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Alica Kizekova

Mendel University in Brno

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China's connections with Europe: Investments beyond the European Union

Abstract

This paper examines China's engagements with the European Union (EU), with a specific reference to the emerging Belt and Road Initiative (BRI) and the 16+1 platform. It compares the experiences of Visegrad countries: the Czech Republic, Hungary, Poland and Slovakia. The analysis shows differences in approaches of individual states and it questions the benefits in relation to promised investments and real outcomes. The European Union's response is outlined through an assessment of the new EU strategy on China, suggesting a need for further convergence between EU and 16+1 policies.

Keywords

Belt and Road Initiative, BRI, 16+1, V4, Visegrad countries

China's Connections with Europe: Investments Beyond the European Union¹

Alica Kizekova²

Mendel University in Brno

Abstract:

This paper examines China's engagements with the European Union (EU), with a specific reference to the emerging Belt and Road Initiative (BRI) and the 16+1 platform. It compares the experiences of Visegrad countries: the Czech Republic, Hungary, Poland and Slovakia. The analysis shows differences in approaches of individual states and it questions the benefits in relation to promised investments and real outcomes. The European Union's response is outlined through an assessment of the new EU strategy on China, suggesting a need for further convergence between EU and 16+1 policies.

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The Context

China's activities in Europe are closely linked to China's reassessment of its approach to the world.³ China has become more proactive and arguably is moving from the position of "norm-taker"⁴ to "norm-shaker",⁵ or "institution-maker".⁶ One of its core foreign policy priorities is to

¹ The views in *The Culture Mandala* are those of the author(s) and do not necessarily reflect the views, position or policies of the *Centre for East-West Cultural and Economic Studies*. Bearing in mind the controversial debates now occurring in International Relations and East-West studies, the editors publish diverse, critical and dissenting views so long as these meet ethical and academic criteria.

² Dr. Alica Kizekova is an Assistant Professor at the Faculty of Regional Development and International Studies at Mendel University in Brno and she works as Senior Researcher at Institute of International Relations Prague in the Czech Republic. She is affiliated with the *Centre for East-West Cultural and Economic Studies* at Bond University, QLD, Australia through an Honorary Adjunct Research Fellowship.

³ For a good assessment of China's ambitions read François Godement's "Expanded Ambitions: Shrinking Achievements: How China Sees the Global Order", Policy Brief, European Council on Foreign Affairs, March 2017.

⁴ The author previously assessed China's engagement in ASEAN-led frameworks and the level of cooperativeness in adhering to shared regional norms and agreements on codes of conduct in 'Multitrack Diplomatic Approaches to Border and Territorial Disputes in Southeast Asia and Soft Balancing,' in *Unresolved Border, Land and Maritime Disputes in Southeast Asia*, eds. Alfred Gerstl and Maria Strasakova (Leiden: Brill, 2017).

⁵ Li, Jinyan, "China and BEPS: From Norm-Taker to Norm-Shaker" (2016). Osgoode Legal Studies Research Paper Series. 126, access via <http://digitalcommons.osgoode.yorku.ca/cgi/viewcontent.cgi?article=1121&context=olsrps>

promote the latest vision: Belt and Road Initiative (also known as One Belt One Road, or OBOR)⁷.

These activities led to China's increased frequency of exchanges with Europe, which go beyond high-level visits and involve local governing bodies and people-to-people relations. Under the umbrella of BRI, the government, businesses, research institutes and universities are conducting *learning missions* in individual countries with an effort to understand complexities of societies and their relationship with the European Union (EU), as well as form new partnerships and subsequently, try to exert some influence in individual European countries.⁸

After the 19th Chinese Communist Party congress between 18-25 October 2017, President Xi Jinping declared a "new era" for China to become a global leader in terms of composite national strength and international influence, thus one can expect even more proactive approach in foreign engagements. For this, the Chinese leadership set out three key milestones – 2020, 2035 and 2050 – when the goal is to develop into a "great (富强 qiang) modern socialist country that is prosperous, strong (富强 qiang), democratic, culturally advanced, harmonious, and beautiful".⁹

Nowadays, China operates in the context of the EU that has been affected by the ongoing refugee crisis in Europe, the results of the Brexit vote in the United Kingdom and the ongoing inability of German political parties to form a government after the September 2017 General Federal elections. Additionally, there is an increased effort to evaluate the European perceptions and

⁶ China-led regionalism has been discussed in Alica Kizekova and Laura Anca Parepa. "Emerging China-led Regionalism and Soft Balancing" East Asia Security Symposium and Conference 东亚安全座谈谈论会 (Beijing, June 2015), access via http://epublications.bond.edu.au/cgi/viewcontent.cgi?article=1068&context=eassc_publications; China's growing role in the international institutions related to climate change or Asia Infrastructure Investment Bank (AIIB) are assessed in Fleur Huijskens, *From norm-taker to institution-creator: China's growing role in international institutions*. 05/2017. Working Paper Number 7, access via http://www.primo-itn.eu/PRIMO/wp-content/uploads/2015/07/WorkingPaper-7_PRIMO_Fleur-Huijskens.pdf

⁷ There terms have been used interchangeably and there is no agreement on the use of terminology. From the start, the Chinese have used *Yi Dai Yi Lu* 一带一路 (literally 'One Belt, One Road'). However, the Chinese government started using 'Belt and Road Initiative' in its official English-language statements. In Europe, 'New Silk Road' (Roads or Routes) have been used by officials, academics, experts or media. The concept refers to the Silk Road Economic Belt and the 21st Century Maritime Silk Road connecting Asia, Europe and Africa.

⁸ It was noted during several informal discussions with Chinese researchers and scholars in Beijing and Shanghai that one has a better chance to get a visa to Europe should his/her proposal for travel include the reference to BRI/OBOR. The level of Chinese influence in specific European countries has been analyzed in François Godement and Abigaël Vasselier, "China at the gates: A new power audit of EU-China relations", ECFR.eu, 1 December 2017, accessed via http://www.ecfr.eu/publications/summary/china_eu_power_audit7242?gclid=CjwKCAiA7JfSBRBrEiwA1DWSG6oRWaBKp0BNyYZm-6VRJWH43Cy3BXjepwGCBvoZCsjl8GfvmHdbSxoCzjMQAvD_BwE#

⁹ "Compilation of Xi Jinping's remarks on youth and the work of the Communist Youth League" (习近平关于青年和共青团工作论述摘编, Xi Jinping guanyu qingshaonian he gongqingtuan gongzuo lunshu zhaibian), Beijing, Central Party Literature Press, 2017, quoted in http://www.ecfr.eu/page/-/China_Analysis_New_Era_with_Xi_Jinping_characteristics.pdf

responses to China and its BRI, with attitudes ranging from welcoming to very negative. In all cases, the calls have been made to pay more attention to reciprocity of exchanges with China. The following pages will touch on the EU's position and provide a comparative assessment of China's investments in four Central European countries: Hungary, Poland, Slovakia and the Czech Republic, which belong to the so-called Visegrad Group (V4).

China's relations with the European Union

In 2015, China and the European Union celebrated forty years of diplomatic relations, initially sealed by Christopher Soames, Vice President of the European Commission of the European Economic Community (EEC) and China's Foreign Minister Qiao Guanhua on 6 May 1975. Ten years later, the two sides signed the first agreement on customs and tariffs to facilitate the access to the EEC market.¹⁰ In 2003, the EU and China announced the agreement on the comprehensive strategic partnership, and from 2013, the relationship has built on *the EU-China 2020 Agenda for Cooperation*, the highest-level joint document.

This partnership is a work in progress and the approach to China should be understood as a multitude of bilateral relationships and national interests involved, due to the lacking clarity of a common EU position vis-à-vis China. This, subsequently, often leads to conflicting state strategies towards China within the EU. Historically, the Chinese central government gave priority to the development of the domestic Chinese economy. The EEC was considered as young and fragile. Thus, bilateral partnerships, with France or Germany, were prioritized.

In the past few years, the EU representatives have advocated for a greater EU engagement in Asia, highlighting the similarities with China - both aiming to reinforce their position as global actors. The EU recognizes that internal changes in China, related to its economic reforms, have an external impact on the EU. Since China demands a greater say in global economic governance, the EU must pay more attention to Beijing's decisions related to economic, social and political development.

In June 2016, the *Joint Communication to the European Parliament and the Council: Elements for a new EU strategy on China* revealed that the EU is ready to form its strategy towards China, one that would put its own interests at the forefront of this relationship. Among various trends highlighted in this document, the European Commission argued that China had become more assertive in its region, transition to a more sustainable pattern of development would be complex and could lead to turbulence, and the recent legislative changes have made it more difficult for foreign operations in China to function – viewed in contrast to President Xi Jinping's statements about the promotion of open markets and equal treatment. In the *Joint Communication*, the EU has not forgotten to mention the issue of authoritarian treatment of domestic dissent in China,

¹⁰ Page dedicated to the 40th Anniversary <http://www.xinhuanet.com/english/special/chinaeurope40/>

which ultimately does not contribute to establishing a proper rule of law protecting the rights of individuals.¹¹

For now, much of the diplomatic activity has focused on upgrading cooperation between China and Europe on investment and trade to deepen their strategic partnership. The European Commission has pushed for a timely completion of negotiations on a *Comprehensive Agreement on Investment* and opening new market opportunities. One area that is critical is the promotion of reciprocity across all areas of cooperation.

The fact that China has created formats of cooperation, which involve the EU and non-EU member states, has led to an ongoing debate about a divisive China and calls from the EU representatives that now, more than ever, it was pertinent to project a clear and unified approach to China. If member states choose to cooperate on bilateral level or within group formats, they should also consult that EU Commission to ensure the dealings are in line with the EU rules, laws and policies. Brussels has particularly been concerned with the 16+1 platform¹² and bilateral agreements between China and individual EU member states, especially in the CEEC. There is an argument that the logic of economics rules over the logic of political ideals – democracy vs human rights.¹³

The 16+1 Platform: Achievements and Challenges

The official beginning of the 16+1 is linked to the Summit in Warsaw in 2012. By then, China's former Prime Minister, Wen Jiabao, had already proposed the development of trade, investments, infrastructure projects, fiscal and financial cooperation and people-to-people ties during the Business Forum in Budapest in 2011. In the aftermath of the Global financial crisis, the 16 countries welcomed China's initiative with open arms and their expectations of real investments were certainly high.

¹¹ 'Joint Communication to the European Parliament and the Council: Elements for a new EU strategy on China (2016), European Commission, http://eeas.europa.eu/archives/docs/china/docs/joint_communication_to_the_european_parliament_and_the_council_-_elements_for_a_new_eu_strategy_on_china.pdf, In response to the human rights criticism, the Chinese side has called for more objectivity in assessing China's human rights record and pointed out that Europe was facing issues related to migrants and religious discrimination at http://news.xinhuanet.com/english/2015-12/01/c_134870629.htm

¹² The EU member states: Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. Non-EU member states: Albania, Bosnia and Herzegovina, Macedonia, Montenegro and Serbia.

¹³ Some believe that Beijing is driven by the desire to gain more influence and sway decision-makers in respective EU member states towards China, and therefore, counteract the unity of the EU. This could be the case of EU's Statement on legal ruling related to the South China Sea, which avoided a reference to China (Emmott 2016, EU Statement 2016). Additionally, Beijing could have an impact on the five Western Balkan countries which participate in the 16+1 to even abandon the idea of joining the EU if their accession process is too prolonged (Long 2014). The author attended an international workshop 'European Perspectives on China's New Silk Road' at the European Economic and Social Committee of the European Parliament in Brussels on 14-15 September 2015 where some of these concerns were raised by majority of speakers.

In his speech, the former Prime Minister Wen described the interaction between China and the CEEC area as 'traditional' by making a reference to the ancient Silk Road, which linked Asia and Europe. In his words, the CEE countries were uniquely strong in aircraft manufacturing, auto-making, brewery, bio-pharmacy, sewage treatment and shipbuilding while China was presented as having advantages in infrastructure construction, manufacturing and processing. He mentioned specific investments, such as Huawei's decision to set up its European supply center in Hungary (Wen 2011). According to the former Prime Minister Wen, there was an incentive in investing in CEEC. It would cut costs for Chinese enterprises and thus CEEC was to become a strategic priority in the context of China's going global.¹⁴

The formalization of the CEEC cooperation with China took place the following year in Warsaw at the First Summit of 16+1. Upon gaining an overwhelming support from the participating countries, this China-led initiative turned into *Twelve Measures for Promoting Friendly Cooperation with Central and Eastern European Countries*. China suggested establishing a US\$10 billion special credit line, an investment cooperation fund, trade and investment promotion missions, currency swaps, the establishment of bank branches, advisory committees, cultural forums, scholarships, and an active support for Confucius Institutes, tourism promotion and young political forum (Twelve Measures 2012).¹⁵

The following summits in Bucharest (2013), Belgrade (2014), Suzhou (2015), Riga (2016) and Budapest (2017) were no longer one-sided China-led events. The European countries contributed to the final guidelines. Joining activities and associations within the 16+1 cooperation by relevant Chinese and CEEC agencies and businesses is on a voluntary basis. The early guidelines dealt with the question of EU-China relations to reassure the critical voices in Europe that the 16+1 cooperation was 'in concord with China-EU comprehensive strategic partnership' (Bucharest Guidelines 2013), and stressed that it would contribute 'to the implementation of the EU-China 2020 Strategic Agenda for Cooperation', as well as be 'in accordance with their respective laws and regulations, and in the case of EU member states, the EU legislation, regulations and policies stemming from their membership' (Belgrade Guidelines 2014).

The latest Budapest Summit in Hungary in November 2017, reviewed the achievements of the past five years. It concluded that the 16+1 platform has evolved into a functioning mechanism and improved the coordination of discussions among specific ministries. The participating states

¹⁴ The former Prime Minister Wen made five specific suggestions to enhance: 1) bilateral trade; 2) two-way investment; 3) infrastructure construction cooperation; 4) fiscal and financial cooperation; and 5) people-to-people and cultural exchanges. His speech was a call for an active participation in China's development through concrete projects. Thus, the Chinese leadership presented their plans for the development of the CEES area prior to the establishment of the 16+1 platform and without consulting the CEEC in advance.

¹⁵ Drawn from the Measures, the first step towards the 16+1 institutionalization was setting up a secretariat at China's Ministry of Foreign Affairs. This Chinese institution oversees daily affairs. It communicates and coordinates activities between China and CEEC, including preparations for meetings and forums. Each participating country has a national coordinator who is the primary contact point and facilitator of discussions for their respective country with the 16+1 Secretariat.

showed support for China's accession to the WTO Government Procurement Agreement, and expanding trade with China in a "mutually beneficial way based on complying with WTO rules", as well as support the EU-China Comprehensive Investment Agreement (Budapest Guidelines 2017).

For now, the real challenge to China's cooperation in the CEEC is that individual states differentiate in their degree of support of the current 16+1 mechanisms. A certain cooperation vacuum has been created in countries where the enthusiasm faded in response to the gap between the hyped expectations and the lack of tangible results from promised investments, as well as the lack of support from the public (Long 2016, Stanzel 2016). Another obstacle in gaining more support from the 16+1 countries is the redistribution of Chinese investments.

In 2016, it was reported that the EU was China's favorite destination for investments, with an increase of 75 per cent from 2015, totaling EUR 35 billion (app. USD 40,8 billion) of completed outbound foreign direct investment. However, more than half of total incoming investment was directed to Germany (EUR 11 billion, USD 12,8 billion) and United Kingdom (EUR 7.8 billion, USD 8.16 billion), with a special interest in high-tech opportunities in that country (Hanemann and Huotari 2017).

The States of the Visegrad Group and China

Among countries that most benefited from China's investments in Central Europe were the V4 countries: Hungary, Poland, the Czech Republic and Slovakia have all been interested in developing better ties with China. Yet, not all invested equal political capital in courting Beijing to secure more prominent investment deals. Hungary and Poland have competed for the leadership role within the 16+1, while the Czech Republic has managed to completely overturn its policy towards Beijing – from being one of the biggest critics of China's human rights record to becoming one of the most vocal supporters of China's entry into the CEEC and BRI. Slovakia, has been the least active, but this approach is likely to change considering the proposed *Concept of Development of Economic Relations between the Slovak Republic and the People's Republic of China between 2017-2020* and a prospective investment in a steel company in 2018.

Hungary has been one of the forerunners of renewing ties with China since the early 2000. Following 'Opening to the East' policy, it has focused on better trade and economic ties. It has played an important role in promoting BRI, as the first European country that signed the Memorandum of understanding on BRI collaboration in 2015. However, the actual references to terms, including to OBOR or New Silk Road (as it is more widely used in Hungary) are rarely mentioned, since the focus is more on the bilateral relationship or collaboration under the 16+1

framework (Matura 2016). In May 2017, the two governments upgraded the relationship to a comprehensive strategic partnership.¹⁶

There is one major project under the BRI vision: the Budapest-Belgrade Railway. If completed, the transportation corridor between Piraeus in Greece (owned by Chinese Shipping Company COSCO) and Western Europe via Macedonia, Serbia and Hungary would be established, and thus pave the way to faster, more substantial and smoother delivery of Chinese goods to Europe. The railway project was first agreed in 2013 when a consortium of the China Railway Group (CRG), China Railway Corporation (CRC) and the Hungarian State Railways was awarded a EUR1.6 billion-contract to refurbish the Hungarian section (163 km), and build additional 177 kilometers in Serbia, to create a connection to Belgrade. 85% of the financing of the Hungarian section will be done by China, via a 20-year loan, which Serbia signed a separate agreement to finance their section of railway (Barrow and Joo 2015).

The construction, which should have been completed in 2017, has been delayed. In November 2017, a call for tenders for contracts to rebuilt most of the Hungarian section was issued (152km section) – in response to the previous European Commission's criticism of Hungary granting construction rights to Chinese companies, and neglecting European Union's public tendering requirements. While the current call is in line with the EU regulations, there is a high probability that Chinese companies will win much of the work. It is still to be seen how much Hungary will benefit from this project since the Hungarian state guarantees the interest rate on the loan (approximately 2.5% annually), the railroad will be primarily used by Chinese cargo companies and will not be connecting any major cities within Hungary (Matura 2017).¹⁷

Poland has had a strategic partnership with China from 2011 and has aspired to be viewed as the leader of the 16+1 platform since the official beginning of collaboration is linked to the Warsaw Summit in 2012. The Polish decision-makers share a very positive approach to BRI, a position that remained unchanged after the presidential and general elections in 2015. The local government in Łódź has also taken up the initiative, having the cargo connection from Chengdu, and wants to become a logistical and technological hub to facilitate the trade (Szczudlik-Tatar 2016, Ye 2016).

The highly advertised failure of the construction of the A2 highway, running from Warsaw to the German border, by the COVEC Group (Chinese Overseas Engineering Group) was supposed to herald the Chinese construction giant's entry into Europe. COVEC won a 2009 tender to build 50km of the highway and became the first Chinese company to win such a large contract in

¹⁶ There is a large Chinese community in Hungary, the only Chinese-Hungarian bilingual elementary school, and the CEE headquarters of the Bank of China.

¹⁷ Political calculations may play more important role in Hungary's case, especially since the 2011 financial crisis and Viktor Orban's accession to the premiership.

Europe. However, the company, which underestimated the mysteries of Polish public tenders, was forced to suspend work on the project in 2011 (Cienski 2011).

In Poland, the Chinese companies have invested in electronics, information technology, banking, and transport and distribution. Among the largest investments, the acquisition of the civilian part of Huta Stalowa Wola steelworks in early 2012 by LiuGong, was the first full privatisation in Poland involving Chinese capital. Poland also encourages Chinese companies to take part in public procurement and make greenfield and brownfield investments, engaging in both new construction and upgrading existing facilities. In 2016, Sinohydro Corporation won the Polish Power Grid Company's (PSE) tender for the construction of the high power Chełm-Lublin transmission line, and China's Pinggao Group won three tenders from PSE to build electric transmission lines (Góralczyk 2017). It might be increasingly harder to invest in sectors that are considered strategic: energy, telecommunications, surveillance or banking. The Polish government has applied a new approach to companies with State Treasury shareholding in order to avoid possibilities of hostile takeovers, which could threaten national interests and security (biznesalert.com 2017).

The Czech Republic is one of the top destinations of China's investments among CEEC and has successfully managed to maintain an active exchange of high profile delegations in the past four years. The efforts of the previous Czech government of Bohuslav Sobotka¹⁸ to strengthen the economic and political ties with China culminated with the historical visit of the President Xi Jinping and the signature of forging a strategic partnership in March 2016.¹⁹

There is no question that the political ties between the Czech and the Chinese counterparts are mainly supported by the President Miloš Zeman²⁰. His visit to China for the Belt and Road Forum in May 2017 was his third trip to China since taking up his office. Also, by then, he had already met the Chinese President six times within the last three years. It should be noted that during the previous periods – especially from the early 1990s until 2004 – the communication between Prague and Beijing was quite limited, affected by the Czech government's policy on human rights, Taiwan and Tibet. The Chinese authorities objected to regular visits of the Dalai Lama in the Czech Republic. A strong reaction from China came in 2009 after the former Prime

¹⁸ At the time of writing, December 2017, the minority government of the newly elected Prime Minister Andrej Babis has not yet been approved.

¹⁹ The author attended the meeting between the Chinese President Xi Jinping and the Czech Speaker of the Chamber of Deputies Jan Hamáček on 29 March 2016. During this meeting President Xi mentioned the dire situation of global economy, China's support for the EU integration, the complementarity of the Czech Republic and China and the potential of the Czech Republic – thanks to its industry – to play a role in the Central Europe in the context of BRI.

²⁰ The Czechs are preparing for a Presidential election on 12-13 January 2018, the current President Zeman is one of the contenders for the seat.

Minister Jan Fischer met the Dalai Lama in his official government residence, and again, during the most recent visit, which took place at the annual Forum 2000²¹ in October 2016.

The previous instances led to reduced exchange of high profile visits and the cancelation of participation of the former Czech Prime Minister at the Shanghai Expo 2012. It was in 2014 when the first most significant Chinese investment contract was signed in Beijing – the Slovak-Czech J&T Financial Group and Chinese CEFC, valued at USD 750 million, which led to subsequent acquisitions in the Czech Republic in travel industry and real estate (Fürst 2015). The latest incident in October 2016 led to the cancellation of meeting between the Czech minister of agriculture, Mr. Marian Jurečka, and the Chinese ministers of agriculture and water management. The Czech minister explained that the Czech diplomats in Beijing had had “received information that both ministers were cancelling the meetings...and that it was for reasons that both sides would fully understand” (Willoughby 2016).

The Chinese investments should be evaluated in relation to other incoming investments from East Asia into the Czech Republic. According to the governmental statistics by CzechInvest, 235 projects valued at 239 billion Czech Crown (approx. USD 10, 4 million) took place with Asian countries between 1993 and 2016. When it comes to ranking of foreign investors, Japan came in the second, South Korea – the fourth, Taiwan – the tenth and China – the twentieth. It is, however, expected that China’s position is going to rise in the coming years (CzechInvest 2017). Chinese investors are gradually changing their approach and investing into building new factories. Yangeng Automotive Interior invested around 230 million USD into building two factories in Žatec and Planá nad Lužnicí. The latter was opened with a promise of employment for 588 people in the early June 2016 (MPO 2017).

There are three direct flights between Prague and Beijing, Shanghai and Chengdu. There is a plan to add Kunming to the list. More headway also has been achieved in the air industry. The Czech producer of ultralight Direct Fly signed an agreement with Wanfeng in April 2016. The plan is to produce planes with Czech know-how in China. Moreover, Wanfeng is also planning to purchase over 30 planes from various Czech producers this year.

In relation to telecommunications and security risks, the Czech security services identified Russia and China as ‘security threats’ in the last three years. The annual report of the Security Information Services for 2015 stated that their intelligence services were the most active in the Czech Republic. They stated that in China’s case, diplomats, intelligence officers and economic entities were building on previous successes and strengthened their influence in the Czech economy and politics (BIS 2016, BIS 2017). The 2013 Report specifically mentioned the Chinese companies Huawei and ZTE as posing a ‘potential threat’ to the Czech Republic, based on experiences from other countries who had excluded Huawei from public tenders on the

²¹ This platform was jointly founded by the former Czech President Vaclav Havel, Japanese Philanthropist Yosei Sasakawa and the Nobel Peace Prize Laureate Elie Wiesel in 1996. The purpose is to openly debate about democracy, civil society, cultural and ethnic tolerance, as well as human rights.

grounds of cooperation with Chinese security services and being involved in spying activities. The concerns were linked to ignoring error reports and mistakes that could enable illegal remote access to devices (BIS 2014). For the Czech intelligence community, the biggest fear is that the Chinese agents could use the network technology and software to ‘eavesdrop’ sensitive communication or they could implant technology, which could enable China, in cases of a hypothetical conflict, block selected systems (BIS 2014, 2016, Sinopsis 2016).

There are signs of a more pragmatic and strategic approach to investments, both in terms of specific sectors and in terms of the level of entry. It is, however, clear that the Czechs are not always united in their positions. The failure to join the Asian Investment and Infrastructure Bank (AIIB) is a case in point. The hesitation to become one of the founding members has kept the Czechs away from becoming better involved in institution, which has become the center of the financial dimension of the BRI.

In contrast, *Slovakia*’s participation in BRI has been minimal. While previously the government of Prime Minister Robert Fico lobbied for more economic cooperation with China, such as a hydro power plant, an establishment of a Chinese bank or a direct flight between Slovakia and China, the inability to materialize these projects, as well as being outside the main Silk Road corridors, led to a decreased enthusiasm and a lack of media coverage in the Slovak news outlets (Pleschova 2016).

However, there is a potential for a change after the government issued a 37-page *Concept of Development of Economic Relations between the Slovak Republic and the People’s Republic of China between 2017-2020* in April 2017 and a longer *Action Plan* is currently under revision and negotiated by legislators and Ministries. The Slovaks are planning to increase diplomatic personnel in China, create ‘Slovak houses’ in various parts of the country to attract Chinese investors and tourists.

However, the Chinese National Nuclear Corporation failed to acquire Slovakian power plants, but took over Energetic Industrial Holding from the Italian Enel. The primary focus is on a potential acquisition of the US Steel Corporation-owned factory in Kosice in the eastern Slovakia, which could be taken over by China’s He Gang Steel Group – the world’s second largest steel producer – when the deal with the US expires and the company will be allowed to sell the assets without a financial fee in April 2018. The reported price of the plant is some EUR1.17 billion (USD1.4 billion) (Spectator 2017) The move, giving China a share of EU production on top of its own exports, is under review by the European Commission.

Conclusion

The partnership between the European Union and China has gradually improved, especially in recent years when the EU has started to formulate its own China strategy. However, due to the multitude of bilateral relations and national interests, a common EU position is still lacking in

several areas, especially in relation to investments, which take place beyond the EU framework. The evolving relations between China and the 16+1 Central and Eastern European countries have generated some interest and provided an opportunity to assess the flows of Chinese investments, not just in the CEEC area but Europe-wide. While the mechanism facilitates interactions, helps in identifying areas of collaboration, and has already brought some practical results, China's intentions are still questioned, as well as the long-term validity of such diverse platform. It is difficult to predict how much impact there will be on the workings of the EU if the institutionalism of the 16+1 platform deepens. The ideal scenario would be if these processes were complementary with the EU's goals, reducing unproductive competition and improving Europe's shared benefits from relations with China and its BRI projects.

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