

26 November 2019
OeNB
CONFERENCE ON EUROPEAN ECONOMIC INTEGRATION

China's economic impact on CESEE

Just a new player or a game-changer?

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Outline

- Relations between China and CEE
- Motivations on both sides
- New player or game changer?
 - ▣ 3 challenges of China-CESEE cooperation

Relations between China and CEE

- Cold War, 90s
 - ▣ Limited contacts

- Early 2000s
 - ▣ Transformation of the global economy
 - ▣ EU accession process
 - ▣ CEE is a 'back door' to Europe

- 2008 – global financial crisis
 - ▣ New opportunities for both sides

- 2013 – Belt and Road Initiative
 - ▣ 2012 - 16+1

Relations between China and CEE

- CEE/HU for China means:
 - ▣ new frontiers for export expansion
 - ▣ (one of the) strategic entry points for Europe
 - ▣ dynamic, largely developed, less saturated economies
 - ▣ cheap but qualified labour
 - ▣ less political expectations, economic complaints, protectionist barriers, national security concerns...
 - ▣ friendly gestures, confidence-building measures

- China for CEE/HU means:
 - ▣ new opportunities for investment, trade, financial cooperation, infrastructure, diversification,...???

Motivations on both sides

- For China it grants:
 - ▣ new business opportunities;
 - ▣ political and economic influence;
 - ▣ alternative transport routes;
 - ▣ the possibility to work off its overcapacities;
 - ▣ references for future projects.

Motivations on both sides

- For CEE it can ensure:
 - ▣ infrastructural development (
 - but: EU structural funds...
 - ▣ transit fees (Budapest-Belgrade railway)
 - but: loan repayments
 - ▣ ...?
 - support infrastructure...

Motivations on both sides

- What motivates CEE countries then?
 - ▣ Disappointment
 - CEE-EU tensions
 - populism
 - ▣ Political instead of economic interests?

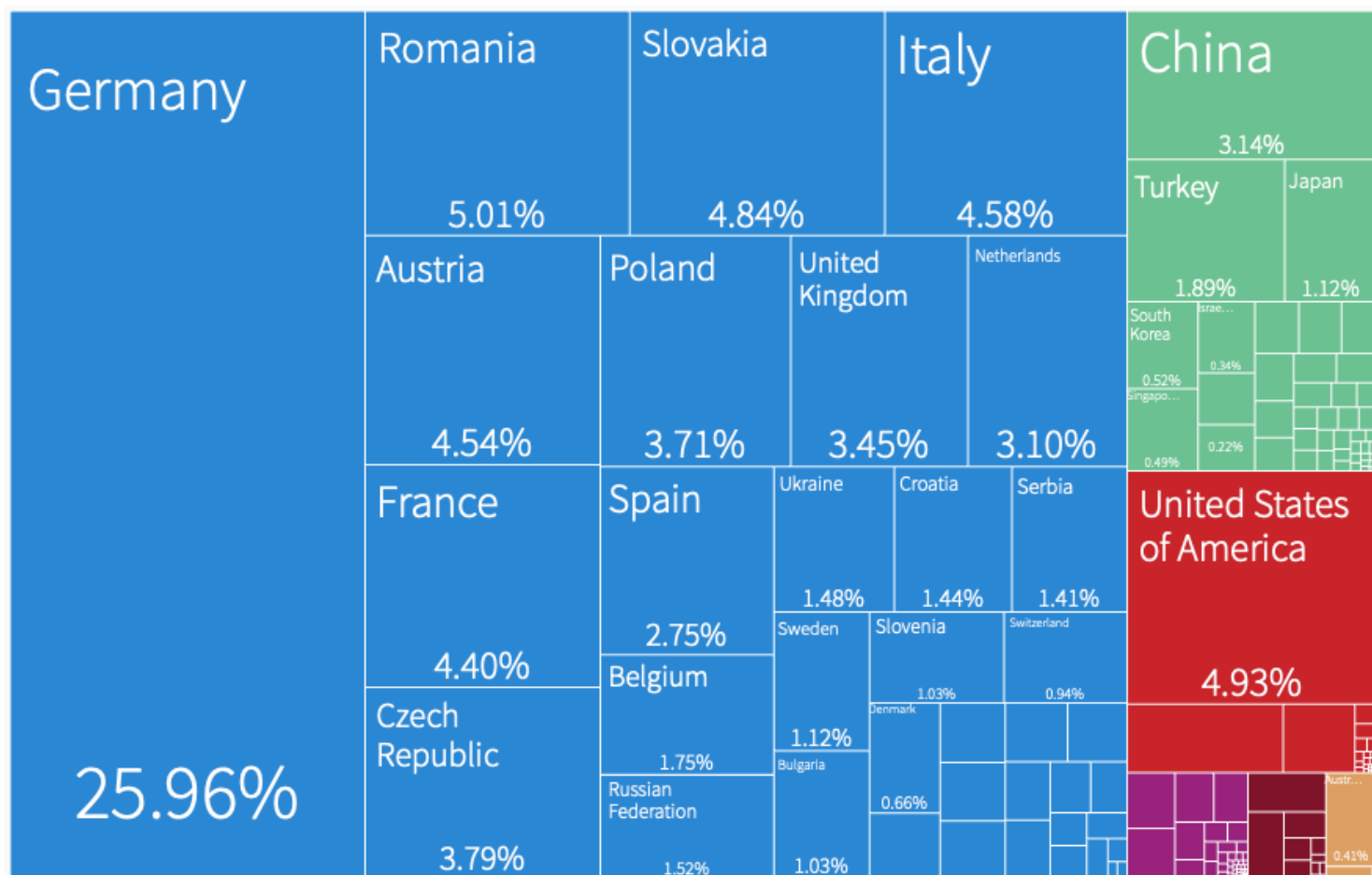
- ▣ Impact on CEE-EU relation?
- ▣ Impact on China-EU relation?

Challenges of China-CEE cooperation_1

- Compared to China's economic presence globally or in the developed world, its economic impact on CEE countries is relatively small:
 - CEE countries are highly dependent on both trade and investment relations with with EU member states.
 - the CEE region is also far from being among the most important partners of China in Europe
 - Chinese and CEE interests are often diverging:
 - Chinese are interested in M&As, while CEE countries want greenfield projects.
 - In CEE, China wants to build infrastructure from Chinese credit, while CEE countries still has EU funds for that...

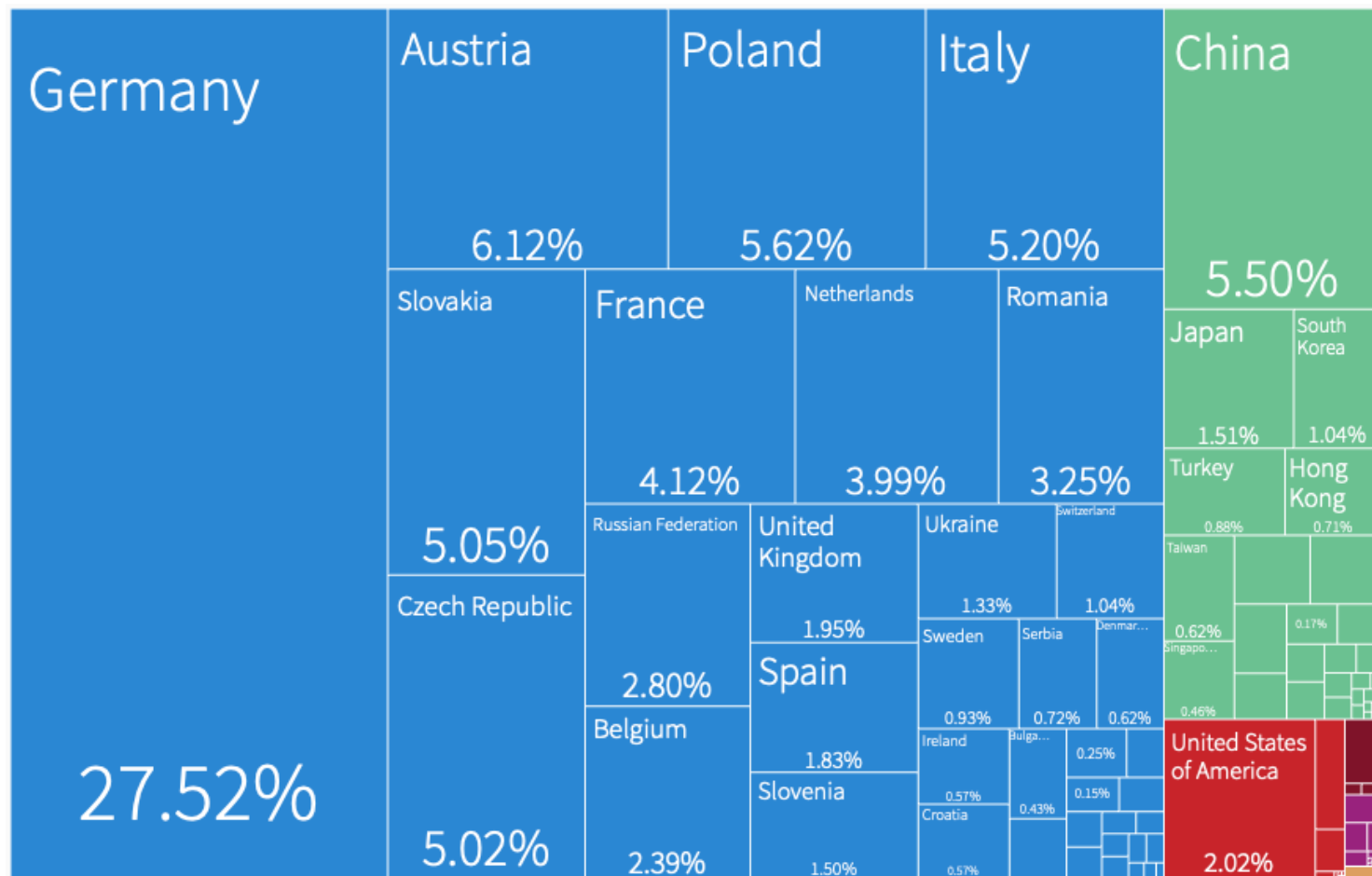
Export partners, Hungary

2017, Atlas of Economic Complexity / UN Comtrade



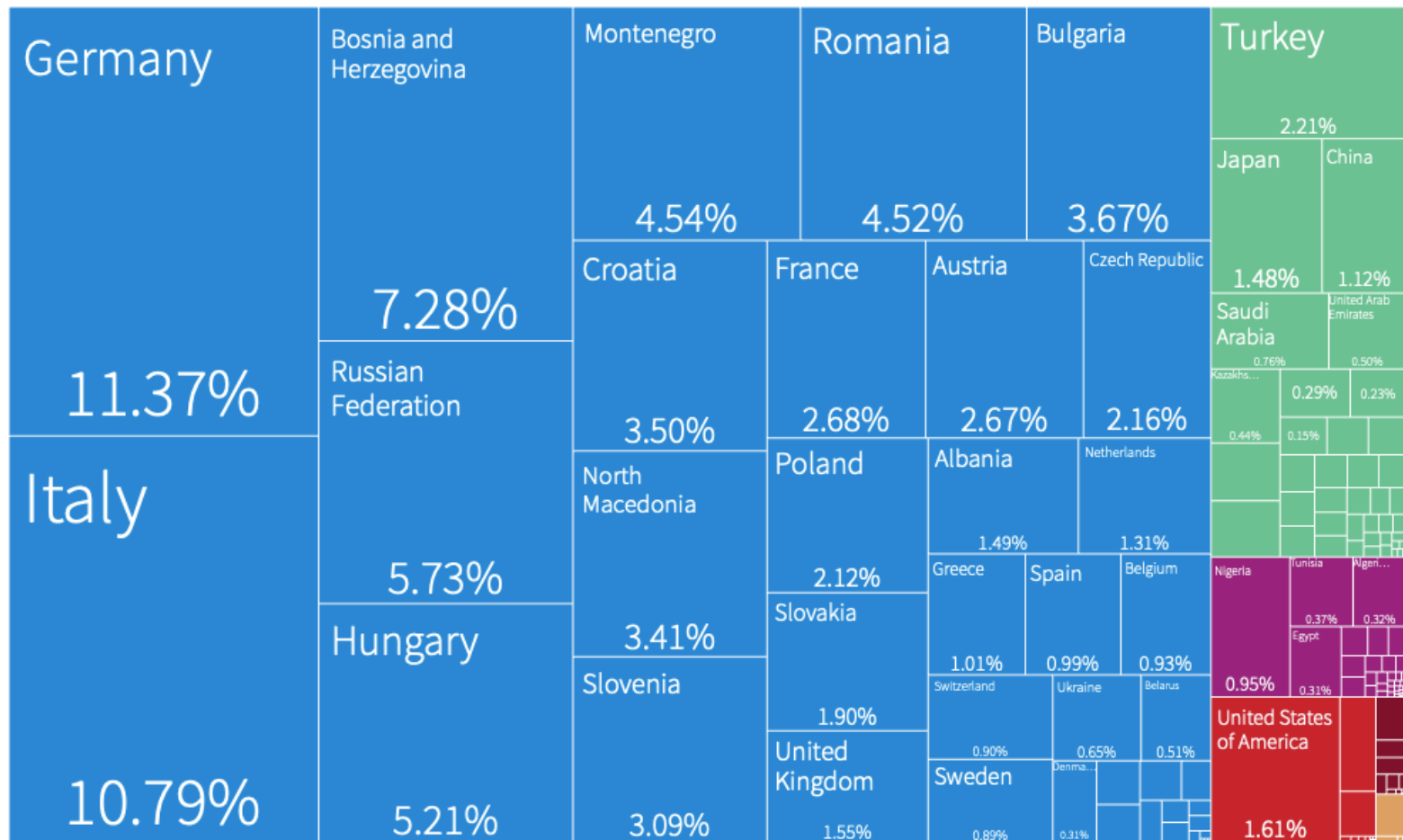
Import partners, Hungary

2017, Atlas of Economic Complexity / UN Comtrade



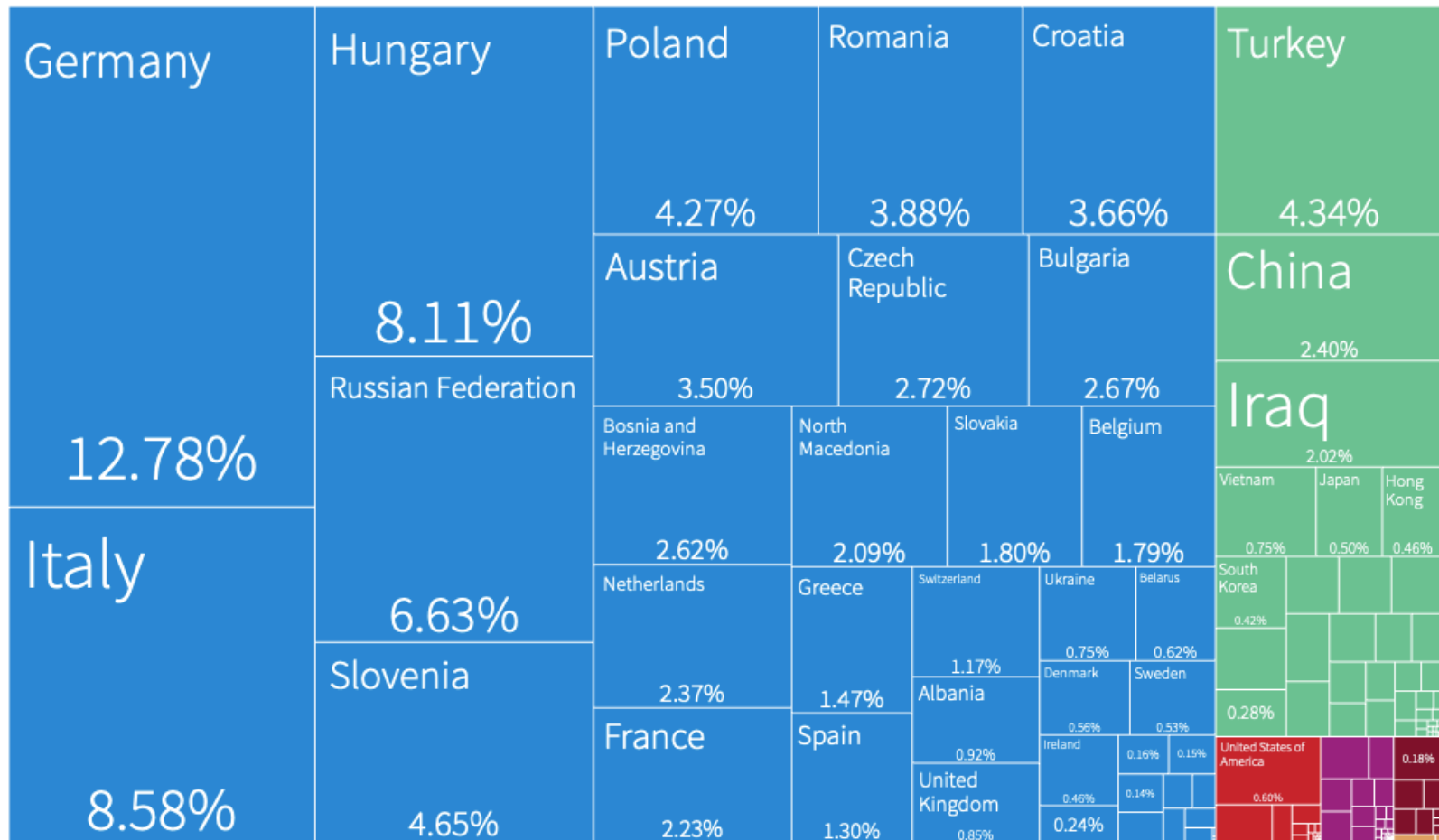
Export partners, Serbia

2017, Atlas of Economic Complexity / UN Comtrade



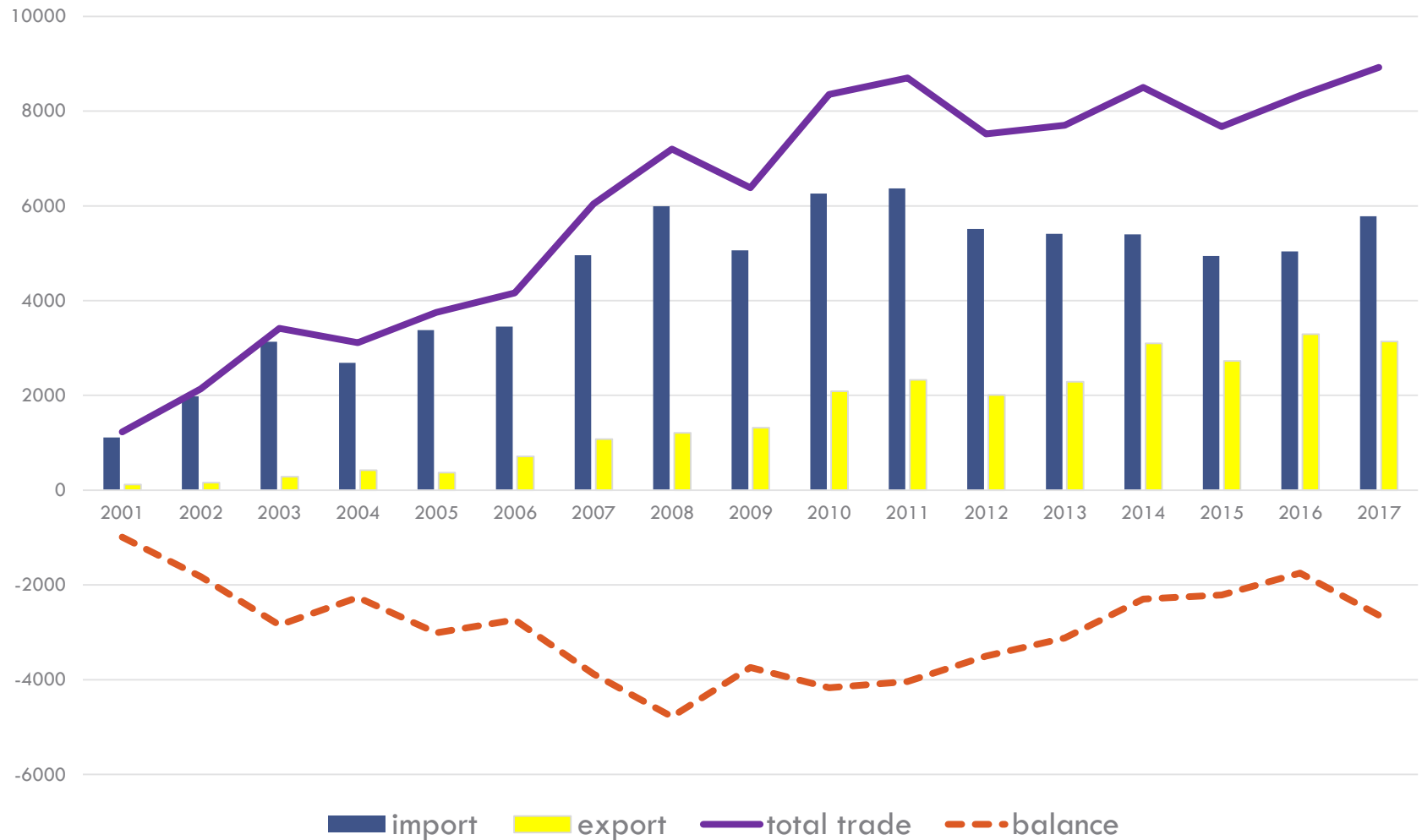
Import partners, Serbia

2017, Atlas of Economic Complexity / UN Comtrade



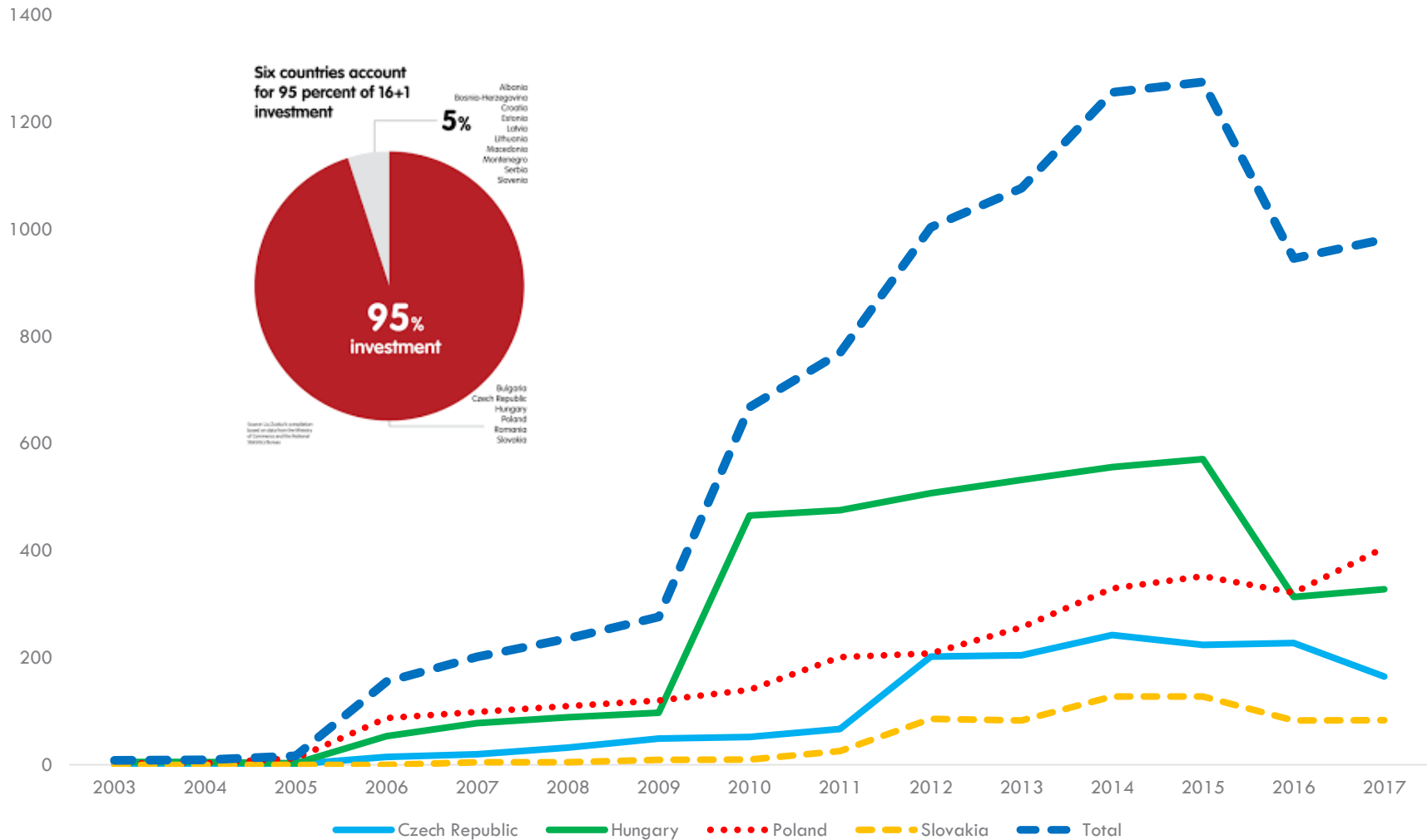
Trade between China and Hungary

Atlas of Economic Complexity / UN Comtrade



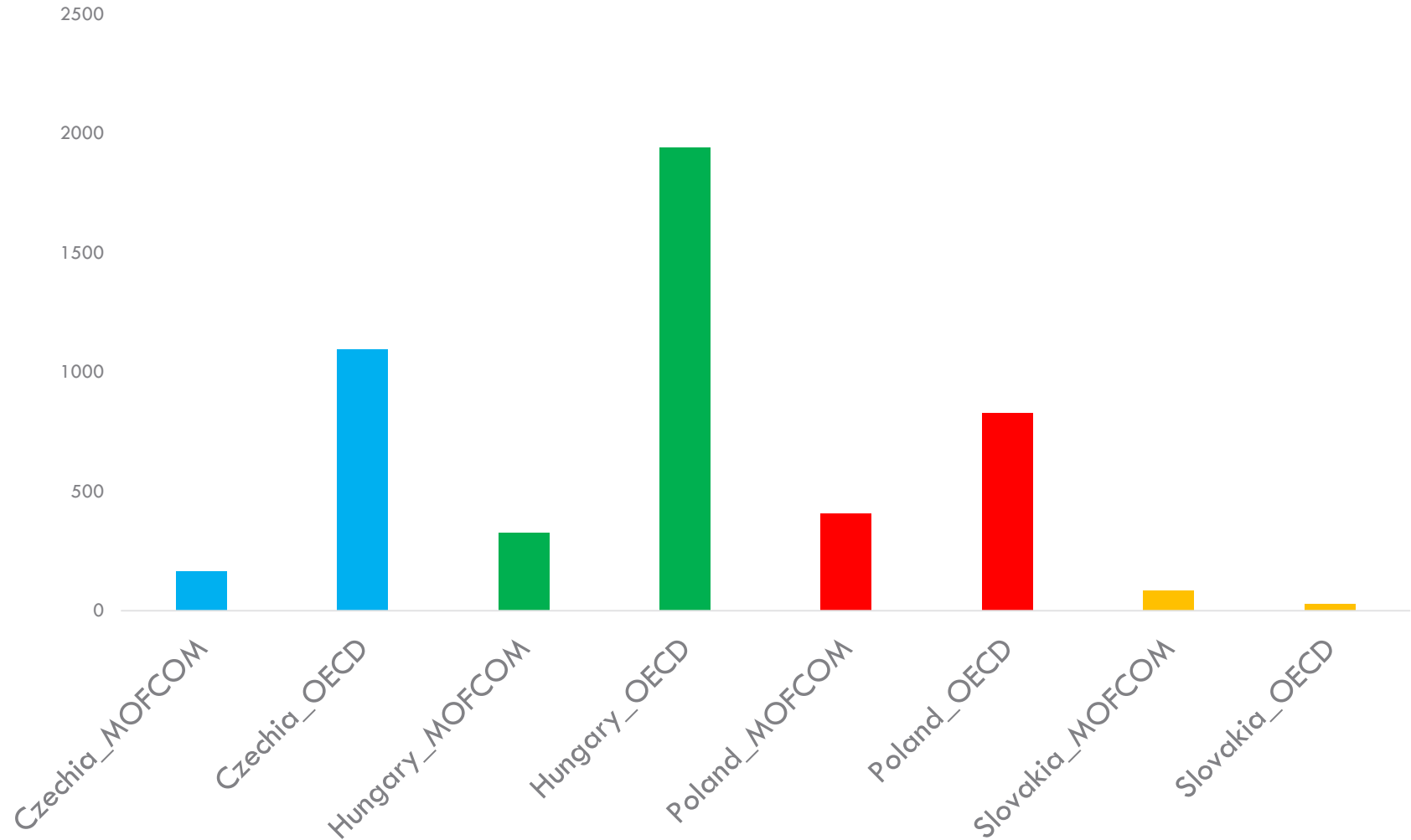
Chinese FDI stock in Visegrad Four

MOFCOM statistics, 2003-2017



Chinese FDI in Visegrad Four

MOFCOM versus OECD statistics, 2017



Challenges of China-CEE cooperation_2

- China still has to learn a lot on how to do business with Europe, even if it is Central and Eastern Europe:
 - Chinese companies often try to use the same ‘package’ as in the developing world not considering the different – and sometimes very strict – rules and regulations of the EU.
 - Therefore a distinction can be made between Chinese FDI and infrastructure projects in the CEE region:
 - while the majority of FDI goes to EU member state CEE countries, infrastructure projects are more prevalent in the non-EU CEE countries.

Challenges of China-CEE cooperation_3

- The CEE region itself is the main obstacle for the deepening of the relations:
 - there are competing interests among the countries of the region with sometimes excessive expectations regarding what to expect from China
 - they lack the proper knowledge on how to deal with China
 - the 16+1 cooperation is also lacking proactive initiatives, plans or strategies from CEE side



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