China-CEE Relations.
The Future of the 16+1 Platform

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Research motivation

• **Main goal:** To build a theory of Chinese foreign policy towards the CEE and explain the creation and functioning of the 16+1 platform

• **Research question:** What does the China’s CEE diplomacy of 16+1 platform tells us about Chinese foreign policy in 2010s?

• **Contribution to:** Chinese foreign policy, China-CEE relations
Methodology approach

• Foreign policy analysis (Neack, Breuning)
• Grounded theory (Glaser, Strauss, Corbin)
• Analytic eclecticism (Katzenstein, Sil)

• Data: economic statistics, official documents, media, secondary sources, interviews
History of Chinese foreign policy

• 1950s: Leaning to one side
• 1960s: Fighting with two fists
• 1970s: United front
  • → “War and revolution” (security and political goals)
• 1980s: Opening up and reform
• 1990s: *Taoguang yanghui* (biding time, keeping low profile/hiding brightness, cherrishing obscurity)
• 2000s: Peaceful rise/development
  • → “Peace and development” (economic goals)
Theories of Chinese foreign policy in 2010s

• China has become more active/assertive/aggressive (Swaine, Friedberg, Johnston, Jerden, Turcsanyi)
• Chinese leaders are driven more by nationalism (Zhao Suisheng)
• Focus on sovereignty and national/core interests (Qin Yaqing, Zhang Qinmin, Swaine, Shirk, Nathan)
• Winning of international allies (Yang Jiechi, Yan Xuetong, John Aberg)
• Importance of soft power to legitimize the government at home (Edney, Yong Deng, Su-Yan Pan and Joe Tin-Yau Lo)
• Economy as the main source to increase the image (Chen Zhimin, Shambaugh)
• Change in rhetoric rather than substance (Angela Poh and Mingjiang Li, Ferdinand)
• More active, focus on political goals, soft power with Chinese characteristics
Central Europe and East Asia

- **Relations depended on political system**
  - 1918-1939: first diplomatic contacts with China and Japan
  - 1945-1989: good relations with communist countries, low level of relations with capitalist countries
  - 1990 – 2007: vice versa
  - 2008 - presence: new era

- **Brief sum up:**
  - China: late start, today 16+1 platform
  - Japan: investments, trade, V4+1 platform
  - South Korea: investments, trade, political support
  - Taiwan: investments, trade, political support
  - North Korea: cold
  - Russia: important economic partner, problematic politics
Chinese relations with CEE

• 1990s-2000s: lack of interest on both sides
• After 2008 crisis: China started to invest in Europe, CEE felt lack of FDI → development of relations
• 2011: First 16+1 meeting in Budapest
• 2012: First 16+1 heads of government summit in Warsaw, Wen Jiaobao → 12 point proposal
• 2013: First mutually agreed guidelines (Bucharest)
• 2015: 16+1 formally aligned with Belt and Road
Goals of 16+1: perspectives

• CEE
  • Economy! → Chinese FDI and CEE exports to China
• EU: Economy (kind of) OK

• China
  • Economic goals by political means?
  • Political goals by economic means?

• → China-CEE “Pragmatic” cooperation
16+1 vs. BRI

• 16+1
  • Older (2011/2012)
  • Mechanism for cooperation
  • Aligned formally with BRI in Suzhou 2015
  • Most of the CEE part of the developed world

• BRI
  • Initiative for long term goals
  • Connectivity
  • Most of the BRI part of the developing world

• For BRI to succeed, it must adapt to differences → specially tailored approach to CEE (the only developed part of the BRI)
Goals of 16+1

- Establishment of the secretariat at the Chinese Ministry of Foreign Affairs cooperating the relations with the CEEC,
- Opening of a 10 billion USD special credit line to CEE countries for projects aimed especially at the development of infrastructure, high-tech industry and green economy,
- Setting up a joint investment fund with the goal of raising 500 million USD in the first stage,
- Sending trade and investment promotion missions to CEEC and reach 100 billion USD in common trade by 2015,
- Establishing one economic and technological zone in each country in the next five years,
- Exploring financial cooperation such as currency swap, local currency settlement for cross-border trade, and establishment of bank branches in each other’s countries,
- Establishing an expert advisory committee on the construction of transportation network to explore the building of regional highway or railway demonstration networks through joint venture, joint contracting and other means,
- Holding a forum on cultural cooperation and hold regular high-level and expert meetings on culture, cultural festivals and theme activities,
- Providing 5 thousand scholarships to the CEEC students and host an education policy dialogue with central and eastern European countries next year,
- Establish a tourism promotion alliance, explore the possibility of opening more direct flights between China and the CEEC, co-organize a tourism products promotion during the China International Tourism Mart in Shanghai 2012,
- Establish a research fund on relations between China and CEEC to which China will contribute 2 million RMB every year,
- Hosting the first young political leaders forum of China-CEEC in 2013,
16+1 results: Hot Politics, Cold Economics

• Improved and stabilized **diplomatic relations**
• Improved **people-to-people** relations
• **Trade** has grown, but not CEE exports to China and not too much (less than in the case of Western Europe and less than in the comparable period before the 16+1 was established)

• **Chinese investments in the CEE** have largely not kicked-off (very few Greenfield FDI, few acquisitions, infrastructural projects successful only in non-EU members)
Implementation of the Measures of the Belgrade Guidelines for Cooperation between China and Central and Eastern European Countries

1. In January 2015, the customs clearance facilitation cooperation mechanism for the China-Europe Land-Sea Express Line among the Chinese, Hungarian, Serbian, Macedonian and Greek Customs was officially established.

2. From February to October 2015, the Chinese Art Festival was held in Lithuania, Estonia and Latvia.

3. In March 2015, the launch ceremony of the Year of Promotion of China-CEEC Tourism Cooperation was held in Budapest, Hungary.

4. In March 2015, the 1st working group meeting under the Framework Agreement on Cooperation in Facilitating Customs Clearance Among the Chinese, Hungarian, Serbian and Macedonian Customs was held in Shanghai, China.

5. In April 2015, the Chinese Ministry of Foreign Affairs appointed the Special Representative for China-CEEC Cooperation.

6. In April 2015, the 1st meeting of the China-CEEC Business Council was held in Katowice, Poland.

7. In April 2015, the Riga High Level Conference on Transport and Logistics and the 3rd ASEM Transport Ministers’ Meeting was held in Riga, Latvia.

8. In May 2015, the 1st Customs Control Techniques Workshop for the China-Europe Land-Sea Express Line among the Chinese, Hungarian, Serbian and Macedonian Customs was held in Shanghai, China.

9. In May 2015, the 33rd Meeting of the Central Bank Governors’ Club of the Central Asia, Black Sea Region and Balkan Countries was held in Shanghai, China.

10. In May 2015, the 1st Meeting of China-CEEC Association of Provincial Governors was held in Hebei Province, China.

11. In May 2015, the Beijing-Budapest regular flight was launched.


13. In May 2015, China and Hungary signed an MoU on nuclear energy cooperation.

14. From May to June 2015, the Chinese Ministry of Culture organized Chinese performing arts organizations to purchase programs from Hungary, Serbia and Romania.

15. In June 2015, a delegation of CEEC journalists visited Zhejiang Province, Henan Province and Beijing, China.

16. In June 2015, the 1st China-CEEC Investment and Trade Expo was held in Ningbo, China.

17. In June 2015, the launch ceremony of the China-CEEC Association on Promoting Agricultural Cooperation and the 1st Meeting of Ministers of Agriculture was held in Sofia, Bulgaria.

18. In June 2015, the 1st China-CEEC Health Ministers’ Forum was held in Prague, the Czech Republic.

19. In June 2015, the 1st TCM center in the Czech Republic was established.

20. In June 2015, the cartoon series Panda and the Little Mole co-produced by China and the Czech Republic was premiered in the Czech Republic.

21. In July 2015, the 5th China-CEEC National Coordinators’ Meeting was held in Beijing, China.

22. In July 2015, a delegation of senior CEEC officials visited Sichuan Province, Yunnan Province and Beijing, China.

23. From July to August 2015, the 1st China-CEEC Summer Dance Camp was organized in Shaanxi Province, China.

24. In August 2015, the Bank of China Prague Branch was opened.

25. From August to September 2015, the 2nd China-CEEC High-Level Conference on Tourism Cooperation was held in Bled, Slovenia.

26. In September 2015, the 10th China-CEEC Agrotrade and Economic Cooperation Forum was held in Budapest, Hungary.

27. In September 2015, the 3rd China-CEEC Education Policy Dialogue and the 2nd working consultation of the China-CEEC Higher Education Institutes Consortium were held in Warsaw, Poland.

28. In September 2015, the Beijing-Prague direct flight was launched.

29. In September 2015, the 2nd China-CEEC Seminar on Innovation, Technology Cooperation and International Technology Transfer was held in Bratislava, Slovakia.

30. In October 2015, an exhibition area dedicated to CEECs was created at the 11th China International Small and Medium Enterprises Fair in Guangzhou, China.

31. In October 2015, the Workshop on Customs Clearance Procedures of Transit Goods and Risk Management among the Chinese, Hungarian, Serbian and Macedonian Customs was held in Skopje, Macedonia.

32. In October 2015, a delegation of artistic directors of CEEC jazz festivals visited China.

33. In October 2015, the Seminar on Radio and Television Program Production for Central and Eastern European Countries was held in Shanghai and Hunan Province, China.
Chinese total FDI stock in CEE16 (MOFCOM)
Chinese OFDI: comparison (MOFCOM)
Chinese FDI in the EU-28 2000—2014

Chinese FDI is spread across all of Europe. Greenfield and M&A transactions in the EU-28 by geographic location; value of cumulative investment from 2000—2014 (EUR million).
## Chinese FDI in CEE (AEI/Heritage Foundation)

<table>
<thead>
<tr>
<th>Country</th>
<th>FDI</th>
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<tbody>
<tr>
<td>Bosnia</td>
<td>2510</td>
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<tr>
<td>Bulgaria</td>
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<tr>
<td>Croatia</td>
<td>130</td>
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<tr>
<td>Czech Republic</td>
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<tr>
<td>Hungary</td>
<td>6100</td>
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<tr>
<td>Latvia</td>
<td>110</td>
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<tr>
<td>Macedonia</td>
<td>400</td>
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<tr>
<td>Montenegro</td>
<td>1120</td>
</tr>
<tr>
<td>Poland</td>
<td>1920</td>
</tr>
<tr>
<td>Romania</td>
<td>2350</td>
</tr>
<tr>
<td>Serbia</td>
<td>3700</td>
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China-CEE hot politics, cold economics: explanations

- In line with the theory of Chinese foreign policy:
  - Focus on politics
  - Winning of international allies
  - Rhetoric vs. substance
  - Host diplomacy
  - Economy as a means
  - Soft power with Chinese characteristic
  - Pro-active approach

- Additional factors:
  - Structural gap between Chinese offer/capabilities and CEE interest/needs
  - Lack of mutual understanding

- China’s CEE 16+1 diplomacy: Politics by (the promise of) economic means
Politics by economic means: additional evidence

• No prospects for major change (trade and investments) – “structural gap”
• 16+1 diplomatically more active than the platforms in Latin America and Africa
• Recent anecdote: Liu Yunshan leading Chinese delegation in Prague for 2017 China Investment Forum
Theoretical take-aways for the study of Chinese foreign policy

• China’s CEE 16+1 diplomacy suggests, in line, with the literature that:
  • Chinese foreign policy under Xi Jinping is becoming more active and is oriented predominantly towards political goals (vs. economic)
  • Chinese external national interests are closely linked with the Chinese domestic politics (international success = legitimacy at home = domestic stability)
  • China is interested in soft power with “Chinese characteristics” (what Chinese people think others think of them)
  • It may show how to understand Belt and Road Initiative as well