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THE EU'S ROLE IN COUNTERING CHINA'S INFLUENCE IN CENTRAL AND EASTERN EUROPE: OPPORTUNITIES AND LIMITATIONS

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Introduction

In the past decades, China has aggressively expanded its presence in Central and Eastern Europe (CEE) as a dominant economic actor through the 16+1 and the Belt and Road Initiative (BRI). China has gained an enormous stake in the region through investments in long-term, large-scale infrastructure development, such as highways, railways, and power projects, often using financial instruments to establish even greater political influence. While these investments have provided CEE countries sorely needed capital to grow, they have also led to worries about dependence on debt and potential reduction in political sovereignty, which has raised alarm within the European Union (EU).

The EU is interested in curbing China's influence in the region because most of these countries are members or future members of the EU. Growing economic interdependence between CEE countries and China threatens to destabilize the unity, security, and long-term strategic interests of the EU. In response to all these challenges, the EU has set up several mechanisms aimed at offering alternatives to Chinese investment, safeguarding its interests, as well as cohesion within the Union.

This article examines the EU's strategic response to rising Chinese influence across Central and Eastern Europe, where the Global Gateway Initiative and Foreign Direct Investment (FDI) Screening Mechanism are the focus. Based on analysis, this article analyzes both the strengths these tools offer the EU as a means to push back against China's influence and the limits the EU faces under to achieve this in the region.

Overview of the Global Gateway Initiative: Focus on Central and Eastern Europe (CEE)

The European Union's Global Gateway strategy, announced in December 2021, is intended to fill the gap in global infrastructure by mobilizing €300 billion in investments by 2027 in energy, transport, and digital infrastructure. Although initially developed to focus on the regions of Africa and Latin America, the Global Gateway strategy is equally crucial for Central and Eastern Europe (CEE), more precisely to enhance energy security and regional connectivity [10].

In the CEE region, Global Gateway focuses on developing energy infrastructure and diversifying sources of energy towards promoting energy security and the move towards clean energy. The major CEE countries are heavily reliant on traditional means of energy sources, and investment by the initiative in renewable power and energy resilience is key in addressing these concerns. These programs are following the requirements of the region and the EU's overall climate targets, working for long-term sustainability and regional stability [6].

Besides, the Global Gateway is also a response of a strategic nature to China's Belt and Road Initiative (BRI) which has assumed a massive role in the region. The EU's reaction through calls for openness, sustainability, and high governance standards offers CEE countries a secure and more attractive option relative to Chinese investment. This ensures that CEE nations can enhance cooperation with the EU without subjecting themselves to threats of unsustainable fiscal conduct and political control associated with BRI initiatives [13].

With a focus on the actual application of the Global Gateway in CEE, several infrastructure projects are underway, such as Black Sea Submarine Cable. The project demonstrate how the Global Gateway is unlocking greater connectivity, energy security, and economic integration within the region.

The Black Sea Submarine Cable (BSSC): A Strategic Component of the Global Gateway

One of the most clear-cut articulations of the EU's new strategic direction in Central and Eastern Europe is the Black Sea Submarine Cable (BSSC) project—a high-stakes infrastructure project under the Global Gateway Strategy, which seeks to reshape Europe's energy and digital geography. The very purpose of the BSSC is to establish a high-capacity interconnection of electricity and fiber optics between Georgia and Romania, and then on, transfer renewable energy from the South Caucasus region into the European Union. After the planned 1,195 km HVDC cable, of which 1,100 km will be underwater, is installed, it will be the longest subsea power cable in the world. This program is an example of the way the EU is pushing back against Chinese expansion in infrastructure financing across Eurasia [11].

Rather than competing with China's Belt and Road Initiative (BRI) in purely economic terms, the Global Gateway highlights values-based, sustainable, and secure infrastructure, including climate-resilient energy corridors and digital connectivity programs that reduce dependencies on authoritarian regimes. In this regard, the BSSC not only ensures energy diversification and climate goals but also extends the EU's geopolitical influence eastward, bringing countries like Georgia and Azerbaijan into European communications and energy networks.

The BSSC is strategically significant on multiple fronts. It first secures the energy security of the EU by creating a direct power link to Azerbaijan's green resources and thereby reducing the reliance on Russian gas and reducing vulnerability to energy weaponization. This is particularly relevant in the post-Ukraine war scenario, which has disturbed traditional energy routes and increased the need for alternative supply chains. While Azerbaijan's energy mix is still highly gas-reliant, the nation's policy of ensuring 30% of its electricity comes from renewables by 2030 aligns with the EU's decarbonization policy [14].

Second, the BSSC initiative also highlights the EU's ability to raise significant-scale investment in competition with China. Backed by a €2.3 billion European Commission investment and a $35 million World Bank-guaranteed loan for its initial phase, the project demonstrates that multilateral finance committed to EU strategic priorities can build infrastructure without falling prey to debt-trap dynamics prevalent in Chinese lending. The fiber-optic part of the cable, which is to attract private investment, will boost digital connectivity between the Caucasus and Europe, providing redundancy to data paths and countering Chinese penetration in regional telecommunication networks [14].

Briefly, the Black Sea Submarine Cable is representative of the EU's broader attempt to offer a strategic counterpoint to Chinese infrastructure lending in Central and Eastern Europe and the South Caucasus. It links climate policy to security interests, combines public and private capital, and more closely integrates periphery regions into the European project. But it also means that Europe's infrastructure push under the Global Gateway must constantly juggle between the competing priorities of values, security, and strategic influence.

Overview of the FDI Screening Mechanism

Since its founding, the European Union (EU) has encouraged trade policies based on openness, multilateralism, and the use of commercial tools in defense of social standards and interest in good governance. However, in recent years, these liberal policy trends have become more difficult to sustain with a more uneven playing field. This new environment has been characterized by China's market-distorting industrial policies, the protectionist rhetoric of the United States, and the mounting security challenge from Russia, particularly about energy dependence. By 2017, the EU had recognized the limitations of its erstwhile naive policy and had shifted direction towards a more assertive trade policy [12].

One of the first important steps in this shift of policy was the creation of the Foreign Direct Investment (FDI) screening mechanism at the EU level, which ran parallel with the establishment or hardening of national Investment Screening Mechanisms (ISMs) in EU Member States. Though before the global financial crisis of 2008, eight EU Member States had some form of FDI screening, by 2023, 26 Member States had established or were in the process of establishing their ISMs. This fast-paced development of investment screening mechanisms in Europe is a sign of growing concerns over national security implications of foreign investments [10].

The EU FDI screening framework that was established in 2020 is meant to be a subsidiary instrument for cooperation among EU institutions and Member States to help evaluate FDI transactions that can compromise the security or public order of the Union. Although national governments maintain the authority to block or grant approval for investments, the EU mechanism provides space for information sharing and coordination in terms of investment in sectors that fall under concerns related to security, such as telecommunications, energy, and defense [7].

Before the institution of the EU-wide FDI screening mechanism came a series of events, among them heightened security issues arising from Chinese investment in EU infrastructure and technologies. The European Commission had previously become less "naive" regarding the benefits of untrammeled investment flows and was seeking to establish arrangements that would ensure the EU's strategic autonomy. The adoption of the framework was particularly accelerated following a call to action in response to France, Germany, and Italy, all of which are among the EU's leading economies, responding to a series of Chinese investments that raised political and security issues [8].

Although the EU FDI screening mechanism differs from national ISMs in that it is an ancillary review and advisory opinion, it is a reflection of the complex layering of EU competences. It does not replace national decision-making but creates a platform for cooperation between the EU and national authorities. The process enables a "Phase 1" review of transactions, which is typically swift, while some of the high-risk cases are given a detailed "Phase 2" scrutiny. However, even in such a case, the final decision rests with the host Member State [8].

The increased focus of the EU on screening investment is part of an international trend, in which governments recognize that while FDI has huge economic benefits—e.g., job creation and technological advancement—it has security risks too. For example, foreign players' investment in high technology or strategic infrastructure can give antagonist states access to sensitive information or disrupt the vital supply routes during geopolitical tension. These threats encourage the majority of the developed economies, such as the US, Canada, and Australia, to introduce or reinforce their indigenous FDI scrutiny processes in recent years [2].

The EU's FDI screening framework is part of a broader reorientation towards the protection of national security and strategic interests without sliding into protectionism. It represents a change in underlying logic from an economic logic of openness to open markets to a security-based logic of defending sensitive sectors. This shift is particularly pertinent in the context of Chinese investments in the EU, where concerns over technology transfer, market control, and espionage have prompted stricter monitoring in areas like telecommunications, energy, and healthcare [7].

The rise of ISMs in Europe has significant implications for the future of economic openness and the role of the EU as a global player. First, while ISMs are not protectionist tools, they aim to displace threats to national security and public order. Second, the development of ISMs forms part of a general shift from a monopolistic economic strategy to one that puts security interests high in foreign investment policy. This signals the growing perception by the EU of the threats posed by foreign investments in strategic sectors and technology [12]. Lastly, the EU's FDI screening framework is an opportunity for the Union to extend its reach in the security domain, leveraging economic policy tools to bolster its geopolitical status [9].

While the EU continues to promote open markets, its new FDI screening policy highlights the trade-off between economic benefit and security interests. As the Union increasingly competes with emerging powers like China and Russia, the need for strong tools to defend economic and technological sovereignty has never been greater. The EU's screening mechanism for FDI, together with the member states' ISMs, is tasked with achieving the balance between these interests and ensuring that foreign investments do not undermine the EU's strategic autonomy.

Case Study: Romania's Foreign Direct Investment and the Cancellation of the Nuclear Reactor Deal with China

Romania's abandonment of its nuclear reactor project with the China General Nuclear Power Corporation (CGN) back in 2020 was a dramatic reversal of Romania's energy and geopolitical policies. The move was reflective of Romania's strategic decision to move closer to European Union (EU) standards as well as safeguard its national interests, especially against the backdrop of increasing international competition for strategic investment into the energy infrastructure.

In 2015, Romania's state-owned power company, Nuclearelectrica, agreed with CGN to construct two new reactors at the Cernavodă Nuclear Power Plant. The venture was part of Romania's strategy to modernize and expand its energy industry, reduce its dependence on traditional sources of energy, and improve energy security. However, by 2020, the Romanian government under Prime Minister Ludovic

Orban decided to abandon the agreement. This was primarily prompted by the rising concern of China's growing clout in the global context, i.e., in strategic infrastructure projects such as energy plants, and potential security concerns about third-country foreign investment [1].

Certain reasons played a part in the change in Romania's policy. Among the most pressing was the EU's focus on foreign direct investments (FDI) from countries like China, which are traditionally seen as being opaque and most likely to be non-compliant with Western standards of governance. The European Commission has increasingly been demanding screening for foreign investment in strategic sectors to ensure that it cannot hurt national security or public order [5]. Under the broader EU initiative, Romania's withdrawal from the CGN deal was an expression of its commitment to complying with EU investment rules as well as protecting its strategic interests. Other than security concerns, the Romanian state also endeavored to apply the highest attainable levels of governance, transparency, and security for its nuclear projects.

Following the cancellation, Romania has sought other alliance options with Western partners. In a very noteworthy development, in October 2020, Romania's government entered into a €3 billion agreement with the United States to cover the costs of building new Cernavodă reactors. This transaction not only guaranteed Romania's energy sovereignty but also represented the growing importance of Western alliances to Romania, both in the energy security and geopolitical spheres [3].

Romania's cancellation of the CGN deal and its new cooperation with the United States also helped highlight the EU's growing role in shaping the energy policies of its member states. The EU's effort to screen and review FDI collectively attests to a strategic shift towards aligning investment in critical infrastructure with European values and security standards. By choosing the U.S. over China, Romania anchored itself more squarely in the Western geopolitical sphere, making a very obvious commitment to EU standards and priorities [4].

Opportunities and Limitations for the EU in Countering China's Influence in Central and Eastern Europe

The European Union (EU) has both strengths and limitations when it comes to reacting to the growing influence of China in Central and Eastern Europe (CEE). As the EU attempts to navigate this complex geopolitics, tools like the Global Gateway Initiative and Foreign Direct Investment (FDI) are perceived as necessary mechanisms. However, both tools inherently have weaknesses, especially when put against China's Belt and Road Initiative (BRI), which has significantly touched the region.

One of the EU's best opportunities to counter Chinese influence is the Global Gateway Initiative, which the EU launched in 2021 in response to China's Belt and Road Initiative (BRI). The Global Gateway seeks to develop infrastructure investment in the developing regions of the world, such as Central and Eastern Europe, focusing on sustainable, transparent projects. By foregrounding areas such as green energy, digital connectivity, and sustainable infrastructure, the EU offers itself as an open, long-term partner offering an alternative to the more debt-heavy and sometimes impenetrable Chinese model of investment. In addition, the EU's Foreign Direct Investment (FDI) plays a significant role in checking China's economic influence. By promoting investment in strategic sectors such as renewable energy, technology, and innovation, the EU can help enhance Central and Eastern European nations' economic resilience. Contrary to Chinese investments, which can lead to dependence on Chinese capital and control, EU-financed FDI is centered on partnerships that foster sustainable development and technological advancement.

In addition, such measures also allow the EU the leverage to integrate CEE states deeper into the internal market of the EU, further fueling more stability and cohesion in the region. The EU's model of regulation with high levels of governance, sustainability, and transparency can likewise keep the risk of Chinese dominance of key sectors like telecommunication and digital infrastructure at bay.

But while the Global Gateway Initiative and FDI offer tremendous potential, they do offer some significant constraints relative to China's Belt and Road Initiative. One of the most formidable challenges is the budgetary scale. China's BRI, with its multi-trillion-dollar budget, dwarfs the EU's Global Gateway, which, despite all its ambitious rhetoric, has a much lower-cost financial outlay. For example, the EU's Global Gateway Initiative will be expected to mobilize some €300 billion over 7 years, whereas China's BRI, launched in 2013, has already invested several trillion dollars across the globe, with much of it being transferred to Europe. This resource imbalance is a clear limitation for the EU to match China's investment size, especially in Central and Eastern Europe, which are extremely attractive for large-scale infrastructure projects. Another limitation is that certain CEE countries are more receptive to Chinese investments since these investments yield quick economic returns in terms of the generation of jobs, infrastructure development, and loans at very low interest rates.

Hungary and Serbia have been among the most welcoming nations for Chinese investment through the 16+1 mechanism, namely 16 CEE countries and China. Hungary, for instance, has been heavily courted by China for infrastructure projects, including the construction of the Budapest-Belgrade rail link funded by Chinese loans. Serbia has also received significant investment from China, particularly in the construction of highways and power plants.

These countries, as pro-China, are never willing to fully participate in EU-led initiatives. The EU's efforts, therefore, to counterbalance Chinese influence in these countries are constrained by their willingness to join Chinese-led initiatives.

The geopolitical landscape within the region also makes the EU's efforts complex. Most CEE nations have a historical connection with Russia, and in some cases, China is considered an unavoidable partner to counterbalance Russian influence. This geopolitical reality makes the EU's attempt to assert a common position on these nations almost impossible, particularly when they view China's investments as a balancing act against Russian influence. In addition, other countries would also feel that the EU's regulatory environment and standards are too intrusive or politicized, therefore, they would be more inclined to accept Chinese offers of capital and investment on alternative terms. A further limitation for the Global Gateway Initiative and FDI alike is the competitive appeal of Chinese finance. Chinese investment, especially under the BRI, is easier to secure, with fewer regulatory barriers and more flexible financing terms than the EU's often more stringent investment frameworks. This could make China a more attractive partner to countries more concerned with short-term profitability than long-term sustainability.

Conclusion

The European Union's reaction to rising Chinese presence in Central and Eastern Europe (CEE) through actions like the Global Gateway and the Foreign Direct Investment (FDI) Screening Mechanism is a strategic attempt at protecting its interests, preserving regional stability, and promoting sustainable development. Although China's Belt and Road Initiative (BRI) has gained traction in the region through high-profile infrastructure projects, the EU has attempted to provide an alternative model emphasizing transparency, sustainability, and energy security. High-priority projects like the Black Sea Submarine Cable (BSSC) reflect the EU's commitment to promoting regional connectivity and reducing reliance on Chinese investment, which can be politically burdensome. But the EU is tested hard in being capable of confronting the financial scale and more concessional terms of the BRI, and political dynamics in CEE countries, several of which have historically with Russia or prefer Chinese financing, to pursue.

Despite the above limitations, the EU action shows a shifting towards an added pursuit of its strategic autonomy in balancing economic requirements with security, and facilitating intensified integration within the European market. The EU will succeed in achieving this effort with its ultimate dependence on how well it remains able to adjust to the new geopolitical context, build sustainable partnerships, and sustain its comparative lead in infrastructure investment. EU-China rivalry in CEE in the future will rely on how the Union can balance these complex dynamics while continuing to advocate for sustainable, value-driven investments.

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SUMMARY

This article explores the European Union's strategic response to China's growing influence in Central and Eastern Europe (CEE) through the Global Gateway Initiative and the Foreign Direct Investment (FDI) Screening Mechanism, focusing on the EU's efforts to offer an alternative to China's Belt and Road Initiative (BRI) by promoting sustainable infrastructure, energy security, and digital connectivity in the region. It examines the strengths and limitations of these EU initiatives, particularly through projects like the Black Sea Submarine Cable (BSSC), and analyzes the challenges posed by China's extensive economic footprint and the region's geopolitical ties with Russia. By considering the varying receptiveness of CEE countries to EU versus Chinese investments, the study provides insights into how the EU navigates competing priorities of promoting long-term sustainability and security while balancing financial resources and geopolitical interests. Ultimately, it assesses how the EU's policy tools aim to safeguard regional stability and assert European influence in a region where both Chinese and Western powers vie for strategic leverage.

Keywords: *European Union (EU), China, Central and Eastern Europe (CEE), Geopolitical Influence, Belt and Road Initiative (BRI).*

РЕЗЮМЕ

Эта статья исследует стратегическую реакцию Европейского Союза на растущее влияние Китая в Центральной и Восточной Европе (ЦВЕ) через инициативу Global Gateway и механизм оценки иностранных прямых инвестиций (FDI), фокусируясь на усилиях ЕС предложить альтернативу инициативе Китая "Пояс и путь" (BRI), продвигая устойчивую инфраструктуру, энергетическую безопасность и цифровую связанность в регионе. В статье рассматриваются сильные стороны и ограничения этих инициатив ЕС, в частности через такие проекты, как Черноморский подводный кабель (BSSC), а также анализируются вызовы, связанные с масштабным экономическим влиянием Китая и геополитическими связями региона с Россией. Учитывая различную восприимчивость стран ЦВЕ к инвестициям ЕС и Китая, исследование предоставляет понимание того, как ЕС балансирует приоритеты долгосрочной устойчивости и безопасности, при этом учитывая финансовые ресурсы и геополитические интересы. В конечном итоге статья оценивает, как инструменты политики ЕС направлены на обеспечение региональной стабильности и утверждение европейского влияния в регионе, где как китайские, так и западные державы конкурируют за стратегическое влияние.

Ключевые слова: *Европейский Союз (ЕС), Китай, Центральная и Восточная Европа (ЦВЕ), Геополитическое влияние, Инициатива "Пояс и путь" (BRI).*

XÜLASƏ

Bu məqalə, Avropa İttifaqının Çinin Mərkəzi və Şərqi Avropadakı (CSE) artan təsirinə qarşı strateji reaksiyasını Global Gateway Təşəbbüsü və Xarici Birbaşa İnvestisiya (FDI) Təhlili Mexanizmi vasitəsilə araşdırır. Məqalə Avropa İttifaqının Çinin "Kəmər və Yol Təşəbbüsü"nə (BRI) alternativ olaraq, regionda davamlı infrastruktur, enerji təhlükəsizliyi və rəqəmsal əlaqəliliyi təşviq etməyə yönələn səylərini diqqətə alır. Bu təşəbbüslərin güclü tərəflərini və məhdudiyyətlərini, xüsusilə Qara Dəniz Sualtı Kabeli (BSSC) kimi layihələr vasitəsilə təhlil edir və Çinin geniş iqtisadi təsirinin və regionun Rusiya ilə geosiyasi əlaqələrinin yaratdığı çağırışları araşdırır. CSE ölkələrinin Avropa İttifaqı və Çin investisiyalarına olan müxtəlif reaksiyalarını nəzərə alaraq, araşdırma Avropa İttifaqının uzunmüddətli davamlılıq və təhlükəsizliyi təşviq edərkən, maliyyə resursları və geosiyasi maraqları necə balanslaşdırdığını göstərir. Nəticədə, məqalə Avropa İttifaqının siyasət alətlərinin regional sabitliyi qorumaq və Avropa təsirini gücləndirmək üçün necə yönəldildiyini qiymətləndirir, burada həm Çin, həm də Qərb gücləri strateji üstünlük uğrunda mübarizə aparırlar.

Açar sözlər: *Avropa İttifaqı (Aİ), Çin, Mərkəzi və Şərqi Avropa (CŞA), Geosiyasi Təsir, "Kəmər və Yol Təşəbbüsü " (BRI).*