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ORIGINAL PAPER

China's economic statecraft in Europe

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Abstract China's economic statecraft in Europe relies upon three distinct strategies: specific and diffuse reciprocity, and strategic engagement—each designed to advance a specific type of policy objective. However, the tensions between a reciprocity and engagement strategy have undermined China's efforts to reassure Europeans of Beijing's benevolent intent. This article compares Beijing's three strategies through case studies of China's efforts to discourage European receptions of the Dalai Lama, secure market economy status, and Beijing's response to Europe's post-2009 financial crisis.

Since the onset of the global financial crisis, China has dramatically expanded its economic presence in Europe. China is now the EU's second-largest trading partner; Europe is the world's second-largest recipient of Chinese investment (Hanemann and Huotari 2016; Casaburi 2016). China-funded infrastructure projects span the European continent, from Greek ports to British nuclear plants to Serbian bridges. Chinese visitors crowd European streets, snapping up luxury goods and real estate with aplomb.

China's surging economic presence has spurred a deepening sense of unease across Europe (Meunier 2014; Nicolas 2014). Underpinning this popular anxiety are fears that Chinese leaders are using their economic activism for political advantage. The European Council on Foreign Relations warns of "China using its financial power to gain undue political leverage in Europe" (Godement and Parello-Plesner 2011, 10). "With China's dramatic economic growth," Theresa Fallon (2014, 181) claims, "the country's leaders have become more assertive and ambitious in their dealings with the EU." "China's rise and mounting influence," Gustaaf Geeraerts (2013, 492) suggests, "constitutes a challenge to Europe's very identity." Worries about China using a "divide and conquer" strategy in Europe are widespread (Maher 2016, 976). And yet, detailed scholarship examining the motivations and strategies guiding China's economic statecraft in Europe remains rare (Meunier et al. 2014).

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This lacuna is surprising given the attention that China's global economic power has garnered (Shambaugh 2013; Norris 2016). Experts have examined the structures, actions, and motivations of China's state-owned enterprises (SOEs) and banks (Smith and D'Arcy 2013; Bell and Feng 2013). Others have explored China's financial statecraft and sanctions (Huotari and Heep 2016; Reilly 2012). Regional studies have covered Taiwan, Southeast Asia, Africa, and Latin America (Kastner 2009; Goh 2016; Brautigam 2009; Gallagher et al. 2012). This study augments this burgeoning field by examining China's economic statecraft in Europe since 2009.

China's economic statecraft in Europe relies upon three distinct strategies, depending upon China's policy objectives. In hopes of influencing discrete policy choices by European states on issues of relatively greater significance for China than Europeans, Chinese policymakers tend to mix sanctions and incentives in a tightly-linked approach of specific reciprocity. However, when seeking to shape policy decisions across multiple EU member states and EU institutions with stronger interests on a given issue, Chinese policymakers rely instead upon a diffuse reciprocity strategy by promoting broadly beneficial economic interactions. To build closer institutionalized linkages and reassure Europeans of China's benevolent intent, Beijing has utilized a strategic engagement strategy. This article first distinguishes among these three strategies, followed by case studies examining China's efforts to discourage European receptions of the Dalai Lama, secure market economy status, and respond to Europe's post-2009 financial crisis.

Reciprocity and engagement

Economic statecraft is the purposeful use of economic resources by political leaders to exert influence in pursuit of foreign policy objectives. It encompasses incentives or sanctions that affect the trade, aid, finance, currency, and/or assets of the target state (Kirshner 1997). Economic statecraft is distinguished from commercially driven actions by its political objectives: the pursuit of power rather than plenty (Viner 1948).

Most economic statecraft scholarship focuses upon dynamics of reciprocity, defined by Keohane (1986, 8), as: "Exchanges of roughly equivalent values in which the actions of each party are contingent on the prior actions of the others in such a way that good is returned for good, and bad for bad"; or what Robert Axelrod (1984) described as "tit for tat." Keohane (1986, 10) distinguishes between specific reciprocity, "in which specified partners exchange items of equivalent value in a strictly delimited sequence," often in a shorter time period, and diffuse reciprocity, in which "the definition of equivalence is less precise, one's partners may be viewed as a group rather than as particular actors, and the sequence of events is less narrowly bounded." In both specific and diffuse reciprocity, as Drezner (1999, 189) explains, any benefit "comes with a clear *quid pro quo*; in return for the benefit, the receiver is expected to grant some concession to the sender…the carrot is not proffered in the hopes of influencing the receiver country's policies over the long run."

For Beijing, a specific reciprocity approach is most attractive when Chinese leaders seek to influence discrete policy decisions by individual European countries, particularly when the issue is of greater significance for China than the target country. The mix of carrots and sticks can be carefully calibrated to shape policymakers' incentives: offering prominent rewards for preferred policies while deploying (or threatening) sanctions to deter undesired actions. However, a punitive reciprocity approach is likely to feed distrust of China while proving unpopular among the diverse powerful interest groups across China's "political industrial complex" responsible for implementing China's economic statecraft (Reilly 2014).

Such reputational costs and coordination challenges may be acceptable when Beijing highly values the issue at hand and has a reasonable chance of success. However, when seeking to influence policy decisions by multiple European actors over issues of considerable significance for Europe, Chinese policymakers tend to deploy a positive, diffuse reciprocity strategy by encouraging mutually beneficial economic interactions with target countries.

While both modes of reciprocity seek to influence specific policy decisions, they do little to foster sustainable linkages or encourage trust in China. To advance these long-term objectives in Europe, Chinese leaders rely upon a strategy of strategic engagement: "a policy of deliberately expanding economic ties with an adversary in order to change the behavior of the target state and improve bilateral political relations" (Kahler and Kastner 2006, 525). Michael Mastanduno (1999: 304) similarly defines "structural linkage [as] an effort to use a steady stream of economic benefits to reconfigure the balance of political interests within a target country."

> Structural linkage tends to be unconditional; the benefits are not turned on and off according to changes in target behavior. The sanctioning state expects instead that sustained economic engagement will eventually produce a political transformation and desirable changes in target behavior.

To promote such processes of political change, the sending state can try to ensure that economic interactions favor certain regions or sectors in the target country. As Hirschman (1980, 29) explains, these groups "will exert a powerful influence in favor of a 'friendly" attitude toward the state" providing these benefits. For instance, as Hawaiian sugar sales to the USA expanded, "the rise of the sugar and attendant industries increased the power of those who saw Hawaii's destiny resting with some form of special relationship with the United States" (Abdelal and Kirshner 1999, 133). Engagement efforts can also target what Yung Wei (1998) labels linkage communities: networks of cross-national personal contacts.

For Beijing, open-ended economic engagement creates a positive shadow of the future by offering reassurance that can reduce the target's distrust (Copeland 1999). Indeed, West Germany provided economic benefits to reassure Poland and Russia, thus securing their acquiescence to German unification (Davis 1999). Papayoanou (1997, 119) argues that such economic ties can even ameliorate threat perceptions toward a rising power, as "vested interests with strong economic ties to states deemed to be threatening powers by strategists are likely to be more reluctant to believe there is a danger given their positive relationship. They will, therefore, be opposed to balancing" against the rising power. The attractiveness for China is clear. We turn now to consider how China has employed these three modes of economic statecraft in Europe, beginning with specific reciprocity in the Dalai Lama case.

Discouraging the Dalai Lama

To bolster his global prominence and enhance his legitimacy, the Dalai Lama strives to meet the top political leaders of large, wealthy, influential countries. Since he easily secures invitations and visas to visit Europe, European leaders must decide whether to meet the Dalai Lama. As China's EU Policy Paper (2003) declared: "The Chinese side requests the EU side not to have any contact with the 'Tibetan government in exile' or provide facilities to the separatist activities of the Dalai clique." China threatens economic and diplomatic consequences for countries whose leaders who meet the Dalai Lama (Reilly 2012). Economists have shown that countries whose leaders met with the Dalai Lama experience at least a 2-year drop in their exports to China as a result (Fuchs and Klann 2010). Beijing has deployed such specific, negative reciprocity in Europe, notably toward France.

Paris' difficulties with Beijing over the issue began in April 2008, when Parisian street protests and hanging of the unofficial Tibetan flag from the Paris city hall during the Olympic torch relay infuriated Chinese consumers. President Sarkozy then threatened to boycott the Olympic opening ceremony in Beijing (Hall and Dyer 2008). In July, China's ambassador to France, Kong Quan, warned of "serious consequences" for Chinese-French relations if Sarkozy met the Dalai Lama during his pending August 2008 visit to France ('Dalai 2008). Sarkozy instead sent his wife and Foreign Minister Bernard Kouchner to attend an event during the Dalai Lama's visit: a concession labeled "indecent" by one opposition politician (Charlton 2008).

Stung by domestic criticism and smarting as European leaders distanced themselves from his partial Olympic boycott, Sarkozy announced that he would meet the Dalai Lama on 6 December 2008 in Poland. The Dalai Lama was also scheduled to meet leaders in the Czech Republic and Belgium, and address the European Parliament (Ching 2008). Since Sarkozy also held the rotating EU Council Presidency, the combined effect suggested to Beijing that Europe's Dalai Lama policies were taking an ominous turn. They decided to make an example of Sarkozy in the classic Chinese strategy of "killing the chickens to scare the monkeys." On 26 November, Beijing suddenly announced that Premier Wen Jiabao would not attend the upcoming EU-China Summit, scheduled for Lyon on 1 December 2008, described as "a spectacular gesture and an unprecedented step in the bilateral relationship" by the European Council of Foreign Relations (Brussels 2008).

Chinese officials denounced Sarkozy's meeting with the Dalai Lama as "gross interference in China's internal affairs" that "severely undermined China's core interests…and sabotaged the political basis of China-France and China-EU relations" (China lodges 2008). Beijing then unleashed its economic firepower. Chinese officials postponed talks with Airbus scheduled to finalize a multibillion-dollar deal for 150 new passenger planes (Ng 2008). France was also quickly crossed off the travel agenda of two Chinese trade delegations. The first delegation alone signed US$15 billion worth of trade deals in other European countries. In January 2009, Premier Wen Jiaobao's rescheduled European visit was dubbed the "going-around-France tour." Wen himself told reporters: "I looked at a map of Europe on the plane. My trip goes around France…We all know why" (She 2009).

Sarkozy soon backed down. On the side of the London G-20 Summit in April 2009, China and France issued an unusual joint statement noting:

> France fully appreciates the importance and sensitivity of the Tibet issue and reaffirms her adherence to the One China Policy and her position that Tibet is an integral part of Chinese territory…with due regard for the principle of non-interference, *France objects to all support for Tibet's independence in any form whatsoever* (France-China 2009).

Following the statement's release, Sarkozy was granted a meeting with President Hu Jintao at the Summit. As diplomatic ties stabilized, Paris was quickly scheduled to receive a large Chinese trade delegation. As a *China Daily* article chortled: "France goes back on China's shopping list" (France 2009).

Three years later, it was UK Prime Minister David Cameron's turn. In early 2012, Cameron began to signal his intent to meet the Dalai Lama during his planned May visit to the UK. Beijing signaled its displeasure by canceling the UK leg of Politburo Standing Committee member Wu Bangguo's European tour. With Whitehall insisting: "It is entirely reasonable for the Prime Minister to decide who he meets" and urging Beijing "to manage our differences with respect," Cameron went ahead with the meeting in May 2012. Beijing responded by halting all ministerial-level contact. Cameron found himself unable to visit China or even meet a senior Chinese official. Beijing demanded that Cameron first take "practical measures to eliminate the terrible impact" of the meeting (Walker 2013).

Cameron stood his ground for a year before finally promising in Parliament on 8 May 2013: "We do not support Tibetan independence, and we respect China's sovereignty" (Cameron 2013). Cameron's rejection of "Tibetan independence," a more restrained version of France's 2009 joint statement, led to a phone call the following month in which Foreign Secretary William Hague privately reassured his Chinese counterpart, Wang Yi, that Cameron would not meet the Dalai Lama again (Hope 2013).

With Beijing mollified, Cameron was finally able to visit Beijing in December 2013, where he declared: "No country in the world is more open to Chinese investment than the UK." He promised to put his "full political weight" behind a proposed EU-China trade agreement while denouncing countries that "want to shut China off behind a bamboo curtain of trade barriers." "Britain," Cameron enthused in an unabashed echo of Chinese rhetoric, "wants China to realize its dream" (David 2013). The 120 UK firms accompanying Cameron were rewarded with trade and investment deals signed during the visit worth over £5.6 billion (Press 2013). As the Dalai Lama himself bemoaned to the UK's *Spectator* a year later, in a rare public critique of a Western leader, "Money, money, money. That's what this is about" (McTague 2015).

The Dalai Lama's analysis was spot on. China's mixing of carrots and sticks through tight reciprocity successfully influenced two major European leaders while sending a powerful deterrent signal across Europe. We turn now to consider how Beijing deployed economic statecraft in pursuit of an even greater challenge: securing market economy status.

Seeking market economy status

The rules of the World Trade Organization (WTO) governing how its members can pursue anti-dumping procedures vary if the country accused of dumping is considered by the implementing state to be a "market economy." Beijing insists that Section 15(d) provision of its 2001 WTO Accession Protocol allowing WTO members to treat China as a non-market economy will expire after 11 December 2016, resulting in a legal obligation for all WTO members to officially recognize China's market economy status (MES). To encourage European states and EU institutions to support China's position, Beijing utilized positive but diffuse reciprocity, most notably in the case of Italy.

China is Italy's third most important commercial partner, and the seventh largest destination for Italian exports, though Italy runs a persistent and substantial trade deficit with China (Casarini and Sanfilippo 2015). In 2015, Italy was Europe's single-largest recipient of Chinese investment, due largely to ChemChina's €7 billion investment into Pirelli (Casarini 2015). From 2000 to 2015, Italy was Europe's second-largest recipient of Chinese FDI, behind only the UK (Hanemann and Huotari 2016).

Chinese investment was carefully designed to maximize its political impact: in 2014, China's State Administration of Foreign Exchange (SAFE), a major sovereign wealth fund, invested just over 2% in Italy's ten largest companies (total: €3.5 billion) so that SAFE's investment would be publically listed (Casarini 2015). During his October 2014 visit to Rome, Chinese Premier Li Keqiang presided over the signing of a dozen new commercial deals worth over €8 billion and announced major financial agreements between Italian banks and China's two largest state-run financial institutions. Li described these deals as "merely the appetizer" with "the main course of Sino-Italian cooperation yet to come" (Zhao 2014). In exchange, Li encouraged Italy to "continue playing a constructive role in promoting China-EU ties, which are now at a crucial stage" (China, Italy 2014).

Yet in October 2015, Italy thus became the first EU member state to openly declare its opposition to MES. Warning that MES would "put entire industrial lines of our economy and our continent on its knees," Deputy Economic Development Minister Carlo Calenda declared: "China is not a market economy, it doesn't meet the conditions" (Politi and Oliver 2015). Sent to Brussels as Italy's Permanent Representative in January 2016, Calenda successfully demanded that the EC conduct a new impact assessment and hold a public consultation process on MES. Yet Italian diplomats claim "Italy has not faced any additional Chinese pressure or criticism in response to our outspoken stance on MES" (interview, Rome, 28 April 2016).

China adopted a similarly positive, if diffuse, incentive approach toward the UK. From 2000 to 2015, the UK was Europe's largest recipient of Chinese FDI (Hanemann and Huotari 2016). From 2009 to 2015, the two top Chinese leaders spent 11 days in the UK, behind only Germany. During his October 2015 visit, Xi Jinping presided over deals promising £30 billion ($46.4 billion) in Chinese investment into the UK. On his last day, Xi Jinping requested Cameron's support on MES, stating: "China hopes Britain, as an important member of the EU, can play an even more positive and constructive role in promoting the deepening development of China-EU ties (Xi 2015).

On a 2010 visit, Cameron had openly promised his Beijing hosts: "I will make the case for China to get market economy status in the EU" (Wintour and Inman 2010). Yet during Xi's visit, Cameron refused to publicly reiterate his support for MES. Instead, just a few weeks later, Cameron reassured Parliament that "even if China gets that [MES] status…it can be fined," adding: "If there is illegal dumping, we will support action in the European Union, and that can be done in spite of the status that a country has" (PM Answers 2016). Yet once again, Beijing resisted responding with negative measures.

While Beijing is frequently accused of "going around" Brussels, Chinese leaders also targeted EU policymakers. Brussels ranks just behind the "Big Three" in the number of days that top Chinese leaders spent there since 2009, including two prominent visits in 2014 and 2015. China's primary diplomatic target has been the European Commission (EC). Most prominently, China has promised to contribute between €5 and €10 billion to the "Junker Plan" (European Fund for Strategic Investments) championed by EC President Jean-Claude Juncker. China was the first non-EU country to pledge funds; the largest national contribution so far has been the UK's €8.5 billion (Valero 2016). Beijing also signed a €45 billion bilateral currency swap agreement in October 2013 with the European Central Bank and agreed to the EC's proposal for a EU-China Connectivity Platform linked to China's "One Belt, One Road" initiative (Reuters 2013). Chinese officials have augmented these carrots with sticks: slowing down talks on a bilateral investment treaty and hinting privately that MES rejection would result in retaliatory trade measures (interviews, Brussels, 4 April 2016).

Initially, China's case looked hopeful. On 11 May 2015, EC lawyers formally advised DG Trade Director-General Jean-Luc Demarty that "the Commission is under an obligation… to delete China" from the list of non-market economies under the EU's own trade regulations, insisting "arguments to the contrary are not well-founded" (Heath 2016). Yet following a January 2016 media leak, the EC was forced to embark upon a new impact assessment and public consultation on MES. In February 2016, Trade Commission Cecilia Malmström also announced that the EC would open three new anti-dumping investigations into Chinese steel imports (Oliver 2016). While noting "three million jobs in Europe depend on sales to China" and warning that a failure to approve MES "may well create new and serious frictions in our bilateral relationship with China," Malmström was forced to back away from the EC's earlier support for MES (Reed and Bradsher 2016). The EP also took on a more active role in opposing MES, most significantly in its overwhelming passage of a 21 May 2016 resolution opposing MES for China (European 2016). To date, Beijing's diffuse reciprocity strategy has been unsuccessful in shaping either member state or EU-level policy decisions over MES.

In contrast to the MES and Dalai Lama cases, China responded to Europe's financial crisis with an ambitious engagement strategy that sought to reassure Europeans of China's benevolent intent by demonstrating the benefits of China's economic presence.

Responding to Europe's crisis

The Chinese word for "crisis" (危机)—combining the characters for danger and opportunity—encapsulates Chinese leaders' view of Europe's financial crisis. Beijing's former ambassador to Albania, Ye (2013), 41) described the crisis as a "strategic opportunity" for China. Premier Wen Jiabao thus depicted his trip to Switzerland, Germany, Spain, the UK, and Belgium in early 2009 as a "journey of confidence" (Barber 2009). Upon his 2010 return visit to Europe, Wen (2010a, b) reminded a Brussels business forum:

> In the cold winter in January 2009, I visited Europe and brought with me not only the confidence needed to overcome the financial crisis, but also a procurement delegation to place orders to the European countries. We sent trade and investment promotion missions to Europe and signed a series of important trade and investment contracts…We continued to hold and buy euro-denominated bonds and helped Iceland, Greece, Spain, Portugal and Italy in their most difficult time. We will continue to render assistance and tide some countries over their difficulties. China is a friend indeed.

On his October 2010 visit offering a "vote of confidence" to Greece, Wen Jiabao announced the establishment of a US$5 billion fund to enable Greek ship-owners to purchase Chinese-made vessels and oversaw the signing of a dozen commercial deals in shipping, construction and tourism. He pledged that China would not reduce its holdings of euro bonds, and would double its imports of Greek products within 5 years (China offers 2010). Following President Hu Jintao's visit to Portugal the following month, the *Financial Times* concluded: "This massive influx of investment amidst a looming sovereign debt crisis offered a crucial sign of support for the beleaguered Portuguese economy" (Wise 2010).

To blunt domestic criticism of China's trade surpluses, Chinese leaders used prominent pledges of assistance. In January 2009, for instance, Wen Jiabao announced in Madrid that a Chinese purchasing group would soon arrive, helping to expand Spanish exports to China (Chinese premier 2009). The next year, Hu Jintao pledged in Paris to double China's imports from France within 5 years (China and France 2010). In Germany in 2011, Wen Jiabao announced a new capital fund of €2 billion to promote bilateral trade among small and medium-sized enterprises (Yang 2011). China also targeted major European firms. On Hu Jintao's November 2010 visit to France, Chinese SOEs reached deals worth some €16 billion with several of France's largest and most politically influential firms: Alcatel-Lucent, Areva, and Total (China and France 2010). Premier Li Keqiang's 2014 UK visit included similar deals with BP, Shell, and Lloyds Banking Group (Brussels 2014).

China's open-ended engagement strategy was exemplified by its support for the Euro. Early in the financial crisis, Chinese leaders began to announce they would purchase sovereign debt bonds issued by fragile southern European economies. In July 2009, China announced its purchase of €400 million in Spanish government bonds (Wagner 2010). In Athens the following year, Wen Jiabao announced "China has already bought and is holding Greek bonds and will keep a positive stance toward buying bonds that Greece will issue" (China's Wen 2010). A month later in Portugal, Hu Jintao promised "concrete measures" of assistance, implying purchases of Portuguese sovereign debt (Wise 2010). In January 2011, Vice Premier Li Keqiang suggested that China would purchase Spanish public debt of approximately €6 billion (Mező and Udvari 2012). Wen Jiabao declared in June 2011: "In recent years we have increased by quite a big margin our holdings of government bonds. We will consistently continue to support Europe and the euro" (Flanagan 2011). In 2014, Spain's Minister of Foreign Affairs revealed that China held

20% of Spain's foreign owned debt, primarily purchased in 2010–2011 (Esteban 2015). One calculation estimates China owns as much as 7% of Europe's debt (Meunier et al. 2014); another suggests that Euro-based holdings now represent one-third of all China's foreign reserves (Casarini 2012).

Beijing also supported the EU's currency stabilization efforts. In October 2011, Chinese leaders promised to support the European Financial Stability Facility, then reiterated their support for its replacement: the European Stability Mechanism (Mező and Udvari 2012). By 2012, China may have invested as much as €5.6 billion in the EFSF/ESM (Meunier et al. 2014).

The timeliness of China's support was particularly valuable. After the *Financial Times* reported that a Chinese sovereign wealth fund was "reviewing its holdings of eurozone debt in the wake of the crisis," all three Chinese sovereign wealth funds issued rare public denials, insisting that they would maintain their Euro holdings. Through this "coordinated public relations rescue action," Otero-Iglesias (2014, 708) explains, "the Chinese government stepped in and stabilised the value of the euro in a decisive moment," China's timely support inspired George Soros to declare: "China saved the Euro" (White 2015).

There were, of course, good economic reasons for Chinese leaders to help shore up the Euro. Europe is China's largest customer, one of China's largest sources of foreign investment, and China already held massive amounts of Euros. Yet Beijing's strategy was both politically and financially risky. Despite these risks, Chinese leaders acted boldly in response to Europe's crisis in hopes of bolstering core supporters and fostering trust. "Beijing's good-will gesture," a *Xinhua* editorial explained, "is a good response to those who see China as a threatening rival to Europe" (Otero-Iglesias 2014).

While assessing the effectiveness of China's efforts to build trust is difficult, the EU has signed up to a thick array of economic agreements with China as part of their deepening strategic partnership (European Strategic n.d.). These include China's largest currency swap agreement outside of Asia, with the European Central Bank in 2015, a cornerstone in Europe's support of China's efforts for RMB internationalization. As a result of such cooperation, Nicola Casarini (2014) argues, "a new monetary axis is emerging" between Chinese and European financial markets.

European public opinion has been less positive. German Marshall Fund's (GMF) survey of nine European countries from 2011 through 2014 found every country showing a decline in those reporting a "favorable" opinion of China (average decline: 10.2 percentage points). The Pew Research Center's 2005–2013 survey across eight European countries found an average decline of 10.8 percentage points in "favorable" opinions toward China. The BBC World Service's poll (2008–2014) found an average decline across four countries of 11.25 percentage points. Moreover, the GMF survey found an average 1.18 percentage point increase in the percentage of respondents who defined China as more of an economic threat than an opportunity. The Pew survey shows an average increase of 2.2 percentage points of respondents who thought that the growth of the Chinese economy was bad for their economy.[1] While attributing any causal effect to China's engagement strategy is difficult, the evidence is overwhelming: European public attitudes toward China have worsened since 2009.

[1] Original data for the Pew, GMF, and BBC surveys available, respectively, at: http://www.pewglobal.org/category/datasets/; http://trends.gmfus.org/transatlantic-trends/; http://www.globescan.com/news-and-analysis/papers-and-reports.html.

Conclusion

China's strategies of economic statecraft in Europe since 2009 have varied in accordance with the issue area. To convince European leaders to decline meetings with the Dalai Lama, Beijing relied upon specific reciprocity, mixing carrots and sticks in an overt influence attempt. Given the far greater significance of this issue for China than European leaders, Beijing's strategy proved successful in discouraging repeat meetings by powerful European leaders. To encourage EU member states and officials to support China's MES campaign, Chinese leaders adopted a diffuse reciprocity strategy, highlighting Chinese investments and state purchases in diplomatic encounters while encouraging Europeans to accept China's MES request. Beijing's efforts proved largely unsuccessful. Furthermore, by linking Chinese economic benevolence to specific policy requests, specific and diffuse reciprocity approaches offered little reassurance to Europeans anxious about China's deepening economic influence across the content. To bolster institutional ties and reduce distrust,

Beijing responded to Europe's 2009 financial crisis with an open-ended engagement strategy, providing valuable currency support while expanding investment and imports. However, Beijing was more successful in fostering institutional ties than in reducing popular anxiety over China's rise.

These findings add nuance to an emerging scholarly consensus that, despite considerable efforts, Beijing has often proven ineffective in turning its economic heft into political influence (Shambaugh 2013; Norris 2016; Goh 2016). China's economic influence in Europe may thus be far less worrisome than most popular writings suggest. This study also reveals tensions across China's three strategies. Brandishing China's economic might to deter European leaders from meeting with the Dalai Lama, denouncing China's human rights policies, or criticizing China's economic policies erodes Beijing's efforts to build trust. While economic ties continue to deepen, so too does popular distrust of China, feeding populist protectionism and percolating into national and EU policymaking. To avoid exacerbating distrust as China's economic presence in Europe expands, Beijing may have to forgo short-term leverage opportunities in favor of a long-term engagement strategy centered on building trust and cooperation.

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