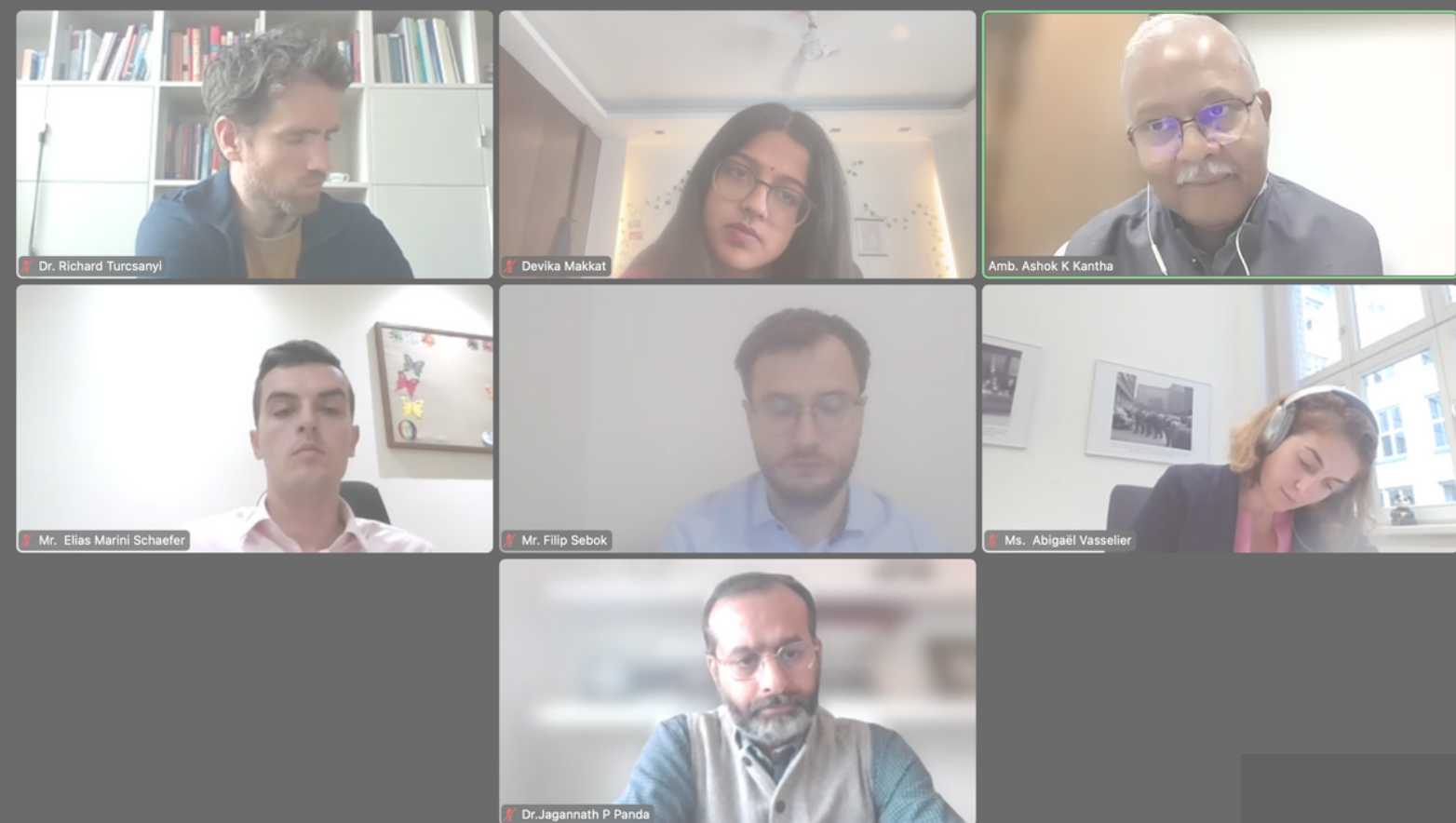


CHINA IN CENTRAL AND EASTERN EUROPE: TAKING STOCK

WEBINAR REPORT

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CHINA IN CENTRAL AND EASTERN EUROPE: TAKING STOCK

WEBINAR HOSTED BY COUNCIL FOR STRATEGIC AND
DEFENSE RESEARCH-KONRAD-ADENAUER-
STIFTUNG

PANELISTS



*Amb. Ashok K.
Kantha
(Moderator)*



Mr. Filip Šebok



*Dr. Richard Q.
Turcsányi*



*Dr. Jagannath P.
Panda*



*Ms. Abigaël
Vasselier*



*Mr. Elias Marini
Schäfer*



BACKGROUND

China's rising influence in Central and Eastern Europe (CEE) has been a subject of great debate and contention in contemporary times. BRI-related Chinese investments in the region peaked around 2016, and subsequently economic and political relations soared, especially with the introduction of the 16+1 (later 17+1 with the entry of Greece) mechanism. While the ground realities of Chinese investments in the CEE region were contentious, at best, concerns about China's 'debt trap diplomacy' making its way into European nations (many of them EU members) set alarm bells in Brussels. Brussels' fiscal and monetary policy and its austerity measures on weaker economies have come under fire for pushing Southern and CEE nations to China. China's economic aggression against Lithuania owing to the latter's ties with Taiwan raised renewed fears about its ability and willingness to weaponize Europe's economic dependencies on the Chinese market.

KEY TAKEAWAYS

- China started to develop its influence in Central and Eastern European countries in 2012, with, for example, the 16 plus one cooperation mechanism.

Against this backdrop, this webinar sought to understand the various points of discussion over the rising concerns about China's attempts to extend its jurisdiction over Chinese citizens.

Key questions discussed were:

1. How does China's presence in CEE factor into Brussels' China strategy? Does it continue to be a cause of concern?
2. In 2023, how real is the threat of China's presence and influence operations (infrastructure projects, investments, and political engagement) in CEE nations?
3. What are the divergences, if any, between Western Europe and CEE on the EU's China policy?
4. In light of the war in Ukraine, how is China's close relationship with Russia viewed in CEE nations?

It is today the EU's first trading partner. Its influence in the region remains considerable and tough to eliminate.

- However, the diversity in Eastern Europe must be acknowledged, highlighting how China's influence is overestimated. Loans, investments, and perceptions have been low.
- Chinese relations with European states have greatly suffered due to its stance on the Ukrainian conflict. And although China will reshape its contacts, it will struggle to improve its relations with Central and European nations.
- China's economic aggression against Lithuania owing to the latter's ties with Taiwan raised renewed fears about its ability and willingness to weaponise Europe's economic dependencies on the Chinese market.
- The China-Eastern Europe Cooperation Forum was an essential subject for the webinar. Most panellists argued it was a zombie mechanism, but others mentioned how it depicted the importance of Eastern Europe for China.

VIEWS EXPRESSED

Mr. Schäfer began by explaining that China pursues a divide-and-rule strategy. Its investments in Europe have split the EU. China uses its financial assets to increase its political influence in European decision-making. Mr. Schäfer also questioned the possibility of expanding the EU cooperation forum. He continued his opening remarks by mentioning his home country, Germany, and its recent China strategy which highlighted future opportunities and challenges to China-German relations. The Russian invasion has slightly changed that perspective, making Germany understand that the best way to counter Chinese and Russian influence is by concrete democratic actions.

He finished by questioning if Europe can ignore economic opportunities and acknowledge the risks of dealing with China.

Amb. Kantha began by reminding the panellists that CEE engagement with China was a success story until a few years ago, as trade and investment had increased. The 17+1 mechanism marks how the region, an essential area for the BRI, is a Chinese priority, underlined by Xi Jinping's recent attendance at a Forum summit. Trade and investment linkages between China and the CEE region expanded significantly and the region became a key priority in China's strategic outreach to Europe.

However, China's attention to Central and Eastern Europe led to misgivings. Relations struggled due to the COVID pandemic and China's stance on the Russian-Ukraine war. Consequences varied, but he gave the example of Lithuania deepening its ties with Taiwan and alongside Latvia, Lithuania, Estonia, and the Czech Republic, leaving the struggling Eastern Europe-China forum.

Dr. Panda took over by recalling that 15 years ago, China undertook a look west policy. However, there have been considerable setbacks in relations due to economic priorities becoming secondary to security aspirations for CEE countries, Chinese support to Russia, and BRI project failures, coupled with Chinese efforts to influence the domestic narratives in the CEE countries, have dented Chinese expansion into the region.

He highlighted India's limited diplomatic outreach in the region as a hindering factor in deepening relations but did note that the Indian Foreign Minister and Prime Minister have travelled fairly extensively in Central and Eastern Europe in recent times.

He also noted that Japan and Korea's assertive outreach in the region is of considerable significance and interest in the coming years, especially how Japan's relationship has remained problem-free unlike that of China and how Korea's defense network has expanded, especially with Poland.

Ms. Vasselier went on to explain that in 2016, European nations realised that China's presence in the Old Continent was far greater than their presence in China. The Asian powerhouse was Europe's first trading partner. And therefore, it will remain a strong economic power in Europe, especially Germany.

She also noted how the 17+1 mechanism, more than anything else, was about an opportunity for nations in the CEE region to attain 'facetime' with the Chinese leadership, Xi Jinping in particular, but the Chinese side failed to deliver and quite a few member states decided to pull out of the deal. However, she mentioned that European unity, cultural differences, and the Chinese stance on Ukraine will damage relations.

Dr. Turcsányi began his opening remarks by arguing that China is less important in Central and Eastern Europe than what the other panellists believe. He followed up by listing, for example, bad perceptions, a major trade imbalance, low investments compared to Western Europe, and the limited loans in EU Eastern European countries.

Mr. Šebok explained how China underestimated the diversity of Eastern Europe. He also mentions that there have been condescending views against Central and Eastern European nations, assessing that they cannot manage their own foreign policy. He continued by stating that Serbia, Hungary, Czech Republic have used China intelligently for their own interests, sometimes, by showing the EU they have other partners. That said, many countries, such as Lithuania, remained cautious with regard to Chinese influence.

IMPRESSIONS

Dr. Panda answered the first question by Amb. Kantha, on whether China can correct its diplomatic failures, such as with the BRI. He explained that China will try to correct these faults in Central Europe with multiple initiatives, but its stance on the Russia-Ukraine conflict and NATO's recent momentum will hurt its chances.

Ms. Vasselier responded to Mr. Turcsányi's assessment of China's overestimated influence in Central and Eastern Europe. She agreed in principle but highlighted how closely intertwined European and Chinese economies are.

Dr. Turcsányi developed his previous point, mentioning that Eastern Europe is not a monolithic entity and is divided into different zones like the Western Balkans, non-EU members, and

member states. He also reiterated how poorly designed the BRI projects were in the region and the relative benefits of EU funds (for member states) as opposed to Chinese loans.

Following a question from the chat box, interrogating the possibility of another Chinese economic incursion, Mr. Šebok explained that China is indeed trying to reshape its diplomatic relations today.

Amb. Kantha concluded the webinar by requesting a brief answer on the following question: China launched the 16+1 mechanism in 2012, has it made any gains ever since? The panellists were generally of the opinion that China had a huge opportunity but failed to capitalise.

ANNEX 1

Amb. Ashok K. Kantha is an Honorary Fellow and former Director (2017- 22) of the Institute of Chinese Studies, New Delhi; a Distinguished Fellow at Vivekananda International Foundation, New Delhi; and Chair of the Core Group on China of the Confederation of Indian Industry. Amb. Kantha was Ambassador of India to China until January 2016. Prior to this, he was Secretary (East) at Ministry of External Affairs in New Delhi with responsibility for about 65 countries in India's extended neighbourhood. His previous assignments include High Commissioner of India to Sri Lanka and Malaysia, Consul General in Hong Kong, and Deputy Chief of Mission in Kathmandu (Nepal).

Dr. Jagannath Panda is the Head of the Stockholm Center for South Asian and Indo-Pacific Affairs (SCSA-IPA). He is also the Editor for ISDP. In addition to his primary appointment at ISDP, Dr. Panda is the Director for Europe-Asia Research Cooperation at the Yokosuka Council on Asia-Pacific Studies (YCAPS); and a Senior Fellow at The Hague Centre for Strategic Studies (HCSS), The Netherlands.

Ms. Abigaël Vasselier heads the Foreign Relations team at MERICS. Previously, Abigaël worked as Deputy Head of Division for China, Hong Kong, Macao, Taiwan and Mongolia at the European External Action Service (EEAS). Prior to that, Abigaël was a Policy Fellow and Programme Coordinator at the Asia Programme of the European Council on Foreign Relations (ECFR). She has co-authored the book "China at the gates: A new power audit of EU-China relations" (with François Godement).

Mr. Filip Šebok works as a China Research Fellow and Project Manager of the China Observers in Central and Eastern Europe (CHOICE) and MapInfluCE at the Association for International Affairs (AMO) based in Prague. Filip majored in International Relations and Chinese studies at Masaryk University in the Czech Republic and the Renmin University of China, having spent three years in Beijing. Previously, Filip worked for two Slovak think tanks, the Central European Institute of Asian Studies (CEIAS) and Stratpol.

Dr. Richard Q. Turcsányi is Program Director at the Central European Institute for Asian Studies, as well as Deputy Director of the Institute of Asian Studies and the Director of Strategic Policy Institute – both in Bratislava. He is an Assistant Professor at Mendel University in Brno and Associate Fellow at Institute of International Relations Prague.

Mr. Elias Marini Schäfer works as Head of Publications and Communications at the Konrad Adenauer Foundation's New Delhi office. He holds a double Master's degree in Peace and Conflict Studies from the University of Kent, United Kingdom, and the University of Marburg, Germany. After completing his Master's degree, he joined the India office of the Konrad- Adenauer-Foundation in April 2021, where his work covers a range of topics mainly related to Indo-German and Indo- European relations, geopolitical dynamics within the Indo-Pacific, as well as peace and conflict processes across Asia.