



# Could There Be a Common China Strategy for the Region of Central and Eastern Europe?

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This briefing paper summarizes the views and comments of participants of the second China Observers in Central and Eastern Europe<sup>1</sup> (CHOICE) International Working Seminar held on April 11-12, 2019, in Prague, Czech Republic. The event was attended by China experts and foreign policy practitioners<sup>2</sup> from Bulgaria, Czech Republic, Estonia, Hungary, Lithuania, Poland, Romania, Slovakia and Slovenia. Their aim was to **examine and discuss China's influence and activities in Central and Eastern Europe (CEE), share best practices from their China-related projects, debate approaches to studying Chinese influence, and to outline a China strategy for the countries of Central and Eastern Europe.** In this last section the participants were asked two specific questions: what do CEE countries want from China? And what can CEE countries offer China? CHOICE hopes that these discussions stimulate further debates on China, its rise and influence throughout the Central and Eastern European region. The seminar was split into three sessions, each addressing one of the specific areas mentioned above.

The event was organized by the Association for International Affairs (AMO), Czech Republic, as a part of the CHOICE platform, an international project which monitors and assesses the rising influence of the People's Republic of China in CEE countries. CHOICE and its sister project, ChinfluencE<sup>3</sup>, are supported by the National Endowment for Democracy (NED).

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<sup>1</sup> For the project website see [www.chinaobservers.eu](http://www.chinaobservers.eu).

<sup>2</sup> The event was held under the Chatham House Rule, thus the names and affiliations of participants cannot be revealed. The views expressed at the seminar by discussants and compiled into this paper do not necessarily reflect the views of AMO or the donor organization.

<sup>3</sup> For the project website see [www.chinfluence.eu](http://www.chinfluence.eu).



## Examining Influence: Presenting China-related Projects and Approaches to Study Chinese Influence in Central and Eastern Europe

The session began with a brief introduction of the structure and aims of the CHOICE platform and working methods of ChinfluenCE. The outputs of the CHOICE and ChinfluenCE projects regarding China and CEE countries are having an impact on the China discourse in the field and are read by a large and increasing number of policy and decision makers inside as well as outside the region. Analysts working on ChinfluenCE offered to share with CHOICE platform members their know-how on discourse analyses on China in order to help increase the knowledge on how certain narratives on China are created, what the agenda setting processes look like and analyze how these translate into policy.

This was followed by a round of introductions by members, who then began to explore the topic of media coverage of China. This quickly turned to a lengthy discussion on Chinese involvement in the media in CEE countries and on distinguishing between public policy and propaganda. Some participants pointed out that while China may not have begun to use disinformation strategies yet, it is already acting outside the realm of public diplomacy. One member questioned whether China is really interested enough in CEE countries to want to spread fake news and propaganda. It was noted that the problem with propaganda is that many readers from Central and Eastern Europe cannot distinguish infotainment from regular news and do not check the information. Thus, **there is a space for improvement both in media and think tank and academic community in CEE in media literacy.** It was suggested that **it would be prudent to construct a comparative framework for analyzing Chinese influence in CEE media and also analyze national investment screening mechanisms' approaches to protection of media from foreign influence.**



## Observing China: Assessing Chinese Activities in Participants' Countries

After a detailed discussion on China's influence in the CEE media during the first session, the second session addressed other aspects of Chinese interaction and influence. Firstly, there was a resounding consensus, accompanied by dissatisfaction, on the lack of Chinese investment in CEE since the emergence of the 16+1. This frustration was caused by the many talks and promises of large-scale forthcoming investment - made by Chinese officials - that have failed to materialize. **Even confirmed projects are seen as unlikely to materialize.**

The reasons for this lack of investment vary, however, a common trend appears as **policy actors in CEE countries make premature plans for Chinese investment before the investment is guaranteed.** They seem to have been too eager to believe to Chinese businessmen's rhetorics and do not proceed with due diligence checks. In Estonia a Chinese company was supposed to invest 15 billion EUR into a tunnel, based on a belief that a Chinese company could complete the infrastructure project faster and with less resources than the European Union or a European company. However, the deal fell apart when it was revealed that the 15 billion EUR bid was made by a company without any value. Furthermore, there appears to be a tendency by many policy actors in Central and Eastern Europe to assume China will fund any proposed infrastructure development, leading to high expectations.

The lack of investment has nowhere been more striking than **in Hungary**, where a burgeoning political relationship with China has overshadowed the fact that **there has been very little happening on the economic front.** China has a significant amount of investment in Hungary, a fact both countries are more than happy to publicize, however, the majority of it came prior to 2010, which preceded both the current government and inception of the '16+1' platform, rendering the current government's claimed 'achievement' a misbelief. **The Budapest-Belgrade rail line** is an interesting and highly publicized case. There are, however, questions about its economic advantage, given the fact that the price of the tender was 20% higher than the estimates. This makes it by far the most expensive railway in Hungary, despite the fact that most of the line is flat and requires no tunnel or bridge building. In the end, **the final China's offer was rejected by the Hungarian government.**

In Bulgaria, too, there is growing skepticism rooted in unfulfilled expectations and China's self-dictation of the terms of its involvement with the country. A Bulgarian participant elaborated on the **lack of experience in dealing with China in Bulgaria.** In response, a Polish representative implied that the focus of the discourse about investment, at least in the Polish case, is misguided. **Rather than seeking investment, the goal of Polish involvement in 17+1 was to draw Chinese attention to Poland's strategic location. Following this perspective, the 17+1 platform has been more of a success than a failure for Poland.** However, Poland needs to collaborate with Germany and France more to have any impact on what China does.

Unlike the other 16 nations, the Czech Republic experienced lots of development in its relations to China, most of which came during the prolific period of Chinese company CEFC investment. However, **Czech business community learned the lesson from CEFC fiasco and is now skeptical and wary of Chinese investment.** It also propelled the Czech Republic to draft its investment screening mechanism.

Another area of particular interest to the discussion was **decreasing effectiveness of Chinese diplomacy in CEE**, which every member has experienced and commented upon. Firstly, China's activities cannot fly under the radar like they



used to as the world has started paying attention to China's actions abroad. Secondly, cases of failing China's diplomacy increased, including mistakes in translations from Chinese to the local languages, miscalculations and undiplomatic behavior (as showed by e.g. the case of the Chinese ambassador to Prague Zhang Jianmin's rather blunt Facebook comment<sup>4</sup> on the Czech Prime Minister Andrej Babiš's position on Huawei).

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<sup>4</sup> "Předseda vlády Andrej Babiš se setkal s velvyslancem Zhangem Jianminem" [Prime Minister Andrej Babiš met Ambassador Zhang Jianming]. Facebook account of the Chinese Embassy in Prague [Velvyslanectví České lidové republiky], December 24, 2018. The last paragraph of the status reads "He [Zhang Jianmin, Ambassador of the PRC to the Czech Republic] said that the Chinese side notes the efforts of the Czech government to correct the relevant errors and hopes that the Czech side will take effective measures to prevent the recurrence of similar events and will effectively protect the legitimate rights and interests of Chinese companies".



## What do CEE countries want from China? What can CEE offer China?

During the third session, the roundtable split into groups, each tasked with answering two questions: What should your country or the CEE region want from China? What can your country or the CEE region offer China?

Participants debated whether 17+1 could serve as a platform for searching for a unifying China strategy. One participant observed that a significant portion of the failure of 17+1 is on the behalf of CEE countries, simply because they have not communicated to China about what they want. The most obvious place to start is infrastructure, with numerous countries claiming a desire to acquire Chinese funding for projects such as highways. There is a sentiment among some countries that their highways have been neglected by EU funding. However, it came to light that for most CEE countries, market funding for highways would actually be cheaper than Chinese loans. **This suggests that Chinese funding in infrastructure may not be the economically most viable option.**

Other economic avenues of interest were **fair access to the China's market and more greenfield and brownfield investment from China in CEE. Participants also debated sharing and transfers in technology, telecommunications, e-commerce, renewables and electric cars** and their manufacturing processes. These topics led towards another important aspect of Chinese involvement in CEE, that of developing **more clear and stringent policies, guidelines in economic matters, including joint rules for investment**, which could include joint guidelines on what kind of investment is (and is not) welcome in CEE and what this investment should ideally look like. It also touches on areas such as **controlling shares** and the **amount of jobs CEE countries want the investments to create**. Finally, the participants discussed a need for a clearer understanding of the **legal framework on copyright, trademark protection and financial transfers** in China.

While many participants were concentrating on the economic component of CEE countries relations with China, some thought it might be best if economics was put to the side and left to be solved by business circles in CEE countries. The core of this belief lies in **the structure of CEE economies which are seen as competitive rather than complementary**. A cohesiveness of CEE countries gathered into 17+1 format was also debated. A more cohesive group could agree on what projects or areas China should be welcome to invest in. It would require identifying commonalities among countries or specific sub-regions, and promoting them to China on a sector by sector basis.

One of these sectors could be tourism. **It was suggested that countries could group together to form multiple-country tourist packages. Cohesiveness could also mean recognizing niche export commodities unique to individual countries and advertising the national brands.** In relations with China, this increased cohesiveness could foster good and healthy cooperation by giving Chinese investors a clear idea of what their investment in CEE should look like and **making interactions more transparent**. It was noted that transparency in China's dealings with CEE countries' politicians and in investment deals is currently missing and helps fuel the suspicion of experts, media, civil society organizations and also the general public.

While the cohesiveness was widely agreed upon, the sector-by-sector approach was met with some skepticism, as the EU already has councils set up for these purposes. These are obviously not CEE specific, yet they involve most countries in CEE. The EU has commerce and sector-based structures (such as the EU SME Centre, designed for facilitating small and medium-sized business deals with Chinese businesses). To create similar ones for a subset of the EU adds to



bureaucracy. This then led some to claim that the 12 out of 17 countries, gathered in 17+1 platform, who are **EU members should be more active in Brussels and pursue these prospects through the established EU avenues**. Furthermore, they suggested that this move might be accompanied with a request for **special EU services to the countries of the 5 remaining countries who are not EU members**.

**Another area of interest lies in developing guidelines for universities which want to accept Chinese funding for research.** It was suggested that a handbook could be created addressing potential risks that come with Chinese funding, as research institutes strive for funding, but are not often aware of the accompanying risks. The handbook could provide a risk analysis and promote free academic expression and the protection of patents and know-how.

The participants also debated an idea to create a specialized think tank focusing on how to deal with a hegemon effectively. The think tank could interact with Latin American, African and Asian research institutions which have an experience in dealing with Chinese influence in their region.

The debate then shifted to the question of what CEE countries can do to offset the asymmetry of 17+1 in its dynamics with China. The participants generated a number of ideas which will be examined and developed upon during the next CHOICE platform meeting.



## Association for International Affairs (AMO)

AMO is a non-governmental not-for-profit organization founded in 1997 in Prague to promote research and education in the field of international relations. This leading Czech foreign policy think-tank owes no allegiance to any political party or to any ideology. It aims to encourage pro-active approach to foreign policy issues; provide impartial analysis of international affairs; and facilitate an open space for informed discussion.

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