

Empty shell no more: China's growing footprint in Central and Eastern Europe

POLICY PAPER

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EMPTY SHELL NO MORE: CHINA'S GROWING FOOTPRINT IN CENTRAL AND EASTERN EUROPE

Policy paper

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Summary

- The 17+1 platform has been labeled as an ‘empty shell’ with the assertion that cooperation between Central and Eastern Europe with China lacks substance. A large-scale audit of relations, however, points to a more complex scenario. Relations between China and Central and Eastern Europe are growing, encompassing political, economic and societal domains and are loaded with action.
- The fragmented nature of the information complicates understanding of the real nature of 17+1, as in individual states China’s actions seem scarce and random. Also the areas of interaction are treated as separate. It is only when the whole picture is analyzed that the progress and direction of the 17+1 platform become evident.
- In the past eight years, China has managed to build a system of interconnected relations in Central and Eastern Europe (CEE), where it was almost absent before. Paradoxically, China has contributed to the conceptualization and institutionalization of CEE as a region.
- Resembling a version of US alliances in East Asia, the 17+1 framework can be characterized by a hub and spokes logic of cooperation with China taking the lead in ‘multilateral bilateralism’.
- Despite its efforts, China has not transplanted its foreign policy concepts into the language of cooperation with Central and Eastern Europe. On the contrary, the CEE countries have successfully shaped the diplomatic language to stay in accordance with the EU framework. 17+1 cooperation has almost universally led to the growth of high-level political contacts between the CEE countries and China. However, the development of bilateral relationships happens on separate trajectories. It is the activity and decisions taken by the individual 17 CEE countries rather than the format itself which shape the level of engagement.
- While Hungary and Serbia have supported China on political issues, they represent an exception rather than the rule. The assumptions that CEE as a whole has become more forthcoming towards China on political issues is not supported by the evidence.
- China has used the CEE as a testing ground for more activist party diplomacy led by the Chinese Communist Party.

- China cultivates relationships with important political elites to assure a long-term pro-China inclination in the respective countries.
- China has unsuccessfully tried to assuage the EU's concerns about using the format to divide Europe. The US-China rivalry has become a factor in CEE relations with China, with several countries afraid of endangering their traditional ties with Washington. China has tried to walk a fine line in its approach towards Russia in CEE.
 - Economic cooperation in 17+1 is mainly driven by China as it sets the agenda.
 - China's economic impact on CEE countries is still small. CEE countries are highly dependent on both trade and investment relations with developed, mainly EU member states, while China represents a minor yet increasing share. The CEE region is also far from being among the most important partners for China.
 - Despite the 17+1 format, China still handles its economic affairs on a bilateral basis. Relations with the countries of the Visegrád region and Serbia are of particular importance, while relations with other CEE countries lag behind.
 - Trade relations remain relatively limited and unbalanced, leading to an increased trade deficit in all 17 CEE countries with China.
 - Chinese FDI are modest and concentrated in a few countries (Hungary, Czechia and Poland) with almost no opportunity for other countries to receive sizable amounts of investment. Although financial cooperation has gained momentum, it is limited to EU member states.
 - Tourism is the real success story of economic cooperation within the framework, since CEE countries have achieved higher visibility in China (while a general increase in the amount of Chinese middle class travelers may also play a role).
 - Given the character of the Chinese system and the high level of penetration of Chinese society by the state, people-to-people contacts actually mean Chinese government-to-people in relations with CEE countries.
 - The number of Confucius Institutes has increased in CEE countries. Youth cooperation is also on the rise, with increased numbers of Chinese government scholarships issued to CEE students.
 - Politically motivated programs targeting youth and political leaders, such as Bridge for the Future, China-CEE Young Political Leaders Forum and Political Parties Dialogue, go largely unnoticed in all 17 CEE countries.

Recommendations

- The 17+1 format should not be discarded. The simplistic view of Europe being divided by China through 17+1 should be opposed as it infantilizes the CEE states and denies CEE countries their agency. 17 CEE countries should adopt the ACT strategy proposed in this paper in their dealings with China.
- The EU needs to continue including CEE EU members in efforts to shape a common EU policy towards China that should represent the interests of all member states.
- The EU should open a clear path to membership to the Western Balkan countries to offset the growth of China's political influence. The EU must play a more active role in the Western Balkan's economic development.
- The 17 countries should improve their communication and coordination in feasible areas to shift the 17+1 into a multilateral forum serving primarily their interests.
- More attention should be given to the sub-national (regional, provincial, etc.) dimension of China-CEE cooperation that has largely developed under the radar. CEE states should pay attention to the potential politicization of such cooperation and China's efforts to take advantage of the lower profile of local contacts to avoid attention.
- The increased prominence of the Chinese Communist Party (CCP) in China's approach towards the CEE warrants vigilance. There should be greater scrutiny by the civil society and media towards nontransparent dealings between the local parties and the CCP.
- In order to benefit more from economic cooperation with China, CEE countries should act together. Regular 17+0 consultation meetings should precede summits.
- The major challenges of trade relations, such as trade deficit, cannot be overcome by single country solutions; CEE countries should follow the EU's strategic aims in trade policy.
- Coordinated rules should be established relating to investment screening also in non-EU member states.
- Independent, fact-based media coverage is needed in order to achieve greater transparency and understanding of mechanisms behind societal cooperation between China and CEE countries.
- More public (on EU, state, or regional levels) as well as private

financial support for academic institutions researching China is needed in order to avoid a situation where Confucius Institutes and other PRC-related institutions become the most influential actors producing and disseminating knowledge about Chinese politics, society and culture.

- China watchers should exchange knowledge and experiences across Europe and with other parts of the world in order to detect potential threats to democratic standards governing the societal level of cooperation with Chinese actors outside of the PRC.
- It remains crucial not to equate all forms of societal cooperation with China with potential threats. The focus should be on achieving transparency.
- CEE countries should be aware of the risks associated with a growing skepticism towards China turning into racist attitudes against the Chinese diaspora, students and tourists. In order to avoid the rise of Sinophobia in CEE, clear divisions should be drawn between public criticism of government or party-led activities and Chinese nationals and their presence in the region.

Engaging China in 17+1: Outline of ACT strategy

Ivana Karásková

The 17+1 platform¹ has been labeled by some as China's tool to divide and conquer Europe.² At the same time, analysts (the author included) frequently dismissed these charges, arguing that 17+1 is an 'empty shell' and cooperation between Central and Eastern Europe (CEE) and China lacks substance.³ The divide in understanding of the platform became apparent when China announced the upgrading of the annual 17+1 summit which was expected to be held in Beijing in April 2020 from the level of prime ministers to the level of heads of state. The first camp of analysts perceived it as a worrisome trend, while the latter argued that it is mostly the prime ministers, not the presidents, who call the shots in Central and Eastern European politics. Thus the upgrade, they argued, was only symbolic.⁴

The proponents of the 'empty shell' concept, however, seem to be wrong. A large-scale audit of relations between China and the 17 Central and Eastern European countries points to a more alarming scenario. Substance in relations with China is, indeed, not lacking, and cooperation between China and Central and Eastern Europe flourishes, encompassing political, economic and societal dimensions, and is loaded with action.

The reason why observers missed these developments is two-fold. First, the information is fragmented. In individual Central and Eastern European states, China's actions look scarce and random. 17+1 is neither a multilateral forum, nor a bilateral one. It is an exercise of 'multilateral bilateralism'⁵, resembling the hub and spoke system of relations, with China acting as a hub in the middle. The spokes, i.e. the Central and Eastern European countries, exhibit – to their detriment – limited if any cooperation among themselves. Second, the areas of interaction, be they political, economic or societal, have been treated as separate. However, 17+1 is not only a political platform, it breaches politics and enters into domains of economy, youth cooperation, academic exchanges, sport, health or media cooperation. Only when the whole picture is analyzed, does the progress and direction of the 17+1 platform become evident.

Over the past eight years, since the inception of 17+1 in 2012, China has managed to build a system of interconnected relations in CEE, a region where it had been almost absent before. For the foreseeable future, China will continue to rise in power and importance. Its increasing global presence, already taken for granted, will inevitably stimulate its willingness to seek influence through different organizational and institutional settings, including (sub)regional organizations. Given the fact that China finds it extremely difficult to 'infiltrate' the long-existing ones, it will attempt to multiply the groupings of its own founding, and will try to extract as much as possible from those already in existence, such as 17+1.

The fears of Chinese incursions on many levels (technological, economic, political, or even military) are, factoring in specific regional contexts, substantiated and the dangers are real. However, a response to the threat of expanding Chinese influence in the form of shutting Beijing out is, in practical terms, impossible – not least because it would probably provoke more extreme reactions from the PRC. Instead, a three-pronged ACT (adapt > counter > target) strategy, modeled on the realities of the 17+1 initiative, is suggested.

While seemingly obvious, adapting to China's presence in the region (be it in Central and Eastern Europe, or elsewhere) may in fact be the hardest component and the most difficult to pull off correctly. China as an actor and an issue will continue to be a stable and growing, if often irritating, component of various regional constellations. Accepting this fact should not be confused with resignation and much less submission to China's strategic interests. Quite the contrary: national and international strategies need to assess the existing and potential scope of China's presence, define priorities as well as risks stemming from this phenomenon, and implement or address them through subsequent policies.

Groupings like 17+1 were clearly born out of China's intention to create institutional tools for amplifying its message and increasing its influence. Still, their members can conceivably utilize them as platforms for countering, limiting or even curbing China's heft. The way forward consists in making full use of these organizations' multilateral settings. While countries like Czechia, Estonia or Greece may find it difficult to face Chinese actions alone, there is no formal impediment against them bonding together and presenting their Chinese partners with a unified position. If China wants to retain its presence through these institutions, it is more likely (if grudgingly) to accept the 'multilateral condition' than to risk losing its influence altogether.

Once the members of regional platforms like 17+1 rediscover the multiplication effects inherent in 'effective multilateralism', to borrow a phrase from the 2003 European Security Strategy, they could even turn these platforms into offensive instruments for targeting China with their specific demands. These might include widely controversial topics (from the Chinese perspective), such as limits imposed on Chinese technological companies or concerns with unfair trade practices, but also more cooperative issues like the need for properly regulating Chinese investment and improving market access for CEE countries' products. While the actions of EU member states need to be in line with the agreed position on China within the EU, the CEE EU member states can utilize the 17+1 to achieve a better standing in negotiations not only vis-à-vis China, but also within the EU. The Western Balkans naturally pivot towards the European Union, despite the unfortunate lack of a credible and clear enlargement roadmap at the time of writing the publication. The EU should then open a clear path to membership to the Western Balkan countries to offset the growth of China's political influence.

The current debate seems transfixed by the image of China as an omnipotent, ever-present and inescapable threat. China is – and will remain – far from it. Even small states, especially those safely separated from the immediate effects of China's economic, political and military might, can succeed in promoting their own interests to their dealings with the PRC. The ACT strategy provides a general outline for achieving this objective.

The following chapters analyze relations between China and 17 Central and Eastern European countries (CEECs) in three separate areas – political, economic and societal, documenting China's increasing footprint in the region. The publication represents the first attempt to systematically audit China-CEE relations. Given the scope of the endeavor and a lack of information in several areas or specific countries, the publication does not claim to tackle each and every form of cooperation. Still, it attempts to uncover and analyze patterns pertaining to the region as a whole.

Ten China experts from Czechia, Estonia, Hungary, Latvia, Lithuania, Poland, Serbia, Slovenia, Slovakia and Romania provided their input via a novel and unique collaborative platform, China Observers in Central and Eastern Europe (CHOICE), in order to reach realistic and achievable suggestions for a joint action plan of CEE countries within the outlined ACT strategy.

1. Political relations: Beyond proclamations

Stefan Vladislavljev, Konstantinas Andrijauskas and Filip Šebok

During the past eight years, political cooperation between China and CEE through the 17+1 platform has developed beyond mere meetings of heads of governments (annual summits). It now encompasses cooperation between the Chinese Communist Party (CCP) and political parties from the region, as well as cooperation on the sub-governmental or sub-national (provincial, regional, etc.) levels. Given that 12 of the 17 European countries gathered in 17+1 are also EU members, political cooperation with China has the potential to influence the internal decision-making and external actions of the EU in regards to China.

Since 2012 the main framework for cooperation between China and CEECs has been the 17+1 platform. The profiles of European countries that are included in the platform are different – it encompasses Baltic countries, Balkan countries and Visegrád Four (V4) countries. Some of them are EU members, some of them are NATO members, some of the countries remain EU candidate countries or are in the middle of their negotiations with the EU.

The 17+1 as a platform of cooperation slightly predates the most notable Chinese foreign policy mega-project – the Belt and Road Initiative (BRI, previously named the One Belt One Road initiative), which was launched by Chinese president Xi Jinping in 2013. Even though 17+1 predates the BRI, after its launch 17+1 has become an integral part of the wider, global BRI project. The BRI is designed to increase connectivity through improvement of infrastructure development⁶ that would make China one of the most ubiquitous global powers worldwide with its numerous financial agreements and construction projects all around the world, including Europe, where CEE represents a geographical gateway to the rest of the continent. Through both the 17+1 and the BRI, China has ensured that the CEECs are willing to upgrade economic and thus also political relations with it.

Ever since the format's inaugural Warsaw 2012 summit, its most important manifestation has been the China-CEECs meeting of heads of governments conducted annually in one of the participating countries in order to review cooperation achievements and set the direction for the future, thus performing dual decision-making and coordinating functions. As of the beginning of 2020, there have been 8 such summits thus far (see below) that have taken place in every major CEECs sub-region (two in the V4, four in the Balkans and one in the Baltic countries) and in China (Suzhou 2015) itself. The 2019 inclusion of Greece allows one to expect a forthcoming summit there, although the 2020 one will be hosted by the Chinese capital, Beijing.

While the largest share of attention has been focused on the high-level summits, the 17+1 has grown to encompass a vast number of different cooperation formats,

MAP 1: CENTRAL AND EASTERN EUROPEAN MEMBERS OF THE 17+1 PLATFORM



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ranging from ministerial dialogues to seminars and even dance camps. Moreover, as the platform has progressed through the years, China has encouraged the CEECs to take the lead in particular cooperation areas usually commensurate with their comparative advantages or at least ambitions by hosting the inaugural events and/or establishing relevant institutional structures, variously defined as 17+1 associations, secretariats, centers, etc.

The various cooperation structures differ significantly in terms of their character and functioning. While sectoral leadership in a certain area seems to have been utilized by some CEE countries as an opportunity to pursue their priority agendas (usually bilateral vis-à-vis China rather than multilateral) with the useful cover, in other cases, it appears purely symbolic. For example the China-CEECs Technology Transfer Center in Slovakia is only a dormant website rather than a fully-fledged institution as its name might suggest.

Not only in terms of membership but also institutionally the platform is a rather loose grouping of states. The multilateral aspect of the format largely resembles that of a hub and spokes model, with China in the center but no connections between the individual CEE countries. The principal formalized administrative vehicle of the format is the Secretariat. This institution, announced during the inaugural summit and established the following year under China's Ministry of Foreign Affairs (MFA), deals with communication and coordination on matters related to cooperation, preparation for meetings and implementation of relevant outcomes. The Secretariat consists of 24 institutions representing China's most important ministries and agencies active in the country's foreign relations, while its administrative leadership comes out of the MFA higher ranks, particularly from its Department of European Affairs. China also appointed a special representative for China-CEE cooperation in 2015.

From the other side, every CEE country designated a counterpart department within their institutional structure and chose national coordinators to take part in work with the Secretariat and to promote the cooperation format in general. National coordinators have been meeting bi-annually with the Secretariat since 2013, with quarterly meetings with the CEECs' embassies instituted in 2015. This points to a gradual deepening of the involvement of CEE countries in the process of coordination and agenda-setting, although it is China that remains the one running the show.

So far, the following 17+1 summit meetings have been conducted: the inaugural summit in Warsaw 2012 (Poland), Bucharest 2013 (Romania), Belgrade 2014 (Serbia), Suzhou 2015 (China), Riga 2016 (Latvia), Budapest 2017 (Hungary), Sofia 2018 (Bulgaria) and Dubrovnik 2019 (Croatia). Whereas Warsaw was still more of an ad hoc meeting, the following summit in Bucharest manifested China's institutionalization of the format.⁷ The most important outcomes produced by these events have been provided in a series of concluding statements, namely China's 12 Measures for Promoting Friendly Cooperation with CEECs which came out of the format's inaugural 2012 Warsaw summit⁸, and the joint guidelines which have come out at the end of all of the subsequent meetings. While the 12 measures were proposed by China unilaterally without prior consultation with the CEE countries, the guidelines have been a result of joint consultations, with the EU also involved in the process. Although China still plays a central role in proposing the guidelines, they have actually been, quite surprisingly, little influenced by typical Chinese diplomatic language – a brief look at the language of the

analogous China-led format for Africa (FOCAC) points to a striking difference.⁹ On the contrary, the guidelines have stressed complementarity and respect for the EU rules and principles (as a result of the insistence of some EU member states) and also reflected some of the misgivings of the CEE countries (such as access to the Chinese market and the need for a “more focused, results oriented approach” of the format). This shows greater agency on the part of CEE countries than is often assumed.

The comparatively brief 12 measures set the stage for cooperation, by outlining China's plans for the format's above-described institutional mechanism and general pledges to deepen cooperation in widely diverse economic (trade, investment, financial services), infrastructural (transportation), technological (high-tech, green economy) and people-to-people areas (culture, education, academic exchange).

The 2013 Bucharest guidelines, being the first such, provided the structural framework on which all of the following ones would largely be based. These joint statements first commend the strengthening of China-CEECs cooperation in general and stress that it is in concord with the China-EU comprehensive strategic partnership and relevant national legislation and regulations (including the EU's where those apply), designate a pompously defined theme of the meeting, then outline a list of the actual guidelines for cooperation, and finally present the annex on the implementation of the previously agreed-upon measures.

As was to be expected, the issue areas (along with the actual space dedicated to them in the guidelines) expanded with every summit conducted, but also increasingly propelled the agenda beyond the framework itself. Curiously, although the famed catchphrase of “connectivity” appeared in the first 2013 Bucharest Guidelines, agreed upon soon after the official proclamation of the BRI by China, the mega-project has been explicitly addressed only since the 2016 Riga Guidelines that emphasized precisely infrastructure and logistics. The 2017 Budapest Guidelines briefly mentioned the “instabilities and uncertainties of the world”, while the 2018 Sofia ones inserted the EU-inspired vocabulary about the need to establish a “level playing field” in the economic relationship between China and CEECs. The latest Dubrovnik 2019 summit has produced the largest change in the cooperation framework thus far due to the accession of Greece.

The annual summits have been most politically important for the hosting countries, as the Chinese PM's attendance has been coupled with bilateral visits offering an opportunity to close high-profile deals. Conversely, apart from the largely ceremonial multilateral aspects of the summits, the other participating CEE countries have only had a chance to have a 15 minute face-to-face meeting with the Chinese PM with little opportunity to achieve deliverables. Therefore, the CEE countries have competed for the hosting role, with China apparently choosing countries where the summit could be linked with some headline-grabbing deliverables. Prague has reportedly failed to host a meeting despite repeated offers, perhaps pointing to China's fear of negative attention to the summit if held in Prague.¹⁰

Annual summits started as a good opportunity for China to establish relations with CEE and bypass relations with the EU despite the fact that the format gathers 12 EU members. Since then, the 17+1 framework has evolved and it is not anymore a one-sided presentation of Chinese intentions for this grouping of countries. And while summits host heads of governments and have been a good place for the an-

nouncement of any results of cooperation, most of the work is finished between two summits and as a part of sectoral cooperation, with the facilitation of the Secretariat and other institutionalized mechanisms of cooperation in the 17+1 framework, showing that cooperation between China and CEE is continuous, since it is in progress throughout the whole year.

In the run-up to the 2018 Sofia summit, there were some reports that China would downplay the format going forward, opting for biannual meetings and other changes due to concerns of the EU and a lack of results of the cooperation.¹¹ However, no changes were made in the end and the cooperation seems to have stabilized, gaining new impetus by the 2019 inclusion of Greece. The 2020 summit is set to bring yet another change as it will be hosted by Chinese president Xi Jinping rather than PM Li Keqiang. It is yet to be seen whether this is a one-off adjustment based on protocol requirements or a permanent change to the summit meetings.

BILATERAL RELATIONS: DIFFERENT TRAJECTORIES

Participation in the 17+1 platform and close ties with China are presented as a matter of prestige that has been manifested through an increased number of visits of Chinese high level officials to CEECs as well as visits of CEECs' leaders to China. For China, the format and especially the high-level summits have a cost-saving benefit, as it enables Beijing to manage relations with 17 countries simultaneously. At the same time, the 17 countries have gained an unprecedented opportunity to meet Chinese partners regularly and explore cooperation opportunities.

While the emergence of the format has transformed the overall environment of the CEECs' relations with China, the development of individual bilateral relations has varied significantly, with some countries taking the lead while others seeing limited development. On a similar note, while all the CEE countries have gradually signed BRI memoranda, implementation has varied from state to state, proving "accession to BRI" to be mostly a political statement. The most significant uptick in bilateral relations, including high-level visits and political documents can be seen in Hungary, Czechia and Serbia. On the opposite side, countries such as Slovakia and Slovenia have not experienced any significant change in the previous trajectory of the relationship. The stances of individual countries have also undergone significant evolution, mostly towards a less active posture after the expected economic benefits from participation in the platform failed to materialize and as a reaction to EU and US misgivings towards the cooperation. This appears to be the case especially for Poland, Czechia and Romania. While no particularly strong domestic political debate has grown around the individual countries' participation in the format, opposition politicians in Lithuania and Slovakia, for example, have expressed interest in rethinking their participation.¹² Similar voices have been heard in Czechia, although so far only from non-parliamentary parties and some NGOs¹³.

Moreover, despite the Chinese hope to improve "political trust" with the CEE countries through the format, political differences have (re)emerged in different countries to frustrate the bilateral relationships. In Czechia, Taiwan, Tibet and human rights issues have returned in full swing after being somewhat sidelined by the

previous administration between 2013-2017. Beijing reacted harshly to the Czech government's stance on Huawei, just as it did in neighboring Poland. In Slovakia, the political relationship with China took a hit after the acceptance of released Uyghur prisoners from Guantanamo and the meeting of the Slovak president with the Dalai Lama in 2014 and 2016 respectively. A final example is the interference in counter demonstrations against pro-Hong Kong democracy events in Lithuania in 2019.¹⁴ While these issues have mostly been bilateral, they have to some extent affected 17+1 cooperation as well. For example, due to worsened relations with Czechia, the 2019 Chinese Investment Forum under the 17+1 framework was canceled. In yet another case, the Chinese PM Li Keqiang reportedly scrapped his bilateral meeting with Slovak PM Robert Fico over the Dalai Lama meeting at the Riga summit.¹⁵

The record of political support for China resulting from 17+1 cooperation seems to be mixed. There have been salient cases of support for China on political issues, such as that of Hungary (e.g. refusal to sign a joint letter by EU ambassadors criticizing BRI or support for China's stance on the South China Sea¹⁶) or Serbia (see below), but these appear to be more of a function of the peculiarities of the respective countries than a reflection of overall trends in CEE as a result of 17+1. In the July-October 2019 "letter wars" at the UN with groups of countries expressing condemnation versus support for China's policies in Xinjiang, only Serbia joined the latter group. Lithuania, Latvia, Estonia and later Albania joined the critique while other CEE countries decided to sit it out.¹⁷ However, the silence of the other CEE countries can be attributed to long-term under-representation of these issues in their foreign policy, rather than an outcome of Beijing's explicit or implicit pressure.

The V₄ countries have for a long time been seen by China as the most important partners in the CEE grouping. To a large extent, this stems from the fact that the four countries have taken the lion's share of Chinese trade and investment with CEE countries. Hungary and Poland, the latter by far the largest V₄ country, have been seen as strategically important by China. The region also assumed an important role in the forming of the 17+1 concept. While the first fully-fledged 17+1 meeting took place in Warsaw in 2012, it was preceded by a meeting of CEE economic ministers during the visit of Chinese PM Wen Jiabao in Budapest. The Hungarian capital also hosted the 17+1 summit in 2017.

Skipping summit meetings might be indicative of dissatisfaction with the co-operation or the low level of attention paid to it. While Hungary has been present at all the 17+1 summits at the highest level, this was not so for the other V₄ countries. Slovakia was only represented by its deputy PM in Suzhou in 2015 while Poland has sent its deputy PM to attend the meeting twice. It has been argued that Poland's dissatisfaction with China's stance on Russian aggression in Ukraine might have led to PM Eva Kopacz skipping the 2014 Summit in Belgrade.¹⁸ The Slovak PM Robert Fico bemoaned the lack of practical results coming out of the cooperation with Beijing prior to his no-show in Suzhou in 2015¹⁹. Finally, lack of investments was cited when the previously staunchly pro-China Czech president Miloš Zeman announced that he would not attend the 2020 Beijing summit, with only the vice PM instead of PM Andrej Babiš to represent the country there.²⁰

In the case of Czechia, China's outreach towards the region through the 17+1 format brought about the opportunity to reopen high-level contacts that had been frozen

since the 2009 meeting of Czech PM Jan Fischer with the Dalai Lama. Moreover, soon the new leadership in Prague represented by president Zeman and the governments of PM Jiří Rusnok and PM Bohuslav Sobotka (since 2014) respectively, initiated a 'restart' of relations with China. Cooperation under the 17+1 with China provided for an increase in visits of Chinese officials to the Czech Republic and vice-versa. For example, the annual high-profile China Investment Forum held in the Czech Republic under the 17+1 format since 2013 has been attended by Chinese vicePM Zhang Gaoli or Politburo member Liu Yunshan. In the other direction, PM Sobotka attended the 3rd China-CEE Regional Leaders Summit and the 2nd China-CEE Health Ministers Forum held in China in 2016. The Chinese President Xi Jinping visited Prague in 2016, the first CEE country since becoming president, which was duly stressed in the Chinese media. During the visit a strategic partnership between the two countries was signed. Nevertheless, the large part of diplomatic dealings between the two countries in recent years is attributed to president Zeman, who has met with Xi Jinping seven times altogether, but has not been personally involved in the 17+1 cooperation, as it has been led by the government. The new government since 2017 has paid less attention to China and coupled with political friction (described above), Czechia has receded from its position as an active country vis-à-vis China among the CEECs.

Slovakia has seen relatively little development of political relations with China since the establishment of the 17+1 format. Not much seems to have changed in terms of the quality of political ties as compared to the previous period. No bilateral visit on the Prime Ministerial or presidential level has been undertaken since 2012 which attests to the long-term absence of high-level contact. Political conflict over the acceptance of former Uyghur captives and meetings with the Dalai Lama put a dent into the relationship as well. Slovakia has also not hosted any high-level meeting of the 17+1 format so far. Therefore, most opportunity for contacts has been left to the annual heads of government meetings and attendance of Slovak representatives at ministerial-level meetings under the format. Slovakia's reserved approach is reflected also by the lack of a top-level presence at BRI summits.

The mutual interest in developing relations between Poland and China preceded the establishment of the 16+1 format. It was as early as 2011, during the visit of the then-president Bronisław Komorowski to Beijing, that the two sides signed a strategic partnership. The document, the second of such a kind between China and a CEE country after Serbia, was subsequently upgraded to a comprehensive strategic partnership in 2016 during Xi Jinping's visit.

In 2012, Poland's capital Warsaw was the venue of the inaugural 16+1 summit, with Chinese PM Wen Jiabao announcing his offer to the region there. In terms of high-level visits, Polish president Duda visited China on the occasion of the Suzhou summit in 2015 and Chinese president Xi Jinping visited Poland in 2016. While the BRI summit in 2017 was attended by Polish PM Beata Szydło, Warsaw only sent a delegation led by vice minister of finance Banaś for the 2019 summit. Coupled with the Polish PM's no-show at the 16+1 Sofia summit in 2018, Warsaw seems to have had an ambivalent position towards China, with attempts to recalibrate its relationship in light of the unmet economic expectations.²¹ Especially since the election of Donald Trump as the US president and his subsequent attempts to limit China's international

expansion, Warsaw has started to recalibrate its position vis-à-vis Beijing towards increased skepticism.

Hungary has been the most enthusiastic partner of China among the V₄ countries. The Orbán government foresaw the Chinese outreach towards the region in 2011, when it announced its “Opening to the East” policy although China-friendly policies have preceded Orbán’s government. As mentioned above, Budapest hosted the meeting of economy ministers attended by Chinese PM Wen Jiabao in 2011 that led to the establishment of 16+1 a year later. Budapest was also the venue of the 16+1 summit in 2017, where a comprehensive strategic partnership between the two sides was signed. The Hungarian PM has attended all the summits of the 17+1 initiative as well as the two BRI summits. Orbán also visited China on two other separate occasions. Hungary is distinguished by hosting the highest number of China-CEE joint institutions among all the participating countries (except for China)²². The importance of Hungary within the format is also due to its co-hosting the project of a railway upgrade on the Budapest-Belgrade line, which has been cited by China as an important (and to date actually the sole) example of a cross-state infrastructure project in the CEE. However the project has turned out to be problematic due to suspicions surrounding the tender on the Hungarian side and has not yet been completed.²³

High level visits have not been a major feature of Sino-Baltic relationships. The Chinese president has come to the subregion only once (mid-2002), and thus it was the establishment of the then 16+1 framework that added a semblance of consistency and regularity to the higher level meetings. Despite two occasions of PMs from China and the Baltics touching each other’s soil during the respective 17+1 summit meetings (Suzhou 2015 and Riga 2016), there were no highest-level visits outside of this framework for the first seven years of its existence. However, all of the Baltic presidents came to China in autumn 2018, the Estonian and Latvian ones in order to attend the so-called Summer Davos Forum in Tianjin, while the Lithuanian one to launch the Trade and Investment Forum in Shanghai. Notably, the Latvian and Lithuanian visits proved to be possible at least partly due to the presidents’ decisions not to meet the visiting Dalai Lama several months earlier. The issue was especially remarkable in the case of Dalia Grybauskaitė, as the Lithuanian head of state had met the Tibetan spiritual leader in a “private capacity” during his previous visit back in 2013²⁴ which had caused a years-long period of Chinese economic retaliation against the country’s potential exporters by freezing negotiations.²⁵

The composition of the Baltic states’ delegations sent to the 17+1 summit meetings showcases the apparently lower level of priority in comparison to most other CEECs and provides several interesting clues. Although Estonia is the only Baltic state to always be represented by its PM in the summits thus far, it is also the one least mentioned in the guidelines out of all the CEECs. The PM of Lithuania has only skipped one summit meeting (Sofia 2018) sending in his stead the country’s minister of finance. Such a seemingly unusual choice was motivated by Lithuania’s ambitions to become a fintech gateway to Europe for China which was enshrined in the Sofia guidelines with its pledge to establish a 17+1 Fintech Coordination Center and conduct the format’s High-Level Fintech Forum in 2019. Curiously a 17+1 “network of fintech coordinators” was actually established during the Forum in Vilnius,²⁶ probably as a result of the below-mentioned China-related controversies in the country. In any

case, Lithuania thus managed to find an additional sphere of expertise and cooperation adding to its earlier interest in focusing on agriculture as showcased by hosting the 3rd China-CEECs Agricultural Ministers' Meeting and the 13th China-CEECs Agro-trade and Economic Cooperation Forum in May 2018.

Although it was Latvia that failed to send its PM to the summit twice (Bucharest 2013 and Dubrovnik 2019), both times being represented by the minister of foreign affairs instead, the Baltic region's centermost country has clearly stood out in terms of the political relationships within the 17+1 format itself. Indeed, it was Riga that hosted the framework's only summit in the Baltics so far, in 2016, thus attracting the only visit by the Chinese PM to the whole region to this day. During the event the need to strengthen the Adriatic-Baltic-Black Sea Seaport Cooperation was especially emphasized. No wonder since following the 2015 Suzhou guidelines the CEECs-China Secretariat on Logistics Cooperation²⁷ was established in Latvia the same year, thus becoming the format's first coordinating institution located in the Baltics. As expected, the 2016 Riga Summit was preceded by the 1st China-CEECs Transport Ministers' Meeting and the 8th China-CEECs National Coordinators' Meeting in May and October of that same year respectively. On a side note, the following year Chinese naval ships made a friendly port call in Riga soon after their below-mentioned joint military drills with Russia. Long eager to attract direct flights from China to the Baltics' largest airport in Riga, Latvia hosted the 5th China-CEECs High-Level Conference on Tourism Cooperation in October 2019.

In the Balkans, four summits have been organized so far in Romania, Serbia, Bulgaria and Croatia. In most cases, summits were seen as a chance for the promotion of cooperative projects or announcements of future cooperation with the host country. For Romania, it was a chance to sign agreements valued at more than 8 billion EUR. Almost none of those projects have been implemented in the end with a lot of them still being negotiated.²⁸ When Serbia hosted the summit, the Chinese PM attended the official opening of the Mihailo Pupun bridge, the result of a Chinese preferential loan agreement. In Bulgaria, during the summit, a new Chinese Embassy was opened and in Croatia, the visit of high level Chinese representatives was a chance to promote the Pelješac bridge project that is being implemented by a Chinese construction company and financed from EU funds.²⁹ Besides hosting the 17+1 summits, Balkan countries have also been promoting cooperation with China through bilateral visits and meetings with other Chinese representatives on the highest level. Most notably, Chinese leader Xi Jinping visited Serbia in 2016. His visit was interpreted in Serbia as another signal that the country is one of the most reliable Chinese partners in the CEE. The visit also resulted in the signing of an upgraded comprehensive strategic partnership.³⁰

While Serbia can be perceived as the country with the most intensive cooperation with China of all the Balkan states, other Balkan countries are trying to bring the level of cooperation to a higher, strategic level. This is true especially for countries with an uncertain path towards EU membership which not only left them without EU structural funds but also opened up space for third actors in the region (China, Russia, Turkey, etc.). Montenegro³¹ and North Macedonia have notable infrastructural projects with China. Albania, despite having had traditional relations with China during the communist period, does not seem to know how to utilize the 17+1 platform. Slovenia

has been on the sidelines of the platform, however, new developments, such as the visit of Wang Yi, Chinese minister of foreign affairs, at the end of 2019, signaled that some development of relations between the two countries can be expected. Relations between China and Bosnia and Herzegovina so far have been based mostly on sub-national cooperation due to close relations between Republika Srpska and Serbia, which created a context for cooperation with China and this Bosnian entity. The announcement of Xi Jinping's visit to Serbia in 2020 made by the Serbian side³² serves as another piece of evidence that Serbia has the most developed relations with China in the Balkans. In the wider CEE region Serbia will be the first of the CEECs visited by Xi Jinping twice, and also one of the few European countries that has hosted Xi more than once. This is again seen in Serbia as an important factor in the further development of relations between the two sides, given that China has been promoted as one of the most important foreign actors in Serbia in recent years.

LET'S PARTY, COMRADES: LOCAL POLITICAL PARTIES' RELATIONS WITH CCP

Despite Beijing's rhetoric of the 17+1 format being of "apolitical nature"³³ China has initiated a dialogue of political parties with the Chinese Communist Party (CCP) within the 17+1 initiative as well as with individual countries. China's stress on inter-party contacts illustrates some key trends: first, it shows the extension of party diplomacy, hitherto mostly limited to links with communist and leftist parties to cover the whole political spectrum; second, it points to the growing role of the party in China's foreign policy at the expense of the state, especially under Xi Jinping since 2012; finally, it shows China's self confidence to marry foreign policy with ideology and actively promote the supposed advantages of its political system abroad. Inter-party cooperation with the CEE countries has been run by the International Liaison Department (ILD) of the CCP. The fact that Song Tao, the current head of the ILD, acceded to this role from his previous appointment as a vice-minister of foreign affairs and head of the China-CEE secretariat is worthy of attention. The scope of the ILD's activities has gradually enlarged from ideologically fraternal parties (Vietnam, Cuba or North Korea) to wider partnerships as China has become more diplomatically active worldwide. The ILD's work has been instrumental in giving legitimacy to China's regime and its concepts for international relations. The most successful result of these efforts was the 2017 ILD-organized "CCP in Dialogue with World Political Parties Forum", dedicated to the promotion of China's "community of shared destiny" concept, with over 600 representatives from 300 parties.³⁴

Two main multilateral forums of inter-party cooperation under the 17+1 format have been held since 2012 – The China-CEE Young Political Leaders Forum and the Political Parties Dialogue. The Young Political Leaders Forum had been included in the 12 measures of Wen Jiabao and was held in 2013. Two more forums were held on a biannual basis afterwards. The cooperation has been shrouded in secrecy, with no clear list of participating parties. For example, attendees of the 2015 forum are only said to have included 50 representatives of 31 different political parties and youth organizations from CEE countries.³⁵ The China-CEE Countries Political Parties

Dialogue has been held twice, in Budapest in 2016 and in Bucharest in 2017 with leading parties from some CEE countries (a prominent role again for Czech, Serbian and Hungarian representatives) in attendance. The societal part of this publication discusses the dialogue in more detail.

Interestingly, both multilateral dialogues were halted in 2018 and 2019. This may point to Beijing's wariness that overt political contacts under the format may be controversial in the context of the worsening climate in the EU. However according to reports, the 17+1 Political Parties Dialogue is to take place in 2020 again (probably to be tied with the Beijing summit to increase its profile) and the contacts seem to have been continuing in a different form in the meantime – for example, in November 2019, representatives of governing parties of CEE countries attended a roundtable with the CCP, organized by the ILD.³⁶ Illustrating China's view of the utility of inter-party cooperation, the vice-minister of the ILD, Qian Hongshan, was quoted as saying at the meeting that “the governing parties have the responsibility to exhibit political guidance” in China-CEE relations.³⁷

In Czechia, Beijing has cultivated ties between the CCP and the local political parties as well as individual politicians. This has been particularly the case with the Czech Communist Party (KSČM) and the Social Democrats (ČSSD).³⁸ CCP has valued these ties greatly – as argued by the ILD vice-minister Zhou Li, the CCP's ties with ČSSD, with which it signed an MoU on cooperation in 2012,³⁹ were one of the chief pillars that helped reorient Prague's policy towards China.⁴⁰ Moreover, former ČSSD politicians-turned lobbyists have played an outsized role in the promotion of ties with China in the country.⁴¹ Recently, CCP also approached ANO, the leading party of the current government since 2017 with the hope of establishing relations.⁴² KSČM and ČSSD representatives attended the Political Parties Dialogue meetings under 17+1 as well as the CCP in Dialogue with World Political Parties Forum in Beijing in 2017.⁴³ In recent years, Czech politicians have maintained contacts with the ILD, despite the warnings of the Czech Security Information Service (BIS) that it is “a specific Chinese intelligence organization”.⁴⁴

Czechia has also hosted several high profile CCP apparatchiks as opposed to representatives of the government. Hungary is another interesting case of inter-party dialogue. Despite the anti-communist roots of Hungary's governing Fidesz party and its leader Viktor Orbán, it has developed extensive links with the CCP. It comes as no surprise that the inaugural China-CEE Countries Political Parties Dialogue was thus held in Budapest. Orbán used the highly charged keynote speech at the event to praise the CCP's willingness to engage with parties in CEE despite ideological differences, something he claimed is not common in the EU.⁴⁵ Orbán also attended the second iteration of the forum in Bucharest in 2017. The distinguishing feature of Orbán's stance has been his active admiration of the Chinese political and socio-economic system, including the CCP leadership. This stands in contrast with Czech CCP interlocutors (except the communist party) who have largely tried to avoid publicity on their contacts, fearing domestic backlash.

The Baltic states present China with particular challenges in terms of inter-party political relations. Although similar to the V4 countries in the following respect, the trio reached an even higher level of solidarity in banning both the communist party and communist symbols, thus making inter-party cooperation with the CCP more

controversial and difficult to achieve than in most other CEE countries. However, the region's self-described socialist parties do indeed tend to view China more positively, and Latvia's politically important Saskaņa (Harmony) Party particularly stands out due to its memorandum of cooperation with the CCP reached back in 2011.⁴⁶ Thus far this move has not caused much domestic controversy, especially compared to the backlash against a similar cooperation agreement with Russia's governing party showing how this kind of cooperation with China often flies under the radar.

Long being a serious issue for China due to their principled anti-communist stance and contradictory position on some of China's so-called "core interests," the Baltic states have increasingly become targets of its political influence⁴⁷ activities as the August 2019 incident in Lithuania has shown. Although the country's security agencies became the first ones in the subregion to identify China's espionage activities as a threat to its national security, it was not long after visited by You Quan, the Head of the United Front Work Department.⁴⁸ Three months later, on August 23, 2019, Lithuania along with the other two Baltic states commemorated the 30th anniversary of the Baltic Way, one of the world's largest ever peaceful political demonstrations and a key event in their anti-Soviet liberation story. The eventful day took a rather unexpected turn when several hundred Lithuanians who had joined hands in solidarity with the protesters in Hong Kong were confronted by a small but vocal group of pro-Beijing counter-demonstrators in downtown Vilnius, the first such instance in the Baltics. Even more troubling was the fact that the counter-protest was directed by Chinese diplomats, including the ambassador himself, and involved representatives of structures associated with the country's soft power in general (Xinhua News Agency) and the united front work in particular, namely the local Overseas Chinese Association and the just-established Chinese Chamber of Commerce. The incident led to the summoning of the Chinese ambassador and an unprecedented public outcry in the country.⁴⁹

In the Balkans, Serbia is the prime case of inter-party cooperation with China. Inter-party cooperation is actually long-standing and has survived the government changes in Serbia. The new era of contemporary relations between Serbia and China can be dated to 2009 when a strategic technical agreement was signed between the two sides during Boris Tadic's presidency.⁵⁰ The leading face of inter-party cooperation in Serbia was Vuk Jeremic, a former Serbian minister of foreign affairs turned president of the General Assembly of the United Nations (UNGA). After his term in UNGA, he founded an opposition People's party in Serbia. Besides his official engagement, Jeremic was also a consultant for the rather infamous CEFC China Energy⁵¹ and has founded a think-tank, the Center for International Relations and Sustainable Development (CIRSD) that has been organizing events and promoting Chinese presence through its publications. One of the members of CIRSD's board of advisors is Li Wei, former Chinese minister of development.⁵² But Jeremic is not the only one – since the regime in Serbia changed in 2012, the ruling Progressive party led by current Serbian president Aleksandar Vučić has been promoting partnership with China and the CCP through the promotion of projects financed by Chinese loans as well as Chinese foreign direct investment. Another political party with close connections to China and the CCP is the Socialist Party. Aleksandar Antić, a vice president of the party, is a national Coordinator for 17+1 and one of the main proponents of development

of relations between Serbia and China in the 17+1 framework.⁵³ Additionally, Ivan Djokovic, a member of the Socialist Party and vice-president of Vojvodina provincial government, has been the primary contact between Vojvodina and China and has promoted cooperation both in Serbia in media statements and conference appearances,⁵⁴ as well as through official visits to China.⁵⁵

Serbia has hosted representatives of the CCP on several occasions, most notably the delegation of CCP led by Chinese Community Politburo member Yang Xiaodu that visited Serbia in October 2019, when they met with the Serbian PM, the PM of Vojvodina autonomous provincial government and the Serbian president. The host of that delegation was Marko Djuric, vice president of the Serbian Progressive Party. In 2019, Marko Djuric also visited China in his official capacity on several occasions and has become the main representative of his party for cooperation with China and one of the most vocal politicians in Serbia regarding political support given to China, most notably providing full support to the Chinese reaction to the Hong Kong protests.⁵⁶ Promotion of Chinese presence by politicians, both from the ruling coalition and opposition parties, has created a positive milieu for China, not only among political elites, but also in the pro-government media.

It thus appears that Beijing has given an outsized role to party diplomacy in its dealings with particular CEE countries, seeking to build ties that would outlast respective government coalitions. In general, the level of CCP party activities in the CEECs seems to be directly proportional to the level of the overall bilateral political relationships.

SUB-NATIONAL, UNDERESTIMATED? A BOOMING COMPONENT OF 17+1 COOPERATION

Surprisingly and without much notice being taken, sub-governmental relations between China and the CEE countries have become one of the leading forms of cooperation in the 17+1 format. While not initially included in the 12 measures, they were already mentioned in the Bucharest Guidelines in 2013. China has presented regional cooperation as a success story partly as a way to mitigate the overall lack-luster performance of the 17+1 format and the perception that not much of substance is being done. As seen below, while regional cooperation has indeed seen growth under the 17+1 format, it has not been universal for all the countries.

The stress on local cooperation has been part of the overall growth of sub-national contacts associated with the BRI. However, local cooperation has been part of China's external relations for decades, with partnerships between China's regions and cities with European countries, chief among them the UK and Germany but also Poland and Yugoslavia, established already in the 1980s.⁵⁷

In general, local relations are part of China's soft power efforts and are classified as public diplomacy.⁵⁸ For China, local-level relations can make the bilateral relationships more diversified and sturdy, especially due to the more results-oriented approach that is often the case on the local level. Furthermore, they do not bring the same level of scrutiny as is present at government level relations.

Provinces have been incentivized by the central government in Beijing to aid the overall goals of China's foreign policy by actively searching for CEE partners. The central government has granted specializations to the provinces both in cooperation areas as well as their geographic partners.⁵⁹ For example, this has been the case of Ningbo which has taken the role of a hub for China-CEE regional relations.⁶⁰

Despite the existence of a top-down approach, the provinces themselves have had their autonomous motivation to seek cooperation especially with the goal of promoting provincial enterprises and the local economy. In this respect, provinces have tried to take advantage of the central policy to achieve their own pragmatic goals. The Chinese approach has thus been a mix of top-down and bottom-up policies, following simultaneously political and economic goals.

On the side of the CEE countries, regional cooperation has created more opportunities for economic cooperation on specific projects, the success of which is often dependent upon the local environment. Local governments have also often followed in the steps of the central government's policy, whilst it was making welcoming moves towards China. CEE countries have in general not seen regional-level relations as part of the political relationship with China, focusing rather on economic and cultural ties.

Regional cooperation has been developing within the framework of various institutionalized meetings, as has been the case for 17+1 format at large. These have included the local leaders' meetings, the mayors' meetings and the Forum of Capital City Mayors, conducted annually and biannually. The China-CEECs Association of Governors of Provinces and Regions was established in 2014. As is the case with the 17+1 format as a whole, the actual details on these events and institutions are very sparse, which leaves them non-transparent. Specific forms of cooperation have included setting up representative offices in the partner regions, trade and investment fairs for regional companies, setting up direct flights and railway cargo lines, and partnerships between regional universities, cultural events etc.

The experiences of specific countries manifest interesting differences. One of the most active countries in terms of regional cooperation seems to be Czechia. As of 2019, there are 18 individual partnerships of Czech regions and regional capitals with their Chinese counterparts. Czechia has also been tasked with leading this cooperation area in the 17+1 format, with the China-CEECs Association of Provincial Governors established in Prague at the 2nd China-CEECs Local Leaders' Meeting in 2014. As discovered by previous research, it was actually mostly the Czech regional leaders themselves who were actively searching for cooperation partners in China as opposed to the initiative coming from the Chinese side.⁶¹ Still, the 3rd China-CEECs Local Leaders' Meeting in Tangshan, China, held in 2016 was attended also by PM Bohuslav Sobotka, stressing the importance given to this agenda by the Czech government.

While mostly motivated by expectations of economic results, regional diplomacy became politicized in Czechia. The partnership concluded between Prague and Beijing in 2016 during the visit of Xi Jinping included a highly controversial article, expressing Prague's support for the "One-China Policy". When the new opposition government came to power in Prague in late 2018, it demanded the treaty be renegotiated and the controversial article left out. As Beijing was not willing to do so, the agreement was canceled in October 2019 and Prague moved to conclude a similar partnership with Taipei. Due to this move and other actions and statements of the Prague Mayor

regarding Taiwan, Tibet and human rights, China 'punished' Prague by canceling the tours of several Czech orchestras with other potential moves discussed.⁶² In January 2020, Shanghai announced that it was revoking its partnership with Prague as well, due to the city leadership's moves regarding Taiwan.⁶³ Prague (and Czechia) seems to have also been punished in the field of the heretofore vibrant direct flight cooperation.⁶⁴ A planned connection from Prague to Shenzhen did not materialize, the connection to Beijing was scrapped and the number of flights to Shanghai cut.⁶⁵ While it is impossible to conclude if the airlines had been directed to do so by Beijing, at the very least, these decisions were taken by the airlines to cut routes when their political expediency ran out. The Prague case demonstrates that even regional diplomacy can become controversial and political, especially if it gets enmeshed in the issues of bilateral relations. Moreover, it drove home the fact that all forms of cooperation are, in the end, at the behest of Beijing's political favor.

Poland, too, can be seen as a leader in regional level relations with China among CEE countries, both in the quantity and quality of relationships. Only three out of 16 Polish regions do not have cooperation with China.⁶⁶ The most important case is the Łódź region's partnership with Sichuan, that has been ongoing since 2012 and is the most extensive regional partnership in the whole CEE. The first contacts between Łódź and Sichuan were initiated in 2012, after the conclusion of the Poland-China strategic partnership. Interestingly, the cooperation gradually grew out of an initiative of the private logistics company Hatrans, which operates the direct railway cargo connection opened between Łódź and Chengdu in 2013. The Łódź region and the city of Łódź opened a joint representative office in Chengdu in 2014, a move reciprocated by Chengdu and Sichuan province.⁶⁷ Łódź and Chengdu also became sister cities. Partly due to lobbying by the Łódź government, Poland decided to choose Chengdu as the place of its new consulate in China in 2015.⁶⁸ Apart from the robustness of cooperation, the Łódź case shows the potential of sub-national cooperation to also affect government-level policy.

The other two members of the V₄ have put much less stress on local-level relations with China. In Slovakia's case, this lack of interest mirrors the overall indifference towards exploring relations with China. Two regions and three regional capitals (out of 8) have some form of cooperation with China, but with very little substance. The same is the case with Hungary, although the number of partnerships is higher (11 regional partnerships and 7 regional capital partnerships). The limited substantial cooperation on this level with China can be attributed to the centralized governance structure in Hungary, where local governments have few powers. With the leading role undertaken by the government in Budapest, there has not been any incentive to develop relations on this level.

Since the Baltic trio is composed of comparatively small countries with no idiosyncratic politically autonomous regions akin to the below-mentioned Balkan examples, sub-governmental relations with China have been most visible in the case of inter-city cooperation and twinning partnerships. Deemed to be less politically controversial, such relationships between Baltic and Chinese cities have been slowly developing, though at levels generally below the rest of the CEE countries. The three Baltic capitals of Tallinn, Riga and Vilnius all have twinning agreements with China's major cities, Hangzhou, Suzhou and Guangzhou, respectively. However, a close interrelationship

between the national level and local politics in capital cities has already produced controversies as showcased by the above-mentioned incident in Vilnius that caused a brief public argument between its mayor and the local Chinese embassy.

Many sister city agreements actually predate 2012, but the creation of the 17+1 platform has indeed contributed to their intensification, particularly through its Mayors' Forum that has increasingly attracted delegations from the trio's smaller cities and towns. Their Chinese counterparts seem to be willing to reciprocate such an interest, while their deepening contacts usually remain below the radar of public discourse in the Baltics. A telling example of this trend is a 2019 mid-autumn visit by the mayor of Harbin (population of almost 11 million with agglomeration) to Latvia's Daugavpils (population less than 100,000)⁶⁹ and Lithuania's Rokiškis (population less than 15,000) as part of the previously agreed-upon twinning partnerships.⁷⁰ With a different internal structure in the Balkan countries, the Serbian Autonomous Province (AP) of Vojvodina has been developing close relations with Chinese provinces and representatives. The PM of Vojvodina, Igor Mirović, led the delegation of Vojvodina during the visit to China in 2019. Novi Sad, as capital of AP Vojvodina has previously established sister city relations with Changchun, capital of the Chinese province Jilin which has served as a basis for further relations between Vojvodina and Jilin province. Besides Jilin, Vojvodina signed a letter of intent for cooperation with the Chinese province Hainan in 2016⁷¹ and with Fujian province in 2018⁷². Cooperation between Vojvodina and Fujian have been specifically defined within the framework of the 17+1 platform. Besides province to province relations, the PM of the government of Vojvodina hosted a delegation of the CCP in 2019 during the official visit of the Chinese delegation led by Yang Xiaodu, CCP politburo member.

The complex internal structure of Bosnia and Herzegovina ensures a high level of autonomy for two constitutive entities. In addition to the high level of autonomy, political connections between the Republic of Serbia as an independent country and Republika Srpska as a constitutive entity of Bosnia and Herzegovina has created the context for political connections with China for Republika Srpska. Further development of cooperation between Serbia and China has the potential to spill over into the cooperation between China and Bosnia and Herzegovina, both in the framework of 17+1 cooperation and in bilateral cooperation overall. Prime-Minister of the Republika Srpska, Zeljka Cvijanovic, has hosted a delegation coming from the Chinese city Tianjin in an official capacity and has met with high level CCP representative Ji Guoqiang.⁷³ In addition to that, the president of the Republika Srpska's government, Radovan Viskovic visited Beijing and met with Chi Jing, the representative of Beijing's city government, highlighting the established international cooperation between Republika Srpska and China.⁷⁴ High level visits and cooperation between the two sides appeared on the local level also. The Mayor of Banjaluka, Igor Radojičić, visited Tianjin in 2018 and has met with representatives of Tianjin province.

Sub-national cooperation between China and the Balkans is also visible through the China-CEECs Capital Mayors' Forum established in 2016. Each iteration was organized in one of the Balkan countries. The initial Forum was held in Bulgaria, followed by the second Forum held in Montenegro, the third organized in Serbia and the fourth organized in Albania.

Additionally, each of the Balkan countries have sub-national cooperation with Chinese provinces. Bulgaria and Croatia have established cooperation on the level of cities or regions, while Albania, Slovenia, Montenegro or Romania have not reached the level of cooperation below the national level, but are active in the 17+1 framework through established mechanisms such as Capital Mayors' Forums, Local Leaders' Meetings and the Association of Governors of Provinces and Regions.

CUTTING-EDGE, OR DRIVING A WEDGE: IS 17+1 DIVIDING EUROPE?

When China initiated the 17+1 format in 2012 it was a latecomer to the region of Central and Eastern Europe with external powers having a long established presence there. Due to the complicated nexus of geopolitical interests, China has faced an uneasy challenge of navigating the relationships and fashioning the cooperation with the CEE countries in such a way as to avoid provoking backlash from any of the powers. At the same time, the CEE countries have not been without agency. On the contrary, they have in various ways tried to use the relationship with China to position themselves vis-à-vis the EU, Russia and the US.

Due to long standing Russian interest in the region and the significant divergence among CEE countries in their relations with Moscow (ranging from immediate security threat as perceived by the Baltic states and Poland to the cozy Serbia-Russia relationship), the question of how to approach Russia has presented a challenge for China in the region. When establishing cooperation with CEECs, China was cautious not to go too far into the Russian backyard, excluding Ukraine, Belarus and Moldova, but also Kosovo which has not been recognized by both China and Russia, due to the traditionally good relations those countries have with Serbia as well as their own secessionist concerns. It could be said that Russian influence is more developed than Chinese, and that China is cautious not to threaten that influence in the zones where it is of strategic importance to Russia.

The United States has been another crucial power in the region. Its role remains the most important in the security field as with the exception of Bosnia and Herzegovina and Serbia (North Macedonia's membership awaits ratification), all 17 CEE countries are members of NATO. The US has not directly figured in the 17+1 cooperation with no mention in the official documents, except for the indirect reference to the common support for the WTO framework expressed at the Dubrovnik summit. At the same time, Washington has grown increasingly alarmed with China's presence in CEE, especially under the Trump administration, which has manifested in a renewed interest towards the region. In February 2019, US Secretary of State, Mike Pompeo, made a visit to Poland, Hungary and Slovakia, with the main theme being Russia's and China's presence there.⁷⁵ In Slovakia, Pompeo warned the government that it needs to "guard against China's economic and other efforts to create dependence and manipulate your political system".⁷⁶ The issue of 5G technologies and Huawei was at the forefront of Pompeo's visit. Pompeo made it clear in Hungary that cooperation with Huawei may have negative consequences for ties with Washington (he later secured even more success on the 5G issue during a visit to Estonia).⁷⁷ Wang Yi's visit to the region followed in July 2019, stressing the emergence of CEE as the new battleground.

Some CEE countries with close relationships to the US seem to factor the desire not to harm the relationship with Washington into their policy towards China. This is especially the case with Poland, the Baltic countries but also Romania.⁷⁸ Even Hungary, for example, stressed the point that cooperation with China does not compromise Budapest's being a reliable ally of the US and within NATO.⁷⁹ In general, however, it seems the CEE countries believe they can have both their relationship with China and with the US and that they are not mutually exclusive, with China only playing the role of economic partner.

The most immanent player, however, remains the European Union as 12 out of 17 members of the platform are EU member states. The EU first expanded to include the CEE countries in a large eastward enlargement of ten countries in 2004, followed by the accession of Romania and Bulgaria in 2007 and Croatia in 2013. The EU has also exercised influence through the extension of the accession process to the Western Balkan countries and through its external neighborhood policy. In the member states but also the aspiring countries, the EU has served as a crucial normative framework in both the economy and politics. Importantly, the EU as a whole remains the dominant economic power in the whole CEE region.

China's position towards the EU's role in the 17+1 framework has been quite complex and at times even contradictory. When Wen Jiabao announced the 12 measures in Warsaw in 2012, any mention of the EU was conspicuously absent. In this context, China's inroads into the region have caused alarm in Brussels and the European capitals (especially Berlin and Paris) about China trying to divide Europe and skirt EU rules and norms in member states and also aspiring Balkan countries. Connected to this has been a largely misplaced debate about China buying the favor of the CEE countries through investments and infrastructure, despite the structure of the China-EU economic relationship remaining heavily tilted towards the 'old' members of the EU and the actual record of political support by CEE for China being limited to a few cases.⁸⁰

China has tried to address the EU's concerns by inviting the EU and Germany as observers to the summits. Moreover, the EU rules and complementarity with China-EU relations have been subsequently stressed in all Chinese pronouncements and the official summit documents. Chinese official proclamations have even promoted 17+1 as a tool to ensure the success of the continued EU integration process. This can be attributed not just to China's change of rhetoric but also as a result of the insistence of some CEE EU members who were afraid of cooperation with China having a negative impact on their standing in the EU. Finally, the decision to further "Europeanize" the 17+1 through the accession of Greece (as opposed to eastward expansion) may be another form of building bridges and driving home the EU orientation of the platform.

At the same time, there is still some tendency in China to see the EU as an external actor although it is integral to 17+1 cooperation on the merit of 12 participating countries being members of the EU themselves. While avoiding public announcements in this respect, Chinese experts often fret about the need to follow EU rules, seeing them as something "imposed by Brussels". Other Chinese voices have criticized Germany for being afraid of losing its dominant economic position in CEE and thus putting obstacles in the way of its cooperation with China. Most importantly, Chinese

economic involvement, especially in the Balkans, has manifested an eroding effect on EU standards and norms convergence of the CEE countries.

And while China has been cautious about how it will position itself towards the EU in the context of cooperation with CEECs, the EU has been showing concerns about how the further development of cooperation between China and CEECs will impact the level of democracy in those countries, and also the overall internal order and economy. For EU member countries, those concerns were institutionalized through a screening mechanism that will evaluate further FDI's to EU member states. Even though China is not the only country that is investing in CEE EU member countries, this measure was interpreted as directed mostly at future Chinese investment. On the other hand, countries that are not EU members, like the Western Balkan countries, have been targeted by EU criticism that deeper cooperation with China could take them further from EU membership prospects given that the high level of cooperation can make those countries 'trojan horses' of Chinese influence. Not being EU members gives countries like Serbia a lot of space to establish principles of cooperation with China on premises that are not in line with EU principles. Looking at it in the short term, it could benefit the country and bring quick economic development, but in the long term it could negatively influence its prospects of EU membership.

2020 is poised to become a critical year in EU-China and CEE-China relations. With the goal of reshaping the relationship with China, Germany's EU presidency is planning a special 27+1 format EU-China summit in Leipzig, with all EU member states getting a seat at the table.⁸¹ It remains to be seen if Germany, France and other influential EU members will sidetrack their efforts to nurture a privileged bilateral relationship with China and open the doors to a real EU-wide effort on China.

CHINA IN CEE POLITICS: CONCLUSION AND RECOMMENDATIONS

China can indeed be credited for the latest definition of CEE as a region and even the nascent institutionalization of it.⁸² Many countries (particularly the Baltic trio, Slovenia and Croatia) were not comfortable at the beginning with such an inclusion and association with CEE or even parts of it as continues to be the case with the "Balkan" identification of Romania, Bulgaria and most recently Greece. The 2019 accession of the latter country has problematized that definition even further.

The 17+1 framework has been characterized by a hub and spokes logic of cooperation with China taking the lead in "multilateral bilateralism". The institutional framework and also the focus of cooperation has evolved gradually, without there being a clear blueprint at the start. Overall, the cooperation has remained rather loose with (so far) no signals of future institutionalization.

The target areas of cooperation as present in the guidelines have grown to encompass issues related to the BRI and recently also to the global agenda. However, the common documents show that China has not been able to transplant its foreign policy concepts into the language of cooperation with Central and Eastern Europe. On the contrary, the CEE countries have successfully shaped the language to stay in accordance with the EU framework and their national interests.

The 17+1 cooperation has almost universally led to the growth of high level political contacts between the region's countries and China. However, the development of bilateral relationships has been happening along separate trajectories, with some CEE countries achieving more intensive cooperation while others remain largely passive. It is rather the activity and decisions taken by 17 CEECs than the format itself which act as a decisive factor in this respect.

While some countries, especially Hungary and Serbia have supported China on political issues, these have been more of an exception than the rule. At the same time, some CEE countries have actually worsened their political relations with China due to conflicts on human rights, Taiwan and other issues. Therefore, the often heard assumptions that CEE as a whole have become more forthcoming towards China on political issues is not supported by the evidence.

China has used the CEE as a testing ground for the more activist party diplomacy led by the Chinese Communist Party both through multilateral forums and bilateral contacts. Most of the cooperation has been happening in a non-transparent manner, raising doubts about its nature and purpose. China's goal seems to be to cultivate relationships with important political elites to assure the long-term pro-China inclination of the respective countries.

Development of sub-national cooperation within 17+1 has been one of the underestimated dimensions of cooperation between China and CEE. Yet, the substance of cooperation has varied from country to country, evading general conclusions. The case of the Prague-Beijing relationship demonstrated that even local cooperation is not insulated from political tensions.

Third parties have played an important role in the development of 17+1 cooperation. China has unsuccessfully tried to assuage the EU's concerns about China using the format to divide Europe, although actual cases of CEE countries turning towards China at the expense of their overwhelming EU orientation has been limited. US-China rivalry has become a factor in CEE relations with China, with several countries afraid of endangering their traditional ties with Washington. Due to the sensitive perception of Russia in the region but also its continuing interests in the region, China has tried to walk a fine line in its approach towards Russia in CEE.

Since China has already demonstrated its determination to institutionalize "multi-lateral" cooperation platforms in Europe through the 17+1, further compartmentalizing and "sub-regionalizing" initiatives can be expected in the future. Southeastern Europe, for the purpose of simplicity defined here as the 'Balkans', would be the first target of such efforts due to its much larger size (10 countries) and lack of self-identification consensus in comparison to both the V4 and the Baltics. The sequence of the summits has already provided some grounds for speculation that China differentiates at least between the Eastern (Romania and Bulgaria) and Western Balkans, with Slovenia and Croatia being looked at as more Central European countries than Balkans given their EU membership.

Based on the evaluation of political relations between China and the 17 CEE countries through the 17+1 format, the format itself should not be discarded. On the contrary, the 17 countries should utilize it to better serve their interests.

The simplified view of Europe being divided by China through 17+1 should be opposed as it infantilizes the CEE states and denies them agency. The EU institutions

and Western EU members should recognize the interest of the CEE countries in improving their relations with China. The EU needs to include the CEE EU members in the efforts to shape a common EU policy towards China that should represent the interests of all the member states.

Putting one's house in order is a precondition for the EU to being an effective player towards China. The internal division of the member states has not been created by China, but has been skillfully used at times for its benefit.

First and foremost, the EU should open a clear path to membership to the Western Balkans countries to offset the growth of China's political influence. The 17 countries should also improve their communication and coordination in feasible areas to build the 17+1 into a multilateral forum serving primarily their interests. Competition for China's attention among the CEE countries will only erode their bargaining position.

More attention should be given to the sub-national dimension of China-CEE cooperation that has largely gone under the radar until now. While mostly motivated by economic interest, the CEE states should pay attention to the potential politicization of such cooperation and China's efforts to take advantage of the lower profile of local contacts to avoid attention.

The increased prominence of the CCP in the Chinese approach towards the CEE warrants vigilance. There should be greater scrutiny by the civil society and media towards non-transparent dealings between local parties and the CCP. The democratic CEE parties should understand that by engaging with the CCP, they help it to circumvent official government contacts and diplomatic channels.

The 17 countries should watch closely and act in accordance regarding China's attempts to extend the membership of the platform and its further institutionalization. China's assurances that the platform is in accordance with the EU's policies along with the region's peculiar geographical position should particularly emphasize the need to better integrate the Eastern Partnership countries into 17+1 projects, particularly those emphasizing connectivity.

2. Economic relations: A sugar cane, or a sugar-coated stick?

Ágnes Szunomár, Liisi Karindi and Andrea Leonte

CEE countries have increasingly perceived China as a country which could bring economic benefits to the region through developing trade relations, growing inflows of Chinese investment and recently also through infrastructure projects carried out by Chinese companies and financed from Chinese loans. This chapter examines China's presence in CEE by mapping trade and investment relations, issues of connectivity and infrastructure, financial cooperation and tourism.⁸³

When compared to China's economic presence globally or in the developed world, China's economic impact on CEE countries remains small. However, it has increased significantly in the past decade leading to a number of challenges. Despite a politically driven warming up of bilateral relations, the trade relations remain relatively low, leading to increased deficit. Chinese FDI flows to the region are modest, concentrated in a few, mainly EU member countries. Infrastructural projects are negotiated all over the region but implemented ones are rare to find, while financial cooperation is also in its infancy yet. More and more Chinese tourists are visiting the region, however, it is not entirely clear whether this is a result of the 17+1 cooperation or due to the country's expanding army of middle class travelers.

NOT SO SPECIAL: MODEST IMPACT OF 17+1 ON TRADE RELATIONS

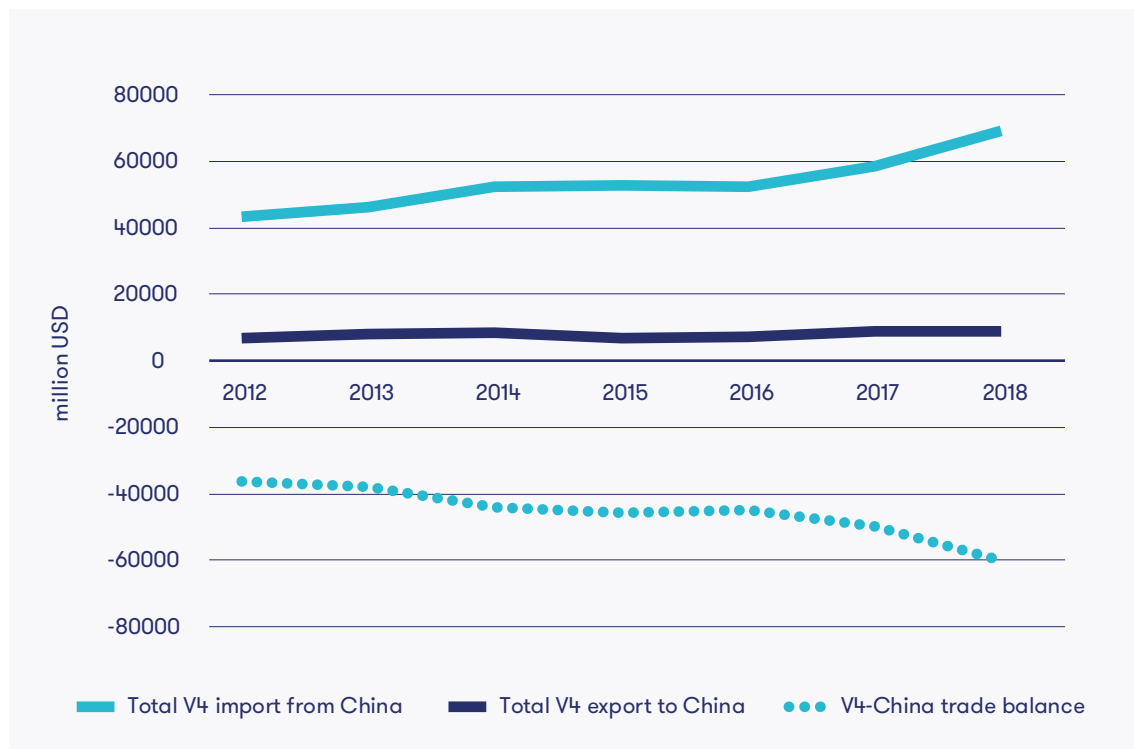
A comparative analysis of 17 Central and Eastern European countries' trade with China reveals that the majority of the countries (especially in the Baltic and the Balkans) have a relatively low trade with China. Within the whole CEE region the four Visegrád countries show the highest trade flows, followed by Romania, Slovenia, Serbia and Bulgaria. A common feature of CEE trade with China is a considerable and – in the past fifteen years – steadily increasing deficit. In 2018 the deficit amounted to around 75 billion USD. As the V₄ countries (especially Poland) receive the majority of Chinese exports, their deficit values are the highest as well.

Trade between V₄ countries and China has increased the most in the past few years, however, the increase dates back prior to the official launch of the 17+1 initiative: to the early 2000s, coinciding with the accession of CEE countries to the European Union. In the case of imports from China the platform indeed gave a new impetus to relations, however, while the V₄'s imports from China increased substantially, the growth of V₄'s exports to China remained rather modest after 2012, and even decreased slightly for a few years after 2014. As a result, the trade deficit increased rapidly.

In the case of the V₄, especially Czechia, Hungary and Slovakia, the export dependency on Germany is obvious: 25-30% of V₄ exports are directed to Germany, while indirect exports (where goods are declared for export in, for example, Slovakia and leave the EU customs territory from Czechia) elevate this dependency even further.⁸⁴ The products or spare parts are often exported to China from Germany. The fact that the three above-mentioned V₄ countries are in a constant trade surplus with Germany may give a more nuanced picture on these countries' trade deficit with China.

If we analyze the trends broken down by each of the V₄ countries, the increase in Chinese imports since 2012 is the highest in the case of Poland and Czechia (79 and 66%, respectively), while the increase in imports from Hungary and Slovakia is rather modest (18 and 14%). Slovakia's imports even decreased for three years in a row after 2014. When it comes to V₄ countries' export performance, the numbers are less impressive: Czechia, Poland and Hungary export about the same value, while Slovakia lags behind. The export increase between 2012 and 2018 was the highest in the case of Czechia (above 50%) Poland (43%) and Hungary (31%) and shows a 7% decrease in the case of Slovakia. Although Polish, Czech or even Hungarian percentage numbers may suggest a significant increase in these countries' exports to China, it has to be emphasized that they started from a very low initial export amount, where the absolute change has still remained relatively small, therefore these numbers may give a misleading indication of countries' relative performance and the role China plays as an export destination.⁸⁵

GRAPH 1: TRADE BETWEEN THE VISEGRÁD REGION AND CHINA (IN MILLIONS USD)



Source: own compilation based on UN Comtrade (<https://comtrade.un.org>)

MAP 2: MAJOR COMMODITIES EXPORTED FROM 17 CEE COUNTRIES TO CHINA



Source: authors' own compilation

Empty shell no more: China's growing footprint in Central and Eastern Europe

In all V₄ countries, the main import products from China are machinery and electronics. On the export side, V₄ countries' exports consist of product groups such as vehicles, machinery and electronics with the exception of Poland, where besides the aforementioned product groups, metals (such as refined copper and copper alloys) represent a significant portion of its exports to China. Although China's hunger for high-quality agricultural products has been growing globally recently, the share of agricultural exports is not significant: below 6% in Poland's and Czechia's total exports to China, and less than 3 and 1%, respectively, in the case of Hungary and Slovakia.

When examining the patterns of trade between China and the V₄ in the past fifteen years, it has slightly changed as well. These structural changes are characterized by a sharp rise in exports of high-tech products, increasing the high technology intensity of trade. The high-tech exports volume and share to China has been the highest in the case of Hungary. However, the high technology intensity of trade is mainly due to the large flows of automotive, electronics and telecommunications products, based on the activity of multinational companies in global production networks, not in local companies.⁸⁶ Therefore, the bulk of foreign trade between V₄ countries and China has been and still can be bound to certain products and several (multinational) companies. Because the volume of trade is relatively small (compared to, for example, V₄'s trade with the EU or Germany) one decision of a global company concerning relocation or change in internal deliveries among affiliates can significantly change the trade volumes of a given country vis-à-vis China.

Trade between countries in the Balkans and China has also risen since 2012. In contrast with V₄-China trade relations, where Chinese imports increased to a greater extent than exports, a 50% increase on the import side and a 65% increase on the export side can be observed in the Balkans. However, since the starting trade volumes were different in the case of imports and exports (imports from China were 5 times as many as exports to China in 2012), the trade deficit persisted, although declined a bit.

The intensity of trade varies from country to country: Greece and Romania are China's most important trade partners from the region, both for imports and exports, followed by Slovenia, Serbia and Bulgaria as further important import partners and Bulgaria, Slovenia and Croatia on the export side. China is among the three main trade partners of three Balkan countries – Albania, Montenegro and Serbia. Based on UN Comtrade statistics, currently, all 10 Balkan countries have a trade deficit with China, with Romania leading the group, with an enormous 4.425 billion USD trade deficit, followed by Greece (3.177 billion USD) and Serbia (2.075 billion USD).

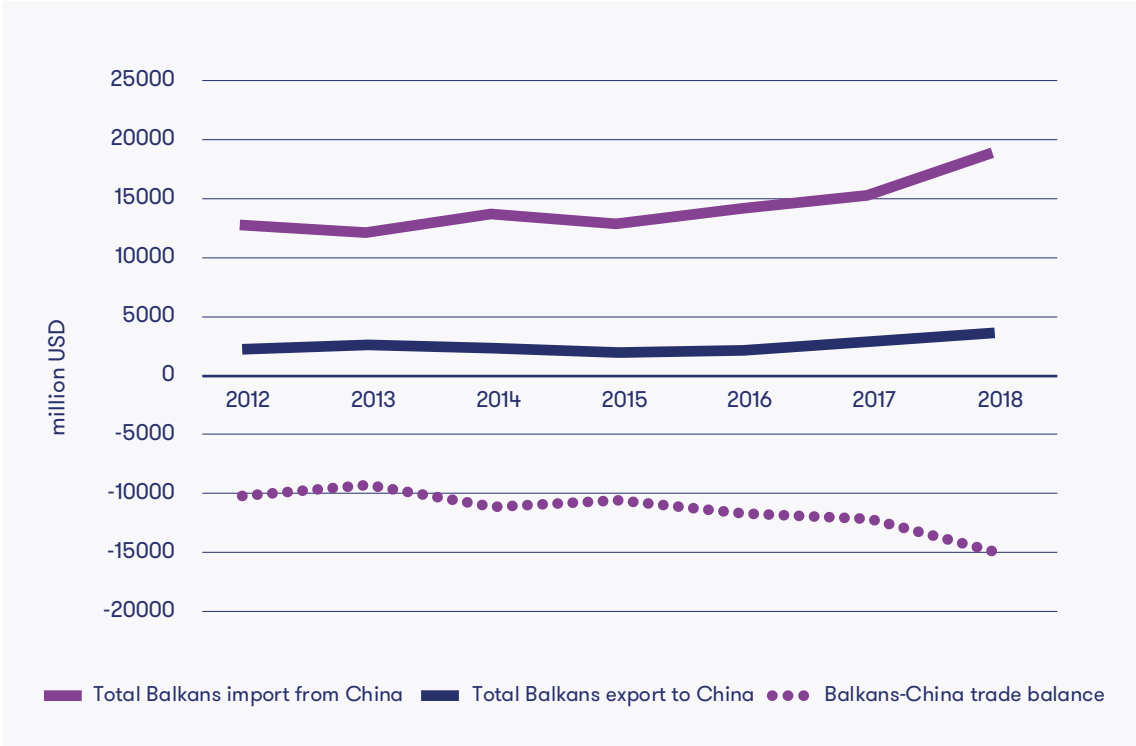
The increase in Chinese imports since 2012 is the highest in the case of Serbia and Montenegro (94% and 80%, respectively), followed by Bosnia and Herzegovina, Albania, Bulgaria and Serbia (all around 50% to 60%) and Slovenia, North Macedonia and Greece (around 40%). In Croatia Chinese imports even decreased by 36% during the period, potentially due to a decline in purchases of Chinese textile-related products, mainly footwear and apparel.

While Chinese imports in the Balkans are similar to Chinese imports elsewhere within the CEE region⁸⁷, the Chinese export baskets of most of the Balkan countries are characterized by low value-added products and/or consist of a few raw materials. Montenegro exports almost exclusively aluminum ores and lead ores to China. These metals constitute 94% of the country's exports to China. North Macedonia exports

iron alloys which constitute almost 60% of the country’s overall exports to China.⁸⁸ Chromium ore exports are responsible for more than 86% of Albania’s exports to China, while in Bosnia and Herzegovina agricultural products (such as lumber and beech) and textile products cover up to almost 80%. Although Serbia exports agricultural products (45-55%), such as tobacco and wood, since the launch of the 17+1 initiative a rising share of the machinery, electronics and vehicle sectors⁸⁹ can be observed. Although Bulgaria and Greece are EU members, where production – and exports – are usually oriented towards higher added-value products, their Chinese export basket shows more similarities with the non-EU countries of the 17 CEECs, which is characterized by lower value-added production and exports. Greece exports salt, sulphur, cement and mineral fuels (60%) as well as agricultural products such as paper waste, olive oil and fruits (10 %) to China, while around 70% of Bulgarian exports comprise copper, ores, slag and ash. In contrast, in the case of three other EU member countries – Slovenia, Croatia and Romania – the export structure is different from the aforementioned countries with machinery, electronic products and vehicles responsible for the major share of their exports to China.

In Slovenia, there is a slight but persistent increase in exports to China after 2015, as a result of the upturn in the country’s automotive exports. Apart from components, Slovenia did not export to China in this category before, but after 2015, automotive accounts for more than 20% of Slovenian exports to China. This shift is probably due to Revoz, Slovenia’s only automotive manufacturer and one of the largest exporters, starting to produce – and export – Renault and Daimler models, including the new Twingo and Smart Forfour. Similarly, from 2016 onwards, there is a significant surge

GRAPH 2: TRADE BETWEEN THE BALKAN REGION AND CHINA (IN MILLIONS USD)



Source: own compilation based on UN Comtrade (<https://comtrade.un.org>)

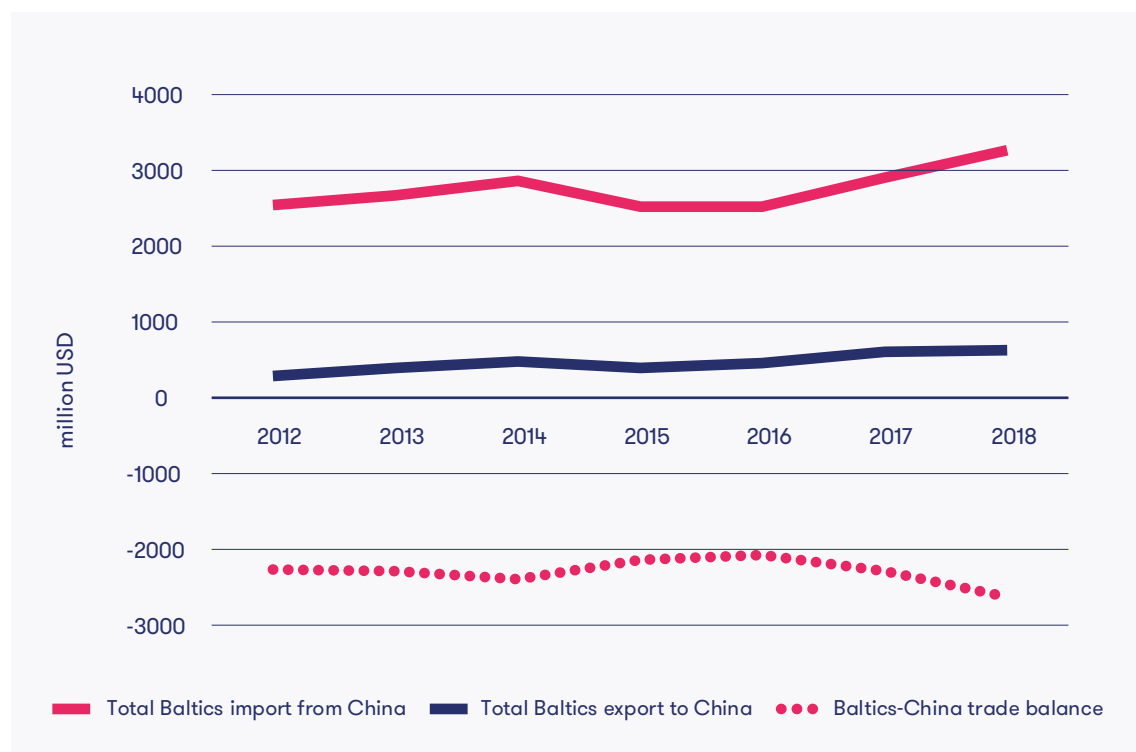
in Croatian exports to China which can be attributed to transport vehicles, especially cargo ships and other vessels. Transport vehicles were previously exported to China to a value of only a few million dollars, but in 2016 this category accounted for one third of total exports (and then fell slightly in 2017). Other Croatian traditional export sectors include machinery, electronics and wood. Finally, the main Romanian products exported to the Chinese market have been industrial machinery, optical and medical apparatuses, electrical machinery, vehicle parts and components, such as car tires, together with some textile and agricultural products such as apparel and wood.

Baltic-China trade has also increased since the inception of the 17+1 initiative. Patterns are similar to the V4-China trade relations: Baltic countries' imports from China increased to a much greater extent than their exports to China, as a result the trade deficit has risen rapidly.

When it comes to trading with China, the three Baltic countries started from an even lower base than the V4-China relations. The increase in Chinese imports since 2012 is the highest in Lithuania (48%), followed by Latvia and Estonia (29% and 18%, respectively). Latvia's and Lithuania's export performance to China between 2012 and 2018 seems huge, above 150% in both cases but these figures alone are again misleading as both countries started from a low level (below 100 million USD). Estonia's exports to China show a 60% increase but the base was just slightly higher in 2012: 135 million USD.

The main import products from China are electrical and industrial machinery and textiles in all three cases. On the export side, however, Baltic countries' exports vary considerably. In Latvia, agricultural products (mainly wood) cover up to 45-50%,

GRAPH 3: TRADE BETWEEN THE BALTIC REGION AND CHINA (IN MILLIONS USD)



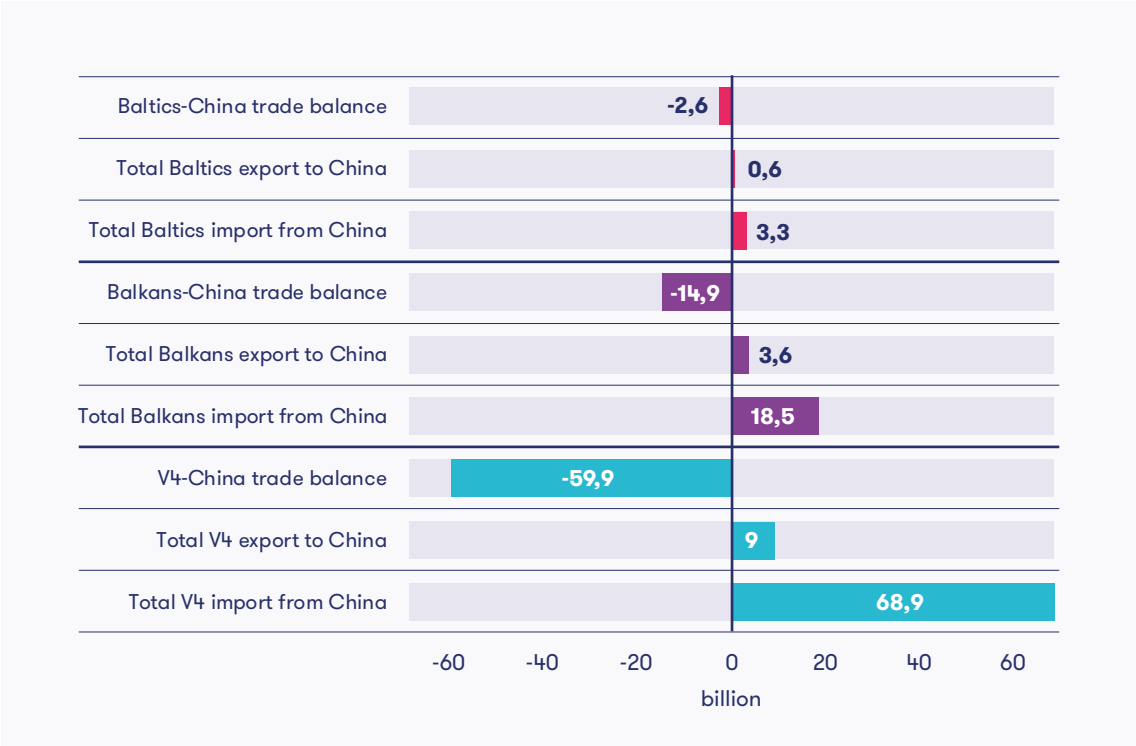
Source: own compilation based on UN Comtrade (<https://comtrade.un.org>)

with minerals and metals playing an important part as well. In Estonia, electrical as well as industrial machinery and equipment constitute a half of the country's exports to China, while agriculture (wood and fish) represents 30%. In Lithuania, metals, machinery and textiles together represent more than 60% of the country's Chinese exports, with agriculture (wood) playing a prominent role too.

Although indirect exports may also play a role, re-exports also have to be taken into account. In 2017, for example, re-exports of goods from Lithuania to China increased by almost 62% and reached a value of 48.7 million EUR. The main growth drivers were re-exports of machinery and mechanical appliances, mineral fuels and mineral oils and electrical machinery and equipment.⁹⁰ In Estonia re-exports are the highest in optical, photo, technical and medical apparatuses, electrical and electronic equipment as well as machinery, nuclear reactors and boilers.⁹¹ Latvia does not provide data on exports of Latvian origin or re-exports. However, taking into account some similarities in the structure of exports to China with Lithuania, re-exports would probably take place in industries such as copper, wood, mineral fuels and oils, machinery and mechanical appliances, electrical machinery and equipment as well as fruits and nuts.

All three Baltic states have been working hard to improve trade relations with China by signing protocols for exporting dairy, meat and fish products as well as promoting their respective countries in China. In general, the Baltic states are not well known among Chinese consumers which makes it hard for the companies to sell to them. Often better-known labels like EU or Nordic/Northern Europe are used. Thus, the trade deficit remains an issue not so easily solved by increasing exports of local

GRAPH 4: COMPARING V4, BALTICS AND BALKANS TRADE DATA (IN BILLIONS USD)



Source: own compilation based on UN Comtrade (<https://comtrade.un.org>)

produce. Foreign companies like Ericsson contribute greatly to export numbers in Estonia, with electronic equipment making up 31% of all exports to China. Also, wood and articles of wood tend to be one of the main export categories in the Baltic states (24% of exports to China in Estonia, 45% in Latvia, and 17% in Lithuania, whereas furniture and prefabricated buildings constituted 22% of Lithuanian exports to China).

To sum up, Visegrád countries are the most important partners from the group of 17 when it comes to trading with China: in terms of volume the V4 countries import from and export to China more than the Baltic countries and the Balkans combined. As a result, the trade deficit between the four Visegrád countries and China is in many times that of the other two groups.

The structural picture remains quite stagnant for the whole CEE region, especially in the case of imports from China, which is in fact similar to imports from China to anywhere else in the world (mainly electronics, machinery and textiles). This hasn't changed a lot since 2012, leading to the conclusion that the 17+1 platform has not affected the structure of bilateral trade relations with China.

In contrast, CEE exports to China differ significantly within the region: V4's exports to China are dominated by foreign (mainly Western European) multinationals and high value-added products, while low value-added products and raw materials characterize the Balkans' exports to China. The Baltic countries lie somewhere in between, with both electronics and machinery as well as metals, agricultural and textile products in its export basket.

WE ARE THE CHAMPIONS: V4 COUNTRIES AND CHINA'S FOREIGN DIRECT INVESTMENTS

The share of Chinese FDI in Central and Eastern Europe, compared with all the invested capital, is still very small, yet in the last few years the capital inflow has accelerated significantly. When searching for possible factors that make the region a favorable investment destination for China, the cost and quality of labor is to be considered first: a skilled labor force is available in sectors for which Chinese interest has been growing, while labor costs are lower in CEE than the EU average. However, there are differences within the CEE region as well; labor costs are lower in the Balkans than in the V4 or the Baltics. Nevertheless, these differences don't seem to really influence Chinese investors as – even if more expensive in terms of labor cost than the Balkans – there is more Chinese foreign direct investment in the V4 than in the Baltics or the Balkans. Other, presumably institutional and political, factors might also play a role here.

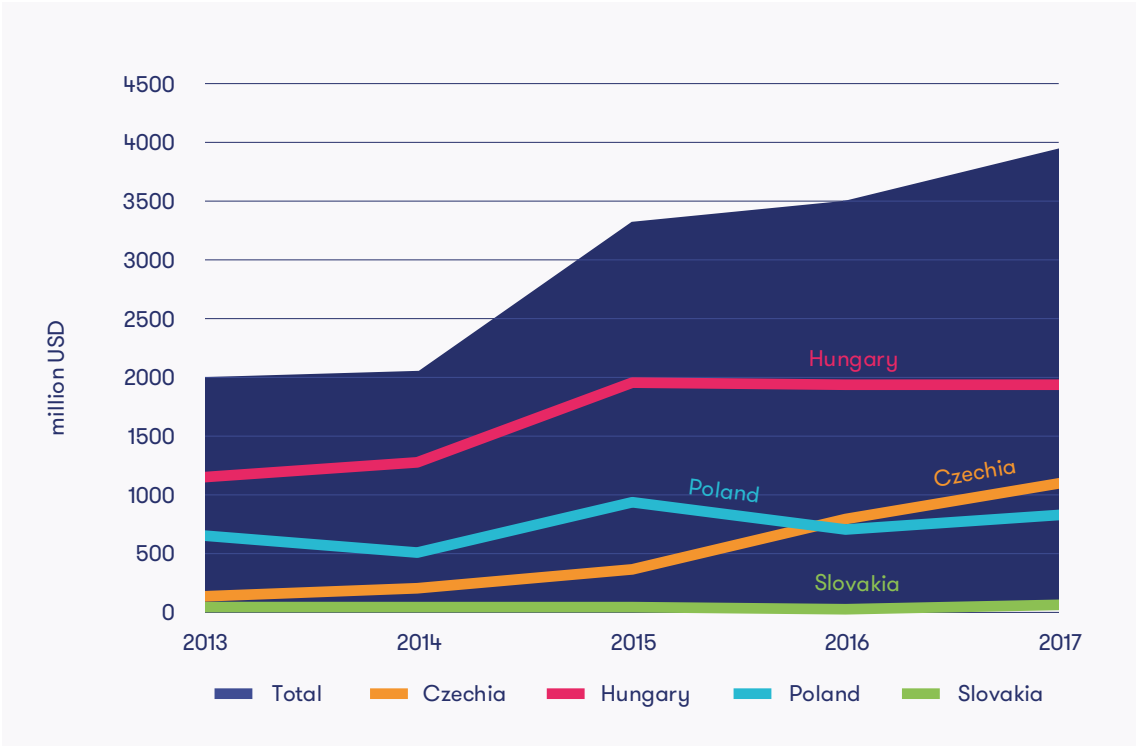
Similarly to trade relations, CEE countries host Chinese FDI to varying degrees: the four Visegrád countries take more than 75% of the total Chinese OFDI to the 17 CEECs, while the other thirteen countries – despite slight increases in many cases – haven't received significant amounts of Chinese FDI flows so far. The reason behind this difference is twofold: 1) Chinese companies prefer EU member states. As Chinese companies are often targeting EU markets with their products, they prefer to establish or purchase company sites in EU member states to avoid trade barriers such as tariffs and non-tariff barriers (e.g. quotas or embargoes) to market access. 2) China plays safe.

It targets with FDI Central and Eastern European countries that have already attracted investments from elsewhere, for example the US, Japan or Western Europe. Indeed, in general, FDI in V4 countries is the highest in the CEE region.

Chinese investors typically target secondary and tertiary sectors of V4 countries. Initially, Chinese investment flowed mostly into manufacturing (assembly), but over time services attracted more and more investment.⁹² The main Chinese investors targeting these countries are interested primarily in telecommunications, electronics, the chemical industry and transportation. In addition to the chemical company Wanhua, the largest investor in V4, major investors are Huawei, ZTE Corporation, Lenovo, BYD and Comlink. The ownership structure of the investing Chinese companies is rather mixed: some are state-owned companies (such as Wanhua or ZTE) as well as nominally private firms (such as Huawei or BYD). However, the majority of private companies are so-called national champion companies of China, which assumes home country support even if the owner is not directly the Chinese state.

Regarding the Chinese companies' entry modes, greenfield investments dominated and were especially common for the first Chinese investors (Hisense, Huawei, ZTE, Lenovo, TCL) bringing assembly activities to the region in the early 2000s. Since 2011, mergers and acquisitions (M&As) gained importance (Wanhua/Borsodchem, Liu Gong Machinery), while there were also examples of founding joint ventures (Orient Solar, BBKA, Shanghai Shenda). Hungary has received the majority of Chinese investment in the region, followed by Poland and Czechia, while Slovakia lags a little behind due to its small size and lack of efficient transport infrastructure. Since Chinese companies appreciate a business agreement being supported by the host country's government,

GRAPH 5: CHINESE FDI STOCK IN V4 COUNTRIES (IN MILLIONS USD)

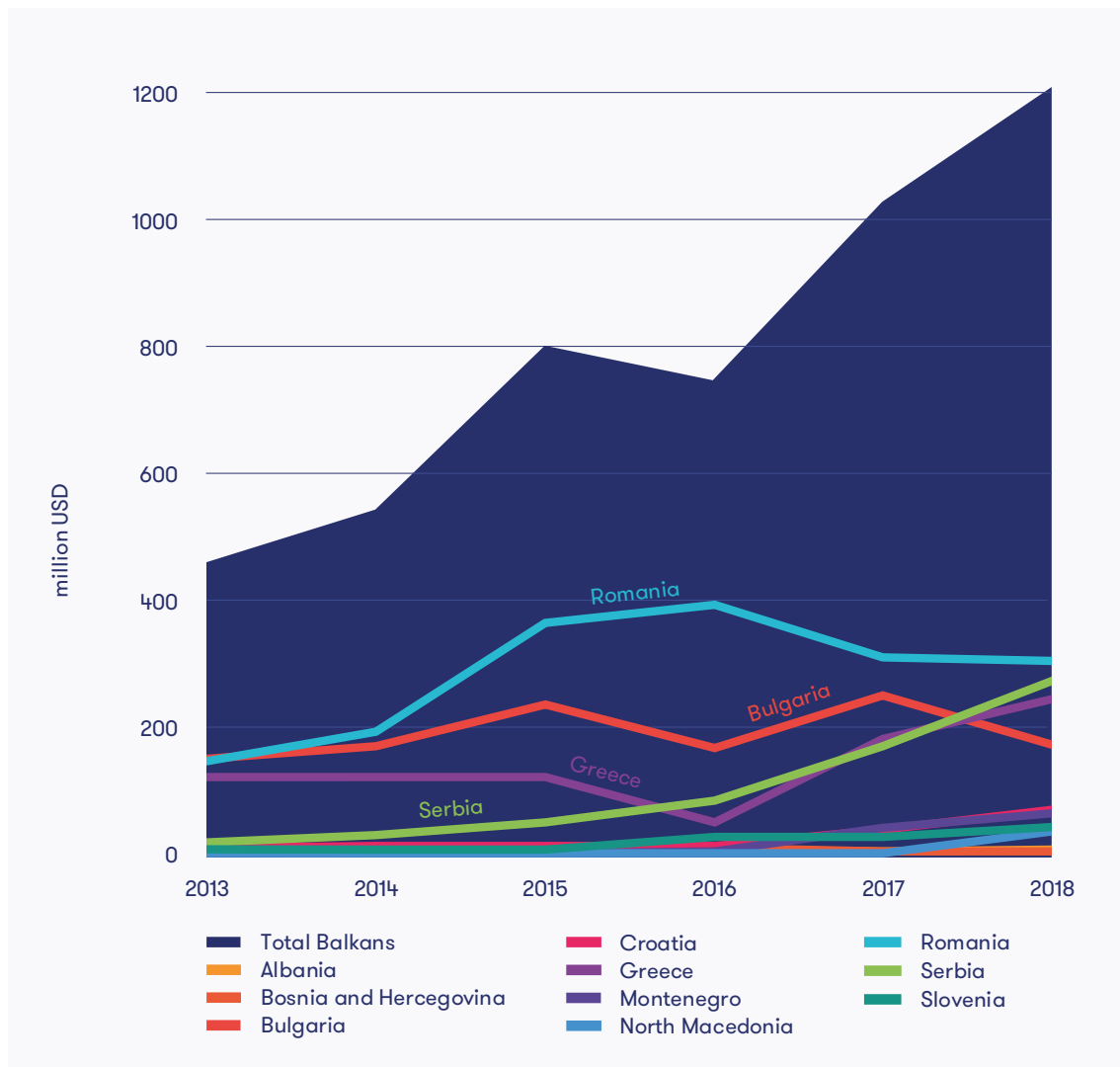


Source: own compilation based on OECD data (<https://data.oecd.org>)

Hungary's high-level strategic agreements with foreign companies combined with the lack of 'controversial' gestures of its political representation spurred Chinese investment into the country. In the framework of such agreements, Wanhua, for example, agreed to establish its European Information Centre in Hungary for developing the operations and the supply network of the company⁹³, while the Bank of China promised to build closer relations with the Hungarian Investment Promotion Agency and Eximbank, and promotes Hungary in China as a European investment destination.⁹⁴

The Balkan countries haven't so far received big amounts of foreign direct investment from China, despite the fact that some of them are EU members and others potential candidates. Romania, Serbia, Greece and Bulgaria are the top recipients; they host 80% of Chinese FDI stock in the Balkans (still, it is just one quarter of Chinese FDI stock in the Visegrád region). Based on Chinese statistics, countries such as Albania⁹⁵ and Bosnia and Herzegovina seem not to attract any significant Chinese FDI at all (data indicates both are below 10 million USD), while North Macedonia, Montenegro, Slovenia and Croatia also host less than 100 million USD Chinese FDI stock.

GRAPH 6: CHINESE FDI STOCK IN THE BALKANS (IN MILLIONS USD)



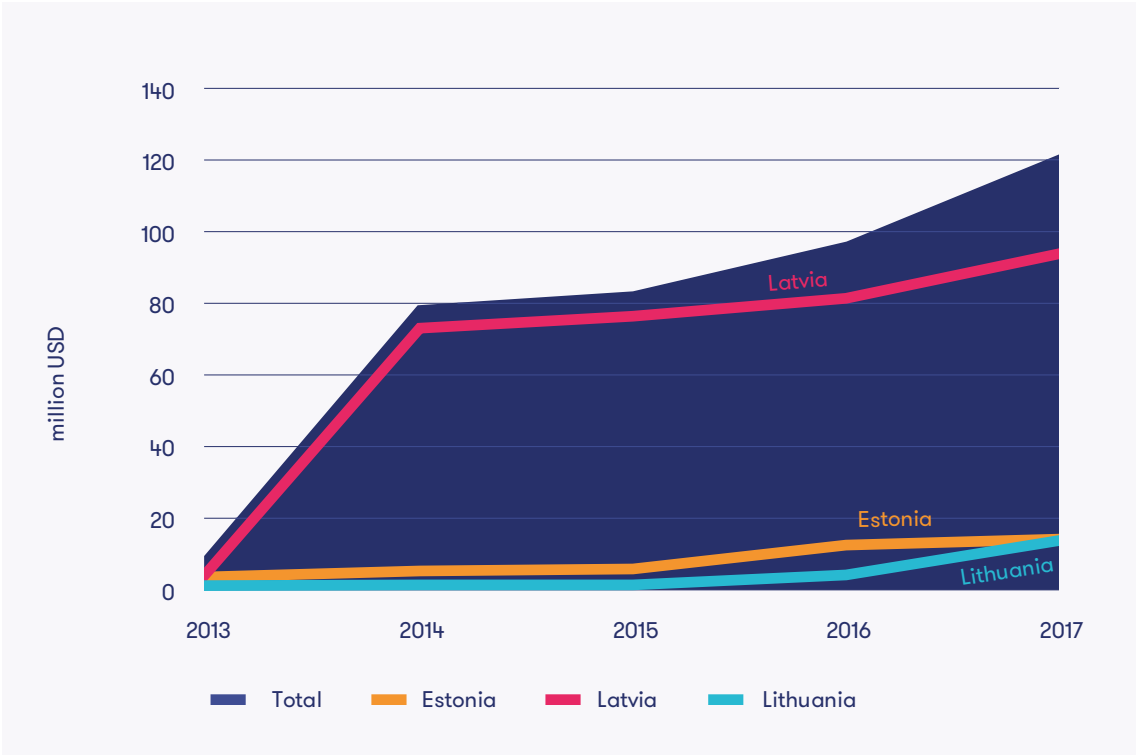
Source: own compilation based on data provided by the National Bureau of Statistics, China⁹⁶

The above-mentioned trend may soon change, especially in the case of the EU member states in the region, as China has become very active in the Balkans recently. Chinese PM Li Keqiang visited Croatia for the first time in 2019. On this occasion the two countries signed several Memoranda of Understanding (MoU) on investment, aiming to strengthen economic relations.⁹⁷ For this purpose, a joint task force for investment cooperation was established. Huawei’s interest in contributing to the development of smart city solutions in the future, was also addressed. In Slovenia there is but one FDI case that is worth mentioning: one of the eight largest manufacturers of home appliances in Europe, Gorenje was acquired by Chinese company Hisense in 2018 for 339 million USD.⁹⁸ This purchase went through one of Hisense’s foreign subsidiaries, therefore it doesn’t appear in Chinese statistics.

As an EU member state, Romania is the most popular investment destination for China in the Balkans. Chinese companies target similar sectors as in the Visegrád region. The biggest investors are Huawei, ZTE, China Tobacco International Europe Company, Eurosport DHS (bicycle producer), but there are some other important Chinese companies that have invested in Romania indirectly, through foreign companies that were purchased by a Chinese company, such as Smithfield⁹⁹, Pirelli¹⁰⁰ and Nidera¹⁰¹.

Chinese FDI in Bulgaria is less significant compared to Romania, however, it also hosts important companies in telecommunications, electronics and automotive sectors. The main Chinese investors are Huawei, ZTE, Shanghai Video and Audio Electronics Group, Great Wall Motors and Insigma Technology, which operates desulfurization facilities. There are examples of FDI into agriculture (Tianjin State

GRAPH 7: CHINESE FDI STOCK IN THE BALTICS (IN MILLIONS USD)



Source: own compilation based on OECD data (<https://data.oecd.org>)

Farms Agribusiness Group) and rather curiously into the media sector, as recently, China Today has entered the Bulgarian newspaper market, sharing the same editors and having the same headquarters as Russia Today.

In Serbia Chinese companies started to invest in 2016: the Chinese iron and steel manufacturing conglomerate Hesteel Group acquired the Smederevo steel mill, saving the financially distressed company as well as 5,000 jobs. Later on a few other companies – such as the automotive parts producer Mei Ta – arrived, while a number of significant investment projects to Serbia were announced during the visit of President Vučić and his ministers to Beijing in September 2018. The agreements included greenfield projects like the construction of a tire factory in Zrenjanin, a Chinese takeover of the firm Mining and Smelting Combine Bor (RTB Bor), and construction of an industrial park close to Belgrade.¹⁰² These FDI cases are closely connected to the energy sector which is in line with China's Belt and Road initiative.

When it comes to Greece, as a newcomer to the 17+1 group, it is hard to evaluate the effects of this cooperation on Chinese FDI stock in the country but even before joining the group, Greece enjoyed a privileged position since COSCO, China's shipping giant, operates the Piraeus port. China – together with Hong Kong – belongs to the top ten source countries of foreign investment in Greece over the last decade, increasing significantly their investment presence during the last few years.¹⁰³ Chinese companies showed an interest in a wide area of sectors, including infrastructure, energy, real estate and high-tech. In one of the latest high-level meetings at ministerial level, the two countries discussed the possibility of future investments in waste disposal technologies.¹⁰⁴

While the Balkans as a region is the second option for Chinese companies in CEE after the Visegrád region, the Baltics comes in third. Even though the Baltic states have been mentally quite open to Chinese investments and have made active use of the 17+1 format to promote their opportunities, the Baltic region hosts only a bit more than 2% of Chinese FDI stock in CEE, 12 times less than the Balkans.

Two possible reasons for the lower representation of Chinese companies in this region are likely: 1) Chinese companies preferred to target countries which are relatively bigger, more populous and closer to Western European markets with their greenfield projects. 2) China has been interested in big infrastructure projects or M&A deals in the technology sector, where small countries have not much to offer. Latvia is the only country in this region that managed to increase Chinese FDI stock by 23 times, however, this stock is still only around 100 million USD. The country gained some Chinese investments into the real estate sector due to its "golden visa" program¹⁰⁵. Lithuania has positioned itself as the gateway to Europe for Chinese fintech companies and received a few investments in that segment. In Estonia, the best-known deal so far has been the takeover of Magnetic MRO by Guangzhou Hangxin Aviation Technology for 43 million EUR in 2018. Historically, the top deal in the region has been, however, the takeover of Nordic Cinema Group for 865 million EUR by AMC Theatres, which at the time of the deal was largely owned by Wanda Group, but the company was forced to sell some of its shares later in order to reduce its debt in China.¹⁰⁶

With the growing awareness of potential challenges from Chinese investments to national security, some countries have strengthened their policy and legal frame-

work to better control such situations. Poland and Hungary have already created their own investment screening mechanisms and in Czechia the law is expected to be implemented in 2020, while Slovakia seems so far not to be considering drafting a law. Latvia established a mandatory review mechanism for transfer in ownership of companies and facilities “with significance to national security” or of national and European critical infrastructures.¹⁰⁷ Lithuania adopted an updated version of the law on the protection of “objects of importance to ensuring national security” to require notification and facilitate vetting of investments in certain economic sectors or in certain protected zones.¹⁰⁸ Estonia has not updated the current regulatory framework nor has it established its own mechanism, but it relies on the EU regulation on coordination.¹⁰⁹ The majority of Balkan states, however, have not even considered creating such a mechanism.

Interestingly, where the mechanism was already in place or was in the pipeline, it was not necessarily in line with the model defined by the European Commission: the Polish law introduced a much more invasive system, allowing the Polish state to police more directly the domestic investment market, while the Hungarian system utilizes a rather obscure and politicized oversight mechanism that is less bound by all of the principles mentioned in the EU’s regulation.¹¹⁰ However, there has been no record yet of a foreign investment project under investigation based on the screening mechanisms. Without a sufficient number of records, it is difficult to predict whether these rather newfangled screening mechanisms will affect Chinese FDI in the region but since governments decide on whether to block a deal or not, the impact will be less significant in countries that have stronger, more friendly relationships with China.

ALL ROADS LEAD TO CHINA: COOPERATION IN INFRASTRUCTURE AND CONNECTIVITY

Interestingly but understandably, the patterns of Chinese infrastructure projects in the CEE region are just the opposite of the FDI patterns. Infrastructural projects are implemented rather in the non-EU states of the 17 CEECs in the Balkans, since the infrastructure is relatively poor there, and strict EU rules and regulations do not hamper negotiations and processes, while other resources (such as EU structural funds) are not available or are less accessible.

In its first infrastructure-building attempts in CEE, China tried to replicate its experience from developing countries in Southeast Asia or Africa not considering the different (and sometimes very strict) rules and regulations or standards of the EU.¹¹¹

Currently, China is planning and negotiating several infrastructure-related projects in the 17 Central and Eastern European countries. China is interested in building highways, constructing or reconstructing railways as well as building or expanding power plants (among others thermal, hydro, coal-fired as well as nuclear power plants). When taking a closer look, a clear link can be found between China’s Belt and Road Initiative and the 17+1 platform. On one hand, the CEE region is a strategic area for the Belt and Road and infrastructure cooperation of this kind can also enhance relations between China and the CEE countries. On the other hand, China can also learn from the experiences of the 17+1 initiative so far and can use it in its broader Belt and Road

strategy.¹¹² Such experiences are, for example, that more effective communication and a clearer definition of goals could help in the future to avoid excessive expectations and subsequent backlash and doubts.

China's motivations are easy to understand, as BRI will allow it to expand its political and economic sphere of interest. Once the alternative transport routes are completed China will be in a more favorable strategic position as it will have more alternative transport routes, will be able to reach its target markets easier and faster and to work off some of its industrial over-capacities accumulated in recent years. In addition, projects completed in the 17 CEECs may provide a reference for further Chinese investment in the broader region, especially in Western Europe.

Central and Eastern European countries have been cautiously welcoming of the BRI, including V4 countries. Hungary was the first European country to sign a memorandum of understanding with China on promoting the Silk Road Economic Belt and Maritime Silk Road, during Chinese Foreign Minister Wang Yi's visit to Budapest in June 2015. The Hungarian government was very keen on the railway project and when it signed the construction agreement in 2014, Prime Minister Orbán called it the most important moment in cooperation between the European Union and China.¹¹³

During the then Prime Minister Wen Jiabao's visit to Warsaw in 2012 China offered a special credit line worth 10 billion USD to the CEE region to be used for investments in infrastructure, modern technologies and the green economy. This credit line was part of 17+1 cooperation, available for all countries gathered in the initiative. However, later on it turned out that EU member states could not use those funds as certain conditions of this funding opportunity (such as the requirement on involvement of Chinese companies and materials) may go against EU rules, for example on public procurement regulations.

One of the most salient areas of cooperation between China and the CEE countries in recent years in terms of connectivity has been in rail freight. The decreased cost of rail freight transport, infrastructure improvements and progress in customs cooperation among the involved countries leading to shortened travel times have injected impressive growth into the China-Europe freight rail connections. With their geographical position, the CEE countries are the natural gateway to EU markets. Openings of new connections have been used by China to herald the results of the cooperation under 17+1 and BRI and have gained significant coverage in Chinese state media.

While the first connections between China and Europe – officially branded as the China-Europe Express later on – were tested in 2008 by private companies¹¹⁵, they have grown exponentially ever since, gaining political support under the BRI and 17+1 initiatives. While there were only 11 China-Europe trains in 2011, the number has grown to 8,255 in 2019.¹¹⁶

The China-Europe express can bring economic benefits for the involved countries, including from tariff settlements, fees for the use of their rail infrastructure and rolling stock and also impetus for the growth of the logistics sector.¹¹⁷ So far, the biggest benefactor of the China Europe express connections has been Poland, as around 95% of all the connections have taken the route via the Poland-Belarus border, using the Małaszewicze terminal.¹¹⁸ The city of Łódź in Poland itself services 25% of all China-Europe trains.¹¹⁹

TABLE 1: LIST OF CHINESE PROJECTS — CONSTRUCTION/RECONSTRUCTION/ EXPANSION — UNDER IMPLEMENTATION OR NEGOTIATION IN 17 CEE COUNTRIES SINCE THE INITIATION OF 17+1¹¹⁴

country	projects
Albania	'Blue Corridor'/Adriatic-Ionian see connection (potential); motorway between the Albanian Ionian Sea to the Bulgarian Black Sea (potential till 2018, when the Albanian Government decided to build it with Albanian companies)
Bosnia and Hercegovina	Stanari thermal power plant; Tuzla coal-fired power plant (the credit agreement has been signed but the construction works have not started yet); Banovici thermal power plant (potential); Banja Luka-Nov Grad motorway; Vukosavlje-Doboj highway and Vukosavlje-Brcko branch
Bulgaria	Four motorways (Veliko Tarnovo-Russe, Vidin-Botevgrad, Varna-Burgas) and a tunnel under the Balkan Mountains (Gabrovo-Kazanlak); Varna port development; modernization of the Novi Sad-Subotica railway section (potential); development of a logistic base near to Burgas; Belene nuclear power plant; Plovdiv airport management for 35 years (plus potential expansion)
Croatia	Pelješac Bridge (under construction); modernization of the Zagreb-Rijeka railway; Banja Luka-Split motorway (potential)
Czechia	New blocks on Dukovany nuclear power plant (company China General Nuclear Power Corporation (CGN/CGNPC) raised interest); Hodonín logistic centre (potential, planned in 2015)
Estonia	Construction of Rail Baltica (Chinese raised interest); FinEst Bay's Tallinn-Helsinki tunnel (potential)
Greece	Further expanding Piraeus port; the development of Athens' former airport at Hellenikon; lignite power plants at Megalopoli and Meliti (both bids failed)
Hungary	Belgrade-Budapest high-speed railway (planned to be built by 2023)
Latvia	Construction of Rail Baltica (Chinese raised interest)
Lithuania	Construction of Rail Baltica (Chinese raised interest); Klaipeda port (potential); Kaunas combined heat power plant (potential)
North Macedonia	Kozjak hydro power plant; two stretches on the motorways linking Kichevo-Ohrid and Miladinovci-Shtip
Montenegro	Smokovac-Matesevo highway; Bar-Boljare highway; Mozura Wind Park; investment in various energy projects (e.g. hydro power plant, thermal power plant – all potential); renewal of the country's ship fleet (potential)
Poland	Logistic hubs connected to the Chengdu-Europe Express Rail (for example in Małaszewicze, Kutno and Łódź); Jaworzno coal-fired power plant (a Chinese company raised interest, a contract has been made but in the end the cooperation failed)
Romania	There are no finalized projects yet, despite the many initiatives, such as various nuclear, thermal and hydropower plants; the Constanța-Bucharest-Budapest high-speed rail and Bucharest-Iași-Chișinău high-speed rail line or the restart of the direct air connection between Bucharest and Beijing
Serbia	Danube ("Mihajlo Pupin") bridge in Belgrade; Belgrade-Budapest high-speed railway (planned to be built by 2023); the Belgrade-Niš-Preševo railway; construction of the Obrenovac-Ub and the Lajkovac-Ljig sections of Corridor XI motorway; the Surcin-Obrenovac section of Corridor XI motorway; construction of highway between Belgrade-Zrenjanin and Zrenjanin-Novi Sad (planning and technical documentation for the project has already started); 350MW unit at Kostolac thermal power plant (credit agreement has already been signed, construction has not started yet)
Slovakia	There are no projects under implementation. No potential construction projects seem to be negotiated. The project of a hydroelectric dam on river Ipeľ was discussed in the past but did not come through due to unwillingness of the Slovak government to provide sovereign guarantees.
Slovenia	Krško nuclear power plant (potential); Divača-Koper railway line (potential)

Source: authors' own collection

Although Slovakia has tried to promote itself as an alternative route, with a target to process 50% of China-Europe rail cargo, its share has remained negligible.¹²⁰ The chief reason has been the situation in Ukraine which several times led to transit being stopped completely. Latvia has been another champion of rail freight transport, hoping also to take advantage of its ports for further shipment by sea. The Latvian Ministry of Transport even has a representative in China, stressing the importance of connectivity issues for Latvia which has also spearheaded cooperation with China in this area within 17+1. A potential for growth of transport also exists on the so called Land-Sea Express Route that joins the port of Pireaus and Central Europe through the Balkans and Hungary.¹²¹

However, rail freight cooperation with China is not always smooth. Mirroring the overall trade imbalance in China-EU trade, rail transportation has been overwhelmingly tilted towards inbound cargo to Europe, with trains often returning half-empty on the return journey to China. For this reason and also because of the overall higher costs of transporting goods to Europe by rail as opposed to sea, the connections have been heavily subsidized by local governments in China, leading to significant market distortions.¹²² With the central government planning to gradually withdraw the subsidies, it remains to be seen how much of the current trade volume will continue.¹²³ Finally, despite the lowered costs, rail transport only remains competitive for a selected segment of goods, where transport faster than by sea but cheaper than by air is necessary.

Since companies and public institutions from EU states have access to more attractive forms of funding, including EU structural funds, there are not too many infrastructure projects in the V4 or in the Baltics. The aforementioned Chengdu-Europe Express Rail connecting Chengdu with the Polish city Łódź was already in operation before the 17+1 cooperation was initiated, and keeps on expanding,¹²⁴ while the Budapest-Belgrade railway – although the contractor has been chosen – won't be ready before 2023. Chinese companies have raised an interest in several projects in the V4 region, such as Dukovany nuclear power plant, but V4 countries seems to be more cautious with Chinese (as well as Russian) constructors.

While V4 countries are more cautious or bound by EU rules and regulations when it comes to Chinese construction projects, the Balkan countries are in a very different situation. As seen in the table listing key Chinese projects under implementation or negotiation in the 17 CEE countries since 2012, while there are only a few potential projects in EU member states, there are a number of potential projects in non-EU countries that have either begun or have already been completed.

Also Baltic states have been actively promoting infrastructure development and connectivity via land and sea. For a while, talks about potential Chinese investments into Klaipeda port have been ongoing, with no concrete results yet. Both Estonia and Latvia have been trying to promote their ports to Chinese partners, however, without a clear success so far.¹²⁵ In addition, Latvia has been active within the 17+1 format in establishing collaboration in the logistics sector by creating the CEECs-China Secretariat on Logistics Cooperation and trying to open a train route to the region from China.¹²⁶ Rail Baltica is the largest infrastructure project in the region, however, as the project is financed by the EU and the three Baltic governments, it remains subject to the relevant procurement procedures.¹²⁷ Another project of potential interest from

Chinese companies has become FinEst Bay's Tallinn-Helsinki tunnel which should be finished as early as 2024.¹²⁸ The implementation of this project is still under discussion as there is a certain skepticism concerning its completion time as well as its profitability.¹²⁹

The Baltic states have been keen on building 5G infrastructure and have been allegedly willing to collaborate with Huawei on this matter and recent pressure from the USA influenced decision-makers in this regard. On 31 October 2019, Estonia signed a memorandum with the USA to strengthen cooperation on 5G security and development, restricting the use of the Chinese mobile technology company Huawei's products.¹³⁰ As a reaction, Huawei announced that it would reconsider continuing offering its new models on the Estonian market.¹³¹ In Latvia, Huawei's partner Bite Latvija decided to continue to work with Huawei citing other companies in Europe such as Deutsche Telekom, Elisa, Orange, Telia Sonera and Vodafone that do so.¹³² Furthermore, Latvia's Tele2 has chosen Huawei for its first 5G handset.¹³³ Lithuania has taken a more careful approach, advocating for decisions on Huawei technologies to be taken at NATO and EU levels.¹³⁴

Attitudes towards 5G and Huawei differ in V4 countries, too. In September 2019, Poland made a political statement showcasing its support for the US stance on 5G by signing a joint US-Poland declaration on 5G.¹³⁵ However, as of early 2020, it seems that the Chinese company will not be completely excluded from the Polish market. The Czech National Cyber and Information Security Agency issued an unprecedented warning against Huawei in 2019, following the announcement of the German government which did not exclude Huawei. Nonetheless Prague will most likely follow Germany's approach, despite the US preference.¹³⁶ Hungary went even further since the Hungarian MFA already announced in Beijing in November 2019 that Huawei would build its 5G wireless network.¹³⁷ Based on the Slovak Prime Minister's declaration, Slovakia does not seem to consider Huawei to be a security threat (in the absence of compelling evidence to the contrary).¹³⁸ In the Balkans, Romania also signed an MoU with the US, in August 2019, to exclude Huawei from 5G network development. Other countries in the region are, however, less committed. Despite concerns raised in some EU countries, Serbia has been cooperating with Huawei for a long time: "Safe city" and "Smart city" projects have been set, while the state-owned telecommunication company Telekom is already working on the construction of telecommunication infrastructure that will enable 5G technology with Huawei being the key partner in the project. Since the US banned Huawei from the construction of 5G infrastructure, the representatives of Serbia have stated that there are no concerns regarding Huawei, that they are satisfied with the cooperation and that it will be further developed¹³⁹.

FOLLOW THE MONEY: FINANCIAL COOPERATION IN V4

When analyzing financial cooperation between China and the CEE region, the Visegrád region seems again to be the most active. The Hungarian Minister of Finance has recently called financial cooperation one of the most rapidly growing areas of Hungarian-Chinese relations.¹⁴⁰ And indeed, the Bank of China has established

a regional and CEE headquarters in Budapest, while Hungary was the first sovereign issuer, in 2017, sold government bonds (dim sum and Panda bonds) both on the onshore market and in Hong Kong.¹⁴¹ Furthermore, the Hungarian OTP Bank, the largest commercial bank in the country, opened its first office in Beijing in 2017. Bank of China in Hungary and China UnionPay issued the first Chinese renminbi and Hungarian forint debit card in 2017, which was also the first case of a renminbi bank card to be issued in Europe by Bank of China.¹⁴²

When it comes to Chinese banks in the V4, in Hungary and Poland there are branches of Bank of China (opened in 2003 and 2012, respectively), while the Czech branch of BOC, which was opened in 2015, belongs to the Hungarian branch of the bank. BOC doesn't have any representation in Slovakia although the Slovak PM Fico has long lobbied for a Chinese bank to set up operations in Slovakia. Warsaw and Prague already host branches of Industrial and Commercial Bank of China (ICBC), while ICBC is, at the time of writing, looking into the possibility of opening a branch in Hungary.¹⁴³ Similarly, Hungary and Poland decided to join the Asian Infrastructure Investment Bank (AIIB), while Czechia considered joining for a while but did not initiate it and it is unlikely in the current atmosphere that Czechia would join. Slovakia has no immediate intention to participate.

When compared to the Visegrád region, Balkan countries have a relatively weaker level of financial cooperation with China. For example, only three of ten Balkan countries decided to become members of the AIIB: Romania joined in late 2018, while Greece, together with Serbia, joined in summer 2019. The majority of these countries lack any Chinese banks in their respective territories. Exceptions include Serbia – where the Bank of China opened its first branch (2017), being the first Chinese bank in the country, as well as in the Balkan region – and Romania (2019). The Agricultural Bank of China also opened its first office in Romania in the same year. The China Construction Bank announced its intention to enter Bulgaria in July 2019,¹⁴⁴ while two banks (BOC and Commercial Bank of China) have expressed their interest in entering the Greek market.¹⁴⁵

In the financial sector, China's UnionPay International (UPI) expanded to Serbia (2018), Croatia and Bosnia and Herzegovina (2019). UnionPay has already been working with the Croatian bank of Privredna Banka Zagreb (PBZ) so that UnionPay cards can now be utilized locally. When it comes to Chinese loans to realize the already mentioned infrastructure projects in the Balkans, it is usually China Ex-Im Bank that finances the projects.

None of the Baltic states has become a member of the AIIB.¹⁴⁶ However, within the 17+1 format, Lithuania has been the most active in promoting itself as the FinTech gateway to Europe by developing a FinTech coordination centre in Vilnius. The Bank of Lithuania signed a cooperation agreement with the China Banking Regulatory Commission in 2015.¹⁴⁷ Since then it has granted four Chinese companies electronic money institution licenses and one payment institution license and an additional 10 companies intend to join the bank's central payment system Centrolink.¹⁴⁸ Cooperation has also been established between UnionPay International and Swedbank, one of the largest banking groups in Northern Europe and the Baltic Sea. UnionPay sees the Baltic states as emerging travel destinations in Europe for Chinese tourists as well as having increasingly closer economic and trade cooperation with Asia Pacific,

especially Hong Kong, South Korea and Russia, where UnionPay cards are used on a large scale.¹⁴⁹

THE IRRESISTIBLE DRAW: CHINA-CEE TOURISM AS A SUCCESS STORY

The CEE region is becoming an attractive place to visit for the continuously expanding Chinese middle class. Over the course of 2018, the top three European destinations in terms of volume of Chinese arrivals were the United Kingdom (up 2.4%), Germany (up 2.6%), and France (up 7.7%), however, the three fastest growing destinations were Croatia (up 45.7%), Estonia (up 35.8%), and Hungary (up 25.1%).¹⁵⁰

The Visegrád countries are among the most popular destinations for Chinese tourists within the CEE region. Since tourist groups from China typically visit their destinations as part of a travel package, the majority of them visit at least three – if not all – countries of the V₄. A Budapest tour is usually merged with a journey to Czechia and Austria, while other countries of interest include Poland, Croatia and Slovenia. The trend is also contributed to by direct flights between Beijing and major V₄ cities, such as Budapest, Prague and Warsaw. On average, Chinese tourists spend some 12 days in Europe during one visit.

Prague is the most popular destination for Chinese tourists visiting the V₄ region: from over 21 million people that visited Czechia in 2018, 619,000 were Chinese.¹⁵¹ The high number can mostly be put down to the direct flights that opened in the last few years between China and Czechia: direct air connections operate between Prague and four Chinese cities (Beijing¹⁵², Shanghai, Xi'an and Chengdu).

In 2013 at the Bucharest summit, China called upon Hungary to establish a co-operation platform in the field of tourism with the aim of increasing tourism co-operation between China and the CEECs resulting in the establishment of the Central and Eastern European Countries' Tourism Coordination Centre. But, apart from this, most of the official tourism agencies have a Chinese language site and/or customized travel services for Chinese visitors.

As far as Hungary is concerned, the number of Chinese tourists has grown based not only on direct flights (Beijing, Shanghai, Chengdu, Xian and recently also Chongqing) but also customized services, such as the opening of 14 Hungarian visa offices in China or the quick – within 48 hours – issuance of accepted visa applications. According to the China National Tourist Office in Budapest, 256,000 Chinese tourists visited Hungary in 2018 (while 23,600 Hungarian tourists visited China during the same period), and 262,000 tourists arrived in the first 11 months of 2019¹⁵³. A similar increase in Chinese tourists has been seen in Poland. The country was designated – as the only European country – by China Travel Agency magazine as the „New Holiday Destination of the Year 2018”. In 2017, a record number of 138,000 Chinese tourists visited the country, while these numbers increased even further in 2018.¹⁵⁴ The numbers grew for Slovakia as well. Although the numbers of Chinese tourists in Slovakia are lower (61,000 in 2017), it was twice as many as in 2016.¹⁵⁵

Among the ten countries in the Balkans, only Greece has a direct flight connection with China (between Athens and Beijing), operated by Air China since 2017. In addition to this already existing connection, another direct flight between Athens and

Shanghai has been announced to open in June 2020, operated by the Shanghai-based Juneyao Airlines.¹⁵⁶ Serbia did have a direct flight connecting Belgrade with Beijing, launched in 2017, and operated by the Chinese Hainan Airlines, however, this route was closed in November 2018, after one year of operation because it was not profitable and carried only a few passengers.¹⁵⁷ Before that JAT Yugoslav Airlines launched a flight to Beijing in 1979 and operated until late 2000. Romania's Ponta government also wanted to restart the direct air connection between Bucharest and Beijing, with the Romanian national airline Tarom, however, the flights were stopped in 2003 due to their low profitability. The restart was thus never achieved – the official reason given in 2014 was that Russia denied the right for Tarom to fly in its airspace. Chinese airlines are also considering launching a direct flight between Zagreb and Beijing, while there are further countries from the region, including Macedonia, Bosnia and Herzegovina, Slovenia and Montenegro, that are also seeking to boost the number of Chinese tourists visiting their nations with a direct air connection.¹⁵⁸

Even if a direct flight connection is not an option for most of the Balkan countries to increase the number of tourists from China, they have taken other steps to attract Chinese tourists, such as abolishing visa requirements or granting visas free of charge. A mutual visa exemption exists between China and Bosnia and Herzegovina, which took effect in 2018, resulting in a growing number of tourists.¹⁵⁹ Serbia has had a mutual visa free bilateral policy with China since 2017. This tourist friendly system brought over 92,000 Chinese tourists to Serbia during 2019, five times more than in 2016.¹⁶⁰ In 2018, Albania also announced a visa-free policy for citizens from Bahrain, Belarus, China, Oman, Qatar, Russia, Saudi Arabia and Thailand.¹⁶¹ This visa-free policy helped to develop tourism as by June 2018 the number of Chinese tourists was estimated at about 8,600, double the number registered in the same period of the previous year.¹⁶²

Bulgaria, Macedonia, and Montenegro don't have any preferential visa policy towards China and the number of Chinese tourists is not that significant either. In order to boost tourism, the Bulgarian Minister of Tourism has signed an agreement with China's leading tour operator, HiSeas International, and has announced that the Bulgarian official tourism portal will be available in Chinese.¹⁶³

Romania, too, lacks a preferential visa system for Chinese citizens. However, the visa regime for Chinese citizens was simplified in 2017.¹⁶⁴ Even so, the number of Chinese tourists is very small and the number of visas issued by the Romanian embassy in Beijing between 2017 and 2019 averaged around 3,300. Currently, Croatia and Slovenia do not have any preferential visa treatment for Chinese nationals either. Nevertheless, the number of tourists has been growing in both countries. In 2018 the number of Chinese tourists was estimated at about 250,000 in Croatia while in Slovenia this number has increased by 300% since 2015 when it was only 50,000 (0.8% of all tourists).¹⁶⁵ To facilitate consumption by Chinese tourists within the country, Slovenia has set up payment points for Alipay, the Chinese mobile application.¹⁶⁶

As mentioned above, the Beijing-Athens direct flight has benefited tourism in Greece, along with the involvement of some big Chinese companies that offer special tourist packages for Chinese Nationals (e.g. COSCO Shipping, Fosun)¹⁶⁷. At present, around 200,000 Chinese nationals visit Greece each year.¹⁶⁸ Greece has a golden visa

program in place that grants five-year residency rights for all investors who make strategic investments in Greece (over 250,000 EUR) or buy real estate, with a possibility to renew the residency permit if the investment remains in Greece. After seven years of uninterrupted residency a resident can also apply for citizenship.¹⁶⁹ In the context of this publication, it is worth mentioning that more than 65% of the golden visa holders are Chinese.¹⁷⁰

Similar to other regions, tourism is one of the most important industries in the Baltic region. In 2019, the Estonian Tourist Board at Enterprise Estonia put out a tender to find a partner in China to more actively promote Estonia as a tourism destination.¹⁷¹ In 2017, 20,000 tourists arrived from China to Estonia – five times more than in 2016.¹⁷² In Latvia, the number was 22,774, but declined a bit (-0.2%) the year after.¹⁷³ In Lithuania, in 2018, incoming tourism from distant markets grew rapidly, with 20.6% more from China than a year earlier.¹⁷⁴ It was especially the success of Finland in attracting Chinese tourists that has made the regional players look into ways of getting them to move further into other Baltic countries, stay longer and spend more. The Estonia-based cruise ship operator Tallink Grupp and some other operators in the tourism sector have also introduced Wechat Pay, AliPay as well as UnionPay to better serve their Chinese clients.¹⁷⁵ In order to promote Latvian businesses on the Chinese market, the Latvian Investment and Development Agency signed an agreement on long term tourism cooperation with the Alibaba Group on China's largest travel website Alitrip in 2017.¹⁷⁶ Furthermore, in 2018, China's CMB Financial Leasing Co., Ltd. and airBaltic signed a Letter of Intent for the "sale and leaseback" of four Airbus A220-300 aircraft, which coincided with speculation about the possibility of direct flights taking off from Latvia to China.¹⁷⁷

It seems that the 17+1 cooperation has led to better promotion of the 17 CEE countries which has resulted in an increasing number of Chinese tourists in several countries of the region. However, it is not entirely clear whether these developments are due to the better promotion of CEE countries in China or China's expanding army of middle class travelers: wealthy Chinese take an average 5.9 international trips per year¹⁷⁸ and European destinations are on their shortlist. Nevertheless, the CEE region is far from being "invaded" by Chinese tourists: based on the number of nights spent at tourist accommodation in CEE countries by Chinese tourists, calculated by Eurostat, Chinese tourists represent less than 1% of all tourists in the region.¹⁷⁹ Based on the Eurostat dataset, this ratio is the highest in Czechia and Hungary (1.4% and 1.16% of all tourists) and the lowest in Bulgaria (0.18%).¹⁸⁰

THE ECONOMY OF PROS AND CONS: CONCLUSION AND RECOMMENDATIONS

When compared to China's economic presence globally or in the developed world, China's economic impact on CEE countries is relatively small. CEE countries are highly dependent on both trade and investment relations with developed, mainly-EU member states, while China represents a minor (although increasing) share. As far as trade or investment statistics are concerned, the CEE region is also far from being among the most important partners for China.

Trade relations remain relatively low and unbalanced, leading to an increasing trade deficit in all the 17 countries with China. The structure of CEE exports is characterized by higher value-added products in the case of the Visegrád region, Lithuania and Estonia, while the Chinese export baskets of most of the Balkan countries – with the exception of Slovenia, Croatia and Romania – consist of low value-added products and/or a few raw materials.

Chinese FDI are modest and concentrated in a few countries with Hungary, Czechia and Poland being at the forefront, with almost no opportunity for the other countries to receive big amounts of investment, especially not in the higher value-added sectors. Infrastructural projects – financed from Chinese loans – are negotiated all over the region but non-EU countries seem to be more open to use this opportunity while EU member countries in Central and Eastern Europe express growing reservations in this regard. Although financial cooperation is gaining momentum, it is currently limited to EU member countries.

Tourism is perhaps the real success story of economic cooperation within the framework of 17+1, since CEE countries have been achieving higher visibility in China, however, the growing number of Chinese middle class travelers may also play a role here.

Although China created the 17+1 platform to deal with the CEE region, it has to be emphasized that it still handles its economic affairs on a bilateral basis with the CEE countries. Bilateral relations especially with the countries of the Visegrád region and Serbia seem to be of particular importance. Relations with other CEE countries are lagging behind with only slightly beneficial or stagnating results.

Most of the CEE countries don't have a clear China strategy and even if they have their own economic intentions, they do not coordinate among themselves. As a result, 17+1 economic cooperation is mainly driven by China: China sets the agenda that the 17 countries rarely question. In order to benefit more from economic cooperation with China, CEE countries should work and act together. Regular 17+0 consultation meetings – where economic interests and intentions should be gathered – should precede 17+1 summits. Moreover, monitoring and evaluation meetings could follow the annual summits, where the representatives of the 17 CEE countries can share their experience, reservations and plans on how to proceed.

The major challenges of trade relations, such as trade deficit, cannot be overcome by single country solutions; CEE countries should follow the EU's strategic aims in trade policy. Since a significant portion of CEE's exports to China is connected to – mainly Western European – multinational companies based in CEE, local decisions may have less, or even no effect.

Coordinated rules should be established relating to investment screening also in non-EU member states.

When it comes to non-EU countries' recent rapprochement with China, the EU's responsibility is undeniable: it must play a more active role in these countries' economic development, enhancing their engagement with the EU and providing a credible enlargement perspective.

3. We the people? The challenges of societal relations with China

Alicja Bachulska, Una Aleksandra Bērziņa-Čerenkova and Nina Pejić

Although the societal¹⁸¹ level of cooperation between China and Central and Eastern Europe has been perceived as relatively uncontroversial, given the nature of the Chinese regime and the penetration of the society by the party-state apparatus, this particular type of “people-to-people” cooperation should to a large extent be rather considered “government-to-people”. This element has to be taken into account when assessing possible future implications for tightening ties with China at this level.

The first issue that most probably comes to one’s mind when thinking about this area of cooperation between China and CEE countries are the Confucius Institutes (CIs).¹⁸² CIs’ official aim is the promotion of Chinese language and culture abroad. Confucius Institutes differ from other national institutions of this kind (such as Alliance Française, Goethe Institute or British Council) in the way they operate institutionally – they are established through bilateral cooperation with local universities, thus becoming part of their internal structures. CIs are managed by Hanban (Confucius Institute Headquarters), a nominally non-profit organization that reports to the Chinese Ministry of Education – a type of setup that enables CIs to cooperate with foreign universities while maintaining an image of relative independence from the Chinese government.¹⁸³

The development of CIs in Central and Eastern Europe seems to run in parallel to the 17+1 initiative as some of the institutes were opened before the inception of the platform. In the V₄ region it dates back to the 2000s, with the first two CIs opened in Krakow, Poland and Budapest, Hungary in 2006. As of late 2019, there were six CIs in Poland, two in Czechia, three in Slovakia and five in Hungary. Thus, V₄ hosts 16 CIs in total. Additionally, several Confucius Classrooms (CCs) operate at a number of universities within the V₄ with the potential to expand to full-scale CIs. Some of them focus on specific areas of cooperation that are not purely education or culture-related, such as the promotion of traditional Chinese medicine (TCM) at Slovak Medical University or at University of Pecs in Hungary.¹⁸⁴ In comparison, CIs in the Baltics opened relatively late – in 2010, in Vilnius, Lithuania, and in Tallinn, Estonia, then in Riga, Latvia, in 2011. No additional CIs have been established since, reportedly due to the small size of the countries, but a network of CCs has expanded to include other universities and middle schools both in the capitals and beyond. When it comes to the Balkans, initially there were only a few CIs established in the region (e.g. in Sofia, Bulgaria in 2005; Belgrade, Serbia in 2006 or Sibiu, Romania in 2006). Coinciding with China’s newfound interest in the region, fifteen more opened in the Balkans: in Slovenia (Ljubljana, 2009), Bulgaria (Veliko Turnovo, 2012), Albania (Tirana, 2013), Romania (Cluj-Napoca, 2009; Brasov, 2011 and Bucharest, 2013), Serbia

(Novi Sad, 2013), Bosnia and Herzegovina (Sarajevo, 2014 and Banja Luka – capital of Republika Srpska – in 2017), North Macedonia (Skopje, 2013), Croatia (Zagreb, 2013), Montenegro (Podgorica, 2014) and Greece (Athens, 2008, Thessaloniki, 2018, Thessaly, 2019). Altogether 18 CIs function in the Balkans.

As of late 2019, altogether 37 Confucius Institutes were operating in Central and Eastern Europe. According to the Hanban website which lists all operating CIs, there are in total 184 institutions of this kind in Europe.¹⁸⁵ The UK seems to be the leader with 30 CIs and 3 CCs, while other major European players also host more CIs than any CEE state. For example, Germany has 19 CIs (the same as Russia), France 18 and Italy 12. In terms of mere numbers, CEECs are more comparable to countries like Sweden (2 CIs), Denmark (2 CIs) or Portugal (5 CIs). Despite their development, the number of CIs in CEE remains rather modest. It is also hard to establish any causal link between their establishment and precise advancements of the 17+1 framework. It rather seems that CIs have been established based on bilateral negotiations between given universities.

The role of CIs within the 17+1 format has remained surprisingly limited. The only document that mentions CIs as part of the 17+1 framework was China's Twelve Measures for Promoting Friendly Cooperation with Central and Eastern European Countries.¹⁸⁶ The document's ninth measure concerns cooperation in the area of education, where China promised to "support the Confucius Institutes and Confucius Classrooms program in the 16 countries and invite 1,000 students from relevant countries to study the Chinese language in China in the next five years". China also pledged to "[e]nhance inter-university exchanges and joint academic research, and send 1,000 students and scholars to the 16 countries in the next five years".¹⁸⁷ Guidelines have entirely omitted the topic of CIs. One can only speculate what the reasons for this omission were: anticipation of the institutes' controversial nature and related problems or a more mundane decision to leave them aside for other managerial or administrative reasons. Either way, CIs seem to be largely left out of the 17+1 framework.

Other less visible activities include academic cooperation between universities through multilateral frameworks related to 17+1, such as the China-CEECs Higher Education Institutions Consortium that brings together 134 institutions from China and the CEE region.¹⁸⁸ Among them, there are four academic institutions from V₄ countries: two from Poland (Białystok University of Technology and SWPS University of Social Sciences and Humanities) and two from Czechia (Technical University of Liberec and Tomáš Baťa University in Zlín). Slovakia and Hungary do not have any members within the consortium. There is also the Alliance of Silk Road Business Schools with V₄ academic institutions from Czechia and Slovakia.¹⁸⁹ It seems that educational cooperation between the most prestigious universities in V₄ countries and China takes place bilaterally outside of these kinds of networks.

As with V₄ universities, universities in the Baltic states have also joined the China-CEECs Higher Education Institutions Consortium. Lithuania has been the most active, with four universities as members, including the Vilnius Gediminas Technical University¹⁹⁰, which joined the Consortium already during its inaugural meeting in 2013. The interest of Lithuanian universities has not diminished, with two universities joining in 2016 and one applying for membership in 2018. Estonia's only member – the Academy of Arts – joined the consortium during the first meeting as

MAP 3: CONFUCIUS INSTITUTES IN THE 17 CENTRAL AND EASTERN EUROPEAN COUNTRIES



Empty shell no more: China's growing footprint in Central and Eastern Europe

well, but no institutions have applied since, signaling a loss of interest. Latvia also has only one member in the consortium – Riga Technical University – which joined relatively late, during the fourth meeting in 2017.¹⁹¹ Notably, the biggest national universities – University of Tartu of Estonia, Vilnius University of Lithuania, and the University of Latvia – have not acceded to the consortium, even though two of them (Vilnius University, University of Latvia) are homes to Confucius Institutes. When it comes to the Balkans, local universities have also joined the consortium, though many of them only recently (e.g. Albanian University of Shkodra and University of Tirana; University of Banja Luka and University of East Sarajevo in Bosnia and Herzegovina or Romanian University of Bucharest and University of Pitesti – all of them joined the consortium in 2019). Representatives of some academic institutions from other Balkan states joined the initiative as early as 2013, like Bulgaria (Sofia University St. Kliment Ohridski, University of Ruse), Croatia (University of Zadar) or Montenegro (University of Donja Gorica). So far, Romania and Serbia have been the most active among Balkan countries in this format, with the former having eight representatives and the latter four.

Interestingly, while some universities joined the consortium, others either prefer bilateral cooperation or other formats of cooperation with Chinese universities. The most recent Sino-Baltic documents that regulate cooperation in education and science¹⁹² do not mention 17+1 or BRI cooperation at all – they are purely bilateral, with ASEM, UNESCO and EU programs on education as the only references to supranational frameworks.¹⁹³ It might be the case that the most prestigious universities in CEE have both the capabilities and the resources to establish bilateral forms of cooperation, while smaller and less well-known ones perceive their participation in China-led initiatives as a chance to internationalize and build global networks in the absence of other high-profile foreign partners, especially from Western academia. It should also be noted a general heightening of Central and Eastern European interest in China has spilled over into Chinese higher education institutions as well.¹⁹⁴

Limited cooperation has also happened under the BRI umbrella¹⁹⁵, further blurring the lines of what is the main defining framework for cooperation between CEECs and China. Given the fragmented nature of cooperation in the field more in-depth analysis of specific cases is needed.

Similarly to developments in Australia, the US and Canada, Europe has also started to look with suspicion on cooperation with Chinese academia and Chinese embassies' involvement in some of the projects. The first precedent of how China yielded its influence in European academia can be revealed via an audit of the Czech-Chinese Center at Charles University in Czechia. In October 2019, Czech media uncovered that the Chinese embassy covertly funded events as well as an entire university course on the benefits of the BRI through a private business established by several employees of the Czech-Chinese Center.¹⁹⁶ As a result of the scandal, the center was closed down. Another institution related to knowledge exchange, which has had suspicions raised about its agenda, is the China-CEE Institute established in Budapest by the Chinese Academy of Social Sciences (CASS, a top-level national research organization based in Beijing). The Hungarian Academy of Sciences was reluctant to establish the institute as a joint-venture between the two academies. The joint-venture format, initially suggested by the Chinese side, raised some suspicions regarding the scope of

the institute's work and planned activities. Finally, it was established as a non-profit organization by CASS only. Despite the Hungarian Academy of Sciences' hesitation regarding close cooperation with the Chinese side, the country at large has maintained its enthusiasm when it comes to nurturing cooperation with Chinese entities in the fields of science, research and education.¹⁹⁷

The Hungarian case is, however, not the only one. Several countries in the Balkans have established local non-governmental organizations that work on establishing soft-power relations with China, e.g. The Association of Bosnia-China Friendship, the Chinese-Montenegrin Friendship Society, the Society of Slovenian-Chinese Friendship. Their activities are mostly related to exchanges, guest lectures, celebrations of Chinese public holidays and mutual visits.¹⁹⁸ They do not seem to have a big influence on the local environment as they seem to function as gathering places for people who are interested in Chinese culture or China as a travel destination. So far, they seem to function with little institutional support from local governments and have limited visibility.

Another specific case is the China-CEECs High-Level Symposium of Think Tanks, a regular event hosted annually since 2013 in either China or CEE countries. According to the Chinese side, the symposia represent "the largest high-level academic exchange so far between China and the CEECs" and are supposed to function as platforms for knowledge exchange among experts, former diplomats and academics from China and CEE.¹⁹⁹ The majority of conferences have been advertised through an open calls for papers, indicating that participants whose papers are accepted will receive full funding to join the event (including international travel expenses and accommodation).²⁰⁰ However, as some evidence from the Balkan region suggests²⁰¹, the organizational and logistical burden (such as venue, catering or transportation of guests) have been disproportionately placed on local Ministries of Foreign Affairs, while the overall agenda, confirmation of participants as well as the actual content of the meetings has been largely influenced by the Chinese side.

Unlike countries in the V₄ and the Baltics, one specific aspect of cooperation between China and the Balkans deserves international attention, as it points towards Beijing's new area of interest, namely a recent focus on cooperation in innovation and applied science.²⁰² The third 17+1 Conference on Innovation Cooperation was held in Bosnia and Herzegovina in October 2018.²⁰³ Interestingly, at the conference Huawei signed cooperation documents with the Ministry of Communications and Transport of Bosnia and Herzegovina and the Sarajevo Municipal Government, leading to the conclusion that conferences in the field of scientific cooperation might actually include business delegations from the Chinese side. Furthermore, in the Dubrovnik Guidelines, Croatia took the initiative of establishing the China-CEECs Information and Communication Technology Coordination Mechanism, which supports knowledge exchange in high-tech industrial parks incubators, innovative start-ups, etc. In 2020 Slovenia will host the fifth China-CEECs Cultural and Creative Industries Forum. This can be taken as a case study on how some CEE countries host these events: The Slovenian Ministry of Foreign Affairs organized the Slovenia Creative Forum in 2018 and 2019 in an effort to gather the representatives of creative industries from Slovenia and the region. This year the forum will be organized again, but it will be re-branded as part of the 17+1 initiative, possibly due to financial constraints.

Montenegro expressed its desire to host China-CEECs' Creative Hub to serve as an art residency platform with the goal of supporting the exchange of artistic creative potential, creative goods and objects, however, it has not yet been implemented since the Dubrovnik summit. Given the lack of resources to invest in and develop the field of creative industries, especially stark in the Balkan region, Beijing's move towards this area of cooperation clearly represents a soft power strategy. As China in recent years has significantly accelerated its own domestic development of state-supported creative industries, it is also trying to position itself as an international pioneer in the field (e.g. in architecture, marketing and advertising, media and publishing).

Beyond Confucius Institutes and academic exchange, the scope of cultural cooperation between China and CEE is rather broad, ranging from art, film, theater, opera and dance cooperation, to contacts between publishing industries, to even rather marginal issues such as library cooperation (e.g. China-CEECs' Libraries Union Initiative²⁰⁴). In general, cultural cooperation with China has been seen in all CEE countries as the least controversial, despite its potential for generating tensions. In V₄ countries, participants from the region have attended biannual cultural forums organized through the 17+1 platform from its very beginning (Beijing, 2013, Sofia, 2015, and Hangzhou, 2017). However, while a number of events have been held, the media in Visegrád countries have shown little interest in reporting on the events.²⁰⁵

Cooperation related to heritage preservation has also been on the rise, with events like the China-CEECs' Experts Forum on Intangible Cultural Heritage (held in Kraków in 2016²⁰⁶). Other events included visits by various Chinese delegations. For example, a Chinese Performing Arts delegation visited Poland and Czechia in 2014, Hungary in 2015 and Slovakia in 2016 in order to commission performances back in China. Moreover, the 1st China-CEECs' Literature Forum was held in Budapest in 2016 and martial arts training sessions were organized in both Hungary and Poland.

From the perspective of the Baltic states, culture has been the most active and least problematic of all aspects of Sino-Baltic relations. The Belgrade Guidelines (2014) presented a regional rather than a cultural approach towards exchanges with each country involved, stating that the Chinese side is ready to "use the opportunity of the Festival of Baltic Culture to gradually improve its model of cultural exchanges with CEECs," and to "hold a Chinese art festival in the three Baltic countries in 2015."²⁰⁷ The Chinese Art Festival of 2015 is mentioned as one of the official format outcomes²⁰⁸, most probably referring to several separate China-organized events that took place in the Baltic capitals throughout 2015. Cultural exchanges have mainly taken place through existing institutions, however, in some cases new institutions have also been established. In November 2019, the only China Culture Centre (CCC) in the Baltic states was formally launched in Riga, Latvia during the visit of the Minister of Culture and Tourism Luo Shugang on the sidelines of the 17+1 Forum on Tourism cooperation. The founding of the center had been an initiative of the Chinese side from 2015-2016. Having had several soft launches in 2018, prior to the ministerial visit big opening, the CCC does not seem to be part of a strong, pre-planned strategy, but an illustration of China's inventive approach to institution-building, already observed in other sectors. It seems that the following logic has been applied by the Chinese side: first, establish the framework, then see how much substance it attracts, and, finally, enhance or downsize the framework depending on the previous results. Since the

CCC is curated by the Ministry of Culture and Tourism (unlike the CIs, curated by Hanban and ultimately the Ministry of Education), there are grounds to assume that the CCC will take over some of the CIs' culture promotion functions and will serve as a testing ground for a new institutionalized form of Chinese culture promotion, established in order to tune down the controversies surrounding CIs.

In terms of bilateral agreements signed at the level of the 17+1 framework, during the third China-CEECs' Cultural Cooperation forum in Hangzhou (2017), Latvia signed an intergovernmental cooperation agreement on cooperation in culture with China, being the last of the Baltic states to do so. The document covers cooperation in the fields of tangible and intangible cultural heritage, museums, visual and applied arts, music and performing arts, libraries, literature and translation, cinema and other fields.²⁰⁹ At the same event, Estonia signed the latest addition to its pre-existing agreement, namely, the Cooperation Program of the Estonian and Chinese Cultural Ministries for 2018 to 2022. The program mainly speaks of bilateral exchanges, while 17+1 and BRI are addressed only towards the end of the document.²¹⁰ For Lithuania, the most recent document that regulates cultural cooperation with China is the Program of Bilateral Cultural Cooperation for 2017–2021.²¹¹ The introductory clause of the program makes reference to the China-CEE Sofia Declaration on Cultural Cooperation, shaping Sino-Lithuanian cooperation along the lines of 17+1 exchanges, leading to the conclusion that in the Baltics the official BRI and 17+1 narrative is more visible in cultural cooperation than in education and science. For example, a multitude of Silk Road-themed exhibitions²¹² and concerts have taken place in Lithuania, Latvia, and Estonia, referring both to China-CEE and BRI cooperation. The two-way cultural exchanges between China and the Baltic states have indeed increased significantly, and Chinese counterparts have been providing top venues for showcasing Baltic culture, including contemporary art exhibitions,²¹³ theater shows, literature festivals (including subsequent translations and publications), classical, choral and folk music.

As far as cultural cooperation between China and the Balkans is concerned, it has taken a variety of formats. North Macedonia was chosen as a sectorial coordinator for culture (at the Sofia summit in 2018), and Skopje was selected to host the Center for Coordination of Cultural Cooperation of the 17+1. However, months after its establishment, the center remains largely inactive and unknown to the expert public. In Montenegro, China has been building its new embassy since late 2018, which has added facilities for cultural exhibitions.²¹⁴ In Serbia, the Chinese Cultural Center (CCC) was inaugurated during Xi's visit to Belgrade in June 2016. It was the first venue of its kind in the Balkans. Its location coincides with the location of the former Chinese embassy bombed in 1999 by NATO. The project – which is to be implemented by a Chinese company²¹⁵ – will supposedly cost 45 million USD and is supposed to host a cinema, a theater, a library of Chinese books and various educational facilities.²¹⁶ A Chinese Cultural Center was also opened in 2017 in Sofia, Bulgaria. The establishment became the largest Chinese cultural center in the CEE region, as it covers eight floors with a total area of 4,000 m². Similarly to the Baltic states, cultural promotion is likely to be conducted via the CCCs, however, their opening has been covered by the press much more than the openings of CIs in the region, especially in Serbia. Serbia also co-hosted the first China-CEECs Cultural Heritage Forum in 2017²¹⁷, which resulted in China helping a Serbian town apply

for UNESCO heritage listing. Reportedly, several academic exchanges in regard to cultural heritage also took place following the event.²¹⁸ Some Balkan states (Slovenia, Croatia, Montenegro, Bulgaria, Albania, Serbia, Romania) also financially support the China-CEECs' Music Academies' Union, founded in 2017 to promote cooperation in music, drama and dance with the support of local ministries of culture.²¹⁹

It seems difficult to assess whether the existing frameworks for cooperation have brought about any long-term and tangible connections that will be sustained over time and across regions. The multitude of seemingly high-level frameworks for cooperation associated with the 17+1 initiative, BRI as well as bilateral cooperation does not mean that their existence translates directly into achieving long-term goals on both sides. Also, the quality of output generated through these frameworks would have to be analyzed in order to assess their value. However, as cooperation in culture is the least politically abrasive, it does not require exclusivity and its delivery is relatively easy, it can be expected to become a leading success story of China-CEE cooperation, especially in the absence of the most anticipated results in the economic domain.

DON'T TRUST ANYONE UNDER THIRTY: YOUTH COOPERATION AND ITS PERILS

Similarly to cultural cooperation, youth cooperation between CEE and China has been on the rise and seems to be linked to the establishment of the 17+1 initiative. Two specific programs deserve closer attention: Bridge for the Future and China-CEECs' Young Political Leaders' Forum. The former is a program targeting youth leaders from different regions of the world, who travel to China to visit different enterprises and organizations and attend events (in 2019 participants from CEE attended the BRI International Forum for Young Innovators). According to scarce media reports,²²⁰ Bridge for the Future has been coordinated and sponsored by All-China Youth Federation (ACYF), a body bringing together 16 national organizations with the Communist Youth League of China at its core as well as 36 provincial level organizations that work directly under the central government and the Central Committee of the Communist Party of China (CCP).²²¹ One of the official goals of the ACYF is to "hold high the banner of patriotism and socialism, to unite and educate young people from all walks of life and to encourage young people to learn Marxism-Leninism".²²² The nature of this organization, which falls under the United Front Work Department, is highly political and serves the needs of expanding the CCP's outreach. Thus, it seems legitimate to assume that Bridge for the Future would have similar goals. Moreover, the same program was an element of the previously mentioned scandal at the Czech-Chinese Center at Charles University in Prague. Some of the students who attended the course on the BRI, sponsored by the Chinese embassy, were later chosen to participate in Bridge for the Future.²²³ It seems that their admission to the program happened on a rather arbitrary basis. When it comes to China-CEECs' Young Political Leaders' Forum, it has been organized by the International Department of the Central Committee of the Communist Party of China as well as All-China Youth Federation.²²⁴ The former is an agency reporting directly to the Central Committee of the CCP and serving as an informal channel of communication with outside

partners, through which Beijing promotes its perspective and seeks to foster ties with influential individuals from different regions.²²⁵ One of the most prominent goals of the International Department of the Central Committee of the Communist Party of China is also to further Beijing's long-term interests by maintaining friendly ties with rising foreign politicians and influencers who it is believed will hold positions of power in the future.²²⁶

Given the rather suspicious character of both programs, it is rather striking that both frameworks have been close to non-existent in local media's coverage in CEE. The information from the Baltic states shows that recruitment has been conducted via political parties' channels: invitations have been sent out to the leading political parties and their affiliated bodies in each country and not to the respective embassies. From Latvia, the youth organization Restart.lv of the Social Democratic party Saskaņa (traditionally associated with the Russian electorate) seems the most active in this respect.²²⁷ In Lithuania, information about the events has been disseminated through the Confucius Institute of Vilnius University which has been posting invitations to youth to take part in the initiatives.²²⁸ The interest in participation seems generally low. Lack of transparency and limited information especially on the Young Political Leaders' Forum should cause concerns given the political nature of the target group who are supposed to participate in the events as well as the political agenda of the bodies responsible for organizing these events on the Chinese side.

One of the most prominent aspects of cooperation which has contributed to building a more positive image of China in CEE is an increase in opportunities to travel to China for the youth. Different types of Chinese government scholarships have been issued to students from the region, ranging from Confucius scholarships (issued by CIs and focused on language training) to differently funded undergraduate and postgraduate programs, taught both in English and Mandarin. Representatives from V4, Balkan as well as Baltic states have joined the most prestigious Chinese international postgraduate programs (like the Yenching Academy of Peking University), which boost China's soft power and an image of the country as a place offering academic excellence for the chosen few. While initially relatively uncontroversial, recently, even this type of cooperation has attracted criticism. Given increasingly restricted academic freedom at most Chinese universities, there have been fears of Chinese government scholarships forming a new generation of China-minded individuals who might not be able to critically assess Beijing's behavior. While this line of criticism seems exaggerated, nurturing a China-friendly cohort from different world regions does seem to be one of the aims of these kinds of scholarship programs. Yet, assessing the impact of receiving education in China depends on the individual circumstances of each student and it remains problematic to generalize about the impact of studying abroad in China on CEE students.

Even though the year 2019 was declared the China-CEECs Education and Youth Exchange Year, regional actors have not been particularly active in this regard. Specifically in the Baltic states, Latvia reported "around 250 Latvian students studying in China during the course of several years", and similar numbers have been found for Lithuania (lower for Estonia).²²⁹ Baltic representatives have taken part in Bridge for the Future camps, but no proactive involvement or active institutional cooperation has taken place. Moreover, some company-specific projects were framed as being part of the

17+1 framework. For example, during the China-CEE Economic and Trade Forum on the sidelines of the Dubrovnik Summit (2019), Huawei announced the launch of the One Thousand Dreams social contribution program that aims “to improve the digital skills of the youth in CEE countries”²³⁰ – it is too early to provide a prognosis of the outcome of this initiative, but there are grounds to assume it will not gain traction in the Baltic and V₄ countries both due to the relatively high digital literacy among the youth as well as the growing EU-wide controversies surrounding Huawei and its links to the Chinese state. It is also worth noting that Huawei has actively promoted its global Seeds for the Future program in CEE – an initiative aimed at providing both technical training as well as an introduction to the Chinese language and culture to the best students from technological universities worldwide by sending them to Huawei’s headquarters in Shenzhen for an all-expenses-paid trip.

As far as the Balkan states are concerned, youth cooperation had not been a significant part of the previous 17+1 summits. However, at the Dubrovnik summit, it was decided that Albania would establish the China-CEECs Youth Development Centre, which will “enhance mutual understanding between youths of China and CEECs”.²³¹ Slovenia and Croatia as EU members participated in the first Belt and Road EU Young Leaders’ Visit Program to China in September 2019 in collaboration with the Austrian government, which identified young leaders from academia, business, politics, the media and civil society.²³² The visit was organized by the CI at the University of Graz and invitations were distributed through academic and business circles to relevant recipients in Slovenia and Croatia. The unusual organizational setup of the meeting raises questions about the motivations behind such a move, especially in the context of the program’s official motivations, such as the assumption that “EU Young Leaders treasure to learn and understand China’s splendid culture and the miracle of its reform and opening up policy”, as the official brochure indicates.²³³ The initiative seems to follow the same logic as other China-initiated programs of this kind: an event aimed at nurturing a China-friendly cohort among youth elites from respective foreign countries.

COLLECTIVE SPORTS? SUPPORT FOR CHINA BEFORE THE 2022 OLYMPICS

Apart from academic, cultural and youth cooperation, sports constitute another part of the contacts between CEE and China under the 17+1 framework. The issue might seem rather marginal, yet its importance has risen in light of China’s preparation for the Winter Olympic Games in 2022. Sports cooperation was first mentioned in the 2015 Medium-Term Agenda for Cooperation issued during the Suzhou summit. However, the mention was extremely vague and stated that “the participants welcome exchanges and cooperation in the field of sports”.²³⁴ Two years later, the Budapest Guidelines listed some specific areas of cooperation to be established, such as “joint training camps, seminars, short and long term exchanges of coaches, sharing best practices in management as well as exploring possibilities of cooperation in the construction of sport facilities”.²³⁵ Martial arts were also mentioned as having the potential to be promoted in CEECs. The same guidelines also stated for the first time that sports cooperation should be centered around winter sports. The topic was

subsequently raised in the 2018 Sofia Guidelines as well as in the 2019 Dubrovnik Guidelines. Especially in the case of the latter, the focus on Winter Olympics-related cooperation was evident. However, simultaneously, the stress was on enhancing bilateral cooperation between respective organizations at the national and local levels, instead of creating new multilateral formats.²³⁶ Although the Dubrovnik Guidelines mention the establishment of the China-CEECs Coordination Mechanism for Sports in CEE countries, it seems that no large-scale events or projects have been organized so far at the level of all 17 states. Yet again, it seems that the 17+1 framework serves as a tool for communicating bilateral needs and expectations rather than coordinating joint efforts among actors involved.

As with many other issues connected to China in the V₄ region, sports-related investment has also become a topic of controversy, as when Czech Slavia Prague football club was saved from bankruptcy in 2015 by CEFC Europe, a Chinese private company that at the time invested heavily in Czechia. CEFC's chairman Ye Jianming, who also served as the Czech president's advisor, was detained in China under unclear allegations. This has initiated a period of uncertainty for all CEFC-related investment in Czechia, followed by a public debate reassessing Prague's pro-Beijing policy under president Zeman and further polarizing Czech public opinion when it comes to the preferred level of political interaction and economic exchange with Beijing.²³⁷ However, the type of investment exemplified by the Slavia Prague case falls outside of the official scope of the 17+1 framework. Instead, it points towards a larger trend in which China (or rather Chinese individuals or enterprises, also state-owned) invests in foreign sports clubs for specific reasons (e.g. marketing of their own products, expansion in the European market). In the case of Slavia Prague, it was more about personal connections between people involved in the investment and their broader motives (e.g. further access to more strategic sectors in the Czech market, proving the trustworthiness of CEFC as an investor and improving CEFC's PR), than about any special interest in Slavia Prague as such.²³⁸ When CEFC itself went bankrupt, the state-owned CITIC took over the asset and later on sold it to a new owner Sinobo. Czech sportsmen have also worked as sports ambassadors in China: the football player Pavel Nedvěd replaced David Beckham as the face of the Chinese Super League²³⁹, while sporting veteran and former superstar Jaromír Jágr (who has also been advertising Huawei products in Czechia) started to cooperate with the Chinese Ice Hockey Association.²⁴⁰ The latter has also agreed to become the face of the Beijing 2022 Winter Olympic Games Hockey Tournament.²⁴¹

None of the Baltic states has been mentioned in relation to cooperation in sports in official 17+1 documents, however, the topic has come up on the agenda of China-CEECs meetings, including at the Riga Summit (2016). Given the upcoming Beijing Winter Olympics, the Chinese side has expressed an interest in Latvia's experience in luge, bobsleigh and skeleton,²⁴² both in regard to athlete training and track engineering.²⁴³ An MoU on Sports Cooperation between the Ministry of Education and Science of Latvia and the General Administration of Sport of the PRC²⁴⁴ was negotiated in part also during the 17+1 events and signed in 2018, but the text of the memorandum bears no mention of the framework as such, yet again making it hard to distinguish between bilateral cooperation, the 17+1 format and BRI. Moreover, several Baltic coaches and players have been pursuing their careers in China in sports such

as basketball, football and ice hockey.²⁴⁵ This type of cooperation, however, seems to bear no relation to the political initiatives. As of 2019, no acquisitions of sports clubs by China in the Baltics have taken place. However, a sponsorship contract between the Sūduva football club in Marijampole, Lithuania, and the partially state-owned Chinese surveillance equipment production giant Hangzhou Hikvision has sparked controversies in the country²⁴⁶, as the company has been blacklisted by the US since late 2019 for its role in the surveillance and mass detention of the Uighur ethnic minority in the PRC.²⁴⁷

As for the Balkan states, dance and winter sports seem to be the only elements of sports-related cooperation between China and the region within the 17+1 framework. Events that have taken place include the 4th Dance Summer Camp held in Croatia in August 2018 and the annual meeting of the Dance Culture Alliance held in Belgrade, Serbia, in April 2019. Slovenia has reportedly planned to include its ski-jumping traditions into the framework; however, this has not yet been incorporated in the guidelines.

NATURAL REMEDY? THE CURIOUS CASE OF TRADITIONAL CHINESE MEDICINE AS AN EXPORT COMMODITY

The promotion of Traditional Chinese Medicine (TCM) has been quite high on the official agenda of the 17+1 framework. As mentioned before, two CI-related institutions are preoccupied with the promotion of TCM: one in Slovakia (Slovak Medical University) and one in Hungary (University of Pecs). However, due to legal constraints, TCM remains at the margin of mainstream health practices in Europe. Despite that, the Chinese side keeps promoting TCM as part of China's traditional culture and heritage. When it comes to V4 countries, China-CEECs Association of Traditional Chinese Medicine was set up in Budapest in March 2017, including local TCM organizations from Hungary, Poland, Romania, Czechia, Latvia and Slovenia.²⁴⁸ The institution was established in Hungary most probably because since 2015 TCM has been legally recognized there as a medical practice. In other V4 countries, TCM has been treated as either a paramedical or a therapeutic activity. In Czechia, there has been a debate in the parliament about promoting TCM²⁴⁹. The promotion of TCM in the Czech Republic has been linked to the previously mentioned CEFC, which sponsored the first TCM center at a hospital in Hradec Králové. However, due to CEFC's financial problems and Ye Jianming's detention in China, the center was closed down, while the hospital decided to create a special fund in order to keep providing TCM services. This type of situation has been enabled due to the fact that the practice of TCM in V4 countries has remained largely unregulated, with local organizations usually stating that in the absence of domestic regulations, World Health Organization (WHO) rules should be applied.²⁵⁰

Interestingly, according to the official 17+1 documents, cooperation between local health ministries and their Chinese counterparts has been categorized as people-to-people cooperation, not as the cooperation among governments, as it includes members of administrations on all sides. The first China-CEECs' Health Ministers' Forum was held in Prague in June 2015 and its outcomes included the Prague Declaration

on health cooperation and development.²⁵¹ The declaration was broad and touched upon issues including an increased need to develop communication, e.g. related to infectious disease monitoring. During the second China-CEECs' Health Ministers' Forum held in Suzhou in 2016, China issued the Suzhou Joint Communiqué, and announced the establishment of the China-CEECs' Association on the Promotion of Health Cooperation, the China-CEECs' Hospital Cooperation Alliance and the China-CEECs' Public Health Cooperation Mechanism. The third China-CEECs' Health Ministers' Forum was held in Budapest, Hungary in June 2017.

Although Lithuania's "exploration in the field of traditional Chinese medicine" was mentioned in the Sofia Guidelines (2018), none of the Baltic states has been the driving force of China-CEE cooperation in TCM. Legal limitations persist regarding the registration of TCM pharmaceuticals and methods of treatment. The main interest in China-CEE health cooperation for the Baltics is, yet again, an economic one – drawing investments in life sciences, attracting Chinese students to study in the region's medical schools, and medical tourism promotion.

Similarly, in the Balkans there have been very few developments in health cooperation. One of the few events was the first China-CEECs Qigong Health Forum, which was held in Serbia in October 2018, while the Health Qigong Team visited Slovenia and Serbia for training sessions and promotional purposes in 2016. In terms of medicine cooperation, a TCM Center was planned to open at the VMA (Military Hospital Centre) in Serbia by the end of 2019, with the Chinese side donating the equipment and the military hospital equipping the rooms. Following the visit of a medical delegation of the People's Liberation Army, it was confirmed that the new center would be managed by Serbian specialists who have been trained to practice TCM in the past few years, while Chinese medical professionals would monitor their work.²⁵² Bulgaria also hosts several TCM centers, while Romania hosted the First International Conference on Traditional Chinese Medicine in 2019.²⁵³

THE FOURTH ESTATE AND A NEW GLOBAL POWER: TELLING THE CHINA STORY

While it is difficult to dissect whether media cooperation is a result of the 17+1 framework or a specific bilateral or even unilateral (coming from the local Chinese embassy) action, China has undoubtedly been increasingly active in promoting its image in Central and Eastern Europe. Methods applied by the Chinese side include placing ambassadors' op-eds to local media outlets, inviting journalists to China, publishing sponsored articles or even placing whole supplements to local media, cooperation with local PR companies or investing in media outlets²⁵⁴. The last strategy seems very effective, as the project ChinfluenCE, which mapped reporting related to China in the V4 region, discovered with findings that Chinese investment into Czech media outlets resulted in exclusively positive reporting on China in the acquired media.²⁵⁵

2017 was officially branded as the Year of China-CEECs Media Cooperation. Delegations of journalists from the region visited China and vice-versa. Bilateral and multilateral events were organized, resulting in agreements signed between

local broadcasters and their Chinese counterparts. For example, the Polish state-owned broadcaster TVP signed a number of agreements with local Chinese media conglomerates, TV stations as well as radio stations, including Hubei Media Group²⁵⁶ and Chengdu Radio and Television²⁵⁷. The latter agreement included co-production of a documentary about the importance of the BRI for Sino-Polish connectivity and relations between the cities of Łódź and Chengdu. Moreover, Polish Press Agency (PAP) and Poland-Asia Studies Center (CSPA) have signed an agreement with China Economic Information Service, a body affiliated with Xinhua News Agency.²⁵⁸ Op-eds by the PRC representatives as well as sponsored content related to the promotion of China has also appeared in the Polish media, most notably in a popular centrist daily *Rzeczpospolita*.

Event-specific media cooperation has also been recorded in the region. In Czechia, the Chinese Embassy sponsored an eight-page long supplement promoting the 70th anniversary of establishing diplomatic ties between Beijing and Prague, published in a nation-wide daily, *Právo*. The section was obscurely labeled as a “theme and commercial supplement.”²⁵⁹ The coverage was exclusively positive, while the whole content was attributed to the daily’s reporters, possibly leading readers to the conclusion that the supplement was the usual reporting of the paper.²⁶⁰ Apart from the nation-wide daily *Právo*, other supplements occurred in *Literární Noviny* (the newspaper used to be famous particularly during the Prague Spring of 1968, however, it is rather marginal now).²⁶¹ In Slovakia, the marginal leftist internet portal *Nové Slovo* and a disinformation outlet *Hlavné Správy* have been used as the medium of choice for statements and interviews with the Chinese ambassador. However, recently the Chinese Embassy cooperated with a mainstream business weekly, *Trend*, on a special edition on China²⁶², and the weekly also published an op-ed of the Chinese ambassador on the Hong Kong protests in the form of an advertorial.²⁶³

In the Baltics, no high-level media-related event has taken place. Trips of journalists to China, including Tibet, were organized in 2017 and 2019. Although tracking precise bilateral or multilateral media-related agreements with China in the Baltic states seems problematic, several cases of cooperation have been recorded. For example, paid inserts and op-eds by Chinese officials have appeared in media such as *Neatkarīgā Rīta Avīze* (a newspaper of the controversial Latvian oligarch Aivars Lembergs, whose assets were recently blocked in the US under the Magnitsky Act due to allegations of corruption) as well as on the online news platform *Delfi.lv*, which published a piece by Shen Xiaokai, the Economic and Commercial Counselor of the Chinese Embassy in Latvia.²⁶⁴ The latter platform is a strong media player in the Baltic region, with separate editions in each state, including a version in Russian.

As far as the Balkans are concerned, Beijing has established several foreign language news outlets in the region. This allows for two activities: for Beijing to reach a broader audience, “not only high-profile summits between Chinese leaders and their foreign counterparts” but also for coverage of “China’s more under-reported activities around the world”.²⁶⁵ Xinhua News Agency is also present in the Balkan states, with several Chinese correspondents covering the regional affairs. Bosnia and Herzegovina stand out in the area of journalism, due to the Sarajevo Chinese Embassy’s sponsorship of a website “Kina-danas” (“China Daily”)²⁶⁶, in which China-related issues in Bosnia and Herzegovina are covered (including economics, politics, culture

and sports). They report on the news coming from China, but also on news related to the 17+1 framework which is also connected to China (e.g. headlines such as “Xi visiting Greece”, “The Minister wants cooperation between Serbia and Huawei to enhance”) and BRI news. These outlets do not include original content (such as op-eds or articles written by local authors) but copy the content from Chinese official outlets (such as Xinhua) in local languages.

China Radio International (CRI) also airs in nine local languages (Albanian, Bulgarian, Croatian, Czech, Greek, Hungarian, Polish, Romanian and Serbian), yet its audience and reach remain unknown. So far, CRI seems to have limited outreach. It was established long before the era of social media and it seems to be working as a rather outdated tool of soft power that exists largely because it receives continued funding from the Chinese state.

PEOPLE-TO-PEOPLE’S REPUBLIC RELATIONS: CONCLUSION AND RECOMMENDATIONS

Regardless of the actor performing the people-to-people exchange, scholars consider it a non-neutral form of international cooperation – the form that involves a soft/normative power projection in its core. In the case of China, given the nature of its regime and the level of penetration of Chinese society by the party-state apparatus, people-to-people actually means Chinese government-to-people in CEE. This aspect has to be borne in mind when analyzing any specific framework for societal cooperation and its implications on the ground.

Education and culture seem to be the success stories of China-CEE cooperation. Both can yield tangible results relatively easily and seem to have visibly changed the regional landscape, especially when it comes to the promotion of Chinese language and culture. Despite growing international concerns related to their potential deteriorating effects on academic freedom, numbers of Confucius Institutes have increased in CEE countries. Youth cooperation has also been on the rise, with increased numbers of Chinese government scholarships issued to CEE students and other, seemingly politically motivated, exchange programs implemented in the region. Given the absence of specific data, these initiatives’ actual impact on the perception of China among the local populace needs yet to be further researched.

Most of the events related to the societal level of cooperation between China and CEE countries have remained under-reported and close to non-existent in local media coverage. A few, scarce sources suggest that some forms of cooperation seem to be carried forward in a rather non-transparent manner, targeting individuals (for example in the non-governmental sector, the media and academia) who seem to present an uncritical attitude towards any form of cooperation with Beijing, which in itself is a problem. More independent, fact-based media coverage is needed in order to achieve greater transparency and understanding of how societal cooperation between China and CEE actors is carried forward.

Because of the asymmetries in size, resources and free access to information, China has a considerable advantage over CEE states when it comes to gaining understanding of societal dynamics in the region. Overcoming these asymmetries on the side of CEE

countries remains an unsolved issue with limited prospects of improvement, given the current political climate in the PRC.

Given the relative lack of funding for China studies in CEE, more public (on the EU, state, or regional level) as well as private financial support for local academic institutions researching the field is needed in order to avoid a situation where Confucius Institutes and other PRC-related institutions become the most influential actors producing and disseminating knowledge about Chinese society and culture.

China watchers from CEE should exchange knowledge and experience with their counterparts from the rest of Europe and other parts of the world in order to detect potential threats to democratic standards governing the societal level of cooperation with Chinese actors outside of the PRC. The China Observers in Central and Eastern Europe (CHOICE) can work as an example of best practice and can inspire other – region or sector-based – China-oriented platforms. Lack of trust and communication is one of the problems that prevents the wider expert community from creating a coherent strategy towards these issues.

While some degree of vigilance is recommended, it remains crucial not to equate all forms of societal cooperation with China with potential threats. The focus should be on achieving transparency as well as maintaining integrity in terms of creating a level playing field for cooperation between all actors involved.

CEE countries should be aware of the risks associated with a growing skepticism towards China turning into racist attitudes towards the Chinese diaspora, students and tourists. In order to avoid the rise of Sinophobia in CEE, clear divisions should be drawn between public criticism of government or party-led activities and Chinese nationals and their presence in the region.

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About CHOICE

The publication was prepared within the China Observers in Central and Eastern Europe (CHOICE) collaborative platform. CHOICE monitors and evaluates the rising influence of the People's Republic of China in countries of Central and Eastern Europe which participate in the China-proposed 17+1 initiative. CHOICE strives to build a multinational platform for open discussion, experience-sharing and critical assessment. CHOICE is run by the Association for International Affairs (AMO), a Prague-based foreign policy think tank and NGO.

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Footnotes

- 1 The publication uses the name of the platform as 17+1 (encompassing Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czechia, Estonia, Greece, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia, and Slovenia). Where a timeframe is observed, the term 16+1 (before Greece's accession to the format in April 2019) may appear.
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