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

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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

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Abstract

This article discusses the “16+1” format initiated in 2012 as a platform for economic, trade, and cultural cooperation between Central and Eastern Europe (CEE) and China. As Chinese authorities claim, the “16+1” initiative is complementary to the “New Silk Road” strategy, being a pragmatic formula without political goals, whose main rationale is to bring mutual benefits to all of its participants (win–win). However, despite the Chinese narratives concerning cooperation with the CEE countries as an economic bridgehead of the “One Road, One Belt” (OBOR) initiative, some signs of the political dimension of the project can be noticed. Since at least the 1950s, active participation and promotion of the South–South cooperation has become an important component of China’s foreign relations. Although for Chinese policy makers Sino–South relations have been traditionally defined within the frame of, mostly postcolonial, developing countries of Southeast Asia, Central Asia, Africa, and Latin America, this article tries to examine the “South–South” pattern of China’s diplomacy towards Central and Eastern European states with a focus on the Czech Republic and Hungary.

China as a “spokesman of the weak”: The origins of China’s policy towards the developing world

China’s wish to become a key player in global justice is largely due to its historical experience, that is, having been a semi-colony subjected to 100 years of humiliation. Thus, China presents itself more like a developing country despite having the second largest economy in the world. President Hu Jintao in his report to the 18th Congress of the CPC (Communist Party of China) in 2012 stated that “China’s international position as the largest developing country in the world” has not changed. In September 2015, Hu Jintao’s imminent successor President Xi Jinping referred to Deng Xiaoping’s 1974 speech at the United Nations which defined China as a developing country belonging to the Third World. In Xi Jinping’s view, despite 40 years of great achievements in


China’s development that have taken place in the country since then, “China is still a developing country attaching [the same] importance to the South-South cooperation as before.”3

China’s notion of solidarity with nations dominated by Western imperial powers can be traced back to the turn of the 19th and 20th century when Chinese intellectuals, observing international affairs, undertook a number of studies in search for parallels between the situation of China (Qing) and “conquered nations” (亡国, wanguo) that either disappeared from the map or disintegrated under foreign pressure. As Michael H. Hunt noted, this general identification with the weak and oppressed was especially but by no means exclusively limited to the countries in Asia. Among the nations that found themselves within the scope of the research include Turkey, India, Poland, Annam, the Philippines, Egypt, the Jews, and the Irish along with native peoples in Africa and America.4 Significant in this case is the 1896 essay “Record of the Destruction of Poland” (波蘭滅亡紀, Bolan Miewang Ji) by one of the foremost Han Chinese intellectuals Liang Qichao (1873–1929). It was a groundbreaking piece of work due to the fact that it brought the history of Poland’s downfall in late 18th century to the attention of the late Qing elites, serving as an analogy between the situation of Poland on the eve of its partition and the contemporary state of the Qing empire in demise a century later.5 Based on shared experience, China’s declared solidarity with the oppressed nations continued through the Republican period, being further reinforced by the decisions of China’s wartime allies at the 1919 postwar conference in Versailles, where former German concessions in Shandong Province were granted to Japan. This in turn evoked anger in Chinese public opinion, embodied by the May Fourth Movement.6

After the establishment of the People’s Republic of China (PRC) in 1949, the newly formed state’s foreign policy, although initially upholding to “leaning to one side” of its Soviet “older brother,” had been attempting to find its own place in a Cold War order division between the Soviet Union and the United States (US). Having signed the 1954 agreement with India and conducting successful negotiations during the Geneva peace talks the same year, followed a year later by the outstanding diplomatic performance by PRC Prime Minister Zhou Enlai at the Asian-African conference in Bandung, China successfully identified itself with the community of developing countries.7 All this enabled China to enhance its stature as the leading political centre of the Third World in a strategy “to avert US penetration of Asian politics and to establish a stable economic environment conducive to Chinese economic development.”8 It ought to be mentioned that this was not solely limited to Asia and Africa, as China’s diplomatic offensive also attempted to intervene in the Eastern European political scene. An example of this can be seen in the de-Stalinisation process initiated by Nikita Khroushchev during the 20th Congress of the Communist

3 “Xi Jinping zai nan nan hezuo yuanzhuo hui shang hezuo shiye tui xiang geng gao shuiping 习近平在南南合作圆桌会发表讲话 浦新闻发布会强调要把南南合作事业推上更高水平” [Xi Jinping Delivers Speech at High-level Roundtable on South-South Cooperation, Expounding on Cooperation Initiatives on South-South Cooperation in the New Era and Stressing to Uplift South-South Cooperation Cause to a New High], 27 September 2015, http://www.fmprc.gov.cn/web/ziliao_674904/zxjh_674906/1300907.shtml.


5 Włodzimierz Cieciura, “Opis zniszczenia Polski Liang Qichao z 1896 roku i narodziny polskiego toposu w chińskim dyskursie reformistyczny” [Liang Qichao’s 1896, Record of the Destruction of Poland and the Emergence of the Polish Topos in the Chinese Reformist Discourse], Asia-Pacifik, 2014 (17): 25–46; Reminiscent of such parallels between India, Poland, Egypt, and China were also present in Zou Rong’s 1903 Revolutionary Army, an iconic work within the core of Han Chinese nationalist circles published in the formative period of China’s national identity. See: Zou Rong, Geming Jun [Revolutionary Army] (Beijing: Huaxia Chubanshe, 2002), 12.

6 It nevertheless contradicted China’s two main political parties’ approach towards territories of Manchuria, Mongolia, Xinjiang, and Tibet. In Guomindang’s leader Chiang Kai-shek’s view, peoples of these non-Chinese lands were to be ultimately melted into one Chinese nation as being allegedly races of the same stock as descendents of the Yellow Emperor. On the other hand, Mao Zedong’s communist commitment to the right to self-determination or autonomy was to be counterbalanced at the same time by bringing to play political strategies of control aimed to enhance Sinification of these lands and secure national unity.


Party of the Soviet Union, the result of which was the so-called Polish October, which was Poland’s attempt to recover sovereignty by pursuing socialism in its own national way. This act by Poland received important, albeit limited and conditional, support from the PRC against the stance of the Soviet Union. Yet, China took a different position in the assessment of Hungary’s political upheaval that occurred in the same year, which culminated in Soviet military intervention.9

According to Michael H. Hunt, there were three major foreign policy concerns for the early Communist Party of China: impact of foreign imperialism, special relations with the Soviet Union, and identification with the weak and oppressed people with whom China could reform the international system which was defined to serve the strong. The latter, “held up the best of all.”10 Compared to other areas of the PRC’s foreign policy, China’s policy towards the developing world received seemingly minor attention. In Ian Taylor’s words, this fact is “curious given that policy pronouncements have often placed the developing or ‘Third’ world as central to Beijing’s foreign concerns.”11 Indeed, given the PRC’s various twists and turns in regard to their relations with the Soviet Union (and its successor, Russia) and the US, by far the most pertaining political arena where China has been successfully combating “hegemony” of the major world powers by lending economic and technological support is to its developing-country allies of the African continent. The so-called Bandung Line of China’s international conduct of peaceful coexistence and non-interference in another nation’s affairs is, apart from the UN Charter, a major point of reference of the principles which China’s current key foreign policy initiative — the “One Belt, One Road” — has been grounded upon.12 The “South–South” rationale behind OBOR was put forth explicitly by the head of the Chinese-led Asian Infrastructure Investment Bank (AIIB), Jin Liqun: “The Chinese experience illustrates that infrastructure investment paves the way for broad-based economic social development, and poverty alleviation comes as a natural consequence of that.”13

China’s policy towards developing countries and its Central and Eastern European dimension

The crucial tools in upgrading China’s present global position are outward foreign direct investments (OFDIs) and OFDI infrastructure-related diplomacy, which Willy Wo-lap Lam calls the “Tanzania-Railway model” or “renminbi diplomacy,” serving to create China’s positive image in Africa and Latin America. Its key feature is that “Chinese experts are involved in the construction of large infrastructures.”14

9 Shen Zhihua and Li Danhui, “The Polish Crisis of 1956 and Polish-Chinese Relations Viewed from Beijing,” in The Polish October 1956 in World Politics, ed. Jan Rowiński (Warsaw: The Polish Institute of International Affairs, 2007), 75–114. According to Shen Zhihua and Li Danhui, Mao Zedong supported the Polish party, which opposed the Soviet intervention and thus revealed the long-hidden dissatisfaction with the Soviet Union’s chauvinistic global power status and the CPSU’s behaviour as a “despotic father of a nation” (laodizang, 老子党). Although Mao never publicly voiced any reservations towards the Soviet party and hid his lack of eagerness, the situation was for him, which is beyond any doubt, a chance to question the leading role of the Soviet party in the socialist camp. According to Mieczysław Marzec, a member of the Polish delegation to the CPC Eighth Party Congress, Liu Shaoqi declared in 1956 that the CPC supported Poland, attested by $30 million nonrefundable loan. On the other hand, the events in Hungary were received differently in Beijing, hailed as a “counterrevolutionary rebellion” and “coup d’état.” It ought to be noted that Poland and China’s opinion about the matter in Hungary was quite different. The government in Warsaw supported Imre Nagy’s government, while the leaders of the PRC agreed with the USSR’s view regarding the need for an armed intervention. For Zhou Enlai, if this were not to happen, then the new government in Budapest would lead to Hungary’s withdrawal from the socialist camp and the Warsaw Pact, thus consequently Hungary would find itself within the US sphere of influence. Whereas the Polish events “were a problem of a revolution itself, in which revisionism was opposing dogmatism. For this reason, Mao Zedong supported Poland because of its anti-Soviet attitude, but at the same time, he accepted Soviet intervention in Hungary.”


13 James Kynge, “How the Silk Road plans will be financed: Not all project are driven by commercial logic,” Financial Times International Edition, 9 May 2016, https://next.ft.com/content/88428f0a-0df8-11e6-9456-44468532112f. As Jin further explained, the AIIB with its 57 member countries plans to increase operations gradually, investing $1.5–$2 billion in infrastructure in 2016, $3–$5 billion in 2017, and around $10 billion in 2018.
President Hu Jintao visited Romania where he stated that China pursues an independent foreign policy and promotes the development of mutually beneficial friendly relations with the CEE, as seen during his visit to Hungary. In June 2004, a month after the accession of eight CEE countries to EU structures, China’s increasing influence in developmental finance is backed by its state-owned banks: since 2010, China Development Bank and the Export-Import Bank of China lent more money annually to other developing countries than the World Bank. Since the late 2000s, China established itself in a position as a major investor in the developing world, being from 2014 strengthened by China-led developmental institutions: the BRICS Development Bank, the AIIB, and the Silk Road Fund, seen by many as a competitor to the Western financial institutions. Thus, by creating new international political and economic structures, often parallel to those dominated by the US, or by widening its competencies around those already existing, China is endeavouring to reshape both regional and global orders.

In China’s concept, CEE is defined broadly both in geographical and political terms. The 16 CEE countries within the “16+1” cooperation format are Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia, and Slovenia. Among the aforementioned states, 11 are European Union (EU) members and 12 are North Atlantic Treaty Organization (NATO) members. The membership in the European part of the “16+1” is clearly based on CEE countries’ former communist experience. Such countries as the Czech Republic and Hungary were to be among the first to give diplomatic recognition to the newly founded PRC. This fact is highlighted on numerous occasions in official contacts. After 1989, the CEE countries undertook a political and economic transformation, orientated with the ultimate goal of integrating with Western Europe and the US. These efforts resulted in the Czech Republic and Hungary’s accession to NATO in 1999 and later to the EU in 2004. In the words of Thomas Bondinguel for the CEE countries, “China simply was not a priority in political and foreign policy terms all the way up until the 2000s.”

However, the 1990s were by no means a politically insignificant period in Sino-CEE relations. In the perspective of the changing sociopolitical environment of CEE, China has adjusted its policies towards the region in accordance with the Five Principles of Peaceful Coexistence. It was officially voiced for the first time by Premier Li Peng upon his visit to Romania in 1994, when he put forward the four basic principles of China’s policy towards CEE countries: respecting the choices of people and not interfering in the internal affairs of other countries; developing traditional friendship, living in peace and friendship; strengthening mutually beneficial cooperation; and common development and prosperity. These basic principles were reaffirmed by President Jiang Zemin during his 1995 visit to Hungary. In June 2004, a month after the accession of eight CEE countries to EU structures, President Hu Jintao visited Romania where he stated that China pursues an independent foreign policy and promotes the development of mutually beneficial friendly relations with the CEE, adhering to the Five Principles of Peaceful Coexistence introduced in 1954. According to Chinese scholar Zhu Xiaozhong, Hu Jintao’s 2004 policy pronouncement became the basis for China’s political and trade relations towards CEE in later years. However, despite China’s official com-
mitment to be a nonaligned country, it has been active in the formation of regional economic–political blocs where China, to use the words of Willy Lam, “sees itself as a mini-Middle Kingdom within these blocs: It has mapped out ambitious infrastructure schemes such as railways and highways (mainly in cases funded by China) that will bind the members together.”

Given the thoroughly diverse conditions and different timing in which China has developed a platform for cooperation in Africa through the Forum on China–Africa Cooperation (FOCAC, established in 2000) and in CEE (“16+1,” 2002), one may assume that mechanisms of cooperation with both entities would differ significantly. However, a comparative analysis of FOCAC and “16+1” shows that the structure of both formats are basically analogous. The biggest noticeable difference between the Chinese platforms of cooperation in Africa and CEE is the absence of any significant political component within the latter. Contrary to FOCAC, China’s cooperation with CEE has been characterised by the dominant role of bilateral meetings of the highest political representatives of both sides. However, in this regard, a turning point seemed to be the “16+1” Summit in Suzhou in 2015, which was for the first time attended by all of the government leaders or presidents of the European 16 and China. Apart from these differences, both FOCAC and the “16+1” operational mechanisms are very much akin, particularly in the decision-making process as well as organisational structure on the Chinese side. The variances are mainly due to lessons drawn by Beijing from the shortcomings that became apparent after a few years of FOCAC’s functioning. This is to be found primarily in the absence of institutions of regular multilateral meetings in the Sino-African cooperation format. In the case of “16+1,” such a role might be attributed to Quarterly Meetings on China–CEE and the “16+1” Business Council. The other difference is the frequency of the summits under both initiatives. In the case of FOCAC, such meetings are held once every three years, while in “16+1,” annually. This is mainly due to the relatively well-established position of the PRC in Africa as the main objectives that guided the establishment of FOCAC — political support for China in the international arena and access to natural resources in Africa — have been achieved. In case of the institutionalisation of China–CEE cooperation in “16+1,” the objectives for Beijing have been mostly related to accessing the “16” countries’ (and EU) markets through the implementation of the OBOR initiative which is to be complementary to the establishment of transportation and logistics infrastructure in the region.

According to Willy Lam, China’s “infrastructure diplomacy” in the developing world “has been even extended to the developed countries in the European Union. During a meeting with leaders from Central and Eastern Europe in 2013 in Bucharest, Premier Li [Keqiang] inked an agreement to use Chinese technology to build a high-speed railway linking the capitals of Romania and Serbia. It was one of the most prestigious projects that China had secured in the EU.” However, Lam’s “developed countries in the European Union” a year earlier were put in the Chinese rhetoric discourse in a manner that the Chinese usually use to address developing countries, especially in Africa.

In April 2012, Premier Wen Jiabao visited Poland, where at the inaugural summit of the “16+1” in Warsaw he described the Polish nation with the unprecedented term “a great nation (伟大的人民, weida de renmin) of industrious and wise people,” thus creating a positive image for opening a new market for Chinese companies. In the final paragraph, Wen stated to “go forward hand in hand [and] jointly write a new chapter of friendly relations between China and Central and Eastern

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21 Such highest level meetings are being organised annually having since then taken place in Romania (Bucharest, 2013), Serbia (Belgrad, 2014), China (Suzhou, 2015) and Latvia (Riga, 2016).
22 Bartosz Gruszczyński, “Chiński multilateralizm, studium porównawcze współpracy Chin z Afryką i Europą Środkowo-Wschodnią” [Chinese multilateralism. Comparative study of Chinese cooperation with Africa and Central and Eastern Europe], M.A. Thesis, University of Lodz, 2016, 26–28, 63–67, 74–77. In both cases, there is one dominant Chinese institution — the Secretariat for Cooperation between China and CEE countries and the Follow-up Committee of FOCAC, respectively. These institutions are in charge of carrying out the summits’ objectives, introduction of new initiatives, and overall cooperation with African and CEE countries. See also: Introduction of the Secretariat for Cooperation between China and Central and Eastern European Countries, http://www.china-ceec.org/eng/mscc_1/muscji/1141097.htm; on Chinese Follow-up mechanism see: http://www.fofac.org/eng/bxzl/.
23 Wo-Lap Lam, 201–202. Lam provides incorrect sides of the agreement, as it refers to a connection between the capitals of Serbia and Hungary, which was signed in Bucharest, the capital of Romania.
European countries!"  

Though not explicitly pinning CEE countries to the developing world at this point in time, three years later, President Xi Jinping stated outright the position of CEE in China’s foreign policy. At the November 2015 meeting of “16+1,” Xi described the nature of Sino-CEE cooperation, which in the eyes of China opened a new path of development of relations between China and traditional friends, introducing innovations to the practice of relations between China and Europe, establishing a new platform for South-South cooperation, which has the characteristics appropriate for North-South cooperation. In the next step, China and Central and Eastern European countries cooperation must be based on mutual benefit, openness and tolerance, strengthen mutually beneficial cooperation in various fields. [...] the realization of “16+1” cooperation must be fully complimentary to the construction of the “One Belt, One Road.”

This notion was reinstated by Renmin Ribao on June 14, 2016, prior to Xi’s visit to Serbia and Poland: “President Xi Jinping’s visit in Central and Eastern Europe, will consolidate the traditional friendship, deepen pragmatic cooperation, share the fruits of development, [and] open new chapter in the development of relations between China and Central and Eastern Europe.” The “16+1” cooperation was described as a “subregional” one, separating at the same time the relations with CEE from the EU by stating, “introducing innovations to the practice of relations between China and Europe, establishing a new platform for the South-South cooperation, which has the characteristics appropriate for North-South cooperation” — thus repeating the same words aired by Xi Jinping six months earlier.

It seems interesting to equate the “16+1” relations with the level of cooperation between the countries of the South, ergo developing as seen in policy pronouncements of China’s political leadership. Thus, China–Europe relations are in actual fact divided into two realms: the traditional North–South dichotomy of Western European countries and, as can be seen in the quote above, the postcommunist CEE countries, categorised in Chinese foreign policy as developing. As far as “traditional friends” is concerned, it is a quite explicit reference to the communist past of the CEE countries, which were considered by the Chinese leadership as a political and geographical periphery of (Western) Europe.

By defining Sino-CEE relations within the framework of alleged South–South solidarity, this rhetoric suggests further association with China’s historical memory which has been pointed out by the Chinese historian Zheng Wang as an important part (along with economic and military factors) of China’s identity and its behaviour in the international arena. The atmosphere of “avenging national humiliation” (雪恥, xuechi) nurtured by the Chinese authorities has also pro-

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found implications for domestic policy, resulting in the intensification of anti-Western nationalist sentiments in Chinese society.\textsuperscript{29} The late diplomat Wu Jianmin, China’s former ambassador to France and a former president of China Foreign Affairs University, warned in April 2016 that with the growing diversity of the public view on various issues, there has also been a growing parochial nationalism based on the conviction “that the people of China are losing out because they are still being subjected to the exploitation of Western countries via international cooperation.”\textsuperscript{30}

Countries of the CEE “16,” with the exception of those in the former Austro-Hungarian empire, were not involved in the process of “carving the melon,” as the Chinese have called the division of China into spheres of influence by the Western powers and Japan. Via the “unequal treaties” in the period between the First Opium War and the end of World War II, China was forcibly subjugated by the established world powers. One may consider that these historical facts hardly matter to contemporary Chinese foreign policy makers, dismissing it as being far-fetched. Yet, given the example of narratives of the Chinese media accompanying Czech President Milos Zeman’s 2015 visit to Beijing, this idea might be considered not to be entirely at odds with reality. In an analysis of China’s major online news and commentary site, Guancha, summarised by Runya T. Qiaoan, the Czech Republic [...] was described as a country which has a similar traumatic history as China and now attempts to draw a line between itself and the West. “One hundred years of humiliation,” which is a term often used to summarise the contemporary history of China, was borrowed to sum up the turbulent Czech 20th century destiny between Germany and Russia. This rhetoric would easily arise sympathy and an “us” feeling among Chinese. Besides, when it comes to the divergent routes of the Czech Republic and China after 1989, the Czech Republic was presented as a victim of the western neo-liberal pitfall, in the sense that the Czech economy has [sic!] suffered in the 2008 financial crisis before it even ever took off.\textsuperscript{31}

Thus, the Chinese political circles’ critical attitude towards Western values has begun to be convergent with the recently gaining-in-prominence trends in leading CEE countries, that is, the trends of questioning the values of liberal democracy within their respective political establishments.

In case of the Czech Republic, the rationale behind its flourishing relations with the PRC has been explained by President Miloš Zeman explicitly on ideological grounds which brings associations with the South–South community of the “weak and oppressed.” The Czech president attributed a “very bad relationship between China and the former government of the Czech Republic” as this “government had been very submissive to the pressure from the US and from the EU.” However, in Zeman’s opinion, the Czech is “again an independent country” which formulates foreign policy “based on its own national interest, and do not interfere with the internal affairs of any other country.”\textsuperscript{32}

\textsuperscript{32} “Czech President Milos Zeman on China-Czech ties,” CCTV.com, 27 March 2016, http://english.cntv.cn/2016/03/27/V1DEzrRM-qU356DkYaTnLz8hno327.shtml. In the case of Poland, affirming the thesis regarding the convergence of antiliberal positions with China could be a declaration aired by Jan Parys, the head of Foreign Affairs Minister Witold Waszczykowski’s cabinet, in October 2016 during a parliament session dedicated to Poland’s relations with Asia. The politician representing the right-wing government of the Law and Justice party found that “China is a post-communist country,” which “has effectively detached itself from the legacy of communism.” Parys declared also that Poland is entirely open to the OBOR initiative and cooperation in the “16+1” framework, opting for a completely pragmatic approach to relations with China. Referring to the issue of pinning democracy and political pluralism to Poland as principles that it should promote, Parys said that the authorities in China “had settled with the leaders of the Communist more sharply than it had been done in Poland, because some Communist leaders (in China) – in contrast to Poland – lost their lives.” The politician also declared that Polish authorities will not show those attributes of superiority that are popular in Western and liberal environments over the PRC and will cooperate with all the countries of Asia and the Pacific that accept international standards, namely the UN Charter. See: “Dzień Azji i Pacyfiku w Sejmie RP,” [Asia-Pacific Day in Sejm], 5 October 2016, http://www.msz.gov.pl/pl/p/msz_pl/polityka_zagraniczna/inne_kontynenty/azja_i_pacyfik/dzien_azji_i_pacyfiku_w_sejmie_rp.
China’s investments in the CEE and CEE countries’ political concessions to China

Chinese investment in CEE is a relatively new phenomenon, and their share in the total OFDI in Europe is barely 10%. Ágnes Szunomár has concluded that the role of Chinese investments within the CEE region increased significantly after the 2008 economic crisis, and their importance for the region as well as the share of total OFDI will grow. Moreover, Chinese investments in CEE vary in motif from other countries. In addition to the economic element, “the level and warmth of political relations with the host country” must also be taken into account (e.g. Hisense’s decision to invest in Hungary). Among the determinants of Chinese investments, Szunomár has pointed out the market potential resulting from EU membership, which allows one to avoid trade barriers; cheap and qualified labour force (countries serve as assembly plants); and the growing trend of strategic asset-seeking (mergers and acquisitions), including brand seeking, new technologies, and market niches.33

China’s focus on CEE is clearly related to its geographic location and logistic potential which may facilitate trade expansion into both Eastern and Western European countries. Since Deng Xiaoping’s 1978 reform and opening up, China’s interior has lagged behind the eastern coastal region which was given priority in development and attracting foreign investments. Contrary to this scheme, Xi Jinping’s OBOR initiative at the internal level was formulated, in general, to open up China’s less-developed western and central provinces, cities, and autonomous regions to the outside world (mostly westward to Central Asia, Southeast Asia, and Europe).34 Thus, given OBOR’s infrastructure-related economic orientation, it might be considered to some extent as an outward extension of “Open-up the West” (西部大开发, xibu dakaifa) strategy. Announced by Jiang Zemin in 1999 as a program of investments in economic infrastructure, railways, highways, communication facilities, the energy sector, and large-scale industries intended to level out the differences in development between China’s west and east. An important factor in the westward direction of OBOR is naturally the geographical proximity of China’s west and countries situated along the New Silk Road, as Calla Wimer put this potential for trade: “Yining on Xinjiang’s western border is closer to Warsaw, Poland (4500 km), than it is Tokyo, Japan (4900 km).”35 In regard to “16+1” relations, a role model for such outward development of China’s western provincial-level unit is Sichuan Province, which attracted considerable attention of the central authorities of the


Czech Republic and Poland. Economic relations between Chengdu and the centrally located Polish city of Łódź are based on a freight railway line, opened in 2013, between these towns as a part of the China–Europe railway line. The Sichuan leadership has similar plans regarding the Czech Republic. In accordance with a memorandum of cooperation signed in May 2016, more effective usage of the Sichuan–Europe line is predicted by building a logistic and transport base in the Central Bohemian Region, which would focus on goods from Sichuan.36 However, the experiences of both the Lodz-Chengdu and Warsaw-Suzhou cargo freights show that Chinese initiatives are to a large extent based on Chinese interest, with limited reciprocity for Poland. Among the main reasons that both connections are mostly used to import products from China is “the fact that China subsidizes these railway connections to Europe to dispatch its overcapacities and secure its own exports.”37

In the period that passed since the “16+1” was initiated in April 2012, a number of projects have kicked off, emerging as a land–sea express passage to speed up transportation between China and Europe. Chinese firms are already present in various infrastructure projects, including power plants, oil fields, highways, logistic centres, bridges, railways, and ports which are taking the shape of a logistic network facilitating the expansion of Chinese products into both the CEE and Western European markets. In January 2016, China Ocean Shipping Company (COSCO), as the sole investor, offered to buy 67% of shares in the largest Greek port, located in Piraeus. A month later, information came to light that COSCO additionally intended to take part in the auctioning of the Greek rail company, TRAINOSE. If COSCO’s investment plans would have borne fruit, China would have acquired access to the Suez Canal, a railway connection with the Balkans and in the grander scheme of things, the whole CEE region.38 Seen in this context, the development of Sino-Latvian relations deserves special attention. Latvia, being a transit country — both for land and maritime transport, is an important logistics point for the “intermarium” infrastructure project (Baltic–Adriatic–Black Seas). The goal of this endeavour is to link the ports found in the North, South, and Southwest Europe by rail.39

Projection of Chinese prestige through “infrastructure diplomacy” was also demonstrated in relations with Serbia. In December 2015, Premier Li Keqiang and his Serbian counterpart Aleksandar Vučić attended a ceremony of opening a bridge over the Danube River in Belgrade, which is the first construction of this type completed by Chinese companies in Europe and the first newly built bridge over the Danube in Serbia in almost seven decades. According to an official statement, the construction of the project was a joint effort of Chinese and Serbian personnel, with Chinese-made equipment being used.40

Despite the set of China’s investments in hard infrastructure, it is interesting to observe the political aspects of Sino-CEE relations in which, to use Willy Lam’s words again, China acts like a mini-Middle Kingdom. We can risk a comparison that China’s relations with the countries of “16” echoes a kind of tribute, in which China bestows upon its tributaries’ contracts and honours, skilfully stimulating competition for their attention as it is the case of China’s foreign policy in Africa and Latin America. To attract Chinese investment, some CEE countries have decided to


grant China political concessions. The Czech Republic, Hungary, and Latvia are gaining economic returns most likely due to their demonstrating acts of political compliance vis-à-vis China. Symbolic in this view is a reset in relations with Latvia, which officially began to ignore the issue of human rights on the agenda of relations with the PRC. In return, Latvia received the honour of holding a ‘16+1’ summit in 2016. Latvia became China’s largest Baltic partner not only due to its fortunate transit location to Northern and Western Europe but also thanks to its well-developed ports as well as rail connection to Asia via Russia. Estonia and Lithuania, the other two Baltic states, could provide similar conditions; however, their relations with the PRC became virtually frozen after they welcomed the Dalai Lama in 2011 and 2013, respectively. China’s reaction towards Estonia was the suspension of the already advanced certification procedure of perishable foods, which is required to be able to export foodstuff to the Chinese market. When it comes to Lithuania, their action was met with a halt in bilateral relations. This situation changed once the EU implemented economic sanctions against Russia, which forced Estonia and Lithuania to search for new export markets, prompting them to reevaluate their standpoints towards China.

The importance of CEE as a region is mainly due to its geographical position as a gateway to the EU market for Chinese products. However, attempts to institutionalise measures and coordination mechanisms between the countries within “16+1” format in conjunction with investments can lead one to guess about the growing political importance of some of them. They could be forcing the political interests of China in the international arena, be it the most revealing cases of Hungary and the Czech Republic. Both countries are among top receivers of Chinese investments in the CEE region. As of the period since the “16+1” format was officially established in 2012 until mid-2016, they have received as follows: the Czech Republic, 1.32 billion USD; Hungary, 6.1 billion USD. They are also neighbouring countries that are relatively close in terms of population, 9.85 million and 10.55 million, and area, 93,000 sq km and 79,000 sq km, respectively, competing to be China’s gateway to Europe.

Politicisation of Chinese investments in the Czech Republic

In the “South–South” dimension of Sino-CEE cooperation, the most illuminating case is that of the Czech Republic, which until recently was one of the staunchest critics of China regarding human rights and now has become the apparent regional leader of the “16+1” cooperation. Sino-Czech relations reached their zenith in March 2016, when Prague welcomed a PRC leader for the first time in its history. The result of this meeting was the signing of a strategic partnership between both states.

In the 1990s, voices critical to the communist regime in China were quite common in CEE, with the Czech Republic being the most prominent of all during Vaclav Havel’s tenure as president. Havel welcomed the Dalai Lama and loudly proclaimed Czech–Taiwan cooperation, which awakened protests in Mainland China and resulted in the worsening of bilateral relations. This was recalled during Xi Jinping’s visit to Prague in a Global Times — a Chinese daily known for its critical stance towards the West — commentary, “the Czech Republic used to hold the strongest anti-communist stance among the former members of the Warsaw Pact. […] Former President Václav Havel was critical of China’s lack of democracy and human rights. In 2010, he showed up at the Chinese embassy in Prague in support of Liu Xiaobo, a Chinese dissident.” Therefore, “Prague is to blame for the stagnation of Sino-Czech ties in the past. Certain politicians, out of ideological


43 Martin Lavicka, “Finding Equilibrium: Czech-China-Taiwan Relations,” China Policy Institute Analysis, 1 October 2014, https://cpianalysis.org/2014/10/01/finding-equilibrium-czech-china-taiwan-relations/. In June 1995, the Republic of China’s (ROC) Premier Lien Chan visited Prague, being the highest ROC official who had visited Europe since 1949. The Czech Republic advocated also Taiwan’s entry into the UN the same year.
prejudice, held hostility towards China. The new Czech leadership is trying to treat China objectively. This does not mean the country hails China’s model, but indicates that Prague looks forward to cooperation with Beijing.”

Indeed, the Czech Republic has started to reap the financial benefits of a reset in relations with China that have been taking place since President Miloš Zeman, a critic of the EU, assumed office in 2013. The reset was sealed in 2015 by the presence of Zeman in Beijing for the military parade to celebrate the 70th anniversary of the end of World War II, as the sole leader from the Western world. It must be noted that this reciprocity holds great diplomatic as well as financial weight as about $4 billion Chinese investment was expected to flow into the Czech Republic in 2016, with up to $10 billion more in the upcoming five years.

The Chinese leader was welcomed by the Czech authorities in a highly ceremonial atmosphere, receiving a “token of highest honor” from Prague City Mayor Adriana Krnáčová. This symbol, according to the Communist Party mouthpiece, China Daily, is “representing deepening friendship and partnership with China.” However, Xi Jinping was presented with “the key” soon after Mayor Krnáčová signed an agreement with her Beijing counterpart Wang Anshun on their new sister city status. Such an agreement between both capitals should not attract an unusual amount of attention despite the fact that it includes a politicised paragraph rather unseen in city-to-city cooperation. In a five-year agreement, the following standard areas of cooperation were set: tourism, trade, culture, health, and education. The controversies arose due to the fact that within the agreement China included a provision regarding the need for Prague to uphold the “One China Policy” and referring to Taiwan as an “inseparable part of China.” Although the majority of countries, including the Czech Republic, accept the “One China Policy,” but placing a similar note in a regional-level agreement was, at least in case of Sino-Czech relations, unprecedented. This resulted in some city councillors fearing that China was economically blackmailing the city, in the case that Prague was not to approve an agreement in the way that China envisioned. One can thus see this as a prime example of the political element in China’s economic expansion in the CEE. According to the leader of the Green Party in the City Council, Matěj Stropnický, city councillors who voted favourably for the sister city agreement only did so out of fear for losing Chinese investments that are meant to flow into the Czech capital. The politician concluded that “partnerships should not include ultimatums, especially not at the start.”

Furthermore, it must be noted that during Xi’s visit to Prague, in the published commentaries in Renmin Ribao and on the Chinese Ministry of Foreign Affairs’ website, the “16+1” format rarely appeared. Rather, phrases such as “the cooperation of 17 countries,” China-CEE cooperation as well as wider European cooperation (omitting “EU”) were used. The comments mostly related to bilateral relations between China and the Czech Republic. Most likely the reason behind this was to have a redundant measure in case China would not be given market-economy status by the EU and US. By establishing strong bilateral ties then each partner would, if such a scenario were to happen, become another “log” on the Chinese export “bonfire.”

The most visible aspect of the politicisation of China’s interests in the Czech Republic is first and foremost President Zeman’s nomination, most probably in April 2015, of Ye Jianming as his
economic adviser. Ye is the chairman of China Energy Company Ltd. (CEFC, 中国华信Zhongguo Huaxin). The 2015 Fortune Global 500 list of the world’s biggest companies ranked CEFC China Energy at 229th place in the world with a revenue of 41.845 billion USD, compared to its 342nd position the previous year.50 According to the company’s website, in recent years, with the acquisition of overseas resources as its core activity, CEFC China integrates finance with energy by establishing an all-encompassing financial platform through investing in logistics and infrastructure in Central Asia, the Black Sea, and the Mediterranean, where it owns more than 1,000 gas stations and over 100 transshipment stations that form a vast system of oil and gas terminals integrating refining, storage, transportation, and sales in Europe. The rationale behind the establishment of its second (after Shanghai) headquarters in the Czech Republic was to “conduct international banking businesses and investment focusing on airlines, aircraft manufacturing, steel, food, and nuclear power plants.”51 In March 2016, during Xi Jinping’s visit to Prague, CEFC became the first ever Chinese private company to have a majority stake in a European bank with its acquisition of controlling shares of J&T Finance Group.52 Apart from the purely economic calculations, the importance of the political equations that distinguish China’s investments in CEE from other countries has been laid out by Ye Jianming’s following statement: “The starting point of CEFC China’s investment layout is not merely about economic benefits. Under the guidance of the ‘One Belt, One Road’ Initiative, it is intended for a friendly relationship between the two countries as well as enhanced cooperation and communication.”53

As Olga Lomová, one of the foremost Czech sinologist, noted, for someone who knows just a smidgen about the social structure and political situation in China, it is obvious that a company operating in strategic sectors, such as energy and the gas industry, can be “private” in name only. It is beyond a doubt that the CEFC, whose head is the Czech president’s adviser, is a state-run business, most likely directed from the high political ranks in China. Given this, it can be argued that the Chinese state operates in the international arena through the CEFC as if it were a private company and the Czech president has as his adviser a man who is subordinate to the political leadership of the PRC.54

Moreover, there exist reasonable grounds indicating ties between the CEFC and Chinese military intelligence via the government-backed China Association for International Friendly Contacts (CAIFC), the liaison office of the People’s Liberation Army’s General Political Department propaganda platform.55 Although CEFC representatives rebuff these ties between Ye Jianming and the CAIFC, according to the Czech website HlídacíPes.org, Ye, now Chairman of the CEFC, acted as vice chairman of the CAIFC in 2003–2005.56 The political dimension of the CEFCs’s (China’s) interests in the Czech Republic was confirmed outright by Ye in a conversation with Forbes magazine. The company’s Chairman emphasised the need for adhering to geopolitics, warning that

52 The acquisition of a controlling stake in J&T took place gradually from May 2015, costing a total of more than 1.2 billion USD. By mid-2016, the second largest recipient of CEFC investment in CEE was Romania, where in December 2015 the company acquired a 51% stake in the KasMunayGaz energy company for 510 million USD, see: The China Global Investment Tracker published by American Enterprise Institute and The Heritage Foundation, https://www.aei.org/china-global-investment-tracker/.
“[i]f one day the Czech Republic goes against China, we need to pull back our investments to rethink our strategies there.”

**Politcisation of Chinese investments in Hungary**

The influx of Chinese investment in Hungary seems to also be the tangible result of the excellent political relations between Beijing and “questioning-the-liberal-Western-order” Budapest. Hungary’s relations with the PRC throughout the 1990s were rather indifferent; however, since Prime Minister Péter Medgyessy’s visit to Beijing in 2003, they have become increasingly close, reinforced by Prime Minister Viktor Orbán’s announcement of the “Opening to the East Policy” initiated in 2010 as a reaction to European financial crisis. As Tamás Matura noted, Orbán’s new, pragmatist attitude towards China is noteworthy, given his fierce anticommunist stance during his first premiership (1998–2002), marked by the Dalai Lama’s visit to his office in 2000. Nowadays, most Hungarian politicians are rather consensual on the Sino-Hungarian political agenda being “completely free of any thorny issues” as they pay special attention to bilateral economic, political, and trade relations with China, attaching great significance and expectations towards the Chinese involvement in the country.

In December 2015, the Hungarian Minister of Foreign Affairs Péter Szijjártó stated that economic and political relations between both countries are the best in their history. The flourishing bilateral relations were solidified in April 2016 as the Hungarian parliament ratified an agreement with China on the Budapest–Belgrade railway construction which was initially approved during the 2013 CEE–China Summit in Bucharest. The modernisation of the Hungarian section of the tracks (166 km) linking both capitals will cost around $1.72 billion, of which the Chinese side will cover 85%. The completion date for the new section, which will shorten the travel time between Budapest and Belgrade from eight to three-and-a-half hours, is scheduled for 2018. The flagship China–CEE cooperation project, however, awaked doubts within the European Commission (EC), which launched a preliminary investigation. According to the Hungarian newspaper *Magyar Nemzet*, doubts were raised regarding the lack of definition as to what role the Hungarian State Railway (MAV) was to play in the project, as well as their Chinese partners. As per the international agreement, the contractors are the Hungarian State Railway Consortium, Chinese Railway Companies, China Railway International Corporation Ltd., and China Railway International Group. The EC found that the tender procedure had been omitted in certain areas as well as infringed upon market competition laws. Additionally, the unclear role of MAV in the project, as the only company from the EU has only a 15% stake in this undertaking, also intrigued the EC. The Hungarian government has taken up the position that the international agreement is not within the EU’s common trade policy’s domain, and as such the Hungarian decision does not conflict with the Treaty on the Functioning of the European Union (TFUE). What breeds even more doubts is the fact that the terms of the loan are unknown — it is to be paid back within 20 years, yet the interest rate and feasibility study have not been revealed. Another baffling fact that raises doubts is that the CEE countries were not informed about the loan terms before signing the agreement.

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that the investment model used, whereby the Hungarian government has decided to cooperate with the Chinese and pay for the project out of its own pocket, could have been done via the EU, which would have been able to cover 85% of the costs.62

The PRC’s use of Hungary as a way to react to the EU’s decisions can be seen in China’s endeavour of achieving market-economy status in the EU. The Chinese side is of the opinion that according to the 2001 protocol of China’s entry to the WTO, China should be recognised automatically as a market economy from December 11, 2016. Despite ongoing heated discussions within the EU on the matter, Hungary has declared its support to China’s efforts already in May 2016, over half a year before the final decision must be made.63

The instrumentality of China’s politics towards Hungary (as well as Greece) as a tool to bolster its political interests with the EU was confirmed again during the EU’s attempt to come to a mutual agreement regarding the Hague Tribunal’s verdict on the South China Sea dispute. During the EU–China summit in Beijing (12–13 July 2016), the EU did not come to a mutual consensus regarding the decision due to three states backing out: Croatia, Greece, and Hungary. Croatia’s distance to the Tribunal’s verdict is most likely related to the unresolved territorial dispute between itself and Slovenia regarding the Gulf of Piran. Greece and Hungary’s choice not to take part in the joint EU decision was intended as to not disturb their interests with Beijing. Two weeks earlier, the Greek parliament approved the sale of a 67% stake of a port in Piraeus to COSCO, which is to invest 500 million EUR in the port over the next five years. Hungary’s position, aided by their excellent relations with China, was also dictated by economic motivations, especially by the Belgrade–Budapest modernisation project.64 This political dimension of Chinese investment in Hungary was confirmed via the opinions delivered by politicians of both countries three days after the decision of the Hague Tribunal. At the ASEM-EU summit on 15 July at Ulan Bator, Foreign Minister of China Wang Yi, during a meeting with his Hungarian counterpart Péter Szijjártó, urged to accelerate the implementation of the Budapest–Belgrade railway line and showed his willingness to deepen cooperation in other fields. In turn, the head of the Hungarian diplomacy, following the Chinese position on the South China Sea island dispute, said that disputes should be settled directly by the parties involved, and external pressure is not conducive to peaceful resolution.65 Nevertheless, Hungary’s relations with the PRC, contrary to Czech Republic, so far had not received a privilege of being a “strategic partnership” let alone “comprehensive strategic partnership.” On the other hand, it is Hungary that has by far attracted the biggest stock of Chinese investments in the whole CEE region.

In view of the repeated political gestures supporting Chinese stance in the international arena, brought out either via own initiative by the representatives of CEE countries or even under political and economic pressure from China, one can venture to the conclusion that one of the reasons the China–CEE relations were conceptualised in the South–South context is the principle of noninterference. The principle of noninterference, which since the 1950s has been China’s soft-power tool, serving as a key objective of Chinese foreign policy and distinguishing itself from the West, has been helpful in expanding China’s political influence in developing countries. Of course, supporting revolutionary movements in the 1960s and 1970s in Africa as well as Asia shows inconsistencies in its implementation, which becomes all the more ambiguous in the light of China’s attitude towards Russia’s annexation of the Crimea (2014) and the perspective of China’s


global economic engagement in the world. This will inevitably lead to China’s indirect influence on the policies of other countries. According to Richard Q. Turcsanyi, China would probably like to get economic influence in the CEE but the level of influence would be much smaller than the one it has reached in Africa. Actually, it depends mostly on CEE countries how much influence will be given to China. Chinese investments still take a very small share of the investments in the CEE; it will likely take a long time until China would have a list of successful projects that would have any real impact. But what the Chinese side certainly is trying to create is a better image and expectations and they are very active in advertising themselves.

Conclusion

In the foreign policy field, China attaches great importance to the identity of developing countries and the South–South cooperation which transplants into the PRC’s investments in these countries. China’s focus on CEE is mainly due to its geographical location and logistic potential being favourable to trade expansion into European markets. In the period since the “16+1” format was founded in 2012, Beijing policy towards CEE states has not proved to be a coherent political strategy towards entire region, being mostly conducted to serve China’s economic needs. The implementation of OBOR in the CEE resembles China’s policy in Africa and Latin America, aiming to secure access to natural resources and markets together with infrastructure projects. However, there is also a political dimension of China’s economic diplomacy in the CEE region that could be observed. Although Sino-European relations are generally defined by the Chinese side in the contest of the North–South dichotomy; yet, in Chinese foreign policy rhetoric, CEE countries have been labelled explicitly as countries of the global South. Thus, they are the recipients of developmental investments behind the OBOR strategy which “16+1” is to be complementary with.

The idea of equalising relations between China and CEE with developing-country mechanisms has so far attained a reasonably official status from the Chinese side. Evidence of this can be seen by Xi Jinping’s official meeting in Beijing with the 16 CEE countries’ leaders in 2015 and citations in articles in Renmin Ribao. In contrast, it is difficult to assess the relationship to the alleged “South–South” dimension of the “16+1” format by the CEE political leaders due to the fact that within official statements or speeches from these authorities the topic seems to be inactive or at best left unsaid. Likewise, it is difficult to ascertain whether there lies a long-term political strategy towards the EU behind the South–South format and the anticipated reconfiguration of relations in Europe, with the United Kingdom’s exit from the EU being an introductory element of the coming change. In the case of CEE, in the foreground, one can see above all China’s attempts of political influence within these states in exchange for investment promises. It is especially noticeable in the case of the Czech Republic, where President Zeman appointed as an economic adviser Ye Jianming, whose ties to the PRC’s political echelons is not in doubt. In terms of direct influence on the decisions of individual CEE countries in line with the wishes of China, the only country that so far has openly supported Beijing’s position regarding its market-economy status is Hungary. This relationship could also be seen in the case where Greece and Hungary blocked EU attempts to come to a unanimous position regarding the International Court of Justice’s arbitration on the disputed islands in the South China Sea.

Growth of Chinese investments in the Czech Republic and Hungary is clearly due to the excellent political relations facilitated by the antiliberal positions of their governments. Although Western European countries are also soft on China’s human rights record, the case of CEE, for example the Czech Republic and Hungary, proves that China is not only calculating the financial benefits of its expansion but also seeking political influence there. Hungary’s advocacy to grant China market-

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67 Richard Q. Turcsanyi (Deputy Director of the Institute of Asian Studies, Bratislava), e-mail message to author, 25 April 2016.
economy status and endorsing its stance towards the South China Sea shows that investments do pay off politically. Although the case of CEFC activities in the Czech Republic has been so far secluded, announcements expressed by the company’s Chairman and the Czech president’s adviser Ye Jianming should be interpreted as a signal that China will seek for more countries to place its political influence in the CEE region. Projection of Chinese prestige into CEE is seemingly the most beneficial to the countries that proved to be ready to offer China political concessions. Interesting in this regard will be the development or regression in relations with China, which will be able to be observed via the decisions of individual member states of the EU to grant China market-economy status.

The similarities between the organisational model of the “16+1” and the FOCAC institutional layout bring further associations with China’s policy towards developing countries. This is strengthened by the PRC’s repeated emphasis of its adherence to the Five Principles of Peaceful Coexistence in its relations with the CEE countries. Critics towards the US and the EU voiced from within the former Soviet-bloc countries of CEE, which since the beginning of the 1990s have been perceived as epigons of pro-Western political and economic transformation, combined with growing signs of affirmation towards China’s economic achievements may in the longer perspective constitute a challenge to the US and EU position in the CEE region where Western liberal order has been by far the major point of reference as a desired political and socioeconomic model.

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