THE TALE OF TWO CHINAS

Improving the Dialogue on Chinese Investment in Europe

Vesselina Pentcheva

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Cover page: EU-China Summit with Jean-Claude Juncker, President of the European Commission, and Xi Jinping, President of the People’s Republic of China, in 2016. Photo credit: European External Action Service / Flickr.
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Improving the Dialogue on Chinese Investment in Europe

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The Issue

Twenty years ago, China was an emerging power with limited economic significance to Europe. Today, the country is one of the most influential external investors in the European Union (EU), channeling more than 30 billion euros in 2017. This represents a significant increase from its investments just ten years ago (700 million euros). While almost all Chinese foreign direct investment (FDI) has gone into acquisitions of European companies by Chinese state-owned players, EU member states are increasingly divided over the net impact. Is China a threat to European unity or an economic lifeline?
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In financial terms, China has entered Europe in grand fashion. The scale of its investments is now measurable across all sectors of the European economy. However, the increase in Chinese money flowing into Europe has exposed tensions among EU member states, specifically between the “Big 3” western members (UK, France, and Germany) and the countries of Central and Eastern Europe (CEE).

At issue is a divergence of views on whether China is a threat to European unity or an economic lifeline. This tension has increased in recent years as the lure of Chinese investment has created competition among EU member states to gain the coveted position of China’s “Gateway to Europe.” Concerns have also intensified as a result of China’s “16+1” initiative with CEE states. On paper, the format is a beneficial Chinese partnership with the EU’s 11 CEE members and five Western Balkan states: Albania, Montenegro, Macedonia, Serbia, and Bosnia and Herzegovina. Simultaneously, this arrangement has led diplomats and observers alike to caution that Europe “could be exploited by Beijing to undermine Union rules and take advantage of growing East-West tensions.” Some critics have gone so far as to say that the 16+1 could be a “Trojan Horse” for China, either by dividing Europe (e.g. leading countries to compete against each other for investments), or by allowing Beijing to establish greater political sway over policymaking in Brussels.

Competing narratives on Chinese investment underscore how Europeans are struggling to reach a consensus on their relationship with the Middle Kingdom. More importantly, the debate itself has focused policymaker attention onto strategic-level questions over the impact of future investments from China inside the EU, both economically and politically. As Beijing establishes its place in the 21st century world order, this debate also exposes an opportunity to better align competing priorities among European member states and the United States with regard to China.

CHINA’S ECONOMIC ACTIVITIES IN EUROPE SINCE THE GLOBAL FINANCIAL CRISIS

The 2008 Global Financial Crisis was a catalyst for China. The ensuing turmoil in international markets sent countries searching for outside capital to keep their economies afloat. Companies and governments sought new buyers for failing businesses to prevent foreclosures and curtail rising unemployment. China answered. It quickly became one of the key investors on the European continent, often merging or strategically acquiring companies, most notably in Europe’s “Big Three” – the United Kingdom, Germany, and France. This trend continued long after markets and economies regained their financial footing. In fact, Chinese investments peaked in 2016 at 35 billion euros, while European outbound investment in China during the same year fell to eight billion euros, its lowest level since 2000. This asymmetry in investment relations has become a key trade policy concern for European policymakers. While China has benefited from Europe’s “open-door” attitude to outside investors over the last decade, Europeans, especially in Germany, are growing concerned that they may be unable to compete on an equal footing with Chinese companies. Particularly at issue are restrictions
that Beijing places on foreign investors inside China – such as equity caps, forced technology transfers, and licensing requirements.

**“Made in China 2025”**

The familiar model of China as the ‘low cost’ factory for Western consumers is beginning to change. This transformation is by design. In Europe, Beijing has targeted specific industries that align with its “Made in China 2025” initiative. Launched under Xi Jinping, this process aims to shift China’s economy into higher value-added manufacturing sectors such as aircraft, robotics, and electric cars. In support of this strategy, the Chinese government has significantly invested in research and innovation and has provided financial assistance to businesses acquiring foreign technology. One recent notable acquisition was Chinese electrical appliance manufacturer Midea’s 2016 purchase of Germany’s robotic company Kuka for $4.7 billion. Despite growing concerns among the German government that the purchase might lead to the stealing of European technology and best practices, policymakers were unable to block the purchase and private German business interests ultimately won out.

Additionally, China’s status as Europe’s leading investor in electricity transmission has grown substantially. In the last five years, the State Grid Corporation of China has spent more than $5 billion to acquire stakes in the electric grids of Greece, Italy, Portugal, and Spain. The China Three Gorges Corporation, a Chinese state-owned power company, has also offered $11 billion to take over the entire business capital of Energias de Portugal (EDP), Portugal’s largest grid company; it already owned 26 percent of the company after a 2011 bailout. On the one hand, Chinese acquisitions saved failing national operators and also introduced significant efficiency upgrades and economies of scale that the national operators were incapable of establishing in the past. On the other hand, massive flows of Chinese investment into critical areas of the European economy have signaled to the EU that its private sector has become inundated with strong, foreign-controlled competitors.

China has not tried to conceal its desire to acquire Western technologies and expertise to aid its own national development, similar to its investments in Africa and Latin America to secure natural resources. However, recent actions have led some European policymakers and observers to question whether the ultimate goal of “Made in China 2025” has a larger aim: to disrupt global power dynamics. Western technological acquisitions have granted Chinese firms access to both American and
European “know-how,” helping them improve their competitive advantage against Western companies and further solidifying a competitive foothold.

In addition to technology, Chinese infrastructure investments in Europe have also raised eyebrows. Perhaps the most ambitious of these investments is China’s Belt and Road Initiative (BRI)—a plan to connect 62 percent of the world’s population (and 30 percent of global GDP) to China via transport routes and infrastructure projects. The project includes the establishment of new railroads and shipping lanes, along with associated trade deals, across 71 countries. Xi Jinping introduced the plan in 2013, with the purpose of economically reorienting Asia, Europe, and Africa towards Beijing. To date, China has already invested more than $900 billion in infrastructure, transportation, and energy in BRI regions, with the majority of projects originating in Central and Southeast Asia. The EU has shown some interest in working with China in the context of the BRI and other projects, recognizing some advantages to expanding trade eastward. In June 2015, the European Commission even signed a memorandum of understanding (MOU) on the so-called EU-China Connectivity Platform, which aims to coordinate the European Commission’s Trans-European Networks strategy with new BRI projects. Except, the BRI is not occurring in isolation.

When it comes to infrastructure, China has shown a special interest in the CEE region. Beijing has used its “16+1” format to link the BRI with transport projects in CEE states and to build political support for the project in Brussels. Across the CEE region, the prospect of large Chinese infrastructure investments has been an attractive one. The difficulty has been in closing the gap between an agreement on paper and the pouring of real-world concrete. Thus far, most of the infrastructure projects discussed with CEE capitals have been in the form of MOUs. At this year’s “16+1” conference in Sofia, for example, 18 agreements were signed between China and the CEE states—but no new major deals were announced. One of the notable exceptions to this trend is the $1.1 billion Belgrade-Budapest Railway. The European Commission initially stalled the project over concerns that it was not complying with EU trade and investment regulations. Nevertheless, Hungarian experts anticipate that the contract will be finalized later this year and the railway line will be operational by late 2023.

As a builder, China offers some appealing advantages to CEE states. For example, Chinese infrastructure projects do not come with the same institutional reform conditionalities as EU funds. Conversely, China’s lack of adherence to EU rules and regulations has added friction to existing trade relations between the EU and China. This is considered one of the reasons why China has developed preferential deals with non-member states like Serbia, which is not constrained by stringent EU laws such as antidumping regulations or environmental laws. In general, “16+1” countries do not regard the lack of conditionality on Chinese loans as a major worry. Rather, they tend to be more interested in securing the up-front opportunities of a major investment into their economies. This has raised concerns among some experts inside the EU over the diminishing power of Brussels to impact the pace of domestic reforms and policies in the European neighborhood. The trend is especially relevant for the Balkans.
The increase in Chinese investment and trade with the EU has produced competing narratives about Beijing between Eastern and Western members. The first has been a backlash from Western members over the strengthening of relations between China and CEE countries within the context of the “16+1” Cooperation. At bottom, this tension has revealed lingering distrust toward the EU’s newer members. For example, there are strong opinions in the West that CEE countries could be overly sanguine in their appraisals of Beijing’s strategic intentions. Owing to the outsized impact of Chinese investments in their economies, CEE capitals may not be as resilient to financial leverage from Beijing as the “Big Three.” Often noted is a shift toward pro-Beijing political rhetoric from large recipients of Chinese investment, especially Hungary and the Czech Republic. A closer inspection of these cases is useful, since it underscores the discrepancy between political rhetoric and economic reality and signals a need for improved dialogue among policymakers about the significance of Chinese investment in the EU.

**Narrative #1: The 16+1 is Beijing’s “Trojan Horse.”**

Today, one common refrain in Brussels is that the relationship between China and CEE members (via “16+1” Cooperation) is divisive. Some EU officials are openly wary of how trade and investment deals are conducted on a sub-regional level. They question the compliancy of these arrangements with EU regulations. Meanwhile, there is growing concern that “16+1” Cooperation may disrupt the economic and political unity of the EU as a whole. Seen from the CEE region, such views show a limited understanding of how and why relations between these countries and China developed in the first place.

CEE countries originally established relationships with China by virtue of their EU membership and their inclusion in EU-China strategic programs (such as the 2003 EU-China Comprehensive Strategic Partnership). As a result of the Global Financial Crisis in 2008, CEE members followed the example of larger states like Germany and France pursuing inward foreign direct investment (FDI) from China. Faced with a liquidity shock and economic recession, many CEE members saw the same necessity as their Western neighbors – to find alternative resources to keep their economies afloat, especially in the face of EU austerity and the retraction of international financial holdings by U.S. interests. That was then. Since 2008, the global economy has recovered—yet regional economic ties with China remain strong. In an important sense, this continuation of CEE engagement with China today highlights a lingering disappointment with EU membership. Specifically, the fact that many CEE states had expectations that such membership would engender greater economic parity with Western EU counterparts after joining the Union. Some CEE countries have therefore looked to Chinese investment as a source of hope—and as a means of catch up with their Western neighbors.

The resulting tensions between Western and Eastern Europe over the “16+1” platform have also raised concerns about China’s attempt to use the format as a negotiating proxy with Brussels. Only recently has Beijing learned,
Despite Chinese efforts to reassure its support of EU unity, officials in Brussels still worry about CEE-Sino engagement in sub-regional activities. Recent rhetoric by political leaders in Hungary and the Czech Republic about Beijing’s position as an economic and (potential) political alternative to Brussels have intensified concerns about a perceived decline in European unity. This rhetoric emerged only recently as both countries started to orient their economic policies eastwards in hopes of attracting additional investments.

Hungary was one of the first CEE countries to welcome economic activity from the East, a following negative responses from Brussels, that this platform is not conducive to fostering relations with the rest of the EU. To release this strain, Chinese officials have considered inviting Germany and other EU members to sit as observers in future “16+1” Summits. Further, during the “16+1” Summit in 2018, China’s Premier Li Keqiang reiterated China’s position: “If Europe is weakened, it will only be bad news for China, not the other way around. This [16+1] platform needs to stay open. It needs to be transparent.”

The underlying meaning of the statement suggests that China does not want to alienate Western members via engagements with CEE states; and that it values European unity. It also appears calibrated to counter the worry that China intends to use the CEE region as its “Trojan Horse.” Simultaneously, the need for such a statement at all underscores how 16+1 members have inadequately conveyed the purpose of their cooperation to Brussels.

Narrative #2: There is a gap between political rhetoric vs. economic reality in the cases of Hungary and the Czech Republic.
policy that began in 2003 and later intensified in 2010 following the Global Financial Crisis. During the height of that Crisis, global liquidity plummeted. Budapest was subsequently forced to seek a $25 billion joint bailout from the International Monetary Fund, the EU, and the World Bank. Hungary’s Eastward Opening in 2010 was intended to reduce the country’s economic dependency on the West for financial inflows, and to encourage new trade and economic opportunities with non-EU states like Japan, South Korea, China, and Russia. Initially, there were high expectations surrounding Hungarian-Sino relations. These expectations were exceptionally high after the purchase of the Hungarian chemical company Borsodchem for $1.6 billion by the Wanhua Group in 2010. It was one of the biggest Chinese acquisitions in Europe at the time. The prospects for similar deals looked bright.

Since 2010, there have been several other successful deals in Hungary—including a greenfield investment by Chinese automobile manufacturer BYD Auto Co. in electric buses and an investment by China’s BBCA Biochemical Co. in a citric acid factory. Instead of billions, however, these investments only accounted for millions—ranging between $20 and $80 million. The same was true for the acquisition of the Hungarian telecommunications company Invitel by a Chinese CEE fund for $200 million. Despite these successful investments, 75 percent of the $2 billion in transactions that Hungary has received from China since 2000 has been linked to the initial acquisition of Borsodchem (according to data published by the Rhodium Group). Most other deals with China have been in the form of MOUs and unexecuted projects. These were promised by Beijing but never materialized. By comparison, Hungary is slated to receive more than $25 billion in EU structural funds between 2014-2020. This sum surpasses any investment that Hungary has (or plans to receive) from China since enacting its Eastern Opening policy. When it comes to euros and cents, the balance is obvious. The EU remains far more important to Hungary than China.

Despite the financial realities, perceptions also matter. In 2018, for example, Hungarian Prime Minister Viktor Orbán informed the World Economic Forum in Davos that, “if the European Union cannot provide financial support, we will turn to China.” This is one of several statements the Prime Minister has made to highlight his options between Beijing and Brussels. It is a position that has also been shared and propagated by Czech President Miloš Zeman who stated that Czech policy towards China enabled his country to no longer be “submissive to pressure from the United States and the European Union.”

“When it comes to euros and cents, the balance is obvious. The EU remains far more important to Hungary than China.”

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Similar to Hungary, there is a gap between rhetoric and reality in the Czech Republic. The current Czech relationship with China began to emerge in 2013 following the appointment of President Zeman. He initiated an unprecedented turn in bilateral ties between the two countries. Previously, the Czech Republic was one of the most critical EU members towards China’s record on human rights, treatment of the Dalai Lama, and self-determination for Tibet and Taiwan. Since 2013, these official positions have become more convoluted. Investment from China followed.

In 2014, Chinese-Czech investment relations turned a new page when China Energy Company Limited (CEFC Europe) became the largest Chinese investor in the Czech economy. CEFC Europe has made several notable investments in Czech Airlines, J&T Finance Group, and a short-lived acquisition of Empressa Media and Medea Group. Rather than generating a real macroeconomic effect on the Czech economy, some view these as acquisitions of “trophy assets.” Take for example the limited interest of Chinese firms in greenfield investments in the Czech Republic. Despite a 2017 MOU for Chinese projects worth up to 231 billion euros, a sum that would exceed the Czech Republic’s annual GDP, today less than one percent of all planned projects have been realized. Chinese investment still lags behind the FDI that the Czech Republic receives from Taiwan, South Korea, and Japan and does not compare to the 23 billion euros that the country is receiving via EU structural funds for 2014-2020.

As seen in the case of Hungary, the modest state of the Czech Republic’s economic relations with China remain in contrast with the political rhetoric. Chinese investment has—to date—added limited overall value to the Czech economy. One Czech economist interviewed for this assessment, Lukas Kovanda, emphasized that Chinese funds will not solve the country’s underlying economic need: to create higher value jobs. On balance, Chinese buyers do not appear interested in funding projects related to innovation or in seeding new technology centers. Instead, they are more likely to channel their investments toward low-skilled manufacturing. A similar story is true in Hungary, where there is a new economic priority to create jobs that are “Invented in Hungary” versus “Made in Hungary,” iterating the same position of transitioning the country’s economy from low-value to high-value jobs. Experts interviewed at the Hungarian Institute for Foreign Affairs and Trade noted that Chinese investment might not be what is necessary for helping the country achieve its new economic priorities, and even suggested that U.S. investment is more valuable. This is because U.S. companies are more likely to fund greenfield projects—creating new jobs where there were none. Finally, the trade and investment data confirm the obvious: the EU remains the most important economic partner for both Hungary and the Czech Republic—despite domestic political claims. The question is: what is driving the rhetoric?

In light of actual money flows, political sentiments in Budapest and Prague reveal more about skepticism towards Brussels than geo-strategic “swapping” with Beijing. Some analysts believe, from recent activities in Hungary, that it seems that the country is trying to use its relationship to China to gain equal footing with the other Western members, helping to build the country’s profile on the global stage. The Czech Republic, on the other hand, has developed a symbiotic relationship with China using investment ties to position itself as a major global player in the
region, as China works to weaken ties between Taiwan and its European allies.\textsuperscript{34}

While the Czech administration accepts the reality of trade and investment from the EU as more vital for their economic prosperity than from China, the same is not true in Hungary.\textsuperscript{35} Some experts across the Hungarian think tank community, for example, express the belief that if Budapest alienates Brussels (via Beijing), there could be dangerous economic implications. At a practical level, the economic benefits of EU funds would be impossible to replace with Chinese trade and investment at their current levels.\textsuperscript{36} Ultimately, the economics of CEE states are intricately tied to the prosperity of the EU. Turning away from Brussels in exchange for Chinese promises is a high-risk strategy that will hurt more than it helps.

**FINDINGS AND RECOMMENDATIONS**

The debate over China’s aims and ambitions in Europe should not be ignored. Chinese economic influence might not be an immediate risk to European politics, but the attraction of Chinese investment could pose a medium-to-long-term threat to the EU and the wider transatlantic community if it leads individual members to try to break European consensus on Chinese foreign policies. Examples of this trend are beginning to appear. In July 2016, Hungary and Greece sought to block any direct reference to Beijing in an EU statement on a Hague Tribunal ruling that struck down China’s claims in the South China Sea.\textsuperscript{37} While there is no proof that China was actively encouraging EU states to vote in its favor, it is possible that EU states may have pursued pro-Beijing positions in the hopes of either: (1) not upsetting Beijing; or by extension (2) securing additional Chinese investments in the future.

The link between pro-Beijing policies and Chinese money remains hard to prove. Indeed, it is yet to be determined whether there is any true correlation between political concessions and economic investment. For example, Germany is still the largest recipient of Chinese FDI among EU members despite its criticism of Chinese foreign policy. However, this does not exclude the possibility that Beijing will not try to use its economic influence to steer Berlin toward pro-China policies in the future. Far from the EU, there is already some indication that Chinese interests are using the Belt and Road Initiative (BRI) concept to shape domestic and foreign policy priorities in Southeast and Central Asia. Some experts have even cautioned that the approach represents a Chinese *modus operandi*—one that could eventually emerge in dealings with EU members. If EU unity remains strong, then financial dealings with China will be more resistant to geo-political influence and potential economic pressures.

What follows are findings and recommendations as to how the EU can withstand Chinese competition. Following are also approaches for what role the United States can play in helping to shape a constructive European-Chinese relationship.

1. **Promote communicative dialogue among EU members.**

The current debate on the influence of Chinese investments in the EU has created a critical need for communicative action among EU
members to decide on a unified response to Chinese economic activity in Europe. This is outside of traditional bilateral investment agreement discussions that are already taking place between Brussels and China. An internal European dialogue that brings together experts from both the West and the East would help clarify why certain narratives have emerged within in the EU and provide an opportunity to discuss the geopolitical consequences of making certain political gestures to Beijing in exchange for investment promises. More serious discourse about this issue can provide important insights for developing a long-term EU strategy toward China, one that goes beyond the current investment-screening mechanism discussions and one that considers how China’s ambitions in the region could change in the future.

A larger discussion is also needed to recognize the pervasive disappointment of both Western and CEE countries fifteen years after EU enlargement. Promoting economic convergence between CEE and Western economies will take more time and internal cooperation – but the economic data so far clearly indicates that China will not be the answer for the CEE region’s economic problems. As such, this should be another pillar in internal EU discussions about the long-term value of Chinese FDI and economic divergence more generally within the EU.

Promote more measured and responsible media analysis that focuses on the importance of EU markets for Central and Eastern European economies and less on Chinese investments.

Overlooked in the debate on Chinese investment in Europe is the importance of EU investment and trade for the growth and health of the economies of Central and Eastern Europe. Ultimately, the EU is the biggest investor and trade partner in this region. The structural funds that these countries receive are incomparable to the investments that have been made by China in the last decade. The promise and allure of Chinese investment is over-emphasized in local media, fueling unrealistic expectations that have been reinforced by political rhetoric. Media analysis on the real macroeconomic effects of Chinese FDI on recipient country economies would help balance reporting that currently focuses on the total investment value.

Equally needed from the media are more adequate explanations of Chinese investment that comes in the form of Chinese loans with...
limited structural conditionality unlike EBRD or IMF loans, especially when it comes to investing in infrastructure projects. The Chinese are more likely to fund projects that have been deemed unprofitable by such international institutions, leading to countries becoming indebted to China. This has already become a reality for some countries in Southeast Asia like Sri Lanka who used Chinese loans to build an unsuccessful and unprofitable seaport and is now indebted to the Chinese for the next 99 years. Increased media criticism toward Chinese investment in Europe can help reduce the overly-hyped allure of Chinese investments, especially when it comes to those involving loans for high-risk projects.

Create a centralized trade and investment methodology within the EU to understand the real flow of money.

The discussion on the role of China within the EU also suffers from a critical lack of clear data on Chinese investment and trade. For example, current data sets on FDI data do not always show the full picture. FDI fails to fully capture all loans made by the Chinese to build infrastructure within the Belt and Road Initiative. In other cases, businesses report investments through subsidiaries outside of their country of origin; this was true for the Chinese acquisition of Borsodchem in Hungary which was reported as a Dutch FDI transaction in the national bank data, even though it was conducted by a Chinese company.

Incongruent datasets that are used to inform opinions and policy decisions drive many of the regional tensions previously discussed. Most policy experts and economists often rely on data published by the Rhodium Group, but the same source is not ubiquitously used by the media, politicians, or the public. Because of this inconsistency, the business and policy communities would benefit from the establishment of a trusted centralized
trade and investment data source at the EU Commission level.

What role can the United States play?

The United States has traditionally been Europe’s strongest economic and political ally. It has maintained a strong investment and trade partnership with the EU, trading in total more than $686 billion in 2016. However, the current U.S. Administration’s recent imposition of steep tariffs on goods from the EU has led to significant disagreements between Washington and Brussels. The recent changes to U.S. trade policy toward Europe have also created an opening for Beijing to create a more positive relationship with Europe, despite European officials’ growing wariness of unfair Chinese economic practices.

In the lead-up to the EU-China summit in June, Chinese leaders pushed for a joint statement condemning Trump’s trade policies and suggested a joint EU-China action against the United States in the WTO. Beijing is using these actions to position itself as a defender of free trade and multilateralism, a position that is starting to be noticed and appreciated by European politicians. China is also using this as an opening to further split transatlantic unity and divert EU alliances closer to the East, a position that has the potential to transform the global balance of power indefinitely. Therefore, it is now more critical than ever for the United States and the EU to enhance transatlantic understanding and dialogue on China.

Currently, the U.S. and the EU disagree as to what their relationship with China should be. The United States sees Beijing as a strategic adversary, while the EU more broadly sees it as a strategic partner. Although this opinion might not change, the two powers can learn from and aid each other in restraining China’s growing influence in Europe. Although transatlantic cooperation on China was already established between the U.S. and the EU in June 2012, it does not address China’s rising role in Europe and suffers from a lack of coordination on the rise of Chinese investment. Regular information-sharing between the U.S. and the EU and joint monitoring of Chinese investments and economic activities in Europe can help fill these gaps. More coordinated rhetoric and policies on issues that pertain to China can help demonstrate to Beijing a more united front.

The United States can help the EU challenge Chinese investments by maintaining—and even strengthening—its investment positions in Europe, most importantly in CEE and the Balkans, where it has always been viewed as one of the most valued investors. The United States can also respond and curtail the spread of Chinese investments, specifically in terms of the Belt and Road Initiative, by providing alternative financing mechanisms. There are opportunities for the United States and the EU to increase cooperation on CEE investments to better compete against China in the region and also to encourage Chinese investors to become more accountable, open, and transparent.

In the end, the United States and Europe share many common interests and concerns regarding China’s rising economic influence. Greater cooperation between the United States and the EU is critical to maintaining a united front against China in order to balance Beijing’s rising global presence and influence.
Endnotes


2 The “16+1” format is a Chinese partnership with the 11 CEE European members and the five Western Balkan nations of Albania, Montenegro, Macedonia, Serbia and Bosnia and Herzegovina.


4 Bloomberg estimates that China has taken over 360 European companies since 2000. See also: Peel, Michael, “Bulgaria to host contentious China summit,” Financial Times, May 18, 2018, https://www.ft.com/content/e0dd5d3a-5aa1-11e8-bdb7-f6677d2e1ce8.


6 For more information, see Merics and Rhodium Group, “Record Flows and Growing Imbalances: Chinese Investment in Europe in 2016.”


11 For more information, see “Inside ‘Belt and Road,’ China’s mega-project that is linking 70 countries across Asia, Europe, and Africa,” Business Insider, January 2018.

12 Ibid.


15 Author interview conducted on June 5, 2018, with the Hungarian Institute for Foreign Affairs and Trade.

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18 For additional information, see “16+1+1: Beijing wants Germany to align with its strategy in Eastern Europe,” SINOPSIS, July 20, 2018.


21 See Prime Minister Victor Orbán’s speech at the Lámfalussy Conference, January 23, 2017.


23 Ibid.

24 Ibid.


28 CEFC Europe has recently come under pressure and is projected to establish a joint venture with state-run Chinese conglomerate CITIC on its Czech investments.

29 Author interview conducted on June 8, 2018 with Lukas Kovanda, Chief Economist at Czech Fund.

30 Ibid.

31 Data collected from the European Commission’s European Structural and Investment Funds 2014-2020.

32 Author interview conducted on June 8, 2018 with Lukas Kovanda, Chief Economist at Czech Fund.


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Author interview conducted on June 8, 2018 conducted with Ivana Koraskova, Research Fellow at the Association for International Affairs (AMO).

Author interview conducted on June 5, 2018, with the Hungarian Institute for Foreign Affairs and Trade.


Author interview conducted on June 8, 2018 with Vilem Samerak, Researcher at the Economics Institute of Czech Academy of Sciences.

Data collected from the Office of the United States Trade Representative for the European Union, https://ustr.gov/countries-regions/europe-middle-east/europe/european-union.
