



CHINA'S ECONOMIC DIPLOMACY IN EUROPE: THE "17+1" INITIATIVE AND IMPLICATIONS FOR NATO'S EASTERN FLANK SECURITY

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This paper illustrates how People's Republic of China has applied a form of economic diplomacy to Central and Eastern Europe in order to extend its regional political influence. Using the "17+1" Initiative, the Chinese state sought to provide financial privileges to member states so that they would later become dependent on Beijing's political and economic visions. However, despite the European Union's concern, the results of the project were not as expected, with great doubts about the initiative's future. These were confirmed by the position of NATO, which considered that China's efforts do not represent a security issue for the Alliance's eastern flank.

Keywords: *China; economic diplomacy; Central and Eastern Europe; "17+1" Initiative; NATO's eastern flank.*

Introduction

Over the past decade, The People's Republic of China has developed a global strategy based on economic diplomacy, using its financial capabilities to try to expand its influence in several countries. To this end, several bilateral and multilateral development frameworks have been created, including in Central and Eastern Europe, where China has established an economic network known as the

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17+1 Initiative (formerly known as 16+1). As part of the great Chinese project *Belt and Road Initiative* (BRI), it aimed to boost Chinese regional influence at the expense of NATO and EU.

Taking these considerations into account, this article illustrates the evolution of the *17+1 Initiative* and analyses the political and security implications for NATO's eastern flank. Thus, we will identify the extent to which China's economic diplomacy serves as an analytical tool for understanding its geostrategic intentions. The first section examines China's foreign policy from an economic perspective, as presented in the existent literature. The second part is dedicated to the Chinese initiative in Central and Eastern Europe (CEEC) and explores the result of this multilateral agreement. The last part assesses the geopolitical challenges of China's strategy and provides an insight into NATO's future security dilemmas at its eastern border.

1. Theoretical Debates Regarding China's *Economic Diplomacy*

There are many academic studies that have analysed China's foreign policy in terms of economy, with an emphasis on how China will integrate into the international system once it becomes a major economic power. In this regard, Joseph Nye of Harvard University defined *soft power* as the ability of a state to impose its political vision through attractiveness, stating that "when one country gets other countries to want what it wants might be called power of influence or *soft power*, as opposed to the imposed or *hard power* by which they are ordered to do what it wants".¹ Nye's hypothesis became popular in Chinese academia in the early 2000s because it was a convenient way for China to show the world that it had made a peaceful ideological transition. As such, the number of scientific publications on this topic increased considerably, foreshadowing an East-West competition to strengthen Chinese philosophy.² The term has become well-known officially, and is constantly used by Chinese leaders – even current President Xi Jinping declared that China's message can be more easily understood through the concept of *soft power*.³

However, other researchers have sought to understand how China is trying to project its peaceful development into a global strategy. For example, Niall Ferguson

¹ Joseph S. Nye, "The Changing Nature of World Power", in *Political Science Quarterly*, vol. 105, no. 2, Summer 1990, pp. 181-182.

² Hongyi Lai, "Introduction: the soft power concept and a rising China", in Hongyi Lai, Yiji Lu (editors), *China's Soft Power and International Relations*, Routledge, New York, 2012, pp. 2-3 and 5-6.

³ *Ibidem*, pp. 11-12; David Shambaugh, "China's Soft-Power Push: The Search for Respect", in *Foreign Affairs*, vol. 94, no. 4, 2015, p. 99.



and Ernest Wilson considered that a clear distinction could not be made between a strategy based on soft power and one focused on hard power, because military power is directly proportional to economic capabilities. Therefore, soft power capabilities alone cannot meet the strategic objectives of a state.⁴ This led to the idea that China is trying to summarise the concept of soft power as a gradual inclusion of socialist principles in the monopoly of Western capitalism.

The debates on the dynamics of foreign policy then turned to the emergence of new theoretical concepts such as *economic diplomacy*. As domestic reforms became the central theme of the Chinese government after Mao Zedong's death, China sought to improve the country's international competitiveness, and its strategy began to be analyzed from the perspective of economic diplomacy. In this regard, Evan Medeiros noted that financial instruments, such as the exchange of goods or access to global markets, have become a central piece of China's diplomatic purposes.⁵ Andreas Fuchs concluded that Beijing prefers economic relations to be preceded by strong political ties. His empirical findings suggests that Chinese leaders pay attention to political and diplomatic issues when it comes to economic partnerships, which is due to the fact that they seek to achieve consistent financial benefits at the expense of altruistic incentives.⁶ Shuxiu Zhang explained how Chinese leaders have reformed economic diplomacy to serve their own interests, abandoning their traditional ideology-based diplomacy, which they have described as ineffective in expanding economic partnerships. China is currently aware of the political benefits that can be gained from economic influence, and has managed to significantly improve its relations with important actors such as the EU or the United States.⁷

There have also been some researchers who have observed how China exports its economic model differently, depending on the level of development of the target countries. For developed countries, the Chinese government is moving on investment and cultural diplomacy, while in the case of developing countries it is trying to implement large-scale economic programs to project its political influence.⁸ Others accused Beijing of pursuing a form of imperialism by extracting natural resources

⁴ Niall Ferguson, "Think Again: Power", *Foreign Policy*, 3 November 2009, URL: <https://foreignpolicy.com/2009/11/03/think-again-power>, accessed on 20.02.2021; Ernest J. Wilson, "Hard Power, Soft Power, Smart Power", in *The Annals of the American Academy of Political and Social Science*, vol. 616, 2008, p. 114 and 117.

⁵ Evan Medeiros, *China's International Behavior: Activism, Opportunities, and Diversification*, RAND Corporation, Santa Monica, 2009, p. 61.

⁶ Andreas Fuchs, *China's Economic Diplomacy and the Politics-Trade Nexus*, Discussion Paper Series no. 609, Alfred Weber Institute, University of Heidelberg, 2016, pp. 3, 5 and 7-8.

⁷ Shuxiu Zhang, *Chinese Economic Diplomacy: Decision-making actors and processes*, Routledge, New York, 2016, pp. 10 and 12-13.

⁸ Nilgün Eliküçük Yildirim, Mesut Aslan, "China's Charm Defensive: Image Protection by Acquiring Mass Entertainment", in *Pacific Focus*, vol. XXXV, no. 1, 2020, pp. 141-142 and 145-146.



from underdeveloped countries and promoting unfair economic projects.⁹

Research on how China can impose its economic influence can also be found in Chinese academia. Attempts have been made since the '90s to formulate a national strategy based on economic diplomacy, with studies focusing on topics such as geopolitics and geo-economics, and examining ways in which Beijing can maximize its economic and political benefits.¹⁰ The trend has been maintained to this day, a sign that China's international economic decline has remained a major problem for Chinese leaders. For example, Yong Deng considers that expanding economic influence is essential for the Chinese state to be recognized as a strong and responsible player on the international stage and to maintain its internal stability.¹¹ Wang Yiwei makes a comparison between the differences in the perception of power in the West and the East and argues that it is the duty of Chinese leaders to export their own development model to Western civilizations, in order to strengthen their image of a benign power.¹² His views are shared by Luo Jianbo, who believes that a state is truly recognized as a global power only when it exports its own economic policies.¹³ Zhen Binxi goes further and considers that economic diplomacy operates in a broader framework, encapsulating even military or cultural characteristics as long as it promotes economic gains.¹⁴

With regard to China's economic initiatives in Europe, observers have sought to identify causal inferences between the Chinese government's desire to make massive investments in several regions of the world and the current geopolitical context. Although it is clear that a state's economic initiatives automatically contain some political incentives, the debate has perpetuated two major currents of opinion: the possibility of China's projects pursuing predominantly win-win economic benefits and suspicions about Beijing's secret political agenda. For example, Richard Turcsanyi and Eva Kachilkova suggested that BRI and "17+1" are a convenient economic way for obtaining political leverage, especially through mass-media.¹⁵

⁹ Yang Yao, "Chinese Approach to Economic Diplomacy", in John G. Ikenberry, Wang Jisi, Zhu Feng, *America, China and the Struggle for World Order: Ideas, Traditions, Historical Legacies, and Global Visions*, Palgrave Macmillan, New York, 2015, p. 161.

¹⁰ Jeremy Garlick, "China's Economic Diplomacy in Central and Eastern Europe: A Case of Offensive Mercantilism?", in *Europe-Asia Studies*, vol. 71, no. 8, 2019, p. 4.

¹¹ Yong Deng, "The New Hard Realities: 'Soft Power' and China in Transition", in Li Mingjiang (ed.), *Soft Power: China's Emerging Strategy in International Politics*, Lexington Books, Lanham, 2009, p. 64.

¹² Yiwei Wang, "Public Diplomacy and the Rise of Chinese Soft Power," in *The Annals of the American Academy of Political and Social Science*, vol. 616, 2008, pp. 262–263.

¹³ Nilgün Eliküçük Yildirim, Mesut Aslan, *op. cit.*, p. 143.

¹⁴ Timothy R. Heath, "China's Evolving Approach to Economic Diplomacy", in *Asia Policy*, vol. 22, 2016, p. 163.

¹⁵ Richard Q. Turcsanyi, Eva Kachlikova, "The BRI and China's Soft Power in Europe: Why Chinese Narratives (Initially) Won", in *Journal of Current Chinese Affairs*, vol. 49, no. 1, 2020, pp. 72-73.



Francois Godement and Abigail Vasselier argued that the projects are part of China's grand strategy of weakening European Union through the "divide and conquer" tactic.¹⁶ The latter view was also shared by Angela Stanzel, who considered that the members of the initiative (11 EU countries and 5 non-EU countries) had been deliberately selected to undermine Community policies.¹⁷ There have also been voices that have shared the idea that the main risks are represented by economic and legal conundrums rather than political issues, and may include restrictions on foreign investment, antitrust regulations or environmental provisions.¹⁸

It can be seen, therefore, that China's interest in exporting its own economic model contains both political and strategic insertions. Gaining international influence is a slow process that requires, in addition to strong economic partnerships, a favorable political and diplomatic climate. Thus, Chinese initiatives need to be analyzed in terms of their ability to lead to a possible system of pro-China political or ideological alliances. In this regard, an in-depth study of the "17+1" initiative is needed to extract distinctive models of the Chinese approach to the CEEC.

2. China's International Economic "Offensive": from BRI to the "17+1"

With the end of the Maoist era, China pursued a strategy focused on domestic reforms aimed at boosting its economic growth, with the government focusing primarily on expanding exports and absorbing foreign direct investment. The first signs of improvement appeared in the 1980s, after Deng Xiaoping became the paramount leader of Chinese Communist Party, and his famous *socialism with Chinese characteristics* theory became a landmark of the new socio-economic reforms. As a result, all his successors have to some extent continued these reforms and stressed the importance of maintaining China's economic rise in the context of a new security concept.¹⁹

After four decades, China has managed to become the world's second largest economy in terms of GDP (Gross Domestic Product) and the largest in terms of purchasing power parity, with a high chance of overtaking the United States in the near future. This outward-oriented model of economic governance has also turned China into a global stakeholder willing to become more involved in the development

¹⁶ François Godement; Abigail Vasselier, *China at the Gates: A New Power Audit of EU-China Relations*, London, European Council on Foreign Relations, 2017, pp. 64-65.

¹⁷ Angela Stanzel, *China's Investment in Influence: The Future of 16+1 Cooperation*, European Council on Foreign Relations, London, 2016, p. 2.

¹⁸ Baker McKenzie, *Belt & Road: Opportunity & Risk. The prospects and perils of China's New Silk Road*, Silk Road Associates, 2017, pp. 22-24.

¹⁹ Mădălina Virginia Antonescu, "The New Chinese Security Concept and the "Peaceful Rise of China" as two basic pillars of the contemporary Chinese Foreign Policy", in *Polis*, vol. 3, no. 1(7), 2015, pp. 59-62.



of international relations. The financial crisis of 2008 was the ideal opportunity for Beijing to include the European market in its “*going out policy*”. The main target of Chinese foreign direct investment were infrastructure projects initiated through bilateral agreements.²⁰

At the same time, China has begun to launch its own economic initiatives and take leadership roles in international organizations. To demonstrate its proactive approach, Beijing engaged in several multilateral projects such as Regional Comprehensive Economic Partnership, China-ASEAN Free Trade Area or the ASEAN Plus Three. The Chinese government has even managed to set up the Asian Infrastructure Investment Bank, a Beijing-based multilateral financial institution whose main goal is to improve its socio-economic support mission.²¹

Its flagship project however was represented by the “*Belt and Road Initiative*” – *BRI*, formerly known as “One Belt, One Road”. The BRI aims to strengthen China’s economic diplomacy by promoting infrastructure development and financial integration across the globe, and focuses mainly on expanding road, rail and maritime communications, with the potential to become the world’s largest economic cooperation platform. The project was proposed by Xi Jinping in 2013 and is estimated to cost about \$4-\$8 trillion dollars, being the largest contemporary economic initiative. The BRI was also integrated into the Chinese Constitution in 2017.²²

As its name suggests, the BRI aims to connect the economies of East Asia with those of Europe and offer new development perspectives to the countries of the Middle East and North-East Africa. It consists of a land corridor that includes countries in central and western Asia, the Middle East and Europe. It also contains a sea route that runs from the Chinese coastal areas and crosses the South China Sea, the Bay of Bengal, the Arabian Sea and the Red Sea to the Adriatic region. As such, it was presented by the Chinese president as a huge project that wants to become the new “Silk Road”.²³

In addition to the trade component, the BRI also contains an essential geopolitical incentive for Beijing. Its implementation could significantly change the dynamics of China’s relations with Europe, the Russian Federation and the United States, given that a possible success of the project would attract many emerging

²⁰ Philippe Le Corre, “Chinese Investments in European Countries: Experiences and Lessons for the “Belt and Road” Initiative”, in Maximilian Mayer (ed.), *Rethinking the Silk Road*, Palgrave Macmillan, Singapore, 2018, pp. 162-163.

²¹ Hideo Ohashi, “The Belt and Road Initiative (BRI) in the context of China’s opening-up policy”, in *Journal of Contemporary East Asia Studies*, vol. 7, no. 2, 2019, p. 92.

²² *Ibidem*, p. 86.

²³ Zhao Minghao, “The Belt and Road Initiative and its Implications for China-Europe Relations”, in *The International Spectator*, vol. 51, no. 4, 2016, p. 109.



economies to the Chinese sphere of influence.²⁴ The initiative also aims to improve China's international image as a result of its willingness to invest heavily in Western markets.

Last but not least, the BRI is a domestic landmark for the Chinese Communist Party. The Chinese economy has contracted steadily since the 2008 financial crisis, failing to record annual growth above 7%. Causes include an aging population, rising labour costs and overproduction in the manufacturing sector.²⁵ These considerations may jeopardize the image and internal legitimacy of the Chinese Communist Party, which has been perceived for the past three decades as a model of economic stability and modernization, especially for the Chinese middle class and the spheres of influence around the party.²⁶

Despite the optimism of Chinese leaders, however, there have been several voices questioning the applicability of the project due to the large number of government actors required. Numerous questions were also raised about the concrete means of implementing the project and the prospect of the BRI being just a tool for political rhetoric. Other voices have linked the Chinese initiative to a neo-colonial policy, due to its willingness to accept agreements with states recognized for their level of corruption and human rights abuses. In general, the Chinese government pursues a strategy of acquiring natural resources in exchange for manufactured goods, encouraging foreign investment by Chinese state-owned companies in parallel with increasing its energy independence.²⁷ At the same time, China's initiative has been categorized as "predatory lending" due to the fact that it embodies numerous political traps. US officials have drawn attention to the strategic vulnerabilities generated by the Chinese project in Europe and mainly in the Balkans.²⁸

Given that the BRI was conceived as a global project and that Europe is a major strategic market, the Chinese government developed a regional economic cooperation format known as *Cooperation between China and Central and Eastern European Countries* or "17+1" Initiative. The format was established in 2012 and includes 16 countries (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech

²⁴ *Ibidem*.

²⁵ *Ibidem*, p. 110.

²⁶ Linda Glawe, Helmut Wagner, *The People's Republic of China in the Middle-Income Trap?*, *Asian Development Bank Institute Working Paper*, no. 749, June 2017, pp. 12-15; Ruixue Jia, Masayuki Kudamatsu, David Seim, "Political Selection in China: The Complementary Roles of Connections and Performance", in *Journal of the European Economic Association*, vol. 13, no. 4, August 2015, p. 666.

²⁷ Yang Yao, *op. cit.*, pp. 181-182.

²⁸ Karen P. Y. Lai; Shaun Lin; James D. Sidaway, "Financing the Belt and Road Initiative (BRI): research agendas beyond the "dept-trap" discourse", in *Eurasian Geography and Economics*, vol. 61, no. 2, 2020, p. 110.



Republic, Estonia, Hungary, Lithuania, Latvia, Northern Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia), being expanded in 2019 at 17 (Greece).²⁹

According to the official presentation, the Initiative aims to strengthen economic cooperation between China and CEEC by improving the business sector and other practical financial areas, organizing official meetings, coordinating trade forums and implementing the outcomes.³⁰ The “17+1” format is also designed to improve cooperation in transport and infrastructure segments, as it is a complementary BRI project. In this regard, the two initiatives have been strongly promoted by Chinese leaders as pillars of a sustainable partnership between China and Europe.³¹ Starting with 2012, a summit is held every year in which the level of project implementation and the viability of future investments are analyzed. A virtual summit was held in 2021, in which President Xi Jinping offered assurances that all parties involved would share the benefits of this cooperation.³² Over the past decade, China has invested more than \$15 billion in infrastructure, energy, communications and transport, with highway construction in Serbia, Hungary, Montenegro and the Czech Republic, along with oil exploration in Albania. Thus, it is easy to identify a pattern focused on infrastructure development, the acquisition of strategic assets and the promotion of large credit lines by the Chinese government.

Since 2012, China has invested over \$15 billion in infrastructure, energy, communications and transportation. Among its most important objectives, the initiative focused on highway construction in Serbia, Hungary Montenegro and Czech Republic, and oil exploration in Albania.³³ Thus, it is easy to identify a pattern of infrastructure development, acquisition of strategic assets and promoting large credit lines by the Chinese government.

The emergence of the “17+1” initiative confirmed the pivotal role that Sino-European trade relations play in Chinese foreign policy. The European Union is

²⁹ ***, *Embassies of CEE Countries to China*, Cooperation between China and Central and Eastern European Countries, 2021, URL: http://www.china-ceec.org/eng/lj_5/zgzzdo16gsg/t1410687.htm, accessed on 24.02.2021.

³⁰ ***, *Introduction of the Secretariat for Cooperation between China and Central and Eastern European Countries*, Cooperation between China and Central and Eastern European Countries, 2013, URL: http://www.china-ceec.org/eng/msc_1/msejj/t1411097.htm, accessed on 24.02.2021.

³¹ ***, “16+1” mechanism set to bolster China-Europe ties, Cooperation between China and Central and Eastern European Countries, 2018, URL: http://www.china-ceec.org/eng/zdogjhz_1/t1575579.htm, accessed on 24.02.2021; Astrid Pepermans, “China’s 16+1 and Belt and Road Initiative in Central and Eastern Europe: economic and political influence at a cheap price”, in *Journal of Contemporary Central and Eastern Europe*, vol. 26, no. 2-3, 2018, p. 184.

³² ***, “Full Text: Keynote Speech by Chinese President Xi Jinping at the China-CEEC Summit”, in *China Daily*, 9 February 2021, URL: <https://www.chinadaily.com.cn/a/202102/09/WS6022920ba31024ad0baa8699.html>, accessed on 26.02.2021.

³³ Jeremy Garlick, *op. cit.*, p. 18.



currently China's main partner, while China is the EU's second largest trading partner after the United States.³⁴ Also, there is no geopolitical conflict between the two entities that does not allow the development of the partnership. The initiative was also approached with optimism by Central and Eastern European leaders, who saw an opportunity to develop infrastructure and increase exports to China.³⁵ The CEEC region has remained deficient in the high-speed road network, requiring investments of about \$615 billion to reach the level of infrastructure in the West, and faces a trade deficit compared to China. In this context, the "17+1" Initiative was also seen as a way to reduce this imbalance.³⁶

3. The Evolution of the "17+1" Initiative and the Strategic Implications for NATO's Eastern Flank

Although the "17+1" format was created as an economic initiative, it began to be seen more as a political statement by China, as all members except Greece came from the old communist bloc. As a result, the possibility of expanding Beijing's political influence in CEEC has raised the issue of NATO's eastern flank security. The concerns of Euro-Atlantic supporters were justified, given that China's strategy illustrated a series of actions aimed at extending its political leverage.

Firstly, the analysis of Chinese investment showed that 70% of it was destined for non-EU countries, despite the fact that only five of the 17 countries are not part of the EU and their combined GDP represents only 6% of the group.³⁷ Secondly, Chinese investment has targeted countries with the highest levels of corruption, according to Transparency International.³⁸ Last but not least, analyzes have shown that, as in the case of China, nationalist currents are present in the collective consciousness of the CEEC. Serbia is an eloquent example due to its many ethnic conflicts in the 1990s, similar to the tensions between China and its autonomous regions. At the same time, the bombing of the Chinese embassy in Belgrade, in 1999, marked a moment that strengthened diplomatic relations between the two countries. In turn, Hungary announced in 2011 a policy of openness to the East in order to increase economic opportunities and reduce dependence on the West. Poland and the Czech Republic have also promoted a form of economic nationalism, based on

³⁴ ***, *Countries and regions: China*, European Commission, 22 April 2021, URL: <https://ec.europa.eu/trade/policy/countries-and-regions/countries/china>, accessed on 10.05.2021.

³⁵ Astrid Pepermans, *op. cit.*, p. 185.

³⁶ *Ibidem*.

³⁷ Jonathan E. Hillman, Maesea McCalpin, "Will China's "16+1" Format Divide Europe?", Center for Strategic and International Studies, URL: <https://www.csis.org/analysis/will-chinas-161-format-divide-europe>, accessed on 26.02.2021.

³⁸ ***, "Corruption Perceptions Index", *Transparency International*, URL: <https://www.transparency.org/en/cpi/2020/index/nzl>, accesat la 26.02.2021.



interventionism and conservatism.³⁹

All these aspects can also be seen from the perspective of a strategic opportunity for the Chinese government to renew its historical connections with the CEEC. There have been concerns among officials in Brussels about how the “17+1” Initiative will influence EU political unity and the dynamics of reforms in the Western Balkans, as several European countries have expressed pro-Beijing diplomatic positions to the detriment of the EU community policies. (South China Sea disputes, minority rights).⁴⁰ As a result, the EU insisted on assessing any bilateral agreement with China to ensure compliance with European legislation and policies⁴¹ and proposed a new strategic agenda for cooperation in order to strengthen relations with the Chinese government.⁴²

At the same time, there have been debates over China’s strategy of providing a € 10 billion line of credit for investment, which has been associated with the so-called *debt-trap diplomacy* of Beijing authorities in Africa or Asia.⁴³ Questions have been raised about the sustainability of Chinese investment and how China will take advantage of the vulnerability of European economies to secure access to certain strategic objectives. According to existing studies, all member states of the “17+1” Initiative are at risk of debt distress in case of excessive loans.⁴⁴

Despite these considerations, however, there is sufficient data to indicate that China’s economic efforts would not necessarily generate political-military instability in CEEC. Firstly, the economic issue of the “17+1” Initiative is far from a success. Although the Chinese government praised and promoted this project, the economic results remained modest compared to those in other regions, such as Africa or even Western Europe.⁴⁵ Empirical evidence has shown that China’s foreign direct investment has not increased significantly since the launch of the project. The implementation of the initiative was, in turn, criticized, emphasizing the lack of

³⁹ Andreea Budeanu, *The “16+1” Platform: China’s Opportunities for Central and Eastern Europe*, Asia Focus #86, Institut de Relations Internationales et Stratégiques, October 2018, p. 4; Mihai Varga, “The return of economic nationalism to East Central Europe: Right-wing intellectual milieus and anti-liberal resentment”, in *Nations and Nationalism*, vol. 27, no. 1, Association for the Study of Ethnicity and Nationalism, January 2021, pp. 208 and 214.

⁴⁰ Gisela Grieger, Eulalia Claros, *China, the 16+1 format and the EU*, European Parliamentary Research Service, September 2018, pp. 2-3.

⁴¹ ***, *State of EU-China relations*, European Parliament resolution, 12 September 2018, p. 1.

⁴² ***, *Elements for a new EU strategy on China*, Joint Communication to the Parliament and the Council, Brussels, 22 June 2016, pp. 1 and 4-5.

⁴³ Jeremy Garlick, *op. cit.*, p. 16.

⁴⁴ John Hurley, Scott Morris, Gailyn Portelance, “Examining the debt implications of the Belt and Road Initiative from a policy perspective”, in *Journal of Infrastructure, Policy and Development*, vol. 3, no. 1, 2019, p. 141 and 146; Henrik Larsen, *The Western Balkans between the EU, NATO, Russia and China*, CSS Analyses in Security Policy, no. 263, Zurich, 2020, p. 3.

⁴⁵ Andreea Budeanu, *op. cit.*, p. 7.



coordinated policies that converge to concrete objectives. For example, in Romania no project has been implemented so far despite the numerous discussions between the two governments.⁴⁶ The situation is similar in Serbia, where the modernization of the railway between Belgrade and Budapest is in its initial phase, although it has been announced since 2015.⁴⁷ Dissatisfaction with the lack of relevant investments have also arisen from the main supporters of the project, Poland, the Czech Republic and Hungary.⁴⁸ Thus, the initiative gave the impression of a political and diplomatic platform rather than a regional plan capable of stimulating economic cooperation.

Secondly, although the strengthening of economic ties should have softened the political positions of European governments, their attitude has become much more reluctant towards the future of this project. As such, at the most recent summit (February 2021) no less than six countries were not represented at the highest level (president or prime minister), but preferred to delegate the responsibilities to ministers.⁴⁹ The message was quite clear given how much emphasis Chinese leaders place on diplomatic protocols, with the attitude of those states illustrating the importance they attach to the NATO security umbrella. For the Baltic states, the North Atlantic alliance is a guarantee of security in front of Russia, while Romania and Poland form the “pillars” of NATO’s missile defence shield.

Thirdly, China’s proposed Huawei 5G infrastructure project, to which the United States has expressed its biggest concerns, seems to have reached a stalemate. Initially, it appeared that it would overshadow Beijing’s other economic movements, due to its potential to penetrate the digital networks essential to NATO’s functioning.⁵⁰ However, the latest developments have shown a reluctance of CEEC towards China’s entry into the European 5G networks and its access to digital infrastructure across the continent. Almost all “17+1” members (except Bosnia and Herzegovina, Croatia, Hungary and Montenegro) have signed agreements with the United States or declared their intention to join the *5G Clean Network* program launched by the US government. This project aims to limit access to the Euro-Atlantic market for Chinese companies that do not comply with Western regulations

⁴⁶ *Ibidem*, p. 10.

⁴⁷ Samuel Rogers, “China, Hungary, and the Belgrade-Budapest Railway Upgrade: New Politically-Induced Dimensions of FDI and the Trajectory of Hungarian Economic Development”, in *Journal of East-West Business*, vol. 25, no. 1, 2019, pp. 93-94.

⁴⁸ Jeremy Garlick, *op. cit.*, pp. 3 and 17.

⁴⁹ Stuart Lau, “China’s Eastern Europe Strategy gets the cold shoulder”, *Politico*, 9 February 2021, URL: <https://www.politico.eu/article/china-xi-jinping-eastern-europe-trade-agriculture-strategy-gets-the-cold-shoulder>, accessed on 28.02.2021.

⁵⁰ Andrew A. Michita, *China in Europe and Transatlantic Security*, International Centre for Defence and Security, Tallinn, 2020, p. 1; Francois Heisbourg, “NATO 4.0: The Atlantic Alliance and the Rise of China”, in *Survival*, vol. 62, no. 2, 2020, pp. 96 and 99.



on data transmission and protection or cyber security.⁵¹ The United States' approach was welcomed by NATO Deputy Secretary General, Mircea Geoană, who stressed the strategic importance of a secure digital network.⁵²

Another factor to mention is that the "17+1" Initiative did not attract NATO's attention in terms of security of its eastern flank. Although China aims to develop a sphere of influence by addressing strategic objectives such as transport hubs, NATO leaders doubt that this initiative will have a significant impact on regional security. They also believe that the involvement of Chinese companies is quite modest and cannot be used as a political and military tool against NATO. China is rather seen as an amalgam of opportunities and threats that can be managed through a responsible approach.⁵³ As such, there was no official position of the Alliance on the Chinese initiative. According to NATO Secretary-General Jens Stoltenberg, China is not a direct military threat at the moment and this is unlikely to change any time soon. In his view, Russia will represent the main threat to the eastern flank in the next decade, and therefore the Alliance should focus on managing Moscow's asymmetric threats.⁵⁴

All these aspects strengthen the general perception regarding the usefulness and evolution of the "17+1" Initiative, which tends to remain an ambitious project at a declarative level, materialized mainly through forums and exchange programs. Therefore, the political future of the project is uncertain.

Conclusions

This study provided an assessment of Chinese economic diplomacy in Central and Eastern Europe and the geopolitical implications for NATO's eastern flank. Aware of its financial strengths and the need for foreign investment in the region, China has launched the "17+1" Initiative to facilitate its access to the emerging markets in CEEC. The project was promoted in the form of financial flows directed by China to these countries, which were to be used for infrastructure development and trade. Its configuration encompassed most states in the former Soviet bloc, and

⁵¹ Andreea Brînză, "How China's 17+1 Became a Zombie Mechanism", in *The Diplomat*, 10 February 2021, URL: <https://thediplomat.com/2021/02/how-chinas-171-became-a-zombie-mechanism>, accessed on 28.02.2021.

⁵² ***, *Remarks by NATO Deputy Secretary General Mircea Geoană at the Brussels Forum*, NATO, 29 June 2020, URL: https://www.nato.int/cps/en/natohq/opinions_176949.htm, accessed on 28.02.2021.

⁵³ ***, *NATO 2030: United for a New Era*, Analysis and Recommendations of the Reflection Group Appointed by the NATO Secretary General, 25 November 2020, pp. 27-28.

⁵⁴ ***, *Remarks by NATO Secretary General Jens Stoltenberg on launching #NATO2030 - Strengthening the Alliance in an increasingly competitive world*, NATO, 8 June 2020, URL: https://www.nato.int/cps/en/natohq/opinions_176197.htm, accessed on 02.03.2021.



was perceived by a significant portion of Europe's academic and political elites as a way for China to expand its political influence rather than as an economic move. Their views centered on the idea that the Chinese government is trying to speculate on strategic opportunities to renew historical ties with CEEC, raising fears at EU level.

Despite the initial optimism of its members, the "17+1" Initiative did not enjoy the expected success. Chinese investment has been modest and most large-scale projects have not been implemented with visible shortcomings in their coordination. As a result, members' confidence in the future of the initiative has fallen sharply, as evidenced by the low interest shown by European leaders at the last summit. The lack of horizon of the project was also noticed by NATO leaders, who considered it sufficient to perpetuate cordial relations with China in order to maintain the current security climate on its eastern flank.

On the other hand, China has maintained an optimistic rhetoric regarding the evolution of Sino-European partnerships, insisting on a win-win cooperation through fair trade and mutual gains. However, this discourse must be viewed from an overall perspective, outlined around China's geopolitical ambitions and which its leaders are trying to expose in the form of a multifaceted soft power.

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