External Actors Series: China

With contributions by
Jens Bastian
Ana Krstinovska
Viktor Eszterhai
Yuan Li

Kurt Bassuener
Nevenka Ćavlek
Iulia Monica Oehler-Şincai

Edited by Jens Bastian
Southeast Europe in Focus 6/ 2020

Editor: Dr. Jens Bastian, Economist and Financial Analyst, Member of the Board of the Southeast Europe Association, Athens.

Published by Südosteuropa-Gesellschaft e.V. / Southeast Europe Association, November 2020, Munich

This publication is written within the framework of the project “Reality Check Series: Sources, Tools and Impact of External Non-EU-Engagement in Southeast Europe” led by the Südosteuropa-Gesellschaft (SOG) with the support of the German Federal Foreign Office (Stability Pact for Southeast Europe sponsored by Germany).

About the project

Recently, the Western Balkans region (and Southeast Europe in the following) has developed into a showcase of superior power interests. In particular, the actors Russia, Turkey, and China as increasingly committed external actors (in addition to the European Union and the USA) are coming to the fore. Nevertheless, there are differences in the motivations and goals of the actors concerned. The project of the Südosteuropa-Gesellschaft / Southeast Europe Association aims to take a closer look at the motives, instruments, and effects of the influence of Russia, Turkey, and China. The geostrategic, security policy, and systemically relevant dimensions will be examined through a political science approach. On the other hand, however, the economic, cultural, social and societal processes (certainly from a historical perspective) in the entire region of Southeast Europe will be examined.

The contributions contained in this publication present the most important results on China's footprint in Southeast Europe as presented and discussed at an international conference held by the Südosteuropa-Gesellschaft / Southeast Europe Association in Berlin on 28-29th November 2019: Reality Check Series: Sources, Tools and Impact of Non-EU-Engagement in Southeast Europe. Part III: China. The editor is grateful to the authors of the publication for making their contributions to the conference available in a revised version and considering the discussion as well as current developments.

Disclaimer

The views expressed in this publication are solely those of the authors and do not necessarily reflect the views of the Südosteuropa-Gesellschaft / Southeast Europe Association and the editor.

About the SOG: The Southeast Europe Association (Südosteuropa-Gesellschaft – SOG) is an organisation that seeks to bridge political debate with scientific dialogue and socio-cultural exchange about Southeast Europe. The SOG is based on individual membership and is being supported institutionally by the German Federal Foreign Office in Berlin. Since its establishment in 1952, the SOG is an important liaison organisation for German foreign policy. For more information: www.sogde.org

Layout: Wladimir Dirkson

Graphic Design: Johanna Deimel / Christian Hagemann

Photograph on cover: imago images / Xinhua
### Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABBREVIATIONS</td>
<td>3</td>
</tr>
<tr>
<td>INTRODUCTION / NOTE BY THE EDITOR</td>
<td>4</td>
</tr>
<tr>
<td>Jens Bastian</td>
<td>4</td>
</tr>
<tr>
<td>SOUTHEAST EUROPE IN CURRENT CHINESE FOREIGN ECONOMIC POLICY</td>
<td>6</td>
</tr>
<tr>
<td>Jens Bastian</td>
<td>6</td>
</tr>
<tr>
<td>THE 17+1 COOPERATION PLATFORM: BETWEEN WISHES AND REALITY</td>
<td>18</td>
</tr>
<tr>
<td>Ana Krstinovska</td>
<td>18</td>
</tr>
<tr>
<td>17+1 COOPERATION: A NON-WESTERN TRANSREGIONAL MECHANISM IN THE WEST?</td>
<td>22</td>
</tr>
<tr>
<td>Viktor Eszterhai</td>
<td>22</td>
</tr>
<tr>
<td>TO ACHIEVE REAL “WIN-WIN” COOPERATION BETWEEN EU AND CHINA IN SOUTHEASTERN EUROPE</td>
<td>26</td>
</tr>
<tr>
<td>Yuan Li</td>
<td>26</td>
</tr>
<tr>
<td>PRIMED RECEPTORS: SYNERGIES BETWEEN WESTERN BALKAN POLITICAL ELITES AND CHINESE ECONOMIC ACTORS AND STATE MEDIA</td>
<td>29</td>
</tr>
<tr>
<td>Kurt Bassuener</td>
<td>29</td>
</tr>
<tr>
<td>CHINESE OUTBOUND TOURISM TO CENTRAL, EASTERN AND SOUTHEAST EUROPEAN COUNTRIES</td>
<td>40</td>
</tr>
<tr>
<td>Nevenka Čavlek</td>
<td>40</td>
</tr>
<tr>
<td>ON POLITICAL VALUES AND GOVERNANCE IN CHINA</td>
<td>47</td>
</tr>
<tr>
<td>Iuliu Monica Oehler-Şincai</td>
<td>47</td>
</tr>
<tr>
<td>ABOUT THE AUTHORS</td>
<td>53</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Description</td>
</tr>
<tr>
<td>--------------</td>
<td>-------------</td>
</tr>
<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
</tr>
<tr>
<td>BRI</td>
<td>Belt and Road Initiative</td>
</tr>
<tr>
<td>CASS</td>
<td>Chinese Academy for Social Sciences</td>
</tr>
<tr>
<td>CCB</td>
<td>China Construction Bank</td>
</tr>
<tr>
<td>CDB</td>
<td>China Development Bank</td>
</tr>
<tr>
<td>CESEE</td>
<td>Central, Eastern, and South-Eastern Europe</td>
</tr>
<tr>
<td>CEEC</td>
<td>Central and East European countries</td>
</tr>
<tr>
<td>CGTN</td>
<td>China Global Television Network</td>
</tr>
<tr>
<td>CI</td>
<td>Confucius Institutes</td>
</tr>
<tr>
<td>CIRSD</td>
<td>Center for International Relations and Sustainable Development</td>
</tr>
<tr>
<td>COTRI</td>
<td>China Outbound Tourism Research Institute</td>
</tr>
<tr>
<td>CPAFFC</td>
<td>China People’s Association for Friendship with Foreign Countries</td>
</tr>
<tr>
<td>CRBC</td>
<td>China Road and Bridge Corporation</td>
</tr>
<tr>
<td>CSEBA</td>
<td>Chinese Southeast European Business Association</td>
</tr>
<tr>
<td>EBRD</td>
<td>European Bank for Reconstruction and Development</td>
</tr>
<tr>
<td>ECB</td>
<td>European Central Bank</td>
</tr>
<tr>
<td>EIB</td>
<td>European Investment Bank</td>
</tr>
<tr>
<td>EPC</td>
<td>Engineering, Procurement and Construction</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>FENA</td>
<td>Federation of Bosnia and Herzegovina news agency</td>
</tr>
<tr>
<td>FTA</td>
<td>Free Trade Agreement</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross domestic product</td>
</tr>
<tr>
<td>GPA</td>
<td>Government Procurement Agreement</td>
</tr>
<tr>
<td>HBIS</td>
<td>China’s Hebei Iron and Steel Group</td>
</tr>
<tr>
<td>MASA</td>
<td>Montenegrin Academy of Sciences and Arts</td>
</tr>
<tr>
<td>MoU</td>
<td>Memorandum of Understanding</td>
</tr>
<tr>
<td>NEV</td>
<td>New Energy Vehicle sector</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organisation</td>
</tr>
<tr>
<td>NSR</td>
<td>New Silk Road</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>QoG</td>
<td>Quality of Government</td>
</tr>
<tr>
<td>RTB Bor</td>
<td>Rudarsko Topioničarski Basen Bor</td>
</tr>
<tr>
<td>SAM</td>
<td>Center for Strategic Research of the Ministry of Foreign Affairs of the Republic of Turkey</td>
</tr>
<tr>
<td>SDA</td>
<td>Bosniak Party of Democratic Action</td>
</tr>
<tr>
<td>SEE</td>
<td>Southeast Europe</td>
</tr>
<tr>
<td>SiLKS</td>
<td>Silk Road Think Tank Network</td>
</tr>
<tr>
<td>SOE</td>
<td>State-Owned Enterprise</td>
</tr>
<tr>
<td>TEN-T</td>
<td>Trans-European Transport Networks</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>UNPREDEP</td>
<td>United Nations Preventive Deployment</td>
</tr>
<tr>
<td>UNWTO</td>
<td>United Nations World Tourism Organisation</td>
</tr>
<tr>
<td>WGI</td>
<td>Worldwide Governance Indicators</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
</tr>
</tbody>
</table>
Introduction / Note by the Editor

Jens Bastian

Senior Policy Advisor at ELIAMEP in Athens, Greece and Board Member of the Southeast Europe Association

E-Mail: jensbastian04@gmail.com

The previous two installments of the Southeast Europe in Focus Reality Check Series discussed Russia and Turkey, two non-EU external actors with a rich - and at times controversial - history of involvement in the region. In the case of Turkey we can even rephrase the classification „external” since the country is geographically part of Southeast Europe. By contrast, the third country focus of this Reality Check Series, namely China, highlights different characteristics of external involvement in the region.

With the exception of Albania and to a certain degree also in the former Yugoslav Federation, China’s growing footprint in Southeast Europe is of a more recent nature. China’s expanding engagement in the region is intrinsically linked to its signature foreign economic policy project, the Belt and Road Initiative (BRI). The connectivity between Southeast Europe and the BRI is established through the development of the Land-Sea Express Corridor, a combination of Chinese maritime investments and road as well as railway infrastructure projects across Greece, North Macedonia, Montenegro, Turkey, Hungary, Bosnia-Hercegovina and Serbia. The only country in the region in which China is not officially active is Kosovo. Beijing strictly supports Belgrade’s position of non-recognition of Pristina’s sovereignty.

Over the course of the past decade China’s engagement in Southeast Europe has grown in diversity across countries. The initial focus on transport infrastructure remains predominant but has been supplemented by extensive investments in sectors ranging from energy, retail over tourism and telecommunication to Artificial Intelligence through Smart City projects in Sarajevo and Belgrade. Most recently, Serbia became the first country in the region to acquire Chinese unmanned aerial drones, thus enabling China to open up new channels of cooperation in the European arms market.

Against this background of expanding Sino-Southeast European engagement, the emergence of the Covid-19 pandemic has necessitated a recalibration of bilateral cooperation. The annual summit between China and countries from Central and Eastern Europe had to be cancelled. Various high profile projects have been delayed because of travel restrictions during the pandemic. In a word, business as usual is not an option anymore during an unrelenting pandemic.

The authorities in China have reacted to this unprecedented challenge with a sustained policy of „mask diplomacy” to countries in the region. The cargo planes landing in Tirana, Athens and Belgrade loaded with face masks, pharma-ceutical supplies and protective gear illustrate China’s capacity to intervene in other countries’ medical supply chains. China’s ‘donation diplomacy’ widens its perimeter of engagement in Southeast Europe. Such diplomacy illustrates to an international audience China’s leverage in health supplies and European countries’ dependence on Chinese pharmaceutical manufacturing.

The seven contributions in this online reader discuss different aspects and dynamics of Sino-Southeast European relations. Taken together they highlight comparative developments in policy fields such as the 17+1 cooperation platform, the role of political elites and state media, Chinese outbound tourism to the region and governance aspects in China.

Jens Bastian sets the stage with a detailed overview of China’s foreign economic policy in Southeast Europe. His contribution argues that China does not have a master plan for Southeast Europe. China is approaching each country in the region on the basis of how it can contribute to the foreign economic policy objectives of the authorities in Beijing and the investment expectations of host governments. The debate over this challenge is daunting, as much in Brussels as in Beijing, Belgrade or Bucarest. China will continue to fascinate, confuse and attract policymakers in the region. China is not looking at short-term, immediate results. The government in Beijing is focused on where China is going to be in the next 20 to 30 years. In Southeast Europe, Brussels is facing a non-EU-external actor that is positioning itself to become an ally of choice for countries in the region.

Three contributions in this volume focus on China’s institutional capacity building efforts, namely the 17+1
Ana Krstinovska provides a brief analysis of the 17+1 cooperation platform between China and CEE countries in terms of its design, mechanisms and key features. China’s approach and interests in the initiative and the benefits expected by CEE countries are examined against the backdrop of its inherent shortcomings, such as the lack of a truly regional approach, resource and knowledge asymmetries and the lack of ownership by CEE countries. Developments in EU-China relations also influence the potential impact of the initiative and the attitude of CEE countries towards it.

Viktor Eszterhai argues that the 17+1 Network can best be understood as a non-Western transregional institution. His contribution investigates how the platform affects existing European structures. It lists the major areas of disagreement with the European Union and highlights growing scepticism in Central and Eastern Europe about the approach and the platform. However, he emphasizes that in the Western Balkans the platform can play a complementary role in stabilising and developing the region.

Yuan Li’s contribution discusses two interrelated questions. Firstly, is China trying to create regional spheres of influence that compete with existing transnational governance structures in Europe? He then turns his focus on an empirical inquiry, namely if the 17+1 network is a precursor for a paradigm shift in Sino-European politics?. His line of argument models Sino-European politics as a game being played between a big country (the extra-regional actor, i.e. China) with a group of smaller countries (the intra-regional actors, e.g. in the 17+1 network). A key conclusion argues that when China cooperates with an individual country in Europe, it should be mindful of the externalities of such cooperation, in particular regarding internal cohesion within the EU.

Kurt Bassuener looks at the role of Chinese state media in the region, as well as other efforts to engage in the public space. The principal point he makes is that unaccountable local political elites and Chinese state-owned business interests rarely have difficulty finding a modus vivendi. Rarely is this transparent or subject to public scrutiny in Southeast Europe. This confluence of interests has streamlined Chinese entry into the region – by mainlining into an already existing political patronage-centric economic model.

Nevenka Ćavlek looks at the impact that Chinese tourism exerts on the economies of Southeast European countries. Her contribution offers an overview of China’s outbound tourism development over the recent two decades. It further encompasses China’s tourism policy within the 17+1 platform and the Belt and Road Initiative (BRI). The analysis points out that China’s political interests for investments in SEE countries match its outbound tourism policy towards these countries.

Lulia Monica Oehler- Şincăi seeks to identify similarities and distinctions between the European and Chinese systems of governance from the perspective of political values. She argues that developed countries focus on the mechanism of governance, while China, as the largest developing country worldwide, concentrates mainly on results (including economic performance and quality of life). Socialism with Chinese characteristics and its related political values are not unanimously accepted by state actors in international relations, but these have their strengths and represent “the only choice for the development of modern China”.

The editor would like to express his gratitude towards the contributors of this volume. Their patience and perseverance during an emerging pandemic is held in high esteem. He is also indebted to Johanna Deimel who had the original conceptual idea for this comparative series. Finally, without the assistance of the other members of the ‘China team’, namely Hansjörg Brey, Christian Hagemann, Helge Tolksdorf and Anja Quiring, neither the Berlin conference in November 2019 nor this publication would have seen the light of day.
Southeast Europe in Current Chinese Foreign Economic Policy

Jens Bastian

Senior Policy Advisor at ELIAMEP in Athens, Greece and Board Member of the Southeast Europe Association

E-Mail: jensbastian04@gmail.com

Abstract: Since 2013, China’s signature foreign policy instrument – the Belt and Road Initiative (BRI) - is contributing to reshape the infrastructure landscape across continents, regions and countries. Southeast Europe is an integral part of this global endeavour. China is pro-actively investing in and lending to countries in the region. This contribution argues that China does not [yet] have a master plan for Southeast Europe. China is approaching each country in Southeast Europe on the basis of how it can contribute to the foreign [economic] policy objectives of the political authorities in Beijing and the investment expectations of host governments. This development has major strategic implications for the European Union and other non-EU external actors such as Russia and Turkey who are also engaged in Southeast Europe.

Introduction

China’s flagship foreign policy project is the Belt and Road Initiative (BRI). Since its official launch in 2013 by President Xi Jinping the BRI invests on a global scale in land-based and maritime projects, primarily through transport connectivity and trade enhancing infrastructure. Under the aegis of the BRI promises of “shared prosperity” are promoted to participating countries. China’s BRI combines unprecedented amounts of investments and loan funding for ambitious infrastructure projects across continents, regions and individual countries. Beijing-based policy banks are the primary providers of funding arrangements for these projects.

For the European Commission in Brussels and individual EU member states the BRI raises profound questions concerning their political relationship with China. While the Commission seeks to develop a coherent strategy vis-à-vis China’s BRI ambitions, Beijing is busy offering loan facilities, Chinese labour and services for the construction of bridges, highways and the modernization of ports and railways across Europe. The ability of the EU to speak with one voice in negotiations with China is being challenged through institutional settings such as the 17+1 network of countries from Central, Eastern and Southeast Europe cooperating with Beijing. The need for consistency and unity of purpose vis-à-vis China represents the biggest challenge for the EU, its member states and the accession countries in the Western Balkans. Various initiatives seek to address this challenge and provide policy guidance through recent Commission communications and regulatory initiatives such as a common approach to investment screening mechanisms vis-à-vis non-EU external actors.

The utility of the BRI is an ambitious and contentious work in progress. It will extend only as far as it is able to generate tangible and sustainable outcomes benefiting not only China but also participating countries who engage in this endeavor. China’s reach into Southeast Europe is taking place because it sees value there. Equally, governments and businesses from Athens over Tirana to Skopje, Belgrade and Sarajevo are eager to attract Beijing’s attention and benefit from its lending facilities for large-scale infrastructure projects. However, China’s infrastructure diplomacy is now being challenged and subject to recalibration in light of the Covid-19 pandemic. Its outreach activities are being supplemented by what the authorities in Beijing label the “Health Silk Road”. This was illustrated by China’s ‘mask diplomacy’ during March and April 2020. The donation of medical supplies and health advisors constitute new characteristics of China’s engagement with countries in Central, Eastern and Southeast Europe.

Goals, Tools and Actors of China’s Policy in Southeast Europe

How do Chinese political authorities frame the BRI in Southeast Europe? When representatives from Beijing visit the region they emphasize how “to dovetail” the Belt and Road Initiative with development strategies of participating countries in the region. Today, few political leaders in the region and representatives from the corporate sector name Moscow or Ankara as a Belt and Road Initiative (BRI) introduced in 2016 is a linguistic compromise to the English language.
model. The radical transformation of China over the past four decades is universally acknowledged – and frequently applauded – by policy makers in the region. To illustrate, consider the following assessment by the Montenegrin President Milo Đukanović in September 2019: “I believe that reforms and the policy of open doors, as well as integration into the world economy, have greatly contributed to China’s success. Therefore, I consider China’s spectacular rapid development a just thing. [...] China has really shown that it has founded its vision of development on reforms and openness, as well as a flawless analysis of the social circumstances in China itself, and it clearly saw its opportunities, possibilities, needs and wishes”. Mr. Đukanović went on to emphasize that Montenegro has seen opportunities for its own development in cooperation with China under the BRI. He regards the BRI as an opportunity to help “harness resources fully, faster and smarter and improve the standard of living of its people.”

Demonstratively praising China in these terms is not uncommon among political leaders in Southeast Europe. Such cheer leading reflects expectations of increased investment capital inflows, lending for ambitious infrastructure projects and improved commercial access to the Chinese market, that is export capacity from the region to China. The flip side of this argument also holds, namely that the region of Southeast Europe is of growing economic, commercial and strategic importance for China. Apart from the numerous infrastructure projects, the most visible sign of this importance is the effort China has put into establishing and subsequently enlarging an institutional architecture for bilateral cooperation under the heading “17+1 framework”.

Shifting Arbitration and Mediation to China

A new instrument in the BRI-toolbox concerns Beijing’s endeavour to shift bilateral legal disputes towards China. In the course of 2018, arbitration procedures and the legal dispute resolution of contracts based on the BRI are gradually being relocated to China and administered according to Chinese law. More specifically, China’s expanding footprint in BRI dispute resolution is illustrated by establishing two new international commercial courts. In June 2018, China’s “Supreme Peoples’ Court” established these new legal institutions in Xi’an (the capital city in the province of Shaanxi) for the land-based Silk Road Economic Belt and in Shenzhen (in the province of Guangdong) for the Maritime Silk Road.

China argues that both courts are necessary to address the growing number of legal cases that have arisen in the context of the BRI’s expansion. These novel courts will be providing litigation, arbitration and mediation services. The objective for China is to have all BRI related disputes resolved in these courts and based on Chinese jurisprudence. The two courts will only deal with legal cases between businesses and investors. BRI-related disputes between states or between investors and states are not (yet) part of the new courts’ jurisdiction. The judges assigned to both courts are nominated by the Supreme Peoples’ Court. This arrangement integrates the new courts into China’s legal and judicial system.

Given the fact that most BRI-projects are internationally intertwined, the courts in Xi’an and Shenzhen have the discretion to process mediation and arbitration cases with the assistance of existing international dispute resolution institutions. This may include the “London Court of International Arbitration” and the “International Arbitration Centre” located in Hong Kong. Furthermore, international commercial cases are administered by the “Singapore International Commercial Court” and the “International Finance Centre Courts” in Dubai.

Foreign litigants continue to have the right to choose between the international or the Chinese location for dispute resolution. But this option faces the following risk: Chinese companies involved in any BRI-related legal complaint can be expected to prefer the newly created courts in China. This preference may already be included in the contractual arrangements stipulating the financial, operational and legal details of any bilateral BRI project. In a word, China is gradually developing its own cross-border system of BRI jurisdiction. This development will present major legal, operational and administrative challenges for EU member states in Southeast Europe, and even more so for EU candidate and accession countries in the Western Balkans.

4 Yang Sheng, China to Set up International Courts to Settle Belt and Road Disputes, Global Times, 28 June 2018.
Soft Power Capacity

With the view to promoting cultural diplomacy in more than 140 countries worldwide, China has established a network of Confucius Institutes (CIs) on university and college campuses. The Institutes are administered by “Hanban”, a division of China’s education ministry. Hanban pays for the Institutes’ operational costs, selects textbooks and hires, trains and pays for Chinese language teachers in Southeast Europe. There are currently 25 such CIs across the region. The first was created in Serbia in 2006. Romania stands out with a total of four such CIs, followed by Hungary and Turkey with three each, respectively. Only Kosovo does not feature a Confucius Institute.

Table 1: China’s Soft Power Footprint in Southeast Europe – Confucius Institutes

<table>
<thead>
<tr>
<th>Country</th>
<th>Location</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Serbia</td>
<td>University of Belgrade, University of Novi Sad</td>
<td>May 2006</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>St. Cyril + St. Methodius Veliko Turnovo University</td>
<td>October 2012</td>
</tr>
<tr>
<td>Hungary</td>
<td>Eotvos Lorand University</td>
<td>September 2006</td>
</tr>
<tr>
<td>Hungary</td>
<td>University of Miskolc</td>
<td>December 2011</td>
</tr>
<tr>
<td>Hungary</td>
<td>University of Szeged</td>
<td>Autumn 2012</td>
</tr>
<tr>
<td>Slovakia</td>
<td>Slovak University of Technology</td>
<td>May 2007</td>
</tr>
<tr>
<td>Turkey</td>
<td>Bogazici University</td>
<td>March 2008</td>
</tr>
<tr>
<td>Turkey</td>
<td>Middle East Technical University</td>
<td>November 2008</td>
</tr>
<tr>
<td>Turkey</td>
<td>Okan University</td>
<td>June 2012</td>
</tr>
<tr>
<td>Greece</td>
<td>Athens University of Economics and Business</td>
<td>June 2008</td>
</tr>
<tr>
<td>Greece</td>
<td>University of Thessalia, Thessaloniki</td>
<td>November 2019</td>
</tr>
<tr>
<td>Slovenia</td>
<td>University of Ljubljana</td>
<td>August 2009</td>
</tr>
<tr>
<td>Moldova</td>
<td>Free International University</td>
<td>September 2009</td>
</tr>
<tr>
<td>Romania</td>
<td>Babeș-Bolyai University of Cluj-Napoca</td>
<td>October 2009</td>
</tr>
<tr>
<td>Romania</td>
<td>Transilvania University of Brasov</td>
<td>March 2012</td>
</tr>
<tr>
<td>Romania</td>
<td>Lucian Blaga University of Sibiu</td>
<td>September 2013</td>
</tr>
<tr>
<td>Romania</td>
<td>University of Bucharest</td>
<td>November 2013</td>
</tr>
<tr>
<td>Croatia</td>
<td>University of Zagreb</td>
<td>July 2011</td>
</tr>
<tr>
<td>North Macedonia</td>
<td>SS Cyril and Methodius University</td>
<td>April 2013</td>
</tr>
<tr>
<td>Albania</td>
<td>University of Tirana</td>
<td>June 2013</td>
</tr>
<tr>
<td>Montenegro</td>
<td>University of Montenegro</td>
<td>September 2014</td>
</tr>
<tr>
<td>Cyprus</td>
<td>University of Cyprus</td>
<td>September 2014</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>University of Sarajevo</td>
<td>December 2014</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>University of Banja Luka</td>
<td>November 2017</td>
</tr>
</tbody>
</table>

*Source: The list is in chronological order by country. The compilation is based on the author and Digmandarin (2019).*

---

The soft power capacity of China’s footprint in Central, Eastern and Southeast Europe extends beyond the Confucius Institutes. China is also funding research institutes and think tanks “with Chinese characteristics”, university chairs and scholarships for university studies of citizens from countries in Southeast Europe in China. In April 2017, the Chinese Academy for Social Sciences (CASS) established the “China-CEE Institute”, a think tank based in Budapest, Hungary. It is China’s first think tank created in Europe. The Institute is registered as a non-profit corporation. The China-CEE Institute seeks to build ties and strengthen partnerships with academic institutions and think tanks in Hungary and other Central and Eastern European countries. In September 2015, a second Chinese think tank was established in the Czech Republic. The “New Silk Road Institute Prague” seeks to strengthen ties between Asia and Europe. Like its peer in Budapest, the Prague Institute is registered as a nonprofit charitable organization.

In October 2015, the Silk Road Think Tank Network (SiLKS) was launched to provide intellectual support to the Belt and Road Initiative. SiLKS defines itself as an informal international network that was initiated jointly by think tanks, international organizations, and relevant institutions from more than thirty countries. It focuses on BRI-related research, information and knowledge sharing as well as capacity development on policy research and consultation. Among the 55 international members and partners from 27 countries are also four think tanks from the region, namely:

- The Center for International Relations and Sustainable Development (CIRSD) in Serbia
- The Center for Strategic Research of the Ministry of Foreign Affairs of the Republic of Turkey (SAM)
- The Geoeconomic Forum of Croatia
- Századvég School of Politics Foundation in Budapest

At the bilateral level, Sino-Southeast European scientific and academic cooperation is equally making inroads. The Montenegrin Academy of Sciences and Arts (MASA) and the Chinese Academy for Social Sciences (CASS) signed a cooperation agreement in September 2019. The agreement calls for the two academies to enhance bilateral partnership through the exchange of scholars, joint conferences and cooperative research projects in the fields of natural sciences and technology. In individual countries of the Western Balkans, China is also establishing – with the assistance of local partners – so-called “Centers for Promotion and Development of the Initiative “One Belt One Road””. These centers serve to highlight Chinese policy initiatives in the host country as well as areas of potential cooperation. They give Beijing’s diplomats a platform to interact with civil society representatives. In other countries, such soft power institutions take the form of “One Belt One Road” Trade and Investment Promotion Centres, as is the case in Belgrade in cooperation with the “Serbia Chamber of Commerce and Industry”.

Country Cases
What characterizes China’s relations to individual countries in Southeast Europe? It is important to distinguish between Chinese equity investments in companies and concessory lending to governments for the construction of infrastructure projects. For reasons of space we narrow our empirical focus on one EU member state, Hungary, and then turn our attention to a candidate country in the Western Balkans, namely Serbia. We present recent developments which serve to underscore what China is doing, for what reason this is taking place, and what means Beijing is applying to implement its strategic objectives.

Hungary: The Perils of Railway Modernization
The flagship project along the BRI rail route in Southeast Europe concerns the modernisation of a China-financed cross-border high-speed railway connection between Budapest and Belgrade. When completed, the new rail link would carry Chinese goods that arrive by sea at the Port of Piraeus and are then transferred by rail to countries in the Western Balkans as well as other parts of Europe. The trilateral profile of the project involves the EU member state Hungary, the EU candidate country Serbia, and in the middle China as a non-EU external actor. This combination of countries in a European cross-border rail project attracted considerable attention by the Commission in Brussels. There is also a larger political economy dimension in this flagship infrastructure project. Hungary’s Prime Minister Viktor Orbán highlighted this dimension at the opening of the China–Central and Eastern Europe Summit in Budapest in 2017: “Globalization’s new world order has also brought new configurations. We look upon the President of China’s One Belt One Road Initiative as one of globalisation’s new configurations: one which will no longer divide the world into teachers and...
students, but which will provide the basis for mutual respect and mutual advantage.6

The initial Memorandum of Understanding (MoU) between Hungary, China and Serbia was signed in December 2014. The construction contract for the Hungarian part of the project was then awarded in a non-competitive bid to the “China Railway International Corp.”, the state-owned Chinese rail company. According to government representatives in Budapest, Hungarian law permits no-bid contracting when public land is involved, and the investment is projected to result in wider economic benefits for the country.

For both Hungary and Serbia such an ambitious and technically complex project had been on and off the infrastructure agenda for more than a decade. But it failed to progress, primarily for the lack of financing capacity in both countries. In November 2016, China’s Exim Bank agreed to fund 85 percent of the Hungarian capacity in both countries. In November 2016, China’s Exim Bank agreed to fund 85 percent of the Hungarian route of the railway project. The construction of the Hungarian stretch is budgeted at approximately 550 billion forints (USD 2.1 billion). The duration of the credit line is for 20 years and the annual interest rate fixed at 2.5 percent. Prime Minister Orbán asserted the need for the Belgrade-Budapest railway project, and for Chinese investment in general, as follows: “We need to carry out numerous investments for which there is not enough capital in the Hungarian economy or in the European Union [...] That is why we are financing the Budapest-Belgrade railway line with Chinese assistance.”7

In January 2017, the European Commission launched a preliminary investigation into the landmark railway project against Hungary. The infringement proceedings focused on procurement procedures and financial arrangements on the Hungarian side of the rail project. The probe contended that Hungary was in breach of EU procurement laws by not initiating a proper public tender for a transport project of such complexity and financial magnitude. The allegation of having violated EU procurement rules was a serious matter, both for the political authorities in Budapest as much as for the reputational capital that Chinese companies are seeking to build vis-à-vis EU institutions.

It is instructive to see what happened next. In reaction to the Commission’s inquiry the Hungarian authorities relaunched a formal procurement tender for the 152-kilometer route from Budapest to the border crossing with Serbia in November 2017. On the occasion of the China - Central and Eastern Europe Summit in Budapest, the Hungarian minister for foreign affairs and trade, Péter Szijjártó argued that the winning bid would sign an EPC contract (engineering, procurement, construction) with the “Chinese-Hungarian Railway Nonprofit Ltd.” This joint venture includes the Hungarian state railway MAV with a 15 percent share. Two Chinese companies, the “China Railway International Corporation” and the “China Railway International Group” hold 85 percent of the equity. The joint venture was established in October 2016.

In June 2019, the public tender was won by a Hungarian-Chinese joint venture. The new contract was awarded to the “CRE Consortium”, half of which is owned by a unit of the Hungarian holding company “Opus Global” (RM International Zrt.). The Chinese half of the joint venture is owned by “China Tiejiju Engineering & Construction Kft.” and “China Railway Electrification Engineering Group Kft.”, representing the Chinese state-owned railway company. Following the finalization of financing arrangements with “Exim Bank” in the third quarter of 2019, the five-year construction period was to start in the fourth quarter. But due to the coronavirus pandemic work has been delayed. At the time of writing (June 2020), Chinese engineers and workers could not fly to Hungary because of EU travel restrictions and domestic lockdown restrictions. The construction works on the Serbian part of the Budapest-Belgrade route commenced in November 2019.

Despite this increase in externally mandated transparency from Brussels, the Hungarian government continues to shield critical parts of the project from public scrutiny. The emergency powers given to prime minister Orbán in April 2020 by parliament during the coronavirus outbreak enables the government to keep critical details of a feasibility study and the construction contracts classified for ten years. The government argues that their publication could “threaten Hungary’s ability to pursue its foreign policy and trade interests without undue external

---


influence.”\(^8\) This secrecy is especially controversial when considering that the Hungarian diplomat Oliver Varhelyi is the EU Commissioner for Enlargement since December 2019.

What can we learn from this series of events in a flagship infrastructure project that involves an EU member state, an EU candidate country negotiating accession chapters with the Commission in Brussels and China linking both countries? For one, as Hungary faced an infringement procedure by the Commission against EU law it swiftly agreed to compromise and proceed in compliance with public procurement regulations defined in and monitored by Brussels. Apart from considerable financial risks, reputational capital was at stake for China, too. It was in the joint interest of Budapest and Beijing to engage in railway diplomacy and seek a fast-track resolution instead of drawn out legal proceedings with the authorities in Brussels.

Secondly, the case illustrates that the regulatory arm of the Commission is constrained. The outcome of the revised tender yielded the same result, that is the inclusion of the original Chinese companies based on the lowest bid submitted and shortened construction time. Put otherwise, both Hungary and China formally applied greater transparency regarding adherence to the rules of engagement in EU procurement standards. But in substance it did not change the end result. Moreover, the continued secrecy surrounding certain details of the project by the Hungarian authorities underscores that Budapest is willing to play by its own rules. Awarding the tender to the lowest bidder begs the question if subsidized Chinese state-owned enterprises (SOEs) should qualify in the first place? The “Government Procurement Agreement” (GPA)\(^9\) of the World Trade Organization (WTO) stipulates under what conditions foreign firms can join public tenders.

**Serbia: A Gateway Between East and West?**

Serbia is increasingly becoming the principal investment gateway for China in the Western Balkans. Five years ago, the Serbian President Aleksandar Vučić characterized his country as “well placed to become the gateway between East and West.”\(^10\) As a land-locked country, the establishment of such a gateway architecture requires considerable investments which Serbia cannot mobilize, let alone finance itself. Since 2015, China has invested in and provided loan facilities to Belgrade for the construction and financing of major infrastructure projects.\(^11\) To illustrate this dynamic, consider the following examples between 2017 and 2019:

- In May 2017, Serbia agreed to borrow USD 298 million from China’s “Exim Bank” to finance the first components of the construction works of the Belgrade-Budapest railway project.\(^12\) The ceremonial start of the Serbian stretch took place in November 2017 in Belgrade’s Zemun neighborhood. It includes the construction of a 34 kilometer new line to the northern town of Stara-Pazova by “China Railway International”. Seen in conjunction with the credit line provided by Exim Bank of China, both the contractor and the financier of the project are not from Serbia.

- A characteristic of China’s expanding equity footprint in Serbia concerns the energy sector. The Chinese “Zijin Mining Company” – third-largest copper and gold producer in China – was chosen by the Serbian government in August 2018 in an open tender process to acquire the “Rudarsko Topioničarski Basen Bor” (RTB Bor) copper mining and smelting complex. Zijin acquired a 63-percent stake in the complex located in eastern Serbia for USD 1.26 billion. According to Serbia’s Minister of Energy and Mining, Aleksandar Antić, Zijin promised to cover RTB Bor’s USD 200 million debt and keep 5,000 jobs at the mine.

- With this acquisition, the Chinese Zijin Mining company invested almost USD three billion to stake major claims in the Serbian copper industry. The RTB Bor equity investment represents back-to-back mining transactions by Zijin in Serbia. In October 2018, Zijin acquired the Canadian base metals producer Nevsun Resources for USD 1.4 billion. The acquisition included the “Timok”

---

\(^8\) Financial Times, Hungary to Keep Details of Beijing-funded Rail Link Secret, 3 April 2020.

\(^9\) The GPA is a plurilateral agreement within the framework of the WTO. It regulates international competition to mutually open government procurement markets among signatory countries. China signed the revised GPA in 2014.

\(^10\) Financial Times, Blog post, 15 December 2014: https://www.ft.com/content/97c3ee47-63cf-3966-9122-c653f6cb4f3

\(^11\) To lend symbolic credence to this “gateway” rhetoric, China financed and built the Pupin Bridge, named after the Serbian scientist Mihajlo Pupin. The road bridge over the Danube River in Belgrade is also called the “Friendship Bridge” between Serbia and China. It was inaugurated in December 2014. The Pupin Bridge was the first bridge project that China completed in Southeast Europe.

\(^12\) Vesko Garčević, China’s Stealthy Advance in Balkans Should Worry EU, BIRN, 11 January 2018.
copper-gold mining exploration in Cukar Peki near Bor.

- Finally, in November 2019 Zijin bought Freeport-McMoRan Inc.’s copper gold assets in Serbia for an additional USD 390 million. The unprecedented element in Zijin’s RTB Bor acquisition is the fact that it submitted the winning bid in the final stage of the tender process against a Russian competitor, U Gold. Despite strong political economy ties with Russia, the government in Belgrade opted for the Chinese company as it pledged more follow-up investment after the acquisition.

- In the Belgrade suburb of Borca, the China Road and Bridge Corporation (CRBC) has agreed to build the first industrial park in Serbia. CRBC’s total investment of 220 million euro is financed by a consortium of three Chinese banks, namely Export-Import Bank, China Development Bank (CDB) and China Construction Bank (CCB). Various Chinese firms have expressed an interest in launching production facilities once the industrial park opens its gates in 2021. According to Nenad Popović, Serbia’s minister for innovation and technology the business plan for the construction of the industrial park stipulates that up to 70 percent of the employees to be hired, the materials that will be procured and subcontractors involved have to be from Serbia.13

Why is China investing such large amounts in the Serbian mining sector? One answer can be found in industrial policy making priorities in China. Zijin Mining is focusing on the resource-abundant area in eastern Serbia. It is doing so because of the growing demand from China’s “New Energy Vehicle” sector (NEV). This sector includes vehicles that are powered by electricity. The production of batteries for NEV cars, buses and trucks requires copper and zinc. Seen in this context, Chinese companies are establishing supply chain networks in Serbia in order to advance the execution of industrial policy objectives in China. RTB Bor and Timok are the second and third mining companies Chinese firms bought in Serbia. Already in 2016, China’s Hebei Iron and Steel Group (HBIS) acquired “Železara Smederevo”, a loss-making steel plant which is being extensively restructured through technology transfers from China to Serbia.

A further reason for Serbia’s openness towards China is the willingness of the government in Beijing to emphasize that its bilateral cooperation is less cumbersome in administrative terms and transparency requirements than the EU process of accessing project financing. This interpretation is reflected in the following statement from Serbia’s minister responsible for innovation and technology, Nenad Popović, underlines: “Western countries’ investment in Serbia usually has strings attached, but China’s investment never does.”14 This widening Sino-Serbian economic engagement is also visible at the political level. Since 2017, both countries have established a visa-free regime and in 2018 the bilateral relationship was elevated to a “comprehensive strategic partnership”. The depth of this partnership is also reflected in bilateral cooperation during the outbreak of the Covid-19 crisis. The EU initially set limits on exports of medical equipment to non-EU countries, including for accession countries currently negotiating membership. As Serbia faced acute shortages of medical supplies and protective gear to fight Covid-19 it was China that quickly filled the void.15 In March 2020, Beijing flew six doctors, medical masks, test kits and ventilators to Belgrade. These supplies were partly donated while others are sold at discounted market prices. President Aleksandar Vučić made his vocal disavowal of the EU’s policies loud and clear when stating that “I believe in Chinese help. The only country that can help us is China. To the others, thanks a lot for nothing.”16

This statement stands in stark contrast to the following development: In April 2020, the European Commission announced a package of coronavirus support measures for the Western Balkans, including over 93 million euros of financial resources for Serbia.17 Despite such tangible solidarity, shaping the narrative of coronavirus related health diplomacy appears to be won by Beijing and not Brussels. In Belgrade various large-scale billboards could be seen in March and April

---

2020 praising the Chinese President Xi Jinping for his country’s efforts to assist Serbia in its measures to fight the Covid-19 pandemic. No such advertisement was visible regarding the European Commission’s package of support schemes.

Moreover, in the wake of the coronavirus the European Central Bank (ECB) is providing lending facilities to countries in the Western Balkans. In July 2020, the ECB made credit lines available to Serbia and Albania via repurchase agreements („repos“). The Serbian repo line totals one billion euros and the Albanian one is capped at 400 million euros. These facilities are available to the central banks in Belgrade and Tirana until at least June 2021. The EU member states Bulgaria, Croatia and Romania had already secured access to euro liquidity via repo or swap lines during April 2020.

What is the EU’s Reaction to China’s Growing Footprint in SEE?

If and how the EU should counterbalance Chinese influence in the region is a matter of considerable debate within and between countries. For roughly two decades, countries in the Western Balkans have sought European Union membership. During this quest for integration, the region’s six countries have also interacted with other non-EU external constituents. Most prominently among these have been Russia and Turkey. But since 2013 a new rival for Brussels, Moscow, and Ankara has appeared on the region’s political economy map. In fact, the label “rival” has to be qualified. Moscow, Brussels and Ankara have good reasons to see Beijing as a systemic rival, economic competitor and the political authorities in Beijing. As the Budapest-Belgrade railway project controversy illustrates, China is learning the rules of engagement with EU member states. This experience includes the (belated) adherence to EU procurement standards.

This lesson learned (and applied) is also instructive for another reason. China’s business with Hungary in the railway project underlines that it is not (yet) in a position to define the rules of engagement. Trying to circumvent EU standards and regulations with the assistance of the Hungarian authorities triggered an investigation by the European Commission. Awarding a no-bid contract to Chinese companies also proved counterproductive to China’s determination to increase its reputational capital in Europe. It is premature to argue that divisions among countries in Europe are there for China to leverage. In fact, trying to do so may backfire against Beijing.

But the amount of railway diplomacy necessary for the Budapest-Belgrade project to continue illustrates that China is starting to face a much more pro-active European Commission. This assertiveness is not only confined to the enforcement of transparent financing arrangements, adherence to EU procurement standards and open tender procedures. The Commission in Brussels is also recalibrating its strategic outlook vis-à-vis China. In its March 2019 communication, the Commission labelled China “simultaneously, in different policy areas, a cooperation partner with whom the EU has closely aligned objectives, a negotiating partner with whom the EU needs to find a balance of interests, an economic competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance”. (emphasis added, J. B.)

For those familiar with the diplomatic wording and rhetorical compromises necessary in Commission communications, the March 2019 EU-China strategic outlook represented a robust and, in many respects, new departure of describing the current relationship between the EU and China. But the statement should also not be over-interpreted. China can in fact read any kind of characterization of itself from the Commission’s communication. It may choose to

---

18 Austin Doehler, From Opportunity to Threat. The Pernicious Effects of China’s Belt and Road Initiative on Western Balkan-EU Integration, Center for European Policy Analysis, September 2019.
emphasize the *partner* classifications, while downplaying the *systemic rival* label.

With the inauguration of the 16+1 network in April 2012 in Warsaw, Poland, China joined the institution-building competition in Europe. Seven years later the network expanded to 17+1 after Greece joined at the Dubrovnik summit in April 2019. The 17+1 network is termed by Beijing as a “win-win” combination for participating countries from Central, Eastern and Southeast Europe. It is integrated in the “Cooperation between China and Central and Eastern European Countries” platform. Over the course of the past seven years, China solidified this institutional architecture which organizes the annual “China - Central and Eastern Europe Summit”. The headquarters of the 17+1 network are located in Beijing. The monthly working group meetings take place at the level of participating ambassadors in the Chinese Ministry of Foreign Affairs.

With the 17+1 network Beijing’s has created a platform for high-profile and visible wallet diplomacy. Within less than a decade China has become a political factor and economic interlocutor in Central, Eastern and Southeast Europe. The extent to which this has happened in three critical sub-regions of Europe has initially been underestimated by Brussels. Belatedly, the European Commission addressed the 17+1 platform in its March 2019 Communication:

“Neither the EU nor any of its Member States can effectively achieve their aims with China without full unity. In cooperating with China, all Member States, individually and within sub-regional cooperation frameworks, such as the 16+1 format, have a responsibility to ensure consistency with EU law, rules and policies.” (Emphasis in the original).

It is precisely this need for consistency and unity of purpose vis-à-vis China that represents the biggest challenge for the EU, its member states and the accession countries in the Western Balkans. One central policy field concerns investment screening regulation. Commission President Jean-Claude Juncker first tabled the idea of EU-wide screening regulations in September 2017. On the occasion of his yearly *State of The Union* address before the European Parliament he did not explicitly identify China by name. But Mr. Juncker focused his remarks about the need for new investment screening rules on precisely those European sectors in which China had invested heavily in the preceding years. “Let me say once and for all: we are not naïve free traders. Europe must always defend its strategic interests. This is why today we are proposing a new EU framework for investment screening. If a foreign, state-owned, company wants to purchase a *European harbor*, part of our *energy infrastructure* or a *defense technology firm*, this should only happen in transparency, with scrutiny and debate. It is a political responsibility to know what is going on in our own backyard so that we can protect our collective security if needed.” (Emphasis added, J. B.).

To back up its rhetoric and strategic recalibration vis-à-vis China, the Commission adopted new regulations that established such a framework for screening non-EU foreign direct investment. The regulation entered into force in April 2019 and will fully apply across member states eighteen months later, that is from November 2020 onwards. The 27 EU member states, including the 12 EU countries that are part of the 17+1 platform, will have to adapt their national legislation to reflect the Commission’s investment screening regulations. While the EU regulation provides a framework, the right of each EU member state to decide whether or not to screen a particular non-EU foreign direct investment cannot be curtailed by the Commission.

For countries in the Western Balkans the debate over the need for investment screening procedures, in particular with regard to China, is practically non-existent. Neither Serbia, Albania, Montenegro, Northern Macedonia, Kosovo nor Bosnia and Herzegovina have adopted such regulatory screening procedures. It will be telling to observe how the Commission in Brussels can insist on such screening mechanisms in the accession negotiations with Serbia and Montenegro and subsequently with Albania and North Macedonia. The open question is if political authorities in the region will push back against such screening measures when Commission negotiators address them. Alternatively, they could slow-walk their implementation because the mechanism formally does not yet apply to non-EU countries in the Western Balkans.

China and the 17 participating countries in the network are gradually understanding to reassure the Commission that the 17+1 platform creates “complementarity” with Sino-EU relations. Since 2017,

---


the European Commission has an observer status at the 17+1 summits. This emphasis also appears necessary vis-à-vis EU member states. For that matter the CEEC-China meetings now provide “Guidelines” which refer to initiatives linked to parallel EU activities.23 One such guideline argues that the 17+1 network “takes note” of the so-called “Three Seas Initiative” established in 2016. Also known as the “Baltic, Adriatic, Black Sea Initiative”, it is a forum of twelve EU member states located in Central and Eastern Europe. The 17+1 guidelines further emphasize strengthening regional cooperation. In an acknowledgement to the European Commission, the participating countries in the 17+1 network declared at the Budapest summit in 2017 their willingness to “explore synergies” between the BRI and the Trans-European Transport Networks (TEN-T). Such synergies could be extended to the Western Balkans, for example by enlarging the Belgrade-Budapest railway project “through ports of Montenegro and Albania” (all quotes Budapest Guidelines 2017).24

Against this background, the beginning of 2020 brought new policy challenges for European institutions in the form of the Covid-19 pandemic. Despite an initial ban on exports of medical gear to non-EU countries, supplies are now arriving in countries of the region. But it appears, and not for the first time, that the EU is again losing the PR campaign vis-à-vis Beijing. Perceptions matter in this pandemic, even if facts on the ground contradict them. In reaction to the coronavirus outbreak, the European Commission pledged an emergency assistance package to countries in the Western Balkans totaling more than 410 million euros.25 The ECB is providing special Covid-19 pandemic credit facilities to countries in the region, despite them not being a member of the euro area. But these considerable financial instruments are being overshadowed by the visibility of cargo planes arriving in Tirana, Sarajevo or Belgrade from Beijing.

Conclusions and Outlook

Over the course of the past decade China has gained a strategic foothold in Southeast Europe. This was achieved through a growing network of infrastructure projects, lending by Chinese banks and rising trade volumes. Through the BRI China establishes alternative infrastructure networks for its global trade routes. The BRI also enhances Beijing’s ability to reshape the profile of commerce in regions, including in Southeast Europe. But China’s activities in Southeast Europe are not exclusively BRI driven. Some of its investments, lending and infrastructure development activities took place before the launch of the BRI. Furthermore, China is learning from its engagement with countries in Southeast Europe. During the past decade, Beijing has formed a better understanding of the operational environment and political challenges it faces in the region, particularly in the Western Balkans. This body of experience translates into manifest policy adjustments on the ground:

- Project finance is being diversified to include multi-lateral European institutions such as the European Bank for Reconstruction and Development (EBRD) in Luxemburg or the European Investment Bank (EIB) in Luxemburg. In the case of the Pelješac bridge project in Croatia, Chinese construction companies are benefiting from co-financing arrangements provided by structural funding programmes of the European Union. The Pelješac bridge also raises a wider issue of the EU applying competition policy vis-à-vis China. The project is 85 percent financed through EU structural funds over which the Croatian authorities have discretion. But awarding the tender to the lowest bidder begs the question if subsidized state-owned enterprises (SOEs) such as the China Road and Bridge Corporation (CRBC) should qualify in the first place.

- There is a greater awareness among Chinese authorities that large-scale infrastructure projects in the region need to support the local economy, thus presenting additionality to SMEs and domestic sub-contractors. The initial approach of

---

23 Such guidelines were first adopted at the 6th Summit of China and Central and Eastern European Countries held in Budapest in November 2017. They include a commitment to the “advancement” of the “EU-China Comprehensive Strategic Partnership”, the “EU-China Agenda 2020” and the “promotion” of cooperation in the framework of the “EU-China Connectivity Platform”, the “Investment Plan for Europe” and “supporting” the conclusion of a comprehensive “Agreement on Investment between the EU and China” (Budapest Guidelines 2017).


25 € 38 million are being made available in immediate support for the Western Balkans to tackle the health emergency. An additional € 374 million from the “Instrument for Pre-Accession Assistance” are being re-directed to assist the socio-economic recovery of the region.
Slovakia’s government was the first country in the 17+1 network to develop an extensive “Strategy for the Development of Economic Relations with China 2017-2020” (see Richard Turcsanyi, Slovakia’s Overdue China Strategy, in: The Diplomat, 3 November 2017, https://thediplomat.com/2017/11/slovakias-overdue-china-strategy/). This experience includes demands for increased (financial) transparency in BRI-related infrastructure projects, an open procurement process according to EU rules and regulations with competitive bidding procedures in member states.

- The tripartite Sino-Hungarian-Serbian railway project has been a lesson learned for Chinese authorities in the complexities of European Union Realpolitik. This experience includes demands for increased (financial) transparency in BRI-related infrastructure projects, an open procurement process according to EU rules and regulations with competitive bidding procedures in member states.

- As Chinese financed and constructed infrastructure projects materialize across the Western Balkans, the debate over its environmental impact has grown in volume. Particularly in Bosnia and Herzegovina the construction and modernization of coal-fired thermal power plants has put China on the spot. The contradiction of policy making is evident. President Xi Jinping has strongly advocated support for the Paris Climate Accord from 2016. But simultaneously, Chinese banks are financing and Chinese firms constructing coal-fired power plants in Tuzla and have completed work on another thermal power plant in Stanari, Republika Srpska.

- This apparent contradiction has impacted on the reputational capital of China’s BRI. In order to address the public debate about the BRI’s environmental impact, the Chinese authorities launched a green investment principle for Belt and Road projects at the second Belt and Road Forum in April 2019, emphasizing that future BRI-related investments will strive to be low-carbon and climate resilient. Southeast Europe will be a first test case if China can match its words with environmental deeds.

Seen from the perspective of countries in the region we can argue that initially their interactions with China lacked policy coherence. The formulation of a comprehensive country strategy vis-à-vis China is only gradually taking place. Its definition is the result of lessons learned in the course of the past decade when engaging with China. What we can observe is the transformation of ad hoc initiatives with China towards the emergence of a set of strategic priorities, a better understanding of the legal implications of infrastructure project finance with Chinese interlocutors, the preparation of independent feasibility studies and the acknowledgement of the urgency of capacity building in administrative expertise. This is a work in progress for most countries dealing with Chinese counterparties, particularly those in the Western Balkans. In short, countries in the region are in the process of developing agency and competence vis-à-vis China.

China’s engagement in the region is diversifying into sectors that were considered unlikely only six years ago. The original emphasis was on concessionary lending for infrastructure development and anchor investments that served as catalysts. Today, China’s bilateral cooperation projects include an expanding role in security arrangements. In the Summer of 2019, Chinese officers were engaged in joint police patrols with their counterparts in selected cities in Croatia and Serbia. China’s telecommunications company Huawei is the provider of facial recognition cameras and software for three ‘Smart (Safe) City’ projects in Serbia and in Bosnia Herzegovina (Zivanovic 2019). China is also opening new channels of cooperation by entering into the European arms market. In June 2020, Serbia’s air force received six CH-92A combat drones armed with laser-guided missiles. Serbia is the first European country to deploy Chinese unmanned aerial vehicles.

What makes China’s activities in Southeast Europe such a challenge for European policy makers is the observation that through the BRI countries in the region are putting themselves in a position to implement large-scale infrastructure projects without the need for EU (financial) assistance. Initially, the EU did too little to publicly challenge China’s deepening engagement in Southeast Europe. Government representatives from Tirana over Sarajevo to Belgrade and Podgorica continue to emphasize that their first-choice preference for doing business remains with the EU. China’s willingness to build roads, railroads and ports in the Western Balkans is proving difficult to resist. In the years to come the debate over these challenges will be daunting. Simultaneously, China will continue to fascinate and attract policy makers in the

26 In 2017, Slovakia’s government was the first country in the 17+1 network to develop an extensive “Strategy for the Development of Economic Relations with China 2017-2020” (see Richard Turcsanyi, Slovakia’s Overdue China Strategy, in: The Diplomat, 3 November 2017, https://thediplomat.com/2017/11/slovakias-overdue-china-strategy/)

region. China is not looking at short-term, immediate results. The government in Beijing is focused on where China is going to be in the next 20 to 30 years. In Southeast Europe, the EU is facing a non-EU-external actor that is positioning itself to become an ally of choice for countries in the region.

As countries in Southeast Europe seek to cope with the consequences of the Covid-19 pandemic in their health sectors, across society and the emerging economic fallout they are also having to reconsider their bilateral relations with China. The same holds for China which is seeking to re-write the narrative of the coronavirus. Beijing’s focus rests on switching from the incubator of a pandemic in Wuhan, Hubei Province to a pro-active global leader helping other countries in times of urgent need. Chinese assistance in delivering medical supplies for Albania, Greece, Serbia, Slovenia, Bosnia and Herzegovina and Turkey during the pandemic in March and April 2020 underscores its efforts at repositioning itself diplomatically and with practical on the ground support.

These outreach activities point to how China is using the pandemic as a further opportunity to highlight the advantages of its model of crisis management and international relations strengths. In addition, the Chinese cargo planes landing in southeast European capital cities loaded with face masks, pharmaceutical supplies and protective gear illustrate the capacity of China to intervene in other countries’ medical supply chains. China’s ‘donation diplomacy’ widens its perimeter of engagement. Such diplomacy illustrates to an international audience what leverage China can muster in health supplies and the dependence of European countries on Chinese pharmaceutical manufacturing.

The institutional capacity building energies China has undertaken in the course of the past decade in the region assist these endeavors. China has used the 17+1 network to organize video conferencing meetings on Covid-19 with participating countries from Central, Eastern and Southeast Europe. But the signature event for China and its relations to countries in Central, Eastern and Southeast Europe in 2020 has had to be postponed. The ninth annual summit of the 17+1 network was scheduled to take place in mid-April 2020 in Beijing. President Xi Jinping was to deliver the keynote speech and meet the participating heads of state from across the three regions. The fact that president Xi himself was to host the April event underscored the political significance Beijing is giving to the 17+1 network in Europe.

One key area of cooperation with China which countries in Southeast Europe will have to address concerns the disruption of complex and integrated global supply networks. This development has immediate consequences for the commercial shipping sector between China and its European maritime hub in the Port of Piraeus near Athens. Not only is container traffic declining year-on-year in Piraeus. Moreover, the subsequent transport of these products and services through Southeast Europe and onward to Western Europe is currently constrained.

Another sector that will impact on countries in Southeast Europe concerns tourist arrivals and overnight stays from China. Over the course of the past decade countries such as Greece, Croatia, Montenegro and Serbia have increasingly focused their tourism policies on the accommodation of Chinese citizens visiting their cities, historic sites and coast lines. Given existing travel restrictions and freedom of movement limitations, receipts from tourism arrivals will adversely impact domestic airlines, airports, cruise ships, restaurants, hotels, museums and others.

Finally, in the course of the past decade China has expanded its maritime reach and cross-border connectivity through its BRI. China’s signature foreign policy project critically relies on open borders, mobility of labour, as well as the export of goods and services. The inter-connectedness of global supply chains is another cornerstone for the advancement of the BRI. All these characteristics – mobility, connectivity and operational supply chains through new transport infrastructure - are now subject to restrictions by national governments across continents. In consequence, the continued implementation of the BRI is facing unprecedented political and institutional hurdles in many participating host countries. We therefore expect that the recalibration of the BRI, which was already under way before the Covid-19 pandemic will further accelerate. In Southeast Europe it is already visible how the BRI is being enlarged towards a “Health Silk Road”.

Note: This article was also published in Südosteuropa Mitteilungen 03, 2020.
The 17+1 Cooperation Platform: Between Wishes and Reality

Ana Krstinovska

Founder and President of ESTIMA – The Knowledge Brand, a Skopje-based think tank and consultancy focusing on China, the EU and the Western Balkans. Formerly State Secretary for EU Affairs in the Government of North Macedonia, First Secretary in the Macedonian Mission to the EU in Brussels and Advisor on international cooperation to the Prime Minister.

E-Mail: Krstinovska@estima.mk

Abstract: The article aims to provide a brief analysis of the 17+1 cooperation platform between China and CEE countries in terms of its design, mechanisms and key features. China’s approach and interests in the initiative and the benefits expected by CEE countries are examined against the backdrop of its inherent shortcomings, such as the lack of a truly regional approach, resource and knowledge asymmetries and the lack of ownership by CEE countries. Developments in the EU-China relations also influence the potential results of the initiative and the attitude of CEE countries. Notwithstanding the importance of the 17+1 cooperation, especially for non-EU member states in the Western Balkans, there are important obstacles to be overcome in order for them to achieve more substantial results.

Introduction

The 16+1 initiative was launched in Warsaw in 2012 as a regional cooperation platform for 16 Central and Eastern European (CEE) Countries to engage with China. At the Dubrovnik summit in 2019, Greece joined as the 17th European country in the initiative, transforming it into 17+1. In the lack of concrete founding documents, the content, scope, and vision of the cooperation is being shaped “along the way” with each ministerial meeting and annual summit where joint documents are published under the name of Guidelines. Thus far there is no definition which would limit the scope of the cooperation in terms of geographic or thematic areas, leaving space for further expansion, and allowing for all societal stakeholders to take part – governments and national institutions, local authorities, civil society organizations and think-tanks, as well as business organizations and companies.

17+1 – Regional or Bilateral Initiative?

Bearing in mind the multi-faceted and multi-stakeholder character of the cooperation, examining its achievements and trying to seize the lowest common denominator, the 17+1 cooperation can be defined as China’s regional approach to deal with CEE countries on a bilateral basis. As paradoxical as it may sound, this implies that China sees CEE as a region, but still prefers to deal with individual countries on a bilateral basis and not through regional instruments.

Such an approach can be partly explained by the maturity and design of the cooperation, as well as by Chinese interests. Namely, with a couple of exceptions, until the launch of the 17+1 cooperation China was not very present or interested in many of the countries in the region. Its experience in guiding such a regional and diverse forum is quite recent, leading to a limited pool of mechanisms and topics to engage all the countries and keep them interested. The 17 CEE countries are quite heterogeneous and do not share the same concerns, needs and interests. Arguably and understandably, they do not see themselves as a homogenous region and pursue primarily their own national agendas. In addition, given the current setting, China can also test and exploit different opportunities with different CEE countries, while taking advantage of the competitiveness between them.

This is also visible in the fact that within the 17+1 cooperation there are almost no genuinely regional projects or projects that would involve more than one CEE country and China, which reduces the actual cooperation format to 1+1. The first and thus far only project with sub-regional dimension is the modernization of the railway along Corridor X where North Macedonia, Serbia and Hungary were supposed to contribute each to a smooth establishment of the China–Europe Land–Sea Express Route which would connect Athens and Budapest and ensure smooth and faster flow of goods between the Chinese-owned port of Piraeus and the rest of Europe. While the activities

1 The 17 CEE countries include 12 EU Member States: Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Greece, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia, and five Western Balkan countries: Albania, Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia.
in Serbia and Hungary are underway, North Macedonia has not been showing any interest in the project recently. According to its Single Project Pipeline, a strategic document which includes all infrastructure projects to be constructed in the country, it is categorized as a non-mature project which lacks project documentation, which means that it is not likely to be even started in the short to medium term. This puts the completion of the land-sea express route into question, since without the rail section in North Macedonia or an alternative extension, there will be no express link to Piraeus.

(Un)Fulfilled Promises

The 17+1 cooperation helps China to save resources while expanding its footprint in a region where it previously did not have significant presence. It also helps smaller CEE countries to obtain a regular occasion to be seated at the same table with China, something which most of them, especially the non-EU countries in the Western Balkans, did not have in the past. But, eight years after the launch of the initiative, there are serious doubts whether those countries managed to make appropriate use of the opportunity and what benefits they obtained along the way. The reasons are manifold.

First, the very design of the cooperation implies that China is the leader of the initiative, shapes the broad contours of the cooperation and sets the agenda through its Beijing-based secretariat. The summits, and especially the bilateral meetings with the Chinese Prime Minister on the sidelines, are then used by other participating countries to promote primarily their own bilateral interests, which usually fall short of a regional dimension and thus fail to attract the attention of other CEE countries.

Another aspect which contributes to further tilt the balance of cooperation significantly in the direction of China is the willingness and ability to invest national resources in the conception and the coordination of the cooperation agenda and priorities. Most of the 17+1 activities, especially those related to research, strategic planning and programming, are almost entirely funded by Chinese stakeholders – be it the Chinese Government through the National Development and Reform Commission or line ministries, local and provincial governments, Hanban Headquarters (汉办) and the Confucius Institutes, the newly established China International Development Cooperation Agency or some of the Chinese renowned think tanks. Such a resource asymmetry where CEE countries are not required to pay almost anything and are invited to take part in specific meetings with predefined agenda reduces them to “junior partners” in the cooperation. At the same time, it is not clear whether, if asked to pay anything, they would be willing to do so and whether they would have any success if they tried to influence the agenda.

Third, the resource asymmetry brings along important knowledge asymmetry. China invests a lot in developing the scholarship on both the 17+1 platform and the Belt and Road Initiative (BRI), not only through its own universities and think tanks, but also through the support it provides to scholars, civil society and academia in CEE countries. By doing so it encourages them to do research on topics of interest to China, collects valuable information on national policies in CEE countries, examines perceptions by surveying the public opinion and harvests ideas on the future development and improvement of its engagement in CEE. To the contrary, CEE countries seldom invest own resources in developing their knowledge, human and institutional capacities to deal with China, which leads to a very low degree of understanding, dependence on foreign donors in the civil society and inability to devise appropriate policies in order to use the existing opportunities, even less to propose new avenues for cooperation that would be more suited to their needs and interests.

As a result, there is a certain level of disenchantment that begins to occur on the side of CEE countries. The trade deficit remains significant for all of them. Out of 30 billion Euro Chinese investments in Europe, only two per cent go to CEE countries. One of the most prominent voices of the disenchantment is the Czech President Miloš Zeman who declared that he would only be attending the 17+1 summit in April 2020 in Beijing provided that the Chinese side fulfilled the promise to deliver important investments in his

---


country. He is not the only one though and similar reflections are common among policy makers in CEE.

Establishing Cooperation and Dialogue or New Spheres of Influence?

The risk for the CEE countries to deviate from the European agenda and values should not be solely attributed to the Chinese presence in the region, which is oftentimes overestimated. The lack of a clear EU accession perspective for non-EU countries, intrinsic vulnerabilities related to rule of law, democracy, human rights and freedoms in a number of CEE countries, both in and out of the EU, as well as vested interests of the political and business elites in the region play their part as well. However, if asked to choose, most CEE countries would not risk their European allegiance. China neither offers nor is seen as a viable alternative for anything more than occasional cooperation.

China’s predominant interests in Europe on the short to midterm are anchored in Western European countries which receive the “lion’s share” of Chinese investments. However, the 17+1 cooperation platform is a pool of potential allies that China can attract and mobilize when it suits its domestic needs, for example on the issues of Taiwan, Hong Kong, Tibet or Xinjiang, especially when it faces global criticism. CEE countries are members of various international organizations where important decisions are adopted, including the EU, NATO, UN, WTO, WHO and others. In addition to this utility aspect, non-EU members of the 17+1 cooperation provide China with the opportunity to test and employ anything that falls short of EU standards, be it investments in sensitive areas, shady contracting and procurement procedures, exports of construction materials, or workers and technology. Furthermore, for a country like China, which strives to obtain and/or maintain the status of a global power, it is indispensable to achieve global presence first. Being present in a region where it had only limited presence previously – in the EU and in its courtyard – and trying to shape policies through the 17+1 cooperation holds significant importance for China.

At the same time, the EU-China virtual summit in June 2020 marked a turning point in their bilateral relations, at least with regard to the rhetoric. EU officials are becoming bolder in voicing their discontent with many Chinese actions and are raising the alarm against its potentially “malign influence”, including in the new enlargement methodology proposed by the European Commission, which directly concerns non-EU countries in the 17+1 cooperation as well. If the new rhetoric is followed upon in practice with a policy change, political conditionality and more stringent conditions for cooperation (like the investment screening mechanism or tariff duties targeting subsidized exports, as well as potential sanctions in cases of non-compliance with EU rules and standards) it may further discourage some CEE countries’ close cooperation with China. Such a scenario is more likely to happen in sensitive areas such as investments, infrastructure, and new technologies and also under the pressure of the US. Poland’s activities to ward off Huawei, Romania’s cancellation of the deal with China to invest in nuclear energy, voices of discontent over the Chinese concession of Tirana’s airport are only a few examples to suggest that Chinese deals in CEE are nowadays more and more likely to come under increased scrutiny.

On the other hand, China uses every opportunity to appease and reassure the EU that it is not in its interest to “divide and conquer” its member states, as often assumed. A commitment was introduced in the Sofia Guidelines in 2018 that the 17+1 cooperation should be compatible with the EU initiatives, documents and principles. The next EU-China summit, initially scheduled to take place in September 2020 under the German EU Council Presidency but postponed due to the COVID-19 pandemic, was supposed to gather for the first time the 27 leaders of the EU member states alongside EU’s top officials. Such a meeting would be an occasion for the Union to start demonstrating the much needed level of unity. But, given that the
Western Balkans do not fit into that format, unless they are invited to attend, they will remain on their own in figuring out the right balance between adhering to EU norms and pursuing their own interests vis-à-vis China.

Another novelty that China announced this year before the 17+1 Beijing Summit in April (equally postponed due to the pandemic), was that the reunion was to take place at the level of heads of state, instead of government, as it has been the case thus far. While this move will undoubtedly raise the level of the initiative from the Chinese point of view, it is unclear whether it would contribute to an increased impact in CEE countries or to the contrary, further decrease the efficiency of the cooperation. Namely, unlike in China, the Heads of State in most CEE countries only hold symbolic importance and do not have any competences beyond security, defense and foreign policy. In addition, the fact that they do not have direct hierarchy over the state administration, and sometimes even come from parties other than the ruling one(s), puts into question their institutional capacity to implement any commitments they may undertake.

**The Way forward**

The 17+1 cooperation platform, with all its flaws and controversy, is the only way for many CEE countries to have a more intensive cooperation with China and to pursue their own interests. While it has not delivered most of what it promised, or most of what the 17 countries expected, China is not the only side to blame. It is simply catering to its own interests first. The 17 CEE countries need to reconsider their expectations and devise appropriate strategies to obtain what they want. While doing so, they need to weigh their long-term interests, such as membership in the EU or on the other hand sanctions for non-compliance with the EU values or acquis, and their short-term gains related to investments, exports and infrastructure. At the same time, China needs to understand that unless CEE countries see some specific benefits from the cooperation, it is condemned to fail and that this would leave a stain on its nascent reputation of a global power.

*Note: This article was also published in Südosteuropa Mitteilungen 03, 2020.*

---


17+1 Cooperation: A Non-Western Transregional Mechanism in the West?

Viktor Eszterhai

Senior researcher at Pallas Athene Geopolitical Research Institute and assistant professor at Corvinus University of Budapest.

E-Mail: Viktor.Eszterhai@uni-corvinus.hu

Abstract: The “17+1 Cooperation” can be best understood as a non-Western transregional institution, which fits well into China’s emerging rule-setter multilateral institution-building efforts. The paper investigates how this new platform affects existing European structures. It lists the major areas of disagreement with the European Union, which, together with growing scepticism in Central and Eastern Europe about the possible role of the platform, have led to a crisis of the “17+1 Cooperation”. However, the paper argues that in the Western Balkans the platform can play a more relevant role in the future, which on the one hand reduces the dominant importance of the European Union, but on the other hand is in alignment with its interests, since the platform can play a complementary role in stabilising and developing the region.

The “17+1 Cooperation” problem

Since its establishment in 2012 by sixteen Central and Eastern European (CEE) countries and China, the “16+1 Cooperation” (renamed “17+1 Cooperation” after Greece joined in 2019) has been the focus of European attention. The reason for this is that it is not clear why the region needs a new institutional channel in addition to the European Union (EU) to maintain its relationship with China, since twelve of the seventeen CEE countries are also members of the EU. As a result, there is some anxiety within the EU that China is creating regional spheres of influence that compete with existing transnational governance structures in Europe. From this point of view, this contribution argues that the “17+1 Cooperation” can be regarded as a ‘Trojan Horse’, which divides the EU in order to effectively interfere in European politics. In order to judge whether these concerns are well-founded, it is necessary to first define the “17+1 Cooperation”.

Defining the “17+1 Cooperation”

According to the official definition, the “17+1 Cooperation” is a transregional multilateral mechanism which was established with the aim of coordinating the relationship between CEE countries and China. According to official statements, the “17+1 Cooperation” is not against European structures. Rather, it is often argued, it plays a complementary role in EU-China relations. Several elements of the official definition should be explained. First, China’s ambition to establish such institutions is a new phenomenon in its foreign policy. For almost two decades after the early 1990s, China followed a rule-taker, low profile foreign policy. Based on the realistic assessment that China did not have enough capacity to change the existing international regime, the dynamic growth of China’s economic power was not combined with active participation in the international arena.

However, since the 2007-2008 financial crisis, China’s rule-taker attitude has changed, and now it openly argues that it has the right to participate in the global rule-making process. China’s ambition to build interregional institutions symbolises the country’s rule-setting behaviour and its changing perception of its role in global governance. Second, establishing multilateral institutions is also a new phenomenon in China’s foreign policy, because historically the country has more experience in managing bilateral relations. Bilateral relations are especially favourable for large states like China since generally they have more room to influence the relationship. However, a shift towards multilateral institutions has some advantages too. First of all, it increases efficiency, which, especially in a diverse region like CEE, is a rational choice.

It must also be important for Beijing that multilateral platforms can provide more potential for influencing its environment due to the fact that China sets the rules of cooperation based on its own interests. Third, the “17+1 Cooperation” is more than a mechanism, and it has the basic characteristics of a multilateral organisation, namely that it was created by a formal instrument of bilateral agreements between the sovereign governments of nation states; it was formed with the aim of pursuing common interests; it has formal organs and regular plenary sessions; and finally, it has the ability to evolve. However, although the “17+1 Cooperation” fulfills all the criteria of a multilateral organisation, it has never been officially labelled as one; instead, it has only ever been referred to as a “mechanism”.

The reason behind this is Beijing’s cautious behaviour: it wants to avoid open conflict with the EU. As a result, official statements always emphasise the complementary character of the platform. Finally, the CEE–China cooperation via the “17+1 Cooperation” fits well into China’s other new forms of cooperation (e.g. the Forum on China–Africa Cooperation), which seek to channel state-level relations between China and other regions. The China–CEE cooperation, labelled by Chinese President Xi Jinping as a new form of South-South cooperation, shares several unique features with them (e.g. voluntary participation in the cooperation projects, loose institutionalisation, and a flexible and result-oriented character). All of this means China has a coherent worldview and foreign policy toolkit – rooted in distinctive cultural and historical traditions – to handle interstate relations and on which to base international institutions. From this perspective, international institutions based on non-Western values and norms are potentially viable. Based on the above characteristics, this contribution argues that the “17+1 Cooperation” can be regarded as a new type of international institution, representing the multi-polarisation of the international system since it has been introduced by a rising global actor. From this point of view, the “17+1 Cooperation” seems to present an obvious challenge to the Western-centric transnational government structures and can be considered a paradigm shift in Sino-European politics. This is true even despite the moderate economic importance of the cooperation, which is mostly the result of the CEE region’s economic weakness and dependency on the West. China is the first non-Western actor in the EU that is not only trying to influence European politics from the outside but has already established a new institution within the EU. Therefore, the “17+1 Cooperation” is a forerunner of a new era, even if the Chinese leadership has never officially stated this.

Areas of disagreement and the crisis of the “17+1 Cooperation”

There are important concerns related to the “17+1 Cooperation” within the EU. The way projects within the framework are implemented can generate conflicts with EU legislation. China’s low-interest financing tools, combined with construction projects being carried out by previously designated Chinese state-owned enterprises (in accordance with the so-called “loan-and-build contracts” scheme), which has been a common Chinese practice in developing countries and has appeared in Europe with the “17+1 Cooperation”, are highly problematic.

The “loan-and-build contracts” method violates EU market rules and is characterised by a lack of transparency. EU member states must call for tenders in the case of public investments, and the “loan-and-build contracts” scheme, where the Chinese government selects companies in a non-transparent way, must be halted.

7 Bartosz Kowalski: China’s foreign policy towards Central and Eastern Europe: The “16+1” format in the South–South cooperation perspective. Cases of the Czech Republic and Hungary”, Cambridge Journal Eurasian Studies, Volume 1.

23
way, breaches the EU’s internal market rules (e.g. public procurement, environmental impact assessment, technical standards etc.). Furthermore, China’s growing activity in the CEE region often seems like a challenge to European principles, values and current infrastructure projects. Since the political transition of CEE countries in 1989, all of them have accepted the “Western modernisation model” that attempts to introduce a market economy and liberal democracy simultaneously. The “17+1 Cooperation” is a possible tool for China to challenge this model.

- First, there is a fear that competition between CEE countries for Chinese investments makes the region more supportive of China’s foreign policy interests while hindering the EU’s efforts to place emphasis on topics in Sino-European relations that are connected to “core Western values”, such as human rights, democratic reforms etc. The CEE region has been integrated into global value chains on the basis of its cheap labour force, which is a serious threat to the EU, since the “17+1 Cooperation” can further divide EU member states.

However, these conflicts of interest do not pose a serious threat to the EU, since the “17+1 Cooperation” has so far not fulfilled the hopes of its participants. The number of relevant projects within the framework is still relatively small as a result of the narrow space for economic cooperation.

The CEE region has been integrated into global value chains on the basis of its cheap labour force, which is moderately attractive for Chinese companies, but at the same time, due to the lack of globally competitive products in CEE countries, the region offers little room for expanding trade. The EU also weakens the “17+1 Cooperation” in several ways. EU funds for its member states provide a competitive way to implement projects which the Chinese offers cannot compete with. Recently, it seems that Chinese companies are starting to participate in tenders for EU funds, like in the case of the Pelješac Bridge in Croatia. However, in these cases Chinese companies do not have much leeway and must accept the rules set by the EU.

Moreover, the EU is among the most regulated markets, therefore it leaves very little room for alternative Chinese debt-based solutions. That is the reason, China has been mostly successful in infrastructure projects through no-tender bids in the non-EU Balkan countries. As a result of these factors, there has been a tangible loss of illusions in the region regarding the mechanism, which led to a crisis of the cooperation by 2018-2019. This scepticism currently dominates in the majority of the EU member states of the cooperation, with only a few exceptions like Hungary and recently joined Greece. Reflecting the growing dissatisfaction in CEE countries, the Polish Prime Minister did not attend the Sofia Summit of the “17+1 Cooperation” in 2018. It was also politically disappointing to China that only Hungary and Greece were represented at the highest level among the EU member states of the “17+1 Cooperation” at the 2019 Second Belt and Road Forum. In addition, diplomatic tensions have become common between Poland and the Czech Republic and China.

The most obvious solutions to the crisis would be the involvement of the EU to a greater extent and the harmonisation of “17+1 Cooperation” working mechanisms and European standards. These changes, however, would make the “17+1 Cooperation” irrelevant. For Beijing, this would mean the failure of its rule-setting politics in the EU, while the CEE countries would see it as giving up a platform which

---

provided special treatment by China, a platform which has no equivalent in the EU.

In summary, China’s new institutions may pose a challenge to the European structures in theory, but as the case of the “17+1 Cooperation” shows, a mature and functioning organisation like the EU can put up significant resistance.

Western Balkans: the “17+1 Cooperation” as a competitor of the EU?

While there is growing scepticism in EU member states regarding the opportunities China can offer with the “17+1 Cooperation”, there is another view of this question in the Western Balkans region, due to China’s active presence. In the Western Balkans, China has become a major lender and builder in infrastructure construction (e.g. the Kicevo-Ohrid and the Miladinovići-Stip motorway in North Macedonia and the Bar-Boljare motorway in Montenegro) and the energy sector (e.g. coal-fired plants in Serbia and Bosnia and Herzegovina), as well as an important investor in the steel and mining sectors (e.g. the HeSteel Group in the Smederevo steel plant and Zijin Mining Group Ltd. in Mining and Smelting Combine Bor). It provides financial loans to the capital-poor countries of the region, which they desperately need. Although there is a lot of criticism from the EU regarding the standards of the “17+1 Cooperation”, some Western Balkan countries see China as the major source of their future development. In this changing environment the “17+1 Cooperation” is still quite irrelevant, since most of the countries see the platform only as another channel to further strengthen their bilateral relationship with China in order to boost economic development.

The platform therefore has not yet been intensively used for financing and implementing regional projects, but in the following years this may change. The economic interest of Chinese companies operating in the region is to reach the EU and global markets faster, which requires international infrastructure and greater connectivity. While it is highly unlikely that the “17+1 Cooperation” would challenge the role of the EU in the region in the coming years, it can become an alternative source of financing regional projects.

Different standards, political and economic cultures are unwelcome in the EU, but the “17+1 Cooperation” can be used for financing multilateral economic projects and can provide the region with new access to technology and knowhow, which is in line with the official aims of the EU. The cooperation can therefore play a useful and complementary role from the EU’s perspective.

Conclusion

The emergence of the “17+1 Cooperation” in Europe reflects the fact that the international order has undergone a major transformation. China is creating parallel and new institutions that are transforming global governance. The “17+1 Cooperation” in itself does not pose a real challenge to the deeply regulated EU that has existed for decades, but it is a forerunner to China becoming an increasingly active player in European politics in the future.

The “17+1 Cooperation” should therefore not be overestimated by European decision-makers. This does not mean that the potential of the institution cannot be exploited. A less hostile view of the mechanism and cooperation with China in the Balkan region may also be the EU’s interest. As the Western Balkan countries are increasingly less likely to join the EU in the near future, it is in the EU’s strategic interest to work constructively with key external actors in the region to shape its future. A multilateral, institutionalised platform for transnational cooperation is a suitable mechanism and aligns with the EU’s objectives. The cooperation can play a complementary role in achieving the EU’s aims of deepening the integration of the Western Balkans and supporting its development. At the same time, a supportive attitude would give the EU greater leverage to intervene in the institution’s internal mechanisms and regulation, reducing the possibility for China to establish non-EU conforming rules in the region. It is a more efficient strategy for the EU to participate in the forming of the platform than to fight against it as an outsider.


To Achieve Real “Win-Win” Cooperation between EU and China in Southeastern Europe

Yuan Li

Institute of East Asian Studies, University of Duisburg-Essen, President of the Chinese Economic Association, Europe/UK (CEA), the largest academic association on Chinese Economy in Europe.

E-Mail: Yuan.li@uni-due.de

Abstract: This contribution discusses two interrelated questions. Firstly, is China trying to create regional spheres of influence that compete with existing transnational governance structures in Europe? We then turn our attention to an empirical inquiry, namely if the 17+1 network is a precursor for a paradigm shift in Sino-European politics?. Our line of argument models Sino-European politics as a game being played between a big country (the extra-regional actor, i.e. China) with a group of smaller countries (the intra-regional actors, e.g. in the 17+1 network). A key conclusion argues that when China cooperates with an individual country in Europe, it should be careful about externalities such cooperation can create, in particular regarding internal cohesion within the EU.

Introduction

Nowadays the world has become increasingly “flat”, in which the global mobility of capital, goods, labour and information create a network of fast-growing interdependence that knit Europe and China together more closely than ever. In recent decades, the economy and society of China, have been showing extraordinary dynamism and exert substantial influence far beyond its geographic territory. The emergence of regional rules and norms of interrelation with “Chinese flavor” also transcends their geographic territory, and as a result, cooperation and conflict may take place simultaneously in different spheres of social, political and economic interaction. One should recognize that processes of cooperation and conflict take place simultaneously. Notably, there have been some tensions between the EU’s and China’s regional strategies in Southeastern Europe in recent years.

Starting from 2011, China has developed a special relationship with Central and Eastern Europe, under an umbrella known as “Cooperation between China and Central and Eastern European Countries”, which is also known as the “17+1” (formerly “16+1”) cooperation (Greece joined in April 2019). As it convenes at the same table 12 EU member states and 5 non-EU member states, this structured dialogue was not well received by the European Commission. Brussels would instead prefer to see China sticking to the traditional EU-China format. Many argue that 17+1 represents a model of regional cooperation where China defines the regional makeup in line with China’s regionalization ventures. Some European political and business elites increasingly worry that China may employ the 17+1 as diplomatic leverage to divide and rule Europe.

This view is well summarized in the words of the former German Foreign Minister Sigmar Gabriel who called on China to pursue a “One Europe” policy in his speech in August 2017. Is China trying to create regional spheres of influence that compete with existing transnational governance structures in Europe? Is the 17+1 network a precursor for a paradigm shift in Sino-European politics? In this article, we shall analyze the above two questions.

The “17+1” and Sino-European Politics

Firstly, we question the argument that China intends to use the 17+1 cooperation to create regional influence in Europe that challenges the solidarity of the European Union. It is quite apparent that the 17 constituent states involved in the cooperation can hardly form a “region” based on political and economic relations. Although all of them are geographically located on the European continent, due to the drastic differences in their culture, economic, linguistic, and political attributes, they have not cooperated under any institutional umbrella before, thus cannot be considered as a cohesive region. For instance, Russia’s most eastern frontier and the state of Alaska are very close to each other, but Russia and the US are not considered as a region. Therefore, how can China aim to create regional influence to challenge the existing transnational governance structures in Europe, if the 17 countries cannot even constitute a region? Moreover, doing so...

---


may trigger tensions with Brussel, Berlin, and Paris, which is not in the interest of China. Therefore, it is not likely that China’s aim to create the “17+1” cooperation is to challenge the unity of Europe. 3

The “17+1” cooperation may be inspired by the successful experience of the ASEAN-China cooperation (so-called “10+1”), which facilitated mechanized meetings among national political leaders. Nonetheless, different from ASEAN, the 17 countries in Europe are not a regional organization. Thus, it would be difficult to apply the same regional cooperation approach as the ASEAN-China relations. The “17+1” cooperation is a supplement to the existing Europe-China partnership relation and cooperation framework, which will not trigger a paradigm shift in Sino-European politics. In the absence of a comprehensive trade and investment agreement between the EU and China, the “17+1” cooperation is a pragmatic and second-best solution to facilitate cooperation between China and Central and Eastern European countries.

The first-best choice is of course for the EU and China to reach a comprehensive economic partnership agreement that cannot only enhance and regulate trade and investment between EU and China but also facilitate their coordination on third markets. Once a comprehensive economic partnership agreement with China can be achieved at the EU level, there is no need for any second-best sub-regional cooperation mechanism. However, the negotiation of such a comprehensive agreement is very time-consuming. Although the EU and China have already launched negotiations on a Comprehensive Agreement on Investment since 2014, it may still need years to conclude the investment agreement, not to mention the two sides still have not started the negotiation of a free trade agreement. Then sub-regional cooperation mechanisms such as the “17+1” may serve as “levers” to gradually push a heavy object, such as a comprehensive Sino-European economic partnership agreement, up a slope.

Second, the biggest threat to the solidarity of the EU is the defection of core member states and the collective action problems among its member states. If handled well, China’s cooperation might become an opportunity for the EU to enhance its regional integration. The traditional European integration theory emphasizes the benefit of creating a regional market and liberalize regional economic exchanges. However, this theory, in general, lacks an efficient tool to analyze the impact of extra-regional actors on intra-regional cooperation. A more appropriate approach for the analysis is to adopt the tool of non-cooperative games in a strategic setting.

We can model Sino-European politics as a game played between a big country (the extra-regional actor) with a group of smaller countries (the intra-regional actors) (See Krapohl 2017 4 for a similar game applied to ASEAN countries). Assuming foreign investment is a scarce resource in demand that every country is competing globally. Under the given setting, there are at least two incentives for the group of smaller countries to pursue regional integration:

- The larger size of the integrated regional market makes the region more attractive as a destination for foreign investment and,
- The smaller countries can increase their bargaining power vis-à-vis the extra-regional big country in the negotiation of (bilateral) treaties.

However, the cooperation of the smaller countries is not that stable due to internal collective action problems. The first collective action problem is due to the issue of free-riding, where all member countries prefer the others to bear the costs for creating and maintaining the regional coalition. Therefore, all countries would intend to shirk from their duties to contribute. Although free-riding is a problematic situation for regional cooperation, a leading country (such as Germany or France) that volunteers to pay the costs or strong regional institutions can be the solution.

The second problem is that some member states may enjoy disproportional benefits when cooperating with the extra-regional actor unilaterally. Thus, they have incentives to adopt bilateral cooperation instead of complying with the regional cooperation agreements. Since foreign investment is a resource in demand worldwide, no member country wants to be left behind to achieve a bilateral agreement with the extra-regional country. In this scenario, the external country does not even need to play a divide-and-rule strategy; the internal collective action problems

---


among the smaller countries would make the small country coalition collapse.

Still, it would be better for small countries to unite together to increase their bargaining power and attractiveness to the international investors. However, they would need to overcome their collective action problems first. There is no easy way to achieve this. If all individual member countries just think about their own countries’ interests, certainly it is not a good sign of solidarity. Unfortunately, this is a real concern inside the EU. For example, facing the risk of public health system collapse due to the heavy blow of the coronavirus epidemic, Italy asked to activate the EU mechanism of civil protection for the supply of medical equipment for individual protection. However, unfortunately, not (!) a single EU country responded to the call. Only China responded bilaterally by sending essential medical supplies, including masks and respirators, as well as medical teams.

Some Policy Recommendations

We may take a closer look at the EU. It consists of bigger and smaller member states. If a few smaller states defect but bigger states do not, the Union can still sustain. However, if the core member states defect, then the Union might collapse. Therefore, the key to maintaining the unity of the EU is that bigger members do not defect. However, sometimes they do. The most salient example is the UK’s Brexit departure from the European Union. On the other hand, EU policies are multi-dimensional, where foreign relations with China is just one dimension. Other more urgent policy dimensions for the EU member states to cooperate include the immigration policy, monetary and fiscal policy, agriculture policy, security policy, and emergency response mechanism for a public health crisis such as the COVID-19 pandemic. To reach a consensus on any of the above-listed policies is difficult. A possible way to forge consensus is to give the smaller countries some leeway in their China policy in exchange for their support in other more critical policy dimensions.6

The EU Commission could conduct a thorough analysis of the net social and economic effects of the connectivity projects with China for each country and the Union as a whole. As connectivity projects may help to ease bottlenecks of infrastructure and become a propeller for the economic growth of the relatively poorly integrated countries in Southeastern Europe, it is very likely that the net effects are positive. Therefore, it would be a rational choice for the EU to give smaller individual countries some leeway to cooperate with China in exchange for their consensus on other more critical policy dimensions. More importantly, in this way, Brussel can create extra incentives for China to support EU integration so that all of Europe can benefit from increasing investment inflows and improved access to the Chinese market.

For China, when it cooperates with an individual country in Europe, it should be careful about the externality of this cooperation on the solidarity of the EU. The fundamental problem concerns which interests should be given priority, what rules and norms should be applied, and which principles it should serve. This is not an easy problem to solve. Given all the difficulties mentioned above, what China can do is try to hold open the dialogue channels concerning the fundamentals with the EU, and try to connect the “Chinese dream” (e.g. enhancing the prosperity and strength of the nation and the well-being of the Chinese people) with the goals of the EU (e.g. enhancing economic, social and territorial cohesion and solidarity among EU countries). Besides, Europe and China should enhance mutual understanding.

In the era of globalization and the internet, China and Europe are facing common global challenges. They need to be open-minded toward their differences and strengthen their relations at various levels. One should recognize and embrace the diversity of the real world, where no two countries follow the same institutional setup and ordering mechanisms. The world is colorful because of the diversity of history, culture, and society. It is time for Europe and China to figure out how to make the most efficient use of the opportunities provided by the Belt and Road Initiative and achieve real “Win-Win” Cooperation.

---


Primed Receptors: Synergies between Western Balkan Political Elites and Chinese Economic Actors and State Media

Kurt Bassuener

University of St. Andrews / School of International Relations, PhD student. His doctoral thesis focuses on the functional dynamics of postwar power-sharing in Bosnia, North Macedonia and Lebanon. Co-founder and Senior Associate of the Democratization Policy Council.

E-Mail: KBassuener@democratizationpolicy.org

Abstract: This article assesses the methods of China’s engagement in the Western Balkans, particularly in the media space of the region’s entrenched political elites. China’s approach is similar to that of other geopolitical challengers, including the EU and wider West, which were effectively unchallenged until six years ago. This fact underscores the EU-led policy failure to date, amplified by the ongoing COVID 19 crisis, and suggests that Brussels’ current policy of countermeasures and competitive bidding will not only fail, but be counterproductive. The EU’s development of a civic constituency and institutionalized culture of accountability – implied with the acquis communautaire, but de-emphasized to date in favor of an elite-based and pacification-focused policy – would provide not only the greatest resilience to external authoritarian penetration, but also the highest likelihood of “clubbable” future member states.

Introduction

Chinese economic and high-level political engagement in the Western Balkans has ramped-up considerably in the past seven years, since the Belt and Road Initiative was unveiled. In the past few years, Western political, analytical, and academic attention has followed suit. This article builds and draws upon work the author undertook a year ago in “Pushing on an Open Door: Foreign Authoritarian Influence in the Western Balkans”, a working paper for the National Endowment for Democracy and the International Forum for Democratic Studies. It also builds on the work of other scholars, several of whom presented at Südosteuropa-Gesellschaft’s Reality Check conference on China in the region in late November 2019 in Berlin.

This article will look in particular at the role of Chinese state media in the region, as well as other efforts to engage in the public space. The principal point to be made is that unaccountable local political elites – a fact now belatedly acknowledged by the EU, though still not actively confronted through policy – and Chinese state-owned business interests rarely have difficulty finding a modus vivendi. Rarely is this transparent or subject to public scrutiny. This confluence of interests has streamlined Chinese entry into the region – by mainlining into an already existing political patronage-centric economic model. While there is learning on both sides and no grand strategy evident, there is no need to translate operating systems. Presumption of for-profit governance is the starting point.

Grifters and Grafters

I term Chinese and Gulf state economic engagement in the region as grifting in my simple taxonomy of illiberal foreign actors in the Western Balkans, differentiating it from grafting, which is the Russian and Turkish approach. Russia and Turkey both have long histories of engagement in the region, with attendant entrée – and baggage. In the past two decades, both have drifted from their earlier postures as having been partners of the West (with variable degrees of

---


2 Reality Check Series – Sources, Tools, and Impact of External Non-EU Engagement in Southeastern Europe, Part III – China, Berlin, 28 / 29 November 2019. The conference was held under the Chatham House rule.

3 The EU now openly recognizes that state capture is an issue in the region, though it has not – at least publicly – truly dissected the issue or confronted these EU-aspirant “partner” governments. See European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee OF The Regions – 2019 Communication on EU Enlargement Policy, 29 May 2019, p. 3, https://ec.europa.eu/neighborhood-enlargement/sites/near/files/20190529-communication-on-eu-enlargement-policy_en.pdf

commitment) in supporting democratization and liberalization in the Western Balkans. At present, both Russia and Turkey are autocracies in differing stages of consolidation, with policies in the region closely tracking the domestic personal needs of their rulers, Presidents Vladimir Putin and Recep Tayyip Erdoğan. Furthermore, these leaders seem intent on building personal constituencies in the region – grafting themselves into the body politic from below.

China and the Gulf states are relative newcomers to the region, without heavy baggage and needing to develop entrée. Only recently has their economic and political engagement come to be seen as a threat to liberal values and democratization. Their activities seem more nakedly transactional and commercial, presenting themselves as development partners for mutual benefit.

Yet all four of these illiberal actors share what Tena Prelec, a young academic at Oxford focused on the region, has called (in reference to the United Arab Emirates UAE) “a personalized power blurring between the public and the private, in which state resources are viewed as personal property of the ruler and his associates.” This makes mainlining into the contemporary Western Balkan elites straightforward. 5

**China’s Contingent Engagement**

While the footprint of Chinese economic engagement in the region has grown considerably in the past decade, it is important to note that there is no evident master plan or blueprint. 6 This remains evident despite some major investments – the anchor being the long-term lease and development of the port of Piraeus, or “dragon’s head”, as President Xi Jinping has called it, of the Belt and Road Initiative (BRI) in the Western Balkans. 7 The origins of the BRI are deeply explored elsewhere, but the essential fact is that BRI follows a top-down directive to project China’s “expedientary capital” 8 and capacity abroad, but under this umbrella there is a profusion of Chinese companies seeking (and proposing) projects, sometimes in competition with one another, with competition among Western Balkan governments for the infusion of funds and deliverables in projects. 9 This diffusion often escapes the now dominant narrative in the EU and US, which seem to be suffering from a case of the geopolitical vapors. The impression one might draw is that all Chinese projects are part of a Gosplan, devised strategically by a hive mind.

Yet in the 17+1 format (which one participant in the Reality Check conference said should be 1+17, to reflect the power relationship and dynamic), in which China seeks to “shape the environment” 10 for its economic involvement in a wide belt through Europe, Beijing alone – not Brussels – is the universal connector. China’s media footprint, diplomatic activity, and quasi-diplomatic cultural and academic engagement in the region should also be seen in the same light, retroactively giving coherence. In addition, in a longer term frame than Moscow or Ankara’s leader-centric engagement, China aims to develop a constituency for – or at least quiescence to – its growing regional role. And in this it has a community of interest with the local leaders who need the financial infusions to maintain their ecosystems of power.

The economic engagement of China has focused heavily on infrastructure and power generation projects. These include the controversial Pelješac Bridge to allow Croatian road traffic to bypass Bosnia and Herzegovina’s short coastline at Neum on the Adriatic, as well as the Blok 7 lignite-fired power station to be constructed in Tuzla, northeastern Bosnia. 11 Yet as has been the case elsewhere, many of these projects not only involve considerable public debt, breach of EU procurement rules, or contravention of the EU’s Energy Community. Debt for

---


6 Ngai-Ling Sum, (op. cit.) notes that the BRI managed to “spectacularize global connectivity”; Lee Jones / Jinghan Zeng underscore the fragmentation on the Chinese side of the equation, noting that it has taken some time for BRI to move “from slogan to plan”; Jens Bastian underscores that “China does not have a master plan for Southeast Europe”. See Lee Jones / Jinghan Zeng, Understanding China’s Belt and Road Initiative: Beyond “Grand Strategy” to a State Transformation Analysis, in: Third World Quarterly, Volume 40, Issue 8, pp. 1.416-1.420, Bastian cited ibid. at p. 4.


8 The author’s PhD colleague at the University of St. Andrews, German scholar Tim Zajontz, developed this term in his research of China’s engagement in East Africa.

9 Ngai-Ling Sum, op. cit. pp. 528-531; Jones / Zeng, op. cit., p. 1.419.


equity provisions in many of these arrangements could involve considerable Chinese ownership of infrastructure and resources. So the local governments who arrange these terms with Chinese firms have a common interest with these companies and China more broadly in presenting such engagement in the most positive terms. This is where Chinese state media – in collaboration with regime-controlled (and -affiliated) media - comes in.

In the Western Balkans, as with the other illiberal actors, Serbia is the clear hub for China’s economic engagement. China Global Television Network (CGTN), which broadcasts in English and has hired local journalists, frequently reports from Serbia, and is widely available in cable packages there and regionwide. CGTN’s coverage acts as a booster for local government and Chinese narratives on multipolar engagement, as well as to demonstrate China’s regional role – including in the cultural sphere – to a global audience.

Xinhua: Both a Megaphone and Two-way Radio between Regimes

China’s official Xinhua news agency has been present in the region for decades, presently fielding Chinese and local journalists throughout the region, with bureaus in Belgrade, Sofia, and Athens. The agency conducts both interviews in English with local leaders and senior officials, as well as generating local language content. In addition, the agency’s reportage and wire service is carried frequently in local media – disseminating China’s line on events far and wide. Its correspondents also undertake outreach in the higher education sector, including promoting study of Mandarin. For example, Yuan Liang, Xinhua’s correspondent in Sarajevo, told students at the Department of Sinology at the University of East Sarajevo (in Republika Srpska) that with Chinese language skills, the career opportunities on offer with Chinese investments were without limit.

Xinhua is therefore central to propagating the case for BRI and its ostensible benefits to Western Balkan populations. In the words of one interlocutor in 2019: “They are slowly, but surely, increasing their presence and financial interest in the Balkans and they need to smooth the public before money kicks in. All Chinese investments are for employment of Chinese companies and workers, but they do good due diligence in advance. [...] All investments are presented through governments as employment opportunities for locals.”

Local political leaders avail themselves of the ready conduit provided by Xinhua to China’s officials and general population to praise Chinese investment and ask for more. A story run in Serbia’s government-aligned “Politika” entitled “Chinese Dragon Develops Serbia”, illustrates this local elite-Chinese symbiosis well.

In the past year, Xinhua has also acted as a relay node for Chinese official narratives regarding controversial policies, such as its ostensible efforts against “extremism” in Xinjiang. In 2019, Serbia’s pointman for Kosovo, Vice Prime Minister Marko Đurić, expressed his admiration for the Chinese policy, actively defending it against critics and comparing Uighur minority rights favourably to those exercised in Europe. This was not only a win for Beijing, but also dovetailed with the long-standing Serbian policy of playing-up fears of Islamic fundamentalism extremism and potential terrorism from Balkan Muslim populations. The confluence of interest is prima facie evident. In the same interview, Đurić asserted that the U.S. government was “pouring oil over fire” following the U.S. Congress’ passage of the Hong Kong Human Rights and Democracy Act, further stating that the pro-democracy and -autonomy protests were “hijacked by certain foreign powers, who wish to interfere in China’s internal affairs and who wish to use, manipulate and exploit this topic to weaken China’s position.” It should be noted that maintaining Beijing’s support for Serbia’s rejection of Kosovo

---

16 Ibid.
18 “The protection of minority rights in China’s Xinjiang is the envy of many countries, says a Serbian official,” in: China Xinhua News, 17 December 2019, video: https://twitter.com/XHNews/status/1206888467046838272
independence is a central foreign policy goal across almost the entirety of the Serbian political spectrum. When dissident Liu Xiaobo was announced the winner of the Nobel Peace Prize for his “long and nonviolent struggle” in December 2010, then-Foreign Minister (now opposition leader) Vuk Jeremić stated that China would boycott the award ceremony, as Serbia’s “proven friend” and “Serbian people know that awarding the Nobel Peace Prize to the Chinese dissident has nothing to do with peace.”20 Serbia later did send its ombudsman as representative to the ceremony.21 But the reflex reaction was readily apparent.

Message Discipline – Congruent Messaging in Chinese and Local Media

Analysis of Chinese state media in the region demonstrates, unsurprisingly, that Chinese economic activity is invariably painted in a flattering light, with emphasis on “win-win” and “Jobs, jobs, jobs.”22 In Bosnia and Herzegovina, for example, the local-language website Kina Danas (China Today) “China and BiH” section ran stories on the fifth anniversary, the 16+1 forum, and related investments.23

In addition, Xinhua engages in cooperative agreements with local news agencies, such as Bosnia and Herzegovina’s Patria, which is aligned with the dominant Bosniak ruling party, the Party for Democratic Action (SDA). This agreement allows both agencies to publish one another’s texts and photographs.24 One local media professional opined that Patria is “known to be easy to buy, they are ready to align their reporting with [the] positive agenda of those with money. Overall, [Patria is] not very popular and take[s] a small share in the [...] media scene.” The news content Patria took from Xinhua included reports on the 2018 Communist Party Congress in China and its economic ramifications, Chinese president Xi Jinping’s meeting with Vladimir Putin on the Iran nuclear deal, and China’s assistance to Turkey in its economic difficulties (under the headline “China Supports Turkey in its Dispute with the U.S.”).25 The pay-to-play element was seen matter of factly by local media professionals, one of whom remarked, “Patria is a commercial entity and why not sign a deal with the Chinese [...] They have money and are ready to oil good press.”

But in addition to such partnerships, local journalists have been hired as Chinese brand ambassadors to their erstwhile colleagues in the media realm. Faruk Borić, former editor of Federation of Bosnia and Herzegovina news agency FENA and editor of the weekly Dani, directs the Bosnian-Chinese Friendship Association, founded in 2014.26 Soon after its founding, the association arranged for the Chinese ambassador to speak to a group of venerable Sarajevo intellectuals, Circle 99, regarding China’s intent to invest in “all sectors” of the Bosnia and Herzegovina economy. Later posts include Chinese donations to the Red Cross and Sarajevo’s Koševo Hospital (run by Bakir Izetbegović’s wife). The donation to the hospital is listed as a joint effort by the Chinese embassy and Huawei, the Chinese telecommunications company whose 5G offerings have come to be seen in a number of countries, most notably the U.S., as a major security risk.27

Cultural exchanges are also part of the association’s repertoire, such as the 2017 refurbishment of a cinema which showed the 1972 Yugoslav film “Walter Defends Sarajevo”, with introductory remarks by the

---

20 Xiaobo died in prison in 2017 after being denied appropriate medical treatment, see BBC News, Serbia defends China-led boycott of Nobel ceremony, 9 December 2010, https://www.bbc.co.uk/news/world-europe-11957094
24 Patria, Kineska novinska agencija Xinhua i novinska agencija Patria ozvanicile saradnju (Chinese news agency Xinhua and Patria news agency have signed up for cooperation), 19 September 2017, http://nap.ba/new/vijest.php?id=38892
25 Patria, Odluke nacionalnog kongresa Komunističke partije Kine utjecat će na svjetsku ekonomsku scenu (The Decisions of the
Chinese ambassador. The film, about partisans fighting Nazi occupiers during World War II, was and remains hugely popular in China. More recent cultural events posted include coverage of a Chinese new year concert at which Chinese Ambassador Ji Ping introduced “The Charming Silk Road and a Walk across Gansu.”

While the news section of the association has for some reason not been updated since 2016, there are up-to-date posts in a sidebar, including a translation of an article by Director Borić for “China Daily” on the Covid-19 outbreak entitled “Two or three words about my China”, in which he condemns media sensationalism about the “accident” and writes in a doting tone. He closes with “I share the belief in the Chinese authorities’ ability and commitment of the Chinese people to solve this problem as well. And when all this is over, China will emerge stronger than ever.” The association also posts a letter of support on its own behalf sent to the China People’s Association for Friendship with Foreign Countries (CPAFFC) regarding the coronavirus outbreak. The CPAFFC is an outlet for China’s “people-to-people” exchanges, ultimately under party control.

It must be underscored that these narratives and the activities undertaken by Xinhua and other Chinese state actors are highly congruent with those made by Bosnia and Hercegovina officials and political leaders. Local media convey similarly positive messages on Chinese investments in the energy sector, infrastructure, and steel, as well as providing a platform for China’s Ambassador, who extolled Bosnia and Hercegovina as a destination for Chinese tourism. Even Western international officials, such as High Representative Valentin Inzko, have been quoted praising Chinese investments as positive in providing jobs. In the public space, Chinese engagement in the region is presented in an overwhelmingly positive light as a result of this confluence of local political interest, dominance over the media space, a media environment which has in many ways deprofessionalized in the past two decades, plus Chinese direct efforts.

However, Chinese efforts to ensure positive coverage have rankled some journalists with their blunt approach. One journalist related that the Chinese Embassy had attempted to influence a colleague’s article about China’s internal affairs, for example. Another noted that the Bosnian-Chinese Friendship Association has been “very active in bringing the Chinese embassy’s point of view to local media … but [the] experience I had […] was very totalitarian-like and unpleasant. Russians are much more subtle than the Chinese.” Yet many other journalists are allegedly biddable. One media figure asserted that a meal would suffice to yield favorable coverage. Journalists and NGO personnel receive invitations to visit China, where their hosts “organize roundtables, they [encourage] local journalists and intellectuals to spread their message, [and] they stimulate NGOs to consider [the benefits of] Chinese investments.” Local intellectuals are also reportedly asked “to serve as commentators and are indirectly paid. […] Another way is that they give scholarships to local students and upon their return they tell their stories about China.”

Engagement in Balkan Academia: Developing Surveillance Infrastructure

China has deeply worked to enmesh itself in the Western Balkan academic ecosystem through Confucius Institutes at numerous universities, as well as academic twinnings between local and Chinese universities. As noted earlier, these efforts promote learning of Mandarin and the presentation of Chinese investment as a jobs-generator.

Chinese police began joint patrols with Serbian counterparts in Belgrade, Novi Sad, and Smederevo in the summer of 2019 – as they did with Italian police in Rome – to serve the increasing number of Chinese tourists. Serving in a liaison capacity, the police did not

| 32 | Jens Bastian, op. cit., p. 9. |
have executive powers or jurisdiction.\textsuperscript{33} Yet the fact that they were deployed in Smederevo, where China has major investments did not escape attention.\textsuperscript{34}

Finally, China is endeavouring to construct what it calls a “Digital Silk Road”, building relationships with countries in information and communications technology.\textsuperscript{35} China has been increasingly active in the regional digital ecosystem. Chinese handsets from Huawei and ZTE are strong sellers in the regional market; China’s Huawei is a major player in introducing 4G – and plans for 5G – in the region.\textsuperscript{36} Fear of backdoor mechanisms in Chinese hardware and software have become an increasing concern in Western countries.\textsuperscript{37} Stewart M. Patrick and Ashley Feng warn that such presence globally “will allow it to shape the future of the global internet - and reinforce the Chinese Communist Party leadership at home for decades to come.”\textsuperscript{38} Since the November 2019 gathering which spurred this volume, U.S.–China confrontation on this issue (among others), along with intra-European differences in threat assessment, have only highlighted this issue. The Western Balkans may well provide Huawei with “facts on the ground” in 5G networks, absent EU hitherto unseen unity on this issue.

In the Balkan context, this not only often translates into significant commercial gain and market share, but Chinese firms often become intimately involved with government agencies, including the security structures. Digital partnership with Serbia began in 2011 with a donation of technical equipment to the Serbian Parliament. Huawei signed a 2014 Memorandum of Understanding with the Ministry of Interior to acquire unspecified systems, after which the company donated a telecommunications laboratory to the Electrotechnical Faculty of the University of Belgrade. Most recently, China has worked together with the Vučić government in Serbia to install 1,000 cameras with facial recognition capability at 800 “hotspots” in Belgrade. This came in a year in which Serbia saw sustained protest countrywide against the government. Interior Minister Nebojša Stefanović refused to disclose the manufacturer, widely thought to be Huawei, as “confidential.”\textsuperscript{39} This comes as international and transatlantic tensions grow over Huawei’s price competitive 5G technology is marketed worldwide, with the U.S. – in a rare display of bipartisanship – pushing hard against its adoption as a security risk.\textsuperscript{40} China’s highly developed surveillance state is well-known (though it receives scant coverage in regional press). China regularly assists partner countries in developing their own surveillance, censorship, and propaganda systems.\textsuperscript{41} The confluence of interest between a Serbian government which has faced significant protest and China, which can help further fine-tune its capabilities outside China and in a “frontrunner” for EU membership, is apparent.

### Playing the Long Game in the Western Balkans – Gambling on Long-Term, Asymmetric Relationships

From small beginnings, China’s footprint in the region has grown exponentially in less than a decade, particularly in Serbia. While the geopolitical and values challenges posed by Russia and Turkey had been the dominant concerns in the EU, China has fast risen up the list of worries. These concerns come at the same time that the relationship with the United States has been thrown into doubt by President Donald Trump, who called the EU a “foe” prior to meeting with Russian President Vladimir Putin in Helsinki, to whom he has never applied the term. As with many issues, the EU has yet to arrive at a common assessment and strategic posture in this newly “Westless”


\textsuperscript{34} RFE/RL, Chinese Police Launch Joint Patrols In Serbia, 20 September 2019, https://www.rferl.org/a/serbia-china-police/30174932.html


\textsuperscript{36} Sarajevo Times, BH Telecom Claims it is Technologically Ready to Launch 5G Network, 18 August 2019, https://www.sarajevotimes.com/bh-telecom-claims-it-is-technologically-ready-to-launch-5g-network/

\textsuperscript{37} AP, US House Speaker Pelosi Warns Allies against Using Huawei, 17 February 2020, https://apnews.com/77089929bc3d3c8279562f5714e0dc18


34 SOUTHEAST EUROPE IN FOCUS | REALITY CHECK SERIES: CHINA
environment. China’s business is sought throughout the EU; the Balkans are hardly alone in this realm.

However, being outside the club – and at deep variance with the Union’s professed fundamental values and standards in a host of fields, even according to the Commission’s indulgent reporting – has made these countries a potentially high-return investment for Beijing. Given the EU’s prioritization of reaching normalization between Belgrade and Pristina through the presently halted dialogue, the leadership in Serbia – the hub of Chinese and other illiberal powers’ engagement – has seen scant pointed criticism on its governance or foreign relationships. Its refusal to align with EU sanctions on Russia following the invasion of Ukraine, as well as aligning with Moscow in the UN on a resolution which called Russia an “occupying power” in Crimea, is a case in point. President Aleksandar Vučić has made great power arbitrage, a specialty, while Serbia remains a “frontrunner” for EU membership in the region. More broadly, the reality is that application of the EU’s vaunted “normative power” in the Western Balkans has been spotty, and China recognizes that it can benefit from creating facts on the ground. In fact, China’s engagement in the region, amplified markedly with the BRI, has proven yet another diagnostic tool on the quality of Western Balkan governance, rule of law, transparency, adherence to EU norms, and so on.

China’s mode of operation at home and its ability to project power seems to account for much of its appeal, at least to Western Balkan ruling elites. As a local civic activist observed in 2019, “Trust in Russia and China has gone up in the past two years. Russia was there, China came from nowhere. Arms and a strong state. China feels very sudden, with this Belt and Road Initiative.” The fact that the precursors of BRI in China itself aimed to tie the western provinces of Xinjiang, Tibet, and Yunnan – with their ethnic minorities – tighter to the Han Chinese heartland and state control – surely holds appeal to Western Balkan regimes as well.

While Chinese engagement has made significant efforts in the public space to sell its investments as unalloyed positives, it might be better to think of this element as “forward defense” for relationships that are deeply elite-centric. As such, these efforts tend to be shallow, diversionary, and preemptive as opposed to mobilizing, pressing an already elite-driven view that “all money is good money.” Rather than develop a deep popular constituency, their approach relies on governments and leading parties. As a recent “Economist” special report observes, “[a]t home, the Communist Party monopolizes the political space, prevents debate, and enforces an information autarky. Abroad, its obsessive attempts to stifle critics suggest limits to the openness it is willing to tolerate.” However, engagement with Chinese characteristics like those enumerated above may well become a selling point for Western Balkan governments.

Political Acupuncture – China Learns the Pressure Points

A look backward, northward, or across the Atlantic might be instructive. For Beijing has demonstrated a penchant for retaliatory measures when it sees its interests challenged. Backward, China’s veto on the extension of the UN Preventive Deployment (UNPREDEP) in Macedonia, in retaliation for Skopje’s recognition of Taiwan, came a month before NATO’s Operation Allied Force, undertaken to end Serbia’s repressive campaign in the then-province of Kosovo. While the two events were not directly linked, the departure of UNPREDEP certainly did not aid the country’s already fragile stability; nor did the war in neighboring Kosovo. A long-feared interethnic conflict erupted there two years later. Northward, in Czechia (also a member of the 17+1), China had facilitated

44 Maja Živanović, Serbia Backs Russia Over UN Resolution on Crimea, Balkan Insight, 10 December 2019, https://balkaninsight.com/2019/12/10/serbia-backs-russia-over-un-resolution-on-crimea/
Chinese tourism, particularly in Prague, the capital – an erstwhile “sister city” of Beijing. But the new Lord Mayor, Zdeňek Hrib, refused to kick out a representative of Taiwan at a New Year’s reception, infuriating the Chinese Ambassador. In a cascade of events, the Prague Philharmonic Orchestra’s long-planned 14-city tour of China was cancelled and China threatened to limit Chinese tourism. So in the 17+1 area, China has already demonstrated that it can and will leverage elements not normally considered policy instruments, like tourism, to register political displeasure.  

Finally, in the United States, China’s retaliatory measures for the trade war initiated by President Trump targeted tariffs and countermeasures at an economically and electorally granular level, focusing on farm districts with tariffs on soybeans and hogs, for example. The Chinese moves focused particularly on districts upon which Trump relied for his electoral college victory in the 2016 election. Such targeted political pressure might be called political acupuncture. In addition, the *modus operandi* of Chinese economic engagement, built on trial and error, ties with officials and ruling parties making non-transparent deals, would seem to provide rich potential for what the Soviets called (and Russia still does) *kompromat* – compromising material – on numerous arrangements. Given practices elsewhere, there is no reason to believe Beijing would refrain from using this leverage should it determine there is an interest – if only “educational” – in doing so. In any case, with growing activity throughout the Western Balkans, long-term financial arrangements including likely ownership of facilities and resources, China seems set at cruising speed for the long haul toward having several friendly EU member states. Or rather, several more friendly member states, given avowedly “illiberal” Viktor Orbán’s strongly positive disposition, among many others in the 17+1.

Who Left the Door Open?

“Pushing on an Open Door” was so titled because it is my contention that the West’s mode of engagement in the Western Balkans, led by the EU for well over a decade, helped entrench the political dynamic which has become evidently retrograde across a host of independent comparative indicators. The problem is rooted in the presumption, inculcated in the “big bang” enlargement of 2004, that political elites are representative, accountable, and are truly committed to embracing and adopting EU standards. The evidence clearly points in a different direction throughout the Western Balkans, with occasional qualification. Furthermore, the EU has approached the region for some time – well before the current geopolitical whirl brought on first by Russia’s invasion of Crimea – in a transactional gear, extolling the material benefits of EU membership. Liberal democratic values and obligations of membership were rarely a talking point. When combined with a posture of only being openly critical of malgovernance when it could no longer be avoided, as was the case in what is now North Macedonia in 2015, the prevailing message to ruling elites has been one of indulgence.

There have been two notable exceptions to this model, in which the EU insisted on obligations being upheld. The first was regarding the proposed South Stream gas pipeline, which would have traversed the Black Sea, entering Bulgaria, with a northward line traversing Serbia, Hungary, and ending in Austria, and a southern one crossing into Greece and entering Italy. The project hit a major obstacle when the European Commission demanded in December 2013 that intergovernmental agreements between Russia and Austria, Bulgaria, Croatia, Greece, Hungary, Slovenia and Serbia – also a member of the Energy Community – be renegotiated, as their terms violated the EU’s third energy package. Specifically, distribution and supply were conjoined under Gazprom, the pipelines

---


51 Ibid.


were proprietary and the tariff rates were deemed unfair.\(^55\) The project stalled there. While cancellation followed the next year, in many eyes due to the chill in relations following Russia’s invasion of Ukraine,\(^56\) the fact that the EC applied the brakes to candidate Serbia made an impression. The second was regarding the Belgrade to Budapest railway project, part of the corridor for Chinese goods travelling from Piraeus into Central Europe and beyond. This is covered in detail by Jens Bastian in this issue.\(^57\)

Given that China’s engagement involves loans—which countries with dwindling populations ultimately need to repay (effectively a postponed tax), as well as equity stakes (many hidden as effective collateral) – the EU could very well present the upholding of its standards as looking out for the public interest in the Western Balkans. Given the breadth of the *acquis communautaire’s* requirements, there are myriad opportunities to undertake such action. The only problem is that this would be seen as adversarial by “partner” governments, whose business model relies on opacity.

Mao wrote during the Chinese civil war how guerrillas (the fish) need to operate in symbiosis with the population (the water) when fighting in the enemy’s rear. “Many people think it impossible for guerrillas to exist for long in the enemy’s rear. Such a belief reveals lack of comprehension of the relationship that should exist between the people and the troops. The former may be likened to water the latter to the fish who inhabit it. How may it be said that these two cannot exist together? It is only undisciplined troops who make the people their enemies and who, like the fish out of its native element cannot live.” To paraphrase Mao, Chinese economic (and security-sensitive) projects swim as easily as a fish through such an ecosystem.\(^58\) Their starting point is always to mainline into the existing power structure. Unfortunately for the EU, its enlargement methodology and political practice has done the same – with arguably less effective public outreach than relative newcomer China, which at least speaks the language of ruling elites.

---

\(^{55}\) Ibid.


\(^{57}\) Jens Bastian, op. cit, pp. 13-14.

decision makers to adjust the policy would be an admission of failure and bad career move. Whatever the rationale, there can be no doubt that the policy has failed to achieve the transformation necessary to make Western Balkan countries saleable to member state parliaments.

The EU cannot compete with China in the Western Balkans on a field of transactionalism, precisely because it is a Union of rules and at least declared values, if not always enforced even within its membership. For Western Balkan citizens frustrated with persistent – and ever more shameless – malgovernance, the EU’s fundamental values, standards, rules, and transparency are its selling points. The EU has sold itself short by attempting to play transactionally and trumpet its investments and aid via public relations exercises.61 If the EU is a normative power, it needs to extend to regulation of the digital space, so as not to let China dictate terms.

Schooling with Mao

So instead of playing to China’s strengths, the EU needs to take a page from Mao’s book and see itself as a fish which must swim not with Western Balkan leaderships, but with – and for – the populations of these countries. This means a wholesale shift in philosophy and posture, without need for any radical change to the EU’s toolbox, mandates, and structures. The EU’s policies are formally and ostensibly aimed at preparing the Western Balkan states for membership. This needs to be approached on a far more granular level, helping citizens act like EU citizens now – to force their governments to respond like EU member state governments have been forced to react to civic demands and public pressure. Instead of treating leaders as its constituency in the Western Balkans, the EU must approach citizens as its constituency. This would act as a force multiplier for those acting on behalf of the EU’s standards, but also those who will benefit from them.

A revised EU enlargement methodology had recently been announced by the Commission, following French President Emmanuel Macron’s veto on launching membership talks with candidates North Macedonia and Albania. In an earlier French “non-paper”, an even more blatantly transactional and economically oriented approach was espoused, essentially outlining a containment policy in collaboration with local elites.62 The words “corruption”, “state capture” and “democracy” were absent. The Commission’s February 5, 2020 proposal at least addresses these concerns by frontloading the fundamental rights elements of the acquis in the membership negotiation process.63 However, the opportunity provided by the crisis initiated by Macron – to rethink and recalibrate the enlargement philosophy to enable it to be effective – was squandered, with the goal of being able to launch talks with North Macedonia and (perhaps) Albania in the near term.

The onset of Covid19 crisis left Western Balkan governments, as with many others worldwide, scrambling to secure personal protective equipment. While the EU initially required clearance for export of this equipment, China filled the void – and capitalized on this heavily in the public space in what was called “mask diplomacy.”64 The EU’s initial missteps in assisting the region led the EU to react by green-lighting these stalled membership talks in late March 2020 – but in an abrupt way transparently designed to signal to itself that the EU remained the dominant geopolitical player in the Western Balkans.65 It was reactive policy; damage control rather than strategy. This insecure posture was also readily apparent in the Council’s summit with the Western Balkans in May 2020. The “Zagreb Declaration”, reflecting the palpable geopolitical angst from China’s “mask diplomacy” and the plaudits it won in the region, particularly in Belgrade, effectively begged for recognition from the region.66 In short, the Corona pandemic amplified the EU’s concerns about Chinese inroads to the region and Europe more broadly. But despite boilerplate commitments to EU foundational values,67 policy as practice puts illiberal and

---

67 Ibid, cited at point #7.
authoritarianizing leaders like Vučić at a fulcrum in a geopolitical bidding war, with the EU a suitor and not a norm-setter. This paradoxically increases not only local political elites’ leverage, but that of China (and other illiberal powers).

Unless this changes dramatically, the Chinese approach will remain far more effective with its chosen partners – and toward its ends – than the European for the foreseeable future. If so, reckoning with the durable results of Beijing’s policies and Western Balkan leadership, opportunism and arbitrage will be postponed into the future for the EU. It is hard to believe that the EU then will be in a relatively stronger position to address the problems that follow than it is at present.

Note: This article was also published in Südosteuropa Mitteilungen 03, 2020.
Chinese Outbound Tourism to Central, Eastern and Southeast European Countries

Nevenka Čavlek

Tenured professor and head of postgraduate studies in tourism management at the Department of Tourism, Faculty of Economics & Business, University of Zagreb. Editor-in-chief of the scientific journal Acta Turistica and a member of the Scientific Council for Tourism and Area Planning of the Croatian Academy of Sciences and Arts.

E-Mail: Ncavlek@efzg.hr

Abstract: Since 2012 China has been the world’s leading tourism generating market. As such it has become increasingly relevant for tourism destinations globally. In 2018, Chinese outbound tourism expenditure reached USD 277 billion. The impact that Chinese tourism expenditure exerts on the economy of many tourism destinations around the world can neither be neglected by tourism receiving countries nor by China. This article offers an overview of China’s outbound tourism development over the recent two decades and encompasses the analysis in the context of China’s tourism policy. The contribution seeks to provide a better understanding of the importance of tourism within the 17+1 platform and the Belt and Road Initiative (BRI). The analysis points out that China’s political interests for investments in SEE countries match its outbound tourism policy towards these countries.

Introduction

According to the United Nations World Tourism Organisation (UNWTO) data, in 2018 there were 1.4 billion international tourist arrivals globally. The same source predicts 1.8 billion border-crossing trips in 2030, thus adding 400 million new international tourist arrivals in the world. International tourism generated US-$ 1.7 trillion in exports in 2018 (receipts in destinations and passenger transport) and represents the world’s third largest export category after chemicals and fuels, ahead of automotive products and food. Europe accounts for 51 per cent of all international tourist arrivals in the world and is followed by Asia and the Pacific with 25 per cent, and the Americas with 15 per cent. When it comes to international tourism receipts, the share of Europe is close to 40 per cent, followed by Asia and the Pacific with 30 per cent, and the Americas with 23 per cent, respectively.

An analysis of the world and regional tourism trends must focus not only on the physical and / or financial distribution of international tourism flows, but also on the potential of the source markets which generate myriads of tourism consumers towards particular tourism receiving markets. On the list of the world’s top ten tourism destinations by international tourist arrivals, China already ranks fourth (after France, Spain and the USA). But, when analysing the leading tourism generating markets in the world, since 2012 China has taken the position of the world’s leading source market, both in terms of departure numbers as well as total expenditure. In 2018, international tourism spending by Chinese tourists reached US-$ 277 billion, thus representing one fifth of the worldwide international tourism expenditure. This very fact has made tourism a powerful economic tool in China’s foreign policy.

According to the estimates of the China Outbound Tourism Research Institute COTRI in 2030 there will be close to 400 million outbound trips originating from Mainland China, with about 2/3 going beyond Greater China. Four per cent of the population actually owned a passport in China in 2015, but by 2027 this ratio is expected to reach 20 per cent, meaning that there will be about 300 million Chinese people holding a passport. Thus, UNWTO forecasts that half of the additional outbound travellers in the next decade will be Chinese. Therefore, it is understandable why China as a source market obtains increasing attention in many tourism receiving countries in the world. However, the Chinese government has also recognized that outbound tourism is not only a tool which has a specific role in the trade balance. More importantly, it is a tool with especially diplomatic potential.

---

An Overview of China’s Outbound Tourism Development

There is no doubt that tourism in China is a rapidly growing industry thus becoming a significant part of the Chinese economy. China started to develop tourism in the late 1970s when Deng Xiaoping decided to increase earnings in foreign exchange and when inbound tourism became an important source of these earnings. The development of outbound tourism in any country strongly correlates with its economic development. So, when China through its rapidly growing economy reached a significant level of foreign exchange reserves, the need for inbound tourism as one of the sources of foreign exchange was reduced. Instead, outbound tourism became part of a widespread national tourism development strategy. However, it has to be pointed out that Chinese outbound travel until 2005 was at a very low scale and mostly business-driven.

For example, until 2003 Turkey and Egypt were the only non-Asia-Pacific destinations that Chinese citizens were allowed to visit for leisure.¹

The importance of Chinese outbound tourism has greatly expanded in the past two decades. The average annual growth rate from 2000 to 2018 was 16 per cent.² Bearing in mind that in 1990 the number of international trips from mainland China totalled just 620,000,³ it can be concluded that a really remarkable development has occurred since 2000, and especially after 2009 (see Graph 1). In 2019, according to China’s Ministry of Tourism and Culture, the preliminary results indicate that the number of outbound trips reached 166 million. This accounts for over 11 per cent of all outbound tourism travel globally.

As the data in Graph 1 illustrates, the major characteristics of the Chinese outbound market are: rapid and steady growth, large volume, and huge potential. Since tourism was recognised “as supplementary to the cause of modernisation”⁴, and since it has become one of the major new patterns of consumption for the Chinese people,⁵ outbound tourism expenditure has also been growing rapidly (see Graph 2).

---

¹ See The Financial Times, Chinese travellers change the face of tourism, 8 June 2010.
⁴ See Asia Monitor Resource Centre, Preliminary Report on China’s Going Global Strategy: A Labor; Environment, and Hong Kong Perspective, 10 January 2019,
Such fast development of outbound tourism expenditure has turned China into a source market that is increasingly relevant for tourism destinations around the world. Since Chinese tourists belong to the group of highest spenders, China’s strong political interests seem to go “hand in hand” with China’s outbound tourism policy.

What is behind China’s Interest in Tourism?

It should be clearly emphasised that China is an authoritarian communist state with a long tradition of control in all public activities, and therefore the political decisions vis-à-vis outbound tourism have consequences which are mirrored in China’s overall diplomatic policy and strategy. There are studies that strongly support the statement that China’s interest in tourism primarily rests upon political motivations and thus its outbound tourism is shaped by political factors.

China is using tourism as a tool in its foreign policy which enables the Chinese government to demonstrate power and its ability to “exert influence over international relations”. Furthermore, “outbound tourism is part of a comprehensive national tourism development strategy that includes the enhancement of international exchanges and other aspects of the country’s soft power.” However, tourism is just another perfect supplement to a very broad agenda of China’s soft power practiced through media, education, sport, art, and others.

By recognising the huge potential of outbound tourism, the Chinese Government significantly changed its attitude towards tourism in 2009 when China’s State Council declared tourism as a “pillar industry”, noticeably supporting not only inbound and domestic but also outbound travelling. As a result, the Chinese government delivered the “New Tourism Policy 2013-2020” which has had profound implications on the country’s outbound tourist flows.

This move was part of China’s Going Global Strategy which motivated China’s enterprises to implement a strategy of penetration into international markets.

China’s outbound foreign direct investments (FDI) has been growing rapidly in recent years, and new government policies on the allowed types of investments have set the platform for significant shifts

---

3 See Tse, op. cit., pp. 149-158.
6 See Tse, ibid.
in the global economy, and thus in tourism as well.\textsuperscript{7} Since 2013, Chinese FDI into real-estate and tourism infrastructure have been constantly increasing.\textsuperscript{8} It is therefore no surprise that, as a tourism industry observer stated, “for almost every takeover of a Western tourism company brand, there is a Chinese company bidding for it”.\textsuperscript{9} Since tourism business is focused on growth and is very much internationally connected, in order to succeed it also needs investment in different economical sectors. Therefore, Chinese entrepreneurs have recognised the potential of the tourism industry for their substantial investment, both in the developing and in the developed economies.

In this light, a change of the Chinese government’s going global policy since 2017 should be taken into account. Namely, while Deng Xiaoping’s philosophy was: “Never take a lead, but aim to do something big”, China’s president Xi Jinping stated that “China has entered a new era where it should take the centre stage in the world”.\textsuperscript{10} Already in 2014, though, President Xi announced: “We should increase China’s soft power, give a good Chinese narrative and better communicate China’s message to the world.”\textsuperscript{11} In March 2018, the National People’s Congress brought the decision by which the “Ministry of Culture and Tourism” and “China National Tourism Administration” merged into the “Ministry of Culture and Tourism” with the aim to coordinate the development of cultural and tourism industries and to enhance the country’s soft power and cultural influence, and promote cultural exchange internationally. One could not agree more with the statement of Shambaugh that “China is using the strongest instrument in its soft power toolbox: money”.\textsuperscript{12}

Tourism within the 17+1 Platform and the Belt and Road Initiative (BRI)

An analysis of China’s outbound tourism to Southeast European countries (SEE) should always consider the macro-economic environment which comprises socio-economic, political and international factors that form and govern outbound tourist flows. Although many countries regard tourism in politico-economic terms, only China reveals its strategy so blatantly. China’s politico-economic interests behind the platform 16+1 (17+1 since 2019 when Greece joined the initiative) and the BRI are reflected in China’s international tourist flows as well.

There is plenty of evidence in scholarly articles emphasising that Central and East European countries (CEEC) represent a strategic importance to China.\textsuperscript{13} These countries have played an increasingly important role in China’s foreign policy and now represent crucial partners to the BRI which aims to facilitate and promote greater integration among over 100 participating countries. Southeast European countries are considered particularly important in the context of the 17+1 platform and they represent a significant cooperation partner for China’s investment, primarily in infrastructure. Vangelli, whose research is focused on post(socialist) politics in China and Europe and their relationship as well as on the diffusion of ideas in global politics, especially through China’s BRI, argues that the 16+1 initiative served as a laboratory for the BRI “which is an inter-governmental initiative, coordinated through a complex web of multi-channel diplomacy.”\textsuperscript{14}

The 17+1 initiative has set its major goal to intensify and expand cooperation with CESEE countries in the fields of investments, transport, science, education and culture. Simultaneously, tourism as well has become an important part of politico-economic developments between China and the countries involved in the initiative. Many initiatives that were originally designed to promote economic cooperation, trade and investment now serve exclusively to promote tourism activities. Thus, in 2013 the Chinese Southeast European Business Association (CSEBA) was established with its headquarters in Zagreb. CSEBA’s mission is to provide the basis for economic and financial cooperation of Southeast European countries.\textsuperscript{15} The association promotes itself as being

\textsuperscript{8} See Wolfgang Georg Arlt, The second wave of Chinese outbound tourism, op. cit.
\textsuperscript{12} Ibid., p. 100.
\textsuperscript{13} Namely, the Chinese official documents refer to CESEE countries as CEEC.
\textsuperscript{14} See Anastas Vangelli, 16+1 as a Laboratory: Lessons from China’s New Relations with CESEE Can Teach Us about the Future of the Belt and Road Initiative, in: Huang Ping / Liu Zuokui (eds.), How the 16+1 Cooperation promotes the Belt and Road Initiative, China-CEEC Think Tank Book Series, Paths International Ltd., China Social Sciences Press, 2017.
\textsuperscript{15} As stated on its webpage: http://www.cseba.eu/
specialised in real-estate and hotel investments, luxury properties in Croatia for Chinese citizens, luxury travel and health travel for Chinese people, infrastructure investments, and as a provider of luxury travel for special and authentic experience of travelling across Croatia, Slovenia, Serbia, Bosnia and Herzegovina and Montenegro. Furthermore, in May 2014, the 1st China-CEEC High-Level Conference on Tourism Cooperation was held in Budapest, and the “China-CEEC Association of Tourism Promotion Agencies and Businesses” was officially launched with its major aim to represent CEE countries more efficiently as a common destination.

At the 8th Summit of China and Central and Eastern European Countries (CEECs) which was held in Dubrovnik in April 2019 as it is stated in the “Dubrovnik Guidelines for Cooperation between China and CEECs”, the participants supported “the continued expansion of cultural and tourism cooperation within the framework of 16+1 cooperation, and are ready to enhance inter-connectivity and facilitation of mobility, strengthen cooperation among tourism market entities, as well as foster professional cooperation in public institutions in cultural and tourism industries”.

Additionally, “the Participants support the strengthening of cooperation in various fields of tourism within the framework of 16+1 cooperation to enhance collaboration and promote tourism”.

One has to bear in mind that China sees CEE countries as an entry point for its strategic industries and exports, and as a large window into Western European markets. Namely, the economic exchange between China and CEE countries was on a very low scale previously. However, since the creation of the 16+1 platform in 2012, the situation has significantly changed. The total amount of imports and exports between China and 16 CEE countries reached close to US-$ 68 billion in 2017 (+15.9 per cent compared to 2016) while in 2010 it was only US-$ 853 million. Still, a very important fact should not be overlooked: China’s exports nearly doubled the size of its imports from the CEE countries. Therefore, due to its significant trade surplus with the CEE countries, China has to increase its imports from CEE countries in order to alleviate these imbalances and to demonstrate that it adheres to the principle of mutually-beneficial and win-win cooperation.

In this respect, fostering outbound tourism from China to CEE countries is logical and expected. Chinese tourism expenditure in the CEE countries China itself regards as a kind of “hidden import”, but at the same time the CEE countries consider this expenditure as their “hidden export capacity” which yields positive economic results in these countries and thus reduces their trade imbalances with China.

The Rise of the Chinese Outbound Market in CEEES

All the above mentioned initiatives have inevitably contributed to increased outbound tourism flows from China to the CEE countries. For illustration purposes, the following figures confirm this statement: in 2014 there were 8.8 million outbound trips from China to Europe, and the share of the CEE countries in the total European arrivals from China was 33 per cent (2.9 million). However, in 2018 Europe recorded 14.1 million tourist arrivals from China, and CEE countries registered 5.82 million Chinese arrivals. Thus, the share increased to 42 per cent. This has put the CEE tourism market ahead of the Western European market, thus proving the fact that politico-economic initiatives within the 17+1 platform generated positive effects on tourism in-flows from China to CEE countries and thus on their international trade balance.

Although in 2018 the Chinese outbound market in comparison to the previous year grew by 12 per cent, the outbound flow to CEE countries was much higher. The three top growth destinations in 2018 were Croatia (+45.7 %), Estonia (+35.8 %) and Hungary (+25.1 %) (Chinese Tourists Flood to Europe). Although China and Croatia have been continuously cooperating in the field of tourism since 2000, and although Croatia in 2003 was among the first European countries to have signed a bilateral agreement granting the “Approved Destination Status” (an arrangement between the Chinese Government and another country, that allows Chinese holiday travellers to visit a country in a tour group), a significant increase


of Chinese tourists was recorded after the creation of the 17+1 platform in 2012. Graph 3 best illustrates the impact of the enhanced politico-economic cooperation with China for the growth of Chinese tourism in Croatia.

Graph 3: China’s Outbound Tourism to Croatia (arrivals in 1,000 persons)

Source: Croatian Bureau of Statistics (2019). Note: Until 2007 there is no separate data on tourist arrivals from China (very low-scale and mostly business travellers); from 2007-2012 data included China, Hong Kong, Macau & Taiwan; from 2013 on tourists from mainland China are recorded separately.

It seems that the Croatian state administration has been fulfilling the expectations of the Chinese government regarding investments into planned infrastructural projects and thus might have received a “government recommended” travel destination. Namely, since Serbia was declared a “government recommended” travel destination in China, the tourism inflow from this country doubled between 2017 and 2018 reaching 102,000 Chinese tourists. It can be assumed from the presented CESEE data that most probably all the countries with key infrastructural projects and trade deficits with China are “government recommended” travel and tourism destinations.

What is the Added Value for the Sector in CESEE Countries?

Before the establishment of the 16+1 initiative, CESEE countries were considered to be too far away, with limited direct flight connections and with complicated visa regimes, not enough famous or desirable consumer brands, and thus not ranked high enough on the Chinese “must see” list. However, as the above presented data indicate the situation has significantly changed since then. First of all, the countries have recognised the need for more efficient visa procedures and effective promotional presentations on the Chinese market. Namely, Chinese tourists look at CESEE countries as a common destination and during their regional tour they usually visit three to six of them, staying on average a day or two in each. Although CESEE countries would prefer to prolong the stays of Chinese tourists in their countries, even with contemporary short stays Chinese tourists contribute to lowering their inherent seasonality. A study by Agacevic and Xu, in which they analysed the travel patterns of the Chinese outbound tourists and the inbound tourism trends in ex-Yugoslavia, particularly points out that there is a significant degree of complementarity between the seasonal trends of Chinese outbound tourism and seasonality patterns in these countries. Namely, Chinese tourists travel very much during the low season in CESEE countries, that is

---

1 Ibid.
3 See Andrej Agacevic / Ming Xu, Chinese Tourists as a Sustainable Boost to Low Seasons in Ex-Yugoslavia Destinations, Sustainability 12, 2020, p. 449; DOI:10.3390/su12020449.
in January, February and September, October, December, thus directly contributing to better utilisation of accommodation facilities in the shoulder season. Therefore, Chinese tourists are seen as an important asset in providing a quantitative boost to foreign overnight visitors during the low season for Bosnia and Herzegovina, Croatia, North Macedonia, Montenegro, Serbia and Slovenia.

Being part of the China’s 17+1 platform and the BRI, in the future CESEE countries should better use their status and benefit from the support of the Chinese government to access preferential promotional channels for Chinese travellers. Another added value for CESEE countries could be recognised in the interest of Chinese investors for investments in health tourism, which has a solid primary resource base, but lacks the financial means in order to fully develop in the region. However, besides the added value of the increased interest of Chinese tourists to visit CESEE countries, there are also certain challenges that each country is facing.

**Challenges of Increasing Chinese Tourism to SEE Countries**

There are different challenges that the SEE countries are confronted with. For the EU member states this still refers to the easing of visa requirements for Chinese tourists, while Albania, Bosnia and Herzegovina and Serbia have already facilitated visa free entry. Additionally, some countries are in constant negotiations regarding the establishments of direct flight routes to improve their connectivity with the Chinese tourism market. Chinese tourists also need more information available not only to Chinese tour operators, but also to the increasing number of young and fully independent tourists. Last but not least, SEE destinations will urgently need to provide necessary IT and AI (artificial intelligence) tools to Chinese tourists who are very much used to it, and enable them cashless transactions via their mobile phones.

According to the Chinese Tourism Academy data, because of language barriers, visa application, cultural differences and other factors, 70 per cent of trip bookings to Europe are still group tours. Thus, in one trip they usually also visit multiple CESEE countries, but their average stay in each of them is just one or two days. However, the Chinese market has exhibited a noticeable rising trend in customised tours, although its share is still just five per cent of the total number of Chinese tourists travelling to Europe but with an annual increase of 120 per cent in 2018 compared to 2017. Furthermore, an increasing number of fully independent tourists are willing to visit lesser-known destinations because they want to be different from other tourists and travel to places off the beaten track.

This leads to the conclusion that SEE countries have encountered another challenge: a shift in their primary goals from a rapid quantitative growth with very limited yields to a more sophisticated qualitative approach. This approach, however, requires much better knowledge of Chinese culture and the expectations of Chinese customers. At the same time it also emphasises the need for creating differentiated and innovative tourism products that fully take into account the local culture of the host community as well as the guests’ readiness to learn to appreciate the local customs thus gaining a more profound experience. However, this approach would require the tourism destinations to aim for providing a sustainable tourism strategy for Chinese inbound tourism. Otherwise, they could easily be affected by overtourism and all its adverse consequences. In simple words, the destinations should be careful what they wish for!

*Note: This article was also published in Südosteuropa Mitteilungen 03, 2020.*
On Political Values and Governance in China

Iulia Monica Oehler-Șincai

Economist and scientific researcher at the Institute for World Economy of the Romanian Academy.

E-Mail: Oehler.sincai@gmail.com

Abstract: The four main objectives of this analysis are: (1) to underline that political values are considered in the EU a *sine qua non* for good governance; (2) to synthesize what matters most for the Chinese as good governance; (3) to investigate the quality of governance in China from the perspective of selected qualitative indicators, and (4) to identify the similarities and distinctions between the European and Chinese systems from the perspective of political values. The developed countries focus on the mechanism of governance, while China, as the largest developing country worldwide, concentrates mainly on results (including economic performance and quality of life). The Chinese socialism and its related political values are not unanimously accepted by the state actors in international relations, but these have their strengths and represent "the only choice for the development of modern China". This contribution was completed in March 2020.

Introduction: defining quality of government (QoG) and good governance

Almost three decades ago, in a World Bank publication entitled “Governance and Development”¹, governance was defined “as the manner in which power is exercised in the management of a county’s economic and social resources for development. Good governance, for the World Bank, is synonymous with sound development management”. Governance is seen here rather as a mechanism (process), whose most relevant dimensions are: “public sector management, accountability, the legal framework for development, and information and transparency”.

In the ‘90s, the World Bank started the Worldwide Governance Indicators (WGI) project. At present, it reports cross-country indicators for over 200 countries and territories between 1996 and 2018, for six dimensions of governance, namely: *Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption.* ²

In past studies, the World Bank defined governance as “the traditions and institutions by which authority in a country is exercised. This includes (a) the process by which governments are selected, monitored and replaced; (b) the capacity of the government to effectively formulate and implement sound policies; and (c) the respect of citizens and the state for the institutions that govern economic and social interactions among them”.³ From the six dimensions of governance taken into account by the Worldwide Governance Indicators (WGI), only *Government Effectiveness and Regulatory Quality* refer to results, while the others are mainly correlated to political values.

In defining the concepts of *quality of government (QoG) and good governance*, international and European institutions (e.g. The United Nations, the World Bank, The Quality of Government Institute) and researchers such as Rothstein and Teorell (2008, 2012),⁴ Agnafors (2013)⁵, Charron, Lapuente and Rothstein (2019)⁶ emphasize fundamental components like control of corruption, impartiality, rule of law and strength of democratic institutions which were as important as economic performance.

China, by contrast, pays more attention to economic performance, even if it takes also into account the other components of the QoG and governance. In order to strengthen its governance capacity and successfully restructure its administrative system, China cooperates with international organizations such as the United Nations Development Programme.

2 http://info.worldbank.org/governance/wgi/
Based on these considerations, this analysis has four key objectives, deployed in the following sections. First, we highlight the EU standpoint regarding good governance. Second, we discuss the Chinese position on good governance. Third, a set of qualitative indicators unveils specific characteristics of the Chinese governance. Fourth, the concluding remarks section identifies similarities and distinctions between the EU and Chinese systems.

What counts for the EU good governance?

Good governance is important for the European Union and its institutions. The EU, together with the Council of Europe support good governance in the Eastern neighbourhood and other regions. The Council of Europe has drawn a list of 12 principles of good “democratic” governance, encapsulating the core European values. In the EU, good governance and the quality of public administration are considered as fundamental “in ensuring a country’s long-term competitiveness and well-being”.

The EU institutions tend to prefer a broad definition of good governance, including beside economic and social aspects also the political dimension and political values. The Sustainable Governance Indicators, issued yearly by Bertelsmann Stiftung for the EU and OECD countries, reflect exactly the three pillars of key importance for the EU, namely: policy performance (from the perspective of economic, social and environmental policies), democracy (electoral process, access to information, civil rights and political liberties and the rule of law) and governance (executive capacity plus accountability – meaning “the extent to which citizens, NGOs and other organizations are endowed with the participatory competence to hold government accountable to its actions”). From the European perspective of political values and democratic principles, it is evident that China, with its sui generis system, adapted to its national conditions, is not an overall example of “good practice” for the EU.

In the EU, social components of good governance are significant, but not in the absence of the other constituent elements such as democracy. Education, social inclusion, health, families, pensions, integration, safe living and reduced inequalities are considered as important as democracy. Therefore, the European (and in general the Western) school of good governance places emphasis on social policies and citizens’ satisfaction. Economic performance is considered as necessary, but not sufficient.

However not all the EU member states “judge” their partners from this perspective as underlined in some studies. The level of development achieved by China, for instance, its infrastructure, crisis responses and self-discipline are not considered as a “threat” for all EU member states but on the contrary for some of them it is a proof of good governance. Such attitudes are confirmed in Central and Eastern European (CEE) countries, for instance, which have adopted the acquis communautaire, some of them continue to be euro-optimistic, others not, but all have the goal of getting out of the continent’s political periphery. In this regard, the 17+1 cooperation platform is proof of openness towards cooperation with China, without seeing this as a rejection of EU rules and norms.

---


9 Please consult: https://www.sgi-network.org/2019/.
What counts for Chinese good governance?

Features regarded as representative for the Western school of good governance such as social cohesion, social well-being and life satisfaction best fit with Chinese socialism, seen as “the only choice for the development of modern China”. 10

While the Western countries focus on the principles, tools and components of QoG and good governance, China concentrates on rules, disciplines and results. As emphasized by the initiator of the theory of “moral realism” in international relations, Yan Xuetong, traditionalism “is gaining momentum” in China, while “economic pragmatism has largely established its legitimacy”. Traditionalism is seen as a “combination of all schools of ancient Chinese thought” rather than referring exclusively to Confucianism. It advocates political leadership “that produces demonstrable achievements”, the power of “leading-by-example” and “strategic credibility” based on reputation. 11 For President Xi Jinping, development is critical to the success of Chinese socialism. The overall task is to achieve modernization and the Chinese dream of national rejuvenation. In order to accomplish these goals it is essential to:

Coordinate the Five-point strategy of economic, political, cultural, social and ecological progress;

To advance the Four-Pronged Strategy of 2014 by coordinating its components: completing the process of building a moderately prosperous society, pursuing an expanded in-depth reform agenda, implementing a comprehensive framework for promoting the rule of law, and enforcing strict Party discipline and;

To avoid the Four Malfeasances: going through the motions (synonym with lack of motivation and absence of initiative), excessive bureaucracy, self-indulgence and extravagance. In this way, one can generate impetus for enthusiasm, new ideas, innovation, meritocracy, support of firm ideals and consequently hard work becomes the only path to success.

Eliminating poverty is one of the basic requirements of socialism and among the targeted measures against poverty there are means such as: (1) boosting economic growth in order to provide more job opportunities; (2) relocating poverty-stricken people; (3) providing eco-jobs; (4) improving education; (5) better social security. 13 China also has specific rules as regards the socialist rule of law: (1) upholding the Party’s leadership; (2) upholding the principal position of people, seen as the primary actors in advancing the rule of law, in contrast to the capitalist rule of law; (3) uphold the principle that all are equal before the law; (4) integrate the rule of law with the “rule of virtue” and (5) taking into account the prevailing conditions in China (“China’s affairs must be handled in accordance with Chinese national conditions and reality”). 14

Qualitative indicators

Out of the six dimensions of governance gauged by the World Bank in its Worldwide Governance Indicators, the best outcomes (see Chart 1 below) are recorded by China from the perspective of the indicator Government effectiveness. In the long run, this even shows an improving tendency. Government effectiveness is based on: quality of public services, of the civil service and degree of independence from political pressures, quality of policy formulation and implementation, credibility of the government’s commitment to such policies.

13 idem, pp. 88-89.
14 idem, pp. 120-126.
Compared to the 19 best performing countries in terms of GDP at current prices, China records better results than eight of them (see Chart 2 below). By contrast, the worst results are those based on Voice and Accountability (perceptions of the extent to which a country’s citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association and a free mass media). Definitely, China is not a champion in terms of political values as defined by the EU. Nevertheless its strength is reflected in economic performance and human development.
As regards global competitiveness, China has been improving its score in the last decade (it ranked 28th in 2019), being “by far” the best performer among emerging economies. The World Economic Forum Report from 2019 underlines that “in several areas, China’s performance is almost on par with OECD standards. For example, China outperforms 25 OECD countries on the ICT adoption pillar. At 68.1 years, healthy life expectancy is 1.5 years longer than in the United States and only 0.8 years shorter than the OECD average. Infrastructure is also well developed (77.9, 36th position). Finally, China has been rapidly increasing its innovation capability (64.8, ranking 24th)”.

The Human Development Index, calculated by the UNDP taking into account three dimensions (long and healthy life, knowledge and a decent standard of living) underscores China’s rapid progress, in spite of an apparently low rank (the 85th, out of 189 countries and territories). Its inclusion in the category of “high” but not “very high” human development is caused by its large population, which permits only a step-by-step approach. The UNDP report underscores that “in China the incomes of the bottom 40 percent grew at an impressive 263 percent between 2000 and 2018, which contributed to the fast reduction of extreme poverty”. In the four decades of reform and opening up, more than 700 million people were lifted out of poverty. It is exactly this approach which justifies in China’s view the right to assert that it is committed to its citizens and their wellbeing.

Concluding remarks
QoG and good governance are differently defined in developed and developing countries. For those states having a long road ahead to the status of “developed country”, including China, the utmost priority is

---

economic performance since in its absence, social prosperity itself is threatened. In the developed countries a broad definition of good governance is preferred which offers the same degree of importance to economic performance, social prosperity and political values (mainly democracy, human rights and the rule of law). From the perspective of political values, which are differently defined and understood in the West and the East, China cannot be seen as an overall example of “good practice” for the EU institutions and old member states.

It is worth noting that, in the eyes of the old EU member states, most of the Central and Eastern European countries have an “original” position towards China. The latter’s economic progress, as well as infrastructure, crisis responses and self-discipline, all are for CEE reflections of good governance. Even if these countries are anchored in EU rules and norms, the majority’s objective of getting out of the region’s periphery makes them see Chinese governance as good, at least in economic and social terms. Most of them are not vocal critics of Chinese political values, even if they are seen in some respects as contradictory with EU political values. Therefore political values tend to be eliminated from the cooperation framework between CEE countries and China. Analyzed from the perspective of its goals such as economic development, social cohesion, social well-being and poverty elimination, the uniqueness of Chinese socialism is evident. Its singularity is reflected by three of its main characteristics: inclination towards solidarity and unity; strong leadership, combined with self-discipline; results-oriented governance. Chinese citizens are allowed to express their opinions and act freely but in a way that does not lead to radicalization or threaten the national development path. “Prosperity for all” is at the heart of the leadership with Chinese characteristics. Until this has not been reached, Chinese socialism and its related political values represent “the only choice for the development of modern China”.
About the Authors

Jens Bastian is a Senior Policy Advisor at ELIAMEP in Athens, Greece and a Member of the Board of the Southeast Europe Association. His main areas of expertise concern China’s expanding investment and bank lending footprint in Europe. E-Mail: Jensbastian04@gmail.com

Ana Krstinovska is the founder and President of ESTIMA – The Knowledge Brand, a Skopje-based think tank and consultancy focusing on China, the EU and the Western Balkans. Formerly State Secretary for EU Affairs in the Government of North Macedonia, First Secretary in the Macedonian Mission to the EU in Brussels and Advisor on international cooperation to the Prime Minister. At present she is finishing her doctoral dissertation on China in the Western Balkans. E-Mail: Krstinovska@estima.mk

Viktor Eszterhai is a Senior researcher at Pallas Athene Geopolitical Research Institute and assistant professor at Corvinus University of Budapest. His research areas are the cultural characteristics of Chinese foreign policy, the relationship between China and Central Eastern Europe and non-western schools of International Relations. E-Mail: Viktor.eszterhai@uni-corvinus.hu

Yuan Li, has served as the Acting Chair of East Asian Economic Studies, Mercator School of Management and Institute of East Asian Studies (IN-EAST) at the University of Duisburg-Essen since the year of 2014. He is the President of the Chinese Economic Association, Europe/UK (CEA), the largest academic association on Chinese Economy in Europe. E-Mail: Yuan.li@uni-due.de

Kurt Bassuener is a PhD student at the University of St. Andrews / School of International Relations. His doctoral thesis focuses on the functional dynamics of postwar power-sharing in Bosnia, North Macedonia and Lebanon. He is also a laureate of the Fulbright-St. Andrews Award 2016-17 and a Co-founder and Senior Associate of the Democratization Policy Council. E-Mail: Kbassuener@democratizationpolicy.org

Nevenka Čavlek is a tenured professor and head of postgraduate studies in tourism management at the Department of Tourism, Faculty of Economics & Business, University of Zagreb. She holds a PhD in economics/tourism studies from the same university. Čavlek is editor-in-chief of the scientific journal Acta Turistica and a member of the Scientific Council for Tourism and Area Planning of the Croatian Academy of Sciences and Arts. E-Mail: Ncavlek@efzg.hr

Iulia Monica Oehler-Șincai is an economist and scientific researcher at the Institute for World Economy of the Romanian Academy. She is the author, co-author and coordinator of numerous studies, research papers and books on topics like: the EU foreign policy, foreign trade and investment policies, emerging economies, Asian development models, BRICS cooperation framework and the New Public Management. E-Mail: Oehler.sincai@gmail.com