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Does State Capture Facilitate Strategic Corruption?

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ABSTRACT

Scholars have suggested that great powers seeking to engage in strategic corruption, particularly through corrosive capital, target countries where there are governance weaknesses. This article responds by examining how financial flows of investment, aid and loans from China—and, to some extent, Russia—are affected by the extent and nature of state capture in target countries. We utilise a new index of state capture to undertake quantitative analysis of the relationship between Chinese financial flows and state capture in the target country. We then qualitatively analyse Chinese and Russian investment and lending in three case-study countries which have experienced significant state capture: Hungary, South Africa and Sri Lanka. While our quantitative analysis finds that state capture is not a sufficient condition for strategic corruption, our analysis of deals—and thwarted attempts—allows us to identify factors within target countries that may frustrate strategic corruption, including membership of supra-national institutions, competition among predatory powers, and weak state capacity.

PLAIN LANGUAGE SUMMARY

Strategic corruption is corruption fostered by states to achieve strategic goals: for example, Superpower A bribes Prime Minister of country B to vote their way at the UN. State capture is where politicians or non-state actors abuse their control of state institutions to change the rules in ways that enrich themselves or their cronies, consolidate power and/or secure impunity. We look at whether captured states are more prone to strategic corruption associated with flows of investment and aid. Based on Chinese flows of aid and loans to over 100 countries we find that levels of state capture do not predict strategic corruption. We then analyse Chinese and Russian financial flows to three country cases of state capture: Hungary, Sri Lanka and South Africa. All three governments are receptive to Russian and Chinese fund flows and show some evidence of corruption in the process. However, only in Sri Lanka is there evidence for successful strategic corruption. In the case of Hungary their membership of the EU and consequent restrictions on public procurement is a major barrier. In South Africa, individual ministers, NGOs, the judiciary and the Public Protector successfully block potential projects.

KEYWORDS

State capture; strategic corruption; aid; China; Russia

The concept of strategic corruption brings together the study of international relations with the study of transnational corruption, creating a structure for thinking about the intersection of foreign policy and corrupt practices (Pozsgai-Alvarez & Huss, 2025). Much of the strategic corruption literature assumes a rather top-down relationship, with one powerful “source” country using

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financial resources to corruptly influence a less powerful “target” country in order to achieve geopolitical goals. An adjacent literature on “corrosive capital” suggests that countries use financing, whether state or private, that “lacks transparency, accountability and market orientation” to achieve geopolitical objectives. Such funds are by definition not subject to the kinds of oversight or competitive pressures which scholars associate with the deterrence and policing of corruption (Rose-Ackerman & Palifka, 2016; Klitgaard, 1988). Several scholars have postulated that corrosive capital explicitly seeks to target countries where there are governance gaps to exploit, and argue that it is easier for source countries to achieve their strategic objectives in such contexts (Hála, 2020; Lang, 2024; Morrell, 2018; Zelikow et al., 2020). Others, however, have noted that target country governments should not be seen as passive recipients and can also be actively corrupting forces in their own right (Prelec, 2020; Reade, 2023).

Building on these debates, this article examines the relationship between strategic corruption and state capture by focusing on how investment, aid and loans from China and Russia are affected by state capture in target countries. These two source countries are the overwhelming focus of the current debate on strategic corruption (Pozsgai-Alvarez & Lang, 2025). We first elaborate on how investment, aid and loans may be used in strategic corruption, by setting out the role of financial flows in four elements of the definition: state agents, financial incentives, abuse of entrusted power, and strategic gain. The next section, focusing on China as a source country, utilises a new state capture index (SCI) to undertake quantitative analysis of how Chinese foreign direct investment, loans and other aid projects vary according to the level of target country state capture. (Russian investment and lending are insufficiently global to include at this stage of the analysis).

We then qualitatively examine case studies of Chinese and Russian investment and lending during periods of significant state capture in three countries: Hungary, South Africa and Sri Lanka. By exploring deals—and thwarted attempts at deals—in these contexts, we identify ways in which state capture facilitates or frustrates the strategic objectives of these two great powers. Finally, we discuss the overall findings and reflect on what they tell us about the relationship between state capture and strategic corruption.

We find that a large sample statistical analysis of state capture fails to significantly explain Chinese financial flows. There is a negative relationship between state capture and foreign direct investment (FDI) from China, and a weak and statistically insignificant relationship with the value of loans and number of aid projects. This suggests that state capture in itself is not a sufficient condition for Chinese “strategic corruption.” The qualitative analysis examines the reasons that Chinese and Russian efforts are not more successful and identifies several barriers to entry even in captured states. These include interventions by supra-national and domestic institutions with oversight power, competition among predatory forces, and weak state capacity.

Using investments and lending for strategic corruption

Lang’s (2024, p. 313) definition of strategic corruption is “a state agent’s use of financial or other means to incentivize a public power-holder in another country or international organization to abuse their entrusted power for the strategic gain of the corrupting state.” The definition has four key elements, which we elaborate in this section.

- State agents—representing the source country.
- Financial incentives—provided by the source country to public power-holders in the target country.
- Abuse of entrusted power—by power-holders in the target country.
- Strategic gain—for the source country.

State agents in the source country

Lang notes that while the difference between a state agent and non-state agent is “conceptually straightforward,” it is often hard to establish empirically since state actors “naturally go to great lengths to obscure their involvement in illicit finance.” For our purposes of investigating flows of investment, aid and loans, we regard relevant state agents as: (i) state-owned enterprises (SOEs); (ii) sovereign wealth funds (SWFs), and (iii) ostensibly private-sector actors that are “state adjacent” or subject to considerable influence from the state.

State-owned enterprises often exist in strategic economic sectors such as natural resources or energy, and hence a source country using them to invest abroad represents a channel for controlling those strategic assets in the target country. In Russia, a key actor is the state-owned enterprise Rosatom, for example, which has invested in nuclear energy plants around the world, most often in the post-Soviet space but also further afield in Turkey, Bangladesh and Iran. In the case of China, key state actors include the China Development Bank (CDB) and Export-Import Bank of China (CHEXIM¹), which provide financing particularly for infrastructure projects.

SWFs are increasingly established in authoritarian countries and often have systemic governance issues and regulatory gaps that enable them to act as “conduits of corruption, money laundering, and other illicit activities” (Vittori & Kumar, 2024). They do not have fiduciary duties to private investors and clients, and hence are completely beholden to the governments that endow them.

The state-adjacent firms that may be used for strategic corruption in Russia include those ostensibly owned by “oligarchs,” who have long been expected to “play an active role in helping the Kremlin to realize its political, economic and social agenda” (Rutland, 2009, p. 169). The Chinese state likewise sometimes acts through nominally private firms e.g., Huawei is widely believed to be linked to the Ministry of State Security,² although this remains disputed (see Hawes, 2021). While there is widespread acknowledgement of the profit motive for much of Chinese foreign investment, the mixed motives of some corporate investments—especially in the resource sector—have long been noted (Andrew-Speed et al., 2018).³ Indeed, this frequent blurring of state-private boundaries in authoritarian states is also acknowledged in the literature on corrosive capital (Morrell, 2018).

Financial incentives to target-country public power-holders

The financial incentives which the source country provides to the public power-holders in strategic corruption may be direct or indirect. Direct incentives include kickbacks, where the power-holder in the target country receives a percentage of the contract value as a benefit to themselves personally—or for their political party or cronies. Indirect incentives arise where the investment or loan creates some kind of advantage for the power-holder such as electoral support or opportunities to seek rents for allocating related contracts. For example, Sri Lankan former president Mahinda Rajapaksa benefited from China’s financing for the construction of the Hambantota deepwater port in southern Sri Lanka because it brought economic activity to his home constituency, providing a justification for related infrastructure projects and thus feeding local clientelist dynamics; this case is discussed in greater detail below.

Abuse of entrusted power

In regular corruption, what constitutes an abuse of entrusted power is best judged by reference to the power-holder having violated laws, norms or integrity standards relating to their role (Dobson Phillips et al., 2025). Yet in cases of state capture, narrow interest groups are able to shape laws and standards in ways that mean their conduct is legalised or at least not clearly identifiable as a breach (Dávid-Barrett et al., 2023). The identification of an abuse is therefore likely to require an external judgement. We seek to anchor our analysis by reference to the mechanisms of state capture on the one hand, as well as to consideration of principles of good economic

governance such as the terms on which deals are struck, whether they impose harms such as an excessive burden on the budget or risk to macroeconomic stability, and how they compare to alternative options.

Thus, we consider a loan to finance the building of a new presidential palace, for example, a waste of public resources if the project is not really needed yet creates long-term debt dependencies that strain public finances. We assume that borrowing at high interest rates is irresponsible if cheaper credit is available from alternative lenders. We note that a deal to allow a foreign government to build infrastructure might, in the case of tied aid which comes with commitments to use source-country contractors, exclude local enterprises or workers, bringing minimal gains to the local economy, and might cause social harms or violate human rights by displacing local residents. Finally, where deals are non-transparent and occur outside normal legal frameworks, it is difficult for the public to hold the government to account over whether the investment is good value for money or is delivered as promised.

Strategic gains to the source country

The “strategic gains” which source-country state agents seek to achieve through strategic corruption may include assets or alliances. Strategic *assets* might be access to natural resources which the source country needs or infrastructure that it seeks to control either for its own benefit or to block delivery of energy to other countries (or threaten to block delivery so as to extort funds). The source country “investor” may also use its control to strip the assets of the acquired company or undermine its value, to strengthen its own monopoly power in the same market or weaken a potential challenger. The strategic gain for the source country is likely to be detrimental to the recipient country, as implied by the conceptualisation of corrosive capital.

Strategic *alliances* with governments—or groups within government—meanwhile can help the source country achieve geopolitical objectives in other ways. For example, the source government may leverage the influence it gains from providing financial flows to ensure that the recipient state votes to support its agenda in international relations fora. Alternatively, a source state might provide significant financing as part of strategic competition, aimed at undermining the target country’s alliances with rival powers.

State capture and strategic corruption

State capture is a type of systematic corruption whereby narrow interest groups take control of the institutions and processes through which public policy is made and implemented, directing it away from the public interest and shaping it to serve themselves. While it involves close collusion between political and business networks, modern state capture is often driven by political leaders or so-called “poligarchs” who have been democratically elected but abuse their formal powers to expand the captor group’s control of state organs (Grzymala-Busse, 2008; Innes, 2014; Magyar, 2016). These poligarchs usually advance the capture project through three “pillars” (Dávid-Barrett, 2023).

In the first pillar, they change the rules of the game, by improperly influencing the formation of laws, for example rushing bills through parliament without proper scrutiny or augmenting their own power through constitutional reform. Such tactics can be used to expedite decisions about borrowing from or concluding deals with other states, particularly where questions might be asked about whether they serve the public interest or are fiscally prudent. In the second pillar, they use powers of patronage to pack state-owned enterprises (SOEs) and the bureaucracy with loyal appointees or purge critics. They then use their control to grant favours to cronies in the form of contracts or regulatory decisions. In the third pillar of capture, they disable and undermine any checks and balances on power, including by undermining the judiciary and audit

institutions, or intimidating journalists and civil society groups. This reduces the risk that details of the deals will be exposed or interrogated.

For poligarchs, financing from authoritarian states represents a resource from which captor elites may be able to siphon off corrupt gains or leverage a major project to share spoils with cronies or buy votes. Financing from China has been particularly abundant in recent years. The Belt and Road Initiative (BRI) has flooded more than \$1 trillion in investment, loans and aid into the global economy since its inception in 2013 (Nedopil, 2024.) Chinese financing does not usually come without “strings”: Chinese aid must often be spent on Chinese labour and materials, failing to create local jobs, enhance human capital or support local suppliers.⁴ Loans may also have high interest rates that burden the budget.⁵ However, these costs fall more on the population than on the elites negotiating the deal and become more evident in the medium term. For those captor elites focusing on extracting profits and maximising power in the short term, Chinese aid may be more attractive than alternative sources of funding such as loans from the IMF or multilateral development banks that typically require governments to commit to undertaking unwelcome structural reforms and may also come with more stringent oversight and accountability, making it more difficult to siphon off illicit gains.

This is not to suggest that development aid flows from western countries are immune to capture. Evidence that disbursements of aid to high-corruption risk countries coincide with large financial outflows to offshore secrecy havens suggests that controls are not necessarily robust (Andersen et al., 2022). The EU has been criticised for failing to enforce high standards as well as for providing financial support that may even enable state capture in the recipient country, through granting “money, power and glory” to captor groups (Richter & Wunsch, 2020).

As Lang observes, strategic corruption is “closely related to other covert foreign policy strategies such as overseas intelligence and espionage, where the acquisition of foreign “human assets” with financial incentives is a mainstay tactic” (2024, p. 313). We suggest that, where target states are captured, source countries might more easily use investments and lending to buy the loyalty of the captor groups and thus achieve their strategic objectives. Target-country captor groups, for their part, may be motivated to negotiate deals with donors that require less stringent conditions, because they can more easily divert these funds to their own corrupt purposes. Moreover, they are able to use their control over the political and economic system—specifically, through the mechanisms of state capture—to facilitate the investment. For example, where a target country has high levels of capture, the captor group may be able to use its control over the legislature to rush through any bills needed to permit major spending or borrowing; use its control over state-owned enterprises to award contracts to source-country investors; and disable accountability institutions that seek to raise questions about the burden on the budget associated with a major project or the threat to national security of allowing great power investment in infrastructure.

In recent years, scholars have sought to develop proxy measures of state capture as a basis for analysis (David-Barrett et al., 2023). Some methods focus on one particular mechanism of capture, such as Fazekas et al.’s approach to estimating state capture in public procurement (Fazekas et al., 2023). Others seek to evaluate the presence, risk, and outcomes of state capture in a more holistic way. The State Capture Assessment Diagnostics (SCAD) tool uses expert assessments of two main components: (i) monopolization pressure at the national, sectoral, and institutional levels; and (ii) national-level institutional and environmental factors that facilitate capture, such as media capture, administrative corruption, the integrity and impartiality of public institutions as well as the effectiveness of anti-corruption policies (Stoyanov et al., 2019). These methods have been used for case study and small-n analyses, particularly in Eastern Europe.

Kaufmann’s global composite index of state capture provides a standardised measure across many countries, making it most suitable for large-n analysis. Faced with the difficulty of observing the mechanics of capture, the SCI seeks to identify outcomes that are indicative of state capture—whether the captors are oligarchs or poligarchs, non-state or state actors. The index draws on well-established

third-party data sources, including the Varieties of Democracy (V-Dem) dataset, the Worldwide Governance Indicators, and the World Inequality Dataset. It comprises three components:

- Capture and Corrupt Rule of Law: the prevalence of high-level corruption and state capture in the Judiciary, Legislature and Media.
- Capture of the Polity and Policy: extent of undue influencing and state capture of politicians and of policymaking.
- Capture-Enabling Environment: extent of weaknesses in the legal, regulatory and anti-corruption regimes, as well as marked inequality of wealth and income as proxies for unequal influence.

Initial findings, based on data from 172 countries over the period 1996–2022,⁶ reveal that levels of state capture in a country may diverge considerably from levels of corruption as traditionally measured—e.g., the United States and Chile are perceived to have low-to-middling levels of corruption on traditional indices, but the degree of state capture as measured by the SCI is relatively high. Indeed, democracies often exhibit higher levels of state capture compared to traditional corruption. This is in line with our understanding of the concept as quite different to administrative corruption, with the latter better measured by the Transparency International Corruption Perceptions Index or Worldwide Governance Indicators. However, it should be noted that the SCI is ultimately an imperfect proxy, subject to margins of error and reliant on the quality of input data.

State capture and Chinese financial flows

The analysis starts with a broad look at the impact of state capture levels on *potential* strategic corruption using the SCI. We focus our quantitative analysis on Chinese financial flows as these are economically more significant than Russian financial flows. This reflects the relative scale of the economies: China's GDP is \$13.6 trillion while Russia's is \$1.7 trillion. Chinese overseas FDI stock is estimated to be around \$3 trillion, while Russian overseas FDI stock is estimated at around \$400 billion. The total cumulative value of BRI loans and grants in 2023 was estimated to be in excess of \$1 trillion (Nedopil, 2024).

Over the ten years since its creation in 2013, the BRI has averaged approximately \$100 billion annually in a combination of ODA or OOF (Other Official Flows, funds that do not meet the criteria for development assistance because they lack a sufficient grant element or that are not specifically targeted at development⁷). While Chinese fund flows are large, they have a far lower grant component than most DAC aid, and much of its lending is either at commercial terms and thus expensive or takes the form of tied aid, enhancing Chinese firms' overseas activity; this is the form of loan that CHEXIM generally gives (Kizekova, 2021; Reilly, 2021).

Although FDI has a strong commercial component, discussions of Chinese influence frequently refer to Chinese FDI. In Hungary, Kizekova (2021) references investments made by COSCO shipping as FDI while Jones and Hameiri (2020) reference investments in Sri Lanka by a Chinese profit-seeking SOE. Many discussions of strategic corruption have focused on China. The BRI is associated with strategic competition (Vadlamannati et al., 2023) as well as corruption (Brazys et al., 2017). Both elements are seen as part of Chinese development efforts and have been associated with the concept of strategic corruption (Zelikow et al., 2020).

This analysis seeks to test whether recipient countries' level of state capture, based on the SCI, is associated with greater Chinese international flows. This analysis does not attempt to show causation as it is a cross-sectional analysis of stocks of Chinese flows over a period of time. A positive statistical relationship would suggest that state capture is a driver of Chinese international financial flows. Chinese international flows in the form of FDI, BRI loans and grants and other forms of Chinese aid are expected to be related to commercial opportunities (FDI), development

goals (aid), access to natural resources (both FDI and aid). Hence we control for these variables. We expect these flows will also follow the standard gravity model (Anderson, 1979)—with economic and geographic distance, historical ties and other factors influencing the results.

Data sources and variables

Data on FDI is taken from the Chinese Ministry of Commerce, data on Chinese loans is taken from Horn et al. (2021) and data on Chinese development finance (aid projects) is taken from Custer et al. (2023). Data on state capture is from the SCI (Kaufmann, 2024) and the gravity model is from CEPII (Conte et al., 2023). Natural resource rents and Control of Corruption are taken from the World Bank's Worldwide Governance Indicators. For the dependent variables, we use the total stock of Chinese FDI in 2023, the total value of loans from Chinese entities between 2007 and 2017⁸ and the total number of Chinese government-financed aid projects between 2000 and 2021. The independent variables are taken from 2017 for loans and 2021 for FDI and Chinese aid projects.

Initially we graph straight univariate plots of the dependent variables (FDI, loans, projects) against the SCI. We find that FDI has no relationship to state capture (see Figure 1). This is not surprising: since FDI is primarily driven by the private sector, this type of flow is least likely to be driven by policy concerns and the strategic opportunities provided by state capture. We also find a very weak positive relationship between state capture and Chinese loans in the period 2007–17 (see Figure 2) and between state capture and the total number of Chinese aid projects (Figure 3). The R^2 for all the fitted lines is very low.

We run regressions to include other variables that explain Chinese international flows such as opportunities, proximity and other institutional factors. Table 1 shows the results. Opportunities include the size of the economy (GDP, population), the wealth of the population (GDP per capita), wealth of natural resources (natural resource rents in % of GDP), proximity is represented by distance, contiguity and common language, as well as diplomatic disagreement. Institutional factors include the level of corruption of the recipient country, the recipient country being a member of the World Trade Organization and having a Free Trade Agreement with China.

We see that Chinese FDI generally follows the same pattern as for most countries—there is more Chinese FDI in richer, larger countries, and less in countries that are more distant and where there are diplomatic disagreements. China lends more to countries that are larger in GDP

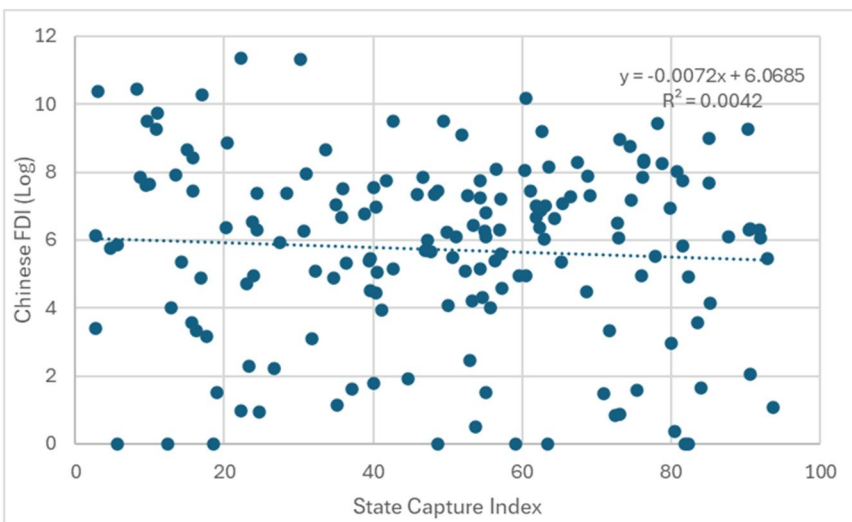


Figure 1. State capture index (2020–2022) vs. Stock of Chinese FDI (2023).

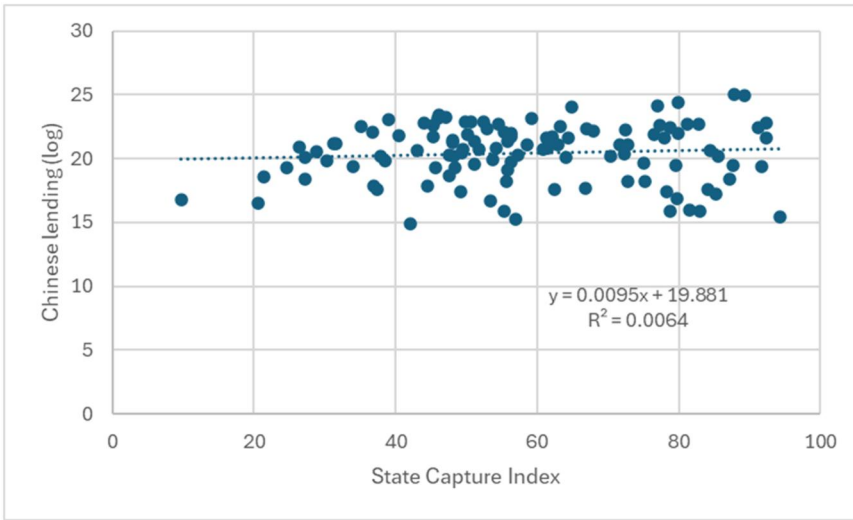


Figure 2. State capture index (2017–2019) vs. Stock of Chinese loans (2007–2017).

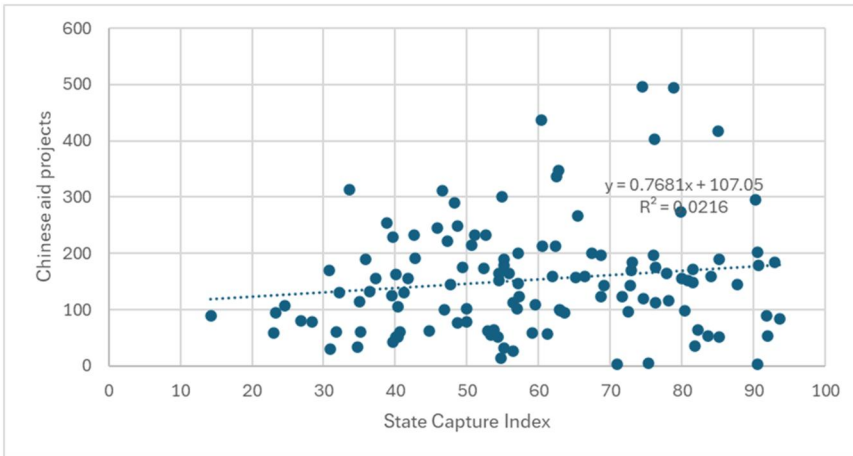


Figure 3. State capture index (2020–2022) vs. number of Chinese aid projects (2000–2022).

terms, but there is no systematic relationship with poverty; the coefficient on GDP per capita is close to zero. Loans are negatively impacted by diplomatic disagreement, but unlike with FDI and aid projects, the coefficient on this variable is not statistically significant. The provision of Chinese aid projects is not associated with larger economies—neither population or GDP has a statistically significant effect, but the coefficient on GDP per capita is statistically significant and negative. The Control of Corruption measure also proves to have no relationship with Chinese FDI, loans or aid.⁹ Once we control for standard explanatory factors, the impact of state capture, as proxied by the SCI, is not statistically significant and the coefficients are close to zero. We conclude that state capture, as proxied by the SCI, is not a consistent pull factor across a broad spectrum of countries.¹⁰

Qualitative analysis of how state capture facilitates strategic corruption

We now turn to a qualitative analysis of Chinese and Russian international investment and aid flows in three states that experienced significant state capture during a similar period: Hungary

Table 1. OLS Regression analysis of Chinese FDI, loan and project stocks.

	FDI (log)	Loans (log)	Aid Projects
State Capture Index	0.01 (0.64)	-0.00 (-0.47)	-0.58 (-0.68)
Corruption	0.29 (0.65)	-0.55 (-0.96)	-10.89 (-0.49)
Diplomatic disagreement	-0.42 (-1.13)	-0.74 (-1.25)	-36.94 (-1.96)*
Population	-2.84 (-1.18)	-3.17 (-1.64)	-176.7 (-1.37)
GDP	3.27 (2.50)***	2.63 (4.20)***	88.9 (1.85)*
GDP per capita	0.03 (1.74)*	-0.04 (-0.89)	-4.45 (-1.69)*
Natural Resource rents	0.04 (1.34)	0.01 (0.34)	1.66 (1.16)
Distance	-0.07 (-1.37)	-1.90 (-0.26)	-0.05 (-2.00)**
Contiguity	1.14 (2.33)**	0.69 (0.86)	30.55 (0.76)
Common Language	1.42 (2.29)**	1.94 (1.71)*	-93.86 (-1.98)**
WTO	0.63 (0.78)	0.53 (0.61)	55.03 (2.30)**
FTA	1.87 (3.67)***	0.89 (1.32)	92.09 (2.30)**
Constant	4.71 (3.74)***	20.30 (13.37)***	192.53 (2.91)***
Number	0	108	114
R ²	0.358	0.225	0.382

FDI (cumulative to 2023) from Chinese Ministry of Commerce. Loans (cumulative between 2007 and 2017) taken from Horn et al. (2021) and Chinese aid projects (cumulative between 2000 and 2022) taken from Custer et al. (2023). State Capture Index from Kaufmann (2024). Corruption is the Control of Corruption Index from World Governance Indicators. Diplomatic disagreement is UN General Assembly Voting, Distance is the harmonic distance—the population-weighted distance between most populated cities, Contiguity is a dummy set to 1 if countries are contiguous, WTO is a dummy set to one if the country is member state of the World Trade Organization, FTA is a dummy set to one if the destination country is in a regional trade agreement with China, all taken from Conte et al. (2023). Natural resource rents are a percentage of GDP and taken from the World Bank World Development Indicators.

*Significant at the 10% level, **significant at the 5% level, ***significant at the 1% level.

Table 2. Hungary, South Africa and Sri Lanka: economic characteristics, Chinese financial flows, and state capture.

	Hungary	South Africa	Sri Lanka
GNI (\$ million)	189,645	409,784	77,922
GNI per capita (\$)	19,670	6,480	3,540
Population (000's)	9,592	63,212	22,037
State capture Index (2020–2022)	61.9	33.6 ^a	54.9
China FDI (\$ million)	1086.74	5841.64	524.18
China Loans (\$ million)	NA	8045	6046
China aid projects	NA	314	301

^aState Capture Index peaks at 37.8 during 2014–2016 in South Africa at the peak of President Zuma's corruption scandal.

under Viktor Orbán (2010–present), South Africa under Jacob Zuma (2009–18) and Sri Lanka under Mahinda and Gotabaya Rajapaksa (2005–2022).¹¹ The common timeframe allows us to surmise that Chinese and Russian strategic objectives were somewhat constant across the cases. We selected cases from three different continents, but with sufficient levels of Chinese and Russian interest to make the qualitative analysis meaningful.

We can see from Table 2 that Sri Lanka, despite being poorer and less populous than South Africa, has almost the same amount of Chinese loans and aid projects, but less than one-tenth the Chinese FDI of South Africa. We do not have data on Hungary's loans or aid projects from Custer et al. (2023) or Horn et al. (2021), but the only BRI-related loan that we have been able to find is for the Budapest-Belgrade railway, a deal signed in 2020 for \$1.855 billion with Export Import Bank of China.

Hungary

In Hungary, state capture under Viktor Orbán since 2010 has been extensive, with the country reaching a score of 61.9 on the SCI in 2020–22, up from 31.6 in 2008–10. Orbán has captured all three pillars: a two-thirds majority in parliament allowed him to change the constitution and control the formation of policy; he has used extensive patronage power to control policy implementation and the allocation of state funds through contracts, grants and subsidies (Dávid-Barrett &

Fazekas, 2020); and he has disabled all of the main domestic accountability institutions that would otherwise hold his government to account.

This hold on power has enabled Orbán to play off the EU, Russia and China against one another. Orbán has benefited considerably from exploiting EU funds as a source of spoils to be distributed corruptly along his clientelist networks (Fazekas & King, 2019). Upon returning to power in 2010, he launched a foreign policy charm offensive known as the ‘Eastern Opening’, aimed at building ties with non-EU, non-U.S. partners, including Russia and China, as well as India and Japan. The acquisition by Wanhua Industrial Group of chemical raw material manufacturing facility Borsodchem in 2010 marked the first major investment of the period and was indicative of growing Chinese interest in expanding connections with Central and Eastern Europe (CEE) in 2012, cemented through the launch of the 17 + 1 framework (Brattberg et al., 2021).

Hungary played a prominent role in this framework, resulting in it achieving a “comprehensive” strategic partnership with China in 2017, the highest of three main levels of bilateral partnership at the time according to Li and Ye (2019). Hungary was further upgraded to an “all-weather” comprehensive strategic partnership in 2024, a descriptor shared only with Pakistan. Given Pakistan’s strategic importance to China as a counterweight to regional rival India, and its economic size, this is an indicator of the high status that China affords its relationship with Hungary. Indeed, Hungary has become the top recipient of Chinese FDI in CEE. That said, the benefits to the Hungarian economy have been relatively meagre, with the number of jobs attributed to Chinese firms roughly equivalent to the total employee numbers of a single German firm, Bosch (Brattberg et al., 2021). However, in 2023, China’s BYD announced plans to build a major electric vehicle factory in the Hungarian city of Szeged, posing a direct challenge to the traditional dominance of German car manufacturers in the country which may portend further realignment.

Other Chinese interactions with Hungary stalled or appear more profit-driven. CDB opened a €1 billion credit line for projects with Hungarian partners as far back as 2012, but there is no evidence that any projects were funded.¹² Hungary was an active participant in the China-CEE Investment Cooperation Fund, which began in 2013 using funding from CHEXIM as well as Hungary’s own Export-Import bank. This is a private equity fund and could be seen as a hybrid vehicle for Chinese fund flows. It did undertake some investments in Hungary including the acquisition of Budapest Metropolitan University and Hungarian telecom firm Invitel.³ Both appear to be purely financial investments and were swiftly sold to third parties, behaviour in keeping with a profit-motivated private equity fund.

The most prominent Chinese project in Hungary is the Budapest-Belgrade railway connection, a part of the BRI. Yet the history of this project—initially announced in 2013, but failing to make any progress until 2020—suggests that Hungary is not a straightforward target for strategic corruption. Kizekova (2021) attributes the delays in the Budapest-Belgrade railway project to the fact that CHEXIM provided the concessional loans. Such loans require the use of Chinese contractors, but this was not compatible with EU rules on procurement. Hence Orbán’s initial attempt to conclude the deal, in contravention of Hungary’s obligations as an EU member, might be seen as an abuse of entrusted power. Indeed, in 2017, the EU launched infringement proceedings against Hungary over the procurement process for the railway.

It took several years for Hungary to negotiate and award a contract that was compliant with EU rules. The contract for the construction of the railway was then awarded to a Chinese-Hungarian consortium consisting of China Railway Group Limited and Opus Global, a firm controlled by Lőrinc Mészáros, a close associate of Orbán (Brattberg et al., 2021). Mészáros, a former gas pipe-fitter, is famous for having accumulated vast wealth during Orbán’s time in office, and is currently estimated by Forbes to be Hungary’s richest person with a net worth of \$1.7 billion. Press reports also suggest that the Orbán family quarry company, Dolomit Ltd, was contracted to provide 200,000

tonnes of ballast for the railway construction project.¹³ Thus, Orbán and his close associate appear to have made financial gains from the project.

While it is difficult to identify strategic gain to China from this particular deal, in general, China's relationship with Orbán has yielded strategic benefits in the form of Hungarian political support for Chinese interests within the EU. Szunomar (2024) documents how Hungary (and Greece) blocked EU support for the Permanent Court of Arbitration in The Hague ruling against China regarding its claims in the South China Sea in 2016. In 2018, Hungary's Ambassador to Beijing was the only one of the 28 EU member states' ambassadors not to sign a report critical of the lack of opportunities for European firms in the BRI. In May 2021, Hungary also blocked a statement that EU High Representative Josep Borrell wanted to issue, which would have rebuked Beijing for its behaviour in Hong Kong. More recently Orbán has been supportive of China's position paper on peace in Ukraine and has also backed Huawei's provision of 5G networks for Hungary.

For Russia, economic foreign policy strategy centres around energy and within the EU, Hungary is particularly dependent on Russian energy. Prior to the Russian full-scale invasion of Ukraine, Hungary was estimated to import around 60% of its natural gas and nearly 90% of its oil from Russia. One major deal with Russia took place in 2014, when Budapest awarded a contract for the construction of new reactors at the Paks II nuclear plant to Russia's Rosatom. The plant had originally been built in the 1980s when Hungary was part of the Soviet bloc, providing some rationale for awarding the contract to a Russian company. However, the terms and nature of the deal were widely criticised. Russia loaned Hungary nearly €10 billion for the project for which it then won the contract, in a deal that was not put out to open tender, was severely lacking in transparency, and potentially in violation of state aid and regulatory rules (Deák & Weiner, 2018). The EU launched investigations into possible infringement of public procurement rules and illegal state aid, which led to significant delays in the project such that construction only began in 2024. Deák and Weiner (2018) suggest that the project was probably accompanied by extensive corruption in part because of the nature of the transaction.

Russia has also benefited from the alliance with Orbán in promoting its strategic energy objectives in the EU—in the form of the Nord Stream and South Stream pipelines. More generally, Orbán has been a rare voice of support for Moscow within the EU throughout his period in office. In 2015, Orbán welcomed Putin on a visit to Budapest, breaking diplomatic isolation of Russia after its annexation of Crimea. Following Russia's full-scale invasion of Ukraine, Orbán in 2023 blocked further EU support for Ukraine.

There have also been a number of failed attempts at Chinese and Russian investment in Hungary which absorbed substantial time and effort. One such project was the V0 railway line around Budapest. In 2013, Hungary signed a deal with the China Rail Construction Company funded by CDB loans, to build the V0, a €1.2 billion project (Pavličević, 2014). Yet the V0 did not progress and almost ten years later seemed to have been taken on by Russia. In February 2022, Putin, during a press conference with Orbán, announced his willingness to fund the V0 railway line around Budapest with a loan of \$2 billion.¹⁴ Two years later, in May 2024, after Chinese President Xi Jinping visited Budapest, the V0 project was once again framed as a Chinese co-funded project. This project is a clear example of China and Russia stepping in when the EU had denied funding after it failed a feasibility study, suggesting that Orbán's commitment to the deal was motivated by reasons other than expected benefit to the public interest. Critics meanwhile have claimed the project was designed to free up real estate for potentially corrupt development opportunities (Reilly 2021).

Orbán also offered extensive but ultimately fruitless support for Russia's South Stream oil pipeline. To support this plan, which was in breach of the EU third energy package, Orbán had to use his control of the parliament to push through a new law. Despite this investment of time and political capital, however, the project failed, along with other projects such as the Tesla pipeline

in 2015 and a “murky interconnectivity project” (Deák & Weiner, 2018, pp. 143–144). In line with Lewis and Prelec (2025), this is as an example of Russia attempting to engage in political interference through the provision of rent-seeking opportunities, in which the Hungarian government is an enthusiastic participant.

The key benefit to Orbán of Chinese and Russian projects is the lack of oversight in the use of funds. As seen in the case of the V0 railway route, the EU will not undertake projects they deem to be economically infeasible, and they investigate misuse of funds and have extensive procedures in place to prevent corruption (Fazekas & King, 2019). The Chinese and Russian projects are funded initially with loans, likely on more onerous terms than EU funds the bulk of which are grants. The burden of these Chinese and Russian loans will fall on the taxpayer, but in the short-run represent opportunities for graft.

To sum up, both China and Russia have sought to use economic foreign policy to forge relationships with Orbán. These efforts have sometimes been stalled because particular deals contravened rules to which Hungary is subject as a member of the EU, particularly around public procurement and state aid. However, Orbán often found a way to proceed with the projects, and provided political and diplomatic loyalty in return. This is a valuable benefit for China and Russia, giving them an ally in the EU who is prepared to adopt positions that align with their interests despite often breaching EU norms.

South Africa

In South Africa under President Jacob Zuma, South Africa reached an SCI score of 37.8 (in 2014–16), less than the extent of capture in Hungary (albeit still high relative to most democracies). This may reflect the fact that capture in South Africa was largely limited to the second and third pillars—controlling the allocation of state resources and disabling the accountability institutions. Zuma and his business allies, the Guptas, proved expert at capturing SOEs (such as electricity provider Eskom and railway company Transnet) and controlling the allocation of contracts to their own benefit. They also succeeded in re-purposing or undermining key institutions that might otherwise have checked their corruption and cronyism, including tax authority SARS and specialist law enforcement unit the Scorpions. Yet some accountability institutions—including the judiciary and public protector, media and civil society—maintained considerable independence and voice.

Both Russia and China shared historic links with the ruling ANC due to their support for the movement during the Apartheid era, and both countries wished to strengthen their links with the most important sub-Saharan nation. South Africa was invited to join the BRIC group in 2010, with the support of both Russia and China, and subsequently proved supportive of its fellow BRICS members—for example, it failed to join the UN General Assembly resolution condemning the Russian invasion of Crimea and followed China’s line at the UN Human Rights Council (see Jordaán, 2024).

In August 2010, during Zuma’s visit to Beijing, the two countries announced a ‘comprehensive’ strategic partnership, elevating their relations from the simple strategic partnership that dated from 2002; this placed South Africa, like Hungary, on the highest of the three tiers of Beijing’s diplomatic partners identified by Li and Ye (2019). The new arrangement was bolstered by the creation of a Joint Inter-Ministerial Working Group (JIMWG) on China-South Africa Cooperation. However, it took nearly three years to ratify the JIMWG and South Africa did not seem very enthusiastic about the endeavour with officials reportedly “unable to attend or fully participate in joint events” (Alden & Wu 2021).

China’s investment strategy in South Africa via BRI may have been designed to benefit from Zuma’s capture of SOEs. The CDB lent \$1.5 billion to state electricity company Eskom, a major target of capture, for the completion of the Medupi power station in 2017 and a further \$2.5

billion for the Kusile power station in 2018. The CDB also loaned \$2.4 billion to railway company Transnet in 2015 to fund the purchase of locomotives (from China).

While both Eskom projects have been subject to extensive corruption investigations and prosecutions, Chinese companies have not been a major focus. However, Chinese companies are heavily implicated in the allegations of corruption and state capture at Transnet. Of the ZAR41.9 billion of contracts awarded jointly to China North Rail and China South Rail, the kickbacks to the Guptas amounted to ZAR9 billion (approximately U.S.\$700 million) (Brummer, 2020). Moreover, the Chinese companies failed to fulfil their contracts: by 2018, China South Rail had delivered only 208 out of 359 contracted locomotives (they were due in full in 2017), while China North Rail delivered a mere 21 out of 232 contracted, according to the Parliamentary Monitoring Group (2018). However, while these deals may have involved corrupt gains to the CSR and CNR or their employees, as they did to the Guptas, it is not clear that they yielded important strategic gains for China.

Zuma had relatively strong links to Russia upon coming to power as he had once been a member of the South African Communist Party and even served as a Politburo member. Yet Russian influence in South Africa has failed to extend much beyond atomic diplomacy (Weiss and Rumer, 2019). Early in Zuma's presidency an agreement was reached to pursue an expansion of atomic power in South Africa. This culminated in a 2014 formal agreement for strategic nuclear cooperation that effectively made Russia the preferred builder of a new fleet of nuclear power stations. Rosatom's CEO estimated the construction portion of the deal would be worth \$40-50 billion and that the total deal would be worth \$76 billion.

The Guptas together with Duduzane Zuma, the son of Jacob Zuma, owned a company, Shiva Uranium, which was expected to gain from an expansion of nuclear power, while the construction might also have yielded opportunities for them to extract significant kickbacks. However, the high cost, lack of transparency and avoidance of regular procurement rules attracted criticism from local politicians and civil society organisations (Weiss & Rumer, 2019). The South African cabinet, including two ministers of finance, Pravin Gordhan and Nhlanhla Nene, opposed the deal and in 2017, the South African High Court ruled the use of an intergovernmental agreement to be unlawful. Nene later testified to the Zondo Commission about Zuma's attempts to circumvent normal procurement processes. Thus, Russia's strategic objectives were frustrated by the resilience of South Africa's institutions, which ultimately blocked a deal that seemed intended to serve Russian interests at the expense of the South African public interest.

In sum, both China and Russia sought to use investments to gain influence over South Africa during Zuma's rule, and in at least one case, Chinese companies used corruption—in the form of kickbacks to the Guptas—to secure a deal. However, there is no evidence of corruption in the other Chinese investments in Eskom. Moreover, Russia's attempts to secure nuclear power construction contracts were, despite Zuma's efforts to use state capture to facilitate them, ultimately blocked by resistance from domestic politicians, civil society and the High Court.

Sri Lanka

In Sri Lanka, state capture was deep and wide under the leadership of the Rajapaksa family for most of the period 2005–22 (they briefly lost power in 2015–19).¹⁵ The country's SCI score for 2020–22, at 54.9, is almost as high as Hungary's and qualitative analysis confirms extensive capture of all three pillars. The Rajapaksas changed the constitution on many occasions to expand their power and weaken accountability institutions, and appointed allies to leadership roles in state-owned enterprises where they gave out government contracts to cronies and with barely any transparency. They also sought to squash criticism by intimidating civil society organisations in various ways, including through unannounced visits from military intelligence.

There is little evidence of any relationship with Russia, but the Rajapaksas actively sought to build ties with China for many years. In 2007 when the U.S. suspended aid to Sri Lanka over alleged human rights abuses, China stepped in and provided 1 billion dollars' worth of aid including tens of millions of dollars' worth of arms. This aid was critical in allowing the Rajapaksa government to defeat the Liberation Tigers of Tamil Eelam (LTTE) in 2009. After the civil war, China became the largest investor in Sri Lanka and provided diplomatic support to block calls for investigations of human rights abuses during the war (Malik, 2020). The relationship between China and Sri Lanka was elevated to a strategic cooperative partnership in 2013, the second tier on the Li and Ye (2019) hierarchy. This may reflect the relatively small size of the Sri Lankan economy and the relative lack of strategic interest, compared to Hungary which provided influence within the EU and South Africa as a major power in Africa.

The most high-profile and controversial case of Chinese investment in Sri Lanka concerns a deepwater port in Hambantota, in the south of the country. This project, widely regarded as a white elephant by external observers, had originally been conceived by Mahinda's father, local parliamentarian D. A. Rajapaksa, in the 1970s (Jones & Hameiri, 2020; Kelegama, 2017). When Mahinda Rajapaksa became a cabinet minister with responsibility for ports, he resurrected the plan but it failed to progress owing to the negative findings of two feasibility reports, in 2001 and 2004. He persisted in commissioning a third feasibility report which concluded, in 2006, that an initial phase of the project was commercially viable. This triggered a hunt for international investors, with China eventually stepping forward to offer development financing for the port's construction. Sri Lanka was ultimately unable to pay back the loans that funded the development of Hambantota, forcing it to cede control of the port to China in 2017 on a 99-year lease.

The evidence suggesting that the Rajapaksas may have exercised their entrusted power improperly includes their persistence in pursuing a project that had twice failed a feasibility test and their willingness to accept Chinese financing even on terms that were foreseeably difficult for the state to meet. Indeed, the project did not turn out to be economically viable. The port has attracted little traffic and many of the sub-projects such as the airport and conference centre remain under-utilised. Mahinda Rajapaksa, meanwhile, reportedly received \$7.6 million in direct support for his 2015 bid for re-election bid via local affiliates to whom the port construction company funneled funds (Jones & Hameiri, 2020; Rowand 2022). Moreover, the injection of economic activity and fanfare around the project almost certainly increased electoral support for Mahinda's Sri Lanka Freedom Party in his home district, where the opposition had previously been gaining ground. In addition, construction of the port was accompanied by ambitious plans for road and railway links, a large new airport and a new airline, creating further economic rents for the Rajapaksa regime to control by awarding contracts to cronies in exchange for kickbacks or favours. The Rajapaksas also used their patronage power to facilitate permissions for these sub-projects, stuffing regulatory agencies with loyalists so as to neutralise potential objections to the developments (Jones & Hameiri, 2020).

The government also used its parliamentary dominance to minimise parliamentary scrutiny of new laws needed to facilitate certain projects. For example, in April 2021, it introduced a bill on the Colombo Port Economic Commission giving substantial powers to the commission that would have undermined government oversight of the port, in which China Communications Construction Corporation (CCCC) had promised to invest \$1.4 billion. While bills normally receive six days of scrutiny by the elected chamber, the government timed the announcement of the bill for a Friday before a week which contained four days of state holidays and then declared the intervening Monday a holiday too. However, several civil society organisations joined forces, including Transparency International Sri Lanka and the Bar Association of Sri Lanka, to fight this move, taking 19 petitions to the Supreme Court. The ruling found that several provisions contravened the constitution as they gave executive and legislative powers to the commission without

proper oversight and as such the bill should be subject to a two-thirds majority and a referendum.¹⁶ This forced the government to water down the bill, although it was still only debated for two days in parliament.

Another potential indicator of abuse of power is that the Rajapaksa government frequently opted for relatively expensive Chinese BRI loans, while rejecting offers of cheaper loans and grants from Japan and others. For example, Japan had offered to fund a \$1.5 billion light rail transit project with an interest rate of 0.1%, while the Millennium Challenge Corporation had offered a grant of \$480 m to upgrade public transportation systems (De Silva et al. 2022). The Sri Lankan government rejected the Japanese loan, arguing that the project was not cost effective, despite their having pushed for it for many years and Japan offering highly favourable terms and completing a detailed design. The Millennium Challenge Corporation meanwhile withdrew its grant offer due to a lack of engagement by the Sri Lankan government; the government argued that the grant undermined sovereignty and national security.¹⁷

China secured strategic advantages from gaining access to Sri Lankan ports and other facilities, particularly relative to its regional rival India. Chinese warships and submarines have made visits to Sri Lankan ports despite pressure from India. However, while the Rajapaksas' willingness to bend rules appears to have helped facilitate access for China, it is not clear that other governments would necessarily have behaved differently. Even when the Rajapaksas lost power in 2015, China maintained a strong position and in 2016 granted a donation of RMB 500 m (\$73.5 million), as a gesture of friendship, to the government of Ranil Wickremesinghe.¹⁸ It was only a year later, in 2017, that Sri Lanka under Wickremesinghe's leadership ceded control of the Hambantota port to Beijing.

In sum, in Sri Lanka, there is significant evidence of the Rajapaksas abusing their power to facilitate Chinese investment on unfavourable loan terms and in support of projects that have little public benefit. Similarly, there is evidence that the Rajapaksas benefited politically and personally from some of these deals. For the Chinese, some deals yielded very obvious strategic benefits, as in the case of their gaining control of the Hambantota deepwater port, but in general their economic ties to the country cemented a relationship which strengthens their role vis a vis regional rival India.

Comparative analysis of case studies

Table 3 summarises the results of our qualitative analysis according to the different aspects of strategic corruption elaborated in Lang's definition.

The first two columns in the table detail specific deals and the Chinese and Russian state agents involved. The third column lists evidence of financial incentives accruing to captor groups, which we conjecture provide a motivation for pursuing or welcoming Chinese or Russian deals. However, such evidence has not always come to light, and it is impossible to know whether this means that no such evidence exists or just that it cannot be observed, given the secretive and hidden nature of corruption.

We can see from the fourth column that there is considerable evidence that target-country governments, or elements within those governments, abuse their entrusted power in order to facilitate deals with Russia and China. While the nature of an "abuse" is dependent on third-party subjective judgement, we suggest looking for evidence of common mechanisms of state capture within Dávid-Barrett's (2023) three-pillar framework and by considering whether individual deals harm the public interest by breaking rules, being economically non-viable, or imposing excessive costs on the public. The final column provides significant evidence of the benefits that Russia and China receive from having good relations with the target-country governments, although once again, it is impossible to attribute this directly to any specific deal.

Table 3. Analysis of key deals using conceptual framework of strategic corruption.

Target country and deal	State agent in China/Russia	Financial incentives to target-country captors	Abuse of power (state capture) by target-country captors	Strategic gain to China/Russia
Hungary Budapest-Belgrade railway	CHEXIM, China Railway Group Limited	Construction contracts to companies controlled/owned by Mészáros and Orbán family.	Initial effort to strike a deal that infringed EU procurement rules, followed by creation of a special purpose vehicle to facilitate Chinese investment using Chinese workers.	China gained an ally in the EU with Hungary taking pro-China stances on Beijing's claims in the South China Sea, approach to Hong Kong, support for BRI, and peace for Ukraine).
Paks II nuclear plant construction	Rosatom	No evidence.	Contract not tendered, highly non-transparent, and potentially in violation of state aid and regulatory rules.	Russia gained an ally in the EU which has proved useful eg for blocking EU military aid to Ukraine since Russia's full-scale invasion.
South Africa Transnet	CDB	Loaned money for purchase of locomotives from China North Rail and China South Rail.	Chinese companies paid kickbacks to Guptas worth ZAR9 bn (USD700 mn).	No evidence of strategic benefits.
Eskom	CDB	Loaned money to Eskom for completion of two power stations. Zuma and Guptas had control over Eskom.	In general, Eskom gave out crony contracts to Guptas and their allies, but not clear Chinese deals were involved	No evidence of strategic benefits.
Nuclear power stations	Rosatom	Zuma and Guptas owned Shiva Uranium expected to be a beneficiary of new plant.	Zuma's government pursued a deal seen as high cost, lacking in transparency and seeking to circumvent procurement rules through use of an intergovernmental agreement.	Deal did not succeed, hence no strategic benefits.
Sri Lanka Hambantota Port	China Merchants Port Holdings Company Limited (wholly state-owned SOE)	Mahinda Rajapaksa used construction project to build electoral support in constituency, and to distribute contracts to cronies.	Rajapaksas pushed for Hambantota construction to go ahead despite negative results of feasibility reports.	Gained 99-year lease on deepwater port in strategic location.
Colombo Port Economic Commission	China Communications Construction Company (CCCC)—publicly listed but majority owned by Chinese State	CCCC subsidiary China Harbour Engineering Company allegedly gave \$7.6 million to Mahinda Rajapaksa's 2015 election campaign.	Authorizing bill rushed through Parliament, sections ruled unconstitutional by Supreme Court.	Concession agreement gave CCCC land rights and substantial regulatory freedom.

Our analysis suggests that, although state capture is wide and deep in Hungary, the supra-national EU regulation of public procurement processes and state aid delayed the implementation of major projects such as Paks II and the Budapest-Belgrade railway and may have deterred other projects potentially linked to strategic corruption. Moreover, the presence of significant aid and FDI from the EU provides competition to Russian and Chinese influence. Orbán demonstrates great skill in pushing EU rules to the limit, managing to stay in the club and—by and large—retaining access to EU funds, while cultivating close relations with states that many fellow EU member states regard as malign.

South Africa under Zuma would appear to have been an ideal site for strategic corruption set against the backdrop of the country joining the BRICS grouping in 2010 and Zuma and the ANC's historical ties. China and Russia were keen to enhance their standing with the most significant African power. However, the incomplete nature of state capture in South Africa impeded the achievement of strategic objectives. Strong resistance to the extremely expensive Rosatom deal—from individual cabinet members, environmental NGOs in civil society, and the judiciary, among others—prevented this deal from going ahead. Some Chinese BRI projects made progress but ultimately failed to deliver or were subject to significant delays.

It seems possible that the avarice of Zuma and the Guptas and the turmoil that caused may have reduced Chinese opportunities for or interest in engagement. Alden and Wu (2021, p. 48) report that the “disjointed and chaotic government conduct... began to spill over ... into South Africa-China ties... even the Chinese ambassador reportedly complained about being “summoned” to the Guptas’ mansion in Saxonwold (Johannesberg) for discussions in 2014.” The obvious and predatory nature of the Guptas’ corruption may have reduced China’s interest—although, by contrast, the willingness of Western professional service firms to work with the Zuma regime is a notable counterpoint (Pillay, 2025; UNCAC Coalition, 2025).

On a per capita basis, Chinese flows to Sri Lanka are the most significant of our three cases and it is also here that the evidence of strategic corruption is most visible. China became the dominant international ally of Sri Lanka under the Rajapaksas, building a great deal of infrastructure that was not justifiable in terms of local needs. Moreover, there is substantial evidence of the Rajapaksas abusing their power to facilitate the deals and stifle domestic dissent, as well as reaping personal and political benefits. The strategic benefits to China are also apparent. Most significantly, when Sri Lanka was unable to service its burgeoning debts, China gained control of the Hambantota port (although, given that the port is loss-making, its economic value is debatable).

However, China’s investments in Sri Lanka are not necessarily secure. The Rajapaksas failed to become successful ‘stationary bandits’, in Olson’s terminology (Olson, 1993), ultimately driving the economy to collapse in 2022 and being ousted from power as a result. The new government is dependent on a bailout from the IMF which is insisting on governance reforms intended to reverse state capture, and this may ultimately threaten China’s strategic gains.

Conclusion

This article has sought to elaborate on investments, aid and lending as potential mechanisms of Chinese and Russian strategic corruption, to investigate whether states that are captured by domestic politico-business elites are more vulnerable to strategic corruption of this type, and to analyse how captor networks use their control of the three pillars to facilitate Chinese and Russian investment. The results of our large-n analysis suggest that strategic corruption does not go hand in hand with state capture. We find little evidence of a relationship between Chinese financial flows and state capture in the target country. There is a negative relationship between Chinese foreign direct investment (FDI) and state capture, and a weak and statistically insignificant relationship between Chinese loans and aid projects on the one hand and capture on the other. Financial and aid flows from great powers are shaped by many other factors and by

consideration of comparative advantages and domestic interests—thus Russia focuses on nuclear power, where it has long-standing experience and connections, whereas China concentrates on infrastructure, benefiting from its large supply of labour, excess domestic productive capacity and being relatively unconstrained by environmental regulations. It is nevertheless possible that, although the scale of flows and strategic corruption are not correlated, specific flows of capital may have been effective forms of strategic corruption.


Our qualitative analysis finds that Chinese and Russian attempts to invest in the three case study countries are sometimes facilitated by domestic state capture, but sometimes constrained by well-functioning accountability institutions. China's BRI in particular offered highly lucrative opportunities for captor elites, particularly in the early years. The captor groups in all of our case studies sought to capitalise on this and to use their capture of the three pillars to facilitate the investments, but ultimately only the Rajapaksas in Sri Lanka benefitted significantly from Chinese investment. The Chinese government gained a voice in the EU through its relationship with Hungary, and some strategic assets in Sri Lanka, but had limited success in infrastructure projects in Hungary and South Africa. Russia's efforts won it some political support from Hungary and an addition to its nuclear energy empire, but it achieved little in South Africa and did not even attempt to become a key player in Sri Lanka, which lies well beyond its typical sphere of influence.

These patterns suggest that the relationship between state capture and strategic corruption is complex. We conclude with three overall reflections which seek to elaborate on this complexity. First, even where states are deeply captured, supra-national and domestic institutions with oversight functions can create regulatory barriers to Chinese investment. Thus, EU membership provided a constraint on Hungary's ability to welcome Chinese funds, and well-functioning domestic accountability institutions provided effective resistance to some Chinese investments in South Africa. Second, competition among great powers limits their influence even over captured states. Orbán is somewhat cautious in his embrace of China and Russia because ultimately he is interested in maintaining EU support too—at the very least because it provides access to funds which, as evidenced by the many investigations into irregularities in the administration of EU funds in Hungary, remain an attractive prospect for capture. In Sri Lanka, by contrast, the Rajapaksas welcomed Chinese investment partly because they had few alternative options which they could so easily use to cronyist benefit. This suggests that success in strategic corruption depends partly on the degree to which the source country's strategic goals align with those of the captor elite in the target country.

Third, captor elites are not necessarily trustworthy partners for great powers pursuing strategic corruption—in terms of either character or capacity. In both Hungary and South Africa, a somewhat disorganized and scattered approach to potential projects has sometimes limited the captors' ability to control economic activity. We conjecture that captor elites may become too focused on their own private gains to care about delivering on promises to partners. Moreover, where state capture has involved purging personnel from the public administration and replacing them with loyalists, states may lose the institutional capacity and skill to implement major projects, meaning they cannot follow through on commitments.

Notes

1. We use CHEXIM as the acronym for this bank even though the Export-Import Bank of the Republic of China also uses this acronym, because CHEXIM is used in the wider BRI literature.
2. US House of Representatives, 2012 and Reuters, 2019.
3. See Norris, 2016 for a discussion of the success and failure of the Chinese state in controlling private economic actors.
4. See Kizekova, 2021.
5. See De Silva et al., 2022 and data on the terms of the loans can be found in Custer et al., 2023.
6. For a discussion of the methodology and rationale, see <https://r4d.org/resources/state-capture-index/#:~:text=Further%2C%20over%20the%20decades%2C%20the,of%20audacity%20in%20governance%20reforms>.
7. This is the definition of the OECD's Development Assistance Committee.

8. 2007 is the start date for loans as this marks the beginning of greater Chinese financial interaction with the rest of the world and 2017 is the end of the dataset in Horn et al. (2021).
9. Although not shown here we also ran the same regressions with Transparency International's Corruption Perception Index. The results were unchanged.
10. Although not reported here the regressions also run on sub-samples deemed more likely to show evidence of a relationship: countries with high levels of natural resource rents, which are generally considered to be more likely to see Chinese FDI and more corruption (see Tawiah et al., 2022); countries above and below the median level of corruption control. None showed a systematic relationship with SCI.
11. Note that the Rajapaksas lost power in the 2015 election, but returned to the premiership briefly in 2018 and then again in 2019.
12. Reilly, 202159.
13. See <https://telex.hu/english/2024/09/16/orbans-immediate-family-benefits-from-reconstruction-of-budapest-belgrade-railroad>.
14. See "News conference following Russian-Hungarian talks"  <http://en.kremlin.ru/events/president/news/67690>
15. Even when the Rajapaksas lost both the presidential election in January 2015 and the parliamentary election in August 2015, they retained substantial influence. Mahinda Rajapaksa, the former president, was even appointed prime minister in 2018, which resulted in a parallel government as the serving prime minister, Ranil Wickremesinghe, refused to leave. The resulting constitutional crisis ended with Rajapaksa backing down, but in November 2019, Gotabaya Rajapaksa won the presidential election and appointed his brother Mahinda as prime minister.
16. "Colombo Port City Economic Commission" case before the Supreme Court of the Democratic Socialist Republic of Sri Lanka. <https://www.parliament.lk/uploads/bills/gbills/scdet/6218.pdf>.
17. See Namini Wijedasa, 'Who and what derailed JICA's LRT Project' *The Sunday Times* (Sri Lanka, 29 January 2023) < <https://www.sundaytimes.lk/230129/news/who-and-what-derailed-jicas-lrt-project-510078.html>> Accessed 6 July 2025.
18. See <https://www.tamilguardian.com/content/china-offers-500m-yuan-goodwill-donation-sri-lanka>.

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