

## **The Geopolitical Role of China in the CEE Region**

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### **Abstract**

In 2018, China celebrated the 40th anniversary of the “Reform and Opening” policy. 40 years ago, China began to build new international relationships and facilitated Chinese companies for stepping out into the international arena, as well as encouraged Chinese students to study abroad. In 2019, the country celebrated the 70th anniversary of the establishment of the People’s Republic of China and also celebrated the 70th anniversary of establishing diplomatic relations with several Central and Eastern European countries. Although China had friendly ties with the countries of the CEE region since 1949, the formal multilateral relations of the 16+1 cooperation network was only established in 2012, while various forms of multilateral cooperation has already existed between these countries from the 1990s and early 2000s onwards. Western Europe looks at China’s regional expansion in Central and Eastern Europe with concern and refers to the 16+1 cooperation as a *Trojan horse* fearing the possible division of Europe or that China might buy political influence. In my study, I make a comparison of the China-

CEE cooperation with other multilateral networks in terms of Chinese FDI, foreign trade and Chinese foreign policy in order to consider 16+1 cooperation in the multilateral relations system of China. Furthermore, I compare the amount of Chinese FDI and trade to European countries in order to quantify the Chinese presence in the CEE region. With these comparisons, I am searching for what the real concerns about China's presence in the region are and how important the China-CEE cooperation is for China.

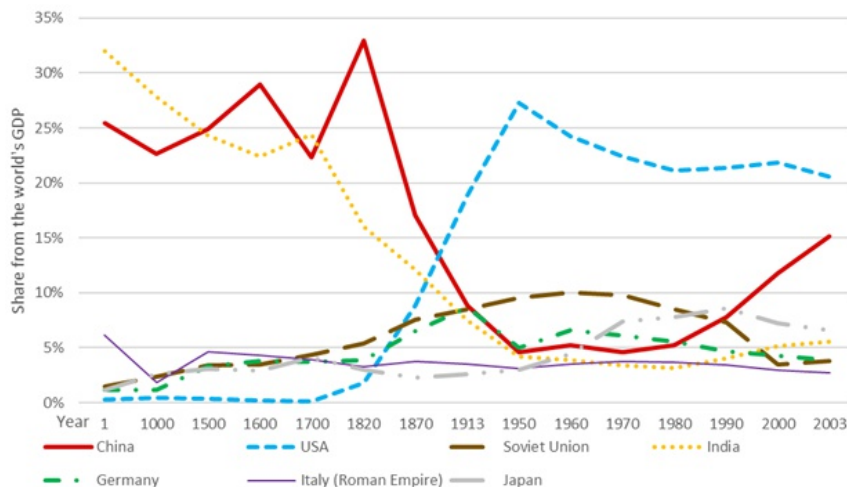
**Keynotes:** *China, CEE countries, 16+1 cooperation, geopolitics*

## 1. Introduction

By the 21st century, the US-dominated unipolar world order has been transforming into a multipolar world order, in which China is playing an increasing role. China, with 5,000 years of culture and continuous history, led by the current Communist Party of China, in both 1921 and 1949, set itself the goal in its 100-year strategic plans of restoring China's previous position held historically in the world economy, that is, of making the country a leading economic great power again by raising the economy and living standards (Figure 1).

By the 21st century, China has become one of the most important economic power in the world, as a result of the 2008 global financial crisis, China displaced Japan as being the second-largest economy in August 2010, in addition to in 2012, China became the number 1 cross-border trading nation worldwide. By the end of 2014, China's gross domestic product, as measured by purchasing power parity, amounted to USD 17.6 trillion, slightly exceeding the USD 17.4 trillion achieved by the United States, which served as the globe's largest economy since 1872. These results have been achieved mainly due to its "*Reform and*

**Figure 1** Development of the World Economy from the Beginning of the Common Era until 2003



Source: Edited by the author based on the database of Angus Maddison’s *The World Economy: Historical Statistics* (OECD, Paris 2003).

Opening” policy launched in 1978. The policy associated with the name of Deng Xiaoping was feasible by opening up to the world and establishing a number of multilateral relations, as a result of which it also gained geopolitical power in some regions.

In addition to its numerous multilateral relations, China also strengthens her EU relation. The trade and investment links between the EU and China are very important. The EU markets and China have strategic relevance to each other, with an average daily trading value of over a billion euro. China’s growing domestic market and economic weight represent significant business opportunities for the European companies. At the same time, the Chinese market is considerably less

open than of the EU. China decided to develop a closer cooperation with countries of the Central and Eastern European region from 2012 onwards. Many in the West did not like the idea and characterized Chinese investments and trade relations towards the CEE region as a “Trojan horse”. According to certain diplomatic presumptions, China aims to gain political leverage in the EU in exchange for providing economic benefits to its CEE members.

In 2013, China launched the worldwide initiative of “*One Belt, One Road*” (OBOR), which, according to the Chinese approach, is based on a common, peaceful, win-win cooperation.

In the historical mindset of China, there is no motivation for colonization but a China-centric world order, as we can see it from the Chinese name of the country: Zhongguo 中国 – Central country/empire – in which China cooperates with the surrounding countries, but does not influence their domestic politics (Kissinger, 2014: 27).

However, the Western world has a different view of China’s rise, seeing the OBOR initiative as a kind of colonizing operation (Sirohi, 2017; Kleven, 2019), and considering China’s developing other multilateral relations as a threat. Mostly the USA and the Western European countries are on the opinion that China has built up a closer trade and FDI cooperation with each countries of every region via these multilateral cooperation networks, which is considered as a comprehensive geoeconomical plan China is working on, that is practically about using the Foreign Direct Investments and trade relations as economic tools to conquer the World. However, throughout the whole human history there are several precedents that makes it clear that it is the US and Western Europe that wanted to conquer other regions of the world, they are those that had established countless colonies and settlements, even in China they also detached some cities from the Chinese Emperor.

In my study, I review the regions China has developed multilateral cooperation with and the level of the geoeconomical tools applied, the investment and trade relations built with these countries by China in this context, and by making a comparison with the China-CEE Cooperation, I examine how much effort is being made from the Chinese point of view to gain geopolitical ground in the CEE region. Do we really have to worry about the increasing presence of China in the CEE region?

## **2. China's Multilateral Relations**

The 1978 “*Reform and Opening*” policy brought about a big change in all areas of China, opening up markets and launching trade and economic cooperation with foreign countries. Over the past 40 years, China has joined the globalizing world economy, not only in terms of trade but also with respect to investments.

In the 1980s, huge changes took place in China. However, at the end of the decade, the Tiananmen Square incident portrayed China in a negative light on the international platform, leaving the country diplomatically isolated. To alleviate the negative effect of this event and to eliminate the “*enemy image*”, China established a number of multilateral relations based on economic cooperation:

In 1991, the country joined the Asia-Pacific Economic Cooperation (APEC), and the China-Association of South East Asian Nations (ASEAN) Dialogue was launched (MFA PRC, 2020a; Lu, 1997; MFA PRC, 2020b; Yu and Fan, 2018). In 1992, the Greater Mekong Subregion Cooperation was initiated, and in 1996, the “Shanghai Five” group – the later Shanghai Cooperation Organisation – was created (MFA PRC, 2020c; Chai, Lu and Yang, 2007; MFA PRC, December 2019a; Li, 2011). From 1996 onwards, China participated in the negotiations of the inaugural “Asia-Europe Meeting” (ASEM), and the

Central Asian Regional Economic Cooperation was started (MFA PRC, 2020d; Pan and She, 2004; MFA PRC, December 2019b; Qin, 2010). In 2000, China established the China-Africa Forum (MFA PRC, 2020e; Zhang, 2012), and since then China has been considered the largest investing country in Africa. In 2001, it joined the international organization: WTO, and since 2002, China has been actively involved in the initiative of Asia Cooperation Dialogue (MFA PRC, 15th June 2004). In 2004, even beyond the regional and old relations, it launched a dialogue with the Arab states in the framework of multilateral cooperation (MFA PRC, 2020f). In 2010, the China-Gulf Cooperation Council Strategic Dialogue was started (MFA PRC, 2020g).

Following the 2008 global financial crisis, China placed an ever-growing emphasis on the Central and Eastern European countries and initiated the 16+1 Cooperation in 2012 (MFA PRC, 2020h). In 2013, Xi Jinping, the Chairman of the People's Republic of China held two speeches that were of special importance: the first one was delivered in Kazakhstan, and was titled to "Working together to build the silk road economic belt" (Xi Jinping, 2019: 46), the second speech was delivered in Indonesia and was subject to "Working together to build a 21st-century maritime silk road" (*ibid.*: 56). These occasions served as a start for China to develop the initiative of "*One Belt, One Road*" involving the numerous multilateral relations, and then, in 2014, it also began building relations outside Eurasia, for example, by establishing the China-Latin America and Caribbean Forum (MFA PRC, 2020i).

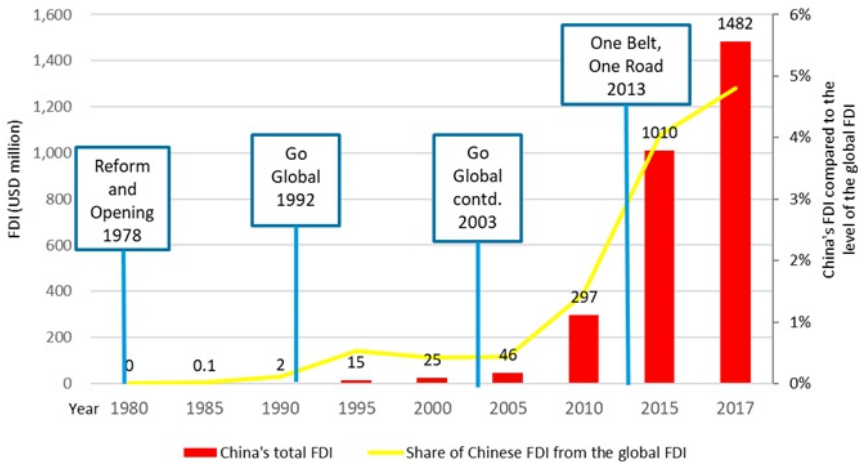
At the top of building up a huge regional multilateral cooperation network during the past 30 years, the People's Republic of China announced the "*One Belt, One Road*" initiative in 2015, that is a worldwide multilateral cooperation network built up from the above mentioned regional multilateral cooperations, and being so it serves as a kind of comprehensive cooperation in the globalized world, in other

words in the “global village”. China has successfully engaged 138 countries and 30 international organizations in the “*One Belt, One Road*” initiative, thanks to which it includes a huge volume of FDI and trade cooperations through several infrastructure projects in relation to ports, railways, highways, power stations, aviation and telecommunications (*Belt and Road Portal*, 9th September 2019).

### 2.1. Chinese Foreign Direct Investment

In the context of economic multilateral relations, China allocated more and more foreign direct investment (FDI) abroad every year (Figure 2). After examining the distribution of Chinese FDI around the world, we can see which regions China considers as being of special importance from an economic and political point of view.

**Figure 2** Changes in China’s Outward Direct Investment between 1980 and 2017



Source: Edited by the author based on statistics from the *World Investment Report* issued by the UN between 1990 and 2017.

Figure 2 clearly shows how the foreign economic policy initiatives announced by the Chinese government supported Chinese companies' foreign investments in a bid to strengthen multilateral relations and the “*Reform and Opening*” policy announced by Deng Xiaoping in 1978.

In 1992, at the 14th Party Congress, Chinese Head of State Jiang Zemin announced the “*Go Global*” foreign economic strategy, under which the state assured the Chinese companies of its support in the international cooperation, giving the Chinese firms a new impetus for expansion. In 2003, Premier Wen Jiabao and Vice-Premier Wu Yi spoke on several platforms about further developing and elevating the “*Go Global*” strategy and supported the establishment of foreign cooperation of Chinese firms.

Due to these state subsidies, multilateral relations and FDI investments, Head of State Xi Jinping announced the initiative of “*One Belt, One Road*” in 2013. In addition, the Silk Road Fund, the Asian Infrastructure Investment Bank (AIIB) and public financial institutions were set up to support the internationalization of Chinese state-owned companies and private firms, and to stabilize economic growth and alleviate the problems of Chinese industry struggling with domestic overcapacity.

Over the past 15 years, China has increased its turnover of foreign direct capital investment in a truly spectacular way. Following the 2008 global economic crisis, the country was able to maintain its development and economic plans, while the Western countries' outward foreign investments declined. From 2012 onwards, 10–20% more investment was made annually in areas outside the country, which is outstanding in the world (Figure 3). This was given a new impetus by the initiative of “*One Belt, One Road*”, under which China's outward foreign working capital investment started to rise again exponentially, with China



**Figure 3** Turnover of China’s Foreign Capital Investment in Relation to World FDI Turnover

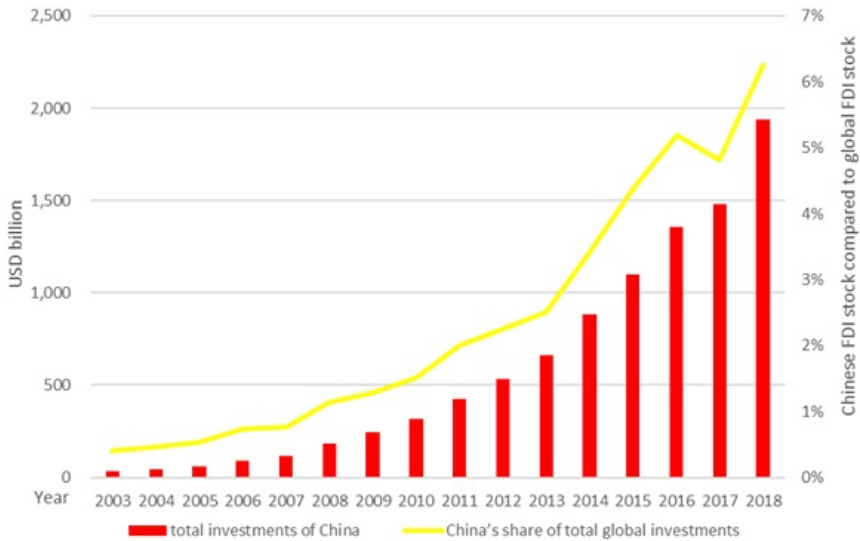


Source: Edited by the author based on statistics from the *World Investment Report* issued by the UN between 2003 and 2019.

accounting for more than one-tenth of the world’s total annual investment turnover from 2013 onwards. In 2017, the turnover of working capital investment increased to a lesser extent, due to the newly introduced, stricter government rules that scrutinized the investment market (MOFCOM PRC *et al.*, 2018: 6).

Meanwhile, China gained an increasingly dominant share of the world’s total working capital investment stock. While in 2003, China had only a 0.41% share of the world’s total outward foreign direct investment, by 2016 this had already exceeded 5% (see Figure 4).

It is clear, that China, in support of the “*Reform and Opening*” policy of 1978, set up an internationalization plan, and thereby, it has created multilateral relation systems in a number of regions. Furthermore, it has a growing working capital stock in the world.

**Figure 4** China's Foreign Capital Investment Stock

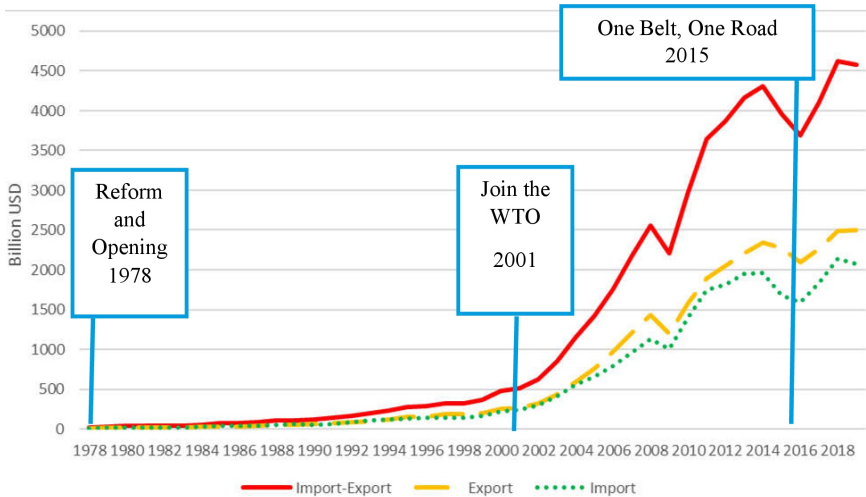
Source: Edited by the author based on statistics from the *World Investment Report* issued by the UN between 2003 and 2019.

In summary, 35 years after the opening-up of the country, the initiative of “*One Belt, One Road*” was established, the policy at the same time supporting Chinese companies to go abroad for investment and trading purposes.

## 2.2. Chinese Trade Relations

Trade plays a key role in the Chinese economy. While after the establishment of the People’s Republic of China, the Chinese economy was politically-driven, and wasn’t considered as efficient enough, at that time the volume of foreign trade did made up a significant part of the Chinese economy, during the “*Reform and Opening*” policy, foreign

**Figure 5** China’s Foreign Trade from 1978 to Today



Source: Edited by the author based on statistics from the Ministry of Commerce of the People’s Republic of China.

trade was reconsidered and modernized by introducing economic reforms (Figure 5). The 70-year history of the Chinese foreign trade can be divided into 5 periods: the years between 1949-1978 was highlighted by planned management of foreign trade (计划管理阶段); between 1979-1991 was the era of Pilot reform stage (试点改革阶段); years of 1992-2001 was characterized by expanding the Opening-up reform (扩大开放阶段); during the period of 2002-2012 China was going deep into the globalized system (深入全球贸易体系阶段); from 2013 onwards until today China improved its position from a significant trading country to a powerful trading country. In the Chinese economic history, we can see that the foreign trade (FDI) – as mentioned above– was connected to the policy of China. From 1978, Deng Xiaoping and

the government were working together hard to enlarge the volume of trade between China and other countries. During the past 70 years, the volume of the Chinese foreign trade has increased 7300 times, and for today China has already 200 trading partners all around the World, and in the meantime the country also became the 1st biggest trade partner of more than 100 countries (Yu and Wang, 2019).

For the 21st Century, China already became the largest trading nation in the world that is at the same time playing a very significant role in the globalized world: in 2001 China joined the World Trade Organization, 2013-2015 China was the first biggest foreign trade country. In 2018, China became again the largest trade country. According to the WTO statistics, China foreign trade is making up the 13.2% of the world trade. In 2019, 48.1% of the Chinese foreign trade was produced by the four big trade partners, EU, ASEAN, US and Japan (*ibid.*). The “*One Belt, One Road*” initiative is also greatly supporting the Chinese trade via several infrastructure investments, that further facilitates the trade relations between regions and countries. In 2017 during the One Belt, One Road Forum, President Xi Jinping also announced that China was going to hold China International Import Expo (CIIE) every year “*to provide companies with further support to trade liberalization and economic globalization and actively open the Chinese market to the world*” (Xi Jinping, 2019: 452-453; China International Import Expo, n.d.).

Through its trade partnerships China also could build up new relations with other countries, and later on the foreign trade relations became an important part of its multilateral relations networks, too. Western researches often refer to Chinese trade relations as “*one way for China to “buy” influence in Europe is through access to its growing and increasingly lucrative market*” (Karindi, 2020).

### **3. The Importance of the China-CEE Cooperation in China's Multilateral Relations**

As we have seen above, China began to build multilateral relations with Asia and Africa in the 1990s, and by 2004, the country had also established cooperation with Western Europe. However, the development of the China-CEE multilateral relations only started much later, in the 2010s.

In June 2011, during his visit to Hungary, Chinese Premier Wen Jiabao participated in the first Economic and Trade Forum of China-Central and Eastern European Countries, which was followed by the formation of the “China-CEE 16+1 Cooperation” with the participation of 16 Central and Eastern European countries<sup>1</sup>. The first Prime Minister Summit was held in Warsaw in 2012, and since then the leaders of countries of the CEE region have met annually to discuss economic cooperation.

Thus, in 2012, China launched another multilateral relationship in order to establish close ties with the countries of the CEE region simultaneously and rapidly. China's new system of relations has often been referred to by the Western media and Western researchers as a “*Trojan horse*”, and they express their concern about the excessive Chinese presence (Turcsányi, 2014) in the CEE region.

But has the Chinese presence in the region really become excessive? It is worth comparing China's major multilateral relations with the China-CEE Cooperation to see how much money and energy China is investing in it. Then, it is useful to review, how China is present in the CEE region and other Western European states in terms of FDI and the volume of trade between China and these regions.

### ***3.1. Comparison of the China-CEE Cooperation with Other Chinese Multilateral Relations***

**Table 1** Comparison of the China-CEE Cooperation with Other Chinese Multilateral Relations

Cooperation	Start	Number of countries	Population (million ppl.)	Area (million m <sup>2</sup> )	Chinese FDI	FDI/capita relative to China-CEE	FDI/area relative to China-CEE
China-ASEAN Dialogue	1991	10	654	4.49	102,854	8.15	13.14
China-Africa Forum	2000	53	1,300	29.7	46,103	1.84	0.89
Shanghai Cooperation Organization	2001	8	1,758.3	24.8	37,483	1.1	0.87
China-Arab States Cooperation Forum	2004	22	326.9	13.3	18,313	2.9	0.79
China-CEE Cooperation	2012	16	117.5	1.3	2,267	1	1
China-Latin America and Caribbean Forum	2014	33	651	20.7	406,771	32.37	11.27

Source: Edited by the author

China has developed multilateral relations with a number of regions on all continents. Therefore, I have compared the China-CEE Cooperation with the China-ASEAN Dialogue countries in South Asia, the Shanghai Cooperation Organization in Central Asia, the China-Arab States Cooperation Forum in the Middle East, the China-Africa Forum as well as the China-Latin America and Caribbean Forum. In terms of region area and population, the CEE region lags far behind, and thus, based on the Chinese FDI Annual Report, I have examined GDP per capita and

the distribution of Chinese FDI at territorial level (Table 1). Also, I have made a comparison on the volume of trade based on data provided by the Ministry of Commerce of the People's Republic of China in relation to the mentioned multilateral cooperations.

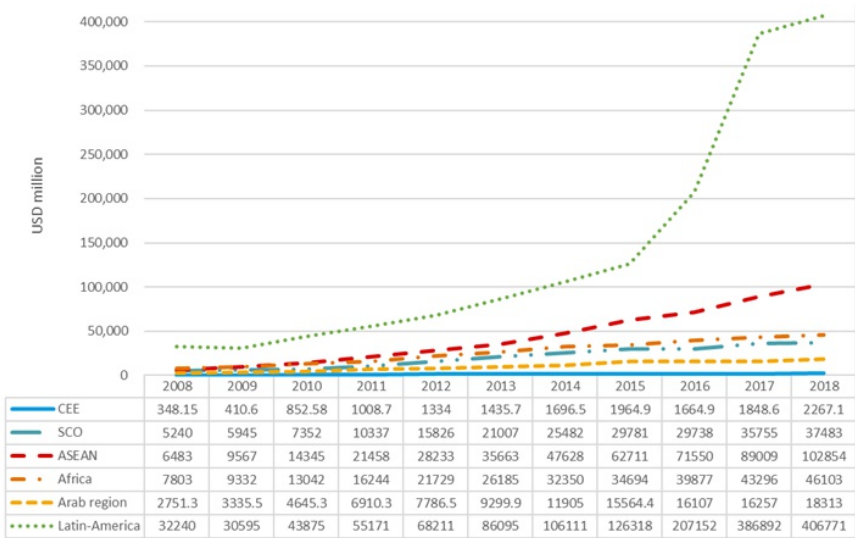
The FDI comparison shows that according to the Chinese FDI per capita, the CEE region receives the least Chinese capital. The most outstanding result is the cooperation with Latin America, which is only 6 times larger than the CEE region in terms of population, but there, the Chinese FDI per capita is 32.37 times higher. In the ASEAN countries, which also have a population 6 times larger, the Chinese FDI per capita is 8 times higher.

When compared at territorial level, the CEE region shows a better picture: in terms of area and FDI, it is ahead of the Shanghai Cooperation Organization having a less dense population, the African countries and the Arab states, but lags far behind the ASEAN countries and the Latin and Central American countries.

Looking at these data and the extent of FDI, we can see that the CEE region, although strategically important with regard to the “*One Belt, One Road*” initiative in connecting Europe and Asia, is not among the most outstanding cooperation from an investment and economic point of view.

Looking at the value of Chinese FDI over the past 10 years, there has been a large increase in the Latin and Central American and the ASEAN country groups among various regions. Chinese FDI has grown 15-fold in the ASEAN region and 12-fold in Latin America. Other multilateral relations also show major growth in 10 year-terms, while as early as 2008, these regions already had 10 times bigger Chinese FDI than in the CEE region. It is also worth noting that the stock of Chinese FDI recorded in the CEE region in 2018 is below the 2008 data of other multilateral relations.

**Figure 6** Chinese FDI Stock Change in the Regions of Various Multilateral Relations between 2008 and 2018



Source: Edited by the author based on the *2018 Statistical Bulletin of China's Outward Foreign Direct Investment* (2018 年度中国对外直接投资统计公报).

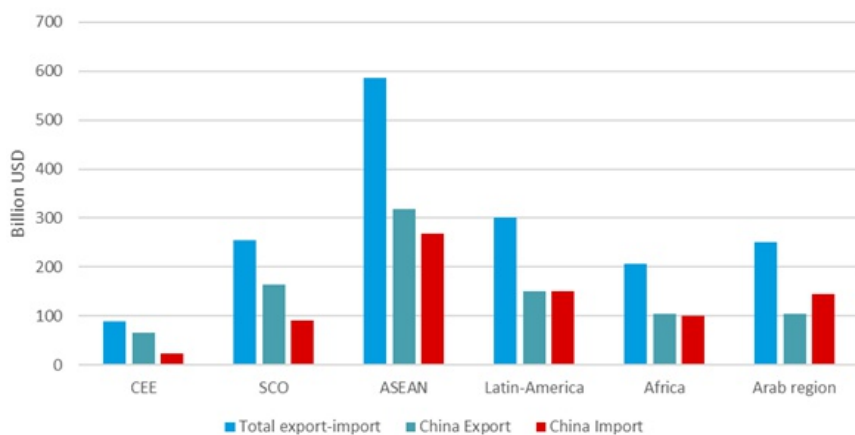
According to statistics on China's outward foreign working capital stock, China prioritizes the Latin American and Asian regions over the Central and Eastern European region. From a geopolitical point of view, this is understandable: as the US has started its "Pivot to Asia" policy in Asia, China is working to build close economic relations with the surrounding countries in its own region of Asia, in terms of defense. In addition, in Latin America – from which America has distanced itself in recent years – China can also take an offensive stance. America's presence is also strong in the Arab states, and therefore, China is looking



for cooperating partners in that region as well. The CEE region, on the other hand, is currently not a key “battlefield” among the great powers.

In the comparison of trade volume between the examined six multilateral cooperations we also can realize significant differences between the trade relations of China. In Figure 7 we can see the import-export between China and the regions. As I have mentioned above, the ASEAN is the 2nd biggest trade partner of China, so in the six regions, ASEAN is the first biggest trade partner, than one after another comes Latin-America, Shanghai Cooperation Organization, Arab region, Africa and finally the Central-Eastern European countries.

**Figure 7** China’s Foreign Trade from 1978 to Nowadays



Source: Edited by the author based on data provided by the Ministry of Commerce of the People’s Republic of China.

According to available statistics of the Ministry of Commerce of the People’s Republic of China, it is clearly visible that China is trading the least with countries in the Central Eastern European Region comparing

to other multilateral cooperations. This is mostly due to China's export trading relation: in its other relations the volume of export and import is much more balanced, while there is no significant purchasing activity can be seen in the CEE region by the Chinese, sending a great amount of "made in China" items to the CEE region is much more typical. In Latin-America, the African and Arab regions the volume of export and import is almost the same level, due to the fact that China imports a great amount of oil resources from the Arab region, a significant amount of minerals from Africa and Latin-America. At the same time the CEE region is not so rich in natural resources so that to export a significant volume to China, which shows that from this point of view, Africa, the Arab region and Latin America play a more important role to China than the CEE region. This on the other hand determines the geopolitical significance of the CEE region for China, since the country prefers stronger relation with the countries possessing a very high and important source of raw materials.

Above we have already seen that these multilateral cooperations cover different size of markets, so it is worth to examine the trade value per capita so that to get a more comprehensive picture. From this point of view the CEE region is the 3rd strongest trade partner of China after the ASEAN and Arab region cooperation, while in terms of market size, the CEE countries represent only a more than 100 million inhabitant market for selling the Chinese products.

After the economic comparison it is worth to examine the Chinese diplomacy a bit more closely: since the establishment of the Xi Jinping administration, the Chinese diplomacy was going through significant changes. The foreign diplomacy doctrine of "*Xi Jinping Thought on Diplomacy*" became an important for the People's Republic of China, that is also reflected by the measure taken by the Foreign Affairs Ministry of the Republic of China, since it established "Xi Jinping

Thought on Diplomacy Studies Center". Xi Jinping's international movements serves as the main basis for China's foreign policy. As regards Head of State Xi Jinping's official visits abroad, we can see that while he attends the Shanghai Cooperation Organization Forum every year and visits the ASEAN countries and the African and Latin American countries almost every year, until now, the 2016 was the only occasion he came to visit the Central and Eastern European countries (Czech Republic, Poland and Serbia), although he visits Europe practically every year. Even other leaders of the People's Republic of China have spent more time in countries of the ASEAN, the African and Latin American or SCO region than in the CEE region. This is very much reflected by the fact that for example the foreign minister of the People's Republic of China in the last 30 years, every year choose to visit an African country for the first time.

### ***3.2. Chinese FDI and Foreign Trade in the European Region***

As the Chinese government has already stated on several platforms, it is in China's economic interest to have a strong, united European Union, but the EU sees Chinese investments in the Central and Eastern European region as a geopolitical gain and has expressed its concerns that China is trying to divide the European Union.

During his 7-year leadership, Head of State Xi Jinping travelled twice to the CEE region in the same year, in 2016. In connection with the event, the *Financial Times* wrote that the Chinese had launched the typical "divide-and-rule" tactics in Europe, taking advantage of the tensions between the West and the East (*Financial Times*, 15th June 2016).

Following the Prime Minister Summit of China-CEEC organized in Budapest in November 2017, the *Financial Times* wrote about the West's concerns under the title "Brussels rattled as China reaches out to

Eastern Europe”. According to this, while in Hungary the Chinese cooperation is described as “*part of the Eastward Opening*”, in Poland as a “*tremendous opportunity*” and in Serbia as a “*reliable friendship*”, the EU diplomats see the 16+1 Cooperation as a threat (*Financial Times*, 27th November 2017). The German *Süddeutsche Zeitung* also published writings about the Budapest meeting in a negative tone under the titles “A lot of influence for not much money” (*Süddeutsche Zeitung*, 27th November 2017) and “China takes control of Eastern Europe” (*Süddeutsche Zeitung*, 28th November 2017).

Many representatives of the Western press refer to the China-CEE 16+1 Cooperation as a “*Trojan horse*” in the European Union (*Politico*, 27th July 2018). In fact, some news portals today describe any kind of Chinese investment in the big world as a “*Trojan horse*” (Lee, 2018).

According to them, their concerns about Central and Eastern Europe are supported by the fact that, in the EU, the countries of the CEE region – in particular Hungary as a CEE member state and Greece as an observer – have repeatedly sided with China (Stanzel, 2016): in 2016, Greece blocked the EU vote on the South China Sea dispute, and in 2017, due to a veto by the Greek government, the EU was unable to make a statement condemning the People’s Republic of China before the UN Human Rights Council (Reuters, 18th June 2017).

Furthermore, Western studies point out that in addition to Hungary’s “*Eastward Opening*”, other CEE countries are also opening up to China through various political programmes: in Poland the “*Go China Strategy*” has been started, the Czechs have initiated the “*China Investment Forum*” platform and in Slovakia the “*(2017–2020) Strategy for Development of Economic Relations with China*” has been prepared (Butler, 2018).

The question arises: What can we say about the Chinese “*expansion*” in Western Europe?

Based on the World Investment Report data issued by the UN Conference on Trade and Development in 2019, by 2018 China had USD 1,938,870 million in working capital allocated abroad<sup>2</sup>, of which, according to Chinese statistics, only USD 112,797, i.e. 6% of total FDI comes to Europe, which is disproportionately distributed between Western and Eastern Europe. Much of the Chinese capital directed to Europe is still focused on the developed Western European economies, where China has acquired some 360 companies (*Portfolio.hu*, 23rd April 2018). The largest investments flow to Great Britain, Italy, Germany, and France. The CEE region has received relatively small part of such investments.

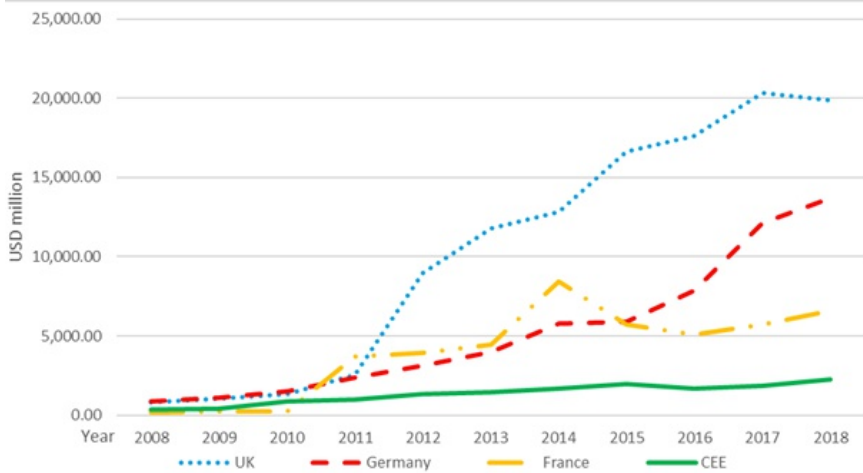
If back to 2008, the total Chinese FDI stock in the 16 CEE countries would have been compared to the Chinese FDI stock invested in certain Western European countries, it could have been a cause for concern, at the same time over the past 10 years, Chinese FDI stock in the Western European countries has surged quite high, while it has produced only slow growth in the CEE region, as shown in Figure 8.

By 2018, the 16-country CEE region has ranked 9th in Europe in terms of Chinese FDI stock (Figure 9). Chinese FDI in the CEE region accounts for 2% of all Chinese working capital investment coming to Europe, while 17% of FDI goes to the UK, 12% to Germany and 6% to France.

Furthermore, it is also worth mentioning that Chinese Head of State Xi Jinping has visited France 3 times, Germany twice and England one separate occasion. In addition, he has met with leaders of Western European countries on numerous occasions provided by several international platforms.

In 2015, the leaders of the CEE countries were received in Beijing by Head of State Xi Jinping, and at summits in the CEE region China is represented by Premier Li Keqiang.

**Figure 8** Growth of Chinese FDI stock in Western European Countries and the CEE Region between 2008 and 2018



Source: Edited by the author based on the *2018 Statistical Bulletin of China's Outward Foreign Direct Investment* (2018 年度中国对外直接投资统计公报).

**Figure 9** Chinese FDI Stock in Western European Countries in 2018



Source: Edited by the author based on the *2018 Statistical Bulletin of China's Outward Foreign Direct Investment* (2018 年度中国对外直接投资统计公报).

Not only is the distribution of Chinese FDI between Western and Eastern Europe disproportionate, but we also find very large differences between some countries in the CEE region. In 2018, from the entire CEE region, 3 countries (Poland, Hungary, and Romania) received 50% of the Chinese resources<sup>3</sup>. Hungary receives the second largest amount of working capital from China after Poland.

In addition, there are ongoing negotiations on China-CEE trade promotion. The goal of reaching USD 100 billion by 2015 set at the first China-CEE summit was not met.

After having a closer look at the FDI we should examine the volume of trade between China and the European countries. China is now the EU's second-biggest trading partner behind the United States of America and in parallel to that the European Union is the biggest trading partner for China. The main import products of the EU from China are industrial and consumer goods, like machinery and equipment, as well as footwear and clothing. In parallel to that the EU mainly exports are machinery and equipment to China, like motor vehicles, aircraft, as well as chemicals. While comparing the CEE region to other Western-European countries we can find that the CEE regions performs better than in the FDI comparison: the China-CEE trade volume is the second largest between the EU members and China, while the first largest trading partner of China from the EU is Germany. At the same time the CEE region is a 2 times bigger market according to the number of population than Germany, England, France, Italy etc. Even if we examine the amount of trade per capita, we realize that the CEE region as a whole could be ranked on the 7th place, as other countries excluding Spain, produce a higher amount of trade per capita.

**Table 2** European Countries Trade Amount with China

		Total (billion USD)	Chinese export (billion USD)	Chinese import (billion USD)	Population (million ppl)
1.	Germany	199.3	106.17	93.13	83
2.	CEE	89.05	65.5	23.53	117.5
3.	Netherland	85	72	12	17
4.	England	80.4	56.6	23.9	56
5.	France	62.9	32.22	30.68	67
6.	Italy	54.24	33.17	21.06	60
7.	Switzerland	42.54	4.02	38.5	8.5
8.	Spain	33.7	24.9	8.8	47

Source: Edited by the author based on data provided by the Ministry of Commerce of the People's Republic of China.

In this part of my paper I made a comparison of the amount of Chinese trade and the FDI in the European countries with the data find to CEE region. Though, the Western European countries are concerned of that China bribed the CEE countries through the amount of trade and FDI, in contrast we can see that the CEE 16 countries together has received less Chinese FDI to their countries than the Western European countries, and has a smaller trade turnover with China than the Western European countries.

#### 4. Summary

China started to build up its multilateral cooperation networks in the 1990's, starting from the nearest region to most distant ones, until all regions were covered. China began to familiarize itself with the Central and Eastern European region after 2008, and from 2012 onwards,



concrete multilateral cooperation started under the name China-CEE 16+1. The 16 Central and Eastern European countries are very mixed, both economically and culturally. Among the countries, there is not necessarily a harmony, on which the China-CEE Cooperation does not always have a positive effect, as the 16 countries are not working together to achieve large-scale economic and trade goals with China but they compete with each other in an attempt to establish the best possible bilateral cooperation with China.

Meanwhile, the Western European states typically refer to that they are trying to protect their own countries, they are afraid of the CEE region becoming a “Trojan horse” in the EU, and the EU economy from many Chinese acquisitions, and have initiated a screening regulation to allow the acquisition of a third-country investor in strategic sectors to be vetoed by the state (Council of the European Union, 13th June 2018). Nevertheless, in doing so, the Western great powers are visiting China and discussing opportunities for cooperation: In September 2019, the Chancellor of Germany, Angela Merkel went to China, where 11 contracts were signed between Chinese and German firms (The Federal Government of Germany, 7th September 2019), and in November 2019, the President of the French Republic, Emmanuel Macron, visited China, where the two countries signed trade and investment cooperation contracts totaling USD 15 billion (MFA PRC, 6th November 2019; Reuters, 6th November 2019). As I mentioned in the study, Xi Jinping was visiting Western European countries couple of times. Even very recently, just after the COVID-19 pandemic broke out, in September 2020, Wang Yi state council and foreign affair minister visited to Germany, France, Italy, Norway and the Netherlands. In addition, this study points out that the Chinese FDI stock in Western European countries one by one is much higher than in the 16 countries of the whole CEE region. Just as the amount of trade between China and the

CEE region is not as high as between China and the Western European countries.

Following the announcement of the “*One Belt, One Road*” initiative, China made no secret of the fact that it envisioned the 16+1 Cooperation as related to the OBOR (MOFCOM PRC, 2nd January 2018). Several logistics routes have been planned through the CEE region, but their development is not progressing as anticipated by the Chinese. The projects face many obstacles and difficulties due to EU regulations. Thus, the expansion of the Overland Silk Road in the Central and Eastern European region is hampered, but the Maritime Silk Road has almost been given the green light, as Chinese shipping companies are buying up ports and investing huge sums of money in the Western European countries: the COSCO, the China Merchants Port and the Qingdao Port International have gained a significant share in several ports in Belgium, France, Spain, the Netherlands, Italy, Malta and Greece. The Greek Port of Piraeus is already 100% owned by the state company COSCO, and since April 2019, Chinese investments in Greece have been strengthening the CEE region, because at the 2019 Prime Minister Summit of China-CEE, the accession of Greece was accepted, and thus, the 16+1 Cooperation was expanded to 17+1 (MFA PRC, 2020h; China-CEE Institute, 2018). This could increase the level of Chinese FDI in the CEE region by USD 240 million, but even this growth does not justify the dread felt by the West.

Based on the economic, investment and trade data as well as the route of the official foreign trips by the Head of State of the People’s Republic of China – which is China’s main diplomatic line – we can see that cooperation with the CEE region is important for China but, compared to other multilateral relations, the importance of China-CEE Cooperation is dwarfed by other multilateral cooperation. The Prime Minister Summit of China-CEE was scheduled to take place in Beijing

in April 2020, where – like in 2015 – Head of State Xi Jinping will also receive the prime ministers of the 17 countries, however due to the COVID-19 pandemic, the meeting has been delayed. It is possible that in the future Head of State Xi Jinping will also attend the annual summit to raise the importance of China-CEE Cooperation, which may be much needed, as one of the key partners, the Czech Republic, made tough statements about China in January 2020: “*I think that China did not fulfil its promise. I speak of investments.*” (*Expats.cz*, 13th January 2020) In the course of the COVID-19 pandemic and the US-China trade war, the CEE countries also had to express their attitude, but only Serbia and Hungary were those who were thankful to China for the assistance provided during the pandemic fight, while for example the Czechish-Chinese relations became more and more cold.

Despite all that, the West remains concerned about China’s gaining political influence through CEE investments (*The Economist*, 4th October 2018), and there are fears that China is trying to divide Europe through the China-CEE Cooperation. China is expressing on every platform that a strong, united Europe is in China’s economic and political interests (Government of PRC, 27th June 2016). Moreover, excessive worries are unnecessary at the moment because, although China’s emergence in the region does indeed elicit a conflict of interest with Western European countries, especially with Germany, due to the geographical distance and the new economic situation created after the end of the Soviet Union, Germany has an advantage over China; the German economy is intertwined with the economies of the CEE region countries in many areas. Furthermore, it is paradoxical that, while the Western European countries worry about investments in the CEE region, the leaders of Germany and France will decide on larger amounts of trade and investment transactions in a single meeting than there are in the entire CEE region.

One might be more concerned that Chinese firms are buying up big Western companies, and that China quite simply buys know-how, acquires European ports, etc. China's emergence in the CEE region can be a regional geopolitical contrast, but China's push in the Western countries may alter the geopolitical state of the world.

During the 21st century China became one of the superpower states, which is that the United States of America from 2009 onwards started to work against China's raise through the "Pivot to Asia" policy. While the big "fight" between the 2 superpowers has actually just started with the Trump administration in office, and were embodied in many ways from the US-China Trade War, through the COVID-19 issue, or closing consulates etc. China needs more Western partners; whose statements have big impact on the rest of the World. While the countries of the CEE region or the Visegrad 4 countries are getting stronger and stronger, still Germany and France are playing the role of the most important partners to China in EU so that to reach their political goals, and so China becomes more open to cooperate with Western European countries than with those of the CEE region.

Western European do not need to afraid about the Chinese Trojan Horse in the CEE region.

## Notes

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1. Of the 16 CEE countries, 11 are EU member states (Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovakia, Hungary, Slovenia, Croatia, Romania, Bulgaria), 4 are candidate countries (Serbia, Montenegro, Albania, Northern Macedonia), and Bosnia and Herzegovina is a potential candidate country.
2. According to the data from *2018 Statistical Bulletin of China's Outward Foreign Direct Investment*, total Chinese FDI abroad amounted to USD 1,982,265 million.
3. In 2008, Poland, Hungary and Romania received 80 per cent of Chinese resources!

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# *Trading with China*

