

CHINA'S COMEBACK IN FORMER EASTERN EUROPE:

NO LONGER COMRADES,
NOT YET STRATEGIC PARTNERS

Rudolf Fürst
and Filip Tesař (eds)

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Preface: China Creating an Additional Strategic Partnership with the Post-Communist Part of Europe?

Rudolf Fürst

Not much has been known or written about China's current relations with the former Eastern Europe so far.¹ Eastern, Southeastern and Central Europe, including the post-Soviet Baltic States, and also the Balkans, were not perceived completely as an inseparable part of the Eastern Bloc and a coherent group of states outside of and west of the Soviet Union in China, as China focused its attention on Yugoslavia, Romania and Albania when it came to it seeking political allies in the region. While the East Europeans were mostly looking at China (the People's Republic of China, or the PRC) with sympathies and hopes of attaching a new attractive partner state to the whole Eastern Bloc, the Kremlin observed the Chinese wooing of potential allies among its Eastern European satellites with a growing anger. To tell the truth, the Chinese interest in Eastern Europe was always driven by pragmatic needs: at first China wanted to enlarge its political influence beyond the USSR in the Eastern Bloc's political field, and secondly, it dealt with Eastern European states in order to gain access to technologies and industrial products which were unavailable in China at the time due to the Cold War era Western embargo that made the PRC dependent mostly on technologies imported from the Soviet Union. Thus Eastern Europe gained its temporary image as the "West of the East", which, however, was fading since the turn of the 1980s and the 1990s while China was opening itself up to other countries and going through its economic transformation.

The Chinese perception of Eastern Europe has always been hierarchical within the contemporary geostrategic and ideological context. The Central and East European (CEE)² countries thus remained under the territorial classification of the European and Central Asian region, as this classification of them could be seen on the web pages of the Foreign Ministry of the

People's Republic of China (FMPRC) even in the late 1990s as a relic of the Cold War era, and it lasted until the CEE states' accession to the EU, which eventually swung them up into the category of the "European Region".³ The Chinese differentiating between CEE and the Balkan states in the 1950s reflected Moscow's hegemony, however, with the rising Sino-Soviet schism Beijing's policy was daring to play a more emancipated role, and continued seeking allies and "revisionist" sympathizers within the splitting Eastern Bloc. The ideological rift between the USSR and its satellites in CEE and the Balkans, as well as the ideological gap between the USSR and China, grew as the different sides had diverse ideas and models of building socialism and developed dissonant attitudes towards the guiding role of Moscow.

The epoch of the East European relations with China during the communist era may be interpreted as a period of discontinuity, disappointment and failure due to the USSR's restrictive role, disagreement over the assessment of the *Great Leap Forward* and *Cultural Revolution* campaigns, and the two sides' divergent engagements in the Vietnam War. There was also Beijing's ambivalent diplomacy in the cases of the reforms in Poland (1956), Hungary (1956) and Czechoslovakia (1968); at first, Beijing highlighted the movements' attempts to emancipate the states from Moscow's lined up model of socialism, but then it showed no passion for the democratization processes in these countries, and eventually it even came to support the USSR's hard line measures against them. The Soviet invasion into Czechoslovakia in August 1968 that launched the crackdown on the "*Prague Spring*" reform movement was understood mainly as a signal or warning for the CEE satellites; however, this Europe-centric perspective of the invasion undervalued the more global effect of the Brezhnev Doctrine of Limited Sovereignty, i.e. the threat of a military invasion if a violation of the Soviet ideological monopoly took place. Such an indirect threat was strongly deduced in Beijing, and it became a security concern which significantly preoccupied China's policy towards the USSR until the late 1980s.

The deepening rift between the USSR and the PRC brought about damaging consequences for the emerging bilateral ties of the individual CEE states with China, but the exceptions to this pattern were the Balkan communist states, namely Albania, Yugoslavia and Romania, which resisted the pressure from Moscow and developed their rapprochements with China to a larger extent than other East European satellites. Nevertheless, East

Germany, Poland, Czechoslovakia, Hungary, and Bulgaria faithfully followed Moscow's political stand in their bilateral contacts with China, which became strained especially during the 1960s and 1970s.

However, Gorbachev's reform era in the USSR together with improvements in the Sino-Soviet relations eventually opened up a space for the CEE countries' more autonomous policies toward China. As could be expected, business was the driving force for the revival of their search for the presumably huge Chinese market, and the idea of "putting economy first" at the expense of ideology was taking the lead as the common idea of market liberalization throughout the Eastern Bloc, as well as in the PRC. China's general diplomatic offensive in Europe, which began in the middle of the 1970s, shortly after the normalization of the China-US and China-Japan relations, focused mainly on reestablishing China's pre-war relations with the Western part of Europe. The countries of the Eastern part – i.e. the rest of Europe – reestablished their relations with China in the 1980s due to their lesser relevance for China in terms of economic, geopolitical, and cultural potential in comparison with the UK, France, and West Germany, and also due to the emerging importance of the European Economic Community (EEC). In fact, both China and the countries of the Eastern Bloc could not consider each other and their new rapprochement as foreign policy priorities, but there were reasons to maintain the continuity of their then recent economic interactions, which involved things like annual barter trade agreements, the CEE countries' technology exports and their imports of cheap China-made consumer goods. Upgrading the trade and investment agenda is thus no new idea in Eastern European-Chinese diplomacy; the concept came into existence already during the departure of the communist era and arose during the dawning of the post-communist era: pragmatism as a post-ideological principle created the base for the new post-Cold War ties. The split of the USSR, the dissolution of the Warsaw Pact, and the reorientation of the East European foreign policies towards NATO and the EU were observed in Beijing as a geopolitical shift which brought about no significant concerns for China, which at that time already stood on the side of the winners of the Cold War.

However, the transformation of the Sino-CEE relations brought about new challenges. The post-communist countries in the former Eastern bloc had been transformed into democratic states and imposed the liberal democratic principles not just domestically, but also in their new foreign policies. Some

of them openly raised the issues of human rights abuses against China, provided political support for the Tibetan exiles, and established non-official ties with Taiwan. Beside these new confrontational themes, even the often highlighted economic agenda in CEE appeared to be marked by disillusion. In the 1990s, the CEE countries' bilateral trade statistics regarding China dropped below the late 1980s level due to the transformation difficulties of the former communist state enterprises, and also owing to the PRC's rejection the past bureaucratic system of bilateral barter trade agreements. In addition to that, the growing fierce competition in the oversupplied Chinese domestic market made the CEE exporters' situation even more frustrating, as the CEE industrial trademarks and investment projects were becoming quickly forgotten and were no longer seen as relevant. The post-communist European states thus belonged among the most disillusioned states in regard to their China dream, i.e. their hope for a special prominence on the world's biggest consumer market – with a population of 1,3 billion.⁴

Instead of finding a paradise of special industrial zones and a huge consumer market (which they had presumed would be the case), the reforming CEE states found the reforming China to be a country with overestimated marketing prospects, bureaucratic obstacles, tariff and non-tariff trade protectionism, an economic nationalism favoring domestic producers, difficult access to trade distribution, and very limited access to the financial and telecommunication sectors. The trade statistics of the post-communist countries followed the same common trend as those of most of the western European countries (the old EU member states), which experienced poor export results and increasing trade imbalances in their trade with the PRC. Meanwhile, since the 1990s the Chinese exporters found the newly open CEE states to be easily accessible markets for the additional expansion of Chinese exports, whereas the shares of the Eastern European exports in China were rapidly decreasing (Tubilewicz, 1999; Taube, 2002).

China's policy towards the European post-communist states respected the political and economic transition processes that happened in the region throughout the late 1980s and in the following decades, as the political divergence between the PRC and CEE did not matter much in terms of the way Beijing perceived the space between the EU and Russia. But if we do not count the routine official agenda and the slowly growing economic ties between China and the CEE countries, China was not hugely interested

in the post-communist states; it was even the case that the Chinese media coverage of CEE remained minimal, selective, and mostly negative. The post-communist reform model in the USSR and its former satellites gave a discouraging scenario of economic and political chaos and decline that contrasted with China's spectacular triumph of its reforms. The Chinese mainstream academic discourse denied the CEE surge of neoliberal reforms as an improper concept for the specific case of China. It was typical that the splitting up into smaller states of the USSR, Yugoslavia, and Czechoslovakia has been the most highlighted and commonly known information about CEE in the PRC, but most Chinese had no idea about the positive impact of the East European transformation, and its effect on the growing living standards and economic prosperity in the CEE countries. On the contrary, in China, there was actually an ideological discrediting and disesteeming of the outcomes of their reform processes that complied with the official Chinese public discourse that rejected any liberal democratic transition in the Chinese domestic context after the Beijing Spring in 1989 (see Tubilewicz, 1997: 927–943). Such a lack of basic information prolonged China's poor knowledge about the CEE states, which were even generally classified as developing countries in China in the 1980s (Liu–Mastny, 2008: 179).⁵

Starting with the late 1980s Eastern Europe also came to be a little known transit space for growing numbers of Chinese migrants, who sought new opportunities for trading in cheap consumer goods in the post-communist Europe. But the stream of migrants aimed mostly at the western part of the EU, while the Chinese who stayed in the CEE communities remained there in limited numbers and maintained only very limited interaction with the local majority societies (Nyíri, 1999, 2007; Skeldon, 2000; Mezlíková–Moore–Tubilewicz, 2001). Nevertheless, the process of post-communist transformation in the former Eastern Europe as well as in China definitely ended the quasi-ideological ties between the two sides that were based in their previously existing non-coherent and doctrinaire “comradeship” partnership, and eventually opened up for them a new post-ideological era of more truly defined relations which lie primarily in national material interests. The growing mutual economic relevance of the two sides has been the common ground for the building of the new post-communist ties between China and the CEE countries, and the later emerging political dimension of the ties followed as a secondary effect and also as a reaction to the EU's eastern expansion.

The Chinese Global Investment Expansion at the Beginning of the New Millennium

The growing Chinese interest in the European post-communist countries is a brand new theme that deserves attention. As most of the Central and East European states and several South-Eastern European states already became member states of the European Union, their bilateral policies towards the PRC should be studied mainly within the format of the EU-China strategic partnership, which was declared in 2003. Nevertheless, the new regional multilateral agenda that was developed by Beijing, and which is conducted under the official name the “Warsaw Initiative”, comprises the new Sino-European multilateral regional organization format called “1+16”, i.e. it consists of China plus 16 CEE states.⁶ The common agenda got promoted up to the level of high-level annual summits of Prime Ministers, and took up the program of *China’s 12 Measures for Promoting Friendly Cooperation with Central and Eastern European Countries*, which is commonly called “The Twelve Measures”.⁷ This new regional format within the EU (which involves eleven EU member states and five countries that are not yet EU members) already established its own Secretariat (the *Secretariat for Cooperation with Central and Eastern European Countries*), which is a common institutional body located at China’s Foreign Ministry. It was inaugurated in Beijing in September 2012, and the PRC’s Deputy Foreign Minister, Mr. Song Tao, became its head.

The China-led multilateral agenda that it shared with the post-communist countries already took shape most noticeably in the *Budapest Economic Forum* in 2011. Then it was soon followed by the *Warsaw Summit* in April 2012, where the “Warsaw Initiative” framework came into existence, and then the second summit of the 1 + 16 group was held in Bucharest in November 2013. The driving force for the new Sino-East-European accelerating rapprochement was definitely the economic concerns that originated mainly in the Chinese global investment surge since the beginning of the new millennium. As the soaring Chinese needs for strategic resources implied dramatically growing investment flows into developing countries all over the world, Europe still ranked as the PRC’s number one trading partner. Besides the growing level of trade and investments between the old EU states and China, the post-communist Eastern European and South-Eastern

peripheries are still found to be worth China's attention. Those peripheral countries of the EU altogether represent a relevant share of the EU internal common market – roughly 1/3 of it – and access to the rest of the EU with a still unfinished transport infrastructure. Besides, the natural resources and economic potential of the Eastern and South-Eastern EU peripheries offer a great deal of industrial and agricultural products for trade and investments deals, and the peripheries also offer opportunities for deals and cooperation in the spheres of telecommunications, IT, financial service, energy and the environmental sector, transport and logistics, land and the real estate property market.

The media highlighted the new spectacular cases of Chinese investments into Romanian and Bulgarian energy projects and big scale infrastructure construction works, the planned huge Chinese-Polish investment deals in the context of a Polish shale gas project, and also the spectacular Chinese loan of €1 billion for Hungary's recovery from the economic crises. Furthermore, the PRC's special credit line of €10 billion was planned to support some common Sino-East European projects in CEE. Such supportive measures from China are commonly viewed in CEE as great opportunities for solving the problems of the recent crises that befell the CEE economies, and China is also viewed as an alternative extra-EU investment provider.⁸

However, China's establishing of a transport and logistics hub in CEE to penetrate EU internal markets and by-pass EU import control regimes by transporting products through less strict Eastern peripheries may raise concerns in Brussels. Besides, the European Commission may have doubts about the possible coherence of individual states' economic policies and the declining political unity within the common EU foreign policy making. Moreover, the growing Chinese attention to CEE, which this book perceives as a process of *re-discovering*, does not necessarily imply a doubtful and suspicious view of China as an Asian alien intruding into Europe. There have been various spheres of mutual fascination that could not been realized earlier due to geographical and historical determinants which set those two different cultural spaces apart. China and CEE now have a good chance for finding a mutual recognition and a mutual understanding, and previously, they did not have many such chances. As China's past views of Europeans were obscured by the negative legacy of western imperial expansion, and China's limited knowledge of the differences between West and East Europe, the

new (possibly negative) East European perception of the Chinese is being similarly overshadowed by a deluge of criticism for a different political tradition and hostility that is due to the rising challenge of Asian economic competition. However, the new East European rapprochement with the PRC offers an excellent opportunity for the two sides to review their similar historical experiences, that is, if the two sides are not too busy with doing business to do anything else.

Analytical Framework and Methodology

This book aims to conduct the first ever scholarly analysis on the new theme of how China is currently rediscovering Europe's Eastern and South-Eastern periphery. The post-communist early stage of the ties between the PRC and the states in the former Eastern Bloc was chronicled and studied in writings that were generally focused on the post-Cold War Sino-European relations (Yahuda, 1994; Shambaugh, 1996; Rovinski, 1994; Sandschneider, 2002; Taube, 2002; Tubilewicz, 1997, 1998a, 1998b, 1999; Liu–Mastny, 2008). Moreover, a significantly lesser quantum of literature deals specifically with the new relations of CEE and South-Eastern European states with China after their accession to the EU, and this topic is dealt with in both a regional perspective and the perspectives of individual states (on the Czech Republic and Slovakia, see Fürst, 2011; Gregušová, 2006; Fürst–Pleschová, 2010; on Hungary, see Matura, 2011; Szunomár, 2011; and on Poland, see Szczudlik-Tatar, 2011).

The aim of this book is to contribute to the empirical area studies on the current trends in the China-CEE relations after 2010, when China accelerated its effort toward engaging the post-communist Europe in its global strategy, and to provide the first attempt at an analysis of this new phenomenon. What we hope to do is to trace the Chinese economic and diplomatic expansion into the territory, which has for a long time been underestimated and insufficiently known in China. The recently published local papers and case studies on this theme in CEE (except for the sources mentioned above; on the case of the Balkans, see Poulain, 2011) mostly covered individual countries and localized their scope by limiting it to the Central European region, while the West European publishers focused mainly on the whole EU area (including the new EU member states from CEE) in their analyses and policy papers

on Europe-China relations (Fox–Godement, 2009; Godement–Parello-Plesner–Richard, 2011; Holslag, 2006; Hanemann–Rosen, 2012; Casarini, 2013). Such an analytic framework has its value, but it did not recognize the emancipating Chinese policy that is simultaneously emerging in the post-communist peripheral part within the EU. The shift in the Chinese dealing with the EU towards a more bilateral and regional level is not a new one, as the EU-China strategic partnership agenda was already becoming fragmented by the actions of some influential western member states of the EU – most notably Germany, France, and the UK, which established their special bilateral ties with Beijing on the level of special country to country strategic partnerships beyond Brussels’ common foreign policy. Not surprisingly, indeed, such a progressing fragmentation of the EU unity vis-à-vis the PRC raised allegations that the western member states were paving the way for a Chinese “*divide and conquer*” strategy.⁹ In addition to that, the simultaneous opening of the new regional agenda called 1 + 16, which involved most of the post-communist EU member states, is another confirmation of Brussels’ decreasing status in Beijing’s dealing with the EU.

The new Chinese appreciation of the CEE area naturally caused great expectations to rise in all 16 of the individual countries, regardless of the fact that the previous economic impact of Chinese investments in the countries and their trade exchange with the PRC was mostly disappointing for them. The fact that the Czech Republic regards China as a strategic economic partner was the reason why this research project received state financial support from the Czech government for establishing an international research team to cover this theme.¹⁰ The CEE states seemingly do not view China as a misleading challenger to their long term EU- and NATO-oriented foreign policies and security ties, and can not seriously view the Asian power as an alternative option to their West-related identities; on the other hand, however, the emergence of China in a part of Europe which had been so far untouched by Chinese influence is an irreversible fact and a beginning of a new relationship, regardless of exaggerated diplomatic clichés about mutual strategic partnerships.

This monograph summarizes a set of individual case studies of all the post-communist states that have been conducted by five authors, and it covers Central, Eastern, South-Eastern (the Balkans) and North-Eastern (the three Baltic states) Europe. The regional extent includes the three non-EU member

states Belarus, Ukraine and Moldova, and also Greece in order to include the whole of the Balkans, even if Greece is not a post-communist state. The geographical scope was intentionally focused that way in order to convey relevant empirical data on the economic, political, cultural, academic, and interpersonal relations of these countries with China. As such, a study that would provide a general empirical overview of the CEE-China relations and cover the complete list of European post-communist states has not yet been available in the scholarly literature, and the authors hope to provide this summary as the first step in mapping the former East Europe's new interrelationships with China.

By including Belarus, Ukraine and Moldova, which all lie beyond the format of 1+16, we hope to trace how far the Chinese policies within and inside the EU space are variable and coherent. Especially the high relevance of their economic relations with China makes these countries (but most significantly Ukraine) some of the most attractive partners of China within the whole East European region. If we left out this Eastern outer periphery of the EU, we would leave this analysis as incomplete. There are no doubts that China aims to exploit the differences and diversities among the EU member states, and that especially the recently accessed ones in the Eastern and Southeastern EU peripheries are useful partners for this policy.

In this book the partial case studies of individual states are structured by our attempt to map out the mutual comparative context, which we found according to the regional criteria that may give us adequate links due to the region's economic, historical and political coherence. The whole area is divided into three groups: 1. Central Europe and Baltics, 2. the Balkans, and 3. East Europe in the Greater Europe Zone, i.e. including also Ukraine, Belarus and Moldova. As any system of grouping analyses and assessments may be found questionable, the Conclusion provides its own non-regional system of ratings for individual countries. The available *Power Audit of EU-China Relations* (2009) made in the ECFR, which is taken here as an inspiring example, offered a specific categorization of the EU member states into the four following groups: *the assertive industrialists*, *the ideological free-traders*, *the accommodative mercantilists*, and *the European followers*. The dividing criteria for the assessments and the placing of the countries into a chart were chosen, firstly, according to their ways of dealing with China in relation to their economic agendas and, secondly, according to their political

attitudes when engaging China internationally.¹¹ The following ECFR paper, which reviewed the changes in EU member states' policies towards China after the global financial crises in 2008 re-categorized the groups into *frustrated market-openers*, *cash-strapped deal seekers*, and *unlabelled states* (a category in-between the first two groups).¹² While at first glance, the category of *cash-strapped deal seekers* might be considered to be quite a good match for the prevailing characteristics of all the post-communist countries included in this study (plus Greece), there are still many obvious cases of CEE countries that are not entirely compatible with that category by far, with typical examples of such cases being the three Baltic States and the Central European countries, with the exception of Hungary.

The reason for developing our own rating system is thus justified by the unavailability of a detailed description of the rating practices of previous EFCR papers, though otherwise their system offered relevant and field work-based conclusions. The second, and even more urgent, argument for searching for an alternative way of making assessments of the countries is that the 16 post-communist states, Ukraine, Belarus and Moldova (and also Greece) differ in many aspects from the western EU member states, and compiling all the empirical data on them which have been collected in the fieldwork, interviews, and media resources as well as in the already written occasional case studies constitutes a large amount of empirical material that is worth a separate primary research.

The third reason is the available option of employing the Czech IR researchers' own concept of *national interest*, which was introduced by several authors at the Institute of International Relations in Prague (Drulák–Braun, 2010; Kratochvíl, 2010). The proposed notion of *national interest* is based in three criteria: *relevance*, *domestic consensus*, and *external acceptability*. These three terms taken together enable us to consider to what extent countries' foreign policies are important, how they reach internal legitimacy through consensus, and to what extent they are acceptable to the countries' foreign partners. In order to address the differences in the individual attitudes of the CEE countries toward China and vice versa, this analysis concludes with an assessment of their economic ties and political relations with China through a system of ratings which reveals the progress in trade and investment, the differences between the expected effects and the current outcomes, and to what extent these countries politically grew closer

to China. Due to the limited availability of empirical data from China, this analysis cannot display to what extent China finds its priorities to be relevant and consensus-based, and therefore this study remains more subjectively Eurocentric. The access to dates and information is significantly larger in the case of CEE countries, whereas up-to-date economic data and current media information from China provide insufficient resources for a more detailed assessment.

This book was not primarily intended to conduct theoretical examinations of the new Chinese expansion into the Eastern and South-Eastern periphery of Europe. The first reason for this is that there is a lack of sufficient and more complex empirical research on that theme, and there is thus a necessity to work the empirical information out first. The second reason is that the authors cannot perceive that the growing Chinese interest in this part of Europe might have anything to do with geostrategic concerns, as the motivation for the Chinese activity obviously lies in the economic field. This implies considerations of an economy-engaged network of interrelations as those which are studied by the current neo-liberal stream of international relations theoretical approaches. Also the post-communist European states, which did not place China into the center of their foreign policy strategies, regard China as their alternative economic partner, and their perceptions of the Asian economic power accept the general trend of economic globalization. Naturally, the dynamism of the Chinese diplomacy in post-communist Europe follows the *going global* strategy era and the primarily economic motivation of China's interest in the territories, which are in-between the European Union and Russia, both of which are already strategic partners of the PRC.

Any realist (and neo-realist) approaches focused on security and hard power issues have generally been inapplicable in Sino-European relations so far due to the limited scope of the PRC's political objectives in Europe and the even more limited scope of the European ones in China. Therefore the observations of the Chinese diplomatic offensive in CEE belong mainly to the sphere of economic diplomacy. But why should the Chinese interest in the East and Southeast European periphery be studied as anything different from the similar Chinese strategies that have recently spread out to the BRIC countries and most of the third world states in Asia, Africa and Latin America? What makes the new 1+16 diplomatic offensive unique in the European view is the PRC's combining of a state supported economic diplomacy with

a quasi-development agenda, as the CEE countries exceed the development standards for being categorized as developing countries.

However, if we regarded the Chinese objectives as being focused exclusively on plain economic calculations, we would be understating the PRC's utilizing of economic instruments for the pursuit of political goals. While China was mapping the possibilities of the most strategic inward investments and trade deals in CEE, spreading the Chinese influence in the spheres of financial service and telecommunications there, and increasing its efforts to internationalize the Chinese currency, one can trace that more explicit Chinese political goals in regard to CEE were also arising. These goals are evident in cases of media influence and China dealing with local civil societies, and also in the areas of China's trade disputes with the EU, intellectual property rights issues, cultural policy, and visa and migration policies. The Chinese political concerns are expected to increase in relation to the EU-27 and common CEE policies in the V4 format. It is noticeable how China perceives the EU's unfinished integration process and internal discords (see, for example, Lisbonne-de Vergeron, 2007; Chen, 2012: 7–30), and how systematically it utilizes them when creating the separate regional formats within the EU on basis of the 1+16 and 1+V4 formats.

The main goal of this book is to draw up an empirical analysis of CEE and its relations with China, and therefore it mainly follows a structuring plan that divides the whole text into three basic parts, with each part covering a specific CEE region. Part I, *The Visegrad Four and the Baltic States: Prominent Actors and Hesitators*, covers Central Europe, i.e. the group of the Visegrad Four (V4) countries and the three post-communist Baltic States. This section devotes one full chapter (authored by Justyna Szczudlik-Tatar) to the case of Poland, which appeared to be the non-official leader within the V4 as well as within the whole group of 16 countries in the 1+16 format. Then two chapters (by Gabriela Pleschová and Rudolf Fürst, respectively) are devoted to the three states which make up the rest of the V4 and which conduct a different kind of China policy – Hungary, Slovakia, and the Czech Republic. These states are the most close to German-speaking countries and Germany-influenced countries in geographical and economic terms, and politically they are the most pro-western ones. The next chapter (by Rudolf Fürst) deals with the case of the three Baltic States: Lithuania, Latvia and Estonia. These states cover the North-Eastern EU periphery at the strategic crossroads between

Scandinavia and Russia. So far they attracted little attention from China before the current decade. Nevertheless, this part of Europe has eventually come to be included in the new Chinese *go global* economic trend.

Part II – *The Balkans Revisited: The Chinese Southeastern Hub in Europe* – is written by the Czech Balkanologist Filip Tesař. His part of the book, which is the quantitatively largest part, deals with South-Eastern Europe, i.e. the Balkans, which is the biggest regional group in CEE, as it includes the Western Balkans (Croatia, Serbia, Bosnia and Herzegovina, Montenegro, Kosovo, Macedonia and Albania), the Eastern Balkans (Bulgaria and Romania) and also Greece and Slovenia. It can be argued that Greece and Kosovo are not included within the 1+16 format, and Slovenia should not have been included in this section because it is frequently regarded as a Central European state; however, these countries have still been examined in this section for the sake of the completeness of the regional context of the analysis. The aim of this separating of the Balkans from the V4 and the East European periphery is to trace the hypothetical specifics in the Sino-European regional relations and to explore the variability in China's strategies. As during the Cold War there has been an evident and specific tradition of relations between the former Yugoslavia, Albania, and Romania and the PRC, the recent soaring ties of the Balkans with China seem to suggest a shift of the Chinese perceptions of this region in Europe in the new context of EU enlargement. Finally, the last part of the book is Part III, *The Eastern Periphery of the EU: Ukraine, Belarus and Moldova*, which was written by the Czech expert on Russian speaking countries Karel Svoboda. With this section, the draft continues to explore the same dilemma – whether the Chinese strategy accommodates to the local specific conditions of the CEE countries, or to what extent China follows its hypothetical general scenario for the post-communist CEE. Ukraine, Belarus and Moldova also do not cohere with the China-led 1+16 format; however, their political and economic vicinity is in many aspects strikingly reminiscent of the Sino-CEE rapprochement, and especially the cases of their booming economic, political and military cooperation with China may contribute to a complex review of the expanding Chinese presence in the area between the EU and Russia, and also within the EU's Eastern Neighborhood.

Part I:

The Visegrad Four and the Baltic States: Prominent Actors and Hesitators

Poland and China: a Strategic Partnership in the Making?

Justyna Szczudlik-Tatar

Introduction

In the wake of Poland's political and economic transformation after 1989, the Sino-Polish relations have weakened. The main reasons were the reluctance towards communist regimes in Poland and the new priorities of the Polish foreign policy. At the top of Poland's agenda at that time were its relations with its neighbors as well as joining NATO and the European Union. For this reason – plus the poor state of the Polish economy at the time, with the concurrent limited room to finance major foreign policy projects, and the need to build democratic structures at home – cooperation with China did not make it to the list of Polish priorities at the time. In addition, the symbolic convergence of events of 4 June 1989 – the semi-free elections in Poland and the crackdown on the demonstrations in Tiananmen Square in Beijing – greatly tarnished China's image in Poland, and this negative perception has largely persisted till today, as it was petrified by the Polish media, which look at China primarily through the prism of sensitive issues, such as human rights, Tibet, and the 1989 events. And finally, the Polish foreign policy has been marred by a lack of continuity after changes in the ruling coalitions, which means that a policy initiated by one cabinet (e.g. an intensification of relations with China) is not always picked up by the next.

Joining NATO (1999) and the European Union (2004) did not remarkably change the Sino-Polish relations. Officially the relations were proper but not very intimate or intensive. However, in the wake of the global economic crisis, which was widely acknowledged as the beginning of the current world order modification, this situation began to change. The rising role of the PRC in the world and its huge economy made China a great power to be reckoned

with. It was a moment when Polish foreign policy started to become more global. At this point cooperation with Asia, including China, was listed among the priorities of Polish diplomacy. After a few years of a more intensive political dialogue, fall 2011 was a turning point in the Sino-Polish relations. Both sides upgraded the relations from a friendly cooperation to a strategic partnership, which is perceived as the highest level of cooperation.

Bearing in mind the fact that the role of the Asia-Pacific region, and especially China, is steadily rising, currently, the PRC has a high political relevance in the Polish foreign policy in Asia, which is vindicated by high-level official statements, the frequency of high-level visits between the two countries, etc. The same trend is noticeable when taking into account the trade and investment relevance of China in the Polish economic diplomacy in the region, as economy is a cornerstone of the bilateral relations. What is more, it seems plausible that there is a political consensus that China (like other Asian states such as Japan, Korea and India) should be a crucial economic partner for Poland, as it is a source of diversified investments and trade. The aim of this paper is to briefly depict the Sino-Polish relations after Poland's accession to the European Union. Special attention is paid to the period that started in 2008 with the beginning of the global crisis and Poland's efforts to boost its relations with the PRC. The main part of the paper is devoted to the activities carried out within the framework of the strategic partnership. Due to the fact that the text aims at presenting a comprehensive picture of the bilateral relations, it was divided into three main parts. The first part intends to present the evolution of the bilateral relations in terms of political cooperation. It analyses the political dialogue between the two states by focusing on documents, high-level visits, declarations and the main events. The second part is devoted to the economic cooperation, which is the most important element of the bilateral relations. It describes not only statistics about trade and investment but also initiatives launched by the two governments to boost the economic cooperation. The last part concisely presents the bilateral cultural and educational relations, which are deemed to be indispensable elements of the support for the "hard" economic and political cooperation.

Political Cooperation: From “Friendly Cooperation” to “Strategic Partnership”

First Steps

When Poland joined NATO and the EU, it was a time to determine the new Polish foreign policy priorities. In the process of defining them, attention was paid to changes in the external environment, including the process of globalization, and the emergence of new international actors, new ways of communication and new threats. Moreover, EU membership gave Poland new opportunities for closer cooperation with countries and regions with which the EU works in the framework of ASEM or EU-China summits. Simultaneously, China's rising interest in strengthening its relations with Poland was closely related to Poland's EU accession. *China's EU Policy Paper*, which was published in October 2003, just before the EU's biggest enlargement, stressed that the EU is a strong and the most integrated community in the world and that in 2004 it would cover much of Eastern and Western Europe.¹³

A significant manifestation of the strengthening of the bilateral relations was the first ever visit of the PRC's Chairman to Poland. In June 2004 Hu Jintao paid an official visit to Poland, and both states signed a joint declaration upgrading the relations to a “friendly cooperation partnership”.¹⁴ What is more, at the end of 2004, the Polish government announced the *Republic of Poland's Strategy for Non-European Developing Countries*. The document claims that China is a priority country for Polish diplomacy in the Asia-Pacific region.¹⁵

In spite of both sides' declarations, the first four years after Poland's accession to the EU could not be assessed as a success in terms of the China-Poland relations. The *Strategy*, which is still the only official document depicting Poland's priorities in Asia, was not used properly to improve the Sino-Polish relations. In other words, at that time Poland was not very active in promoting any enhancement of the bilateral cooperation, the political contacts between the two countries were not intensive and Poland did not actively use the EU forums when it comes to the issues related to the EU-China cooperation.

More than Friendly but Not Strategic Yet

2008 was a turning point in the Sino-Polish relations. There were at least three reasons for this change. The first was Poland's preparation for the

Shanghai Expo 2010. The exhibition was a chance for Poland to promote its transformation model and cultural heritage as a means to deepen its relations with China, which was perceived as a forward-looking partner. These activities were necessary, bearing in mind the opinion polls conducted in China before the Expo 2010. The surveys disclosed that Chinese society had neither positive nor negative associations with Poland. This was an impulse for Polish decision-makers to decide that Poland should prepare its long-term promotional campaign to be carried out in the PRC. The second reason was the preparation for the Polish presidency of the European Union Council with the EU-China summit scheduled for the second half of 2011. It was indisputable that the various issues related to the Sino-EU relations (human rights, market economy status, the EU arms embargo, trade issues, including anti-dumping procedures, etc.) would be on the agenda during the Polish presidency.¹⁶ Meanwhile the third reason was the common perception that Poland's weak relations with China might be perceived in Europe as indicating that Poland's role in the region and the EU is marginal.

The first step to reinvigorate the relations was the decision to intensify the high-level political dialogue. In October 2008, Prime Minister Donald Tusk paid an official visit to China.¹⁷ Apart from his meetings with Chairman Hu Jintao and Prime Minister Wen Jiabao, he attended the Polish-Chinese Economic Forum in Shanghai, where he encouraged entrepreneurs to invest in both countries. During his stay in China, he did not tackle the sensitive issues (e.g. human rights) but focused on economic topics. Nevertheless, the better relations initiated in 2008 deteriorated in December of the same year due to the Dalai Lama's visit to Poland. The Tibetan leader in exile came to Poland on the occasion of the 25th anniversary of the Nobel Peace Prize for Lech Walesa. During the visit he met with Donald Tusk (it was a private meeting) and French President Nicolas Sarkozy, who at that time was paying an official visit to Poland. The Dalai Lama's stop in Gdańsk had repercussions for the EU-China and Poland-China relations. In reaction to the visit, Beijing canceled the 11th EU-China summit in Lyon (it was to be held there because of the French presidency of the EU), which was scheduled for December, and suspended China's annual political consultations with Poland.

Eventually, however, the EU-China relations were normalized at the Nanjing summit in November 2009, while the Sino-Polish consultations were resumed in February 2010. Paradoxically, taking into account the rather low

bilateral trade volume, China had a thin margin to manifest its displeasure with Poland economically. The only perceptible and large-scale manifestation of the relations' cooling down in this respect was the omission of Poland from China's purchase missions to Europe in 2009.

The first signal that Poland perceived Asia (as well as China) as a more important region was the declaration given in 2009 by Minister of Foreign Affairs Radosław Sikorski. In May, Sikorski set out the priorities for the Polish foreign policy in Asia, including China: 1) to promote Polish economic interests: export growth, investment inflows and R&D cooperation; 2) to create "Asia awareness" in Poland by disseminating knowledge about the region among central and local administrations, business circles, and academic and scientific communities; 3) to create "Poland awareness" in Asia by promoting Poland as an EU member and an attractive political, economic and cultural partner – while taking care of the proper coordination of promotional efforts in the spheres of economy, tourism, culture, science and education; 4) to reinforce the Polish presence in Asia through more intense activities within multilateral structures (the EU, the UN, the ASEAN, the ASEM, etc.).¹⁸

During the next few years, the political dialogue intensified. In 2010 Jia Qinglin, the Chairman of the National Committee of the People's Political Consultative Conference, visited Poland, while in August 2011 China's Minister of Foreign Affairs Yang Jiechi also paid a visit to Poland. It was the first visit of a Chinese Foreign Minister since 2000, when Tang Jiaxuan came to Warsaw.

The First Year of the "Strategic Partnership"

As has been mentioned, fall 2011 represented a watershed in the Sino-Polish relations. In December President Bronisław Komorowski paid a state visit to China.¹⁹ The visit was perceived as a new opening in the bilateral relations. The aims of his trip were to change Poland's image in China, strengthen Poland's political relations with China and improve the economic cooperation between the two countries. During the visit Komorowski met Hu Jintao, Wen Jiabao, Wu Bangguo (the Chairman of the Chinese Parliament) and Li Keqiang (the Vice Prime Minister) and attended three bilateral forums – the investment forum in Shanghai, the economic forum in Beijing and the educational forum at the Beijing Foreign Studies University.

Politically, the landmark result of this visit was the joint declaration of upgrading the relations to a strategic partnership.²⁰ The provisions of the document speak about a more intensive political dialogue at a high level, a new mechanism of cooperation at the level of vice ministers of foreign affairs (the so-called strategic dialogue²¹) and strong support for a new dimension of the bilateral relations – regional cooperation (between local authorities).²² The declaration of strategic partnership²³ is a signal that China recognizes Poland as an important partner in Europe. Furthermore, this new type of relations concerns the dialogue between the two societies. Poland intends to launch negotiations with China about labor rights (these negotiations would involve the so-called Polish know-how, taking into account Poland's experiences with the Solidarity movement) as an essential element of the human rights dialogue. It seems that this dialogue is a long-term process but it is still more effective than open criticism of China's human rights violations. Bearing in mind the position of Poland – which is a less important and influential state than the U.S. or the "old" EU members – it is assumed that this dimension of the human rights dialogue is easier for China to accept than talks about this issue with great powers.²⁴

The next signal of the strengthening of the relations and the process of "strategic partnership fulfillment" was Wen Jiabao's visit to Poland in April 2012.²⁵ During the visit the Chinese prime minister attended a summit with leaders from 16 European countries²⁶ and took part in the China-Poland-Central Europe Economic Forum, where he announced China's new strategy towards Central and Eastern Europe, which is briefly called the "12 Measures".²⁷

Another step in the process of "making" the Sino-Polish strategic partnership was Radosław Sikorski's visit to China in September 2012. The main purpose of his trip was to finalize the institutional framework of the strategic partnership. A tangible result of the Sikorski-Yang Jiechi meeting was the establishment of the Intergovernmental Committee. This body is headed by ministers of foreign affairs and meets once a year to monitor the Sino-Polish relations and organize meetings (summits) of China and Poland's prime ministers every two years. Both states also decided to organize the bilateral Regional Forum in Poland in 2013, with the participation of local governments' representatives.

Poland's foreign policy focus on relations with China was confirmed in December 2012, when Prime Minister Tusk set up the "Inter-ministerial Committee for Coordination of the Poland-China Strategic Partnership Development". The Committee is a government advisory board. Its main aims are providing advice and recommendations to invigorate the bilateral relations, monitoring them, facilitating the exchange of information between ministers and suggesting new initiatives. The body is chaired by the Undersecretary of State in the Ministry of Foreign Affairs, while its deputy is the Undersecretary of State in the Ministry of Economy. The members of the Committee are the Polish ambassador to China and the representatives of the ministries of the following areas: regional development, administration and digitalization, treasury, interior, justice, environment, labour and social policy, science and higher education, sport and tourism, transport, construction and maritime economy, finance, defense, foreign affairs, education, agriculture and rural development, and culture and national heritage.²⁸

The "Strategic Partnership" after the Power Change in China

The second year of the Sino-Polish strategic partnership was less intensive than the first one. The main reason was the power change in China and the consolidation of power in the hands of Xi Jinping and Li Keqiang. Moreover, after the first session of the 12th National People's Congress (in the Chinese Parliament), which was held in March 2013, the new state leaders' very tight agenda²⁹ limited the possibilities of an intensive political dialogue at a high level.

Notwithstanding the aforementioned slowdown, two visits of Polish officials to China during this time period deserve our attention. In May 2013, Minister of Defense Tomasz Siemonek went to China. The palpable result of this trip was a decision to set up a mechanism of bilateral cooperation called the strategic defense dialogue at the level of vice-ministers of defense. Taking into account the EU arms embargo on China, the dialogue will be devoted only to non-combat issues such as educational cooperation and taking part in joint exercises.

But the most important political event in this time period was the Chinese visit of the Speaker of the Polish Parliament Ewa Kopacz in June 2013. It was Poland's first official meeting at a high level with the new Chinese

authorities.³⁰ Despite some concerns raised by the Polish media about inappropriate time of the visit (it was on 4 June, the date of the Tiananmen pacification and the first semi-free elections in Poland), it could be perceived as another step in strengthening the strategic partnership. Kopacz visited Beijing, Tianjin, Canton and Zhuhai and met the PRC's vice-chairman Li Yuanchao, the Chairman of the Chinese Parliament Zhanhg Dejiang, the vice chairman of the Chinese People's Political Consultative Conference and the head of the International Department of the CPC Central Committee Wang Jiarui and the Party Chairman of the Guangdong province Hu Chunhua (who will presumably serve as Xi Jinping's successor at the 20th CPC Congress in 2022). The main topics of the talks were economic cooperation, especially the promotion of Polish sectors such as agriculture products (e.g. pork and poultry), pharmaceutical goods, energy, mining and environmental protection. Bearing in mind Poland's focus on enhancing regional cooperation, Kopacz's trips to Tianjin, Guangdong and Zhuhai were concentrated on underscoring the local cooperation idea. During the talks both sides pre-agreed to organize the second China-Poland Regional Forum in 2014 in China.

The second forum would be a continuation of the first forum, which was held in Gdańsk (Poland) on 22 April 2013. The Regional Forum is an event promoted as an implementation of a strategic partnership watchword. It is argued that after the improvement of the political climate at the highest level it is high time Poland paid attention to cooperation at a lower level, which might be more effective than concentrating only on China's capital and other big coastal metropolises. The idea of the regional forum is to establish the second track of relations which are concentrated on the working level and personal, direct contacts with regions' representatives (representatives of cities, provinces, counties, etc.). It seems that despite the centralization of decision-making in the PRC, local authorities are getting more space for pursuing their own policies. The format of the forum was workshops – which were seen as the most effective framework of cooperation at a lower level. 16 Polish provinces and 30 cities attended the forum, while the Chinese side was represented by 31 provinces and 54 cities. The main topics of the forum were economy, the environment and green technologies, transport, shipbuilding, tourism, culture and education. Furthermore, before the forum the Polish side organized study visits to Poland for Chinese local journalists.³¹

Economic Relations: a Dragon on a Green Island³²

Trade and Investment Cooperation

From the Polish point of view the main problem in Poland's economic relations with China is a significant negative trade balance at the level of 1/10. The imbalance is clearly visible in statistics about the number of Polish companies involved in trade with China – about 2,000 Polish firms are engaged in export to the Chinese market, while 20,000 Polish companies import goods from the PRC.³³ The huge trade asymmetry is a permanent phenomenon and there is little chance to change this trend. The main reason is the fact that Poland imports from China not only cheap products but also highly processed goods and components. China is a source of “supply imports” for Chinese, Korean and Japanese plants located in Poland. These products represent more than 53% of the Chinese exports to Poland. Hence, Poland's goal is not to limit imports from China but to increase Polish exports to the PRC as well as attract Chinese investments.

Before the Visegrad countries joined the EU, China's biggest trading partner in Central Europe was Hungary. Currently, however, the first place is occupied by Poland.³⁴ Poland is also China's biggest export market in CEE. Polish exports to the PRC consist of non-processed products such as copper, chemicals, lead ores and their concentrates, rubber, tubes, pipes, furniture and frozen pork. Poland also sells China high-processed products – agriculture aircraft, computer parts, machinery and vehicles. Additionally, one can observe an increase of exports of agriculture goods and food to China – a tangible result of the opening of the Chinese market to Polish pork.³⁵ China's exports to Poland include mainly engineering industry products and textiles. Meanwhile, the main part of the Polish imports from China consists of telephone and television set parts, computers and computers parts, mobile phones, storage devices, modems, toys, converters, printing machinery parts, circuit boards, taps, cocks, valves, etc.³⁶

According to Eurostat, in 2012 the Poland-China trade volume reached €9,36 billion (exports reached €1,36 billion, while imports reached €8 billion) with a trade deficit of €6,64 billion.³⁷ According to Polish data (which differs from that of Eurostat), in 2012, the value of the bilateral trade was almost €15 billion. In 2012, Polish exports to China were about €1,3 billion, while Polish

imports from the PRC were about €13,6 billion. Poland also records a trade deficit with China, which reached €12,2 billion in 2012.³⁸

Polish National Bank data indicates that in fall 2010 the Chinese accumulated FDI in Poland reached \$328 million (€246 million).³⁹ The latest biggest Chinese investments in Poland are the following: in 2012 LiuGong purchased the civilian part of a steel mill in Stalowa Wola (the first full privatization in Poland by Chinese capital), and in 2013 Xiangyang Automobile Bearing Co., Ltd. invested in the Rolling Bearing Factory in Kraśnik. Other Chinese FDI in Poland represent the IT sector: TCL in Zyrardow and Digital View in Koszalin are both manufacturing LCD panels; Nuchtech Company Limited in Kobylka near Warsaw produces an X-ray inspection system used mainly in transport vehicles (e.g. in trains); and ZTE and Huawei have Warsaw offices. Moreover, in Wola Kosowska near Warsaw there is a big Chinese and Asian products distribution center – GD Poland. Furthermore, recently the Chinese bank sector's interest in Poland has been noticeable. In 2012, the two biggest Chinese banks – Bank of China (BoC) and Industrial and Commercial Bank of China (ICBC) opened their branches in Warsaw (ICBC's Warsaw office is its first division in Central and Eastern Europe). Their presence in Poland might be perceived as a signal for upcoming greater Chinese investments in the region (the Chinese investor in Kraśnik is supported by BoC's Warsaw branch). What is more, in October 2013 the Chinese company Peixin entered the Warsaw Stock Exchange – it is the first Chinese company to be listed on the WSE.

Polish investments' stock in China at the end of 2012 was about €150 million.⁴⁰ The structure of these investments indicates that the Polish entrepreneurs are interested mainly in mining (e.g. KGHM Shanghai Copper Trading – the first KGHM branch in Asia), pharmaceuticals (e.g. Bioton), construction chemicals (e.g. Selena's investments in the Nantong zone where PU foams are produced and in Foshan, where it has a silicon plant) and clothing sectors (e.g. the LPP clothing company is considering opening its own shops in China). It is also worth mentioning the Chinese-Polish Joint Stock Shipping Company – Chipolbrok (the first Chinese joint-venture in the PRC's history), which was founded in 1951 and has offices in Shanghai and Gdynia.

Despite the failure of the construction of a part of the A2 highway by the Chinese consortium Covec, Poland's official position is that it wants to

attract Chinese investments. The Covec issue – a hot topic in the Polish media before Euro Cup 2012 – is now muted. Poland argues that the Covec issue indicates that Chinese companies are not well-prepared to invest in the EU. Nevertheless, this issue could not deteriorate the Sino-Polish relations. It should be underscored that this unfortunate investment was a result of a public tender victory. But it is a different situation from the mergers and acquisitions and greenfield types of investments that Poland is waiting for, as it is especially waiting for greenfield investments as a source of new technologies and new jobs.

Why Are We Doing (a Little Bit) Better?

Despite the fact that the volume of Chinese investments in Poland is still insignificant and Poland records a huge trade imbalance with the PRC, recently one could observe a positive trend in the bilateral economic cooperation. Trade volume and Polish exports to China are rising. Furthermore, Chinese investors are coming to Poland to learn more about the investment environment. Allegedly, it is a result of various initiatives launched by state institutions to encourage Polish businesses to cooperate with their Chinese counterparts and also encourage Chinese investors to come to Poland.

It seems to be clear that the first step which began the enhancement of the economic relations was Poland's attendance at the Shanghai Expo 2010. During the exhibition the Polish pavilion was visited by 8.3 million guests (accounting for about 11% of the total number of visitors during the Expo), including 1150 Chinese journalists and 413 foreign delegations. Poland's presence there was the biggest Polish promotional event abroad in the last few years. The main goals were to show Poland's economic transformation, to support the Polish brands already present in China and to persuade Chinese businesses that Poland is an attractive investment destination. Just after the Expo, the Polish Information and Investment Agency (PAIiIZ), a governmental institution responsible for attracting foreign investments to Poland, opened its first ever office abroad in Shanghai.

Economic cooperation is always a topic at the high level bilateral meetings between the two countries. Economic matters dominated President Komorowski's visit to China in December 2011. During his visit, Komorowski attended investment (Shanghai, 19 December) and economic forums (Beijing, 21 December), during which he encouraged Chinese potential investors to

invest in Poland. He highlighted the reasons why it is worth taking Poland into consideration as an attractive place for doing business. If we analyze his addresses, the Polish incentives for Chinese business could be summarized as follows: Poland as a big market located in the center of Europe with an access to the EU's market; well-educated, young but not very expensive labor forces; Poland as a stable country – in terms of the political and economic situation, with a rather high economic growth (in 2011, it had a growth of about 4%) despite the crisis; stable and responsible banking and financial sectors; very active local governments eager to cooperate with their Chinese counterparts; 14 special economic zones with investment allowances; safe Polish treasury bonds based on a health economy; attractive investment sectors such as servicing centers, R&D, shipbuilding and car industries, infrastructural development, transformation of the health protection system, privatization of Polish companies, etc. (Gradziuk–Szcudlik-Tatar, 2012).

The tangible results of the visit were several signed economic agreements between Polish and Chinese companies (e.g. the agreement between KGHM Polish Copper and the China Minmetals Corporation; the agreement between LOT Polish Airlines and Air China about direct Warsaw-Beijing flights⁴¹; the agreement between the Kruk Company and the Arvid China Investment Company, etc.) and those between Polish and Chinese institutions responsible for promoting the economic cooperation (e.g. the agreement between PAIiIZ and the China Development Bank and the Industrial Overseas Development & Planning Association, etc.).

The economic cooperation was on the agenda during both Wen Jiabao's stay in Poland and Minister R. Sikorski's visit to China. Wen took part in the economic forum in Warsaw (with more than 1400 participants), where he announced China's new strategy towards Central and Eastern Europe called "China's Twelve Measures for Promoting Friendly Cooperation with Central and Eastern European Countries."⁴² What is more, during Sikorski's visit a new potential sector of the bilateral economic cooperation was accentuated – the energy sector, especially the two countries' future cooperation in the area of extraction of shale gas.

Apart from visits of high-ranked officials, Polish state institutions launched various initiatives to support Polish entrepreneurs in doing business with China and to attract Chinese investments in Poland. In this context, it is worth mentioning a direct instrument aimed at China – the so-called government

export credit/loan. The first agreement between Poland and China in regard to this was signed in 2001. Since then the credit line is regularly extended. The amount of the credit is \$285 million and it could be used for financing the following types of projects/investments in China: environmental protection, healthcare, education, infrastructure, mining, energy industry, agriculture, food industry, and building materials or other projects which are results of bilateral agreements and are convergent with the OECD conditions. The credit finances 100% of the contract value for the deliveries from Poland to China of machinery, equipment and materials produced in Poland as well as services including technologies (the percentage of the above-mentioned items which is to be produced in Poland cannot be lower than 60%). The loan is a form of official development assistance (ODA) with a low interest rate (0.8%).

The support policy is widely implemented by PAIiZ. In 2012, the agency established the China-Poland Economic Cooperation Center, whose main goals were defined as creating a positive investment climate for Chinese companies, increasing the Chinese FDI to Poland, providing support for Polish and Chinese entrepreneurs, assisting Polish companies in beginning a cooperation with Chinese firms, etc. According to the Center's work report, in 2012 90 Chinese delegations representing local authorities and businesses came to PAIiZ. The Center has also arranged bilateral meetings for 500 Polish and 150 Chinese companies. Furthermore, last year PAIiZ carried 14 Chinese investment projects representing energy, automotive, machinery and chemical sectors. Its total value is €794 million, which, if finalized, may create more than 3500 new jobs.⁴³

Moreover, in March 2012 PAIiZ and the Ministry of Economy launched a web portal called "Go China"⁴⁴ (www.gochina.gov.pl) to encourage Polish entrepreneurs to develop business relations with Chinese partners. The portal is a response to the Polish entrepreneurs' needs to collect numerous scattered pieces of information about the possibilities of cooperation on the Chinese market. The website includes sectoral studies, and information on how to do business in China, import-export rules, Chinese business law and Chinese business culture. The entrepreneurs are invited to share their experiences of cooperating with China as examples for other companies which are considering entering the Chinese market. According to the statistics, in 2012 the webpage was opened almost 250 000 times.⁴⁵

Apart from the Polish diplomatic missions in China (e.g. the Trade and Investment Promotion Sections – in Beijing and Shanghai) which offer information about the Chinese market (through websites, investment guidebooks, etc.) and the aforementioned PAIiZ, there are also other institutions which are involved in enhancing the bilateral economic cooperation. Among them are, e.g., the Polish Agency for Enterprise Development, which publishes guidebooks about the Chinese market and the Chinese investment environment; the Polish Chamber of Commerce, which organizes trainings for entrepreneurs and economic missions to China; and the Polish-Chinese Chamber of Commerce. It is also worth paying special attention to the Polish local authorities, who are very active in establishing various forms of cooperation with Chinese local governments and companies. A good example of this is the Pomerania region, which opened a Pomeranian Office in Beijing under the auspices of the Office of the Marshal of Pomerania. Its aim is to support Pomeranian entrepreneurs in developing their business activities in China, as well as to support Chinese investors in investing in Pomerania.

Notwithstanding the aforementioned initiatives and incentives, Polish businesses still do not exploit the full potential of these instruments or China's market potential. To put it briefly, Polish businesses are reluctant to cooperate with their Chinese counterparts. A recent research conducted among 500 Polish companies employing at least 50 people shows that in the opinion of Polish companies, the state support in this area is not sufficient or is simply unknown. Most of the companies (about 63%) indicate that before they enter the Chinese market, their main sources of information about China are the Internet and personal relations with other companies that are doing business with the PRC. Pieces of information taken from state institutions or a chamber of commerce represent less than 10% of all of their information about China. The most popular instruments being used by Polish companies in order for them to "enter" the Chinese market are insurance, assurances and warranties. What is more, only 27% of the surveyed companies are engaged in a cooperation with China, and only 11% of the companies that are not present in the Chinese market are going to start such a cooperation within three years. But on the other hand, the companies clearly signal that they expect the state to protect the interests of Polish companies (80%) and promote Polish companies (79%).⁴⁶

It is worth mentioning that recently another instrument which may boost the bilateral trade was established. In March 2013, the Chengdu-Lodz direct cargo rail route (crossing Kazakhstan, Russia and Belarus) was opened. The complete trip takes only 12–15 days. The China-Europe railway transport is considerably quicker than sea freight (which takes about 40–50 days) and much cheaper than air cargo transportation. Railway transport enables more convenient transshipment and a quicker further transport to the final destination. But currently Poland does not exploit the full potential of this cargo connection. This line is only used to import products from China, while the trains return almost “empty” (i.e. without Polish products) to Chengdu. Apart from this railway, in 2012 the Chongqing-Xinjiang-Duisburg railway was inaugurated. But despite the fact that the trains pass through Poland, there is no stop in Poland on this railway.

Soft Diplomacy: Culture, Education, Tourism...

Culture is considered as one of the instruments which could help to create a positive image of Poland in China. In the last few years Polish governmental institutions' approach towards Poland's cultural promotion has been changing. The traditional tools – the so-called Chinese Culture Days in Poland and the Polish Culture Days in China (they are explicitly written about in bilateral cultural cooperation agreements between the two countries) – are perceived as not very effective. This was the main reason why, since 2009, representatives from institutions responsible for promoting Poland abroad have visited China many times in order to know the requirements of Chinese cultural recipients. The results of these visits were the preparations of the strategy of Poland's cultural promotion in China and, later, the implementations of the first Polish cultural projects in the PRC. One of the most significant events in this respect was the Shanghai Expo 2010 (including the Chopin Year 2010), during which Poland accomplished 11 main cultural projects: including cultural events in Shanghai, Beijing, Tianjin and Hangzhou. The majority of the cultural events were organized in cultural institutions (e.g. concert halls, theatres, etc.) outside the Polish Expo pavilion in Shanghai. The reason for that was the aim to direct these events to those recipients who were really interested in high culture.⁴⁷ The main organization responsible

for implementing the cultural projects during the Expo 2010 was the Adam Mickiewicz Institute, a governmental institution whose task is to promote Polish culture around the world and actively participate in international cultural exchange.⁴⁸ The promotion of Polish culture in China was also continued during the Polish Presidency of the European Union Council (in the second half of 2011). Beijing was one of the 10 capitals where cultural events were organized in connection with the Polish Presidency. According to the Adam Mickiewicz Institute, the cultural program featured classical and jazz music concerts and a public space project alongside a new audiobook edition of works by the Nobel Prize-winning Polish poet Czesław Miłosz in Chinese, in which they are read by the Chinese actor Tang Guoqiang.⁴⁹

Unfortunately, the Polish Institute⁵⁰ in Beijing has not been opened yet (the decision about the establishment of the institute in Beijing was made by the Polish MFA a few years ago). Nevertheless, this issue was written about in the declaration of the strategic partnership between Poland and China, and there is a chance of establishing the institute in the near future.⁵¹ Due to the recent active development of the bilateral cultural relations, the role and the staff of the Cultural Section in the Polish Embassy in Beijing have increased. Currently, the Cultural Section consists of seven people. The Embassy has also launched a website which focuses on promoting Polish culture and is designated especially for Chinese language users (www.bolanwenhua.org), and a children's website about Poland called "Kula" (www.kula.gov.pl). In 2011 the Polish embassy organized 107 cultural events (involving music, films, literature, folk music, theatre, the "Polish poems in the Beijing subway", etc.) in China. Furthermore, the embassy is very active in using social networking websites to promote Poland and its own activities (it has QQ and Weibo accounts).⁵²

One of the bilateral relations goal is an educational cooperation. It is estimated that in the academic year 2011/2012 only about 480 students from mainland China were studying in Poland, while in Germany the corresponding figure was about 30,000. Poland would like to invite Chinese students to study in Poland (currently, there is a demographic decline of the current generation of students at Polish universities, which allows the universities to receive more foreign students) not only for financial reasons but mainly as a way to build close people-to-people relations with China, which could also positively influence the economic cooperation. To achieve this goal, it is necessary

to prepare proper study programmes that must be conducted in English. A prospect for a better educational cooperation is the Boym Universities Consortium, a group of Polish universities that act together in order to offer Chinese students a possibility of getting a quality education in Poland.⁵³

During President Komorowski's visit to China, educational cooperation was also on the agenda. The President opened the Sino-Polish Rectors/Educational Forum (21 December) held in Beijing Foreign Studies University (BFSU), where the Polish language has been taught since 1954. What is more, the President also opened the Center of Polish Studies in BSFU. The results of the forum also included several educational agreements signed by both sides – e.g. the agreement between the Polish Ministry of Science and Higher Education and the Chinese Ministry of Education about cooperation in the area of higher education; the agreement between Minzu University and Lodz Technical University; the agreement between the Boym Universities Consortium and the China Education Association for International Exchange, etc.

Poland would also like to cooperate with China in the tourism sector. According to statistics, in 2011 about 33,000 Chinese visited Poland (in 2008 it was about 20,000).⁵⁴ The institution responsible for attracting Chinese tourists to Poland is the Polish Tourist Organization (POT) – a state agency which promotes Poland as an attractive place for tourists. In 2011, the POT established its liaison office in Beijing (in the form of a Home Office). In China the POT organizes workshops facilitating direct contacts between the Polish and the Chinese tourist industry, organizes study tours for Chinese journalists and is responsible for the Chinese language brochures about Polish tourist attractions.

Simultaneously, the POT is taking steps to assist Polish tour operators, hotels, and restaurants in their effort to adjust their services to the needs of Chinese tourists. In addition to its own marketing activities in China, the POT joins hands with the Central-European countries Czech Republic, Slovakia and Hungary, and the four countries perform promotional activities under a common brand name: the "European Quartet". Roadshows organized in China enabling the Chinese tour operators to meet with their potential partners from the European Quartet countries, educational programs with the purpose of teaching Chinese tour operators about the tourist products of the region, and providing information in social media are the main common

activities of the European Quartet. In 2013 the POT launched its camping programme called “I Like Poland” in several Asian states, and it is currently being implemented in China (and also in India and Japan).⁵⁵

Conclusions

From Beijing’s perspective, Central and Eastern Europe (CEE) and Poland as an important player in this region are not a priority direction of China’s foreign policy, and they will probably not be one in the future either. Nevertheless, the recent reinvigoration of the China-CEE and China-Poland relations indicates that the combination of incentives such as CEE and Poland’s stable and prosperous economy, the size of its market, its favorable geographical location, its long history of diplomatic relations, and its political will and readiness to enhance its relations with China create a “mixture” which attracts China. Apparently, the notion of a strategic partnership that is used eagerly by Chinese diplomacy in its relations with Poland is much more than only an empty slogan aimed at creating a good atmosphere during high level meetings. The strategic partnership is a useful tool for achieving well-defined goals. China’s extremely pragmatic approach is subordinate to its domestic policy. It seems plausible that Beijing is open to strengthening its cooperation with actors which can offer favorable political and economic conditions. The global economic and Eurozone crises, which resulted in China’s export decline, created a chance for Poland – which, despite the crisis, registers positive economic growth – to enhance its relations with the world’s second-largest economy. Looking at the recent improvements of the Poland-China relations, it seems that both Warsaw and Beijing gained momentum in this respect. For the export-driven China, the crisis and the problems in the Eurozone were a springboard for taking into account other European states which cope well with the crisis.

Meanwhile, for Poland, the global and eurozone crises and China’s rising ascendance were an impulse for it to seek other markets and enhance its cooperation with the newborn great powers as well as to globalize its diplomacy. Despite the fact that the direction of China is not the main Polish foreign policy direction in general, as Poland’s foreign agenda is rooted in cooperation with other European states, including its neighbors, and the US,

apparently the PRC is Poland's most important diplomatic and economic partner in Asia. In that sense, the political relevance of China for Poland is truly high.

The results which we can observe nowadays did not come immediately. The strategic partnership declaration was signed after at least three years of mutual delicate "probing". It seems to be clear that for China a strategic partnership means that the counterpart is eager and ready to seriously conduct these kinds of relations. Poland's proactive approach started in 2008 with D. Tusk's visit to China and the idea of strengthening Poland's position in Europe through better relations with the so-called emerging markets as well as with Asia as a rising continent. This approach met with a favorable response from Beijing. Furthermore, the change of the perception of the global order after the outbreak of the crisis resulted in a rather high consensus in political circles in Poland that it is worth strengthening Poland's political and economic relations with Asia and apparently also those with China by itself⁵⁶.

Currently, the Sino-Polish relations are focused on the so-called fulfillment of the strategic partnership. Both sides have already built up a rather tight net of institutions and instruments which are used as dialogue channels. Apart from the mechanisms at the highest level (e.g. strategic dialogue, the intergovernmental committee, frequent meetings at a high level, etc.) there are also platforms for local governments and business cooperation such as regional forums or economic and investment forums that are organized on the sidelines of leaders' visits.

Poland is also seen as one of the more active actors in the region. The fact that it held the 16+1 summit and the economic forum during which the "12 Measures" strategy was announced in Warsaw increased Poland's visibility in CEE and the EU. Additionally, Poland is an important and indispensable element of the 16+1 puzzle. Despite the fact that the China-CEE16 summit,⁵⁷ in fact, is not an institutionalized forum of cooperation,⁵⁸ it created an additional channel for bilateral contacts.

But despite the aforementioned successes of Poland's foreign policy, mainly in the political cooperation area, and Poland's rising position in Europe, there are still difficulties and conundrums in this respect. It must be underscored that regardless of the intensive Warsaw-Beijing dialogue, the economic results of the stronger political relations – the main goal or even a cornerstone of the bilateral relations – are vague. Although the trade

volume and the Polish exports to China have already increased, this rise is almost insignificant, and the relevance of the trade and investments from the Polish perspective still cannot be assessed as very high or satisfactory. China's image in Poland is improving but still a lack of knowledge about this country, many Chinese stereotypes and bad experiences make Polish businesses reluctant to begin cooperations with Chinese partners. Moreover, the Chinese market is still rather closed, which seriously limits possibilities to increase Polish exports to China. Simultaneously, the increase in Chinese business delegations to Poland has not resulted in a jump rise of Chinese investments. The recent Chinese investments in Poland represent only M&A but not greenfield investments, which would be more favorable. Additionally, the "12 Measures", which contain many economic "points", seem to be more like a political declaration than an economic program for the region. The problems with the implementation of its economic points (e.g. its credit line, when taking into account the situations of the 16 states, is not very generous, and its conditions are unfavorable especially for EU members) vindicate this premise.⁵⁹

Paradoxically, it was the economic crisis which led Poland to pursue its interest in globalizing its foreign agenda and reinvigorating its relations with China and other Asian states. Apparently, it was a good choice. Recent years clearly show that Poland is doing well in both Europe and Asia. The Sino-Polish relations are better than ever. It seems apparent that this dynamic must be continued. But taking into account Poland's unfavorable trade balance, a particular stress should be put on disseminating information about China among Polish entrepreneurs, while in its relations with China, Poland should be as pragmatic as Beijing. Poland should painstakingly analyze China's proposals and use every opportunity to clearly communicate its interests and priorities while underscoring its own economic goals.

The Slovak and Hungarian Partnerships with China: High Hopes that Did Not Come True⁶⁰

Gabriela Pleschová

Introduction

The aim of this chapter is to discuss the Slovak and Hungarian attempts to attract investments and financial aid from China by making China an alternative to their post-1989 partners, including the European Union and the USA. This strategy of upgrading Slovakia and Hungary's relations with China encompassed prioritising meetings with China's high representatives, moreover, supporting China in its trade dispute with the EU, using a rhetoric that would signal the high level of importance that the two states attributed to China, and holding back any critique of the human rights situation in China, including that of human rights activists. While the Slovak government under the second term of Premier Robert Fico seems to have abandoned its aspirations for any greater partnership with China, Hungary, lead by Premier Viktor Orbán, still waits for its hopes for an alliance with China to come true. For other small European countries, the Slovak and Hungarian experiences imply that behaviour compliant to China's interests does not evoke reactions from China that would be favourable to small states' interests.

Background: the Slovak and Hungarian Relations with China

After the collapse of communism in Central and Eastern Europe (CEE) in 1989, Slovakia and Hungary, as all other CEE countries, sought to primarily develop their relations with the countries of Western Europe and the USA in an effort to "return to Europe" after the fall of the Iron Curtain. As a result

of this, Slovakia and Hungary's foreign relations, were all predominantly oriented towards the European countries and the United States as the key allies, particularly since they had submitted their applications for membership in the European Union (EU). For Slovakia, the ambition to become an EU member was not abandoned even during the era of the controversial Prime Minister Vladimír Mečiar,⁶¹ although Mečiar at the same time sought a partnership with Russia as an alternative to partnerships with the EU and the USA (Kelley, 2010: 135). These close relations with the EU member states and the USA were further strengthened after both countries had joined the NATO (Hungary in 1999 and Slovakia in 2004) and the European Union (in 2004).

Prior to 1989, the People's Republic of China was an ally of Hungary and Czechoslovakia during some periods, but these alliances were dependent on whether the complicated relationship between China and the Soviet Union permitted them. In the 1980s the People's Republic of China (PRC) had resumed its contacts with most socialist countries, and for many of them China became an important trade partner. After the change of regimes in Central and Eastern Europe in the early 1990s, both the Chinese leadership and the leaders of the CEE countries signalled their interest in developing their economic relations, disregarding the ideological differences between them (Tubilewicz, 1998a: 265).

However, the lack of competitiveness of products made in Central and Eastern Europe together with the economic transformation in the region lead to a downgrading of the trade exchange with China in the early 1990s (Tubilewicz, 1999: 6–7).

While later in the 1990s and after 2000 Slovakia and Hungary sought to upgrade their trade relations with China, they encountered serious difficulties with competing in the Chinese market, and their trade exchange with China suffered from increasing deficits. This was similar to what other countries from the region were experiencing at that time and it was a result of the trade barriers of the Chinese market, which were in stark contrast with the open markets in Central and Eastern Europe, as well as of the CEE companies lacking the experience, information and resources to compete successfully in China (Tubilewicz, 1999: 7–8). The Chinese investments in CEE in this period mainly comprised setting up Asian style restaurants and small trading companies that imported and sold light industrial products made in China in

the CEE countries (Nyíri, 2003: 251–252; Moore–Tubilewicz, 2001: 618–619). On the other hand, CEE investments in China were rare. For example, the Slovak investments in China mainly consisted of pioneer attempts to establish joint ventures with the Chinese companies (Pleschová, 2007: 119–125), and the situation was probably the same in the cases of investments in China from other CEE countries.⁶²

After both Slovakia and Hungary restructured their economies and joined NATO and the EU, their economic situations improved, also thanks to foreign investments. However, as the bulk of their trade exchange was with Europe, the relative value of Slovak and Hungarian exports to China was the bulk of trade exchange was with Europe or establish joint ventures with Chinese trading companies that imported light industrial goods; for example, in the 2004–2009 period, only around 1% of all Slovak exports went to China.⁶³ This was similar to the case of Hungary, which, in 2011, exported only slightly more than 1% of its products to China.⁶⁴ In both countries, imports from China continued to significantly surpass the exports to China. Nevertheless, the trade deficit ceased to be an issue as the products from China started to be used for further processing and were later exported to third countries, mainly as part of a broader strategy of transnational corporations.

The level of the Chinese investment in Central Europe since 2004 continues to be minimal. In 2007 the stock of the Chinese overseas direct investment in Slovakia reached €22 million (Clegg–Voss: 2012: 39) and between 2007 and 2011 Chinese companies invested approx. €37 million in Slovakia.⁶⁵ When compared with the total foreign direct investment in Slovakia in the 2007–2011 period, which was \$12.176 billion,⁶⁶ the investment from China only amounted to about 0.3 % of the total foreign investment in Slovakia. In contrast, Hungary has succeeded in attracting the largest portion of the Chinese investment in all the countries of Central and Eastern Europe.⁶⁷ In 2010 the stock of Chinese overseas foreign direct investment (OFDI) in Hungary reached about \$560 million. This was three times more than the corresponding figure for Poland, which only managed to attract the second largest amount of Chinese OFDI in the region (Golonka, 2012: 22). As overseas Chinese are considered to play an important role in facilitating the Chinese investment in Central and Eastern Europe,⁶⁸ the attractiveness of Hungary for Chinese investors can be linked to the fact that Hungary hosts the largest Chinese community in the region.

Slovak Hopes for Investment from China

The first Slovak government lead by Prime Minister Robert Fico (July 2006–July 2010) can be characterized by the unusual level of activity in the Slovak relations with China at this time. Whereas previous Slovak governments also showed some interest in China, even frequently travelling there, Robert Fico was the first Slovak Premier to present China as an alternative to the previous partners of Slovakia, especially those from the EU.

In May 2006, the left-wing party SMER had won the elections in Slovakia and built a coalition government with two controversial parties: the nationalist Slovak National Party and the Movement for a Democratic Slovakia lead by the former Premier Vladimír Mečiar, who was infamous for his authoritarian practices. The new government was considered to be less pro-American than its predecessor because, for example, it had pulled a Slovak engineering brigade out of Iraq (Hacker, 2010: 175; Haughton, 2007: 69). Also, in Europe, the new Slovak government did not enjoy a favourable reputation, mainly due to the image of the two smaller coalition parties but also because Prime Minister Fico wore the label of a populist.⁶⁹

The selection of the new Prime Minister's foreign trips was the first sign that the Slovak government was considering making some changes in its foreign policy orientation. Premier Fico chose Libya, China and initially also Venezuela as destinations of his official visits⁷⁰ before visiting some of Slovakia's partners from the European Union such as Germany, France or the United Kingdom. Fico claimed that his interest in these non-democratic states was purely economic. "If some believe that we can make a deal in Europe they are completely wrong. The opportunities at the European market are gone and it is necessary to seek new ones. China is a chance. Dzurinda's [previous] government absolutely ignored that. In the last eight years nothing has happened in this area,"⁷¹ Premier Fico said. For the Slovak Prime Minister China was a good business opportunity because of the immensity of its market. "The whole of Slovakia with its production could have lost on this vast market. Why should we not make use of this opportunity then?"⁷² Robert Fico argued.

During the first term of Premier Fico's government all the highest representatives of Slovakia, including President Ivan Gašparovič, Speaker of the Parliament Pavol Paška, and Foreign Minister Ján Kubiš, visited China in

order to stimulate the economic cooperation with the PRC. The bilateral talks with China reached their highest point when Chinese President Hu Jintao arrived in Slovakia in 2009. Nevertheless, rather than desiring to facilitate Slovak exports to China, the Chinese delegation was much more interested in investment in Slovakia. In reaction to this, Premier Fico invited Chinese companies to participate in the construction of transport infrastructure in Slovakia as he saw the engagement of Chinese companies as an alternative to the lacking public finances as well as the costly Public-Private Partnership (PPP) projects.⁷³ After meeting the Chinese president, President Gašparovič concluded that Slovakia was “interested in reviving its economic growth also by making use of the assistance from the People’s Republic of China.”⁷⁴ The Slovak government representatives continued in their negotiations with Chinese companies also in 2010, notably the Minister of Economy Ľubomír Jahnátek.⁷⁵

While hoping for a historical upgrade of the economic relations with China, the Slovak government adopted a number of steps. One of these initiatives was supporting China in its dispute with the European Union about European imports of solar panels from China.⁷⁶ The EU had initiated an investigation of solar-panel imports from China in mid-2011. The case, which evolved into the world’s largest ever anti-dumping investigation up to that point, was only settled in July 2013.⁷⁷ During these two years Chinese leaders intensively lobbied in the individual EU countries while exploiting their different stances on the issue. Finally, the Commission gave up on its intention to impose steep tariffs on the Chinese panels and even allowed the Chinese to sell panels that were 25% cheaper than the panels with the initially disputed price. This result left the US administration, which was dealing with the same issue, dissatisfied.⁷⁸ By supporting China in the dispute, Slovakia acted against both the European Commission and the US, although it must also be stressed that Germany also opposed the harsh measures that Brussels had pushed ahead against China.

Moreover, the Slovak authorities tried to please their Chinese counterparts by avoiding any critique of the human rights situation in China. When Prime Minister Fico and President Gašparovič hosted the Chinese president in Bratislava neither of them raised the human rights issue, even if some non-governmental organizations had appealed to them to do so.⁷⁹ Similarly, when the Slovak dignitaries, including Prime Minister Fico, President Gašparovič,

Foreign Minister Kubiš and Speaker of the Parliament Paška, visited China, they always remained silent in this respect.⁸⁰ “I strictly stick to the principle of non-interference in other states’ affairs,” Robert Fico said, when he explained why he did not raise the human rights issues at the meeting with Chinese Premier Wen Jiabao during the China–CEE summit.⁸¹ Moreover, President Gašparovič decided not to boycott the 2008 Olympic Games opening ceremony in Beijing, which was in contrast to the policies of some European leaders such as, for example, the German chancellor Angela Merkel or the British Prime Minister Gordon Brown.⁸²

Aside from this, when in February 2010 Slovak writers, human rights activists and opposition Members of Parliament supported the nomination of Liu Xiaobo for the Nobel Peace Prize nobody from the government coalition joined them.⁸³ One month later, when the Dalai Lama visited Slovakia to accept the Jan Langoš Human Rights Award, none of the government party members arrived to meet him. Furthermore, Bruno Hromý from the Slovak Parliament’s Chancellery sent a formal letter to all Parliament officers advising them not to meet with the Dalai Lama.⁸⁴

It should, however, be noted that this attitude followed the line of the previous Slovak governments, which had typically silenced the issue of human rights in China (Fürst–Pleschová, 2010). By trying to maintain favourable political relations with China, the Slovak government aimed to receive commercial benefits from China, which was at that time a typical strategy for the largest group of EU member states (Fox–Godement, 2009).

As another attempt to win China’s favour, the Slovak authorities tried to prevent any disturbances during the visits of the Chinese dignitaries in Slovakia. Most notably, this was the case with the President Hu Jintao’s visit in Bratislava in June 2009, when the human rights organizations were not permitted to hold their demonstration at any place near President Hu’s meeting with his Slovak hosts. Notwithstanding, on this occasion, the human rights activists still appeared in front of the Presidential Palace in Bratislava, and after they were attacked by a group of Chinese welcoming President Hu, a melee broke out (Pleschová–Fürst, 2014).

Just a few months later, when the Chinese Minister of Defence arrived in Bratislava in September 2009, the Slovak authorities admitted that the news of his visit had not been made public in order to prevent another human rights demonstration. As explained by the speaker of the Slovak Ministry

of Defence, the ministry “did not wish for some people to misuse, or to politicize, [the meeting] as this was a negotiation on the expert level and an official visit.” Human rights activist Ondrej Dostál criticized this approach: if he were informed about the visit, he would have organized a similar protest as he did in June.⁸⁵

To sum up, while trying to win China as a prospective ally for Slovakia, Fico’s first government went beyond the practice of the previous Slovak governments. The new foreign policy steps included making China the destination of one of the Premier’s first official visits, supporting China in its dispute with the EU over the imports of solar panels from China, and preventing demonstrations critical of China during the visits of the Chinese representatives in Slovakia.

Hungarian Dreams of an Alliance with China

The Hungarian government went even further than the Slovak government in its attempts to win China as its ally. In April 2010 the conservative party *Fidesz* lead by Viktor Orbán won an absolute majority of seats in the elections in Hungary and formed a coalition with the Christian Democratic People’s Party to achieve the two-thirds majority that was necessary to amend major laws and the country’s constitution. Already in the autumn of 2010 the new government lead by Orbán in the position of the Prime Minister⁸⁶ used these powers to pass a new media bill, which came to be criticized for jeopardizing the freedom of the media in Hungary. Also in 2010, the Hungarian parliament adopted a new constitution which made tens of thousands of Hungarians protest, claiming that the constitution was removing checks and balances from the Hungarian political system. These controversial steps – together with some other measurements such as the nationalization of the private pension scheme – caused a sharp critique to rise from both the European Union and the USA.⁸⁷

Orbán responded to these condemning statements by challenging the EU’s and the USA’s powers. After being criticized for the media bill, Orbán compared Brussels to Moscow during the communist era.⁸⁸ Also, instead of meeting with the heads of the Western European countries Premier Orbán travelled to countries like Kazakhstan, India or China. Even if the

Premier's trip to China was not an official visit but it was made in connection with the Expo exhibition in Shanghai, Orbán used this opportunity to meet with the Chinese Premier Wen,⁸⁹ prioritizing him before his counterparts from the EU or the USA. The European and American partners could moreover repeatedly hear Orbán speak about the approaching "decline of the West", which made him seek economic opportunities beyond Europe.⁹⁰ The wind was now blowing from the East, as Orbán used to say.⁹¹

Still, in Hungary's relations to foreign countries, the most contentious act of Orbán's government was the suspension of talks with the International Monetary Fund (IMF) and the European Commission about a new credit line for Hungary in June 2010. This was when Hungary's deficit reached almost 80% of its GDP, which was a significantly higher deficit than, for example, the one in the neighbouring Czech Republic or in Poland.⁹² The issue of the deficit, which was a consequence of the global financial crisis but also of the previous governments' policies, set Orbán's government into an uneasy situation: it had to rapidly secure resources for the economy. The government had assessed the IMF's credit as unfavourable and chose to seek better credit conditions elsewhere, considering China as the most serious alternative.⁹³ Financial assistance from China was the key issue discussed by Premier Orbán during his meeting with Chinese Prime Minister Wen Jiabao in Shanghai in October 2010. Commenting on the negotiation, Tamás Fellegi, the Hungarian Minister of National Development, said that the Chinese Central bank could possibly buy Hungarian bonds.⁹⁴

Since then, the Hungarian government has dedicated a significant part of its attention to convincing the Chinese leaders that Hungary was a promising partner for China. This included strengthening the existing capacities in the Hungarian administration and creating new ones. In particular, the government re-established the post of the Government Commissioner for the Coordination of Hungarian-Chinese Bilateral Relations, which was introduced in 2003 during the Premiership of Péter Medgyessy.⁹⁵ Under Premier Orbán the Commissioner's post received more visibility and powers as it was occupied by people who were simultaneously holding important positions in the Hungarian administration. For example, Tamás Fellegi, Orbán's first commissioner for China, who was named in 2011, continued to serve as the Minister of National Development.⁹⁶ In 2012 he was replaced by Gyorgy Matolcsy, who was also the Minister of National Economy, and

in 2013 the new commissioner was Péter Szijjártó, the Secretary of State for Foreign Affairs and External Economic Relations.

Aside from this, the Hungarian government prepared a Residency Bond Program, open from 2012, which offers a Hungarian permanent residency to non-EU nationals on the condition that they invest at least €300,000 into Hungarian government bonds. Chinese investors are the program's major target group, as can be seen from the fact that the program's website runs in both English and Chinese, and the program uses a bank in Hong Kong.⁹⁷

The Hungarian talks with China about closer economic ties reached their peak during the first half of 2011. That time, Hungary was the EU presidency country and hosted the EU-China strategic dialogue. The Hungarian president Pál Schmitt and Premier Orbán also used this occasion for bilateral talks with the Chinese State Councillor Dai Bingguo, who represented China in the dialogue.⁹⁸ In June 2011, Premier Wen Jiabao arrived in Budapest to be the first Chinese Prime Minister to visit Hungary since 1987.⁹⁹ At a press conference, Premier Wen promised to provide one billion euro for joint development projects with Hungary. Wen further said that China would consider buying a certain amount of Hungarian bonds and that China would double its trade volume with Hungary to about \$20 billion by 2015, also by increasing its imports from Hungary.¹⁰⁰ Speaking at the same news conference, Orbán said that Hungary needed a complete economic turnaround to make its transformation successful. He continued that a new type of alliance was needed for such a turnaround, and that China and Hungary should have such a new alliance with one another.¹⁰¹

During Premier Wen's visit in Budapest a deal to build a joint Hungarian-Chinese solar panel production facility in Berettyóújfalu was signed,¹⁰² which was a clear sign where Hungary stood in the EU-China dispute over cheap solar panels. The same year, the Chinese majority shareholder invested about \$9 million into the project.¹⁰³

After Wen Jiabao left Hungary, the Hungarian government continued in its talks with China. Prime Minister Orbán met with Wen Jiabao again in April 2012 in Warsaw, and the following month he also met with the First Vice-Premier of China Li Keqiang in Budapest.¹⁰⁴ Orbán tried to support his country's negotiations with China with unusually positive statements about China. In his speech in the Hungarian parliament Orbán praised China for being a "country [which] was not dominated by that western, liberal idea that

fiddling with the books is the way to get the best economic indicators. There, work is the foundation.”¹⁰⁵ On the occasion of the visit of Premier Wen, Orbán said: “Hungary is glad that it could welcome [a] prime minister ... who not only contributed so much to the development of his own country but also splendidly benefitted the global well being of the world.”¹⁰⁶

In addition to flattering China, the Hungarian government refrained from any criticism of human rights in China and it also tried to silence any voices in Hungary that were critical of China. As Darius Kalan notes, this was quite specific, as previous right-wing Hungarian governments elevated respect for human rights above commercial interests. For Kalan, Viktor Orbán himself is a good example of this change. In 1989, as a young activist, Orbán organized a demonstration in Budapest against the Chinese army crackdown at Tiananmen Square. Then in 2000, as the Hungarian Prime Minister, Orbán did not hesitate to meet with the Dalai Lama during his visit to Hungary. However, when the Dalai Lama arrived for another Hungarian visit ten years later, Viktor Orbán failed to find a capacity for meeting with the Dalai Lama again.¹⁰⁷

Aside from this, when Prime Minister Wen Jiabao visited Budapest in 2011, the Hungarian authorities summoned all of the city’s Tibetan residents, retaining them for hours in order to prevent them from demonstrating against the Chinese Premier.¹⁰⁸ “It is allowed to demonstrate, however, we expect that the demonstrations will not ruin important aims of Hungary”, Prime Minister Orbán said,¹⁰⁹ referring to the government’s right “to stop demonstrations that disrupt diplomatic relations” and “to pursue foreign policy in the national interest.”¹¹⁰ At the same time, the officials had given permission to overseas Chinese living in Hungary to organize a welcome for their Prime Minister and greet him with Chinese flags.¹¹¹ After reviewing this case, the Hungarian ombudsman Mate Szabo declared that the measures against the pro-Tibetan demonstrators contravened the Hungarian constitution.¹¹²

In summary, similarly to the situation in Slovakia in the 2006–2010 period, Orbán’s second government has presented China as an emerging ally of Hungary. The idea of a closer partnership between Hungary and China has mainly been based on Hungary’s acute need for financial aid for the public sector and for foreign investment as well as on China’s interest in diversifying its foreign exchange reserves and foreign investments. In order to support this desired partnership, the Hungarian government strengthened

some existing structures in the administration, as, for example, the position of the Commissioner for China, introduced new programs such as the one that offers a permanent residency in Hungary in exchange for a large investment in the country, and refrained from criticizing China for its human rights violations while preventing human rights groups in Hungary from voicing their opinions on this topic.

Slovakia: A Cool Down in the Relations with China

In Slovakia, the earlier pro-China policy was challenged after the parliamentary elections in June 2010. The new right-wing Slovak government lead by Premier Iveta Radičová introduced changes into the Slovak foreign policy that, among other things, concerned the relations with China. The diplomacy that had put the Slovak economic interests at its forefront was now replaced by a more value-oriented diplomacy.¹¹³ One manifestation of this change was the appeal from the Committee for Human Rights and National Minorities of the Slovak Parliament to the Chinese government to release from prison the Nobel Peace Prize laureate Liu Xiaobo.¹¹⁴

Also, the government decided to use EU structural funds for the construction of highways instead of financing them through pricey Public-Private Partnerships.¹¹⁵ The plans to attract Chinese investment into the construction of infrastructure in Slovakia were moreover challenged by Poland's negative experience with a Chinese highway builder.¹¹⁶ The Slovak Minister of Transport Ján Figel' condemned the practices of Chinese firms that use dumping to offer extremely low prices in Europe and rejected the idea of engaging Chinese companies to construct highways in Slovakia.¹¹⁷ This was after the Slovak media made it public that four Chinese builders had repeatedly negotiated with the Slovak authorities.¹¹⁸

Radičová's government only lasted for two years. After the early parliamentary elections in March 2012 a new government was formed with Robert Fico taking the post of Premier again. However, when advancing the highway construction, the new executive had to carry on the projects initiated by the previous government, which had used funding from the EU and the national budget rather than Public-Private Partnerships. No Chinese company sent its bid into any of the tenders, which probably reflects the

lack of confidence of Chinese builders in Europe after the failure of the Chinese builder in Poland. Fico's government announced a plan to invest eight billion euro from the EU structural funds and the national budget into the construction of highways between 2013 and 2016. "Roads also mean employment for the Slovak companies and a great impulse for the Slovak economy," Robert Fico said.¹¹⁹

Premier Fico's statement that Slovak rather than Chinese builders would be engaged in the construction of the Slovak highways is in line with the reasoning behind the failed negotiation between the Slovak government and President Hu Jintao, as described by the US diplomacy and publicized by Wikileaks. Wikileaks cites Ján Bóry, a section director at the Slovak Foreign Ministry, according to whom the delegation of President Hu was particularly interested in the construction of highways in Slovakia and offered to invest Chinese capital, materials and manpower into it. However, as Bóry continued, no deal had been made because one of the Slovak government sponsors worried about losing the contract for the supply of concrete.¹²⁰

While Premier Fico's government has continued to strive for investments from China even after the failure of this major project,¹²¹ it appears that it has given up on the previous complacent policy towards China. For example, the Slovak authorities stopped preventing manifestations appealing to China to respect human rights, and human rights activists could organize a protest during the visit of the Vice-Chairman of the Chinese Government Hui Liangyu in 2013. Moreover, while meeting with Hui, the foreign minister Miroslav Lajčák mentioned the human rights issue.¹²² Furthermore, in an unprecedentedly courageous act, Slovakia accepted three Uyghur prisoners from Guantanamo, being one of only six countries in the world to do this and leaving China's claims for extradition unheard.¹²³ Also, during the China-CEE summit in Bucharest in November 2013 Prime Minister Fico admitted that being an individual partner of China is often impossible because the CEE countries can not offer relevant cooperation projects to China.¹²⁴

Hungary: In Need of Both the EU and China

Hungary's negotiations with China did not lead to the desired deal either. After Premier Wen Jiabao failed to specify the amount of Hungarian bonds

China wished to buy in Budapest, further talks did not bring any breakthrough in this matter. In the meantime, the value of the Hungarian forint fell to a record low, a series of Hungarian bond auctions was unsuccessful and the ratings agency Standard & Poor's announced that it had been considering downgrading Hungary's debt. In November 2011 Prime Minister Orbán reopened talks with the IMF.¹²⁵ "To lose confidence is very easy, to regain it is very difficult; that's what we have learned since January," said the Hungarian Minister for National Economy Zoltan Csefalvay.¹²⁶

Despite this development, Premier Orbán kept on claiming that other partners than those from the European Union would bring substantial benefits for Hungary. Orbán mentioned a calmer relationship with Russia and investment from China as two examples of possible future directions in this respect.¹²⁷ Also, Orbán did not change his opinion on the deal with the International Monetary Fund signed in 2008, as he still considered it an obstacle to Hungary's independence, but he explained the decision to reopen the talks with the IMF by pointing to the turmoil in the euro zone.¹²⁸

Meanwhile, the Hungarian relations with the EU continued to be complicated. In March 2012 the EU finance ministers – in a very rare step for the EU – suspended €495 billion in aid for 2013 as Hungary had exceeded the agreed budget deficit limit.¹²⁹ In return, Premier Orbán said he wished Hungary would resist "the creeping movement of Brussels to eat up national sovereignty."¹³⁰

Although Hungary succeeded in attracting a major investor from China – in 2011 the Chinese company Wanhua Industrial Group purchased the BorsodChem chemical plant¹³¹ for \$1.6 billion¹³² and further invested \$200 million into Hungary¹³³ – this has remained a singular case. Other priority projects of the Hungarian government which had been negotiated with Chinese investors were not accomplished. These included a restructuring of the Hungarian railway system, a new high speed line from Budapest Airport to the city centre, and the purchase and enlargement of the public Hungarian airline Malév.¹³⁴ Malév went bankrupt in February 2012 and the other projects were terminated, too. The second most important investor from China, Huawei, created in Hungary several assembly and distribution centres for telecommunications products, but it did not establish any production or research and development facilities there. Also the bond program of the Hungarian government has not yet borne the expected fruit, as by the end of

January 2014 it has only attracted about 450 investors – mostly from China – which is below the government's expectations.¹³⁵

Conclusion

The Slovak and Hungarian foreign policies towards China reveal a number of parallels but also some differences. Both countries considered China very relevant in the context of their foreign policies though nowadays China appears more relevant for the Hungarian foreign policy makers. Also, the elites in Slovakia and Hungary have had a relatively high level of consensus on the importance of advancing their relations with China, even if since 2010 various alternative conceptions on how to conduct the foreign policy towards China have existed in Slovakia. China remains a well accepted partner in both countries, but after President Hu's visit in Slovakia, the government and the public became more sensitive to the people's right to publicly raise the issue of human rights in China.

In their effort to strike up a partnership with China, Slovakia and Hungary used similar instruments. Viktor Orbán's government saw an alliance with China as a solution to the challenging situation in the Hungarian economy, which was hit by the global financial crisis. While it was undiplomatically criticizing the European partners and flattering the leaders of China, Orbán's administration hoped that credits and investment from China could play an important role in revitalizing the Hungarian economy.

Like its Hungarian neighbor, Robert Fico's government initially looked to China as an alternative to the missing economic opportunities in Europe, and later it also saw China as a source of investments, which were scarce on the continent since the onset of the financial crisis. Slovakia, through its intensive political contacts with China, sought to attract investment from China but also to find an alternative to Slovakia's European allies, who were critical of Premier Fico because of his party's coalition partners. Nevertheless, the Slovak leadership soon resumed its standard political relations with Brussels, as well as with the leaders of other European countries and the USA, regardless of the two controversial parties in the government. This was also thanks to the government's engaging of two skilful diplomats – Ján Kubiš and Miroslav Lajčák – as the heads of the Slovak Foreign Ministry. Also, as

Slovakia was in much better economic condition than Hungary, it could rely on European as well as domestic sources to boost its economy.

While courting China, Slovak and Hungarian leaders prioritized meetings with their Chinese counterparts over those with European and US representatives, sided with China in its trade dispute with the European Union, avoided any statements that would be critical of China for its human rights situation and hindered activists in their efforts to make such statements. Still, neither Slovakia nor Hungary has attained its ambition of making China an alternative to its previous allies. The amount of Chinese investment in Slovakia has been negligible, and whereas some Chinese investment projects have been recently completed in Hungary, major investment plans that would include China have not yet materialized. Slovak and Hungarian exports to China have mainly been realized by multinational companies, and such exports can be only slightly influenced by the political contacts with China. Finally, when China chose to privilege a single country from Central and Eastern Europe, it decided for Poland, the largest of the CEE states. In April 2011 the first China–CEE summit took place in Warsaw, and it was Poland rather than any other country in the region which signed a “strategic partnership” agreement with China.¹³⁶

China has been interested in developing relations with the CEE countries as it demonstrated through its recent initiatives, including the “Twelve Measures Plan.” Nevertheless, Chinese investors in the individual CEE countries appear to be highly cautious, and the Chinese authorities still hesitate when it comes to selecting the most feasible investment projects in the region. Slovakia and Hungary, like the other CEE countries, continue to strive and compete for Chinese investments. By now, China has used the CEE countries’ demand for investments to set up assembly and distribution centres in CEE which facilitate Chinese exports into the entire territory of the EU. Slovakia and Hungary, on the other hand, are still waiting to achieve significant benefits from their relationships with China. Their policies, which are complacent in regard to China, yield few results, and the outcomes of the more assertive Slovak policy are yet to be seen.

The Czech Experience with Relations with China: Nothing to Win, Nothing to Lose

Rudolf Fürst

Introduction

The former Czechoslovakia, which split into the Czech and the Slovak Republic in 1993, looked upon China as a great opportunity for its economic future during the Cold War era – as did other CEE states. In contrast to the situation of Chinese favorites in the Balkans such as Albania, Romania and Yugoslavia, the ties of Moscow's satellites in the rest of the Eastern bloc with China were seriously damaged by the Sino-Soviet schism since the late 1950s. But as late as in the 1980s the PRC began resuming its contacts with communist states outside the USSR, and for many of them China started to reemerge as an important trade and investment partner. When in 1987 the Chinese high level delegation lead by Chairman Zhao Ziyang visited Prague, this signaled that China now played an active role in reviving the cooled bilateral ties. The second half of the 1980s was the best ever period in the Czechoslovak relations with China since the 1950s in terms of Czechoslovak trade and investment activities (which were then booming), and this positive trend continued until 1989.

After the collapse of the old communist regimes, when Czechoslovakia and other CEE countries were no longer under the USSR's direction, these countries sought primarily to develop ties with the West in their move to "return to Europe" after the fall of the Iron Curtain, and their EU and NATO membership bids belonged to the top priorities of their foreign policies.

In this context, Hungary became the first Chinese trade hub and the first Chinese migration target in the post-communist East Central Europe – if we do not count the Russian Federation. Meanwhile, the Czech Republic, which remembered the golden era of trade and investment of the 1950s, never gave

up its hopes to prolong the past tradition, but in Beijing's perception it could not be regarded as a prominent state among the V4 group.

The Czech China Dream and Political Doubts

Even though Beijing accepted the political changes in CEE in the late 1980s without any formal objections, the rapidly growing gap in the political culture brought about disturbances – especially in the former Czechoslovakia, and mostly in Prague's right-wing political circles that absorbed a strong influence of the anti-communist intellectual dissent. The movement that criticized of China for human rights violations became a politically strong movement immediately after Václav Havel, a playwright and dissident, became president of Czechoslovakia in 1990, when he declared the necessity to re-introduce moral values into the foreign policy of the new democracy. His invitations for the Pope and also for the Dalai Lama to visit Prague expressed his endeavor to pursue this goal. Even though such an idealistic policy style never received a complete internal consensus and support from the Czech political elites, neither from the general public, the Czechoslovak-Chinese official agenda eventually remained focused on the two countries' compromise statement that their political diversity could not harm their mutual economic relations. Whereas the human rights supporters were blamed on the domestic level for spoiling the economic prospects in China, the human right supporters and especially the newly established civic organizations continued lobbying for a more assertive policy against Beijing with respect to human rights.

While Hungary and Slovakia abstained from such strong human rights criticism and promoted more pragmatic policies in regard to China, their strategies at that point remained without any obvious outcome. The frequently disputed dilemma of *"either values or business with China"* did not clearly prove that in China, business ties may serve to successfully punish foreign countries for their criticism of the Chinese regime. It is for sure that the rise of the Chinese interest in the CEE countries followed the Czech Republic, Hungary and Slovakia's EU accession, which shifted those small countries from the post-Soviet orbit into the orbit of Europe. This transfer proved their political and economic values, which meant that the CEE countries' successful "return to Europe" was eventually acknowledged by China too.

While the Czech Republic and the other CEE states hoped to further develop their trade ties with China, their common efforts resulted only in increasing their deficits on the domestic level, and they made no relevant progress in their exports to China. The Czech case was marked by the same kinds of trade and investment experiences that all the neighbor countries had with China, as the Czech Republic used a domestically liberal economic model without expecting any favor from the Chinese partners. When the CEE countries were flooded with various “made in China” products – cheap imports of textiles, electronics and light industrial products – in the 1990s, political delegations repeatedly demanded increasing Chinese import quotas and a generally wider opening of the Chinese market. The Czech domestic preferences for doing business with China followed the right-left political division, in which the left-wing lobbies, together with the non-reformed Czech Communist Party, always regarded China as an extraordinary positive challenge in the field of business, regardless of the insufficiency of the empirical evidence for this belief. The liberal-conservative business circles upheld a similar policy; but nevertheless they verbally supported the mainstream negative discourse of human rights criticism. In contrast to the communist era economic cooperation between Czechoslovakia and China, in 2013, at the time of writing, the Czech exports to China reached only around 1% of the total national exports. The foreign investment inflow that happened in the Czech Republic and Slovakia after the EU accession has not been followed by any Chinese FDI until the present time (2013).

Czech Troublemakers Still Not Thrown Out of Business

The Czech bilateral political ties with China rank among the coldest in Europe. No other European country experienced such enthusiastic and tireless efforts to criticize China due to Tibet and human rights issues, and these efforts involved inviting mainland Chinese dissidents and promoting non-official but very cordial relations with Taiwan. In 1995 Prague hosted a Taiwanese delegation led by the Prime Minister and Vice President Lien Chan, and the same year President Havel verbally supported Taiwan’s UN membership at a UN press conference. Furthermore, the Czech Green Party became one of the most active Tibet supporters, and the Minister of Environmental

Protection Martin Bursík, the Green Party chairman, hung a Tibetan flag in front of his ministerial residence. Besides this, in 2009, on the occasion of the 50th anniversary of the March 10, 1959 Tibetan uprising, the Parliamentary Group of Friends of Tibet was established, and its members discouraged a Chinese parliamentary delegation's members in 2009 by hanging a Tibetan flag inside the Parliament building. Also, when the Greens ruled over the Ministry of Environment and the Ministry of Education and Sports (2006–2009) Tibetan flags decorated those governmental buildings several times. Moreover, the Czech Foreign Minister Karel Schwarzenberg, during his official visit to France, which at that time was the EU presiding country, lobbied for a boycott of the Olympic Games ceremony in Beijing in 2008. The Czech policy style in regard to China has been assessed by two analyses issued by the European Council on Foreign Relations in 2009 and 2011, in which the comparative schemes display the Czech Republic's leading position among the most assertive European states.¹³⁷

In addition, however, the Czech Republic is also notable for the notorious disunity of all of its relevant foreign policy makers, i.e. its governmental bodies, political parties, groups within political parties and state institutions, NGOs, business lobbies, individual intellectuals and celebrities from the sphere of the arts. The most consensual and relevant pro-Chinese supporters are on the political left, from the Social Democratic mainstream to the non-reformed Communist Party. Despite the never ending domestic disputes over the moral values or the business media discourse, economic concerns prevail since the 1990s until the present time. Chinese diplomacy usually benefited from the disunity of the Czech political elites by maintaining cordial ties with the pro-Chinese political groups and generally all the relevant business circles, whereas the negative Czech media discourse seemed to be successfully ignored by China.

It was not surprising that the first ever visit of the Chinese Prime Minister in Prague in 2005 followed just one year after the Czech EU accession, and the other opportunity that made Prague worth a high-level visit from China was the postponed EU-China summit that was held there in 2009, as the one that was previously scheduled in Lyon was cancelled when China protested against President Sarkozy's meeting with the Dalai Lama in 2008. However, the following arrival of the Dalai Lama in Prague and his meeting with Czech Prime Minister Jan Fischer in 2009 resulted in a refreezing of the

Czech-Chinese high-level meetings until 2012. While the Budapest Economic Forum (2011) and the Warsaw summit (2012) accelerated the CEE countries and the PRC's so far unprecedented rapprochement, Prague successfully joined the Warsaw meeting to make the group of 16 complete. However, two months later, the Czech ambassador in London met with the Dalai Lama just shortly before the Olympic Games there, having sent to the stunned Beijing a specifically Czech message of diplomacy. But as Beijing upheld the new strategy to strengthen its ties with the CEE 16, the Czech Republic escaped punishment again. Paradoxically, during the years 2010 and 2011, in the time of the Chinese anti-Czech diplomatic obstacles in Beijing, the Czech exports to China soared by 43,9 and 33,3 per cent respectively,¹³⁸ while in 2012 the rapid increase could not continue only due to the economic slowdown in China, which was caused by the global recession. The chilly atmosphere in the Czech-Chinese political relations of those times were marked by the total absence of official visits by the Czech Foreign Minister Karel Schwarzenberg in China, as he never arrived in Beijing during the six years during which he held the office (2007–2013).

The Czech ambassador's meeting with the Dalai Lama before the Olympic games in London perplexed both Beijing and the Czech Prime Minister Petr Nečas-led Government that wished for no other Tibetan scandal to happen when the Czech Republic was just at the point of warming ties with China after the Warsaw summit. The Czech Republic's foreign policy at the turn of the new decade was becoming less understandable to many of its foreign partners, not just to the Chinese.¹³⁹ The nervous tension inside the Cabinet that was aroused between the Civic Democratic Party (ODS) and TOP 09 (another Czech political party) was publicized when Premier Nečas delivered his opening speech at the International Engineering Fair in Brno (2012), where he played down the excessive supporting of human rights of the "*Dalai Lamism*" policy style and the Russian *Pussy Riot* punk rock controversy, both of which, according to him, did harm to Czech exports to territories outside of the EU like China and Russia.¹⁴⁰ While the Premier's rhetorical attack at this time was aimed at Minister Schwarzenberg and the Czech Foreign Ministry, most of the Czech media, NGOs and the opposition Green Party stood against the pro-business mainstream that comprised all the left parties, the ODS and President Václav Klaus. Such a battle line in the Czech domestic politic scene usually marks controversies between foes of Václav Havel and his sympathizers.

In its common EU policy making towards Beijing, however, Prague is a trans-Atlantic ally of NATO and the US, and a supporter of the EU arms embargo against China, and it is a typical post-communist country in the sense that in its realist mindset it perceives China as a potential geostrategic challenger of the US-led western post-bipolar dominance. Despite that and its pro-democracy sentiment, Czech society is remarkable for its strong tradition of sympathizing with China in academia and intellectual circles. However, the Czech admiration of the splendor of ancient China's classic culture and the pre-World War II modern Chinese literature that was popularized by the Czech Sinologist Studies program at Charles University in the 1950s have been successfully introduced into the era of the new Czech democracy, which is monopolized by a neo-conservative negation of the present-day "communist" reality of China. The media-driven mainstream Czech opinion of China is a domain for human rights supporters – i.e. urban liberals – who cast China off into the realm of bad regimes together with North Korea and other so-called "rogue" states. The Czech civic organizations took the lead in mobilizing the public by annually holding the festival Days of Tibet, which, regardless of the PRC Embassy's official protests, commemorates the anniversary of the Tibetan anti-Chinese uprising that took place on March 10, 1950. This festival usually gains a large amount of support from several hundred Czech municipalities, universities, high schools, elementary schools, galleries and cafes, and it is normally followed by supportive rock concerts (e.g. *Rock for Tibet*) and the human rights film festival One World (*Jeden svět*), as well as workshops and exhibitions.

"Restarting" the High Level Bilateral Agenda

After having improved its business environment by liberalizing and privatization programs and completing its stabilizing efforts after joining the EU, the Czech Republic became a prominent and attractive foreign investment hub in Central Europe. Since the 1990s it enjoyed a high rate of foreign investment inflow, and it was one of the highest foreign direct investment (FDI) receivers in the whole post-communist Europe in terms of per capita FDI rates, and obviously it is the number one FDI receiver in the Visegrad group.¹⁴¹

Table 1:
Stock of inward foreign direct investment per capita (USD)

	2006	2007	2008	2009	2010	2011*	2012**
Czech Republic	7,761	10,828	10,812	11,976	12,200	11,880	12,310
Slovakia	6,166	7,822	9,339	9,667	9,305	9,430	9,780
Hungary	5,558	5,965	6,555	6,779	7,026	7,490	8,270
Poland	3,298	4,680	4,311	4,853	5,261	5,000	5,120

Legend: * Estimates, ** Forecasts.

Source: The Economist Intelligence Unit, March 2013.

The growing relevance of Chinese investments in post-communist Europe after its countries joined the EU altogether with the PRC's diplomatic initiative made an impression on Prague. Nevertheless, the Chinese FDI to the Czech Republic still did not reach the level of those from the Korean Republic, yet the Chinese share has been slowly rising up, and today, China is the second biggest Asian investor in the Czech economy. So far the largest investment projects of Chinese investors comprise those of Changhong Europe Electric, an LCD and LED TV manufacturer (its investment amounts to approx. \$33 million; the investment is in the Nymburk Industrial Zone), and other smaller electronics and food producers, all of whom were already established years before the launching of the Warsaw Initiative.

The fall of the Czech liberal-conservative government in 2013 and also the appointment of a provisional cabinet by the newly elected president Miloš Zeman, who was commonly known as a China-friendly business lobby proponent, brought about a turning point and completed a shift in the Czech policy towards China. It is for sure, however, that the main impetus of this change was Beijing's will to keep all the packages of the 16 CEE countries together, regardless of their individual China policies. Prague just managed to take this opportunity, and in 2013 it hosted the Czech-Chinese Investment Forum meeting that was attended by the Czech Prime Minister Jiří Rusnok. The meeting, which was symbolically held in the Prague Castle, the official residence of the Czech President, was attended by a Chinese delegation led by the Deputy Foreign Minister and Secretary of the Secretariat for Collaboration between China and the Countries of Central and Eastern Europe Song Tao. The Czech Premier called that meeting the "restart of the Czech-Chinese

collaboration”.¹⁴² Also President Zeman announced his aim to visit China on the 65th anniversary of the establishment of the Czechoslovak-Chinese relations, and the Czech Prime Minister participated in the China-CEEC Summit meeting in Bucharest, where he met with the Chinese Premier Li Keqiang and offered Prague as the host city for the next summit, which is to be held in 2014. By the end of 2013 Prague really tried hard to show that it underwent an obvious shift from the cold policy of the previous foreign minister Karel Schwarzenberg, and to make the restart of the bilateral ties with Beijing real.

Conclusion: The Diverse Czech Views of China

The Czech-Chinese relations prior to the new era after the Warsaw Initiative suffered from a discontinuity due to unfavorable international circumstances. Besides this, after 1989 the Czech policy toward China was the par excellence case of disapproval and disunity inside the comparatively small state, in which political elites, intellectuals, NGOs, business circles, and the media hardly agree on any issue. Such a small and politically incoherent country is not an attractive partner for China, but at least its policy towards China is well manageable since it follows a routine diplomacy focused on the Czech pro-Chinese lobby. The Czech Republic's position in regard to China is difficult due to its poor diplomatic capacity and the cold perception of the country on the part of Beijing's political circles, which results from the Czech Republic's continual human rights policy and support for Tibet.

China's rising attention to the CEE countries may rapidly lead to a new era of Czech-Chinese mutual appreciation. The first reason is always the economy. The Czech Republic is not in the situation of a cash flow seeker; foreign loans cannot solve the problem of an industrial country that needs to enhance its high-tech profile and increase its export flows outside the EU. Indeed, Chinese investments, which still exist only in rhetorical spheres, are needed. As the Czech Republic, like the other members of the V4 group, was one of the biggest receivers of cumulative FDI inflow per capita in the whole post-communist Europe since 1998, the Chinese appearance on the scene follows very late after the involvement of the Asian (mainly Japanese and South Korean) investors that proved to be more flexible in receiving the CEE countries' positive investment references.

An appealing effect of the Warsaw Initiative seems to be turning up: it encouraged a new wave of the Czech Republic recovering its confidence in the economic “China dream” by mobilizing again the chronic pro-China enthusiasts in business circles, but still there are also strong realist views that do not cherish any high expectations. As there is a unique trend of Czechs doing business in China, which so far surpassed any political leverage that the Czech Republic had in its relations with China in opposition to its political sins like inviting the Dalai Lama almost every other year, the implementation of the Warsaw Initiative and its real outcome are a challenging test of that anomaly: the question is how far the CEE exporters may hypothetically hope for any new institutional support from China and to what extent their only option is to continue relying on their own institutional support, as they did so before. This would imply considerations of how far the 1+16 format provides any additional value beyond the existing EU-PRC strategic partnership. Prague is expected to keep up with the advanced diplomacy of Poland and Hungary in order not to stay behind.

No matter how far the contemporary China deserves foreign criticism from Europe, the Czech negative discourse on China exceeded the level of a self-reconstructing democratic identity process which is based on reflecting the negative otherness in communist China and North Korea. Seeking improvements in the Chinese image in the Czech liberal establishment, media and public opinion cannot clear the doubts about China. Urban elites and civic pressure groups hardly ever leave the influential stereotype of questioning doing business with the undemocratic Chinese regime. When it comes to promoting Chinese soft power in CEE the Czech society stands as a very hard challenge for China.

Besides investment and trade, which are supposedly the key idea for the 1+16 grouping, tourism and the cultural and academic exchange may also benefit from Beijing's efforts. There is a constantly growing Czech interest in traditional as well as modern Chinese culture, studying the Chinese language, and Chinese traditional medicine. As the emerging direct contacts between individuals, townships and regions, and non-state organizations start to facilitate the Czech-Chinese relations by themselves, the improvements of high-level ties along with more spontaneous ones seem to herald a convergence of the Czech Republic and China.

The Baltic States: Lithuania, Latvia and Estonia: Coming Out of the Shadow

Rudolf Fürst

Introduction

Beijing's foreign policy in East Europe during the Cold War era was primarily focused on the presumably China-friendly Balkan states, while Moscow's Eastern and Central European satellites remained in the position of being China's less relevant partner states within the former Eastern Bloc. After the split of the USSR and during the post-communist transformation the East European states came into existence, and among them the three Baltic States – Lithuania, Latvia and Estonia – appeared as a new target for Beijing's European agenda. The three small countries with limited populations (their approximate population counts in 2012 were as follows: Lithuania – 3.5 million, Latvia – 2.0 million, Estonia – 1.32 million), which stand on the crossroads between Russia and the Scandinavian part of the European Union, focused their first independent foreign policy strategies mainly on security ties and economic integration with their existing democratic allies in the West. Their long and tragic historical experience of coexistence with the mighty Russia brought these small states together into a group of post-communist European states which strongly highlight the trans-Atlantic security ties and remain sensitive towards democracy-oppressing leanings coming from the East.

Thus as the historical experience with Soviet era Russia was marked by a civilization threat to the small Baltic democracies, their cultural and social ideal is seen exclusively in the democratic West, i.e. in the Western part of the European Union and North America. Such a perception of international relations keeps the elites of the Baltic states in their mindset, which is strongly realistic and cautious in regard to non-western and non-democratic world powers, and in this mindset, China typically represents just another potential

global hegemonic actor. The Baltic Three States, together with the former Czechoslovakia and Poland, distinctively belong to those post-communist countries that highlight criticism of human right violations, support the Tibetan minority in the PRC, and also strongly advocate for Taiwan, which is seen as a democratic country doomed to living under a permanent threat from its “*big brother*” neighbour, the communist mainland China.

In Chinese foreign policy, the Baltic States remained overshadowed by bigger CEE states until 2004, when Latvia, Lithuania and Estonia also became EU member states. The emerging relevance of those three states for Beijing was being discovered throughout the second half of the first decade of the 21st century, when China was tending to be more deeply interested in the whole post-communist European region. The Baltic countries occupy a strategic position between Russia and the EU, they have their own Baltic Sea ports, which are strategically placed within the Russian western periphery, they have access to the Russian market, as well as to the Scandinavian region and Northern Germany, and they have a good domestic traffic infrastructure and plenty of bilingual and Russian-speaking domestic managers and traders. All these benefits and facilities made the three small countries more attractive during the Chinese overseas investment campaign for East Europe. However, while China has obviously been more active in this new post-Soviet Baltic area, the pro-Western Lithuania, Latvia and Estonia still do not place China into the position of the high level priority.

The following review of the new Chinese activities in the Baltic States and the activities that the Baltic States carried out in response provides the first ever attempt at mapping the Chinese emergence in these post-communist countries, which, up to that point, had no previous opportunities to develop further their own China policy, and which also had no reason for doing so until of the 1990s. Nevertheless, the emergence of a potentially relevant new economic partner close to the Russian Federation and the European Union should be definitely perceived as a unique chance for China to utilize.

A Growing Political Agenda

The short history of the official diplomatic ties of all three of the examined states – Latvia, Lithuania and Estonia – with China dates back to the

establishing of their official relations with China in 1991; however, these bilateral ties did not expand during the first decade of their existence, and the main dynamics appeared only at the turn of the new millennium. The opening and maintaining of all their new embassies worldwide has been a financially arduous task for the three small states with limited populations, and indeed the dynamics of their exchange with China were determined by China as the dominant actor. The comparative relevance of the Baltic States for China was temporarily supported by the PRC's diplomatic clash with Taiwan, which found in the post-communist Europe a new space for its foreign policy expansion in the 1990s. While the main attention of Taipei's East European strategy focused on Central Europe, i.e. Poland, Hungary and the Czech Republic, the Baltic States also belonged to the sphere of the new anti-communist euphoria in post-communist Europe in favor of this small Asian Tiger state. Even though Lithuania, Latvia and Estonia initially established their official relations with the People's Republic of China and continuously upheld the "one-China policy", which excludes the possibility of China's partners having parallel official ties with the Chinese Republic of Taiwan (ROC Taiwan), the active economic diplomacy of Taiwan, which was based on a rhetoric of offering loans and investments to other countries, received massive amounts of sympathy from the Baltic States.¹⁴³ Taiwan's aim of gaining diplomatic relations with the hesitating countries in the former Eastern Bloc reached a partial success in the case of Macedonia, which declared that it was establishing official diplomatic ties with Taiwan in 1999 and followingly opened the Macedonian Embassy in Taipei. Two years later, however, the normalization of the ties between the People's Republic of China and the Republic of Macedonia ended the latter's short affair with Taiwan.

Taiwan's diplomatic encounter with Latvia at first indicated a similar scenario, as Latvia also sought official relations with Taiwan, and in 1992 both states signed a bilateral agreement on opening consulates in Riga and Taipei. However, due to Beijing's strong diplomatic pressure, Latvia's attempt at upgrading its relations with Taipei eventually ended. The Latvian consulate in Taipei did not come into existence, but Latvia's unofficial ties with Taiwan have remained up until the present, which was also the case with Estonia and Lithuania. All three of the Baltic States remained officially focused on mainland China, whereas their unofficial ties with Taiwan, which were based mainly on economic, cultural and academic relations, never again led

to obstacles from Beijing. The representative offices in all the cases routinely avoid using the name of Taiwan in their official titles, and only explicitly mention Taipei – its capital – instead.

As the opening of representative offices without an official status between European states and Taiwan was common since the 1990s, for China it was no longer an urgent issue to tolerate non-official contacts between Taiwan and European countries unless they exceeded the PRC's one-China policy and its claimed criteria. The later development of the Latvian-Chinese political relations after the end of Riga's affair with Taiwan can be regarded as a consequence of a competitive challenge in which Latvia temporarily became the key country of the Chinese foreign policy within the post-Soviet Baltic area. Both Estonia and Lithuania hardly kept up with the intensity of the high-level political meetings that happened between Latvia and China. The Latvian-Chinese high level exchanges comprised the following President-level meetings: the meeting in Riga in 2002 (between Jiang Zemin and Vaira Vike-Freiberga), the meeting in Beijing in 2004 (between Hu Jintao and Vaira Vike-Freiberga), and the meeting that took place during the Beijing Olympic Games opening ceremony in 2008 (between Hu Jintao and Valdis Zatlers); also, Prime Minister Wen Jiabao met with his Latvian counterpart Aigars Kalvitis in 2007 and later also with the Latvian President Valdis Zatlers on the occasion of the World Economic Forum Annual Meeting of New Champions that was held in Dalian in 2009. The active high level talks also continued with meetings between the two countries' foreign ministers (2006) and parliament representatives (2006, 2010), although the main increase of the high level agenda reached its peak during the 2012 Warsaw Summit of East Central European Prime Ministers, during which the Latvian Premier Valdis Dombrovskis met with the Chinese Premier Wen Jiabao; then in the same year, the two Prime Ministers met once again in Tianjin, China during the Annual Meeting of the New Champions (2012), and finally, in the following year (2013) Mr. Song Tao, the Vice Foreign Minister and the Secretary for the 1+16 Regional Format, paid an official visit to Riga.¹⁴⁴

Even though Lithuania and Estonia avoided attracting such massive attention from Beijing due to the Taiwan controversy, the growing Chinese interest in these two countries was obvious too. Lithuania established its diplomatic relations with China in 1991; the Lithuanian President Algirdas

Brazauskas paid a visit to China in 1993; yet the main soaring increase of the bilateral ties occurred in 2002, just two years before the country's accession to the EU, when the Chinese President Jiang Zemin arrived in Vilnius and met with his counterpart Valdas Adamkus.¹⁴⁵ The next set of high level exchanges took place in 2010, as that year the Standing Committee of the Politburo member He Guoqiang visited Vilnius, where he met with President Dalia Grybauskaite and Prime Minister Andrius Kubilis; and later the same year President Grybauskaite arrived in China, attended the National Pavilion at the Shanghai Expo, and met with President Xi Jinping. The next couple of meetings of the two countries' Prime Ministers followed in the context of the 1+16 summits in Warsaw (2012) and Bucharest (2013), and in October 2013 a parliamentary delegation of members of the Lithuania-China Friendship Group of the Lithuanian Parliament visited China.¹⁴⁶

The Estonian high level political exchanges with China did not get behind the trend in Latvia and Lithuania. Estonia's bilateral official relations with the PRC came into existence in 1991, which was the same year that the two previously mentioned Baltic States began their relations with it, but the rapid development of the Estonian-Chinese relations only started as late as after the year 2000. The first Presidential level exchanges between the two countries followed in 2001 (when Lennart Meri visited China), 2002 (when Jiang Zemin visited Estonia), and 2005 (when Arnold Rüütel visited China); the Estonian Prime Minister Andrus Ansip visited China in 2008, and there were also some active Foreign Minister level exchanges (Li Zhaoxing visited Estonia in 2005, and Urmas Paet visited China in 2007 and 2010); the Estonian Minister of Defence Jürgen Ligi visited Beijing in 2006; and finally, the Estonian Minister of Economic Affairs and Communication Juhan Parts visited Beijing in 2012.¹⁴⁷ And, of course, Estonia's attendance at the Warsaw and Bucharest 1+16 summits must be mentioned too.

As was expected, the Baltic Three states so far showed no commitment to abandoning their foreign policy strategic objectives in exchange for the future *win-win* prospects of a mutual economic cooperation with China, all three of the states continuously regard the theme of lifting the arms embargo as out of question, and they feel that their trans-Atlantic as well as pro-EU long term strategies should remain untouched by their rapidly growing political agendas with their Chinese partners. The Baltic States' official attitudes towards the

issue of the arms embargo against China indicate that they uphold the EU consensus, and their individual perceptions of the topic are not affected by Chinese claims.¹⁴⁸

As the three Baltic States put stress on the issue of human rights, their support for the Dalai Lama belongs among the strongest in all the post-communist states in Europe. It was typical that in Estonia, despite the rapid upgrading of the country's ties with China, the Dalai Lama's visit to Tallinn in 2011 was already his third. On this occasion the Tibetan prominent guest met with President Toomas Hendrik Ilves at the Center for Defence Studies, and then he met with members of the Group for Tibet in the Estonian Parliament. The following lunch with the Dalai Lama that was hosted by the Parliament was attended by the then Minister of Defence Mart Laar (who had also previously served two terms as Estonia's Prime Minister). After the lunch there was a joint meeting with Parliamentary supporters and Tibet support civic groups from all three of the Baltic States.¹⁴⁹ Although the official protests of the Chinese Embassy in Tallinn sharply denounced the Dalai Lama's meetings with Estonian governmental officials,¹⁵⁰ no other serious consequences followed, as there were no obstacles to Estonia attending the Prime Ministers' meetings in the Warsaw and Bucharest 1+16 summits.

Similarly, the Dalai Lama's visit to Riga in 2013, by no means the first one there (at that point, he had already visited it twice in 1991 and 2001), did no harm to the East and Central European-Chinese Warsaw Initiative towards Latvia, as in that case the Tibetan spiritual leader, who was then on his European tour through Germany, the Czech Republic, Lithuania and Latvia, addressed mainly religious circles and the broad public without taking part in any political meetings.¹⁵¹ However, at that time, the Latvian media critically pointed at the low-profile level of the Dalai Lama's visit, which was allegedly a consequence of the growing importance of China in Latvia's domestic foreign policy.¹⁵² According to Latvian public standards, if the President and the Prime Minister did not accept the Dalai Lama, and this actually happened during the previous visit of the Tibetan guest in Riga, it would be considered regressive. Quite the opposite was the case during the Dalai Lama's autumn 2013 visit to Lithuania, which was already his third, where he had and meetings with President Grybauskaitė, Parliament members and also with the civic public in Vilnius. In response to the Dalai Lama's visit and his meetings with politicians, the visit of the Chinese Vice-Minister of Commerce, which

was planned for the same month in Vilnius, was cancelled.¹⁵³ But any more serious diplomatic consequences were avoided indeed, as the Beijing-designed Warsaw Initiative framework outlined a new diplomatic offensive in the post-communist ECE and sought for a harmonious spirit in China's relations with the ECE countries. This case proved China's specific occasional tolerance for Lithuania's meetings with the Dalai Lama; while the PRC's Embassy responded to the meetings with official protests, it did so without any other retributive measures. Such experiences with China seemed to be witnessed also in other ECE countries – typically in the Czech Republic and partly also in Poland. Ironically, the autumn tour of the Dalai Lama in Vilnius followed just shortly after the highlighted meeting of the Lithuanian Foreign Minister Linas Linkevičius with the Chinese Vice-Minister and Secretary for the 1+16 agenda Song Tao in July.¹⁵⁴

A Prospect of Trade and a Transport Hub between the EU and Russia

The Chinese shift into the eastern EU periphery could hardly overpass the unique geographical location of the Baltic Three states and their well developed transportation infrastructure. Even though their trade and investment statistics in regard to China prior to 2010 showed petty amounts in comparison to Hungary, Poland and the Czech Republic, for example, the Chinese Baltic Three states and the Chinese economic diplomacy established a series of bilateral trade and investment treaties (agreements on mutual protection of investments, avoidance of double taxation, civil sea and air transport, legal assistance, etc.) that should speed up the Sino-Baltic economic rapprochements. Even though the Baltic States belonged to the most successful exporting states in Europe in terms of the process of recovery from the recession in 2009,¹⁵⁵ nevertheless, the volumes of Lithuania, Latvia and Estonia's exports to China (in terms of the countries' total exports) were still low in recent years (for Lithuania, it was 0,3% of its total exports, and for Estonia, it was 2,2%, and both of these figures are for 2012; for Latvia, it was 0,4% in 2010), and all three had similarly high trade deficit rates.¹⁵⁶ The items that the Baltic States export to China include mainly timber, wood and wooden products, metals and mineral products, machinery and tools, and agricultural and food products.

Chinese investment in Europe is the crucial indicator that may accelerate the Sino-European economic cooperation. The Baltic States successfully apply their rhetorical strategy of “building bridges” between the EU and Russia. They point to promoting “access to the EU market”, which is aimed at attracting Chinese parties interested in transport and logistics facilities, and encourage Chinese producers of electronics and information technologies to do business with them, as the Baltic countries already have an existing technology tradition. The Chinese flow of investments into Lithuania, Latvia, and Estonia, however, still remains in small figures: the Chinese FDI to Estonia in 2012 was €7.2 million, while the Chinese FDI to Latvia and Lithuania in 2011 did not exceed €1 million.¹⁵⁷ In this study the Baltic States’ economic relations with China are mainly observed from the perspective of the post-communist East Europe, but otherwise, in the context of the Chinese relations with the whole Baltic Sea Region, the Chinese interest in Estonia, Latvia and Lithuania apparently remains far behind the Chinese interest in Russia, Germany, Denmark, Poland and Sweden.¹⁵⁸

Naturally, the main part of the attention of Chinese investors is paid to the Baltic infrastructure and transport capacities, and mainly to the sea ports at Klaipeda, Riga and Tallinn. The Lithuanian Klaipeda Seaport established a *Friendship Port* cooperative partnership with the Port of Qingdao in Shandong Province,¹⁵⁹ and similarly the Port of Tallinn signed a cooperation agreement with the *China National Corporation for Overseas Economic Cooperation* (CNCOEC) to open the port’s industrial parts to Chinese exporters and investors. The CNCOEC is a state agency intermediary for the distribution of products of Chinese engineering companies in foreign countries. The CNCOEC supports Chinese companies in imports and exports and operates a number of large-scale infrastructure investment projects all over the world.¹⁶⁰ In addition, the Port of Tallinn and Estonian Railways recently signed an agreement with the Chinese global logistic giant Sinotrans.¹⁶¹

Besides the above mentioned joint agreements, there have been no big scale Chinese-Baltic business and investment projects so far, as the area of the small Baltic States is just emerging from the competition for Chinese attention. Regardless of the mostly EU- and Russia-linked economic ties of the Baltic States, the Lithuanian, Latvian and Estonian economic diplomacies viewed China as a potential future partner and therefore undertook several friendly steps to attract more interest from China for doing business: the most

apparent example of this was Latvia, which started offering residence permits to Chinese citizens who invest in properties there. Such investors receive a five year permit, but not a visa; the permit, however, allows the Chinese buyers to stay in a country inside the EU, and enables them to freely travel within the Schengen area. The property price was expected to range between €70 000 and €140 000, according to the property's location, and the permit was available within one month of being introduced. Most of the buyers, however, are not the Chinese; the approved permits for foreigners were mostly for citizens of Russian-speaking countries – altogether about 7000 people – but the number of Chinese applicants was approximately only one tenth of all. Furthermore, only ¼ of the Chinese permit holders prefer staying in Latvia, and the rest of them just rent out their newly bought properties and move on to other parts of Europe.¹⁶²

The numbers of Chinese citizens living in the three Baltic States have been very limited so far – up to several hundred in each country – and so far, the Chinese citizens have shown little activity in their interactions with the local societies. The Baltic States' cultural relations with China are still not as highly developed as those of the Central European EU member countries, but there is still a rising trend in them. The scholarly ties with China of the Baltic Three states are also still quite limited. Courses in Chinese Studies are offered at the Centre of Oriental Studies at Vilnius University, the Department of Oriental Studies at the University of Latvia in Riga, and the Department of Asian Studies at Tallinn University. Also, to counterbalance Taiwan's activity at the Taiwan Centre at Vytautas Magnus University (in Kaunas, Lithuania), four affiliates of the Confucius Institutes were recently opened in the Baltic States – one in Lithuania, two in Latvia and one in Estonia. There are also prospects for the rising flow of Chinese tourism along the whole Baltic region together with the increasing Chinese investment activities there, and there is a hope that they will grow in the near future.

Conclusion

While the three Baltic States can be regarded as a partly consistent regional group in North-East Europe from the point of view of their strategic security and economic objectives, Lithuania, Latvia and Estonia could scarcely have

developed any common ground for their China policies. Their motivations for approaching China are economy driven and primarily focused on Chinese investment bids. The recent acceleration in the rapprochements of those three states with China, which was most obviously soaring after 2010, and especially after the 2012 Warsaw summit, can hardly be explained by any other reason than the Chinese political and especially economic diplomacy. There are still no clear findings that would indicate the existence of any Chinese Baltic strategy within the 1+16 format, even though China does have regional motivations for evaluating the countries' access to the Baltic Sea, and their advantageous location, which connects the Russian Federation's western periphery with Central Europe and Scandinavia.

The enthusiasm for supporting human rights and Tibet in the Baltic Three states shows similarities to that of some of the small EU states – most typically the Czech Republic. The small post-communist EU member states are a specific group of small countries which reflect their recent historical experience of living under oppressive communist regimes, and continue cherishing their mindset, in which they are small nations that stand up in resistance against the Asian great power, regardless of their increasingly important business agendas. As the Chinese tolerance towards the support for Tibet in small EU states seems to have slightly increased, the Baltic States' "economy first" diplomacy also rapidly enlarged their prospects for being perceived as worthy of attention by Beijing, more so than ever before. The process of China's gradual discovering of the East European peripheries has already begun, but its pace has its own specific dynamics. The strategic geographical location of the Baltic States, their flexible economies, their developed transport infrastructure, and their science and technology tradition are likely to retain the Chinese attention.

The Chinese diplomatic initiative role within the regional format 1+16 is still evidently dominating, China is still in a mode of learning, and it is not burdened by concern for the Baltic Three states' EU and trans-Atlantic ties. Yet the small nations' sense of defending their democracies and their suspicions of hegemonic big states make the Chinese understanding of their local affairs considerably limited. The non-democratic nature of modern China makes the small Baltic states' media and public opinion specifically cautious and critical towards it. The common attitude towards China in Lithuania, Latvia and Estonia still seems to be among the most reserved

in the whole post-communist Europe. Meanwhile, however, it seems that the booming Chinese relations with Germany, Russia, Central Europe, and especially Poland will surround the Baltic Three countries in the near future and may shift them closer to the Asian economic giant. But luckily, compared to the sensitive past relations of Lithuania, Latvia and Estonia with Russia, the case of their international coexistence with the Chinese offers more global and more business-based relations which are safe from direct security risks.

Part II:

**The Balkans Revisited:
The Chinese South-Eastern Hub in Europe**

China and South-Eastern Europe: Introduction

Filip Tesar

For today's China, South-Eastern Europe¹⁶³ is a strategic space whose significance extends further than the basic sum of the significances of several individual countries that, coincidentally, are neighbors to each other. This is not to say that all the Balkan countries have levels of significance for China that would be comparable to each other. On the contrary, the countries all have different levels of significance for China. However, when a country belongs to this region, it is a certain added value. Also, China does not approach all the Balkan countries in the same way. Its approach differs not only according to the level of significance that Beijing attributes to the given country, but it also depends on the country's local conditions – and this factor is particularly substantial. Nevertheless, in the Chinese approach, one can also find certain features that transcend national borders.

Thus, before we start to examine the individual countries, it is appropriate to clarify what the Chinese approach to South-Eastern Europe rests on, and what China perceives in the region. Only in the light of the overall Chinese strategy towards South-Eastern Europe – if such a strategy exists – can the bilateral relations be viewed realistically.

At the same time, we should not confuse strategy with tactics. In contrast to tactics, a strategy presupposes a certain unified conception, and the conception, in turn, presupposes certain determinative ideas. Thus, it is necessary to look for certain general features that are applied to various local conditions in a concrete form. Even tactics are adapted to local conditions, and they have certain features that we can observe in several different countries. Probably the most general common feature of China's tactics in its policy towards Eastern Europe is patience. The ability to negotiate is connected

with patience. Understandably, this Chinese quality is not tied specifically to China's relations with the Balkan states or even to its relations with Europe; as has been acknowledged by East Asian businessmen, namely those from Japan and Korea, the Chinese are considered to be first-rate negotiators who inspire respect. Of course, this ability is an advantage for China in its relations with South-Eastern Europe because it is also connected to a flexible ability to provide credit, a preparedness for bribes and the aforementioned patience. After all, the Chinese approach to the region shows clear features of a long-term perspective. In this respect, a tactical course of action is a mere instrument. As was already stated, a strategy means an idea, something that connects individual tactical steps into a unified approach. What, then, is the Chinese strategy towards the Balkans?

The fact that China really does have a certain strategy is indicated by the character of the Chinese foreign investments, in which the strategy can be clearly traced. This policy underwent four main phases, which were characterized by a gradual liberalization. The last of these phases, the so-called "go global" strategy, started after 1999, when a global strategy with the goal of improving the allocation of resources and increasing the ability of Chinese firms to compete on the global level was accepted. The investment strategy should help the sales of Chinese products (Wong-Chan, 2003).¹⁶⁴ The beginning of China's economic entry into South-Eastern Europe temporally overlaps with the consolidation of the "go global" strategy after 2002 (Nicolas-Thomsen, 2008: 2, 8–9). However, the significance of the aforesaid policy must not be overestimated because in its essence, the policy does not contain much concrete support for Chinese investors. On the concrete level, what the policy rather deals with is the gradual removal of obstacles that were previously in place. Nevertheless, all in all, it is a strategy with the goals of encouraging Chinese firms to increase their exports, strengthening the reputations of Chinese brand names and involving China in the international capital market.

The Chinese investments in this direction in the Balkans fall more or less in the same category as the Chinese investments in Eastern Europe. In their character, they differ from the Chinese investments in Western Europe, which are dominated by investments into services, especially investments into the financial sector and big business (Nicolas-Thomsen, 2008: 7; Freeman, 2012: 10–13). In the beginning, when China started to show a greater interest

in the Balkans, the Chinese investments mainly went towards business activities, trade and mining. At the same time, the Chinese investments into manufacturing started to grow. However, in some of the Balkan states, the investments into manufacturing played first fiddle from the very beginning. To these were added investments into the transportation infrastructure and, finally, investments into the energy sector. At the same time, though, the investments into manufacturing and those into the transportation infrastructure are tied to each other to a great extent.

It is likely that only a small part of the motivation for the Chinese investments in the Balkans is an effort to improve China's access to the local market, as is the case with other Chinese foreign investments. As a market, the Balkans have no strategic significance for China. If we add up the markets of all eleven of the Balkan countries, which will be discussed below, we get a market which is not completely insignificant, but which is still very small in comparison with the market that represents the more developed part of Europe. The entire population of the Balkans is only three-quarters the size of the entire population of Germany, and at the same time, its purchasing power is several times lower. Thus, in comparison with Western Europe, the population of the Balkans are more likely to be consumers of cheaper Chinese goods than consumers of products with a high added value. Nevertheless, China's effort to penetrate the local markets is apparent, and it is evident in the building of Chinese shopping malls in the region. However, China is trying to walk down the path that was previously travelled by Japan and, to a great extent, also by South Korea and Taiwan: like these countries, China wants to get rid of its reputation as a producer of cheap but low quality goods and receive a hallmark of quality for its products in the eyes of the world.

Thus, Chinese companies are often stepping on European soil in an effort to achieve a global level of competitiveness, and apparently, it is precisely in this respect that the Balkans play a specific role. In this effort, an important role is played by certain sectors – in engineering, this role is especially played by the automobile industry. In Romania and Bulgaria, investments into this industry apparently have a strategic character: these are EU member states that thirst after investments into manufacturing. At the same time, entering the local markets of these two countries is relatively easy because Romania and Bulgaria have lower requirements in this respect than the Western European countries. However, simultaneously, these markets form a part of the unified

European market. Here there is also a connection to the CEFTA markets and a connection to Russia since Serbia, as one of the CEFTA countries, has an agreement regarding a free trade zone with Russia. Since China's dealings with these countries (so far) mainly involve the production of cheap automobiles, it is possible that the main buyer is not intended to be the West, but rather other developing countries and transforming economies with a lower purchasing power and without their own automobile industries, and, undoubtedly, China itself. Nevertheless, dealing with more developed markets is necessary for a country since it is seen as a confirmation of the country's quality. This is a path that was already travelled in the past by Japanese and South Korean automobile firms. Understandably, though, Chinese investments into the European automobile industry are not limited to the Balkans. China also invested into the automobile industries in Great Britain and Germany, and one of the biggest Chinese investments in Europe took place when the Chinese company Geely took over the Volvo Car Corporation. Nevertheless, so far, Bulgaria is the only European country on whose territory a truly Chinese automobile production enterprise was created. In turn, a subdistributor network for the Chinese automobile production in Bulgaria is slowly developing.

If we speak about access to Western markets in connection with the automobile production in Bulgaria and Romania, we naturally get to the question of transportation. Japanese and South Korean automobiles usually travel by sea from the Far East to Western Europe, or more specifically, to Western European and Mediterranean harbors. From the harbors, they are transported by highways or possibly by railways. A shorter transportation route leads through the Suez Canal and to the Mediterranean harbors; then three particularly important shipping stations are Trieste and Venice in Italy, and Koper in Slovenia. Then from these stations, there is a short surface route that leads directly into the heart of the consumer market in Western Europe. To be sure, a surface connection leading through the Balkans may also still be potentially fast and relatively cheap, but what is missing here is the necessary highway network. From Bulgaria and Romania, there is a potential connection that goes further west through Hungary, Serbia, possibly Croatia, possible detours into Italy (with transit over the Adriatic Sea), and Montenegro or Bosnia-Herzegovina. Of course, what is important here is not just the transportation of automobiles and automobile parts produced in the Balkans,

but also achieving the maximum level of effectiveness in the transportation of Chinese products as such. A major role is played here by the capacity of the possible transportation routes and nodal points.¹⁶⁵

The option of transporting Chinese goods via the Balkans has the potential to be effective. An essential prerequisite for it is the availability of maritime stations with a connected dock infrastructure and long-distance connections, which should mainly be by roads, but possibly also by railways. Precisely one such maritime station is found in Greece (Piraeus), and China made systematic efforts to gain control of it. Other maritime docks can also be found in Greece. One can also consider the high capacity docks in Romania (Constanta) and Bulgaria (Burgas) – in the case of these docks, one can consider using them in the context of an eventual surface connection between Russia and the Black Sea. Another option is a possible connection with the Croatian city Rijeka, whose docks can serve as alternative docks in addition to those in Koper and Northern Italian harbors. When viewed from this perspective, the Balkans are significant for China because they can serve as an important transit area, and from this logically comes the Chinese interest in the transportation infrastructure in the Balkans. From this, one can also deduce the rationale behind the Chinese strategic decisions regarding this infrastructure. As for the harbors, what is important is not just their position, their unloading capacity and their links to the transportation infrastructure, but also, for example, how high the fees are and the speed with which the harbor can adapt itself to the requirements of the carrier. That is why it is in China's interest that it should gain the option of administering an appropriate harbor (or several appropriate harbors). Similarly, when it comes to the further transportation of Chinese goods to Western Europe, the most appropriate option is, again, a direct administration of communication – for example, in the form of a monetization of existing highways or in the form of the BOT (build-operate-transfer) model. One thing that helps China in this is the fact that the EU's plans for building several pan-European corridors that would lead through the Balkans made only limited progress since the 1990s, and none of the planned corridors are finished. China could thus do the related countries a favor and get involved in those areas where the EU is seen as insufficiently effective by the local governments.

From the perspective of China, the construction of highways in South-Eastern Europe probably has one more important aspect that cannot be simply

passed over. Even though Chinese firms constructed an abundance of highway communications in both China and other parts of the world – for example, in Latin America – their strategic interest is in China joining the ranks of the most developed states of the world, especially the U.S. and the states of Western Europe, which, in terms of commissions, represent the most valuable opportunities and, at the same time, a sign of quality. The fact that China constructed the highway infrastructure in South-Eastern Europe could become a confirmation of the quality of Chinese enterprises, and such a confirmation would be necessary for the entry of Chinese enterprises into Western Europe.

Nevertheless, in South-Eastern Europe, China is interested not only in highway transportation, but also in railway and air transportation. Potentially all four of the types of transportation (maritime, highway, railway and air transportation) in Europe could form a single unified system. This system would be a regional node not only for Chinese exports to the Balkans (and to Central and Western Europe by way of the Balkans), but also for Chinese exports to Turkey, South-Western Asia and the East in general. However, if we focus only on the EU, then from this perspective, the Balkans play the role of a border space in China's relations with the EU. For China, the Balkans are a possible point of entry into Europe from the perspectives of transportation, access to the European common market, and the entrenchment of Chinese brands in the market. Thus, in the Chinese view, the individual Balkan countries are not too significant in themselves, but to a great extent, they are mainly significant as a certain kind of network. Nevertheless, this does not mean that China could not see a certain potential in any one of the Balkan countries independently of the others.

The character of Chinese investments is different in different parts of the world. In the OECD countries, the determinative moment is the level of competitiveness and the comparative advantages. In developing countries, an important motive for the Chinese investments is the acquisition of raw materials (Huang–Wang, 2011: 18–19). The Balkans do not unequivocally fit into either of these two formats. They are not so rich in terms of raw materials that the whole region would attract China's attention in this respect. However, some individual Balkan countries do have supplies of raw materials. This is particularly the case with Albania and Kosovo, as deposits of precious metals are found in these two countries. Also, in several of the Balkan countries, there

are coal deposits which are connected to heat power plants. Understandably, in such situations, China does not try to remain on the sidelines.

Heat power plants and electrical energy in general are then a chapter in themselves. The biggest investors in the field of energy in the Balkans are the EU, Russia and China. China's economic growth is dependent on the satisfaction of its own growing energy consumption needs. Since the beginning of the 1990s, China's energy consumption (especially in industry, but also in relation to the needs of its inhabitants and the functioning of the infrastructure) increased so rapidly that ensuring a sufficient amount of energy for it is probably its biggest challenge at the moment. Today, China is the second biggest consumer of electrical energy in the world (the USA is the first), and it is probable that it will reach the first place in the foreseeable future. That is also why China, in contrast to the EU, bets on active, globally coordinated state interventions into its economy rather than on free market mechanisms (Zhao, 2008: 207–227). It does not assert that the field of energy is a direct part of the security policy the way Russia does, but it pushes for ensuring a sufficient amount of energy by strengthening the political and economic relations with states that produce energy, and this practice is accompanied by strategic investments by national companies into the area of energy. In short, energy is so important for China that it cannot be ignored in its bilateral relations (Kreft, 2006: 65). Even though the hunt for oil and natural gas, which the Balkan states import, stands at the forefront of the Chinese interest, the energy sector in the Balkans still deserves our attention. In addition to the already mentioned heat power plants, the Balkans offer a range of possibilities, especially in the area of water power.

Similarly as with the transportation infrastructure, in the field of energy, Chinese investors strive especially for exclusive long-term contracts. Given the fact that many of Chinese energy companies are still controlled by the state, the government's ideas about the need to obtain energy for the future growth of China are naturally projected into their investment plans. It is not just that these investments, with their specific character, can go against the principles of an open market and free competition, for their primary aspect to be considered during the planning of investments definitely does not have to be their rate of profit as computed according to current market mechanisms (Zaborowski, 2010: 149–150).

In the area of oil and natural gas production, China has not been self-sufficient for a long time, while in the area of electricity production, China's deficit is still not so palpable. But even so, we probably should expect that in the future, China will increasingly import its electrical energy as well. But if it makes appropriate plans and has a larger volume of investments, China has the potential to determine the politics of the prices of electrical energy in South-Eastern Europe. The already existing realized or planned Chinese investments into electricity production in the region rather remain as individual projects, but one can easily imagine their strategic interconnection in the future, especially if China decides to buy up transmission networks, for example. For now, though, China is sticking to hydraulic and heat power plants, and this might very well be because of the fact that these are the kinds of constructions that Chinese firms have the most experience with because they worked with them in China. However, China is still probing into other forms of electricity production as well.

The Chinese investments into energy are inseparably connected to the activities of the Chinese Development Bank, founded in 1994, which offers advantageous loans to not only Chinese state-owned firms, but also to private foreign firms and foreign governments. The Chinese Development Bank systematically invests into the area of energy transportation, into equity securities in strategic foreign firms and into contracts with foreign firms which will ensure deliveries of equipment for Chinese firms (Downs, 2011).¹⁶⁶ At the same time, China has a comparative advantage in the fact that in the case of export loans, in contrast to EU firms, it does not look back upon the OECD Consensus, which is a system of rules which especially concerns specifying the minimum insurance rates for individual risk categories of countries and debtors. This factor gains in significance precisely in relation to South-Eastern Europe, for most of the region is classified into the "high risk" categories in the context of the Consensus, which is more binding for EU firms than Chinese ones.

In the area of energy, the Balkan states are smalltime players in comparison to China. Their thinking in regard to this matter might be influenced by the thought that they might be self-sufficient in terms of electrical energy production with the help of China. However, the intersection of the relations between China, South-Eastern Europe and the EU has one more dimension. Several states of the region are EU members, and the others are candidates

or potential candidates for EU membership. The creation of a state-directed complex of energy production in South-Eastern Europe, which would be gradually integrated into the EU borders, would understandably mean that China would have a hidden political lever against the EU as such.

Finally, we can mention food safety as one more strategic area of the relations between China and South-Eastern Europe. The Chinese demand for European food products, or more precisely, for certain categories of food products, is gradually increasing. However, there exist indications of Chinese direct investments into the agricultural sector in South-Eastern Europe, which might signalize China's strategic intention to expand the field for obtaining food products for China's population.

Thus, if we summarize the information about the Chinese investments into South-Eastern Europe, we see a combination of several different push factors: China's effort to overcome the business obstacles that lie between China and the EU, its effort to establish Chinese brand names on more mature markets as quality brand names, its effort to break into local markets, and its effort to obtain raw materials, energy and, possibly, food products. Regardless of how the individual countries of the region differ from each other (even from the perspective of China), what shines through in the Chinese approach is a view of the region as a border space of the EU, and also as a gate for entering Western Europe. All in all, we can say that the listed push factors are of an economic character. From these factors, we can assume that China approaches the countries of the region in a politically unbiased way, making its decisions in the matter primarily on the basis of what is advantageous for its economy. But is it really like that? Or does China make its decisions from other perspectives than the economic one?

We can attempt to answer this question by briefly summarizing the various pull factors. In China itself, in the last few years, various nationalistic voices are making themselves heard. These voices see the national interest as composed of more than just economic interests. As China is now a global power, its strengthened confidence is projected into its national interest. At the same time, what is projected into China's past is memories of how it was degraded and attacked by other powers. In contrast, though, China sees its future as connected with the global geopolitical rivalry (Liu, 2010). However, we do not have to go that far to see that in addition to China's economic considerations, China, in its foreign policy, must naturally act according to

considerations that have to do with the question of its role on the international scene, which presupposes that it thinks about how close to or distant from other states it is. This has to do not only with the traditional set of questions related to China's international role (disputes about sovereignty, border locations and military competition), but also with a new set of questions, which is continually becoming increasingly significant. This set includes the questions of Chinese emigration, private Chinese investments in foreign countries, China's role in globalization (regardless of whether this involves the problematique of global warming or that of sustainable growth), etc. This issue area is closely interconnected with economics, which brings us back to the contemplation of the Chinese economic strategy. The basis of the strategy does not have to be merely satisfying China's current economic needs. Economic interests can be perceived in a wider context – and with that, we return to the question of the pull factors that influence the attractiveness of specific individual countries in the eyes of China.

At the same time, we can ask what proportion of the attractiveness of a concrete individual country can be attributed to the country itself, and what proportion of its attractiveness results from its position as a part of the region. We definitely cannot underestimate the latter. China is a much stronger partner than the Balkan states, and in most cases, in principle, it is she who sets the rules. Chinese representatives met with 16 prime ministers of Eastern European countries in Warsaw in 2012, and it is hard to imagine a similar meeting between China and a similar number of prime ministers from Western European countries. The countries of the eastern (east-central, eastern and south-eastern) outskirts of Europe have a different political and economic weight than their western counterparts. To put it in the terminology of sports, they are rather playing in a lower league. In short, their view of the significance of China is different from that of Western European countries, and thus it is precisely here that China can come forward with its abovementioned "Warsaw" format.

If we remain in the terminology of sports, the countries of the south-eastern outskirts of Europe are basically the minor league in this respect. If they are members of the EU, they are only its marginal members that do not belong to its more narrow integrational center, and even though Greece is a part of the center, it is currently its "black sheep". Their global economic significance is picayune and negligible even in the context of Europe, even though these

countries were heavily hit by the crisis. And the economic slump caused by the financial crisis, which weighed down on the economic margins of Europe to a greater extent (these margins are not limited to the areas we discuss here, but in many cases, it was precisely Balkan countries that were strongly hit by the crisis), even led to some voices in South-Eastern Europe invoking China as a potential savior. China tactically took advantage of the crisis, since the economic influence of the EU center on South-Eastern Europe, which had previously been key, was limited by the crisis. One can even presume that the happy times of the high GDP growth in the region, which was underlaid by the region's relations with the EU economic center, might not come back even after the crisis subsides because at that point, the center will have more worries about itself.

Nevertheless, here we need to return again to the question of tactics and strategy. For example, if China wanted to tactically take advantage of the effects of the crisis on South-Eastern Europe in order to make advantageous investments in the region (that is, invest its monetary surpluses), it had many chances to do so; for example, it would not be an exaggeration to say that in Croatia alone, which was heavily hit by the global crisis and desperately needed money, China had hundreds of such opportunities. However, China did not take advantage of them. We certainly cannot consider the state of affairs of the five years of the crisis (2008–2013) to be given once and for all. Chinese foreign investments, which are unequivocally dominated by state investments, remained low until 2004, but then they started to rapidly grow (Huang–Wang, 2011: 2). We need to keep that in mind and be careful in our evaluations of the character and volume of the Chinese investments into South-Eastern Europe. However, when the individual countries' levels of cooperation with China differ, one can assume that some of them are more attractive for China than others. And at the same time, it does not have to be purely a matter of economic factors, supplies of raw materials or a welcome geographical position. Until recently, China's opinion of the region was not very high, and thus it is all the more appropriate to evaluate what could differentiate some of the states from the others in the Chinese perspective.¹⁶⁷

One of the first Chinese communities in Eastern Europe was established in Hungary. However, larger communities of Chinese immigrants also live in the south-eastern part of the continent – that is, in Greece and Serbia, and also, to a lesser extent, in Bosnia and Bulgaria. Immigrants can convey

information about the host country to their countrymen, regardless of whether they are praising the country or complaining about it. Another aspect that can raise China's awareness of a particular foreign country is the Chinese perception of the depth of the country's traditions. China is very proud of its cultural traditions and the tradition of its statehood, and in its view, practically all the countries of South-Eastern Europe are relatively new formations. In this respect, Greece is a distinct special case. For that reason, we could use the example of Greece to try to find an answer to the question of whether China always acts purely pragmatically in its relations with the South-Eastern European countries, and to what extent it allows other elements to come into the mutual relations.

In connection with this, every observer must get the idea that China shares a common history with some of the Balkan states. Of course, though, these ties are limited, given the geographical, historical and cultural distance between China and the Balkans, and the fact that from the perspective of history, the cases of the historical ties were mere episodes if not just moments – and they were all the more so mere moments for China, a country that likes to look at its history in terms of millennia. But we cannot underestimate the historical ties just for the reason that the ties were a part of the history of communism, and in spite of the ideological pragmatism of recent years, China is still ruled by communists. Thus, China shared at least a part of its political ideology with some of the Balkan countries. And if, on one hand, the period of the shared ideology was rather short, on the other hand, it occurred relatively recently; in fact, it occurred so recently that even today, the corresponding imprint of the mutual relations must still remain in the collective memory of the Chinese government. Thus, we can naturally assume that China's politics can be influenced by the reminiscences of the mutual relations. Both China and the Balkan states like to appeal to their shared past.

The two main Balkan countries with which China has a shared past are Albania and Romania, as these two countries utilized China as a source of support against the Soviet Union. Correspondingly, Albania carried out its own "cultural revolution"; as for Romania, it was at least inspired by some of the ideas of this revolution, and in any case, Romania was never openly critical of it. Both of these countries were also in agreement with China when they denounced the Soviet invasion of Czechoslovakia in 1968. In contrast, Communist Bulgaria stood by the Soviet Union's side until the end,

but soon, it started to prepare the terrain for normalization, and its bilateral relations with China then kept growing tighter until the fall of communism. The situation was more complex in the case of Yugoslavia, where in the beginning, there were alternating periods of diplomatic cooling and diplomatic warming in the bilateral relations with China until the beginning of the 1960s, when the mutual relations became stabilized and remained in a state of strong detachment. Then for the successor states of the former Yugoslavia, the establishment of relations with China meant the beginning of a new chapter. Before the fall of communism, Greece was closer to China than Yugoslavia. Greece did not belong to the communist bloc, but already under the government of the military junta, Greece started a policy of opening up to communist countries.

The closer relations between China and the Balkan countries cannot be seen as limited to the Cold War period. But at the same time, we must not forget that after the fall of communism, various great powers competed with each other for influence in the Balkans, and this process still did not end. Thanks to this, South-Eastern Europe is one of the most heterogeneous areas of the continent from a geopolitical perspective: for example, in the region, we find both distinctly pro-American (Kosovo and Albania) and pro-Russian attitudes (Serbia and Bulgaria). Understandably, this colliding of geopolitical interests even includes some space for China. The one South-Eastern European country with a distinctly pro-Chinese foreign policy orientation is Serbia, which tries to approach China as a potential source of support that would balance out the influence of the West, namely the U.S. and Germany.

The influence of both of these countries is a factor that cannot be ignored in all of South-Eastern Europe, and China regularly comes into contact with both of them in the region. But they are not the only countries that China comes into contact with in regard to the Balkan states. From the European states, Italy has a significant amount of influence in the whole region, and France has somewhat less. Also, some small European states are very active in the region: particularly Austria is active in the north, Greece is active in the south (the spheres of interest of the two countries intersect in Bulgaria and Romania and partially also in Serbia) and, finally, Slovenia focuses mainly on the areas of the former Yugoslavia. In spite of the economic difficulties of the last two mentioned states as a result of the global financial crisis, one cannot underestimate their influence. Both Greece and Slovenia are

well embedded in the Balkans. Their banks and retail chains operate in the region, and tens of their small or medium-size firms cooperate with each other there. Nevertheless, China does not compete only with the U.S. and the EU for influence in the Balkans. In parallel with China, Russia and Turkey are also expressing their growing interest in the region. From the perspective of the region, these two states are viewed as states which managed to deal with the crisis better than the EU did, and before which lie prospects of growing wealthier and further development. Even though China undoubtedly surpasses these two countries in terms of global standards, in the Balkans, it has several basic disadvantages that they lack.

Even though China also embarked on the task of a large scale cultural offensive in the Balkans via its Confucius Institutes, there it is still viewed as culturally distant and exotic. China also has the image of a culturally closed off country, and the fact that the Chinese communities in the region are similarly closed off only contributes to this image. Although at least at first glance, courses in the Chinese language are attracting the attention of people in the Balkans, these courses are rather seen as a possible route to success in business rather than as a way to further strengthen the Balkan countries' relations with China. China does not represent an attractive cultural model in the Balkans.

For this reason, Russia and especially Turkey have stronger positions in the region. Because of cultural ties that go back hundreds of years, these two countries, unlike China, do represent an attractive cultural model in the region. Russia mainly has a cultural influence in the nations with which it shares the Eastern Orthodox tradition: the Serbians, Montenegrins, Bulgarians, Romanians, Greeks and Macedonians. This influence is supported by the large scale purchasing of seaside real estate in their countries by wealthy Russians, and naturally also by Russian tourism. Although Chinese tourism in the region is also on the rise, in the near future, we will hardly see Chinese restaurants in the region where the waiters would serve Chinese customers while speaking to them in fluent Chinese and wearing imitations of Chinese "national costumes" with Chinese music playing in the background, but precisely this kind of culturally specific service is available in Russian restaurants in the region. The Russian influence can also extend beyond the Eastern Orthodox cultural compass, and China can hardly offer a gesture of good will to the Balkans of the same caliber as the agreement about the participation of the Zagreb

hockey club in the Russian Continental League, for example. Russia also publishes the Internet newspaper *Russian Daily*, and it offers this newspaper in Serbian, Croatian, Bulgarian, Macedonian and Greek language versions (with special care being given to the Serbian version). These Balkan versions of the newspaper are rich in terms of information and distinguished by their good understanding of the local culture in the Balkans.

The influence of Turkey is understandably strong in the case of Balkan nationalities with an Islamic cultural tradition, that is, Bosniaks and Albanians. However, Turkey's cultural influence in the Balkans is stronger than Russia's, and it also extends further beyond the borders of the country's own cultural space. Turkish soap operas are a huge hit in the entire region, and they have viewers from Athens to Zagreb. By watching these soap operas, the inhabitants of the region are even learning to speak Turkish, and their Turkish is actually better than the Chinese of their countrymen who are taking organized Chinese courses. In addition to this, Turkey does not limit itself to activities in the sphere of culture, since it is increasingly active in trying to help solve various problems in the Balkans. More specifically, it tries to help solve the problems in the relations between the Bosniaks in Bosnia-Herzegovina and Serbia, the relations between Bosnia-Herzegovina and Serbia, and the relations between the Bosniak factions in Serbia.¹⁶⁸

In many respects, Russians and Turks have a similar life rhythm as the inhabitants of the Balkans. The Balkans share with them a part of their history, and the sense of shared history does not remain only on the diplomatic level as in the case of China, but it is actually strengthened by the fact that Turkey and Russia were direct actors in various past events in the Balkans. They are also geographically closer to the Balkans than China, and many Turks and Russians had closer contacts with the Balkans. Also, many inhabitants of the Balkans travel to Turkey and Russia and have a real knowledge of them, while China remains a distant geopolitical concept more than anything else in the view of the Balkans. Russia represents an attractive combination of modernity and tradition, while Turkey represents a union of Europe and Islam. The example of both of these states is evidence for the inhabitants of the Balkans that they do not have to give up their identity to rise to the economic challenge of the West. Looking to Russia and Turkey is thus a way for the Balkan countries to deal with their inferiority complex in regard to the West. But the Chinese example does not have such a function. Thus,

China, in comparison with its two rivals, has a significant gap in its “soft power”. But its “hard power” is also one of its weak points. In terms of “hard power”, Turkey has an advantage, as it is a member of NATO. Furthermore, most of the Balkan countries are members of or candidates for membership in the Alliance. The only exception to this is Serbia, but Turkey has also been expanding its cooperation with it in recent years. For Russia, Serbia is basically the only possible partner. China, however, although it always has its eye on military affairs, can achieve a strong position for itself in the Balkans only with great difficulty in this respect, and with the possible further expansion of the Alliance, the space for it will only grow narrower.

However, like Russia and Turkey, China has an advantage in the Balkans in the sense that the Balkan countries see it as a partner that can offer them the potential for development in the long- and medium-term perspective, which is not the case with the EU. Also, like both of the mentioned states, and unlike the EU, China does not pressure the Balkan states to carry out changes in their interior politics. For this reason, China is an attractive partner for those Balkan governments that have an oligarchical character. Nevertheless, despite this, to a great extent, it is the fact that some of the Balkan states have an EU membership or prospects of an EU membership that makes the region attractive for countries wishing to cooperate with it, and this is the case even for China.

Thus, several important players are competing for influence in the Balkans. From these players, the U.S. and Russia look upon the region from a multipolar perspective in which the Balkans are the stage for clashes between various contradictory national interests, a kind of geopolitical buffer zone. Especially towards each other, the players hold an attitude based on the belief that for every winner in the geopolitical game, there is also a corresponding loser, or, in other words, a “zero-sum” strategy (in some respects, the U.S. looks upon China in this way, while Russia sees the EU in those terms). In contrast, the perspectives of Turkey and the EU are rather multilateral, as they lean on shared interests and cooperation, that is, a “win-win” strategy. But where does China, as a global player who thinks in a multipolar way while building a network of its own political alliances in the Balkans, belong? Here the question of energy is especially important. China, along with the EU and Russia, is now starting to become one of the most important investors into

this sector in the Balkans. At the same time, Russia considers energy to be a matter of security while the EU still does not.

From the EU's point of view, the external acceptability of Russia decreases for this reason. But how acceptable is China? After all, China, in fact, considered, e.g., mineral wealth to be a matter of security as well. If it is possible to reduce a country's energy dependence on Russia, is it also possible to reduce its economic ties with China? How is China a relevant or an irrelevant partner? The Balkan states can serve as a clue in trying to answer these questions. With but a few exceptions, they are characterized by a high degree of internal consensus on the importance of economic relations with China. For the majority of them, China is an acceptable partner from a political point of view (in some cases they even make this claim almost without any reservations). It is clear that their economic cooperation with China – as well as the political cooperation with China in the case of Serbia – is considered as a path to the fulfillment of their national interest. But can the Balkan states truly fulfill this interest? And if so, how? And if not, why not? The Balkan states serve as a clue here because in comparison with China, they are significantly weaker partners. It is therefore good to look at whether they found an appropriate answer to the Chinese economic strategy in the form of their own suitable cooperation strategies. That is why it is good to ask the following question: What is the Chinese strategy like?

Traditional Allies: Bulgaria, Romania and Albania

Bulgaria, Romania and Albania are three countries which have very close and friendly relations with China. Out of these countries, Albania has the longest and firmest history of relations with China, and the mutual relations of the past are regularly brought up by both sides during official visits. Albania was one of the first countries to recognize the People's Republic of China already in 1949, and China and Albania saw each other as ideological partners right from the very beginning. The influence of China in Albania started to grow stronger in parallel with the shrinking of the Soviet influence in Albania after 1956. In that year, there started to be official criticism of Stalinism in Moscow, which Albania judged to be a dangerous revisionism. In 1961, Albania broke off its relations with the Soviet Union, and China thus replaced the Soviet Union in the role of Albania's key ally. For Albania, this was the second such change, as in 1948, it similarly "exchanged" Yugoslavia for the Soviet Union, a huge but geographically distant sponsor. Regardless of the suspicions of the Albanian communist regime, which was constantly afraid that its small country would be absorbed by a much bigger actor, the opting for China was definitely not just a tactical step – i.e. exchanging one distant allied superpower for another one, which would be even more distant. Albania and China shared a fear that drawing back from revolutionary positions ("revisionism") would mean the threat of restoring capitalism, and they also shared fears of a military attack by the capitalist states. This ideological harmony between the two countries was the most apparent in 1966, when Albania launched its so-called "Ideological and Cultural Revolution", which was its answer to the Chinese Cultural Revolution. No less significant was the reorganization of the Albanian army according to the Chinese model of the time, and Albania, unlike China, actually stuck with this model until the fall of communism (Qazimi, 2013: 167).

In addition to this, after the Soviet Union and its allies' invasion of Czechoslovakia in 1968, Albania discontinued its membership in the Warsaw Pact and started to intensively cooperate with China in the military field. However, the following normalization of the Chinese-Soviet and Chinese-American relations as well as China's ideological opening up towards West European communist parties in the years 1969–1972 prefigured the end of the Chinese-Albanian alliance, which definitively came two years later with the death of Mao Tse-tung in 1976 (Prifti, 1999: 58–84).

The first problematic issue here was the deficit in the mutual trade between the two countries, and in relation to that, another problematic issue was the question of Albania repaying Chinese loans, for which it did not have sufficient means. In the end, China, which had economic problems of its own, judged the alliance with China to be unprofitable and feckless. However, the mutual relations were definitively put to rest by Albania, and it was for ideological reasons. Albania not only decided to depend on its own strength, but it even set its sights on becoming the leading power of the worldwide communist revolution (Tarifa, 1995: 137). Thus, the economic, military and cultural cooperation between the two countries was completely discontinued.

Later, in transformed global conditions, after the fall of communism in Albania (1992), the Chinese-Albanian mutual relations were rebuilt on a new base. Initially, however, Albania strongly oriented itself towards the U.S. But after the Socialist Party, who were the direct successors of the Communist Party, came to power in Albania, Albania and China quickly grew closer again. In the end, Albania was the third Balkan country to enter into a strategic partnership with China. At the same time, it is worth mentioning that the second was Serbia, a country with which Albania is in dispute regarding the standing of Kosovo. In addition to this, Kosovo's independence contradicts the Chinese interests in regard to Tibet and Taiwan (Bogdani, 2007).

Romania grew closer to China especially after 1968 due to the two countries' opposition to the Soviet Union, although they opposed it for different reasons. In Romania, the motor for the opposition was the domestic fear of a Soviet intervention. But the fact that Romania grew closer to China politically also led it to emulate China in terms of ideology. In 1971 Romania launched its own version of a Cultural Revolution (although it did not officially mention the Chinese Cultural Revolution in connection with it), and at the same time, it established slightly closer relations with the

East Asian countries that were politically close to China (North Korea and Vietnam). After 1972, Romania played a significant role in introducing the People's Republic of China to the international community, as it helped China to establish diplomatic relations with the U.S., Italy, Austria and the North European countries. Although after Mao's death, Romania's ties to China also became looser, Romania's strong emphasis on a government controlled economy, its limiting of domestic consumption and also its firm ideological control increasingly connected Romania to the mentioned East Asian states (the situation with Bulgaria was similar since the 1980s) (Verdery, 1995: 107, 307). Romania was a welcome ally for China even if it was not as internationally isolated as Albania, and even if its international significance was small. For Romanian products, in relation to their low level of quality, China represented a welcome and important outlet; the business exchange between the two countries was almost balanced until the fall of communism in Romania in 1989. The official relations then underwent a single drastic decline, but soon afterwards, they were re-established on a new basis.

Bulgaria was an obedient satellite of the Soviet Union until the 1970s. After the warming of the Chinese-American relations at the beginning of the 1970s, the Bulgarian media obediently launched an anti-China campaign. However, no leading representative of the Bulgarian regime participated in the campaign. This opportunistic behavior, which afforded Bulgaria the opportunity for some political maneuvering in this area, was increasingly evident since the end of the 1970s, when the mutual maligning subsided, and not only the economic but also the political relations between China and Bulgaria developed to an ever greater degree. Since the mid-1980s, cultural relations between the two countries were established as well, and bilateral relations between them quickly developed even on the highest levels. Soon after the fall of communism, the policy towards China of the newer Bulgarian governments basically smoothly grew out of the base of the communist era Bulgarian-Chinese relations.

Romania: The Host of the Common Production

What role does China's political closeness to these three countries from the communist times play in its economic strategy? All three of the discussed

countries maintained extensive relations with China on the political, economic and cultural level when they were under communist governments. Although Albania discontinued its relations with China, these relations were at their most intensive right before they were discontinued. In addition, it was in these relations that the first Chinese involvement in industrial production in the Balkans took place: since 1974, a factory in Gramshi produced the world famous AK-47 automatic rifles with the involvement of Chinese experts (Qazimi, 2013: 159). By that time, Romania had also established strategic relations with China. When communism collapsed in Romania in December 1989, what followed was a swift fall of the Chinese-Romanian mutual business exchange. But the Chinese openness towards Romania in the economic field continued despite this shock; in 1999, the Bank of China extended a short-term loan to Romania, which was momentarily in a strait situation. The loan was in the amount of \$100 million, and it was to be repaid the following year. In 2001, the two countries repaid their debts to each other. The Chinese exports to Romania then started to grow rapidly in connection with the negotiations about Romania's possible EU accession. The share of China in the total volume of Romania's imports then continuously rose; it was only in 2009, when Romania was fully hit by the financial crisis, that a sharp fluctuation occurred in this. Currently, China's share in Romania's total imports amounts to about 5.5%. At the beginning of Romania's EU accession negotiations, approximately 50% of Romania's imports were covered by its exports, but Romania's deficit in the mutual trade balance rapidly increased, and it was only in 2007 that Romania's exports started to grow at a sufficient speed to partially balance out this adverse tendency.

However, regardless of the volume of the mutual trade, already at the beginning of the 1990s, the first Chinese firms started to operate in Romania, and since then, their number constantly grew. Before the global financial crisis, over 9,000 Chinese-Romanian joint ventures operated in the country; in 2011, there were about 10,000 of them, and their total capital amounts to roughly \$383 million. However, only a small minority of these joint ventures were truly active: there were about 2,300 of these truly active joint ventures (which employed roughly 6,600 Romanian employees) (Korniyenko–Sakatsume, 2009: 4), but even this is a considerable number. From the ranks of large firms, ZTE Corporation and Lenovo, two of the biggest producers of telecommunication and computer technologies, are active in Romania. China

Mobile is also interested in entering the Romanian market.¹⁶⁹ Furthermore, Romania passed some legislative measures that should make the entry of large Chinese firms into the Romanian market easier.¹⁷⁰

In the relations between China and the Balkans, Romania plays the important role of the host of the common production. In Romania, licensed or brand name products are produced for a variety of European and Asian manufacturers, especially for those that produce machinery. A typical case in this respect is that of spare parts for automobiles, as these are often produced in two versions – a brand name European version (with a higher price and a higher level of quality) and a licensed Chinese version (with a lower price and a lower level of quality). Machinery manufacturing has a strategic significance for China, but nevertheless, in terms of the volume of Chinese investments, it is not determinant: the investments also go into business, light industry (the clothing industry, timber processing, the tobacco industry, the food-processing industry), tourism, mining and energy. Ten larger Chinese investments which together make up about a quarter of the total Chinese investments in the country were standalone enterprises of Chinese businessmen. Although so far, Romania received more direct Chinese investments than any other Balkan country (approx. €717 million for the period of 1991–2010), the Chinese investments only amount to roughly 4.1% of the total direct foreign investments into Romania. The main investors into Romania are the Netherlands, Austria and Germany, followed by France, Greece and Italy. The Chinese investments into Romania are mainly concentrated on the Bucharest region, and a smaller amount of the investments are concentrated on Dobruja and Transylvania (these areas are considered to be the most advantageous by investors).

Bulgaria: Strategic Automotive Manufacturing

Regardless of how unique Bulgaria is among the Balkan countries in terms of the number of Chinese firms that operate there, the PRC aims its strategic manufacturing towards neighboring Bulgaria. China's relations with Bulgaria continuously developed since the 1980s, and the fall of communism in Bulgaria did not cause any fundamental shock to the relations. The two countries concluded an agreement on the prevention of double taxation in

1989, and they entered into an agreement on mutual support and the protection of investments in 1995. Nevertheless, a new phase of the mutual economic relations came after the beginning of the new millennium; its symbolic beginning was the signing of the additional protocol for the agreement on the prevention of double taxation in 2002. The initiative for this rather came from the side of China than from the side of Bulgaria; the Chinese foreign minister met with his Bulgarian counterpart in 2002 and 2003, this was followed by further development of the mutual trade, and roughly since the middle of the decade, there was a continuously increasing Chinese interest in Bulgaria as a destination for Chinese investments. Besides their big strategic investment projects in Bulgaria, Chinese firms also invest in medium size projects, and like in Romania, they open their local branches in large numbers in Bulgaria. An additional protocol for the agreement on mutual support and the protection of investments was signed in 2007, and between 2006 and 2012, the two states signed eight economic agreements. This process began with the intergovernmental agreement on economic cooperation, and this agreement was followed by four similar agreements between the Bulgarian government and the governments of individual Chinese provinces. Agreements on cooperation with Chinese provinces and autonomous areas are concluded not only by the Bulgarian government (or more specifically, by its departments), but also by Bulgaria's regions – e.g. the 2011 agreement between the region Stara Zagora and Inner Mongolia.¹⁷¹ In October 2009 the Chinese Development Bank granted the Bulgarian Development Bank a loan in the amount of €5 million for loans to small and medium sized companies.

A key impulse for the mutual relations was provided by Bulgaria's entry into the EU. In 2009 51 Chinese firms had branches in Bulgaria (Hanemann–Rosen, 2012: 93), but Bulgaria became a significant investment destination for China mainly within the context of its region. Until 2011, €64.8 million flowed from China to Bulgaria, and the largest part of these funds came to Bulgaria in the period of 2010–2011. The main investment areas are those of renewable sources of energy, telecommunications, the automobile industry and also agriculture.¹⁷² However, Chinese investments still amount to only a small fraction of the total foreign investments in Bulgaria, and this was the case even in the years of the global financial crisis, when the tide of investments from the West noticeably decreased. Nevertheless, Chinese investments have a good reputation in Bulgaria, and this is partially because

of the generally shared expectation that in the future, the investments will grow, help Bulgaria to overcome the crisis and create stable jobs.¹⁷³ Thus, it is especially investments into machinery production that are very welcome in Bulgaria, since it is expected that sales and distribution will be ensured for goods produced in this area.

The most important Chinese investment project in Bulgaria so far was the automobile factory in Lovech under the direction of Great Wall Motors, whose operation commenced in February 2012. The entry investments are set at €97 million, and in the event of success in terms of production and sales, the total investment should be tripled. The signing of the agreement on the creation of a joint venture between Great Wall Motors and the Bulgarian holding company Litex Commerce at the end of 2009 received an additional luster by the presence of the Chinese Vice President Si Jin Ping and the Bulgarian Prime Minister Boyko Borisov at the signing. In 2011, Great Wall Motors opened 20 sales places in Bulgaria, but Bulgaria is not one of the main sales destinations. For the Chinese company, this is an important step, as the factory in Bulgaria is its first operation in Europe, and its production is intended chiefly for the EU market. This project marks a turning point for Bulgaria as well, since Bulgaria – like neighboring Romania – is a supplier of automobile parts for various European brands, but unlike Romania, it does not have its own automobile production industry (the British company Rover Group tried to establish such an industry in Bulgaria in the mid-1990s, but it was smothered by the foreign competition). The planned production capacity of the factory should be as high as 50 thousand automobiles per year.¹⁷⁴ In addition to this, at the end of 2012, a Chinese-Bulgarian factory for the production of electromobiles and electrical buses was founded in the Bulgarian city Breznik. It is a joint venture between the Chinese company BYD (a producer of electromobiles, car batteries and LED lights) and the Bulgarian energy colossus Bulmineral. Furthermore, in 2012, representatives of the Chinese bus manufacturer Yutong went on an inspection trip to Bulgaria with the goal of exploring the possibilities of bringing a part of Yutong's production to the country. All of these activities are a part of the wider Chinese strategy which also includes the production of tractors in Serbia and automobile components in Romania and Macedonia.

In regard to the future, there are currently discussions about the possibility of Chinese investments into the production of railway coaches, which is

related to the Chinese plans to build a high speed railway between China and Europe, which is a project that Bulgaria was invited to participate in. In this matter, Bulgaria represents not only a symbolic but also a real geographical entrance gate to the EU. In proposed plans for the construction of the high speed railway connection between China and the EU, its southern branch should go through Turkey and into Bulgaria (and its northern branch should go through Russia and into Germany). Thus, Bulgaria and China signed a memorandum about their cooperation in the area of railway transportation.¹⁷⁵

With the goal to simplify its economic cooperation with China, the Bulgarian government is gradually doing away with all the obstacles in the mutual relations. In 2012, the Bulgarian government made it so that any holder of a Schengen visa could enter the country without a Bulgarian visa. The goals of this measure were to make it easier to conduct business and invest in Bulgaria and to support tourism. The purpose of this arrangement was primarily to invigorate Bulgaria's relations with China, Turkey and Russia. The measure should be in effect until the moment when Bulgaria enters the Schengen system.¹⁷⁶ Bulgaria and China also have an agreement regarding legal aid. On the basis of this agreement, documents made out in Bulgaria do not have to be legalized in China to have legal force there (but when it comes to Chinese citizens, the agreement only applies to inhabitants of Hong Kong and Macao). Also, in accordance with Bulgaria's open policy towards China, the Bulgarian representative at the summit between China and the Central and Eastern European states that was held in Beijing in autumn 2012 said that Bulgaria would organize the next summit.¹⁷⁷

The foreign trade between Bulgaria and China was insignificant before 2002. But then the Bulgarian imports from China sharply rose until they made up almost 4% of Bulgaria's imports. This rise lasted until 2005, and afterwards, the percentage slightly decreased. Since then, imports from China always amounted to 2 to 3% of the total volume of Bulgarian imports. As for Bulgarian exports to China, before 2008, they were rather negligible, but then they started to grow, and today, roughly half of Bulgaria's imports from China are covered by its exports to China. While in the Bulgarian exports to China, the most determinative part is made up of raw materials (above all else, copper, copper alloys, copper waste, copper ore, lead and aluminum), the Bulgarian imports from China are dominated by finished products, especially products with a high added value such as semiconductor apparatuses, air conditioning

systems, automobile components, electrical heaters and radiators, and telephone sets. Lately, both the Chinese and the Bulgarian side emphasize the potential in the area of exports of Bulgarian agricultural and food products – e.g. wines, honey, cheeses and olive oil – to China. When it comes to exports, these commodities offer great opportunities to all the countries of the Balkans. The demand for typically European food products in China grew in the last few years, it still continues to grow, and it is precisely the just mentioned food products that are particularly demanded by China. For Bulgaria, it is especially wine that is starting to become significant in this respect. Between 2007 and 2012, the volume of Chinese wine consumption rose by almost 150%, and China thus became one of the four biggest wine consumers in the world, the others being France, the U.S. and Italy. A considerable amount of the wine that is consumed in China is consumed during the Chinese New Year celebrations. But be that as it may, in 2012, Bulgaria exported almost a million bottles of wine to China, with the average price being around €6 per bottle.¹⁷⁸ Bulgaria also became the first Balkan country to receive investments into its agricultural production. The Chinese demand for food products is continuously growing, and Chinese state firms invest in agriculture in South-East Asia, Equatorial Africa, and Latin America. Other states of the Balkans, including Romania and Albania, also hope to receive Chinese investments into their agricultural sectors. In 2011, the Chinese firm Tianjin State Farms Agrobusiness Group Company invested €10 million into leasing 20 thousand hectares of farmland in the northwestern region Vidin (which is not only the poorest region in Turkey, but also the poorest region in the EU), where it intends to plant grain, sunflowers, and fodder plants. All agricultural products from this area are intended for exports to China.¹⁷⁹ The Chinese company also intends to invest in the production of animal products in Bulgaria – for example, it intends to invest into the production of milk which, in powdered form, would be intended for the Chinese market. Other potential areas of interest for China are mineral waters, the production of alcoholic beverages and tobacco growing.¹⁸⁰

The Bulgarian media give relatively informed and detailed reports about China, especially in regard to the recent changes in the membership of the Chinese government. It is apparent that in Bulgaria, China is not just a fashionable topic of the last few (crisis) years, but a topic which is given an appropriate amount of attention considering that China has no small

significance for Bulgaria. In general, there is no overarching fear of China in Bulgaria – according to the former Minister of Foreign Affairs Mladenov, China is not even Bulgaria's rival in terms of global competition for "the world is big enough" for both countries, and what is good for Bulgaria is what creates jobs there, what supports the growth of the Bulgarian GDP and what helps in the development of the country's economy, even if Bulgaria may come across as selfish for reasoning this way.¹⁸¹ One piece of information that implicitly testifies to the closeness of the two countries' relations is that at the time of the civil war in Libya, ten Chinese citizens were evacuated through the efforts of Bulgaria, which had a network of contacts in the country during the era of the Gaddafi regime.

Albania: Chrome or Rather Harbors?

In contrast, Albani's erstwhile contacts with China gradually disappeared in a few years after the two countries' mutual relations were discontinued. After the fall of communism in Albania in 1992, there was no evident effort to follow up on the erstwhile strategic alliance between the two countries. Albania found a new patron in the U.S., and with the fall of communism in Europe and the overall transformation of the global geopolitical relations, Albania's erstwhile significance for China as a glasis completely evaporated. However, this does not mean that the tradition of the Albanian-Chinese relations was completely forgotten. One could rather say that the ideological dimension disappeared from the relations, and what remained was a relatively strong memory that was not weighed down by the burden of a real conflict. On this basis, both sides gradually (in several phases) discovered various possible advantages in their mutual relations. After 1992, Albania and China concluded 36 bilateral agreements, which is an impressive number. The first two of these agreements were the agreement on support and mutual protection of investments and a business agreement, both of which were signed already in February 1993. However, this was followed by a period in which Albania was narrowly oriented towards the U.S., the country's internal collapse in 1997, and the several years of the consolidation of the domestic politics under the leadership of the Socialist Party, which was a direct successor of the Albanian Communist Party. In September 2004, the Socialist government

finally managed to get the agreement on the prevention of double taxation to the phase where it was about to be signed, and together with it, another six agreements on economic and scientific-technical cooperation with China were also signed. The opposition Democratic Party, which had abandoned its idea of a unilateral orientation towards the U.S., continued in moving along Albania's set course after 2005. Another package of six economic agreements with China, which were mostly related to specific cooperations and projects, came under its government in October 2009. On that occasion, the Albanian prime minister also mentioned the possibility of setting up a free economic zone for the purpose of attracting Chinese investments.¹⁸²

The mutual trade between the two countries also further developed. Albania is a distinctly import-oriented economy, but until 1999, the share of imports from China always amounted to only several per mil. Afterwards, however, it started to grow rapidly, and since 2005, the share of imports from China has remained between 6 and 7.5%. In the race to provide imports to Albania, China overtook Turkey and Germany, and thus, currently, China is the third most significant exporter to Albania, right behind Italy and Greece; nevertheless, Albania still receives about 80% of its imports from European countries. As for Albanian exports to China, they remained negligible until 2004, and then they started to grow, but the primary destinations for Albanian exports are still European countries, especially Italy, which continuously absorbs 50–75% of Albania's exports. What was important here was the restructuralization of the debt Albania owed to China in 2001. Whenever communist Albania broke off its relations with its political patrons/sponsors (this happened in its relations with Yugoslavia, the USSR and China – in that order), it always wiped off its debt towards the patron. Albania's debt towards China at the time of the countries' political breakup allegedly amounted to \$5 billion (Vickers, 2001: 209).

The Warsaw Summit at which the Chinese initiative for the support of the cooperation between China and the countries of the Balkan region was presented was welcomed by Albania.¹⁸³ What works in favor of the Chinese investments in Albania here is the two countries' smooth mutual relations and the compatibility between what Albania offers and the current Chinese visions. Today, China is mainly interested in Albania's mineral raw materials and energy sources. Thus, for now, in the Chinese investment strategy, Albania occupies a place which is close to that of African states, for example, and

this is more the case with Albania than with Bulgaria and Romania. China also has an interest in energy, which means that in the case of Albania, it is interested in building hydraulic power plants there (it is possible to build up to two thousand hydraulic power plants in Albania).¹⁸⁴ And as is the case with other Central and South-Eastern European countries, China is also interested in Albania's transportation infrastructure. Nevertheless, for now, in Albania, the most important area for China is still that of mineral mining. However, up to this point, only one agreement was concluded in relation to Chinese investments in the Albanian mining industry. The agreement was related to the sale of a 35-year concession for research into deposits and chrome mining in the mines at Kalimash and Vlahnë, and also to the construction of connected factories for the processing of chrome and copper (April 2010). For the purpose of carrying out this investment, two firms joined forces: the Chinese company Sichuan Jiannanchun International Group Ltd., a holding company that consists of nine firms, and the renowned Turkish company Kurum Energy, Resources and Metallurgy. Together, these two companies formed a new one – Illyria Minerals Industry. The total planned investment is €20 million.¹⁸⁵ Albanian chrome deposits are well known for their exceptional quality, and in the communist era, chrome mining was a pillar of Albanian exports. In the 1980s, Albania was the third biggest chrome producer in the world. But after the fall of communism, there was a sharp decrease in Albanian chrome mining, and at the turn of the millennium, there was also a decrease in the world prices of chrome, and the prices only started to “regain their health” after 2003. The mentioned Chinese-Turkish investment falls under a particular strategy of the recent Albanian governments: in mineral mining, the governments see a chance for exports – here, foreign investments are necessary, for they bring modern technologies – but also a space for the creation of new jobs, or in other words, for the solving of social problems. China is just one of several potential investors between whom Albania is alternating, and this group also includes Austria, Turkey and Australia.

All in all, thus far, the Chinese investments in Albania are only marginal. In fact, they are so low that they are even lower than the investments from Kosovo. Undoubtedly, Albania has more cultural and historical ties to Kosovo than to China, but so far, Kosovo lacks large amounts of capital. Thus, Kosovo's investments are small in most cases or middle-sized at best. The leading investors in Albania are its neighboring countries and some countries

that are culturally and historically related to it. The absolutely biggest investor among them is Greece, whose investments made up more than half of all direct foreign investments in Albania before the global financial crisis. Although the share of the Greek investments decreased to roughly a quarter of the total volume of the foreign investments during the course of the crisis, Greece still remains in the leading position. Right behind Greece in terms of shares of foreign investments in Albania are Italy and Turkey. Understandably, in the future, Chinese investments in Albania might grow. An intelligible signal in this direction is the signing of the strategic partnership between the two countries. According to the Albanian Minister of Foreign Affairs, China plans to modernize and expand the Albanian railway network, which was never particularly dense, and which ended up in a catastrophic state after the fall of communism. With the contribution from China, the Albanian railways would especially become connected to Macedonia, but also to Montenegro. This would be very advantageous for Albania, which does not have good connections to the two mentioned neighbors and is thus essentially dependent on its two other neighbors, Italy and Greece, in terms of trade. In connection with this, China is also interested in one of the two main Albanian harbors, Vlora, and thus it appears that China wants to connect Bulgaria with Albania via Macedonia (or perhaps to connect Albania with Montenegro via Serbia, and operatively interconnect Montenegro and Albania), which would then make possible a smooth connection to Italy via the southern Adriatic harbor. In any case, the Chinese involvement in the railway and harbor infrastructure of Albania is a win-win strategy, as are the Chinese investments in Romania and Bulgaria.

Traditional Friendship and Strategic Partnership

China's relations with the three discussed states are generally very good, and it is supposed that they are not just engaged in out of politeness. All three of the states behave tactfully in relation to questions that are especially politically sensitive for China. They all recognize the "one China" policy, but basically, they did nothing in relation to it except express formal agreement with the formulation put forth by the Chinese side in which it stated that it was against Taiwan having access to international organizations that would

require the given country to have any form of statehood or independence, state that they would not establish official relations or official communication with Taiwanese bureaus, and declare that they would respect the Chinese efforts towards national unification. In practice, however, Bulgaria, for example, goes around this principle in its relations with Taiwan by making use of the Taiwanese representation in Athens. The representatives of all three countries do not express any views in regard to China's treatment of human rights and Tibet. In this respect, the most silent of the three countries is Romania. Since 2005, the observation of human rights in China is persistently, minutely and relatively knowledgeably criticized by the NGO Bulgarian Helsinki Committee, but the Bulgarian government does not pay any attention to it. As for Albania, the Albanian media's critical references to China are usually in the form of various rather brief references to and mentions of China's activities that are delivered in a critical tone, and in some cases, the Albanian media repeats critical news items about China that are directly taken from American sources, but such news reports are usually not followed by further commentaries. Nevertheless, Albania's representatives remain silent on the issues of Tibet and Taiwan, but at the same time, they are lead by the efforts to achieve the international recognition of Kosovo. But China is not in favor of the recognition of Kosovo – among other reasons, because of the situations with Taiwan and Tibet – and in addition to this, China is trying to form a partnership with Serbia. As a regular member of the UN Security Council with the right to a veto, China can block Kosovo's entry into the UN, and in addition, its attitude can influence other states – for instance, it can influence several African states with which China maintains friendly relations. Albania is trying to convince its Chinese partners that the case of Kosovo is unique and that it has no effect on other parts of the world, and in regard to Taiwan, Kosovo and other cases of separatism in the world, Albania alternately deals with the U.S., the EU and China (it was one of the first states to recognize South Sudan, but it refused to recognize Abkhazia and South Ossetia). The Albanian prime minister lobbied for the recognition of Kosovo in Beijing not long after the declaration of Kosovo's independence and exactly during the Olympic Games in Beijing in 2008¹⁸⁶, and Albanian representatives, during their following meetings with Chinese representatives, appealed to China to approach the Kosovo question constructively and help secure the recognition of Kosovo on the part of other states.¹⁸⁷

In regard to the granting of Market Economy Status (MES) to China, Romania did not express any view, and Bulgaria declared its agreement with the common position of the EU, but it did not particularly emphasize this position. In the Bulgarian media, this question is only briefly mentioned without any additional comments or references to Bulgaria and its representatives. However, Bulgaria makes it clear that it is making an effort to contribute to the overall development of the relations between China and the EU with the belief that it is predestined for this role because of its unproblematic relationship with China.¹⁸⁸ In contrast, Albania takes a neutral position toward this question. In the Albanian media, the issue is usually mentioned only in the context of negotiations between Chinese and European representatives, and in some cases, statements by Chinese representatives are included in the news reports, but without any additional comments. However, in a common communiqué which was released on the occasion of the Chinese prime minister's visit to Albania (in April 2009), Albania expressed its opposition to protectionism in trade, which, in the context of similar statements by China, indirectly supported the Chinese point of view.¹⁸⁹

In regard to weapons exports, Romania does not express any view, and a military cooperation with China is not among its priorities. Bulgaria also takes a neutral position towards weapons exports – it silently maintains its agreement with the positions of the U.S. and the EU in this matter. However, at the same time, in the Bulgarian media, the question of the weapons embargo on China is mentioned in the context of negotiations between Chinese and European representatives and sometimes also in connection with foreign affairs in which Chinese weapons played a role. Nevertheless, Bulgaria is speaking in favor of expanding the cooperation between NATO and China (together with India and Brazil), and it concluded an agreement with China regarding cooperation in the area of defense.¹⁹⁰ As late as in 1994, Albania, which was almost completely dependent on weapons supplies from China from 1961 until the fall of communism, received a loan from China that was intended to aid the Albanian army. After 1997, however, the Albanian army went through a transformation that was intended to help Albania to enter NATO, and Albania then joined NATO in 2009. Cooperation in the framework of NATO remains one of the main priorities of Albania's foreign policy throughout the whole Albanian political scene, and Albania's position on the weapons embargo on China is neutral.

Nevertheless, when it comes to some other foreign political issues, the three Balkan states in question openly disagree with China. It is evident, for example, in the states' evaluations of the conflict in Syria: Albania and especially Bulgaria expressed views in support of a collective condemnation of al-Asad's regime, and they were critical of China and Russia's positions in this matter.¹⁹¹ In addition, Albania still considers the U.S. as a key ally, even if Albania has not been closely tied to the U.S. in its foreign policy for a very long time now. Romania has a similar view of the U.S. Romanian representatives are always very careful when expressing their views on the warring sides in Syria, and they make references to Romania's solidarity with its NATO allies.¹⁹² Thus, even if all three countries act pragmatically in regard to issues that can be perceived as highly sensitive by China, it apparently does not prevent them from acting as if they are independent of China in their foreign policies. At the same time, we can take notice of the fact that the biggest differences in terms of foreign policy are between China and Albania, but still, Albania is the country whose mutual relations with China were raised to the level of a strategic partnership by the latter. What is even more striking is that in the programmatic materials of Albania's foreign policy, China is barely mentioned at all. Neither of the two main Albanian political parties, which alternated in power since the fall of communism, mention China in their programs. China is mentioned in the official concept of Albania's foreign policy, but these mentions of it are more or less marginal. Although the new Albanian government, which entered office in autumn 2013, was assembled by the Socialists, who are the direct heirs of the Communist Party, which developed very close relations with China when it was in office, the new government did not expand the list of Albania's strategic partners to include China, but to include Turkey, and this was in spite of the recent strategic partnership agreement that Albania signed with China. Previously, Turkey had been presented in the official concept as a country which is connected to Albania by the two countries' "traditional friendship", and Turkey's significance for Albania had evidently grown in the 15 preceding years. Albania is connected to its three key partners – Greece, Italy and Turkey – by three specific cultural traditions (Orthodox Christianity, Catholicism and Islam), and its relations with these partners are energetic and positive. Other partners that Albania prioritizes include (still) the EU, as its prioritization is connected with Albania's efforts to join it, and the U.S. The

prioritization of the U.S. is connected to, among other things, the American patronage of Kosovo, for one of the priorities of the Albanian foreign policy is taking care of the Albanians in Kosovo and Macedonia. In contrast, China is only marginally mentioned in the concept as one of several states with which Albania plans to “develop and enrich” its relations.¹⁹³

In contrast, in the Romanian foreign policy concept, China is presented as one of a group of states with which “bilateral relations surpass other types of relations with regard to solidarity and scope” and are designated as strategic partnerships and special relations.¹⁹⁴ Despite this, China concluded an official strategic partnership with Albania and selected Bulgaria as the main base for its strategic automobile production. But we do not find China even in official documents that serve as the bases for Bulgaria’s foreign policy, and in the programs of Bulgaria’s main political parties, China (like Japan and India) is mentioned only after mentions are made of the EU, the U.S., Russia and other states of the region.¹⁹⁵

A Bet on the Most Certain Option

Certain partial clues can provide us with Chinese “windows” into the individual countries. The first Confucius Institute in the Balkans was opened in Bulgaria. The protocol for its establishment at St. Kliment Ohridsky University in Sofia was signed in September 2005. The second Confucius Institute in Bulgaria was opened in October 2012 at the University of Sts. Cyril and Methodius in Veliko Tarnovo, where the Chinese language was taught since 1993.¹⁹⁶ The opening of the second Confucius Institute was taken to be a symbolic act, for it involved both the current and the historical capital of Bulgaria (Veliko Tarnovo was the capital of Bulgaria at the time of its biggest boom in the early Middle Ages). In the meantime, three other Confucius Institutes were opened in Romania (in November 2007 the first one was opened at Lucian Blaga University in Sibio, in September 2009 the second was opened at Babes-Bolyai University in Cluj-Napoca, and in March 2012 the third was opened at Transylvanian University in Brasov), and in addition to that, Chinese language courses were started at the Art Lyceum in Deva and at Ovidius University in Constanta. The institutes and the Chinese

courses cover areas in which Chinese investments were made or areas in which China showed a serious interest in terms of investments.

In terms of its size, Romania is the second most important market in the Balkans, right behind Greece. Four Chinese trade centers were constructed in Bucharest. Out of these, the China Town Trade Center, which was opened in 2011, is also intended to serve as a logistical center for the transit of Chinese products to the EU (Russu–Bulearcă, 2009: 51).¹⁹⁷ Also, practically since the fall of communism in Romania, there has been an inconstant community of Chinese businessmen there, and in Bulgaria, a Chinese community was established soon after the fall of Bulgarian communism (it was established approximately in 1992). At the end of the 1990s, 10 thousand Chinese citizens were residing in Bulgaria, but this number gradually decreased to less than 5 thousand. We cannot find any Chinatown in Bulgaria, but the local Chinese tend to concentrate around the Iliyanca marketplace in Sofia. The Bulgarians see the Chinese mainly as sellers of inexpensive low quality goods, but in general, the Chinese are accepted as a relatively unproblematic community, even though they are associated with efforts to avoid paying taxes, and sometimes they are accused of being associated with organized crime. There are also some mixed Chinese-Bulgarian marriages, although there are not many of them.¹⁹⁸ In Albania, the smallest of the three examined countries, we do not find a Chinese trade center or a Chinese community. A Confucius Institute was opened in Albania in November 2013, which was four years after the discussions about this project at the highest level began.¹⁹⁹ China Radio International (CRI) began its Albanian language broadcasts in May 2013. At the time, Albanian was the only Balkan language in which CRI did not broadcast yet.

Either China is lead by nostalgia in its relations with Albania, or its policy towards Albania mainly pursues more long-term goals. The second option is more likely, for it is evident from the development of China's relations with the discussed trio of states that took place so far and also from a comparison of China's relations with these countries and its relations with other Balkan countries that China places a great emphasis on the trustworthiness of its partners and the stability of the mutual relations. It is also evident from a comparison of China's relations with these states and its relations with other states that China still lacks a detailed, informed knowledge of the Balkan

states, regardless of whether the Chinese who are interacting with these states are diplomats or businessmen. China makes efforts to systematically cover the Balkans with Confucius Institutes, and to achieve this aim, China even utilizes the experiences of the Chinese communities in the given countries, but the cultural distance still remains a relatively large obstacle. Thus, the long traditions of China's relations with the three states examined here have a great significance, and this is especially the case if we look to the future, for because of the traditions of relations, it is even possible for China to plan larger investment projects with them. China tries to customize its investment offers so that they would be as advantageous as possible in comparison with the offers of its competitors – and what helps it in this pursuit is that it can offer more advantageous loans and credit than the states that are bound by the OECD Consensus – but it is still understandable that it wants to get its investments back. In China, experts can evaluate the business environment in the partner country, the quality of its infrastructure, its level of corruption and its level of rule of law relatively well. It is very likely that it goes by the examples and experiences of other states in this. But in any case, China is limber, it can react to any local situation, and it can even adapt itself to a corrupt environment, but at the same time, it tries to avoid situations where its efforts would come to nothing.

The trio of states that was examined above most probably represents a bet on the most certain option in the eyes of China. But this does not mean that China would try to make use of every potential opportunity. As was already stated, Chinese investments are still strongly lagging behind the investments of other countries, and even in Romania, which managed to attract the biggest amount of Chinese investments, the relations with China are still like waiting for a miracle – many promises were made, but only some were actually kept. The parade of projects which are continually being talked about is rather impressive by now: the third and fourth block of the Cernavoda nuclear power plant (the mentioned Chinese involvement in the project was supposed to be such that the Chinese side would own 35–45% of the stocks, which would have a value of €1.5–2 billion), the construction of the Tarnita-Lapustest hydraulic power plant in Cluj (1000 MW), and the entry of the State Grid Corporation of China (SGCC) into Transelectrica, which is the biggest Romanian administrator of electrical networks and also a distributor. A project that seems closer to realization is the construction of

a thermal power plant worth \$1 billion in Rovinar, which should be one of the biggest Chinese investments in Eastern Europe. But even this project is only at the stage of signing the Agreement of Intent, so what is involved here is only a promise.²⁰⁰ The Chinese involvement in the construction of a highway through Transylvania, the Craiova-Pitesti highway segment, and the Bukuresti by-road is still at the stage of merely showing interest. Furthermore, the modernization of the airport in Bacau and the building of a new bridge on the Danube took place without Chinese involvement, in spite of hopes that the opposite would be the case.²⁰¹ Also, in September 2013, the state-owned Chinese Communications Construction Company backed out of the construction of the Comarnic-Brasov highway segment, which is one of the most important infrastructural projects in Romania, but it is being postponed year after year. It appears that the main reason for this was the Romanian side's disagreement with China's condition that only Chinese materials and workers be used in the project. While in neighboring Bulgaria, there are discussions about the possible involvement of China in the building of highways, they are not specific or concrete; currently, Bulgaria is gradually proceeding with its most important moves (building a connection to Greece and then expanding it further west to Europe) with the help of EU funds.

With the aim to attract investments, in 2009, Bulgaria set up the National Association of Industrial Zones. The leading industrial zone is Bozuriste, which is right next to the capital Sofia, has an area of almost 200 ha and is jointly controlled by Bulgaria and the Chinese province Che-Tiang. The effect of this, however, still remains far behind the initial expectations. An illustrative example of the "waiting for a miracle" mentioned above is the planned reconstruction of the bankrupt glassworks in Razgrad, an area known for its high unemployment. The state-owned Chinese company China Luoyang Glass Group, which is one of the foremost world producers of plate glass, joined a Bulgarian partner with the intention to carry out the reconstruction already in 2008. It was expected that the Chinese side's capital participation would be 70% and that its investment would be in the amount of €80 million. However, the reconstruction still was not carried out, even though it was already announced in 2009, 2010 and 2011.²⁰² Of course, we would find other such examples in the Balkans even in cases of the investment intentions of other countries. This indicates that in principle, Chinese investments into

industries are no different from similar investments by other countries, as investments are always intended to bring a profit for the investor.

Investments into energy are expensive, and however much China wants them, it is very careful and tries to secure for itself the most advantageous conditions possible in such investments. This applies even more to its attitude toward transportation infrastructure, an area where it also apparently wants to demonstrate its abilities. Besides this, in its investments into energy and transportation infrastructure, China's ideas are not limited to the boundaries of just one state; instead, it is simultaneously considering various different opportunities in more than one state. In the field of energy, however, the Chinese interest comes out of long-term prognoses about the necessity to secure a sufficient amount of energy for further growth – and the situation is similar in food production, where China is rather just probing its options for the time being. In transportation, however, it really is pursuing its current interests. China basically has three current interests. The first is that China wants to transport its goods to Europe through the Balkans. For this, it needs to secure appropriate points of entry, and in the best case scenario, these points of entry would be under its control. Its second interest is that it wants to transport products from the new factories in the Balkans to other parts of Europe, for which it requires highway and railway networks. This transportation does not have to be under China's own direction, although as is evident from various negotiations about such options, there are many instances in which China would apparently prefer to direct the transportation itself. Finally, China's third interest is in proving that Chinese firms are able to construct large infrastructure edifices at European levels of quality. And if possible, here the ideal option for China is for it to build only with its own strength. This is partially apparent in the example of Albania, which mainly figures in the Chinese strategy as a strategic geographical space, but it is much more apparent in the cases of the two countries which became China's first two strategic partners in the Balkans – Greece and Serbia.

Conclusion

Bulgaria, Romania and Albania are three countries which have very close and friendly relations with China. Chinese companies operate on their territories,

and all three of these countries expect a further expansion of their cooperation with China. At the same time, they are the countries that unequivocally had the closest relations with China during communist times – regardless of the various rises and falls in the relations. Romania plays the important role of the host of the common production. Romania is unique among the Balkan countries in terms of the number of Chinese firms that operate there, but China aims its strategic manufacturing towards neighboring Bulgaria. The most important Chinese investment project in Bulgaria so far was the automobile factory in Lovech under the direction of Great Wall Motors. China allegedly plans to modernize and expand the Albanian railway network and is also interested in one of the two main Albanian harbors, Vlorë, and thus it appears that China wants to connect Bulgaria with Albania, which would then make possible a smooth connection to Italy via the Adriatic.

China's relations with the three discussed states are generally very good, and it is supposed that they are not just engaged in out of politeness. All three of the states behave tactfully in relation to questions that are especially politically sensitive for China. They all recognize the "one China" policy, but basically, they did nothing in relation to it except express their formal agreement with it. But when it comes to some other foreign political issues (Syria, for example), the three Balkan states in question openly disagree with China. However, China's policy towards Romania, Bulgaria and Albania mainly pursues more long-term goals. It is also evident from a comparison of China's relations with these countries and its relations with other Balkan countries that China places a great emphasis on the trustworthiness of its partners and the stability of the mutual relations. In this regard, Romania, Bulgaria and Albania most probably represent a bet on the most certain option in the eyes of China. But this does not mean that China would try to make use of every potential opportunity. As was already stated, the Chinese investments in these three countries are still strongly lagging behind the investments of other countries, even in the case of Romania, which managed to attract the biggest amount of Chinese investments.

Strategic Transit: Greece and Serbia

China has an eminent interest in the transportation infrastructure of Greece and Serbia. Both of these countries also belong to the group of states with which China concluded a strategic partnership. It concluded the strategic partnership with Greece in 2006, and the one with Serbia was concluded in 2009. These were actually the first European states with which China concluded a strategic partnership. Their relations with China are marked by a long-term friendliness. Also, coincidentally, not only do both of these countries have significant Chinese minorities, but both of them were also considered to be entry gates into the EU, or more specifically, into the Schengen space; they took on this role under different historical circumstances, but they were both under economic pressure to do so. And in both cases, these circumstances came on the scene only after the fall of communism in Eastern Europe.

In contrast to the previously discussed trio of states (Bulgaria, Romania and Albania), which are simultaneously open and friendly towards the EU, the U.S., Russia, Turkey and China, Serbia and Greece are connected by their openness towards China and their strong Russophilia and also by the cautiousness or even distrust in their attitudes towards Brussels and Washington. Both of the countries also try to maintain a pragmatic attitude towards Turkey, as they are aware that it is an important regional partner, although their relations with it are weighed down by a strong historical burden.

“Established Brands”

From the perspective of China, both of the countries represent “established brands” in their own way. It is especially Greece, with a cultural tradition that goes back thousands of years, that can be seen as long established

and also as comparable to China in this respect – in China, Greece is even perceived as the cradle of the second great (western) civilization. An almost anecdotal illustration of this can be the fact that in China, there is not only a demand for Balkan food products (i.e. local cheeses, olive oil and wines), but also a demand for Greek marble, which is used for revetting walls. While technically, there is not necessarily any difference between Greek marble and other kinds of marble, the Greek marble automatically carries a hallmark of antiquity in the eyes of China.

But nevertheless, both Greece and Serbia lack a tradition of mutual relations with China that would be similar to those of the previously discussed trio of states. During the communist era, China and Serbia (or Yugoslavia, of which Serbia was a part) were generally never particularly close. Belgrade, after the rupture in its relations with Moscow in 1948, initially saw a potential ally in Mao, and it assumed that he came into power through his own efforts and not through any Soviet intervention – that is, that he came into power in a similar manner as the Yugoslavian communists. However, China firmly stood by the Soviets' side. Yugoslavia thus officially recognized the People's Republic of China only in 1955, when a warming in Yugoslavia's relations with the Soviet Union occurred. But soon after this, in connection with the blow that the Soviet prestige suffered because of the Hungarian uprising the following year, Moscow and Beijing started to compete for the leading role in the communist bloc. In the beginning, the two great powers did not compete with each other openly, but each of them chose one smaller country as a scapegoat which it would use as an example for indirectly criticizing the ideological deviations of its rival: the Soviet Union criticized Albania instead of China, while China criticized Yugoslavia instead of the Soviet Union. Yugoslavia was also a thorn in Beijing's side because of how it was establishing closer relations with Washington. China was not even invited to the first conference of the Movement of the Non-Aligned Countries in Belgrade in 1961, which was accepted with gratefulness by both the Soviets and the Americans, and as a result, the Yugoslavian-Chinese relations remained cold for a long time.²⁰³ However, after the breakup of Yugoslavia, the one country from the former Yugoslavia that established the tightest relations with China was Serbia, since it thought that China could be a possible counterweight to the pressure from the U.S. and the EU. The closeness of the relations was mutual, for what was happening in Serbia was significant for China as well: China strove to

preserve the maximum amount of influence of the UN in the globalizing world, especially when China found itself in a situation in which it was growing economically stronger and moving towards the position of the second most powerful country in the world while it could still by no means compare with the first most powerful country, the United States, in military terms. And at the same time, the economic and military might of the U.S. was specifically aimed towards Serbia and its satellites in the neighboring states practically throughout the entire decade of the 1990s, regardless of whether this might took the form of economic embargoes or the triple intervention by aircraft.²⁰⁴ In addition, from the very beginning of this policy, an important role in it was played by Kosovo, whose Albanian inhabitants unilaterally strove to achieve independence for the state.²⁰⁵ In this conflict, China was against the intervention under the direction of the United States that aimed to support Kosovo Albanians against Belgrade, and it was also against Kosovo's independence. China had its internal reasons for taking this position (e.g. separatism), but another one of its motives was that it wanted the UN Security Council, in which China has an irreplaceable influence, to play the role of a global institution that would limit the American influence in the world. To this very day, in both of these respects, Kosovo never stopped playing a role in the Serbian-Chinese-American triangle.

Before the fall of communism in Europe, Greece stood closer to China. Even under the government of the military junta, Greece started to open up towards communist countries (regardless of how Greece defined itself as anticommunist in terms of ideology). In the context of this, Greece recognized the People's Republic of China in 1972. After the fall of the junta, the new democratic government further developed this policy, and thus it laid the foundations for a new tradition of mutual relations between China and Greece in the spheres of business and culture. Nevertheless, until recently, Greece's relations with China were definitely not a priority for it. But during the global financial crisis at the latest, Greece got into a situation which, in many respects, is analogous to the position that Serbia has been used to for a long time now, as Serbia carries the stigma of being perceived as the country that is guilty of having started the war after the breakup of Yugoslavia, and sometimes, it is even blamed for the breakup itself. Greece also became a pariah of international relations, and it took on this role in the context of the EU. This situation is even more humiliating for Greece

when one considers that its budget virtually found itself under the compulsory administration of a European club that considers the example of Ancient Greece as a cradle of democracy as one of its bases. For both of the examined countries, the possibilities that they connect with China are more than just the proverbial “waiting for an economic miracle” – what is important for them is the balancing of the geopolitical influences. In their imaginations, China plays a naturally extremely important role even in regard to their own economies, which are heavily disabled by the crisis, which limited the possibilities and desires of wealthier states to invest in these economies even though the wealthier states previously played the roles of the main donors.

Another reason why both of the examined Balkan countries are turning to China for support is that their international positions are similarly weighed down by national questions. For Greece, the problem is with Cyprus, where Greek interests are threatened by Turkish nationalism, and for Serbia, the corresponding problem is with Kosovo, where it comes into conflict with Albanian nationalism. Both of the countries see China as a hedge against the given minority’s demands that their seceding nation’s international recognition be raised to the level of acceptance into the UN. For China, which supports a solution based on a resolution of the UN Security Council in the interest of strengthening its global position, it is advantageous that both of the Balkan states set their hopes on it. Considering that China has to deal with the open question of the status of Taiwan, the mutual support of all three states is a matter of reciprocity, and thus China and its Balkan partners can depend upon the stability of their positions.

Serbia: Exceptionally Friendly

It was especially Serbia that was exceptionally open and friendly towards China. Its relationship to China has a very specific genesis. After Slobodan Milošević’s visit to China in 1997, the Serbian visa regime was liberalized for Chinese citizens. From the end of 1991, Serbia was under an EC trade embargo. Then from spring 1992, it spent four years under a complex embargo of the UN. And then it was under sanctions of the U.S., the EU and the countries associated with them until the beginning of 2001. Thus, for Serbia, China represented a welcome ally on the global field and a firmer

source of support than Russia. Coincidentally, it was precisely in 1997 that the Hungarian government, which had been open to immigrants from China since 1989, made the conditions for entry into Hungary much more strict. Serbia thus became an alternate solution for Chinese immigrants. Even the notoriously corrupt Serbian regime was accommodating to Chinese immigrants. Even though the inhabitants of Serbia had a lower purchasing power than their counterparts in Hungary, the potential profits from the Chinese products sold in Serbia could have been raised by the fact that the products were often transported to the sellers in Serbia via illegal channels (Milutinović, 2005: 153).

Also, until Milošević's fall in 2000, the issuing of visas by the Serbian embassy in China was connected to systematic bribes.²⁰⁶ Thanks to this, a populous Chinese community formed in Serbia during the 1990s. Today, there are at most 20 thousand Chinese in Serbia, but it is more likely that the number is lower. Most of them are in Belgrade, where approximately 6 thousand Chinese lived before the crisis, but the current corresponding figure barely amounts to half of the original number; the Chinese in Belgrade are mainly concentrated around the shopping center Blok 70 in Novi Beograd, which to a certain extent resembles a small local Chinatown.²⁰⁷ In connection with this, we could take notice of various small interesting details in this area, such as the existence of a community of Chinese Baptists there,²⁰⁸ but also of more significant indicators, such as, for example, the business strategy of Wink, a Chinese sports shoe manufacturer. When its founder noticed that the Hungarian market lacked inexpensive, medium quality sports shoes, in 1993, he founded a wholesale company that started to manufacture this type of product through the use of a rented assembly line in China. This company started to cooperate with various wholesale chains in Central Europe (in the Czech Republic, Slovakia, Slovenia, Croatia, Romania and Ukraine), but it also founded subsidiary firms in Serbia, Montenegro and Bosnia-Herzegovina. But due to the local laws of the latter group of countries, the subsidiary firms are registered as independent and as owned by local businessmen. The branch in Belgrade was founded in 1997 after the local Chinese businessmen who were freshly established in the city spread the word about the favorable conditions there. Also, toward the end of the same year, another branch was founded in the Montenegrin city of Podgorica, and later, yet another branch was opened in Sarajevo. Wink also started to sponsor local sports activities,

sports exchanges between the involved countries and presentations of Chinese culture in Hungary, Serbia and Montenegro (Milutinović, 2005: 154–155).

For the Chinese, Serbia's corrupt environment caused it to become a peculiar gateway to the rest of Europe. Not only Chinese citizens, but also inhabitants of other Asian or African countries used Serbia as a place from which they could illegally travel to Western Europe. After the fall of Milošević, though, this window to the West gradually closed, but still in 2004, the Serbian police cut off an illegal channel through which Chinese immigrants travelled from an airport in Kosovo to Belgrade and then through Croatia to the EU. But judging by the decreasing number of illegal immigrants, the main routes have evidently been relocated outside of Serbia (Milutinović, 2005: 153).

Thanks to the global financial crisis, in the coming years, the new Balkan gateway to Europe for Chinese immigrants could be Greece. Because of the catastrophically high level of Greece's national debt, it is understandable that Greece is looking for ways to not only lower its budget spending, but also increase its financial gains. One way to do this is by obtaining permanent residency permits for persons who will invest in the country on a large scale or buy a piece of real estate with a value of more than 250 thousand euros, and this option was finally made legal in August 2013.²⁰⁹ It opens up the possibility of free movement throughout the Schengen space. One quarter of a million euros is the price of a reconstructed house on an island that is attractive to tourists or the cost of living in the center of a prosperous Chinese big city. The first instance of a Chinese citizen obtaining a Greek permanent residency permit in this way occurred on August 8th, 2013.

The change of the Serbian regime in 2000 and the related changes in the conditions of permanent residencies of Chinese citizens in Serbia did not mean that Belgrade would break off its relations with China. Actually, the opposite was the case, as the mutual relations gradually became tighter in direct connection with Milošević's policies. For a long time, Serbia perceived itself as a real successor of the former Yugoslavia, and China basically still saw it this way as well. The Serbian-Chinese relations are thus understood as a continuation of the Yugoslavian-Chinese relations. But because the Yugoslavian-Chinese relations were never particularly intensive, the real beginning of the Serbian-Chinese relations occurred in the already mentioned year 1997. At the time, the Albanian guerrilla movement was developing and

growing increasingly strong, and there was the threat that this movement could develop into an uprising. Milošević and his wife Mira Marković, who was a convinced Marxist and Milošević's "right hand",²¹⁰ visited China in an effort to find an ally on the international scene who would help Serbia to stay in control of the situation in Kosovo – and this would include the possibility of using military force against the rebels – and also keep the situation on the level of an internal affair. Then in 1998, China really abstained from voting in the vote on the UN Security Council resolutions related to Kosovo. Furthermore, during the war between NATO and Serbia in 1999, it proposed that NATO stop the intervention, and after the war, it stood against the recognition of Kosovo's independence.

During the war between NATO and Serbia, the Chinese embassy in Belgrade was hit by three rockets. The official explanation was that this was a mistake that was caused by a confusion between two buildings (the building of the Chinese embassy was physically similar to that of the Logistics Office of the Yugoslav Army, and both buildings were on the same street with a distance of approximately 0.5 km between them) and also by the use of old maps, which was the CIA's fault (the Chinese embassy moved to its newer location in 1996). However, there are speculations that the attack was actually intentional and not a mistake: the Chinese embassy allegedly allowed Milošević to place a military transmitter in its building that would ensure the Serbian side's communications after the previous Serbian transmitters were disabled by air raids. There were also speculations that China's motive for helping Serbia was that Milošević gave it some pieces of a shot down F-117 aircraft with stealth technology.²¹² Also, in 1999 China allegedly gave Serbia one or more loans, but the size of these loans is not entirely clear (but it was stated that they probably fell within the range of \$100–300 million). Milošević allegedly used these loans to finance the renewal of several bridges that were destroyed by the NATO air force and also to help slow down the inflation.

After the deposition of Milošević, Serbia was briefly taken over by an anti-Chinese hysteria.²¹² Thus it did not take long for Serbia to return to its close relations with China and begin to systematically develop them. This was apparent especially during the presidency of Boris Tadić (2004–2012), and it was particularly highly evident during his second mandate after 2008, when the relations were crowned with the strategic partnership of 2009 and

the beginning of Serbia's "Four Pillar Doctrine". According to this doctrine, Serbia, since 2009, tries to rest its foreign policy on four pillars, which are the EU, the U.S., Russia and China. Russia, with which Serbia concluded a free trade agreement, basically plays the role of a counterweight to the U.S. here, and similarly, China plays the role of a counterweight to the EU. Serbia's integration into the EU is considered to be necessary for it, but there is still a strongly widespread view that the 21st century will belong to China. A narrow alliance with China might help Serbia to increase its significance in the EU in the future.²¹³ Also, in 2009, the two countries signed a strategic partnership document. At the time, Serbia was the second European state – after Greece – with which China concluded a strategic partnership (China also concluded strategic partnerships with the U.S., Russia, Brazil and South Africa). The document postulates a speeding up of the cooperation in the areas of bridge construction, power plant construction, highway construction and other infrastructure projects in Serbia. Correspondingly, since 2008, Serbia repeatedly refused to support EU declarations and initiatives against Iran, Sudan, Zimbabwe, Burma and North Korea, as it considered the fact that these states are China's allies. There were also several cases in which Serbian government bureaus prevented the selling of certain books or the screening of certain films that, in their view, did damage to the image of China, Iran, etc. The Serbian government also passed a policy according to which Serbia would not join any international initiative that would criticize China in international fora – not even by voting in favor of it, signing declarations or taking part in activities whose outcome would be a criticism of China.²¹⁴ Serbia's most significant decision of this sort was its refusal to participate in the Nobel Prize Awards Ceremony in 2010 because of the fact that one Nobel Prize was to be given to the Chinese literary critic, writer, dissident and human rights defender Liu Xiaobo.²¹⁵

The second Confucius Institute in the Balkans was opened in Serbia in August 2006 (one month after the opening of the Confucius Institute in Sofia). A Club of Lovers of Chinese Culture also operates as a part of the institute. Since 2008, China and Serbia signed several agreements regarding cooperation in the spheres of culture, science and technology, and education. At the EXPO 2010 in Shanghai, Serbia had a privileged position, and it was also one of the few countries to have its own "national week" in China. Serbia is also trying to establish a military cooperation with China. Its plans for

this cooperation include plans for a common production of weapons and for selling the products on world markets. An agreement on military cooperation between the two countries was signed in 2008. In connection with this, there were various visits between the representatives of the defense departments of the two states. The cooperation of the two countries is related to military training and education, military medicine, peace operations and aid during catastrophes. Serbia also received three donations from the Chinese Ministry of Defense, and the last one was a gift of IT equipment worth approximately €500 thousand.²¹⁶ Serbia has an interest in getting the maximum out of the cooperation in the framework of the Partnership for Peace, which is the purpose of its cooperation with Russia. But it considers the U.S. and China as its main partners in the area of defense. It is also interested in developing its own military-industrial complex, but this ambitious plan was strongly slowed down by the economic crisis.²¹⁷

But in spite of its efforts and willingness to accommodate China, Serbia actually received strikingly little from China. An exception to this was China's support for the Serbian side in the case of Kosovo, but here China was against Kosovo's independence because of its own interests. Since 2005, the highest representatives of Serbia (the President, the Prime Minister, and the Ministers of Foreign Affairs, Defense and Finance) visited China more than 30 times. The two countries also signed 55 bilateral agreements, and out of these, 22 were signed after 2004. Coincidentally, the Four Pillar Policy became Serbia's official foreign policy at precisely the time when the world financial crisis, which hit Serbia hard, was starting. Thus, Serbia mainly hoped for Chinese investments that would bolster its economy. In addition to this, Serbia received a new impulse in the form of the conclusion of the 2009 strategic agreement with China, to which various business fora in both Serbia and China were linked. In 2010, it was even the case that both of the main political parties in Serbia – the Serbian Progressive Party (which was an oppositional party at the time though today, it is a governmental party) and the Democratic Party (which was a governmental party at the time while today, it is an oppositional party) – organized party consultations with the Communist Party of China.

Nevertheless, it remains the case that the biggest greenfield investment in the Serbian-Chinese relations is the Chinese trade center in Belgrade. It covers

an area of 40,000 m² and it was opened in a strategic area – the crossing of the Belgrade-*Novi Sad* highway (*Novi Sad* is the second largest Serbian city) and the Belgrade-Zagreb highway – in 2010 with a value of €25 million.²¹⁸ It was a private investment.²¹⁹ However, Serbia especially hoped that the Chinese partner would enter into the business of the FAP automobile factory, for which it unsuccessfully tried to find a strategic partner for years. Although an agreement in regard to this was signed with the Chinese firm Dongfeng Motor Corp., which was to direct the factory either through a privatization or through the creation of a joint venture with a common investment,²²⁰ this plan was never put into effect. Thus, the erstwhile biggest producer of freight vehicles and buses in the Balkans did not produce a single truck in 2013, which was the 60th year of its existence. Furthermore, in October 2013, the factory's workers, who were not paid for four months, started a blockade of the base railway line between Belgrade and the Montenegrin seaport Bar. But the Chinese investor was not convinced to invest in the factory even when the contract price was lowered to almost the same amount as the above mentioned limit for receiving a permanent residency in Greece.²²¹

In 2009, a preliminary agreement was signed between the Chinese company YTO Group and the Serbian company Agrovodjvodina Mehanizacija, which was the first importer of YTO tractors in the Balkans.²²² The agreement was intended to lead to the construction of two tractor factories in *Novi Sad*, and the tractors were to be produced for the lucrative European market. If this project were realized, it would be the biggest Chinese greenfield investment in Serbia. But in the context of this project, only one assembly line was built. Its planned capacity was 1000 items per year. In 2011, tractors started to be assembled on the assembly line for the domestic market. After the assembly line's successful homologation and its presentation at expositions in Germany, Slovenia and Croatia, the main production of tractors began, and the tractors produced here were intended for the EU market. However, there is a paradox here: The assembly line started running with subsidies from the Serbian government. These subsidies made up 40% of the price of the tractors and amounted to 2.5 million dinars (€250 thousand). The Serbian government expected that this investment stimulus would support domestic sub-suppliers and contribute to equilibrating the negative balance of payments. But nevertheless, by doing this, the government helped the Chinese

manufacturer against the competition from the domestic tractor producers, and it even lead to YTO tractors being the only tractors manufactured in Serbia that are exported to the EU.²²³

Also, at the end of 2013, Chinese companies showed a certain interest in the factories of the automobile company Zastava, which remained on the sidelines during the privatization of the Italian firm Fiat, and they also probed the possibilities of producing camions, delivery trucks, minibuses and pick-up trucks through them. But from previous experiences, we know that an interest by itself does not mean much. Thanks to free trade agreements, products from Serbia can be freely exported to the EU, the EFTA, Russia, Belarus, Kazakhstan and Turkey, but it does not seem that this aspect would be decisive for China.

Serbia did not achieve any leading position in trade either. China is the fourth biggest importer of Serbian products – with the first three positions being occupied by Russia, Germany and Italy – but the Serbian exports to China are still negligible; also, Serbia's trade deficit with China is its second biggest trade deficit, as only its trade deficit with Russia is larger. However, while the trade deficit with Russia is the result of imports of crude oil and natural gas, Serbia's trade deficit with China is related to the trade of finished products. However, at the same time, Serbia's exports to Germany cover approximately 60% of its imports from Germany, and its trade with Italy is almost balanced.²²⁴ Nevertheless, the outlines of the Chinese-Serbian mutual cooperation from the Chinese perspective clearly shine through in a four point plan that was proposed by the Chinese president immediately after the conclusion of the strategic partnership. The plan consists of the following points:

- the two countries are to strengthen their political relations and support their intergovernmental, inter-parliamentary and inter-party exchanges and cooperation;

- they are to increase their economic and business-related exchanges with the condition that China has an interest in strengthening the cooperation in the areas of petrochemicals, infrastructure, energy and high technology;

- they are to strengthen their cooperation in the areas of culture, education, sports, and science and technology, and also in exchange activities on the levels of young people, non-governmental organizations and local governments;

– they are to strengthen their multilateral cooperation, maintain their contacts and consultations at the UN and other multilateral organizations, and exchange views on the main international and regional topics.²²⁵

China thus sees Serbia mainly as its political ally and sympathizer. When it comes to economics, China has an interest in certain strategic branches. In the first place, it is interested in energy. Chinese firms are carrying out a revitalization of two blocks of the Kostolac thermoelectric plant. This involves carrying out a desulfurization of the blocks and the construction of a connected infrastructure of rivers, highways and railways. The value of this initial investment, which should be finished in 2014, amounts to almost \$345 million. 85% of this amount is financed by a loan from Exim Bank, which was vouched for by the Serbian government.²²⁶ Out of the whole value, domestic firms realize 47% and Chinese firms 53%. The second phase, which has a value of \$716 million, of which, again, 85% is secured by Exim Bank under preferential conditions, comprises the construction of a new block with a wattage of 350 MW and an expansion of the capacity of an adjoining surface coal mine from 9 to 12 million tons per year. The inception of the construction is planned for 2014, and it should be completed three years later. This project would enable Serbia to no longer be dependent on imports of electrical energy.²²⁷ Before the signing of the executive contracts, Serbia asked for better conditions regarding the technological facilities of the planned block. According to the director of the Serbian office of the China Machinery Engineering Corporation (CMEC), which is supposed to realize the project, the Chinese side is willing to make compromises, and it even offers more advantageous credit and a possible increase in the credit for the Serbian side just so that the commission would be realized. Also according to him, the project has a high level of support from China's Ministry of Foreign Affairs and Ministry of Trade.²²⁸

The CMEC and Sinohydro, another Chinese company, are intensively probing the possibilities of revitalizing, expanding and constructing additional heat power plants and hydraulic power plants in Serbia, and they promise a smooth securing of the associated loans. In other words, in Serbia, energy is a sector in which China has a real interest. China also shows a similarly strong interest in Bosnia-Herzegovina, especially in its predominantly Serbian federal entity Republic of Srpska, and Montenegro, which are the

two neighboring countries that are naturally linked with Serbia. It appears that here, there could potentially develop a regional energy hub under the direction of China.

In addition to this, China also has an interest in mineral wealth. According to preliminary assessments, Serbia has deposits of gold, silver, nickel, lithium and other ores and minerals at its disposal. In November 2013, the Chinese government decided to establish a special Fund for the Support of the Cooperation with Serbia in the Area of Mining. The initial deposit into this fund – approximately €25 million – should increase in parallel with the development of the cooperation of the two countries, which was directly concretely adumbrated.²²⁹

Finally, the last area that China has a real interest in when it comes to Serbia is transportation. Even the CMEC, which takes part in revitalizing power plants, also offers services in which it modernizes railways and negotiates advantageous preferential loans. In July 2013, an agreement was concluded which stated that all 3,800 km of the Serbian railways would be covered by the modern telecommunication network of the firm Huawei. In the first place, it would cover the trans-European corridors nos. 10 and 11. The project is to be financed by a loan in the value of €200 million.²³⁰ At the close of 2013, the Chinese firm Shandong Hi-Speed Group – alongside domestic and Azerbaijani firms – also participated in constructing the trans-European highway corridor no. 11. Serbia needs to finish the construction of these corridors – one of them leading to Montenegro, and the other one going south to Greece and Bulgaria – very quickly, because their construction is turning into a competition. This is because concurrently, the parallel corridors nos. 4 (going north through Bulgaria and Romania) and 8 (between Bulgaria and Albania) are also being constructed. The traffic on these corridors can bring a profit, but Serbia suffered losses in this competition since the 1990s, when it was under international sanctions, and the long-distance traffic was moved to Romania and Bulgaria.

For two 50 km highway segments, Exim Bank released a loan of \$334 million, which is the first part of a \$10 billion Chinese package intended for Eastern Europe to be released. 51% of the work on these segments will be carried out by Chinese workers, but about 70% of the work force will be made up of domestic workers. Some other segments are being built with concessions, and the Chinese side also already asked for concessions for

three other important highway segments. But everything here is dominated by the project of the construction of the Zemun-Borča Bridge in Belgrade, which is to be 1.5 km long and is called “the Bridge of the Serbian-Chinese Friendship”, together with 22 km of other communications and 8 smaller bridges, which are key parts of the Belgrade bypass, which should be finished before the end of 2014. A very advantageous loan of approximately €170 million was, again, provided by Exim Bank. The loan is to be paid off within 15 years, is subject to a three year deferral and has a fixed interest rate of 3% per year. Serbia could receive similar credit conditions only from the World Bank. But the other side of the investment is the fact that the work is being carried out exclusively by Chinese firms and Chinese workers with Chinese materials. The domestic firms were thus completely excluded from this capital construction.

During 2013, Serbia started discussing another transportation project with the Chinese partners. This time, the project was a waterway that would interconnect the Danube and the Aegean Sea through a connection between the Morava and Vardar Rivers, with the Greek city Thessaloniki and the Serbian city Belgrade as the endpoints. On the Serbian territory, however, the project was also connected with irrigation and energy projects. Thus far, the project is still in the phase of memoranda of understanding drawn up with the Chinese company China Gezhouba Group Corporation and the production of feasibility studies. The channel is a part of the Serbian efforts to participate in the transportation of Chinese goods from Greek docks to Central Europe, regardless of whether this transportation is by water, by railway or by highway. Its significance is symbolic: not only should it interconnect two states that traditionally consider themselves to be close to and friendly with each other, but it is also in harmony with the Chinese transportation strategy, as Serbia and, even more so, Greece represents something like pilot countries in this strategy.

Greece: The First Strategic Partnership in the Balkans

Greece concluded a strategic partnership with China in 2006, and it was the first Balkan state to do so. At the time, it was the beginning of the negotiations about the privatization of Piraeus Harbor, which is the most important Greek

harbor, and here, Greece had an eminent interest in the Chinese partner becoming involved in the privatization. Although Greece does not have the kind of tradition of relations with China that Bulgaria, Romania and Albania do, it still maintained continuous contact with China throughout the Cold War period. In Greece, there lives a relatively numerous Chinese community. Since the 1990s, there has even been an unofficial Chinatown whose parts are scattered throughout various sections of old Athens. Here we find temples, monasteries, schools, a couple of Chinese restaurants and understandably also red Chinese lanterns. Nevertheless, like in other places in the Balkans, even here, the base is formed by stores with cheap Chinese goods. One can find Chinese communities in all the larger Greek cities. The official number of Chinese living in Greece is approximately 30 thousand but with the qualification that this number is probably somewhat higher in reality due to illegal migration.²³¹

A Confucius Institute has been operating at the Athens University of Business and Economics since October 2009. It was the third Confucius Institute in Europe, and it specializes in economics and business. The case of Greece is different from the cases of other Balkan states in this respect in the sense that it is not just that the Chinese language is being studied in Greece, but that the Greek language is being studied in China as well (the Modern Greek language is being taught at the Shanghai University, courses in Greek Studies are offered at the Beijing University and the Greek language is being taught at the Beijing Foreign Studies University). The Athens University and the Beijing University cooperate with each other on the basis of memoranda of understanding. Another specific feature of the Greek-Chinese relations is that small numbers of Greeks live in the Chinese cities Shanghai, Canton and Hong Kong (there are also Greek consulates in Hong Kong). Hong Kong is also the site of the Orthodox Church of Hong Kong and Southeast Asia, which falls under the jurisdiction of the Constantinople (or Istanbul or Tsargrad) Ecumenical Patriarchate. Furthermore, Greece, like Bulgaria, helped with the evacuation of Chinese citizens from Libya.

Nevertheless, the biggest specific feature of Europe's relations with China in the last few years was the threat of Greece going bankrupt. However, China made it clear that if Greece went bankrupt or left the euro zone, it would not threaten the Chinese investments in Europe. At the same time, it showed its willingness to buy the Greek debt. That did not happen, but China still

bought a certain amount of Greek debentures. There were various views on the buying of the debentures in China, and some of the domestic experts even warned against it.²³² The recapitalization of Greek banks is still not finished. One reason for this, among others, is that the banks owned a huge amount of debentures, and because of this, some lost as much as 60% of their capital. China also gave notice of its interest in gaining a share in a Greek bank. In return, Greece supports the granting of market economy status to China, and even in this respect, it is motivated by its efforts to prevent a state bankruptcy, as market economy status would enable China to financially intervene in the EU in the interest of stabilizing national budgets.

The crisis also provided additional impulses during the negotiations about China's strategic entry into the Greek transportation infrastructure. The mentioned concession for the second and third terminal of the Piraeus cargo dock (out of three terminals in all, though the third terminal is not in operation yet) to the Chinese transportation firm Cosco was signed in 2008. The lease is to last 35 years and cost \$5 billion with the condition that Cosco is to invest \$700 million into the modernization of the terminals (the state owns 74% of the harbor). According to the contract, Cosco is not subject to labor unions, which are very influential in Greece.²³³ Cosco is now making further efforts towards obtaining a branch line that would be linked to the cargo docks, and its plan is to expand the surface terminal in the hinterland of Athens so that it would be appropriate for the unloading of cars, and not just the unloading of containers. What is also "in the game" is the concessions for two other Greek harbors in the north – the Volos and Thessaloniki harbors. At the moment, Greece is finishing up the construction of its highway network, which will connect the harbors to neighboring Bulgaria, and Greek firms are building highways in neighboring Macedonia of which a highway in Serbia should be an extension.

China and Greece are tied to each other in several different ways in the area of sea transportation. Greece is one of the biggest powers in the area of sea transportation in the world (it provides 15% of the world's cargo space and 25% of the world's tankers), while China, in turn, is an eminent world producer of ships. In 2011, orders for new ships from Chinese shipyards fell by as much as one half. Fortunately, though, it was Greece which ordered almost 500 new ships in all from the Chinese shipyards since 2000 (155 of them were finished by now), which was to help the Chinese shipyards to

surmount the crisis until 2013, as it was expected that there would be a gradual rejuvenation of the demand for Chinese ships during that year. During the elapsed decade, the Greek orders gradually increased, and that was one of the impulses that lead to the negotiations about the leasing of the Piraeus port.²³⁴ In 2011, China doubled the fund which it uses to provide inexpensive loans to Greek shipowners so that it now amounted to approximately \$10 billion.²³⁵ According to some estimates, more than half of all the transportation of cargo (mainly raw materials) by ship to China is provided by Greek shipowners. The representatives of the two countries are also analyzing the possibility of the construction of tankers for liquefied natural gas, and room should be made for this by the construction of oil tankers and giant freighters. Not only Greece but also the other coastal Balkan states – especially Croatia but also Montenegro and possibly Bulgaria and Romania – can serve as appropriate connections for the transportation of liquefied natural gas to Western Europe. However, China still needs to develop the technology that would enable it to build these tankers in large quantities.

However, the sea transportation does not give us the whole picture, even if the Chinese strategy for gaining a glaxis here in the form of at least one large Greek harbor clearly shines through in this area. Namely, Greece is currently intensively negotiating with China in the area of air transportation. In 2011, Chinese airlines opened a new route between Beijing and Athens – which is a foreshadowing of China possibly becoming more connected with other Balkan states in the area of air transportation in the future, but it is only the first forerunner of such a development.²³⁶ While in neighboring Turkey, the air transportation is rapidly developing, new airports are being built and Istanbul became a regional hub that cannot be ignored, in Greece, the development in air transportation stagnated for a long time, and during the crisis, it even started to sink. Athens Airport has the second highest airport charges in Europe (only London's Heathrow Airport has higher airport charges), and thus, there are no low cost flights that would land on it. The strategy of leaving the airport to the Chinese partner with the condition that its necessary reorganization would take place and the air transportation would become interconnected with the sea, highway and railway transportation thus could be a win-win strategy. If this plan were carried out, Greece would become a true entry gate to Europe for China.

Conclusion

From the perspective of China, both of the countries represent “established brands”. And for both of the examined countries, the possibilities that they connect with China are more than just the proverbial “waiting for an economic miracle” – what is important for them is the balancing of the geopolitical influences. In contrast to the previously discussed trio of states (Bulgaria, Romania and Albania), Serbia and Greece are connected by their openness towards China and their strong Russophilia and also by the cautiousness or even distrust in their attitudes towards Brussels and Washington. In their imaginations, China plays a naturally extremely important role even in regard to their own economies, which are heavily disabled by the crisis. But a major reason for why both of the countries are turning to China for support is that their international positions are similarly weighed down by national questions: the problem with Cyprus in the case of Greece, and the corresponding problem with Kosovo in the case of Serbia.

Serbia in particular was exceptionally open and friendly towards China, but in spite of its efforts and willingness to accommodate China, Serbia actually received strikingly little from it. An exception to this was China’s support for the Serbian side in the case of Kosovo, but here China was against Kosovo’s independence because of its own interests. China has a real Serbia’s energy sector, and possibly also in Serbia’s mineral wealth.

The biggest specific feature of Europe’s relations with China in the last few years was the threat of Greece going bankrupt, which provided additional impulses during the negotiations about China’s strategic entry into the Greek transportation infrastructure. At the moment, Greece is finishing up the construction of its highway network, which will connect its harbors to neighboring Bulgaria, and Greek firms are also building highways in neighboring Macedonia, and a planned highway in Serbia should be an extension of these highways. However, Greece is currently intensively negotiating with China in the area of air transportation. If Greece’s air transportation infrastructure became interconnected with its sea, highway and railway transportation infrastructures, Greece would become a true entry gate to Europe for China.

Serbian Forelands: Montenegro and Bosnia-Herzegovina

Montenegro and Bosnia-Herzegovina, two countries that directly neighbor Serbia, currently belong to the group of countries which especially interest China because of their energy sectors despite the wide range of China's other interests. This means that both of these countries are potentially connected to Serbia in this respect, and the connection between the three countries is even more conspicuous because of the element of Serbian ethnicity which unites them.

Bosnia-Herzegovina or Republic of Srpska?

Bosnia-Herzegovina differs from the other countries in the region in the sense that the global financial crisis did not serve as an impetus for an actuation of its mutual relations with China. The two countries' mutual relations are continuously maintained mainly by consultations at the level of the First Deputies of the Ministers of Foreign Affairs. Although China is one of the few countries that are specifically mentioned by name in Bosnia-Herzegovina's foreign policy concept from 2003,²³⁷ from the context of the formulation, it is evident that the reason for mentioning it was its position as a permanent member of the UN Security Council. Bosnia-Herzegovina's foreign policy towards China commenced in the proper sense of the word only with the appointment of the new ambassador to China in July 2009,²³⁸ and the content of this policy started to be formed only with the establishment of the Coordination Team for the Cooperation with China in the middle of 2012. At the same time, the initiative for the intensification of the relations came from

the Chinese side via the Chinese embassy. In comparison with the foreign policies of other Balkan countries, the foreign policy of Bosnia-Herzegovina is limited by its scope, which is evident at the level of the agreement base. Not counting the agreement on the establishment of diplomatic relations, the two countries concluded only two bilateral agreements – the trade agreement (2001) and the agreement on development and protection of investments (2003).²³⁹

Nevertheless, in the framework of Bosnia-Herzegovina, it is still necessary to distinguish the strategy of the Republic of Srpska, one of the two federal units of Bosnia-Herzegovina. In Bosnia-Herzegovina, self-governing units of various levels can open their own representations in foreign countries. It is the Republic of Srpska which utilizes this option the most, as its representation to a great extent enables it to establish trade contacts. In 2011, the Republic of Srpska announced its intention to open its own representation in China, but so far, this plan has not been realized.²⁴⁰

Nevertheless, the Republic is developing its own policy towards China, the bearer of which is mainly the president and the hegemon of the local political scene Milorad Dodik. At the same time, the Republic of Srpska acts in accordance with Serbia's attitude towards China. However, the effect of this independent political-business strategy has been perceptible only since 2012. The Republic of Srpska maintains very tight relations with Serbia. The second federal republic of Bosnia-Herzegovina – the Federation of Bosnia-Herzegovina – does not have its own visible policy towards China, and any policy towards China that it does have can be identified with the policy of Bosnia-Herzegovina as such.²⁴¹

The view of China as a business competitor is relatively widespread in Bosnia-Herzegovina. This is because the country is strongly dependent on exports to the neighboring countries Croatia, Serbia and Montenegro and also on Kosovo, where Bosnian-Herzegovinian firms are trying to compete with other firms by offering products with low prices, and Chinese firms with their inexpensive products are among their competitors in this respect. In Sarajevo, the capital of Bosnia-Herzegovina, there is an unofficial "Chinatown" in the peripheral districts Rajlovac, Buća Potok and Boljakov Potok, where a Chinese community established itself after the end of the war in 1995 as an offshoot of the Chinese community from Serbia. After 2000, when Serbia made its conditions for entering the country more strict,

the Bosnian-Herzegovinian Chinese community was strengthened by a new wave of immigrants, as these immigrants made use of Bosnia-Herzegovina's legislative gaps that enabled them to enter the country with relative ease. Around 2005, there might have been up to 15 thousand Chinese in Bosnia-Herzegovina, but today, the corresponding figure is only two thirds of the original number at most. The reasons for the immigrants leaving the country include cases of attacks against Chinese stores and also cases of extortion in recent years, but the main reason is probably the economic crisis. For a long time, the Chinese community practically had a monopoly on inexpensive Chinese goods, but in the last few years, an increasing number of domestic marketeers are becoming interested in importing these goods in small quantities.²⁴²

There is a demand for Chinese goods in Bosnia-Herzegovina, but on the other hand, until recently, there existed only a weak awareness on the part of the country about the possibilities of exporting to China. This was a result of Bosnia-Herzegovina's weak political relations with China being combined with the two countries' minimal agreement base. Thus, Bosnia-Herzegovina's trade with China suffers from a great imbalance. Since the middle of the 2000s, China's share in Bosnia-Herzegovina's imports rose by roughly 4–5% with an irregular slight tendency towards gradual growth. However, only several tenths of one percent of Bosnia-Herzegovina's imports from China are covered by its exports to China, which places Bosnia-Herzegovina in the bottom rung of the hierarchical list of the countries in the region in terms of how much of their imports from China are covered by their exports to China, although Bosnia-Herzegovina shares this bottom rung with Montenegro and Kosovo. All three of these countries have the same handicap – an insufficient intensity in their mutual relations with China. Similarly, Montenegro's imports from China gradually grew until they managed to surpass their rather picayune original level (which was marked by the long lasting trade embargoes of the UN, the U.S. and the EU, which lasted until the beginning of 2001), and then they started to oscillate around roughly the same level as that of Bosnia-Herzegovina during the period of 2007–2011. But even at this level, the covering of Montenegro's imports from China by its exports to China is similarly negligible. Since it gained its independence, Montenegro tried to deal with its negative balance by accepting an influx of foreign investments – in this, one can see a strong internal stimulus for Chinese investments. But

the Chinese investments in Montenegro are still negligible, since these are only small individual investments in real estate.

Montenegro: Not a Gate

In formal terms, Montenegro is one of the youngest states in the Balkans, although its statehood goes back much further than 2006, when it was once again pronounced an independent state. After it gained its independence, it developed its own diplomatic relations with China. The country's Chinese General Consulate, which had been in operation since 2003, was promoted to an embassy at the time. However, some more substantial developments in the two countries' mutual relations occurred only in the period of 2011–2012, as during this period, several bilateral agreements were gradually signed, and some of them had to do with Chinese aid for Montenegro. A significant impulse with respect to this was provided by China's summits with the countries of Central and Eastern Europe. In September 2011, China and Montenegro signed an agreement about strengthening their cooperation in the area of transportation infrastructure.²⁴³ Then during the visit of the Montenegrin Prime Minister Milo Đukanović in China in September 2012, the two countries agreed upon six areas in which the two countries' cooperation was to be strengthened: transportation infrastructure, renewable energy sources with consideration for the potential of water energy in Montenegro (Albania is a similar case in this respect), the "Safe Cities" project, the finishing up of the construction and the reconstruction of the port of Bar, investments into real estate, and increasing the exports of Montenegrin food products to China.

The Montenegrin side has an evident interest in making use of the Bar Harbor – a large port of loading which, among its other uses, was used as one of the main bases of the Yugoslavian Navy – and possibly other types of transportation infrastructure.²⁴⁴ The Bar Harbor could hypothetically be an alternative transshipment station for goods that are being transported from China to Europe, or at least it could be a point on a separate route for the transportation of goods produced in Bulgaria or Romania under the direction of China (from these countries, the goods would be transported over the Adriatic Sea to Italy). Similarly as in the case of Greece, the bilateral negotiations between China and Montenegro have an additional effect on the

placing of orders for the construction of merchant ships in Chinese shipyards. Thanks to a Chinese loan in the value of \$50 million, Montenegro ordered the construction of two ships that are supposed to renew the Montenegrin merchant marine; it gained possession of the finished ships in 2012. However, clear links in the transportation of the products from China to the partner country (in this case, Montenegro) and then further to Europe (as such clear links are evident in the transportation of Chinese products to and from Greece) are missing here.

Without a connected transportation infrastructure that would interconnect the point of departure on the coast with Central Europe, the harbor by itself does not have any great significance for China at this point. The railway in the direction of Serbia has an insufficient capacity, and the construction of the future Montenegrin base highway Bar-Boljare (which is to lead from the coast to the border with Serbia), which, in any case, will be a very complicated structure,²⁴⁵ is a great unknown. The original project was supposed to be financed predominantly by the Montenegrin government and partially by a loan from the Zagreb Bank and fees, and the maintenance and administration of the highway were to be provided by the Croatian consortium Konstruktor for a period of 30 years. But one year later, the government stepped away from the agreement because of the insufficient bank guarantees on the part of Konstruktor. It then concluded an agreement on the construction of a fundamental part of the highway with the Israeli-Greek consortium Aktor-HCH, but it also stepped away from this agreement for similar reasons. In the end, at the end of 2010, the government started to negotiate with China in regard to funding the project. In 2011, China made Montenegro an offer in this respect, but it was not accepted. A second Chinese offer, which was more advantageous financially, came in 2012, but during several years of the competition, it became sufficiently evident that the Montenegrin government simply does not have the money for the construction of the highway. In addition to this, negative statements about the project were made by the European Investment Bank, the IMF and the EU, as these institutions consider the project to be nonprofitable and problematic, and not just from the financial perspective.²⁴⁶ Like Serbia, when it comes to the construction of highways, Montenegro is losing step with Greece, Romania and Bulgaria, which can all make use of the European structural funds.

The Energy Sector

But the situation in the area of energy is different. The main morsel to chew on here is the construction of the second block of the Pljevlja thermal power plant. There has been much talk about this project in the last several years, as it could help Montenegro achieve its goal of becoming an electricity exporter. However, it was only in 2013 that the project started to come close to the phase of its realization. In the autumn of 2013, a tender for it was written out. Nine firms registered for the tender, and five of them were Chinese (the Shenyang Transformer Group, the China Machinery Engineering Corporation – CMEC, the China Gezhouba Group International Engineering Company – CGGC, the China National Electric Engineering Co., and Powerchina Hubei Electric Power Survey & Design Institute). The last of the mentioned firms – in a consortium with the Italian firm Ambiente, which is responsible for the ecological aspects of the offer – is the closest to receiving the commission. The project should be carried out via an interstate agreement, and any company registered for the tender must either secure a loan or make a co-investment offer to the partly state-owned Montenegrin energy company. For this reason, the registered firms' respective governments lobbied for them. The assigned task was to build a block with a performance of 220–300 MW and a conversion efficiency of at least 38% – and this low effectiveness is an advantage precisely for Chinese technologies. The firms that made the short list were the Czech firm Škoda Plzeň, which offered to construct a block with a performance of 250 MW for €329 million; the Slovak firm Istroenergo, which offered to build a block with a performance of 225 MW for €303 million; and, finally, Powerchina, which offered to build a block with a performance of 220 MW for €269 million.²⁴⁷

At the same time, one could hear voices from diplomatic sources that said that the pressure which China exerted on its companies so that the Chinese side would gain the commission was enormous. Out of the Chinese companies, the only one that was a real contender for the commission was Powerchina, while the others were to only “serve as part of the backdrop”. Powerchina actually had orders from the highest places to try to get the commission by any means necessary. Considering the level of corruption in Montenegro, this understandably meant using bribery, and diplomatic sources

speak of the possibility of there being bribes even at the level of the contract itself. These unconfirmed reports might be but do not have to be true, but the Chinese side's enormous interest in the commission is apparent even without any bribes on its part.

Equally apparent is China's interest in the neighboring Republic of Srpska. There, in a substantially less acute atmosphere, the Chinese firm Dongfang Electric Corporation is building "turnkey" the Stanari power plant, the momentarily highest heat power plant in the Balkans, for its Serbian partner – the EFT Group, the biggest trader in electrical energy in the Balkans. The Stanari power plant, with its planned performance of 300 MW, will provide a quarter of the electrical energy production in the country. Since the construction of the power plant has been fully in the hands of local businessmen, local politicians and the Chinese partners from the very beginning, it rather provokes strong emotions only on the domestic field, mainly because of the potential ecological impacts of the project. The owner of the EFT Group, which was repeatedly accused of machinations involving the prices of electricity, is the controversial Serbian businessman Vuk Hamović. In 2005, he took over the local lignite mine. Its modernization and the preparation for the construction of the power plant, for the running of which the EFT Group has a concession, took four years. The total value of the investment should amount to €550 million. This sum was originally supposed to be used for the construction of a power plant with a performance of 410 MW and with French technology that would ensure a 43% effectiveness (instead of the currently expected 38.5% effectiveness). After Hamović received a positive evaluation of the project's impacts on the environment, he switched to a different supplier. But with this move, he lost the promise of a loan that the EBRD made to him earlier on. Apparently, the reason for this was that Chinese technology does not comply with the requirements of the EU IPPC Directive.²⁴⁸ Thus, he obtained €350 million from a loan from the Chinese Development Bank. Out of this amount, €150 million are intended for technological equipment provided by the Dongfang Electric Corporation, and the rest is intended for the work that is carried out by the Chinese side. According to the president of this firm, though the Dongfang Electric Corporation installs power plants with performances that are many times higher than that of the Stanari power plant in both China and other parts of the world, the Bosnian project has a special significance for the firm in

the sense that it is the first project of its type to be carried out by a Chinese company, and the firm hopes that positive references to the project might help the firm in its further expansion to other European markets.²⁴⁹ According to the Chinese ambassador in Sarajevo, the project brought China much closer to both the Republic of Srpska and Bosnia-Herzegovina, and it signifies the beginning of an economic, industrial and financial cooperation between China and the Republic of Srpska.²⁵⁰

There is also another smaller energy project in the Republic of Srpska that is being carried out under the common direction of the EFT Group, the Chinese Development Bank and the Dongfeng Electric Corporation. According to the corresponding agreement, the Ulog hydroelectric power station with a planned performance of 35 MW is to be constructed on the Neretva River, its connection is planned for 2016, and the project is to be carried out by the Chinese firm Sinohydro, for which it would be its debut in the European market. This agreement, just like the agreement on the construction of the Stanari power plant, was signed at the inauguration meeting of China and the national coordinators of the countries of Central and Eastern Europe in Beijing in September 2012. The total value of the project is approximately €60 million, and out of this amount, Sinohydro should carry out work in the value of €44 million.²⁵¹

The importance that the leaders of the Chinese companies and the individuals in high official positions in China attach to both of these projects stands in sharp contrast to the lack of interest in other areas of cooperation. Among other things, Bosnia-Herzegovina can also offer China a hypothetical link to a large port of loading. In this case, the port is the Croatian harbor Ploče, as at this harbor, Bosnia-Herzegovina has the right to free transit of goods (all kinds of goods can be transported from Bosnia-Herzegovina via this port, but only goods that can enter the EU can enter the country through it) on the basis of an intergovernmental agreement that was affirmed even after Croatia's entry into the EU in 2013.

Ploče was the biggest port of loading of the former Yugoslavia, and it was organically connected to the former Yugoslavia's biggest railway node, which is located in the Bosnian city Doboj. However, the railway connection was partially damaged as a result of the war, it suffered from a long-term neglect in the years since the war, and it became strongly outdated in terms of technology.

Two highway segments of the Trans-European Corridor V should lead through Bosnia-Herzegovina, and one of these should lead to Ploče. But out of all the Balkan countries, with the exception of Montenegro, Bosnia-Herzegovina built the lowest number of kilometers of highways. In the middle of 2012, the Bosnian-Herzegovinian Minister of Communications and Transportation invited some Chinese companies to join in the construction of a highway in the mentioned corridor,²⁵² and the Prime Minister of the Republic of Srpska mentioned that some Chinese firms showed an interest in finishing the construction of the Banja Luka-Split highway, but there were no concrete results in either case. At the moment, the construction of the highway segments is being financed by the European Investment Bank.

With the end of this chapter on Montenegro and Bosnia-Herzegovina, we can close our discussion of the group of countries that certainly belong to the sphere of China's interest in the Balkans. What remains are two other groups of Balkan countries: a group of two Balkan countries that are currently far away from attaining EU membership (Macedonia and Kosovo) and a group of two countries that, in contrast, are EU member states (Croatia and Slovenia). What connects these four countries, though, is the fact that in all four cases, China's interest in the given country remains only on the level of general proclamations.

Conclusion

Bosnia-Herzegovina, whose foreign policy towards China commenced in the proper sense of the word only in 2009, differs from the other countries in the region in the sense that the global financial crisis did not serve as an impetus for an actuation of its mutual relations with China. In comparison with the foreign policies of other regions, the foreign policy of Bosnia-Herzegovina is limited by its scope as well. Nevertheless, it is necessary to distinguish the strategy of the Republic of Srpska, one of the two federal units of Bosnia-Herzegovina, which is developing its own policy towards China. At the same time, the Republic of Srpska acts in accordance with Serbia's attitude towards China. However, the effect of this independent political-business strategy has been perceptible only since 2012. As for Montenegro, one of the youngest states in the Balkans, some more substantial developments in its relations

with China occurred only in the period of 2011–2012. A significant impulse with respect to this was provided by China's summits with the countries of Central and Eastern Europe.

Montenegro could hypothetically offer an alternative transshipment station for goods that are being transported from China to Europe, but it still lacks a connected transportation infrastructure that would interconnect the point of departure on the coast with Central Europe. On the other hand, both Montenegro and Bosnia-Herzegovina, two countries that directly neighbor Serbia, currently belong to the group of countries which especially interest China. The importance that the Chinese representatives attach to energy projects in both countries stands in sharp contrast to their lack of interest in other areas of cooperation. Although it is probably too early to reach any conclusions about the two examined countries' relations with China because they entered the center of China's interest only recently, China's efforts to get involved in their fields of energy are evident.

An Unreliable Terrain: Macedonia²⁵³ and Kosovo

If one can say only relatively little about the Chinese presence in Montenegro and Bosnia-Herzegovina, one can say even less about Macedonia and Kosovo. These two countries are connected by the fact that they existed as independent states for only a very short period of time, and what is also characteristic for them is that their internal political situations are relatively unstable while their future is uncertain. The uncertainty about their future is mainly related to their prospects of joining the EU. Macedonia has been a candidate state since 2005, but since that year, it has not really gotten much closer to taking part in EU entry discussions, and Kosovo is even only at the beginning of its possible association with the EU, while a factor that aggravates its situation is the fact that five EU member states do not recognize it as an independent state. To a certain extent, the two countries are also connected by the fact that their relations with China touched upon some sensitive questions having to do with the “One China” policy. In the case of Kosovo, this is a long-term issue, for the independent Kosovo’s existence itself represents a problem in relation to China’s policy.

In the case of Macedonia, the problem with China was only an episodic affair: in January 1999, the then new Macedonian government (which was made up of a coalition of several political parties that just came into power for the first time since the free elections in 1990) established diplomatic relations with Taiwan. Thus, with the exception of the Vatican, Macedonia was the only European country to recognize Taiwan. However, since 1993, China had supported Macedonia politically and economically, as Macedonia was suffering from the effects of the Greek embargo (1993–1995). Thus, the announcement of Macedonia establishing diplomatic relations with Taiwan

was surprising not only for China, but even for most of the Macedonian public. And for the sake of completeness, we should add that it was even surprising for the public in Taiwan. But when the Albanian uprising in Macedonia broke out at the beginning of 2001, the government of national unity was set up, and this government reestablished Macedonia's diplomatic relations with the PRC.²⁵⁴

If we look at a map showing the areas of the Balkans that China is interested in, both of these countries represent holes in what we so far delimited as the sphere of China's interest in the Balkans. However, this does not mean that they would be automatically relegated to the sidelines of China's attention, but rather that at the moment, China is still trying to find a way to establish closer contacts with them, and this search is momentarily complicated by the two countries' internal political conditions.

Kosovo's Mineral Wealth

Both of the examined countries are direct neighbors of states that are connected to China's strategic interest – i.e. Romania, Bulgaria, Albania, Greece and Serbia. It is especially Macedonia that serves as a crossroads through which south-to-north and east-to-west long-distance routes lead. Both Macedonia and Kosovo are aspiring to become transit areas, as both of them would profit from it. But in comparison with Romania and Bulgaria, for example, they cannot offer a convincing investment climate – regardless of how the rule of law in these countries also has major gaps. Also, because of its still uncertain international status, Kosovo is also plagued by the uncertainty of its property relations. Although it is factually independent, it is not a member of the UN, and the hypothetical future recognition of Kosovo on the part of the state from which it separated itself (Serbia) will probably be accompanied by some form of compensation in terms of property law.

This is apparently the main reason for why Chinese firms did not even register for the competition for the construction of the third block of Kosovo's Obilić thermal power plant, which is connected with rich deposits of lignite, even though they have an interest in similar projects in the neighboring countries Serbia, Bosnia-Herzegovina and Montenegro. The situation is similar when it comes to the possibilities of making use of Kosovo's mineral

wealth. Representatives of Chinese firms only lightly probed the situation related to the famous precious metal deposit of Kosovo in Trepča. But here, the property relations were subsequently complicated by the uncertain entry of the Greek businessman Evangelos Mitilineos into the proceedings²⁵⁵, and the future of the mining was complicated by the piling up of debts.

In this respect, Kosovo's mineral wealth (nickel, zinc, chrome, tin, gold, etc.) is not extensive by global standards, but it is extensive by European standards, and Kosovo thus mainly exports mineral raw materials to China. A certain clue for evaluating the Chinese-Kosovar relations may be the fact that Kosovo started to export goods to China to a greater extent only after it declared its independence in 2008. Kosovo's imports from China had started earlier – they started at the same time as the beginning of the economic reforms in Kosovo in 2003. Kosovo's imports from China started to rapidly grow, and since 2007, they make up about 7% of the total volume of Kosovo's imports. The imports are mainly of cheap consumer goods, but although there are hundreds of stores that specialize in Chinese products in Kosovo, the selling of the products is in the hands of local Albanians, as there is no Chinese community in Kosovo.

When it comes to China's attitudes towards Kosovo, China naturally takes Serbia and its views into consideration, but demonstrative gestures are foreign to Chinese politics. After all, after China signed the strategic partnership with Serbia, China started its strategic partnership negotiations with Albania, which was persistently lobbying for the recognition of Kosovo in Beijing at the time. A possible clue here could be the fact that in the last few years, China has been strenuously trying to expand its trade and investment cooperation with Taiwan. According to a similar logic, nothing is stopping it from economically cooperating with Kosovo as a titular part of Serbia. Kosovo is diplomatically covered by the Chinese embassy in Belgrade, but China also has a connected office in Pristina. China also recognizes documents issued by Kosovo's bureaus, and since October 2011, the procedure for gaining Chinese visas was made easier for citizens of Kosovo. However, meetings between Kosovar and Chinese partners are still rare, as China avoids contacts with Kosovo's diplomats and politicians.²⁵⁶

For Kosovo, China, as a permanent member of the UN Security Council and a country with a huge influence especially in Africa, is an extremely important state. Kosovo also hopes that if China changes its position in

regard to Kosovo's independence, it will help to change the positions on this issue of the remaining five EU member states that did not recognize it (Romania, Greece and Cyprus – which are three countries that have excellent relations with China – and also Slovakia and Spain). Kosovo itself has only limited opportunities to have an effect on how China sees it (instead, Albania advocates for the recognition of Kosovo by China).²⁵⁷ Officially, Kosovar politicians do not express any views in regard to issues that are sensitive for China, and if the (Albanian) public, for example, shows an interest in the issue of human rights in China, it mainly involves the situation of Chinese Muslims – mainly the Uyghurs. This indicates a difference in the optics through which the two states look at global events, which can be an additional complication in their attempts to find a common path.

The Use of the Weak Rule of Law

Although Macedonia does not seem to have the same kinds of problems that Kosovo does – it managed to solve the problems of its international recognition and its UN membership in 1993–1994 (Gow, 1997: 78–79), even if it did solve these problems later than the other five republics of the former Yugoslavia – its dispute with Greece regarding its name has meant that for the last several years, it was left “standing at the door” when it wanted to join these organizations. In 2001, it was the first state of the Western Balkans to sign an association agreement with the EU, and in 2005, it became the second EU candidate country in the region, but since that time, it was overtaken by Montenegro and Serbia in the race for EU integration, and two of its fellow travellers from the applicant group (Croatia and Albania) became EU members while Macedonia did not. Macedonia is thus becoming a sort of “permanent waiter” when it comes to joining international organizations, and meanwhile, the authoritarian tendencies in the country are growing stronger, and ideologically, these tendencies lean on an extreme form of nationalism. Limitations on human rights and freedom of speech go hand in hand with these tendencies, and the EU criticizes these limitations. In this situation, the ruling clique is especially turning to Russia and China with high hopes and with a feeling that the political regimes of these countries are compatible with that of Macedonia.

China is more open to Macedonia than to Kosovo, but while China and Macedonia's views on freedom of speech are similar in some ways, it is hard to find a sympathy between the two countries that would arise from their similar views on this subject. However, China pragmatically makes use of the weak rule of law in Macedonia, a country where politics openly enter into purely economic affairs. This is very clearly seen in the case of the deliveries of buses for public transportation in the Macedonian capital Skopje. The competition, which was accompanied by a lack of clarity and disqualifications of other offers for allegedly formal reasons, was won by the Chinese firm Yutong Group, which, at the time when it won the tender, did not even have a finished prototype yet. Yutong Group thus won the competition on the condition that if it won, it would develop an appropriate kind of bus.²⁵⁸ Yutong Group was supposed to deliver 202 new buses in the period of 2011–2013. But the resulting buses manufactured by Yutong Group have British motors; transmissions, steering and brakes from Germany, etc., and they are also noticeably similar to London double-deckers.²⁵⁹ Nevertheless, for China, this was an opportunity to prove itself in the field of bus manufacturing on European soil.

Thus, in some cases, a weak rule of law represents an opportunity that China does not want to waste. In Kosovo, the weak rule of law is additionally complicated by the country's uncertain international status, because of which China is putting off its entry into Kosovo until a more opportune time. As for Macedonia, while it is not moving from the point at which it arrived in 2005, its position as a candidate for EU membership still gives it certain advantages. In 2008, four manufacturers of automobile parts²⁶⁰ decided to set up plants in the industrial zone in Skopje; the plants' production is intended for many different brands on the global market, but in the case of at least three of the plants, it is also intended for Eastern Europe – for example, it is intended for the nascent Chinese automobile factory in Bulgaria. From this, it is evident that the entry of Chinese firms into the Balkans can also bring new supply relations.

Nevertheless, the direct Chinese investments in Macedonia never reached a higher volume. The share of Chinese investments in Macedonia constantly ranges from several hundredths of one percent to one quarter of one percent of the total yearly influx of investments, and in addition to this, the Chinese investors started to pull their profits back to China already in 2007, which

was still before the beginning of the world financial crisis. At the same, though, China is one of the first countries with which Macedonia concluded a bilateral investment treaty and a double taxation treaty (both in 1997). In 2008, the two countries signed an agreement on technical cooperation, an agreement on strengthening their economic cooperation, and a memorandum of understanding between the Macedonian Agency for Foreign Investments and the Chinese Trade Ministry's Bureau for the Promotion of Investment,²⁶¹ and in 2011, they signed an agreement on economic and technical cooperation. In May 2012, the Macedonian prime minister Nikola Gruevski went on a one-week tour of China, during which he visited five cities (including Hong Kong) and informed approximately 500 Chinese firms about the investment opportunities in Macedonia.²⁶² Macedonia is also currently offering China an industrial zone that would be administered by Chinese firms.²⁶³ China's cautiousness when it is faced with Macedonia's persistent efforts to attract investments is noticeable. Either Macedonia is not attractive to Chinese firms in any way, or the Chinese firms do not consider the Macedonian environment to be sufficiently trustworthy.

As in the case of Kosovo, China is, for now, apparently rather preparing a ground that it will use in the future in Macedonia. Meanwhile, Macedonia is interested in China's involvement in key projects in the fields of energy and transportation infrastructure. Macedonian highways, which are largely financed via abundant amounts of aid from the European Funds, were, until now, constructed by Greek firms. It follows that the last highway segment is also being built by Greeks. This segment still needs to be finished in the area between the Greek and the Serbian border (and it should be completed in 2016).²⁶⁴ It was only at the end of 2013 that the Chinese firm Sinohydro was put in charge of the construction of two transverse segments leading to Western and Eastern Macedonia, which are to have a total length of 110 km and a value of €580 million. 90% of the costs are provided by China's Exim Bank, and the rest is provided by the Macedonian government. The related contract is advantageous for the Macedonian side in the sense that an amount of goods and services in the value of 49% of the total costs of the goods and services that are necessary for the construction project is to be of Macedonian origin, and at least 51% of the employees working on the project should be Macedonian citizens.²⁶⁵ In the area of energy, the only relevant event for the Chinese-Macedonian relations that occurred was that

the Macedonian government and the China International Water and Electric Corporation signed a memorandum of understanding in regard to the planned construction of a cascade of 12 hydraulic power plants on the Vardar River. The cascade should lead from Kosovo's border in the north to the Greek border in the south, its value should be approximately €1.5 billion and 85% of the costs are to be financed by a loan from the Chinese Development Bank. However, the fate of this superproject, which is tentatively planned for 15 years, is still uncertain.

The mutual trade between China and Macedonia is still being developed. China became one of Macedonia's more important trade partners only after 2001. Since 2007, Macedonia's imports from China oscillated between 4.5 and 6% of its total volume of imports. Macedonia's exports to China started to be noticeable only after 2010, but China is open to the possibility of their further development. Wine and tobacco, two of Macedonia's key agricultural products, were important for it in this respect. In May 2012, the biggest Chinese wine distributor signed an agreement on wine exports to China with nine Macedonian wine producers.²⁶⁶ Also, for a long time, Macedonia has been trying to export tobacco to China, and in March 2012, Macedonia and China finally signed an agreement on the applicable phytosanitary requirements.²⁶⁷ From these cases, it is clear that China does not follow any strict principle that would require it to always reject Macedonia. However, in terms of being highly successful in its relations with China, Macedonia's time has still not come.

Conclusion

It seems that the main thing the two countries have in common in the eyes of China is not international-political complications. It is rather that in China, both of the states are considered to be unstable, their governments are seen as corrupt and the enforceability of their laws is perceived as weak. In combination with the brief period of time in which these countries were independent states, these problems cause China to see them as undecipherable. Neither Macedonia nor Kosovo can offer a convincing investment climate. Furthermore, when it comes to China's attitudes towards Kosovo, China naturally takes Serbia and its views into consideration. However, the uncertainty of its property relations

due to Kosovo's uncertain international status is apparently the main reason for why China is putting off its entry into Kosovo until a more opportune time. Although Macedonia does not seem to have the same kinds of problems that Kosovo does, its dispute with Greece regarding its name has meant that for the last several years, it was left "standing at the door" when it wanted to join both the EU and NATO. The direct Chinese investments in Macedonia never reached a higher volume, and China's cautiousness when it is faced with Macedonia's persistent efforts to attract investments is noticeable. As in the case of Kosovo, China is, for now, apparently rather preparing a ground that it will use in the future in Macedonia.

A Secondary Branch? Slovenia and Croatia

Slovenia and Croatia are not only EU member states (Slovenia since 2004 and Croatia since 2013), but they are also countries that are considered to be an additional part of the Balkans because of their connection to Yugoslavia. However, most of their political history is connected with Austria and Hungary (i.e. with Central Europe). After all, the two countries' local Confucius Institutes (one was opened in the Slovenian capital Ljubljana in 2010, and another was opened in the Croatian capital Zagreb in 2012) joined the same regional group as the Confucius Institutes in Vienna and Budapest. Slovenia and Croatia also differ from the other countries in South-Eastern Europe in the sense that while the Chinese investments in Croatia and Slovenia are negligible, these two countries actually invest in China. About 30 Slovenian firms have representations in China, and in 2011, the Slovenian businesses Iskra Avtoelektrika, Kolektor and Calex entered China through their greenfield investments in it.²⁶⁸ In 2012, the Slovenian investments in China amounted to €15.8 million, which is about 0.3% of the total volume of Slovenia's investments in foreign countries (meanwhile, China invested about €100 thousand in Slovenia – i.e. 0.001% of China's investments in foreign countries).²⁶⁹ The corresponding Croatian portfolio is substantially more modest: the Croatian firms Končar and Badel 1862 and the independent Croatian tourist agency Uniline are represented in China through their joint ventures there.²⁷⁰

Slovenia is also substantially more successful than Croatia in the mutual trade with China, and this is so in spite of the economic crisis: while before the crisis, the coverage of Slovenia's imports from China by its exports there gradually decreased to 15%, by 2012, this figure grew to 22%. Meanwhile, the Chinese exports to Slovenia are only slowly growing, and in 2012, they

amounted to less than 3% of Slovenia's imports. In contrast, in 2010, China's share in Croatia's imports was about 7%, while Croatia's exports to China are negligible. Croatia's exports to China cover only slightly less than 1% of its imports from China, and this is so in spite of the fact that like many other states in the region, Croatia tries to export its wines, spirits and olive oil, and these products are in demand in China. Thus, the mutual trade suffers from a huge imbalance. Like the other maritime states of the Balkans, Croatia hopes to at least partially balance its deficit by attracting a greater number of Chinese tourists. In 2010, there were about 13 thousand Chinese tourists in Croatia; in 2011, this figure rose to 22.5 thousand; and in 2012, it was more than 43 thousand. But the target Croatia is aiming for here is 100 thousand Chinese tourists per year, which is about 1% of the total number of foreigners who visit Croatia each year.

In China's Viewfinder

So far, both of these states are in China's viewfinder, but it is hard to say anything more about this matter. For a long time, Slovenia was opposed to any entry of foreign investments into its state and semistate companies, but it started to negotiate about foreign investments only with the growing pressure of the global financial crisis in 2013. Since 2010, a branch of the Chinese Development Bank has been operating in Slovenia, but no concrete investment project has been agreed upon so far. Meanwhile, the Croatian-Chinese relations had a low intensity until 2009; it was only the economic crisis that persuaded Croatia to really make an effort to obtain Chinese investments. With the changing of the leading politicians that was connected with the coming into office of the new Croatian government, a diplomatic offensive began that was motivated by the effort to reverse the recession that Croatia fell into. At the end of 2012, China was visited by four Croatian economic and political delegations that offered investment projects to it, and the Croatian representatives continued in their efforts to attract investors under very advantageous conditions even in the following year. Nevertheless, the following sentence became a catchphrase in Croatia: "Chinese investments in Croatia are like the Yeti – no one ever saw them."²⁷¹ If we do not count the business representations of Chinese firms in Croatia, the only Chinese

investments in Croatia are from Lenovo Technology, Huawei Ltd. (a limited liability company) and ZTE Hrvatska Ltd. In addition to these investments, since 2006, there was a Chinese wholesale trade center in Zagreb called the Chinese Wall, and it contains 72 stores. Nevertheless, there was never any larger Chinese investment in Croatia.

In general, Croatia is not particularly successful in attracting foreign investors. Currently, it is trying to make money from its geographical position, as it can provide a shorter route to Western Europe for Chinese goods than paths that lead through Dutch, German or Spanish harbors. Also, with its still fresh EU membership, it can offer a route with only one clearance for the goods. However, the problem is that it only seems to offer a shorter path when one looks at the possible routes on a map. Croatia offers its Rijeka Harbor in the north, and with this harbor, it would like to compete with Slovenia's Koper Harbor (which is being used by other Asian industrial countries on a large scale). Rijeka Harbor is connected to Chinese harbors through a boat line that is used once a week. Rijeka Harbor also has a great depth, so boats of all sizes and tonnages can put in there. In addition to this, the large oil terminal Omišalj lies close by. This oil terminal is well protected against storms, and it is so deep that even the biggest tankers can put in there. In connection with the plans for the construction of an LNG terminal in the close neighborhood, the potential for the creation of a transportation node with a regional significance is slowly coming into view.

However, in order for Rijeka to compete with Koper, the local container terminal would have to increase its capacity many times, and this cannot be done without a foreign investment. A condition that must be fulfilled in order for such an investment to pay off is that there should be a fast surface connection that would be connected to the terminal. The transportation speed of the current railway to Zagreb is no higher than 50 km/h. The planned construction of a high speed railway that would go from Rijeka to Zagreb is a project that the Croatian government persistently keeps offering to China, but the government still did not purchase the necessary pieces of land for this railway line, and the problem of the related property law relations was not solved either. In addition, Croatia competes with Slovenia, to which China is currently offering a project for the construction of a new container terminal in Koper harbor. Also, with the support of the Chinese Development Bank and the Chinese Ministry of Transportation, the China Harbour Engineering

Company and another consortium that was put together specifically for this purpose offered Slovenia a project for the construction of a railway line that would be connected to the terminal.²⁷²

Similarly as in the case of Montenegro, Croatia lacks one basic condition for the further development of Rijeka: a quality surface connection to other parts of Europe.²⁷³ The Chinese shipbuilding firm COSCO, which took over Greece's Piraeus Harbor, finally started its negotiations with Croatia in regard to its possible investments into the development of Rijeka Harbor in autumn 2013.²⁷⁴ And although all the negotiations are still in their beginning phase, so far, Croatia still at least managed to capitalize on the Chinese investments in the neighboring Bosnia-Herzegovina. In the competition between Slovenia's Koper Harbor and Romania's Constanța Harbor, Rijeka, together with Croatian Railways, received a commission for the transportation of equipment for the Stanari power plant, which is being constructed by Chinese companies. As the commission requires them to unload and transport almost 50 thousand tons, the Croatian firms refer to the commission as "the commission of the decade", and they hope to become COSCO's partners in similar future projects in the Balkans.²⁷⁵

Although the Chinese Minister of Foreign Affairs announced at the end of 2013 that Chinese companies are prepared to invest in the Croatian harbors Rijeka and Ploče on the Adriatic Sea and the Vukovar harbor on the Danube, the railway connection between Croatia and Hungary, a bridge that goes around a short segment of the Bosnian-Herzegovinian coast, and hydraulic and thermal power plants, for now, such plans remain only on the level of verbal declarations.²⁷⁶ In addition, it is also good to look at other states' expressions of what their interests are. For example, in 2013, the Turkish company Yes Energy Systems showed an interest in the oil terminal in Ploče, which belongs to the Federation of Bosnia-Herzegovina, and which has been losing money for a long time. However, the company would only invest in and work with the terminal under the following conditions: it would be in the form of a concession for 30 years, the company would not take most of the debts upon itself, it would not keep the current employees of the terminal or respect any obligations towards them, and it would have a guarantee that it would have a monopoly on the importing of oil derivatives. Otherwise, the company is not willing to spend the €10 million that are needed for the reconstruction of the terminal.²⁷⁷ There are not many reasons for thinking that

China will be less pragmatic in its reactions to such offers. But in the end, the modernization of an outbuilding of the Ploče terminal and the construction of new terminals are being financed by the Croatian government together with the World Bank. From the beginning, Chinese firms were considered to be favorites in the competition for the tender for the equipping of the new container terminal of Ploče Harbor (a project worth €70–80 million), with one reason for this being the loans from the Chinese Development Bank.²⁷⁸ So far, 12 offers were accepted, and out of these, two are Chinese, and the rest are from Europe.²⁷⁹

In the case of Croatia, highways are a chapter in themselves. China expressed an interest in a plan to lease out the operation of Croatian highways, allegedly with a concession for 30 years, while it was expected that in such a case, China would want to push through a clause that would stipulate that it would be compulsory that Chinese firms carry out a certain share of the construction work.²⁸⁰ But this was a sensitive issue. Croatian highways are mainly used by Croatian citizens, but in spite of this, the Croatian highway tolls were raised already in 2011. The whole affair also gives the impression that a strategic branch of Croatia is being handed over to foreign hands. On the other hand, the Croatian economy has been in a recession since the beginning of the global financial crisis. Thus, toward the end of 2013, under the pressure of having to pay off loans worth roughly €3 billion for the construction of highways within the next six years, and in spite of protests from the public, labor unions and the opposition, which threatened to hold a referendum on the issue, the Croatian government finally decided to announce a tender for the monetization of Croatian highways. What is involved here is 1,024 km of highways in total, and the government expects an immediate income of at least €3 milliard for a concession of 50 years. Through this, it mainly wants to lower the public debt and also support the administration of highways and railways. The favorites in the competition for the tender are two consortia of Western financial institutions and Croatian pension funds.²⁸¹

A Traffic Hub?

However, air transportation is also involved in the game. In 2012, the consortium China Airport Construction Group Corporation offered to build

a new terminal for Zagreb Airport in return for a 25-year concession. This project would have a value of €220 million.²⁸² In addition to that, the airline company China Southern Airlines hinted at its interest in taking over Croatia Airlines. But the problem here is that Croatia's interests are in conflict with those of Slovenia in this matter. Ljubljana Airport and the Slovenian company Adria Airways are in the first package of 15 state companies for which the Slovenian government, under pressure from the economic crisis, is looking for new owners or strategic partners. For the Chinese side, an interesting item here is the flying school that China would receive together with the airport. The flying school could train new Chinese pilots, since because of the growing airport traffic in China, the Chinese domestic capacities for the training of pilots are starting to be insufficient. However, China taking over the Slovenian airlines, the Croatian airlines or both of the geographically close airports could be advantageous for the investor, but less so for both Croatia and Slovenia, since it could mean a rationalization of services and a consolidation of operations.²⁸³ Thus, besides sea transportation, air transportation is another area in which Croatia and Slovenia are in competition with each other.

The airlines of the two countries' formerly Yugoslav neighbors – Serbia, Bosnia-Herzegovina and Montenegro – also have similar problems, and thus they are searching for strategic partners. So far, the only one of these airlines that managed to find a strategic partner was the Serbian company JAT, which was taken over by the company Etihad from the United Arab Emirates, and as Air Serbia, it plans to gradually take over a part of the airlines that were thus far operated by national companies of the neighboring countries.²⁸⁴ In 2008, Turkish Airlines entered into BH Airlines, but after four years, Turkish Airlines left BH Airlines because of its dissatisfaction with the Bosnian-Herzegovinian government's approach to the mutual cooperation, and currently, BH Airlines is close to bankruptcy, while all the other mentioned national transporters are threatened with bankruptcy as well. Now Turkish Airlines is tentatively taking an interest in Croatia Airlines, as is the Indonesian company Garuda. However, both of these companies are contemplating whether they would be capable of competing with Air Serbia. The third contender is the already mentioned Southern China Airlines, whose interest in Croatia Airlines could be stronger in the long term. It could follow the example of Korean Air, which bought a 44% share in the Czech company ČSA; Central Europe is starting to be interesting for Asian producers as a potential hub that would serve as

an appropriate beachhead for their further expansion into Western Europe. The decisionmaking is further complicated by the fact that the newest actor to show an interest in entering into the Slovenian company Adria Airways was Russia. At the same time, Slovenia is also negotiating with Russia about the construction of the gas pipeline South Stream (about a tenth of its length should lead through Slovenia's territory).²⁸⁵ Slovenia has a great interest in taking part in this project, and this interest can also influence the privatization of its airlines and airport. In turn, Croatia is considering building an LNG terminal (for the transportation of gas from Katar) in Rijeka with the participation of American investors, which was probably the last straw that lead Russia to exclude Croatia from the South Stream project.²⁸⁶

The transportation of energy sources can thus indirectly influence in which hands the other branches of transportation will eventually end up. However, China is not directly interested in it. It is only probing the possibilities of becoming involved in the energy sector. North China Power Engineering Ltd. is making an effort to expand its presence in Europe, and after Poland and Lithuania, it turned its attention to Croatia. The Croatian government plans to offer a tender for the construction of a steam-gas power plant in Osijek with a wattage of 600 MW, a minimum efficiency of 60% and a value of €450 million, and it is expected that Croatian firms will carry out a part of the construction work and also provide some of the equipment.²⁸⁷ Furthermore, Croatia plans to construct the third block of the heat power plant Plomin. In addition to the companies from Europe, the U.S., Japan, Korea and Russia that registered for the tender for this project, an unnamed Chinese company also registered for it, but it did not make the short list. Two requirements for taking part in the competition were that the given company had to have the most modern technology that would guarantee, among other things, a minimum efficiency of 45% and that it had to be able to catch and compress CO₂ emissions.²⁸⁸ The Chinese competitor evidently could not guarantee that it could meet these requirements. Nevertheless, the Chinese Development Bank is probing the possibilities of reconstructing or building new facilities for hydraulic, thermal and/or steam-gas power plants in Slovenia, but the case of the tender for the third block of Plomin C shows that the Chinese penetration into the energy spheres of Croatia and Slovenia, two countries with highly developed ecological segments of their respective civil societies, is still highly debatable.

Conclusion

In the view of China, Slovenia and Croatia mainly constitute a potential transportation infrastructure node in which sea, air and land transportation of goods, persons and energy sources would mingle. But China is only one of the players in the game. Russia, Turkey and the Persian Gulf states are also interested in dealing with them. It appears that in this puzzle, China is most probably interested in obtaining another branch for the transportation of Chinese goods to Europe. This branch would be similar to the Greek branch, which is currently being built. Slovenia and Croatia are both players in the game, but Slovenia has bigger chances of having successful business relations with China.

Conclusion: Strategic Pragmatism Instead of a Strategic Friendship

To answer the question we posed in the introduction, what the Chinese strategy towards the Balkans is like, we could say that it is circuitous. Currently, China is the second largest economy in the world and also the world's biggest exporter. For the EU, China is its most important import partner and its second most important export partner.²⁸⁹ In its mutual trade exchange with the EU, China has a long-term positive trade balance, and the EU is its most important trade partner. With this, we are arriving at the answer to the question of Chinese investments in the Balkans. All the Balkan countries are concordantly trying to attract Chinese investments, but the question is to what extent their hopes for Chinese investments are realistic when taking into account the ways in which the countries normally go about attracting Chinese investments. Political alliances and investment incentives such as industrial zones are not decisive here. Although China refers to Serbia as its main strategic ally in the Balkans, it mostly shows Serbia that it has this status through one-shot donations to it. All in all, these donations are negligible amounts for China; actually, they are more like gestures or, in a way, small bribes that are intended to maintain a friendly atmosphere.

The relative slowness of the realization of the Chinese efforts to penetrate into Central and Eastern Europe can be ascribed to China's insufficient attractiveness in terms of investments. But on the other hand, China can give out loans thanks to the surplus of its foreign exchange reserves. These loans are advantageous for debtors in terms of how they can be paid off, but in the Chinese perspective, what is especially important is that the foreign exchange reserves are safely deposited and that they can be converted into a potential technology transfer from China to the Balkans. Chinese loans usually come

with conditions related to the participation of Chinese firms in the given project, especially if it involves high-tech equipment. A successful realization of a commission brings references, and thus it can generate indirect gains for the Chinese companies in the sense that they could gain other commissions. “Turnkey construction” projects carried out by Chinese firms that are connected with concessions of use are ideal in this respect. It is necessary to take into consideration that in cases of loans provided by the Chinese Development Bank or Exim Bank, what is involved is not a commercial firm, but a financial instrument that serves the highly pragmatic strategy of a state whose goal is to support its domestic economy.

As was evident in the preceding overview of the Balkan countries, in the Balkans, we can point out four main areas that China is interested in: automobile manufacturing, energy, transportation infrastructure and mineral raw materials, and it is possible that agriculture could also be added to this list in the future. Automobile manufacturing is the only area in which China made a large industrial investment, and this is no accident. In terms of costs of production, China does not need to move its production to another country because the continuing relocation of the potential work force from the countryside to the cities still suffices for the maintenance of an advantageous proportion of the costs of the work force to the quality of the production. If Chinese companies needed to press down the costs of production, it would be more advantageous for them to remain in China’s close neighborhood – e.g. in Vietnam. But automobile production has its own specific features.

In 2012, China exported roughly a million vehicles. In 2013, China produced almost a quarter of all light vehicles (weighing 3.5 tons or less) in the world. By doing so, it exceeded the light vehicle production of the EU as a whole after having surpassed the U.S., Japan and Germany in this area by 2009, and became the biggest automobile producer in the world. In addition, it is estimated that during the next thirty years, 50% of the newly built production capacities will be concentrated in China. China is thus an automobile superpower. However, it is still limited to developing markets, while its attempts to penetrate the European and North American markets were unsuccessful. The main reason for China’s failure in Europe in this respect between the years 2000 and 2010 was that China did not understand the European consumers’ approach to buying a new car. The European consumers’ approach is almost exclusively influenced by four specific

factors: the characteristics of the product, its image, the costs and the service. The Chinese automobile producers failed in all four of these areas. They tried to succeed through their aggressive price policies, but they neglected the importance of the image of the cars they were offering. And what was worse, the cars were of a low quality and did not fulfil international norms – for example, the norm on passive security. And finally, they did not manage to provide accompanying services such as those related to the accessibility of car dealerships selling the Chinese cars, the financing of the purchase, the possibilities of selling one's used car back to the dealership and repairs. On top of that, they offered low guarantees, so a seemingly inexpensive model was really expensive in terms of the total cost of ownership. The European market is currently under the pressure of a declining consumption of automobiles, which is caused by the satiation of the market in combination with the decline of automobiles on the ladder of values – and all these tendencies are strengthened by the economic crisis. This gives new producers a chance to enter the market, as they could offer a product that would be suited for the changing conditions. However, this approach is simultaneously limited by the new Block Exemption Regulations (EC Regulation 330/2010), which were valid since the middle of 2013. These regulations move the balance of power back to the producers, which enables already well established producers to keep their new competitors from using already established distribution networks.²⁹⁰

One option for the Chinese companies is to buy an already established brand, as Geely did with Volvo. That is also basically the path that was chosen by YTO, as it manufactures tractors on the basis of Fiat's license in Serbia while using its Serbian producer's distribution network as a springboard. Another option is that the Chinese companies could start a new brand and build a national distribution network for it right from the very beginning, as was the case with Great Wall Motors and its new factory in Bulgaria.

Bulgaria has a tradition of machinery production (Bulgaria produced machinery both on its own territory and in the countries that directly neighbor it – Macedonia, Romania and Serbia). There are also subsuppliers of high quality parts in Bulgaria. Furthermore, the Bulgarian work force is sufficiently qualified and also inexpensive. However, unlike Romania, Bulgaria does not have its own automobile production, so on its national market, China does not have to contend with any domestic competitor, and it can hope for an

accommodating approach on the part of the Bulgarian government. At the same time, Bulgaria lies within the EU, so China can spread its distribution network from Bulgaria to other European countries without any obstructions. Also, the distance between Bulgaria and Germany (24 hours by truck) is acceptable for China, and Germany, with its population of 80 million people, is the heart of the Western market.

In contrast, Greece is a bit more distant, and it lacks the necessary industrial tradition. In addition, its work force is expensive, and its labor market is inflexible. Serbia is outside of the EU, and in addition to that, the Italian company Fiat has a plant there. Similarly, Bosnia-Herzegovina, Montenegro, Albania and Macedonia all lie outside of the EU and lack the necessary tradition of machinery production (the same applies to Kosovo, which also has the problem of an unclear international legal status). As for Croatia and Slovenia, they are industrial countries and EU members (although Croatia has been an EU member only since 2013), but their production costs are higher, and the French company Renault conducts manufacturing operations in Slovenia. Thus, when it came to automobile production, Bulgaria was a logical choice for China, and in fact, it was China's only choice.²⁹¹

The new base of the Chinese automobile production in the Balkans is located in a country that *is* a part of the EU. We cannot but repeat that China sees a value not only in the possibility to export its products from Bulgaria to the European market, but also in the following possibility of pushing its products, which would now be marked "Made in the EU", into other parts of the world, including Asia and, by all accounts, China itself.

In contrast, in the area of energy, the Chinese interest is focused on countries that *are not* a part of the EU. It could just be a coincidence, and apparently, several different factors have an influence here. It is possible that the environment of the Balkan countries outside the EU is more appropriate for the construction of electrical power plants since in the EU, there are stricter norms for efficiency and emissions. One case that indirectly attests to this is that of block C of the Croatian electrical power plant Plomin, where the Chinese competitor did not manage to get through the "sieve" of the evaluation of the candidates' qualifications, but another such case is that of the Stanari power plant in Bosnia-Herzegovina. In the case of the Stanari power plant, the investor originally received the permission for the construction project (what the environmental effects of the project would be was the

main criterion for whether the permission would be granted) on the basis of a project of the French company Alstom, which offered greater efficiency, but then the investor switched to a different supplier for the construction project – a Chinese firm. This firm offered lower efficiency but for half the original price. It is thus possible that in this case, the investor and the Chinese firm benefited not only from Bosnia-Herzegovina's own laws, but also from the weak rule of law in the country, and it is not out of the question that this factor also plays a role in the case of Montenegro.

Although China is the biggest coal consumer in the world, currently it invests more into renewable sources of energy. It is not out of the question that over time, there will come a wave of Chinese investments in other sources of energy, such as water power, solar power and wind power. But for now, it rather invests into coal, and the supplies of coal in the Balkans are considerable. It is possible that when they try to penetrate European countries outside of the EU in this area, Chinese companies are trying to profit from their own long-term experience with coal power plants. It appears that what is decisive for an evaluation of China's performance in this area is the case of the Romanian power plant Rovinari. The negotiations about its construction went on for several years now, and Romania is trying to get China to invest in the project, with one reason for this being the advantageous credit offered by China. Finally, in 2012, China Nuclear Power Corporation was selected as the winner of the competition for the tender. This company is one of the Chinese "Top 5". 10% of the electricity production in China is under its direction. It also built more than 200 electrical power plants in China, Indonesia, Malaysia, and Cambodia, and currently it is building one in Turkey. It also deals with heavy machinery, water conditioning and purification technologies, environmental protection and the development of high tech products. It is a true Chinese "heavyweight". The construction project will be realized in the form of a common enterprise, and the foreign partner can gain a majority share in it.

In the competition, the Chinese company defeated the Japanese giant Marubeni, as the former gained 100 points (the maximum possible score), while the latter gained 78.75. However, both of these competitors were proclaimed to be qualified for the project. So far, only a letter of intent was signed with the winner, and if the negotiations about an agreement with the first choice company do not lead to the desired result, Romania will negotiate

with the second choice company.²⁹² After the Chinese side's long hesitation to enter the energy sector in Romania – in spite of various tentative promises – a case is opening which will show whether Chinese firms are able to comply with the requirements from the side of the EU legislature.

In the field of transportation infrastructure, one of China's goals is to ensure a fluent transport of Chinese goods from the Balkan ports to Central and Western Europe, most likely in combination with air transportation. It is evident that this path is becoming an increasingly likely option because of China's partnership with Greece. Another alternative route is through Slovenia, Croatia or a combination of both. A path going through Montenegro is less likely. There is a chance here for Balkan countries to profit from sea transportation; in the transportation of Chinese goods to Europe, the clear leader is Greece, followed far behind by Croatia and Montenegro.

China's second goal is to convince other countries that Chinese firms are qualified to perform highway construction. That is why in some exemplary cases, there is an effort to use Chinese technologies, workers and materials in the given construction project. In this area, China mainly has its own interests in mind, and thanks to the providing of credit, which is in the hands of the state, it has control over pushing its interests through. The Balkan countries have only limited means to realize large infrastructure projects with only their own resources. China's crowning project in the Balkans – the highway bridge going over the Danube with a connected complex infrastructure in Serbia – is being realized by China alone without any domestic participation, even though there is an unemployment rate of more than 20% in Serbia. When the Romanian government made it clear that it would not reconcile itself to similar conditions, a Chinese company withdrew from the selection procedure for the project of the construction of the highway to Braşov. However, Romania has an advantage over countries that are not EU members in that it can make use of the EU regional funds.

However, on the other hand, in the construction of some highway segments in Serbia and Macedonia, the Chinese side does not demand that the project be carried out with only its own forces and materials. In fact, it even offers friendly conditions when it comes to the participation of local work forces and firms. During one such project, in a symbolic gesture, China released the first sum of money from a package intended for the Chinese cooperation with the states of Central and Eastern Europe to Serbia. Serbia is China's politically

privileged partner in the Balkans, but Chinese firms build highway segments in Macedonia under similar conditions, which is strange, considering that Macedonia does not have a particularly developed partnership with China – especially when one compares Macedonia to Serbia – or even an economic cooperation with it.

Thus far, it is hard to judge how large a role in this is played by the fact that the highway segments in question are not key, and they are certainly not key in regard to the transportation of goods to Western Europe. It is also possible that a role in the Chinese strategy is played by the potential possibility of gaining a concession for operating the highways; the build-operate-transfer system is understandably the most advantageous system for China. But for the administration of the highways to pay off, a certain minimum amount of traffic is required. But the local governments in the Balkans evidently only reluctantly consent to this model, since it basically takes their highways from their hands.

China desires a fluent transportation of its goods through the Balkans and then to other parts of Europe, but of course, it also makes an effort to sell them on the local markets. In regard to exports, mineral raw materials stand apart, as China understandably has an interest in them. Also, another relevant factor might be the fact that China is mainly interested in the mineral raw materials of countries that are outside of the EU (Albania, Serbia and Kosovo). It is true that these countries coincidentally abound in mineral wealth. China itself, however, established limits on exports of precious raw materials: China's export quotas, export tariffs and supplementary conditions all limit non-Chinese firms' access to the precious raw materials within China. These strategic measures are understandable when one considers the point of view of the Chinese government in relation to the utilization of these raw materials in industry, but in the view of the EU, they distort the market and give unfair advantages to Chinese companies and the Chinese industry. Thus, the EU logically sees the measures as violations of the general principles of the WTO. For this reason, when it comes to mineral extraction, it is more advantageous for China to negotiate with individual states whose governments do not overly cumber themselves with such questions.

In the future, there will probably be a more pronounced Chinese interest in agriculture, and it will most likely take the form of China buying or leasing land, while the production will be intended for China. The current

projects of this type in Bulgaria are rather pilot projects. However, generally, the agriculture in the Balkans represents one way to export to China. The industrial production in the Balkans is not too strong, and thus the countries' chances of exporting are also lower. Manufactured goods from the Balkans compete on the international market with a proportion of quality to price that is frequently similar to that of Chinese manufactured goods. However, it is possible that the countries' chances of exporting to China grow in relation to their investments in China. For example, Romania's exports to China stably grew during the global financial crisis, which also heavily hit Romania, and the Romanian investments in China are growing as well. It shows the two faces of an economic cooperation with China: a country's waiting for an investment from China that would save it becomes pointless if the country does not offer an attractive brand name or image to the Chinese. It is also possible for a country or company to establish itself on the Chinese market, but it cannot do so for free and without taking risks. It would certainly be easier for a Balkan country or company to establish itself on the Chinese market if the corresponding products were produced by a Chinese-Balkan joint venture. However, with the exception of some specific branches such as the automobile industry, so far, Chinese firms do not have many reasons to look for a Balkan partner, for thus far, they still did not deplete the potential of investments from Western and Central Europe.

In general, the Balkans cannot offer many attractive brand names. However, they can offer food products "with an origin" – alcohol (wine and spirits), cheeses and olive oil – and also tobacco. In China, there is a growing demand for the "Western" style of food consumption. There is also a demand in China for more expensive agricultural products. And finally, there is a general Chinese demand for animal products such as meat and dairy products. Like the continually growing Chinese demand for Greek marble, the food exports to China are an indirect proof of the fact that in China, in parallel to the expansion of the middle class, there is also a growing demand for quality. Furthermore, one other possible direction was hinted at by the visit of a Bosnian-Herzegovinian trade delegation representing the country's woodworking industry in China at the end of 2012. The delegation aspired to establish a cooperation with the Chinese partners in the area of the wood trade.²⁹³ Bosnia-Herzegovina has extensive wood resources, and the wood resources of this country and other Balkan countries could be a potentially

attractive segment for the Chinese market in the future. In all these areas, the Balkan countries have a chance to compete with Western countries in the area of exporting to China and also to possibly attract Chinese investments in the future, which would only happen if they convinced the potential investors about the trustworthiness and strength of their local name brands. That is to say, it is very likely that the Chinese investors will keep their eye on the possibility of offering the local products on the Chinese market – which would naturally be advantageous for the Balkan countries – but what could become a problem is that a verification of the strength of a local brand could mean that it would be offered on Western markets.

A better option for the Balkan countries would be to invest in China. However, for this, they mostly lack the necessary capital and also the necessary knowledge. Bulgaria and Romania actually do have some awareness of the conditions of the Chinese environment, as these two countries still build on their erstwhile relations with China from the communist era, which were never interrupted. But the other countries had to search for a sense of orientation in their relations with China right from the very beginning, and this situation was aggravated by the process of China continually developing and changing. Out of the Balkan countries examined in this book, the only one that invests in China to a sufficient extent for the investments to have some significance is Slovenia; but then there are foretastes of greater investments in China in Croatia and, recently, also in Bulgaria and Romania. But nevertheless, an inclination toward a truly strategic approach that would take into consideration investment incentives, production costs and prospects of the growth of the local market can be seen only in Slovenia.²⁹⁴ It is not difficult to come to the conclusion that this is related to the overall level of the country's investment culture, as Slovenia managed to have various experiences with investments in countries that were risky in some way or other – and these countries were all Balkan countries.

If the weak point of the relations between the Balkan countries and China is the great deficits in the trade balance, then the Balkan countries hope to attract Chinese tourists – this is especially the case for those countries in whose economies tourism plays an important role (i.e. Greece, Croatia, Bulgaria, Montenegro, Albania and, to some extent, Romania). This could bring about a certain equalizing of the trade balance. Let us now leave aside the fact that depending on tourism as a substitute for exports can be treacherous; it is not

a coincidence that the EU member states that have difficulties within the EU are mainly those that have coastal and maritime tourism as a significant branch of the economy (this includes the new EU member Croatia). It is still too early to evaluate the situation, but the numbers of Chinese tourists in Europe and the Balkans are growing. Foreign tourism is another area in which China, out of all the countries in the world, took the first place position. Since 1999, when Chinese citizens were permitted to apply for passports with their personal identification documents, China grew faster than any other country by far in this area, and after it surpassed France, the UK and (in 2012) the U.S. and Germany, which up to that point held the number two and number one positions on the foreign tourism ladder respectively, China became the state whose citizens spend, in total, the biggest amounts of money on foreign trips. Hence, all kinds of people, businesses and countries are trying to get a piece of the offered pie.

The majority of foreign trips by Chinese citizens are still trips to other Asian countries, especially to those in China's close neighborhood, as in contrast to European visits by Chinese citizens, the Chinese tourists feel a greater cultural closeness to the nearby Asian countries, they can orient themselves more easily in these countries, the visit costs less and they save more time. This plays a role in the fact that the one European country that receives the most visits from Chinese tourists is still Russia. Russia is then followed by France, Germany, Italy, the UK and Switzerland on the ladder of the European countries that receive the most Chinese visits, as these countries benefit from their global renown. In principle, Chinese tourists make decisions about where they will travel on the basis of four considerations – the distance of the country, the accessibility of its visas, recommendations and marketing. These considerations, however, are the most important for tourists who are planning their first foreign trip. During the planning of their subsequent journeys, the qualities that become more significant are the novelty of the country and its attractiveness – not just for the people going on the trip but for their friends and acquaintances as well. Chinese tourists still place a great value on personal experiences and recommendations, and in connection with this, they also place a high amount of trust in the information found on the Internet, or more specifically, on social networks. And the Chinese people's knowledge of foreign languages is not too great, so if a country wants to be successful with Chinese tourists, the base of its strategy should be to offer information

about itself in Chinese, and this should be done in combination with utilizing the Internet and having a direct representation in China. However, foreign tour operators are not allowed to operate in China if their countries are not on the list of countries with Approved Destination Status. Macedonia and Bosnia-Herzegovina are not on this list, as they do not have highly developed relations with China. For understandable reasons, Kosovo is not there either. And Albania is another Balkan country that is not on the list in spite of its strategic partnership with China and the fact that coastal and maritime tourism is an important economic branch for it. In contrast, however, Croatia was one of the first European countries to get on the list, and it even made it to the list before the majority of the EU countries (including, for example, France) did.²⁹⁵

The lower the global awareness of the given country is, the more important it is that the country has a direct representation in China. Countries that are globally well known benefit from the images that are attributed to them: thus, Chinese tourists wish to attend wine-tasting events in France, come to Italy for fashions, want to ride in luxurious cars in Germany, come to Switzerland for the natural scenery, and travel to the UK for the cultural landscapes that are typical for it. In the Chinese view, however, every destination needs to have its own unique image, although several small countries can fit under the same umbrella. Besides, it is not rare for Chinese tourists to try to visit several different places during one European trip. Thus, it is possible that a potential path for the Balkan states is represented by Greece, which does not depend primarily on its beaches for attracting tourists, but on its relics of antiquity. A strategy like this could support the other coastal Balkan states as well, and it would work best in a situation where the countries would cooperate to some extent in terms of what they offer tourists. However, what Chinese tourists want from the places they visit is a specific cultural/historical value, pleasant weather, and beautiful scenery, but they also desire safety and security during their travels and a high quality tourism infrastructure.²⁹⁶ Another path that is also being paved by Greece in the Balkans is that of opening the doors for Chinese investments into real estate. It is precisely this that can cultivate infrastructure in terms of the demands and needs of Chinese tourists, but it can also increase the sense of security.

But it is no less important that tourism provides an opportunity for Chinese tourists to go shopping. A significant part of the Chinese culture is gift-giving.

As a part of this practice, Chinese tourists like to bring back appropriate gifts for their friends and relatives from their trips to foreign countries. However, it is expected that these gifts should have a valued brand name, a valued origin or a highly regarded image in a different sense. In this point, there is yet another intersection of the Balkan food industry and exports, since through tourism, the images of different countries can influence each other, and the countries can strengthen each other's awareness of each other's typical products and the exports of these products.

This excursion into tourism shows us how in the imagined image of each of the examined countries, there is a blend of tourism, exports, Chinese investments and investments in China, and on this point, we could also end. China is behaving wholly pragmatically in its approach to the Balkans, and in sum, it is evident that it is naive to depend on an imaginary "friendship" with this great power. China does not give out anything for free. Its heart is set on its own economy and its own gains, which it does not hesitate to defend. On the other hand, though, China is open to a pragmatic approach from the country it is dealing with if the country is accommodating towards China's needs. Thus, what is important is to properly assess China's needs and especially to take an active approach. Without doing this, waiting for Chinese investments and opportunities on the Chinese market will be like waiting for Godot.

Failing to take a more active approach towards China would mean not only wasting an opportunity, but perhaps it would mean betraying the national interest as well. It is in the countries' national interest to be active partners for China. Regardless of China's possible internal economic problems, China will remain an increasingly important economic factor in the future.

Can an increase of investment in China and a rise of exports to China increase its acceptability as a political partner? Or can it rather serve to conceal the political reality in China? China's economic growth is heavily dependent on exports, i.e. economic relations with other countries. From the point of view of other countries, it is necessary to strive to make it so that the internal Chinese market would gradually become a standard market environment. A gradual political democratization is most likely necessary for it. A national consensus on relations with China could then be built around this entanglement of economic and political reality.

Part III:

Eastern Periphery of EU: Ukraine, Belarus and Moldova

Introduction: Chinese Relations with Ukraine, Belarus and Moldova

Karel Svoboda

None of the countries in the post-Soviet region, with the exception of Russia, represents a matter of vital interests for China. They are too small for the Asian giant and, consequently, they offer only a limited possibility for the allocation of Chinese capital. As a result, most of the projects go to the spheres able to absorb big sums, energy, transport and gigantic infrastructure projects.

The fact of their relative insignificance in terms of markets for Chinese goods does not mean that China is not interested in cooperation with the states at all. Ukraine and Belarus possess a sound basis in technologies, and Ukraine and Moldova might be interesting due to their agriculture for China. Moldova and Ukraine have also a special relationship with the European Union, which might be of some importance for China, despite the fact that the countries' entrepreneurs are still reluctant to invest in the form of foreign direct investment.

For the countries themselves, China is attractive in many ways. Contrary to international financial organizations that demand changes in the recipient country's economic policy, China does not raise any questions or conditions about these economic policies. China is able to deal with countries with economic regimes ranging from Ukraine's market economy to the planned economy of Belarus. Additionally, China does not question the quality of democracy or human rights as Western countries usually do, which is undoubtedly attractive for Lukashenko's regime in Belarus and even more so for Yanukovich's Ukraine.

The whole region still heavily depends on Russian supplies of oil and gas and is only slowly moving towards a more diversified energy policy. This, of

course, means a great leverage for Russia to influence the countries' foreign economic relations. Moreover, most of the factories rely on cooperation with the Russian side, be it supplies of spare parts or common research and development. Last but not least, Russia still represents the biggest market for their goods. This became more obvious after the creation of the Customs Union of Russia, Belarus and Kazakhstan. While Belarus enjoys advantages of the ties with Russia in the form of cheap energies and improved access to the Russian market, the two remaining stay outside and face serious obstacles for their trade from the Russian side.

A Way Out of Crisis? Chinese-Ukrainian Relations

Ukraine represents the biggest market among the post-Soviet states (excluding Russia); in addition, the country has relatively close relations with the European Union. In contrast to Russia, Ukraine does not pursue great power politics and, therefore, does not compete with China geopolitically. From the Ukrainian point of view, cooperation with China may represent a welcomed possibility how to decrease the country's dependence on Russia and to open new markets to Ukrainian producers. This is particularly important in the light of tensions between Ukraine and Russia over Ukrainian participation or non-participation in the Russia-Belarus-Kazakhstan Customs Union.

Ukraine pursues its multivector policy oriented on uniting the East and West. The Ukrainian Vice-Premier Arbuzov put it: "The mission of Ukraine is to unite the East and the West, not to divide them. Therefore, we conduct a balanced foreign policy towards Russia on the one hand and the European Union on the other."²⁹⁷ China, on the contrary, follows a policy of spreading its influence to other parts of the world. Ukraine under Yanukovich perfectly fits this strategy as it gives prevalence to topics such as economic diplomacy, while the promotion of human rights or the implementation of western type democratic standards are left aside. Last but not least, China, when providing its credit, does not raise conditions of economic reforms as, for example, the International Monetary Fund does.

Although the countries' representatives speak about a strategic partnership between Ukraine and China, the relations are to a great extent asymmetrical. Ukraine with its 45 million inhabitants cannot compete with China and its 1.3 billion inhabitants. The economic strength of the two countries is also incomparable. As a result, relations between the two countries form the situation in which Ukraine needs China more than China needs Ukraine.

Ukraine's strength lies in its position between the European Union and Russia. This enables the country to access both of the markets. Moreover, the Accession Treaty with the European Union may only strengthen this relative advantage. On the contrary, China does not see the country's closeness to the EU as a crucial condition.

Nevertheless, the two states signed cooperation agreements in many fields including trade, politics, humanitarian cooperation or education. What is less clear is the question to what extent these treaties will be fully executed. Events that occurred after Yanukovych's rejection of the signing of the Association Agreement with the European Union may cause deterioration in the two partners' relations. Yet, the general trend towards deeper cooperation will not change. The chapter reflects the situation existing until January 2014. Despite the fact that events in Kyiv and Eastern Ukraine may change the situation in the Ukrainian internal situation, it may be presumed that any government will do its best to fulfill the obligations of the treaties with China and that they will further develop cooperation as a way how to decrease one-sided dependence on Russia.

Political Relations

Relations between China and Ukraine significantly improved in 2010 when Victor Yanukovych replaced pro-Western Victor Yushchenko at the post of President of Ukraine. The new president shifted the orientation of Ukrainian foreign policy from the West towards a more balanced approach. China began to play a significant part in the new strategy, becoming the most important country in the Asia-Pacific region. The change under Yanukovych brought several visits, important documents and initiatives. However, it might be questioned whether the cooperation will remain the same if the governing party changes in Ukraine. The situation in the country is diametrically different from the Chinese where the November 2012 personal change in leadership brought no change in the country's policy.

The countries' representatives intensified mutual contacts after the Ukrainian presidential elections of 2010. Yanukovych already paid a visit to China in September 2010, i.e. seven years after the last visit of a Ukrainian president in China. The then Chinese president Hu Jintao visited Ukraine in

April 2011. It was the first visit of a Chinese president in Kiev since 2001 and it meant an important step in the relations between the two states as the Treaty on Strategic Partnership was signed. Even before Hu Jintao's visit, an intergovernmental commission had been established. The visit of the Ukrainian president Yanukovich took place in December 2013, however, the results were mixed in the light of Majdan. Although the Agreement on Friendship and Cooperation for the next five years and the Program of Strategic Partnership for the years 2013–2017 was signed during the visit, the Chinese side refused to increase its aid to Ukraine. Nevertheless, the agreements on cooperating in the tourist sphere, phytosanitary norms, energy saving and many others represent an important step in mutual relations.

The Intergovernmental Commission under the co-chairmanship of Vice-Prime Minister Arbutov and Vice-Premier of the State Council of the People's Republic of China Ma Kai represents the main framework of cooperation between the two states. The commission meets every two years and discusses issues of general trade and cooperation affairs. Within this framework, several subcommittees deal with branch agendas, from technology, agriculture to humanitarian affairs.²⁹⁸ Besides intergovernmental politics, relations between the Ukrainian Party of Regions and the Communist Party of the People's Republic China were established in 2010. This further underlines the dependency of the relations on the Party of Regions remaining in power in Ukraine.

The countries act in accord in some questions on the world scene. Victor Yanukovich supported the Chinese position in several matters concerning world politics. First and foremost, his support to China in the question of Taiwan should be mentioned. The Ukrainian President even stated that there is only China and it is that China with the capital in Beijing. Furthermore, he condemned separatist movements of the Uyghurs and Tibetans. China marked Ukraine as "a strategic partner in Central Europe," which can be considered as a special status of close relations.

Economic Cooperation

The overall Ukrainian volume of trade with China experiences steep growth. Only in the first eight months of the year 2013 it reached \$7.3 billion,

16% higher than for the same period of the previous year.²⁹⁹ However, the commodity structure of their trade is significantly disadvantageous for Ukraine. It exported mainly raw materials such as iron ore, or primary products made from it. In the last years, Chinese interest shifted from iron to agriculture and food products. Nevertheless, it may be said that China imports goods with low added value from Ukraine while it exports technologies and machinery.

The Ukrainian deficit in the trade with China reached USD \$6.1 billion in 2012. Ukraine would like to cover it with putting stress on the export of high-tech and agricultural products. However, China does not demand Ukrainian hi-tech products and prefers imports of food products.³⁰⁰ As a result, Ukrainian agricultural exports to China grew four times during the first eight months of 2013 while the growth of export of technological products remained insignificant.

According to the Ukrainian Vice-Premier Arbutov, the partners "... intend to focus not only on cultivation, but also on exports, which involvement [sic] of ports. Today, we are not able to export all that we grow in the amounts we'd like to. However, export rates are growing, and we will be able to equalize the balance of bilateral trade between Ukraine and China. Strategic directions include agriculture, aviation, space industry, science, culture, and medicine."³⁰¹ This outline gives an image of future cooperation between the two partners, but it is by no means a full list of the projects.

In the sphere of investment, interests of the two partners are not fully compatible. Ukraine is interested in intensifying Chinese FDI inflows while China prefers credit operations with an important condition of purchasing Chinese goods. Typically, China provides Ukraine with loans for the sector from which China needs the Ukrainian production; Ukraine buys Chinese equipment and services connected to it. As a result, Chinese FDI inflows to Ukraine are relatively insignificant while credit inflows and mutual trade are high. China did not rank among the ten biggest countries of origin of FDI inflows to Ukraine.³⁰²

The situation with FDI is complicated not only due to the lack of interest of Chinese firms, but also due to the unfriendly investment environment in Ukraine. The whole country's economy is controlled by local clans (in which even president Yanukovich's son Olexander plays an important role) that prevent efforts on the part of foreign entrepreneurs, including Russian, to

enter the Ukrainian market. The exception that proves this rule is represented by Lakshmi Mittal who bought a metallurgy plant Krivorozhstal in 2005. Nevertheless, even this investment faced serious opposition from Ukrainian entrepreneurs.

The countries went further in replacing the dollar as an accounting currency for their mutual trade. They agreed to a 15 billion yuan swap (approximately \$2.36 billion) for three years. The trade should therefore be partly executed in national currencies, not in US dollars. Nevertheless, despite official promulgations of success in mutual trade, the program did not still come in power. The swap is in line with the Chinese strategy of ousting the dollar from its trade with its partners. Similar agreements were signed with countries such as Australia, Korea or Turkey.³⁰³ It brings an advantage also to the Ukrainian side which is currently struggling with an excessive dollarization of its economy. However, the project is by far less ambitious than in the last years when a full switch to national currencies had been discussed.

Ukraine is not a receiver and subsequently guarantor of Chinese loans for the first time. Programs of receiving loans in exchange for goods from a crediting country were in operation during the years 1992–1998 in Ukraine. Under these programs, the country issued guarantees for \$2.57 billion. The new credits, however, edge even higher with the sum of approximately \$10 billion. As a result, most of the loans had to be repaid by the state itself, not by the enterprises that got the credits. Although Ukraine's debt is still at acceptable levels around 35% of GDP, new guarantees will shift it closer to the edge line of 40%. This will further hamper Ukraine's ability to attract further credit and make them more expensive. Furthermore, credit from Chinese side, especially to the agricultural sphere, represent the fulfillment of Chinese interests in securing enough food supplies while Ukrainian interests in more advanced production remain unsaturated. Furthermore, credit obligations include Chinese warrants for purchases of Ukrainian agricultural products well below the market price.³⁰⁴ This is a rather disadvantageous stipulation for the Ukrainian side because when prices are high, China will presumably buy their products for this discounted price while in the situation of oversupply, it will leave grain to Ukraine.

Energy and raw materials still represent the most important fields of Ukrainian-Chinese cooperation. China seeks mainly projects that are available to absorb significant amounts of the money; therefore, energy is an ideal target

field. Last but not least, China itself needs to cover its energy needs and any saving of energy consumption may serve the country's needs.

In December 2012, the state oil and gas company Naftogaz signed the \$3.656 billion 19-years-credit-line agreement with the state-owned China Development Bank to finance the program of substituting natural gas with locally produced coal. The service cost for the credit line should reach \$2.9 billion.³⁰⁵ The credit should be used for purchasing Chinese technologies and equipment. According to the agreement, four projects out of the whole package should aim at the gasification of Ukrainian black and brown coal; the fifth should modernize North Donetsk Power Station. In exchange, Ukraine would pay with its corn for the credit. Thanks to the technologies provided by the Chinese side, Ukraine might save up to three billion cubic meters of natural gas. According to the Ukrainian representatives, the country will save further \$1.5 billion in non-delivered gas and further 150 million hryvnas in subsidies to the population. Furthermore, the deal has important political consequences, internal and external. Firstly, it should decrease Ukrainian dependency on Russia substantially. In the internal affairs, at least according to the Ukrainian government, it should save up to fifteen thousand jobs for Ukrainian miners, mostly in the Donetsk oblast, where the main support of the Party of Regions comes from. Moreover, one of the key players in the Ukrainian mining industry is also Yanukovych's son Oleksandr.³⁰⁶ However, as the situation in the world gas markets continues to change in unpredictable directions the execution of the trade is still unclear.

The deal between Naftogaz and the China Development Bank is by no means the first one in the China-Ukraine relations. In 2010, a Memorandum of understanding between the Ukrainian Energy Ministry and the Chinese Development Bank was signed. Under the stipulations of the memorandum, one billion dollars credit line was opened. The credit line was used for modernizing seven Ukrainian power stations. Within the framework of the credit line, the loan of \$85 million was provided to the Ukrainian side for modernizing the Melnitsky mines of the state company Lisichanskugol. The loan will be used for purchasing Chinese equipment. Furthermore, during the visit of president Yanukovych in China, an agreement between the Chinese Export Import Bank and the Ukrainian government on the construction of gas-vapor power plant in Shcholkine, Crimea was signed. The Chinese

Export-Import bank will provide credit with the overall value of \$1.2 billion while Chinese enterprises will be the suppliers of the technologies in concern.³⁰⁷

Although agriculture still represents only a small portion of trade between the two partners, reaching just 5% of the overall trade turnover, the dynamics indicates a growing role of this sector. The agricultural trade turnover grew by 46% in the first half of 2013 compared to the same period of 2012. Beside the trend in growth of the overall turnover, significant growth in Ukrainian exports to China may be spotted. While they grew by 210% (to \$210 million), the growth of Chinese agricultural exports to Ukraine equaled only to 2.5%.³⁰⁸

In the agriculture and food industry, the main driver of cooperation between the two states is the Chinese need to secure enough food supplies for its growing population. China became the biggest grain importer in the world in 2011. The country, therefore, increased cooperation with the most important grain exporters, including South American states (Brasil and Argentina most notably), but also with Ukraine. China intensively seeks a way how to decrease its dependency on its traditional suppliers, the United States most notably. The volume of expected trade (its capacity more precisely) is set to about two million tons of Ukrainian corn, which, bearing in mind the overall Chinese imports of this commodity at about four million tons, makes Ukrainian producers important players in the Chinese market. Ukrainian corn, according to some, should cost USD 120–160 per one ton, well below the world market price.³⁰⁹ However, it must be noted that the volume means only an opportunity to buy up to two million tons, not an obligation for the Chinese side. Nevertheless, the Chinese population is set to grow to 1.5 billion up to 2020 and the need of corn, but also of other commodities, will undoubtedly grow.³¹⁰

A new agreement between China and Ukraine was signed in June 2012 between the Ministry of Agricultural Policy of Ukraine and the Chinese Export-Import Bank. Under the agreement, a credit line of three billion dollars was opened. Ukraine may use this credit for financing modernization projects in the sphere of agriculture.³¹¹ Most notably, Ukraine targeted the use of the credit to Chinese pesticides and herbicides. Moreover, half of the credit line was to be used for purchasing Chinese agricultural machinery. In exchange for the credit, Ukraine should deliver up to three million tons of

corn each year. China therefore employed an advantageous scheme when it finances its own exports and gets the necessary food supplies for the money.

The aforementioned fourfold growth of agricultural exports from Ukraine to China should be further strengthened by exporting two million tons of corn during 2013. In the following year, Ukraine will broaden its export portfolio to other agricultural commodities, such as soya or barley. Furthermore, in the longer run, Ukraine plans to export rapeseed or wheat. Although the possibility to export such commodities has not been confirmed by the Chinese authorities, it might be expected that the approval will come in the near future.

Ukraine receives a preferential treatment of phytosanitary controls on Chinese borders as for instance Argentina does. Instead of several years that are typical for the examination and approval of food products exported to the Chinese market, procedures for Ukrainian food products are executed within months. This further underlines the Chinese need in grain supplies.³¹²

Although the news about the purchase of three million hectares of Ukrainian farmland by the Chinese state company Xinjiang Production and Construction Corps proved to be untrue, it would be no surprise if something similar occurred in the near future.³¹³ China itself has already invested in the aforementioned South American countries; its interest in Ukraine would be only natural. The contract between KSGAgro and China's Xinjiang Production and Construction Corps, China National Corporation for Overseas Economic Cooperation and China-Ukraine International Cooperation Association Ltd. should bring the installation of drip irrigators on 3,000 hectares in 2014. The Chinese side will get the right of privileged purchases of the crops.

Ukraine is currently negotiating an extension of credit from September 2012 with China. As the Ukrainian Agricultural Policy and Food Minister Mykola Prysiashniuk announced in October, Ukraine will receive another \$3 billion credit from the Chinese Export-Import Bank. The credit will be used for modernizing the Ukrainian irrigation system in Kherson, Mykolaiv regions, in Crimea and partly in Zaporizhia. The loan should be given under a 6.5% interest rate with a five-year grace period. It should be repaid in ten years.³¹⁴ What is important, half of the loan should be sent to Ukraine in monetary form, the other half in the form of Chinese machinery. However, the conditions of the provisions of the monetary "part" of the loan are not clear. Nevertheless, it might be expected that they are tied to purchases of Chinese machinery by Ukraine.

The new wave of contacts brought also a revival of old projects postponed under Yushchenko's presidency. Among them, the reconstruction of the potash fertilizer plant in Kalush might be named. The agreement on the reconstruction was signed by the Exim Bank of China and Wuhuan Engineering, Kitpred, the Ecology and Natural Resources Ministry and Ivano-Frankivsk regional administration in 2011. However, the project still might be under question. According to the local Ivano-Frankivsk representatives, Ukrainian investors emerged on the scene and they would get priority.³¹⁵

Investment into infrastructure has been named as one of the possible fields of Chinese participation in Ukrainian economy. Among the most prominent, the project of a high-speed train connection between Borispol Airport and Kyiv should be named. However, according to the promulgations of Ukrainian and Chinese representatives, more projects in transport construction sphere may be expected in the near future.

The program of train connection between Kyiv and the Borispol airport became the most important project in the transport area with the overall volume of three billion hryvnas (approximately \$372 million). The loan itself will be provided with LIBOR + a 3.5 interest rate and a repayment period of 15 years with the grace period of three years.³¹⁶ The agreement on construction had been signed already in 2010. The initial aim was to provide connection between the Borispol airport and Kyiv center for the EURO 2012 football fans, but the project was delayed several times; partly because of low quality of possible Chinese supplies and especially because of Ukraine's disadvantageous conditions of the project. Among them, non-participation of Ukrainian subjects was the least acceptable for the Ukrainian side and only after a modification of these conditions the technical agreement could be signed.³¹⁷ Although the first tranche of the credit at sum of \$52 million was already released by the Exim Bank of China for preparatory works, it may be expected that the project will not be finished before 2015. Furthermore, it is not yet clear what the new conditions for participation of Ukrainian industry are.³¹⁸

Chinese firms are also interested in the development of Ukrainian ports, Odessa and Illichivsk most notably. The main reason for such an interest lies in the aforementioned expansion of Ukrainian agriculture exports to China and the subsequent need to increase transport capacities. According to preliminary plans, China will buy 8–10 new ships for grain transportation.³¹⁹ Furthermore,

the Memorandum of understanding on the expansion of Sevastopol fishing port was signed in August 2013.

Among other fields, cooperation in the defense industry seems to be particularly promising. The Chinese army is undergoing a program of rearmament to modern warfare; Ukraine still retains much of the Soviet arms industry know how. Moreover, China is interested in building its own industry and therefore seeks a way how to get to advanced technologies. While leaders such as the United States or Russia remain reluctant to the sales of their newest technologies to China due to disrespect of intellectual property rights by the Chinese side, Ukraine sees a great opportunity in the trade with this country. However, the arms trade is, as usual, conducted in the top secrecy mode and its real extent can be only presumed. Ukraine faces competition from Russia and it is probable that Russia will use any possibility to block any deal that would menace its own interests, be it security or business.

The cooperation, although in its premature form, became especially obvious when China showed its first aircraft carrier *Lianoning* in 2013. The ship is a rebuilt Soviet aircraft carrier *Varyag*, sold by Ukraine to China for \$20 million in 1998 (Coates, 2010: 236). Another example of trade between the two countries is the Chinese jet fighter *Shenyang J-15*. Although the fighter is not fully a copy, it is based on the prototype of the *Su-33* jet fighter that was obtained by China via Ukraine in 2001. China studied the prototype thoroughly and used some of the parts such as avionics.³²⁰ This somehow shows the contrasting interests between China and her foreign suppliers. While they view the Chinese market as a great opportunity for their goods, China needs technology to develop its own production.

The cooperation in the sphere of aircraft construction received its legal basis in November 2002 when Ukraine's Industrial Policy Ministry and China's Commission of Science, Technology, and Industry for National Defense (COSTIND) signed a protocol of cooperation in the aircraft construction industry. Since that time both the sides discussed several projects aimed at the development of the Chinese transport plane between the Ukrainian Antonov and the China Aviation Industry Corporation I. In autumn 2007, the partners signed an agreement on intending to cooperate in a project for the creation of a new Chinese turboprop regional airliner, the 70-seater MA700 aircraft. Although there are other projects between Ukrainian (Ivchenko-Progress and

Motor Sich most notably) and Chinese firms, the relations are by no means without problems.³²¹

Presumably, Ukraine became also a victim of the Chinese lack of respect to intellectual property. During the visit of the Chinese president in Ukraine in 2011, the contract on the supplies of engines for the new Chinese trainer planes Hongdu L-15 Falcon was signed. The first engines AI-222-25F of the series of 250 were delivered to China in April 2012.³²² China announced that it would replace the Ukrainian (and Russian) engines with the Chinese own constructed types afterwards. The case resembles the situation with the Chinese jet fighter J-11B which heavily resembles the Russian Sukhoi Su-27. Based on this experience and the fact that the Chinese producers already applied to buy the license for the engines, it may be presumed that Chinese engines will be based on the Ukrainian ones. Furthermore, China already presented its Minshan engine at the Chinese Air Show in 2012 which could be characterized as an effort to copy its Ukrainian (and also some other) counterpart. Although it has some similar characteristics, the Chinese engine is still inferior to the Ukrainian one.³²³

Additionally, China might be interested also in transport airplanes, most notably Antonovs. China, according to some news, will need around 5300 new planes in the next twenty years, which represents a great opportunity for the Ukrainian manufacturer.³²⁴ Nevertheless, Ukraine has some bitter experience with the supplies to the Chinese partners as well. The Xian Y-7 and the Xian Y-8 aircraft are the modernized versions of the Antonov An-24 and An-12BK.³²⁵ Despite this experience for Ukrainians, development of new heavy load aircraft of Chinese production Y-20 (Kunpeng) reportedly went in cooperation with Ukrainian specialists. The new airplane, which made its first maiden flight in January 2013, should be able to transport heavy loads up to 66 tons. It is, according to press releases, able to fly 4500 kilometers with a load of 55 metric tons. However, the plane still cannot fully replace the Il-76s held by the Chinese army and China leads negotiations with the Ukrainian side about their further deliveries. The main weakness of the Y-20 type lies in the engines that are still waiting for further development.³²⁶ As a result, the Motor Sich engines technologies that are used for the giant An-124 (the D18-T engine) became also targets of Chinese interest. Nevertheless, according to the press release of the company, the sale of the license for the engines has been rejected.³²⁷

China is not interested only in Ukrainian airplanes, but also in military hovercrafts. In 2009, China and Ukraine signed a contract on the sale of four air cushion landing crafts Zubr at the sum of \$315 million. First two of the hovercrafts were to be built by the Ukrainian Feodosiya Shipbuilding Company in full accord with Chinese demands; the second pair of vessels will be built in China under the supervision of Ukrainian specialists. Despite rumors about the possible sale of Ukrainian technology to the Chinese side, Ukrainians strictly rejected that. Nevertheless, first of the hovercrafts was delivered to China in May 2013. The trade itself caused discontent on the part of Russia as well because it regards the Zubr technology as its own property.³²⁸

It is clear from the cooperation conducted so far that the parties have opposite interests in the arms trade. China plans to develop its own industry and sell its products abroad while Ukraine plans to export as many final products as possible. China therefore tries to obtain Ukrainian technologies and become a direct Ukrainian competitor. Ukraine, due to the economic hardships of its main aircraft manufacturer Antonov, cooperates with the Chinese side; however, the cooperation may end soon when the Chinese industry matures.

The intergovernmental commission between China and Ukraine established in 2011 represents the main framework for joint projects also in technology and science. Its operation, through the subcommittees, covers diverse fields of space science, education, technologies or medicine. As can be seen, the projects follow a general rule when China needs technologies and Ukraine needs capital for developing these technologies.

The nature of China-Ukraine cooperation may be seen from the establishment of technology and science parks in China. The first of these parks came into operation in Jinan in 2002 with the main aim of cooperating in high technologies. Further centers followed in 2003 (Harbin), 2011 (Shanghai) and 2012 (Zhenjian). The centers mostly reflect the needs of the Chinese economy such as biotechnologies, space industry, renewable energy or new materials.³²⁹

The sphere of education represents another part of Chinese policy of obtaining modern technologies from abroad. Therefore, cooperation is actively supported from the state. Approximately ten thousand Chinese students study in Ukraine, 1300 of Ukrainian students, on the other hand,

study in China. As for the Chinese students, technical schools remain the most popular. The overall number of agreements between Chinese and Ukrainian universities includes 43 Ukrainian and more than 200 Chinese tertiary education establishments. China has also established five Confucius Institutes in Ukrainian universities (Kyiv, Luhansk, Odessa, Kharkiv).³³⁰

Nevertheless, Ukraine underwent turbulent events in the last months of 2013. These events, at the moment of the writing of the chapter (January 2014), resulted in a significant threat to the territorial integrity of the state. Although it may be presumed that any new administration will do its best to fulfill the obligations from treaties with China, political and, subsequently, economic instability may represent an important menace to mutual cooperation. To conclude, Ukraine's relevance for China lies in its relative size compared to other states in the region. This is particularly true for the energy sector, but also for infrastructure projects. There is almost a full consensus in Ukraine that cooperation with China represents a vital national interest as it is a possible way how to decrease its reliance on Russia. Although it might be altered due to the events taking place in the country at the moment, even the opposition does not challenge such a view.

China-Belarus Relations: A Better Friend for Lukashenko

One of the reasons for cooperation between China and Belarus lies in the political sphere. Both countries stress pragmatism in their relations. The pragmatism is best demonstrated in their foreign policy which they both base on the principle of respect to the inviolability of the territory of a sovereign state. For China, the reasons for such an ideology are described in the chapter of its relations with Ukraine. Belarus finds itself between Russia and the European Union. It faces constant intensive criticism from the European Union due to its weak respect for human rights and the authoritative regime of president Lukashenko. On the contrary, Russia exerts a long time pressure towards Belarus aimed at further intensification of the integrative projects. As a result, support from Beijing is particularly welcomed in Belarus because it decreases pressure from both the EU and Russia.³³¹

The Russian Federation does not look at the Chinese-Belarusian cooperation favorably, be it from the economic or political point of view. This stance is caused by the fear of Russian business representatives of the inflow of cheap Chinese goods via Belarus and also the fear of the decrease of Belarusian dependence on Russia. Due to the stipulations of the Customs Union rules, goods produced in Belarus are not subjected to any Custom duties. Nevertheless, Chinese entrepreneurs remain cautious about any significant investment in the form of foreign direct investment to Belarus and prefer to attract Belarusian technologies to their home country and target on Chinese market. As a result, Russian fears are not based on reality but it might change anytime in future. President Lukashenko put it: "When we get accused of cooperating with China too tightly, I bring up concrete figures and ask whether they are ready to substitute China for us. They cannot. We are

not friends with China for the sake of opposing someone. We are friends for the benefit of ours and China.”³³²

Given the enormous difference between the two countries, relations between Belarus and Chinese provinces gain still higher and higher importance. Belarus established a joint commission with the Sichuan and Heilongjiang province or the Shanghai municipality. Some of the contracts are therefore signed in the form of cooperation between Belarus and the state province, anyway much bigger in its population than the post-Soviet country.³³³

In the political sphere, Russia sees the post-Soviet space as an area of its exclusive interests and any attempt to challenge this exclusivity is regarded as a direct threat to the country. This stance is even stronger in Belarus, which had had strong ties with Russia since its independence, than is the case in Ukraine. Moreover, China and Belarus cooperate also in the military sphere. Although they declare compliance of the cooperation with the Collective Security Treaty Organization rules, Russia inevitably regards this as a weakening of its own position.

Belarus and China: Political Relations

Diplomatic relations between the two states were established in 1992. Belarusian interest in China intensified in December 2005 when Alexander Lukashenko visited Beijing. During this visit, the two country's partnership was declared as “strategic”. Although the term “strategic” may be questioned, since then, China and Belarus exchanged visits in number non-proportional to the Belarusian importance to China.³³⁴ Even the transfer of power brought by the 18th congress of Communist Party of China in the year 2012 did not mean any change in the relations between the two states. The last visit occurred in July 2013 when the Belarusian president Lukashenko arrived to Beijing and signed several cooperation agreements. It was his seventh visit to China since he became the president of Belarus. The then Vice-President of China, Xi Jinping, who currently holds the post of president of China, visited Belarus in March 2010.³³⁵

According to Wikileaks sources, Belarusian representatives greatly exaggerate the importance of the partnership between the two countries.

Belarus hopes to use its closeness in the political sphere for drawing advantages also in the economic relations. However, as Andrei Yelisau notes, the Belarusian side should limit such concessions. China holds similar relations not only with countries with compatible regimes but also with developed Western type democracies such as Poland, etc. Nevertheless, the relations are above standards expectable for the countries of such a different importance (Yeliseu, 2013).

China and Belarus follow similar patterns in their policies aimed at primacy of inviolability of the state's territory over human rights issues. During his visit in Beijing in July 2013, President Lukashenko reaffirmed Belarusian adherence to the policy of one China. He rejected the possibility of Taiwanese accession to any international organization and also any possibility of Taiwanese independence in any form. The Chinese side, on the contrary, declared its respect of the right of the Belarusian state to pursue its own independent policy, be it in internal or external matters.³³⁶ The support is particularly meaningful for the Belarusian regime which has to withstand the pressure mostly from the European Union, but also from Russia. This proved to be critical in 2011 when Belarus fell under a heavy currency attack from Russia.³³⁷

China and Belarus pursue also cooperation in the military sphere. The two countries signed an agreement on the status of Chinese military units placed on Belarusian territory and of Belarusian military units placed on Chinese territory in December 2012. Moreover, China granted 20 light armored vehicles Dongfeng Mengshi worth \$20 million to Belarus. The countries also held joint counterterrorist exercises in Belarus in July 2011 and in China in December 2012.³³⁸

Economic Relations

China follows a similar pattern of its economic relations with Belarus as with Ukraine. The country provides loans to the Belarusian projects with the condition of obligatory purchases of Chinese goods and equipment. The loans are given only under the state guarantees and are therefore secure for Chinese providers. Nevertheless, the conditions of the credits are usually highly favorable to the debtor. China proposes its credits under the interest rate of LIBOR + 3 with a 3-5-years grace period which, compared to typical

yield of Belarusian state obligations around 15%, represents a substantial support to the Belarusian state budget.

Despite official announcements about the Chinese investment into Belarus, China does not provide any significant volumes of FDI to Belarus. The problem with exact setting of the volume of Chinese FDI to Belarus lies in the fact that Belarusian authorities do not distinguish in their official press releases between different types of investment and, therefore, they distort the picture.³³⁹ Generally, Chinese firms are not interested in such a small market. Although Belarus tries to promote its closeness to both Russia and the European Union, it seems that this appeal does not work for Chinese investors. Most of the propagated joint-venture investment projects on Belarusian territory are still in the form of memoranda of understanding; for this reason, their implementation is by no means assured.

The overall trade between the two countries does not match with the trade between China and Ukraine. Furthermore, the trade balance is highly unfavorable for Belarus. In the first three months of 2013, Belarusian exports to China grew to \$255 million while imports grew to \$662 million. The whole trade reached \$1.58 billion in 2012.³⁴⁰ The deficit of Belarusian trade with China is mainly caused by the purchases of Chinese goods and services for investment projects financed by Chinese loans. Belarus exports mostly raw materials and primary products to China (potash and heterocyclic compounds), China, on the other hand, exports machinery and technological devices.

The loans themselves reached \$16 billion in the last years. They are mostly aimed at modernizing of Belarusian industry. Nevertheless, this propagated amount of money represents “only” an opened credit line. The real volume of Chinese credits will depend on the availability of Belarusian projects of reasonable size.

The China-Belarus industrial park represents probably the most important project in Chinese-Belarusian cooperation. The park should be placed near the Minsk International Airport in the Smolevichi town in the area of 80 square kilometers, connected also to the important highway going through all the country from Russia to Poland. Belarusian authorities put high hopes to the prospects of the park, especially in attracting foreign investors. According to President Lukashenko, the park should export \$50 billion a year in goods and services. It aims mostly at advanced technologies such as biotechnologies,

pharmaceutics, new materials and electronics. According to the Prime Minister Myasnikovich, the park should even surpass the Russian Skolkovo.³⁴¹

Belarus offers a special tax regime to the investors, including stipulations such as tax relief for the period of ten years. The investors are promised to have special treatment in VAT, or to be exempted from custom duties. China agreed to participate in the project in the form of provision of loans to the Belarusian partner. The credit line has been raised in volume of \$3 billion.³⁴² Nevertheless, stipulations such as lower taxes may be challenged from the legal point of view by Russia which regards a preferential tax regime as unacceptable state subsidies to Belarusian industry.

The project itself gave rise to public discontent in several ways. Belarusians are concerned with the size of the park and a subsequent inflow of foreign workers, mostly Chinese. According to some estimates, approximately 600 thousand Chinese people will arrive to Belarus for work which would be a meaningful number for the 9.5 million inhabitants' country.³⁴³ Among other problems, the ecological question has been raised. Additionally, the whole profitability of the project is still rather questionable. Although Belarusian representatives declare enormous support to the project from foreign investors, the reality is still different. Although some Chinese investors expressed their will to participate in the project, the general attitude is still very cautious. So far, only the Chinese state export credit insurance company Sinosure confirmed its interest to work in the project. Despite exemptions from taxes, investors, including Chinese ones, are still discouraged by the overall business climate in Belarus.

The park has already obtained its first resident. In July 2013, the Chinese cars producer Geely (32.5%) with the Belarusian producer of heavy mining trucks BelAZ (50%) and SOYUZ signed an agreement on the establishment of a joint venture BELGEE. The factory should assemble up to 120 thousand Geely cars targeted mainly for the Russian and Ukrainian markets. The overall volume of investment, according to the Belarusian side, is to reach \$500 million which would mean a significant break in Chinese reluctance to invest in the form of FDI to Belarus.³⁴⁴ The establishment of such an enterprise may further strengthen Geely's position in these markets and is fully in accord with the Chinese carmaker's strategy of expansion to Europe. The project itself caused reaction from the Russian side. The Russian ambassador to Belarus

put it: “Of course, we cannot forbid Belarus from assembling someone else’s automobiles, but we note that some questions will arise [...]”³⁴⁵

China and Belarus also initiated the project of the first Belarusian telecommunications satellite. Belarusians held already discussions over the project with China Great Wall Industry Corporation (CGWIC). The project envisaged not only the creation and placement of the satellite to the orbit, but also the construction of the surface infrastructure until 2015. The project, according to preliminary news, will be based on the traditional scheme of Chinese credits and technologies reinsured by the Belarusian side. The volume of credit should be \$280 million.³⁴⁶

Although Belarus intends to attract Chinese investments to the country, Belarusians also invest in China. MTZ (a tractor producer) and Gomselmash (harvesters) established their joint-ventures in Harbin, the heavy truck producer BelAZ opened its truck assembly and service center in 2010. Furthermore, MTZ cooperates with the administration of the Inner Mongolia province in the creation of the tractor assembly enterprise.³⁴⁷ As a result, China succeeded in attracting Belarusian technologies in the spheres needed by China itself.

China should also participate in the project of the Belarusian nuclear power plant which is to be located in the Grodno province. Although the Russian Atomstroyexport will be the main contractor, China will be present at building of the transmission system of high voltage (330 kV). This might solve the main problem of the project – while Belarusians demanded credit from the Russians for the whole enterprise, including the power grid linked to the power station, Russia limits its credit line only to the construction of the power plant itself.

The cooperation in the energy sphere is one of the most attractive fields for China. For China, these projects are attractive due to their ability to absorb sufficient volumes of money. Belarus needs, as a long-term aim, to decrease its heavy dependence on Russia as an exclusive supplier of electric energy to the country. China and Belarus signed an agreement on the reconstruction of two cogeneration units in Minsk in 2008. The first project increases the capacity of cogeneration unit no 2, and the second is for the construction of a new cogeneration unit no 5 represented an investment of \$300 million. The credit was provided by the Chinese Eximbank.

Additionally, China should provide Belarus with a loan for the construction and reconstruction of 34 energy facilities in Belarus in 2010.³⁴⁸ The country concentrates on the development of renewable energies in projects that cover most of the territory of Belarus. Therefore, China participates in the construction of the Vitebsk hydro-energy power station. The investment has been financed by the Chinese Eximbank and the main contractor is China National Electric Engineering Corporation (CNEEC). The hydropower plant should begin its functioning in 2015.³⁴⁹ Among other projects of the whole package, 65MW Heat Power Plant in Brest, steam gas units installation in Lukoml and Bereza power plants and electro-power plants in Baranovichi, Vitebsk, Novopolotsk, Mogilev or Mozyr should be named.³⁵⁰

The construction projects bring some exception to the general rule of absolute lack of foreign direct investment on the part of China. Nevertheless, they are too small to help China grow among the top ten providers of the FDI to Belarus. Chinese investors built hotel “Beijing” in Minsk for \$80 million. The hotel is of particular importance for President Lukashenko because it should be finished in 2014, i.e. before the World Championship in ice-hockey hosted by Belarus. The residential project Lebyazhy should be the next project realized in the form of Chinese FDI to Belarus with the expected sum of \$200 million. Chinese firms should build homes for 10,000 Belarusians using “Chinese designs and parts of Chinese culture”. The project itself will be financed by Chinese loans.³⁵⁰

Not everything in the cooperation of the two countries was rosy. The project of the reconstruction of a terminal at the Minsk airport for \$600 million is financed by the Chinese Eximbank and realized by China national precision Machinery Import and Export Corporation ended in a disagreement between the two sides and the initial idea of the project (building the whole infrastructure for landing of the giant A-380) had to be revised. The partners clashed over deadlines and prices when the agreed price of the construction works doubled. The dispute has been a matter of negotiations during the visit of President Lukashenko in Beijing. After long term negotiations, the new agreement, now with tight deadlines is ready to be signed.³⁵² Additionally, the project of renovation of three cement producers in Belarus with the overall cost \$1.1 billion faces significant difficulties and did not enter in full operation yet due to the low quality of the machines supplies by the Chinese side.³⁵³

The conflict with Russia over potash supplies and a subsequent break in exports of this commodity to its most important partner brought about need to intensify the search how to diversify markets for this commodity. The trading arm of the Belarusian potash producer Belaruskali signed a memorandum of understanding with the Chinese Sinofert on supplies of potash to China for the period of three years. Nevertheless, the volume of the trade still remains unclear as the companies in the press release announced the volume to be “significant”.³⁵⁴ The situation with the supply agreement remains unclear as well as the memorandum of understanding does not give a warranty of the trade itself.

Cultural Relations

Beside purely political and economic relations, which play the most important role, China and Belarus also present their friendship in the cultural and educational spheres. China has set several branches of the Confucius institute in Belarus; about 2000 Chinese student study at Belarusian universities. In the cultural sphere, the sides indicate interest in cooperation in filmmaking. However, this cooperation still did not go further than to joint declarations.³⁵⁵

The whole cooperation between China and Belarus is accompanied by vociferous propagations of successes and great prospects. However, the reality is still more than grey. China remains cautious in the inflow to Belarus and prefers investment in the form of loans, mostly to the industries of its own interest. Belarus, although it makes serious efforts to attract Chinese entrepreneurs, is still out of the main interest on the part of the Chinese. One of the main reasons for such a policy may be the fact of Russian attitude towards Belarusian efforts to decrease their economy's dependence on Russia. Chinese firms, presumably, do not want to break possible relations with Russia for the sake of cooperation with Belarus.

China is well aware of the weak position of the Belarusian President Lukashenko, especially in the face of Russia or the European Union. Belarus, due to its bad reputation and general disbelief in its economic policies, cannot get cheap credits from other sources. China makes use of the situation for promoting its own exports, often of questionable quality. Furthermore, as

the case with Minsk airport showed, Chinese firms fulfill their contract obligations with only loose deadlines. Despite the official title “strategic,” it is clear that it is strategic only for Belarus while China regards it as one among many and even less important than with Poland or Ukraine, not to say with Russia.

The political consensus among Belarusian elites is based on the exclusive position of President Lukashenko. Belarus needs to limit its reliance on Russia while the country’s meaning for China is only limited. It mostly lies in the political sphere although some economic projects are underway as well. Nevertheless, their significance is higher for Belarus than for China. Due to relative limits of ties with the West, China ranks among the few possibilities for Belarus. It is therefore presented as a vital national interest for Belarus to cooperate with China.

China and Moldova: Giant and the Dwarf

If relations between Belarus and China are called insignificant, relations between Moldova and China deserve to be labelled as totally marginal. Moldova is a small, poor country with insignificant resources and similarly insignificant industry which offers no opportunity for investment. Despite the fact that there are some contacts between the countries, it is clear that the 3.5 million inhabitant country cannot establish fruitful relations with a great power of 1.3 billion citizens. As a result, all relations are based on this simple equation.

Moldova – Political Relations

Political relations between China and Moldova were established on January 30, 1992. Despite the longevity of these relations, contacts between them were never really active due to Moldova's low significance in world politics. Furthermore, Moldova still remains torn apart by the Transnistrian conflict. The country therefore concentrates all its efforts on the resolving the problem, leaving foreign policy aside. Moldova also supported the policy of one China which is of some importance to Beijing. On the contrary, Moldovan hopes for unambiguous support for its stance in the Transnistrian problem did not come true yet. China expressed its support of the reunification (territorial integrity) of Moldova, but this still can only hardly be presented as support for the Moldovan side. More precisely, China took a cautious stance. Furthermore, China is not a member of the official negotiating framework; for this reason, its support, although welcomed, does not offer substantial advantage to Moldova.³⁵⁶

Economic Relations

As in previous cases, China underlines pragmatism and mutual benefits in its relations with Moldova. However, compared to Ukraine and Belarus, Chinese policy towards Moldova had been inactive for a long time. Only in the recent years did China activate its policy towards this small post-Soviet country. Nevertheless, the results are still modest and the relations are only in the very initial stage of their development.

Trade between China and Moldova reaches only insignificant volumes. Moldova exported goods for only \$8.3 million while China exported goods and services for \$415 million in 2012.³⁵⁷ Such an enormous deficit has been caused by a simple fact of Moldovan inability to export anything except for agricultural products. Moldova itself is an economically weak country, with its gross domestic product only at level of \$12.56 billion (in Purchasing Power Parity), heavily dependent on remittances.³⁵⁸

The Chinese Ministry of Agriculture and the Moldovan Ministry of Agriculture and Food Industry signed a memorandum of understanding on exports of Moldovan agricultural products to China in July 2013. The memorandum should be a basis for a further framework of cooperation in the form of sub-committees. Moldovan side hopes that it will boost exports of their wine and other products such as milk, soybeans, dried fruits or sunflower oil to lucrative Chinese market.³⁵⁹

Moldovan wine is unquestionably the most important commodity that can be proposed to the Chinese side. Moldova exported wine for \$5.11 million to China in 2012.³⁵⁹ Nevertheless, both sides are interested in a substantial increase of the exports of Moldovan wine to China. Two partners even pursued promotion policies that should help Moldovan wine to become more popular in China. Among them, the idea to build a copy of a wine cellar in China is particularly interesting. Beside this, Moldovans took part in several wine festivals, etc.³⁶⁰

China did not make any substantial investment so far. The only exception to this reality is the offer of a credit line of one billion US dollars. The credit, however, is only possible amount of money that can be obtained by Belarus from its Chinese partner. Nonetheless, Moldova did not use the offer, mostly due to the pressure from the IMF.³⁶¹ Moldova also obtained a \$62 million loan from China for the reconstruction of its infrastructure. As usual, the main

contractor of the loan will be the Chinese company Sinohydro and at least half of the loan must be spent on Chinese goods.³⁶²

Conclusion

None of the countries mentioned in this analysis represent vital national interest for China. Overall Chinese trade with them taken together represents only some \$12 billion. When compared to the Chinese trade with Russia with its volume of \$80 billion, it becomes clear that China would not be interested in real conflicts with Russia for the sake of Ukraine, Belarus or Moldova.³⁶³ As a result, the hopes that these countries lay on China as a tool of diversification of their foreign trade from one sided dependency on Russia have only limited chances to succeed.

Similarly, the countries hope to become springboards for Chinese interests in the European Union or Russia. There is general consensus in these countries that cooperation with China might be advantageous for them. They try to attract Chinese entrepreneurs stressing a favorable geographical position between the European Union and Russia. Nevertheless, this advantage does not have an enormous impact on the Chinese decision making. Chinese firms are able to operate in both Russian and EU markets effectively without such support. China is therefore not interested in their help. Only Ukraine and Moldova, due to their closer ties with the EU, have some relevance for China, but this should not be exaggerated.

Resulting from this, Chinese foreign direct investment to Ukraine, Belarus and Moldova is insignificant. The countries' markets are, with the exception of Ukraine, relatively small and cannot offer anything interesting for Chinese investors. Even the Belarusian advantage of Customs Union with Russia and Kazakhstan has only a limited impact as the Chinese investors can invest their money to Russia directly. Moreover, Russian subjects are ready to defend their rights in arbitrage. China, therefore, instead of investing directly into the economies, provides the countries with credits. The consensus about cooperation with China is not widespread as in Ukraine, not to say Belarus.

The form is usually opening a credit line to the country. Although often vociferously propagated as "credit," the credit line means nothing more than the possibility to propose a project and get credit for it. The credits themselves

are aimed at projects large enough to absorb significant volumes of Chinese capital. Additionally, China chooses projects that are in accordance with its own interests, be it agriculture or chemical products. From the purely financial point of view, the credits are advantageous for the recipients. The interest rate is usually set at LIBOR + 2 to LIBOR + 4. Among other stipulations, some grace period when the repayment of credit is postponed is also included.

However, the situation with credits is not so easy. They are conditioned by the participation of Chinese firms in these projects. Furthermore, purchases of Chinese goods are also obligatory, which further increases a negative balance of their trade with China. The problem lies in the quality of the goods and services. They often fulfill only modest standards, with services not meeting deadlines. Ukraine and Belarus have already made their bitter experience with such a kind of problems. As a result, the credits lose a significant part of their advantage.

In the political sphere, the countries are incomparable in size or their importance. China as a great power welcomes support for its policy of one China, but this support is by no means decisive for it. The country is able to cooperate with various regimes ranging from the authoritative Belarusian regime to the relatively democratic regime in Moldova. Therefore, the hopes of some firmer relations based on ideological closeness do not base themselves on reality. On the other side, this lack of interest in the internal affairs of the partner countries gives a significant advantage to them. While the EU demands improvements in the functioning of democracy, China does not require anything in this sense.

To conclude, Chinese cooperation with the post-Soviet states is by no means friendship for nothing. Beside its geopolitical interests of getting its foot into the post-Soviet door, China follows also purely economic interests. It has to invest at least part of its enormous forex reserves, but it also promotes exports of its own firms. Nevertheless, the credits are beneficial to the post-Soviets too.

Conclusion

Rudolf Fürst

China's recent revisiting of the former Eastern Europe, including CEE, the Balkans, the Baltics, Ukraine, Belarus and Moldova, and its subsuming of the Eastern European countries into the European stream of its economic charm offensive mean that the two sides are moving towards establishing more profound and more durable ties than ever before. This study concludes with pointing to the following characteristics and trends, which are traced here by our looking at the case studies of the individual countries and our comparing of their respective political and economic relations with China. The core findings indicate that the Chinese expansion into the Eastern and Southeastern part of the EU and its close neighborhoods can be regarded as something that is neither a sensation nor a striking EU concern. The late Chinese discovering of post-communist Europe is attributed to the Chinese acceptance of the globalization process because of the necessity to *go out*, which brought the growing attention of Chinese investors and traders closer to Europe, including its Central, Eastern, and South-Eastern parts. Better late than never. The former peripheries outside the EU are now EU member states, and they now appear as a relevant part of the Chinese European economic strategy. Naturally, what China mainly seeks here is access to the EU common market via the Eastern route.

While the 1+16 format is placed into the Chinese global policy structure, in which the USA and the Asia-Pacific are on the top geostrategic as well as the top economic agenda, China's relations with Europe are mostly focused on economic issues, as Europe is no longer a relevant political player in Asia. The EU is perceived as China's complementary economic partner, which attempts to increase its assertiveness mainly in trade disputes, and the CEE states represent for China the politically most accommodative region on the European continent. After China and the CEE states established the

institutional 1+16 framework, the agreeable character of the CEE states received a new impulse to accept the active synergistic motion under the Chinese administrative guidance. As the individual political relations with China of most of the CEE states and the 3 Eastern countries were on the rise, after 2012 – with the partial exception of the Baltics – there has obviously been an additional upgrading effect in the relations. So far, the constructive efforts of Beijing's Warsaw Initiative, which deserved to be called the "Beijing Initiative in Warsaw", which is a more precise title for it, were appealing, even in the cases of the Czech Republic, which seems to be politically obsessed with its anti-China thoughts, and the reserved Baltic states.

Furthermore, China and the CEE states are not really in conflict with each other in terms of international disputes. China is not involved in the EU-Russian Federation dispute over Ukraine, and the CEE states do not play significant roles in the EU-China rivalry in Africa; besides, the CEE states' ties with NATO have always been viewed in Beijing as an objective geopolitical shift which does no harm to the Chinese European policy. Also, the 16 states played no influential role in other foreign political EU-PRC issues, as were, for example, the crises in Libya and Syria, and the EU-27's failure to gain China's ratification of the Kyoto Protocol on reducing CO₂ emissions at the Doha conference in 2012. The group of 16 also did not develop any common China-focused intellectual property rights and anti-dumping lobby in Brussels.

The Chinese economy-first policy and the upholding of the principle of non-intervention in domestic affairs are universal concepts that are applicable in both China and the CEE states; and within the 1+16 format, these concepts smoothly by-pass the political, economic, social and cultural diversities among the whole group of the post-communist states. Such a lightweight policy may prove its flexibility and durability, all the more because the Chinese do not seem to be seriously interested in what is happening in these states domestically. The Chinese official diplomatic narrative of deepening and prolonging the ties still did not produce any relevant and real effect in any other area besides business.

The fact that China did not include Ukraine, Belarus and Moldova into the 1+16 agenda indicates China's respect for Russia's strategic concerns. By contrast, when China established a separate regional agenda with EU member states other than the old EU member states, it did not have to ask

for Brussels' permission. Such attitudes may reveal that there is a realistic mindset in Chinese foreign policy, which considers the national state interest and hard power potential before anything else. Beijing's diplomacy in Europe utilizes the political weakness and insufficient coherence of the EU.

There are three basic movements that are becoming evident here: first, the increasing systematization and directing effort of the Chinese strategy inside Europe; secondly, the still existing large diversities in the EU eastern side's relations with China; and finally, the growing overall asymmetries in the Sino-European relations in general. From the perspective of the non-unified EU, another regional and typically non-coherent group of 16 states is taking shape, and it is co-managed by Chinese diplomacy and motivated by promises of Chinese investments.

The administrative character of the 1+16 format, which follows the Chinese Secretariat's directive role in organizing annual summits and submitting proposed drafts of final resolutions, provides China with the obvious power of the group leader. The individual negotiating roles of the 16 states' actors during the annual summits of the Prime Ministers of all 16 of the partner-states are limited; the short amount of time for the meetings and the occasional *ad hoc* opportunities for the actors to contact each other provide an insufficient framework for coordinating whatever common stance they might have.

The unclear political framework of the 1+16 format may not avoid suspicions in Brussels due to a possible weakening of the EU unity, as well as common NATO security obligations. The partial regional differences can be traced according to the difference between the pro-Western allies in the Visegrad 4 and the Baltic States, and the less pro-Western allies in the Balkans on the other side. As the Chinese secondary political goals are implicitly doubtless, the fulfillment of the economic expectations will have to indicate the 1+16's future cohesion. There is either a chance for the CEE states to have booming ties with China, or a chance for them to face an abrupt disillusion in this respect, which may happen very soon; this case could be analogical with the EU-PRC strategic partnership (2003), which received serious critical feedback in the 2006 Helsinki summit very soon after its beginning. However, this study could follow just one year of the 1+16 format's history, which is an insufficient amount of time for a critical assessment of the implementation success.

Certainly, the CEE states might utilize the double networking effect of their maintaining an alliance with China: there is the EU-PRC strategic partnership,

and also the development of the parallel initiative 1+16. The extent to which China may politically exploit the 1+16 format against Brussels is not easily predictable. The impact of upgrading the political ties of the 16 countries with China is, for the present, hypothetical and too subjective however, the asymmetrical and hierarchical character of the 1+16 format cannot be simply denied.

National Interest, Prominent Actors and Followers

Even though the 1+16 format has already come into existence, this regional organization still deserves to be rather analyzed as seventeen individual states than any organized group. Comparing the fulfillments of the mutual national interests of all the observed individual countries (the 16 CEE countries + Greece + the 3 Baltic States) in their relations with China may disclose who can benefit from the new regional organization and to what extent, and which factors may predict its further developments. This study explores and reviews the individual states' national interests through the criteria of *relevance*, *consensus* and *outer acceptance*. The following chart collects the empirical evaluations/ratings of these criteria for the 20 countries. These ratings, which were entered into the chart by the authors and the editors, display the political and economic relevance of China for all 20 of the European partners, their domestic consensuses on relations with China, and, finally, the political acceptability of China in their view. The chart also shows the relevance of the 20 European states for China, but not the extent of the Chinese consensus on relations with them or the acceptability of the states for China. The political acceptability of the selected European states for China and the Chinese consensus on them, which are supposedly also very important, could not have been researched due to our insufficient access to the related empirical materials. The following ratings in the chart range from 1 (the minimum value of the given criterion) to 10 (the maximum value).

China in the view of the individual CEE countries: 1. *The political relevance of China*, 2. *The trade relevance of China*, 3. *The relevance of China in terms of investment inflow*, 4. *The consensus on the economic cooperation with China*, 5. *The consensus on the political relations with China*, 6. *The political acceptability of China*.

The individual CEE countries in the view of China: 7. *The political relevance of the countries*, 8. *The trade relevance of the countries*, 9. *The relevance of the countries in terms of the Chinese outflow investments to them*.

	China in the view of the individual European countries						Average 1–6	The individual countries in the view of China			Average 7–9	Average total
	1.	2.	3.	4.	5.	6.		7.	8.	9.		
Albania	7	4	2	10	10	8	7	3	2	1	2	3
Bosnia-Herzegovina	5	3	1	7	6	7	5	1	2	1	1	3
Bulgaria	8	6	5	10	8	9	8	4	3	6	4	6
Croatia	4	4	1	6	4	5	4	2	3	1	2	3
Greece	8	6	5	9	9	8	8	4	4	6	5	6
Kosovo	3	2	1	4	4	4	3	1	1	1	1	2
Macedonia	4	3	1	8	7	9	5	2	1	1	1	3
Montenegro	5	5	1	7	6	8	5	1	1	1	1	3
Romania	8	6	3	10	8	7	7	4	3	5	4	6
Serbia	9	5	1	9	8	9	7	5	2	1	3	5
Slovenia	4	5	1	7	6	5	5	3	2	1	2	3
Czech Republic	5	3	2	8	6	3	5	2	2	2	2	3
Hungary	8	3	8	10	9	9	8	3	2	3	3	5
Poland	6	7	3	8	6	6	6	4	4	3	4	5
Slovakia	3	3	2	7	7	7	5	2	1	1	1	3
Belarus	7	6	7	8	7	9	7	3	3	3	3	4
Moldova	4	6	5	5	5	6	5	1	1	1	1	2
Ukraine	5	6	7	5	4	6	6	4	5	6	5	5
Estonia	3	1	1	6	7	3	4	2	1	1	1	2
Latvia	4	1	1	7	7	3	4	2	1	2	2	2
Lithuania	4	1	1	7	8	2	4	2	1	1	1	2

The rating system suggests a comparative evaluation of the states' attitudes that are being sorted out into groups according to their structured relations with China (1–6); and the states are similarly compared and sorted into groups in terms of how China perceives them (7–9). Especially the values of the average ratings for the first six columns indicate which countries view relations with China as beneficial – and according to these averages, the countries with the most favourable views of the relations are the Balkan states (Bulgaria, Albania, Rumania, and Serbia), Greece (as a non-member of the 16 states), and Hungary. The Balkan states, except for Kosovo and Croatia, have the highest rates of preference for advancing their ties with the Asian partner. Meanwhile, the Visegrad 4, which is supposed to be the most diplomatically active group inside the 16, surprisingly shows only medium level preferences for advancing its ties with China (especially Poland), whereas Hungary has the highest economic relevance ratings among them. As for Ukraine, Belarus and Moldova, they stand in-between the two previous groups in terms of their views of China, and the Baltic States obviously do appreciate their improved ties with China, yet without any high expectations. The structures of the pro-Chinese states, especially the Balkans, confirm the continuity of the existing tradition of ties between them and China since the communist era, and their new prospects in the relations are encouraged by the Chinese investment bids. Especially Hungary, which, so far, has been the number one investment receiver from China in the group, is revealing that it is following this trend. Meanwhile, Romania, Bulgaria, and Greece are the new pretenders for the role of a South-Eastern EU investment inflow hub for China.

As for the ratings for China's perspectives of the European states, the ratings scale placed the Balkans, namely Greece, Romania, Serbia and Bulgaria, into the top positions on the chart, making them not only the *de facto* favourites, but also important partners for China. Should any hypothetical negative shift happen in the EU-China relations (or in the relations between China and the 16 states), the Balkans would presumably tend to continue to act in favour of China more than the other EU member states. Meanwhile, Central Europe (or the V4) remains balanced in this respect, as the countries' ties with the EU follow the mainstream policy, and China is still one of the new prospective non-EU alternatives for them in terms of relations with other states. However, their domestic law consensuses and the fact that the Chinese political culture is hard for them to accept go along with their negative public and media

perceptions of China. The V4, with the exception of Hungary, remain the biggest challengers of Chinese soft power efforts.

The V4 countries taken together appear to be nominally prominent in the view of China due to the active diplomatic and business roles of Poland and Hungary; nevertheless, in the perspective of the above mentioned ratings, which do not follow official political rhetoric, they seemingly drag behind the Balkans in this respect, yet still benefit from their geographical locations and comparatively high levels of technological development. The cases of the Czech Republic and Poland most clearly illustrate the limited correlation between the political agenda and economic activities. Poland, the *de facto* leader and the most ambitious member of the group of 16, received surprisingly few economic benefits from its active China policy, whereas the Czech Republic, the human rights troublemaker and the keen host for the Dalai Lama's trips to Prague, experienced a high increase of exports to China during the cold season in its bilateral political agenda with China in the period of 2009–2010.

In an attempt to assess the roles of the individual states in their relations with China within the 1+16 format, the following *prominent actors* could be highlighted. One group of prominent actors are the Balkan *big four* that seem to take the lead in dealing with China: Greece, Bulgaria, Romania, and Serbia. This group includes one state that is not a member of the EU, and one that is not a member of the group of 16 states. The other leading group is the V4, of which Poland and Hungary established outstanding relations with China, and thus also belong to the broader circle of prominent actors.

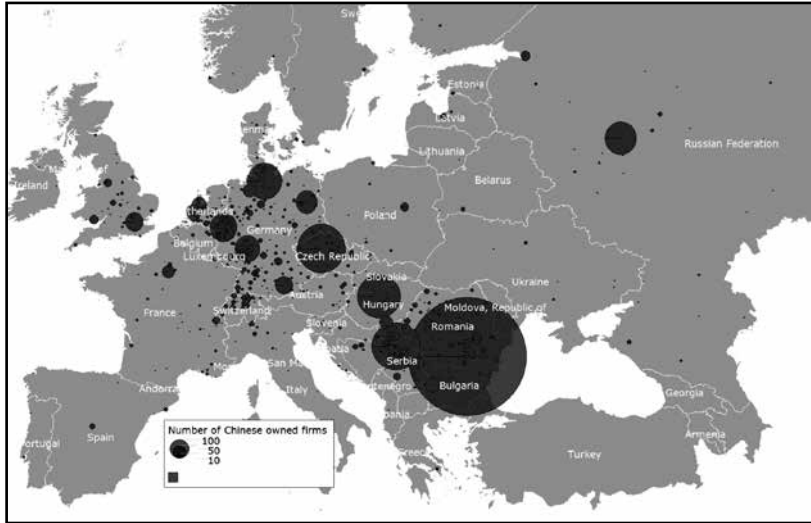
Some other states, including the V4 members Czech Republic and Slovakia, and also the Balkan states Albania, Bosnia-Herzegovina, Croatia, Montenegro, and Slovenia, play the role of *followers*, which means that they are to be available for and not miss the attention of the prospective Asian investor. Ukraine, Belarus and Moldova, which remain outside the EU and the group of 16, are the potential future club members, and they are always in need for financial and investing assistance. Finally, the Baltics are still not profoundly enchanted by the Asian giant because they are currently facing more urgent political issues coming from the growing tensions in the Russian-speaking Eastern neighborhood.

The ratings and values of the figures displayed in the chart above, which are showing the degrees of China's relevance and consensus on cooperation with

China in the individual European countries, expressed certain asymmetries. The European countries' expectations of benefits from their partnerships with China in the 1+16 format are higher than the corresponding expectations of China in regard to them. This means that in case of insufficient future results of the economic cooperation the CEE partners are likely to feel more disappointed than China. That might result in a re-evaluation of their EU ties on their part at the expense of the Chinese strategy to weaken the internal coherence of Europe.

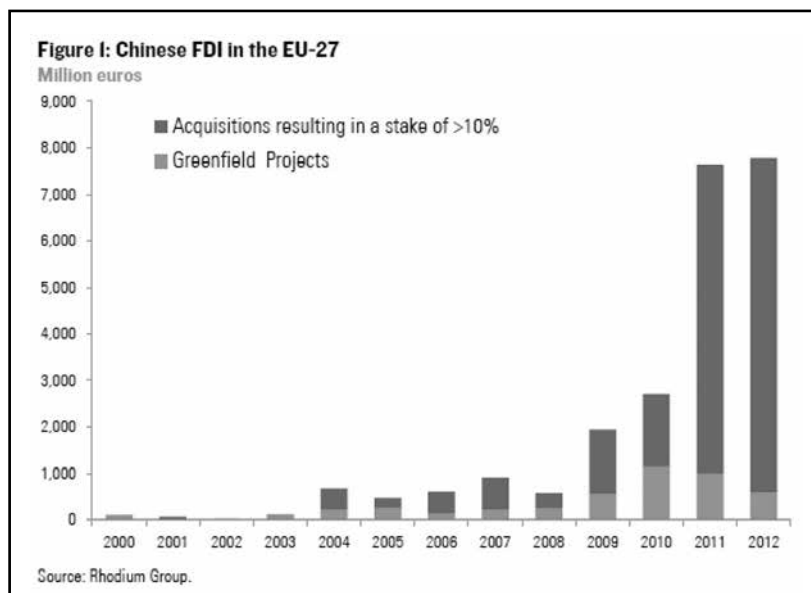
Business First

The establishment of the regional structure of 1+16 followed the Chinese Government's goal to coordinate the investment and trade flow in the non-western parts of the EU. This strategy has been focused on supporting state-owned enterprises (SOE), but there are many private firms and individual family companies in the region, as was shown by a research carried out by the Antwerp Management School.³⁶⁴ This pan-European study, which also covers the European part of Russia, exceeds the scope of this book by using more comprehensive as well as more up-to-date statistical data, and it reveals some important facts related to the 16 (+ Greece) and 3 format. The geographical distribution of Chinese companies in Europe covers Eastern Europe (it hosts 55% of the Chinese companies in Europe), Western Europe (29%), Northern Europe (4%), and Southern Europe (12%).³⁶⁵ The numbers of Chinese high-tech and lower-tech distribution manufacturing companies show an ascending trend from the East to the European West (see Appendixes 1 and 2). The ownership structure in the whole of Europe contains a 15% share of privately owned enterprises, a 3% share of SOE, and an 85% share of individually and family owned small businesses.³⁶⁶ The geographical distribution of assets is seemingly focused on Western Europe, especially the UK, the Netherlands, France, Germany and Northern Europe – mainly Sweden and Norway (see Appendix 3). However, the following map shows the numbers of Chinese firms in Germany, Central Europe (Hungary and the Czech Republic), and the Balkans – mainly Bulgaria, Romania and Serbia.³⁶⁷ The quantitative shares of Chinese owned companies in CEE and the Balkans are relevant.



According to the current data available in 2013, when this manuscript was completed, there were no available summary statistics for the Chinese investments into the whole group of the 16 states; and the individual case studies showed that the aftermath and/or effects of the establishing of the Warsaw Initiative in 2012 were not yet detectable. Such a result appeared surprising especially in the case of Poland, CEE's most ambitious state. This phenomenon points to an issue of correlation between diplomatic efforts and economic outcomes that resemble the questionable economic results of the EU strategic partnership with China. Both cases show the strategic and rhetorical advancing vision in Chinese diplomacy and the pliable response of the European partners, of which no one can stay behind. Thus the issue of the implementation of the economic program and its results may be expected to serve as a test of the 16 states' policies and their preferences for the common EU-China agenda, the 1+16 format, or their bilateral ties with China. The available data on the recent Chinese investment flow into the EU-27 in 2012 show no distinct increase in the investment flow since 2011.

Even though the economic part of the *China's Twelve Measures* program aims at booming the business and investment exchange between China and



CEE, little has been offered by China to the CEE partners – there are no special arrangements that would offer a wider opening of the Chinese market to them, and hardly any measures that would help the CEE investors to gain a greater access to China; the only relevant and continual support for them is that which they may still expect from the common EU policy. Besides, as was shown by the negotiations on the Bucharest Guidelines, the final document of the 1+16 meeting in Bucharest in November 2013, EU Trade Commissioner Karel De Gucht expressed his concern about a possible erosion of the EU-27 common economic policy in his special letter to EU member states' representatives to remind them of the EU general line. If business has been the major criterion for the opening up of the 1+16 regional format, the economic results must show its outcome soon. Can the Chinese charm offensive in the post-communist Europe, whose organization structure resembles that of the PRC's development assistance for developing countries, eventually bring about insufficient effects? The seeming "B-grade group" of the 16 states inside the EU cannot evolve into a sophisticated sectoral dialogue that would exist on the EU-PRC partnership level; but still, their new 1+16 format for

better ties with China is a new opportunity. The new Chinese interest in Europe opens up new prospects of deepening and enlarging the Chinese understanding of the non-western European dimensions, so we should let the spreading of China's soft power receive a new terrain for advancement. In China the European post-communist transformation was under-researched and ideologized, and thus, the diversity and value of non-western European culture deserve a new review and a new appreciation from China.

Abbreviations

ASEAN – Association of South East Asian Nations
ASEM – The Asia-Europe Meeting
CEE – Central and East Europe
CGWIC – China Great Wall Industry Corporation
CMEC – China Machinery Engineering Corporation
CNEEC – China National Electric Engineering Corporation
CNCOEC – China National Corporation for Overseas Economic Cooperation
COSTIND – Commission of Science, Technology, and Industry for National Defense
CPC – Communist Party of China
CRI – China Radio International
ECE – East-Central Europe
EEC – European Economic Community
FDI – Foreign Direct Investment
FMPRC – Foreign Ministry of the People's Republic of China
IMF – International Monetary Fund
MES – Market Economy Status
OECD – Organisation for Economic Co-operation and Development
PAIiIZ – Polish Information and Investment Agency
PRC – People's Republic of China
SGCC – State Grid Corporation of China
SOE – State-owned Enterprises
V4 (Visegrád Four) – Poland, Hungary, Czech Republic and Slovakia
WTO – World Trade Organization

Notes

- ¹ The geopolitical term “Eastern Europe” was commonly used during the Cold War era for the communist satellite states within the Eastern Bloc.
- ² The abbreviation CEE will be used in the following text when referring to Central and Eastern Europe. Besides this term, in English language literature on International Relations, the other term “East-Central Europe” (ECE) is also being used.
- ³ On the FMPRC (Foreign Ministry of the People’s Republic of China) web site, though the territorial division of “Countries and Regions” on it has been recently updated, Russia is still lumped together with the East European states (in this case, Ukraine, Belarus and Moldova), the Central Asian states and the Caucasus in the category of the European and Central Asian region. For the current view of territorial structures of the PMRC, see <http://www.fmprc.gov.cn/eng/gjhdq/> (accessed in 2013).
- ⁴ For the critical views of disappointed foreign investors and traders on this topic, see, for example, Studwell, 2003.
- ⁵ See Ambassador Liu Yanshun’s presentation in Li–Mastny, 2008.
- ⁶ The group of 16 CEE states includes Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia, and Slovenia.
- ⁷ See “China’s Twelve Measures for Promoting Friendly Cooperation with Central and Eastern European Countries”, FMPRC, 2012.
- ⁸ See Holslag: “China Builds a Bridge across the Danube”, *Financial Times*, June 27, 2010; Millner: “Eyes on the Prize: Beijing Sets its Sights on Central Europe”, *Spiegel Online*, August 15, 2012.
- ⁹ See, for example, Stefanescu, Christian: “China Knocking at Europe’s Back Door”, *Deutsche Welle*, November 26, 2013; Holslag, Jonathan: *ibid.* “China Builds a Bridge across the Danube”, *Financial Times*, June 27, 2010.
- ¹⁰ The grant TD01023 of the Technology Agency of the Czech Republic (TAČR), Prague, 2012–2013.
- ¹¹ Fox, John–Godement, François: “A Power Audit of EU-China Relations”. London: European Council on Foreign relations (ECFR), 2009, pp. 3–7.
- ¹² Godement, François–Parello-Plesner, Jonas–Richard, Alice: “The Scrumble for Europe”, *Asia Centre policy brief*, London: ECFR, 2011, p. 9.
- ¹³ “EU China Policy Paper”, Ministry of Foreign Affairs of the People’s Republic of China, October 13, 2003.

- ¹⁴ “Zonghua Renmin Gongheguo he Bolan Gongheguo lianhe shengming [The People’s Republic of China and the Republic of Poland’s Joint Statement]”, Ministry of Foreign Affairs of the People’s Republic of China, June 8, 2004.
- ¹⁵ “Strategia RP w odniesieniu do pozaeuropejskich krajów rozwijających się [The Republic of Poland’s Strategy for Non-European Developing Countries]”, November 2004, p. 17–19.
- ¹⁶ The 14th EU-China summit, which was planned to be held in Tianjin in October 2011, was postponed by the EU due to the debt crisis. Eventually, the summit was held in Beijing on 14th February 2012 in the framework of the Danish Presidency of the European Union Council.
- ¹⁷ Before this visit, the last visit of a Polish Prime Minister to China was Waldemar Pawlak’s visit in 1994.
- ¹⁸ Titled “Asia – A New Promised Land”, May 21, 2009, Warsaw, Ministry of Foreign Affairs of the Republic of Poland.
- ¹⁹ It was the first visit of a Polish President to China since 1997, when the Polish President Alexander Kwaśniewski visited China.
- ²⁰ “Zhong Bo guanli zhanlue huoban guanxi de lianhe shengming [China-Poland Joint Statement about setting up strategic partnership relations]”, December 20, 2011, the Embassy of the People’s Republic of China in the Republic of Poland.
- ²¹ The first meeting of the strategic dialogue was held in March 2012 in Warsaw and it was devoted to the preparation of Wen Jiabao’s visit to Poland.
- ²² Polish local governments are very active in establishing cooperations with Chinese partners. It is estimated that at present there are about 40 partnership agreements between Polish and Chinese regions. Most of the local cooperations in the framework of sister and partner cities and provinces are with coastal and well-developed parts of China, e.g. Tianjin, Guangdong, Shanghai, Zhuhai, Canton, Shenzhen, Haikou, and Shenyang.
- ²³ China has already signed 7 strategic partnerships agreements with the EU states and the EU itself. But the declaration is the first ever agreement that China signed with a Central and Eastern European country. In 2009 China signed a strategic partnership declaration with a Balkan state – Serbia.
- ²⁴ See: Transcript (in Polish) of the Polish Parliament’s Foreign Policy Committee meeting about Poland-China relations, November 8, 2012, <http://orka.sejm.gov.pl/zapisy7.nsf/0/F20968D31EB9BD60C1257ABD004191F3/%24File/0113807.pdf>.
- ²⁵ It was the first visit of a Chinese Prime Minister to Poland since 1987, when the Chinese Premier Zhao Ziyang paid a visit to Poland.
- ²⁶ Albania, Bosnia and Herzegovina, Bulgaria, Macedonia, Croatia, Montenegro, the Czech Republic, Estonia, Lithuania, Latvia, Poland, Romania, Serbia, Slovakia, Slovenia and Hungary.
- ²⁷ “China’s Twelve Measures for Promoting Friendly Cooperation with Central and Eastern European Countries”, Ministry of Foreign Affairs of the People’s Republic of China, April 26, 2013.
- ²⁸ “Zarządzenie Prezesa Rady Ministrów w sprawie Międzyresortowego zespołu ds. Koordynacji Działań na rzecz rozwoju Partnerstwa Strategicznego między Rzeczypospolitą Polską a Chińską Republiką Ludową [The Prime Minister’s Decree about the Inter-ministerial

- Committee for Coordination of the Development of the Strategic Partnership between Poland and China]”, *Monitor Polski*, December 14, 2012.
- ²⁹ Compared to Hu Jintao and Wen Jiabao in their first year in power, Xi Jinping and Li Keqiang are more active in the foreign policy domain. Since March 2013, Xi Jinping visited 14 countries during his four foreign trips, while Li Keqiang left China twice, visiting 6 states in the process; see: “Xi Li miji chufang chao Hu Wen. Waijiao buju qu zhudong [More Foreign Trips Taken by Xi and Li’s than Hu and Wen. A More Active Diplomatic Agenda]”, *Takungpao*, October 14, 2013.
- ³⁰ According to the constitution, the speaker of the parliament is the second highest state official in Poland after the president.
- ³¹ “The First Regional Forum Poland-China, Gdańsk, 22 April 2013”, Power Point presentation prepared by the Polish Embassy in Beijing, www.pekin.msz.gov.pl (accessed in November 7, 2013).
- ³² The phrase “Green Island” refers to a widely-used slogan in Poland that underscores that Poland was the only country in the EU to register positive economic growth. This watchword was used for the first time in 2009 – by Polish Prime Minister Donald Tusk. It is assumed that one of the main reasons for China’s recent interest in enhancing its cooperation with Poland is Poland’s stable economic situation despite the crisis in the EU and the whole of Europe.
- ³³ “Poland-China. Assessment of Polish Enterprises’ Cooperation with China”, Study Report, The Polish Institute of International Affairs and KPMG, Warsaw, September 2013, p. 7.
- ³⁴ Chen Xin, “Trade and Economic Cooperation between China and CEE Countries”, *Working Paper Series on European Studies*, Institute of European Studies, Chinese Academy of Social Science, Vol. 6, No. 2, 2012: 6–8.
- ³⁵ “Chińska Republika Ludowa. Informacja o stosunkach gospodarczych z Polską [The People’s Republic of China. Info about the economic cooperation with Poland]”, Ministerstwo Gospodarki [Polish Ministry of Economy], www.mg.gov.pl.
- ³⁶ *Ibid.*
- ³⁷ Eurostat, EU27 Trade since 1988 by CN8, [DS-016890] (accessed in August 19, 2013).
- ³⁸ “Chińska Republika Ludowa...”, *ibid.*
- ³⁹ *Ibid.*
- ⁴⁰ *Ibid.*
- ⁴¹ LOT Polish Airlines launched direct flights from Warsaw to Beijing in May 2012 (another step in Poland’s national carrier’s strategy entitled “East Meets West”) on a code-share basis with Air China.
- ⁴² “China’s Twelve Measures for Promoting Friendly Cooperation with Central and Eastern European Countries”, Ministry of Foreign Affairs of the People’s Republic of China, April 26, 2013.
- ⁴³ “Sprawozdanie z działalności Centrum Współpracy Gospodarczej Polska-Chiny [Centre for Economic Cooperation Poland-China. Report of Activities]”, PAIiIZ, Warsaw, January 2013, p. 3, 6.
- ⁴⁴ A clear response to China’s “go global” strategy.
- ⁴⁵ „Sprawozdanie...”, *ibid.*, p. 3.
- ⁴⁶ “Poland-China. Assessment...”, *ibid.*, p. 11–12, 49.

- ⁴⁷ More information about the events which took place in China within the framework of the Chopin Year and the Shanghai Expo 2010 is available in the Adam Mickiewicz Institute's text "Projects Presented in 2010", <http://azja.iam.pl/en/china/projects-presented-in-2010.html?lng=en>.
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- ⁵⁷ The idea of a CEE region which consists of 16 states is purely a Chinese idea. The PRC claims that the 16 states are former socialist countries with which China has long had diplomatic relations. Furthermore, most of them are EU members or have aspirations to join the European Union. But, apparently, the 16 states are different from one another in terms of size, the scope of their economic development, and even geographical locations (in the Chinese concept, Baltic, Central European, Southern and Balkan states are being put into "one box"), and five of them (Albania, Bosnia and Herzegovina, Serbia, Montenegro and Macedonia) are not EU members. It seems to be obvious that it is difficult to find a common ground for them in terms of their overall relations with China. The 16 countries are also each other's rivals.
- ⁵⁸ It must be noted that the 16+1 summit is not a 17 state forum in which all the countries would discuss joint projects together but it is actually a format for bilateral meetings between

CEE16 leaders and China's Prime Minister. This format is "logistically" convenient for China and might be to some extent compared to, e.g., the China-Africa Forum. It is also a useful format for smaller states, especially the Balkan countries, as it gives them a chance to meet with the Chinese Prime Minister annually.

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- ¹⁶⁴ See also the *World Investment Report 2006. FDI from Developing and Transition Economies: Implications for Development* (New York and Geneva: United Nations), p. 210.
- ¹⁶⁵ Although the capacity of the Suez Canal will remain a major question in the near future, for the time being, the surface connection between China and Europe, which leads through Russia or Kazakhstan, contends with ever greater problems, which are caused by the combination of the low capacity and effectiveness of the local railway transportation, and customs limitations, but also, for example, by the need to adapt to a different gauge of way. Although this surface connection may be faster in the future, for now, the present combination of sea and surface routes is still more secure. The idea of transporting products via the northern route that runs along the Siberian coast, a route which is shorter than the route via the Suez Canal, may seem attractive, but for a long time to come, it will not be explored much, and it will remain dangerous for freightliners, and in addition to that, it will be a long time before it will be possible to travel this route throughout the entire year.
- ¹⁶⁶ In previous years, China was especially interested in natural gas or, in some cases, crude oil, but there is no reason why China should not act in a similar way in the area of

electricity production in the future. It makes sense to presuppose that China's interest in the transportation of electrical energy will increase as well. It is also just as probable that China, through advantageous loans, will try to push Chinese firms into the European market as providers of electrical power plants and their accessories, just as it probably already does something similar with its transportation edifices.

¹⁶⁷ An example here could be Hungary, which has a certain high standing as a member of the V-16 in the Chinese view. The Chinese see the Hungarians as an Asian nationality, as "one of the few", whereas any other V-16 state is perceived by China as "one of many". At least on the level of appearances, the Chinese see Hungarians as belonging to the same category as Mongolians, Koreans and China's other Asian neighbors and partners. In connection with this, the Chinese point to the so-called *Mongolian spot* that sometimes appears among Hungarians and the archaic Asian roots of some Hungarian words. Although emphasizing these facts could just be a matter of formal politeness or a tactical step, it is hard to overlook the fact that in the past, Hungary was China's first gateway into Eastern Europe, the fact that Hungary became an important regional logistic base for imports of Chinese goods, and the fact that it managed to amass more Chinese investments than any other V-16 country. Nevertheless, until recently, China's interest in the space between the former Soviet Union and Western Europe was generally weak, and its level of knowledge of this space was low. In this context, it is probable that here a relevant role is played by other facts that can separate a particular country from other countries that are similar to it, relatively small and culturally and politically distant from China in the Chinese view.

¹⁶⁸ See Petrović, Žarko–Reljić, Dušan: "Turkish Interests and Involvement in the Western Balkans. A Score-Card", *Inside Turkey*, pp. 160–161.

¹⁶⁹ Haraga, Otilia: "China Mobile, AT&T, M3 Group and Telenor have shown interest in entering on the Romanian market", *Balkan Business Review*, March 6, 2012, <http://www.balkans.com/open-news.php?uniquenumber=138047> (accessed in December 2012).

¹⁷⁰ "Romania's PM plans enhanced cooperation with China in 2013", *Balkan Business News*, November 15, 2012, <http://www.balkans.com/open-news.php?uniquenumber=162804> (accessed in December 2012).

¹⁷¹ "Област Стара Загора подписа споразумение за сътрудничество с провинция на Китай", *STZ News*, July 16, 2011, <http://stznews.bg/oblast-stara-zagora-podpisa-sporazumenie-za-satrudnichestvo-s-provintciia-na-kitaj-2848.html> (accessed in December 2012).

¹⁷² See the Bulgarian Ministry of Economy and Energy, <http://www.mi.government.bg/bg/themes/kitai-192-333.html> (accessed in December 2012).

¹⁷³ According to the head of the Bulgarian-Chinese Chamber of Commerce and Industry, China plans to invest up to \$1.5 milliard into Bulgaria in the following years. These investments would mainly go into energy, infrastructure and agriculture. See "China will invest some USD 1.5 B in the Bulgarian economy in the upcoming years", *Balkans Business News*, May 4, 2012, <http://www.balkans.com/open-news.php?uniquenumber=144060> (accessed in December 2012).

¹⁷⁴ China's Great Wall Motors Opens Plant in Bulgaria, February 20, 2012, <http://www.investnet.bg/news/12-02-20/China-s-Great-Wall-Motors-Opens-Plant-in-Bulgaria.aspx> (accessed

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- ²⁰⁴ The first intervention was a not too well known one-off air attack that was carried out against Croatian Serbs in 1994. The second was the large-scale intervention against Bosnian Serbs in 1995. Finally, the third intervention, which was the most large-scale of the three, was the war against Serbia and Montenegro in 1999.
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- ²⁰⁶ After the fall of Milošević's regime, Ilija Đukić, an experienced diplomat who had previously served as the Yugoslavian ambassador to China, was sent to China as the Serbian ambassador in order to wipe out the corruption there. This was a relatively unusual case since in factual terms, he repeatedly served as an ambassador of one state, while in formal terms, he served as an ambassador of two states – an original state and its successor.
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- ²¹¹ The view that the bombing of the embassy was intentional is supported by the fact that NATO drew up a map of "non-targets" (such as churches, hospitals or embassies), and the map included the Chinese embassy in its proper location.
- ²¹² For example, there appeared pieces of information about Milošević liberalizing Serbia's visa relations with China so that the Chinese who enter the country could receive Serbian identification papers from him and vote for him in the Serbian presidential elections. It was

also claimed that there were allegedly 50–60 thousand Chinese in Serbia at the time (Filip Tesař, 2000–2001).

- ²¹³ This information is from the resources of the Ministry of Foreign Affairs of the Republic of Serbia.
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- ²¹⁵ The Serbian Minister of Foreign Affairs originally excused his absence by stating that he could not attend the ceremony due to family reasons, but later he said that he could not attend it because of Serbia's political considerations in regard to China. In the end, it was announced that the Serbian Ombudsman would attend the ceremony, but only as a private person.
- ²¹⁶ Pavličević, Dragan: "The Sino-Serbian Strategic Partnership in a Sino-EU Relationship Context", China Policy Institute, The University of Nottingham, Briefing Series – Issue 68, April 2011, p. 9.
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- ²¹⁹ One of the purposes of the construction of the trade center was to hinder the underground economy that is connected to Chinese imports, but these hopes have remained unfulfilled so far. In Serbia, at the end of 2013, there were officially 1798 functioning businesses with Chinese owners, but according to the Serbian Employers' Union, there are actually 10,000 functioning Chinese-owned businesses in Serbia. The Chinese business owners can supposedly maintain their low prices precisely by doing business illegally in this way. At the same time, barely 300 employees of Chinese-owned businesses were officially listed. When the Serbian Financial Administration decided to carry out a detailed inspection of the local unofficial Chinatown – the Blok 70 shopping center in Novi Beograd – in November 2013, the Chinese businessmen closed their stores for five days under the pretext of taking a vacation, illness or a business trip to China. In the end, however, the business owners reached an agreement with the Financial Administration. The business owners agreed to duly issue receipts and report their employees to the proper government bureaus. According to the Employers' Union, the total annual income from the sales of Chinese products in the underground economy amounts to €700 million, and if the Chinese business owners respected Serbian laws, the state would receive about €250 million from their business activities ("Kinezi ponovo rade", *RTS*, 22. 11. 2013).
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- ²³⁹ The remaining 14 bilateral agreements which are still valid are successors of agreements that China concluded with the former Yugoslavia.
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- ²⁵³ For the sake of simplicity, the name “Macedonia” is used for the Former Yugoslav Republic of Macedonia in the following text. This does not imply any political connotations.
- ²⁵⁴ According to the Macedonian Minister of Foreign Affairs, Taiwan paid Macedonia \$1.6 milliard in cash and inexpensive loans in return for Macedonia’s recognition of Taiwan. The recognition was prepared in silence before the Macedonian elections, in which Taiwan bet on the victory of the opposition. At the time, Macedonia was wrestling with the economic crisis, its unemployment rate was almost 40%, and the influx of foreign investments was negligible, so the new Macedonian government expected that China would have an understanding for Macedonia, especially when taking into consideration its geopolitical insignificance, and not put an end to its diplomatic relations with Macedonia. However, China denounced Macedonia’s actions. Nevertheless, China gave the Macedonian government a certain amount of time to “rectify its error”. But after the confirmation of the validity of Macedonia’s diplomatic relations with Taiwan, China discontinued its relations with Macedonia and vetoed a UNSC resolution that was to extend the mandate of the peace forces in Macedonia (at the time, there was an unstable truce between the warring sides in Macedonia, and the war was at its halfway point; in this situation, there was a threat that the conflict would spill over into the ethnically Albanian parts of Macedonia). Meanwhile, Taiwan offered Macedonia another \$10 million in the form of a loan, added \$10 million to the foreign exchange reserves and announced that 800 investment projects could be started in Macedonia. However, the willingness of the Macedonian governing coalition to continue in the cooperation with Taiwan was decreasing until the episode was definitely concluded with the Albanian uprising. Tubilewicz, Czesław: “Affordable Ally. Taiwan’s Diplomatic Venture in Macedonia”, in *Politics* 22 (1), 2002, pp. 31–38.
- ²⁵⁵ In 2002, Mitilineos Holding filed an action against Jugobanka because Jugobanka allegedly did not fulfil its obligations that followed from the agreement on mineral extraction in Trepča, as Jugobanka served as the guarantor of the agreement. It was only in January 2013 that a first degree verdict was delivered in this case. In this verdict, Mitilineos Holding’s claim for the outstanding debts in the amount of \$4.7 million was accepted, but its claim for the outstanding debts in the amount of \$42.2 million was rejected. On the basis of the outstanding debts, the firm also claimed a proprietary title. This case at least partially illuminates the

complex background of the property relations in Kosovo in general. Both the Kosovo's and the Serbia's Privatization Agency have Trepča in their records (both of the agencies have their branches registered at the same address in the predominantly Serbian Northern Kosovo). In addition, Trepča was formerly under "social ownership". This is a specific form of ownership that, according to some legal views, can be identified with state ownership. But according to other legal views, it can rather be identified with ownership by former employees or ownership of businesses and institutions that were converted into stocks. Due to the unresolved property relations, the rights of disposal of Trepča have been under a moratorium in the framework of Kosovo since 2006. This moratorium means that Trepča cannot be sold, leased, forfeited, etc. without the permission of the highest court of Kosovo. Ćirković, Ruža: "Jugobanka dobila Mitilineosa? Posle 13 godina suđenja prva presuda oko Trepče", January 31, 2013, http://www.danas.rs/danasrs/ekonomija/jugobanka_dobila_mitilineosa.4.html?news_id=255193 (accessed 23 March 2013).

²⁵⁶ The most important bilateral meeting between China and Kosovo so far was the May 2012 meeting of a delegation with the following lineup: the leader of the Chinese Office in Pristina, an attaché of the Chinese embassy in Belgrade, the commissioner of the Chinese Development Bank accompanied by an economic consultant, and the chairman of the Economic Chamber of Kosovo. During this occasion, the mentioned attaché declared that China is open to imports of Kosovar goods and willing to invest in Kosovo. Also, in March 2009, the Kosovar Minister of Foreign Affairs met with the Chinese Ambassador to the UN in New York. On this occasion, the latter emphasized the need for further development of the contacts with the organs in Pristina and also stated that China intends to help the region achieve a state of sustainable security. Considering the fact that in 2013, Kosovo and Serbia technically normalized their relations, and the fact that the prospects of European integration formally opened up for Kosovo, it is not out of the question that in the future, the Chinese approach to the status of Kosovo will be limited to blocking its acceptance into the UN should Serbia be against it.

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²⁵⁸ This information is from the resources of the Czech embassy in Skopje (Czech firms also took part in the tender).

²⁵⁹ "FYROM: New double-decker buses for City of Skopje – made in China", *Balkans Business News*, November 19, 2010, <http://www.balkans.com/open-news.php?uniquenumber=75525> (accessed 16 December 2012).

²⁶⁰ The four producers were Montupet (France), Johnson Matthey (the UK), Johnson Controls (the U.S.), and TeknoHose (Italy). Together, their entry investments amounted to approximately €124 million.

²⁶¹ Cvetkoski, Ljubisa: "FYROM, China sign deals on technical, economic cooperation", *Balkan Business News*, September 18, 2008, <http://www.balkans.com/open-news.php?uniquenumber=27162> (accessed 16 December 2012).

- ²⁶² “FYROM’s PM assesses China visit as successful”, *Balkan Business News*, May 21, 2012, <http://www.balkans.com/open-news.php?uniquenumber=145662> (accessed 16 December 2012).
- ²⁶³ “FYROM – China talks focus on three economic projects”, *Balkans Business News*, May 16, 2012, <http://www.balkans.com/open-news.php?uniquenumber=145237> (accessed 16 December 2012).
- ²⁶⁴ The first Kosovar highway to go through Kosovo in the west-east direction (from the Albanian to the Serbian border) is currently being built by an American-Turkish consortium.
- ²⁶⁵ “Новите автопати ќе ги гради една од најголемите градежни компании во светот“, October 31, 2013, <http://denesen.mk/web/2013/10/31/novite-avtopati-ke-gi-gradi-edna-od-najgolmite-gradezna-kompanija-vo-svetot/> (accessed 19 December 2013); “Кинеска компанија ќе ги гради делниците Кичево-Охрид и Миладиновци-Штип“, November 12, 2013, <http://novatv.mk/index.php?navig=8&cat=7&vest=9329> (accessed 19 December 2013).
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- ²⁷⁰ “Milanović na summitu Kina – srednja i istočna Europa u Bukureštu”, October 26, 2013, <http://dnevnik.hr/vijesti/hrvatska/milanovic-na-summitu-kina-srednja-i-istocna-europa-u-bukurestu---312701.html> (accessed 19 December 2013).
- ²⁷¹ “Kineske investicije su poput Jetija – nitko ih nije vidio”, *Novi list*, <http://www.novilist.hr/Vijesti/Gospodarstvo/Kineske-investicije-su-poput-Jetija-nitko-ih-nije-vidio> (accessed 16 December 2012); “Ekonomisti skeptični oko kineskih ulaganja: Ona su kao Jeti, svi o njima pričaju, a nitko ih još nije vidio!”, *Poslovni Puls*, August 21, 2012, <http://www.poslovnipuls.com/2012/08/21/ekonomisti-hrvatska-kina/> (accessed 16 December 2012).
- ²⁷² Repovž, Erika: “Veliki naložbeni apetiti Kitajske razvojne banke”, *ibid*.
- ²⁷³ Like Montenegro, Atlantska Plovidba, the biggest Croatian boat transporter, also ordered some new oceangoing ships from the Chinese Jiangsu Eastern Heavy Industry shipyards. The first two were delivered in 2008 and 2011, and then four more were ordered. Out of these, two were delivered according to plan in 2012. The deadline for the remaining two was then extended to the middle of 2013, but when they were not ready even by then, the Croatian company decided to withdraw from the contract, and thus it currently demands its money; see “Kinezi nisu isporučili dva broda, Dubrovčani traže povrat novca”, July 5, 2013,

- Večernji list*, <http://www.vecernji.hr/dalmacija/kinezi-nisu-ispocucili-dva-broda-dubrovcani-traze-povrat-novca-579696-> (accessed in December 2013); see also “Atlantska plovidba raskinula ugovor o gradnji dva broda u Kini”, *Poslovni devnik*, July 4, 2013, <http://www.poslovni.hr/domace-kompanije/atlantska-plovidba-raskinula-ugovor-o-gradnji-dva-broda-u-kini-2462460slovni.hr/kompanije/kinezi-nisu-ispocucili-dva-broda-dubrovcani-traze-povrat-novca-246409> (accessed in December 2013). Before then, Atlantska Plovidba looked with envy upon the desirable conditions under which ships were constructed for Montenegro: a fixed interest rate of 3%, and the contract was to expire after 15 years. It considered the possibilities of having a similarly privileged position. See Pandžić, Ivan–Vujisić Sardelić, Snježana: “Kinezi osnovali konzorcij za izgradnju Zračne luke Zagreb”, February 23, 2010, <http://www.poslovni.hr/mobile/hrvatska/kinezi-osnovali-konzorcij-za-izgradnju-zracne-luke-zagreb-140649> (accessd in November 2012).
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- ²⁷⁷ Bičak, Darko (2013b): “Turci žele terminal u Pločama, ali uz monopol i bez radnika”, September 12, 2013, <http://www.poslovni.hr/svijet-i-regija/turci-zele-terminal-u-plocama-ali-uz-monopol-i-bez-radnika-251837> (accessed 16 September 2013).
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