

THE CHINA CHALLENGE TO THE EU UNIQUENESS - THE CASE OF CENTRAL AND EASTERN EUROPE

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Abstract

China's cooperation approach demonstrated through the Belt and Road Initiative is quite different in comparison to regional integration in Europe. Geographical limits, differences in culture, value systems, social and political realities make such a comparison disputable. The aim of this paper is not to compare the European integration experience with the most significant Chinese cooperation project. The study is rather focused on briefly evaluating the cooperation model applied by China towards the region of Central and Eastern Europe and the way it interacts with and affects the EU integration model. It also gives consideration to the evolving geopolitical situation at the regional and global levels. Methodologically, the study builds on an interdisciplinary approach that allows for assessing the problem in historical, legal, economic, and diplomatic aspect. The methodological framework is supplemented by the application of some instruments of geopolitical analysis. The paper argues that China's approach towards the CEE region has the potential to exacerbate some of the divisions within the increasingly fragmented European Union.

Key words: *China, Central and Eastern Europe, Belt and Road Initiative, EU integration, geopolitics*

1. Introduction

The Belt and Road Initiative, (BRI) launched in 2013, has appeared in a period when a series of crises have shaken the very foundations of the European integration project. For the first time in its history, the European Union faces questions over not only the speed and the direction of its future development, but its very survival of the European Union as a unique integration model is at stake.

While the European Union is at crossroads, the world witnesses the expansion of China's foreign policy interests. China's growing ambitions are illustrated through the Belt and Road initiative as its major cooperation initiative in the last decades and the most ambitious geostrategic project on the global stage. The Central and East European states have an important role in ensuring connectivity between China and Europe which is the major aim of the Chinese initiative. The region appears as a new strategic focus of China's diplomatic activity that poses some challenges to the domination of the EU integration project in this part of Europe.

The study evaluates the way the EU integration approach and China's cooperation model meet and interact particularly in the region of Central and Eastern Europe (CEE). It uses Chinese understanding of the CEE region – demonstrated through the “16+1” format - that includes the Baltic States, the Visegrad Four of the Czech Republic, Hungary, Poland and Slovakia, the six former Yugoslav republics of Bosnia and Herzegovina, Croatia, North Macedonia, Montenegro, Serbia, Slovenia, as well as Albania, Bulgaria and Romania (Greece joined the format in April 2019 making it ‘17+1’). The aim is to discuss how and to what extent the deepening China – CEE relationship affects the idea of the EU uniqueness. First, the paper explores the EU integration model and the Chinese cooperation approach that are based on different values, culture and philosophy. Then the expanded economic engagement of China with the CEE region and the role of China as an alternative source of economic benefits are examined. Third, the paper analyzes how the success of the Chinese model challenges the idea of universality of the EU's political model. Fourth, it considers the role of China as a new geopolitical and geoeconomic actor in the CEE region. The paper argues that the Chinese cooperation approach demonstrated through the Belt and Road Initiative is a challenge to the uniqueness of the EU integration model. Methodologically, the study builds on an interdisciplinary approach that allows assessing the problem in historical, legal, economic, and diplomatic aspect. The methodological framework is supplemented by the application of some instruments of geopolitical analysis.

2. Different values, different approaches

The European Union (EU) is frequently identified as the most successful example of regional cooperation in the world. The European integration experience is often regarded as a benchmark and a universal point of arrival. It is associated with peace, stability and prosperity. The EU itself “fell head over heels for its social and political model” (Krastev, 2017, p. 8).

The EU project enjoyed a full dominance in the region of Central and Eastern Europe after the end of the Cold war and the years of wars in the Western Balkans. All the CEE countries bound their futures with a membership of the Euro-Atlantic structures. The European Union was viewed by these countries as the “Promised Land”. The EU membership was seen as a mechanism for establishing stability, receiving much needed resources and

achieving development. To be admitted to the “Promised Land” and to get the “carrot”, however, the countries were obliged to meet strictly defined political, economic, institutional criteria, known as the Copenhagen criteria.

The developments following the 2008 economic crisis have revealed, however, that there is a decline in the EU geopolitical position and control in the region as well as an erosion of the hegemony of the European project in the Western Balkans after the failure of the Thessaloniki Agenda¹. This process has been further reinforced by the migrant crisis in 2015. An analysis worked out by the Directorate General of the Policy Department of the European Parliament for External Policies clearly notes that “one of the bigger challenges in the six remaining Western Balkans accession countries in the years to come will be to keep elites and citizens motivated to continue the reform process” (European Parliament, 2015, p. 5).

Taking advantage of the situation in that period China has strengthened its penetration in the entire CEE region. It has happened in a period of China’s growing international participation and expanding economic activity. In the beginning of the second decade of the 21st century China has availed itself of the CEE countries’ need of fresh capital investment. Beijing has increased its economic involvement in the region benefiting from the already existing and growing tensions between Eastern and Western Europe based, not least, on different historical experience and political culture.

The expanded engagement of China with the region challenges the European model of regional integration itself. China’s approach is best illustrated through the Belt and Road Initiative. The initiative put forward by China’s president in 2013 provides the comprehensive framework for country’s domestic and foreign policy. It is one of the key China’s instruments for achieving global influence and recognition.

The BRI is applied in Central and Eastern Europe through the 16+1 format and it contrasts sharply with the EU treaty-based integration concept. The approach of Beijing is predetermined by traditional Chinese values, culture and philosophy. These are quite different from the Western cultural values that are politically and ideologically loaded.

Instead of the EU “stick and carrot” policy, with a long negotiation period for the candidate states and obligatory integration in the centre’s geopolitical orbit (Western security system), China offers a more pragmatic and flexible cooperation model that pretends to correspond to specific national traditions, needs, realities and international contexts. What makes China’s approach different from the Western one is its normative base that is focused on consensus, equality, inclusiveness, win-win cooperation (Grieger, 2018, p. 2).

¹The Thessaloniki agenda for the Western Balkans: Moving towards European Integration’ was adopted by the European Council at the EU – Western Balkans Summit that took place in Thessaloniki, Greece in 2003. It was the first time that the EU demonstrated a real political will to give a clear European perspective to the countries from the Western Balkans.

One of the major differences between the EU and the Chinese approach refers to the attitude taken to national sovereignty. While the EU integration model emphasizes the transfer of sovereignty, in China's political discourse, the concept of absolute sovereignty remains a key category. Officially, Beijing does not seek any political affiliation or any military dominance. Instead of heavy legal and institutional architecture in Central and Eastern Europe, it offers a loose platform for the development of primarily bilateral cooperation (the 16+1 initiative). The Prime Minister of Hungary V. Orban said in 2017:

We see the Chinese president's 'One Belt, One Road' initiative as the new form of globalisation which does not divide the world into teachers and students but is based on common respect and common advantages. (Teffer, 2017)

China's cooperation model embodies a very different political tradition and culture and assigns a different place to ideology. The European Union seeks to impose the Western liberal order on the EU candidate countries. In order to receive EU funding and enter the European club of rich countries, the candidates must meet the criteria regarding democratic principles, rule of law, market economy, and respect for human rights as defined by the EU institutions. One of the key accession criteria a candidate must satisfy to become an EU member state is related to its administrative and institutional capacity to effectively implement the *acquis communautaire* i.e. the EU legislation, its norms and standards that are an emanation of liberal democracy.

China's rationale is different. There is no normative agenda in its cooperation strategy. China's strategy emphasizes economics over norms, sovereignty over supranational obligations (Jakomow, 2019, p. 381). Beijing does not seek to impose policy conditions but tries to adapt its own strategy to the local environment. In line with its tradition, China does not seek to impose its values on others but lets them know these values and gradually recognize them (Kissinger, 2012, pp. 5-22). China increasingly relies on the attractiveness and success of its own model of development.

The Chinese believe that the universe unites diversity. Many differences exist in the universe, nature, and society but differences do not necessarily result in conflict or contradiction, according to them. Chinese leadership adheres to the principle of seeking coexistence and common prosperity despite diversity when implementing its foreign policy strategy (Lihua, 2013, p. 2). While implementing the BRI, China focuses primarily on the pragmatic cooperation between countries and strictly follows the principle of non-interference in the internal affairs of states. According to Beijing, diversity of ideology, political and social system does not impede win-win cooperation, inclusiveness, common development, prosperity, peace and harmony between states. **The document entitled "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road", which was issued in March 2015 by China's National Development and Reform Commission, the Chinese Ministry of Foreign Affairs and Ministry of Commerce points out:**

The Belt and Road Initiative aims to promote the connectivity of Asian, European and African continents and their adjacent seas, establish and strengthen partnerships among the countries along the Belt and Road, set up all-dimensional, multi-tiered and composite connectivity networks, and realize diversified, independent, balanced and sustainable development in these countries. (National Development and Reform Commission, 2015)

3. China as an alternative source of economic benefits

The active Chinese policy towards the CEE region has already given results. While being over-focused on the Russia threat, after 2014, the European Union seems to have missed the increasing economic involvement of China in the region. Johannes Hahn, Commissioner for European Neighbourhood Policy and Enlargement Negotiations, admitted in March 2019, “Maybe we have overestimated Russia and underestimated China, and we should give both their right place” (Hopkins, 2019).

After a standstill in their relations, China and the countries from Central and Eastern Europe re-discovered each other in the mid-2010s. Taking advantage of the temporary inability of the European Union to fully project its power in this part of Europe as a result of the 2008 financial and economic crisis, Chinese companies seized the opportunity and offered the countries from the region much needed fresh investments. The European Union remains a dominant actor in the region but Beijing has substantially increased its engagement and has appeared as a new and important external actor in Central and Eastern Europe. China is already seen as an alternative source of economic benefits that applies a different model of interaction with its partners.

China plays a dominant role in the development of Sino-CEE relations. The 16+1 initiative launched by Beijing in 2012 is the major platform and core instrument of China’s policy towards the region as well as a key component of the Belt and Road Initiative. Announcing the initiative, Chinese prime minister Wen Jiabao outlined four major principles for the development of China – CEE relations: strengthening pragmatic economic cooperation; broadening the cooperation areas; improving the cooperation mechanism; consolidating the foundation for cooperation (Ministry of Foreign Affairs of the People’s Republic of China, 2012).

A practical network of structures aimed at further facilitating bilateral economic and financial cooperation has been initiated by China. China – CEE Investment Cooperation Fund, China - CEEC Business Council, China-CEEC Investment Promotion Agencies Contact Mechanism, China-CEEC Bank Consortium, among others, operate within the 16+1 format as a key driving force behind Sino-CEE relations.

All CEE countries signed a Memorandum of understanding with China on the BRI. This ambitious initiative offers a new consolidation approach by uniting diverse countries and establishing transborder communication

corridors. It applies an all-embracing strategy that gives a new impetus to the China – CEE relation in the economic as well as in the political field. The improved China – CEE political dialogue is illustrated through the increased number of high-level visits. Since 2009, the region has been visited three times by the Chinese president (in 2009, 2016 and 2019) and ten times by the Chinese prime minister.

Despite the existing gap between the enthusiastic rhetoric of the 16+1 and the economic reality on the ground (Eder & Mardell, 2018), there was still an increase in trade volumes between China and CEE countries of 30% in 2010-2015 (Global Times, 2016). The countries from the Visegrad Group (the Czech Republic, Hungary, Poland and Slovakia) have the highest share of China-CEE trade volume and the highest deficit values as well (Table 1). China is the second-biggest trading partner of the countries from the Western Balkans² (European Commission, 2020a). Machinery and transport equipment is the most significant product group of CEE exports to China (UNCTAD, 2016). CEE countries' exports to the Asian country, however, differ significantly. The Visegrad Group's exports are dominated by foreign multinationals and high value-added products and the exports of the Balkan countries are mainly dominated by low value-added products and some raw materials (Karásková et al., 2020, pp. 35-42).

Table 1: *Imports, Exports and Trade Balance in Goods between the EU Member States in CEE and China, 2013-2019 (EUR million)*

	Export					Import					Balance			
	2013	2015	2017	2019	Share of total export (2019)	2013	2015	2017	2019	Share of total import (2019)	2013	2015	2017	2019
Bulgaria	651	551	637	814	7.8	767	966	1109	1484	13.8	-116	-416	-472	-671
Croatia	57	70	125	108	2.1	956	525	707	726	13.6	-898	-455	-582	-618
Czech republic	1446	1644	2138	2146	5.9	6281	10539	10537	14806	35.6	-	-8875	-8400	-
Estonia	99	136	219	173	3.8	576	625	688	651	16.7	-477	-490	-469	-478
Hungary	1435	1263	1579	1456	6.1	5169	5574	5612	7470	24.9	-	-4311	-4033	-6014
Latvia	86	108	135	159	3.0	342	417	441	511	12.1	-256	-308	-306	-352
Lithuania	88	102	180	277	2.1	565	725	823	929	8.7	-477	-623	-643	-652
Poland	589	1819	2062	2651	4.3	8469	13083	16322	20536	25.9	-	-	-	-
Romania	499	525	737	612	3.3	1972	2887	3788	4537	19.3	6880	11264	14260	17885
Slovakia	1596	1020	1213	1690	10.5	2468	2720	3078	2904	17.2	-	-2362	-3051	-3925
Slovenia	1596	1020	1213	1690	10.5	2468	2720	3078	2904	17.2	-871	-1700	-1865	-1214
Slovenia	169	294	562	435	3.9	1018	1459	1436	2016	13.6	-849	-1165	-874	-1580

Data source: Eurostat

Though the European Union remains the major player in terms of foreign direct investment (FDI) in CEE region, Chinese FDI has expanded significantly since 2008. However, it still accounts for less than 3% of all Chinese

²Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, Serbia.

investments in the European Union. Chinese FDI is still concentrated in Europe's largest economies of the United Kingdom, Germany and France. Among CEE countries, Hungary, Poland, Romania and Czech Republic are the top recipient countries for Chinese investments (Kratz et al., 2020, p. 10).

Chinese investment activity in the region covers different sectors and industries. Chinese state-owned or state-controlled companies have acquired strategic assets in the region. There is a specific interest in strategic fields such as transport and energy infrastructure, nuclear energy, green energy, mineral raw materials industry, agriculture, and telecommunication. This interest is determined by China's ambition to push forward the Belt and Road initiative.

Infrastructure seems to be a key element in China's investment policy towards the Central and Eastern Europe. According to the Mercator Institute for China Studies, Beijing has (co-) financed completed infrastructure projects in the CEE region worth USD 715 million in the period 2013-2017 (Eder & Mardell, 2018). The development of a network of infrastructure facilities in the region could be regarded as a component of Beijing's plan to eventually link China and Europe. Chinese financial institutions provide loans and Chinese companies develop different segments of the rail and highway track of the Belt and Road initiative in the region of Central and Eastern Europe. These sections are also elements of different Pan-European corridors that have had a special place in the EU enlargement strategy, but Brussels was unable to provide for their further development. These are, among others, the flagship project for the high-speed rail line from Belgrade to Budapest that has to be constructed by a Chinese company, the highway connecting Serbia and Montenegro and the reconstruction of the railway from Belgrade to the south of Serbia, towards North Macedonia and Greece and the Chinese-owned port of Piraeus, in particular. Some of these Chinese projects, however, have not been finished.

Beijing pays special attention to the development of cooperation with the CEE countries in the energy field. While the European Union has been focused on countering Russia's influence in the Balkan energy sector, in particular, and has been exerting pressure on EU member states and candidate countries from the region to further liberalize their energy sector, China has made strategic investments in a number of energy projects. Stanari thermal power plant, for example, is the first thermal power plant project designed and constructed by a Chinese company in Europe. There are also Chinese investments in hydropower and in the renewable energy sector of the CEE region. There has also been an expressed Chinese interest in the nuclear sector of Bulgaria and Romania, in particular.

The volume of CEE investments in China has also increased, though it remains at a very low level because of the very low starting point - from USD 420 million in 2003 to USD 1.1 billion in 2015. These investments come primarily from Hungary, Poland, Romania, The Czech Republic, Slovakia and Bulgaria (China – CEE Liaison Mechanism for Investment Promotion Agencies, 2016, p. 17).

If the forecasts for a severe European recession as a result of the coronavirus pandemic come true³, China could once again appear as an alternative source of funding and investments for the CEE countries. A rise in China's investments activities in the region could be seen again as an alternative instrument for closing the development gap with Western Europe. The European Commission has already issued a warning: "the Member States need to be vigilant and use all tools available at Union and national level to avoid that the current crisis leads to a loss of critical assets and technology" (European Commission, 2020b). However, while the EU member states in the CEE region have the responsibility for the application of EU laws, the Western Balkan countries offer looser regulation practices.

4. The contested idea of universality of the EU's political model

The European Union currently *faces the most serious challenge in its history*. The Union is increasingly fragmented and in a process of fundamental transformation. It has witnessed deep internal dilemmas, profound divisions and antagonisms which were intensified by the migrant crisis in 2015. China's penetration and approach towards the CEE region has the potential to further exacerbate some of these divisions within the European Union, mostly between "Old Europe" (Western Europe) and "New Europe", post-communist East and South East European countries⁴, without explicitly looking for this effect.

The CEE countries were among the "losers" in the Cold War and the West, though starting to integrate them, demonstrated a patronizing attitude. Most of the CEE countries were totally oriented towards the West pursuing Euro-Atlantic integration but they had first to prove that they deserved to be part of the Euro-Atlantic community.

China did not lose the Cold war. Against the background of the fall of communism in Eastern Europe, China denied the universality of the Western system of liberal democracy. The Chinese Communist Party continued to rule and lead country's historic transformation and turn China into the *world's second-largest* economy. The unprecedented economic growth in the last four decades allowed Chinese leaders to talk about a Chinese model of development. The concept of "Beijing Consensus" has appeared as an alternative to the neoliberal "Washington Consensus" (Ramo, 2004, p. 3).

China's state-led model has proved that it also can deliver economic growth and social welfare, thus challenging liberal democracy and its values. Andrew J. Nathan, professor of political science at *Columbia University*, points out that China "encourages authoritarian regimes by the power of its example" (Nathan, 2015, p. 158). Joshua Cooper Ramo who coined the "Beijing Consensus" phrase notes that:

³According to the European Commission the EU economy is expected to shrink by 7.4 percent in 2020.

⁴In 2003, U.S. Defense Secretary Donald Rumsfeld divided the European continent into what he called "old Europe" and "new Europe" with respect to the countries' reaction to the Iraq war.

China is marking a path for other nations around the world who are trying to figure out not simply how to develop their countries, but also how to fit into the international order in a way that allows them to be truly independent, to protect their way of life and political choices in a world with a single massively powerful center of gravity. (Ramo, 2004, p. 3)

Russian sinologists A.V. Vinogradov and A. Salitskii pay particular attention to the declarations made at the 19th National Congress of the Communist Party of China when it was stated that China's specific way of development is acquiring the features of integrity as an independent, social development project alternative to the West (Vinogradov & Salitskii, 2019, pp. 78-83).

The Chinese alternative model drew attention in the context of the negative effects of the 2008-2009 global financial crises and was seen as an alternative to the free market approach imposed by the "Washington Consensus". Francis Fukuyama wrote in 2012:

Many people currently admire the Chinese system not just for its economic record but also because it can make large, complex decisions quickly, compared with the agonizing policy paralysis that has struck both the United States and Europe in the past few years. Especially since the recent financial crisis, the Chinese themselves have begun touting the "China model" as an alternative to liberal democracy. (Fukuyama, 2012)

Currently the COVID-19 pandemic again reveals some advantages of "the China model" based on strong state power and control. China's system of governance – though in contradiction with EU set of values and principles - proves to be efficient in a crisis situation. At the same time, the COVID-19 crisis has further exposed some deficiencies in the Western liberal democracy system and some flaws in the EU project itself. In the midst of the coronavirus pandemic Ivan Krastev, *a permanent fellow at the Institute for Human Sciences in Vienna*, notes:

Unfortunately, the coronavirus could increase the appeal of the big data authoritarianism employed by the Chinese government. One can blame Chinese leaders for the lack of transparency that made them react slowly to the spread of the virus, but the efficiency of their response and the Chinese state's capacity to control the movement and behavior of people has been impressive. In the current crisis, citizens constantly compare the responses and effectiveness of their governments with those of other governments. And we should not be surprised if, the day after the crisis, China looks like a winner and the United States looks like a loser. (Krastev, 2020)

In the midst of the coronavirus crisis the French president Macron says: "We are at a moment of truth, which is to decide whether the European Union is a political project or just a market project" (Mallet & Khalaf, 2020). These words come as a reaction to the unpreparedness and

initial lack of solidarity within the Union when many governments in the EU gave preference to national interests and sovereignty over supranational mechanisms. A poll commissioned by the European Council on Foreign Relations in nine EU countries⁵ shows that people believe the EU responded poorly to the crisis and that “the EU did not rise to the challenge” and was “irrelevant” (Krastev & Leonard, 2020, p. 11).

Amid coronavirus crisis, Serbia’s President Aleksandar Vucic accused the European Union of a lack of solidarity and declared that his country turn to and rely on China in the struggle against the virus (Simić, 2020). The “Financial Times” quotes Dusan Reljic, head of the Brussels office of the German Institute for International and Security Affairs, as saying: “The EU’s ability to assert itself in the Western Balkans, and especially in the largest and most politically important state in the region, Serbia, seems to have weakened since the outbreak of the pandemic.” (Barber, 2020).

In an article in the influential Chinese newspaper Global Times, Professor Ding Yifan from Beijing Foreign Studies University emphasizes that the European Union resorts to policies which it has decried before. He points out that “European politicians have no grounds to accuse Chinese state-owned enterprises of violating market competition” as they also turn to state interventionism in the current crisis situation (Ding Yifan, 2020). This does not mean that the Central and East European countries will follow the “China model”. The current situation, however, provides China with a new opportunity to improve its image and to demonstrate the vitality of its alternative model of development that delivers economic growth. The success of the Chinese model challenges the very idea of universality of the EU’s political model.

In CEE, China’s growing engagement could converge with current trends in some of the countries which have been criticized for bad democratic performance and further challenge the EU cohesion. “An illiberal drift in Central and Eastern Europe” is often assessed by the Western political leaders as one of the key challenges facing the European Union (Raines et al., 2017, p. 4). Ivan Krastev notes that:

there is a genuine crisis of liberal democracy in Central and Eastern Europe caused by a major economic crisis, publics’ backlash against globalization and some of the core beliefs of liberal cosmopolitanism, and decline of the role of Europe and the European Union in world politics. (Krastev, 2016)

The migrant crisis has clearly shown some differences in values between Western and Eastern Europe. The former has remained focused on multiculturalism and universalism, the latter – generally speaking - on sovereignty and cultural identity. Rising nationalism and euroscepticism in

⁵Bulgaria, Denmark, France, Germany, Italy, Poland, Portugal, Spain, Sweden.

some of the CEE countries threaten to make these East-West fault lines within Europe even more apparent. Hence, China's increasing interest in the region and its specific approach could be viewed by some of these countries as an opportunity to increase their influence within the European institutional and strategic balance and to evade their further marginalization within the Union itself.

Since the establishment of the 16+1 format, Brussels has been suspicious of China's growing activity in the CEE region despite China's declarations that the format does not go against the EU but is in line with the EU-China "strategic partnership" agenda. There are EU fears that the Chinese involvement in the region could challenge precisely the unity of the European Union and that the Chinese could exploit EU member states from Central and Eastern Europe as a kind of a "China lobby" (Godement, 2011, p. 2). The experts of the European Council on Foreign Relations note that "expressions of support for European integration have always coexisted in China's official line with a recurring trend for playing on the diversity and potential division of Europe" (Godement & Vasselier, 2017, p. 74). Hungary's decision to block an EU statement criticizing China's new security law in Hong Kong, for example, is grist to the mill for those sharing such views.

It is obvious that the CEE region provides China not only easy access to the EU market but also some political leverage. China could use its economic engagement for political support on important foreign policy issues. For example, Beijing's influence became clear in the EU debate on an international court ruling on China's claims to maritime rights and resources in the South China Sea in July 2016. Then, the European Union could not reach a common position that directly criticized China's policy as Greece and Hungary – relying on Chinese investments – objected. The "Financial Times" concludes that the potential of 16+1 initiative to shape future EU votes, in general, is a serious concern in some European capitals as the Union requires unanimity on most matters of common foreign and security policy, including sanctions (Kynge & Peel, 2017).

The lack of internal unity could easily endanger the ability of the Union not only to develop a single strategy towards China but also to formulate and implement common EU policy, in general. This would mean lesser EU integration, lesser EU influence on potential members' strategic choices as well as a weakened reform agenda promoted by Brussels (Makocki, 2017).

Focusing on implementing its Belt and Road strategy, China will keep on going into areas of EU competence, presenting the "Chinese way" and challenging the dominance of the EU integration model in the region. China's entry into EU's sphere of competence is being facilitated by processes that take place within the Union itself. Britain's exit, for example, would deprive Brussels of some 12 billion euro from an annual budget running around 140 billion euro (Reuters staff, 2018). Further reorganization of the Multiannual Financial Framework for the period 2021-2027 was imposed also by the need to address the effects of the COVID-19 crisis. Against the background of gloomy forecasts for the EU economy, the European leaders agreed on the establishment of a 750 billion euro recovery fund to tackle the effects of the

coronavirus pandemic – a compensation for the initial lack of solidarity and weak reaction of the EU institutions to the COVID-19 crisis. Resources from the EU Recovery instrument will be channeled through some of the European structural and investments funds. These funds are particularly important for the countries in Central and Eastern Europe as they aim to reduce economic and social disparities across Europe. For the 2014-2020 period the Cohesion Fund, for example, concerns 15 EU member states. Eleven of these countries are part of the 16+1 format, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. The KPMG study on European Structural and Investment Funds in Central and Eastern Europe for the 2014-2016 period also reveals that for CEE countries the EU funds continue to represent a main resource for public funding (KPMG, 2017).

The Multiannual Financial Framework for 2021–2027 (excluding the Recovery Plan) agreed by the European Council in July 2020 envisages a reduction of the allocation for cohesion policy. A review of the new Multiannual Financial Framework (MFF) shows also that there is a re-grouping of the spending programmes where the new Cohesion, resilience and values heading includes also Erasmus+, RescEU programme, Health programme, Creative Europe programme and Justice, Rights and Values programme. Thus, the share of the cohesion funds proposed for the 2021-2027 MFF is in fact 30.7% compared with 34% for 2014-2020 (European Council, 2020, p. 21). Any decrease in cohesion policy allocations could further undermine the efforts to overcome the remaining economic and social divisions between the Eastern and Western part of the continent, to ensure a balanced recovery and could even erode the idea of the EU's transformative power.

Against that background, China could once again appear as an alternative source of economic growth for the countries in the region, especially for the Western Balkans countries. Beijing has the advantage that the access to China-backed projects remains easier. For example, in order for EU member states to receive funding under the newly agreed Recovery fund, they have to present national recovery and resilience plans setting out the reform and investments agenda of the country. These plans have to be assessed by the European Commission and then approved by the Council by qualified majority (European Council, 2020, p. 5). In conformity with the “emergency brake” mechanism, transfers of funding from the recovery fund could be temporarily stopped if an EU member state is seen by any other member state as not meeting reform conditions.

At the same time, China sees EU norms, rules and conditionality as a hindrance to business and prefers to adhere to a more flexible approach and ad hoc agreements. Instead of the EU's cumbersome bureaucratic approval and control procedures, China offers bilateral deals without any strictly predefined set of standards and parameters. On the one hand, this policy is quite acceptable for some of the countries in the region. “While the Europeans are acting towards Greece like medieval leeches, the Chinese keep bringing money,” said

Konstantinos Douzinas, the head of the Greek Parliament's foreign affairs and defence committee and a member of the governing Syriza party (Horowitz & Alderman, 2017). On the other hand, however, as M. Makocki states, this approach tilts the balance between the market-oriented and the state-led model to the latter's favour and causes disillusion with the market and governance reforms promoted by the EU (Makocki, 2017).

5. China as a new geopolitical and geoeconomic actor in the region

In 2014, in a speech before the European Parliament the then President-elect Jean-Claude Juncker declared:

When it comes to enlargement, I fully recognize that this has been an historic success that brought peace and stability to our continent. However, the Union and our citizens now need to digest the addition of 13 Member States in the past ten years. The EU needs to take a break from enlargement so that we can consolidate what has been achieved among the 28. This is why, under my Presidency of the Commission, ongoing negotiations will continue, and notably the Western Balkans will need to keep a European perspective, but no further enlargement will take place over the next five years.
(Juncker, 2014, p. 11)

Six years later, the EU has hardly achieved the goal of "consolidating" the Union but it has reinforced its enlargement policy. The Bulgarian Presidency of the European Union (with a specific focus on the European perspective of the Western Balkans) during the first half of 2018 is one of the reasons but hardly the key one.

In a short period of time Montenegro was accepted into NATO in 2017 and the EU accession perspective for Montenegro and Serbia was revitalized. Bulgaria and North Macedonia hastily signed and ratified bilateral friendship agreement in 2018. A new impetus was given to the negotiations on the name dispute between Greece and Macedonia. Under Western pressure, the two countries signed the Treaty of Prespa in June 2018 putting an end to the long-lasting dispute but opening new fault lines within their own societies⁶. North Macedonia became the 30th member of NATO in March 2020. After the initial cancellation of the start of EU membership talks and despite the reservations of France, Netherlands and Denmark, the EU has given North Macedonia and Albania formal approval to begin accession talks in March 2020. Though the process has been blocked by Bulgaria, the EU institutions remain strongly committed to the European future of these countries. New impetus was given also to the EU-led negotiations between Serbia and Kosovo in 2020. In the face

⁶Republic of Macedonia officially changed its name to the Republic of North Macedonia.

of geopolitical competition both from Russia and China, the EU has also announced a €3.3 billion support plan for the Western Balkans in tackling COVID-19 in May 2020 (Barber 2020).

The reinforced Western diplomatic activity in the Balkans, whether it is an EU initiative or a US-driven endeavour is, is obviously part of the effort for the consolidation of the supremacy of the West in Central and Eastern Europe. For the EU, this is perhaps one of the last chances to assert its influence and position of a dominant actor in the region. The EU membership is an effective instrument for the EU to guarantee peace, stability and development on its periphery but also to secure the sustainability of the Western influence and Western rules of the geopolitical game in the region.

Certainly, the CEE region is particularly important in the context of the growing tensions between the West and Russia. But geo-economic and geo-political rationale is in force when it comes to China, as well. In 2019, the EU's institutions changed their approach to China viewing it not only as an economic competitor but also as a "systemic rival promoting alternative models of governance" (European Commission, 2019, p. 1). In 2020, the EU High Representative Josep Borell called for "collective discipline" and "a more robust strategy for China" (European External Action Service, 2020). The foreign minister of Austria K. Kneissl warned in 2018, "Who will be first in Belgrade - China or the EU? It is that [which] we have to counteract, as it is our immediate neighbourhood" (Baczynska & Mauhagen, 2018). "With Brussels' commitment to the (Balkan) region in doubt, China's 'Belt and Road' Initiative offers an attractive alternative to countries losing hope in the endless wait to join the EU", writes J. Mardell (Mardell, 2019).

China has always been in the periphery of the geo-political game in Central and Eastern Europe (Miheev & Shvydko, 2016, p. 49). In recent years, however, it appears as a new actor in the complex geo-political reality in the region, thus challenging the interests and policy of the other external powers that are actively involved in the CEE. For China, Central and Eastern Europe is an increasingly important component of the realization of the Belt and Road Initiative which has the potential to change the global geopolitical landscape. As J. Hillman from the Centre for Strategic and International Studies notes, "to China, the countries from Central and Eastern Europe are important in their own right but also as a bridge into the EU" (Kynge & Peel, 2017). The CEE region is important for China as "a geographical point of entry of BRI's two broadly defined corridors stretching from China to Europe" (Pavličević, 2019, p. 250).

Against the background of the divergent geopolitical strategies of different EU member states, the successful development of the CEE section of the Belt and Road initiative would give a strategic advantage to China. The idea of establishing a common Eurasian economic space also contradicts the geopolitical imperatives of the United States. The increasing involvement of China in the region would also change the role of CEE in the geopolitical configuration of the European continent. Aiming at establishing a new trade link between the region and Asia, China affects intra-EU relations and helps

the Central and East European economies to move away from their peripheral role within the EU (Van der Putten & Meijnders, 2015, p. 6). Some of the CEE countries could use the situation to develop a more diversified and pragmatic foreign policy and to attempt to increase their geopolitical weight and manoeuvring space.

The rising tensions between Beijing and Washington will further impact the triangular relationship between the EU, China and the CEE countries. The CEE region is a battleground in the strategic competition between China and the United States. Romania, a close ally of the United States, has already cancelled a deal with China General Nuclear Power (CGN) for the construction of two new nuclear reactors at the Cernavodă Nuclear Power Plant – one of China's biggest projects in the region. There is strong US pressure on European countries to impose firm restrictions on Huawei activity as a supplier of 5G technology in Europe. The Czech Republic, Poland, Estonia, Lithuania and Romania have already signed agreements with the United States targeting the Chinese company. At the same time, Huawei is building 5G network in Hungary and it is one of the key partner in Serbia in the construction of a telecommunication infrastructure that will enable 5G technology. In January 2020 the EU offered a compromise solution. It published a "toolbox" of recommendations for the EU member states to address security risks related to the rollout of 5G but did not explicitly ban the involvement of Huawei (European Commission, 2020c). Divergent positions of member states with regard to Chinese companies and Chinese economic activity, however, could provoke new tensions and further affect the EU internal cohesion.

6. Conclusion

After the end of the Cold War Western Europe strongly believed that its political model could be a universal example for the rest of the world. Currently the political and institutional uniqueness of the European Union remains but the future of the European project seems uncertain. China's involvement in the CEE region is a serious test of the uniqueness and sustainability of the EU model of integration itself. The cooperation approach applied by China challenges the European approach that has been closely linked to the process of democratization in Central and Eastern Europe. Instead of setting political and normative criteria, Beijing grants loans and seeks to establish trans-border communication corridors that could facilitate the implementation of the Belt and Road initiative. Against the background of the fragmentation within the European Union, China offers a new approach which tries to unite the countries.

The cumulative effect of the EU crisis, involving the economy, politics and, identity, illiberal drift in some CEE countries and China's expanding engagement in the region could further intensify tensions and deficiencies in the EU integration model. The growing engagement between China and the countries in Central and Eastern Europe *per se*, however, is not a threat to the European Union. The Union faces the challenge of turning China's proactive policy in the region of Central and Eastern Europe to its own advantage. The

way the EU takes up the China challenge will be an indicator of the sustainability of the EU project. The Union could use it as a reference point in its efforts to put its own transformation process on the right track. China's growing penetration in this part of Europe could also serve as a new impetus for the European Union to address the new geopolitical reality in the world and in the CEE region, in particular, as well as to test its ability to deal with increasing external political, social and economic influences and pressures. The Chinese challenge in Central and Eastern Europe could act as a catalyst for Brussels to stop the slide in Europe's global power.

Lack of solidarity, the EU core and periphery approach, a lack of strategic vision and an inability to adequately assess current global transformations and development coupled with arrogance from Brussels could allow China's involvement in the CEE region to exacerbate the existing deficiencies in the European Union and undermine the success of the EU as it stands. Such a development serves neither EU nor China's interests.

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