Archives of Business Review – Vol. 8, No.9
Publication Date: September 25, 2020
DOI: 10.14738/abr.89.8975.
Qianya, Z., & Xiaoshan, Y. (2020). Effectiveness, Challenges and Countermeasures of China-CEE Cooperation. *Archives of Business Research, 8(9). 11-26.*

Effectiveness, Challenges and Countermeasures of China-CEE Cooperation

Zhu Qianyu
Guangdong University of Foreign Studies,
Guangzhou, China.

Yan Xiaoshan (Corresponding Author)
Guangdong University of Foreign Studies,
Guangzhou, China.

ABSTRACT

China-Central and Eastern European Cooperation (referred to as "16+1", later developed into "17+1" or China-CEE Cooperation) is an important element and effective complement to China's efforts to promote the development of cooperation among the 17 CEE countries, the balanced development of the CEE sub-regional and the development of various areas of China-EU cooperation. Since 2012, when the framework was proposed, it has witnessed the establishment of a cooperation and coordination mechanism guided by leaders' meetings, ministerial meetings and forums or expositions for building a comprehensive, multi-field and multi-level pattern of cooperation. The framework is based on the interests of both sides and in line with the trend of common development, mutual benefit and win-win. In the eight years, it has achieved fruitful results in the areas of policy communication, trade and investment growth, infrastructure construction, capital financing and civil exchanges, so as to promote the economic stability and sustainable development of countries involved. It also faces internal and external challenges, like the imbalanced development, divergent interests, interference by interested countries, and the deterioration of security situation in the Middle East. As the cooperation deepens, it is important to adhere to the principles of mutual benefit and win-win and dock with different frameworks on all fronts. It is necessary to better understand EU laws and regulations and seize new opportunities for cooperation, including civil exchanges, etc.

Key words: China-Central and Eastern European cooperation, "16+1 cooperation" ("17+1 cooperation"), effectiveness, challenges, countermeasures.

INTRODUCTION

The Central and Eastern European region is the hub of China's connection to the European Union. "17+1 Cooperation" is a cooperation platform jointly created by China and 17 Central and Eastern European countries (Poland, the Czech Republic, Slovakia, Hungary, Slovenia, Croatia, Romania, Bulgaria, Serbia, Montenegro, Macedonia, Bosnia and Herzegovina, Albania, Estonia, Lithuania,

Latvia and Greece). The China-CEE Cooperation Framework was proposed by China after the China-ASEAN "10+1" cooperation, and is a new highlight and attempt to promote "Belt and Road" cooperation between China and Europe. The entire region of the 17 CEE countries is included in the framework of the "Belt and Road" initiative, with each country playing a different role according to its own development needs. "17+1" cooperation is the actual achievement of "Belt and Road" initiative in Europe, promoting European regional integration, helping bridge the development gap between East and West in Europe, and promoting the implementation of the goal of "mutual benefit and common development". Over the past eight years, under the leadership of the cooperation mechanism, the cooperation and coordination mechanism between China and the countries of Central and Eastern Europe has become more mature, and the development in various fields has been gradually carried out and deepened.

It has become an influential cross-regional cooperation mechanism, taking the first step towards sub-regional cooperation between China and Europe, promoting economic stability and sustainable development in China and Europe, shaping a stable economic order on both sides, and providing practical experience for promoting China's new solutions and wisdom in global economic governance in the world. In the past five years from 2012 to 2017, the "China-CEE Cooperation" has achieved remarkable results. In 2019, the Dubrovnik Summit of China and CEE countries leaders, Greece joined the China-CEE cooperation as a full member, upgrading the "16+1 Cooperation" to "17+1 Cooperation". It is necessary to discuss issues like the evolution and development, basis, achievements and challenges of the China-CEE cooperation mechanism, as well as how to better develop the cooperation.

THE PROCESS OF CHINA-CEE COOPERATION

Evolution and development

The China-CEE Cooperation Mechanism began with the issuance of the "Twelve Initiatives of China on Promoting Friendly Cooperation with Central and Eastern European Countries" at the first leaders' meeting in April 2012, and the economic and trade cooperation has gradually formed a "Trinity" cooperation mechanism with the leaders' meeting as a guide, the Economic and Trade Promotion Ministerial Meeting as a platform, and the holding of the Economic and Trade Forum and the China-CEE Trade and Investment Expo in Ningbo as a carrier during the meeting.[1] The China-CEE Cooperation Mechanism has gone through a start-up period (2011-2012), a golden period (2012-2017) and a deep water period (2017-present).[2]

The first China-CEE leaders' meeting in Warsaw was held in 2012. In 2013, the second meeting of the leaders released the "Bucharest Cooperation Outline", which put forward the "3+6" outline, planning the future cooperation between the two sides in the six areas of investment and trade, finance, connectivity, civil exchanges and local cooperation.[3] The "Belgrade Outline of China-CEE Cooperation" released at the Third Leaders' Meeting in 2014 highlights the cooperation between the two sides and the pivotal role of CEE countries in the "Belt and Road" initiative cooperation, the implementation of the "Hungarian-Serbian Railway" and "China-Europe Sea-Land Express" projects, and the establishment of innovative financial cooperation tools such as $10 billion special loan, scale investment fund and China-CEE Investment Cooperation Fund.[4] The "Suzhou Outline of China-CEE Cooperation" and the "16+1" Medium-Term Plan for Cooperation, issued at the Fourth Leaders' Meeting in 2015, dovetail with the development strategy, steadily promote the construction of interconnection and communication, speed up the implementation of the

demonstration projects of Hungarian-Serbian Railway and the China-Europe Land and Sea Express and build a new model for cooperation in production capacity. They would explore port industry cluster areas and make the "three seaport areas cooperation" of Adriatic, Baltic and Black Sea ports play their role. The two sides would continue to innovate and broaden investment and financing cooperation, explore innovative financing models such as "Internet e-commerce + financing" and the establishment of the 16+1 Financial Corporation. Besides, they would also promote dual growth in trade and investment in areas such as agricultural cooperation and food trade, and expand civil and social exchanges.[5] The "Cali Outline of China-CEE Cooperation" issued at the Fifth Leaders' Meeting in 2016 includes the expansion of the scale of two-way trade, the acceleration of interconnection and communication, the deepened cooperation on production capacity, the innovation of financial cooperation models, and exploration of the potential for tourism cooperation.[6] Among them are highlighted the infrastructure and equipment cooperation in the three seaports, "16+1" financial holding company and China-Central and Eastern Europe Fund and other financial cooperation, exploring the RMB "going global".[7]

The "Budapest Outline of China-CEE Cooperation" issued at the Sixth Leaders' Meeting in 2017 comprehensively summarizes the great achievements and fruitful results in the fields of politics, economic and trade, transportation and logistics, infrastructure and civil exchanges in the five-year golden period, and at the same time, points out the direction for China-CEE cooperation to further expand the scale of two-way trade, strengthen the China-EU platform for interconnection and communication, including the China-Hungary and Cyprus transportation infrastructure cooperation, and further promote financial support, like establishing the China-CEE Banking Consortium, setting up the China-CEE Investment Cooperation Fund Phase II and other aspects.[8] Through Sofia Summit of China and Central and Eastern European Countries in 2018 and Dubrovnik Summit of China and Central and Eastern European Countries Leaders in 2019, the two sides continue to cooperate in many fields such as connectivity, finance, education, youth, sports and other areas. The official accession of Greece in 2019 proves that the China-CEE Cooperation Platform is a pragmatic and beneficial platform.

Although China-CEE cooperation is facing challenges such as some different opinions between China and EU, the all-round competitive relationship between China and the United States, doubts about the cooperation within CEE countries, and the impact of China's economy moving into a comprehensive phase of high-quality development, the two sides have still achieved relatively rich results in the areas of trade and investment. Chinese companies continue to invest more in the Western Balkans, with investment projects landing in Serbia. The Peljesac Bridge project in Croatia, built by a Chinese enterprise, became the first project in Central and Eastern Europe to be successfully bid for by China and supported by EU funds. Chinese companies continue to invest in Piraeus Port project in Greece with positive returns.[2] They are also in close relation in terms of civil exchanges. China and Bulgaria upgraded the bilateral ties to strategic partnership in 2019, as China's partnership network with CEE countries grows stronger.

Basis for China-CEE cooperation

China and CEE countries' development interests

Central and Eastern Europe is an important business region and critical area for China's "Belt and Road" initiative in Europe. As an emerging market, the Central and Eastern Europe has mainly assumed the function of a manufacturing center and industrial base for high-end manufacturing

and technology in Europe, with a good investment base in human resources, capital, and industries and so on. China is facing an important demand for industrial transformation and upgrading. Chinese enterprises hope to "go global" and open up new trade markets, promote the transfer of China's high-quality industrial productivity to the Central and Eastern European region which links Asia and Europe, and drive domestic economic development and economic structure optimization. Chinese enterprises also hopes, through overseas investment, to acquire European technology and markets in Central and Eastern Europe, enhance the position of Chinese export products in the global value chain, and strive to realize the transfer of Chinese export products to the upstream value chain. As a result of the global financial crisis and the European debt crisis, the economic development in Central and Eastern Europe has been weakened and the volume of import and export trade has declined. Under the current EU regime, the needs of the CEE countries for outward demand economy development cannot be fully addressed.

The countries of Central and Eastern Europe hope to bring in Chinese investment, increase trade and investment, increase employment, improve social security and so on, and at the same time hope to bring in Chinese technology and capital to improve infrastructure construction in the countries of Central and Eastern Europe and promote interconnection between the European and Asian continents. China and the Central and Eastern European region have the common goals of cooperation and interests. With the promotion of the China-CEE Cooperation Mechanism, the integration of the Central and Eastern European sub-regional and China's economic, trade and investment cooperation functions has been achieved, repairing some deficiencies of China-EU cooperation, making a beneficial complement to China-EU relations, and further promoting the sustainable development of the 17 CEE countries.[9]

Adherence to the "independent nations" model of cooperation

Since its inception in 2012, the China-CEE Cooperation Mechanism has been adhering to the basic principle of "respecting the sovereignty of States", whereby each participating country can fully maintain its national sovereignty, choose its own development projects in accordance with its cooperation needs and willingness, and adopt a voluntary, open and flexible approach to ensure their independence. In addition, the mechanism also highlights the autonomy and initiative of each country, forming four major mechanisms for decision-making, planning, coordination and implementation. The first is the formation of the summit diplomacy to vigorously promote the annual leaders' summits, ministerial meetings, economic and trade forums, expositions, think-tank exchanges and other "hard mechanisms" of decision-making mechanisms, through equal consultation and joint discussions at summits, the formation of conference statements, cooperation outlines, cooperation documents and other "soft mechanisms".

The second is the adoption of a planning mechanism for the strategic development of the two sides to dovetail with each other's development plans on the principle of mutual benefit and win-win. For example, the "Outline of Cooperation between China and CEE Countries", the list of achievements of China and Europe cooperation, and the "Strategic Plan for China-EU Cooperation 2020" show the two sides having much commonality for cooperation in many areas. The third is the establishment of a coordination mechanism including China-CEE Cooperation Secretariat and coordinators in the CEE countries, with equal and mutually beneficial effects, docking economic, trade and investment, financial, third-party and other cooperation content, and promoting the implementation and promotion of various documents. Fourthly, the mechanism has established

federations and cooperation platforms in various fields led by the member States of Central and Eastern Europe, which can bring into play the advantageous industries of each country and strengthen cooperation in various fields. In the past eight years, the two sides have seen the cooperation gradually advanced, the enthusiasm growing, the field of cooperation broadened, and the cooperation projects achieving remarkable results.[10]

In line with the current trend of common development, mutual benefit and win-win

The China-CEE Cooperation Mechanism is a typical example of cooperation between developing countries and sub-developed countries in the context of economic globalization. It is an effective attempt by emerging market countries to seek external market potential and explore cooperation opportunities. It is in line with the goal of common development, mutual benefit and win-win requirements. It insists on properly handling differences and disagreements and actively building a cooperation platform for co-constructing, sharing and all-winning together.

China-CEE cooperation aims to promote sustainable economic development of both sides through the formation of cooperation mechanisms in the fields of trade and investment, monetary and financial affairs and sustainable development, and at the same time to prevent and reduce risks in the financial system, so as to realize the inclusive value ideal of common development and common prosperity of the two sides, thereby better promoting intra-European coordination and the comprehensive and balanced development of China-Europe relations, which works as an important part of China-Europe cooperation and an effective complement to promote the European integration, as well as a new attempt by China to build new types of international relations.[11]

Effectiveness of China-CEE cooperation

Central and Eastern Europe is at the western hub of the New Economic Corridor of the Asia-Europe Continental Bridge, with unique geographical advantages. Besides, as an important emerging market in the world, by docking with China's "Belt and Road" initiative, it can expand their extended advantages in industries and markets. China regards Central and Eastern Europe as an important cooperation region on the route of "Belt and Road" initiative. Over the past eight years, the cooperation between the two sides has been deepening from scratch and has achieved fruitful results. The areas of cooperation between the two sides cover infrastructure construction, international production capacity cooperation, industrial park construction and high-tech research and development, etc. In the past, CEE countries have coped with the impact of the European debt crisis in a good way and achieved economic growth of more than 3%, becoming the new bright spot in the development of the European economy.

With the help of "17+1 Cooperation", China has been promoting "Belt and Road" initiative and the economic and trade cooperation between the two sides, so that to strengthen China-CEE cooperation and make it a useful complement to the cooperation between China and EU. It would be a new port of deep docking between the two large economies and unique scenery for China and Europe to jointly build "Belt and Road".[12]

Policy communication is smooth and multi-field cooperation is promoted

In recent years, the frequent exchanges of high-level visits between China and CEE countries every year have promoted the establishment of partnership between the two sides, becoming a new

highlight in the economic coordination and cooperation under China's "Belt and Road" initiative. China has established comprehensive strategic partnerships with Serbia, Poland and Hungary, strategic partnerships with the Czech Republic, Macedonia and Bulgaria, and a comprehensive friendship partnership with Romania. From 2012 to 2019, the two sides have formulated the "Medium-Term Plan for China-CEE Cooperation", published eight outline documents and set up more than 20 institutionalized exchange platforms in the fields of trade, investment, production capacity, infrastructure, agriculture, climate, tourism, talent exchange.

They have proposed the construction of the Hungarian-Serbian Railway, the "China-EU Land and Sea Express", the "Three Seaports Area Cooperation" and other major project initiatives, as well as launching more than 200 specific measures to promote the further improvement of the multi-field and multi-level cooperation mechanism between the two sides in political, economic and trade, culture and other areas. Therefore, the cooperation level and field between the two sides have been continuously improved and expanded. At the same time, China and the countries of Central and Eastern Europe have continued to improve coordination mechanisms in various areas, covering a wide range of areas, and have gradually formed regular meetings of ministers of agriculture, transport, health and culture, promoting the docking of China's "Belt and Road" initiative with China-CEE cooperation mechanisms, forming coordination and communication mechanisms at various levels and in various fields, and smoothing policy communication between China and CEE countries.

In terms of the third-party cooperation, China proposed local cooperation for the first time in 2013. Through the China-CEE Cooperation Initiative, the achievements of local cooperation have emerged, with Prague in the Czech Republic, Lodz in Poland, Budapest in Hungary, Zagreb in Croatia and Suzhou, Ningbo, Chengdu and Tangshan in China launching cooperation projects respectively.[9] The local governments of China have taken the opportunity of the "Belt and Road" initiative to continuously cooperate with CEE countries. Chongqing carries out cooperation with CEE countries in the fields of electronics, automobile manufacturing and others through the Yuxinou train. Sichuan, with the advantages of the Chengdu-European Railway, has carried out fruitful local cooperation with the Czech Republic and Poland. Ningbo strives to establish a demonstration zone for 17+1 economic and trade cooperation, etc.

These are the fruits of local cooperation in the China-CEE cooperation mechanism.[13] The adoption of an observer system in the China-CEE Cooperation Mechanism has greatly encouraged other countries to participate, and at the same time provided institutional guarantees for broader cooperation. For example, at the Belgrade Summit in 2014, the EU sent representatives on invitation. Suzhou Summit 2015 invited the EU, Austria, and the European Bank for Reconstruction and Development as observers. The 2016 Riga Summit saw the addition of observers from Switzerland, Greece and Belarus.

Steady growth in trade and investment to boost economic development

China's bilateral trade with CEE countries continues to rise. Against the backdrop of world trade growth slowing down, China's trade with CEE countries has risen against the trend by 21%, a record high.[14] In 2019, China's trade with CEE countries (including Greece) reached $95.452 billion, up by 6.91% compared with last year. China's trade with 16 CEE countries (excluding Greece) amounted to $86.99 billion, up by 67.1% compared with 2012. In 2012, China's trade with

CEE countries only accounted for 1.35% of China's total foreign trade volume and 7.62% of China's trade volume with Europe. By 2019, the proportion of China's trade with CEE countries in China's total foreign trade volume and trade volume with Europe have risen to 1.9% and 9.92% respectively. Although the share remains low, the year-on-year expansion of the share reflects the effectiveness of China-CEE cooperation. There are deficits and growth fluctuations in the trade between China and CEE countries, but over the past eight years, through China-CEE cooperation, the two sides have been moving towards "seeking stability in progressing", and working together to resolve bilateral trade deficits and other issues.

China and most CEE countries have seen relatively large increases in investment. Chinese investment in CEE countries also reached around $10 billion in 2018, up from $3 billion in 2014. The CEE countries in Central and Eastern Europe have invested more than $5.1 billion in China, involving machinery manufacturing, chemical industry, finance, environmental protection, logistics, new energy and other fields. As can be seen from the statistics, Visegrad group, Romania, Bulgaria and Serbia have got significant growth. The core areas of growth are mainly as follows. The four countries own the well-developed markets and are deeply integrated with the Central European industrial chain. The Balkan countries have high investment potential and geopolitical advantages, such as Romania, Bulgaria and Serbia.

With the promotion of "Belt and Road" initiative and China-CEE cooperation, the depth and breadth of China's direct investment in Central and Eastern Europe have developed greatly. At the same time, the merge and acquisition and Greenfield investments by Chinese enterprises in Central and Eastern Europe have also increased, which can promote the development of local economies and employment in CEE countries. Among them, China's aid projects to CEE countries are mainly used to build infrastructure in each country, such as the Montenegrin North-South Highway and the Hungarian-Serbian Railway, which have enhanced the quality of cooperation between the two sides.

Deepening infrastructure cooperation and improving interconnected networks

Infrastructure construction and connectivity are a priority breakthrough for China-CEE cooperation. The Central and Eastern European region has outstanding geographical advantages and is an important link in the economic arteries of Asia and Europe. The joint communiqué of the "Belt and Road" International Cooperation Roundtable Summit specifically refers to the connectivity plans in Central and Eastern Europe, including the Central European Land and Sea Express, Trans-European Transport and the connectivity of Six Western Balkans countries. Since 2014, Chinese enterprises have successfully completed the Wroclaw City Flood Control Project in Poland and the Belgrade Trans-Danube Bridge Project in Central and Eastern Europe. As a key project under the "Belt and Road" Initiative of China-EU cooperation, China, Hungary and Serbia jointly construct the Hungarian-Serbian Railway and build a new fulcrum for China-EU land and sea transport.

Other representative projects include Serbia's Zemun-Borca Bridge, the Montenegrin North-South highway, the road project from Montenegrin Bar city to the Serbian border, the Peljesac Bridge project in Croatia and Piraeus Port project in Greece. A number of landmark infrastructure projects have been completed and in operation, deepening the cooperation between the two sides and also providing diversified ways for the import and export of Chinese goods, as an important project of

the "Belt and Road" initiative to connect the Eurasian continent. In addition, the major project "Central European train", with a cumulative total of more than 13,000 trains, has been opened. The CEE countries have been playing a more and more important role as the hub of the Asia-Europe continental bridge, promoting the free flow of trade between China and Europe.

Promoted by the China-CEE Cooperation Framework Agreement, China and CEE countries also actively promote the "soft connection" of customs, inspection and quarantine, railway management departments for cooperation in many aspects. It aims to strengthen coordination and cooperation for countries along the route of "Belt and Road", simplify processes, reduce cooperation costs and improve operational efficiency. These include strengthening international cooperation among customs administrations of countries along the route, expanding information sharing among customs administrations, promoting mutual recognition of regulatory results between China and Europe, promoting inspection and quarantine integration, strengthening national cooperation on inspection and quarantine, and promoting mutual recognition and management of regionalized epidemic situations.

For example, by implementing "notification, inspection and release" along the route of the China-European train, it can achieve direct import and export along the route and provide more policy facilities for goods that meet the requirements of the train. Besides, it can further expand the opening of ports and give more priorities to ports that are qualified. In 2014, countries including China, Hungary, Serbia and Macedonia signed the "Framework Agreement on Customs Clearance Facilitation Cooperation" to simplify the customs and port inspection processes for "Maritime Silk Road" and improve customs clearance efficiency. On June 8, 2017, China and CEE countries held a customs cooperation forum, marking the "exchange of information, regulatory mutual recognition, and mutual assistance in law enforcement" between customs in order to better improve the level of trade facilitation.

Strengthening financial support and improving the financing system

Financial cooperation has become an accelerator for deepening economic and trade relations between China and CEE countries. The People's Bank of China has signed currency swap agreements with the central banks of Hungary, Albania and Serbia. In 2012, in order to promote bilateral and multilateral economic and trade cooperation projects, China established a special preferential loan of $10 billion. The loans will be provided with a certain proportion of preferential loans, focusing on cooperation projects in the areas of infrastructure construction and high-tech development between China and the Central and Eastern European region. The CEE countries can apply to the China National Development Bank, the Export-Import Bank of China, the Industrial and Commercial Bank of China, Bank of China, etc.

The China-CEE Investment Cooperation Fund was formally established in 2013, with a final closed amount of $435 million. The second phase of the China-CEE Investment Cooperation Fund in 2015 was also included in the Medium-term Plan for Cooperation between China and CEE Countries. The scale of the second phase of the Fund is $1 billion. The Fund focuses on supporting the development of infrastructure, telecommunications, energy, manufacturing, education and health care in CEE countries. By adopting a diversified investment model, the Fund has now been put into operation and promoting the construction of "China-CEE Cooperation" and "Belt and Road" Initiative, with

sound operation effects. In November 2016, China-CEE Financial Holding Company, China's first commercial multilateral financial institution in Central and Eastern Europe, was established, attracting a capital of 10 billion euros and planning to mobilize 50 billion euros in project credit.[13] The establishment of China-CEE financial institution provides financial protection for economic and trade cooperation between the two sides.

China-CEE Financial Holdings Limited is a joint venture between ICBC and its Chinese and foreign partners to explore a commercial financial model to support the cooperation and development of national production capacity in member countries. The initiate scale of China-CEE Fund will reach 10 billion euros. The Fund will adhere to the principle of "commercial operation under the support of government and market-oriented". The target markets are CEE countries, with appropriate extension to Europe and other regions having the same interests with CEE countries, focusing on the investment and cooperation opportunities for infrastructure construction, high-tech manufacturing, mass consumption and other industries.[15]

In addition, the establishment of China-CEE relations research fund was proposed at the Warsaw Summit in 2012. The Chinese side provides RMB 2 million per year to support academic exchanges and research between institutes and scholars of both sides.[16] China has also established various financial branches in CEE countries, driven by China-CEE cooperation. Among them, Bank of China opened a branch in Hungary, becoming China's first operating financial institution in the Central and Eastern European region. At the same time, Bank of China is also trying to issue RMB dim sum bonds and sovereign panda bonds to provide financial support for Chinese enterprises to develop in CEE region. Meanwhile, in 2015, China joined the European Bank for Reconstruction and Development to promote cooperation with international financial institutions.

Strengthening civil exchanges and promoting to build a community with a shared future for mankind

The civil exchanges and cooperation between China and CEE countries are becoming more and more frequent under the promotion of the China-CEE cooperation framework. China and CEE countries have exchanges in culture, tourism, academic research and other areas. Over the past eight years, the two sides have gradually established important platforms for bilateral cultural cooperation between China and CEE countries, such as the China-CEE Cultural Cooperation Forum, the China-CEE Cultural Season, the visit of high-level officials from CEE countries, the China-CEE Political Parties Dialogue and Young Politicians Forum, the visiting delegation of journalists from CEE countries, the China-CEE Cultural and Creative Industries Forum, and so on, gradually promoting the civil exchanges between China and CEE countries.

Since 2012, major universities and research institutes in China have established 19 research institutes of the studies on Eastern European countries and held high-level China-CEE think tank seminars to provide intellectual support for China-CEE cooperation. In addition, under the China-CEE cooperation, China has established five Chinese medicine centers and three cultural centers in Central and Eastern Europe and signed agreements with eight CEE countries on mutual recognition of advanced degrees. The scale of two-way international students from China and CEE countries is also expanding, promoting exchanges in the humanity and social sciences between the two sides.

Over the past eight years, cooperation between China and CEE countries has yielded fruitful results that have effectively benefited people in many countries. This is due to the solid foundation of traditional friendship between China and CEE countries. China has been open and inclusive to promote mutual learning and communication among cultures and civilizations, and promotes pragmatic cooperation in the spirit of mutual benefit and win-win cooperation to achieve common development and prosperity. China-CEE cooperation is a positive attempt to promote the building of a new type of international relations and a community with a shared future for mankind. The fact that China-CEE cooperation is developing is inextricably connected with China's proactive foreign policy. By creating a platform and sharing development opportunities and experience, China has revitalized China-Europe cooperation and stimulated the enthusiasm of CEE countries for cooperation.

CHALLENGES FOR CHINA-CEE COOPERATION

As a pioneer in the construction of the "Belt and Road" initiative, the China-CEE Cooperation Mechanism has ushered in a new era of mutual respect, harmonious coexistence and win-win cooperation in the era of globalization, with different social systems, cultural traditions and development stages. However, after eight years of development, internal and external challenges have also emerged in the process of China-CEE cooperation.

Different situation of countries leading to uneven development

The 17 countries of Central and Eastern Europe are different in territories, population, the level of economic development, religion and culture, the time of their return to Europe, social systems and mechanisms, showing diversity and variability. Besides, they have a heavy historical burden and are under a complex influence by domestic politics, regional politics and the international community. In addition, the 17 CEE countries show great differences and complexity as they are in different interest groups and under the influence of EU and non-EU member, Schengen and non-Schengen country, Eurozone and non-Eurozone, etc. Due to the different national interests among CEE countries, the development of investment and trade cooperation between China and CEE countries is prone to the unbalanced cooperation of countries and projects, resulting in uneven development of the countries and even a centrifugal tendency, which is not conducive to the long-term stable development of China-CEE cooperation.

Different development interests of countries lead to investment and trade dilemmas

At present, China-CEE cooperation has a relatively homogeneous function, and to some extent, it is "business without politics". China hopes to export its high-quality industrial production capacity and acquire technology and markets through the Central and Eastern European region, integrating economic factors on a global scale and improve the economic competitiveness. Meanwhile, the countries of Central and Eastern Europe hope to improve the sustainable development of their infrastructure, employment, social security and democratic governance models through cooperation with China. The different interests of the two sides have led to the conflict between "pursuit for development" of China and the "pursuit for stability" of the 17 countries of Central and Eastern Europe, which has led to some difficulties in the process of economic and trade cooperation.

For example, in terms of import and export trade, China's trade with Central and Eastern Europe showed a significant downward trend in 2015, mainly as a result of China's domestic economic

structural reforms and the rising costs of labor, technology and other production factors. The CEE countries, on the other hand, have been affected by the weakness of the global economy, with some fluctuations in the volume of exports and imports. In terms of investment, Chinese enterprises are more likely to gain access to the technology and markets of Central and Eastern European enterprises through overseas mergers and acquisitions, promoting industrial upgrading and improving the global value chain position of Chinese enterprises. Central and Eastern European countries, on the other hand, want Chinese companies to make Greenfield investments, increase employment and solve local social security problems.[9]

Impeded cooperation due to the influence of interested countries

The Central and Eastern European region is a region dominated by European and American powers. How to handle the relations with interested countries is an important issue that needs to be resolved urgently in China-CEE cooperation. Most of the 17 CEE countries are EU members, and the others are also candidates for the EU's eastward expansion efforts. The EU influences the CEE region with its strong economic rules. However, the EU has always been skeptical, cautious and guarded against China-CEE cooperation, considering it a "split" of EU by China. It fears that China's cooperation with the 17 CEE countries would impact the European integration process. In the EU-China Strategic Outlook released in 2019, EU regards China as a competitor, positioning the EU-China relationship as a partner in different policy areas, a consultative partner to balance interests, an economic competitor in the pursuit of scientific and technological leadership, and a systemic adversary that promotes different governance models.

The EU has repeatedly questioned and intensified its review and censorship on projects like the investigation of the "Hungarian-Serbian Railway" project[17] and Chinese energy (including thermal power) investment projects in CEE countries. New conditionality was added for non-aligned Western Balkan countries to guard against security threats from third parties. In particular, in the areas of market access, intellectual property rights protection and government procurement, the EU has been interfering on the grounds of one-sided emphasis on the reciprocity and equality of cooperation with China, and has introduced relevant investment security review mechanisms.

In March 2017, with the beginning of a massive trade war between the United States and China, U.S. policy toward China entered a new phase of comprehensive and direct containment. Senior officials of the United States Government frequently visited CEE countries, spreading arguments such as information security and the "Chinese threat theory". Under the pressure from the United States, some CEE countries began to falter and the external environment for cooperation was worsened. Germany regards the Central and Eastern European region as a "backyard" of its traditional power. The German government has openly questioned the motives of China-CEE cooperation as undermining stability and unity within the EU. Meanwhile, it uses the EU legal system to regulate and restrain China-CEE investment in the Western Balkans.[18] Russia also has a strong influence in the Central and Eastern European region.

While weakening the EU's common energy policy through energy cooperation with the CEE region, Russia insists on its leadership in the economic integration of the Eurasian space. If China wants to open up Eurasian connectivity, it needs to address the trade connectivity problems through China-CEE cooperation.[9] Besides, some international public opinions are also unfair to China-CEE

cooperation, easily influencing the choice of their domestic governments and opinions of their domestic media and public towards China.

The complexity of the security situation in Central and Eastern Europe

Central and Eastern Europe is located at the junction of the Eurasian continent and its conditions are complex and diverse, making it vulnerable to invasion by various forces. Central and Eastern European region are threatened by refugee flows, Ukraine crisis and terrorism. The Baltic and Black Sea countries are at the forefront of the European-Russian conflict, leading to a deterioration of the security situation in Central and Eastern Europe. The Balkans, which is the key area of China-CEE cooperation and the "Maritime Silk Road", are also impacted. In addition, the government situation in CEE countries, with frequent elections and numerous changes of government, make it difficult to implement and enforce the frameworks and agreements drawn up by China and CEE countries, which can easily impact on cooperation between the two sides. China's attitude in dealing with security matters in the Central and Eastern European region also influences, to some extent, the attitude and enthusiasm of the CEE countries.[11]

POLICY COUNTERMEASURES FOR CHINA-CEE COOPERATION

As an important foreign policy of China in sub-region, China-CEE cooperation will inevitably encounter challenges or changes in the internal and external environment during its development. In addition, China's economy is moving towards a stage of high-quality development, and the country is facing structural adjustment and changes in growth patterns, which are bringing downward pressure on the economy. However, as long as the changes in China-European relations and China-U.S. relations are handled in a comprehensive and effective manner, and issues and challenges such as trade deficits and agricultural access in the development of CEE countries are properly dealt with, the China-CEE cooperation can be promoted to achieve a long-term, stable and sustainable development.

Emphasis on national and sub-regional differences and development potential

China-CEE cooperation needs to be based on a proper assessment and measurement of the diversity and complexity of the Central and Eastern European region, the consideration of China's development "relations" and cooperation with the 17 CEE countries, and a specific analysis of the conditions of cooperation between China and each country in the area of the "five links", in order to deal with the diverse interests and volatile domestic and foreign policies of the 17 countries. On the basis of objective assessment, it is important to pay attention to the interests and demands of each country, and plan projects and industries for key cooperation with different countries, industries and enterprises in a differentiated manner.

It is necessary to carry out point-to-point and face-to-face cooperation, so that the CEE 17 countries can benefit from it as much as possible, and continuously promote China-CEE cooperation and bilateral relations between China and CEE 17 countries.[19] At the same time, the 17 countries of Central and Eastern Europe involve countries in Central Europe, the three countries by Baltic Sea, the Western Balkans, the Eastern Balkans, etc. China-CEE cooperation should make full use of the unique advantages of each region, seek starting points and priorities, and promote the deepening of cooperation mechanisms by means of sub-regional plate cooperation. For example, the sub-regional advantages can be brought to China-CEE cooperation like the advantages of Baltic Sea in maritime and port industrial parks, the advantages of infrastructure construction in the Balkans,

and the advantages of agriculture in Bulgaria and Romania, etc. With the changes in the internal and external environment, China has responded promptly to the trade deficit, unbalanced investment projects and difficulties in accessing agricultural products in CEE countries, explored the cooperation potential in high-precision digitalization, intelligent machinery manufacturing and other industries, and docked the "invisible champion" industries, so that to fully exploit the complementary potential of both sides in the market, knowledge and resources, strengthen political mutual trust, enhance the level of civil exchange, and promote the high-quality development of cooperation.[2]

Maintaining good China-EU relations and strengthening the connectivity with EU

China is actively promoting economic and trade relations with EU, consolidating the results of the China-EU Investment Agreement negotiations, laying the foundation for China-CEE cooperation, maintaining good China-EU relations, promoting multi-dimensional interconnections between China and Europe, and improving the level of practical cooperation. At the same time, the role of EU should be emphasized, and the relevant EU institutions and core EU countries should be invited as observers to participate in meetings on China-CEE cooperation, so as to seek convergence between China-CEE cooperation and the EU comprehensive strategic partnership. At the same time, in the mechanism of the China-EU High-level Dialogue, China-CEE cooperation should be included in the thematic discussion on China-EU relations as a sub-regional topic, so that it can be fully linked to China-EU relations.

The relationship between China-CEE cooperation and China-EU can be rationalized, which will help to gain EU support and recognition for China-CEE cooperation. Through the "Belt and Road" initiative, the Central and Eastern European interconnection and communication platform will be added to the China-EU platform, and the planning, design, financing, construction and evaluation of projects will be carried out in strict accordance with EU standards, so as to turn the China-CEE cooperation into a joint project between China, Central and Eastern Europe and the EU. In the face of the EU's doubts and worries, China does not play a zero-sum game. It takes practical actions to promote the development of the China-CEE cooperation framework under the China-EU relationship, promote balanced development within the EU and ultimately promote European integration.

Adhering to the principle of mutual benefit and win-win situation and focusing on docking with different frameworks

The 17 countries in Central and Eastern Europe have different national situations, great differences in their internal affairs and diplomatic diversity and different interests, which also pose great difficulties to the EU integration. China-CEE cooperation should properly understand the norm of contradiction and differentiation in Central and Eastern Europe, taking win-win cooperation as the guiding principle and seeking harmony in diversity. The two sides should learn from each other and share advantages through key projects, and take China-CEE cooperation as the new driving force of China-Europe cooperation through real and proper infrastructure construction and other projects. At the same time, we will actively build a multi-level and diversified cooperative platform for building, sharing and winning together, and promote the professionalization and centralization of China-CEE cooperation. China-CEE cooperation has ushered in a new period of mutual respect, harmonious coexistence and win-win cooperation between countries with different social systems,

cultural traditions and stages of development in the era of globalization.[11] China-CEE Cooperation is an important complement to the China-EU relationship, which is relatively homogeneous in function and requires other development plans between China and Europe for multi-level and multi-angle docking.

For example, the United Nations framework could be used to actively cope with security issues. Through docking the frameworks like "China-CEE Cooperation", "Belt and Road" Initiative and "China-EU Investment Plan", it is possible to better integrate different platforms or mechanisms and complement each other, so that China-CEE cooperation can be better received by other frameworks.

Better understand the EU laws and regulations

Most countries in Central and Eastern Europe are EU members, and their national laws and regulations are in concordance with those of EU. Therefore, a comprehensive understanding of EU laws and regulations are conducive to the Chinese Government's promotion of China-CEE cooperation under the legal framework of EU. It is conducive for Chinese enterprises to make overseas investments without being subject to legal sanctions, and identify hidden rules and trade barriers when making trade investments, thereby increasing the success rate of investments and avoiding risks. Chinese enterprises reflect China's strength and culture. When investing in Central and Eastern Europe, they need to take the initiative to assume local social responsibility, act properly according to international rules, promote local employment, establish a good corporate image, and tell the "China story" in a good way.

Seize and explore new opportunities for cooperation

After the Trump administration came to power, the United States exalted protectionism, unilateralism and the implementation of the "America first" policy, causing discontent in the EU and many Central and Eastern European countries. China's policy philosophy of "seeking common ground while reserving differences" and "mutual benefit and win-win", its vigorous promotion of the "Belt and Road" initiative, as well as the high-quality development of the economy, are more attractive to Europe, including CEE countries. China should seize the opportunity to cooperate with EU and CEE countries in a high level and pragmatic manner in the areas of infrastructure connectivity, 5G, trade and investment to cope with global instability factors. As European countries are impacted by COVID-19, China has taken the initiative to provide public medical resources to the world at its best, sending medical assistance teams to Italy, the United Kingdom, Serbia and other European and CEE countries to assist in the development of global cooperation against the epidemic, further confirming the confidence of China-CEE cooperation.

Promoting civil exchanges

There are huge political, economic, religious and ethnic differences between CEE countries and China. Added by the geographical distance, it is difficult for Chinese culture "going global" by relying on Western mainstream media publicity. China should strengthen civil exchanges through China-CEE cooperation and take the initiative to promote China's image objectively and tell the "China story" in a manner that CEE countries are willing to accept.[16] A regular exchange platform can be established for culture, tourism, academic research and other aspects, such as Confucius Institute, think tank seminars, etc. In this way, China and CEE countries can strengthen their soft power and promote the building of a community with a shared future for mankind.

References

[1] Chinese Government Website, To consolidate international sustainable economic and trade cooperation by 16+1 cooperation mechanism [以“16+1”合作机制夯实国际可持续经贸合作]. 30 November, 2017. http://www.gov.cn/xinwen/2017-11/30/content_5243569.htm. Accessed 5 June 2020

[2] Liu, Z., The development history and prospects of China-CEE cooperation [刘作奎：中国–中东欧国家合作的发展历程与前景]. 24 April, 2020. https://www.sohu.com/a/390854303_100116571. Accessed 5 June 2020

[3] Chinese Government Website, Bucharest Outline of China-CEE Cooperation [中国－中东欧国家合作布加勒斯特纲要(全文)]. 26 December, 2013. http://www.gov.cn/jrzg/2013-11/26/content_2535458.htm. Accessed 5 June 2020

[4] People's Network, Belgrade Outline of China-CEE Cooperation (full text) [中国－中东欧国家合作贝尔格莱德纲要（全文）]. 17 December, 2014. http://politics.people.com.cn/n/2014/1217/c1024-26221505.html. Accessed 5 June 2020

[5] Xinhua, Suzhou Outline of China-CEE Cooperation, [中国－中东欧国家合作苏州纲要（全文）]. 25 November, 2015. http://www.xinhuanet.com/world/2015-11/25/c_1117249390.htm. Accessed 5 June 2020

[6] Chinese Government Website, Check out PM's ASEM document [看看总理亚欧行的文件“干货”]. 10 November, 2016, http://www.gov.cn/premier/2016-11/10/content_5130978.htm. Accessed 5 June 2020

[7] Ministry of Foreign Affairs, The Cali Platform for China-CEE Cooperation [中国－中东欧国家合作加里纲要（全文）]. 30 November, 2016. http://www.fmprc.gov.cn/web/ziliao_674904/1179_674909/t1413179.shtml. Accessed 5 June 2020

[8] Chinese Government Website, Budapest Outline of China-CEE Cooperation [中国－中东欧国家合作布达佩斯纲要（全文）]. 30 December, 2017. http://www.gov.cn/xinwen/2017-12/01/content_5243611.htm. Accessed 5 June 2020

[9] Liu, Z., “16+1 cooperation” in the context of the “Belt and Road” initiative. The contemporary world and socialism, 2016. 3: p. 144-152.

[10] Zhang, Y., An analysis of the operating model of “16+1 cooperation” from the perspective of interregionalism. Social Science, 2017. 10: p. 15-25.

[11] Liu, Z., Cooperation between China and Central and Eastern Europe is a new attempt by China to build new international relations. The contemporary world, 2016. 12: p. 36-39.

[12] Chinese Government Website, China-Central and Eastern European Countries (“16+1”) Achievements [中国—中东欧国家(“16+1”) 取得丰硕成果]. 11 September, 2017. http://www.china.com.cn/news/2017-09/01/content_41514538.htm. Accessed 5 June 2020

[13] Gao, X., Development, East China Normal University. China-Middle East Europe cooperation is beginning to bear fruit. Wen Wei Po. [中国-中东欧合作开始结出硕果]. 27 November, 2017. https://news.ecnu.edu.cn/b7/c6/c1835a112582/page.htm . Accessed 5 June 2020

[14] Chinese Government Network, The cooperation platform: Greece finally joins, and there are other countries applying [这个合作平台：希腊终于加入，还有国家递了申请]. 14 April, 2019. http://www.gov.cn/premier/2019-04/14/content_5382768.htm. Accessed 5 June 2020

[15] Sina Finance, ICBC invests 1 billion euros to set up China-Central and Eastern Europe financial holding company [**工行投**资10亿欧元设立中国—**中**东欧金融控股公司]. 6 November, 2016. http://finance.sina.com.cn/roll/2016-11-06/doc-ifxxmyuk6054256.shtml. Accessed 5 June 2020

[16] Zhu, X., China-Central and Eastern Europe cooperation: characteristics and directions for improvement. International Studies, 2017. 3: p. 41-50.

[17] Zhao, S., EU investigates Chinese-funded Hungarian-Serbian railway [**欧盟**调查中方出资的匈塞铁路]. 21 February, 2017. http://world.huanqiu.com/exclusive/2017-02/10169505.html. Accessed 5 June 2020

[18] Liu, Z., Europe and the "Belt and Road" initiative: responses and risks. 2015. China Social Science Press, Beijing

[19] Kong, H., and Wei, C., Exploring some issues of the "16+1" cooperation mechanism between China and Central and Eastern European countries. Social Sciences. 2017. 11: p. 14-23.