

BETWEEN BRUSSELS AND BEIJING



***The Transatlantic Response
to the Chinese Presence in
the Baltic Sea Region***

OLEVS NIKERS and OTTO TABUNS
Editors

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**THE TRANSATLANTIC RESPONSE TO
THE CHINESE PRESENCE IN THE BALTIC
SEA REGION**

**Olevs Nikers and Otto Tabuns,
*editors***



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THE JAMESTOWN FOUNDATION

1310 L Street NW
Suite 810
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Using indigenous and primary sources, Jamestown's material is delivered without political bias, filter or agenda. It is often the only source of information that should be, but is not always, available through official or intelligence channels, especially in regards to Eurasia and terrorism.

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Introduction

The perception of the People's Republic of China (PRC, or simply, China) as a security challenge came rather late to the Baltic Sea region. Promising business and trade prospects were viewed as separate from national security concerns at the beginning. But developments over the years have served to alarm stakeholders on both sides of the Atlantic as bilateral interactions with China have created issues for the transatlantic partnership.

The Nordic, Baltic and Central European states that border the Baltic Sea have been subject to persistent security threats that have pushed them seek international solutions for maintaining peace and stability. As the threats associated with the Russian Federation have swung away and back over the past three decades, the said states pursued regional cooperation and membership in the North Atlantic Treaty Organization (NATO) or European Union. Other states in Central and Eastern Europe that failed to meet these goals became embroiled in conflicts with Russia. Meanwhile, the relationship with the PRC slowly developed following Beijing's market reforms and held untapped yet marginal character up until recently. China's consistent economic growth and the announcement of the Belt and Road Initiative (BRI) at the end of 2013 coincided with Russian aggression against Ukraine in 2014. Moreover, the Russian-launched, full-scale war against Ukraine in February 2022 has burned nearly every bridge between Moscow and the West, and Western sanctions, as well as Russian counter-sanctions, exacerbate this problematic relationship as an issue not limited solely to high politics but affecting societies and businesses as well.

Against this backdrop, Chinese and European officials had wanted to increase mutual engagement, albeit with different objectives in mind. Despite lacking a single unified political leadership, and despite demographic woes that brought its long-term growth into question, the EU has remained the world's largest economic bloc and seeks to stay that way. The PRC, increasing its clout in

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competition with the US, pursues diversification of its investments and influence.

Many of the initiatives between Brussels and Beijing primarily benefited the PRC's grand strategy by promoting a European buy-in on the Sinocentric international trade arrangements. Consequently, the Baltic states and Poland became members of the BRI, while the Nordic countries joined the Asian Infrastructure Investment Bank. Furthermore, Chinese overtures were neither forced nor unwelcomed by the respective European partners. Their interests were often supplemented by the wish to promote further democratization and strengthen rule of law in China, which in turn would make it easier both ethically and legally to do business in that country.

In the period following the global financial crisis, many European states had insufficient resources to execute certain anticipated projects, such as those in the fields of energy or transit infrastructure. Unfortunately, the EU had little political will to spend or lend its money (following the Greek government debt crisis), while NATO was concerned that member states not borrow any funds from a geopolitical opponent, such as the Russian Federation.

The key moment for this was Russia's invasion of Ukraine beginning in 2014. That move made Moscow an untenable partner for the European bloc, which aspired to the claim of being a normative superpower. The US, while objecting when necessary to safeguard security priorities, has largely overlooked many developments in the Brussels-Beijing relationship regarding policy. The American pivot to Asia, as promoted by former President Barack Obama, made many think that the Euro-Atlantic relationship may lose its importance. These doubts were complemented by former President Donald Trump's criticism of NATO.

As a result, the lack of coordination between Washington and Brussels on China seems to have become an increasingly accepted norm. Most recently, this was illustrated by Poland being the only EU country to symbolically raise the need to consult with

Washington before Brussels signed the EU-PRC investment agreement at the end of 2020. Beijing has the tools to divide NATO, and Washington would lose more than individual European nations in terms of power projection and defense of national interests globally. As such, these tools and issues must be researched, allowing for the formulation of policy options in regards to the most important risks.

Therefore, the PRC—as a large economy with a clear willingness to project global economic engagement, while seemingly still distant enough to not pose any meaningful political threat—seemed to many as the best alternative for finally achieving stalled infrastructure objectives. Beijing has dramatically increased its presence and respective influence in the EU, augmenting direct investment from \$2.32 billion in 2010 to \$41.82 billion in 2016, including stakes in four airports and six maritime ports.¹ Education cooperation, both in terms of Chinese language studies as well as research and development, has become a domain with not only economic but also political implications. Students engaged in espionage and influence operations have become a recognized issue for the US, and a possible, but under-researched, problem for Europe as well.

The risks associated with Russia being a security stakeholder in Europe are clear, as indicated by, among others, the Baltic Security Strategy Project (2018) and Baltic Sea Security Initiative (2020). These projects have also indicated the established and researchable solutions on defense synchronization, financial and cybersecurity, as well as societal resilience. The PRC's impact on continental security seems to be less clear to the Europeans themselves, especially when considering a joint understanding and strategy for dealing with China as a regional security stakeholder. This needs to be researched due to the strong long-term security implications for both Europe and the US.

This publication is associated with the project, “China and the Baltic: Mapping a Transatlantic Response to Chinese Inroads in

¹BBC, “How Much of Europe Does China Own?,” April 20, 2019, <https://www.bbc.com/news/world-47886902>.

the Nordic-Baltic Region,” organized by the Baltic Security Foundation and supported by The Jamestown Foundation and the Baltic-American Freedom Foundation. Throughout the project, experts and professionals across the Baltic Sea countries were gathered to analyze the PRC’s presence and impact on European security within the strategic Nordic-Baltic region and the implications of this growing regional Chinese presence on wider transatlantic relations. The primary geographic focuses of this study are the Nordic-Baltic states: Estonia, Latvia, Lithuania, Poland, Germany, Finland, Sweden, Norway and Denmark.

This publication is designed as a multiple case study, analyzing China’s presence in each of the Nordic-Baltic countries, respectively. Primarily, the analysis is focused on three domains: infrastructure, finance and education. Joint infrastructure projects increase risks of financial dependence, intelligence and technology transfers, as well as a growing stake in domestic political processes. This is the case for many African states and could become the destiny of too many in Europe. PRC-linked investments in capital markets are tying the hands of American policymakers, as they must consider a response to unwanted actions or influence from Beijing, similar to the situation with Soviet and Russian investments.

In addition, PRC investments can unreasonably soften any European response to the unacceptable behavior of Beijing. Specifically, the field of education poses two challenges: the opportunities and risks associated with joint research and development (i.e., industrial espionage), as well as the public diplomacy element (i.e., a united front against criticism and cultivation of a new generation of elites).

The project’s analysis comes from practitioners, experts and scholars from the reviewed states and from other states with an emphasis on research in the Nordic-Baltic region.

The experts who contributed to the project were asked to answer the following questions:

- What is the current state of the PRC's presence in Nordic-Baltic infrastructure, finance and education?
- What are the Nordic-Baltic national security implications for the PRC's growing presence?
- What is the Nordic-Baltic perception, response and coordinated reaction to the PRC's presence?
- What are the transatlantic and European security implications of a growing PRC presence in the Nordic-Baltic?
- Are there concrete areas of regional Nordic-Baltic cooperation that can address the potential security challenges or threats associated with the growing regional PRC presence?
- What technical, policy, diplomatic or other obstacles stand in the way of such cooperation within the Nordic-Baltic region?

In conclusion, the project was presented at an international conference in Berlin—one of the locations within the transatlantic community hosting much of the controversial debate over the issue. Despite the numerous publications and events dealing with this subject, much critical thinking and painful discussion lies ahead. The following report aims to indicate the directions for further consideration and public conversations that will contribute to improved regional and transatlantic security.

The volume consists of ten case studies. The volume of each case study is proportional to the actual context of Chinese affairs in each respective countries.

We express our gratitude to the contributing experts and supporters for making this possible. We would like to especially thank Rebekkah Chatham, Christopher Cutrone, Travis Andrews and Luuk Waenink for their time and outstanding support during the conference in Berlin on August 17, 2022.

Olevs Nikers and Otto Tabuns

Riga, Latvia
December 2022

Foreword

The searing images of carnage emerging from Russia's unprovoked war against Ukraine are powerful and unrelenting. They have mobilized the American people and populations in Europe and abroad like few events since World War II. Regrettably, China has been regarded quite differently in the West and elsewhere, driven largely by the huge size of the Chinese market and economy relative to those of Russia's—in short, primarily because of greed.

The allies could take tougher steps financially against the Kremlin by expelling Russian companies from US and European capital markets. There would be some investor losses, but a small fraction of the Wall Street losses that would likely result from a large number of Chinese companies forced out of our markets. For example, there are only some 25 Russian companies with a presence in US capital markets, most of those listed in the over-the-counter market. In contrast to this number, there are over 5,200 Chinese companies in the investment portfolios of scores of millions of unwitting American retail investors.

This stark contrast tells the story. It would be relatively easy to shed Russian companies from allied capital markets, particularly those state-controlled enterprises presently operating under US and allied sanctions. Even this, which obviously requires capital market sanctions, has been quietly shelved because of Wall Street and related opposition (including often the US Treasury Department, Securities and Exchange Commission and National Economic Council). Europe has experienced similar pushback from its financial sector, where the fees are large and alluring.

It is a much more difficult and treacherous policy road with China. Think of the decades of inordinate German dependency on first Soviet, and then Russian, natural gas. The German government strongly resisted any and all US and allied attempts to have the country cut back its perilous level of energy dependency on

Moscow, particularly during the Ronald Reagan administration, but to no avail.

The end results are thousands of needlessly dead and wounded Ukrainians (due to Putin's well-funded war machine) and massive economic dislocation within Germany itself. This tragic tale of greed and expediency provides a useful analogy to the kind of fierce resistance of Wall Street and its political backers with respect to the many unsuccessful efforts to curtail sanctioned and other Chinese corporate “bad actors” from funding themselves and their predations—including Beijing’s military build-up and rampant human rights abuses—in the US and European capital markets.

One of the most interesting events to watch in the post-Russian invasion scenario will be China’s effort to economically and financially penalize Lithuania for opening an office in its capital Vilnius with “Taiwan” in its title. Beijing wishes to make an example of this small, but important, country—to embargo its goods and any European goods with components manufactured or supplied by Lithuanian companies. This gambit has brought in the EU, which, no doubt, wanted to stay out of this dispute but was required to point out that China’s behavior is a violation of their rules and represents a heavy-handed form of economic warfare inconsistent with EU principles.

What happens now? Will China continue to heavy-up on Lithuanian, knowing that it is further estranging their European markets and favored politicians? China has been backpedaling from its ill-timed “no-limits” power pact concluded with Russia during the Olympics, once global television screens were ablaze with unspeakable Russian war crimes. Undoubtedly, the Chinese Communist Party (CCP) is now at risk of losing its recent progress in compromising Europe. For example, the now-16+1 multilateral love feast, featuring Central and Eastern European “partners,” is on the rocks and will likely continue to slide into near oblivion, at least in terms of geopolitical meaning. Up until recently, China played Europe brilliantly, appealing to its craven desire for massive profits and jobs which, sadly, has consistently

superseded security concerns and concerns over fundamental human rights.

This, in a nutshell, is why the Baltic states have always found themselves in such an awkward political position. They deeply believe in their freedoms and democracies and the fact that freedom is fragile and needs to be protected with great vigilance and energy every day. You rarely, if ever, see that same kind of inspiration and organic impulses to defend freedom burning across the continent of Europe. The good news is that the Baltic states' vision of the most prominent threat to the continent has been thoroughly validated across Europe. Fools and worse have been made of the hordes of subscribers to Germany's *Ostpolitik*.

The Baltic states should take no small measure of pride in the precedents they have set and for tenaciously standing by their convictions when they were seemingly unwelcome "voices in the wilderness." Winston Churchill was one such lonely voice, before Nazi Germany was unmasked for all to see—much like the real Kremlin today.

As for the United States, our country is condemning, in the strongest terms, the genocide being committed by the Russians in Ukraine, while giving a largely free pass to China, which is committing similar horrific human rights abuses on a far grander scale. This is where Congress comes into play, if the executive branch begins to lose its resolve in pushing back against China's national security and human rights violations, especially when CCP companies are enjoying largely unfettered access to US capital markets. China throws its financial weight around in Washington and on Wall Street, buying up—and buying off—advocates and supporters across American society. It has to stop. And Congress can contribute mightily.

It is a shame that the financial sector is often allergic to self-regulation and, as my father would say, "Doing the right thing." And yet, striving to get that next quarterly bonus seems to outweigh common decency and our long-term security interests much of the time. This is why greed and the lack of a moral compass are among our greatest challenges going forward on

both sides of the Atlantic. Look at the capital markets in Europe, they are still holding all the major Russian state-controlled companies in their investment portfolios, merely waiting for the cease-fire that will signal to many a return to “business as usual.” We cannot let this happen.

In the case of the United States, we are talking about \$3 trillion to \$6 trillion having flowed directly from scores of millions of American retail investors to the coffers of the CCP. Where do we think Beijing gets the money to buy everyone off around the world? Where do we think they get the money to be a peer military competitor with the United States, building five new classes of submarines simultaneously? We are largely paying these tabs, and our government permits this outrage to continue largely unabated.

America accounts for some 66 percent of global liquidity, and its capital markets are roughly the size of the rest of the world’s combined. We also own the world’s reserve currency—which will continue to be the reality for the foreseeable future. If we were to ever get serious and expel from our capital markets those Chinese companies that are sanctioned and engaged in egregious national security and human rights abuses, China would have no other markets to tap for the hundreds of billions of dollars needed annually to keep the country going and the Communist Party in power. Do they go to Hong Kong where they spend every day trying to strangle that city as a viable global financial hub? I do not think so. London, Frankfurt, Paris, Singapore, or Tokyo? No way, as their markets are too thin.

The fact is that the United States utterly dominates the economic and financial domain on this planet. And even more so when it comes to the global financial domain. Would we prefer to have our allies join us in this effort to force Chinese compliance with our respective securities laws and excise corporate “bad actors” from our markets? Yes. Do we need them to succeed? No. The US alone can determine the financial fate of the CCP, if called upon to do so.

Look at the dollar; it has been weaponized for the first time in memory in response to the Ukraine crisis. As a result, \$300 billion

of Russian hard currency reserves have been frozen and are inaccessible to the Kremlin. The European Union even found the courage to do the same and freeze Russia's euro reserves. This is a big thing that has happened, and it has established a potentially crucial precedent.

In short, we are fully equipped to severely limit the options and freedom of action of the CCP due to the financial constraints we could impose but have so far lacked the political will to do so. Over the past two decades, did our government care which Chinese companies were entering our capital markets? No. Did we perform any screening or due diligence with respect to these Chinese corporate entrants, even those sanctioned by the US? No. Did we determine which Chinese enterprises were aiding and abetting genocide and other human rights abuses, had ties with the People's Liberation Army, were manufacturing advanced weapons systems to be used against American and allied forces in the future? No.

When we went public with our three years of research in March 2019, however, things started to change. Average Americans and their representatives in Congress began to appreciate that these malign Chinese activities were being funded with their hard-earned investment and retirement dollars. This has turned out to be a game-changer. Wall Street remains committed to ensuring that the issues of national security and human rights never see the light of day in the investor space, but they will ultimately prove unsuccessful—just as the Germans discovered the hard way with their reckless dependency on Russian natural gas. Hard lessons await these Wall Street firms as well.

Moreover, money managers, index providers and other Wall Street players, who generally do not even care about American investor protection, witness the fact that not one Chinese company in our markets (out of more than 5,200) is compliant with the US federal securities laws. Not one. Not one submits to required audits by the Public Company Accounting Oversight Board of the US Securities and Exchange Commission. Every American company has to comply, but not Chinese companies, as they were given a waiver in May 2013 by the Barack Obama

administration. There is very little in the way of material risk disclosure, and Chinese companies still refuse to share their financials, which are conveniently regarded as “state secrets.” And yet trillions of US investor dollars move into the coffers of the CCP.

There is no room for these scandalous practices and fiduciary malfeasance in the post-Ukraine-war world. Our common goal must be to make sure that there is no return to “business as usual,” dominated by greed and cynical short-term thinking. To be clear, “business as usual” in this context means spitting in the face of our fundamental values, our human rights imperatives, our common security interests and even the protection of our retail investors across the globe.

In closing, this is an amazing opportunity for the “vindicated and validated” Baltic states. Their most pressing concerns have been catapulted to the front of the line in terms of transatlantic priorities. The Baltic states have always been beacons of freedom, as they have consistently cared about the fate of near neighbors like Ukraine. We now urgently need to make NATO not only real but also menacing militarily—as the only language that truly communicates to authoritarian police states like Russia and China is the language of fear.

We must clearly signal that there is not going to be a third replay of the Russian onslaught against Ukraine. And we certainly cannot tolerate Russia toying with the idea of rolling over one or more of the Baltic states, triggering an effort by NATO to “regain territory.” That long-time NATO plan is defeatist—pure and simple.

Meanwhile, China is interested in benefiting from Russian intelligence sharing, advanced weapons systems and related technologies, as well as energy supplies. President Xi Jinping fancied himself a genius in forging a full axis power relationship with the Kremlin. How did that work out for him? A global pariah as your best pal. Sadly, what has offered some encouragement for China is the lack of condemnation for Russia's unprovoked war against Ukraine war from India, Pakistan, the Middle East, Latin

America, Southeast Asia and Africa. While some positive votes took place in the United Nations, it is unconscionable and pathetic that major parts of the world are willing to avert their eyes from the horrors taking place in Ukraine at Russian hands.

So, China feels less isolated in the world, but it does not disguise or undo this breathtaking mistake on the part of President Xi. China is trying to walk a razor's edge of showing enough loyalty to their axis partner while at the same time launching a charm offensive toward Western markets consisting, in part, of: working to permit the Public Company Accounting Oversight Board's audits of their auditing companies; modifying the "three red lines" that put China's vast real estate sector into extremis: backing off of Xi's ideological mantra called "common prosperity," which made Western capital markets so nervous over the massive losses that ensued, and the list goes on.

The great challenge ahead is to make sure that the CCP does not get away with this obvious gambit—aiding and abetting Russia, while simultaneously wooing the US and allied capital markets, relying, as always, on Western greed to carry the day. It has worked every time for them. Accordingly, our common clarion call with respect to China and Russia must be "no more profits and jobs uber alles." Not this time.

— **Roger W. Robinson, Jr.**, Chairman and Co-Founder of the Prague Security Studies Institute (excerpts from a podcast interview on April 14, 2022)

1.

China's Footprint in the Baltic Sea Region: The Cases of Sweden and Estonia

Dr. Zdzisław Śliwa

Technology and the economy have played increasingly significant roles in international affairs. China has used these two tools, as a country with a global reach and reasonable funds invested in long-term projects, such as the “Go Global” strategy and “Made in China 2025” national plan, as drivers to meet the *Chinese Dream*. These approaches are implemented in European nations, which are offering many opportunities related to technology, new markets and economic development. Among them, Sweden and Estonia have become attractive for foreign direct investment (FDI) into the economy and infrastructure based on well-prepared and coordinated long-term concepts by Chinese companies supported through national funds. The analysis of Chinese investments in these two nations is this chapter's central aim. It covers the past decade based on publicly available unclassified information, government documents, analytical studies of think tanks and academic research works. Qualitative research applies analysis, critical synthesis, desk research and comparative studies methods; quantitative data is used for cases studies. The chapter consists of an introduction and two main sections to discuss the Estonian and Swedish cases followed by conclusions.

The most famous strategist in Chinese history, Sun Tzu, is well remembered by the current leadership in both countries, especially his concept that “supreme excellence consists in breaking the enemy’s resistance without fighting” and “to take the enemy’s country whole and intact.”¹ This advice is included in the way the nation is using its instruments of national power. Compared to the Deng Xiaoping-era “hide your strength, bide your time” strategy, Beijing is now more open in showing multidimensional power based on self-confidence in already possessed and constantly developed capabilities. According to Robert Gates, in his book *Exercise of Power*, an “increase in Chinese assertiveness internationally with Jiang Zemin and Hu Jintao” is visualized by the Go Global strategy and the Made in China 2025 national plan issued in 2015.² This resulted in using trade relations, FDI, loans, project assistance and even a “carrot-and-stick” policy to forward long-term political objectives.

This is all part of Chinese President Xi Jinping’s policy to forward national ambitions expressed by the motto: *Chinese Dream* (*Zhongguomeng*). This grand strategy is to be implemented, among others, by facilitation of Chinese FDI and proactive foreign policy,³ strengthening China’s role both regionally and globally. It is based on the assumption that “future growth will depend heavily on the degree of the Asia-Pacific region’s integration with China’s economy, as well as issues related to global economic governance and international trade rules.”⁴ One of the ways is the

¹Lionel Giles, *Sun Tzu on the Art of War* (Leicester, UK: Allandale Online Publishing, 2000), 8.

²Robert M. Gates, 2021. *Exercise of Power: American Failures, Successes, and a New Path Forward in the Post-Cold War World* (New York: The Vintage Books, 2021), 360.

³L. Qin, “Securing the ‘China Dream’: What Xi Jinping wants to achieve with the National Security Commission (NSC),” *China Monitor*, February 24, 2014, 5.

⁴Timothy Hetah, “Xi’s Bold Foreign Policy Agenda: Beijing’s Pursuit of Global Influence and the Growing Risk of Sino-U.S. Rivalry,” *China Brief*, March 19, 2015, 14, http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews%5Btt_news%5D=43674&cHash=cd89a67fc61159ee2f89cbd44f361102#.VrjSp09f2Ag.

Belt and Road Initiative (BRI) project financed by the Asian Infrastructure Investment Bank (AIIB) and the Silk Road Fund, which includes a “New Silk Road” through Central Asia to Europe.⁵ Some source have labeled it as a tool to “take global leadership.”⁶

African nations were significantly affected by such a proactive policy. Europe is quite different, but China has already achieved some progress in advancing national interests in Europe, acting individually in “ways that pose challenges to regional security.”⁷ Europe is an interesting partner for China as compared to other continents. It is offering many opportunities related to technology, new markets and economic development, as represented by specific countries and the European Union in general. The inviting environment is directly linked with European nations’ respect for democracy, human rights, standards of governance, disapproval for corruption and nepotism and open criticism of Chinese actions against ethnic minorities.

As EU members, Sweden and Estonia are committed to the promotion of democracy, human rights and the rule of law as key components of the Lisbon Treaty. China is using the tactic of “probing” in these and other nations to test specific ways and means of achieving desired outcomes. Anchoring in Europe is visible in the West Balkans, where debt sustainability has been a

⁵Steve LeVine, “China Is Building the Most Extensive Global Commercial-Military Empire in History,” Whitney and Betty MacMillan Center for International and Area Studies at Yale Global, June 9, 2015, <https://qz.com/415649/china-is-building-the-most-extensive-global-commercial-military-empire-in-history/>; Qin, “Securing the ‘China Dream,’” 5-6.

⁶Brenda Goh and John Ruwitch, “Pressure on as Xi’s ‘Belt and Road’ Enshrined in Chinese Party Charter,” Reuters, October 24, 2017, <https://www.reuters.com/article/us-china-congress-silkroad-idUSKBN1CT1IW>.

⁷Brain G. Carlson, 2021. “China-Russia Relations and Transatlantic Security,” in *Strategic Trends 2021: Key Developments in Global Affairs*, by Brain G Carlson and Oliver Thränert, edited by Andreas Wenger, (Zürich: Center for Security Studies (CSS), ETH Zürich), 12.

major issue for some nations.⁸ Lately, the perception of China is changing in the EU in the shadow of the growing rivalry the United States and People's Republic of China in numerous security domains. The EU has tightened screening Chinese investors and ventures perceiving "hybrid threats primarily in the economic spheres, especially in the area of investments," strengthened by the assessment that Chinese state-owned companies "have unlimited financial power with the state treasury behind them, this is not fair competition."⁹ Nevertheless, perception of China is differing among nations based on economic interests, as well as security and bilateral relations with the US. The North Atlantic Treaty Organization (NATO) has recognized China as a challenge for the Alliance's security interests, and it is critical for both Estonia as a member and Sweden as a forthcoming member.¹⁰

This chapter examines Chinese activities in Sweden and Estonia mainly within the economy and infrastructure and will briefly discuss other fragile security areas related to society and governance. The main goal is to better recognize which projects and approaches by Beijing are being completed for its benefit. The assessment is that this is a well-prepared and well-coordinated effort within the long-term concept represented by business companies and supported by national funds to underpin the competitiveness of China's civilian economic and defense sector. Analysis is limited to the past decade and is based on publicly available information, government documents, analytical studies of think tanks and academic research works. The scope of

⁸Wouter Zweers et al., *China and the EU in the Western Balkans. A Zero-Sum Game?* (The Hague: Clingendael Report, 2020), 27-30, 31-33.

⁹Anton Dengg, "China's Narratives in the Context of Hybrid Threats," in *China's Footprint in Strategic Spaces of the European Union: New Challenges for a Multi-Dimensional EU-China Strategy*, edited by Johann Frank and Doris Vogl, (Vienna: National Defence Academy, October 2021), 65-66.

¹⁰NATO, "Brussels Summit Communiqué. Issued by the Heads of State and Government Participating in the Meeting of the North Atlantic Council in Brussels 14 June 2021," June 14. 2021, 3, 55, 72, https://www.nato.int/cps/en/natohq/news_185000.htm.

considerations is limited to sources not covered by the confidentiality clause. The study is based on qualitative research applying analysis, critical synthesis, desk research and comparative studies methods. Quantitative data is used only concerning the case studies.

Baltic States on China's Radar: Estonia

Estonia established bilateral relations with China in 1991 just after regaining independence. This cooperation was further bolstered with three memorandums of understanding (MoU): the Silk Road Initiative Memorandum, Digital Silk Road Agreement and E-Commerce Agreement.¹¹ Relations have ebbed and flowed with periods of limited and active exchanges. Bilateral relations with China are somewhat contingent on national perceptions of Taiwan and Tibet. Thus, the meeting of former Estonian President Toomas Hendrik Ilves with the Dalai Lama in 2011 caused some frosty relations for a short period.¹² However, after the cold period, the situation improved, as Chinese companies began investing in regional transportation infrastructure.

The Baltic region is part of the BRI, creating potential opportunities to use seaports and infrastructure for trade and extending the reach of the project to the Nordic regions. Moreover, it could expand the role of the China–Belarus Industrial Park, opening new transportation options, especially associated with the Trans-European Transport Network (TEN-T). From the business side, “for Estonia, the agreement means prospects for foreign investments and provides additional opportunities for connecting the Rail Baltic rail link with the East-West transport corridor.”¹³ However, an article in *Postimees* titled “Chinese

¹¹Aili Vahtla, “Estonia Signs Three Economic Treaties With China,” *ERR*, November 27, 2017, <https://news.err.ee/645200/estonia-signs-three-economic-treaties-with-china>.

¹²Andreas Forsby, *Current Bilateral Relations. Comparative Study* (Copenhagen: Danish Institute for International Relations, 2021), 11, 13.

¹³ Vahtla, “Estonia Signs Three Economic Treaties With China.”

Investments Come With Golden Handcuffs,”¹⁴ raised possible challenges related to this 15 billion euro tunnel offered to improve the transportation system between Estonia and Finland. It was linked with the fact that both funds and labor could come from China, limiting control of the project. The tunnel concept was part of a new arrangement offered by the Beijing-led 17+1 format in which Tallinn was a member, as it could enhance economic relations between the PRC and Europe.

The 17+1 format is an example of building relations based on bilateral or sub-regional agreements, which could divide national positions toward Beijing. At the same time, not allowing the EU to act on behalf of nations using the rule of unanimity endangers the “one voice” tenet. However, Lithuania has recognized such a threat and decided to leave the 17+1 group (now 16+1); Estonia also left this group. In the past Lithuanian government declined investment into the deep-water port in Klaipeda as a national security risk. Similarly, the Port of Ningbo wanted to launch cooperation with the Port of Tallinn, but former Prime Minister Andrus Ansip vetoed it stating that “I simply failed to see a business opportunity there.”¹⁵ It is an indicator that regionally there are similarities in the evolution of China’s perception among the Baltic states.

As for now, the biggest investment in Estonia happened in 2018, when Guangzhou Hangxin Aviation Technology (Hangxin) acquired 100 percent of Magnetic MRO from BaltCap.¹⁶ Currently, Hangxin owns 84.96 percent, and Hong Kong Yongtai Trading Services holds 13.44 percent. The Magnetic MRO fixed capital is 4.7 million euros and achieved 80.95 million euros in revenue in

¹⁴Роонемаа, Хольгер; Ээсмаа, Мари and Лиепиня, Инесе, “Золотые оковы китайских инвестиций,” Postimees, September 6, 2019, <https://rus.postimees.ee/6771461/zolotye-okovy-kitayskih-investitsiy>.

¹⁵ Holger Roonemaa, Mari Eesmaa and Inese Liepina, “Chinese Investments Come With Golden Handcuffs,” Postimees, September 6, 2019, <https://news.postimees.ee/6772374/chinese-investments-come-with-golden-handcuffs>.

¹⁶Magnetic MRO, December 27, 2021, <https://magneticmro.com/company/>.

2020.¹⁷ The cooperation is ensuring access to the Chinese market, which is presenting vast opportunities, but it is also allowing access to Magnetic MRO's technologies and partners. That same year, former Estonian President Kersti Kaljulaid visited China and met with President Xi, tweeting later that "relations between China and Estonia are at an all-time high."¹⁸

Another format of cooperation is in education; in 2017, Estonia and China signed the new Education Partnership Programme 2017–2022, which focuses on "student exchanges and granting of scholarships, the teaching of language, culture and history on a mutual basis, and youth exchanges."¹⁹ It follows the Agreement on Cultural, Education and Research Cooperation signed in 1993. For Chinese students, it creates an opportunity to study in Europe and to familiarize themselves with respective nations and the West. The Chinese visibility is underpinned by the Confucius Institute at Tallinn University established in 2010.

This is crucial as the Confucius Institutes promote language and culture and are, thus, considered an element of Chinese "soft power." This research is another fragile area: Well-known marine scientist Tarmo Kouts was the first Estonian citizen sentenced by China for spying since independence.²⁰ The case is rather significant as Kouts was a member of the scientific committee of the Estonian Ministry of Defense (2006 to 2014) and a member of the scientific committee of NATO's Center for Maritime Research

¹⁷Storybook OÜ, "MAGNETIC MRO AS: Tegevuslugu," MAGNETIC MRO, 2019. March 3. 2019, <https://scorestorybook.ee/media?id=400865>.

¹⁸ERR, "Kaljulaid Meets With Chinese President in Beijing," September 18, 2018, <https://news.err.ee/862285/kaljulaid-meets-with-chinese-president-in-beijing>.

¹⁹Aire Koik, "Estonia and China Renewed Their Agreement on Education Partnership," The Ministry of Education and Research, May 15, 2017, <https://www.hm.ee/en/news/estonia-and-china-renewed-their-agreement-education-partnership>.

²⁰ERR, "AK: Convicted China Spy Brought Several Notable Firsts," accessed March 06, 2022, <https://news.err.ee/1608149359/ak-convicted-china-spy-brought-several-notable-firsts>.

and Experimentation (2006 to 2012).²¹ Arrested by the Internal Security Service in September 2020, he was sentenced to three years in prison in March 2021. The Chinese Embassy in Tallinn characterized the situation as incredibly harmful to Chinese-Estonian relations.

Lately, relations have been strained by Estonian government statements about concerns regarding human rights. In October 2019, another factor further hampered bilateral interactions, as the Estonian government signed an MoU with the US on 5G security. By stating that “suppliers should not be subject to a foreign government without independent judicial scrutiny,” the document excluded some providers.²² As a result, only Estonian operators Elisa Eesti, Tele2 Eesti and Telia Eesti could compete for the contract to introduce 5G technology, with an option to cooperate with Finnish Nokia or Swedish Ericsson. To ensure the operators’ control, the amended Electronic Communications Privacy Act stated that “in order to guarantee national security, the Government of the Republic may impose an obligation on communications undertakings to apply for an authorization for the use of communications network hardware and software.”²³ The discussion about the role of Chinese technology company Huawei was again on the agenda when an article, titled “Cooperation Agreement With Huawei Has Many Facets,” was refused for publication in *Universitas Tartuensis*, the magazine of the University of Tartu. It was about the elaboration of possible risks and benefits of such a partnership, but the university’s

²¹Baltic News Service, “Court Sentences Well-Known Marine Scientist to Prison for Spying for China,” March 19, 2021, <https://news.postimees.ee/7205290/court-sentences-well-known-marine-scientist-to-prison-for-spying-for-china>.

²²US Embassy in Tallinn, “Memorandum of Understanding between the United States and Estonia on 5G Security,” November 1, 2019, <https://ee.usembassy.gov/et/ameerika-uhendriikide-ja-eesti-vastastikuse-moistmise-memorandum-5g-turvalisuse-teemal/>.

²³Riigikogu, “Riigi Teataja,” Electronic Communications Act, May 28, 2020, 87, <https://www.riigiteataja.ee/en/eli/ee/Riigikogu/act/528052020005/consolide>.

authorities decided that they “should not get involved in the political debate.”²⁴

Although China is one of the Baltic states’ largest trade partners, “ensuring the continuous presence of US forces in the region is one of the key objectives of the Baltic states’ defense policies. The US appears to have leveraged this in discussions with the Baltic capitals about Huawei and 5G.”²⁵ Estonia is specifically interested in the cyber domain, as it was the victim of a large-scale cyberattack in 2007.

Suspensions toward China were recently expressed, as an Estonian Foreign Intelligence Service (EFIS) report in 2021 recognized that Beijing’s “main goal is to create a division between the United States and Europe,” and this is directly impacting national security.²⁶ Next, the report claimed that China wants to be a world leader in technology using all possible means, including buying talents, access to world-class technologies, cyber espionage and joint ventures with local companies.²⁷ The China-related chapters follow discussion of Russia as a major threat.

In respect to research and design (R&D), the 2020 EFIS report expressed concerns about “hidden dangers of Chinese technology,” presenting a low profile in this domain but with a readiness to pursue political goals or fast gains by acting “more aggressively in the decision-making process of another

²⁴ERR. 2020. “Paper: University of Tartu Refused to Publish Article on Huawei,” February 26, 2020, <https://news.err.ee/1056839/paper-university-of-tartu-refused-to-publish-article-on-huawei>.

²⁵Maya Guzdar and Tomas Jermalavičius, “Between Chinese Dragon and American Eagle: 5G development in Baltic States,” The International Centre for Defence and Security, August 2020, 2.

²⁶Estonian Foreign Intelligence Service, *International Security and Estonia 2021*, 69, <https://valisluureamet.ee/doc/raport/2021-en.pdf>.

²⁷Estonian Foreign Intelligence Service, *International Security and Estonia 2021*, 76-77.

country.”²⁸ The 2021 report, compared to the 2020 and 2019 EFIS reports,²⁹ presents a stronger focus on China—shifting from “China’s Growing Influence” in 2019 to “China’s More Active Role in the World” in 2020 and to “Growing Pressure From China” in 2021. This represents a significant change from 2016; China was not even mentioned in that year’s report.

The 2022 EFIS report presents a slight change in evaluating China, reviewing Beijing’s “wolf warrior diplomacy.” This approach is linked with targeting specific people to “silence the author of the criticism and show that China’s outrage has been provoked by a specific individual or group and is not directed against all foreigners.”³⁰ The outcome is sending propaganda publications, such as *China Watch*, to Estonian citizens, trying to impact their way of thinking.

Sweden as China’s Main Nordic Destination

Sweden was among the first countries to establish official relations with China in 1950 and signed an MoU and a few bilateral agreements in following years in the name of “good old friends” (*lao pengyou*).³¹ China viewed Sweden as an attractive nation for investment in technological advancement with many top-level companies that possessed innovative and knowledge-based education systems positively supporting R&D-based economy and business. For Sweden, the PRC was first source for FDI throughout the years. For both, it seemed like a win-win

²⁸Estonian Foreign Intelligence Service, *International Security and Estonia 2020*, accessed March 7, 2022, 77, <https://www.valisluureamet.ee/doc/raport/2020-en.pdf>.

²⁹Estonian Foreign Intelligence Service, *International Security and Estonia 2019*, accessed January 10, 2022, 59-62, <https://www.valisluureamet.ee/doc/raport/2019-en.pdf>.

³⁰Estonian Foreign Intelligence Service. 2022. *International Security and Estonia 2022. Security Report*, Tallinn: The Estonian Foreign. Accessed March 07, 2022, p. 63, <https://www.valisluureamet.ee/doc/raport/2022-en.pdf>

³¹Forsby, *Current Bilateral Relations*, 2021, 16.

situation, as for Stockholm, FDI would be an engine for increased competitiveness in European and global markets.

In Sweden's case, FDI significantly went up after 2016 (\$127 million), reaching \$1.29 billion in 2017 and \$1.93 billion 2020.³² One reason for this increase has been membership in the AIIB since 2016. This has been connected with investing in the procurement of companies; the most well-known of these was the takeover of Volvo by Geely Holding Group in 2018 (97.8 percent). Initially welcomed by the government and public, the deal casts serious doubts on future cooperation, as the move was seen as politically driven. At the time, it was important to support the automotive company, but the situation has changed over the years. For the Swedish population, reluctance in the deal was linked with history, national pride and sentiment to preserve Volvo as a fully Swedish brand.

A similar case involved the acquisition of Silex Microsystems (Silex), the manufacturer of micro-electromechanical systems, in 2015 by Chinese company NavTech. Importantly, Silex holds contracts in the defense sector. Another example is Chematur Engineering (Chematur) based in Karlskoga, which was purchased by Wanhua Chemical Group in 2019 for \$134 million; Chematur includes "chemical engineering ventures, mainly explosives factories."³³

Another similar defense-related acquisition was the case of SatLab Geosolutions, a global satellite-positioning solutions company using Swedish technology. Such systems are closely linked with the desire to further develop the BeiDou Navigation Satellite System (BeiDou), used for both civilian and military purposes. In this respect, an important entity for China is the

³²Statista, "Annual Flow of Foreign Direct Investments From China to Sweden Between 2010 and 2020 (in Million US Dollars)," October 28, 2021, <https://www.statista.com/statistics/720599/china-outward-fdi-flows-to-sweden/>.

³³Heather Conley, James Lewis, and Max Shafron, *Chinese Technology Acquisitions in the Nordic Region*, Center for Strategic and International Studies, 6-7.

Aerospace Information Research Institute/China Remote Sensing Satellite Ground Station (RSGS) located in Kiruna. Established in 2016, it has many purposes allowing Chinese accessibility to global remote-sensing data and to “remove its dependence on the US-owned GPS navigation,”³⁴ which is crucial from a military point of view. Among others, “Arctic-based technology could help improve China’s military capabilities in the future.”³⁵ This would allow for full reliance on the national BeiDou system, eliminating the threat of losing access to GPS. Next, it is linked with growing interest in the Arctic to improve both ground- and satellite-based communication for future shipping-based economic traffic. The RSGS is a factor that could impact security cooperation between Sweden and the US, as the station is used not only for civilians but potentially also for military aims, which contradicts US interests. This aspect is impacting the Chinese-US rivalry not only in the Pacific but also in the Arctic and globally.

Sweden is a member of the Arctic Council, which is a forum to forward national interests in the region. In 2012, during the Arctic Council meeting in Stockholm, the Chinese representative underlined the need to respect the rights and interests of non-Arctic states, claiming to be a “near Arctic” country.³⁶ Regionally,

³⁴Jonathan Barrett and Johan Ahlander, “Exclusive: Swedish Space Company Halts New Business Helping China Operate Satellites,” Reuters, September 21, 2020, <https://www.reuters.com/article/uk-china-space-australia-exclusive-idUKKCN26C20A>.

³⁵Malte Humpert, “China Looking to Expand Satellite Coverage in Arctic, Experts Warn Of Military Purpose,” High North News, September 4, 2019, <https://www.highnorthnews.com/en/china-looking-expand-satellite-coverage-arctic-experts-warn-military-purpose/>.

³⁶Shiloh Rainwater, 2013. “Race to the North: China’s Arctic Strategy and Its Implication,” *The Naval War College Review* 66, no. 2 (2013): 63, <https://digital-commons.usnwc.edu/cgi/viewcontent.cgi?article=1371&context=nwc-review>; Nathan VanDerklippe, “Race to the North: China’s Arctic Strategy and Its Implication,” *The Globe and Mail*, January 19, 2014, <https://www.theglobeandmail.com/news/national/the-north-for-china-north-is-a-new-way-to-go-west/article16402962/>.

the Chinese Arctic and Antarctic Administration³⁷ involved Norway in 2004 by establishing the Yellow River research station in Ny-Alesund to “intensify research and scientific expeditions for better understanding of the Arctic Ocean and global climate changes.”³⁸ In April 2017, China signed a joint declaration on partnership with Finland,³⁹ covering areas of cooperation in the Arctic.

The Arctic region is one of Beijing’s key areas of foreign policy, focusing on the economy and recognizing emerging options in the long term. This is linked with the use of various tools to engage regional actors bilaterally and in an organizational framework without using the military. Additionally, China is developing technologies necessary to operate in the Arctic improving prospects for competition with other players. This approach includes research and investments in the region. Natural resources and fishery resources are critical factors, and the Northwest Passage is opening options to reduce goods transit time and limit the vulnerability of maritime routes via the Strait of Malacca. Jakub Grygiel links such a plan with the geostrategy of states, as a “geographical direction of state foreign policy” dictating “where a state concentrates its efforts through the projection of force and targeted diplomatic efforts.”⁴⁰

³⁷The Chinese Arctic and Antarctic Administration, “Data Sets of Aerosol of Chinese Arctic Yellow River Station in 2015, April 2, 2019, <http://www.chinare.org.cn:8000/en/difDetailPublic/?id=9323>.

³⁸Wang, Qian. 2010. “Arctic research set to be beefed up.” China Daily. 6 May. Accessed January 17, 2022. http://www.chinadaily.com.cn/china/2010-05/06/content_9814100.htm.

³⁹ “Joint Declaration between the Republic of Finland and the People’s Republic of China on Establishing and Promoting the future-oriented new-type cooperative partnership.” Office of the President of the Republic of Finland. 5 April 2017. Accessed January 17, 2022. <https://www.presidentti.fi/en/news/joint-declaration-between-the-republic-of-finland-and-the-peoples-republic-of-china-on-establishing-and-promoting-the-future-oriented-new-type-cooperative-partnership/>.

⁴⁰ Grygiel, Jakub. 2006. *Great Powers and Geopolitical Change*. Baltimore: the John Hopkins University Press, p.22.

An interesting project to consider here is the Markbygden Wind Farm in Piteå in northern Sweden, which is set to acquire some 180 wind turbines with a combined capacity of 650 megawatts (MW). The China Guangdong Nuclear Power Group (CGN) has acquired a 75-percent stake, marking CGN's "entry into the Nordic region."⁴¹ Adding other smaller projects, the company owns one-fifth of the wind farms (over 300 wind turbines) in Sweden. Similarly, Hong Kong-based Sunbase International Holdings and China Communications Construction Group decided to cancel a large-scale project to build a deep-water port in Lysekil in western Sweden. The reasons for the cancellation were negative comments in the media and public opinion, as suspicions abounded that the company head was closely linked with the Chinese party and military establishment.⁴²

Another option for investment is start-ups, which are small and innovative but "fall below the radar of government agencies that review foreign investment regimes or below the threshold of national and European screening mechanisms."⁴³ Sweden is good ground for such ventures, as the nation is innovative, open for new ideas and economically competitive, as it is supported by advanced infrastructure. Such projects are demonstrating the differences in local interests to either encourage investments or emphasize national security. Recognizing this, in October 2020, the Swedish government issued an absolute ban on Huawei's equipment in Sweden's critical digital infrastructure. In general, according to the Swedish Defence Research Agency survey

⁴¹ Craig, Richard. 2018. "CGN buys 75% stake in Sweden's Markbygden." *WindPower Monthly*. July 18. Accessed January 3, 2022. <https://www.windpowermonthly.com/article/1488225/cgn-buys-75-stake-swedens-markbygden>.

⁴² Giers, Maciej. 2020. "Wiatr od wschodu. Chińskie inwestycje w Szwecji." *Przegląd Bałtycki*. April 1. Accessed January 3, 2022. <https://przegladbaltycki.pl/14535.wiatr-od-wschodu-chinskie-inwestycje-w-szwecji.html>; Barhanovich, Jody. 2018. "Chinese investors cancel plans for massive deep-water port in Sweden." *Institutional Real Estate, Inc.* February 1. Accessed January 3, 2022. <https://irei.com/news/chinese-investors-cancel-plans-massive-deep-water-port-sweden/>.

⁴³ Conley, Heather; Lewis, James and Shafron, Max. 2020, op. cit., p. 3.

published in February 2021, Chinese firms (including in Hong Kong) have acquired majority ownership in 51 companies. Plus, another 14 minor acquisitions were recognized, and according to the Swedish Companies Registration Office, more than 1,000 companies reported that their beneficial owner is a citizen of either China or Hong Kong.⁴⁴ The majority of acquired companies are from industrial products and machinery, health and biotechnology, information and communications technology (ICT), electronics, as well as the automotive industry sectors. Therefore, the sectors are rather important and possess many dual-use technologies.

In 2015, relations between Sweden and China were severely impacted by the controversial abduction and imprisonment of Swedish citizen Gui Minhai. The move was condemned by both the Swedish government and the EU with respect to human rights. Then, the visit of the president of the Tibetan government-in-exile, Lobsang Sangay, in 2017 caused negative reactions; the Chinese embassy in Stockholm criticized the meeting, claiming that Swedish opinions and actions are “biased,” “groundless” and “totally unacceptable.”⁴⁵ In 2020, Sweden decided to close all Confucius Institutes as part of “growing concern in Sweden over security, human rights and the jailing in China of a Chinese-born publisher with Swedish citizenship.”⁴⁶ An outcome of this was the suspension of cultural exchanges.

In truth, Sweden was not the only country to reconsider the role of Confucius Institutes. Germany debated an option to limit or even close them countrywide as “too much room” was given for

⁴⁴ Hellström, Jerker; Oscar, Almén; and Englund, Johan. 2021. Chinese corporate acquisitions in Sweden: A survey. Survey report, Stockholm: Swedish Defence Research Agency, pp. 1-2, 6-8, 14.

⁴⁵ Bohman, Viking, and Anna Michalski. 2018. “The prudent proponent Sweden’s normative China policy.” In *Political values in Europe-China relations*, by Rühlig, Tim et al, 84-85. Brussels: European Think-tank Network on China, pp. 84-85.

⁴⁶ Myklebust, Jan P. 2020a. Confucius institutions close as China relations deteriorate. May 16. Accessed December 12, 2021. <https://www.universityworldnews.com/post.php?story=20200513092025679>.

them.⁴⁷ The Confucius Institutes have been, in essence, a cultural exchange program, which has been accepted by Western nations as simply learning about culture and language. However, the use of them as tools to forward Beijing's political points have negatively impacted the initiative.

Such was the case of Stockholm University, where an institute was established in 2005. It was terminated in 2015 “after a discussion about conditions in China having changed significantly since the agreement—notably, the deterioration of human rights,”⁴⁸ seeing it as an element of Chinese “soft power.” Sylvia Schwaag Serger coordinated a national action plan on research cooperation with China on behalf of the Swedish government presenting a report. The report summarized that “there has been an increasing politicization of culture which has undermined public trust in cultural exchanges, activities and institutions. This is unfortunate since language and culture are vital channels for promoting mutual understanding and knowledge across national borders.”⁴⁹ Tommy Shih, policy advisor at the Swedish Foundation for International Cooperation in Research and Higher Education (STINT) saw it in a bigger perspective, recognizing that Swedish universities are “too naive” concerning security risks, protection of intellectual property rights, ethical transgressions happening across geographical borders and protection of national infrastructure.⁵⁰ Recognizing the complexity of academic cooperation, STINT formulated major advantages and risks in a report.⁵¹ The authors assessed that the major issues are

⁴⁷ Fulda, Andreas. 2021. German Academic Freedom Is Now Decided in Beijing. October 28. Accessed December 12, 2021. <https://foreignpolicy.com/2021/10/28/germany-china-censorship-universities-confucius-institute/>

⁴⁸ Myklebust, Jan P. 2020a, op. cit.

⁴⁹ Myklebust, Jan P. 2020a, op. cit.

⁵⁰ Myklebust, Jan P. 2020b. Guidelines for ‘responsible internationalisation’ set out. February 22. Accessed January 18, 2022. <https://www.universityworldnews.com/post.php?story=20200221071711128>.

⁵¹ Shih, Tommy; Gaunt, Albin; and Östlund, Stefan. 2020. *Responsible internationalisation: Guidelines for reflection on international*

transparency, ethics and legality, especially when cooperating with authoritarian countries.

Another aspect is related to dual-use technologies and research “particularly interesting to the military, security apparatus or defense industry of another country.”⁵² The assumption was that the internationalization of research would be positive and unavoidable; but even so, it must take into consideration Swedish values and rules expressed in the Swedish Higher Education Act and the Constitution. This aspect marks another change in Chinese-Swedish relations, as recently, 11 Swedish cities cut friendship ties with Beijing due to, among others, the deteriorating human rights situation in China, causing a negative reaction from the Chinese embassy in Sweden, supported by *the Nordic Chinese Times* and the Chinese-language *Green Post*, published in Sweden.⁵³

An impression has been promulgated that Sweden decided too quickly to deepen relations with China based on enthusiasm and new opportunities, especially regarding access to finances and worldwide economic options. As the past decade has revealed, danger to national security and interests can be connected with the possession of major shares in some companies such as Volvo, Silex or the Markbygden Wind Farm. The ownership structure could allow top-level management to make decisions based on Chinese, not Swedish, interests. Another risk involved dual-use technologies, which can easily be used for civilian and military purposes. A similar case in this regard is connected with the Chinese Remote Sensing Satellite Ground Station or directly with the production profile of Arquus or Chematur. This is linked with technology- and knowledge-based companies and start-ups, especially as the latter is not visible as much as major companies. Such concerns could impact relations with the US, NATO and the

academic collaboration. Stockholm: Swedish Foundation for International Cooperation in Research and Higher Education, pp. 6.

⁵² Ibidem., p. 8.

⁵³ Rühlig, Tim, and Oscar Shao. 2021. “China’s dwindling soft power” in *China’s Soft Power in Europe*, by Ties, Dams; Xiaoxue, Martin and Kranenburg, Vera. The Hague: Clingendael Institute, p. 97.

EU, as Sweden's total defense includes a "joint operational planning with Finland and coordination of operational planning with Denmark, Norway, the United Kingdom, the United States and NATO."⁵⁴

In March 2020, the Swedish Security Service, or SAPO, characterized China as "the biggest threat to the country's national security after Russia," and the government started a debate about limitations for merging or acquiring specific companies.⁵⁵ This will set requirements for strategically critical companies to consult with the government before selling shares. These decisions are closely linked with the report "The Swedish Security Service 2020," which recognized that "Russia, China and Iran pose an intelligence threat to research and development."⁵⁶ The methods are primarily industrial and cyber espionage, researchers' recruitment, acquisition of Swedish energy and technology companies founded by "legal obligation for Chinese-owned companies to share technology and know-how with China's civilian and military intelligence services."⁵⁷ In 2020, the Direct Investment Investigation Commission proposed aligning national regulations with EU legislation, including stronger control of defense exports.

Through the past decades, the initial win-win perception has changed as Sweden began recognizing that technologies transferred to China could be used by Chinese companies to compete in the open market. Furthermore, multidimensional security has started to be more important than just pure business relations, as one side is trying to exploit the other for its own

⁵⁴ Regeringskanliet. 17 December 2020. Summary of Government bill "Totalförsvaret 2021–2025" (Total defence 2021–2025). Defence, Stockholm: Government Offices, p. 1.

⁵⁵ Erdbrink, Thomas, and Christina Christina Anderson. 2020. "Fears for Volvo Expose Sour Turn in Sweden's Ties with China." *The New York Times*. June 14. Accessed January 3, 2022. <https://www.nytimes.com/2020/06/14/world/europe/sweden-china-volvo.html>

⁵⁶ Friberg, Klas, and et al. 2020. *The Swedish Security Service 2020*. Security report, Stockholm, The Swedish Security Service, p. 32.

⁵⁷ *Ibidem.*, pp. 24–25.

benefit. This is apparent in Swedish society as, in 2018, 52 percent of respondents to a national survey had a negative perception of China. In 2020, this figure grew to 85 percent.

Conclusion

The growing rivalry between the US and China has had an immediate impact on cooperation with Beijing. This was observed during the Trump administration, with campaign against Huawei, the situation in Hong Kong protesting for democracy, as well as the broadly publicized human rights violations in Xinyang. Those events caused both Sweden and Estonia to reconsider relations with Beijing. Ties have further deteriorated, as both nations have supported three UN statements on human rights violations in Hong Kong and Xinjiang. Similarly, they supported EU sanctions on Chinese officials over the suppression of Uyghurs and Muslim minorities in 2021.

Recently, the security aspect has also been reconsidered; for example, both nations are suspicious about Chinese 5G as well as digital communication networks and are looking for other solutions. This is causing a dilemma in trying to decipher if an acquisition is a commercial-only undertaking or part of a larger national-led campaign of technological drainage. The renewed caution has been impacted by US-based suspicions regarding the 5G solution. As such, Sweden made rather clear decisions involving state security agencies, and Estonia was extremely direct in selecting three other companies and eliminating Chinese competitors.

Another dimension involves Sweden's and Estonia's EU membership. They certainly do not want to depend on China in any domain, as that would harm EU decision-making. And this is not an impossible scenario. In the Balkans, some nations are heavily dependent on Chinese loans, and those hoping to become EU members could be pressured to forward another nation's interests. The use of the economy as a tool to pressure countries is also a real threat, as was the case of Lithuania after opening the Taiwanese Representative Office in Vilnius. China attempted to

isolate Lithuania economically indirectly “through German, French, and other EU companies that have Lithuanian suppliers ... with China potentially implementing further sanctions against Lithuanian and other EU companies to dissuade other member states from following the Lithuanian example.”⁵⁸ Such an approach served as a warning for Estonia and Sweden, as now they must balance between receiving Chinese FDI and protecting nationally strategic companies and sensitive technologies.

Both Sweden and Estonia, as small nations, are limited in their abilities to track Chinese funding and acquisitions. Therefore, close cooperation with nations, like the US and organizations, such as the EU, is vital. This touches other domains as well, including cyber-espionage and cyber-hacking, to source specific sensitive economic data, as the exchange of information, including classified information among security services, could be of great value. Other organizational opportunities for joint research and projects also includes NORDEFCO, the Council of the Baltic Sea States or Nordic-Baltic Eight (NB8), which are forums to discuss current bilateral, regional and international topics of interest for the respective member nations. Among them, economy and broader security are common concerns. The Joint Nordic-Baltic statement was an example of a unified voice, when, in May 2021, Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden expressed concerns about the human rights situation in the Xinjiang Uyghur Autonomous Region.⁵⁹ Economy-based intelligence sharing is becoming an ever more crucial driver of cooperation, as alone neither Sweden nor Estonia are powerful enough to compete with China. This arrangement must be supported by national legislation, and this

⁵⁸ Central European Institute of Asian Studies. 2021. “Sino-Lithuanian dispute escalates.” CEEasia Briefing, Bratislava.
<https://ceias.eu/ceeasia/>

⁵⁹ Nordic-Baltic Eight. 2021. “Joint Nordic-Baltic statement at the High-level virtual event on the situation of the Uyghurs and other Turkic Muslim minorities in Xinjiang.” Permanent Mission of the Republic of Estonia to the United Nations. May 12. Accessed January 7, 2022.
<https://un.mfa.ee/joint-nordic-baltic-statement-at-the-high-level-virtual-event-on-the-situation-of-the-uyghurs-and-other-turkic-muslim-minorities-in-xinjiang/>

requirement has already been acknowledged in Stockholm and Tallinn.

For both Estonia and Sweden, NATO is critical in conventional security. Nevertheless, the most important aspect of security is the strategic partnership with the US, as visualized by joint exercises, agreements and bilateral meetings. Sweden also moved cooperation with Finland to the next level in March 2020 when the Riksdag approved a law authorizing the government to “deploy Swedish armed forces to assist Finland in preventing violations of Finnish territory; and to receive military support in the form of military forces from Finland, in part to prevent violations of Swedish territory and in part to respond to an armed attack against Sweden.”⁶⁰ Further, the *“Total Defence 2021–2025”* concept mentioned deterioration of regional security requiring stronger solidarity with EU members (and the UK) and the Nordic nations based on “joint operational planning with Finland and coordination of operational planning with Denmark, Norway, the United Kingdom, the United States and NATO.”⁶¹ Similarly, Estonia is increasing regional cooperation with Baltic states bilaterally with Latvia (the Multinational Division North) trilaterally (Baltic Combined Joint Staff Element) or investing in HNS support of NATO deterrence (NATO Air Policing mission, enhanced Forward Presence, NATO Forces Integration Units, exercises). Both nations are recognizing the importance of the EU and it is focused on politics, energy and economic security, but not on military ones.

The symbolic military meaning had the first-ever deployment of the PRC Navy to the Baltic Sea to show the ability, though quite

⁶⁰ *Riksdag adopts legislation that improves opportunities for operational military support between Sweden and Finland*, Government Offices of Sweden, 08 September 2020, <https://www.government.se/articles/2020/09/riksdag-adopts-legislation-that-improves-opportunities-for-operational-military-support-between-sweden-and-finland/> [accessed: 02.02.2021].

⁶¹ *Summary of Government bill ‘Totalförsvaret 2021–2025’* (Total defence 2021–2025), Regeringskanliet (Government Offices) 17 December 2020, p. 3.

limited, to operate globally.⁶² However, the military aspect is not the main concern for Estonia as a NATO member and Sweden as an EU member (with clear prospects to join NATO), as those nations are focused first on the Russian threat and do not want to be involved militarily in US-China rivalry in the Pacific and globally. In both reports published by the Swedish and Estonian security agencies, China is always mentioned right after Russia showing growing concerns about Beijing's intentions. There is another concern expressed here, which is the possibility of a political-military "alliance" between Beijing and Moscow; however, in the economy and infrastructure domains those are operating "parallel rather than coordinated actions by the two countries that impinge on Western interests."⁶³

For both nations, there is a danger of controlling critical and strategic infrastructure and companies by Chinese joint ventures, opening options to access specific technologies and a know-how-based economy. Dependence on China in the economy is, per se, the security factor as it is directly linked with defense, just to mention specific sectors of industry. Next, an important factor is the possibility to influence the chain of supplies by owning shares in airports and seaports, as this infrastructure and lines of communication have both civilian and military functions, just to mention the deployment of U.S. troops in Europe. It is a factor for Estonia as a NATO member as it was presented during the exercise Defender Europe⁶⁴ in which Paldiski seaport was included in the exercise. The same issue is, however, related to Sweden, as there is already a strategic partnership existing with the US, including HNS. Transatlantic relations play a role in respect to security in the context of not the Chinese but rather Russian threat, as the former could indirectly support the latter's

⁶² McDevitt, Michael A. 2020. *China as Twenty First Century Naval Power. Theory, Practice, and Implications*. Annapolis: Naval Institute Press, pp. 26-27.

⁶³ Carlson, Brain G. 2021, op. cit., p. 12.

⁶⁴ Ploom, Illimar; Sliwa, Zdzislaw and Veebel, Viljar. 2020. "The NATO 'Defender 2020' exercise in the Baltic States: Will measured escalation lead to credible deterrence or provoke an escalation?" *Comparative Strategy*, 39(4): 370.

aggressive behavior. It should involve close analysis of the ownership of critical infrastructure, future investments in the Baltic region in general to identify possible vulnerabilities for both nations and the EU and NATO.

As for now, China is on the agenda mainly concerning trade, investment, technology and human rights. Allowing access to EU and national technologies is a direct concern. China needs technologies and know-how to build its own power and reach allowing it to impact the current world order. In this context, producing directly in China gives direct access to those technologies and thus loses control over their use.

One more “soft power” factor is present in both nations: the power of the Chinese media. Xinhua News Agency has “over 200 branches both at home and abroad,”⁶⁵ and China Central Television is broadcasting in some 170 countries. Therefore, it can impact specific societal groups, as these programs use the respective countries’ national languages, activating public campaigns against those criticizing Chinese actions and decisions. This is the case especially in Sweden and to a lesser extent in Estonia, as “Chinese intelligence services also use journalistic cover positions.”⁶⁶ The challenges are further expanded by the use of various methods and activities to follow Tibetan and Uyghur communities and critics of China in those nations. There is a strong need to observe and analyze Beijing’s decisions related to the acquisition of European and respective national companies. In this context, Joseph Nye wrote on the concept of “soft power” that it could become the “sharp power.”⁶⁷ In respect to education and research, Sweden and Estonia were “too naïve,” as close

⁶⁵ Xinhua. 2021. Int'l institutions, foreign media congratulate Xinhua on 90th founding anniversary. November 18. Accessed December 16, 2021. http://www.news.cn/english/2021-11/18/c_1310318081.htm

⁶⁶ Friberg, Klas, and et al. 2020, op. cit, p. 25.

⁶⁷ Walker, Christopher. 2019. “China’s Foreign Influence and Sharp Power Strategy to Shape and Influence democratic institutions.” The National Endowment for Democracy. May 16. Accessed January 7, 2022. <https://www.ned.org/chinas-foreign-influence-and-sharp-power-strategyto-shape-and-influence-democratic-institutions/>

cooperation with Confucius Institutes directly impacts academic freedom.

Stockholm and Tallinn are conducting their economic activities and bilateral contracts with external partners in the shadow of the rivalry between the US and China, and it should be assumed that this competition will not stop affecting both Sweden and Estonia in the coming years. The economy will be one of the important instruments in shaping relations and dependencies with the Baltic nations. Economies will grow using available tools and pragmatic and selective use toward targeted nations. Europe will remain a key target for Beijing, and the nations should close ranks in respect to Chinese investments, implementing legislation allowing them to control the flow. China is seen as a political and economic challenge for both Sweden and Estonia, with the risk of weaken international organizations and the Euro-Atlantic security regime, which are, for Tallinn and Stockholm, the foundation of much broader national security.

2.

China in Finland: Balancing Between Trade and Influence

Dr. Jukka Aukia and Dr. Matti Puranen

During the past 70 years of diplomatic exchanges, bilateral relations between Finland and the People's Republic of China (PRC) have showcased mutual goodwill and respect. In recent years, however, the increasingly assertive international stance of Beijing has driven Helsinki to view local Chinese activities through the framework of China's global interests and authoritarianism. The strategic key aim of Beijing is to maintain and ensure the position of the ruling Chinese Communist Party (CCP) while expanding China's global influence and balancing against the liberal West in all domains.¹ Veiled under the harmonious rhetoric of the "community of common destiny for mankind" (人类命运共同体), the CCP is attempting to build a China-centred global community through webs of economic and political interdependence.² In this community, smaller states, such as Finland, would ideally be independent domestically while not standing against China's "core interests" or question the policies and the ruling position of the CCP in any way. The

¹ See eg. Doshi, Rush: "The Long Game: China's Grand Strategy to Displace the American Order" (New York: Oxford University Press, 2020)

² Rolland, Nadège: "China's vision for a new world order." (Washington: The national bureau of Asian research report, August 2020)

community, in the words of Jessica Chen, aims to establish a “world safe for autocracy.”³

The chapter at hand views Chinese relations with Finland through this strategic framework. In Finland, Beijing’s aim is to maintain stable bilateral relations, in which Helsinki maintains its low-profile stance toward China on issues, such as human rights, while the PRC provides Helsinki with economic opportunities. Such “peaceful coexistence” is designed to tone down any meaningful criticism toward China’s “internal affairs” from official Finland. At the same time, the pragmatic status quo provides leeway for China to expand its (economic) interests in Finland.

The chapter particularly discusses China’s present-day economic, infrastructure and education activities in Finland. In the economic domain, China is especially interested in the Finnish high-tech sector, while in infrastructure, the PRC’s primary motivation is to build an Arctic foothold via Finland. Through the domain of education, Beijing is interested in acquiring technological know-how for domestic uses, including the military, whereas, for Helsinki, education is seen as a key sector with the most potential for cooperation. Finland views itself as the exporter of high-quality education, while China is seen as a potential key market.

This chapter shows that the China’s more assertive international behavior after 2017 has led to intensified criticism in Helsinki. And Finland is not an isolated case, as similar developments have taken place in other Western-style democracies (including the other Nordic states), which increasingly view cooperation with China fraught with various threats.⁴ The change in Finnish attitudes is influenced by China’s assertive diplomacy and recent hybrid, or sub-threshold, activities, aimed at gaining influence in Finland under the threshold of detectability. Unlike in the past,

³ Chen, Jessica: “A World Safe for Autocracy?”, *Foreign Affairs*, July/August 2019.

⁴ Forsby, Andreas B.: “Falling out of Favor: How China Lost the Nordic Countries”, *The Diplomat*. June 24.
<https://thediplomat.com/2022/06/falling-out-of-favor-how-china-lost-the-nordic-countries/>

the sub-threshold activities are increasingly being brought into the public eye by the Finnish governmental and media.

Finland's bilateral goals with China are centered on cooperation in the economic and education domains. In fact, seen through economic indicators, Finland is more deeply integrated with China than many other European states. Despite the proliferating criticism of Beijing, the remaining goodwill toward China, including willingness to further develop bilateral economic ties, could create political vulnerabilities for Finland. Such ties can be exploited through Beijing's coercive economic statecraft, as has notably occurred with Lithuania.

The chapter concludes that the PRC's more assertive behavior has led Finnish public discussions, alongside those in many other Western-style democracies, to increasingly frame China as a threat. The strategic alignment between Russia and China, and the consequent failure of Beijing to condemn Moscow's invasion of Ukraine, for its part, have pushed Helsinki closer to the European and transatlantic security communities. The framing of China as a threat in the Finnish public sphere is likely to intensify along the restructuring of the European security architecture.

Historical Upswing in Relations

Overall, relations between China and Finland developed smoothly throughout the past 70 years of diplomatic interchange. Finland was among the first Western countries to acknowledge the establishment of the PRC in 1950. Although official contacts remained limited during the Cold War, especially due to the diplomatic breakout between the Soviet Union and China, they were not completely severed even during the Cultural Revolution in 1966–1976.⁵

⁵ Arho Havren, Sari: "Meillä ei ole ikuisia ystäviä. Ikuisia ovat meidän omat etumme.": Suomen suhteet Kiinan kansantasavaltaan 1949–1989 (Helsinki: Helsingin yliopisto, 2021)

Following China's reform and opening policies in the 1980s, economic connections between China and Finland were re-established rapidly. After the Tiananmen Square massacre of June 1989, Finland was again the first Western country to re-establish diplomatic communications with China, by sending a trade delegation to Beijing in November 1989.⁶ In China, the visit was seen as a gesture of support during one of the PRC's gravest moments. Even today the visit is often remembered and occasionally praised in China.⁷

Finnish policy throughout the post-Cold War era has remained careful and sensitive toward China's self-defined "core interests." Even after discarding its Cold War stance of neutrality and clearly positioning itself within the Western security and values communities, Helsinki has remained laconic and moderate when commenting on the actions of any great power. The Cold War, to a degree, still lives on in the withering but ever relevant heritage of "small state realist."⁸ For example, Finnish leadership has typically avoided directly provoking China through official meetings with controversial characters, such as the Dalai Lama.

Chinese policy toward Finland has remained reciprocally moderate. In contrast to the ultra-nationalist "wolf warrior" diplomats seen in various other countries, Chinese ambassadors in Finland have maintained a passive and low profile, remaining almost invisible to the general population. The contrast is striking to Sweden, where journalists and academics have encountered constant harassment from the Chinese embassy. The embassy in Helsinki, to the contrary, has typically praised Sino-Finnish

⁶ Arho Havren, Sari: "Meillä ei ole ikuisia ystäviä", p. 221–225.

⁷ See for example "与新中国不经谈判即建交的西方国家", *Huanqiu Shibao*, November 17, 2015.
<http://history.sina.com.cn/bk/jgcqs/2015-11-17/path-ifxksqiv8418570.shtml>

⁸ On "small state realism", see Tuomas Forsberg and Matti Pesu "The 'Finlandisation' of Finland: The Ideal Type, the Historical Model, and the Lessons Learnt", *Diplomacy and Statecraft*. Vol. 27. No 3. (2016).

relations and even organized networking events and “China days” within the Finnish parliament.⁹

A peak moment of sorts was reached in April 2017, when Chinese President Xi Jinping visited Helsinki during Finland’s 100th years of independence festivities. While there, Xi praised Sino-Finnish relations as setting an “example for peaceful co-existence and friendly exchanges between two countries that are different in size, culture and development level.”¹⁰ The visit culminated in a joint declaration on establishing “a future-oriented new-type cooperative partnership” and was promptly followed by the delivery of two pandas to Finland.¹¹

Emergence of China-Critical Voices

The goodwill in bilateral relations, however, may have peaked in 2017. Coinciding with the second term of Xi Jinping, after 2017, Chinese foreign policy has taken a turn toward assertiveness.¹² In so doing, China has tarnished its image in the West by crushing Hong Kong’s democracy, waging “cultural genocide” in Xinjiang and militarily intimidating Taiwan. Chinese sub-threshold activities at the same time have increased in Finland as well. In

⁹ See e.g. “中国驻芬兰大使陈立：见证两国外交重要时刻”, *Renmin Ribao*. December 7, 2020.

<http://world.people.com.cn/n1/2020/1207/c1002-31957843.html>

¹⁰ Xi, Jinping: “Our Enduring Friendship”, Helsinki Times. April 3, 2017. <https://www.helsinkitimes.fi/149-finland/14658-our-enduring-friendship.html>

¹¹ “Joint Declaration between the Republic of Finland and the People’s Republic of China on Establishing and Promoting the future-oriented new-type cooperative partnership”, President of the Republic of Finland, April 6, 2017.

¹² Charon. Paul & Vilmer, J.-B. Jeangène: “Chinese Influence Operations: A Machiavellian Moment” (Paris: Institute for Strategic Research (IRSEM), Ministry for the Armed Forces, October 2021. <https://www.irsem.fr/report.html>

2020, Finnish media reported extensively on Chinese influence and intelligence networks, extending to the Finnish Parliament.¹³

These trends have evoked wide discussions on the potential risks involved in cooperating with China. All aspects of Chinese activity (education and investment) have since come under increasing scrutiny of the Finnish media. Similarly, Finnish government and security officials, usually laconic in describing foreign threats, have increasingly pointed toward China-related security concerns.

This change in nuances can be observed in the language of government reports on Finnish foreign and security policy. A key 2016 report states, optimistically, that Finland will intensify its relations with China and promote “increasing Sino-EU cooperation in the EU.”¹⁴ The 2020 report, however, states that “Finland will enhance the national coordination and situational awareness” in issues related to China. Instead of promoting Sino-EU cooperation within the European bloc, the report recognizes China as an “economic competitor and a systemic rival” and defines Finland as a supporter of the EU-wide “uniform and consistent China policy.”¹⁵

¹³ See e.g. Liski, Jarno & Vuorikoski, Salla. “Perussuomalaisien kansanedustajat salasivat osakkuutensa Kiinan valtioon kytkeytyvässä teknologiayhtiössä”, *Suomen Kuvalehti*, January 16, 2020. Puranen, Matti. “China-Finland: Beijing's 'Model Relationship' in Europe?” *The Diplomat*, February 29, 2020.

<https://thediplomat.com/2020/02/china-finland-beijings-model-relationship-in-europe/> Koskinen, Päivi & Skön, Kirsi. “Ylen selvitys: Kiinan kontrollijärjestelmä pesiytyi myös Suomeen” *Yle*, March 15, 2020. <https://yle.fi/uutiset/3-11246365>

¹⁴ “Government Report on Finnish Foreign and Security Policy 2016”, Prime Minister’s Office Publications 9/2016, <https://valtioneuvosto.fi/documents/10616/1986338/VNKJ092016+en.pdf/b33c3703-29f4-4cce-a910-b05e32b676b9>

¹⁵ “Government Report on Finnish Foreign and Security Policy 2020”, Publications of the Finnish Government 2020: 32. <https://julkaisut.valtioneuvosto.fi/handle/10024/162515>

A similar change can be found within the official governmental action plans on China. An earlier plan, published in 2010, praises economic opportunities and recognizes merely indirect economic risks caused by China's environmental degradation or domestic social turbulence.¹⁶ A new plan, published in 2021, takes an overall darker tone. Although still emphasizing cooperation, the plan also frames China as a global competitor and a self-interested actor, exploiting loopholes found in democratic market economies. The 2021 plan also embeds Finland's China policy within peer groups, especially the EU, while mentioning growing cooperation between the Nordic states and transatlantic connections.¹⁷

A similar development is observable in the publications of Finnish security organizations. While the earlier Government Defence Report (2017) does not mention China at all, the 2021 report mentions a growing concern on "the potential effects of China's influencing methods on the security of the target countries," indicating an increased concern of China within the Finnish Ministry of Defense.¹⁸

In 2018, the Finnish Security Intelligence Service (FSIS) elevated China to a major intelligence actor in Finland.¹⁹ Since then, China,

¹⁶ "Suomen Kiina-toimintaohjelma", Ministry for Foreign Affairs of Finland, 2010. Curiously the report also lists "epidemics" among its China-related risks.

https://finlandabroad.fi/documents/35732/48132/handlingsprogrammet_p%C3%A5_finska.pdf/aecc5f30-d597-b4a3-9f1e-cfac390fd79a?t=1560009381820

¹⁷ "Governmental Action Plan on China", Ministry for Foreign Affairs of Finland, 2021.

<https://um.fi/documents/35732/0/Finland%27s+Governmental+Action+Plan+on+China+2021.pdf/36948194-7f39-fbf1-328e-666f8fc0f192?t=1623934391697>.

¹⁸ "Government's Defence Report 2021", Publications of the Finnish Government 2021: 80,

https://julkaisut.valtioneuvosto.fi/bitstream/handle/10024/163407/VN_2021_80.pdf?sequence=4&isAllowed=y

¹⁹ "Finnish Security Intelligence Service yearbook 2018",

https://supo.fi/documents/38197657/40760242/2018_EN_Supo_jubi

alongside Russia, has constantly been defined as “dominating ... espionage jeopardizing Finland’s national security.”²⁰ In its 2021 report, the FSIS further emphasized the risks involved in critical infrastructure, as “Finnish network infrastructure projects have attracted the interest of operators from China and other countries.”²¹

Besides its publications, the FSIS has been active in building public situational awareness on China. To illustrate, in 2020, in a clear break with the past, the FSIS published the details of a cyberattack to the Finnish Parliament, including the name of the attacker (APT31), which pointed to a Chinese state-affiliated actor.²² In addition, the FSIS has increasingly warned Finnish companies on possible security concerns involved with Chinese companies, as well as universities, on espionage.²³

Taken together, the subtle changes point toward a turn away from the earlier, pre-2017 discourse of optimism and limitless cooperation. Besides mentioning China-related security issues,

[lee Yearbook.pdf/5361b756-6105-ee43-286c-5472444886ea/2018 EN Supo Jubilee Yearbook.pdf?t=1602666383277](#)

²⁰ “Finnish Security Intelligence Service yearbook 2020”, <https://supo.fi/documents/38197657/40760242/Supo+Yearbook+2020.pdf/67d888e6-e01a-233b-c61b-c7e18e2c4b47/Supo+Yearbook+2020.pdf?t=1646742011911>

²¹ “National security overview 2021”, Finnish Security Intelligence Service. <https://supo.fi/en/critical-infrastructure>

²² “Supo identifies China-linked cyber-spying agent in Finnish Parliament hack”, *Yle*, March 18, 2020. <https://yle.fi/news/3-11843748> See also: “Supo identified the cyber espionage operation against the parliament as APT31”, Supo press release March 18, 2021. <https://supo.fi/en/-/supo-identified-the-cyber-espionage-operation-against-the-parliament-as-apt31>

²³ “Suojelupoliisi varoittaa kiinalaisista yhtiöistä: Kytkökset valtiovaltaan otettava vakavasti – Puolustusvoimat: Pelkona Suomen lamauttaminen”, *Helsingin Sanomat*, February 7, 2019. <https://www.hs.fi/talous/art-2000005992750.html> “Supo huolestui vakoiluriskistä korkeakouluissa – kiinalaisista tuli isoin ulkomaalaisten opiskelijoiden ryhmä eri yliopistoissa”, *Yle*, November 5, 2021. <https://yle.fi/uutiset/3-12155872>

Finnish foreign policy statements increasingly emphasize Finland's status as an EU member, placing Finland firmly within the European security community.

And changes have not remained solely rhetorical. Finland has joined EU-wide and transatlantic coalitions in condemning China's violations on human rights and international law. For example, Finland has consistently been among the signatories of joint statements condemning the PRC's policies in Xinjiang and Hong Kong, as well as joined EU sanctions regimes.²⁴ In 2020, Finland suspended its extradition agreement with Hong Kong in line with other European governments, evoking a rare warning from the Chinese embassy for Helsinki not to interfere in Beijing's internal affairs.²⁵

Yet, despite the fluctuation in attitudes discussed above, Chinese activities remain abundant in Finland. The main developments are reviewed here, focusing on three key domains: the economy, infrastructure and education.

Economy

Observing metrics, such as investments and trade, China, in recent years, has become one of the most critical economic partners for Finland. Annual trade in 2019 stood around 8 billion euros.²⁶ Regarding Finnish exports, in 2019, China ranked as Helsinki's fifth-most important trading partner (5 percent of

²⁴ See "[UN: Unprecedented Joint Call for China to End Xinjiang Abuses](#)", Human Rights Watch, July 10, 2019.

²⁵ "China warns Finland against 'interference' in Hong Kong affairs", Politico, October 17, 2020. <https://www.politico.eu/article/china-warns-finland-interference-hong-kong/>

²⁶ "Suomen ja Kiinan välinen kauppa vuonna 2021 (1-8)", Finnish Customs, November 11, 2021. [https://tulli.fi/documents/2912305/3331101/Suomen+ja+Kiinan+v%C3%A4linen+kauppa+vuonna+2021+\(1-8\).pdf/c3abf8c5-0834-b829-2a0c-719f76a2ea34/Suomen+ja+Kiinan+v%C3%A4linen+kauppa+vuonna+2021+\(1-8\).pdf?t=1637231804296](https://tulli.fi/documents/2912305/3331101/Suomen+ja+Kiinan+v%C3%A4linen+kauppa+vuonna+2021+(1-8).pdf/c3abf8c5-0834-b829-2a0c-719f76a2ea34/Suomen+ja+Kiinan+v%C3%A4linen+kauppa+vuonna+2021+(1-8).pdf?t=1637231804296)

Finnish goods and 6 percent of service exports); in imports, China ranked fourth. The structure of Finnish goods exported to China has developed from high-tech electronics toward low-tech products. China's major imports from Finland include wood and paper products (including pulp), nickel and furs. In terms of Finnish service exports to China (6 percent of Finnish service exports), a sector seen with great potential alongside education, is tourism, which saw a growth of 181 percent between 2014 and 2019.²⁷

By investments, Finland is the per capita largest investor of any EU country in China. Concurrently, Helsinki is among the most important destinations of investments for Beijing in Europe, with Chinese cumulative investment stock in Finland standing at 13.3 billion euros (\$14.03 billion) (2020).²⁸ This number is skewed by the 8.6 billion euros (\$9.07 billion) investment by Tencent Holdings, a Chinese investment holding company, acquiring 84 percent of Finnish gaming company Supercell.²⁹

Overall, the Finnish economy is highly dependent on China, which, from the perspective of Helsinki, underlines the importance of strong bilateral relations with Beijing. For Finland, in contrast to many other EU countries, this dependency creates significant political vulnerabilities for coercive economic statecraft. An important example is the Finnish state-owned airline Finnair, whose Chinese destinations are crucial for its financial success.

²⁷ Wigell, Mikael & al. "Europe Facing Geoeconomics: Assessing Finland's and the EU's Risks and Options in the Technological Rivalry", Publications of the Government's analysis, assessment and research activities 2022:12. 73-82.

²⁸ Kratz, Agatha & al. "Chinese FDI in Europe: 2020 Update", MERICS, 16 June, 2021. See also: <https://kauppakamari.fi/wp-content/uploads/2020/05/kiina-suomen-tarkein-kauppakumppani.pdf>

²⁹ Perez, Matt: "Tencent Buys Majority Stake in 'Clash Of Clans' Developer Supercell", Forbes, 23 October 2019, <https://www.forbes.com/sites/mattperez/2019/10/23/tencent-buys-majority-stake-in-clash-of-clans-developer-supercell/?sh=1fb9e4ba1c39>

In fact, the latest Finnish government action plan on China describes various risks involved in economic cooperation with Beijing, leading to “harmful strategic dependencies.” The document also makes explicit that “Finland does not commit itself politically to China’s Belt and Road Initiative.”³⁰ Strategic dependencies with China were also the focus of a recent research report ordered by the government.³¹

The traditionally non-aligned political landscape of Finland, nonetheless, has attracted Chinese economic actors. Notable recent Sino-Finnish projects include the Digital Finance and Security Innovation Lab (Fin²Sec), opened in Helsinki in 2020.³² The center was initiated by Huawei in cooperation with prominent Finnish partners, such as the Aalto and Helsinki universities. The lab’s aim is to develop digital banking, finance and payment services. In addition to the new Fin²Sec, Huawei already operates the Helsinki System Security Lab (HSSL).³³ Despite the generally poor reputation of Huawei in the West, these initiatives have not raised much negative attention in Finnish public discourse.

In addition, person-to-person business connections have been allegedly used for “elite capture” and influencing schemes, of which, the most notable case centered on the Chinese state-

³⁰ “Governmental Action Plan on China”, Ministry for Foreign Affairs of Finland, 2021.

<https://um.fi/documents/35732/0/Finland%27s+Governmental+Action+Plan+on+China+2021.pdf/36948194-7f39-fbf1-328e-666f8fc0f192?t=1623934391697>.

³¹ Wigell, Mikael & al. “Europe Facing Geoeconomics: Assessing Finland’s and the EU’s Risks and Options in the Technological Rivalry”, Publications of the Government’s analysis, assessment and research activities 2022:12.

³² Huawei Central: “Huawei announced innovation lab in Finland”. September 15 2021: <https://www.huaweicentral.com/huawei-announced-innovation-lab-in-finland-for-digital-finance-and-security/ETN>

³³ See ETN: “Huawei: RISC-V ei vielä valmis älypuhelimiin” 30 September 2021: <https://etn.fi/index.php/13-news/12639-huawei-risc-v-ei-viela-valmis-alypuhelimiin>

owned Realmax Group in 2020. At the time, the Finnish press publicized that members of the parliament, Mika Niikko and Ville Vähämäki (Finns Party), had not disclosed their ownership in the Finnish branch of the company (Realmax Oy). In addition to the ownership, Niikko had received financial support for political activities from his Chinese partners.³⁴ Niikko would later (in 2019) become the chair of the Foreign Affairs Committee of the Finnish Parliament.

It was later revealed that Niikko had participated in seminars and other events in China, paid by various Chinese science and technology associations.³⁵ Furthermore, it was revealed that Niikko had hosted a Chinese artificial intelligence expert on behalf of the Realmax Group in the Finnish Parliament. The expert, Li Deyi, was later recognized by the Finnish press as a major-general in the People's Liberation Army (PLA), seen in a photo shaking hands with Chinese President Xi himself.³⁶ Taken together, this whole episode appears as a textbook example of the sorts of intelligence and influence activities that the Finnish security services had, for long, warned about.³⁷

Another case that caught the Finnish public's eye involved two businessmen, Chinese national Kevin Liu and Sri Lankan-born John Meewella—the latter was a recipient of the 2019 China Government Friendship Medal. Based in Oulu, they persuaded local tech companies and researchers to visit and cooperate with

³⁴ Liski, Jarno & Vuorikoski, Salla. "Perussuomalaisten kansanedustajat salasivat osakkuutensa Kiinan valtioon kytkeytyvässä teknologiayhtiössä", Suomen Kuvalehti. 16.1.2020.

³⁵ Skön, Kirsi: "Kiinalaiset maksoivat useita Mika Niikon matkoja – kansanedustajan Kiina-yhteydet vielä tiedettyä laajemmat", Yle, 9 February, 2020. <https://yle.fi/aihe/artikkeli/2020/02/09/kiinalaiset-maksoivat-useita-mika-niikon-matkoja-kansanedustajan-kiina-yhteydet>

³⁶ Liski, Jarno: "Kansanedustajat Mika Niikko ja Ville Vähämäki toivat kiinalaiskenraalin eduskuntaan", Suomen Kuvalehti, 10 February, 2020.

³⁷ Liski, Jarno: "Suojelupoliisi Kiinan tiedustelusta Suomessa: Vieraanvaraisia kutsuja seminaareihin, tutkimusrahoitusta, investointeja", Suomen Kuvalehti. 3 February 2020.

the city of Nanjing, where they ran the business lab Mini Silicon Valley (MiNiSV).³⁸

In an interesting twist, it was revealed by the Finnish media that the two Finland-based businessmen had organized a non-specified meeting in Stockholm. Attendees included the Swedish ambassador to China, Anna Lindstedt, and Angela Gui, the daughter of the Chinese-Swedish book publisher Gui Minhai, who was abducted in Thailand by Chinese officials. According to Angela Gui, the two businessmen had attempted to pressure her to stop criticizing China after her father's abduction. The subsequent investigation by Swedish security services revealed that, while the identity of Kevin Liu could not be verified, he clearly had connections to the CCP.³⁹

The Finnish press later reported that, aided by Meewella and Kevin Liu, several Finnish companies had visited MiNiSV in Nanjing. In 2018, the city of Oulu granted Kevin Liu an official recognition for developing bilateral relations between Oulu and Nanjing. In fact, he had established high-profile contacts with politicians and members of academia in both Finland and Sweden.⁴⁰

At the same time, however, Finnish political elite opted to maintain good bilateral relations with China. In December 2019, initiated by Finnish President Sauli Niinistö and Xi, Finland and China agreed to set up a joint Sino-Finnish innovation committee. The inaugural event, according to reports, was attended by high-

³⁸ Laukka, Petri. "Näinkö Kiinan vaikuttaminen toimi ja epäonnistui Oulussa?", Kaleva, 31 January, 2020. <https://www.longplay.fi/sivuaanet/oulun-kaupungin-tunnustama-kiinalainen-liikemies-kayttanyt-monja-eri-henkilollisyyksia> Järvi, Antti. "Oppi tulee idästä", Long Play. 31.8.2019

³⁹ Ibid. See also Olsson, Jojje: "How China Used the Swedish Ambassador to Threaten Angela Gui", The Diplomat, 28 March, 2019. <https://thediplomat.com/2019/03/how-china-used-the-swedish-ambassador-to-threaten-angela-gui/>

⁴⁰ Laukka, Petri. "Näinkö Kiinan vaikuttaminen toimi ja epäonnistui Oulussa?", Järvi, Antti. "Oppi tulee idästä"

level businessmen, government officials and representatives of research institutions from both countries.⁴¹

Infrastructure

Regarding infrastructure, several China-related projects are presently under consideration in Finland. In general, these are either related to the Arctic, the Helsinki-Tallinn railway tunnel or cargo train connections between Finland and China. Outside the main cargo train connection, the financial viability of the projects is uncertain, making them highly speculative. However, should any of the larger projects be finalized with the help of Chinese investments, it potentially creates economic dependencies and thus political vulnerabilities for Finland.

Given the legacy of pragmatism in political relations and Helsinki's non-aligned position, Finland is considered by China as a viable option for gaining access to the Arctic. This is amplified by Beijing's declining relations with other Arctic states (excluding Russia). However, despite a general positivity in Finland toward cooperation with China in the Arctic, recent years have seen public discussion displaying more caution.⁴² In line with the overall hardening tone of official Finnish publications, the new governmental strategy on the Arctic paints China's Arctic interests as a "possible source of conflicts of interest, and heightened tensions in the region".⁴³

⁴¹ EK: "Suomi ja Kiina kohti tiivistyvää innovaatioyhteistyötä", Elinkeinoelämän keskusliitto, 13.12.2019.

<https://ek.fi/ajankohtaista/tiedotteet/suomi-ja-kiina-kohti-tiivistyvaa-innovaatioyhteistyota/>

⁴² Kopra, Sanna & Puranen, Matti: "China's Arctic Ambitions Face Increasing Headwinds in Finland", *The Diplomat*, March 18, 2021. <https://thediplomat.com/2021/03/chinas-arctic-ambitions-face-increasing-headwinds-in-finland/>

⁴³ "Finland's Strategy for Arctic Policy", Publications of the Finnish Government 2021: 55.

<https://julkaisut.valtioneuvosto.fi/handle/10024/163247>

The so-called Arctic Corridor is perhaps the most notable Sino-Finnish infrastructure initiative located in Finland's portion of the Arctic. Chinese investors have been involved in developing plans for the corridor, which is promised to connect Finland's northern city of Rovaniemi to Norway's Kirkenes. The plan envisions Kirkenes as a major Western hub of the polar leg of the Belt and Road Initiative (BRI), while the corridor would serve as an important trading artery toward larger European markets.⁴⁴

The Arctic Corridor is supported by the same Finnish actors backing the private Helsinki-Tallinn train tunnel initiative, headed by the businessman Peter Vesterbacka. The tunnel is a crucial element in a grand vision to connect Central Europe, southern Finland and the Arctic via a Chinese-funded infrastructure passage. This privately run initiative presents a direct competition to the public project planned by the Finnish state and the EU, connecting Helsinki and Tallinn via a railway tunnel. In 2020, Vesterbacka and Chinese entity Touchstone Capital Partners agreed on a letter of intent, including 15 billion euros (\$15.82 billion) of funding for the tunnel. While Finnish state officials have been vague and silent, the private initiative has been dismissed by Estonian officials. Both security and environmental concerns, as well as economic viability have been seen as issues in Tallinn.⁴⁵

While Finnish officials have not commented on the private initiative, given the fact that it involves funding from the PRC, public discussion has been skeptical regarding the project. According to Vesterbacka, an increasingly "negative climate"

⁴⁴ Chen, Julie Yu-Wen: "The Making of the Finnish Polar Silk Road: Status in Spring 2019", in Chan, Hing Kai & Chan, Faith Ka-Shun & O'Brien, David (eds.) *International Flows in the Belt and Road Initiative Context: Business, People, History and Geography*. Singapore: Palgrave-Macmillan.

⁴⁵ Valtanen, Tero: "Peter Vesterbacka ei luovuta, vaikka hänen Tallinna-tunnelinsa tyrmättiin Virossa – Yhtiö aloittaa tuhansien asuntojen tekosaaren suunnittelun", Yle, 27 August 2020.

<https://yle.fi/uutiset/3-11513878>

toward China in Finland has forced the project to seek funding from other international partners.⁴⁶

An equally speculative infrastructure project, which includes Finland, Russia and China, is the trans-Arctic submarine cable project, Arctic Connect.⁴⁷ In fact, Finnish state-owned operator Cinia and Russian MegaFon recently suspended the project for further assessment. Voices concerned with connecting Chinese investments to the project have been raised, proposing that the cable would increase Chinese signal intelligence capabilities. At present, the Arctic Connect appears to be canceled altogether. Instead via Russia, a longer but “safer” route has been selected, this time via the Northwest Passage along the coasts of Alaska and Canada.⁴⁸

Chinese state-affiliated actors have also attempted to invest in various Arctic-related scientific projects in northern Finland. One particular interest has been the expansion of China’s growing network of Arctic satellite ground stations. In 2018, Chinese research institute Remote Sensing and Digital Earth of China Academy of Sciences (CAS) signed a contract with the Finnish Meteorological Institute to establish a joint research center for Arctic observation. On the sidelines of the CAS project, a private operation led by Finnish and Chinese businessmen attempted to establish privately run ground stations in northern Finland. In 2022, both projects quietly ceased, apparently on the recommendation of the Finnish security services.⁴⁹

⁴⁶ Brännare, Stina: ”Vesterbacka Tallinnan kohutunnelista: ”Tässä ei ole taustalla Kiinan kommunistisen puolueen salajuoni””, Yle, 25 November 2019. <https://yle.fi/uutiset/3-11068941>

⁴⁷ Jüris, Frank: ”Handing over infrastructure for China’s strategic objectives: ‘Arctic Connect’ and the Digital Silk Road in the Arctic”, *Sinopsis*, 7 March, 2020. <https://sinopsis.cz/en/arctic-digital-silk-road/>

⁴⁸ Mäntylä, Juha-Matti: ”Suomen kyberturvallisuudelle tärkeä nettikaapeli piti vetää merenpohjaan, mutta yhtäkkiä Venäjä vetäytyi hankkeesta – mitä oikein tapahtui?”, Yle, 21 January 2022. <https://yle.fi/uutiset/3-12268002>

⁴⁹ Keränen, Matti: ”T&T selvitti: Ilmatieteen laitoksen Kiina-yhteistyö katkaistiin kuin seinään ja yhteiset suunnitelmat avaruustutkimuksesta

Around the same time, in 2018, the Polar Research Institute of China (PRIC) attempted to buy or lease an airfield in northern Finland. According to Beijing, the airfield would have been used for research flights over the Arctic. An important training area of the Finnish Defence Forces, however, is located nearby, and the Chinese plans would have included a 40 million euro (\$42.18 million) upgrade of the airfield to accommodate heavy aircraft. Moreover, according to the Finnish press, the Chinese delegation negotiating over the lease included the military attaché of the Chinese embassy in Helsinki. Not very surprisingly then, the negotiations between the Chinese side and the local Finnish municipality were promptly terminated by the Finnish Defence Forces.⁵⁰

While the Arctic projects remain in a planning phase at best, the main cargo train between Finland and China can presently be considered the only economically viable Sino-Finnish infrastructure project. Run by the private operator Nurminen Logistics, cargo trains run to China from the southern harbor of Vuosaari. Before the Russian invasion of Ukraine, Nurminen trains also ran from Narvik to Hefei, Chongqing, Suzhou, Ningbo and Jinan in China weekly. The trains carry, among other products, salmon from Norway and pork from Finland.⁵¹

haudattiin vähin äänin”, Tekniikka & Talous, 30 June.

<https://www.tekniikkatalous.fi/uutiset/tt-selvitti-ilmatieteen-laitoksen-kiina-yhteistyö-katkaistiin-kuin-seinaan-ja-yhteiset-suunnitelmat-avaruustutkimuksesta-haudattiin-vahin-aanin/f389bf83-cc80-44c1-9151-a0eeaf04120> Keränen, Matti:

“Tunnettu suomalainen sarjayrittäjä sai kiinalaisen asiakkaan ja perusti avaruusyrittäjänsä – Siitä käynnistyi vyyhti, joka päättyi lopulta Supon ja valtioneuvoston pöydälle”, Tekniikka & Talous, 15 June.

<https://www.tekniikkatalous.fi/uutiset/tunnettu-suomalainen-sarjayrittaja-sai-kiinalaisen-asiakkaan-ja-perusti-avaruusyrittäjänsä-siita-kaynnistyi-vyyhti-joka-paatyi-lopulta-supon-ja-valtioneuvoston-poydalle/26f890fc-eaf0-46ff-992c-c4e80458a0fb>

⁵⁰ Kopra, Sanna & Puranen, Matti: “China’s Arctic Ambitions”

⁵¹ Hämäläinen, Jukka: “Helsingistä alkoi kulkea suora juna Kiinaan – yhteydestä haaveillaan jokaviikkoista”, Helsingin Uutiset, 2 October 2019. <https://www.helsinginuutiset.fi/paikalliset/1201164>

Meanwhile, a more speculative cargo train initiative between the Finnish city of Kouvola and China has struggled to gain traction. In this project, cooperation with the Chinese side would be managed by the city-owned development company Kinno (Kouvola Innovation). This type of city- or municipality-owned development company is common in Finland. The connection was opened with grand ceremonies in 2017, and initially, trains ran biweekly.

In 2020, Finnish media revealed that subsidies paid by Beijing initially encouraged Kouvola to develop the cargo train connection to China. Subsidies were paid also in the case of empty trains. According to the reports, however, in 2019, China stopped paying subsidies for empty cargo trains, thus halting the Kouvola operation.⁵²

In addition, based on Beijing's expectations, the city of Kouvola is building a massive cargo terminal, costing around 40 million euros (\$42.17 million), regardless of an existing intermodal terminal with a capacity of one train per day. Curiously, Finnish media also revealed that the Finnish citizens active in the project from the Kouvola side are financially connected to Kazakhstani state railway company KTZ, which was the first operator in the Kouvola-China connection.⁵³

In any case, due to the Russian invasion of Ukraine, as of spring 2022, Finnish cargo train connections to China stand on uncertain ground.

⁵² Skön, Kirsi: "Kouvolasta rakennettiin suora junayhteys Kiinaan – Kiinan valtio maksoi niin paljon tukea, että raiteilla kannatti kuljettaa liki tyhjiä kontteja", Yle, 2 December 2019.

<https://yle.fi/aihe/artikkeli/2019/12/02/kouvolasta-rakennettiin-suora-junayhteys-kiinaan-kiinan-valtio-maksoi-niin>

⁵³ Aukia, Jukka: "China Cargo Train Routes Face Backlash in Finland", The Diplomat, 24 January 2020.

<https://thediplomat.com/2020/01/china-cargo-train-routes-face-backlash-in-finland/>

Education

In Finland, education is still widely considered to have the most potential in Sino-Finnish cooperation, especially from the perspective of Finnish educational exports. Once again indicating a change in attitudes in this sector, however, the FSIS has increasingly presented possible security concerns in academic cooperation with China. In 2021, the Finnish State Council published guidance on academic cooperation with China, detailing various risks.⁵⁴

The education sector brings together public actors (state and municipal), prominent higher educational institutions and a wide variety of private commercial actors, all having a stake in maintaining good relations with China. In particular, education exports form an important and growing sub-sector in which Finnish companies and the Finnish Ministry of Education and Culture cooperate. In addition to scientific cooperation, education exports to China are high on the agenda of many, if not all, Finnish universities. According to the Finnish National Agency for Education, Finnish education exports in 2020 were worth 498 million euros.⁵⁵ Here, according to official formulations, the “key strategic region” is Asia in general and China in particular.⁵⁶

In recent years, the 2022 Beijing Winter Olympics increased Chinese interest toward Finnish education exports. To illustrate, in 2019, the Sino-Finnish Mobie Group agreed to provide an online course on winter sports for Chinese schools. The aim was

⁵⁴ ”Toimintatapasuosituksia akateemiseen yhteistyöhön Kiinan kanssa”

⁵⁵ Finnish National Agency for Education: ”Suomalainen koulutusvientti saavutti jo puolen miljardin euron rajan”, 6 May 2021.

<https://www.oph.fi/fi/uutiset/2021/suomalainen-koulutusvienti-saavutti-jo-puolen-miljardin-euron-rajan>

⁵⁶ ”Roadmap for Education Exports 2020-2023”, Finnish National Agency for Education, 2020:8.

https://www.oph.fi/sites/default/files/documents/koulutusviennin_tiekartta_2020-2023.pdf

to educate Chinese children and youth to be able to better follow the Beijing Olympics.⁵⁷

Recent developments in China, however, have been received with disappointment within the Finnish education export community. The restrictions introduced by the Chinese state on foreign and profit-making education companies have, in effect, closed the market and ceased all operations of Finnish education actors in China.⁵⁸

On the other hand, the behavior of Chinese actors within the Finnish domestic education system has amplified the increasingly negative tone of local public discourse regarding China. For example, concerns have been voiced regarding Chinese diaspora associations, such as the Chinese Students and Scholars Association (CSSA) and Chinese Association of Science and Technology in Finland (CASTF), which reportedly maintain close connections with the CCP's "united front system" of intelligence and influence.⁵⁹ Both associations have similar peer organizations in other countries, and the science and technology associations particularly are known to engage in clandestine technology transfer schemes.⁶⁰ Furthermore, in January 2022, Finnish media reported on Chinese scholars with connections to PLA military institutions working in Finland. Apparently, they have been

⁵⁷ Nykänen, Helmi: "Suomalaisyrittäjä avaa ovia koulutusviennille Kiinaan – maa haluaa ottaa opetusreformiin mallia Suomesta", *Yle*, 17 January 2019. <https://yle.fi/uutiset/3-10600112>

⁵⁸ Hiilamo, Elli-Alina: "Kiinassa on meneillään kurinpalautuksen aalto, joka tuntuu Suomessa saakka – Antonio Santiago ei ehtinyt sanoa oppilailleen edes hyvästejä", *Yle*, 29 September 2021, <https://yle.fi/uutiset/3-12100865>

⁵⁹ See Skön, Kirsi & Koskinen, Päivi: "Ylen selvitys: Kiinan kontrollijärjestelmä pesiytyi myös Suomeen – Toiminnalla on yhteys suomalaisen puoluepolitiikkaan" *Yle*, March 15, 2020.

⁶⁰ See Puranen, Matti: "Chinese influencing networks in Finland – A preliminary case study" *Asia Paper*, July 2022. Stockholm-Nacka: Institute for Security and Development Policy.

engaged in scientific projects with “dual-use” (civil-military) potential.⁶¹

Possibly the most notable single Chinese actor in Finland was the Confucius Institute hosted by Helsinki University, opened in 2007. In the Finnish public discussion, mostly in the media, critical opinions were increasingly presented regarding the non-academic, political and propaganda nature of the institute.⁶² At the same time, Helsinki University, along with the Finnish Ministry of Education and Culture, appeared to quietly support the institute, as it was crucial for teaching Chinese at the university.⁶³ However, in June 2022, against the wishes of the Chinese embassy, Helsinki University decided to discontinue its contract with the institute, practically closing it down.⁶⁴

Outside Helsinki, and except for Turku University, which has its own master’s program for Chinese studies, most of the Mandarin-language teaching in Finland at different universities still takes place by Chinese state-affiliated teachers. So far, the potential political influence of this teaching has not raised attention in Finland.

While alarmism on Chinese state-level connections in the Finnish education sector is on the rise, in 2020, Helsinki and Beijing agreed on a letter of intent that allows China to open a Chinese cultural center in Helsinki. In the Finnish media, the cultural center has raised well-founded concerns comparable to the Confucius Institute, yet the Finnish Ministry of Education and

⁶¹ Skön, Kirsi: “Suomessa työskentelevillä tutkijoilla yhteyksiä Kiinan sotakoneistoon – Professori: ‘Emme katso militaariyhteyksiä vaan sitä, onko tutkija meille hyödyksi’” *Yle*, January 31, 2022.

⁶² Koskinen, Päivi and Pakkari, Jani: ”’Bränditahra’ – Kiina-tuntijoiden mielestä Helsingin yliopiston sisällä toimiva Konfutse-instituutti on mainehaitta, eikä sen toiminta kuulu enää huippuyliopistoon”, *Yle*, 16 March 2020. <https://yle.fi/uutiset/3-11249399>

⁶³ Oleander, Jaakko: “Akateemisen vapauden Portinvartija”, *Tutkain*, 16 December 2021. https://issuu.com/tutkain/docs/tutkain_4_issuu

⁶⁴ “Helsinki University closes China-funded Confucius Institute”, *Yle*, 18 June 2022. <https://yle.fi/news/3-12500430>

Culture appears determined to move forward with the plan.⁶⁵ As of July 2022, however, the project has not made any progress.

Conclusion and Future Outlook

The key post-World War II issue for Finland was its relation with the Soviet Union and the concurrent practical policy known as “Finlandization.” This maintained that Moscow would accept the independence of Helsinki so long as Finland abstained from integrating militarily with the West. Thus, Helsinki stayed neutral until the breakup of the Soviet Union in 1991 and joined the EU only in 1999—and had, up till now, stopped short of joining NATO.

In the internal discussions of Finland, it is sometimes pointed out that Sino-Finnish relations remain strong and that the current “Chinese threat” voices stem mainly from US pressure and US-connected actors. In the same discussions it is also often maintained that China does not exert political influence or pressure in Finland.⁶⁶

As argued in this chapter, after 2017, a considerable change occurred in China-related attitudes in Finland. In tandem with similar developments in other Western democracies, the change has taken place through government actors and the media.

Given that Beijing continues to align with Russia, Finnish public opinion is likely to condemn future economic cooperation with

⁶⁵ Taskinen, Mika-Matti & Riihinen, Eleonoore: “Kiina on saamassa kulttuurikeskuksen Suomeen – ‘Kyse on valtiollisen propagandan levittämisestä’, sanoo tutkija”, Helsingin Sanomat, 12 March 2021. <https://www.hs.fi/kulttuuri/art-2000007856894.html>

⁶⁶ See for instance Gaens, Bart and Kallio, Jyrki (2020) “Finland’s Relations with China and the US.” in Esteban, Mario & al. eds. *Europe in the Face of US-China Rivalry*. European Think-tank Network on China (ETNC) January 2020. <https://www.egmontinstitute.be/content/uploads/2020/01/200122-Final-ETNC-report-Europe-in-the-Face-of-US-China-Rivalry.pdf?type=pdf>

China while increasingly supporting parliamentary security policies and Helsinki's push to deepen cooperation with the transatlantic security community.

While the 2014 annexation of Crimea, and now the full-scale war against Ukraine, can be considered a threshold in Russian-European relations, 2017 appears to be an equal landmark in Sino-Western interactions. Both instances have functioned as a "wake-up call" for Western security institutions and arrangements. Due to the proximity of Russia and current economic relations with China, the continued alignment of the West's two major adversaries poses further challenges for the non-alignment policies of Finland. In fact, in May 2022 Finland, together with Sweden, submitted a membership application to NATO ending its era of non-alignment.

The period of Finlandization during the Cold War remains fresh in the Finnish national memory. Thus, public opinion in Finland was not likely to support any, even if remotely, similar arrangement with China. As discussed in this chapter, evidence of skepticism toward Beijing has been visible in Finnish public discourses, attitudes and moods. So far, Finland in cooperation with other Nordic countries, has not, at least in public, coordinated China-related policies or concerns regarding the economic, infrastructure and education domains. As NATO a member state, this is likely to change for Helsinki.

With the 2022 Russian re-invasion of Ukraine, the European security architecture is being actively redrawn. Finland and Sweden have applied for NATO membership and developed close security cooperation with the Alliance's most prominent member states, the UK and US. Regarding China, not one detail of Sino-Finnish relations would be difficult or expensive to reconsider, if that would be required by Finnish NATO membership. However, long-standing traditions in economic cooperation and compliance to Chinese rhetoric causes potential vulnerabilities in Finnish society. Thus, trading relations, education and tourism remain key sectors.

3.

The Chinese Presence in Norway

Dr. Nico Groenendijk

This chapter concerns the (economic) presence of the People's Republic of China (PRC) in Norway and its security implications. Relations between China and the Nordic countries developed from the early 17th century. In particular, Sweden has had long-lasting diplomatic and economic ties with China, which included trade through dedicated companies such as the Gothenburg-based Swedish East India Company (1731–1813). Ties between China and the Dano-Norwegian realm (*Det danks-norske rige*, 1533–1814) were less well developed, as Denmark was oriented more toward the West Indies.

With the defeat of Denmark-Norway in the Napoleonic Wars, ending with the Treaty of Kiel (1814), and following a Swedish invasion, Norway was forced to accept a personal union between Sweden and Norway. It retained its liberal constitution and separate institutions, except for its foreign policy. From 1814 until 1905, when Norway left the Swedish-Norwegian Union and became fully independent, Chinese-Norwegian diplomatic relations were thus embedded in a common foreign policy with Sweden, building on existing economic ties between Stockholm and Beijing.

After the dissolution of the Swedish-Norwegian Union, Sweden pursued a quasi-colonial presence in Republican China (1912–1949), aiming for large-scale extraction of Chinese iron ore,

export of ore throughout the Pacific region and construction and operation of China's steel mills and weapons factories.¹ Newly independent Norway started to develop its own cultural, political, and economic ties with China throughout the 20th century, to which bilateral commodity trade was central.

After Chairman Mao Zedong's proclamation in October 1949, Norway (just like Sweden and Denmark) swiftly recognized the PRC in 1950, unlike the United States, which did not officially recognize the PRC until 1979. Generally, relations between the PRC and the Nordic countries have been amicable. Norway granted the PRC market economy status (MES) within the World Trade Organization framework in 2007. In 2008, Norway and the PRC started a process to intensify their trade relationship through negotiating a relatively "deep" free-trade agreement, covering not only commodity trade but also trade in services, investment, intellectual property rights and some regulatory issues. In March 2010, the seventh round of negotiations was held in Beijing, with the aim to finalize the agreement by the end of the year. Norway also participated in the Shanghai World Expo in 2010, together with the other Nordic countries.

The 2010 Nobel Peace Prize and Its Implications

However, PRC-Norwegian relations became unexpectedly turbulent after the Norwegian Nobel Committee on 8 October 2010 awarded the Nobel Peace Prize to Chinese writer and human rights activist Liu Xiaobo, for "his long and non-violent struggle for fundamental human rights in China." Although the Norwegian Nobel Committee is independent from the Norwegian government, the Norwegian ambassador to the PRC was summoned by the Chinese Foreign Ministry on the same day and was presented with an official complaint. The talks on the Chinese-Norwegian free-trade agreement were suspended, and

¹Högselius, P. & Y. Song (2020). Extractive visions: Sweden's quest for China's natural resources, 1913-1917. *Scandinavian Economic History Review* 69(2): 158-176.

for almost six years, nearly all large-scale commercial trading between Norway and the PRC was limited.

China is the fourth-largest trading partner of Norway (after Germany, the United Kingdom and Sweden), but with a significant trade deficit (exports to China in 2021 totaled 79.5 billion NOK, while imports from China in 2021 totaled 110.8 billion NOK). China's largest exports to Norway include ships, textiles and garments, as well as mechanical and electronic products. Norway's largest exports to China include crude oil, mechanical and electrical products, fertilizer, construction and mining equipment, factory and plant equipment, raw materials, as well as salmon. The Norwegian salmon exporting sector was said to be especially hit hard by the reduction of trade between China and Norway.²

In July 2017, Liu Xiaobo, still in detention but on medical parole in Shenyang's First Hospital, died from liver cancer. Berit Reiss-Andersen, chairman of the Norwegian Nobel Committee, openly blamed the PRC for his death.³

The 2016 Joint Statement and Agreements

Publicly, relations soured, especially in the first years of the dispute. Some cooperation continued however, especially concerning the Arctic region, with visits of the Chinese

² As a result of the dispute, salmon exports to China halved. Some indirect and illegal exports allegedly took place through Vietnam, see SalmonBusiness/SalMar and Sekkingstad have been linked to salmon smuggling in China, 31.1.2022, <https://salmonbusiness.com/salmar-and-sekkingstad-have-been-linked-to-salmon-smuggling-in-china/> and the NRK documentary at <https://www.nrk.no/dokumentar/xl/slik-ble-norsk-laks-smuglet-inn-i-kina-1.15828594>.

³ *Den Norske Nobelkomite sørger over Liu Xiaobo, Uttalelse fra komiteleder Berit Reiss-Andersen*, 13.7.2017, <https://www.nobelpeaceprize.org/presse/uttalelser/den-norske-nobelkomite-sorger-over-liu-xiaobo-uttalelse-fra-komiteleder-berit-reiss-andersen>.

ambassador to the Norwegian cities of Tromsø and Kirkenes. Norway supported Beijing's application to join the Arctic Council as an observer (effective in 2013) and supported the establishment of the China-Nordic Arctic Research Center (CNARC) in Shanghai in 2013. Norway joined the Asia Infrastructure and Investment bank (AIIB) as a non-regional member in 2015. In spring 2016, Henriksen Shipping signed a cooperation deal concerning shipping services with Chinese shipping company COSCO. In the summer of 2016, COSCO used Kirkenes as a home port for its seismic mapping activities of the Arctic. At Svalbard (a Norwegian archipelago in the Arctic), the Chinese Arctic Yellow River research station has continued to operate even through periods poor relations between the two countries.⁴

Moreover, behind the scenes, intense consultations have taken place between the two countries. On the Norwegian side, from 2014, these consultations were conducted by a new center-right cabinet,⁵ which fully prioritized the re-establishment of normal ties with Beijing. In 2014, Norway returned seven columns that were looted from the Old Summer Palace in Beijing, and, after a chain of transactions, had ended up in a Bergen art museum. That same year, Oslo returned a long-lost 1927 Chinese silent film ("The Cave of the Silken Web"), which the National Library of Norway in 2011 discovered was in its possession.⁶ Additionally,

⁴ See Arctic Today/How the renewal of diplomatic ties between China and Norway could affect the Arctic, 22.12.2016, https://www.arctictoday.com/how-the-renewal-of-diplomatic-ties-between-china-and-norway-could-affect-the-arctic/?wallit_nosession=1.

⁵ The cabinet of Erna Solberg (2014-2021), that succeeded the 2nd centre-left cabinet of Jens Stoltenberg, that was in place from 2005-2013. As from October 2021, Norway has again a centre-left cabinet, led by Jonas Gahr Støre.

⁶ South China Morning Post/Norwegian art museum to return seven columns from Old Summer Palace to Beijing, 11.2.2014, <https://www.scmp.com/news/china-insider/article/1425989/norwegian-art-museum-return-seven-columns-summer-palace-beijing>; South China Morning Post/Norway

in April 2014, representatives of the cabinet refused to meet the Dalai Lama, who was visiting Norway to celebrate the 25th anniversary of his 1989 Nobel Peace Prize.

In December 2016, the PRC and Norway issued a statement on their future bilateral relations (in the Norwegian political context often referred to as the *normaliseringsavtalen* or normalization agreement). Article 3 of the agreement was especially perceived by some as being rather one-sided and a sign of Norway kowtowing to China.⁷ It reads:

“The Norwegian Government fully respects China’s development path and social system, and highly commends its historic and unparalleled development that has taken place. The Norwegian Government reiterates its commitment to the one-China policy, fully respects China’s sovereignty and territorial integrity, attaches high importance to China’s core interests and major concerns, will not support actions that undermine them, and will do its best to avoid any future damage to the bilateral relations.”

gives China 87-year-old Monkey King Film thought to be lost, 15.4.2014,

<https://www.scmp.com/news/world/article/1482795/norway-gives-china-87-year-old-monkey-king-film-thought-be-long-lost>.

⁷ See for some examples of analysis of the statement and its implications: Did Oslo Kowtow to Beijing, ChinaFile conversation, 21.12.206, <https://www.chinafile.com/conversation/did-oslo-kowtow-beijing>; The Diplomat/Bjørnar Sverdrup-Tygeson and Marc Lateigne, China and Norway: Unpacking the Deal, 25.12.2016, <https://thediplomat.com/2016/12/china-and-norway-unpacking-the-deal/>; Human Rights Watch/Maya Wang, Which Norway Will Visit China?, 5.4.2017, <https://www.hrw.org/news/2017/04/05/which-norway-will-visit-china>; more recently: NRK/MDG-politicians Rasmus Hansson and Carl Johansen, *Si opp husmannsavtalen med Kina!*, 7.2.2022, <https://www.vg.no/nyheter/meninger/i/IVmM9A/si-opp-husmannsavtalen-med-kina>.

In April 2017, Norwegian Prime Minister Erna Solberg (and the ministers of foreign affairs, trade, industry and fisheries) visited Beijing and met with Chinese President Xi Jinping, Prime Minister Li Keqiang and then-Chairman of the Standing Committee of the National People's Congress Zhang Dejiang. The Norwegian delegation was huge and included the largest group of representatives from the Norwegian business sector ever to accompany a prime minister's visit abroad. Various areas for resumed and new bilateral cooperation were identified, such as Arctic issues, trade (and the resuming of the free-trade agreement negotiations), cultural exchange, tourism and (winter) sports.⁸ In October 2018, Norwegian King Harald V visited Beijing and met with Xi Jinping, symbolizing the full recovery of PRC-Norway relations.

Finance and Economy

PRC investment in Norway can be described in several ways:

⁸ The 2017 sports agreement between Norway and China mainly concerned cooperation in cross-country skiing, biathlon and ski jumping, with the aim to enhance China's chances for medals in these disciplines during the 2022 Olympic Winter games in Beijing. The cooperation aimed at joint training sessions of the Norwegian and Chinese teams as well as technical support (such as the waxing of skis of the Chinese athletes by Norwegian specialists). In the run-up to the Beijing Olympics, this agreement has maybe been discussed more extensively publicly than the 2016 normalisation agreement as such. The whole cooperation plan was not properly discussed with the relevant sporting associations and was more or less forced upon them. The sports sector was labelled by some as "useful idiots". See Aftenposten/Daniel Røed-Johansen, *Kina-avtalen gjorde idrettstoppene til nyttige idioter*, 2.2.2022, <https://www.aftenposten.no/sport/meninger/i/8Qz4aQ/kina-avtalen-gjorde-idrettstoppene-til-nyttige-idioter>. See also <https://www.nrk.no/dokumentar/xl/kineserne-betalte-godt-for-norsk-ol-hjelp--hvorf-for-holdt-ikke-de-norske-trenerne-ut-1.15827488>.

- Aggregate foreign direct investment (FDI) from the PRC into Norway, compared with FDI from other countries;
- Inward Foreign Affiliates Statistics (IFATS) data on control by foreign entities of Norwegian companies;
- Data on specific financial transactions by which PCR entities have invested heavily or taken over Norwegian companies.

Data sources for the first two methods are provided by Statistics Norway. The third method is based on cases of Chinese investment in and takeover of Norwegian companies that have received particular interest in the Norwegian media.

PRC FDI in Norway

Table 1 presents data on FDI (stock) in Norway, by investing country. A difference is shown between the country the investment comes from directly and the country that is ultimately “behind” the investment. To show the importance of FDI for regional cooperation, information is first provided on the Council of the Baltic Sea States (CBSS) member states, which account for about one-third of FDI in Norway, with Sweden as the main investor. Russian FDI in Norway is limited. The non-CBSS, European Union/European Free Trade Area countries make up about one-fourth of FDI in Norway, with a similar share for the “Anglo-Saxon” countries (United States, UK).

Table 1. FDI in Norway

Country	Direct, 2020 (Mill. NOK)	Ultimate, 2020 (Mill. NOK)
CBSS Member States	542,587	462,923
<i>Sweden</i>	<i>295,488</i>	<i>166,776</i>
<i>Denmark</i>	<i>102,138</i>	<i>93,455</i>
<i>Finland</i>	<i>74,274</i>	<i>92,716</i>

<i>Estonia, Germany, Latvia, Lithuania, Poland</i>	<i>70,341</i>	<i>109,428</i>
<i>Iceland</i>	<i>189</i>	<i>913</i>
<i>Russia</i>	<i>346</i>	<i>548</i>
Rest of EU/EFTA (not CBSS)	400,893	387,163
<i>US</i>	<i>149,597</i>	<i>282,436</i>
<i>United Kingdom</i>	<i>100,702</i>	<i>101,076</i>
<i>China, Hong Kong and Macao</i>	<i>10,099</i>	<i>35,154</i>
<i>Other</i>	<i>244.645</i>	<i>179,047</i>
Total	1,448,712	1.448.712

Source: Statistikkbanken Statistisk Sentralbyrå (SSB; Statistics Norway)⁹

FDI from the PRC (China and the special administrative regions of Hong Kong and Macao) is not extensive (about 2-3 percent of total FDI in Norway) and is often non-direct (i.e., through subsidiaries in other countries). As Table 2 shows, PRC FDI in Norway is increasing steadily.

Table 2. Chinese FDI in Norway

Country	2017	2018	2019	2020
China, Hong Kong and Macao – Direct	14,255	9,602	15,446	10,099
China, Hong Kong and Macao – Ultimate	23,401	31,612	32,102	35,154

Source: Statistikkbanken Statistisk Sentralbyrå (SSB; Statistics Norway).

Tables 3 and 4 show IFATS data. Table 3 presents the number of Norwegian companies that is controlled (directly or indirectly) by

⁹ The data from Statistics Norway are not complete. In some cases, data are not published for reasons of confidentiality or because they are simply not available. See Gåsemyr & Medin (2021a: 7-9) for a detailed discussion of other limitations of the Statistics Norway FDI and IFATS data.

foreign entities. CBSS member states account for more than half of the foreign-controlled companies in Norway. The CBSS presence has been increasing over the years, with Sweden as the main investing country, followed by Denmark. Also measured in this way, Russian involvement is again rather limited and far less than the PRC's involvement, which controls almost 100 Norwegian companies.

Table 3. Number of Norwegian Companies Controlled, Directly or Indirectly, by Foreign Companies

Country	2014	2015	2016	2017	2018	2019
CBSS Member States	3,784	4,040	4,231	4,305	4,404	4,474
<i>Sweden</i>	<i>2,090</i>	<i>2,200</i>	<i>2,246</i>	<i>2,274</i>	<i>2,308</i>	<i>2,298</i>
<i>Denmark</i>	<i>899</i>	<i>964</i>	<i>992</i>	<i>980</i>	<i>1,006</i>	<i>1,004</i>
<i>Finland</i>	<i>244</i>	<i>283</i>	<i>308</i>	<i>301</i>	<i>301</i>	<i>323</i>
<i>Estonia, Germany, Latvia, Lithuania, Poland</i>	<i>539</i>	<i>580</i>	<i>673</i>	<i>731</i>	<i>767</i>	<i>830</i>
<i>Iceland</i>	<i>72</i>	<i>59</i>	<i>66</i>	<i>63</i>	<i>67</i>	<i>47</i>
<i>Russia</i>	<i>12</i>	<i>13</i>	<i>12</i>	<i>19</i>	<i>22</i>	<i>19</i>
Rest of EU/EFTA (Not CBSS, Excluding UK)	1,340	1,321	1,426	1,485	1,465	1,383
<i>United Kingdom</i>	<i>685</i>	<i>698</i>	<i>721</i>	<i>701</i>	<i>709</i>	<i>793</i>
<i>United States</i>	<i>591</i>	<i>582</i>	<i>612</i>	<i>656</i>	<i>676</i>	<i>716</i>
<i>China, Hong Kong and Macao</i>	<i>50</i>	<i>48</i>	<i>58</i>	<i>59</i>	<i>93</i>	<i>93</i>
<i>Other</i>	<i>443</i>	<i>501</i>	<i>571</i>	<i>676</i>	<i>687</i>	<i>675</i>
Total	6,965	7,249	7,685	7,935	8,101	8,181

Source: Statistikkbanken Statistisk Sentralbyrå (SSB; Statistics Norway).

Table 4 shows some more characteristics of these controlled companies, making a distinction between 2014 and 2019. Both in terms of the number of employees and turnover of the Norwegian companies involved, the PRC's presence is increasing, but limited, compared to other countries. A similar analysis that takes into account the number of firms and their size (Medin, 2021), shows that foreign-owned companies are generally larger (in terms of number of employees, turnover and the like) than domestic-owned Norwegian companies, and that Chinese-owned companies have 80% more employees and a turnover that is three times as high as other foreign-owned Norwegian companies.¹⁰

Table 4. Number of Employees Working for Norwegian Companies Controlled, Directly or Indirectly, by Foreign Companies

Country	2014	2019	2014	2019
	Employees	Employees	Turnover (Mill. NOK)	Turnover (Mill. NOK)
CBSS Member States	154,701	158,190	474,510	585,440
<i>Sweden</i>	<i>85,556</i>	<i>77,391</i>	<i>240,297</i>	<i>269,729</i>
<i>Denmark</i>	<i>33,317</i>	<i>34,298</i>	<i>106,354</i>	<i>100,607</i>
<i>Finland</i>	<i>13,855</i>	<i>13,429</i>	<i>43,501</i>	<i>94,579</i>
<i>Estonia, Germany, Latvia, Lithuania, Poland</i>	<i>21,822</i>	<i>33,019</i>	<i>84,358</i>	<i>120,025</i>
<i>Iceland</i>	<i>825</i>	<i>323</i>	<i>2,836</i>	<i>1,835</i>
<i>Russia</i>	<i>141</i>	<i>53</i>	<i>N/A</i>	<i>500</i>
Rest of EU/EFTA (Not CBSS, Excluding UK)	63,377	63,930	373,201	312,871
<i>UK</i>	<i>33,747</i>	<i>46,552</i>	<i>131,461</i>	<i>200,209</i>

¹⁰Medin, H. (2021). Premien for utenlandske eierskap i Norge: Opprinnelseslandskarakteristika og Kina-effekten. Samfunnsøkonomen 135(6): 5-16

<i>US</i>	<i>55,754</i>	<i>58,982</i>	<i>354,920</i>	<i>292,679</i>
<i>China, Hong Kong and Macao</i>	<i>2,495</i>	<i>9,044</i>	<i>16,279</i>	<i>30,562</i>
<i>Other</i>	<i>26,740</i>	<i>15,676</i>	<i>138,299</i>	<i>125,299</i>
Total	337,639	352,697	1,491,506	1,548,895

Source: Statistikkbanken Statistisk Sentralbyrå (SSB; Statistics Norway)

Significant investments or takeovers by Chinese entities of Norwegian companies have received some attention in the Norwegian media.

Table 5. Documented Cases of Chinese Investments in and Takeovers of Norwegian-based Companies

Year	Norwegian Company	Sector/ Activity	Chinese Company	Value of Stake	Share Size
2003	Atlantis	Gas	Sinochem	\$95 Million	N/A
2008	Awilco Offshore	Energy, Oil	China National Off-Shore Oil (CNOOC)/China Offshore Services Ltd. (COSL Norwegian)	\$2.5 Million	100%
2009	Telenor	Telecom	Huawei	\$180 Million	N/A
2010	Offshore Heavy Transport	Transport, Shipping	Grand China Logistics and HNA	\$380 Million	60%
2010	Sinoceanic Shipping	Shipping	HNA Capital Group	\$4 Million	33%
2011	Elkem	Chemicals	ChemChina and China National Blue Star	\$2 Million	100%

2013	N/A	Transport, Autos	Sichuan Railway Industry	\$130 Million	27%
2014	Rec Solar ASA	Energy, Alternative	ChemChina and Blue Star Elkem Investment	\$640 Million	100%
2015	Malungen Gjestegård	Hotel, Entertainment	Yang Xueyi (Private Person)	\$1 Million	100%
2015	Zwipe	Biometrics	Kuang-Chi and Wisecard Technology	\$4 Million	20%
2016	Voss	Spring Water	Reignwood	\$110 Million	55%
2016	Brødrene Aa	Shipyard	Chu Kong Shipping Enterprises	N/A	40%
2016	Fesil Rana Metall	Metals and Minerals (Ferrosilicon and Microsilica)	Elkem Blue Star	N/A	100%
2016	Goodtech Environment	Water and Waste	Anhui Guozhen Environmental Protection Technology	\$5 Million	N/A
2016	Opera Software	Information Technology, Telecom, Software	Golden Brick, Qihoo & Beijing Kunlun	\$610 Million –\$620 Million	N/A
2016	Verkshotellet	Hotel	Empery	\$2 Million	100%
2017	Nordic Cinema Group	Entertainment	Dalian Wanda Group, Through AMC	\$795 Million	100%

2018	Boreal	Public Transport	Everbright Overseas Infrastructure Investment	N/A	100%
2018	Ekornes	Furniture	Qemei Home Furnishing, Huatai Securities	\$630 Million	100%
2018	Radisson (Blu)	Hotels	Jin Jiang International	\$300 Million	N/A
2020	Funcom	Entertainment	Tencent	\$110 Million	71%
2020	Norwegian Air	Transport, Aviation	BOC Aviation/Bank of China	\$180 Million	13%

Source: *American Enterprise Institute*, <https://www.aei.org/china-global-investment-tracker/> (accessed 29.4.2021); *Nettavisen Nyheter*, 21.10.2015, *Norge er det landet i Norden hvor kineserne eier mest. Se tallene*, <https://www.nettavisen.no/nyheter/sa-mye-eier-kina-i-norge/s/12-95-3423149850>; *Aftenposten*, *Kjøpt av Kina*, 16.4.2021, <https://www.aftenposten.no/amagasinet/i/1BWqpK/kjoept-av-kina>.

Table 5 provides an overview of such cases,¹¹ based on two journal articles and on the China Global Investment Tracker at the American Enterprise Institute (and triangulation with a similar but shorter overview from Hans Gåsemyr and Bionar Sverdrup-Thygeson).¹² It shows that such investments/take-overs have been common since—roughly—2008 and have continued to take place during the 2010–2016 period of deterioration of Chinese-Norwegian relations. The overview suggests that PRC

¹¹ The examples listed here concern the initial transaction. In some cases, the situation, for example in terms of share size, may have changed afterwards by initial investment(s) or by disinvestment(s). For example, in 2021 Boreal was sold to Paris-based Vauban Infrastructure Partners and is no longer Chinese-owned.

¹²Gåsemyr, Hans Jørgen, Sverdrup-Thygeson, Bjørnar, *Chinese Investments in Norway: A Typical Case Despite Special Circumstances*, A Report by the European Think-tank Network on China (ETNC) December 2017

involvement by means of FDI mainly concerns the following sectors:

- Energy (gas, oil and alternative);
- Transport (shipping, cars, public and aviation);
- Telecom;
- Chemicals;
- Hotels and tourism;
- Specific consumer goods (furniture and spring water) and entertainment.

The overview is however not complete. In all likelihood, many smaller transactions do not receive full attention in the media or are not registered. Similarly, FDI in Norway by foreign subsidiaries of Chinese companies, or by foreign companies in which Chinese companies have a considerable share, may go unnoticed, as in some cases large chain of investment occurs, involving a multitude of companies. Special to the Chinese case is that the chain of investment is often also large within China itself. For example, looking at the case of the investment by BOC Aviation in Norwegian Air, we see that BOC Aviation is controlled by Sky Splendor, which is controlled by the bank of China Group Investment, which is controlled by the Bank of China, which is controlled by Central Huijin Investment, which is controlled by China Investment Corporation, which is owned by the PCR and governed by the Chinese Communist Party (CCP).¹³ This also demonstrates how, ultimately, these investments are subject to political decision-making in the PCR.

Moreover, the overview concerns so-called “brownfield” transactions (i.e., investment in existing production facilities in Norway) and does not include “greenfield” transactions (i.e., FDI through the creation of a new subsidiary in Norway, building operations from the ground up), for example by using joint ventures between Norwegian and Chinese companies. One well-

¹³ According to <https://www.tnp.no/norway/economy/china-becomes-the-second-biggest-shareholder-of-norways-airline-company-norwegian/>.

known example of such a joint venture is the one between PARAT, a Norwegian electric boiler manufacturer from Flekkefjord, and Henan Pinggao Electric, a subsidiary of the State Grid Corporation of China. The joint venture produces for the Chinese market, with the assembly of the boilers happening in China with Norwegian components (using Norwegian technology).

Infrastructure

The 2009 investment of Chinese company Huawei in Telenor (a 59-percent¹⁴ state-owned telecom company that is active in 12 countries worldwide) was related to the partnership between Huawei and Telenor in radio access network (RAN) and long-term evolution (LTE) broadband technology (including joint research and design) and to the contracts acquired by Huawei through procurement processes for modernization of 2G and 3G (and later 4G) networks. The 4G network that Telenor opened in 2012 was built by Huawei. The other main mobile network operator in Norway (Telia) was also supplied with 4G products by Huawei. Another Chinese company, ZTE, has delivered goods and services to Telenor, since 2007.

When Western countries started to prepare for 5G networks, the role of Chinese information and communications technology (ICT) companies in these networks was securitized, first domestically in the US and later in the broader Western world. In the EU, the Czech government has been at the forefront of this securitization, through the Prague Proposals and Security Conferences. In 2019 the European Parliament adopted a resolution on security threats connected with rising Chinese technological presence¹⁵. Various EU member states used a risk

¹⁴ 54% directly, and 4% through *Norges Bank* Investment Management (the so-called *Oljefond*).

¹⁵ EP, P8_TA(2019)0156. The same month the European Commission issued a recommendation on the security of 5G networks (Commission recommendation EU 2019/534) that called upon member states to seriously assess the security risks of 5G networks (by applying a toolbox), however without referring to specific providers.

mitigation approach (rather than an outright ban¹⁶), by seriously limiting the involvement of Chinese companies.¹⁷ In Norway, some concerns were already raised in 2012 regarding Huawei's involvement in 4G networks.

In later years, the security services started to seriously warn of security risks. In 2019, measures to keep Huawei away from 5G came under consideration. In reaction, Huawei offered the Norwegian government a No-Spy Agreement if it was allowed to participate in the building of 5G networks. The Norwegian government however put in place the requirement that at least 50% of the (base stations of the) new networks should be built by companies from countries Norway has a security agreement with. Early 2020 both Telenor and Telia decided to go for Swedish company Ericsson as their main supplier, which triggered a negative public statement by China¹⁸.

Electric Cars

With China being the largest electric car producing country in the world, Norway is perceived by many Chinese car makers as an ideal country to serve as a test market in Europe. This is due to

¹⁶ Unlike other EU member states, in October 2020 Sweden banned Huawei from participating in its 5G networks, a decision that was recently upheld in court. PTS, the Swedish Telecom regulator, ordered companies that supply 5G services to remove any equipment from Huawei and ZTE from their infrastructure networks, before 2025. The decision was based on the assessment of Swedish military and security services, which described China as one of the biggest security threats against Sweden. See <https://www.reuters.com/article/sweden-huawei-int/sweden-bans-huawei-zte-from-upcoming-5g-networks-idUSKBN2750WA>.

¹⁷ Lysne, O. et al. (2019). Critical communication infrastructures and Huawei (paper). Simula & NUPI: Oslo Calcara, A. (2022). From quiet to noisy politics: Varieties of European reactions to 5G and Huawei. Governance 2022: 1-19

¹⁸ See <https://www.computerweekly.com/news/252478167/Norway-braces-for-possible-China-backlash-over-5G-loss>.

the good facilities Norway offers for electric cars (in terms of taxation, charging stations, etc.); the extreme weather conditions in some parts of Norway; and severe competition by “Western” car makers, such as Volkswagen Group (Volkswagen, Audi, Skoda and Seat); Mercedes; Tesla; and Volvo (owned by Chinese company Zhejiang Geely Holding Group). The idea is that, if Chinese electric cars do well in the Norwegian market, they can do well in any European market. The Norwegian market thus serves as a launchpad for Chinese car makers.

Since 2020, Chinese brands such as NIO, BYD, XPeng, WM (Weltmeister), Dongfeng Motor, SAIC Maxus and Hongqi have entered the Norwegian markets and are currently quite active in their marketing strategy. The MG ZS (produced by SAIC in China, under the brand name of British MG, which is owned by SAIC) has already gained a foothold in the Norwegian market.

Infrastructure Development Linked to the BRI

The interest from Chinese actors in Norwegian infrastructure projects, through participation in competitive tenders, has been said to be increasing.¹⁹ Recently, in 2021, Chinese railroad company MTR (which has successfully entered the Swedish market) participated in a bid to provide intercity and local train services in the Oslo area but ended their involvement because they were uncertain about the long-term effects of the COVID-19 pandemic on travel habits.

Another successful, example is the bid by the state-owned Sichuan Road and Bridge Group (SRBG) to build the Hålogaland Bridge, in 2013. That bridge, in the northern town of Narvik, which opened in December 2018. In 2017, SRBG won another bid, this time to build the Beistadsund Bridge in Central Norway (in

¹⁹Gåsemeyr, H.J. & B. Sverdrup-Thygeson (2017). Chinese Investments in Norway: A Typical Case despite Special Circumstances, in: Seaman, J., M. Huotari & M. Otero-Iglesias (2017). Chinese Investment in Europe. A Country-Level Approach. ETNC/Ifri: Paris, 101-107

Figure 1. Arctic Corridor Railways

Source: YLE

Steinkjer, north of Trondheim).²⁰ The bridge was opened in April 2020 and is locally known as the “Kinabrua.” In both cases, SRBG used Chinese labor. The state-owned Industrial and Commercial bank of China (ICBC) was active as an underwriter in SRBG’s bids²¹.

The interest of China in building Norwegian infrastructure is linked to the BRI and in line with its first Arctic white paper from 2018. The seaport of Narvik is considered a potential hub for trade flows in the Nordic region, as it can be linked to China by rail (through Russia and Finland) and can accommodate large-size sea vessels.²² Another hub Beijing has its eyes on, is the northern town of Kirkenes, close to Murmansk. Here, a similar railway connection through Finland is envisaged, also potentially

²⁰ In this bid, SRBG was initially exempted from the procedure, but after complaints by SRBG it was included and won.

²¹ ICBC had plans, in 2011, to open a branch in Norway, but that did not materialize.

²² See <https://thebarentsobserver.com/en/industry-and-energy/2020/08/container-china-arrives-narvik-it-could-pave-way-new-transport-route>.

Figure 2. Polar Sea Routes



Source: *Marine Insight*.

linking up to the Baltic Railway, in line with the (Finnish) ideas of an Arctic Corridor.²³ (See Figure 1.)

The main potential of Narvik and, especially, Kirkenes lies in the development of and connection to the Polar Silk Routes, using the Northeast Passage and the future Transpolar Sea Route.²⁴ (See

²³ See <https://euobserver.com/nordics/141142>.

²⁴ See <https://www.euractiv.com/section/arctic-agenda/news/norways-northernmost-chinatown-eyes-beijings-arctic-investments/> and <https://www.politico.eu/article/norway-kirkenes-china-influence-arctic-shipping-opportunity/>. See also <https://www.investigate-europe.eu/en/2019/china-eyes-norway-as-first-port-of-call-in-europe-on-arctic-silk-road/>.

Figure 2.) In addition to infrastructure projects, China has been active in the shipping sector, not only through FDI but also by means of establishing cooperation schemes. For example, in the spring of 2016, Henriksen Shipping signed a cooperation deal concerning shipping services with Chinese shipping company COSCO. In the summer of 2016, COSCO used Kirkenes as its home port for seismic-mapping activities of the Arctic. COSCO has flagged Kirkenes as a location of strategic interest. China Communications Construction Company (CCCC), which opened an office in Oslo in 2019, is interested in the development of port infrastructure in Kirkenes.

Education and Research

Norway has a so-called “Panorama Strategy” in higher education, which aims at cooperation in research and education with selected countries: China, Japan, South Korea, Brazil, South Africa, Russia, the US and Canada. The current Panorama Strategy runs from 2021–2027. In addition, specific agreements and programs directly target Chinese-Norwegian cooperation.

Student Exchanges

In 2020, more than 13,000 foreign students resided in Norway. More than half came from ten countries: China, Sweden, Denmark, Germany, the US, Pakistan, India, Nepal, Syria and Iran. China tops the list with an average of almost 900 students a year. Before the COVID-19 pandemic, that number was relatively stable. The pandemic placed severe limitations on student and research staff exchange. Currently, Norway is allowing foreign staff and students, including those from China, back in, but Beijing remains extremely restrictive in allowing foreigners to enter China. Generally, the pandemic and the restrictive (“zero-COVID”) measures the Chinese authorities have implemented domestically are severely hindering cooperation in the higher education sector.

Research Cooperation

For China, and for research specifically, one of the agreements that built on the *normaliseringsavtalen* of 2016 concerned an action plan for cooperation in research, technology and innovation, beginning in August 2017.²⁵ The action plan prioritized three types of cooperation: (a) common research, technology development and innovation projects; (b) common “hardware” (laboratories and centers); and (c) cooperation between the two countries in multilateral frameworks, such as common applications for EU programs. The agreement is rather vague on the issue of intellectual property rights (IPRs); it states that both parties shall deal with IPRs according to their national laws and international obligations. In 2017, the Norwegian Research Council signed a memorandum of understanding with the National Natural Science Foundation of China.

Considering the contents of both agreements, as well as actual research activities, the following areas of research cooperation can be identified:

- Sustainability
 - Reduction of greenhouse gases, carbon capture and storage;
 - Renewable energy and low-carbon technologies;
 - Sustainable urbanization;
 - Sustainable agriculture;
 - Sustainable aquaculture;
- Arctic, marine and maritime research

²⁵ *Handlingsplan mellom Folkerepublikken Kinas forsknings- og teknologiministerium og det kongelige norske kunnskapsdepartement om samarbeid innen forskning, teknologi og innovasjon*, 30.8.2017, see <https://www.regjeringen.no/contentassets/6c5b2c3bb2fa4c6f82f962283b953b7c/nor-action-plan-2018-2020.pdf>. This action plan builds on a more general agreement in this field, conducted in November 2008. Also in 2008, a Memorandum of Understanding was agreed by both countries, dealing with higher education.

- biotechnology and health innovation;
- ICT and digitalization

Listing all common research projects (bilateral, multilateral; university sector, institute sector, private research institutes) is clearly beyond the scope of this chapter. But one important observation is that China has become Norway's fourth-largest collaboration partner in science, after the US, the UK and Sweden, if measured by co-authorship of scientific articles. Chinese-Norwegian research collaboration is relatively often bilateral, rather than multilateral. Environmental sciences, technology and computer sciences are the main areas of collaboration. Within these areas, the following fields of application stand out: geophysical research, marine science, and hydrological engineering.²⁶ As far as Arctic research is concerned, generally Norway and China seem to be in two different groups of collaboration partners, with China collaborating most with the USA, Australia, Japan and Canada, and Norway collaborating most with the Nordic countries, with other European countries and with Russia.²⁷

In some cases, research cooperation is implemented through common research centers. Two such centers are located in China. The first is the Nordic Centre in Shanghai, at Fudan University, which was established in 1995. At this center, more than 20 universities from the five Nordic countries cooperate with Fudan University, within a multitude of disciplines. For Norway, BI Norwegian Business School, NHH Norwegian School of Economics, the Norwegian University of Science & Technology (NTNU), Oslo Metropolitan University, the University of Bergen and the University of Oslo participate. The other center is the China-Nordic Arctic Research Center (CNARC), also located in Shanghai, a cooperation initiated by the PRIC and the Icelandic

²⁶Sivertsen, G. (2022). Norway's scientific collaboration with China in a global context. An analysis based on articles in Web of Science. NIFU: Oslo

²⁷Ibid.

Centre for Research, established in 2013.²⁸ It currently involves 10 Nordic institutions and eight Chinese partners. For Norway, the Fridtjof Nansen Institute, Nord University, the Norwegian Polar Institute and the Arctic University of Norway at Tromsø participate. This kind of networked cooperation with many partners seems to work well and is not publicly debated in Norway.

Within Norway, some cooperation centers have raised some discussion, especially because the two involved universities (Bergen and Oslo) seem to have different approaches to working with China. In Bergen, the Bergen Confucius Institute was established at the University of Bergen and the Høgskolen på Vestlandet in 2007. But it was closed in 2021, due to fears of infringement of academic freedom by the Confucius Institutes Headquarters (Hanban). The Bergen Confucius Institute was the only Confucius Institute in Norway. The University of Bergen's plans to establish a joint research center in Qingdao, with the Ocean University of China, were also put on the backburner.²⁹

In Oslo, however, it was decided that the University of Oslo would take over the Fudan-European Centre for China Studies (FECCS) from the University of Copenhagen. The center was established in Copenhagen by Fudan University in 2013, but the University of Copenhagen no longer wanted to host it, as such cooperation was considered controversial³⁰.

Finally, there is the *Guleelvstasjonen* (Arctic Yellow River Station) on the Norwegian archipelago of Svalbard (of which Spitsbergen

²⁸ Nielsson, E. (2019). China Nordic Arctic Research Center, in: Forsby, A. (ed.). Nordic-China Cooperation: Challenges and Opportunities. NIAS Press: Copenhagen, 59-63

²⁹ Khono/UiBs rektor legg kinasatsing i skuffen. — Vil ikkje inn i avtalar vi ikkje kan stå inne for, 20.2.2022, <https://khrono.no/uibs-rektor-legg-kinasatsing-i-skuffen-vil-ikkje-inn-i-avtalar-vi-ikkje-kan-sta-inne-for/662040>.

³⁰ See Khrono/UiO blir midtpunkt for norsk kinasamarbeid, 26.2.2021, <https://khrono.no/uio-blir-midtpunkt-for-norsk-kinasamarbeid/558056>.

is the main island) in Ny Ålesund. This research station is run by the PRIC and was opened in 2004. Research here concerns atmospheric physics, the Northern Lights, biology, glaciology, geology and marine disciplines. PRIC runs four similar stations in the Antarctic. China's presence is linked to the so-called *Svalbardtraktaten* (Spitsbergen Treaty), which was signed in Paris in 1920. This treaty recognizes the sovereignty of Norway over the archipelago, within certain limits: Svalbard is visa-free, it is demilitarized and all (currently 46) parties to the treaty have equal rights to engage in commercial activities on Svalbard (mainly mining). In short, although Norway has territorial sovereignty, it must treat foreign nationals and businesses on Svalbard as if they are Norwegian. China is party to the treaty, but so far only Norway and Russia have been involved in mining activities on Svalbard. Efforts by the Norwegian Research Council to coordinate Arctic research on Svalbard and to give a larger coordinative role to the Norwegian Polar Institute have been met with criticism from Beijing.³¹

Research, Export Controls and Espionage

In addition to considerations concerning academic freedom, some other questions have been raised regarding research cooperation with China. Although not specific to cooperation with Beijing, some issues have come up over the past decade because of more intense research cooperation, such as the activities of predatory journals, some of which are based in China, and the stealing of draft articles by Chinese researchers.³²

Another issue that is explicitly mentioned in the 2021–2027 Panorama Strategy is that of export controls. Generally, certain

³¹ Svalbardposten/*Kinesisk kritikk mot Forskningsrådet*, 29.1.2019, <https://svalbardposten.no/nyheter/kinesisk-kritikk-mot-forskningsradet/19.10641>. See in more detail on Svalbard: Østhagen (2020).

³² See Khrono/ *NTNU-artikkel stjålet av kinesere og piratpublisert*, 24.4.2022, <https://khrono.no/ntnu-artikkel-stjålet-av-kinesere-og-piratpublisert/681794>.

goods, technology and services cannot be exported from Norway without a license issued by the Ministry of Foreign Affairs. Such controls may also constrain the export of sensitive knowledge with military applications to certain countries of concern. The export-control framework has primarily been developed for Norwegian exporting companies, but the Norwegian government has recently suggested the implementation of an individual “research license” (security clearance) for foreign researchers from specific countries (from outside the EU, EEA and NATO), to prevent illegal transfer of knowledge.³³

This proposal must be viewed in light of recent threat assessments by Norwegian authorities, which highlighted the risk of espionage from countries, including China, in the higher education and research sector. For example, in 2015, a Chinese researcher (working at the University of Agder, researching off-shore wind energy) was banished from Norway for security reasons.³⁴ The Norwegian Police Security Service (PST, *Politiets sikkerhetstjeneste*) has characterized the Norwegian higher education and research community as naive when it comes to espionage threats, especially in those sectors where a majority of researchers are foreign.³⁵ Similar warnings have been made in Denmark by the Danish *Politiets Efterretningstjeneste* (PET),

³³ See Khrono/Vil innføre lisensplikt for kunnskapsoverføring — Verden har blitt et farligere sted, 28.3.22, <https://khrono.no/vil-innfore-lisensplikt-for-kunnskapsoverforing-verden-har-bli-ett-farligere-sted/674408>

³⁴ Which triggered a swift and negative response from the Chinese embassy. Interestingly, an Oslo court later that year invalidated the decision to banish the researcher, because the accusations were found not to be based in facts. See UNIFORM/Agder-forskere vant mot PST, 16.9.2015, <https://www.uniform.uio.no/nyheter/2015/09/agder-forskere-vant-mot-pst.html>.

³⁵ For example, at the Norwegian University of Science & Technology (NTNU) every fourth Dr student is either from China or from Iran.

which stated that China is actively spying on Denmark, and Danish universities are not sufficiently aware of this threat.³⁶

Perceptions and Reactions on the PRC's Presence in Norway

Essentially, the main source of security threats for Norway was (and is) its neighbor, Russia. Until recently, PRC activity in Norway was generally perceived as being part of economic cooperation, to the mutual benefit of both countries, but especially, to the benefit of Norway as a small, open and expert-oriented country, profiting considerably from China's economic expansion. Security threats originating from PRC involvement in Norway were not publicly acknowledged. Although from 2010 to 2016 period a deterioration of Chinese-Norwegian relations brought out the vulnerability of Norway in its highly asymmetric economic relationship with superpower China to the full.

A Change in Perception

Only recently has the tide turned. It is hard to pinpoint the exact reasons for this turn in perception, but likely it is due to:

- China's increased presence;
- The growing perception in Norway (and in other countries) that the PRC is an increasingly autocratic regime and the related securitization of Chinese economic presence;
- Re-consideration of the desirability of economic dependency on China;

³⁶ Khrono/*PST ønsker sikkerhetsklarering av utenlandske forskere*, 4.2.2020, <https://khrono.no/pst-onsker-sikkerhetsklarering-av-utenlandske-forskere/458270>. Politiken/*PET slår fast: Kina spionerer mod Danmark*, 12.1.2022, <https://politiken.dk/viden/art8564132/Kina-spionerer-mod-Danmark>; Khrono/*Åtvarar om kinesisk spionasje ved danske universitet*, 16.1.2022, <https://khrono.no/atvarar-om-kinesisk-spionasje-ved-danske-universitet/652713>.

- General re-consideration of the advantages and disadvantages of globalization and connectivity through global values chains.

In addition, the Russian annexation of Crimea in 2014, the occupation of part of the Donbas region and Moscow's re-invasion of Ukraine have added to a more suspicious—less naive—attitude in many countries, including Norway, toward the intentions of autocratic powers.

Norwegian Society's Reactions to the PRC's Presence

As explained, for a long time, Norway's relationship with China (economically, as a trade partner and investor) was perceived as positive for Norway, both in political and business circles. From that frame, disruptions in the Chinese-Norwegian relationship were something that had to be mended quickly and almost at any cost.

This cooperation-friendly approach seems to still be the attitude of NHO (*Næringslivet Hovedorganisasjon*, the main Norwegian business association). When it comes to China, opportunities are emphasized and risks (for example the risk of technology raid) are downplayed (if mentioned at all). The NHO's position, which remains relevant today, is that "the fear seems to be considerably greater that we let the opportunities for cooperation go away from us, than that Norwegian companies will fall victim to Chinese exploitation."³⁷

Politically, it took one year before the normalized Chinese-Norwegian relationship was openly questioned. In 2019, the chairman of the Standing Committee of the National People's Congress, Li Zhanshu, visited Norway and was met with protests. One protest involved leading politicians from opposition parties, as well as from one of the coalition partners in the center-right

³⁷NHO (Næringslivets Hovedorganisasjon) (2019), *Kina: Utfordringer og muligheter for norsk næringsliv*, Oslo

Solberg government, Venstre.³⁸ In 2020, Venstre's leader Trine Skei Grande suggested putting on hold the negotiations with China for an FTA, related to the 2019-2020 Hong Kong protests and the security laws China implemented in Hong Kong. This suggestion (which met with fierce opposition by business association NHO) was not followed up, but the debate in Norway on China was clearly re-opened. Venstre and its leader Trine Skei Grande have been driving forces in this, for example, by openly protesting against the visit of Chinese Foreign Minister Wang Yi to Norway in 2020.

From 2019 onward, the debate in academic circles focused on academic freedom in relation to Chinese-Norwegian cooperation, specifically regarding the centers in Bergen and Oslo. The debates and protests in political and academic groups have, however, primarily addressed more general issues regarding China's role in the world and its human rights policies, as well as the implications for the Chinese-Norwegian relationship.

The more specific issue of actual Chinese presence in Norway and the wider Nordic region has been put on the agenda mainly through Norwegian risk assessments. In the public debate, such assessments are almost always followed by the mainstream media and, since 2019, have regularly published on the issue of Chinese involvement in the Norwegian economy, as well as Beijing's interest in the Arctic. Politically, the focus has been on the introduction of measures such as the screening of foreign researchers and investment control. Among (academic) experts, the debate is focused much more on the Arctic issue. Some experts argue that China's ambitions in this region, and the implications for Norway, are exaggerated. Others argue that the Arctic will be the new arena of geopolitics.

³⁸ *Venstre* is translated as Left, but in the Norwegian context this is a party in the political centre.

China in Threat Assessment Reports

In Norway, four threat and risk assessments are published annually.³⁹ The first one is FOKUS, issued by the Norwegian Intelligence Service (NIS) (*Etterretningstjenesten*, part of the Ministry of Defense). Second is the annual threat assessment from the national Policy Security Service (PST, *Politiets sikkerhetstjeneste*), which deals with national security issues. The PST focuses on terrorist threats as well as threats to national security originating from foreign intelligence activities. Thirdly, the National Security Authority (NSM, *Nasjonal sikkerhetsmyndighet*) is responsible for preventing and investigating crimes that threaten national security. Its annual report, RISIKO, discusses security incidents. Fourth and final, the NSM, since 2015, publishes a report that deals specifically with digital and cybersecurity threats.

A simple content analysis, using “China” and “Chinese” as keywords, and presented in Table 6, shows that the attention given to the role of China in the global security environment (as shown in the FOKUS reports) has been significant for quite a while and has gradually increased.⁴⁰ This includes China’s involvement in the Arctic. In addition, looking at domestic security threats to Norway originating from the PRC, both the PST and NSM reports paid very little attention to such threats up till 2019, but that has changed considerably over the last two to three years.⁴¹

³⁹ In addition, there are threat assessment reports by *Økokrim*, the *National Authority for Investigation and Prosecution of Economic and Environmental Crime*. These reports are published every two years, publicly available as from 2020. They have not been included in the table.

⁴⁰ In the FOKUS reports, China has a dedicated chapter since 2020; before that its role was discussed under the heading of “Asia”.

⁴¹ Up till 2019, the PST and NSM reports dealt mainly with threats related to Islamic terrorism, and right-wing extremist terrorism (in light of the terrorist attack in Oslo and on Utøya, on 22 July 2011). In terms of threats arising from foreign intelligence activities, the main focus in the reports has been (and still is) on Russia.

Table 6. Appearance of Keywords “China” (“Kina”) and “Chinese” (“Kinesisk” and Other Inflections) in Norwegian Threat Assessment Reports

Year	FOKUS (NIS, Foreign Intelligence Report)	Threat Assessment PST (National Security)	RISIKO (NSM, Security Incidents/Threats Generally)	Nasjonalt digital risikobilde (NSM, ICT)
2022	149	27	19	n/a
2021	159	12	15	4
2020	227	2	5	0
2019	155	1	0	0
2018	175	1	0	0
2017	145	2	3	0
2016	108	1	N/A	0
2015	123	2	0	5
2014	109	1	1	N/A
2013	56	0	N/A	N/A
2012	53	0	2	N/A
2011	30	0	0	N/A

Source: Various threat assessment reports available on the NIS, PST and NSM websites.

Although China is often and increasingly mentioned in the reports on domestic security risks, concrete cases of espionage are quite limited. In addition to the case mentioned earlier of alleged espionage by a Chinese researcher at the University of Agder, Chinese actors have been blamed for two other cybersecurity cases:

- The cyberattack at Stortinget (the Norwegian parliament) in 2021, using vulnerabilities in the Microsoft Exchange servers;
- The cyberattack on the government’s IT system in 2018, by the China-linked APT31 group.

Publication of reports that include statements about security threats emanating from China are almost always met with statements of discontent and denial from Beijing, often through

its embassy and often in strong words (e.g., “ridiculous”, “fabricated” and “irresponsible”). While the government has acknowledged that the threat assessments can have a negative impact on the Chinese-Norwegian relationship, little to no discussion has been had regarding the importance of the threat assessment authorities’ independence.

Media and Public Opinion

Chinese economic presence in Norway received little attention in the public debate up until 2016, with the exception of the 2011 takeover of Elkem (see Table 5). From 2016 onward, national media has increasingly covered Chinese investments in Norway and their security implications, largely triggered by the debate on 5G and Huawei. This also reflects increased attention to and securitization of issues like 5G and FDI, internationally.

Another indication of increased awareness of security risks is the case of Jon Nicolaisen, who was deputy director of Norway’s central bank (Norges Bank) until 2020. In December 2020, Nicolaisen had to step down because his security clearance was not renewed. This coming only a couple of months after his re-appointment in April 2020. Since 2010, he has been married to a Chinese citizen living in China. He had been deputy director since 2014 and had received a security clearance years earlier.

A survey by NUPI, implemented in 2019, specifically addressed the attitudes in the five Nordic countries toward foreign investments. It found that the basic attitude toward foreign investments is reasonably positive in these countries. People in Iceland are least positive, followed by Norway. However, attitudes depend heavily on which country makes the investment. Investment from countries within the Nordic region and/or the EU is deemed far more positive than investment from China or Russia. 55% of the Nordic population is positive towards “European” investment, 38% is positive towards investment from China, and 34% is positive towards investment from Russia. Here, the scores for Norway are very similar to the average scores for the five countries taken together. Looking at different sectors, the

most negative attitude concerns investment by China and Russia in natural resources and in infrastructure. Generally, younger respondents are less negative towards investments by China and Russia than older respondents.

Increased Need for Screening Investments

Another indication of the changed perception in foreign investment is the interest, on the EU level as well as the country level, in screening investments and improving ownership registration.

Norway introduced screening (i.e., an acquisition-related review mechanism) as part of its new Law on National Security in January 2019, replacing the Security Act of 1988. The mechanism concerns a prior notification requirement for acquisition of qualified ownership positions (i.e., one-third of the share capital or comparable power over management) in a company or an asset that is identified as essential for national security, independent of the acquirer's nationality. Companies or assets identified as essential for national security are those that (a) process security-rated information; (b) have information, information systems, objects or infrastructure that are essential for basic national functions; and (c) conduct activity that is crucial for basic national functions (§10-5 of the Act). The rationale behind the new mechanism (and the new law itself) is that Norway has noted that increased foreign investment, especially in infrastructure projects, seems to be a growing trend internationally and that concern are growing that some of these investments may pose national security risks. Significant negative effects on future foreign investment are not expected.

Earlier, it was explained that FDI ties between the Nordic-Baltic countries are tight and that Chinese FDI in the region often uses chains of investments. Currently, the different Nordic-Baltic countries (all part of the EEA) apply similar but different screening mechanisms. Denmark has recently introduced a similar new mechanism (effective from July 2021). Finland, Lithuania, Latvia, Poland and Germany have upgraded their FDI-

screening. Sweden is in the process of implementing a new full-fledged mechanism (to enter into force in January 2023), and Estonia is developing such a new mechanism.

Within the EU (i.e., not including Norway), the FDI Screening Regulation has been in force since October 2020. The EU screening framework is not a separate screening mechanism at the EU level but rather sets out member states' obligations to exchange information on ongoing investment screening cases and opens up the possibility for EU members and for the European Commission to share findings with one another.

Although these screening mechanisms and the EU mechanism are *de jure* neutral (i.e., they do not discriminate against certain countries, for example, China), the de-facto assessment will likely depend on the (ultimate) country of origin for the FDI.

In Norway, the almost-completed sale of Bergen Engines to a Russian company has triggered a debate on whether the screening mechanism and its implementation should be made (even) more stringent. Bergen Engines produces ship engines that are used by Norwegian military surveillance vessels. Initially, the sale was not considered to involve security threats, but that decision was withdrawn. A weakness of the mechanism seems to be that notification of the authorities must be done by the company involved, and it is insufficiently clear which authority or ministry should be notified. In addition to screening FDI transactions, the need for an adequate company ownership register has been emphasized; such a register is part of the coalition agreement of the current Norwegian government.

National Security Implications

In the most recent (2021 and 2022) threat assessments of the PST and NSM, the main activities related to China that have national security implications include:

- Computer network (i.e., cyber) operations carried out by hostile actors operating on behalf of China. Such operations aim at gathering information about Norwegian decision-making processes, technology and critical civil and military infrastructure. According to the PST, political issues have gained increased attention from Chinese actors since the normalization of bilateral relations between Norway and China.
- Illegal and covert procurement aim to purchase technology from Norwegian actors, especially technology with military uses, circumventing export-control constraints.
- Exploitation of Norwegian research communities comes with the aim to have access to more technology.
- Acquisition of and investments in Norwegian enterprises often occurs through long chains of investment, which blur actual ownership.
- Providing Norwegian actors with low-priced, relatively high-quality Chinese technology opens up the possibility for espionage objectives.
- Monitoring of Chinese dissidents and minority group members in Norway also remains a key part of operations.

Chinese state intelligence activity is different from, for example, Russian activity in two critical ways. First, Beijing more often uses its civilians and business sector to access information. According to Chinese law, any Chinese citizen or business can be ordered to cooperate with the country's intelligence units in information-gathering activities. China is characterized by conflation of the private sector, the state and the party, making it exceedingly difficult to distinguish between purely commercial actors or, for example, pure researchers, on the one hand, and actors being used for intelligence activities on the other. China is a "national strategic buyer," whose objective is to further the interests of the Chinese nation-state in the pursuit of national economic interests and national security concerns. Secondly, Chinese activities are often composite—that is, various mechanisms are used in combination. For example, investment in Norwegian companies can be used to enhance the possibility to get involved in research

communities, to gather critical information, or to establish strategic positions in critical infrastructure. Legal and illegal activities can go hand-in-hand.

Some have labeled this Chinese approach as a “Trojan Dragon,” which goes far beyond “simple” espionage. It is about so-called inroads taken by China (i.e., advances in Norwegian society) that can be perceived as hostile and, potentially, go against Oslo’s interests. The main implications of such inroads for Norwegian security are threefold:

- Involvement of China in the Norwegian economy, in addition to the close trade ties between the countries, creates a high level of economic dependency. This can have a negative impact on Norwegian sovereignty, in the sense that political positions that run contrary to Chinese interests are difficult to keep at bay in Norway. This can concern a variety of issues, ranging from human rights in China to climate change and from the role of China in the Arctic to its cooperation with Russia. This fundamentally challenges the value-based society in Norway.
- Direct threats to essential Norwegian infrastructure remain a key area of concern, especially if such infrastructure is not completely controlled by the Norwegian authorities.
- Broader military threats in the Nordic-Arctic region continue to threaten Norwegian security. Currently, Chinese military involvement in this region is extremely limited but not completely absent (and involves cooperation with Russia).

Transatlantic Security Implications of the PRC’s Growing Presence in Norway

The latter point brings us to the main transatlantic security implication of the PRC’s growing influence in Norway: China’s involvement in the Arctic. The adage of Norway’s High North policy of “high North, low tension” stipulated that regional

cooperation in the Arctic should prevail, with low levels of securitization. It assumed two circumstances: (i) a good working relationship between Arctic neighbors Russia and Norway and (ii) a limited interest of emerging superpower China in the Arctic (and consequently that of the US). Both conditions do not hold anymore and have rendered the adage altogether irrelevant.

After the annexation of Crimea, relations between Norway and Russia have demonstrably worsened, reinforced by Moscow's re-invasion of Ukraine in February 2022. As far as the Arctic region is concerned, for a long time, China has kept its cards close to the chest and signaled a moderate position. It has expressed interest in the Arctic, similar to its interest in the Antarctic region, publicly prioritizing research aims. Beijing opened the Arctic Yellow River Station in 2004 and, since 2007, has lobbied Norway and other Arctic Council members to be invited into the organization as an observer state, which became effective in 2013. With the 2017 BRI initiative and its "Blue Economic Passage" in the Arctic, later labeled the Polar Silk Route in China's first Arctic policy strategy (2018), China's real economic interests as a self-proclaimed "near-Arctic state" became manifest, and as such, many Chinese investments in the Nordic region were seen in a different light.

It is also clear that China and Russia share interests in the Arctic, as shown by Chinese financing of Russia's Yamal LNG project on the Yamal peninsula. Generally, China is Janus-faced regarding its Arctic plans: on the one hand, it emphasizes cooperation and shared interests, on the other, it simply claims economic and military interests. The "dual circulation" paradigm that China has recently embraced represents the core of what China stands for in economic terms: development of fully domestic supply chains for national security reasons, coupled with an increase of foreign dependence on Chinese supply globally. What China's military ambitions are, is not clear, but considerable future Chinese navy presence in the Arctic should be expected.

The implication is that the Arctic has become, and will increasingly be, an area that is characterized by mounting tension. But rather serve as the stage on which two major world blocks will face off with one another: the US, Canada and Europe,

on the one hand, and Russia and China on the other. It will be an area of zero-sum geopolitical struggle, rather than amicable cooperation. The main implication for transatlantic cooperation, then, is that cooperation among the Western allies is more important than ever. The main implication for the Nordic countries is that they can no longer have an ambivalent position toward China. They should prioritize security considerations.

Moreover, for most Nordic-Baltic countries, this means that the security domain has doubled. Security issues related to Russia and the Baltic Sea have now been supplemented with similar issues in the Arctic region, involving Russia and China. However, significant differences remain in this respect. For Norway, and to a lesser extent for Denmark, the Baltic Sea dimension has always been rather limited in its security considerations, as the northern dimension has been commonly overriding. For the Baltic countries, Poland and Germany, the Arctic dimension is less important, and their main security domain is still the Baltic Sea Region.

Recommendations for Regional Nordic-Baltic Cooperation

Despite differences in security interests between the Nordic-Baltic countries, they should develop a common approach toward PRC involvement in their countries and in the Arctic.

Such a common approach should entail:

- A common strategic position vis-à-vis China (and Russia), based on a re-assessment of the current and future geopolitical, security and economic situations;
- Common frameworks and mechanisms for comprehensive and regional:
 - Investment screening;
 - Ownership registration;
 - Export-control measures;
 - Control of (predatory) procurement by foreign actors and control of tender participation by

foreign (i.e., non-EEA) actors in Nordic-Baltic countries;

- Security clearances for research.
- Common frameworks should be developed in organizations where the roles of countries such as China and Russia are minimal or virtually non-existent, including the Council of the Baltic Sea States and the Nordic Council. If needed, despite the already thick governance structures in the region, a new council on Nordic-Baltic economic security surveillance should be established. Alternatively, or complementary, the OECD can also provide some expertise.
- The Nordic countries should proactively establish programs that finance and support the development of the Arctic region, on their terms. In other words, they should provide an effective alternative to Chinese involvement.

4.

Chinese Influence in Denmark and Greenland

Søren Dosenrode and Karoline Sommer

This case study mainly focuses on the People's Republic of China's (PRC, or simply "China") presence in Denmark but also includes a shorter section on the PRC's presence in Greenland, which is part of the Kingdom of Denmark and a Nordic Council member.¹ The chapter begins with a short overview of the European Union's and Denmark's overall approach to the PRC, as the EU constitutes the most important political and economic frames for Danish policymaking. Then follows an analysis of the PRC's presence in Denmark. After this, the following two sections analyze China's

¹ The Kingdom of Denmark (or the Realm) is more than just the geographical area called 'Denmark' it also comprises the Faroe Islands and Greenland. With a population totalling a bit less than 6 million inhabitants (Denmark: 5'806.000; Faroe Islands: 49'900; Greenland: 55'800) and a total surface of some 2'210,500 square kilometres, stretching over 5 time zones, including Arctic as well as tempered climate zones, and a coastal line of more than 52'690 km. Whereas most political competencies are devolved to the home rule authority of Greenland (and that of the Faroe Islands), security- and foreign policy remains the prerogative of the Danish government in Copenhagen, in cooperation with the home rule authorities.

presence in Greenland. All findings are then collected and elaborated on in the analytical conclusion.

EU-Chinese Relations²

If one looks at the words and contents of the EU's strategic papers and communications vis-à-vis China over the years, one can detect three distinct phases: the first is from the introduction of relations in 1975 lasting until the takeoff of China's economy at the end of the 1980s, when China was seen as a developing country and relations were guided by treaties on trade.³

The next phase is characterized by the acknowledgement that China's economy is growing and that the country has become a true global actor— or the “Rise of China.” During this period, the EU considered China as a country in transition, and the words “help” and “support” can be found on nearly every page in the 1995 communication from the European Commission (EC) titled, “A Long-Term Policy for China-Europe relations.” Similar to the EU's strategic papers from 1998 and 2003, the EC focuses on helping China integrate into the multilateral world, as well as supporting China's aspirations to become a World Trade Organization member and helping it take up its global and regional responsibility (e.g., non-proliferation, peace, etc.). The EC had hoped to assist China in building an open society undergirded by the rule of law and democracy. The unipolar international system coupled multilateralism made this approach seem “natural,” as the time of confrontation was expected to be over. This gave rise to a certain “naivety” on the side of the EU, seeing China as “a land of plenty” just waiting to be approached.

The latest period began in the mid-2010s and corresponds with Xi Jinping coming to power and consolidating it in 2013. This

² For a detailed analysis of EU-China relations see Dosenrode 2021.

³ Council, 1978; Council, 1985

period is characterized by the fact that “for the EU, China is simultaneously (in different policy areas) a cooperation partner, a negotiation partner, an economic competitor and a systemic rival.”⁴ Furthermore, the EU declared that China is no longer a developing country.⁵

Danish-Chinese Relations: An Overview

Denmark’s relations with China have followed the European Economic Community’s and EU’s approaches, as Denmark’s bilateral relations with PRC date back to the latter’s founding years. Already in 1950, one year after the end of the Chinese civil war, Denmark diplomatically recognized the regime in Beijing. The first decades of the Cold War hampered Danish (and other Western states’) relations with China. However, Denmark managed to keep up constructive relations even during the Mao Zedong era due to Denmark’s early recognition of the PRC; Copenhagen actively supporting the PRC’s membership on the United Nations Security Council; recognition of the “One China” principle; and widespread ideological support of the PRC among left-wing parties, including the Social Democratic Party.⁶ The latter was pivotal in most Danish governments from 1945 until 1973. US President Richard Nixon’s opening of normal relations between the West and China in 1972 also influenced Danish relations beginning with Danish Prime Minister Poul Hartling visiting China in 1974 and then the Danish Queen in 1979. These two visits helped strengthen bilateral relations, which were developed during Deng Xiaoping’s opening of China and, according to Brødsgaard, intensified in the areas of politics,

⁴ European Parliament, 02.10.2020: From partner to rival

⁵ Commission, 2019, p. 1

⁶ Kjeld Erik Brødsgaard: Danish-Chinese Relations, 2010

economics, science, technology, education and culture.⁷ This came to a halt with the brutal ending of pro-democracy demonstrations in Tiananmen Square in 1989. According to Forsby, Denmark was the first country to submit a protest to the Chinese government.⁸

The period from the beginning of the 1990s lasting until the mid-2010s saw strengthened relations symbolized by the visit of Chinese President Hu Jintao in 2012 to Denmark, the Danish Queen's second state visit to China in 2014, and the signing of the Comprehensive Strategic Partnership in 2008.⁹ This also marked Denmark as belonging to the inner circle of Chinese foreign political relations.

However, the relationship has cooled off since, as at present, Chinese President Xi Jinping has adopted a tougher stance toward human rights inside (authoritarian) China and an assertive stance on the international stage. This approach illustrates Denmark's direct dilemma vis-à-vis China: how to combine Copenhagen's strong normative, moralist stand on human rights and democracy with strong economic interest. Denmark's approach has been to de-politicize the relations with China and leave it to the EU to deal with normative policy.¹⁰ However, the Sino-US antagonisms under US presidents Donald Trump and Joe Biden have put pressure on Denmark to choose a side. At the time of writing, Denmark has, courteously, leveled up its criticism of the human

⁷ Brødsgaard, p. 4

⁸ Forsby, Danish-Chinese Relations 'Business as Usual' or Strategic Disruption (I), p. 5.

⁹ Forsby, Danish-Chinese Relations 'Business as Usual' or Strategic Disruption (I), 5

¹⁰ An example of this are the mass arrests of pro-democracy activists who were arrested in Hong Kong around New Year 2021. The Danish foreign minister Jeppe Kofod, condemned the arrestations, but wanted eventual sanctions to be an EU-decision. Information 2021. Se also Kolde vinde blæser ind over venskabet mellem Kina og Danmark, Berlingske 19.12.2020.

rights situation in China, especially in Hong Kong, but not at a level that endangers Danish exports to China.¹¹

Chinese Influence in Danish Infrastructure

Infrastructure is the nerve system of a society. However, differences abound regarding the specifics of infrastructure's role in society and especially its importance. In 2020, state-owned China Railway Engineering Equipment Group (CREG), which has built "hard" infrastructure (bridges, airports, etc.) all over the world, became involved with the building of the metro in Copenhagen.¹² This is hardly a potential security risk as it is not "critical infrastructure." More serious is the question of renewing the Danish Internet system, transitioning from G4 provided by Huawei to a new G5 system. G5 is considered critical infrastructure and, when Danish telecom companies were considering choosing Huawei as the provider, Copenhagen all of a sudden found itself squarely between the US and China.

In 2013, when Danish telecom firms chose Huawei as the provider of the G4 system, a number of security concerns were already raised. However, the security aspect of cooperation with Huawei took center stage in 2018, when the US warned its allies about the dangers of using Huawei as a provider for 5G for mobile networks. At the time, Denmark's largest mobile network firm, TDC, had already completed tests with the new Huawei technology.¹³

As a result, public debate grew regarding Huawei's role in Denmark. In the midst of this, Huawei's Danish branch tried to

¹¹ However, when China sanctioned a number of Western persons promoting democracy and human rights, the Danish foreign minister expressed his criticism to the Chinese ambassador in Copenhagen. This was done, after a number of other EU-member states had done the same (Danish Ministry of Foreign affairs 23.3.2021)

¹² Fagbladet 3F

¹³ Information, 25.1.2019: Kinesere i netværket.

influence the Danish prime ministers Lars Lykke Rasmussen (2015–2019) and Mette Frederiksen. Both received letters from Huawei partly threatening that if Denmark invoked sanctions, it would have severe economic consequences.¹⁴

The director of the Center for Cybersecurity, a branch of the Danish Military Intelligence Service, was quite explicit in his judgment in January 2019: “We still have not found the famous smoking gun showing that Huawei has done anything of safety damaging nature. However, there is a loaded gun in the form of the Chinese law which requires every business to assist the state’s gathering of intelligence.”¹⁵ A few days after, then-Minister of defense Claus Hjort Frederiksen stated in the Danish parliament: “We must be able to feel safe, that criminals and foreign states do not spy on our authorities, businesses and citizens.”¹⁶ This was repeated by Prime Minister Frederiksen in May 2020, although he did not mention China or Huawei by name.¹⁷

In the winter of 2020 the Danish defense minister proposed a “Law on Provider-Security Within Critical Telecom Infrastructure” (Lov om leverandørsikkerhed i den kritiske teleinfrastruktur),¹⁸ which was passed in March 2021.

However, long before the law was passed all Danish mobile firms had decided not to choose Huawei and rather engage with Swedish Ericsson instead.¹⁹ One commentator put it this way: “The fear was and is that the Chinese company may exploit its position to help the Chinese government’s spying, or in case of a conflict, China will have the possibility to close down all or parts

¹⁴ Berlingske, 14.5.2020 For et år siden.

¹⁵ 25. januar 2019 Information, Lasse Skou Andersen. My translation.

¹⁶ Information, 25.01.2019, Kinesere i netværket. My translation.

¹⁷ Berlingske, 14.5.2020,

¹⁸ Lov om leverandørsikkerhed i den kritiske teleinfrastruktur 2021

¹⁹ Danmarks Radio 19.11.2020, Sidste danske teleselskab...

of our tele-network.”²⁰ A number of commentators and scholars also drew attention to pressure from the US government to avoid Huawei.²¹

To conclude, Chinese participation in Danish infrastructure programs are not regarded as difficult per se, but Chinese participation in what is deemed ‘critical infrastructure’ is and, as such, is actively avoided. Obviously, Denmark also very much listened to the US regarding Huawei as a supplier of 5G infrastructure. As a last point, it should be noted that Denmark has not joined the PRC’s Belt and Road Initiative.

Economy and Finance

Outside the EU, China is Denmark’s second-largest export market. Denmark imported approximately 8.53 billion euros-worth of goods from China and exported approximately 8.36 billion euros-worth.²² However, this is still far behind the US, which in the same period imported goods and services from Denmark valued at approximately 23.2 billion euros.

In 2008, a comprehensive strategic partnership covering economic, political, cultural and other affairs was signed between China and Denmark. That Copenhagen became a strategic partner with Beijing was seen as a bit of a diplomatic coup for a small North European state. Danish Prime Minister Anders Fog Rasmussen later stated regarding this situation: “I was clearly of the opinion that economic liberalization would lead to political liberation, slowly and gradually.”²³ In 2012, Chinese President Hu Jintao visited Denmark, and the Danish Minister of Trade Pia Olsen Dyhr stated: “However, the visit’s biggest winners were

²⁰ Information, 25.01.2019. Kinesere i netværket. My translation.

²¹ E.g. Yang Jiang 10.3.2020 Danmarks politik i forhold til kinesiske investeringer.

²² Danmarks Statistik 2022

²³ Berlingske 19.12.2020 Kolde vinde

Danish and Chinese businesses, who closed some 16 deals worth around \$3.4 billion during the trip. ... I am concerned about how we can contribute to solve some of the challenges the Chinese are facing, including within the area of green solutions, on which China has put massive focus.”²⁴

These, and many other euphoric statements from Danish politicians and businessmen, have marked change in the Danish attitude toward Chinese investments in Denmark (and most of the other EU member states). Indeed, relations have shifted from a time of naïve happiness about Chinese investments to a more cautious approach in the late 2010s. Still, this attitude is ambivalent especially at the level of individual businesses and firms, where Chinese involvement may be seen as beneficial due to Beijing’s willingness to take risks.²⁵ The changes in Danish attitude coincide with increasing suppression of the democratic movement in Hong Kong as well as former US President Donald Trump’s hard-liner approach toward China. The signs of a changed attitude on China came with Denmark’s change of attitude toward France, Germany and Italy’s proposal that EU member states should be able to screen foreign direct investments from states such as China, where state-owned and state-financed firms may invest and buy firms in Europe, thus creating unfair competition. In 2017, Denmark was against this proposal, but in 2019, Copenhagen supported it.²⁶ This change of attitude culminated with passing of the “Law on Provider-Security Within Critical Telecom Infrastructure” in 2021.

In 2020, the Danish newspaper *Finans* presented analysis on where Chinese companies were investing in Denmark. Not

²⁴ Chinese Embassy in India 2012

²⁵ Finans 13.09.2020. Kineserne går efter danske teknologivirksomheder.

²⁶ Yang 2019, Danmarks politik i forhold til kinesiske investeringer.

surprisingly, the often state-owned, or state-supported, companies invested in businesses supporting the Made in China 2025 program, which includes advanced information technology, robotics, sustainably energy and aviation technology. The largest share of Chinese investments in Denmark are directed toward technology (27 percent), followed by fashion and design (15 percent).²⁷

To sum up, Chinese investments in Denmark are considered crucial. Denmark remains a small, open economy dependent on trade. On this, former Danish Foreign Minister Martin Lidegaard stated: “One has to find a balance between protecting our own values against Chinese influence and at the same time keep a world where one trades with another and jointly tries to solve the globe’s great problems, like the climate crisis.”²⁸ On the other hand, former Prime Minister Anders Fog Rasmussen expressed that: “There are situations where values are more important than consequences for Danish businesses.”²⁹ In many ways, Denmark has embraced the EU’s approach to China: “For the EU, China is simultaneously (in different policy areas) a cooperation partner, a negotiation partner, an economic competitor and a systemic rival.”³⁰

Education and Science

Joseph Nye introduced the concept of “soft power” in the 1990 book, *Bound to Lead: The Changing Nature of American Power*. Nye defined soft power as: “when one country gets other countries to want what it wants might be called co-optive or soft power in

²⁷ Finans 13.09.2020. Kineserne går efter danske teknologivirksomheder

²⁸ Berlingske 19.12.2020 Kolde vinde

²⁹ Berlingske 19.12.2020 Kolde vinde

³⁰ European Parliament, 02.10.2020: From partner to rival

contrast with the hard or command power of ordering others to do what it wants.”³¹ Means to achieve this include promoting language training and cooperation within all levels of education and science. China has promoted this approach through its Confucius Institutes.³²

Confucius Institutes blossomed in Denmark in the 2010s. This was the case for at least two universities: Aalborg University (AAU) and Copenhagen Business School (CBS). Confucius Institutes are public educational and cultural promotion programs funded by the Chinese government (i.e., the CCP). In 2020, the daily *Jyllands-Posten* identified 10 Danish educational institutions that are or had been a part of the Confucius Institute program,³³ Among the institutions were the two universities already mentioned, a music conservatory, a business academy and a number of grammar schools. The Confucius Institutes at AAU and CBS were both closed at the end of the 2010s. The reason for closing was given as “economic,” but the closings did come after growing criticism of the institutes—namely, that the institutes were propaganda machines.³⁴ Both AAU and CBS had, on several occasions, been offered Confucius Institutes but declined. One professor at Copenhagen University explained: “It would create problems as well as interference in research and teaching.”³⁵ At the time of writing, AAU upholds a student-exchange agreement with the University of International

³¹ Nye, Joseph (1990), Bound to lead.

³² For a short introduction see BBC 07.09.2019

³³ In an exchange with the author the Ministry of Education and Research explained that agreements on Confucius Institutes and Classrooms were concluded between the education institution and China not involving the ministry.

³⁴ E.g. Information: Kina finansierte danske universiteter 14.07.2015 or *Jyllands-posten*: Kinas millioner 18.07.2020

³⁵ Information: Kina finansierte danske universiteter 14.07.2015

Relations in Beijing, but it is planned to be closed due to an ongoing reform of studies.³⁶

A different, potentially problematic Chinese endeavor is the so-called Thousand Talents Program. This program is designed to attract Chinese ex-pats to come home and encourage top foreign scientists to come to China.³⁷ It has been closely linked to Chinese industrial espionage.³⁸ According to the daily *Politiken*, more than 30 Danish scientists are enrolled in the scheme and eight are working within wind turbine development, a sector in which Denmark is a world leader.³⁹ The program has been discussed behind closed doors in the Danish parliament and is a source of worry. It is legal to be a member of the program, as long as one is open about it.⁴⁰

In conclusion, a visible Chinese presence permeates Danish education and science. However, cooperation in these realms seems to be dealt with through public and political debate.

China's Arctic Approach

During the Cold War, the Arctic region was of fundamental strategic importance in the East-West conflict. Today, the melting of the arctic ice and snow, rising powers, rising demands for raw materials, new discussions about what constitutes public goods, global commons and how to cope with the concept of sovereignty has once again highlighted the region's strategic importance. In the current context, the Arctic contains new global conditions that

³⁶ AAU Chinese Area Studies

³⁷ Hepeng Jai: What is Chinas Thousand Talents Plan?

³⁸ Politiken. Sikkerhedschef advarer om 1000 Talenter. 02.05.2020.

³⁹ Politiken. Sikkerhedschef advarer om 1000 Talenter. 02.05.2020.

⁴⁰ Energy Supply. 04.05.2020. Kinesisk talentprogram muligt cover-up for industrispying

are unfolding in a new world order. These conditions are quite different from what we have seen in other historical eras. The new conditions are more prosperous, more regulated and more secure, as developing countries are transforming into developed countries.

These new dimensions are quite favorable for China. Three primary reasons undergird China's interest in the Arctic. The first is climate change—that is, the environmental problems causing extreme weather, which affect food security. The melting ice also presents a challenge. The second objective is to ensure access to shipping routes as part of Chinese economic development.⁴¹ Foreign trade access is critical and reducing the length of shipping routes to Europe seems to be lucrative.⁴² In 2012, a new Chinese icebreaker *Xue Long* passed through the Northern Sea Route.⁴³ The third and final reason involves resources, raw materials and fishing grounds.

To China, sovereignty is a fundamental issue. China claims it will not challenge the sovereignty of other states in the Arctic.⁴⁴ In the Arctic Council, Beijing is a permanent observer that has the right to participate in all meetings, including working groups and committees. The observer report from 2018 stated: "China is geographically a 'Near-Arctic State,' one of the continental states that is closest to the Arctic Circle."⁴⁵

⁴¹ Conference Report, China's Arctic aspirations. University of Copenhagen, Centre for Military Studies, 2014.

⁴² See, Arctic Shipping. Commercial opportunities and challenges. CBC Maritime. The Arctic Institute, 2016.

⁴³ See the article on China Daily by Xie Chuanjiao and Huang Vaning: http://usa.chinadaily.com.cn/china/2012-07/02/content_15543448.htm

⁴⁴ Conference Report, China's Arctic aspirations. University of Copenhagen, Centre for Military Studies, 2014

⁴⁵ Arctic Council Observer report 2018

In another sense, China is often referred to as a rising power or returning power because of its consistent pursuit of a coherent arctic policy, as well as interest in the development of shipping routes and the exploration of energy and resources in the Arctic. Some research papers write that China's conduct directly influences the security environment of the Arctic Ocean.⁴⁶

China in Greenland

In March 2018, Chinese state-owned giant China Communications Construction Company (CCCC) bid on contracts to construct and expand three new Greenlandic airports in Nuuk, Qaqortoq and Ilulissat.⁴⁷ These projects represent the largest infrastructure projects in Greenland's history. The airport projects led to tensions between The Home Rule Authority of Greenland and the Danish government after the Greenlandic Airport authorities encouraged Chinese investments.⁴⁸ Given Greenland's limited GDP, which is about \$3 billion, Danish and US politicians raised concerns that Chinese involvement in a \$550 million infrastructure project would grant China huge influence in Greenland. The projects fall into the grey zone between Greenland's self-determination in relation to issues of development and infrastructure and Denmark's jurisdiction regarding foreign and security policies.⁴⁹ Thus, the Danish

⁴⁶ See e.g. "The Increasing Security Focus in China's Arctic Policy" By Heljar Havnes and Johan Martin Seland, July 16, 2019. The Arctic Institute
<https://www.thearcticinstitute.org/increasing-security-focus-china-arctic-policy/>

⁴⁷ DIIS Policy Brief, 2018

⁴⁸ Reuters 2018

⁴⁹ See DIIS Policy Brief "Chinese investments in Greenland raise US concerns – Strictly business" By Hans Lucht. DIIS November 2018

government decided to partially finance and co-own the new airports.

In 2016, Denmark took a decommissioned US-built naval base in Grønnedal from the World War II off the market, when the Chinese company General Nice Group expressed an interest in buying the buildings there. US Deputy Assistant Secretary of Defense Katie Wheelbarger warned Denmark publicly about China's aspirations and how China uses economic power to establish a military presence in Greenland.⁵⁰ The Danish Defence Intelligence Service (DDIS) also raised concerns in their risk assessment report, which included a discussion of Beijing's emerging strategies in the Arctic and direct impacts on Greenland.⁵¹ China has become the third major player in the Arctic, along with Russia and the US.

The DDIS risk assessment explained emerging great-power competition in the Arctic with the linking of the Arctic to China's BRI, including the first Arctic White Paper published in January 2018. The Arctic Ocean has been formally confirmed as a key component of Beijing's overall strategic interests. DDIS explained that China is seeking greater legitimacy in the region, including bilateral partnerships and the expansion of scientific diplomacy.⁵² As part of the PRC's scientific diplomacy approach, the Chinese authorities want to build a 22,000 square foot scientific research station in Greenland.⁵³ According to Polar Research Institute of China Vice Director Yong Yu, the facility will house 15–20 scientists per year around northeast Greenland or near the

⁵⁰ Arctic Today 2016, also Reuters 2017

⁵¹ See DDIS report 2017-2018

⁵² See Greenlandic news at KNR, also Altinget 2018.

⁵³ See "China mixing military and science in Arctic push: Denmark" Reuters November 29, 2019.

<https://www.reuters.com/article/us-usa-arctic-idUSKBN1Y3116>

capital, Nuuk. If the project comes to fruition, it will be the largest science station in Greenland.

The Chinese have also been engaged in different mining projects in Greenland, including⁵⁴ a potential zinc mine at Citronen Fjord in cooperation with Australian company Ironbank, a copper mining project at Wegener Halvø, the Isua Iron ore project and Kvanefjeld rare earth mine with Greenland Minerals in partnership with Shenghe Resources. Chinese companies have joined the projects by buying licenses, investing in companies or bidding on contracts. China sees Greenland as a strategic place for long-term investments. Recently the government of Greenland opened a representation office in Beijing to deepen its relations with China.⁵⁵

According to JRC Science for Policy Report, Greenland accounts for 12 of 19 primary raw materials used in the European Defence Industry. The EU estimates that Greenland possesses one of the world's largest deposits of rare earth minerals that could cover one-fourth of the world's need for the next 50 years.

At the time of writing, it seems that China is not involved much in Greenland education. According to the policies and directions laid out by the Home Rule Authority of Greenland, the Greenlandic approach to Chinese investments and relations is rosier than that of the Danish government. In political relations between Greenland and Denmark, Chinese foreign investments in Greenland can cause conflict. To avoid this, Copenhagen has tried to promote better political relations with the Home Rule Authority by establishing joint working groups and institutions to solve pressing security issues.

⁵⁴ Yang Jiang 2021.

⁵⁵ Naalakkersuisut press release 2021

Conclusion

As has been demonstrated, China is extremely present in Denmark proper and Greenland. In Denmark, the PRC is primarily present in Danish infrastructure, finance and education. The Danish perception of this presence has changed gradually, following that of other EU member states. This implies that Denmark has traveled from a slightly naïve approach to China to an approach in which Beijing is viewed cautiously but also as an important market for Danish exports.

China's massive interests in Greenland has at times caused tensions and worries within the Danish Realm, diverting Copenhagen's attention from the Baltic Sea area and the rest of Europe. The Danish government is today clearly more skeptical toward China than the Home Rule Authority of Greenland.

Chinese activities in Greenland, the clamp down on the democracy movement in Hong Kong and the aggressive attitude toward Taiwan have encouraged a more China-critical attitude in the majority of the Danish parliament. This has also made it easier to support the US approach regarding China, although Denmark prefers to use the EU for promoting foreign political values.

Regarding adequate security toward China (and Russia), NATO and the US are the only actors capable of supplying necessary measures. However, Denmark has considered the EU as a long-term security option, with Copenhagen proposing a referendum on the Danish opt-out from EU common defense to be held on June 1st, 2022.

5.

Chinese Influence in Germany's Baltic and Northern 'Länder'

Didi Kirsten Tatlow and Yu-Fen Lai

Mecklenburg-Western Pomerania and Schleswig-Holstein make up Germany's 1,000-kilometer Baltic Sea coast, stretching from Denmark to Poland. They are two of Germany's 16 states, or *Länder*. Historically, Germany has had a high profile in the Baltic region; from the 13th to late 17th centuries, a network of Hanseatic cities built extremely prosperous trade routes, including running east and north into Scandinavia and the Baltic region.¹ Today, Germany's major economic and population centers lie in the landlocked southern and western states of Bavaria and Baden-Württemberg as well as North Rhine-Westphalia and Hesse.

Overall, it is fair to say that Germany does not identify predominantly as a Baltic country. It is, however, very much part of the Baltic space. In German, the Baltic is known as the *Ostsee*, or East Sea, a geographic counterweight to its 600-kilometer North Sea coast. Known by the official state abbreviations of MV, Mecklenburg-Western Pomerania (*Mecklenburg-Vorpommern* in

¹Städtebund die Hanse. Council of Europe. Accessed May 15, 2022, <https://www.hanse.org/en/>.

German) was part of the former German Democratic Republic (East Germany); Schleswig-Holstein (SH) was part of the Federal Republic of Germany (West Germany).

This long Baltic coastline has implications for Germany's relationship with the People's Republic of China (PRC). China is certainly interested in infrastructure, research and economic opportunities, including shipping and ports, oceanic and polar research, as well as the future-oriented economies supported by the state governments, especially in MV. These include biomedical, biotechnology and renewable energies such as biogas, food technology and agriculture. While Germany has not signed onto China's Belt and Road Initiative (BRI), infrastructure deals are sometimes referred to by German and Chinese companies and officials as part of that geopolitical and geo-economic push, thus creating a growing, *de facto* BRI in Europe (which has suffered with Russia's invasion of Ukraine).² This non-kinetic trifecta of research, infrastructure and economy is of central importance for the Chinese Communist Party (CCP) in its quest for "national rejuvenation" and "overall comprehensive strength" by 2049.

For context, if decades ago, Mao Zedong declared the CCP's three "magic weapons" to be propaganda, the United Front and the People's Liberation Army, at a speech in Beijing in 2022, PRC citizen and former World Bank chief economist Justin Lin Yifu (who defected from Taiwan to the PRC in 1979 by swimming the Taiwan Strait) added a fourth "magic weapon": technology and knowledge transfer.³ This is underway widely in Germany, including in the two Baltic Länder.

² European Silk Road Summit | Building the business case in Europe. "European Silk Road Summit." Accessed May 12, 2022, <https://www.silkroadsummit.eu/>.

³ Lin Yifu, "China's new increased economic growth targets; a magic weapon and common prosperity." Peking University's National School

In this chapter we include some detail on the city-state of Hamburg on the Elbe River, which flows into the North Sea. While Hamburg is not on the Baltic, it is equidistant to both seas and connects to the Baltic via a canal running downriver from Brunsbüttel in SH to the Baltic port of Kiel, also in SH. Hamburg has one of the oldest relationships with China of anywhere in Germany, having twinned with Shanghai in 1986. In Chinese, the city is known as *Hanbao* (汉堡) or “fortress of the Han,” the dominant ethnicity in China.

To round out, we also include some detail on a 99-year lease for a logistics and transportation hub awarded to a Chinese state-owned company in Wilhelmshaven on the North Sea in the state of Lower Saxony, the site of Germany’s only natural deep-water port and next to its biggest military district.

Excluding the European Union as a trading bloc, the PRC was Germany’s biggest trading partner for the sixth year in a row in 2021, with two-way trade totaling 245.5 billion euros (\$258.8 billion). Germany runs a rare trade deficit with China amounting to 38 billion euros (\$40.06 billion) in 2021. Buried within those big numbers, MV (population of 1.6 million) and SH (population of 2.9 million) play a relatively small economic role, being respectively the third and seventh smallest economies of the 16 *Länder*.⁴ One study found that of 190 takeovers or investments by Chinese companies in Germany between 2010 and 2017 just five

of Development, March 21, 2022,
<https://nsd.pku.edu.cn/sylm/gd/520503.htm>.

⁴ Statista. “Bruttoinlandsprodukt in Deutschland nach Bundesländern 2021,” April 26, 2022,
<https://de.statista.com/statistik/daten/studie/36889/umfrage/bruttoinlandsprodukt-nach-bundeslaendern/>.

each occurred in MV and SH, compared to 44 each for Baden-Württemberg and North-Rhine Westphalia.⁵

Yet, prizes abound for the CCP within the region. At the Leibniz Association's four research institutes in MV alone, more than 60 PRC scientists work on technologies including aeronautics and space engineering, remote radar sensing, chemical catalysts and oceanographic instruments.⁶ MV's future economies, supported by the state government, match many listed in Beijing's Made in China 2025 and 14th Five-Year Plan.

Perception and Risk

German perceptions of ties to the PRC have shifted toward greater caution since the takeover (and subsequent squeeze-out) of the intelligent robotics solutions firm Kuka by China's Midea in 2016. One sign of this shift is the German Foreign Ministry's new "China Strategy" (and a larger overall national security strategy), expected by the end of 2022. It will likely be significantly more security-minded than the current "comprehensive strategic partnership" agreed to in 2014.⁷ Another sign is the significantly increased scrutiny of inward investment, which has led the Federal Ministry for Economic Affairs and Climate Action to block a takeover of the German medical technology company Heyer by

⁵ Christian, Rusche. "Chinesische Investitionen in den deutschen Bundesländern." Rusche IW-Kurzbericht, no. 60 (August 28, 2017), <https://www.iwkoeln.de/studien/christian-rusche-chinesische-investitionen-in-den-deutschen-bundeslaendern-358051.html>.

⁶ LinkedIn. "Tao Zhu | LinkedIn." Accessed May 12, 2022, <https://www.linkedin.com/in/tao-zhu-a42297205/?originalSubdomain=de>.

⁷ "China, Germany Establish Comprehensive Strategic Partnership," Xinhua, March 29, 2014, http://www.chinadaily.com.cn/world/2014xivisiteu/2014-03/29/content_17388735.htm.

the PRC's Aeonmed in April 2022.⁸ Few in Germany expect full decoupling to take place between Germany and China; more likely is a “streamlining,” as Emeka Umejei, a researcher on US-Chinese decoupling issues, puts it.⁹

Substantial support for deepening trade and other ties with the PRC remains, as well as naivety and a lack of granular information about the CCP's activities and goals. Leading business figures continue to argue for expanding trade and other ties, including in critical areas such as chemicals—one example being the German chemical company BASF, which is continuing a China-heavy policy with a 9 billion euro (\$9.49 billion) and highly sophisticated factory in Zhanjiang in Guangdong Province,¹⁰ headquarters of the PLA's South Sea Fleet. Many German companies, on the contrary, believe the answer is to “double-down” by adapting to the PRC's increasingly autarkic business and social ecosystem, a position elaborated on by business owners at an online seminar organized by China.Table, a Berlin-based media outlet, in February 2022.

Although risk management guidelines for PRC cooperation exist, universities and research institutes remain largely uninterested in genuinely controlling risky or unsafe collaborations with PRC partners, arguing instead for the “freedom of science,” despite

⁸ Timo Angerbauer, “Update on German FDI,” April 28, 2022, Antitrustpolitics.com <https://antitrustpolitics.com/2022/04/28/update-on-german-fdi-government-about-to-prohibit-medical-deal/>

⁹ Emeka Umejei, post-doctoral research fellow at the University of Duisburg-Essen, in discussion with the author. Prague, 19 May 2022.

¹⁰ “BASF Zhanjiang Verbund Site,” BASF website, accessed May 18, 2022, <https://www.basf.com/cn/en/careers/campaign/2018/megaprojects/zhanjiang.html>

growing media scrutiny.¹¹ Unlike the US or Japan, Germany does not have an Entity List, though it does have a national export control list run by the Federal Office of Economic Affairs and Export Control (BAFA) and inward investment regulations managed by the Federal Ministry of Economy and Climate (BMWK). On sanctions and embargos, Germany follows EU rules, updated in 2021 for the first time in ten years.

Unlike in the US and Japan, no PRC research institutions or universities appear on EU embargo lists. Thus, joint research with the National University of Defense Technology of the PLA is legal as is collaboration with PRC researchers from the “Seven Schools of National Defense,” for example, Beihang University (previously known as Beijing University of Aeronautics and Astronautics), the People’s Armed Police universities and other institutions that pose research security and integrity risks such as Xidian University (Xi’an University of Electronic Science and Technology).¹²

In addition, close contact has been taking place between Germany and China at multiple levels of government. One stand-out effort involves the relationship between CCP Politburo member Wang Chen and Hans-Peter Friedrich, a Bundestag member, former minister of the interior and former deputy president of the parliament. Friedrich co-founded the China-Brücke (China Bridge). The identities of most German members of this organization are secret. In April 2022, Friedrich added to his portfolio, becoming chair of the Germany-China Parliamentary

¹¹ Sandra Petersmann, Esther Felden, Naomi Conrad, “How a Humboldt Foundation fellow joined China’s military commission,” *Deutsche Welle*, May 20, 2022. <https://www.dw.com/en/how-a-humboldt-foundation-fellow-joined-chinas-military-commission/a-61858074>

¹² Jeffrey Stoff, *China’s Quest for Foreign Technology—Beyond Espionage* (Routledge 2021), 169-185.

Group, according to media reports¹³ (at the time of writing, the Bundestag website had not been updated).

Despite a more critical coalition agreement among the governing Social Democrats, Greens and Free Democrats and agreed to in December 2021, German Chancellor Olaf Scholz sent a business-as-usual message to Xi Jinping even before being appointed chancellor.¹⁴ Cooperation with the PRC in knowledge and technology transfers are still described by the state government of Schleswig-Holstein as “development policy.”¹⁵ This is an old-fashioned approach in need of reworking. Overall, the issue of cooperation with the PRC is increasingly contentious; as such, those publicly arguing for granular caution and warning of deleterious PRC influence and interference may find themselves swiftly excluded from official, business or even civil society organizations.

¹³ Claudia von Salzen, “CSU Politiker Friedrich knüpft Kontakte nach Peking,” Tagesspiegel, April 28, 2022, <https://www.tagesspiegel.de/politik/in-einem-verein-und-nun-auch-im-bundestag-csu-politiker-friedrich-knuepft-kontakte-nach-peking/28288114.html>.

¹⁴ Silke Wettach, “Scholz hat Chinas Präsident Xi Fortsetzung von Merkels Kurs Signalisiert,” Wirtschafts Woche, December 05, 2021, <https://www.wiwo.de/politik/ausland/china-kurs-scholz-hat-chinas-praesident-xi-fortsetzung-von-merkels-kurs-signalisiert/27863738.html>.

¹⁵ Deutsche Länder in der Entwicklungspolitik: Schleswig-Holstein. Accessed May 13, 2022, <https://ez-der-laender.de/bundesland/schleswig-holstein>.

Mecklenburg-Western Pomerania (MV)

In 2016, former German Chancellor Angela Merkel personally enabled a piece of CCP influencing when she opened¹⁶ a Confucius Institute (CI)¹⁷ in the small Baltic port city of Stralsund. It was the 17th of 19 CIs in Germany.¹⁸ The institute is in Merkel's constituency, where she won her Bundestag seat eight times in a row, serving from 1990 to 2021. The CI had been personally agreed on between Merkel and Chinese Premier Li Keqiang during Merkel's visit to China the previous year.

Standing as a partnership between the Hochschule Stralsund¹⁹ (University of Applied Sciences Stralsund) and Hefei University²⁰ in Anhui Province, China, CI Stralsund makes its regional ambitions clear: "This institute should have a large regional impact in the Baltic Sea region." The German director²¹ is described as "the first foreigner having ever served as a vice president for a state-run university in the PR China, Hefei

¹⁶ Konfuzius-Institut Stralsund, "德国施特拉尔松德孔子学院成立," August 31, 2016, <http://www.scio.gov.cn/zhzc/35353/35354/Document/1514138/1514138.htm>.

¹⁷ "Über uns." Konfuzius-Institut Stralsund e.V., Accessed May 12, 2022, <https://www.konfuzius-stralsund.de/ueber-uns/>.

¹⁸ "Konfuzius-Institute in Deutschland 德国孔子学院信息网|德语地区 Konfuzius-Institute Im Deutschsprachigen Raum," Accessed May 12, 2022, <http://www.konfuzius-institute.de/>.

¹⁹ Hochschule Stralsund. Accessed May 12, 2022. <https://www.hochschule-stralsund.de/>.

²⁰ "合肥学院," Accessed May 12, 2022, <http://www.hfuu.edu.cn/>.

²¹ "Prof. Dr.-Ing. Falk Höhn - Deutsche Hochschule Hefei," Accessed May 12, 2022, <http://www.dh-hefei.net/en/personen/37-person/55-falkhoehn>.

University.”²² The CI Stralsund and its director did not respond to emailed requests for an interview.

Beyond “spreading Chinese language and culture,” the CI advertises a decidedly non-educational “special goal”: to “promote regional economic exchange involving small and medium-enterprises” and to “impart and examine the effects of TCM” (traditional Chinese medicine); “appropriate universities on the Chinese side are ready for this purpose,” the institute’s website proclaims. The institute has held a series of talks²³ on the virus-fighting ability of TCM, which it claimed resonated locally.

At their height, numbering around 550, CIs have declined globally due to political concerns in host countries. In the Baltic region, Sweden has closed all its CIs. Aware of growing skepticism, in 2020, Chinese authorities dissolved the Confucius Institute Headquarters (Hanban) in Beijing and set up two ostensibly independent organizations, the Chinese International Education Foundation and the Center for Language Education and Cooperation (CLEC). According to Germany’s domestic intelligence service, the *Bundesamt für Verfassungsschutz* (Office for the Protection of the Constitution, BfV), however, these mirror the Hanban, with the CLEC even having the same address, directors and party secretaries as the organization it replaced. In 2021, parliamentarians of the Free Democratic Party called²⁴ for the closure of all CIs in Germany, highlighting that, in 2018, the CCP instructed CIs to place “the construction of socialist culture and Chinese-style diplomacy” at the heart of their work.

²² “合肥德国应用科学学院 Deutsche Hochschule Hefei,” Accessed May 12, 2022, <http://www.dh-hefei.net/>.

²³ Konfuzius-Institut Stralsund e.V. “Veranstaltungen,” Accessed May 12, 2022, <https://www.konfuzius-stralsund.de/.veranstaltungen/>.

²⁴ “Drucksache 19/27109,” Deutscher Bundestag, March 01, 2021, <https://dserver.bundestag.de/btd/19/271/1927109.pdf>.

“Ideologically trained persons are being trained and sent overseas,” the parliamentarians said, calling for an independent expert group to scrutinize financial arrangements with German partner institutions. They also encouraged monitoring the CIs’ influence on teaching at German universities, whether they play a role in surveilling PRC students in Germany, censor debate or even engage in economic and research espionage and transfer.

The CI also drew MV into the CCP’s global “mask diplomacy” propaganda campaign. With Germany suffering an acute shortage of personal protective equipment in 2020, the mayor of Stralsund, Alexander Badrow, wrote to Hefei University for help.²⁵ Badrow “positively affirmed the achievements and successes of the Chinese people fighting the epidemic under the leadership of the Communist Party of China and the government,” according to a Chinese-language report on the university’s website. The result: 6,000 masks in boxes bearing Chinese and German flags arrived in Stralsund, were received by the mayor in a “simple and solemn” ceremony and relayed by local media, thus achieving the desired propaganda effect. A photograph taken in front of a fire station in Stralsund shows members of Stralsund’s emergency management team kneeling as they hold large national flags of both countries.

Yet, Hefei University may seek to mask the CCP’s role in the tie-up. In a letter²⁶ dated March 22, 2020, Party Committee Secretary Wang Qidong asked the CI to transmit special wishes and support

²⁵ “Stadtregierung von Stralsund Dankt Unserer Universität Für Die Spende von Anti-Epidemie-Gütern,” July 8, 2020, <https://web.archive.org/web/20220425112218/https://www.hfuu.edu.cn/36/e4/c6308a79588/page.htm>.

²⁶ Website of the Konfuzius-Institut Stralsund, “Letter from Hefei University,” Accessed May 13, 2022, https://www.konfuzius-stralsund.de/wp-content/uploads/2021/11/Brief_aus_China_bezCorona.pdf.

to Mayor Badrow. In the Chinese version, Wang is identified as “Communist Party Secretary, Professor Wang Qidong”; in German, he is identified only as “Senate President, Professor Wang Qidong.”

Sister City Huangshan

Even more PPE has flowed²⁷ from Stralsund’s sister city since 2015, Huangshan²⁸ in Anhui Province, the only one outside the Baltic-Nordic region (the others are Pori in Finland, Ventspils in Latvia, Kiel in Germany, Trelleborg and Malmö in Sweden, Svendborg in Denmark and Szczecinski in Poland). The CCP engages in subnational influencing in Germany via networks of sister state, city and district relationships. According to one study,²⁹ MV has seven such relationships with Chinese localities, including the Stralsund-Huangshan relationship.

Chinese Student and Scholar Associations

Online evidence reveals that there is a Chinese Student and Scholar Association (CSSA) in Stralsund, one of approximately 80

²⁷ Hansestadt Stralsund. “Chinesische Partnerstadt Huangshan Spendet Schutzmasken Für Stralsund,” April 16, 2020, <https://www.stralsund.de/shared/Nachrichtenportal/Corona/Chinesische-Partnerstadt-Huangshan-spendet-Schutzmasken-fuer-Stralsund.html>.

²⁸ “A lively partnership between the UNESCO World Heritage towns Stralsund and Huangshan.” German-Chinese Exchange Association (GCDV), Accessed May 13, 2022, <https://gcdv.de/9541/>.

²⁹ Kefferpütz, Roderick, “Stadt, Land, Fluss im Blick Beijings: Chinas subnationale Diplomatie in Deutschland.” Mercator Institute for China Studies (MERICS), November 18, 2021, <https://merics.org/de/studie/stadt-land-fluss-im-blick-beijings-chinas-subnationale-diplomatie-deutschland>.

in the country.³⁰ Connected to PRC embassies and regional consulates, CSSAs offer genuine pastoral help while exercising political and surveillance functions and serve as a vector for CCP interests and power projection. Other CSSAs in MV include one each at Greifswald University and Rostock University. Overall, 13 may have been established in the north German (“Norden”) area,³¹ including at Hamburg, where one is listed for DESY (Deutsches Elektronen-Synchrotron), a national research center in Germany that operates particle accelerators and researches the structure of matter. It is a member of the Helmholtz Association, Germany’s biggest network of research institutes.

Education and Research

Looking at just one of Germany’s four major research associations (in short form, Helmholtz, Leibniz, Fraunhofer and Max Planck), the Leibniz Association in MV state has four world-class S&T research institutes with more than 60 PRC scholars. One, in particular, has quite a large PRC presence numbering about 55: the Leibniz Institute for Catalysis (LIKAT) in Rostock. The LIKAT is the first Europe-wide catalysis center, set up in 1952, where teams³² of PRC scientists work together. Among other research-industry relationships, LIKAT works closely with German chemical company Evonik.³³ This entity operates a global R&D

³⁰ Education Section, Embassy of the People’s Republic of China to Germany, “驻德使馆教育处,” April 6, 2016, <http://www.de-moe.org/article/read/12169-20160406-3225>.

³¹ Ibid.

³² Catalysis. „Leibniz-Institut Für Katalyse. Forschung Über Katalysatoren: Katalyse Zu Heterocyclen,” Accessed May 12, 2022, <https://www.catalysis.de/forschung/hydrierungen-und-hydroformylierungen/katalyse-zu-heterocyclen>.

³³ Evonik. “Over 80 Years History in China - Evonik Industries,” Accessed May 12, 2022,

base in Shanghai and “expects to double the size of its R&D team at Shanghai Innovation Park by 2027,” according to the Chinese state-owned *Shanghai Daily*.³⁴

Finance and Economy

Biomedical companies, biotechnology and biogas stand out in terms of China-MV cooperation, reflecting goals contained in Chinese state plans, including a new bio-economic plan implemented in May 2022.³⁵ MV state is a co-founder of BioCon Valley,³⁶ the “Mecklenburg-Vorpommern health economy network,” and the government is actively involved in medical technology.³⁷ In 2021, BioCon Valley set up a “German-Chinese Working Group”³⁸ with the China International Investment Promotion Agency (CIIPA) and Alibaba-Cloud. A primary area of

<https://corporate.evonik.cn/en/company/evonik-in-gc-region/milestones>.

³⁴ “Evonik Upgrades Shanghai Site to Explore Growth Potential,” SHINE, September 2, 2021.

<https://www.shine.cn/biz/company/2108314342/>.

³⁵ Ouyang Shijia, “China Unveils Five-Year Plan for Bioeconomy,” China Daily, May 10, 2022.

<https://global.chinadaily.com.cn/a/202205/10/WS6279f455a310fd2b29e5bbac.html>.

³⁶ “BioCon Valley® GmbH,” Accessed May 12, 2022.

<https://www.bioconvalley.org/>.

³⁷ “Dialyse-Filter für China: In Laage entsteht neues Werk,” Ostsee Zeitung, May 24, 2018. <https://www.ostsee-zeitung.de/mecklenburg-vorpommern/dialyse-filter-fuer-china-in-laage-entsteht-neues-werk-ESCEV4LZTA5EG56TGOPDMQPAPY.html>.

³⁸ “BioCon Valley® gründet „Deutsch-Chinesische Arbeitsgruppe,” Bio Convalley, Accessed May 12, 2022, https://www.bioconvalley.org/aktuelles/details/news/biocon-valley-gruendet-deutsch-chinesische-arbeitsgruppe-mit/?tx_news_pi1%5Bcontroller%5D=News&tx_news_pi1%5Baction%5D=detail&cHash=8915bad2172ded5f62d3a53dc06fe600.

focus³⁹ is China's "Greater Bay Area"—the CCP's name for the geo-economic and geopolitical merging of Hong Kong and Macau with Guangdong Province—and the "Huangpu Healthcare Hub" in the province's capital, Guangzhou.

In MV's inland state capital of Schwerin, Industrie- und Handelskammer (IHK, a network of 79 industry and trade chambers) bundles and supports China business and contacts, including diplomatic and official ones. An article⁴⁰ on the website of the Hamburg-based German-Chinese Exchange Association (*Gesellschaft für Deutsch-Chinesische Verständigung*⁴¹; GDCV⁴²), a German civil society group that is part of United Front networks and counts well-connected⁴³ German and Chinese groups, as well as people among its members and partners, describes how the IHK Schwerin works with the Hunan Province branch of the state-run China Council for the Promotion of International Trade (CCPIT). Here too, the focus is on the healthcare economy, renewable energies, environmental technologies, food science and agricultural industries, digitalization and research. IHK Schwerin organizes business days during which representatives

³⁹ "Volksrepublik China," Bio Convalley, Accessed May 12, 2022, <https://www.bioconvalley.org/internationalisierung/workshops-delegationen/volksrepublik-china>.

⁴⁰ "GDCV EXCLUSIV. IHK zu Schwerin unterstützt im Verbund Unternehmen aus Mecklenburg-Vorpommern beim China-Geschäft. Vielfältiges Informations- und Veranstaltungsangebot," GDCV, September 23, 2021, <https://gdcv.de/gdcv-exklusiv-ihk-zu-schwerin-unterstuetzt-im-verbund-unternehmen-aus-mecklenburg-vorpommern-mit-einem-vielfaeltigen-informations-und-veranstaltungsangebot-beim-china-geschaeft/>.

⁴¹ GDCV, "主页 – GDCV," Accessed May 12, 2022, <https://gdcv.de/zh-hans/>.

⁴² GDCV, "合作伙伴," Accessed May 12, 2022, <https://gdcv.de/zh-hans/合作伙伴/>.

⁴³ GDCV, "Vereinsvorstand." Accessed May 12, 2022, <https://gdcv.de/about-us/vereinsvorstand/>.

of the PRC embassy and the China state-run Germany-China Chamber of Commerce⁴⁴ meet MV companies; “valuable contacts result,” the article notes.

Hunan Province is also the location of joint ventures in biogas⁴⁵; PRC biogas scientists have completed research at institutes in MV. In 2019, Till Backhaus, a government minister and long-time Social Democrat, traveled to Hunan Province for the third time, accompanied by a business delegation, for a “trade and research exchange” trip. “In their luggage are cooperation deals between two Mecklenburg-Western Pomerania companies and Changsha,” the capital of Hunan, the *Ostsee Zeitung* reported.⁴⁶ One project involves transforming rainwater into drinking water using technology developed in MV.

NucTech

In May 2022, the General Customs Directorate Central Procurement Office of the Federal Finance Administration (*Generalzolldirektion*) announced⁴⁷ it had awarded a contract to Chinese security company NucTech to install a fully mobile x-ray

⁴⁴ Der Chinesische Handelskammer in Deutschland e.V., “Chinas Wirtschaft in Deutschland,” Accessed May 12, 2022, <https://chk-de.org/de/>.

⁴⁵ “mele-Gruppe zieht Großauftrag für den Bau einer Biogasanlage in Dubai an Land,” Kommunalwirtschaft, Accessed May 12, 2022, <https://kommunalwirtschaft.eu/tagesanzeiger/detail/i34764>.

⁴⁶ “Backhaus nach China-Reise: Kontakte und Kooperationen im Gepäck,” *Ostsee Zeitung*, December 8, 2019, <https://www.ostsee-zeitung.de/mecklenburg-vorpommern/backhaus-nach-china-reise-kontakte-und-kooperationen-im-gepaeck-NP5OWUER76H6BAEEL77RDTZP2Y.html>.

⁴⁷ “Germany-Offenbach a.M.: Non-Medical Equipment Based on the Use of Radiations.” Accessed May 12, 2022, <https://ted.europa.eu/udl?uri=TED:NOTICE:47530-2022:TEXT:EN:HTML&src=0>.

inspection system in Stralsund, one of five in the tender (the NucTech hardware also went to Duisburg in North Rhine-Westphalia, Dresden in Saxony, Frankfurt an der Oder in Brandenburg and Regensburg in Bavaria). NucTech, ultimately owned by China National Nuclear Cooperation, is on the US Entity List, not just over concerns it has access to data and cargo information that could constitute a security risk⁴⁸ but also because US Department of Energy tests allegedly show it may be less able to spot nuclear and other forms of smuggling. In China, the company works with the People's Liberation Army and Chinese Ministry of Public Security. While NucTech has captured much of the European market in cargo and personal security and scanning systems, in 2021, Lithuania rejected⁴⁹ its bid to supply Lithuanian airports, on national security grounds. However, later that year, amid the chaos of a refugee crisis, Lithuania's customs office signed⁵⁰ a contract with NucTech to install x-ray equipment at Kena on the Lithuania-Belarus border.

⁴⁸ Kinetz, Erika, "Security Scanners across Europe Tied to China Govt, Military," AP NEWS, January 20, 2022, sec. Technology.
<https://apnews.com/article/technology-business-europe-athens-amsterdam-af38f8758172ada7c5e1620722f47627>.

⁴⁹ "Lithuania Blocks Chinese Scanning Equipment on National Security Grounds," Reuters, February 17, 2021,
<https://www.reuters.com/article/us-lithuania-china-idUSKBN2AH2AR>.

⁵⁰ "Lithuanian Customs Sign Contract with China's Nuctech on Border Scanners," The Baltic Times, September 20, 2021,
https://www.baltictimes.com/lithuanian_customs_sign_contract_with_china_s_nuctech_on_border_scanners/.

A Failed Chinese Airport

One high-profile infrastructure venture that failed is the 2007 purchase⁵¹ for 30 million euros (another 70 million to be invested) by a PRC businessman from Henan Province, Pang Yuliang, and his company, LinkGlobal Logistics, of an indebted airport in Parchim, 50 kilometers (km) southeast of Schwerin. According to the project's website,⁵² Pang praised Parchim's location—120 km from Hamburg and 160 km from Berlin, with good access to the Baltic seaports of Rostock, Wismar and Lübeck. This made it “a fantastic aviation gateway with multimodal transportation of road, air, sea and railway ready at service.” Pang planned for cargo and passenger flights from Zhengzhou, the capital of Henan Province, to Germany, and onward to Africa. But his overall vision was even grander: “Occupying 850 hectares of land, the airport has developed attached functional zones at Bond Logistics Park (BLP), Bond Industrial Park (BIP), Bond Trading Center (BTC) and Business Park (BP).”

Yet, despite these grand plans, nothing much happened for years. In 2019, Pang declared bankruptcy and his whereabouts unclear. According to sources, Germany's domestic security agency, the BfV, was concerned about the project's implications but was unable to intervene for some time due to legal and commercial reasons.⁵³

⁵¹ “Chinese kauft Flughafen Parchim,” *Der Tagesspiegel*, May 25, 2007. <https://www.tagesspiegel.de/wirtschaft/chinese-kauft-flughafen-parchim/854286.html>.

⁵² “Parchim International Airport,” Accessed May 12, 2022, <http://www.parchim-airport.com/en/html/index.asp>.

⁵³ “Luftverkehr - Parchim - Flughafen Als Autoparkplatz: Vertrag Verlängert,” *Süddeutsche Zeitung*, June 29, 2021, <https://www.sueddeutsche.de/wirtschaft/luftverkehr-parchim-flughafen-als-autoparkplatz-vertrag-verlaengert-dpa.urn-newsml-dpa-com-20090101-210629-99-183347>.

Weakened by Russia

Finally, international sanctions following Russia's invasion of Ukraine have hurt infrastructure deals between China and Germany's Baltic states, dealing a blow to Beijing's BRI route through Russia and the Eurasian continent. One example⁵⁴ here is the rail-sea route from Wuhan to Mukran on the island of Sassnitz, via the Russian port of Ust-Luga near St. Petersburg, which is on hold.

Schleswig-Holstein

Formal ties between Schleswig-Holstein (SH) and China date back to 1986, when SH entered a state partnership with Zhejiang, one of the wealthiest provinces in China. Contacts deepened in 1995 with a joint *Förderkommission* (funding committee) to expand business and trade, as well as science and technology cooperation. During a visit to SH in October 2010, the former governor of Zhejiang, Lu Zushan, expressed the PRC's interest in strengthening cooperation in the aftermath of the 2008 financial crisis. Lu, who was awarded SH's Order of Merit in 2012,⁵⁵ highlighted "port logistics, new energy, ecological and environmental protection" as key fields of interest.⁵⁶ An official

⁵⁴ Schlobach, Hans-Joachim, "BALTIC SEA BRIDGE – Containerverbindung von China nach Sassnitz." blogistic.net, March 11, 2022, <https://blogistic.net/baltic-sea-bridge-neue-containerverbindung-von-china-nach-mukran-port-via-russland/>.

⁵⁵ Just Sylt, "Ministerpräsident würdigt Einsatz für deutsch-chinesische Beziehungen," May 29, 2012. <https://www.justsylv.de/ministerprasident-wurdigt-einsatz-fur-deutsch-chinesische-beziehungen-24987.html>.

⁵⁶ 嵇哲, "吕祖善会见德国石荷州州长," October 12, 2010, http://de.china-embassy.gov.cn/chn/zt/dgzlsldfh/201010/t20101012_3120247.htm.

delegation makes regular trips every two years alternately to Hangzhou (the capital of Zhejiang Province) or to SH, with the participation of SH and Chinese entrepreneurs.⁵⁷ Zhejiang Province has played a leading role in China's multi-year intensive infrastructure investment, which fueled economic growth,⁵⁸ with a recent focus on 5G operations.⁵⁹ However, concerns are rising over local government debt.⁶⁰

Travel restrictions during the COVID-19 pandemic did not derail this cooperation. In December 2020, the state secretary (*Staatssekretär*) of SH, Dirk Schrödter, and Li Weining, vice chair of the Standing Committee of the People's Congress of Zhejiang Province, met via video conference in Kiel, Lübeck and Hangzhou. As the two sides' funding committee representatives, they subsequently signed a memorandum on the expansion of further cooperation. According to Schrödter, this will focus on the areas of digitization, environmental protection and renewable energies, as well as life sciences and the healthcare industry.

⁵⁷ Bundesanstalt Technisches Hilfswerk (THW), "Chinesische Delegation aus Zhejiang besuchte das Technische Hilfswerk," November 8, 2006, <https://www.thw.de/SharedDocs/Meldungen/THW-LV-HHMOVSH/DE/Meldungen/2006/11/20061108-ChinesischeDelegationausZhejiangbesuchte.html>.

⁵⁸ Sheng, Songcheng, Yuwei Long, and Dan Wang, "Infrastructure Investment Has a Vital Role in Stabilizing Growth," China Daily, February 8, 2022, <https://www.chinadaily.com.cn/a/202202/28/WS621c322ba310cdd39bc893cf.html>.

⁵⁹ "Fourteenth Five-Year New Infrastructure Investment Will Exceed Ten Trillion," Seetao, December 14, 2021, <https://www.seetao.com/details/128424.html>.

⁶⁰ Yao, Kevin, "Analysis: Debt Fears Overshadow China's Infrastructure Push to Fight Economic Slowdown." Reuters, January 27, 2022, <https://www.reuters.com/markets/rates-bonds/debt-fears-overshadow-chinas-infrastructure-push-fight-economic-slowdown-2022-01-27/>.

In addition, the Wirtschaftsförderung und Technologietransfer Schleswig-Holstein (an economic development and technology transfer company; WT.SH) has a center in Hangzhou to support companies entering the Chinese market.⁶¹ According to an interview, “China—a country of many opportunities,” with the leader of the WT.SH Hangzhou office, Hong Wang, life science, environmental protection and renewable energies, mechanical engineering, and technology & innovation are sectors that “should be further strengthened by the political sides in both states.” This opinion echoes the aforementioned memorandum, reflecting a common agenda between SH’s and China’s business and political stakeholders.

As with MV, close relations between SH and Zhejiang also drew the province into the CCP’s global “mask diplomacy” propaganda campaign. On July 8, 2020, the state received 10,000 FFP2 masks from Zhejiang, with State Secretary Schrödter referring to the Chinese province as a reliable friend and partner in his public thanks for the donation.⁶²

Science

As in MV, oceanographic research is a particular area of focus for scientific collaboration between SH and its Chinese partners. For example, since 2014, the GEOMAR Helmholtz Center for Ocean Research in Kiel conducted half a dozen joint research projects with PRC scientists. Cooperating institutes on the Chinese side

⁶¹ Wang, Hong, China Land der Möglichkeiten, WTSH, Accessed May 12, 2022, <https://wtsh.de/de/china-land-der-moeglichkeiten>.

⁶² Landesportal Schleswig-Holstein, “Chinesische Partnerregion Zhejiang spendet Schleswig-Holstein 10.000 Masken: Staatssekretär Schrödter dankt,” July 8, 2020, http://www.schleswig-holstein.de/DE/Landesregierung/I/Presse/PI/2020/CdS/200708_cds_Zhejiang.html?nn=2e569727-3e88-4f5e-9914-dd5de69f2fbd.

included the Ministry of Natural Resources' Second Institute of Oceanography (specializing in polar studies and submarine geoscience⁶³) and the Third Institute of Oceanography. Between 2004 and 2018, Geomar and the Leibniz Center for Tropical Marine Ecology (ZMT, in nearby Bremen) participated in the "Sino-German Initiative on Marine Sciences" funded by the German and Chinese governments, which aimed to "link up the research groups of both countries." At least one student at GEOMAR has spent time on PRC state research and survey vessels⁶⁴ that have carried out activities in the disputed South China Sea. "There are no areas of research at GEOMAR with Chinese cooperation that involves security risks or unwanted technology transfer," an institute spokesperson argued.

In 2020, GEOMAR was also the beneficiary of PRC mask diplomacy from the Pilot National Laboratory for Marine Science and Technology in Qingdao (QNLN). (In a report on the GEOMAR website, the institute said it forwarded the donation to the University Hospital Schleswig-Holstein.)⁶⁵ Established in 2015, "QNLN will be a flagship in radiating the whole country so as to form a complete innovative chain of marine sci-tech," according to its website. In 2018, Xi Jinping visited the institute, an indication of its importance.

⁶³ Zhang LY, "Key Laboratory of Submarine Geosciences Held 2021 Annual Academic Conference." Second Institute of Oceanography, Accessed May 13, 2022.

⁶⁴ GlobalSecurity.org, "Shiyan 2 / 'Experiment 2,'" Accessed May 13, 2022, <https://www.globalsecurity.org/military/world/china/shiyan-2.htm>.

⁶⁵ "Gesture of Friendship from China: Geomar donates FFP2 masks," GEOMAR website, May 14, 2020, <https://www.geomar.de/news/article/freundschaftsgeste-aus-china-geomar-spendet-ffp2-masken>.

That May, 700 masks arrived in Kiel in the name of QNLM Director Wu Lixin: “In this crisis, we always worry about our international friends and colleagues, and we are ready in these hard times suffering from COVID-19 to survive together for a good future,” the report said. It also noted a “long-term, vital cooperation” between GEOMAR and “colleagues in Qingdao.” In an emailed statement in May 2022, a GEOMAR spokesperson said, “There is no official cooperation (no MoU or no official contract) between GEOMAR and QNLM currently.” However, in 2019, GEOMAR and Xiamen University in China signed an MoU “setting rules for joint research on ocean science themes.”

State-wide cooperation includes joint German-Chinese university-level degrees, exchange programs and internships at German companies.⁶⁶ SH politicians have expressed support for enhancing cooperation and building “China-Kompetenz” (expertise) in the state, meaning becoming familiar with the Chinese language and culture, institutions, political structures and markets.⁶⁷ For example, the Fachhochschule Kiel (FH Kiel) has developed a “China Project Semester” for German

⁶⁶ For example, Chinesisch-Deutsches Institut für Angewandte Ingenieurwissenschaften (CDAI) between Fachhochschule Westküste and Zhejiang University of Science and Technology started from 2013. See: Lübeck, Technische Hochschule, “Übersicht - Chinesisch-Deutsches Institut für Angewandte Ingenieurwissenschaften (Kopie 1),” Technische Hochschule Lübeck, Accessed May 12, 2022. <https://www.th-luebeck.de/studium-und-weiterbildung/internationales/double-degree-programme/chinesisch-deutsches-institut-fuer-angewandte-ingenieurwissenschaften/uebersicht/>.

⁶⁷ “Schleswig-Holstein möchte China-Kompetenzen stärken,” Süddeutsche Zeitung, February 27, 2020. <https://www.sueddeutsche.de/politik/international-kiel-schleswig-holstein-moechte-china-kompetenzen-staerken-dpa.urn-newsml-dpa-com-20090101-200227-99-103679>.

undergraduate students with a focus on engineering.⁶⁸ On its website, the university explained that the project is based on the framework of “Innovative Concepts for the Development of China Competence at Universities” formulated by the Federal Ministry of Education and Research (BMBF). For the China Project Semester at FH Kiel, students will connect to other participants from a 29-strong, Chinese-German University of Applied Sciences (CDHAW) initiative,⁶⁹ and visit Tongji University in Shanghai.

Some of these connections are decades old. For example, the Christian-Albrechts-Universität zu Kiel (CAU) has worked closely with universities in China for over 30 years. It cooperates closely with Zhejiang University in medicine and with the Ocean University of China in Qingdao in marine sciences. There are student exchange agreements between CAU and other research institutes in China, including with the Beijing Institute of Technology since 2016 and with the Zhejiang University of Science and Technology since 2019.⁷⁰ The CAU China Center (*Chinazentrum*)⁷¹ not only refers to major PRC state media, such as *China Daily*, *People's Daily* and *Wen Wei Po*, as “learning resources” on its website but also refers to Tencent QQ as “the

⁶⁸ Fachhochschule Kiel, “Chinese Project Semester CPS,” Accessed May 12, 2022, <https://www.fh-kiel.de/fachbereiche/maschinenwesen/studiengaenge/internationale-studienprogramme/chinese-project-semester-cps/>.

⁶⁹ Wikipedia, “Chinesisch-Deutsche Hochschule für Angewandte Wissenschaften,” September 11, 2021, https://de.wikipedia.org/w/index.php?title=Chinesisch-Deutsche_Hochschule_f%C3%BCr_Angewandte_Wissenschaften&oldid=215500375.

⁷⁰ “German Federal States in Development Policy | Presentations Development Policy: Schleswig-Holstein,” Accessed May 12, 2022, <https://ez-der-laender.de/en/node/1602>.

⁷¹ Chinazentrum CAU, “Welcome! 欢迎您!,” Accessed May 12, 2022, <https://www.chinazentrum.uni-kiel.de/en>.

free most widespread instant-messaging network of Asia.”⁷² The latter has attracted wide criticism for its censorship of speech and LGBTQ search terms,⁷³ along with several other issues, including transmitting user data back to Tencent without encryption.⁷⁴

A Second Failed Airport

In April 2014, Lübeck Airport in SH filed for bankruptcy. Three months later, the city parliament approved the sale of the airport to PuRen Germany, a subsidiary of PuRen Group in China.⁷⁵ Doubts surrounding the plan quickly emerged. Turkish Airlines, which PuRen Group claimed was interested in scheduling flights to Lübeck, said the talks never happened. PuRen Group also announced plans for a massive flight school with up to 5,000 Chinese students annually. Local authorities said that they never received applications for training licenses and that granting visas for Chinese citizens who wished to stay in Germany longer than three months for private flight training was not feasible. The chair of PuRen Group, Chen Yongqiang, responded to the inquiries by saying, “It is not part of our business policy to discuss internal matters in public,” and “we will not talk about unlaid eggs now or

⁷² Chinazentrum CAU, “信息支持 Learning Resources,” Accessed May 12, 2022. <https://www.chinazentrum.uni-kiel.de/en/resources>.

⁷³ Yang, Zeyi, “Tencent’s Messaging Platform Blocks LGBTQ Search Terms,” Protocol, August 30, 2021, <https://www.protocol.com/bulletins/tencent-s-messaging-platform-blocks-lgbtq-search-terms>.

⁷⁴ Knockel, Jeffrey, Adam Senft, and Ron Deibert, “WUP! There It Is: Privacy and Security Issues in QQ Browser,” University of Toronto, March 28, 2016, <https://citizenlab.ca/2016/03/privacy-security-issues-qq-browser/>.

⁷⁵ Pannen, Klaus, “Insolvenzverwalter Pannen verkauft Flughafen nach China,” juve.de, July 11, 2014, <https://www.juve.de/deals/lubeck-blankensee-insolvenzverwalter-pannen-verkauft-regional-flughafen-nach-china/>.

in future.”⁷⁶ In September 2015, after failing to pay rent to the city for months, PuRen Germany declared bankruptcy.

Hamburg

While Hamburg is not on the Baltic, it does connect to it via the Kiel Canal. For Chinese investors, Hamburg is a major node for Baltic access. In 2021, Zhang Dayu, managing director of COSCO Shipping Ports (a subsidiary of the state-owned enterprise, COSCO), announced a deal to acquire 35 percent of the Tollerort terminal from HHLA, the Hamburg port operator.⁷⁷ The acquisition would support COSCO’s existing Baltic feeder service and “strengthen Hamburg’s position as a logistics hub in the European North and the Baltic Sea Region,” said Zhang in a statement on the HHLA website.

In addition to its long-standing sister city relationship with Shanghai, in 2004, the Hamburg and Shanghai ports became “sister ports.”⁷⁸ Overseas United Front work by the CCP aimed at favorably shaping views of the PRC is widespread, with at least nine ostensibly independent civil society organizations based in Hamburg and conducting CCP United Front work. This figure is part of a bigger, Germany-wide count of at least 150 organizations guided by, or taking orders from, the United Front Work Department in Beijing via subsidiary organizations (not including

⁷⁶ “Flughafen Lübeck: Investor-Ideen vor dem Aus?” NDR, June 23, 2015, <https://www.ndr.de/nachrichten/schleswig-holstein/Flughafen-Luebeck-Investor-Ideen-vor-dem-Aus,flughafen952.html>.

⁷⁷ Hamburger Hafen und Logistik AG (HHLA), “Tollerort wird bevorzugter Hub für COSCO-Verkehre,” September 21, 2021, <https://hhl.de/medien/pressemitteilungen/detailansicht/tollerort-wird-bevorzugter-hub-fuer-cosco-verkehre>.

⁷⁸ Hu Min, “Sister cities celebrate a 35-year relationship,” SHINE, May 28, 2021. <https://www.shine.cn/news/metro/2105289760/>.

CSSAs). Chinese state-owned companies form CCP committees or branches, at home, on ships and in ports where they have a stake. Thus, there is a “Piraeus CCP branch,” named for the Greek port owned (rather than merely operated) by COSCO. A similar arrangement can be expected if the Hamburg operating deal goes through, raising questions of organized, undeclared political activity in Germany by a foreign state. Chinese companies own or operate part or all of 96 ports around the world, with the greatest concentration in Europe—22 in all.⁷⁹

Yet, in a sign of growing concern in Berlin, COSCO still has not been approved by the BMWK—despite support from politicians in Hamburg—and it is unclear if it will (no one expects a decision soon). Die Linke political party in Hamburg has criticized the deal on the grounds that HHLA is majority owned by Hamburg and cannot simply sell itself to a private company without the consent of the *Bürgerschaft* (parliament). When the buyer is a Chinese state-owned enterprise the problems multiply, according to one Hamburg politician; on top of the already large and growing power of shipping companies that pressure local, national and EU authorities for taxation exemptions, the weight of a Chinese state-owned enterprise that behaves exactly the same would make the situation more intractable.

Wilhelmshaven, Lower Saxony

Wilhelmshaven is home to the biggest port and logistics facility of the German navy—the Militärstützpunkt Kommando at

⁷⁹ Isaac B. Kardon, Wendy Leutert, “Pier Competitor: China’s Power Position in Global Ports,” *International Security*, Apr. 1, 2022, Vol 46, Issue 4, 9-47.

Heppenser Groden.⁸⁰ It is also the site of a major investment at next-door Jade-Weser-Port⁸¹ by China Logistics, a state-owned enterprise belonging to China Chengtong Holdings Group. (Chengtong and COSCO are linked by cross-ownership).

In 2019, China Logistics signed a 99-year lease with the Lower Saxony government to build and operate a 20-hectare “China Logistics—Wilhelmshaven Hub,” with the option to expand to 40 hectares in the future. Overland freight trains from China to the port have already begun. Greeting the first train from Hefei in Anhui Province in July 2021, the consul-general of China’s consulate in Hamburg, Du Xiaohui, said it was “an important day for cooperation between the two countries.”⁸² Lower Saxony has a sister province relationship with Anhui, a fact emphasized at the ceremony by the state premier of Lower Saxony, Stephan Weil, who welcomed what he called the “New Silk Road” connection.⁸³

⁸⁰ Bundeswehr, “Marinestützpunktkommando Wilhelmshaven,” Accessed May 12, 2022, <https://www.bundeswehr.de/de/organisation/marine/organisation/einsatzflottille-2/marinestuetzpunktkommando-wilhelmshaven>.

⁸¹ JadeWeserPort Wilhelmshaven, “China Logistics Investing 100 million in JadeWeserPort,” Accessed May 13, 2022, <https://www.jadeweserport.de/en/presse-media/news/china-logistics-in-wilhelmshaven/>.

⁸² “Günstiger und Schneller: Wilhelmshaven empfängt den ersten Güterzug aus China,” RTL news, July 13, 2021. <https://www.rtl.de/cms/guenstiger-und-schneller-wilhelmshaven-empfaengt-den-ersten-gueterzug-aus-china-4794866.html>.

⁸³ “Wilhelmshaven: Chinese Goods Train Reaches JadeWeserPort,” NDR, accessed May 13, 2022, https://www.ndr.de/nachrichten/niedersachsen/oldenburg_ostfriesland/Wilhelmshaven-Chinesischer-Gueterzug-erreicht-JadeWeserPort,jadeweserport1318.html.

Conclusions

Germany remains highly porous to PRC influence. Despite rising awareness and some positive moves to manage the challenge, this is likely to continue, creating growing challenges for transatlantic cooperation. More so than elsewhere, debates about national interest and national security generally flounder among a widespread aversion to such thinking, part of the historical baggage of the Nazi era when aggressive *Vaterland*-thinking brought disaster. Although the parallels are not convincing, the suspicion lingers and has even been codified.

This overall epistemological confusion, rooted in history, was also seen in Germany's reaction to Russia's invasion of Ukraine, during which it hesitated to support Ukraine with weaponry and adopted an, at times, highly critical position toward demands from allies, including the Ukrainian ambassador to Berlin, for more assistance. Yet, Germany, too, will need to face changing geopolitical realities in its relations with Russia and China. While the interest is there in some quarters of government, in business and research circles in particular, a new approach is still a very tough sell. This means that Germany likely will push back effectively against CCP interference only if outside pressure continues. In this, it is not alone in Europe, but Germany's economic weight and position at the center of the continent lends it importance.

6.

From Strategic Partners to Alienation: Sino-German Defense Relations in the 21st Century

Tobias Kollakowski

In the early 21st century, Sino-German relations were among the most developed bilateral relationships existing between the People's Republic of China (PRC) and the West. A great deal of academic writing has focused on the economic dimension of Sino-German interactions.¹ Yet throughout the first decade and a half

¹See, for example, Guo, Zhichao, Feng, Yuanhua and Tan Xiangyong (2011), 'Short- and long-term impact of remarkable economic events on the growth causes of China-Germany trade in agri-food products', *Economic Modelling*, Vol. 28, No. 6, pp. 2359-2368; Bahmani-Oskooee, Mohsen and Xi, Dan (2012), 'China-Germany commodity trade and the S-curve', *Journal of Chinese Economic and Foreign Trade Studies*, Vol. 5 No. 1, pp. 20-28; Guo, Zhichao and Feng, Yuanhua (2013), 'Modeling of the impact of the financial crisis and China's accession to WTO on China's exports to Germany', *Economic Modelling*, Vol. 31, pp. 474-483; Dauth, Wolfgang, Findeisen, Sebastian and Suedekum, Jens (2014), 'The Rise of the East and the Far East: German Labor Markets and Trade Integration', *Journal of the European Economic Association*, Vol. 12, No. 6, pp. 1643-1675; Li, Jiajia, Chandio, Abbas Ali and Liu, Yucong (2020), 'Trade Impacts on Embodied Carbon Emissions—Evidence from the Bilateral Trade between China and Germany', *International Journal of Environmental Research and Public Health*, Vol. 17; Müller, Markus Hans-Peter and Polfuß, Jonas (2021), *Deutschland und China zwischen*

of the 21st century, defense relations between Berlin and Beijing, though to a smaller degree, equally witnessed a substantial expansion both on a security policy level and those service branches involved. Nevertheless, while military ties were gradually built, bilateral relations continued to suffer from fundamental differences in political culture—liberal democracy versus communist authoritarianism—that put severe limits on the scopes of both states' confidence-building measures and the objectives of their respective military cooperation. Ultimately, differing political cultures have also shaped both states' contrasting approaches to international affairs, including the role of international law and the global order.

Consequently, this chapter interprets Sino-German defense interactions by applying concepts that identify Germany as a *mediating*² and *civilian power*. According to the latter view, Germany acts as a normative civilian power that generates a significant share of its international influence and authority by speaking up for liberal norms and values and whose foreign policy is decisively shaped by the norms and values underlying international law.³ In addition, as various authors elaborate,

Kooperation und Konkurrenz (Wiesbaden: Springer); Graewe, Daniel (ed.) (2021), *Deutschland und China: Investorenbeziehungen unter komplexen Rahmenbedingungen* (Berlin: De Gruyter Oldenbourg).

² Slaughter, A. (2014), 'Deutschland als Mittlermacht im Zentrum Europas', cited in: Urrestarazu, Ursula Stark (2015), 'Neue Macht, neue Verantwortung, neue Identität? „Deutschlands Rolle in der Welt“ aus identitätstheoretischer Perspektive', p. 174, *Zeitschrift für Außen- und Sicherheitspolitik*, Vol. 8, Supplement Issue 1, pp. 173-195; Fard, Rebin (2018), '„Schaukeln“ oder „Schwanken“? Eine Neubewertung der Geopolitischen Codierungen in der deutschen Außenpolitik nach der deutschen Wiedervereinigung', p. 20, <https://ediss.sub.uni-hamburg.de/bitstream/ediss/8348/1/Dissertation.pdf> [accessed on 20 February 2022].

³ Kirste, Knut and Maull, Hanns W. (1996), 'Zivilmacht und Rollentheorie', *Zeitschrift für Internationale Beziehungen*, Vol. 3 No. 2, pp. 283-312; Maull, Hanns W. (2007), 'Deutschland als Zivilmacht', in:

Germany's promotion of international liberal values and its economic policies are also strongly embedded in the liberal tradition.⁴ In practice, these theoretical concepts shine, for example, through German foreign policy initiatives, speeches given by foreign ministers and position papers produced by the parliamentary groups of the four major ruling parties in the German Bundestag throughout the past 20 years.⁵

Schmidt, Siegmund, Hellmann, Gunther and Wolf, Reinhard (eds.), *Handbuch zur deutschen Außenpolitik* (Wiesbaden: Springer VS), pp. 73-84.

⁴ Hellmann, Gunther, Baumann, Rainer and Wagner, Wolfgang (2006), *Deutsche Außenpolitik: Eine Einführung*, Grundwissen Politik Band 39 (Wiesbaden: Verlag für Sozialwissenschaften), pp. 97,98; Germann, Julian (2014), 'German "Grand Strategy" and the Rise of Neoliberalism', *International Studies Quarterly*, Vol. 58, pp. 706-716; Wigell, Mikael (2016), 'Conceptualizing regional powers' geoeconomics strategies: neo-imperialism, neo-mercantilism, hegemony, and liberal institutionalism', pp. 145-146, *Asia Europe Journal*, Vol. 14 No. 2, pp. 135-151; Haderer, Margaret (2018), "'Economic Policies Are the Best Social Policies': West German Neoliberalism and the Housing Question After 1945", *American Journal of Economics and Sociology*, Vol. 77 No. 1, pp. 149-167.

⁵ See, for example: Westerwelle, Guido (2009), 'Rede von Guido Westerwelle bei der Deutschen Gesellschaft für Auswärtige Politik e.V.', *Auswärtiges Amt*, <https://www.auswaertiges-amt.de/de/newsroom/090504-westerwelle/218970> [accessed on 15 February 2022]; Steinmeier, Frank-Walter (2015), 'Rede von Außenminister Frank-Walter Steinmeier bei der Abschlussveranstaltung zu „Review 2014 – Außenpolitik weiter denken“', *Auswärtiges Amt*, <https://www.auswaertiges-amt.de/de/newsroom/150225-bm-review-abschlussveranstaltung/269638> [accessed on 15 February 2022]; Göring-Eckardt, Katrin (2017), 'Multilaterale Kooperation als Antwort auf globale Krisen – Grüne Leitlinien für eine verlässliche und zukunftsfähige Außen- und Sicherheitspolitik', *Zeitschrift für Außen- und Sicherheitspolitik*, Vol. 10 No. 2, pp. 153-163; Mützenich, Rolf (2017), 'Deutsche Außenpolitik ist Friedenspolitik: Die außen- und sicherheitspolitischen Positionen der SPD in einer Welt in Unordnung', *Zeitschrift für Außen- und Sicherheitspolitik*, Vol. 10 No. 2, pp. 139-151; Kauder, Volker (2017), 'Sicherheit, Freiheit und Frieden in schwierigen Zeiten', *Zeitschrift für Außen- und Sicherheitspolitik*, Vol. 14 No. 2, pp.

This chapter considers the Sino-German defense relationship from Berlin's perspective, using primary sources, including German and EU-level policy and strategy documents, interviews with former German diplomats and military leadership personnel and non-classified research submitted to the Helmut Schmidt University of the Federal Armed Forces.

Furthermore, Germany's defense policy vis-à-vis China needs to be interpreted within the greater context of Sino-German, as well as, EU-Chinese political and economic relations. A comprehensive portrayal of these policy dimensions, however, would go far beyond the scope and aim of this chapter. Therefore, discussion limits itself to outlining significant aspects of the political relationship between Beijing and Berlin and refers to some secondary sources for further details.

This chapter argues that, despite Sino-German interest in developing a strategic partnership, the dissonance in political culture has frustrated military-to-military cooperation and ultimately turned out to be the decisive factor when bilateral

127-138; Auswärtiges Amt (2019), 'Sechs Initiativen für den Multilateralismus', <https://www.auswaertiges-amt.de/de/aussenpolitik/internationale-organisationen/uno/allianz-multilateralismus/2250204> [accessed on 13 February 2022]; Wadephul, Johann David (2021), 'Verantwortung für Frieden, Freiheit und Wohlstand – außen- und sicherheitspolitische Grundsätze der CDU/CSU', *Zeitschrift für Außen- und Sicherheitspolitik*, Vol. 14 No. 2, pp. 109-120; Heinrich, Gabriela (2021), 'Die außen- und sicherheitspolitische Positionen der SPD: Sozialdemokratische Außenpolitik ist multilaterale Außenpolitik', *Zeitschrift für Außen- und Sicherheitspolitik*, Volume 14 No. 2, pp. 121-132; Nouripour, Omid (2021), 'Multilateral für die EU als Friedensmacht, für Klimaschutz und Demokratie', *Zeitschrift für Außen- und Sicherheitspolitik*, Volume 14 No. 2, pp. 165-176; Lambsdorff, Alexander Graf (2021), 'Liberaler Leitlinien für eine deutsche Außen-, Sicherheits- und Entwicklungspolitik aus einem Guss', *Zeitschrift für Außen- und Sicherheitspolitik*, Volume 14 No. 2, pp. 141-151.

relations significantly deteriorated at the end of the 2010s. Examining three time periods within the 21st century's first decade, this chapter explores how and why Sino-German defense relations have changed and how these changes relate to the larger transatlantic relationship.

Strengthening Political Ties: From the Turn of the Century to the Late 2000s

At the beginning of the 21st century, relations between Germany and the PRC noticeably grew in importance. Unlike the United Kingdom or France, Germany neither featured significant security interests nor relevant military capabilities in the Indo-Pacific region.⁶ Instead, Sino-German economic and political relations determined the framework for cooperation and decisively shaped the way Berlin crafted its defense relations with Beijing.

During Gerhard Schröder's leadership (1998–2005), expanding Sino-German economic relations was given utmost priority. Schröder was a proponent of lifting the EU arms embargo against China and unrestricted expansion of trade, including with sensitive technologies in the nuclear industry. Political dialogue with Beijing was expanded, not least because Berlin wanted to develop a strong bond with the “rising key stakeholder” essential for carrying out “effective multilateralism ... to deal with global problems,” as stated by former German Foreign Minister Joschka Fischer (1998–2005). In 2001, Berlin and Beijing also established a human rights dialogue.⁷ Under Schröder, policies toward China

⁶ Möller, Kay (2004), *Für eine europäische Fernostpolitik: Stand und langfristige Perspektiven*, SWP-Studie 2004, p. 9, https://www.swp-berlin.org/publications/products/studien/2004_S41_mll_ks.pdf [accessed on 07 February 2022].

⁷ Bundesregierung (2000), 'Rede des Bundesministers des Auswärtigen, Joschka Fischer bei der ersten Konferenz der Leiterinnen und Leiter

were driven by the contested conviction that economic interaction would also lead to social and democratic transition—a view that was equally embraced by the Armed Forces Staff in the German Ministry of Defense (MoD) at the time.⁸

deutscher Auslandsvertretungen am 4. September 2000 Berlin', *Bulletin Der Bundesregierung Nr. 53-4 vom 4. September 2000*, pp. 9-10; Berkofsky, Axel (2004), 'Das EU-Waffenembargo gegen China – ein Ende (vorerst) nicht absehbar', *Konrad-Adenauer-Stiftung*, https://www.kas.de/c/document_library/get_file?uuid=0a6fa757-e0e7-1f80-d13d-aef002757902&groupId=252038 [accessed on 01 March 2022], pp. 101-103; Perthes, Volker (2005), 'Deutsche Außenpolitik ... nach Christoph Bertram', pp. 10-11, in: Volker Perthes (ed.), *Ausblick: Deutsche Außenpolitik nach Christoph Bertram, SWP-Studie 2005/S 28a*, pp. 5-12, https://www.swp-berlin.org/publications/products/studien/ausblicknachbertram_ks.pdf [accessed on 07 February 2022]; Wacker, Gudrun and Wagner, Christian (2005), 'Der Aufstieg Chinas und Indiens. Ordnungspolitik zwischen Multipolarität und Multilateralismus', p. 76, in: Perthes, *Ausblick: Deutsche Außenpolitik nach Christoph Bertram*, pp. 76-80; Gill, Bates (2008), 'European Union-China Cooperation on Security Issues', p. 97, in: Shambaugh, David and Wacker, Gudrun (eds.) *American and European Relations with China: Advancing Common Agendas, SWP Research Paper 2008/RP 03*, pp. 94-105, <https://www.swp-berlin.org/publikation/american-and-european-relations-with-china> [accessed on 15 February 2022]; Maull, Hanns W. (2015), 'Deutsche Außenpolitik – Verantwortung und Macht', p. 221, *Zeitschrift für Außen- und Sicherheitspolitik*, Volume 8, Supplement Issue 1, pp. 213-237; Huang, Ying (2018), *Die Chinapolitik der Bundesrepublik Deutschland nach der Wiedervereinigung: Ein Balanceakt zwischen Werten und Interessen* (Wiesbaden: Springer), pp. 133; Godement, François (2020), 'China's Relations with Europe', p. 254, in: Shambaugh, David (ed.), *China & The World* (New York, NY: Oxford University Press), pp. 251-269.

⁸ Frankfurter Allgemeine Zeitung (2003), 'Chinas Präsident empfängt „alten Freund“ Schröder', <https://www.faz.net/aktuell/politik/staatsbesuch-chinas-praesident-empfaengt-alten-freund-schroeder-1129059.html> [accessed on 21 March 2022]; Phalnikar, Sonia (2005), 'Kritik an Schröders Prinzip des "Wandel durch Handel"', *Deutsche Welle*, <https://www.dw.com/de/kritik-an-schr%C3%B6ders-prinzip-des-wandel-durch-handel/a-1572911-0> [accessed on 21 March 2022];

Subsequently, as a former senior member of the German Armed Forces (Bundeswehr) leadership points out, Germany's Schröder-era policies concerning China were continued when Angela Merkel became chancellor in 2005.⁹ Kay Möller further elaborates that Schröder's willingness to put even sensitive topics, such as nuclear technology, on the agenda underpinned the then-German government's views that, in 2003, the PRC was no longer comparable to the China of 1989 and that this position basically reflected EU policy at the time.¹⁰ Both the 2003 and 2009 *European Security Strategies* determined that the EU should aim to develop a strategic partnership with China, while the 2003 *EU Commission Policy Paper* labeled the EU-China relationship as a "maturing partnership" and considered that the EU and China "have an ever-greater interest to work together as strategic partners to safeguard and promote sustainable development, peace and stability."¹¹ The creation of a political framework for

Huang (2018), pp. 97, 133; Authoritative anonymous source, interview with the author on 11 February 2022.

⁹ Former member of Germany's military leadership, interview with the author on 21 February 2022.

¹⁰ Möller, Kay (2003), *Europa und China: Strategische Partner? Neue Impulse nach Kanzlerreise*, SWP Aktuell 52, pp. 1-2, https://www.swp-berlin.org/publications/products/aktuell/swpaktu2003_52_mll.pdf [accessed on 04 February 2022].

¹¹ CVCE.eu (2003), *European Security Strategy, A Secure Europe in a Better World*, p. 8, https://www.cvce.eu/en/obj/europeansecuritystrategyasecureeuropeinabetterworldbrussels12december_2003-en-1df262f2-260c-486f-b414-dbf8dc112b6b.html [accessed on 17 February 2022]; Commission Of The European Communities (2003), *Commission Policy Paper For Transmission To The Council And The European Parliament: A maturing partnership - shared interests and challenges in EU-China relations*, p. 3, <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2003:0533:FIN:EN:PDF#:~:text=The%20draft%20EuropeaE%20Security%20Strategy,social%20and%20economic%20reform%20process> [accessed on 17 February 2022]; Council of the European Union (2009), *European Security Strategy: A Secure Europe In A Better World*, p. 42,

arms control and non-proliferation between 2004 and 2006 was among the more notable outcomes in the security dimension of this political cooperation.¹² Concerning the normative dimension, promotion of good governance, democracy and rule of law were determined as one of three focal points in the EU's China policy, as outlined in the *2002 EU Commission's Country Strategy Paper: China*.¹³

Embedding EU policy toward China within such normative frameworks, however, set expectations that were extremely difficult to meet given the differing nature of the European liberal democracies and the PRC. With human rights issues, especially those concerning minority groups and political dissidents, China tends to avoid acting multilaterally, instead dealing with other stakeholders on a bilateral basis. These issues have prevented the implementation of a true partnership, while Chinese voices express harsh criticism regarding the normative dimension as among the most troublesome component in Chinese-EU relations claiming that "hostile forces" in general, and the EU specifically, are trying to "Westernize" and potentially even dismantle China.¹⁴

https://www.consilium.europa.eu/media/30823/qc780956_8enc.pdf [accessed on 17 February 2022].

¹² Ministry of Foreign Affairs of the People's Republic of China (2004), 'Joint Declaration of the People's Republic of China and the European Union on Non-proliferation and Arms Control', https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/200412/t20041209_679120.html [accessed on 17 February 2017]; Gill (2008), pp. 96-97.

¹³ European External Action Service (2002), *Commission Working Document: Country Strategy Paper: China*, p. 5, https://eeas.europa.eu/archives/docs/china/csp/02_06_en.pdf [accessed on 17 February 2022].

¹⁴ Consulate-General of the People's Republic of China in Rio de Janeiro (2004), '中国跨世纪外交的光辉历程', [The glorious course of China's diplomacy across the century] <https://www.fmprc.gov.cn/ce/cgrj/chn/zt/yjddsld/t132964.htm>

In line with German and EU policy goals, early 21st-century German defense policy toward China aimed to strengthen the security policy relationship. Accordingly, in 2006, a Sino-German strategic dialogue was established at state secretary and vice chief levels. Berlin and Beijing also established military-political staff talks.¹⁵ Defense policy objectives included fostering mutual understanding; capacity-building for People's Liberation Army (PLA) personnel, especially with regard to leadership capabilities; and sharing the German experience with leadership culture, particularly the Bundeswehr's principle of leadership development and civic education (*Innere Führung*); civil-military relations; and the role of the armed forces within a democratic society. Consequently, within the Bundeswehr's bilateral cooperation program, the PRC was categorized as a high-priority partner, thus providing resources for extensive cooperative measures. Many of these measures were designed in such a way

[accessed on 17 February 2022]; 火正 德 [Huo Zhengde] (2005), '论中欧战略关系' [On China-EU strategic relations], p. 4, *国际问题研究* [International Studies] No. 2, pp. 1-5; Wacker, Gudrun (2006), 'More coherence in Relations with China', p. 60, in: Perthes, Volker, Mair, Stefan (eds.), *European Foreign and Security Policy: Challenges and Opportunities for the German EU Presidency*, SWP Research Paper 2006/RP, pp. 58-61, https://www.swp-berlin.org/publications/products/research_papers/2006_RP10_mrs_prt_ks.pdf#page=60 [accessed on 07 February 2022]; Berkofsky, Axel (2006), 'EU-China Relations – Really Towards a »Strategic Partnership«?', p. 190, *Sicherheit und Frieden (S+F) / Security and Peace*, Vol. 24, No. 4, pp. 185-191; Sutter, Robert G. (2013), *Foreign Relations of the PRC: The Legacies and Constraints of China's International Politics since 1949* (Lanham, MD: Rowman & Littlefield Publishers), p. 302.

¹⁵ Federal Ministry of Defence (2006), *White Paper 2006 on German Security Policy and the Future of the Bundeswehr*, p. 48, https://issat.dcaf.ch/fre/download/17423/203638/Germany_White_Paper_2006.pdf [accessed on 15 February 2022]; Former member of Germany's military leadership, interview with the author on 21 February 2022.

that the respective military delegations were to receive insight into the host country's military laws, education, leadership and strategic culture. Moreover, capacities within the Bundeswehr's military training and assistance programs were designated for the PLA, including, among others, the training of platoon leaders and company commanders.

In practice, however, it became apparent that, in fact, little mutual learning occurred and that insights into the organizational and military culture turned out to be a one-way road. The PLA organized impressive supporting programs for German military delegations arriving in China that went to great lengths to introduce Chinese traditional culture, the Middle Kingdom's impressive sights and its culinary art to German soldiers. But as far as fostering understanding of the PLA and its organizational, operational, legal, ideological or leadership doctrines was concerned, little insight was given and only limited opportunities were presented for substantial engagement with specific military matters.¹⁶

A positive exception in this regard proved to be the security-political seminars carried out beginning in 2005. They were institutionally linked to the Federal Academy for Security Policy and were managed by a retired four- or three-star general. Open to prospective leadership personnel of the Bundeswehr and the PLA, these seminars offered an atmosphere of mutual trust to discuss a wide range of military-related topics. However, they also allowed for controversial subjects to be discussed, underpinning the special significance Berlin awarded Sino-German political and defense relations given China's non-NATO status. Areas of interest reflected the respective background of

¹⁶ Authoritative anonymous source, interview with the author on 11 February 2022; Admiral (ret.) Manfred Nielson, Interview with the author on 14 February 2022.

each military. PLA officers, for example, were particularly interested in defense technology and the way an alliance, such as NATO, functions, especially given members' great differences in military power and political influence.

Germany, on the other hand, had a profound interest in how the PLA functioned, operated and prepared itself for United Nations missions.¹⁷ Indeed, UN peacekeeping missions, such as UNAMID in Sudan, were among the first occasions in which Bundeswehr personnel encountered PLA soldiers within the same area of operation (AoO), as the early 21st-century PRC became a top contributor to UN peacekeeping.¹⁸ Other examples of the few cases of direct contact between the Bundeswehr and the PLA in the early 2000s include the Chinese warships *Shenzhen* and *Fenggang* visiting the port of Wilhelmshaven in 2001 and German soldiers being invited, among a small group of foreign military observers, to attend PLA exercises in Mongolia and amphibious landings in Guangdong in 2003 and 2004.¹⁹

Still, generally, these promising cases could not compensate for the lack of trust and differing perceptions that were borne out of differences in political culture between the respective militaries. Furthermore, while various high-ranking dialogue formats, both at the official ministerial and academic levels, had been created, few cooperative measures went beyond dialogue and visits.²⁰

¹⁷ Former member of Germany's military leadership, interview with the author on 21 February 2022.

¹⁸ Gill (2008), p. 97.

¹⁹ Gill (2008), p. 98; Frank Behling und Thorsten Breuer (19 May 2016), 'Chinas Marine erstmals bei Kieler Woche', *Täglicher Hafenbericht*, <https://www.thb.info/rubriken/single-view/news/chinas-marine-erstmals-bei-kieler-woche.html> (accessed on 28 April 2020).

²⁰ Gill (2008), p. 97.

Summarizing various academic and expert discourses of the latter 2000s, security expert Michael Swaine recalls the interpretation that the Chinese leadership was too suspicious of a more militarily powerful and a “potentially hostile” United States for effective military-to-military cooperation to bear fruit.²¹ Given that Germany was extremely unlikely to assume a “hostile” role toward China in any international conflict scenario and could hardly fulfil the criterium as a military power “superior” to China, placing emphasis on differing norms and value systems between a liberal democratic republic on the one hand and a communist one-party state on the other help explain the limited achievements of Bundeswehr-PLA contacts. In the words of Admiral Manfred Nielson (ret.), then a member of both the Planning and Advisory Staff and the Armed Forces Staff in the German MoD, it was impossible to overcome the gap between the Bundeswehr and the armed forces of an authoritarian system because “as a pedagogue would say, the common set of characters was insufficient for effective communication.”²²

Concerning the transatlantic dimension, the early 2000s were characterized by dissonant policy views on China, particularly regarding the issue of lifting the arms embargo against Beijing. During the second half of the decade, despite continuing differences in the perception of China—which were not least due to the different roles Germany, the EU and the US played in global politics—this discrepancy was moderated and some policy views converged and were even, to some extent, coordinated. Regarding German defense policy-related matters, China-centered subtopics of mutual US, EU and German interests included supporting Chinese good governance capacities, including PRC

²¹ Swaine, Michael D. (2008), ‘U.S. Policies and Views toward Eight Key Security Issues Involving China’, p. 83, in: Shambaugh and Wacker (eds.), *American and European Relations with China*, pp. 79-93.

²² Admiral (ret.) Manfred Nielson, Interview with the author on 14 February 2022.

state institutions, and encouraging China to increase its military transparency.²³

In retrospect, some assessments about the effects of economic development and political and economic interaction on democratic transitions appear to have been overly optimistic. But this phenomenon was not limited to the European continent. For example, in a 2007 report, the US Council on Foreign Relations' Independent Task Force assessed that "China's overall trajectory over the past 35 years of engagement with the US is positive. Growing adherence to international rules, institutions, and norms—particularly in the areas of trade and security—marks China's global integration."²⁴

²³ Algieri (2008) 'It's the system that matters', p. 79; Shambaugh, David and Wacker, Gudrun (2008), 'Introduction', pp. 7-9, in: Shambaugh, David and Wacker, Gudrun (eds.) *American and European Relations with China: Advancing Common Agendas*, SWP Research Paper 2008/RP 03, pp. 5-10, <https://www.swp-berlin.org/publikation/american-and-european-relations-with-china> [accessed on 15 February 2022]; Shambaugh, David (2008), 'Seeing the "Big Picture" in American and European Relations with China: Past, Present, Future', pp. 14-18, in: Shambaugh and Wacker (eds.), *American and European Relations with China*, pp. 13-23; Sandschneider, Eberhard (2008), 'Transatlantic Divergences on the Rise of China', in: Shambaugh and Wacker (eds.), *American and European Relations with China*, pp. 24-28.

²⁴ Council on Foreign Relations (2007), *U.S.-China Relations: An Affirmative Agenda, A Responsible Course Report of an Independent Task Force: Independent Task Force Report No. 59*, p. 7, https://cdn.cfr.org/sites/default/files/report_pdf/ChinaTaskForcefinalforweb.pdf [accessed on 15 February 2022].

The Rise of Sino-German Defense Relations: Late 2000s to Late 2010s

As the 2000s ended, Sino-German relations and subsequently defense relations were further intensified. This approach was consistent with the EU's intention to foster cooperation along a wide range of security-related areas.²⁵ Subsequently, in line with the EU's post-2008 financial crisis China policy, the second Merkel cabinet (2009–2013) put much effort into developing Berlin's strategic partnership with Beijing.²⁶ By 2010, China had also become Germany's most important trading partner with regard to imports and one of its largest export partners.²⁷ Subsequently, as Ying Huang assesses, the third Merkel cabinet's (2013–2018) China policy was particularly driven by economic interests.²⁸

Closer bilateral ties were also forged at the political level. In 2011, Germany and the PRC held government consultations for the first time. The following year, Merkel expressed her aspiration to further strengthen Berlin's strategic partnership with Beijing and identified the political dimension as one of three priorities in this

²⁵ Gill (2008), 'European Union-China Cooperation on Security Issues.'

²⁶ Maull, Hanns W. (2013), 'Die Europäische Union und die aufsteigenden Schwellenländer: Das Beispiel Volksrepublik China', pp. 43-46, in: Kempin, Ronja and Overhaus, Marco (eds.), *EU-Außenpolitik in Zeiten der Finanz- und Schuldenkrise*, SWP Studie S9 April 2013, pp. 40-49, https://www.swp-berlin.org/publications/products/studien/2013_S09_kmp_ovs.pdf [accessed on 20 February 2022]; Maull (2015), p. 222.

²⁷ Statistisches Bundesamt (2010), 'Außenhandel: Zusammenfassende Übersichten für den Außenhandel (endgültige Ergebnisse)', https://www.statistischebibliothek.de/mir/servlets/MCRFileNodeServlet/DEHeft_derivate_00005574/2070100107004.pdf [accessed on 03 March 2021].

²⁸ Huang (2018), pp. 223-225.

process.²⁹ Eventually, in 2014, during a visit by Chinese President Xi Jinping, Berlin and Beijing decided to establish a “comprehensive strategic partnership” that “aimed for regular consultations on regional and global political and security issues.”³⁰

Throughout this period, various practical measures indicated that Berlin and Beijing were slowly but surely deepening ties. The 2015 Action Plan of the German Ministry of Foreign Affairs determined the necessity of improving post-preparation and foreign language training for diplomats about to be sent to Beijing, the German military attaché staff in Beijing was expanded and, in 2014, the position of the defense attaché was raised to a one-star rank to reflect the recently elevated role of Sino-German defense relations.³¹

In contrast to the preceding decade, since the late 2000s, military-to-military contacts on a service branch level have also

²⁹ Der Bundeskanzler (2012), ‘Rede von Bundeskanzlerin Angela Merkel anlässlich des Besuchs der Chinesischen Akademie der Sozialwissenschaften (CASS) in Peking’, <https://www.bundeskanzler.de/bk-de/aktuelles/rede-von-bundeskanzlerin-angela-merkel-anlaesslich-des-besuchs-der-chinesischen-akademie-der-sozialwissenschaften-cass--609204> [accessed on 03 March 2022].

³⁰ Die Bundesregierung (2014), ‘Gemeinsame Erklärung zum Besuch von Staatspräsident Xi: Schaffung einer umfassenden strategischen Partnerschaft zwischen Deutschland und China’, <https://www.bundesregierung.de/breg-de/suche/gemeinsame-erklaerung-zum-besuch-von-staatspraesident-xi-schaffung-einer-umfassenden-strategischen-partnerschaft-zwischen-deutschland-und-china-411848> [accessed on 03 March 2022].

³¹ Röhr, Wolfgang (2015), ‘Privilegierter Partner? – Deutsche Chinapolitik in der „Außensicht“ des „Review 2014“’, pp. 93, *Asien*, No. 137, pp. 90–113; Interview with Colonel Carlo Schnell, defence attaché at the German Embassy in Beijing (2012–2014) on 21 March 2022; Interview with Captain Jörn Niemann, naval attaché at the German Embassy in Beijing (2017–2020) on 14 February 2022.

intensified, for example, in the Horn of Africa (HoA). Chinese naval warships had been operating in the HoA since early 2009, while Germany retained a naval presence in the AoO until the mid-2010s. At SHADE, the coordination forum for navies participating in maritime security operations in the HoA, Chinese naval officers came into contact with their EU and NATO colleagues and Chinese and German warships carried out low-level exercises.³² The number of visits by high-ranking officers, including by Lieutenant General Werner Freers (chief of the German Army from 2010 to 2012) in March 2012, increased; practical cooperation between the German attaché staff and the PLA was constructive, and both military delegations and attaché personnel had ample opportunities to visit PLA facilities. Bundeswehr-PLA exchanges developed especially positively in the service branch of the medical service.³³ In 2016, bilateral defense relations reached new heights as the Bundeswehr and the PLA carried out their first substantial exercise, Combined Aid-2016 in Chongqing—the PLA's first joint exercise with a foreign military involving the PLA's medical service in China.

Apart from the diplomatic message the exercise conveyed, Sino-German medical training cooperation also featured a practical UN mission-related function as Bundeswehr personnel were deployed to some African AoO near Chinese soldiers.³⁴ To sum up,

³² Vice Admiral Andreas Krause, Chief of the German Navy (2014-2021), Interview with the author in April 2020.

³³ Botschaft der Volksrepublik China in der Bundesrepublik Deutschland (2012), 'Chen Bingde: China und Deutschland sollen militärische Beziehungen vorantreiben', <https://www.mfa.gov.cn/ce/cede/det/zt/zdgg/t9141110.htm> [accessed on 21 March 2022]; Interview with Colonel Carlo Schnell, defence attaché at the German Embassy in Beijing (2012-2014) on 21 March 2022.

³⁴ Wiegold, Thomas (2016), 'ExerciseWatch: Sanitäter bei der Volksbefreiungsarmee', *Augen Geradeaus!*, <https://augengeradeaus.net/2016/10/exercisewatch-sanitaeter-bei->

Germany, like other EU member states, was willing to engage China more proactively than the US. Concerns about a Sino-European “strategic condominium,” however, as Bates Gill and François Godement argue, were exaggerated.³⁵

Since the establishment of a standing naval task force on the HoA, Chinese warships have also repeatedly visited German ports. In January 2015, a Chinese task group consisting of a frigate, an amphibious transport dock and a replenishment vessel visited Hamburg. In 2016, the frigate *Xiangtan* visited the Baltic Sea port of Kiel for Kiel Week, subsequently leading to a period of strengthened Sino-German naval relations.³⁶ Against this backdrop, Vice-Admiral Andres Krause, chief of the German navy (2014–2021), underpinned the value of Sino-German defense relations:

We see an improvement in relations but starting from a low level. ... As long as China adheres to the rules-based order, there is no reason to change the relationship with China. ... China's behavior in East Asia and in Europe are two different things. ... The way we behave toward the Chinese, they'll behave toward us. ... We need them, among other things, economically. That has again become

der-volksbefreiungsarmee/ [accessed on 03 March 2022]; Authoritative anonymous source, interview with the author on 11 February 2022.

³⁵ Gill (2008), p. 105; Godement (2020), p. 255.

³⁶ Generalkonsulat der Volksrepublik China in Frankfurt am Main (2015), ‘Der 18. Geleitschutzverband der chinesischen Marine besucht Hamburg und lädt ein zum „Tag der offenen Tür“’, http://frankfurt.china-consulate.org/det/zxxx/201501/t20150120_3441145.htm [accessed on 06 March 2022]; Behling, Frank (2016), ‘Chinesen sind sehr gefragt’, *Kieler Nachrichten*, <https://www.kn-online.de/Kiel/Kieler-Woche-Open-Ship-2016-Chinesen-sind-sehr-gefragt> [accessed on 06 March 2022]; Vice Admiral Andreas Krause, Chief of the German Navy (2014–2021), Interview with the author in April 2020.

clear during the COVID-19 pandemic. Accordingly, military leaders must observe the political goals.³⁷

To fully explain the foreign and defense political orientation that shines through Krause's statement, the international context at the time needs to be considered. Former US President Donald Trump's (2017–2021) ascension to power thoroughly shook the balance in the triangular US-Sino-German relationship. Under Trump, the US decisively turned away from multilateralism as a primary foreign policy framework. Trump rejected the liberal trade regime and in general the pre-eminence of international regimes and institutions, such as the World Trade Organization. He unilaterally withdrew from international treaties, such as the Paris Agreement and the Joint Comprehensive Plan of Action (JCPOA), thus massively damaging international law, the rules-based international order and the interests of European allies.³⁸ In short, the Trump administration's policies went against nearly every feature that defined Germany's institutional and multilateral foreign policy approach, which greatly undermined relations with Berlin.³⁹

³⁷ Vice Admiral Andreas Krause, Chief of the German Navy (2014–2021), Interview with the author in April 2020.

³⁸ Fishedick, Manfred and Luhmann, Hans-Jochen (2018), 'Internationale Energiepolitik – Veränderungen im letzten Jahrzehnt', p. 483, *Zeitschrift für Außen- und Sicherheitspolitik*, Vol. 11 No. 4, pp. 479–489; Falke, Andreas (2019), 'Die US-Handelspolitik unter Präsident Trump: Abschied von den USA als Ordnungsmacht im Welthandelssystem', *Zeitschrift für Außen- und Sicherheitspolitik*, Vol. 12 No. 1, pp. 37–50; Luhmann, Hans-Jochen (2021), 'Aufbruch zur strategischen Autonomie der EU in der Kriegsführung mit Mitteln wirtschaftlichen Zwangs', p. 28, *Zeitschrift für Außen- und Sicherheitspolitik*, Volume 14, No. 1, pp. 25–34; Johann David Wadephul (2021), 'Verantwortung für Frieden, Freiheit und Wohlstand – außen- und sicherheitspolitische Grundsätze der CDU/CSU', p. 111, *Zeitschrift für Außen- und Sicherheitspolitik*, Vol. 14 No. 2, pp. 109–120.

³⁹ Kellner, Anna Maria (2018), 'Zum Erfolg verdammt? Die Gemeinsame Sicherheits- und Verteidigungspolitik der EU ein Jahr nach der Globalen

The US withdrawal from various international formats not only created space for China to advance its leadership role and present itself as a guardian of the international order,⁴⁰ but Trump's policies also put Germany in the unprecedented position of being on the same page with China. Berlin and Beijing were both subjects of intensive criticism from Trump, not least because of the massive export surpluses both countries could achieve in an international system that favored free trade. Furthermore, as Joscha Schmierer argues, China, Germany and the EU were united in their interest to not let the UN's role be undermined by former superpowers.⁴¹

In 2018, the Chinese frigate *Binzhou* entered the Baltic Sea and once again visited Kiel Week.⁴² It was the last time a Chinese or German warship visited the other country's ports. Restrictions related to COVID-19 on port calls affected all seafaring navies at the time; however, these were only part of the reason for Berlin's falling out with Beijing.

Strategie', p. 3, *Zeitschrift für Außen- und Sicherheitspolitik*, Vol. 11 No. 1, pp. 1-11; Godement (2020), p. 261; Heinrich (2021), p. 122.

⁴⁰ Elliot, Larry and Wearden, Graeme (2017), 'Xi Jinping signals China will champion free trade if Trump builds barriers', *The Guardian*, <https://www.theguardian.com/business/2017/jan/17/china-xi-jinping-china-free-trade-trump-globalisation-wef-davos> [accessed on 06 March 2022]; Hoffmann, Christoph (2021), 'Die strategische Autonomie Europas – eine Institution im Wandel', p. 298, *Zeitschrift für Außen- und Sicherheitspolitik*, Vol. 14 No. 3, pp. 291-302.

⁴¹ Schmierer, Joscha (2015), 'Neue Verantwortung wegen neuer Macht? Die Rhetorik täuscht: Nur die Probleme wachsen', p. 211, *Zeitschrift für Außen- und Sicherheitspolitik*, Volume 8, Supplement Issue 1, pp. 197–211; Godement (2020), p. 263.

⁴² Schleswig-Holstein Zeitung (2018), 'Inoffizieller Start der Kieler Woche: Konzerte und Marineschiffe', <https://www.shz.de/regionales/themen/kieler-woche/inoffizieller-start-der-kieler-woche-konzerte-und-marineschiffe-id20144047.html> [accessed on 06 March 2022].

The Third Decade: Toward Alienation

While the 2010s witnessed the strengthening of defense relations and the increase in military-to-military contacts between the Bundeswehr and the PLA, under the shining façade of keynote speeches and mutual visits, the substance of the Sino-German relationship was gradually eroding. As outlined, differences regarding the international order and universal human rights had complicated relations between EU member states and China for decades. But since approximately the second half of the 2010s, EU-China relations have been continuously and increasingly diverging. The violent repression against the Uyghurs and the crackdown on democratic rights and freedoms in Hong Kong, the unwillingness on Beijing to decisively alter unfair competition and trading conditions and economic blackmail to force Germany to accept Huawei as an implementer for 5G technology are just some of the wide-ranging issues that have significantly strained relations with Beijing.⁴³

⁴³ Wacker, Gudrun and Wesner, Friederike (2007), *Chinas Blick auf die Europäische Union Aus chinesischen Fachzeitschriften der Jahre 2006 und 2007*, SWP-Zeitschriftenschau 2007/ZS 03, pp. 4-6, https://www.swp-berlin.org/publications/products/zeitschriftenschau/2007ZS03_wkr_wer_ks.pdf [accessed on 08 February 2022]; Sommer, Theo (2020), 'Nicht mit den Autoritären', *Zeit Online*, https://www.zeit.de/politik/2020-09/china-usa-donald-trump-europa-eu-handel-demokratie?utm_referrer=https%3A%2F%2Fwww.google.de%2F [accessed on 08 March 2022]; Hilpert, Hanns Günther and Stanzel, Angela (2020), 'China – Pandemiegegner für den Moment', p. 3, *SWP-Aktuell* Nr. 99, https://www.swp-berlin.org/publications/products/aktuell/2020A99_China.pdf [accessed on 08 March 2022]; Godement (2020), p. 256; Hilpert, Hanns Günther and Stanzel, Angela (2021), 'A Different Kind of "One China" Policy', in: Maihold, Günther, Mair, Stefan, Müller, Melanie, Vorrath, Judith and Wagner, Christian (eds.), *German Foreign Policy in Transition*, SWP Research Paper, pp. 46-49, https://www.swp-berlin.org/publications/products/research_papers/2021RP10_GermanForeignPolicy.pdf [accessed on 08 March 2022]; Luhmann, Hans-

This change in perception also entered into official policy documents. Following the need for a “shift toward a more realistic, assertive and multi-faceted approach,” in its 2019 communique “EU-China: A Strategic Outlook,” the EU re-identified the PRC simultaneously as a “cooperation” and “negotiation partner”, an “economic competitor,” as well as a “systemic rival.”⁴⁴ On a national level, the German government’s 2020 “Policy Guidelines for the Indo-Pacific” contained various indirect references to China as it underscored, for example, the need to preserve the rules-based order and human rights and to prevent states from falling into “unilateral dependence.”⁴⁵

As various scholars have shown, Chinese authors had, for more than a decade, pointed toward the US as a political force trying to restrict the role of the EU in the Chinese–European relationship.⁴⁶

Jochen (2021), ‘Aufbruch zur strategischen Autonomie der EU in der Kriegsführung mit Mitteln wirtschaftlichen Zwangs’, p. 29, *Zeitschrift für Außen- und Sicherheitspolitik*, Volume 14, No. 1, pp. 25-34; Dengg, Anton (2021), ‘China’s Narratives in the Context of Hybrid Threats’, p. 65, 81, in: Frank, Johann and Vogl, Doris (eds.), *China’s Footprint in Strategic Spaces of the European Union* (Vienna: Schriftenreihe der Landesverteidigungsakademie), pp. 59-84; Hein, Matthias von (2021), ‘Deutschland und China: Beziehung unter Stress’, *Deutsche Welle*, <https://www.dw.com/de/deutschland-und-china-beziehung-unter-stress/a-57354038> [accessed on 08 March 2021]; Dieter, Heribert (2021), *Die ungewisse Zukunft der deutsch-chinesischen Beziehungen*, SWP Studie, https://www.swp-berlin.org/publications/products/studien/2021S23_Deutsch-chinesische_Beziehungen_01.pdf [accessed on 08 March 2022].

⁴⁴ European Commission (2019), *EU-China – A strategic outlook*, p. 1, <https://ec.europa.eu/info/sites/default/files/communication-eu-china-a-strategic-outlook.pdf> [accessed on 08 March 2022].

⁴⁵ The Federal Government (2020), ‘Policy guidelines for the Indo-Pacific’, pp. 9, 11, <https://www.auswaertiges-amt.de/blob/2380514/f9784f7e3b3fa1bd7c5446d274a4169e/200901-indo-pazifik-leitlinien--1--data.pdf> [accessed on 08 March 2022].

⁴⁶ Wacker, Gudrun and Wesner, Friederike (2007), *Chinas Blick auf die Europäische Union Aus chinesischen Fachzeitschriften der Jahre 2006 und 2007*, *SWP-Zeitschriftenschau 2007/ZS 03*, p. 8, [https://www.swp-](https://www.swp-berlin.org/publications/products/studien/2007ZS03_Chinas_Blick_auf_die_Europaeische_Union_Aus_chinesischen_Fachzeitschriften_der_Jahre_2006_und_2007.pdf)

By the late 2010s, however, the PRC was involved in normative and political struggles with Germany's close allies and partners throughout the entire Western world. In addition to the long-existing issues with the US and Japan, Beijing's relations with Paris were damaged following the passing of French warships through the Taiwan Strait, which is regarded as international waters. Sino-British relations have deteriorated significantly in the aftermath of the Hong Kong National Security Law, and tensions between Australia and China escalated when Canberra dared to question the origins of the COVID-19 virus and spoke out against Chinese human rights violations in Xinjiang and Hong Kong.⁴⁷

Consequently, the pre-eminence of economic considerations in Germany's China policy was finally abandoned in favor of a more comprehensive view of Sino-German relations that considered

berlin.org/publications/products/zeitschriftenschau/2007ZS03_wkr_wer_ks.pdf [accessed on 08 February 2022]; Shambaugh, David (2008), 'China eyes Europe in the world: Real convergence or cognitive dissonance?', pp. 141-142, in: Shambaugh, David, Sandschneider, Eberhard and Hong, Zhou, *China-Europe Relations: Perceptions, policies and prospects* (Abingdon: Routledge), pp. 127-147.

⁴⁷ Panda, Ankit (2019), 'Making Sense of China's Reaction to the French Navy's Taiwan Strait Transit', *The Diplomat*, <https://thediplomat.com/2019/04/making-sense-of-chinas-reaction-to-the-french-navys-taiwan-strait-transit/> [accessed on 08 March 2022]; Castle, Stephen (2020), 'U.K. Suspends Extradition Treaty With Hong Kong Over Security Law', *The New York Times*, <https://www.nytimes.com/2020/07/20/world/asia/extradition-treaty-hong-kong.html> [accessed on 08 March 2022]; Wilson, Jeffrey (2021), 'Australia Shows the World What Decoupling From China Looks Like', *Foreign Policy*, <https://foreignpolicy.com/2021/11/09/australia-china-decoupling-trade-sanctions-coronavirus-geopolitics/> [accessed on 08 March 2021]; Dieter, Heribert (2021), *Der erste Gipfel der Anti-China-Koalition*, p. 4, SWP Aktuell Nr. 43, https://www.swp-berlin.org/publications/products/aktuell/2021A43_G7_Gipfel_Cornwall.pdf [accessed on 08 March 2022].

the potential for cooperation as well as issues related to human rights, international law, the global order and security relations. The conservative (CDU) politician Johann Wadephul states:

The experiences of the past few years illustrate the form in which China wants to gradually change the existing value- and rules-based international order into a Sinocentric world order. Every day in Hong Kong, we experience what this could lead to: Internationally valid rules and agreements that China codified in the joint declaration with Great Britain in 1984 are being disregarded and broken. Even Chinese diplomats ... instructed in this by their government ... now show a high level of ... aggressiveness when it comes to representing supposedly legitimate interests. ... We must acknowledge that over the past decades we have set the wrong incentives in dealing with China by not being sufficiently resolute in countering increasing Chinese aggression.⁴⁸

As the political perception of China was beginning to undergo a decisive shift, Sino-German defense relations deteriorated as well. Xi's policy of cutting China off from foreign influences also deeply affected military-to-military contacts. In addition to the problems that had complicated defense diplomacy in the past two decades, by the late 2010s, German military representatives, including embassy personnel, were no longer invited to participate in attaché excursions, visits to military units or observations of maneuvers.⁴⁹ Sustaining contact between the Bundeswehr and PLA personnel that had undergone education

⁴⁸ Wadephul (2021), p. 116.

⁴⁹ Authoritative anonymous source, interview with the author on 11 February 2022; Interview with Captain Jörn Niemann, naval attaché at the German Embassy in Beijing (2017-2020) on 14 February 2022

and training in Germany was no longer desired by Beijing.⁵⁰ Furthermore, in 2020, cooperative measures between the Bundeswehr and the PLA were also drastically reduced as compared to preceding years.⁵¹

Ultimately, the deterioration in Sino-German relations has also affected the maritime dimension. In 2020, Germany, France and the UK filed a joint note verbale to the UN rejecting China's claims over the South China Sea and demanding that littoral states' claims had to comply with UNCLOS.⁵² In September 2021, Germany's request for a port visit of the Frigate *FGS Bayern* to Shanghai, which had originally been intended as a symbol of goodwill, was denied.⁵³ In less than a decade, the Bundeswehr had turned from a diplomatic tool in a prospective comprehensive strategic partnership between Beijing and Berlin into an *institutum non gratum* in Chinese harbors.

⁵⁰ Interview with Captain Jörn Niemann, naval attaché at the German Embassy in Beijing (2017-2020) on 14 February 2022

⁵¹ Jakobi, Stefan Ludwig (2022), *Die Leitlinien zum Indo-Pazifik – ein geeignetes Instrumentarium deutscher Sicherheitspolitik?*, Master thesis submitted to the Helmut Schmidt University - University of the Federal Armed Forces Hamburg, p. 39.

⁵² Pham, Linh (2020), 'Lawfare in the South China Sea weighs on with EU Three rejection', Hanoi Times, <http://hanoitimes.vn/lawfare-in-the-south-china-sea-weighs-on-with-eu-three-rejection-314276.html> [accessed on 06 March 2022].

⁵³ Ratz, Alexander, Yew, Lun Tian, Crossley, Gabriel, Thomasson, Emma and Char, Pravin (2021): China denies German warship entry into harbour, Berlin says, Reuters, <https://www.reuters.com/world/europe/china-denies-german-warship-entry-into-harbour-berlin-says-2021-09-15/>, last accessed on 16 November 2021.

Future Outlook

In January 2021, US President Joe Biden began his tenure. Although disagreements on both sides of the Atlantic remain about various policy subjects, such as the continuation of Trump-era customs duties or the transfer of sensitive data, Biden's election and his foreign policy style, especially his willingness to engage in multilateral diplomacy and make use of international organizations have been welcomed with much relief in Berlin, especially by Chancellor Scholz and his Social Democratic Party.⁵⁴

Still, China's economic importance for Germany is increasing, and current German policy continues to aim at engaging China and dealing with Beijing based on the EU's three-dimensioned China strategy.⁵⁵ Consequently, it has been suggested to reinstitute successful formats such as the security-political seminars.⁵⁶ In fact, the February 2022 full-scale invasion of Ukraine by Russia and the long-term disruption this will cause in Berlin's relations

⁵⁴ Scholz, Olaf (2020), "'Wir werden Joe Biden beim Wort nehmen': Ein Gastbeitrag von Olaf Scholz, Vizekanzler der Bundesrepublik Deutschland", *Spiegel*, <https://www.spiegel.de/politik/deutschland/olaf-scholz-zur-us-wahl-ich-bin-erleichtert-a-aa3d9279-1e12-43dc-ada5-3fbba1db54a8> [accessed on 13 February 2022]; Koch, Moritz, Meiritz, Annett and Münchrath, Jens (2021), 'Trump ist weg – doch die Konflikte zwischen EU und USA bleiben', *Handelsblatt*, <https://www.handelsblatt.com/politik/deutschland/transatlantische-beziehungen-trump-ist-weg-doch-die-konflikte-zwischen-eu-und-usa-bleiben/27198732.html?ticket=ST-10170318-EfGTZWKRGrEp9JM4SGag-ap4> [accessed on 06 March 2022]; Heinrich (2021), p. 122; Luhmann, Hans-Jochen (2021), 'Aufbruch zur strategischen Autonomie der EU in der Kriegsführung mit Mitteln wirtschaftlichen Zwangs', pp. 29-31, *Zeitschrift für Außen- und Sicherheitspolitik*, Volume 14, No. 1, pp. 25-34.

⁵⁵ Heinrich (2021), p. 129.

⁵⁶ Former member of Germany's military leadership, interview with the author on 21 February 2022.

with Moscow will most likely result in Germany seeking to strengthen its ties with both the US and China.

Against this backdrop, Germany finds itself in a dilemma similar to that described by Michael Swaine for the US in 2008: The lack of reciprocity, transparency and (normative) convergence necessitates that defense relations should be curtailed. The reduction of bilateral defense ties, on the other hand, eliminates the ability to generate benefits from maintaining relations.⁵⁷ In fact, considering the amount of political energy Berlin has invested in elevating Sino-German relations, including military ties, the dilemma for Germany appears to be of even greater scale than it had been for the US nearly 20 years ago.

Given that Germany does not pursue a foreign and security policy driven by geopolitical objectives, in the coming years, Berlin will, most likely, adjust its policies primarily in relation to how China and the US approach international affairs. In the case of Sino-German relations, as SPD politician Gabriela Heinrich notes, this will depend to a great extent on the degree of systemic competition with China.⁵⁸ Taking into account the Biden administration's return to multilateralism and Xi's ever growing ambitions to challenge core principles of the liberal international order, it seems hard to imagine that leaders in Berlin (and in Beijing) have any interest in reviving the dynamics of Sino-German political and security relations that had characterized the early 2010s. If, on the other hand, Trump or someone sharing his views on global institutions, unilateral policies and the role of international law were to win the next US presidential election, Berlin would have to face extremely difficult circumstances in making foreign and security policy choices for the future.

⁵⁷ Swaine (2008), p. 82.

⁵⁸ Heinrich (2021), p. 129.

7.

Navigating Sino-Polish Relations: Cooperation in Infrastructure and Education

Pawel Behrendt and Patrycja Pendrakowska

Initially, Chinese President Xi Jinping's announcement of the Belt and Road Initiative (BRI) was met with enthusiasm in Poland. Domestic media spread the vision of Poland as a key transport hub, linking Europe with China. Enthusiasm quickly waned, however, as in Western Europe, the media began to warn of Poland becoming Beijing's "Trojan horse" in Europe. Nevertheless, this fear is just as unfounded as the initial Polish enthusiasm.

Education is another key area for Sino-Polish cooperation, which happens between Chinese and Polish universities, nongovernmental organizations (NGOs) and schools. Cooperation in this realm accelerated throughout the 2010s but decelerated during the COVID-19 pandemic. Not only have the Chinese-led "16+1 format" and BRI contributed to the intensification of academic exchanges and research cooperation between China and Poland, but it has also strengthened arrangements between the EU and China. For example, in 2011, Hao Ping and the European Commissioner for Education joined forces to develop

Sino-EU scientific cooperation.¹ Overall, Poland should not be treated as an isolated case, as similar processes and Chinese engagements simultaneously have taken place across Europe.

Infrastructure and Security

For China, Poland is above all a transit country through which important economic partners, such as Germany or France, can be accessed. This is reflected in the trade figures between the two countries. According to the Polish Central Statistical Office, in 2019, bilateral trade amounted to 31.5 billion euros (\$33.21 billion), of which as much as 28.9 billion euros (\$30.46 billion) was attributed to Chinese exports to Poland. In 2020, the turnover increased to 33.04 billion euros (\$34.83 billion), of which 29.8 billion euros (\$31.41 billion) fell on Polish imports from China. However, these figures do not give the whole picture. Polish exports to China are larger due to local companies being subcontractors of German enterprises. However, the scale of trade conducted via Germany is more difficult to assess.

Chinese foreign direct investment (FDI) in Poland is also not impressive. According to a report by Rhodium Group and MERICS,² in the years 2000–2020, it amounted to just 2.2 billion euros (\$2.32 billion). Poland is, therefore, far behind the United Kingdom (EUR 51.9 billion) and Germany (EUR 24.8 billion). Significantly, Chinese FDI surged in 2020 on the back of a single

¹“EU and China set to boost co-operation on education, culture, youth and research,” European Commission, last modified April 24, 2011, https://ec.europa.eu/commission/presscorner/detail/en/IP_11_1233.

² Agatha Kratz, Max J. Zenglein, and Gregor Sebastian, “Chinese FDI In Europe 2020 Update,” Jun 16, 2021, <https://merics.org/en/report/chinese-fdi-europe-2020-update>

transaction. GLP Group, a global investment manager and business builder in logistics, real estate, infrastructure, finance and related technologies, bought the Eastern Europe logistics portfolio of Goodman Group for 815 million euros (\$859.13 billion). It was the second-largest Chinese investment in Europe for 2020.

When it comes to FDI, a clear divergence exists between Poland and China, reflected in their low scale. Poles expect long-term greenfield investments, while the Chinese are more interested in infrastructure. However, it is difficult for Chinese projects to compete with EU programs in this field. Another mistake made by the Chinese side is to expect that the ways of doing business in South Asia or Africa will work in Central and Eastern Europe.

However, this does not mean that Chinese companies are not achieving some success with their infrastructure investments. What is more, Chinese interest in Polish infrastructure started long before the BRI was announced. In 2005, Hutchinson acquired areas within the Port of Gdynia. This transaction still causes controversy and illustrates the frequent behavior of Chinese companies.

Through its Luxembourg-registered subsidiary, Hutchinson bought out the debts of Wolny Obszar Gospodarczy SA (WOG SA), which held the assets of the bankrupt Gdynia Shipyard. In this way, the Chinese company acquired 98 percent of the shares in WOG SA together with the land and buildings. The assets of the shipyard included, among others, 20 hectares of land and a 1.5-kilometer (km) wharf in the Port of Gdynia. Hutchinson quickly bought out the rest of the shares and set up Gdynia Container Terminal (GCT), also known as GTC/Hutchinson. The company

built a cargo terminal and created competition for the Port of Gdynia.³

The accompanying controversy did not come only from the way in which the area was acquired. In addition, the GTC/Hutchinson terminal is located within 5 km of the main Polish naval base, naval shipyard, Seaborne Operations Center-Seaborne Component Command and other military installations. All these facilities are part of North Atlantic Treaty Organization (NATO) infrastructure.

And this is not the end. At the beginning of 2021, two tenders were launched in Gdynia. The first one was to select an entity that, from May 2023, would be the operator of cargo-handling services at Nabrzeże Helskie, which is part of NATO's logistics facilities. The current leaseholder and manager of the wharf is the Philippines-based ITSIC/BCT company, certified by the Alliance, which wants to extend its contract. Three other entities are competing for the tender, including GTC/Hutchinson.

A similar situation exists with the second tender for the construction of the new External Port in Gdynia, which will take over cargo-handling and offshore services.⁴ This situation raises concerns among NATO partners and the Polish security community. However, these fears may prove to be exaggerated.

³ Łukasz Maziewski, "Chińska inwestycja w Gdyni groźna dla Polski? 'To budzi niepokój,'" *wp.pl*, October 5 2021, <https://www.o2.pl/informacje/chinska-inwestycja-w-gdyni-grozna-dla-polski-to-budzi-niepokoj-6690579746478752a>

⁴ Maziewski, "Chińska"; Dario Cristiani et al. (2021), "The Security Implications of Chinese Infrastructure Investment in Europe," GMF, 28 October, 2021, <https://www.gmfus.org/news/security-implications-chinese-infrastructure-investment-europe>

In 2015, Poland first introduced the FDI Control Act. In 2020, due to concerns about numerous takeovers caused by COVID-19, the act was amended. In fact, investors outside the EU and Organisation for Economic Co-operation and Development (OECD) countries now have limited access to strategic infrastructure; production, storage or transmission of energy; large segments of the information technology (IT) industry working in strategic sectors; medical products; and food processing. The Polish FDI Control Act is based on the EU Screening Regulation but goes far beyond the recommendations of Brussels. In another respect, the act is often vague and not precise, leaving it open to interpretations.⁵

In 2016, One Chinese infrastructure investment was already blocked. Then-Polish Defense Minister Antoni Macierewicz blocked the sale of former military land in Lodz to a Chinese consortium. The Chinese wanted to use the land to expand a nearby railway terminal. The minister justified his decision for security reasons. Then, just before Chinese Foreign Minister Wang Yi's visit to Warsaw in July 2019, Polish President Andrzej Duda spoke out strongly against allowing China to invest in Polish critical infrastructure, including airports and ports.⁶ However, telecommunications infrastructure can also fall into this category,

⁵ Arkadiusz Rumiński and Łukasz Karpiesiuk, "New Foreign Direct Investment screening rules in Poland," SSW Pragmatic Solutions, July 24, 2020, <https://ssw.solutions/en/new-foreign-direct-investment-screening-rules-in-poland/>; Jakub Pietrasik and Jacek Michalski, "Poland: Foreign Direct Investment Regimes," ICLG, November 3, 2021, <https://iclg.com/practice-areas/foreign-direct-investment-regimes-laws-and-regulations/poland>

⁶ Pawel Behrendt, "Polen und die neue Seidenstrasse," Laender Analyse, September 17, 2019, <https://www.laender-analysen.de/polen-analysen/242/polen-und-die-neue-seidenstrasse/>; Adrian Brona, "Bez przełomu po wizycie Wang Yi w Warszawie," Puls Azji, July 10, 2019, <http://pulsazji.pl/2019/07/10/po-wizycie-wang-yi-w-warszawie/>

with the particularly sensitive issue of 5G. In 2020, Poland, along with the Czech Republic and Romania, joined the US Clean Network initiative, in effect blocking Chinese entities, such as Huawei, from building its core network.⁷

These examples demonstrate that Poland is on the sidelines of the sea-based trade routes connecting Europe with China. Most goods reach the main transshipment ports, such as Hamburg, Rotterdam and Antwerp, and only from these locations are then transported by land or sea to the Polish ports in Gdansk, Gdynia and Szczecin. This was one reason for the great interest in the rail branch of the BRI.

Łódzkie Voivodeship was the pioneer in this field, establishing cooperation with the Chinese province of Sichuan. This led to the launch of the Łódź-Chengdu railway connection and the construction of a transshipment cargo terminal from Sichuan. Łódź has become an example of exploiting the opportunities created by the New Silk Road. Although, after the Polish Ministry of Defense blocked the sale of land, Łódź's relations with Chinese partners weakened, the city is still trying to gain the position as one of the most important BRI hubs in Europe.⁸

Faced with limited success in investments, China is trying other methods to gain access to key infrastructure. In 2017, China Security & Fire wanted to buy a majority stake in security firm

⁷ Laurens Cerulus, "Huawei challenges legality of 5G bans in Poland, Romania," Politico, November 2, 2020, <https://www.politico.eu/article/huawei-hints-at-legal-action-against-5g-bans-in-poland-romania/>

⁸ Tomasz Kamiński, Adriana Skorupska, Justyna Szczudlik, *The Subnational Dimension of EU-China Relations* (Polish Institute of International Affairs, 2019), <https://pism.pl/upload/images/artykuly/e4d13af8-3898-48b8-8fdc-a092854bebf2/1570962783474.pdf>

Konsalnet, one of the leaders in the Polish market, for 110 million euros (\$115.96 million) from Value4Capital (V4C). The case raised numerous national security concerns. Konsalnet provides security for, among others, military units, strategic facilities and industrial companies. The transaction ultimately failed to materialize. In 2019, Konsalnet became part of the French Seris Group.

Chinese Military Presence in the Baltic Sea

The Chinese naval presence in the Baltic is often overlooked but remains a critical issue. Ships participating in anti-piracy missions off the coast of Somalia often head to European waters after operations end. For example, in 2015, the 152nd Task Group, which called Gdynia on October 7, did so. The 052C-class destroyer *Jinan*, 054A-class frigate *Yiyang* and 903-class replenishment ship *Qiandaohu* were the first People's Liberation Army Navy (PLAN) warships to visit Poland. The date of the port visit was not accidental, as it fell on the 66th anniversary of the establishment of diplomatic relations between the two countries. For this reason, the vessels were welcomed in Gdynia by Chinese diplomats and several hundred Chinese citizens residing in Poland. Earlier, the 152nd Task Group visited harbors in Denmark, Finland and Sweden.⁹

⁹ Marcin Chała, "Chińskie okręty w Gdyni. Luyang II," Zespół Badań i Analiz Militarnych, October 8, 2015, <https://zbiam.pl/artykuly/luyang-ii/>; Patryk Szczerba, "Chińskie okręty wpłynęły do gdyńskiego portu," Trójmiasto.pl., October 7, 2015, <https://www.trojmiasto.pl/wiadomosci/Chinskie-okrety-wplynely-do-gdynskiego-portu-n95146.html>

The second time a Chinese warship appeared in Gdynia was in June 2018; this time, it was the 054A-class frigate *Binzhou*.¹⁰ In the context of port infrastructure investments, the Chinese ships' visits raise the question of whether, over time, wharfs and terminals owned by Chinese companies can become facilities for the PLAN and enable it to project power in the Baltic Sea. Such concerns apply to all Chinese port investments around the world. Beijing has not exploited this opportunity so far, and developments in Gwadar (Pakistan) and Hambantota (Sri Lanka) need to be closely watched to forecast possible changes in Chinese policy in this area.

From the perspective of regional security, other visits by Chinese ships to the Baltic are much more relevant. In July 2017, vessels and aircraft of the Russian Baltic Fleet conducted the Joint Sea 2017 exercise with a Chinese task force composed of the 052D-class destroyer *Hefei*, 054A-class frigate *Yuncheng* and 903-class replenishment ship *Luomahu*. The exercises included naval warfare, air defense, surface maritime targeting, anti-piracy exercise, as well as search and rescue maneuvers. After that, the Chinese ships headed to St. Petersburg.

Joint Sea 2017 demonstrated the strengthening of Sino-Russian military cooperation and China's growing, albeit still limited, ability to project power away from its own shores. Nevertheless, more importantly, the PLAN conducted exercises in a body of water considered to be NATO's backyard. According to Sebastian runs and Sarah Kirchberger, Joint Sea 2017 was, in addition to demonstrating growing capabilities, a response to the increasing activity of European states in the Indo-Pacific region, particularly

¹⁰ "Chińska fregata rakietowa zacumowała w Gdyni," *gospdarkamorska.pl*, June 22, 2018, <https://www.gospdarkamorska.pl/mw-sluzby-morskie-chinska-fregata-rakietowa-zacumowala-wgdyni-31174>

in the South China Sea. If such escapades continue, it could mean China is working with Russia to strain NATO's limited maritime resources and draw the alliance's European members away from Asia.¹¹

Education

The COVID-19 pandemic has radically changed the landscape of cooperation between academic institutions in mainland China and Poland. The inability to travel to China to conduct research and take part in language courses or student exchanges has fundamentally changed the landscape. Moreover, many students returned from China to Poland during the Chinese New Year in 2020 and were not able to rejoin their Chinese universities. Other students decided to pursue their degrees online without a single prospect of visiting Poland while studying. Although academic life shifted to online formats, the virtual world did not compensate for the experiences that could have been gained during in-person instruction, particularly important for social sciences.

According to the Chinese Embassy in Poland,¹² the first Chinese students came to Poland on scholarships in the 1950s and 1960s, until the Cultural Revolution. Reciprocally, some Polish students went to study in China, among them Jan Rowiński, one of the most prominent professors of international relations focusing on Asia in Poland, and Krzysztof Gawlikowski. Indeed, Poland has had a long Sinological tradition dating back to 1932, when the first

¹¹ Sebastian Bruns, Sarah Kirchberger, "Machtprojektion ins NATO-Meer: Die Marine der VR China in der Ostsee," *SIRIUS* 1, no. 4 (2017): 379–386.

¹² "Zarys wymiany edukacyjnej między Chinami a Polską", PRC Embassy in Poland, last modified June 9, 2004, <https://www.mfa.gov.cn/ce/cepl/pol/ywsz/jyhz/t129338.htm>.

department of Sinology studies was opened at the University of Warsaw.

After the period of opening reforms, beginning in 1978, and especially between 1984 and 2001, the student exchange programs were revived and a couple of hundred students from both sides benefited from numerous scholarship opportunities during these years. After Poland joined the EU in 2004, the chair of the People's Republic of China (PRC), Hu Jintao, visited Warsaw in June 2004 and met with Polish President Aleksander Kwaśniewski. During the visit, an agreement was struck between the Polish Minister of National Education and Sport and the Chinese Minister of Education, Cooperation in Education for 2004–2006. During following years, cooperation in education was continuously developed by both sides, encouraging student exchanges and research visits until the start of the COVID-19 pandemic.

The announcement and establishment of the “16+1 format” in 2012 and the BRI in 2013 had remarkable influence on Polish academia. Conferences, debates, forums and publications, were numerously dedicated to China. However, it is unclear whether this was in Beijing's interests, as the BRI was often critically analyzed during various debates organized at Polish universities.

During this period, many new research centers were established, including the Center for Asian Affairs at the University of Łódź (2015), the Asia Research Centre at the University of War Studies (2016) and the Boym Institute for Asian and Global Studies (2019). The University of Łódź and University of Warsaw organized several Sino-Polish student exchanges. The Center for Asian Affairs in Łódź, where the railway hub for Chinese products was planned to be built, cooperated extensively with the 16+1 think tank network based at the Chinese Academy of Social Sciences in Beijing and the Chinese think tank based in Budapest,

the China-CEE Institute. These initiatives focused on deepening cooperation and brought more of an analytical angle to the political decisions made by the Polish government that aimed at further development of relations with Beijing. Still, the Polish Institute of International Relations (PISM) and the Eastern Studies Center (OSW) remained two of the most important players in shaping contemporary knowledge on the PRC's policy, economy and society.

Moreover, some nongovernmental think tanks and discussion clubs focusing on policymaking and geopolitics, including Klub Jagielloński, Nowa Konfederacja and to some extent Instytut Sobieskiego, started organizing small sections dedicated to Asian studies with a focus on China. This rising interest might be explained not only by the BRI and 16+1 format but also by wider worldwide political changes that led Polish experts to have greater interests in the rivalry between China and the US, as well as challenges Beijing poses to the EU's economy. Studying and researching China ceased to be a domain of orientalists and turned into necessity from the point of view of security, political and economic studies.

Private universities also decided to establish centers or courses dedicated to researching Asia and the BRI, including the private Vistula University; Koźminski University, with the course Chinese Business; and SWPS University. In 2018, the University of Warsaw kicked off with a tuition fee-based school dedicated to Chinese law and economy. It is offered by the Polish Research Centre for Law and Economy.

Students who were willing to explore China organized grassroots exchange initiatives, such as the Warsaw Beijing Forum at the University of Warsaw. Currently, its partner is the China University of Political Science and Law in Beijing. Another initiative that grew in this period was the Chinese-European

Partnership for Development (CEPD), which cooperated with academic institutions from Hong Kong.

On the regional and local levels, Chinese delegations have paid numerous visits to their Polish counterparts to accelerate collaboration, especially with technical universities. In 2017, a special forum for the universities from Dolnośląskie Voivodeship and Anhui province was organized during the Anhui provincial representatives' visit to Poland.

The engagement of Chinese companies in the academic world is another factor that should not be overlooked. Huawei has been quite active in this domain, financing technological equipment for public universities, organizing competitions such as "Seeds for the Future" and financing educational initiatives.

The picture would not be complete without touching on the Confucius Institutes that are currently operating in Kraków, Poznań, Opole, Gdańsk, Wrocław and Warsaw (the Confucius Institute operates next to the Warsaw University of Technology). However, amid the controversies Confucius Institutes raise abroad, their activities are strongly monitored by academic institutions and think tanks in Poland, which emphasizes that they do not provide a free platform for debates.¹³ On the other hand, Chinese institutions have been interested in subsidizing the renovation of Jagiellonian University and one of its buildings in Kraków. The Chinese side offered a remarkable sum of money for restoring the building where the Confucius Institute is currently headquartered.¹⁴

¹³ Marcin Przychodniak, "Confucius Institutes as a Tool for Promoting China's Interests," Bulletin PISM, no 147 (1218), October 26, 2018, https://www.pism.pl/publications/Confucius_Institutes_as_a_Tool_for_Promoting_China_s_Interests.

¹⁴ "Dlaczego przy ul. Oleandry postawiono popiersie Konfucjusza?," *Gazeta Wyborcza*, February 18, 2019,

Several Polish institutions, such as the National Science Center (NCN, *Narodowe Centrum Nauki*), are engaged in funding bilateral projects with the National Natural Science Foundation of China for Sino-Polish teams of scientists, Sheng 1, Sheng 2 and Sheng 3. These funds are co-financed by China and are dedicated to projects related to natural sciences, technical engineering and social sciences. Moreover, the National Agency for Academic Exchange (NAWA) offered large grants for research conducted in all disciplines in Asia.

Step-by-step, Chinese institutions were also eager to develop cooperation with primary schools. For example, ties have been developed with a primary school¹⁵ in Ostrów Wielkopolski, where Polish children can study the Chinese language for free as part of the partnership with the Chengdu Experimental School. Some children are confident that Chinese will become the language of the future.

Is Polish Academia and Education Under Threat?

Many recent publications have diagnosed threats related to Chinese influence campaigns at universities across Central and Eastern Europe.¹⁶ Although the analyzed cases might be representative for other European countries, they do not fit into

<https://krakow.wyborcza.pl/krakow/7,44425,24467587,popiersie-konfucjusza-stanie-w-chinskim-ogrodzie-przy-oleandrach.html>

¹⁵ Jakub Ptak, "Język chiński w ostrowskiej podstawówce. Jedyna taka szkoła w Polsce," TVP3 Poznań, October 20, 2019, <https://poznan.tvp.pl/44940955/jezyk-chinski-w-ostrowskiej-podstawowce-jedyna-taka-szkola-w-polsce>

¹⁶ We refer here to publications such as: Ivana Karásková, "Countering China's Influence Campaigns at European Universities," *The Diplomat*, February 22, 2020, <https://thediplomat.com/2020/02/countering-chinas-influence-campaigns-at-european-universities/>

the Polish experience. Currently, not enough evidence exists to support the conclusion that Beijing has had direct influence or that the freedom of speech or scientific independence have been compromised. Poland has been successful at balancing and navigating impacts and potential influences by developing relations with various stakeholders within the Sinological milieu.

To begin with, a diversity of funding is available for scientists and students. Polish institutions, such as NCN or NAWA, are funding a range of projects, facilitating research at various institutions in Asia and language courses that are open both to academic staff as well as graduate and undergraduate students. Polish scholars can also apply for EU funds. Further, Polish institutions are cooperating with Taiwanese and Hong Kong-based organizations on top of Chinese mainland universities. Thus, cooperation has not been unequivocally dominated by one side. Finally, Poland's most prestigious universities, including the University of Warsaw and Jagiellonian University, employ both Chinese mainland and Taiwanese staff to teach in their faculties.

Nevertheless, it cannot be ignored that some Polish scientists, experts and public figures are not critical of Beijing's policies and avoid controversial subjects. Rather than criticizing some of the controversial aspects of Chinese politics, they tend to characterize the Chinese political system favorably as benefiting society at large, though the Communist ideology largely differs from the EU's liberal standards. Even so, it is difficult to ascertain whether they are silent on issues such as human rights because they are directly under Chinese influence, or maybe it is their own independent decision.

Conclusion

Poland is strongly reluctant toward Chinese infrastructure investment and tries to balance between the PRC and Taiwan in the fields of culture and education. In the case of infrastructure, such a posture can be explained by a much safer and reliable environment offered by EU programs. However, in the realm of security, Warsaw bets on the US and is strongly committed to transatlantic relations. In effect, Polish decision-makers perceive Chinese investment in critical infrastructure as a security risk.

The recent rise of interest toward China was driven by Poland's accession to the 16+1 format, its engagement in the BRI, as well as the Sino-US trade war and budding rivalry between Beijing and Washington. These factors contributed to a growing interest in Asian studies, with China at its core. Academic cooperation has not posed a direct or serious threat to Polish engagement in transatlantic relations. However, it should be emphasized that Chinese institutions have been quite successful in promoting Chinese scholarships and China studies to a young Polish audience, as the academic offers are more accessible and financially attractive than the programs offered by the US.

China's Financial Influence in Poland

Dr. Aleksandra Kuczyńska-Zonik

Between 2009 and 2017, Polish-Chinese relations faced a number of dynamic developments, at a time when Warsaw perceived Chinese foreign direct investment (FDI) as a key element in restructuring the Polish economy.¹ The low-intensity cooperation between the two countries before 2009 is explained by rather frigid political relations throughout the 1990s, when Polish politicians frequently criticized Beijing for human rights violations. Next, a warming of relations with Beijing began under the Law and Justice (PiS) government and Polish President Andrzej Duda, who visited China in November 2015. Further, in May 2017, Poland was one of just a few European states to be represented at the Belt and Road Forum for International Cooperation held in China.

By entering Central and Eastern European markets, Chinese companies sought to gain access not only to the European Union but also to the Commonwealth of Independent States (CIS), the

¹McCaleb A., Szunomar A., Chinese foreign direct investment in central and eastern Europe: an institutional perspective [in:] Chinese investment in Europe: corporate strategies and labour relations, J. Drahokoupil (ed.), European Trade Union Institute 2017, 121-140.

Mediterranean countries and the European Free-Trade Area.² But even over this span, the overall amount of Chinese FDI in Poland remained modest as compared with Western Europe or even Hungary.³

Since then, cooperation has weakened. This is due in large part to a disappointment on the Polish side with the lack of significant progress in the Belt and Road Initiative (BRI). The major infrastructure projects that had been the primary objectives of Polish-Chinese cooperation as part of the BRI have not been accomplished. In addition, the “16+1 format” and limited access to the Chinese market for Polish manufacturers (only a small percentage of Polish exports go to China, while Chinese imports to Poland have grown steadily every year) have hurt relations.

Furthermore, the dynamic growth of Chinese FDI in recent years has raised the concerns of the Polish government and its citizens. Poland, as strategic partner of Washington, took steps to limit Huawei’s access to its 5G infrastructure market and rejected the possibility of greater Chinese involvement in the construction of the Central Communication Port (Solidarity Transport Hub, CPK), which is a planned transfer hub between Warsaw and Lodz, located 37 kilometers (km) west of Warsaw and covering an area of 3,000 km. During the first stage, the airport is planned to handle 45 million passengers a year.

² Wiśniewski P.A., *Aktywność w Polsce przedsiębiorstw pochodzących z Chin* (Activity of Chinese companies in Poland), *Zeszyty Naukowe* 34, Kolegium Gospodarki Światowej, SGH, Warszawa 2012.

³ M. Lubina, *Big Words, Little Results: the Chinese Investments in Poland from the Political Perspective*, *Polish Political Science Yearbook* 2017, vol. 46, issue 2, 150-171.

Table 1. Polish Exports to China in USD and Percentage of All Exports

2017	2018	2019	2020	2021
\$2.3 Billion	\$2.5 Billion	\$2.9 Billion	\$3.4 Billion	\$5.5 Billion
1%	0.9%	1.1%	1.2%	—

Source: *Yearbook Trade of Foreign Statistics of Poland (2017–2021)*

Table 2. Chinese FDI in Poland (USD)

2017	2018	2019	2020
\$57 Million	\$93.3 Million	\$146.7 Million	\$15.6 Million

Source: *Narodowy Bank Polski (2017–2020)*

While bilateral relations between Poland and China have not been extensive, economic cooperation has mainly involved railway transportation. Although the transportation and logistics sector only accounts for 6 percent of gross domestic product (GDP) in Poland (2020), it remains a pillar of the Polish economy. China views Poland as a key transit country for railway cargo. For example, Beijing invested in several Polish companies, including the TCL in Żyrardów and Digital View in Koszalin, both of which make LCD panels; Nuctech in Kobyłka, which makes x-ray inspection systems; and Huta in Stalowa Wola producing machines (the latter was an example of the first full privatization funded by Chinese capital in Poland). Additionally, large financial institutions have offices in Poland, including two of the largest—the Bank of China and Industrial and Commercial Bank of China. Some of the largest Chinese law offices, such as Yingke and Dacheng, also have Polish offices. Finally, Chinese companies have been engaged in projects including the Lublin-Chełm power transmission line and Wrocław waterway system.

Recently, the situation has changed. In 2020, Poland was one of the main recipients of Chinese investments in the EU. At that time, the total value of the investments was approximately \$1 billion.

The only two EU countries with more Chinese investments were Germany, with an estimated value of \$2 billion, and France, with just over \$1 billion.⁴

The scale of Chinese investments in Poland was even more surprising for three primary reasons. First, before 2020, Poland had received the lowest level of Chinese investment in the EU dating back to 2013. In 2020, China invested a total of \$7.5 billion in Europe which was a 44-percent drop from the preceding year. (Globally, Chinese investments also fell by 37 percent from \$53 billion to \$34 billion, down from a record \$139 billion in 2017.⁵) Second, in recent years, Chinese investors have shown relatively little interest in countries from the Visegrad Group (i.e., Czechia, Hungary, Poland and Slovakia). In truth, the Visegrad countries have been highly critical of Huawei's 5G technology and generally display low levels of trust toward Chinese investments (except for Hungary).⁶ In Czechia, this was most significantly linked to the failure of the CEFC, which was accused of economic crimes. Third, according to the Polish National Bank, Chinese FDI in Poland mainly involves the logistic projects of the Singapore-based company GLP, which invested over \$1 billion in assets of the Goodman Group, of which \$800 million was assigned to Poland. This means that the remaining Chinese investments in Poland amounted to only \$200 million.

⁴Polski Instytut Ekonomiczny, *Globalizacja w czasie pandemii* (Globalisation during the pandemic), Warszawa 2021.

⁵ Rhodium Group, *Chinese FDI in Europe 2020*, <https://rhg.com/wp-content/uploads/2021/06/MERICSRhodium-GroupCOFDIUpdate2021.pdf> [12.01.2022].

⁶ I. Karásková, A. Bachulska, T. Matura, M. Šimalčík, *Careful or careless? Debating Chinese investment and 5G technology in Central Europe*, AMO 2021, https://mapinfluence.eu/wp-content/uploads/2021/06/Mapinfluence_policy-paper_careful-or-careless_A4_web_09-1.pdf [5.03.2022].

Cultural Differences

In turn, Poland has been more interested in Chinese technology development and know-how, rather than logistic and transport. As potential investors were seen merely as a cash source, the country was looking for partners who could share their project experience.⁷ Other factors also limited the cooperation: the Chinese companies were reluctant to take part in public tenders and tried to put pressure on the Polish government so they did not have to compete along the same conditions as other companies. In fact, China's model of investing in poorer regions' infrastructure did not quite work in Poland (as it did in other Central European countries) due to European norms and regulations. Similarly, local private enterprises were not able to accept the excessive risks that accompany cooperation with Chinese businesses. Consequently, Poland has become more cautious and taken greater control over domestic investment projects.

Along with other EU members, Poland updated its FDI screening mechanisms (2019) and started to block acquisitions by Chinese firms. Warsaw wanted to avoid a situation in which an entire project would be funded or controlled by a foreign investor.⁸ This change resulted from German experiences with Chinese investment in which Beijing would try to take over high-tech companies and acquire their technology. Increased screening was

⁷ Kalwasiński, M., Bezpośrednie inwestycje zagraniczne Chin w Polsce – problem rzeczywistej skali inwestycji (China's foreign direct investments in Poland – problem of an actual scale of investment), *Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu* 2018, no. 523, 165-179.

⁸ This was extremely important during the pandemic, when the European Commission drew attention to the need of using screening mechanisms against Chinese companies in the medical sector in order to prevent undesirable actions.

also spurred by the Greek experience in which the Chinese investment in the Port of Piraeus posed a challenge to national security. Finally, the saga of the Belgrade-Budapest railway also encouraged more caution, as the flagship investment under the aegis of the 16+1 format was comprehensively audited by the European Commission.

Future Prospects and Conclusions

The COVID-19 pandemic has not appeared to be a game-changer in the world's economic order.⁹ Yes, global supply chains have been severely disrupted, but they have not been permanently broken. Instead, the pandemic has aggravated a negative trend in decreasing global FDI since the financial crisis in 2008. Surprisingly, despite the pandemic, Poland was able to attract new foreign investments, becoming one of the most desirable destinations for Chinese FDI in the EU. Yet, at the same time, due to the pandemic, several larger cross-border projects financed by China were suspended. Indeed, the pandemic may exacerbate this negative FDI trend, as the environment of instability and unpredictability in Europe may noticeably discourage investors.

The significant inflows of investment in Germany, France and Poland are a result of the UK's exit from the EU. But for China, Poland remains a critical country, whose attractiveness reflects that of bigger markets such as Germany or Russia. Politically, Poland still lacks an overall strategy for attracting Chinese FDI, and coordination between the central government and local municipalities is weak.¹⁰ Beijing also perceives Warsaw through the prism of the 16+1 initiative, which provides opportunities to influence the region politically.

⁹ Polski Instytut Ekonomiczny, Globalizacja...

¹⁰ M. Lubina, Big Words...

Overall, Poland is experiencing a new trend in growing diversification of investment flows. Apart from investments being pursued by state-controlled giants, private sector-initiated projects in the new technology and green energy sectors have been emerging in increasing numbers. Similarly, an increase of Chinese investment in energy storage sector has been noticed as well. Investors are particularly keen on Poland's southwestern region, which offers convenient access to the German and Czech markets. Experts predict the southwestern regions will attract a majority of Asian investors in upcoming years, though, according to Chinese practice, non-state Chinese companies should operate in line with the government. This means any limitations against Chinese private business may be perceived as a purposeful action against the Chinese government itself.

Good relations with the US are the highest priority for the Polish authorities. Thus, the continuing conflict between Beijing and Washington may further hurt Polish-Chinese relations. The two countries' relationship could also be severely impacted by the Huawei issue.¹¹ It is possible that Poland will follow the US boycott of Huawei's 5G networking gear over concerns that it could be used by Beijing to facilitate cyber-espionage and digital sabotage. In a similar way, deteriorating EU-Chinese relations will create additional limitations for investors. Bilateral tensions accompanying the Western sanctions regime may result in a greater screening of Chinese investments, including export controls for dual-use and critical technologies, implementation of data security and privacy rules, as well as a further reduction in the volume of investments.

¹¹ In the beginning of 2019 Poland arrested two individuals on suspicion of spying for China, one of whom was a sales director at Huawei, and the second a former member of the Polish domestic counterintelligence agency.

In Poland, Chinese companies are increasingly more visible and discernible. Warsaw's attitude toward Chinese investments has been ambiguous, however. On the one hand, it is shaped by the state of transatlantic relations, as Poland usually plays the role of a loyal and committed partner to the US. Furthermore, Chinese FDI is usually seen as corrupting, without transparency, accountability and market orientation (so-called "corrosive capital"), which is concentrated on smaller, often nominally democratic and market-based nations. Moreover, Poland may be suspicious of Chinese investments due to a historical struggle (i.e., similarities between China's power and Russia's imperial politics).

On the other hand, Poland has significant economic relations with China, especially with regards to railway transportation. It is supposed that Poland might benefit from the New Silk Road (foreign trade turnover might expand to 30-40 percent¹²). In terms of business benefits, the reception of Chinese investment in Poland is generally positive, or at least neutral. Warsaw's goal is to attract more Chinese investment; thus, it is uncertain whether Poland will reject the financial benefits offered by China in the coming years. Additionally, considering growing tensions with the EU, the Polish authorities may attempt to improve their international standing by strengthening the Warsaw's relations with countries outside the EU, including China.

¹² A. Kulikowska-Wielgus and others, *Transport i logistyka jako strategiczna branża dla polskiej gospodarki*, Polski Instytut Transportu Drogowego, 2019

9.

China at the Heart of the Baltics: The Case of Latvia

Otto Tabuns and Marta Mitko

Latvia and the People's Republic of China (PRC) established diplomatic relations on September 12, 1991—three weeks after regaining de facto independence and the day after Latvia officially joined the United Nations. In January 1992, Latvia signed an agreement to open a Consulate General of Taiwan in Riga. As a result, the following month, the PRC ambassador to Latvia left Riga. However, the promising cooperation with Taiwan did not end up overshadowing the scale and growing importance of cooperation with the PRC. Thus, the Latvian government reconsidered.

On June 28, 1994, Latvia and the PRC signed a Communiqué on the Normalization of Relations, and “consular relations” between Latvia and Taiwan were to be terminated that same day. As such, Latvia recognized Taiwan as an inalienable part of the PRC and agreed not to enter into any official interaction with Taiwan. On August 5, 1994, the Taiwanese Consulate General was closed and, nine days later, the PRC ambassador returned to Latvia. In 2003, Latvia denounced the ten-year-old agreement with the Republic of China on the mutual protection of investments, with one

argument in support of this move being that investments from Taiwan so far had been negligible.

By 2000, Latvia outlined four points that are critical for the Latvian-PRC relationship.¹ To begin with, the PRC was one of the first to recognize the reestablishment of Latvian independence in 1991, showing the mutual importance of respect for this issue. The geographically advantageous placement of Latvia as a gateway between Europe, Scandinavia and Russia was noted as economically promising for both sides. Recognition of Russia as a growing threat was voiced as well. Finally, emphasis on Latvia's inclusive nature toward minorities was underlined, indicating the possibility and utility of establishing Chinese-language schools in Latvia in the future.

In 2004, Latvia joined the North Atlantic Treaty Organization and European Union, adding another layer of impact to Sino-Latvian interactions. These changes made Latvia more interesting to China in view of its international political and economic ambitions. Furthermore, the global financial crisis in 2008 and the unreliability of Russia following its invasions of Georgia (2008) and Ukraine (2014, 2022) made China more interesting to Latvia in terms of diversifying international cooperation, which is crucial for long-term development.

Finance

Bilateral access to markets has been difficult for both Latvia and China due to complex requirements in both the EU and the PRC.

¹Minister of Foreign Affairs of Latvia Indulis Bērziņš, "Latvia's Foreign Policy Goals and Relations with China," Speech at the Chinese People's Institute for Foreign Affairs, Beijing, China, (13 June 2000). Available on: <https://www.vestnesis.lv/ta/id/8109>

Despite the administrative burden associated with European and national law requirements in investments, China has successfully used investments in Latvia to gain an additional foothold in Europe, with many individuals and groups of citizens gaining national residence permits (that extend to the Schengen Area) because of their investments. For the Latvian capital, this has been relatively harder, as exemplified by company Stenders and its controversial takeover.²

In 2010, the Latvian government approved a program that permits temporary residence in exchange for an investment above a certain set value. This was necessary for the Latvian government to increase national revenue in the aftermath of the global financial crisis. The arrangement was attractive to Chinese citizens as the permit applied to the Schengen Area as a whole. As noted by the Latvian State Security Service, Chinese nationals have, in most years between 2014 and 2019, ranked second after Russian nationals in the number of applicants for the investment-for-residence program. As a result of collective applications involving a single real estate deal, the program worked well for extending the presence of Chinese citizens in Europe.

As reported by TVNET, between 2014 and 2015, the Chinese state-owned company Sinohydro offered the Latvian government cooperation in road reconstruction, promising loans on good terms for that purpose.³ Yet, this offer was not followed through on as it coincided with the scandal in North Macedonia on the mismanagement and corruption allegations regarding a similar loan to construct a highway.

² Tabuns, Otto. "European States Reappraise Their Diplomatic and Investment Relationships with China." Jamestown, July 30, 2020. <https://jamestown.org/program/european-states-reappraise-their-diplomatic-and-investment-relationships-with-china/>.

³ "Ķīna Straujumas valdībai izteikusi miljardiem vērtus piedāvājumus," Tvnet.lv, (November 17, 2019).

On the one hand, it could have been a confirmation of Chinese policy to try to use the lack of experience with managing major projects and, more importantly, the willingness of some local stakeholders to mismanage such an endeavor for corruption and graft. In either scenario, Beijing as the owner of the creditor could step in to demand concessions that would have strategic impacts on Latvia, NATO and the EU.

On the other hand, it could have been China's understanding that Latvia has meticulously followed the austerity policy after the financial crisis and would be a more reliable long-term debtor than most other European countries. This would provide both better infrastructure for a future increase in overland transit and contribute to diversifying sources of Chinese economic growth.

In November 2016, the Latvian state-owned financial institution Altum and the Industrial Commercial Bank of China signed a memorandum of intent to establish a fund for investment to finance infrastructure projects in Central and Eastern Europe. Poland and the Czechia already demonstrated a willingness to participate in such a format. This should be viewed in the context of the Three Seas Initiative (3SI), which was established a year before, and the competing Belt and Road Initiative (BRI). Meanwhile, the establishment of the Beijing Genomics Institute production facility in Riga in 2019 represented a significant practical development. It provided a growing potential for creating jobs and tax revenue, which is key as funding for scientific research in Latvia is grossly underfunded and goes hand-in-hand with risks of health data security and privacy that European clients may come across if oversight is lacking.

However, by 2021, several high-level public officials called for Latvia and the whole of Europe to be less naive in cooperating with China. These comments followed the minister of foreign affairs' confirmation during the annual foreign policy debate in

the Latvian Parliament that a screening mechanism is already in place to exchange information and conclusions on cross-border security implications regarding Chinese investments in Latvia.

Infrastructure

China's interest in Latvian infrastructure can be explained from several perspectives. On the one hand, Latvia holds a key strategic position between Scandinavia, Russia and Western Europe. This is complemented by natural geographic features, such as deep-water and ice-free ports, as well as established wide-gauge railways and the largest airport in the Baltics.

On the other hand, Latvia is a member of key regional organizations. With Latvia being an EU member, its infrastructure provides access to the largest single market in the world. The consequential effect of scale anticipates development of infrastructure in terms of investments that would not necessarily be needed nationally. With Latvia being a member of NATO, many elements of the national infrastructure have dual-use significance to national security, collective defense and deterrence. Thus, influence in Latvia can translate into leverage within the strongest international military alliance.

Since the establishment of the BRI in 2013, Latvia has been one of the alternate locations for China to establish an overland connection with the Baltic Sea region. Beijing's investments in rail transit infrastructure in Belarus by 2016 made Latvia and Lithuania competitors for what could be the follow-up resources to develop the connection. At the end of 2016, a trial container train completed a journey from Yiwu to Riga. In 2017, a memorandum on strategic cooperation was signed between the ports of Riga and Lianyungang. The port of Riga is attractive

geographically, but national law prevents it from being privatized (in contrast to, say, the Port of Piraeus in Greece).

The Port of Klaipėda in Lithuania, competitor of Riga's port, seemed to be the primary choice in the end, especially noting the potential traffic of Chinese postal shipments. However, the negative implications on security cooperation with the United States were among the reasons for preventing the Chinese from buying a significant stake at the Port of Klaipėda. Therefore, China has not been able to acquire control at the level it wanted in either of the Baltic maritime hubs.

Perhaps this can explain why, although maritime shipping is the least expensive, China has, as reported by Latvian public media, consequently wanted to increase the overland component of cargo transit.⁴ Yet, for that to be profitable, cargo needs to be flowing back using the same railroad containers. Latvia, similar to its Baltic neighbors, has yet to provide that level of transit. Still, Beijing has managed to establish a presence on the EU's external border as the state owned Nucotech has been selected to provide cargo scanners for all Latvian-Russian border-crossing points.⁵ This may be the more logical explanation for the relevant interest.

China may focus on Latvia's interest to expand the operations of Riga Airport, noting the need to recover its leading transit hub role after the pandemic and long-term limits on railway transit opportunities imposed by Belarus and Russia. The combination of the airport and its connection to Rail Baltic will also expand Latvia's transit potential. Although direct involvement with security equipment may be off the table, indirect capital or service

⁴ Arnicāns, M. "Eksperti: "Zīda ceļš" no Ķīnas nekompensēs Krievijas kravu zudumu," LSM.lv (November 6, 2016).

⁵ "VID turpina sadarbību ar Ķīnas kompāniju "Nucotech", pret kuras radaru izmantošanu lidostās iebildusi Lietuvas valdība," TV3 (February 21, 2021).

takeover could be an alternative path. This may become a key challenge for Latvia and NATO in balancing economic recovery and huge potential profits with a soundproof plan for further deterrence and safeguarding of critical infrastructure.

Education

Chinese interest in Latvian education can be explained by the obsession with Beijing's public image abroad, Latvian public opinion of China and the global role of the Chinese language in and beyond Europe. Riga's interest of engaging China for the benefit of additional international opportunities cannot be overlooked either, both by individuals who choose to study Chinese language and culture and enterprises that have been attracted to overcome a cultural barrier toward the large number of potential new customers in the PRC's domestic market.

Several centers at major Latvian universities were opened in connection with Latvian students' and Beijing's interest to engage with international students around the world. In 2005, the Riga Stradins University China Studies Centre was opened. In 2011, a Confucius Institute was established at the University of Latvia in cooperation with South China Pedagogical University. As part of the BRI, in 2015, the China-Latvia Center for Academic Exchange was opened, involving the North China Institute of Science and Technology and the University of Latvia's Department of Political Science. As a result, China studies are a particular focus in two of the top three universities in Latvia, both of which mostly cover students studying social sciences and the humanities.

In addition to these, in 2017 and 2018, Latvia and China signed agreements on cooperation in education, culture, as well as science and technology, including the matters of expert and student exchanges, scholarships and summer schools. This

illustrates education as a strong component of the Chinese presence in Latvia, which is not only used to publicize potential cooperation in infrastructure or improve Beijing's public image for the benefit of business cooperation.

While this can give the Chinese government a way of gauging public opinion on sensitive issues and foster research that would contribute to its foreign policy, the impact is not limited to purely higher education. The Confucius Institute has also expressed its will to coordinate Chinese-language instruction in Latvian schools, even when some have located instructors by their own means. This may be a deliberate policy by Beijing, or a decentralized effort that can be favorably presented by the Chinese government. Yet, this shows Beijing's interest in reaching Latvian youth in high school, instead of waiting for them to attend university.

Strong support for European integration and even more toward NATO and the US explains the PRC's particular interest in Latvian public opinion. It has been important for the Chinese leadership to study the Baltic case in the context of the disintegration of the Soviet Union, comparing the lessons there with policy options for the future of Hong Kong. It may also be easier for China to change pro-Western views of the generation that has no personal experience of life under Soviet occupation and the effort it took to restore independence.

Other issues in this realm include the continuous support for the One China Policy, so as not to repeat the aforementioned situation of the early 1990s and not to extend the current controversy involving Lithuania. While the diplomatic context has changed since the early 1990s, educational and scientific connections with Taiwan persist, and Beijing would be questioned for overlooking that. Thus, the issue of Taiwan remains, albeit unofficially.

Finally, the interpretation of human rights issues could be another concern for China, as public opinion on Belarusian human rights violations made it easier for the Latvian government to cut notable economic ties in support of collective Western sanctions. Thus, while the PRC's investment and infrastructure presence may relate to keeping the wanted course from the government, the persistent effort in expanding educational activities shows the perception that the opinion of leadership alone will not be enough to achieve Beijing's foreign policy objectives in Latvia.

Conclusions

Increased attention to China's global foreign policy is expected to make different Latvian stakeholders outside high politics less naive about the full extent of the implications of increased Chinese presence in the country. Greater attention to China studies across Latvian institutions of higher education could also make a major difference in the short term. Simultaneously, a more detailed comprehension of the domestic situation by decision-makers in Beijing has already provided lessons on how to tread more softly, especially in the eyes of societal opinion makers. Whereas the Russian war against Ukraine will take the overland BRI connection off the long-term transit agenda both for Beijing and Riga, the aerial and maritime connections provided by Latvia will retain regional commercial opportunities and security challenges in the near future.

10.

Sino-Lithuanian Relations: A Dangerously Growing Threat?

Tomas Kazulenاس, Lukas Andriukaitis and Kotryna Grušauskaitė

At the beginning of 2019, Lithuanian intelligence authorities published the annual assessment of threats to national security in which, for the first time, Chinese intelligence activities were singled out as an active threat.¹ According to the authors of said assessment, at least two Chinese intelligence services are working in Lithuania—the Ministry of National Security and the Directorate of Military Intelligence. Similar to its activities in other countries, in Lithuania, Chinese intelligence operates under diplomatic cover and exploits the following:

- Confucius Institutes are funded by Beijing. Being an official entity inside Vilnius University, the Confucius Institute is the first and largest Chinese-language and cultural center in Lithuania. The institute seeks to strengthen Sinology studies,

¹State Security Department of Lithuania, Second Department of Operational services under the Ministry of National Defense, NATIONAL SECURITY THREAT ASSESSMENT 2019, Vilnius.

promote scientific research and academic exchanges, as well as provide introductions to Chinese culture.² After including the Confucius Institute in their report, the Lithuanian intelligence authorities received immediate backlash. The media institute's director emphasized critically carrying out educational and cultural activities with zero threats to the country's security.³

- The number of Chinese students studying abroad is proliferating. For example, the Chinese Diaspora Association registered in Lithuania as solitary students, as it is assumed that the Chinese government is trying to influence student groups. These influence operations are conducted either directly through funding or indirectly through reporting that they are being monitored or that their families are being monitored in their homeland. Therefore, Beijing works in the field of human information collection: who is connected to whom, who is related to whom and what are the influencing relations in different countries.
- Chinese companies and news agencies also pose a threat. This includes Xinhua News Agency and its field offices in the Baltics as well as the Chinese Chamber of Commerce. The branch documents at the State Enterprise Centre of Registers state that Xinhua is a ministerial-level body directly subordinate to the State Council of the People's Republic of China (PRC). The documents set out the agency's clear objectives: "publicizing the activities and policies of the Chinese Communist Party [CCP],"

²Vilnius university Confucius institute, 2022.

³Antanavicius, U., The director of Vilnius University Confucius Institute: we are not a threat to national security, 15min.lt, 2019.

“developing propaganda for party choices” and
 “correcting public opinion in China and abroad.”⁴

To express support and solidarity with Hong Kong activists, who, in commemoration of the 30th anniversary of the Baltic Way, clashed in a live chain to protest Chinese interference, several hundred Lithuanians simultaneously gathered for a demonstration Vilnius. While peaceful protesters were holding Hong Kong flags and posters condemning Chinese politics, they were joined by counter-protesters, who were mostly members of the Association of Chinese Expatriates living in Lithuania. The group of Chinese people with state attributes gathered in Vilnius Cathedral Square to oppose Hong Kong supporters was interpreted by the Chinese embassy as a spontaneous act. Yet, it was clearly part of a planned operation by the PRC. The opposition gathered not only ordinary citizens but also some Chinese diplomatic corps to take part in the demonstrations, including the ambassador, the defense attaché, his deputy and the second secretary of the embassy. Despite that, Haonan Wang, chairman of the Chinese Chamber of Commerce in Lithuania, claimed that it was the Hong Kong supporters who had been misled by the local and international media.⁵

In the following year's assessment, the authors mention that such counter-protests are coordinated by China's intelligence services. Lithuanian intelligence authorities also elaborate on cyber threats. The authors name technological advancements such as the development of 5G as instruments of projection for China's power and global leadership. Threats also include PRC intelligence officers using social media under false identities, in

⁴State Enterprise Centre of Registers, “Informacinis leidinys Nr.2016-356”, 2016, 16-17.

⁵Jakucionis, S., Beniusis, V., Opposing side came to a Hong Kong supporting campaign in Vilnius: political remarks and provocations were pouring out, lrt.lt/BNS, 2019.

this case LinkedIn, to look for foreign sources and eventually recruit them to work for the PRC. The list of possible intelligence targets includes former and current civil servants, information technology specialists, defense sector employees and researchers, among others.⁶

As the whole world shook because of the COVID-19 pandemic, which originated in China in early 2020, the greatest part of the *National Threat Assessment 2021* is related to this situation. It is no secret that the PRC used the pandemic and a strategy of “mask diplomacy to expand its influence in foreign countries, including Lithuania. While Chinese businesses working internationally gave away free masks and other medical and hygienic supplies, Chinese diplomatic representatives were taking care of logistics and communication, informing the world of its good deeds as broadly as possible.⁷

To reach its goals, the PRC coordinated the shipments of protective supplies to Lithuania, which in the media were presented as gifts from Chinese international companies with direct interests in the Lithuanian telecommunications and energy sectors. To manage the information discourse related to the pandemic and spread narratives more favorable to China, the regime is expanding its cooperation with the Lithuanian media, which regularly publishes commissioned articles with a pinch of propaganda. Besides, China was also being criticized for prioritizing COVID-19 vaccines and other medical supplies to its partnering regions first—that is, Latin America, Africa and Southwest Asia. In 2015, the Chinese government also launched

⁶State Security Department of Lithuania, Second Department of Operational services under the Ministry of National Defense, NATIONAL SECURITY THREAT ASSESSMENT 2020, Vilnius.

⁷State Security Department of Lithuania, Second Department of Operational services under the Ministry of National Defense, NATIONAL SECURITY THREAT ASSESSMENT 2021, Vilnius.

the Belt and Road Initiative (BRI). This initiative, according to experts, increases China's influence over less-advanced countries and satisfies Beijing's political interests.⁸

Sino-Lithuanian relations have visibly worsened as of late, with different stances on the Taiwan having a massive effect. Even though Lithuania strongly follows its positions, Vilnius still cannot ignore the capabilities and influence of such super-states as China. The Seimas National Security and Defense Committee (NSGC) has emphasized that the committee has been repeatedly holding special closed meetings on Chinese threats to national security,⁹ followed by clear and consecutive instructions to the Lithuanian government. Despite that, even in the spotlight, Lithuania is hardly the only state affected by China's quickly increasing global influence.

China's Presence in the Wider Region

A growing number of European countries have started to perceive China's activities as a challenge or threat to national security. This shift has also become increasingly visible among the countries of the Nordic-Baltic region. To this end, numerous perspectives must be analyzed to cobble together a full picture of China's influence channels. Below, part of them is being presented.

To begin with, infrastructure is a critical dimension, as trade and investment are at the core of the Chinese-European relationship. The EU member of the Baltic Sea region are connected to China by

⁸Eastern Europe Studies Centre, International Politics Newsletter, 19 (1), 2020, Vilnius.

⁹Ministry of National Defence Republic of Lithuania, "New assessment of national security threats was presented", https://kam.lt/en/news_1098/current_issues/new_assessment_of_national_security_threats_will_be_presented.html

both maritime routes and the new Eurasian Land Bridge. This connection creates new opportunities for the Nordic and Baltic countries. Companies that have strong experience in international trade and a management culture oriented toward innovation are operating in this region and developing joint projects with Chinese firms in sectors such as information and communications technology, marine engineering, environmental technology and renewable energy.¹⁰

The political will to strengthen infrastructure cooperation between China and the countries of the Nordic-Baltic region has been followed by many different initiatives. For example, the BRI added a whole new dimension to the interaction between these partners. Part of its stated purpose is to majorly reduce the duration and cost of transportation between China and Europe.¹¹ This way, the mega-project was supposed to stimulate the development of a modern transport infrastructure based on mega-container ships, largely automated container terminals, better connectivity between large European seaports and their hinterland, as well as rapid railways connecting seaports, large metropolises and final consumer markets.¹²

Yet, progress in infrastructure development has faced its own challenges. The recent slowdown in Chinese cross-border lending activities since the pandemic struck was generally believed to be the result of a number of factors: market uncertainty, difficulty in project development due to travel restrictions and countries

¹⁰Jean-Paul Larçon, "THE NEW SILK ROAD: A Business Perspective China Meets Europe in the Baltic Sea Region", 8

¹¹Dario Cristiani, Mareike Ohlberg, Jonas Parello-Plesner, and Andrew Small, "The Security Implications of Chinese Infrastructure Investment in Europe", 2021, <https://www.gmfus.org/sites/default/files/2021-09/Cristiani%20et%20al%20-%20report%20%281%29.pdf>

¹²Jean-Paul Larçon, "THE NEW SILK ROAD: A Business Perspective China Meets Europe in the Baltic Sea Region", 10-12

trying to reassess growth and infrastructure needs for the post-COVID-19 period.¹³ Even though some pullback in the next few years might be expected all around, it is likely to be temporary. In 2023, the BRI is likely to shift away from large and often loss-making projects and move toward smaller, more easily implemented projects, including solar and wind developments.

Despite different possible connections between the discussed sides, the relationship between China and the Nordic-Baltic countries has not been the warmest as of late. Even though at the time of writing Lithuanian intelligence authorities had not yet published the newest edition of the yearly assessment of threats to national security, it has never been easier to guess which topic would get the most attention from in the report.

Starting in 2019, Lithuanian-PRC relations have deteriorated, reaching their lowest point in late 2021 and early 2022 due to Vilnius' expressed support for democratic Taiwan. As China seeks to prevent Lithuania from supporting Tibet's and Taiwan's independence and raising international discussions, the opening of the Taiwanese Representative Office in Vilnius in November 2021 was met most negatively. All involved actors and worldwide players, such as the United States and the EU, were also involved in the conflict due to introducing economic sanctions on each other.

The realistic view of ongoing tensions between the region and China is being presented in yearly threat assessments. Chinese propaganda and diplomacy toward the EU or its particular member states have become more prominent during the pandemic in hopes of countering international criticism about China's initial poor handling of the coronavirus outbreak. In such narratives, China is usually positioned as the first global economic

¹³Ibid., 40

power to have successfully contained the virus and to have quickly recovered as a state, which provides support to multilateral cooperation and to the countries more affected by the virus.¹⁴ In this, Chinese authorities not only aim to restore the country's global reputation but also strive to strengthen political influence by providing medical equipment as humanitarian aid to the countries still facing the pandemic.

Another key case is related to the expansion and wider use of surveillance information technologies. Chinese companies are highly interested in developing strategic information technology (IT) infrastructure in the Baltics. In 2020, a Lithuanian critical infrastructure company was invited to tender for the development of its smart IT infrastructure. The call attracted much attention from Chinese entities, with one even offering to install the equipment with economic and energy security free of charge in exchange for system management rights. Five enterprises with links to China were among the potential supplier groups, with two of them jointly owned by the Chinese government. These entities were among the potential suppliers of the equipment and technology, venture partners or subcontractors.¹⁵ It is likely that these entities were interested not only in developing their business ties but also in gaining knowledge of IT architecture in the domains critical to national security.

Chinese attempts to gain access to critical infrastructure reflect Beijing's overall objective to extend a long-term worldwide influence over strategic sectors and to establish enterprises on the global markets. This would further enable China to advance

¹⁴State Security Department of Lithuania, Second Department of Operational services under the Ministry of National Defense, NATIONAL SECURITY THREAT ASSESSMENT 2021, Vilnius.

¹⁵*Ibid.*

dependency on its technology; carry out intrusive cyber operations, including expropriation of data know-how; and would build its potential to undermine critical infrastructure in case of crisis. Although Chinese enterprises suspended their investment plans in the container terminal at the Port of Klaipėda, they still maintained an interest in other investment opportunities in various Lithuanian and other Baltic seaports. This established a missing regional link connecting China's land and sea transport corridors in the BRI.

Security Implications

Even though a number of European countries started considering China's activities as a challenge or threat to national security some time ago, the issue is becoming ever-more relevant. This defensive shift has also become increasingly visible among the countries of the Nordic-Baltic region.¹⁶

One of the biggest, yet not always physically visible, threat is the provision of targeted information. During the pandemic, the CCP engaged in "mask diplomacy," followed by massive propaganda campaigns. Chinese diplomatic missions played a central role in such diplomacy, as they supervised the supply of medical equipment and concurrently ensured that people were aware that the aid was provided by China.¹⁷ International Chinese corporations were also actively involved. By donating medical supplies, they sought to gain publicity along with a competitive

¹⁶NATO Strategic Communications Centre of Excellence, „China's Influence in the Nordic – Baltic Information Environment: Latvia and Sweden“, NATO Stratcom, 2022

¹⁷Ties Dams, Xiaoxue Martin and Vera Kranenburg, „China's Soft Power in Europe Falling on Hard Times“, April 2021, https://www.ifri.org/sites/default/files/atoms/files/etnc_2021_-_chinas_soft_power_in_europe_-_falling_on_hard_times.pdf

edge in the recipient country. The Chinese authorities engaged in propaganda campaigns directed toward foreign audiences through various influence channels including diplomatic missions, news agencies, international corporations, diaspora and student organizations, as well as informal ties with politicians, journalists and scholars. Propaganda-related narratives depicted China as a global leader and promoted the CCP's achievements. At the same time, they highlighted the lack of solidarity among democratic states. In improving the image and competitiveness of its international companies, the CCP coordinated shipments of medical equipment to the Baltics. China publicly portrayed the shipments as aid from its international companies that have direct interests in the telecommunications and energy sectors of the Baltic States.¹⁸

In controlling pandemic-related narratives, China's political regime strengthened cooperation with media outlets of the Baltic countries by regularly ordering sponsored articles. The topics varied from China's achievements in fighting the pandemic, humanitarian aid and benefits of the BRI to criticism toward foreign politicians and activists, who publicly raised concerns about Beijing's human rights violations and the regime's policies regarding Hong Kong, Tibet and Taiwan.¹⁹ Beijing attempted to expand its influence in the region through the Chinese embassies and other associated structures such as the aforementioned Xinhua News Agency's local offices, the China Chamber of Commerce and the Associations of Chinese Diaspora.

In continuation with the threat of fellow organizations, the activities of the Chinese embassies and the Chinese Diaspora

¹⁸Ibid.

¹⁹LRT.lt, "Chinese propaganda a threat to EU's ambitions, warn Baltic states", June 2021, <https://www.lrt.lt/en/news-in-english/19/1185439/chinese-propaganda-a-threat-to-eu-s-ambitions-warn-baltic-states>

Association were analyzed. The study showed that the Chinese diaspora could be effectively used by the CCP authorities to gather information and pursue political goals. This study sought to identify the broader context of Chinese politics in response to the new era of communist rule.²⁰ Many different public events (usually counter-protests) organized across the region were taken into consideration, aiming to understand the reactions and stances of Chinese authorities. Hardly surprising, Chinese diplomats reacted to all incidents in European countries in a similar way as in Lithuania, when the Ministry of Foreign Affairs handed over a note to the embassy. The essential message sent by the communist regime was that, no matter what, they support their activists and condemn those who demonize Chinese rule.²¹

Across the Ocean: China and the United States

Moving away from pursued interests in Lithuania and considering wider transatlantic security implications, a general overview of China's zeal for growth should be added. China's rise, besides specific cost-of-living advantages, also has some worrying implications for the future of global democracy and for the ability of the transatlantic partners—notably, the US, Canada and Europe—to work together.²²

Chinese-US relations are among the most discussed in the world today. Since the beginning of China's rise, it has become not only

²⁰Mindaugas Aušra, „LRT tyrimas. Kinija Lietuvoje: komunistinio režimo operacijos ir valdžios deleguoti žvalgybininkai“, LRT media, <https://www.lrt.lt/naujienos/lrt-tyrimai/5/1104497/lrt-tyrimas-kinija-lietuvoje-komunistinio-rezimo-operacijos-ir-valdžios-deleguoti-zvalgybininkai>

²¹Ibid.

²²Jennifer Lind, „The Rise of China and the Future of the Transatlantic Relationship“, Chatham House Reporting, 2019

an adversary to America but also a partner of Washington, with whom it is cautiously cooperating due to the constant threat to its hegemony. Overall, it is a partnership driven by mutual benefits. Benefit, power and dominance are the primary driving forces behind these states.

China's revisionist policies have been at odds with the world's dominant hegemony for many years, the United States. As the global climate is changing, the danger is growing that the economic war between the US and China will not only affect bilateral relations but also undermine the current world order.²³ Given its rapid economic growth and expanded geopolitical ambitions, Beijing's influence projections have grown globally. Unsurprisingly, in reaction to these developments, a growing number of European countries, including the Nordic-Baltic countries, have started to look at China's activities as a challenge or threat to national security.²⁴ Even though the region is still in the early stages of determining the right balance of security, openness and economic resilience when it comes to China's presence, some implications can be reviewed.

First of all, the diverse channels of Chinese influence might against be taken into consideration. The country exploits several avenues of influence in the Nordic-Baltic region, ranging from overt activities, such as economic cooperation and investments, academic and parliamentary relationships and public diplomacy, to more covert efforts, such as United Front work and espionage. The countries of the Nordic-Baltic region have experienced Chinese diplomatic and economic pressure in response to

²³“U.S. Relations With China“, Bilateral Relations Fact Sheet, Bureau of East Asian and Pacific Affairs, 2021, <<https://www.state.gov/u-s-relations-with-china/>>

²⁴NATO Strategic Communications Centre of Excellence, „China's Influence in the Nordic – Baltic Information Environment: Latvia and Sweden“, NATO Stratcom, 2022.

meeting with Tibetan leader Dalai Lama, supporting Chinese dissidents (the Nobel Peace Prize was awarded to Liu Xiaobo in 2010), voicing human rights issues or naming China as a security threat. It remains unclear how far strategic communication could be viewed through a military security prism.²⁵

Beijing utilizes its influence channels not only to expand power but also to act directly on Chinese citizens abroad. The need to group the so-called overseas communities into state-owned organizations began in 2012–2013, when current Chinese President Xi Jinping began to talk about China’s dream of spreading the message of socialism and rebirth. “It simply came to our notice then. It means a return to greatness. It is a reminder that China was once great and will be so again in the future. This is a completely different political message than, for example, China’s economic rise,” said Asian expert D. Cheng. At the time, Xi Jinping believed that Chinese citizens overseas would help shape the country’s economy and politics. The dream of a communist regime leader also includes infrastructure connecting China with more than 70 countries whose projects encourage local Chinese communities to participate. Lithuania also falls within the scope of Beijing’s interests, as it is a key link of the BRI. The China Development Bank is ready to spend more than \$810 billion on the project.

Furthermore, the Xinhua News Agency is a ministry-level body directly subordinate to the PRC State Council. The founding documents for the organization set out its clear objectives: “publicizing the activities and policies of the Chinese Communist Party”, “propaganda for party choices” and “correcting public

²⁵European Parliament, “Strategic communications as a key factor in countering hybrid threats”, March 2021, <[https://www.europarl.europa.eu/RegData/etudes/STUD/2021/656323/EPRS_STU\(2021\)656323_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2021/656323/EPRS_STU(2021)656323_EN.pdf)>

opinion in China and abroad.” If Xinhua is directly subordinated to the CCP, it means that it is controlled by the Chinese embassy in Lithuania. Experts point out that Xinhua journalists are working directly for the regime.

In sum, a rapid change in Lithuanian public and official discourse regarding China’s image is clearly visible. Beijing has become a “competitor” to Washington. And it has become a threat to the wider Nordic-Baltic region, where China is expanding its sphere of influence through various political and economic machinations. The PRC is not only playing a financial card but also improving its military readiness. But military action is not the primary choice of the United States. Washington seeks, first and foremost, to strengthen, improve and expand cooperation with other nations. Thus, support should be given to Chinese opponents, such as India and Pakistan, so that Beijing has at least some competition in Asia. The PRC’s influence in the US is also noticeable in the European region, where it targets industry and the latest technology. Despite that, the US should not allow the expansion of Chinese influence and power globally.

Conclusions

This chapter covered a number of aspects and perspectives that should be considered in an overview of Chinese influence. Although limited in scope, the findings can provide valuable insight into Beijing’s potential to influence public discourse in the countries around the Nordic-Baltic region.

This case shows a present and increasing interest for Beijing to extend and assert its interests in the region, as well as in Lithuania. The observed activities show a complex set of classical and new methods that the Chinese government has used to influence the Lithuanian government and society, as well as

aligning the activities of the local Chinese community and China-linked institutions with the PRC's interests.

A number of identified issues are similar across the Nordic-Baltic region, such as simultaneous use of positive (mask diplomacy) and negative (coordinated intelligence influence operations) instruments in all the domains covered by the research. While economic and technological concerns seem to dominate, Beijing has not relegated politically ideological matters as such public controversies have attracted wider international reporting than comparable cases in the other Baltic states or even in Europe.

The case of Lithuania will remain a crucial litmus test for European and transatlantic solidarity in face of Beijing's pressure, as the CCP will most likely repeatedly question that unity during various circumstances. Just as the interest of Beijing in specific national strategic infrastructure is dictated by the regional effect of potential influence, it is also important to emphasize that China's rise has worrying implications for global democracy.

In response, the US should recognize its own strong interest in European unity, while the Europeans must be ready to align more with the US to temper unwanted Chinese behavior. Even if possibly interpreted differently, one option to unite the West vis-à-vis China might be following in the Lithuania's footsteps and releasing a string of strong statements recognizing Taiwan's independence.

Conclusions

Olevs Nikers and Otto Tabuns

The analysis of facts and figures provided in this volume provide a comprehensive picture on the People's Republic of China (PRD) engagement in the transatlantic Baltic Sea Region. What is even more important, this volume suggests China's future ambition, set for the region within the context Beijing's global foreign policy calculus.

The volume shows two sides of said calculus. On the one hand, the PRC's presence in the region illustrates Beijing's overall goals. So, it may be possible to observe particular areas of Chinese interests and find little difference when comparing the Baltic Sea region with South Asia or Africa. This can be easily seen regarding economic diversification and natural resources.

On the other hand, the PRC's particular interest in actions that affect several or all of the regional states cannot be separated from their multilateral affiliations. The economy of scale of the European Union and the interlinked collective defense scale of the North Atlantic Treaty Organization (NATO) are the two most important variables affecting China's relative global position. Therefore, the individual regional states are critical to Beijing. If successfully influenced, these countries, similarly to other smaller EU and NATO members, could be helpful in obtaining corruptive access to the regional markets and breach the spirit of the multilateral arrangements. The Baltic Sea region's part in these Western-oriented organizations has been more transitional in terms of governance and alignment, thus becoming more

interesting to Beijing as perhaps the easiest avenue for reaping long-term influence.

What China wants in the region (and what is likely exclusive) includes:

- Cementing the One China Policy is always important as a matter of international recognition. This has primarily been the question of Taiwan from the 1950s throughout the 1990s, but it has resurfaced again recently, as in the case of Lithuania.
- Gain friends in Brussels is crucial, owing to the enlargement of the EU, followed by NATO, most recently in view of Finnish and Swedish accession.
- Gaining additional economic buoyancy by diversifying international economic connections across the Baltic Sea region is one main aim, most notably following global financial issues that have increasingly impacted China.
- Preventing the US from gathering unanimous transatlantic support against certain Chinese policies remains paramount, most visibly since the US “pivot to Asia” policy in 2011.

The first of the said exclusive objectives has relied on education and research connections, inclusive of PRC public diplomacy and state-affiliated language instruction at the secondary and levels. These same instruments have been productive for the third objective as well via achieving voluntary and covert transfer of technology. However, the first objective is more important in this region, as the related international law topics (international recognition, illegal occupation, human rights, etc.) are highly relevant for the Baltic Sea states both in terms of historical memory and national positions in the global arena. The combination of European academic freedom with issues of science funding have been low-hanging fruit for Beijing to achieve progress toward achieving several objectives at once. However, the balanced retention of educational connections with Taiwan shows how this can work both ways.

The second and third objectives have most notably been targeted by financial (investment) means. The fourth objective has initially been covered by direct attention to infrastructure, yet this has shifted to indirect financial tools (mergers and acquisitions, provision of outsourcing, etc.) to overcome political criticism and existing control and screening mechanisms. Besides the three domains covered in the case studies, the authors would like to note the incidental but increasing PRC naval presence in the Baltic Sea. While not threatening to the level that the Russian naval presence may be, such a move could indicate Beijing's hopes to keep European NATO members away from the Asia-Pacific.

What China wants in the region (and is unlikely exclusive) includes:

- Technologies and resources;
- Hard infrastructure (roads, railways, subways, ports, airports, train stations, multimodal terminals, overland and submarine cables) and associated operating services;
- Subnational support for bilateral cooperation.

The comparative regional development makes advanced technologies more important than resources in the Baltic Sea region. Meanwhile, the necessity of hard infrastructure is more determined by the geographic significance for transit connections across Eurasia and via the Arctic. Subnational support here is a particular key area, which focuses on the significance of local authorities and individual businesses in liberal societies. Furthermore, lessons can be learned from what Russia has previously overlooked in trying to expand its influence across the region.

As it has been concluded by our experts in this volume, Chinese efforts to access key stakeholders and technologies, as well as critical infrastructure mirror China's global objective to extend a long-term global influence over the strategic sectors and strengthen positions of Chinese enterprises over markets worldwide. This would allow Beijing to advance in high technologies and implement offensive operations problematic for NATO defense and the EU's resilience. Based on this report, it is

possible to identify eight major groups that apply across several of the regional states:

1. Digitization;
2. Environmental protection and renewable energy;
3. Healthcare (civilian and military) and biomedical industries;
4. Chemical catalysts and explosives;
5. Mechanical and microelectromechanical engineering, as well as robotics;
6. Armored vehicles, remote weapons systems and remote radar sensing;
7. Aviation, aeronautics, space engineering and satellites;
8. Oceanography, submarine geoscience and seismic mapping.

As noted in the case studies, the current state of China's involvement with regional infrastructure, finance and education is alarming. While the initial closer engagement, which bordered euphoric, has been shifting to alienation in many regards, several areas of the covered domains retain broader, hidden and fragmented contexts that are webbing throughout the PRCs engagement in infrastructure projects, initiatives in science and education or financial investment in the Baltic-Nordic countries.

If China invests in a global satellite positioning business in Sweden, then one should realize that there are multiple reasons for doing so, especially if such systems are closely linked with the desire to develop the similar systems in the future. If we look at education in Finland, Beijing is interested in acquiring technological know-how for domestic and military uses. Furthermore, Chinese researchers expelled for security reasons, as in Norway, or the case of the Estonian researcher found guilty for spying on behalf of the PRC illustrate the growing security concerns in this realm.

China has been rather unsuccessful with its infrastructure investments in Poland, mainly due to legal restrictions and realities diverging from Warsaw's expectations. Chinese state-owned enterprises and private companies are mostly interested

in maritime ports and logistics hubs, including Gdynia and Łódź. Polish reluctance toward Chinese investments in strategic infrastructure may have been rooted in a commitment to transatlantic relations.

Even the less resourceful regional states have not shied away from recognizing that China's main goal is to sow division between the United States and Europe. Moreover, the strategic alignment between Russia and China, and the consequent failure of Beijing to condemn the Russian invasion of Ukraine, have pushed previously non-aligned Finland closer to European and transatlantic security communities.

Several examples illustrate efforts to counter these malign influences even in the domains of science, education and trade. The export control framework has primarily been developed for Norwegian exporting companies, but Oslo recently suggested implementing an individual research license (i.e., security clearance) for foreign researchers from specific countries (from outside of the EU/EEA and NATO area), to prevent illegal transfer of knowledge.

The examples of Denmark and Greenland demonstrate that some countries are actively minimizing threats to their national and transatlantic security. Indeed, with the airports in Nuuk and Ilulissat, Chinese construction giant the China Communications Construction Company (CCCC) attempted to swallow the development of these important infrastructure objects, but Copenhagen decided to partly finance and co-own these new airports.

The greatest challenge for the individual countries in the region is to untangle the fragmented and hidden webs of Chinese investment channels and purposes, seeking to comprehend how any of the arrangements are structured and linked regionally and globally. Small nations are limited in their abilities to track Chinese funding and acquisition. Therefore, close cooperation with nations, such as the US, and organizations, such as the EU, is of great importance for the Nordic-Baltic countries.

As was covered in the volume, a number of concrete areas for regional cooperation can address the potential security challenges or threats associated with the PRC's growing regional presence, especially those that pose risks to national and transatlantic security. We would like to underline some recommendations here that are related to coordinated efforts among the regional partners.

Despite differences in security interests among the regional countries, a common approach toward PRC engagement in the Baltic Sea region and in the Arctic should be developed, including a common strategic position toward China and Russia—one based on re-assessment of current and future geopolitical, security and economic landscapes. Common frameworks and mechanisms should be established that include investment screening, ownership registration, export control measures, control of (predatory) procurement by foreign actors and control of tender participation by foreign (i.e., non-EEA) actors in Nordic-Baltic countries and security clearances within research. The Nordic countries should proactively establish programs that finance and support the development of the Arctic region, on their terms.

And finally, the big questions to address: How are all China's activities in the region interrelated with the national societies? And what has been the Nordic-Baltic perception, reaction and response to the PRC's presence? For instance, framing of China as a threat in the Finnish public sphere is likely to intensify along with the restructuring of the European security architecture. Attention on the PRC's presence has grown in Norway; Norwegian society is simply becoming tired of the massive Chinese presence. They are also increasingly critical of Beijing's autocratic regime and the related securitization against Chinese economic presence. Ultimately, economic dependency on China is not desirable in the long term.

In the German case, perceptions of ties with the PRC have shifted toward greater caution since the takeover of an intelligence robotics solutions company back in 2016. The new German "China Strategy" will likely be significantly more security-minded

than the current comprehensive strategic partnership adopted in 2014. As published on the Chinese Foreign Ministry's website, the Chinese government claims to have 103 relationships with local governments Germany at the state, district and city levels. These relationships are actually aimed at influence and interference in German societal, economic and political affairs.

For the Baltic states, China underlined itself as a bigger and better alternative to Russia following the latter's invasion of Ukraine. By 2022, this perception has become more pragmatic, with stepping back from 17+1 cooperation format, reconsidering the Three Seas Initiative and taking long-term decisions on limiting the involvement of developing critical and sensitive infrastructure, such as 5G networks.

If PRC influence is perceived naively by separate European states, they may follow the path of certain African and South Asian countries; yet this would be more problematic, as many European and transatlantic security decisions require unanimity, and compromising a single state may compromise the whole organizations. If the Europeans and the US are not on the same page in responding to PRC clandestine technology transfers, then NATO will become less competitive. If the European and US threat perceptions of the PRC depart significantly, NATO will also water down any response to Beijing beyond utility.

It has taken no more than what Russia did by expanding its invasion in Ukraine for NATO to respond in no uncertain terms. China is expected to learn from this. Beijing should also be expected to use the comparatively better public image it will enjoy in contrast to Moscow, looking from the perspective of the constitutional values of transatlantic Baltic Sea states. Beijing has always been keen to step in where Washington does not. Such a perception in Europe has partially motivated closer security integration with China. How this could shape the future of transatlantic security cooperation needs to be addressed more closely by current and future administrations on both sides of the Atlantic.

Author Biographies

Aleksandra Kuczyńska-Zonik is the head of the department of the Baltics at the Institute of Central Europe. She is also a research assistant at John Paul II Catholic University in Lublin, Poland. She holds doctoral degrees from Maria Curie-Skłodowska University in Lublin (2015) and from the University of Rzeszów (2013).

Didi Kirsten Tatlow is a journalist, former senior fellow in the Asia program at the German Council on Foreign Relations in Berlin and a senior non-resident fellow at Projekt Sinopsis in Prague, Czechia. She researches, speaks and publishes widely on the Chinese political system and its impact on Europe, global technology transfer, democratic security, ideology, disinformation, Taiwan and Hong Kong.

Matti Puranen is a senior researcher at the Finnish National Defence University, where he conducts research on Chinese foreign relations and military strategy.

Jukka Aukia is senior researcher at the The European Centre of Excellence for Countering Hybrid Threats in Helsinki, Finland.

Lukas Andriukaitis is a board member of Civic Resilience Initiative (CRI), associate director at the Atlantic Council's Digital Forensic Research Lab and an associate analyst at the Vilnius Institute for Policy Analysis. He has previously held positions as an officer at the Special Purpose Service of the Lithuanian Special Operations Forces, as well as the deputy head of the Strategic Planning Division at the State Railway Inspectorate under the Lithuanian Ministry of Transport and Communication.

Karoline Sommer holds an MSc in Adm. from the University of Greenland

Kotryna Grušauskaitė is a junior project manager and research analyst at Civic Resilience Initiative, an undergraduate student in political science at the Institute of International Relations and

Political Science at Vilnius University (class of 2022), as well as an experienced copywriter, translator and editor, focusing on media literacy, disinformation, and communication.

Marta Mitko holds a master's degree in international relations and security from the University of Groningen and a bachelor's degree in law and diplomacy from the Riga Graduate School of Law.

Nico Groenendijk is the professor of public policy, organization and innovation at Inland University in Norway. From 2018 to 2021, he was associated with OsloMet University, first as a Marie Skłodowska-Curie fellow, working on a two-year project examining the governance of the European patent system, and later as a professor, completing research on sustainability and public procurement. He was also a visiting professor in European studies at the Johan Skytte Institute of Political Studies at the University of Tartu (Estonia) from 2014 to 2021.

Olevs Nikers is a PhD candidate at Riga Stradins University, president of the Baltic Security Foundation, senior analyst at The Jamestown Foundation and an associate researcher at the Latvian Institute of International Affairs. From 2001 to 2019, Nikers worked at the Latvian Ministry of Defense. As a senior expert there, among the other issues, he was responsible for preparing the Latvian contingent for international missions, as well as for planning, coordinating and implementing logistics projects for the International Assistance Force in Afghanistan (ISAF). Nikers obtained a master's degree in political science from the University of Latvia in 2001, as well as a master's degree as a Fulbright alumni on International relations from The Bush School of Government and Public Service at Texas A&M University.

Otto Tabuns is the director of the Baltic Security Foundation. With a background in international law and political science, Tabuns has worked on foreign and defense policy for ten years between the public service and European and US non-governmental organizations. He is a co-editor of four books on regional security and co-hosts the "Latvia Weekly" show on current political affairs.

Paweł Behrendt is a PhD candidate in political science at the University of Vienna. He is the chair of the board at the Boym Institute in Warsaw and a regular contributor to konflikty.pl.

Patrycja Pendrakowska is the head and founder of the Boym Institute of Asian and Global Studies in Warsaw. She is a PhD candidate at Humboldt University in Berlin and teaches on political ideas in China at the the University of Warsaw. She graduated in financial law, ethnology, philosophy and Sinology from the University of Warsaw.

Søren Dosenrode is the head of regional and international studies at Aalborg University in Denmark and the research director and founder of the Aalborg Center for European Studies.

Tobias Kollakowski is a research fellow at the German Institute of Defence and Strategic Studies.

Tomas Kazulėnas is the director and a co-founder of the Civic Resilience Initiative, previously holding positions as executive director of the Institute of Democratic Politics (IDP), an international visiting fellow at the De Gasperi Foundation (Rome, Italy), as well as an international visiting fellow at the Taiwan Foundation for Democracy.

Yu-Fen Lai is a research and communication consultant at Freedom House. Her research focuses on Taiwan, Hong Kong, cross-strait relations, Chinese disinformation and Chinese diaspora media. Yu-Fen Lai holds a master's degree from the Free University of Berlin and a bachelor's degree from National Tsing Hua University, both in sociology.

Col. Zdzisław Śliwa (ret.) is the dean at the Baltic Defense College. He holds a PhD in military science from the National Defence University in Warsaw. He is the author of several scholarly articles on Baltic security and has actively participated in the Baltic Security Strategy Project and the Baltic Sea Security Initiative.

About the Baltic Security Foundation

The editors of this book founded the BSF to promote Baltic security and defense in 2019. This international nongovernmental organization is based in Riga and gathers experts on the transatlantic Baltic Sea region and from Eurasia and the Americas.

The BSF team provides situational assessments and recommendations on regional security that serve the public awareness, policy debate and decision-making. The most recent BSF books cover regional and sectoral perspectives on security, cyber resilience and Baltic intergovernmental military cooperation. These and other works made with the contributions of the BSF team are fully available online to contribute to research and debate on Baltic security.

Furthermore, the BSF has facilitated Baltic field visits of regional security researchers and experts from the US, Western Europe, Brazil and Japan. The BSF also provides guest lectures, seminars and media commentary on Baltic security issues. Furthermore, the BSF experts assist with research guidance and networking for young leaders who seek to specialize in Baltic regional studies.

BETWEEN BRUSSELS AND BEIJING

Between Brussels and Beijing: The Transatlantic Response to the Chinese presence in the Baltic Sea Region serves as a comprehensive analysis of China's presence in the Baltic Sea littoral countries and subsequently related developments in the domains of education, finance and infrastructure.

Scholars Olevs Nikers and Otto Tabuns together with their Baltic Security Foundation team and other regional and international experts provide a set of in-depth national case studies. This publication is the result of the project "China and the Baltic: Mapping a Transatlantic Response to Chinese Inroads in the Nordic-Baltic Region" organized by the Baltic Security Foundation, The Jamestown Foundation and the Baltic-American Freedom Foundation. The participating experts and professionals from the Baltic Sea partnering countries identify and analyze the presence and impact of the People's Republic of China on European security within the strategic Nordic-Baltic region and the implications of this growing regional Chinese presence on wider transatlantic relations. The geographic focus of this study includes Estonia, Latvia, Lithuania, Poland, Germany, Finland, Sweden, Norway and Denmark (with particular attention given to Greenland).

Despite the numerous publications and events dealing with this subject, much critical thinking and painful discussion still lies ahead. This book aims to indicate the directions for further consideration and public conversations that will contribute to improved regional and transatlantic security. This report is intended to aid in that endeavor and to serve as a valuable resource for policymakers, professionals and scholars seeking to address the challenges facing the West in the Baltic Sea region.

Olevs Nikers is the president of the Baltic Security Foundation and a senior analyst with The Jamestown Foundation. He has worked on defense and security policy for 20 years and is a graduate of The Bush School of Government and Public Service at Texas A&M University.

Otto Tabuns is the director of the Baltic Security Foundation and co-host of the "Latvia Weekly" political news program. He has worked on foreign and security policy for 10 years and holds a master of laws degree in international public law and human rights from the Riga Graduate School of Law.



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