"Going Global" and Regionalization in EU-China Relationship: Perspective from the Baltics

Inna Šteinbuka*;
Una Aleksandra Bērziņa-Čerenkova**; Andris Sprūds***

Summary: This paper outlines the complex trends of the EU-China relationship. The EU and China have an extensive and growing economic engagement. China's "going global" and the Belt and Road initiative may provide further opportunities for cooperation. However, considerable challenges, concerns and uncertainty exist. There is a divergence of values and diversity of interests. The wider frameworks and regional formats, such as 17+1 have mixed results. Moreover, tense relations between the US and China complicate even further complex and delicate balance of interests and expectations between the EU and China. This study identifies the existing trends and add the new contributing impetus to EU-China relations from the Baltic perspective.

Keywords: European Union – China – Belt and Road Initiative – Going global – Regionalization – 17+1 – Baltic countries

1. Introduction

China and the EU have an extensive and growing economic relationship. On the European level the cooperation is growing rapidly in terms of trade and investment. The state of EU – China economic relations is a direct consequence of the EU policies, China's "Go Global" strategy and Belt and Road Initiative (BRI), and the accelerated internationalization process of large Chinese corporations.

* Dr. Inna Šteinbuka: Professor and Director of the Master's degree programme "European Studies and Economic Diplomacy", Faculty of Business, Management and Economics, University of Latvia; full member of Latvian Academy of Sciences (LZA), Email: inna.steinbuka@lu.lv

** Dr. Una Aleksandra Bērziņa-Čerenkova, Head of Riga Stradins University China Studies Centre, Email: una.berzina-cerenkova@liia.lv

*** Dr. Andris Sprūds: Professor and Dean, Faculty of European Studies, Riga Stradins University; Director, Latvian Institute of International Affairs, Email: andris.spruds@rsu.lv; andris.spruds@liia.lv

It is apparent that untapped trade and investment opportunities exist between China and the EU. China's size and dynamism mean that these opportunities are likely to grow with time.

However, the relationship faces considerable challenges due to perceived distortions caused by China's state capitalist system and the diversity of interests of the EU Member States. China's investments in European countries raise a series of question marks regarding international trade, international decision-making process, sustainability of large projects, managerial capabilities, and cooperation in innovation-driven sectors. These opportunities of cooperation and concerns of diverging interests and practices are particularly visible in regional formats such as Cooperation between China and Central and Eastern European Countries, more commonly known as "17+1". Moreover, wider frameworks and developments may have significant implications for EU-China interaction.

This paper outlines the complex trends of EU-China relationship. It identifies both opportunities and risks within different formats from the Baltic perspective. The article specifically examines two important "semi-outside" and "semi-inside" factors, respectively wider and regional dimensions of EU-China engagement. The characteristics and developments of these formats contribute to the mutual dynamic and prospects of cooperation.

2. EU-China: from trade and investment to multilateral partnership?

The European Union and China have an increasingly intensive, multifaceted and complex relationship. Convergence of mutual interests and perceived opportunities contributes to a developing notion of partnership. The EU and China have long been steady trading partners. The Union's trade relations with China are worth 1 billion daily and growing. The EU's trade with China hit a 10-year high last year, with exports increasing by 5,5 % and imports by 6,4 % since 2018.[1] China is now the EU's second-biggest trading partner behind the United States and the EU is China's biggest trading partner. In time of technology developments, business innovations, and decreasing trade costs, China has become a hub of global supply chains. Although the shift in global value chain puts economies heavily involved in the "Asia value chain" under competitive pressure, an interest in mutual economic relations between Europe and China remains strong.

[1] Eurostat. Main trading partners – EU28. In: *Euro area international trade in goods surplus €20.7 bn*, November 2019 [online]. Available at: https://trade.ec.europa.eu/doclib/docs/2013/december/tradoc_151969.pdf

The mutual investment is relatively modest, the large volume of trade notwithstanding. According to the European Commission, the Chinese foreign direct investment (FDI) accounted for 2 % of total FDI in the EU, while the EU's investment accounted for 4 % of total FDI in China in 2016. What has changed in the last decade is China's increased footprint in European investment. Chinese FDI in the European Union has increased by almost 50 times in only eight years, from less than $840 million in 2008 to a record high of $42 billion (35 billion euro) in 2016.[2] For years, European companies sought to benefit from cheap labour by building factories in China, but today that trend is reversing. Chinese investors are now eyeing Eastern Europe and the Mediterranean, where the Eurozone crisis had pushed labour costs down and created hunger for foreign investment. Several European governments have updated or established their FDI screening regimes in 2017 and 2018, and several more are in the process of doing so. This strengthening of review mechanisms has already impacted Chinese investment patterns in 2018, including the first ever instance of a blocked Chinese acquisition in Europe and several delayed transactions.

As the result, Chinese FDI in the EU had reached a peak of EUR 37 billion in 2016 and since then are declining: in 2018 the decline is amounted to 40 percent from 2017 levels and over 50 percent from the 2016 peak. This decline is very much in line with a further drop in China's global outbound FDI. This trend can be attributed to continued capital controls and tightening of liquidity in China as well as growing regulatory scrutiny in host economies. A new EU-level screening framework will further catalyse the convergence of FDI review rules. While the EU will remain on the liberal end of the spectrum, the new FDI screening framework will generally increase scrutiny of foreign acquisitions – and could affect Chinese investors in particular. Moreover, a lack of a comprehensive EU-China Investment Agreement complicates mutual investment.

Diversity among the EU member states and stakeholders has complicated further the trade and investment relationship with China. The complexity of interests within the EU vis-à-vis China is omnipresent. There is a growing need to find an internal synergy to balance business interests of stakeholders within the Member States with the EU strategic interests.[3] This has been recently exemplified by the decision of German city authorities of Duisburg to develop a "smart city" in cooperation with Chinese technological giant of Huawei. Only 14 of the EU's 28 members had national investment-screening measures in place in 2019. Germany is particularly instrumental in defining the trajectories and notions of cooperation

[2] ZENELI, V. Mapping China's Investments in Europe. *thediplomat.com*, 14. 3. 2019.

[3] SPRŪDS, A. Towards a balanced synergy of visions and interests: Latvia's perspectives in 16+1 and Belt and Road initiatives. *Croatian International Relations Review*, November 2017, 37–56.

between the EU and China. The German EU presidency priorities apparently will include the EU's relations with China. China is Germany's biggest trading partner with trade surplus for the latter. However, an increasing apprehension with China's investment and protectionist policies has led the German leadership to add the notion of "systemic competitor" to the previously declared "comprehensive strategic partnership" with China.[4]

The interaction between the EU and China is not limited to only trading and investment figures. European debates about risks from economic engagement with China now extend far beyond FDI reviews. EU institutions and member states are re-thinking past "naïve" approaches and calling for a new approach toward economic and political engagement with China, including scrutiny of data security compliance of Chinese service providers, sanctions in response to possible cyberattacks and enforcement of compliance with money laundering. As a result of these debates and following actions one can expect growing divergence in the EU and China partnership. However, more streamlined European position on trade and investment with China should also take into consideration certain similarity of challenges in the EU and China.

Convergence of similar challenges, strategies and respective policy approaches exist. They are very much in the same boat as both have to deal with formidable challenges in their domestic environment. The EU faces challenges to boost growth, create jobs, overcome populism and cope with a wave of refugees from a chaotic neighbourhood. China needs to come to terms with slowing economic development and at the same time ensure sustainable development and protect the environment. In response to its economic slowdown, China is seeking to achieve a "new normal" characterised by economic and social reforms, leading increasingly to more service and technology-oriented economic growth, where market forces should be playing a more decisive role.

In a world of complex interdependence, domestic growth can only be successfully taken up in a stable and predictable international environment. The EU and China both have an interest in supporting an open multilateral trading system. The question is whether the EU and China are willing to jointly support the multilateral system as the US steps back from its dominant role and, if so, whether they can act in a coordinated manner.[5] Coordinated efforts offer a prospect for the EU and China to demonstrate their shared commitment to safeguarding rules-based multilateral trading system and to conquering protectionism, while pressing forward with free trade, which is a powerful tool for sustainable

[4] SMITH, J., TAUSSIG, T. The Old World and the Middle Kingdom: Europe Wakes Up to China's Rise. Foreign Affairs Journal, September/October, 112–124.

[5] GEERAERTS, G. The EU and China: Modest signs of convergence? *Security Policy Brief*, Egmont Institute, No. 101, December 2018.

economic growth and prosperity. Divergences, however, remain. The EU has concerns about trade and investment relations with China, which include the lack of reciprocity and market access as well as the absence of a level playing field in China for foreign investors. No free trade agreement can be considered before the conditions are right. A comprehensive and ambitious mutual investment agreement is long overdue.[6]

3. Going global: Belt and Road Initiative and other frameworks

The character and dynamics of EU-China relationship is influenced by wider global developments, frameworks and initiatives. China particularly has looked beyond direct EU-China framework and supported Asia-Europe Meeting format (ASEM). From the Chinese perspective, ASEM is seen as a rather convenient platform to engage with the EU. There are no major controversies surrounding ASEM's agenda, thus keeping the political risks to a minimum. Hence, China has been particularly active in stressing the role of ASEM. To exemplify this, the EU as a political entity is not mentioned in China's main document regarding the Belt and Road Initiative: "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road"[7]. ASEM, in turn, appears to be the main channel of Sino-European exchanges, as the document states that the role of multilateral cooperation mechanisms should be enhanced and existing mechanisms such as ASEM need to be used in full to strengthen communication with relevant countries.[8]

The connectivity issue is among the priorities of ASEM. The first ASEM Pathfinder Group on Connectivity meeting was hosted by the EU in 2017 and has had multiple meetings since.[9] Also, the EU-China 2020 Strategic Agenda for

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6 SAARELA, A. A new era in EU-China relations: more wide-ranging strategic cooperation? European Parliament, July 2018 [online]. Retrieved at: http://www.europarl.europa.eu/thinktank/en/document.html?reference=EXPO_STU(2018)570493

7 Chinese text: "《推动共建丝绸之路经济带和21世纪海上丝绸之路的愿景与行动》发布," 中华人民共和国国家发展和改革委员会，http://xbkfs.ndrc.gov.cn/qyzc/201503/t20150330_669161.html

English text: "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road," National Reform and Development Commission, People's Republic of China, March 28, 2015 [online]. Available at: http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html

8 English text: "Vision and Actions… Op. cit.

9 European External Action Service. *ASEM Senior Officials' Meeting and ASEM Pathfinder Group on Connectivity, Brussels, 21-23 June 2017* [online]. Available at: https://eeas.europa.

Cooperation seems to be enabling this particular format as it calls to "reinforce cooperation in all relevant trans-regional and regional fora, in particular ASEM and the ARF […]"[10] However, some of EU's message characteristics present within the EU-China Summit statements, e.g. the value message, the human rights issue, level playing field requirements are largely absent from ASEM documents. The European Council makes its position known indirectly, such as by endorsing the EU's strategy for connecting Europe and Asia, which only speaks of China as one of, but not the only partner in Asia and strongly emphasizes values and respect for individual rights, three days before the 2018 ASEM summit in Brussels and including this information in the connectivity section of the ASEM outcome information on the European Council webpage.[11] It has to be kept in mind that even though the EU is involved as a regional organization and the European Commission is represented at the Summits, ASEM is primarily a platform of individual countries and any coordination that takes place between the EU countries on the sidelines of the meetings is voluntary and not official. Therefore, some divergences from the EU-China Strategic Partnership may transpire.

China's Belt and Road Initiative is much more controversial and perceived frequently in a contradictory manner among European stakeholders. It is a formidable initiative that transforms perceptual maps and policy agendas.[12] For many, BRI is instrumental in further providing opportunities for and facilitating cooperation in wider Eurasian area, including between the EU and China. The BRI has been perceived as a win-win vision and mutual open door outwards looking approach that has also brought closer China and Europe in an increasingly globalized world. The goal of BRI of building China-sponsored interconnected infrastructure around the world has been followed rapidly by a series of China-led infrastructure projects in Europe aiming at improving connectivity, investments and international trade. Along the BRI connectivity ideas, the EU-China "Connectivity Platform", which endeavours to promote cooperation in hard and soft kinds of connectivity through interoperable maritime, land and air transport, energy and digital networks, contributes to intensification of relationship and potential investment increase.

However, concerns and perceived risks are omnipresent. Initially, Belt and Road in Europe had been largely viewed as overlapping with China-CEE

eu/diplomatic-network/asia-europe-meeting-asem/28975/asem-senior-officials-meeting-and-asem-pathfinder-group-connectivity-brussels-21-23-june-2017_en

[10] European External Action Service. *EU-China 2020 Strategic Agenda for Cooperation* [online]. Available at: https://eeas.europa.eu/sites/eeas/files/20131123.pdf

[11] European Council. *Asia-Europe Meeting (ASEM), 18-19/10/2018, Main Results* [online]. Available at: https://www.consilium.europa.eu/en/meetings/international-summit/2018/10/18-19/

[12] MACAES, B. *Belt and Road: Chinese World Order*. London: Hurst and Company, 2018.

cooperation platform. Indeed, the members of the platform, including the Baltic States, were among the first ones in Europe to sign BRI memoranda in 2016, and "16+1" was positioned by China as a leg of the BRI. Austria's letter of intent on BRI in 2018 and Italy's signing of the BRI MoU in 2019 demonstrated that there is more to the BRI involvement in the EU than a line on the map of Europe coinciding with the historical iron curtain divide. The EU as such does not appear in top BRI documents, demonstrating a divergence between the two. Similarly to the 2015 "Vision And Actions On Jointly Building Silk Road Economic Belt And 21st-Century Maritime Silk Road" already mentioned in the context of ASEM, the 2018 "Action Plan on Belt and Road Standard Connectivity" does not mention the EU at all, whereas Central and East Europe is specifically underscored, stating the goal to "expand and extend the regional standardization cooperation channels with Central and Eastern Europe, Central Asia, West Asia and Arab countries, and basically achieve full construction and Standardized cooperation mechanism for smooth flow of key countries along the "Belt and Road".[13] This goes to show that even though the Belt and Road Initiative in Europe largely coincides with the countries involved in the "17+1" cooperation and the "17+1" is consistently being mentioned by Chinese leaders as a promoter of BRI cooperation, China positions "17+1" as a mechanism for China-EU cooperation, but leaves the topic of the EU out of the Belt and Road Initiative. This trend is worrisome from the perspective of finding common ground between the Belt and Road Initiative and the EU-China Strategic Partnership. The European Commission has underlined that BRI needs to be an open, transparent and all-inclusive initiative, which adheres to international and multilateral market rules, requirements and standards[14]. The results are apparently mixed.

The EU has taken some initiative to shape transcontinental connectivity rules. The Europe-Asia Connectivity Strategy revealed in December 2018 is a good step in that direction. However, the disbalance in financing between China-fuelled BRI budget and EU-proposed Strategy is named to be one of the major shortcomings of the "European answer" to BRI. Even though the future of BRI is not entirely clear, as the China's government might plateau or decrease its contributions in the face of domestic criticisms, still, a search of matching sustainable financing models on the EU side is crucial for EU-led connectivity initiatives.[15]

[13] Belt and Road Portal. 标准联通共建"一带一路"行动计划（2018–2020年）. January 11, 2018 [online]. Available at: https://www.yidaiyilu.gov.cn/zchj/qwfb/43480.htm

[14] European Commission. *Roadmap for EU China S&T cooperation.* October 2018 [online]. Retrieved at: https://ec.europa.eu/research/iscp/pdf/policy/cn_roadmap_2018.pdf

[15] See, e.g. HOLZNER, M. *One Trillion Euros for a European Silk Road.* The Vienna Institute for International Economic Studies, November 20, 2019 [online]. Available at: https://www.ac.at/one-trillion-euros-for-a-european-silk-road-n-406.html

Moreover, Transatlantic dimension adds to the cautiousness and necessity of response-seeking on European side about China's "going global". The United States are taking a conspicuously tougher stance on China. For some, US-China relations are entering some resemblance of the cold war.[16] The EU member states, including the Baltics, agree with many US complaints about China, but they disagree with the confrontational strategy adopted by Washington, as it contributing to a "muscle-led" international order.[17] Therefore, the Baltic States are trying to shape national positions on the premise that the US is the primary and indispensable ally, but China should not be dismissed as an economic partner – if the relations are properly managed, they can provide profitable economic engagement. The controversy surrounding 5G apparently is just the beginning of this difficult balancing act. The EU is in favour of a tighter investment screening approach. Although the EU is not shying away from naming China a "systemic rival" anymore, the export-oriented countries are interested to cooperate with China. Hence, it will be a very difficult task on the EU side to find a consensus and manoeuvre between the US and China.[18]

4. Regionalization: "17+1" and beyond

Of all the formats of the Sino-European engagement, the "17+1" [19] is arguably the most controversial one and carries the highest level of potential political risks from the EU perspective. During the early days of the platform, starting from 2011/2012, China was channelling the message of Central and Eastern Europe as being "different" from the rest of Europe. The "traditional friendship" between China and some of the 16 countries during their socialist period was given as a reason to be invited into this particular format.[20] As PRC's then-Premier Wen Jiabao put it during the first China–Central and Eastern European

[16] WESTAD, O. A. The Sources of Chinese Conduct: Are Washington and Beijing Fighting a New Cold War? Foreign Affairs Journal, September/October 2019, 86–87.

[17] OTERO-IGLESIAS, M., ESTABAN, M. Introduction: Europe in the Face of US-China Rivalry, *A Report by the European Think-tank Network on China*, (eds.). Mario Esteban, Miguel Otero-Iglesias, Una Aleksandra Bērziņa-Čerenkova, Alice Ekman, et. al. January 2020, p. 31.

[18] BARKIN, N. Hard Choices on China. Berlin Policy Journal, November/December 2019.

[19] Commonly referred to "16+1" prior to the accession of Greece in 2019.

[20] For more on China's narrative adaptation, see TURCSANYI, R., QIAOAN, R. *Friends or foes? How diverging views of communist past undermine the China-CEE '16+1 platform'.* Asia Europe Journal, May 27, 2019 [online]. Available at: https://link.springer.com/epdf/10.1007/s10308-019-00550-6?author_access_token=OYMOmvWCncuJbhjhcen0Afe4RwlQNchNByi7wbcMAY5YGpCBDKQoEr8zVHjIUXf-RA3k9dRyAGTX2SQJF_jnvZsxP8o-OgnPdS4836VGy0rrlrfNHoI0y5Dk3Ep1Tz-9FVLcCLFSnwjyL-Bu46bRfA%3D%3D

Countries Economic and Trade Forum in Budapest, "After the founding of New China, most Central and Eastern European countries established diplomatic relations with China for the first time, opening a new chapter in friendly exchanges between the two sides."[21] Although the role of the EU was also mentioned, still, the latter perceived China's activities as a way of bypassing EU's rules and regulations.

Later on, however, especially after the Summits in 2018–2019, this China's narrative subsided – not least due to persistent EU criticism of what was called China's attempts at dividing the EU – and a new narrative grew in force. First of all, China's leadership emphasized that "17+1" cooperation is just one of the platforms for China-EU exchanges. Prime Minister Li Keqiang indicated that China-CEE cooperation "follows international rules and EU laws and regulations, and respects the responsibilities and obligations of EU member states among the 16 countries."[22] Secondly, as the Dubrovnik Summit of 2019 brought Greece's accession, the format is no longer tied to the "socialist past" and the EU "newcomer"/candidate status associated with the original 16 members, as Greece has been an EU member state since 1981. These developments are designed at minimising the controversy and reassuring the EU by bringing the "17+1" closer to the spirit of the EU-China Comprehensive Strategic Partnership.

Throughout the course of China-CEE cooperation, the Baltic States have been consistent in emphasizing the role of the platform as being complementary to China-EU cooperation and upholding the Brussels position[23]. However, as the platform is comprised of several diverse regions, other partners have occasionally antagonized Brussels. From the Baltic perspective, there are no major divergences between EU-China cooperation and the "17+1" in this particular region, but there have been occasions when other players, e.g. Hungary, have not supported the common EU position.[24] Therefore, it can be concluded that the level of convergence between the EU-China Comprehensive Strategic Partnership and the "17+1" varies from country to country.

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[21] The Central People's Government of the People's Republic of China. 温家宝在中国–中东欧国家经贸论坛上致辞(全文). June 26, 2011 [online]. Available at: http://www.gov.cn/ldhd/2011-06/26/content_1892867.htm

[22] Xinhua News. 李克强出席第八次中国 - 中东欧国家领导人会晤. April 13, 2019 [online]. Available at: http://www.xinhuanet.com/world/2019-04/13/c_1124360993.htm

[23] ŠTEINBUKA, I., MURAVSKA, T., KUŽNIEKS, A. EU-China: New Impetus for Global Partnership. European studies. The Review of European Law, Economics and Politics. Czech Association for European Studies, Vol. 4, 2017, pp.121–139. ISSN-1805-8809 (print), eISSN 2464-6695 (online), ISBN 978-80-7598-032-8 (Print). Indexed ERIHplus.

[24] HEIDE, D., HOPPE, T., SCHEUER, S. and STRATMANN, K. EU ambassadors band together against Silk Road. *Handelsblatt*, April 17, 2018 [online]. Available at: https://www.handelsblatt.com/today/politics/china-first-eu-ambassadors-band-together-against-silk-road/23581860.html

In the opinion of some political and economic analysts, the danger for the Baltic States is that Chinese initiatives like the "17+1" and the Silk Road Economic Belt project become mechanisms to leverage greater space for Chinese economic penetration into the European markets. If "Germany has become aware that the growing number of economic ties with China may bring in tandem with the many benefits also certain threats"[25], then the situation for much smaller and weaker Baltic economies presents even more risks. On one hand, "Chinese enterprises can leverage their full-fledged experiences and technologies in infrastructure building to help the CEE countries where demands of the kind are increasingly rising"[26]. On the other hand, it is not clear what sort of leverage this will give. It is true that the Baltic countries as "17+1" framework members, look to China for opportunities to boost their transport and logistics sector and to attract investment. However, Chinese investment in the Baltic States would be a mixed blessing[27]. Chinese financing may build up a disadvantageous "debt model"[28] for the small Baltic countries, given disadvantageous rates that are further tied into using Chinese companies and Chinese workforce to deliver.

This raises the question of reciprocity. While Chinese companies find an open-door environment in Europe, it is quite difficult, if not impossible, for a European company to succeed in winning a contract to build an infrastructure project in mainland China[29],[30]. This lack of "reciprocity" is an issue for the Baltic States as such projects leave the region at "risk". Local industry can be undercut by greater volumes of cheaper Chinese imports the transport costs of which would have been reduced through these infrastructure projects.

The analysis shows that China is strengthening bilateral relations with only some of the 17 and paying more attention to them than to others. China seeks "leverage" in which Beijing is ready to advance its own agenda in the region. A related challenge for the Baltic countries is to preserve EU solidarity within the "17+1" framework, which in general is not serving the solidarity purpose in trade negotiations with

[25] POPLAWSKI, K., 2017. Capital Does Have Nationality: Germany's Fears of Chinese Investments. *OSW Commentary*, Centre for Eastern Studies, No. 230, p. 1.

[26] ZHANG, Y., 2017. China's Economic Diplomacy Entered the New Era. *Foreign Affairs Journal*, April [online]. Retrieved at: http://www.chinesemission-vienna.at/eng/zgbd/t1455480.htm [Accessed 14 Feb. 2018].

[27] SCOTT. D., 2018. China and the Baltic States: strategic challenges and security dilemmas for Lithuania, Latvia and Estonia, *Journal of Baltic Security* 4(1), De Gruyter Open, p. 25–37.

[28] JAKOBOWSKI, J., KACZMARSKI, M., 2017. Beijing's Mistaken Offer: the '16+1' and China's Policy Towards the European Union, *OSW Commentary*, Centre for Eastern Studies, No. 250, p. 3.

[29] CASARINI, N., 2015. Is Europe to Benefit from China's Belt and Road Initiative? *IAI (Insituto di Affari Internazionali) Working Papers 15*, No. 40, p. 1–11.

[30] LE CHORRE, P., SEPULCHRE, A., 2016. China's Offensive in Europe. Washington: The Brookings Institution Press.

China. Chinese officials make reassurance on this issue. At the Riga Summit in November 2016, China's Prime Minister Li Keqiang argued that "we have all along stressed that the '16+1' cooperation is a part of and useful complement to China-EU cooperation […] and has injected new vigour into the China-EU comprehensive strategic partnership"[31],[32]; but actually in the world of 'power politics' the "17+1" format enables China potentially to exert increased leverage on the small Baltic countries, and to also weaken the bloc advantages for the EU in its wider negotiations with China, however this risk so far remains rather theoretical.

Economic security is an issue as there is an ongoing large trade imbalance, in which Chinese exports to the Baltic States increasingly outweigh Baltic exports to China[33]. Furthermore, Baltic exports to China are strongly in the food area (particularly dairy produce); while Chinese exports to the three Baltic States are strong in finished industrial products (machinery, technology). Terms of trade give China's exports increasing price rises, while Baltic raw resources' price rise less quickly. Consequently, a gap in value increasingly opens up in China's favour and against the Baltic States. The pattern of China-Baltic trade also threatens to establish a neo-colonial pattern between primary resources and finished industrial products[34]. Such structural imbalances are compounded by imbalances in relative importance: the economic links with China are of rising significance for the three Baltic countries, but the economic links with the Baltic countries are of much less significance for China[35]. This also gives China greater power in negotiations with the Baltic States, who operate in structural terms from a position of relative weakness.

From the Baltic perspective, other regional formats also play into EU-China relationship. The Nordic-Baltic Eight (NB8) is the current name of the cooperation

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[31] LI, K., 2016. Forging a Reliable Partnership for Win-win Cooperation, November [online]. Retrieved at: http://english.mofcom.gov.cn/article/newsrelease/counselorsoffice/bilateralexchanges/201612/20161202274017.shtml [Accessed 14 Feb. 2018].

[32] LIU, Z., 2014. The Role of Central and Eastern Europe in the Building of Silk Road Economic Belt, China Institute of International Studies, September [online]. Retrieved at: http://www.ciis.org.cn/english/2014-09/18/content_7243192.htm [Accessed 14 Feb. 2018].

[33] KALENDIENE, J., DAPKUS, M. et al., 2017. Nordic-Baltic Countries and China: Trends in Trade and Investment: A Business Perspective, *The New Silk Road: China Meets Europe in the Baltic Sea Region*, July [online]. Retrieved at: https://www.researchgate.net/profile/Jone_Kalendiene/publication/317156119_Nordic-Baltic_Countries_and_China_Trends_in_Trade_and_Investment_A_Business_Perspective/links/59fcc8abaca272347a22a61f/Nordic-Baltic-Countries-and-China-Trends-in-Trade-and-Investment-A-Business-Perspective.pdf?origin=publication_detail

[34] SCOTT, D., 2018. China and the Baltic States: strategic challenges and security dilemmas for Lithuania, Latvia and Estonia, *Journal of Baltic Security* 4(1), De Gruyter Open, p. 25–37.

[35] MARTYN-HEMPHILL, R., MORISSEAU, E., 2015. Small Step for China – Giant Leap for the Baltics? *Baltic Times*, February [online]. Retrieved at: https://www.baltictimes.com/small_step_for_china_-_giant_leap_for_the_baltics_/ [Accessed 14 Feb. 2018].

framework comprised of five Nordic nations, namely, Denmark, Iceland, Norway, Finland, Sweden, and three Baltic states–Latvia, Lithuania and Estonia, established in 1992. Although the day-to-day cooperation vectors are mostly regional, such as security, resilience, energy, EU Eastern Partnership, the framework also strives to include wider strategic issues in the agenda by covering also transatlantic, broader EU and UN contexts.[36] Even though East Asia and China, in particular, has not been in the focus of NB8 cooperation, still, in January, 2018, the speakers of parliaments of the respective countries, except for Denmark, paid a joint official visit to Beijing, discussed cooperation between their parliaments and the Chinese National People's Congress, and met with China's President Xi Jinping, who in turn assessed NB8-China cooperation as being "conducive to pushing forward the development of the comprehensive strategic partnership between China and the EU".[37] The perception of NB-China cooperation as a smaller-scale representation of EU-China exchanges is shared by both sides. Even though two of the NB8 nations – Norway and Iceland – are not member states of the EU, there are no differences between the standpoint of NB8 and EU's agenda within the EU-China Comprehensive Strategic Partnership. In addition, the NB8 framework has had regular work meetings with the Visegrad countries as of 2013 referred to in a rather equation-like way as NB8+V4, and China has strongly appeared on the agenda of this format in 2019.[38] However, it is still too early to tell whether there will be exchanges between NB8+V4 and China. Such exchanges would prove more challenging than the NB8 for the European side and may even carry political risks, as with the inclusion of Czech, Hungarian, Polish and Slovak positions, a wider spectrum of opinions on EU-China engagement will have to be negotiated.

5. Conclusions: managing divergence and diversity

The European Union and China enter an increasingly intensive and dynamic relationship. This has been facilitated by both China and EU "going global'" in their economic, trade and investment outlook and endeavours. China's Belt and Road initiative has become one of the important pieces of the relationship and

[36] Ministry of Foreign Affairs of the Republic of Latvia. *Co-operation among the Baltic and Nordic countries.* April 19, 2017 [online]. Available at: https://www.mfa.gov.lv/en/policy/baltic-sea-region/co-operation-among-the-baltic-and-nordic-countries

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political agenda. In addition, a mutual "going global" has served as a catalyst for regionalization and concrete connectivity opportunities. The regionalization of this interaction, such as "17+1", has provided particularly countries and societies in the Central and East European region with opportunities to develop a different perspective, and essentially "become global". Hence, although dilemmas of choices and challenges exist, an engagement with China and its initiatives is now firmly placed on a mainstream agenda in the Baltic countries.

Challenges, however, are significant and can not be ignored. Divergence of values and asymmetries of interests exist. China in its own eyes is replacing the EU as a global normative superpower and role model for development. Diverging models and strategies of economic and political development complicate the relationship. China has been described as "systemic rival promoting alternative models of governance".[39] The perceived lack of reciprocity, limited market and investment access in China and assertive business expansion in Europe are only a few but important concerns among the EU decision-makers. As EU is starting gradually push back, Europe's economic and technological sovereignty is increasingly invoked. This has been further facilitated by the importance of Transatlantic link in a phase of the US-China tensions.

Moreover, diversity exists among the EU members states and it influences EU position on "going global" with China. Countries vary in terms of size and capacity, perceptions and interests, relations and affiliations. Various stakeholders such as governments, businesses, non-governmental institutions occasionally may compete among themselves for access, attention and resources. Management of diversity becomes both a manifestation and challenge of ever-growing web of various connectivity. Some countries, such as Greece, Italy, Portugal and Hungary, see benefits of closer engagement. Other countries, such as France, Scandinavian countries, Spain, Poland, Chechia, are becoming increasingly critical of the "European naivete" on China. German leadership's ambivalence and gradual shift from "comprehensive strategic partnership" to notion of "systemic competitor" is indicative of perceived coexistence of opportunities and risks within the EU. The Baltic States see opportunities of the EU-China cooperation and particular advantage of their geographic position at the crossroad between major axes of communication. At the same time, importance of rules-based order, aspiration for a common EU position and ensuring Transatlantic solidarity have become the cornerstones of the Baltic perspective on international partnerships, including with regard to the EU-China relationship.

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