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

- 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 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

Germany

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<th></th>
<th>Romania</th>
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Export partners, Hungary
2017, 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

![Bar chart showing Chinese FDI in Visegrad Four countries compared to MOFCOM and OECD statistics for 2017.](chart.png)
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.
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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