

## Crisis Impact. China-Central Europe relations amid the Russian invasion of Ukraine

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### Abstract

This policy paper seeks to understand the impact of the Russian invasion of Ukraine on the already strained relations between China and Central Europe (CE) and offer recommendations to the V4 countries on their China policy. It argues that the war in Ukraine and, specifically, China's position of "pro-Russian neutrality" on it have produced a crisis in China-CE relations. This crisis imposes on V4 countries a difficult choice between engagement and disengagement with Beijing and poses difficult questions. How to navigate this difficult choice in the face of conflicting incentives? How to strike the right balance between engagement and disengagement? These questions and the choice that lies behind them present the V4 countries with a dilemma, the "China dilemma." To navigate this "China dilemma," the following paper advocates a dual-track policy of limiting engagement with China in response to its position on the war but preserving a modicum of cooperation to prevent a complete rift in relations and allow for limited future engagement. This dual-track policy is embodied in a list of specific recommendations for each V4 country.

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## Introduction

The Russian invasion of Ukraine has produced a crisis in China-Central Europe (CE) relations. The origin of this crisis lies in China's position on the conflict, which, as outlined below, has delivered a major blow to Beijing's relations with the Visegrad Four (V4) countries, except those with Hungary. Not only has China's stance on the war provoked a harsh reaction from CE, but most V4 countries have also been reluctant to actively engage in the former 17+1 format sponsored by Beijing.<sup>1</sup> This reluctance is exemplified by the extremely low-key and low-level [commemoration](#) of the tenth anniversary of the former 17+1 format, earlier in 2022, as well as the unlikelihood that a summit of the initiative will be held this year.

What is China's position on the war which has produced such tensions? Beijing's position can best be described as one of "[pro-Russian neutrality](#)," a stance that adopts an officially neutral position on the conflict and avoids any political or military commitment to Moscow's war, but in practice supports Russia [economically](#), [diplomatically](#), and [rhetorically](#).<sup>2</sup>

For CE this "pro-Russian neutrality" has de facto facilitated Moscow's war in Ukraine and, hence, enabled Russia to threaten CE security. As a result, Beijing's position on the war has turned security into a major contentious issue in China-CE relations, ensuring that there is "no way back" for relations, in the words of a former Polish diplomat.<sup>3</sup> Just as important, Beijing's [position](#) that North Atlantic Treaty Organization (NATO) expansion has provoked the war and its tacit support for Russian ideas about redesigning European security, directly challenge NATO, the basis of CE's security architecture. In this way Beijing has pressed a "[neuralgic point](#)" for CE countries, according to a prominent scholar of China-CE relations, a point that concerns their security and hence trumps all other considerations. Beyond security, China's position has led to further deterioration of Beijing's relations with the European Union (EU) and an escalation of the ongoing "Cold War" between China and the United States (US) developments which affect all the V4 countries. Against this backdrop, many have [argued](#) that

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<sup>1</sup> The 17+1 format, officially Cooperation between China and Central and Eastern European Countries, is a Chinese initiative to promote economic cooperation, trade, and investment with the countries of Central and Eastern Europe (CEE). The widely used name "17+1" refers to the number of its members, namely China and 17 CEE countries, that participated in the initiative at its peak. Since then, its membership has fallen to 14 countries, and consequently, this paper calls the initiative the "former 17+1." The following pages use the term "former 17+1" instead of "14+1" because it is the most widely recognizable name of the initiative and ensures easy comprehension of the term for readers even if the number of participants in it changes again.

<sup>2</sup> Definition by the author.

<sup>3</sup> Interview with a Polish thinktanker (Sept. 28, 2022).

Beijing's position on the invasion of Ukraine is the final blow to the already tanking China-V4 relations, after which China has “[lost](#)” CE.

Nevertheless, it is crucial to understand that the present crisis in China-CE relations is so serious because it comes against the background of years of increasingly deteriorating ties between Beijing, Prague, Warsaw, and Bratislava, deterioration that was particularly severe in the case of Sino-Czech relations, which had reached crisis levels even before the Russian invasion of Ukraine. This deterioration can be traced to three sources. First, there has been a noted [disappointment](#) in CE with the much hyped but deeply underwhelming Chinese investments in the region and the limited growth of bilateral trade. This disappointment, which was partly the product of unrealistic expectations, as a noted expert pointed out to the author,<sup>4</sup> generated growing disillusionment with the former 17+1 format. Second, Beijing's use of political and economic coercion against [Czechia](#) and [Lithuania](#) on account of their relations with Taiwan has generated a backlash against China in CE and the EU, spoiled its public image in the region, and revealed the dangerous downsides of economic dependences on China. Third, Beijing's worsening relations with the US, and to a lesser extent the EU, the cornerstones of CE's security and economy, have affected the V4's position on China. These worsening relations have shaped a growing perception of China as a security challenge in the region, involved Washington and Brussels more actively in China-CE relations, and led to much tighter monitoring of Chinese investments in security sensitive areas such as [telecommunications](#) under US influence.

Here it is important to point out that Hungary is an outlier among the V4 countries, as its relations with China under Viktor Orban's government have strengthened over time, although tensions between the West and China have put pressure on Budapest. Just as important, the Ukraine war has increased this pressure and greatly complicated Hungary's position.

This policy paper aims to understand the impact of the Ukraine war on the already strained relations between China and CE, outline the choices that the V4 face, and offer policy recommendations to CE in general and to each V4 country in particular.

## ***The Impact of the War***

To fully understand the impact of the Russian invasion of Ukraine on China-V4 relations it is important to analyze the response of each V4 country to China's “pro-Russian neutrality” in the war and how it has affected the dynamics of their relations.

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<sup>4</sup> Interview with a Hungarian thinktanker (Sept. 16, 2022).

## Czechia

Prague's highly critical response to China's position and [messaging](#) on the war, based on moral outrage and the realization that Moscow's invasion constitutes a grave threat to Czech and European security, has greatly accelerated the previously escalating tensions between Czechia and the People's Republic of China (PRC). With a Chamber of Deputies Foreign Affairs Committee [resolution](#) calling for a Czech exit from the former 17+1 format and [warnings](#) from Foreign Minister Lipavský about the effect of Beijing's position on China's relations with the EU, which is currently under the Czech presidency, the Ukraine war has reduced the few remaining possibilities for dialogue between the two sides and seems to be moving Sino-Czech relations closer to a decisive rift. Nevertheless, Prague has been reluctant to make the final step, which means either to leave the former 17+1 or name Taiwan's mission in Czechia a "[Taiwanese Representative Office](#)," partly for domestic reasons but also to avoid a complete breakdown of relations with China.<sup>5</sup> Currently, the Czech government is conducting a review of its China policy which will determine its future course.

## Hungary

As with Czechia, the Ukraine war has also accelerated the pre-war dynamics of [Sino-Hungarian](#) relations, but in the opposite direction. In an even deeper conflict with Brussels and Washington, growing inability to use its relations with Moscow to pressure Brussels, and a very [soft](#), almost Russia-leaning position on the war, Budapest has focused even more on its special relationship with Beijing as a pillar of its foreign policy and a source of leverage against the EU. In this spirit, the government of Prime Minister Orbán has both continued with controversial projects, such as the establishment of a [Fudan University campus](#) in Budapest, the construction of the mostly PRC-funded [Budapest-Belgrade railway](#), and the setting of [Huawei's European Supply Center](#) in Hungary, and welcomed new Chinese investments in electric vehicle production. Such a policy of accelerating engagement with China, however, tests the limits of Western patience with Hungary to the breaking point.<sup>6</sup>

## Poland

The Russian invasion of Ukraine has shaken the already complex Sino-Polish relations. Warsaw, which has stood at the forefront of Western support for Ukraine, has defined the war as a critical "question of security," and correspondingly viewed Beijing as a "direct supporter of

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<sup>5</sup> Interview with a Czech-Slovak scholar (Sept. 27, 2022).

<sup>6</sup> Interview with a Hungarian thinktanker (Sept. 16, 2022).

Russia” which threatens Polish security, according to a scholar interviewed by the author.<sup>7</sup> Poland has adopted a dual approach toward China. On one hand, Warsaw has vigorously [pressured Beijing](#) regarding its position on the war and [even refused to receive](#) China’s “damage-limitation” delegation in Poland’s foreign ministry after the invasion. On the other, Warsaw has striven to avoid a breakdown of relations, aware that it needs to keep a Chinese “card” as leverage in its relations with Brussels.<sup>8</sup> Poland has also used this moment of Chinese weakness to attempt to gain concessions from China on its long-running economic concerns about investment and trade. Interestingly, there has also been some [nuance](#) between the positions of Poland’s Prime Minister and President on China after the outbreak of the war, with the former’s stance substantially more hawkish than the latter’s. Nevertheless, the war has led to a substantial decline in relations, not least because of the growing [negativity](#) of the Polish public opinion toward China.

## Slovakia

The war in Ukraine has darkened relations between Bratislava and Beijing, which were already strained over issues such as growing [Slovak ties with Taiwan](#) and [underdeveloped](#) in comparison with China’s relations with the other V4 countries. The war has accelerated the push for a tougher line on China and for democratic [solidarity](#) with Taiwan within Slovakia and provoked increasing speculation that Bratislava might leave the former 17+1 format.<sup>9</sup> Nevertheless, due to Slovakia’s complex internal politics, including over the war in Ukraine, there is a lot of uncertainty about the future course of Sino-Slovak relations.

This brief overview of the responses of all four Visegrad countries reveals one key point. All the V4 countries, even the decisively pro-Beijing Hungary, face an inherent choice in the present crisis between disengagement from China, in response to the PRC’s stance on the war and its policies toward CE in recent years, and continued engagement in the name of safeguarding long-term cooperation with Beijing. The policy response of all the V4 countries, except Hungary, has been to try to manage this tough choice and its consequences in one way or another. Budapest, however, has clearly chosen engagement.

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<sup>7</sup> Interview with a Polish academician (Sept. 22, 2022).

<sup>8</sup> Ibid.

<sup>9</sup> Interview with a Czech thinktanker (Oct. 6, 2022).

## CE's "China Dilemma"

The choice between engagement with Beijing and disengagement from it, amidst the Ukraine war and after years of deteriorating relations, poses a dilemma for the V4. How to navigate this difficult choice in the face of conflicting incentives? How to strike the right balance between engagement and disengagement? These questions and the choice that lies behind them constitute CE's "China dilemma." The dilemma is severe because China-CE relations are at a crucial juncture and the policies adopted by the V4 countries at this stage will have long-term consequences for their relations with Beijing.

Each of the two choices that lie behind the V4's "China dilemma," namely engagement and disengagement, comes with considerable costs. To actively engage with Beijing would undermine common EU and NATO positions on the war and on China, be morally questionable, and face a substantial domestic and international backlash. Just as important, engagement with China is unlikely to change Beijing's position on the war, not only because this position reflects China's larger strategic calculations but also because Xi Jinping has become [personally invested](#) in supporting Russia. Instead, such an engagement would signal to Beijing that its position on the Russian invasion of Ukraine, strong-arm tactics, and disappointing economic record in CE carry no costs. Such a signal might easily encourage further Chinese misbehavior and disregard for CE interests. Engagement would also increase existing CE dependencies on China, which Beijing might use to try to coerce the V4 countries in the future, as it has done in the past, although it is important to not [exaggerate](#) these dependencies.

However, to choose disengagement, against the background of the serious deterioration of relations that preceded it, raises the possibility that China-V4 relations will be irreversibly damaged. Such an outcome neither benefits CE, nor advances its pro-democracy and human rights agenda, nor helps Ukraine in its fight against the Russian invasion. Moreover, there is still a large economic potential for China-CE relations that will be drastically diminished in case of disengagement. While the results of economic engagement with China have fallen well below expectations, there have been some successes, such as the substantial Chinese investment in Hungary and the growth of [Sino-Polish trade](#), which reached 30 billion USD in 2020 and likely features much greater Polish exports to China than those that are officially listed, as Poland often provides components for German products exported to the PRC. Lastly, the coming of a prolonged period of economic difficulties for CE and the EU militates against doing excessive damage to their economic relations with the world's second largest economy and an important trading partner.

This “China dilemma” faces all four Visegrad countries, including Hungary, to a varying degree. While Budapest has made its choice to keep engaging Beijing, this choice has come at the cost of a growing [conflict](#) with Brussels and Berlin over its China policy, among other issues, and Hungary’s increasing dependence on a China that has often used coercion against its European partners. Moreover, even after a CE government makes its China choice, the “China dilemma” does not vanish but becomes a question of degree. How far can Budapest go in engaging China before its conflict with Brussels and Washington gets out of control?

The V4’s “China dilemma” has been somewhat exacerbated by China’s own reaction to the burgeoning crisis in its relations with CE. On one hand, Beijing’s clumsy attempts to explain and defend its position, which sympathizes with Moscow and blames NATO for the war, by sending delegations to CEE have demonstrated a troubling lack of understanding of CE’s security concerns and sensitivities about the war.<sup>10</sup> Similarly, the anti-NATO and pro-Russian [narratives](#) that the PRC’s embassies and state-controlled news outlets, such as [China Radio International](#) (CRI), have propagated in the region, have underlined China’s continued support for Russia and its growing [cognitive gap](#) with the West on the war, its meaning, and NATO’s role in it. Predictably, all this supports the case for disengagement.

But, on the other hand, feeling its growing weakness in the region and attempting to salvage relations, Beijing has enhanced its efforts to engage CE with a particular emphasis on [Hungary](#) and [Poland](#), both of which are easier partners for China to engage than Czechia and Slovakia. Predictably, China has sought to “brandish the economic card”<sup>11</sup> in this effort, i.e. to use the promise of Chinese trade and investment. The recent decision of the Chinese electric vehicle company CATL to invest [€7.34bn](#) in a Hungarian plant is a good example of this approach. While such economic courtship might look suspicious after years of unfulfilled Chinese promises of investment, the coming difficult economic period in CE and the EU might make it much more attractive.<sup>12</sup> In short, the case for engagement is just as robust as the one for disengagement.

### ***Formulating a Dual-Track Policy toward China***

Against this background, the V4 countries need to formulate a careful, balanced policy to navigate the “China dilemma.” Of course, such a policy needs to be realistic. The war and the international situation impose severe limits on V4 policy toward China, which ensure that

<sup>10</sup> Interviews with a scholar of China-CE relations and a Polish thinktanker (Sept. 23, 2022 / Sept. 28, 2022).

<sup>11</sup> Interview with a thinktank expert on China and Central and Eastern Europe. (Sept. 21, 2022).

<sup>12</sup> Interview with a scholar of China-CE relations (Sept. 27, 2022).

relations between China and the CE countries, with the exception of Hungary, will remain constrained and less active for the duration of the war.

A realistic V4 policy toward China needs to concentrate on the pursuit of three key goals: 1) to impose political and economic costs on China for its “pro-Russian neutrality” as a way to express indignation at Beijing’s stance on the war, bring greater nuance to it, and demonstrate EU and Transatlantic solidarity; 2) to ensure that China-V4 relations do not deteriorate below a certain point after which their restoration will be very difficult; 3) to preserve some limited cooperation with China that will benefit CE economies and allow for limited future engagement and a partial restoration of relations after the war (a full return to the *status quo ante* seems unlikely).

To achieve these broad goals the V4 countries need to pursue a dual track policy toward China of limiting engagement and preserving a modicum of cooperation for the remainder of the war. On the limiting engagement side, such a policy should include:

- confronting Beijing on its position on the Russian invasion of Ukraine in bilateral and multilateral forums;
- downgrading the V4’s participation in the former 17+1 mechanism below the high political and administrative levels (ministers and deputy ministers), but without crossing the Rubicon of leaving the mechanism;
- putting on hold major new bilateral initiatives until the end of the war (something that most CE countries are already doing, with the predictable exception of Hungary);
- reducing the V4’s dependencies on China, particularly in critical infrastructure and telecommunications;
- developing alternative routes for economic interaction with Asia and its supply chains that would not be dependent on China through deepening economic cooperation with India, ASEAN, and trade blocs such as the Regional Comprehensive Economic Partnership (RCEP), the Trans-Pacific Partnership (TPP), and the Indo-Pacific Economic Framework for Prosperity (IPEF) (with CE having some access to these blocs through the EU’s free trade agreements with Japan and South Korea).

On the cooperation side, a dual-track V4 policy toward China should:

- focus on the “low-hanging fruit,” i.e. soft, less controversial areas of cooperation where disagreements and obstacles are smaller and there is good potential for cooperation (e.g. electric vehicles [EV], tourism, climate change, cultural exchanges);
- continue bilateral dialogues to ensure that communication with Beijing is not suspended;
- foster trilateral economic projects with other key EU stakeholders in China-EU relations, especially Germany, to gain more leverage on China, reduce risks of Chinese

strong-arm tactics, and ensure the V4's closer alignment with the EU's evolving policies on China;

- make the best of China's present weakness in Europe to gain concessions on bilateral economic issues such as market access, the trade deficit, and greenfield investment (an approach already partly adopted by Poland).

## **Policy Recommendations**

Beyond the general outline of a CE policy to navigate the "China dilemma," this paper also offers specific China policy recommendations to each V4 country in order to suggest how it can put in practice the dual-track approach to China described above. The recommendations are tailored to each CE country based on the record of its relations with Beijing and its policy proximity to the prescribed dual-track policy.

### **Czechia**

- use the EU presidency to signal indignation with China's stance on the war and pressure Beijing;
- focus on attracting Chinese tourism after the likely [forthcoming end](#) of Beijing's Zero Covid policy through cautious engagement with the PRC's ministry of tourism (if possible) and special packages targeting Chinese tourists but without accepting any political preconditions;
- avoid renaming the Taiwan mission in Prague as the "Taiwanese Representative Office" because such an act will derail relations with Beijing, as happened with Lithuania, but strive to further develop relations with Taiwan based on economic interests and shared democratic values;
- promote EU trade agreements and dialogues in Asia and the Indo-Pacific with India, ASEAN, RCEP, and IPEF to compensate for Czechia's stalled economic relations with China and gain greater access to the Asian market (all broadly in the spirit of the [Prague Dialogue on the Indo-Pacific](#)).

## Slovakia

- do not leave the former 17+1 mechanism as this will lead to a great deterioration of relations with China for no substantial reason, as the format is semi-dormant at present and Bratislava can simply ignore it without the need to exit from it;
- build on the recent Chinese investment in EV production by the [Geely-owned Volvo](#) to expand cooperation on EV with Chinese and EU companies;
- try to diversify relations in Asia beyond China as much as possible under the present difficult economic conditions (building on such efforts in the direction of Taiwan).

## Hungary

- reduce dependence on Chinese companies in critical sectors, especially Huawei in 5G, and limit the recent cooperation over the development of Huawei's [Green Target Network](#), which is likely to generate major problems with the EU in the future that will offset the benefits of such cooperation;
- attract even greater participation by other EU members in joint EV projects with China, such as those with the Chinese companies CATL and [NIO](#);
- establish an informal mechanism to coordinate China policy with Germany and the other V4 countries to avoid Hungary's growing isolation and mounting tensions over its relations with China, particularly in the context of Budapest's forthcoming EU presidency in 2024.

## Poland

- aim to gain concessions from China on investment, trade, and the participation of Polish firms in infrastructure projects such as railways (in the spirit of Polish Foreign Minister Rau's [exchanges](#) with his Chinese counterpart, Wang Yi, in June 2022, where such a linkage was indirectly suggested);
- reinvigorate efforts to replace Huawei's [thousands of masts](#) throughout Poland, which constitute a long-identified security challenge, as part of Warsaw's larger crackdown on Huawei;
- improve the coordination between the presidential institution and the government on China-related issues, potentially by appointing an official to serve as a liaison.