions should a state take in order to preserve the balance of power or increase its power (Krasner, 1978). While the deductive approach has facilitated historically studies of the balance of power, the method does not explain state behaviour in detail (Krasner, 1978). For example, the deductive approach does not differentiate between policy instruments, in effect, soft and hard power (Krasner, 1978). The method cannot explain state behaviour when state acts on other motives than survival (Krasner, 1978). Krasner (1978) finds that the logical-deductive method fails to explain economic affairs as they are not directly connected to sovereignty and territorial integrity.

The inductive approach focuses on empirical data rather than *a priori* theorizing (Krasner, 1978). This method allows scholars to define the interest in reference to written documents and speeches given by policy-makers (Krasner, 1978). This approach accommodates differences between states. It is possible to study the interests and preferences of rogue states, welfare states, cultural states, and any other possible conception of a state (Krasner, 1978). Critics argue that speeches reflect the interests of the elite or leading economic class, and not the state (Krasner, 1978). Nonetheless, Krasner (1978) proposes that if (1) the national interest does not consistently benefit the dominant political class, and (2) it does not change over time, then this is the interest of the state.

In my research, I will use the inductive approach. This method is more suitable to the goals of my research. I will analyse statements by high-ranking politicians and official written documents to trace if there are any changes in foreign policy that would indicate that the interests of states have changed.

4.5 Measuring influence and power

I will base my research design on Goh's (2016) framework, which proposes to 1) identify the most salient strategic issues which China sees as crucial to its foreign policy goals, 2) demonstrate whether the preferences of both countries are divergent, mixed, or convergent, 3) attempt to find evidence of Chinese influence or attempts to shape state behaviour, 4) explain likely patterns of influence. One should study the gradation of goal attainment, rather than analysing if a country managed to achieve or not achieve its goals (Goh, 2016). Such a study must demonstrate the scope of influence, China's foreign policy objectives, identify relevant Chinese actors, prove China's intentionality, and establish causality by linking China's influence, through the strategies of persuasion, inducement, or coercion, to a shift in national preferences (Goh, 2016). I will use China's policy on the EU to identify foreign policy goals, in addition to analysing broader discourse that discusses China's rising ambitions. In the second and third steps, I will apply the concept of national interest to identify preferences and analyse if pro-China decisions signal a break with previous national interests. I will gauge China's influence based on indicators that the Lowy Institute, an independent think-tank based in Sydney, developed.

The index has two measures of power: resources and influence (Lowy Institute, 2018). These measures are further divided into eight main variables: economic resources, military capability, resilience, and future trends representing resources, and diplomatic influence, economic relationships, defence networks, and cultural influence (Lowy Institute, 2018). Each measure has 27 sub-measures, which then are further divided in 114 indicators (Lowy Institute, 2018). The index has been peer-reviewed, verified by fact-checkers, and underwent an integrity review on the data and formulas used to develop the index (Lowy Institute, 2018). I have selected the indicators that measure economic and cultural influence, the dependent variables of my study. I will also include a geo-economic security indicator. These indicators will allow me to measure the context within which Chinese investment takes place. I will not present the indicators in isolation, but I will describe the political situation in Poland and Hungary, and then introduce the indicators to observe whether changes in governments opened a gap for transnational interests. This will allow me to draw conclusions about the extent of influence, or lack thereof. I will be able to place Chinese economic and cultural flows within the broader geo-economic, geopolitical, and institutional context. The measurement of geo-economic security will ensure that I will not overestimate,

or underestimate, China economic position by placing it in an international context. Although the Lowy Institute introduces geopolitical and institutional stability indicators, I will not explore them because I am focusing on commerce. However, quantitative data will only be a part of the whole study because it only illustrates broader patterns. I intend to provide an in-depth analysis on the most relevant variables and indicators to each case study to discuss the nature of Chinese engagement in CEECs. This involves selecting flagship projects or large scale FDI² and analysing the political context involving such projects. Additionally, each case study chapter will begin with an extensive analysis of domestic political trends and foreign policy orientation. Lastly, the discussion of the patterns of Chinese influence will centre around the propositions that I derived from theories. Tables 2-4 explain the indicators that I will use to measure influence and resilience.

² Chinese investors tend to finance investments from offshore locations (Garcia-Herrero, Xia, & Casanova, 2015). Investors also “round-trip” investments by transferring capital to a country and immediately sending it back to China disguised as FDI (Garcia-Herrero et al., 2015). Investors in China get an advantageous foreign investor status (Garcia-Herrero et al., 2015). Accounting for round-tripping and offshoring, Chinese FDI Garcia-Herrero et al. (2013) calculate that Chinese capital flows might be more than double the official figure. Although I do not have access to data that would help me to account for such complications, I would attempt to remedy this gap by gathering data on large investments that have a direct link to Chinese companies.

4.5.1 Indicators

Table 2: Economic Relationships Indicators

Sub-Measure	Indicator	Description (date, data source)
Trade Relations	Primary Trade Partner	Is China the primary trade partner with a country (2017); WITS
	Selling Power	China's exports to a country (2017); WITS
	Buying Power	China's imports from a country (2017); WITS
Investment ties	FDI	Total stock of inward foreign direct investment, current \$ (2019), Chinese Statistical Office, Central Banks, Secondary Policy Reports
	Primary Foreign Investor	Is China the primary foreign investor (2018), Chinese Statistical Office, Central Banks
Economic Diplomacy/Financial Diplomacy	Financial Flows	Concessionary and commercially oriented loans, (2019), AiDData, Secondary Source Research
Arms Transfers	Arms Import Partnerships	Recipient of arms exports from China, (2019), SIPRI Arms Transfers Database

Table 3: Cultural/Diplomatic Influence Indicators

Sub-Measure	Indicator	Description
Cultural Projection	Google Interest	Interest in China; Google search interest since the establishment of 16+1 forum (2012-2019), Google Trends
	Public Approval	Attitude towards China (2012-2018), Eurobarometer, PEW research center.
Information Flows	Inbound international students	International students in tertiary education from China (2019), National Statistical Offices
	News Agencies	Interest in Chinese news agencies (Xinhua News Agency and China News Service), (2012-2019), Google Trends
	Newspaper	Interest in Chinese national newspapers (China Daily, People's Daily, Global Times), (2012-2019), Google Trends
	TV & Radio Broadcasters	Interest in Chinese TV (CGTN, CCTV) and radio broadcasters (China Radio International); (2012-2019), Google Trends
People Exchanges	Diaspora	Migrant stock from China living in a country (2018); National Statistical Offices
	Tourist Arrivals	Non-resident arrivals from China to a country (2018); National Statistical Offices

Table 4: Geoeconomic Security

Sub-Measure	Indicator	Description
Geoeconomic Security	Diversity of export markets	Trade-to-GDP ratio (2018); WITS
	Dependency on global trade	Trade as a share of GDP (2017); World Bank, IMF.
	Dependency on primary trade partner	Two-way trade with primary trade partner as a share of total trade (2018); WITS
	Rare-earth metals supply	Mining of rare-earth metals, tonnes (2018), US Geological Survey

4.6 Data Collection

Congruence analysis can use data from diverse sources, depending on the goals that the researcher seeks to achieve (Blatter & Haverland, 2012). I will research Chinese policy objectives based on an official policy document and secondary sources, which discuss China's rise and its implications. In case studies, I will analyse politicians' statements and academic literature to present the context. As indicated in the tables above, I will gather indicator data from a wide range of databases. I will compile the data on Chinese FDI based on newspaper articles, think-tank policy reports, public relations statements, and official data. Similarly, I will gather policy decisions from newspaper articles, official statements, and secondary sources.

5. Analysis

Following the methodology that I outlined in the preceding chapter, the goal of this chapter is to identify Chinese political goals in Europe and conduct case studies on Hungary and Poland. This chapter is limited to the presentation of indicators and other information, such as analysis of relevant Chinese projects in Hungary and Poland. This chapter satisfies one of the major goals of this thesis – establishing a comprehensive picture Chinese power and influence in selected CEE countries. The main finding is that there is a negative correlation between Chinese hard/soft power and pro-China foreign policy decisions.

I split each case study in two components: hard and soft power resources. I introduce cases of successful or unsuccessful Chinese investment, or infrastructure projects, to illustrate general trends and history of Chinese engagement in both countries. I also integrate relevant background information while discussing soft links. This makes it possible to introduce the context for soft power indicators and allows me to understand bilateral relations beyond indicators. An important component of soft power analysis is media's attitude towards China. Media has an agenda-setting role by framing and priming issues (Soroka, 2003). Mass media shapes the public opinion on a topic, which then affects foreign policymaking (Soroka, 2003).

5.1 Chinese Foreign Policy Goals in Europe

In December 2018, the Chinese government published an updated policy paper on China's EU policy. Overall, China desires to maintain cooperation, justice, dialogue, and mutual respect as the foundational principles of this comprehensive strategic partnership (Xinhua, 2018b). There are five categories of Chinese foreign policy goals in the EU: political, strategic-security, commercial, scientific and social cooperation. I will focus on issues that require a diplomatic solution from the EU member states.

The Chinese government seeks to uphold the 'One Country, Two Systems' policy and warns against foreign intervention into domestic affairs (Xinhua, 2018a). The paper identifies intrusion into the governance of the Hong Kong's and Macao's Special Administrative Regions, stoking anti-China separatism, or attempting to influence Chinese politics in 'the name of human rights' as the red lines in the EU-Sino relationship (Xinhua, 2018a). The paper suggests that relations depend on the EU's opposition to the independence of Taiwan and Tibet, and respect of China's sovereignty (Xinhua, 2018a). It is unclear if the Chinese government actively lobbies for the EU's recognition of China's maritime claims. President Xi stated that it is imperative to uphold China's territorial integrity by returning legitimate maritime territories to the Chinese people (Xinhua, 2017a). The policy paper refrained from naming the South China Sea and East China Sea territorial disputes. Nonetheless, I will include the

recognition of maritime claims into the ‘preservation of sovereignty and territorial integrity’ foreign policy objective.

The EU’s arms embargo on China is also a salient issue. This issue concerns China’s image, but the sale of dual-use goods is an avenue to transfer NATO grade technology to China. The EU implemented these sanctions as a response to human rights infringements in China and the embargo contradicts Chinese discourse as a rising yet responsible power (Gupta, 2013). The paper suggests lifting the embargo as soon as possible (Xinhua, 2018a).

The section on commerce suggests to avoid trade politicization (Xinhua, 2017b). The statement refers to instruments designed to ostensibly block non-EU investments into strategic sectors. Defining China as a market economy would have a symbolic meaning by placing China amongst the most developed market economies and improve China’s international image (Godement, 2016).

Moving beyond the paper, China is losing confidence in the multilateral world order and seeks to build a ‘new type of great power relations’ (Zeng & Breslin, 2016). This notion advances the view that the success of China’s rise depends on the re-negotiation of relations between China and the US (Zeng & Breslin, 2016). The EU is not a significant player in Chinese world view. Chinese academics rank the US, Russia, India, and Japan as more important powers than the EU (Zeng, 2017). EU member states, such as the United Kingdom, France, and Germany, rank below Pakistan and South Africa (Zeng & Breslin, 2016). A report by MERICS warns that China’s underlying foreign policy goal is to break Western unity and promote a state-led political-economic model (Benner et al., 2018). Chinese National Security Law, legislated in 2015, supports these claims. Article 2 states that national security is the ‘relative absence of international or domestic threats’ to national unity, sovereignty, and welfare’ (China Law Translate, 2015, Article 2). These articles would justify China’s possible pre-emptive efforts to create a world free of threats because ‘welfare’ includes cultural and social homogeneity. In effect, the law allows China to stifle the propagation of non-Chinese ideas even outside of China.

Overall, the EU has a secondary role in Chinese foreign policy. China is concentrating its efforts towards finding a solution to the ‘new type of great power relations’ problem, which include drawing the EU closer to its sphere of influence. Overall, Chinese interests in the EU are:

- 1) Recognition of the ‘One Country, Two Systems’ policy
- 2) Preservation of sovereignty and territorial integrity
- 3) Preventing interference into China’s internal affairs
- 4) Lifting the arms embargo
- 5) Recognition as a market economy
- 6) Repealing anti-dumping measures
- 7) Facilitate Chinese investments and business in Europe

- 8) Advance China's international standing and power
- 9) Driving a wedge between the United States and Europe

5.2. Hungary

Hungary was an exemplary case of economic liberalization after the end of the Soviet rule. Hungary's entry to the OECD in 1996, accession to NATO in 1999, and EU membership signalled that Hungary is on path of becoming a fully liberalized economy, on par with its Western European counterparts (Shevchenko, 2018). Hungary was a champion of European and transatlantic integration by facilitating the formation of the Visegrad group, supporting integration within NATO, and even confronting large EU member states by joining the US-led Iraq war coalition (Shevchenko, 2018). However, the global financial recession changed the political trajectory of the country. The crisis exposed systemic corruption and the failure of neoliberal reforms. The public felt disenchanted with due to the dismantling of the welfare state, which was incapable of effective procurement of public goods (Shevchenko, 2018). Pew Research Center polls from 2009 show that 72% of Hungarians said that the country was worse off than under the Iron Curtain, 42% disapproved the shift from socialist economy, and 71% viewed European integration negatively (Heimlich, 2010). The revelation by the then-Prime Minister Gyurcsany that his administration fabricated economic data to hide a 10% deficit resulted in riots, dissipating the belief in a capitalist system (Shevchenko, 2018).

Following these events, the Fidesz political party, led by Viktor Orban, swept the 2010 parliamentary elections with a constitutional supermajority (Buzogany, 2017). Fidesz further consolidated its political status after winning the 2014 elections. The Party campaigned on a Eurosceptic platform and the revitalization of ties with Eastern partners (Buzogany, 2017). This campaign set the tone for contemporary Hungarian politics. Orban outlined his vision of Hungary in a speech at the Balvanos Summer Free University in Romania in 2014. The Prime Minister focused on restoring 'true' liberal values, revitalizing the welfare state, and strengthening the middle class (Orban, 2014). In his vision, these components make up an illiberal state – a state which Orban is trying to construct. This state has 'a different, special, national approach' that combines liberal values and returns the control of Hungary to the Hungarian people (Orban, 2014, paragraph 13). The connotation of the speech was that the Western model has lost its relevance and Hungary can introduce a viable alternative (Buzogany, 2017).

Hungary is the first fully developed hybrid regime within the EU (Bozoki & Hegedus, 2018). A hybrid regime mixes elements of democracy and autocracy. The dominant political party engages in unfair political competition within the framework of a liberal constitution to which it adheres less and less (Bozoki & Hegedus, 2018). Electoral districts are redrawn to benefit the incumbent party, the government

centralizes its role in the economy, giving more powers to the executive and introducing ‘civic conservatism’ – a state-led economy that favours domestic companies (Buzogany, 2017). Contrary to the popular belief, Hungary’s shift towards illiberal democracy can only be partly attributed to resurgent nationalism (Brusis, 2016). The electoral system disproportionately represents Fidesz and weak institutional safeguards result in the erosion of democratic accountability (Brusis, 2016).

However, Hungary’s political transformation improved government effectiveness and political stability. According to the Worldwide Governance Indicators project, since Fidesz came to power in 2010, voice and accountability decreased from 73.4 to 58.1 and control of corruption declined from 68.5 to 59.1 (Kaufmann & Kay, 2019). On the contrary, government effectiveness fluctuated between 72-69 and political stability increased from 69 to 74 (Kaufmann & Kay, 2019). While reforms of the Orban government strengthened the effectiveness of governance by, for instance, improving budget procedures and changing laws concerning election of judges, the same reforms limited the involvement of civil society, eroded the separation of powers and democratic check and balances (Sargentini, 2018). Consequently, state capture by the party led to party capture by business, where the dominant political party became a conduit for business interests because political and economic institutions lacked the authority to limit patron/client arrangements (Szanyi, 2016).

5.2.1 Chinese FDI and commerce in Hungary

Since Hungary re-established independence in 1990, subsequent Hungarian administrations maintained a welcoming approach towards China. Only Orban’s first government (1998-2002) would raise human rights issues in China and maintain close ties with the Dalai Lama (Matura, 2017b). In the pre-2012 period, major policy developments include Hungarian Prime Minister’s visit to China in 2003 and a reciprocal visit by Chinese President Hu Jintao in 2004 (Matura, 2017b). During the visit, President Hu emphasized almost identical political views on some international issues and committed to finance infrastructure, improve cooperation, and facilitate cultural exchanges (Ministry of Foreign Affairs of the PRC, 2004). Although this statement preceded the formalization of the 17+1 forum, we can already observe the recurring trends in Sino-Hungarian relations. Hungary seeks out Chinese relationships, as illustrated by Fidesz’s decision to formalize the relations with the CCP in 2009 and Orban’s visit to China in 2010 (Matura, 2017b). In return for a proactive approach, the Chinese government names Hungary as a Chinese gateway in Europe (Matura, 2017b). Such reciprocal diplomacy galvanized the formation of the annual CEE-China summit, which later evolved into the 17+1 forum (Matura, 2017b).

Table 5: Hungary's Trade Partners

Rank	Country	Hungarian Exports	Hungarian Imports	Total Trade (US\$ Billion)	Percentage Share of Hungary's Total Trade
1	Germany	27.35%	26.54%	58	27%
2	Austria	4.84%	6.17%	11,9	5.5%
3	Slovak Republic	4.74%	5.44%	11	5%
4	Italy	5.11%	4.7%	10,7	4.9%
5	Poland	4.12%	5.6%	10,5	4.8%
6	Czech Republic	4.3%	4.9%	10	4.6%
(10)	China	3.44%	5.07%	7,9	3.6%

Source: WITS (2019)

Table 6: Hungary's Trade with China

Year	Total Trade (US\$ Billion)	Hungarian Exports to China	Hungarian Imports from China
2017	7,9	3.44%	5.07%
2016	7,1	2.18%	5.29%
2015	6,5	1.79%	5.26%
2014	7,2	1.92%	4.93%
2013	7,3	1.85%	5.40%
2012	7.2	1.76%	5.74%

Source: WITS (2019)

The Chinese ambassador to Hungary recognized that bilateral relations are at the highest point in history (Xinhua, 2018c), but an analysis of Hungarian trade profile shows that China is not a major partner. The Chinese market is the fifth largest import partner, thirteenth export destination, and only the tenth most

important trade partner. Considering that one of the major goals of the 17+1 summit is to strengthen commerce, the lack of trade expansion is inconsistent with the prevailing discourse. Even though Hungarian exports to China have doubled since 2012, Hungarian imports have steadily decreased. Total trade is almost 10% higher than it was in 2012, but it remained consistent between 2012-2014 and rebounded from a decrease in 2015. Trade with the primary partner, Germany, makes up almost one-third of total trade. Trade with EU member states amounts to 87% of Hungary's total commerce. Hungary's economy is extremely well integrated into the web of international trade. Hungary's trade-to-GDP ratio, an indicator which divides the value of trade by GDP, is 172% - the tenth highest result in the world (WITS, 2019). While high trade openness is the result of a 'shock therapy' approach to economic governance after the fall of the Soviet Union, from a political perspective the plurality of trade partners enhances geoeconomic security. It reinforces supply and market access security, access to credit, and makes it possible to maintain the economy's position at the technological frontier (Dent, 2001). Considering that trade with China comprises just 3.6% of total trade, it is highly unlikely that norms would diffuse in the face of trade with the EU. Machinery and electronics imports from China constitute 73% of total imports, whereas strategic resources, such as minerals and fuel, comprise 0.01% and 0% respectively (WITS, 2019). Energy is the vehicle of economic growth and energy dependence on a limited number of partners exposes a state to market vulnerabilities arising from supply disruptions (European Commission, 2013). Rare earth elements are used in various domains, ranging from production of electronics, energy and military technology (Wubbeke, 2013). China controls more than half of global reserves (Wubbeke, 2013), yet Hungary does not trade in goods that provide the most strategic leverage. Additionally, Hungary did not import any arms from China.

The data on Chinese FDI is inconsistent. Peter Szijjarto, the Hungarian foreign affairs minister, valued Chinese FDI at US\$ 3.5 billion in 2015 (Daily News Hungary, 2016). Xinhua (2018c), a state-run Chinese press agency, placed Chinese FDI at US\$ 4.1 billion. MERICS values Chinese FDI at US\$ 2.4 billion in 2000-2018 (Hanemann, Huotari & Kratz, 2019). However, post-2012 Chinese FDI has declined. This trend is unexpected considering the image that 17+1 is a gateway for Chinese capital. Bloomberg's analysis of company takeovers and investment deals whose terms were published places Chinese FDI at US\$ 450 million since 2012 (Tartar, Rojanasakul & Diamond, 2018). Central Bank of Hungary (2019) values Chinese investment at EUR€ 322 million since 2012. In comparison, South Korea invested EUR€ 977 million in the same time period (Central Bank of Hungary, 2019). Chinese investment data, compiled by the American Enterprise Institute and the Heritage Foundation, shows that the total amount of FDI in Hungary is US\$ 3.9 billion, however, the database records only one investment since 2012, valued at US\$ 210 million (American Enterprise Institute, 2019). The data uncertainty can be mitigated by

compiling a list of Chinese-led investment projects that have succeeded and failed. Although there are 5000 Chinese enterprises in Hungary, but most are family-

owned or small businesses providing services or operating small retail stores (Szunomar et al., 2014), I will focus on transnational companies that could be classified as medium-to-large businesses, as these companies would presumably have more influence over politics and economics.

In general, Chinese investment projects that have been completed

centre on global supply chain expansion or the establishment of access to the single market.

I gathered the data on all major Chinese projects in Hungary, including failed initiatives and ones that are in progress. It is important to note that I did not have the resources and access to calculate disinvestments.

Nonetheless, Table 7 (see Appendix I for extended data) illustrates China's current position in Hungary and future investment plans. I identified 20 China-related investment

projects, out of which 9 are BRI-linked. The only BRI investments that materialized are a photovoltaic power station, estimated cost of EUR 2 million, and a EUR 200 million acquisition of a Hungarian telecommunications firm. The most ambitious BRI projects have either stalled or failed. The second Belt and Road Forum could be responsible for an increase in BRI-related projects in 2019. Because the conference is an opportunity for businesses to meet high-ranking politicians from BRI countries and finalize large investment deals. While Hungary is set to receive more than EUR 1 billion Chinese investments starting from 2019, the record suggests that ambitious projects fail to materialize in Hungary, but two investments stand out while analysing Chinese FDI: BorsodChem and Hungary-Serbia railway.

Wanhua Industrial Group's EUR€ 1.2 billion acquisition of a Hungarian chemical producer in

Table 7: Summary Chinese FDI and infrastructure projects in Hungary (2012-2019)

Sectors and the number of investments	Value (EUR Million)	Belt and Road Project?
FDI		
ITC: 3 Automotive: 3 Chemicals: 1 Logistics: 1 Aviation: 1	761.1	1 BRI projects, an acquisition of a telecommunications firm
Infrastructure Projects (tenders)		
One completed photovoltaic power plant, 2 failed projects, 3 in progress	141.1	All BRI Projects

2011, BorsodChem, became the lodestar of Chinese investment in CEECs (Bryant, 2011). Three thousand BorsodChem's employees reacted positively to Wanhua's rescue of a nearly bankrupt company and the commitment to inject an additional EUR€ 140 million into the company (Bryant, 2011). BorsodChem's buyout because Wanhua realized that besides using the company to expand Wanhua's European market, BorsodChem could transfer technologies and chemical production expertise (Budapest Business Journal, 2011). It is important to note that the sale of BorsodChem was not a case of opening the domestic market for Chinese. Exceptionally, Fidesz has supported Wanhua/BorsodChem despite the government's declared commitment to cleanse the Hungarian economy of foreign interests. The announcement in 2014 that Wanhua would invest EUR 88 million became a public relations opportunity to reinforce Sino-Hungarian relations by showing that Chinese investors are welcome in Hungary (Jacoby & Korkut, 2016) In 2018, the European Commission (2018) approved EUR€ 45 million in state aid for BorsodChem to build a production facility that would allow it to replace aniline imports from China and ensure 'sufficient profitability' for BorsodChem. State support for the project would seem to underscore Hungary's Eastern orientation, but it is important to note that BorsodChem is in the poorest region in Hungary (Jacoby & Korkut, 2016). It would reflect negatively on Fidesz electorate if the government would neglect poor Hungarian regions.

The Budapest-Belgrade railway link should have become the flagship project of the 17 and showcase the potential of the summit. In 2014, Serbia and Hungary agreed to upgrade the 350km railway. The Chinese Export-Import Bank committed to finance more than US\$ 3 billion in low interest (2-3%) loans contingent on a Chinese company being awarded the contract to manage the project (Ferchen et al., 2018). The project has geopolitical significance. The renovated link would have decreased the travel time between the two cities from eight to three hours and connect the Chinese-managed Piraeus port with the 'China-Europe Land-Maritime Express Line', the most important land transport link between China and Europe under the BRI (Ferchen et al., 2018). Consequently, this project would have enhanced the profile of Chinese construction companies and presented investment opportunities from Budapest to Piraeus (Matura, 2016). The renovated railway link would have allowed China to reduce overcapacity without incurring any operational expenses. Experts calculated that the railway link would pay for itself in 2400 years and Hungary with Serbia would have borne the costs (Matura, 2016). This cast doubt on China's 'win-win' discourse, as an unsustainable project was promoted as the bellwether of Chinese investment in CEECs.

Figure 3: Strategic Link Between Budapest and Piraeus Through Belgrade



Source: Kynge, Beesley & Byrne (2017)

Only in 2017 Hungary launched a public tender for railway refurbishment. The European Commission immediately began to investigate public procurement infringements and the financing framework behind the project (Kynge et al. 2017). The government re-launched the process in 2018, and in the spring of 2019, a Chinese-Hungarian consortium won the new tender for the renewal of the Budapest-Belgrade railway, which will be financed by the Chinese Export-Import Bank (MFAT, 2019). The goal is to begin the work in early 2020 and finish it by 2025. (MFAT, 2019).

The Hungary-Serbia link illustrates the problems with Chinese investments in Europe. The general view is that Chinese loans benefit Chinese companies without having the kind of sustainable impact that FDI should have. Chinese companies use their own machinery and labour to develop such projects, and Hungary must pay for the upkeep of unsustainable projects (Ferchen et al., 2018). Additionally, the EU's regulatory framework imposes transparency, competition, procurement, and financial accountability rules. The European Commission is concerned that the only EU company participating in the project has just a 15% stake, the project has infringed procurement procedures, and Hungary did not conduct a feasibility study of Chinese loans (Kowalski, 2017). This illustrates Chinese

and Hungarian miscalculations or overconfidence in conducting joint ventures under the EU framework (Ferchen et al., 2018). However, Hungarian think-tank analysts, political experts, and academics agree that Chinese loans are not competitive because the EU can offer zero-percent interest infrastructure loans (Ferchen et al., 2018). The Hungarian railway part should have been completed by 2017 (Matura, 2016), however, considering that the agreement to build the link was reached in 2014, a 11-year renovation of a 160km Hungarian railway link raises questions about the geopolitical potential of the 17+1 framework and capabilities of Chinese companies.

An often-overlooked source of influence is debt holding. Even though China as of yet has not provided concessional loans to Hungary, in 2018, the Hungarian Central Bank for the third time issued short-term three-year panda bonds - bonds denominated in RMB. This round amounted to EUR 260 million, adding to the previous issuances of EUR 260 million (Budapest Business Journal, 2018b). Considering that Hungary's credit rating is BBB, just above 'junk bond' level, state investors might be tempted to extend easy credit lines hoping to entice the bond issuer to make favourable decisions. However, panda bond issuance was a comprehensive program that began in 2017, aimed at enhancing Hungary's image in China's domestic markets. It is yet to be seen if Hungary will move from a three-year to longer maturity bonds. AidData (2018), a policy research lab at William & Mary, has no record of other Chinese financial flows to Hungary.

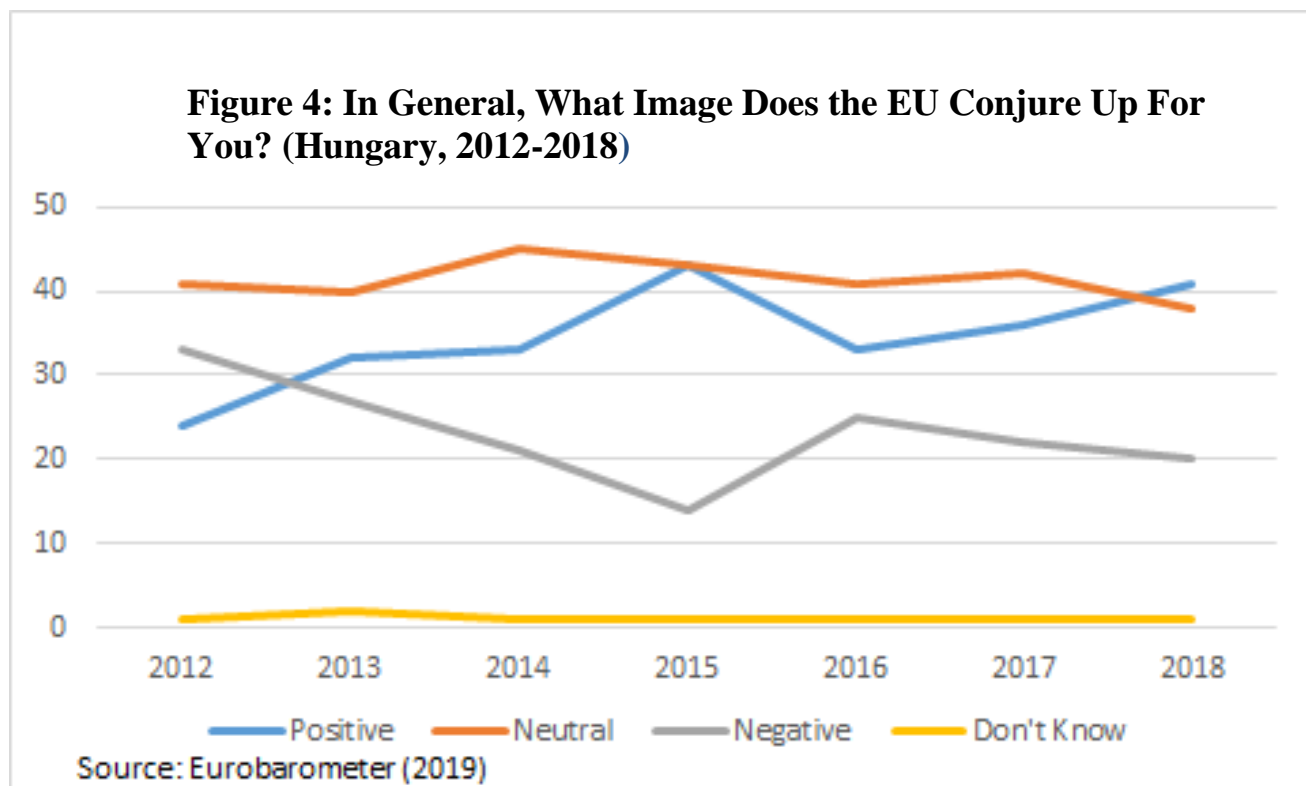
5.2.2 China's soft power in Hungary

Hungary and China have deep cultural ties that go beyond post-1990 relations. Chinese leaders tend to emphasize the proverbial ancient Chinese-Hungarian brotherhood, pointing out that Hungary is the only European country where the last name precedes the given name, in the same manner as in China (Matura, 2017b). Chinese pupils are exposed to Hungarian culture through Hungarian poems and songs - a remnant of a common communist past (Matura, 2015). Hungary is home to the largest Chinese diaspora in the region. After Hungary arranged a temporary visa-free entry for the Chinese in the late 1980s, the diaspora grew to nearly 40,000 residents in the early 2000s (Matura, 2015). The presence of a sizable diaspora led to the opening of a branch of the Bank of China in 2002 and a Chinese-Hungarian secondary school in 2004 (Matura, 2015). Such close cultural cooperation is unprecedented in the region. Although the diaspora decreased to 20,000 by 2014 (Szunomar et al., 2014), nearly 10,000 Chinese moved into Hungary between 2013-2015 under a 'residency bond' scheme (Dunai, 2016)³. The program is part of concerted effort to intensify people flows between Hungary and China. In 2018, Chinese citizens bought

³ The scheme provides a five-year residency permit so long as an individual purchases bonds worth at least 300,000 euros (Dunai, 2016).

1,573 real estate properties, an increase by 20% from previous years, but representing only 1% of total real estate transfers (Budapest Business Journal, 2018a). Additionally, in 2017, 1544 Chinese students went to study to Hungary, comprising 5.5% of international students (Hungarian Daily News, 2017). Lastly, 336,000 Chinese tourists visited Hungary in 2016, marking a 35% increase; however, Chinese tourists only make up 3.6% of total tourism inflows (Hungarian Tourism Agency, 2018). These cultural links have translated into tangible outcomes. The Chinese diaspora attracts small and family businesses to Hungary (Szunomar et al., 2014). Additionally, Chinese who are fluent in Hungarian and Chinese act as emissaries for big businesses (Szunomar et al., 2014). While Szunomar et al. (2014) stipulate that the diaspora explains the successful lasting relations between Sino-Hungarian, it is important not to overstate the influence of the diaspora. There are twice as many Russians and almost thirty times more Germans living in Hungary than Chinese (Hungarian Central Statistical Office, 2012). In 2011, the Chinese diaspora was only the tenth largest diaspora in Hungary (Hungarian Central Statistical Office, 2012). Finally, while Hungary has close cultural relations with China, Prime Minister Orban has neither emphasized the common past nor called China a 'friend' (Turcsanyi & Qiaoan, 2019).

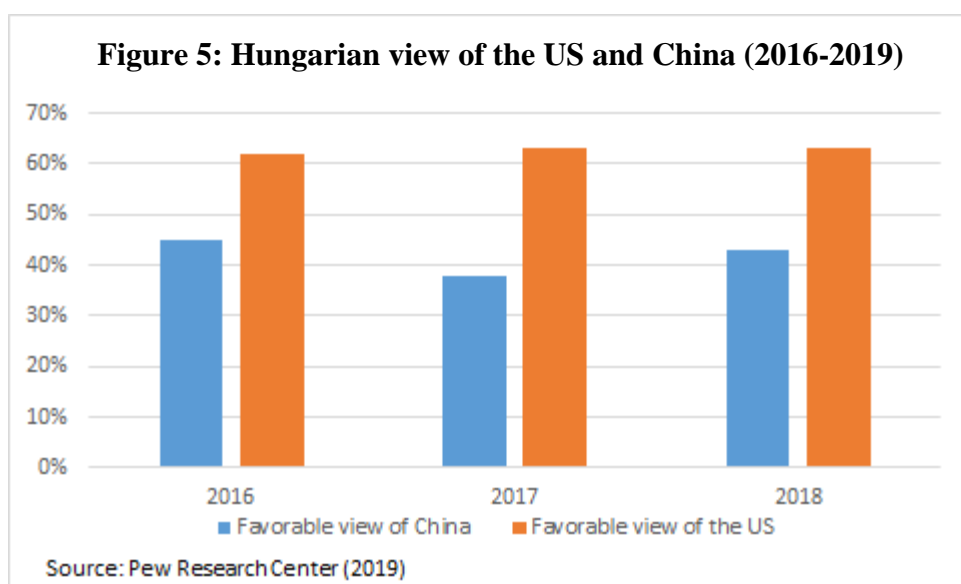
The political and economic environment in Hungary is favourable to Chinese investment. Politically, even progressive parties refrain from criticizing China on its human rights record (Matura, 2017a). In the past decade, Hungary has been 'democratically backsliding' by restraining the independence of the judiciary branch and consolidating the executive and legislative powers within one party (Kelemen & Blauburger, 2017). This political shift could open an attractive gap for China. While China's minister of foreign affairs insisted that the BRI is 'neither a Marshall plan nor a geostrategic concept' (Mitchell, 2018. p.2), the BRI does not fully conform to the principles of liberal governance. The BRI's emphasis on a strong role for the state is appealing to the Hungarian leadership. Numerous times Orban accentuated the failure of Brussels and advocated for a restored role for the state (Orban, 2019a; Orban, 2019b). Orban has mentioned that China is a model of a 'labour-based society' in contrast to the West, which is built on speculation (Matura, 2017a). Therefore, the convergence of Hungarian domestic politics and Chinese foreign policy goals has resulted in warm political relations between these two countries. Hungary was the first EU country to sign a memorandum of understanding on BRI in 2015. In 2017, both countries signed a strategic partnership agreement, reiterating the commitment to development and stability (Xinhua, 2017b). However, Hungary has not fully committed itself to maximizing this opportunity. Matura (2018) notices that Hungary lacks a China strategy and BRI strategy, and does not have a BRI investment coordination body.



An analysis of quantitative indicators of China's soft power illustrate that Chinese soft power is lagging behind its economic capabilities. Polling by the Pew Research Center illuminates that less than half of Hungarians view China positively, whereas 60% favour the US. A survey by Ipsos Hungary Zrt (2017), a Hungarian based market researcher, shows that 32% of respondents disagree and 25% agree with the statement that Hungary's interests should align with China; on the contrary, 61% agree that the interests should align with Europe and 58% agree that Hungary should align its interests closer to Germany. Figure 4 illustrates that in 2018 more Hungarians viewed the EU positively than negatively, a surprising result considering Fidesz's anti-EU platform. According to a poll by the European Commission (2017), 50% of Hungarians have a negative perception of China and 40% have a positive attitude. Hungarian media analysis by Chinfluence, a project that evaluates China's influence in CEECs, shows that the media does not focus on sensitive political issues, such as Tibet, human rights, or intellectual property infringements (Chinfluence, 2017). Only 10% of Hungarian news output on China has negative undertones and 86% cover China-related topic neutrally (Chinfluence, 2017). According to the China-CEEC think-tank, the coverage of China topics in terms of qualitative argumentation is poor because the media does not provide in-depth coverage of Sino-Hungarian relations (Moldicz, 2019). The media tends to emphasize topics related to Chinese economic development and international politics, focusing on general news (Chinfluence, 2017). The Hungarian news agency provided 52% of news related to China, which has a

fact-based approach and abstains from providing political or social commentary (Karaskova et al., 2018). As a result, perceptions that China is ravaged by poverty and pollution, and produces low quality and labour-intensive products, permeate the Hungarian society (Szunomar, Volgyi, & Matura, 2014). In addition, the media might lack the expertise in China affairs to scrutinize Chinese investments. This presents an opportunity to the Chinese media to shape the discourse in Hungary regarding China and the BRI. The media's perfunctory coverage can be explained by the limited understanding of China in CEECs (Song, 2017). Lastly, domestic politics determine the media coverage on China. Media outlets linked to Fidesz to cover China more positively than opposition outlets (Chinfluence, 2017). If Hungary is aligning its policy with China, we would expect the Hungarian government to disseminate pro-China news through friendly media outlets. Consequently, without the media actively engaging in shaping the discussion on China, BRI's discourse is in the hands of Hungarian politicians and a small group of journalists who have the power and influence to set the Sino-Hungarian political agenda.

Chinese media companies failed to make a breakthrough in Hungary. Based on Google Trends data, Western-based news sources eclipse Chinese media. There is no record of Chinese media sources gaining a larger interest since 2012. In fact, Google Trends search of interest in CGTN and People's Daily did not return any data. These two media sources are official media sources that propagate and shape China's political discourse abroad. Google trends data shows that interest in China today remains at the same level as in 2010.



5.2.4 Eastern Winds in Hungarian Foreign Policy

Table 8: Overview of Relevant Hungarian Foreign Policy Decisions

Hungarian Foreign Policy Decisions	Compatibility with China's foreign policy goals
Decisions which support China's foreign policy interests	
In 2017, Hungary vetoed the EU's joint letter on lawyer torture in China	Preventing interference into domestic affairs
Since 2016, Hungary has lobbied for the 'market economy status'	Recognition as a market economy
Hungarian Ambassador in Beijing refuses to sign a report criticizing the BRI in 2018	Advancing China's international standing
In 2016, watered-down statement on the South China Sea ruling due to Hungarian and Greek objections	Preservation of sovereignty Preventing interference Advancing China's international standing
Hungary views Huawei as a strategic partner in response to concerns over backdoors in Huawei's software and its potential for spying	Facilitate Chinese investments and business in Europe
Member of the Asian Infrastructure Investment Bank (AIIB)	Advancing China's international standing and power
Established a comprehensive partnership	
Hungarian Prime Minister signs a joint communique on the BRI in 2017 against the objections of the EU and member states	Driving a wedge in transatlantic relations
Has not raised any human rights issues since 1999; absence of political values and principles enshrined in EU treaties in Sino-Hungarian relations	Non-interference in domestic affairs Advancing China's international standing by tacitly supporting the Chinese model
Blocking Ukraine's talks with NATO	(Indirectly) Advancing China's international power

	A wedge in EU-US relations
Opposing EU arms embargo on China	Supports lifting the arms embargo
Does not recognize Taiwan and Tibet, supports ‘One China Policy’	Supporting One China Policy Non-interference into domestic affairs
Support of ‘non-Western’ modes of governance, as exemplified in China	Advancing China’s power
Blocking the World Uyghur Congress from convening in Budapest in 2013	Preventing interference into China’s internal affairs
Opposing further European integration	Supports China's bilateral agenda
Major decisions contradicting Chinese foreign policy goals	
Implementation of a domestic FDI screening mechanism related to areas of national security, namely financial, energy, and IT sectors.	Does not facilitate of Chinese business, consequently harming China’s international power
Support of EU-wide FDI screening mechanism	
Hungary supports a Eurasian Free Trade area that would increase Hungary’s energy diversification and influence in Central Asia	Contradicts by presenting an alternative investment project that could compete with the BRI
Renewed US-Hungarian defence agreement, signed in 2019	Increases the presence of the US, harming China’s hard power in the region
Support of EU-wide anti-dumping measures (such as EU regulation 2017/2321 that provides protection from subsidized imports originating in non-EU members)	Does not repeal anti-dumping laws

Compiled by the author, from Heide et al. (2018), Reuters (2019), Szijjártó (2016, 2019), (Torres, 2017), Emmott (2016), Marosi (2019), US Department of State (2019), Matura (2017a, 2018, 2019), Simo (2019), Szunomar et al. (2014), Orban (2014), Hopkins (2019).

The Hungarian Ministry of Foreign Affairs and Trade (2018) stated that even though Hungary sees the BRI as an historic opportunity to grow the economy, it should be communicated to all stakeholders, both domestic and foreign, that Hungary is continuing to promote European values. Hungarian foreign policy decisions do not support this claim. Blocking the Uighur Forum, refusing to sign a joint letter on the torture of lawyers, and cutting ties to the Dalai Lama are not actions compatible with fundamental EU

values. But before discussing the link between indicators, theory, and foreign policy decisions, I will introduce the case of Poland. This case will show a different result. In addition to strong commercial relations and financial flows, Poland is the geographic entry point to Europe as a transcontinental railway, starting in Chengdu, connects China and Europe. However, Polish policy-makers decided to reinforce their ties with the US, erasing the efforts to build strong Sino-Polish relations.

5.3 Poland

After the fall of the Soviet Union, Poland, along with other countries in the region, set out to become members of the EU and NATO. Poland joined NATO in 1999 and the EU in 2004. After achieving these goals, Poland continued integrating and strengthening its role within these organisations as well as maintaining close relationships with key partners - Germany and the United States (Zwolski, 2017). The Polish political environment changed in tandem with regional trends during and after the financial crisis. Before the crisis, political parties would ignore European issues in their campaigns and focus on domestic politics (Szczerbiak & Bil, 2009), but civil society lost trust in mainstream parties and began to express their protest by casting votes for newcomers or marginalized populist parties (Brusis, 2016). Poland was the only European economy that was not affected by the crisis, giving Poland newfound confidence. In 2009, the Polish economy grew by 1.7% and in 2010 continued to grow by almost 4% (Galpin, 2017). The disillusionment with the EU's handling of the crisis resulted in the emergence of anti-EU parties. The European Parliament elections in 2014 signalled that Polish voters felt disappointed with the prevailing discourse that Poland is an economic backwater in spite of high economic growth (Galpin, 2017). Poland felt marginalized as it was not able to gain more representation in European institutions in the aftermath of the crisis (Galpin, 2017). Nonetheless, the public exhibited the highest support of the EU among EU member states (Galpin, 2017). This suggests that political changes in 2015 have domestic roots. In Poland, divisions about Poland's history characterized politics since 1989 (Galpin, 2017). This issue manifests itself through the disagreement as to whether Poland is part of the core of the EU and should continue its integration or if Poland should strengthen its nationalist roots (Galpin, 2017).

In 2015, the Law and Justice Party (PiS) won a parliamentary majority. The government began replacing judges of the Supreme Court and changing the procedures to limit judicial autonomy, alarming other governments in the EU that the independence of the judiciary was being eroded (Brusis, 2016). The government also brought the public prosecutor's office and the national television station under its control (Brusis, 2016). Fomina & Kucharzyk (2017) attribute the Law and Justice Party's electoral victory to the weakened platform of the ruling party 'Civil Platform' and the ability to mobilize the electorate. PiS masterfully attracted pro-European civil society to the ballot box by campaigning for staunch conservatism and resistance to social changes that ostensibly originate in Western Europe (Fomina & Kucharzyk, 2016). PiS sought to preserve the 'essence' of what it means to be Polish. For example, PiS concentrated on the migrant crisis in 2015 by mobilizing anxieties in the society that migrants and refugees will erode the traditional Polish life and culture (Fomina & Kucharzyk, 2017). An external threat, from the Euro to LGBT rights, as PiS delineated, makes it possible to portray oneself as a defender, and incentivises voters to support a crusade, against social and cultural threats (Shotter, 2019c).

Another notable change was replacing public company boards with loyalists, who have allocated funds based on the political alignment of media and NGOs (Przybylski, 2018).

Surprisingly, according to the Worldwide Governance Indicators, political stability only decreased from 75 to 63-65 (Kaufmann & Kay, 2019). Government effectiveness did not change and control of corruption inched from 74 to 76 (Kaufmann & Kay, 2019). In contrast to Hungary, we see different forces at play. While the victory of Fidesz relied on factors caused by the financial crisis and subsequent economic downturn, the ideological shift in Poland stems from intricacies in domestic politics and disagreements about Poland's role in the EU. Additionally, Poland's political system is inherently plural. Local governments have strong autonomy and can influence the implementation of decisions taken by the central government through public service provision (Przybylski, 2018). Lastly, Poles are one of the staunchest supporters of the EU, which serves as a check and balance on the government (Przybylski, 2018).

5.3.1 Chinese FDI and commerce in Poland

Similarly to Hungary, Poland and China enjoyed relatively warm relations until the Sino-Soviet split in 1956 (Mierzejewski, 2017). In the late 1980s, China attempted to revive relations by granting a special loan and tacitly supporting Polish independence (Mierzejewski, 2017). After the fall of the Soviet Union, relations cooled due to Poland's focus on EU and NATO integration (Mierzejewski, 2017). Until 2011, just after the global financial recession, Sino-Polish ties were minimal. The highlight of the early 1990s-late 2000s period was Polish President Kwasniewski's visit to China in 1997 and a reciprocal visit by the Chinese president seven years later (Mierzejewski, 2017). During this visit, Poland officially expressed support for the 'One China' policy and praised China's positive contribution to East Asian economic development (Mierzejewski, 2017). Following the financial crisis, China rediscovered Poland as a political and economic partner. In 2011, Poland and China signed a comprehensive partnership. China expressed its support for Polish integration and economic development, whereas Poland committed to support China's recognition as a market economy and removal of the arms embargo (Mierzejewski, 2017). President Duda strengthened financial cooperation in 2015 by signing an agreement with Poland's National Economy Bank and China's financial giant Industrial and Commercial Bank of China (ICBC) (Mierzejewski, 2017). The Polish Sejm supported the accession to the AIIB in 2016, reinforcing financial flows between the two countries. However, Foreign Minister Waszczykowski (2016) spoke vaguely about cooperation with China, without highlighting any specific projects or bilateral agreements, while introducing Polish foreign policy guidelines for 2016. In fact, the Minister spent more time presenting

policy on the Middle East and North Africa than East Asia (Waszczykowski, 2016). In 2017, the Polish Defence Minister blocked the building of a logistics hub in Lodz, stating that the BRI-related project is a national security vulnerability (Pendrakowska, 2018). Following this incident, Polish prime minister delegated the Deputy Prime Minister to attend the 17+1 summit, customarily attended by heads of governments or heads of states. Poland also did not attend the Second Belt and Road Forum, which brings BRI members together and often results in a bounty of BRI agreements. Lastly, in 2018, Polish Prime Minister explicitly identified China and Russia as threats to NATO and world democracy (Premier.gov.pl, 2018).

Table 9: Poland's Trade Partners

Rank	Country	Polish Exports	Polish Imports	Total Trade (US\$ Billion)	Percentage Share of Poland's Total Trade
1	Germany	27.21%	22.6%	109,6	25%
2	China	1.04%	12.2%	28,7	6.5%
3	Italy	4.91%	5.02%	21.71	4.96%
4	Czech Republic	6.35%	3.51%	21.70	4.94%
5	Russian Federation	3.14%	6.77%	19.1	4.94%
6	France	3.85%	3.85%	17.6	4.7%

Source: WITS (2019)

Poland is also well integrated internationally, as indicated by its 102% trade-to-GDP ratio (WITS, 2019). China is Poland's second largest trade partner, comprising 6.5% of total trade. Although commerce with Germany amounts to one-fourth of total trade, China is a major import market. While outlining 2018 Polish foreign policy priorities, the foreign affairs minister emphasized that the US\$ 24 billion trade deficit challenges cooperation with China (Czaputowicz, 2018). Table 10 identifies that that the trade deficit has always been a characteristic of Sino-Polish trade, but it became an issue only when the Polish government began to re-evaluate its China strategy in 2015-2016. Since the establishment of the 17+1 summit, the trade links between Poland and China continued to deepen. China consistently increased its exports to Poland, with an average yearly growth of 5%. However, Poland failed to increase exports to

China, and continue to export about 1% of total exports to China. The asymmetry exists due to Poland's economic structure. The Polish economy is integrated into pan-European supply chain links and only rare materials or niche exports, such as chemicals, are competitive in non-EU economies (Mierzejewski, 2017). Poland mainly imports consumer products, such as clothes, footwear, electronics, furniture, as well as precious stones and heavy machinery (Mierzejewski, 2017). China is not a major exporter of fuels or minerals (WITS, 2019). I found no record of Chinese arms imports.

Table 10: Poland's Trade with China

Year	Total Trade (US\$ Billion)	Polish Exports to China	Polish Imports from China
2017	28.7	1.04%	12.2%
2016	25.4	0.97%	12.4%
2015	24.3	1.04%	11.8%
2014	25.2	1.05%	10.1%
2013	19.5	1.04%	9.39%
2012	19	0.97%	9.02%

Source: WITS (2019)

Methodological differences in calculating FDI result in different outcomes. Bloomberg estimates that since 2012, China has invested EUR 646 million (Tartar et al., 2018). The Central Bank of Poland puts China's inward position at EUR 186 million, below Republic of Korea's EUR 947 million and Japan's EUR 740 million (Narodowy Bank Polski, 2017). On the contrary, the Polish embassy in China in 2016 valued Chinese FDI at EUR 757 million (Szczudlik, 2018). Lastly, Rhodium group and MERICS calculate that the Chinese invested EUR 1.4 Billion between 2000 and 2018 (Hanemann et al., 2019). This report excludes disinvestments and reinvestments, whereas the Central Bank's calculation concentrates on investments by companies registered in China. Chinese companies that invest in Europe are often registered in Luxembourg and the Netherlands. Additionally, the methodologies of all aforementioned studies do not include indirect investments. Significant cases that are not recorded in official data include the China Investment Corporation's purchase of UK-based logistics firm Logikor, which operates 28 logistic parks in Poland amounting to 900.000 square meters of space (Logikor, 2019), and Shanghai Jin Jiang International Holdings' acquisition of Groupe du Louvre that owns 19 hotels in Poland (Starwood Capital Group, 2015).

In general, Poland has seen more activity regarding BRI and private equity investments. I found 7 investments and 3 realized infrastructure projects under the BRI umbrella. Table 11 summarizes the China's FDI and infrastructure project (see Appendix II for a complete dataset). Focusing on BRI

investments, we see that Chinese companies have not engaged in megaprojects, but in the acquisition and construction of coal and alternative energy plants. Chinese companies gain technological insights through the acquisition of renewable energy companies, which then are applied in China to reduce energy pollution and meet the rising demand (Liedtke, 2017). Poland is an ideal market to establish a foothold in renewable energy. Due to its infamous reliance on coal for electricity production, Chinese companies can

Table 11: Summary of Chinese Investment and Infrastructure Projects in Poland (2012-2019)

Sectors and the number of successful investments	Value (EUR Million)	Belt and Road Project?
FDI		
Automotive: 3 Aviation: 3 Consumer goods: 4 Energy: 4 Waste treatment: 1 Biotechnology: 1 Construction machinery: 1	1857	6 completed BRI projects, 1 blocked. 1 BRI project related to biotechnology, other to energy (wind farms)
Infrastructure Projects (tenders)		
4 projects (3 BRI 1 non-BRI). 2 projects currently in progress	141.1	3 completed BRI projects, 4 failed (3 blocked by Polish authorities), 2 in progress

gain expertise in building power farms as well as transfer best practices to the Chinese market.

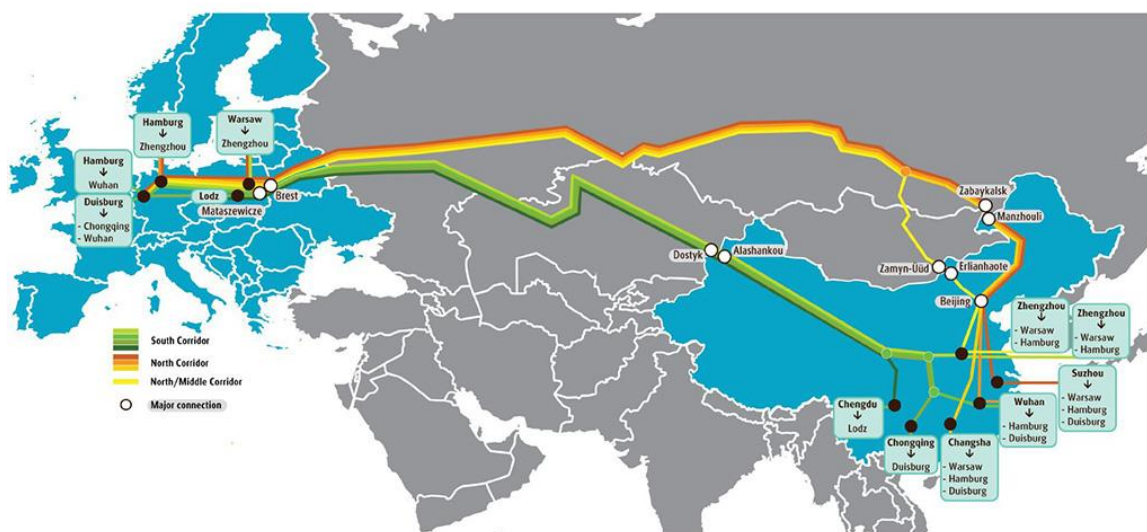
Another characteristic of Chinese FDI in Poland is the nullification of already Chinese-won tenders by Polish authorities and, in one case, high-level interference to block a central BRI project.

Poland was the recipient of the first major Chinese infrastructure investment not only in the region, but in the EU. In 2009, the Chinese Overseas Engineering Company (COVEC) won a public tender to build a strategic

highway in support of the 2012 European Cup football championship (Jacoby, 2014). The impressive bid offered to build the highway using less than 50% of the designated budget (Cienski, 2011), triggering a pan-European debate about China's role in Europe's post-crisis economic recovery. However, from the outset problems troubled the project. Starting from public relations failures, such as attempting to negotiate a contract during the funeral of the Polish president, to technical missteps - namely not being

aware of the EU's environmental regulations⁴ and not translating the contracts into Chinese - led COVEC to abandon the project after 18 months (Jacoby, 2014). The Polish government decided to litigate for 741 million zloty and banned COVEC from competing in other public procurement projects in the light of COVEC's pressure to renegotiate the contract and rumours of kickbacks offered to local suppliers (Jacoby, 2014; Ni, Gu, & Yao, 2011).

Figure 6: Poland's Strategic Position in China-EU Rail Transport



Source: Railway Gazette (2017)

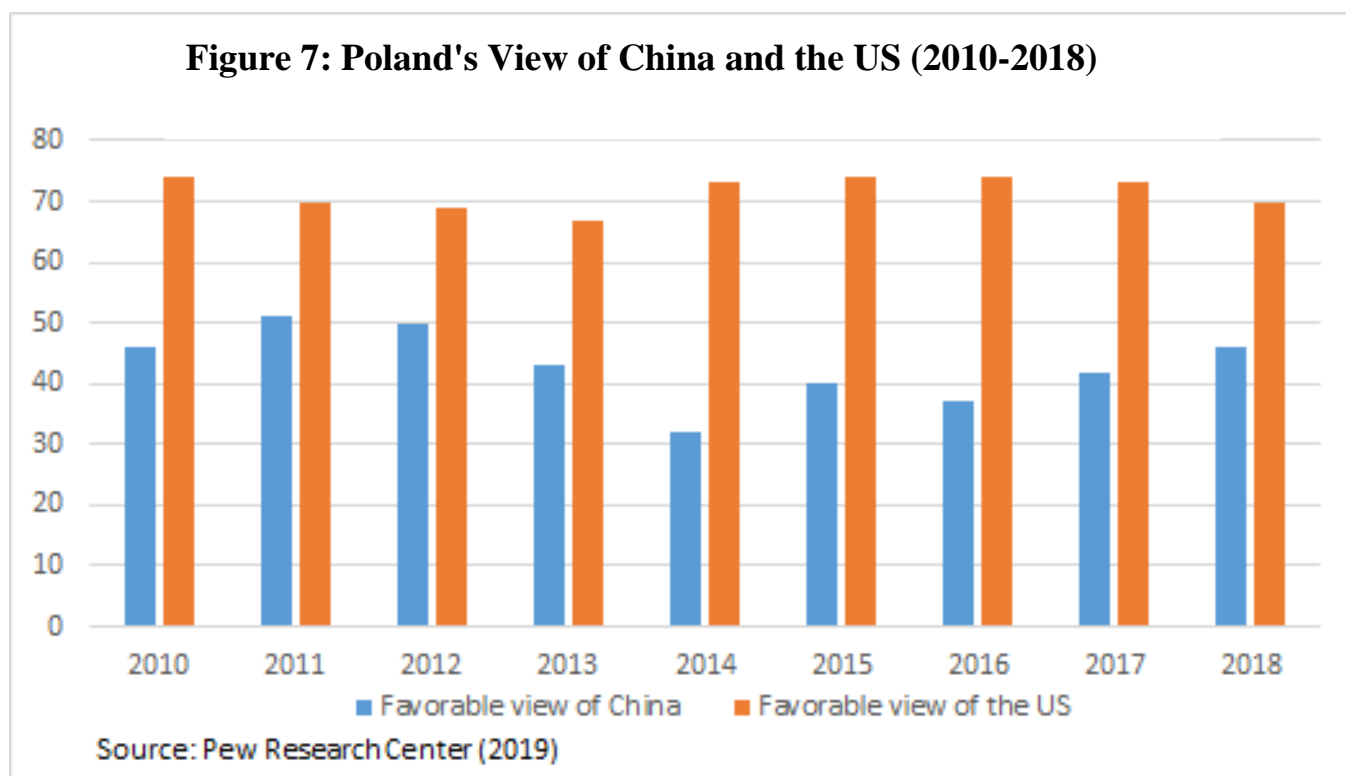
Figure 6 demonstrates that Poland is the physical gateway to Europe due to its favourable geographical position. All Chinese rail traffic designated for Europe passes through Poland (Mierzejewski, 2017). Poland is the entry point to Europe and responsible for transit traffic as every train entering Poland from Russia must change its bogies due to a railway gauge difference. The Polish government and private companies have capitalized on this opportunity by upgrading the port of Gdansk and planning to expand logistics capacity in Lodz, the key logistics hubs where cargo is either loaded on lorries or redirected

⁴ COVEC executives and the Chinese ambassador could not hide their bewilderment when they learned that EU environmental regulations require passageways under roads that allow frogs and other animals to migrate across the road (Aredy, 2012).

onwards to Western Europe through public rail (Mierzejewski, 2017). Rail transit has exponentially increased from 17 trips in 2011 to 3.673 in 2017, but the operation remains loss-making - the Chinese government reportedly spent EUR 206 million subsidizing the route between 2011 and 2016 (Goh & Goettig, 2018). Part of the loss arises from asymmetrical commercial links. While trains leave Chengdu in China fully loaded, they return empty due to the lack of demand. Czerep (2017), writing for the China-CEE institute, asserts that scholars and commentators draw incorrect conclusions about the 17+1 summit from the case of the Chengdu-Lodz railway - that it is asymmetrical and that only Beijing needs the railway to reduce overcapacity. He argues that the trains ran empty only in the first few years and now the railway is an example of the capabilities of the BRI (Czerep, 2017). Nevertheless, PKP Cargo, a state-owned rail freight transport operator, is lagging in upgrading a crucial rail artery. This chokepoint handles 90% of incoming Chinese cargo, in the border town of Malaszewicze, and limited rail capacity has resulted in queues of hundreds of trains coming from China (Goh & Goettig, 2018). Poland also blocked the building of the Lodz cargo hub, which is the end point of the Lodz-Chengdu line.

China's capital is more active in Poland than Hungary. Prime Minister Szydło complained that the main issue in Sino-Polish relations is asymmetric access to markets: China can freely invest in Poland, but Polish producers face obstacles if they want to access the Chinese market (Kaliński, 2018). The Bank of China, ICBC, and Haitong Securities Investment Bank have all established headquarters in Warsaw. Haitong securities participated in 88 financial deal since 2012, ranging from providing financial advising services to underwriting RMB-denominated bonds (Haitong, 2019). Polish branches of Chinese banks provide the financing and support to Chinese companies investing in Poland. Premier Li explained that China's capital is available to any country that will use Chinese labour and equipment with the provided financing (Goh & Zhang, 2015). In 2015, the ICBC and six undisclosed banks provided a EUR 1.3 billion loans to Tauron Group, a Polish energy company (Goh & Zhang, 2015). In 2016, China National Coal signed an agreement to provide EUR 550 million financing to develop a Polish mine (Financial Times, 2016). In the same year, Poland issued Panda bonds, worth EUR 400 million. (Martin, 2016). Nevertheless, in 2017, Poland decided not to participate further in the China-CEE Investment Cooperation Fund (Kalinski, 2018).

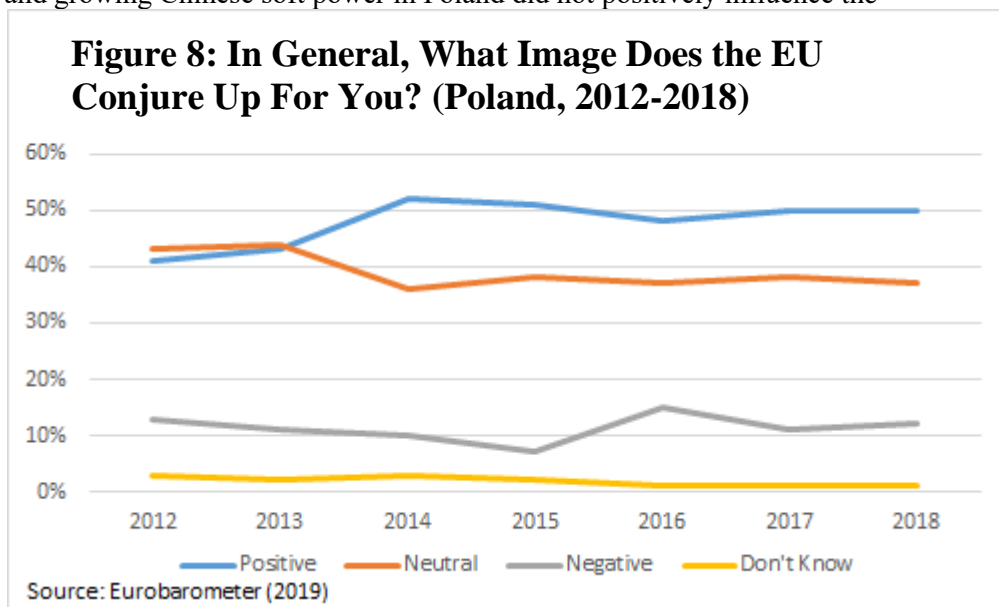
5.3.2 China's Soft Power in Poland



There are three media that are used to describe China. The first frame depicts China as a partner with a large purse who needs Poland to reach Western Europe (Pendrakowska, 2018). The second frame emphasizes the asymmetric nature of the relationship, arguing that Chinese FDI is politically charged and a political instrument (Pendrakowska, 2018). The third image demonstrates that Poland must redefine its role in the face of US-Sino rivalry and questions to what extent Poland should cooperate with China (Pendrakowska, 2018). Polish media positively covers Chinese FDI. Media outlets usually use the 'China as an economic partner frame' and tend to neglect the coverage of security issues (Turcsanyi, 2017). Chinfluence (2019) analyzed 2089 media outputs and found that 39% of coverage was positive, 58% neutral, and 3% negative. The COVEC debacle has not scarred the media coverage, which is shifting from highlighting traditional issues such as human rights to celebrating the achievements and potential of Chinese FDI (Turcsanyi, 2017; Pendrakowska, 2018). Concentrating on the investments in energy, a strategic sector, Polish political scientists, analysts, and diplomats are more likely to view such investments as an economic and political opportunity to diversify foreign policy (Turcsanyi, 2017). There has been a proliferation of conferences and public lectures on BRI where the public debate focuses on

China as a threat, but discussions rely on speculative geopolitical thinking rather than data-based analysis (Pendrakowska, 2018).

The media's coverage and growing Chinese soft power in Poland did not positively influence the Polish public's attitude towards China. As Figure 7 illustrates, fewer people have a favourable view of China today than in 2012. Additionally, favourable attitudes towards the US have fluctuated between 65% to 75%, and half of Poles have a positive image towards the EU. Therefore, the Chinese goal and



strategy, if any, to enhance the image of China through the 17+1 summit has not succeeded. A reinvigorated anti-Communist campaign potentially contributes to the attitudes towards China because the Law and Justice government has strengthened the effort to remove the communist legacy from the public domain (Turcsanyi & Qiaoan, 2019). Google Trends data shows that interest in China did not change since 2010, and Chinese media have remained marginal.

People flows of Chinese to Poland are marginal, but steadily growing. Although the Chinese diaspora has rapidly grown from 3.800 in 2011 to about 9000 in 2017 (Czerep, 2017), it makes up less than 0.1% of the total population of Poland. Most of Chinese migrants moved to Poland to exploit business opportunities arising from Poland's position as a central logistics hub and market in the region (Czerep, 2017). Similarly, 138.000 Chinese tourists visited Poland in 2017 and the prestigious China Travel Agent had designated Poland as a top vacation destination, which resulted in a 20% growth of arrivals in the first half of 2018 (PAP, 2018). In 2017, only 953 Chinese studied in Poland, although the number grew from 107 in 2016 (Perspektywy, 2019).

5.3.3 Poland's China Policy

Table 12: Relevant Polish Foreign Policy Decisions

Polish foreign policy decisions	Compatibility with China's foreign policy goals
Major decisions which support China's foreign policy interests	
Founding Member of the AIIB	Facilitate Chinese investments and business in Europe Advancing China's power Driving a wedge in EU-US relations
Expanding bilateral relations that are centred on economic development; establishing a representation of the Polish Ministry of Agriculture in Beijing, a Consulate-General in Chengdu, and Port Gdansk's opening of an office in Shanghai	Facilitate Chinese investments and business in Europe
Implementation of the 'Go China' program; a state-led platform aimed at promoting commerce	
In 2011, established a comprehensive partnership, which was reaffirmed in 2016	Facilitate Chinese investments and business Advancing China's power
Supports One China Policy; commitment reaffirmed in the comprehensive partnership agreement	One China Policy and non-interference into domestic affairs
Absence of pressure on the human rights situation in China in bilateral relations	Non-interference into domestic affairs
Opposing further European integration	Advancing China's power
Major decisions contradicting Chinese foreign policy goals	
Closing of the Trade and Investment	Scaling back commerce with China

Promotion Section in Beijing (2017)	
Publicized arrests of Chinese and Polish Huawei employees on spying charges; called for a joint EU and NATO position towards Huawei	Damages China's international image and hinders commerce; indicates that the Polish government has changed its strategy and is approaching Chinese investment cautiously
Polish Ministry of Foreign Affairs singled out China as the major adversary in cyber-espionage	
In 2018, the Prime Minister Polish Minister of National Defence dubbed China and Russia as the enemies of the free world.	
Support of EU-wide anti-dumping measures (such as EU regulation 2017/2321, providing protection from subsidized imports coming from non-EU members)	Does not repeal anti-dumping laws
Opposes granting market economy status (position change in 2015-2016, previously supportive)	Does not support market economy status
Supports the arms embargo (position change in 2015-2016)	Opposes the lifting of the arms embargo
Reviving the Three Seas initiative with the support of the US	Reduces China's power by increasing the US' hard power and tying the economy closer to the US,
Military cooperation with the US: intention to provide a US\$ 2bn funding to build a US military base in Poland, acquisition of US F-35 fighter jets and other weaponry, and plans to increase the 4,500 US soldier presence by an additional 1000	
Improving energy diversification by signing contracts to import liquefied natural gas from the US	

<p>The city of Wroclaw welcomed the Dalai Lama in 2016</p>	<p>Interference into domestic affairs</p>
<p>Expressed condolences after Liu Xiaobo, a Nobel prize winning dissident, died</p>	
<p>Published a critical article on political and civic rights in China on the Polish Embassy's in Beijing webpage</p>	

Compiled by the author, based on Siejka (2017), Pendrakowska (2018), President.PL (2016), Reuters (2019b), Premier.gov.pl (2018), Bachulska & Turcsanyi (2019), Sarek (2018), Godement (2016), Szczudlik-Tatar (2015), Shotter (2019a, 2019b), Hopkins (2019), Szczudlik (2018)

Besides being a founding member of the AIIB, Poland has not taken any other major pro-China foreign policy decisions. On the contrary, Poland has aligned itself closer to the US. The reversal on issues that China deems crucial, such as arms embargo and market economy status, naming China an enemy of the free world and the decision to enhance military cooperation with the US reveals that Poland's pro-US foreign policy stance. Polish foreign policy elite is also not consistent on human rights in China. Although Poland officially supports the 'One China' policy and does not raise the issue of human rights in its bilateral relations with China, Polish policy-makers nevertheless emphasize this matter through less official channels. Indeed, Poland is a founder of the AIIB and has a renewed strategic partnership with CHina, but other pro-China policies are in line with decisions that stem from recognition of the PRC instead of the Republic of China.

6. Discussion

Contrasting Poland and Hungary, Orban's government is more likely to take pro-China decisions. Although both countries maintain primarily economic relations and do not entertain ideas of a strategic alliance, however, Hungary has taken sporadic political positions in favour of China that break with EU's positions on foreign affairs issues. Such behaviour is a result of Orban's governments policy to balance between three major partners – EU, Russia, and China. However, Hungary must be perceived as a political partner to all. Therefore, Orban's government must take pro-China decisions to maintain the political narrative and strengthen his stature as a leader of a relatively small country, but capable of attracting investments from major partners. Most notable is the agreement, concluded during the BRI forum, to build a solar power plant in Hungary that could bring up to EUR 1 billion in Chinese capital (see Annex I). Considering the central role SOEs and Chinese state capital in BRI infrastructure projects, this could be seen as a reward for 'appropriate' foreign policy behaviour and is in line with 'preference multiplier' mode of influence. China has achieved almost all of its EU-policy goals in Hungary, except for lifting anti-dumping measures. I have not found equivalent political developments in Poland, which has clearly indicated its realignment towards the US.

In this penultimate chapter, I will interpret the findings in relation to the propositions outlined in the theoretical framework. I will introduce the propositions and then, drawing from the findings in chapter 7, provide an analysis of linkages between the theory and empirical data. Following the congruence method, my objective is to contrast liberalism and realism to understand and explain real-life phenomena. I find that nor liberalism neither realism fully explain Hungarian foreign policy behaviour, but the concept of balance of power concept the negative correlation between investment and pro-China policy decisions in Poland. I contrast both cases under each proposition to emphasize the differences and similarities in each country.

6.1 Liberalism

Economic interdependence strengthens pro-China interest groups in CEECs EU member states.

Results show that there is a mismatch between the discourse and existing Chinese investments. My analysis concludes that Poland has more financial and commercial links with China than Hungary. Notably, China is Poland's second largest trade partner and an important import market. However,

reliance on exports gives leverage to the importing party because they can enact economic sanctions and cripple the economy, but Chinese exports to Poland represent but a small percentage of overall Chinese exports. On the contrary, China's export-oriented economy relies on the sale of its products. Therefore, there is no economic and political sense for China to threaten or to block its exports for political purposes, unless in a situation of a trade war. China does not hold leverage through commerce because Poland exports just 1% and Hungary 5% to the Chinese market. Additionally, these two countries are less vulnerable than the average EU country. The EU's imports from China comprise almost 20% and exports 10.7%, comprising 15.4% of total trade (European Commission, 2019b).

It is difficult to identify specific cases where a Chinese firm acquired a company or started a greenfield operation with the purpose to extend China's influence. Chinese investments in Hungary and Poland tell a different story. In Hungary, I only identified two successful BRI projects - an acquisition of a telecommunications firm by the China-CEEC fund and the construction of a small-scale photovoltaic power plant. Non-BRI projects are limited in scale and orientated at enhancing the supply chain. Hungarian enthusiasm for Chinese investments has not translated into the windfall that the Hungarian and Chinese governments tend to portray. On the other hand, state-owned enterprises have been actively purchasing solar power plants in Poland, mostly under the Belt and Road initiative, but other infrastructure projects have stagnated. More importantly, Polish authorities have nullified four already won tenders. Improvements of a crucial Lodz-Chengdu bottleneck in Poland have also been frozen since 2015. While my research does not allow me to conclude whether the nullification of tenders was a result of interference, the defence Minister's decision to intervene and block a critical BRI project along the railway demonstrates that there is resistance among the highest ranking Polish policy-makers to Chinese interests.

My analysis of the national interest of Hungary and Poland shows that these countries have consciously reformulated their policies in order to attract Chinese investments and adapt to the 'new normal', in which China is a global player and rivals the US. There are two vehicles of Chinese interest groups: capital and institutionalization. Both instruments have not reached their potential. Capital from Chinese state-owned enterprises permeate investments in energy and manufacturing, and backs the construction of strategic facilities. However, two factors limit China's influence. Chinese companies have not managed to complete flagship projects that would have enhanced the country's image by establishing that Chinese SOE can compete with European counterparts. The failure of first movers to establish a strong foundation shaped the perception of China's trustworthiness and capabilities, at least among the public.

Hungary and Poland are pillars of the 17+1 summit. The forum remains a stage to show warm relations between countries but has not resulted in any multilateral agreements. The covert purpose of the

17+1 summit is to build an image of a China that is capable of constructively engaging in economic diplomacy in a multilateral setting. Besides noting and recognizing at the end of each China-CEEC forum that financial and commercial cooperation must increase, no tangible projects have been concluded as part of the summit. China prioritizes bilateral relations because it increases its bargaining power because the EU and its legal framework constrain negotiation options. The participation of other actors would dilute China's position as the provider of both capital and labour.

Ultimately, Chinese investments strengthen China's lobby in Poland and Hungary, but the influence of Chinese interests through capital is extremely limited. If we analyse influence in purely monetary terms, we should expect more pro-Chinese decisions in Poland than Hungary, which is not the case. Before explaining the pro-China orientation of Hungary from a liberal perspective, I will discuss another factor that shapes foreign policy decisions - the civil society.

Economic interdependence incentivises domestic actors to pressure the government to maintain good relations with trade partners

According to liberalism, the state aggregates the interests of societal actors, translating it into national interests. I analysed public attitudes and the media's view of China as a proxy for the interests of the society. The assumption behind this proposition is that pro-China public attitudes would enhance the potential of pro-China interest groups. Considering that China is building 'alternative' international institutions in the form of development banks, international commercial courts, and summits, favourable attitude towards China would indicate an increasing distrust in the current international order and would signal that a country is willing to align its preferences closer to China.

Chinese intellectuals link economic development under the BRI with an opportunity to export China's model and create new international norms of globalization (Callahan, 2016). While tourist and international student flows have intensified, they are negligible. In April 2017, China enacted travel restrictions on Chinese group tourists travelling to South Korea in response to the deployment of the Terminal High Altitude Area Defence system, erasing USD\$ 4 billion in tourism revenue (Paik, 2019). China does not have such leverage in CEECs.

Official Chinese media outlets have not only failed to gain a bridgehead in CEECs, but did not improve China image in the region. In 2012, 25% of Hungarians had a positive image of the EU, more than one-third had a negative outlook, and the rest of society was neutral. These results presented an opportunity to shape the attitudes of the rest 40% of society. Currently, a similar amount of people view the EU and China positively. Favourable views of China decreased from 43% to 41%, whereas the EU's increased to 41%. More than 60% positively view the US. In general, China is seen as a somewhat

reliable partner, but I also found that more than half of the population advocates aligning interests closer with the EU and Germany. Superficial coverage of China characterizes Hungarian media, which does not have the expertise to set the agenda of Sino-Hungarian relations and does not augment China's image. The soft power context in Poland is even less conducive. Poles have the most positive views of the EU in Europe, and between 68% and 75% of Poles view the US favourably. The Polish geopolitical context has triggered debates about Poland's future between the US, Russia, and China, but lately the Polish government tends to take a pro-US position. Khong (2019) stipulates that China wants to establish global prestige to restore its pre-19th century glory. If China seeks to enhance its power over opinion to supplement its economic growth and military modernization, then these results are disappointing and show the limit of China's soft power in Eastern Europe. Either China's soft power campaigns are not effective because they are not seen as organic in CEECs because they are associated with the communist past or that the BRI in the region, at this moment, prioritizes economic development.

Pro-China foreign policy decisions arise from an enhanced influence of pro-China interest groups.

Although I identified twelve Hungarian decisions that support China's foreign policy goals, some decisions are more 'equal' than other. All countries that recognize the PRC as the legitimate government of China support the 'One China' policy. However, the absence of human rights criticisms suggests that China successfully mitigated these voices as democratic countries tend to highlight this issue while engaging China (Auer & Stiegler, 2017). Most pro-China decisions that Hungary takes are discursive. These messages indicate that Hungary welcomes Chinese investment and might be willing to neglect political principle in return for Chinese investment. Arguably, convergence between Hungarian and Chinese foreign policy has led to a windfall of infrastructure project deals in 2019. Vetoing and watering-down common EU decisions damages European unity and the image of Europe in the world, but Hungary has yet to move beyond discourse to 'hard' decisions. Such political manoeuvring is reminiscent of Russian-Hungarian relations, in which Hungary presents itself as an ally of Russia but maintains the EU's position. For instance, Hungary did not vote against Russian sanctions, but publicly supported Russia in energy matters (Buzogany, 2017).

The case of Huawei shows different reactions of Poland and Hungary. The US alleged that Huawei's equipment is vulnerable and poses security risks due to close links between the company and the CCP. This matter became a pressing issue especially considering the rollout of 5G technology and the US's trade war with China. Therefore, Huawei is a symbol of all iniquities that the US ascribed to the Chinese economy. Consequently, the matter of accepting Huawei's 5G technology became first and foremost a political decision. Secretary Pompeo on his visit to Hungary unequivocally stated that allies have to choose if they are together with Washington or Huawei (Wroughton & Szakacs, 2019). Poland

and Hungary took different positions. Poland took an effort to publicize a spying case targeted towards Huawei and the Ministry of Foreign Affairs disseminated a cyber-spying message just before the arrest of Huawei employees. On the contrary, Hungary reaffirmed its commitment to Huawei. Hungary's response illuminates the inconsistencies in Hungarian governance. Orbán's model of illiberal democracy, which calls for a restored role of the state in Hungarian economic development, places at odds Hungary's exploration for new economic partners. Although Huawei had begun its greenfield operation before Fidesz came to power, the Hungarian government did not shy away from embracing Huawei. Huawei has established a major ICT logistics and research centre in an important national sector, and is bringing record amounts of FDI to Hungary. Huawei's Hungarian operation is the largest in Europe, which consequently makes an important financial and economic contribution to the domestic economy, investing US\$ 1.5 billion, building the largest logistic centre outside of China, and creating 2.500 jobs (American Enterprise Institute, 2019; Reuters, 2019). In 2018, Huawei Technology Hungary revenues reached EUR 260 million, of which 13% went to domestic research and development centres that are leading the development of 5G networks (Keszthely, 2019). This case demonstrates the scope and boundaries of influence through Chinese capital. If the Hungarian government took a staunch anti-Huawei position, such a policy decision would send a signal to other Chinese investors, essentially undoing the eight-year course of portraying Hungary as a gateway for Chinese capital into Europe. More importantly, reversion of the existing China policy would shatter the image of Hungary as a bridge between East and West, limiting Prime Minister Orbán's political manoeuvring. Consequently, the presence of Huawei in Hungary allowed to entrench existing preferences of the foreign policy elite. Hungary has had a history of working with non-EU partners to enhance its role within the EU and Huawei is an attractive instrument to continue such a policy.

Since 2010, Orbán has positioned Hungary in a manner that allows to maximize the opportunities arising from both Eastern and European partners. Fidesz's Eurosceptic platform, based on which Hungarians elected in 2010 and 2014, though through illiberal aspect in the latter year, gives the government the domestic backing to appeal to non-EU partners while standing up to the perceived injustices of Brussels. Public support of the BRI or vetoing of EU common statements increases the confidence of Chinese investors as well as entices the EU to make concessions to Hungary in order not to relinquish an EU member state into a hostile sphere of influence. While the EU might not grant 'special' concessions, it can restrain the criticism of Orbán's illiberal democracy. On the other hand, it is highly unlikely that Hungary would forgo a consistent stream of billions of Euros from EU funds in return for fragmented flows of Chinese FDI (Szunomar et al., 2014), especially considering the track record of BRI investments in Hungary.

Contradictions between Hungarian and Chinese foreign policies illustrate the current potential of

China's influence. Matura (2019) proposes that if China is asserting political power, we would observe a change in anti-dumping voting patterns at the European Council. However, Hungary has not changed its stance on protectionist measures since 2012 (Matura, 2019). Secondly, Hungary was one of the first EU member states to implement a domestic FDI screening mechanism and an early supporter of an EU-wide instrument to prevent a third party from investing in a country without FDI screening and then establish a foothold in Hungary. Although a screening mechanism does not automatically limit investment from non-EU member states, it gives the Hungarian authorities a powerful instrument to halt the influx of unregulated investments to strategic sectors, gather information on investing entities, and monitor threats. Additionally, an EU-wide mechanism obliges to share information with the Commission. This increases transparency and makes it easier for the Commission to enforce EU laws regarding investment deals related to national security and strategic sectors, such as energy, infrastructure, and IT. Lastly, the EUR 12 Billion agreement with Rosatom, a Russian state company, to build a nuclear plant overshadows any Chinese investment both in monetary quantitative and strategic value since the early 1990s. These inconsistencies illustrate the fact that Hungarian policy-making is captured by one party. Elites implement policies that first and foremost benefit their position, wealth, or status, without considering the interests of the public.

Poland's foreign policy contradicts the proposition that economic interdependence leads to policy alignment. Indeed, some pro-China decisions stem from the recognition of the PRC. These results show that economic interdependence does have an influence on foreign policy, but not to the extent it has been speculated in the aftermath of the 17+1 summit. Although Poland opposed further European integration and tends to downplay human rights concerns while engaging China bilaterally, it nonetheless continues to raise the issue in EU forums. Additionally, the Polish Government has framed China as an enemy, reducing investor confidence and signalling Poland's international stance. Commercial liberalism does not explain the turnaround of China policy since 2015-2016. Commercial links, investment, and people flows continued to strengthen, but Poland began to distance itself from China.

The findings confirm Goh's (2016) hypothesis that China has the highest degree of influence when extant preferences align. The Hungarian government enhanced its eastwards outlook and began to implement policy decisions that would incentivise Eastern partners to invest in Hungary. Consequently, this reorientation entailed distancing oneself from the EU's foreign policy to signal that Hungary is willing to cooperate closer with China. In fact, most of Hungarian pro-China policy decisions are discursive, rather than 'hard' decisions that would threaten European integration or security of NATO. Hungarian support of anti-dumping measures raises a question if China is actively trying to shape policies at all because Hungary ostensibly attempts to appear as China's partner, but did not advocate the repeal of anti-dumping legislation.

6.2 Realism

Foreign policy decisions stem from rational calculations based on the balance of power.

China's rise is a tumultuous change in the international politics arena. Foreign policy decisions taken by middle states, countries that are not great powers, can indicate the changing balance of power because states attempt to increase the chance of survival. Middle states bandwagon with a stronger state to reinforce security. Neorealism's focus on the anarchic structure of international relations that rests on the principle of survival can explain the asymmetrical relationship between Chinese investment and foreign policy decisions. However, before testing the realist hypothesis, I will present the common geopolitical and geoeconomic context in CEECs.

Russian annexation of Crimea and the subsequent War in Donbass changed the strategic calculation. The military escalation in Ukraine and other assertive foreign policy actions, such as Russia's announcement that they are reviewing the legitimacy of post-Soviet states, raised security concerns in Eastern Europe (Lanoszka, 2016). Poland and the Baltic states spearheaded the effort to enhance their defensive capabilities, leading a debate as to whether NATO is capable of neutralizing hybrid warfare (Lanoszka, 2016). Although NATO enhanced their forward presence in the Baltic States and Poland, most of its military assets remain stationed in Western Europe (Lanoszka, 2016). Militaries in Europe are underfunded. A research paper by the International Institute for Strategic Studies estimates that European NATO members need to spend an additional US\$ 357bln to successfully respond to an Article V scenario without the assistance of the US (Barrie et al., 2019). Therefore, defence of CEECs is contingent on the participation of the US. The United States becomes the defender of last resort. Secretary Pompeo (2019b) indicated that the implementation of Chinese technology will make it difficult for the US Department of Defense to cooperate on defence matters due to security vulnerabilities. The US committed to increase diplomatic, cultural, and commercial ties with Central Europe if recipient countries do not compromise relations by embracing authoritarian powers (Pompeo, 2019a). Consequently, the Russian threat and security calculations of Poland and Hungary have a direct impact on relations with China.

Russian aggression is the central issue that threatens Poland's security. President Duda has been promoting the idea of the Trimarium since 2015. This is an inherently realist concept because Poland seeks to consolidate its political and diplomatic influence in CEECs to balance against Russia and German hegemony within the EU (Zwolski, 2017). In this formation, the US and NATO play a pivotal role because Poland envisions that these parties will provide the security umbrella (Zwolski, 2017). Poland is trying to rally the region by framing the EU as a root of instability and the Trimarium as a regional entity that reinforces the sovereignty of participants (Zwolski, 2017). The initiative revolves around diversifying the supply of energy, specifically, increasing the import of liquefied natural gas, a

point that was emphasized by Trump and Duda (WhiteHouse, 2018). This initiative replaces the need for 17+1 because it will simultaneously strengthen Poland's influence in the EU and reinforce its friendship with the US. Additionally, Poland is strengthening its defensive capabilities. The US has a pivotal role as indicated by recent decisions. Plans to build 'Fort Trump', buy F-35 fighters, and lobby for an increased forward presence of US troops illustrate the current alignment of the Polish government. From the Polish perspective, pro-China policy decisions would be counterproductive. In the face of a China-US trade war and the Trump administration's pressure to meet NATO financial commitments, it would derail Poland's security, trading relatively low amount of investments for significant military vulnerabilities. In fact, Poland's China policy changed course in 2015, in the aftermath of the annexation of Crimea and in the middle of the War in Donbass.

In addition to establishing alliances, states can balance against threats by increasing their economic strength and military capabilities (Waltz, 2000). Hungary is engaging in a pragmatic policy in order to enhance its growth potential. Hungary increased its energy imports from Russia, advocates for the Nord Stream 2 pipeline, and supports relaxing the sanctions on Russia (Tsygankov, 2019). My research shows that the Hungarian government is inclined to curry favour with China at the expense of the EU to attract more investment, but also relies heavily on the EU's structural funds for economic development. Although an argument can be made that Hungary is enhancing its economic security and independence by engaging with multiple partners at once, pro-China policy decisions distance NATO and the US - underwriters of regional security. This is uncharacteristic of a state that is not a great power.

7. Conclusion

The findings have value to both academic literature and policy-makers. This thesis shows that Hungary and Poland are far from being bought out by China. China is a factor when a country has already set foreign policy goals that align with China. Then China becomes a convenient partner to illustrate that opportunities lie beyond the EU or the US. The notion of ‘authoritarian advance’ and similar discursive constructions arise in Western Europe. ‘Old Europe’ tends to portray Eastern Europe as normative threat, where underdevelopment and authoritarian tendencies dilute liberal values (Malksoo, 2019). ‘Threat from within’ notions shape our thinking about the region as a category within the EU that needs to be ‘fixed’ (Malksoo 2019). Only a minority in Poland and Hungary view China favourably and a majority believes in the EU and trusts the US.

Does China have an impact of Hungarian and Polish national interests? While conducting this study, I did not find any evidence to prove that any of these two countries are re-aligning themselves closer to China. However, Hungarian policies do not fit the theoretical framework. Considering the metrics presented in chapter 5.2, Chinese interests are overrepresented in Hungarian foreign policy-making processes, but it is also important not to overestimate influence. Although I only studied two cases, my research shows that a full-fledged illiberal state behaves erratically. Inconsistencies in Hungarian foreign policy demonstrates weaknesses in the explanatory power of the two theories. Both theories propose that elite will enact decisions that benefit their own agenda if a handful of individuals dominate policy-making processes. Hungarian foreign policy elite is ready to play major powers against each other, sacrificing security for economic benefits. The balancing between China, Russia, and the EU seems to suggest that the ruling elite aims to extract as much commercial gain as possible, likely for their own benefit. To some extent, such a behaviour is expected because state seeks to enhance its security by strengthening the domestic economy, but it is peculiar that Russia is a partner of Hungary. However, it is unexpected because Hungary is a middle power, and according to realism, should attach itself to a great or a rising power. Liberalism also cannot explain the overrepresentation of Chinese interests in Hungarian foreign policy. Ideological alignment would only partially explain Hungarian policy. On the one hand, the Hungarian government stressed the notion that CCP successfully governs China through an exemplar state-led model and expressed that such a system is a viable alternative to crumbling liberalism. On the other hand, Hungary continues to be a beneficiary of European funds and is not actively participating in any Chinese international organisations. Following liberalism, public attitudes dictate the national interest, which then the government translates into policy. However, since 2012 Hungarians have more

and more positively viewed the EU, and attitudes towards China lag behind the US. These metric discounts the possibility that pro-China positions in Hungarian foreign policy is a result of bottom-up changes in society. These findings show that illiberal governments inhabit a grey zone between the two theories. Such governments are prone to short-term decision-making that is driven by personal gains rather than long-term security considerations or representation of domestic interests on an international level. Therefore, the findings strongly suggest that China is a convenient partner in reinforcing the Hungarian negotiation positions within the EU.

Poland is strengthening ties with the US and its neighbours, which undermines the notion that China, through bilateral relations, is attempting to draw the country to its sphere of influence under the guise of the BRI. In this case, security matters outweigh economic considerations. Poland seeks to enhance its security and power vis-à-vis Russia and does not want to alienate current and potential allies by courting a rising power. Concluding the discussion about Poland, indeed there are some fundamental policy decisions that stem from engagement with China, but it is difficult to talk about the ‘Chinazation’ of Polish foreign policy. The revitalization of the Trimarium initiative demonstrates that Poland seeks to enhance influence in its region. Close ties with China would diminish Poland’s regional influence because neighbouring countries have a different perception. The Hungarian government reveals a more delicate balancing between commerce and security.

7.1 Further Research

A quantitative study that would attempt to establish a link between, for example, FDI or commerce and political decisions in CEECs would make a strong contribution to the research in this field. Additionally, a research project analysing the phenomenon from the perspective of republican liberalism would provide more answers as state capture by a party could explain the inconsistencies in policy-making. The policy-making elite is shielded from costs arising from risky foreign behaviour and serves as a liaison between big businesses and their international interests. The inability of realism and commercial liberalism to explain Hungarian behaviour suggests that the answer could be found in institutional design.

7.2 Limitations

A shortcoming of this thesis is the lack of interviews. Only after interviewing high-level politicians, foreign policy elite, and representatives of Chinese companies would I be able to assess whether China exerts influence through investments and commerce. Due to this limitation, I was only able to make conclusions based on the context. Although I grounded my interpretations in theory, international relations is a complex phenomenon and the results depend on the objectivity of the researcher. In

addition, I did not research province-to-province relations under the BRI or 17+1 summit. These links are important because Chinese provinces engage in very narrow policy or development issues with non-Chinese provinces. Consequently, a targeted effort to, for example, build a factory in one of Poland's voivodeships could involve local and national politicians, opening another channel for influence.

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Annex 1: Chinese FDI and infrastructure projects in Hungary after the establishment of 17+1 summit

Table 13: Complete Data on Chinese FDI and Infrastructure Projects in Hungary

Company	Sector	Type of Investment	Year of Investment/Project Start	Value (EUR Million)	Outcome	Belt and Road Project
Chinese FDI						
Comlink	ITC	Greenfield	2012	Undisclosed	Successful	
Bohong	Auto parts	Acquisition of Wescast	2012	200 (but acquired factories in Canada, US, and Hungary). Commitment to invest EUR 70 million by 2020	Successful	
BBCA	Citric Acid Factory	Greenfield	2012	184 (129 loan provided by the Hungarian Development Bank, guaranteed by the Bank of China)	In progress	
Huawei	Logistics and Innovation centre	Greenfield	2014	Reportedly 1200, but including investments pre-2012	Successful	

RZBC	Citric Acid Factory	Greenfield	2014	Estimated 100	Failed	
Yanfeng	Auto Parts	Joint Venture	2015-2016	23.8	Successful	
Tianshan Industrial Group	Aviation (Light Aircraft Production)	Joint venture	2016	30	Successful	
BYD	Electric Buses	Greenfield	2016	20	Successful	
Himile	Tyres	Greenfield	2016	4.3	Successful	
Bohong	Exhaust Manufacturing	Greenfield	2017	29	Completed	
China-CEEC Fund	Telecommunication	Acquisition	2017	200	Successful	Yes
Dahua Technology	CCTV assembly	Greenfield	2018	Undisclosed (3.000 square meter assembly centre)	Successful	
				Realized FDI: 761.1		Total BRI Projects: 1
Infrastructure projects						
China Railway	Airport to downtown	Infrastructure	2012	150	Failed	Yes

Construction Company	Budapest connection					
Chinese Railway Company,	Railway ring around Budapest	Infrastructure	2013	Undisclosed, reportedly 1200	Failed	Yes
China Railway Group	Railway link (Hungary-Serbia)	Infrastructure	2014	1500 (Hungarian Part, 3000 in total. China financing 85% of costs)	Under EC investigation, new tender won by a Chinese-Hungarian consortium	Yes
Beijing Sevenstar Group	Photovoltaic Power Station	Greenfield	2017	2	Successful	Yes
Zhejiang Kaishan Compressor	Geothermal Power Plant	Greenfield	2018	141.1	Planning Stage	Yes
China National Machinery Import and	Photovoltaic Power Station	Greenfield	2019	98	In Progress	Yes

Export Corporation						
China National Machinery Import and Export Corporation	Photovoltaic Power Station	Greenfield	2019	Up to 1000	Planning stage	Yes
ReneSola	Photovoltaic Power Station	Greenfield	2019	Approximately 6	Planning Stage	Yes
				Realized Tenders: 2mln Tenders in progress: 2745mln	Successful BRI projects: 1 Failed: 2 In Progress: 5	

Compiled by the author, based on: Matura (2017a), Lukacs & Volgyi (2018), Li (2017), MFAT (2017), HIPA (2016), Budapest Business Journal (2017; 2018b; 2018c; 2019), ReneSola (2019), Daily News Hungary (2018), Reconnecting Asia (2019), Shi (2012), American Enterprise Institute (2019).

Annex 2: Chinese FDI and infrastructure projects in Poland after the establishment of 17+1 summit

Table 14: Complete Data on Chinese FDI and Infrastructure Projects in Poland

Company	Sector	Type of Investment	Year of Investment/Project Start	Value (EUR Million)	Outcome	Belt and Road Project
Guangxi Liugong Machinery	Transport	Privatization	2012	100 (plus additional investments worth 100 since 2012)	Successful	
China-CEE Fund (backed by EXIM Bank)	Energy	Acquisition of a 16% stake in Polenergia	2012	Undisclosed	Successful	Yes
Tri Ring	Auto (bearing factory, which produces dual use components)	Acquisition (FLT Krasnik)	2016	66 additional 35 investment since the acquisition	Successful	
China	Food processing	Acquisition	2013	Undisclosed	Successful	

Shuanghui International		(acquired American Smithfoods along with Animex)				
Jiangsu Lantian Aerospace Industrial Park	Aircraft Manufacturing	Acquisition (Aero AT)	2013	Undisclosed	Successful	
China-CEE fund joint venture with an Israeli company	Energy (Wroblew and Project 2 wind farms)	Joint Venture	2014	406	Successful	Yes
Exim Bank (through China-CEE Fund)	Energy (Wind Farm)	Joint Venture	2014	200	Successful	Yes
Three Gorges Corporation	Energy (wind farms)	Acquisition (49% stake)	2015	340	Successful	Yes
China Everbright International	Utilities (solid waste treatment)	Acquisition (Novago)	2016	140	Successful	Yes

Jiangsu Lantian Aerospace Industrial Park	Aircraft Manufacturing	Acquisitions (Orka and PZL)	2016	Undisclosed	Successful	
Suzhou Chunxing Precision Mechanical	Aluminium components	Greenfield (prototyping workshop)	2016	37	Successful	
Shanghai Inesa	Security Services	Acquisition (Konsalnet)	2016	110	Successful	
China-CEE fund (Backed by EXIM)	Biotechnology	Investment (13.2% stake Bioton)	2016	Undisclosed	Successful	Yes
SDIC Zhonglu Fruit Juice Co.	Consumer goods	Acquisition (Appol)	2017	18	Successful	
Hongbo Group	Consumer (LED Lamps)	Acquisition	2017	100	Successful	
Nuctech	Scanners for air industry	Greenfield (factory)	2017	9	Successful	
Jiangsu Olive	Consumer goods	Acquisition of	2017	89	Successful	

Sensors High-Tech		the Polish branch of Schurloz, moving headquarters to Warsaw and opening a new production line				
Hatrans (Polish logistics company) with the support of Chinese investors	Development of a logistics in Lodz	Acquisition of a property lot with the aim to develop a logistics hub for the Lodz-Chengdu rail	2017	Undisclosed	Failed, Polish defence minister blocked the transactions because the property was the property of the Polish army	Yes
Guangxi Liugong Machinery	Construction machinery	Greenfield	2017	66	Successful	
TCL Corp	Electronics	Greenfield (Research Centre)	2018	Undisclosed	Successful	

Guotai-Huarong Poland	Electric car batteries	Greenfield (factory)	2018	38.6	In Progress	
				Realized FDI: 1854		BRI projects: 7
Infrastructure Construction						
Sinohydro	Infrastructure	Construction (deepening the Wroclaw floodway)	2012	Undisclosed (financed by the World Bank)	Successful	Yes
China Energy Engineering	Energy	Construction contract with a 33% share (coal power plant)	2013	560	Successful	
Sinomach	Energy	Construction contract, alternative energy	2013	190	Successful	Yes
State Grid Corporation of	Energy	Construction of a generator in	2013	2.6	Failed, the contractor	

China and Three Gorges Corporation		Jaworzno and a coal power plant in Kozienice			withdrew the tender due to 'irregularities'	
Shanghai Electric	Energy (Coal)	Construction of a coal power plant	2014	830	Failed, nullified tender	Yes
Zhengzhou International Hub	Infrastructure (Joint venture with PKP Cargo To upgrade the railway hub in Małaszewicze)	Greenfield	2015	-	Letter of intent signed in 2015, but no progress	Yes
Pinggao (Owned by State Grid Corporation of China)	Energy (modernization of electricity networks, Żarnowiec-Gdańsk Błonia line)	Greenfield	2015	133	In Progress	Yes
Sinohydro	Energy	Construction (Main	2015	130	In progress	Yes

		constructor Lublin-Chelm electric transmission line)				
Power Construction Corporation of China	Energy	Greenfield	2017	150	Successful	Yes
Stecol Corp.	Infrastructure	Construction (building a highway near Krakow)	2018	Tender won for 300	Failed, the National Board of Appeal nullified the tender	Yes
Shanghai Electric Power Construction (subsidiary of PowerChina)	Waste disposal	Infrastructure project (Waste incineration plant)	2018	233	Failed, nullified tender	Yes
				Realized Tenders: 1033 Planned Tenders: 423		Successful BRI Projects:

						3 Failed: 4 In Progress: 2
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Compiled by the author, based on American Enterprise Institute (2019), PolandIn (2018a, 2018b), McCaleb & Szunomar (2017), JSChina (2016), HSBC (2017), Goralczyk (2017a, 2017b), Szczudlik (2016), Xinhuanet (2017), Tuszynski (2015), Mierzejewski (2018), CEE Equity Partners (2016), Elpiro (2018), Prairie Mining (2016), Turcsanyi (2017)