

Bucharest: the prime ministers of China and the countries of Central and South-Eastern Europe meet

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On 26 November, the China/Central and Eastern Europe summit was held in Bucharest, which was the second meeting of prime ministers in the '1+16' format (the previous one was held in Warsaw in April 2012). The summit was attended by the Chinese Prime Minister and the heads of government of fifteen countries: Poland, the Czech Republic, Slovakia, Hungary, Lithuania, Estonia, Romania, Bulgaria, Slovenia, Croatia, Albania, Bosnia & Herzegovina, Montenegro, Macedonia and Serbia (Latvia was represented by its foreign minister). A resolution was accepted setting out the guidelines of cooperation between the 'Sixteen' and China. The parties declared their willingness to develop mechanisms for economic cooperation (such as a Chinese credit line worth US\$10 billion for companies in the region, cooperation between financial institutions, chambers of commerce, etc.), stressing the importance of cooperation in the spheres of education and culture. A number of intergovernmental agreements were also signed at the summit, including a Sino-Serbian-Hungarian agreement on cooperation in modernising the Budapest-Belgrade railway line, as well as letters of intent between Romanian and Chinese companies, including on possible cooperation to expand the Cernavoda nuclear power plant and to build the Tarnita-Lăpușești hydroelectric power plant.

Commentary

- The '1+16' summits have become a firm fixture in the calendars of the Chinese Prime Minister and the heads of states of Central Europe and the Balkans, which confirms the interest of China and the countries of the region in closer cooperation. In this process, China is clearly seeking to institutionalise the multilateral format, as exemplified by the establishment in September 2012 of the Secretariat for Cooperation with Central and Eastern Europe, affiliated with the Chinese Ministry of Foreign Affairs. At the same time, some of the region's countries seem to be working to become Beijing's leading partner in the region.
- So far the intensification of political contacts has not been accompanied by the dynamic influx of Chinese investment which the region's governments expected (the largest, the acquisition of the petrochemical concern BorsodChem in Hungary, took place in 2011). The official statistics show that the total Chinese foreign direct investment at the end of 2012 in any of the region's countries does not exceed €300 million. In 2012, China's trade

with the countries of the 'Sixteen', according to Chinese data, stood at US\$52 billion (of which 78% was with the Visegrad Group countries and Romania), which is only about 10% of China's total trade with the EU. However, there is potential for growth in exports (all the countries in the region have high trade deficits with China) and imports (currently China is only a key partner in imports for the Czech Republic, Hungary, Poland, Serbia and Romania).

- The cooperation among the region's countries could pose a challenge to the European Union in building a cohesive front in its relations with China. Last month the European Commission started talks on a framework investment agreement with China. It is possible that Beijing will seek to strengthen its position in the negotiations by building political coalitions within the EU. According to press speculation during the preparations for the summit in Bucharest, the European Commission expressed concern that some members of the 'Sixteen' were ready to agree to a type of declaration which would complicate the European Commission's position in any possible trade disputes with Beijing.