

**Policy Brief**  
**Responding to China's  
connectivity agenda in EU's  
Neighborhood: a Central European  
perspective**

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## Abstract

Central Europe can bring several unique assets to the EU's Global Gateway connectivity initiative. It can use a valuable first-hand experience of engaging in Beijing-led initiatives, such as the BRI and 16+1, to craft a proper EU response to China's expansion in the EU Neighborhood. It is also naturally positioned to push the EU's agenda forward in two crucial regions of Western Balkans and the Eastern Partnership. Central European Member States should use new EU connectivity frameworks to upgrade infrastructural links with those two regions, advancing their functional integration with the EU and building synergies with the intra-Central European connectivity agenda.

In the last decade, China has become an important new actor shaping the Central and Eastern European connectivity landscape, affecting the regional EU Member States and a large part of the EU's Neighborhood. Using two major international initiatives – 16+1 and the Belt and Road Initiative (BRI) – China created new channels of economic expansion, fueled by extensive credit lines, state-led investment funds, and special economic zones. The Global Gateway, European Union's latest attempt to build a new institutional framework to develop external connectivity, aims at providing a viable alternative to Chinese financing – offering more transparency, sustainability, and environmental awareness<sup>1</sup>.

Although more globally oriented than 2019's 'Connecting Europe&Asia' strategy<sup>2</sup>, Global Gateway's success will nevertheless be tied to implementing its main goals in the EU's Neighborhood – North Africa, Western Balkans, and the Eastern Partnership countries. Building a stable, resilient and well-connected area in the EU's immediate neighborhood will be an important testing ground for the EU's ability to implement its new, 'geopolitical' approach. Most importantly, as the new connectivity paradigm is now being implemented in programming and the fine-tuning of financial instruments, several existing policy frameworks concerning the Neighborhood are already in place. This includes the Economic and Investment Plan for the Western Balkans<sup>3</sup> and the Eastern Partnership framework<sup>4</sup>.

Central European EU member states can bring a unique contribution to the unfolding EU's connectivity agenda, particularly in two crucial regions – the Western Balkans and the Eastern Partnership countries. First of all, Central Europe is

increasingly integrated with those regions through a number of policy initiatives aimed at developing physical and soft infrastructure. This includes both EU frameworks that reach out to the Neighborhood (such as the extended TEN-T transport network, the Energy Community, etc.), and additional political platforms aiming at involving like-minded nations in developing regional connectivity (such as the Three Seas Initiative; or the V4-Japan and V4-Korea dialogues). However, perhaps the most overlooked asset Central Europe can bring to the discussion is the unique insight into China's economic expansion into the region – a process Central European Member States observed from within.

As a part of Beijing's global push to finance and build infrastructure that began in the early XXI century, the Chinese authorities initiated two important initiatives that affected Central, Eastern and South-Eastern Europe – the 16+1 format set up in Warsaw in 2012, as well as the Belt and Road Initiative inaugurated in Astana in 2013. Although different in terms of the geographical scope, political framing, and sectorial focus, both share many important features, such as a Sinocentric institutional structure and a focus on bilateral relations<sup>5</sup>. Since 16+1's leaders' summit in Bucharest and Riga, the format got increasingly aligned with the general goals set up by the Chinese leadership within the BRI framework – connectivity and infrastructure development, particularly in transportation and energy fields. Central Europe was increasingly involved in both land-based branches of the BRI running from China through Eastern Europe and the maritime component entering the EU through the Chinese-owned Greek port of Piraeus.

In general, the actual results of China's connectivity agenda in the intra-EU 'core' of Central and Eastern

<sup>1</sup> *Global Gateway: up to €300 billion for the European Union's strategy to boost sustainable links around the world*, [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_21\\_6433](https://ec.europa.eu/commission/presscorner/detail/en/ip_21_6433)

<sup>2</sup> *Connecting Europe & Asia: The EU Strategy*, [https://eeas.europa.eu/headquarters/headquarters-homepage/50699/connecting-europe-asia-eu-strategy\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/50699/connecting-europe-asia-eu-strategy_en)

<sup>3</sup> *Western Balkans: An Economic and Investment Plan to support the economic recovery and convergence*, [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_20\\_1811](https://ec.europa.eu/commission/presscorner/detail/en/IP_20_1811)

<sup>4</sup> *Eastern Partnership policy beyond 2020: Reinforcing Resilience – an Eastern Partnership that delivers for all*, [https://ec.europa.eu/info/publications/joint-communication-eastern-partnership-policy-beyond-2020-reinforcing-resilience-eastern-partnership-delivers-all\\_en](https://ec.europa.eu/info/publications/joint-communication-eastern-partnership-policy-beyond-2020-reinforcing-resilience-eastern-partnership-delivers-all_en)

<sup>5</sup> Justyna Szczudlik, *China-Led Multilateralism: The Case of the 17+1 Format*, in: Nadège Rolland (ed.), *An Emerging China-Centric Order: Introduction*, NBR Special Report no. 87, [https://www.nbr.org/wp-content/uploads/pdfs/publications/sr87\\_aug2020.pdf](https://www.nbr.org/wp-content/uploads/pdfs/publications/sr87_aug2020.pdf)

Europe are limited. With the notable exception of Hungary, none of the EU Member States used the financial infrastructure offered by Beijing, based on Exim Bank and CDB lending provided to develop transportation, energy, and digital infrastructure. This stems from several reasons, such as the China-centered cooperation structures giving little or no agency to the region, low attractiveness of China's financing, and procurement terms that contradict EU norms<sup>6</sup>. Connectivity-oriented Chinese FDIs in the area are also very limited compared to Western Europe. On top of that, China's involvement in critical infrastructure construction has become a severe concern in many CEE countries, fueled by the growing strategic ties between Beijing and Moscow, and America's new agenda of linking its security presence with countering China.

Although China did not become a significant connectivity actor in intra-EU Central Europe, about a decade of intensive engagement within China-led cooperation structures brought a lot of valuable expertise. This now can be used while designing and implementing the EU's connectivity agenda. Central European policymakers, administration, businesses and think tanks engaged in a wide range of sectorial dialogues within the 16+1 or the BRI. These include protracted inter-governmental negotiations to alter Exim Bank's lending norms, attempts to set up more multilaterally oriented China-led *private equity* investment funds, multilateral engagements between regional and China's policy banks, local governments' dealing with Chinese provinces, etc.<sup>7</sup>. Apart from the unique insight and expertise of being an object of China's connectivity agenda, the region is still involved in many regional China-led sectorial initiatives that stretch beyond the EU into the Balkans and Eastern Europe that can be shaped from within. Since China's policy frameworks are fairly standardized globally, resulting in 16+1's striking

similarities with FOCAC or China-CELAC forum<sup>8</sup>, the EU can use these experiences not only in the EU's Neighborhood but also in Africa or Latin America.

While Central Europe is naturally positioned to push the EU's connectivity agenda in Western Balkans and the Eastern Partnership countries, connectivity policy towards those two regions should be adjusted to regional contexts. This includes considering different geopolitical settings, including the Russian factor that is much more pronounced in Eastern Europe, and acknowledging differences in China's actual presence in both regions – and individual countries. And, perhaps most importantly, it should recognize differences between potential EU instruments that it can use to develop connectivity, depending on the EU accession procedures progress.

EU's connectivity push in Western Balkans is perhaps the most advanced of all regions, with some essential policy adjustments happening even before the inception of Global Gateway. The Economic and Investment Plan for the Western Balkans announced in 2020 brought significant new funding opportunities in transportation, energy, and digital infrastructure. It aims to mobilize up to €9 billion for flagship projects, with the additional €20 for investments through the Western Balkans Guarantee Facility<sup>9</sup>. With the financial infrastructure in place, the EU should tackle several existing problems with local capacity-building to avoid a threat of local administrations not being able to apply for complex EU funding facilities. In this respect, sharing the expertise of Central European governments – excelling at mobilizing intra-EU connectivity funding – may be a significant contribution. The most considerable risk for EU's advances in the region, for the time being, is the protracted blockade of EU enlargement in the region – severely reducing

<sup>6</sup> Marcin Kaczmarzski, Jakub Jakóbowski, *Beijing's mistaken offer: the '16+1' and China's policy towards the European Union*, OSW Commentary, 2017, <https://www.osw.waw.pl/en/publikacje/osw-commentary/2017-09-15/beijings-mistaken-offer-161-and-chinas-policy-towards-european>

<sup>7</sup> Mateusz Seroka, Jakub Jakóbowski, *The Dubrovnik summit: the Europeanisation and enlargement of the 16+1 format*, OSW Analyses, 2017, <https://www.osw.waw.pl/en/publikacje/analyses/2019-04->

[17/dubrovnik-summit-europeanisation-and-enlargement-161-format](https://www.osw.waw.pl/en/publikacje/analyses/2019-04-17/dubrovnik-summit-europeanisation-and-enlargement-161-format)

<sup>8</sup> Jakub Jakóbowski, *Chinese-led Regional Multilateralism in Central and Eastern Europe, Africa and Latin America: 16 + 1, FOCAC, and CCF*, *Journal of Contemporary China*, 2018, 27:113

<sup>9</sup> *Western Balkans: An Economic and Investment Plan to support the economic recovery and convergence*, [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_20\\_18\\_11](https://ec.europa.eu/commission/presscorner/detail/en/IP_20_18_11)

its 'gravitational pull' and popular support in the Western Balkans.

The EU should also work on a proper method to approach China's presence in the region. After several years of intensive engagement, resulting in more than \$9 billion of Chinese lending, the results of China's advance are mixed<sup>10</sup>. Serbia has become Beijing's most important partner in the region – not only politically but also in terms of developing infrastructure. Currently, most of the new Chinese projects are implemented there, both in terms of lending and FDI<sup>11</sup>. The key will be to provide Serbia with the right incentives to apply EU sustainability, environmental and labor standards, and develop infrastructure that fits the EU's long-term plans (such as the TEN-T). As for the rest of the region – countries like Northern Macedonia, Bosnia and Herzegovina, and Montenegro – China's advance has stalled due to political backlash or debt saturation. Here the EU should strike a delicate balance between providing viable infrastructure development options and not being reduced to a side that bails-out countries distressed by Chinese debts.

The Eastern Partnership region is no less strategically important to the EU; however, the connectivity 'paradigm shift' on this policy direction is yet to be implemented. The EU framework developed towards the region after 2009 involved a lot of successful actions that can be regarded as connectivity enhancing: streamlining visa procedures, reducing roaming barriers, people-to-people and youth exchanges, etc.<sup>12</sup> However, the region still lacks a dedicated EU financing facility aimed at developing hard infrastructure. In this respect, the new NDICI instruments (such as EFSD+) can bring a valuable change if directed at those areas. Central Europe should also work intensively on supplementing EU funds with actions of national policy banks and development agencies within

broader EU project "packages" blending different funding sources. The EU could also transfer some of the best connectivity-enhancing ideas and policies from the more advanced Western Balkans into the Eastern Partnership, thus adjusting the framework to new needs.

China's presence in Eastern Partnership countries is even more patchy than in Western Balkans. Here Lukashenka's authoritarian Belarus became Beijing's most favored partner in the region, attracting more than €4,6 billion of loans for infrastructure and industrial upgrading<sup>13</sup>. Belarus has also become a crucial transit route for the booming China-EU railway connections, facilitating almost all traffic. However, as the Belarus-China relations lose steam due to mutual disillusionment with the results, stemming from the low attractiveness of China's official funding and low commercial profitability of joint projects. Beijing is looking at other Eastern Partnership countries – particularly Ukraine. This results in increased intergovernmental contacts, with Kyiv trying to position itself as the next major hub on the BRI, attracting transit flow and Chinese investments<sup>14</sup>. To some extent, these hopes are also shared by some South Caucasus countries, such as Georgia and Azerbaijan, trying to attract more cross-continental trade flows and investments. As the potential to cooperate with Belarus is blocked due to Lukashenka's hostile actions, the EU should thus focus on providing other Eastern Partnership countries with the alternative to China's financing – before Beijing fills the gap. Apart from infrastructure financing, this should include intensive work region's functional integration with the EU's economy, particularly by EU-led enhancement of transport corridors and more strategically oriented FDI<sup>s</sup>.

Central Europe can bring an essential contribution to the EU's new global connectivity agenda, realized

<sup>10</sup> Red Flags: Tracking Chinese Influence in the Western Balkans, <https://www.csis.org/programs/europe-russia-and-urasia-program/european-security-politics-and-economics/red-flags>

<sup>11</sup> Ibid.

<sup>12</sup> Eastern Partnership, [https://eeas.europa.eu/diplomatic-network/eastern-partnership\\_en](https://eeas.europa.eu/diplomatic-network/eastern-partnership_en)

<sup>13</sup> Kamil Kłysiński, Jakub Jakóbowski, *The non-strategic partnership: Belarus-China relations*, OSW Studies, 2021,

<https://www.osw.waw.pl/en/publikacje/osw-studies/2021-01-25/non-strategic-partnership>

<sup>14</sup> Krzysztof Niecypor, Jakub Jakóbowski, *Under the radar of big politics: cooperation between China and Ukraine*, OSW Commentary, 2021, <https://www.osw.waw.pl/en/publikacje/osw-commentary/2021-06-02/under-radar-big-politics-cooperation-between-china-and-ukraine>



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within the Global Gateway initiative. This includes first-hand engagement experiences within the China-led connectivity frameworks, such as 16+1 and BRI. The region should continue to involve EU institutions in the workings of the 16+1 format, applying pressure on China to adjust connectivity-related norms to EU standards. Central European EU member states should also leverage their existing participation in regional connectivity initiatives – such as the V4, the Three Seas Initiative, and various cross-Eurasian transport corridors – to build synergies with intra-EU and extra-EU connectivity initiatives. In a broader sense, transportation, energy, and digital links crossing into Western Balkans and the Eastern Partnership are a natural extension and an indispensable element of Central European connectivity, demanding an active policy in this field.

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