



CEE-China Cooperation Format: Between Political Narratives and Foreign Direct Investment

(preliminary research findings)

Historical relevance vs. actual significance

- 16+1 as “*cooperation format*”, “*multilateral platform*”, yet **NOT** *association/ organisation*
- Reasons & implications for the **lack of a statute/ charter**
- **Why CEE-China (Scope):** **1)** China’s preference for subregional formats cooperation (*political*); **2)** China might feel a certain traditional relationship, hence closeness with CEE (*political*); **3)** CEE countries’ need for FDI (*EU, non-EU*) & infrastructure projects (*non-EU*); **4)** Wen Jiabao’s 12 measures in Warsaw, 2012 (*mostly economic*)
- **China-CEE now:** **1)** 2021 no “*Guidelines*” (merely a “*List of Activities*”); **2)** Lithuanian withdrawal; **3)** Possible Estonian withdrawal (*according to some analysts*). → Does the platform need self-adjustment? If so, **how?**
- **Research objectives:** **1)** Establish the relation between **CEE-China Political Narratives and FDI**;
2) Identify the **causes of the recent dilution** of the format (*total or relative*);
3) Identify **possible measures to reinject vitality** in the format.

CEE-China: Between Trade & FDI

→ **China's Twelve Measures for Promoting Friendly Cooperation with Central and Eastern European Countries** (*Wen Jiabao*): trade & investment, “political” appears only once

- **Trade:** Indisputable & constant **8% annual growth since 2012**. Yet, seemingly **not correlated with the quality of bilateral relations** (ex. Hungary exports EUR 1518 million, Poland EUR 2974). Also, **disproportional with the other EU member states** (ex. EU members of 16+1 export to China < 13% of Germany's exports to China).

- **Defining Investment: FDI** (minimum 10% ownership stake in a foreign-based company – OECD) vs. **Capital Flows** (Chinese M&A with a company based in a third country, ex. Borsodchem, Smithfield) vs. **Infrastructure** (investment of the host country financed by the host country with a loan that happens to be from China).

- **Finding reliable data:** China's MOFCOM, Chinese Embassies, Central Banks tell significantly different stories

- **Third parties' analysis:** CEE's share of Chinese FDI into the European Union 3% in 2019, CEE's share of EU GDP 10.1%

- **Perspective: I)** CEE interested in greenfield & brownfield investments, creation of new jobs, research & development and innovation;

II) China interested in infrastructure investments (emphasis on digital infrastructure in the post-Covid era).

CEE-China: Political Narratives

- **Political narratives with regard to “16+1” vary greatly:** widely open EU countries (*ex. Hungary’s “Open to the East”*), widely open non-EU countries (*ex. Serbia*), moderately open Visegrad Group, countries that withdrew from the format (*Lithuania*)
- Recent visit of Foreign Ministers of Poland, Hungary, Serbia, and Ireland who travelled to China to meet with their Chinese counterpart Wang Yi put under the limelight **“necessary adjustments”** of the format
 - **Importance of sub-regional multilateral cooperation** for China (Mekong River, Bay of Bengal, etc)
 - **Infrastructure needs:** EU vs. non-EU countries
 - **Western Balkans EU integration** (*Berlin Process, Copenhagen Criteria*) vs **BRI projections for Balkan countries as gateway to EU market**
 - **Perspective:** “16+1”, like any other regional platform, has a limited inertia. A dynamic “16+1” would better cater for all its members’ needs. A consolidated and enlarged “27+1” format may serve both CEE countries, those critical to the Leipzig meeting, as well as China.

(Preliminary) Conclusions

- At the time, China is **not an economic saviour nor major infrastructure developer** in “16+1”
- So far, “16+1” has not been different from other Chinese initiatives (*no **privileged approach** in the light of the traditional relations*)
- The **continuous readjustment** of the “16+1” will assure the Lithuanian withdrawal is the exception, not the new norm. A **pragmatic approach** that would **translate China’s economic magnitude into tangible projects and results** will undoubtedly **consolidate the format**
- China remains a **valued economic partner for the whole Europe** and the “16+1” format should illustrate **China’s capacity as valued, successful, responsible and transparent investor country**

Thank you for your attention!

Your remarks and constructive criticism are most appreciated

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