



The Great Puzzle: China in Central and Eastern Europe

By Małgorzata Jankowska

Executive Summary

- China's engagement in Central and Eastern Europe (CEE) through the 16+1 economic platform addressed investment needs imposed by the global financial crisis. Despite limited outcomes, it was accompanied by a negative EU narrative towards the sponsor of the program. The main argument has been that the platform undermines EU cohesion and unity. This narrative discouraged bilateral or sub-regional initiatives of CEE states towards China and served to mobilize European Institutions around policies that were primarily shaped by Berlin.
- For Berlin, "getting China's policy right" has become an organizing principle of strategic thinking. Germany promotes a new "alliance for multilateralism" approach, centered on leading a network of states prepared to achieve maximum effectiveness through variable geometry and fluid membership, with or without the U.S. and within or beside the EU.
- A strong and sovereign Europe is the precondition for this new approach. To that end, Germany has engaged with the European Defense Union, adopted disciplinary measures, and mobilized EU institutions around policies devised by its core (France and Germany).

The rise of China and its implications for the global order are widely discussed and highly contested. Much attention has focused on China's spectacular economic growth; increasingly assertive foreign policies; its rivalry with the United States; and its ability to pursue modernization while preserving an authoritarian political system, with the Communist Party at its core. Less attention is paid to the relationship between China's unique features—its size, specific political system, the way China perceives its role in the global order—and how its foreign policy may affect "Western" institutions and the current liberal international order. In what ways does China's rise cause the West to adjust to this challenge? To what extent do such adjustments create qualitative change in Western strategic behavior and the Western system

itself, as currently construed? A close study of China's engagement in Central and Eastern Europe (CEE) provides a set of early warning indicators that have a potential prognostic utility for the Euro-Atlantic western institutional order.

China's engagement in the CEE region increased significantly with the launch of the 16+1 platform in Warsaw in 2012. This platform was mainly economic in focus. China pledged to create a credit line worth \$10 billion USD, committed to increase its trade volume to \$100 billion USD by 2015, and to establish an investment cooperation fund (with a target of \$500 million USD). This CEE platform was an integral part of China's "going global" policy. The region is also significant in terms of a successful implementation of China's Belt and Road Initiative, a centerpiece of Xi Jinping's foreign policy. For CEE states, the Chinese economic overture appeared at an opportune moment. Following the 2008 financial crisis and the subsequent significant drop in Western foreign direct investment (FDI) in this region, CEE states struggled to find alternative sources of economic growth. Business and political elites perceived China as an important partner in addressing and overcoming this shortfall and as the core driver that would help to modernize and stimulate economic growth.

Since its inception, the 16+1 platform has been subject to strong criticism by EU institutions and some EU member states, not least Germany. The core contention of 16+1 detractors centered on the fear that China would use financial and economic pressure to influence the decision-making process within the EU. This influence would therefore undermine the EU's cohesion and unity. Empirical evidence that substantiates the notion that the "Chinese factor" played a role in promoting disunity amongst EU member states of the 16+1 platform is limited. Chinese influence also had a negative impact on EU states that were not party to the platform. This raises a legitimate question: Why has Chinese economic engagement in CEE proved to be so sensitive?

The overwhelmingly negative 16+1 narrative served two overlapping, inter-enabling, and mutually reinforcing purposes. Firstly, the narrative can be understood as a "disciplinary measure" or tool able to discourage CEE states from entering into bilateral or sub-regional initiatives towards China that bypass Brussels. Potential preferential access to Chinese financing was of particular sensitivity to the EU. Second, the negative narrative served to mobilize European Institutions as well as other EU member states around a policy agenda towards China that was defined in Berlin. In this sense, it is important to understand how Germany's approach to Beijing has evolved and what its potential impact on the functioning of the EU may be. A number of events and speeches, such as the renewal of the foundations of French-German cooperation with the signing of the Franco-German Treaty in Aachen in January 2019 and Chancellor Merkel's speech at the February 2019 Munich Security Conference, illustrate the extent to which the rise of China has organized and structured German strategic thinking. China's rise has also affected its domestic, European, and external policies.

In the face of such a formidable China challenge, and in the context of wavering and more unpredictable U.S. leadership, German leaders appear to have concluded that it is in the national interest of Germany to "get the China policy right," otherwise Germany could lose its current economic and political position. They have no choice but to take responsibility for their own development and security. What is remarkable and revealing is not that Germany is prepared to

confidently demonstrate its readiness to play a strategic role, but that Berlin is determined to pursue this role with or without the United States and within or beside the European Union. This new approach has been termed an “alliance for multilateralism.” That is, a network of states that work together in order to achieve maximum effectiveness through variable geometry and fluid membership.

In order to pursue its policy, a key and strategic enabling strategic priority for Berlin is to have a strong and sovereign Europe. This need has been the driving force behind Berlin’s growing engagement in the European Defense Union as well as Berlin’s support for developing the EU’s strategic culture. These initiatives represent a qualitative and quantitative change from Germany’s approach, hitherto characterized by caution in the military domain. This is also the driving force behind the “Franco-German Manifesto for a European industry fit for the 21st Century.”¹

At this early stage, it is difficult to gauge how the rise of China will affect European institutions. Issues that were once important and high on the agenda—such as promoting democracy and human rights—are less relevant, as economic matters dominate. Policies considered to be cornerstones of European integration, such as free competition and a single market, are now defined as outdated. There is a growing call for a strong, united, efficient, and competitive Europe, which is presented as the only option in dealing with challenges posed by China. In achieving a “strong and sovereign Europe,” Germany, together with France, builds on tactics already used with regard to 16+1, that is to say disciplinary measures combined with high mobilization of European institutions around policies devised by the core of Europe, i.e. France and Germany.

About the Author

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¹ Bundesministerium für Wirtschaft und Energie, “A Franco-German Manifesto for a European industrial policy fit for the 21st Century,” https://www.bmwi.de/Redaktion/DE/Downloads/F/franco-german-manifesto-for-a-european-industrial-policy.pdf?__blob=publicationFile&v=2, accessed April 1, 2019.