A Few Words about China's New Role in the Central European Region

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The paper aims to briefly overview Central European initiatives taken after 2008-2009 to boost Chinese and Central European economies. It raises the question as to how or whether these Chinese economic efforts can be interpreted in the light of hegemony theories. The paper concludes that Chinese efforts to enhance economic cooperation with the CE region have been motivated by the rising political power of China, but because of the minimal political importance of Central Europe for China this cooperation won't be stable if solely built on political interests. Albeit mutual economic interests would be vital to the stability of the cooperation, it faces serious challenges, since Central European countries have vital interest in job creation and access to new technology, whereas logically the Chinese state encourages domestic firms to go global, because of the need new markets and upgrading the Chinese economy. The paper argues that one of the "best-selling products" of China is the Chinese developmental state model which is, for the time being, in high demand among Central European countries. This "product" challenging the free-market based democracy model is the most important element in the cooperation with China.

1. Introduction

In the aftermath of the Global Financial Crisis, experts argued that China's resilience in the face of external financial shocks had the potential to mitigate the devastating effects of the economic crisis in Central Europe effectively. This argument implied the great potential of Chinese demand due to the growing purchasing power of Chinese middle-classes. Others pointed to the economic interests of the raising political power. The economic efforts of a politically and economically raising China take shape in five different areas now: trade, investments, the One Belt, One Road initiative, multilateral financial institutions, and the internationalization of RMB.

Although trade and investments might be hampered by a slowdown in the Chinese economy for a very short period, the four remaining areas are unlikely to be affected by the cooling economy in China, since the slowdown is of temporary nature and much of these initiatives are motivated mainly by political considerations. The other side of the coin is that most Central Asian countries responded positively to Chinese initiatives, and have a clear positive attitude towards Chinese investments, mainly related to the One Belt and One Road initiative. These countries need Chinese investments to counterbalance the Russian political and economic influence. Most of the Central European countries also walk a tightrope balancing between their own economic and political interests. For them, more economic integration means reduced sovereignty in an 'ever closer Union'. Thus, these countries also need Chinese investments to offset Western European political and economic interests. However, it is obvious that each and every one of them faces very different challenges, since they are part of the Single Market and receive substantial funds for economic development. Cooperation with China is a long run economic interest of Central European countries, while access to EU-funds will be more limited after 2020.

Since 2008, there have been several initiatives, academic conferences, and political meetings to encourage various forms of economic cooperation between China and the Central European region. In addition, Central European countries have adjusted their economic policies to the new realities of the world economy, and have launched new trade and investment strategies towards China.

The reason, why did these countries adjust their economic trade and investment strategies, can easily be shown through the change in FDI patterns. In the late 1990s, China grew to be the most important destination country of foreign direct investments, and in the new millennium it also became the second largest holder of U.S. bonds, recently owning 1049 billion USD.[1] The country also developed into the second largest exporter of FDI in 2014 which vividly shows the depth of structural changes in the world economy. The Chinese diversification strategy includes investing a significant share of abundant capital rather in high-yielding shares and corporate bonds than in secure, but low-yielding US bonds, however, it must be said that the purpose of the diversification is not only to invest money more efficiently, but also to tap natural resources and gain access to new markets and new technology. From this point on, opinions diverge in the question as to whether this diversification strategy also pursues political goals of the emerging hegemonic Chinese state or not. But if you look at the importance of African countries China began to cooperate more closely in the recent years, it is clear, economic interest must have been the prevailing interests since the countries are far away from being global players in the world politics.

1 November, 2016, US. Treasury data.

Another part of the Chinese strategy encompassed the stimulus program after the Global Financial Crisis, which was heavily criticized by some economists[2] referring to the low efficiency of these public investments. That is why it can be argued that along with increasing savings, surpluses, and a need for a structural change there is an ever-growing demand for more efficient investments, and improving profitability of the Chinese firms. And this need is often reflected in the internalization of large Chinese enterprises.

The majority of these outbound foreign direct investments (OFDI) are still directed to developing countries; however, the share of Chinese OFDI to Europe has been increasing in the recent years, which also shows the ongoing structural change in the Chinese economy. Hence, the Chinese investments in developing countries are rather resource-seeking investments, while OFDIs in Europe have already reflected the need to speed up the structural adjustment of the Chinese economy leading to higher added value goods and services.

From the point of view of the Central European countries, it is crucial theoretical question whether this economic rise will continue in the coming decades, China will be able to avoid the middle-income country trap. The so-called middle-income country trap refers to the problems of structural change of countries where economic strategy relies on cheap labor in the early stages of economic development, but in the next phase of development new comparative advantages have to be found since due to earlier success wages are on rise. This trap clearly poses real threats to the Chinese economy since economic successes pushed up wages, in particular in the South of China, reaching and exceeding average Hungarian wages. (In the Suzhou area, average wages vary between 3.000 and 8.000 Yuan, depending on skills.) In theory, there are other constraints and uncertainties to be considered.

1. Export have a relatively low domestic value added share,[3] but this is why one of the main goals of Chinese economic policy to move up the value chain. This is the very reason why Chinese investors target already existing firms, and the acquisition of technologies.

2. Whether "a hard landing" of the Chinese economy will take place in the near future or not at all is difficult to forecast with precision. There are very diverging

2 More details about the debate on how much of China's economic growth is driven by investments in infrastructure or by improving efficiency (Total Factor Productivity) can be found in Wu (2011).
3 In 2011 domestic added value reached 68 percent in China, 85 percent in the US, 74 percent in Germany and 85 percent in Japan (OECD data).

prospects for China's economy, for example: Elliott is sceptic about 'hard-landing', arguing "[...] anyone who has seriously studied China realizes that the leadership of the Communist Party and of the government is very smart and has analyzed the issues carefully. The path to power and wealth in China generally runs through the State and consequently most of the best minds compete hard for these positions." (Elliott, 2014) In contrast to him, Kenneth Rogoff skeptically warned in a BBC interview that hard landing poses a real threat to the global economy. He argued that the threat comes from a credit-fueled economy. (Marketwatch, 2016) But the truth is, that despite the 2014-2015 fall in manufacturing, the Chinese Caixin Manufacturing PMI by HSBC is well above 50 again! Another argument is that this change is in line with Beijing's efforts to shift the growth emphasis to domestic consumption and services rather than exports and government-led investment.

3. There are also external threats the Chinese economy is facing. The Trump Presidency will set American foreign policy and economic diplomacy on a new path, thereby it will reshape world politics and word economy in the coming four years. The American withdrawal from the Transatlantic Trade and Investment Partnership (TTIP) and other protectionist proposals will not only impact Chinese exports but they also indicate that world trade is likely to be affected by international politics adversely in the next years as well. Even though the change in American trade strategy might pose threat to the Chines economy, it can also offer opportunities to an emerging global political and economic power of China.

2. The Four Different Layers of Cooperation in the Central European Region

Despite above-mentioned uncertainties regarding the development of the Chinese economy, trade with the Central Europe and investments in and from the region are part of the diversification and restructuring strategy of the Chinese economy. Since the early economic reforms in China, it has been a clear policy goal to open up the economy in order to attract knowledge and capital. In the literature on the sequencing of foreign investments it is often emphasized that the period of inward directed internalization of the economy, which can be characterized by a rise in foreign direct investments, is usually followed by an outward directed internalization of the domestic market. During this period, domestic firms are able to enter the market, either in form of foreign direct investments, firm acquisitions, mergers, joint ventures, or through purchases of shares. The Chinese economy clearly entered this second phase during which outbound investments grow more and more important.

In early phases of modernization, the Chinese economic policy relied on "bring in" approach, emphasizing the importance of import and inward foreign direct investments as tools capable to increase the technological level of the Chinese economy, however after the turn to the new millennium "go global" strategies became more dominant in Chinese economic policy. The "Go out" policy was initiated in 1999 and implemented from 2001 onwards. There are different phases of the policy to be distinguished according to the State Council of the People's Republic of China:

1. In the first phase, many Chinese enterprises set up overseas sales networks, and they engaged in low-end international trade.

2. In the second phase, even state-owned enterprises tried to enter overseas markets, however, they mainly targeted areas where they could tap natural resources of the new markets (oil, natural gases, other natural resources) and these firms also engaged in infrastructure projects.

3. In the third phase of the "Go out" policy, large Chinese private firms began directly investing in foreign markets, set up factories etc. It must be stressed that this stage of internationalization not only includes moving low-added value manufacturing to neighboring cheap-labor countries, but also the acquisition of global brands like IBM or Volvo.

4. Based on Chinese government plans, the last stage of internationalization would lead to the dominance of Chinese private firms in this process. It would create a more diversified economy, and a better position within global value chains. To underline this trend, the State Council of the People's Republic of China quotes data of the Ministry of Commerce: "According to data from the Ministry of Commerce, Chinese non-financial investment in 2015 amounted to $118.02 billion, a growth of 14.7 percent year-on-year, and continuing growth in outbound investments over the past 13 years." (State Council, 2016)

As we could see, in the last phase of internationalization, acquisition of more and better technology are the explicit goals of the Chinese economic policy. Thus, the role of Central European countries in this internationalization can only be minimal.

Despite the uncertainties mentioned above and theoretical considerations with regard to the importance of Central European economies to China, it seems to be clear that trade with the CE countries and investments in and from this region are inevitable parts of the diversification and the restructuring of the Chinese economy. And the strengthening of trade and investment ties with China is also a necessary part of Central European efforts to boost economies of the EU. These ambitions have been very clear in the recent developments of the bilateral relations between the Visegrad Four countries (V4) and China.

Four different layers are to be distinguished in the relations between China and the V4 countries: (1) strategic partnerships, (2) regional frameworks, (3) the EU dimension and (4) global frameworks.

1. Strategic partnerships. Up to this point, there are two strategic partnerships initiated by China, one with Poland and the other with the Czech Republic. In the case of Hungary it is clear that Hungarian politicians promote the idea of a strategic partnership with China.[4] (Business Insider, 2016) The first-ever official visit of the head of China to Poland took place in 2004, it was followed by the official visit of a Polish head of state to China in 2011, where a strategic partnership of the two countries was established.[5] (Xinhaunet, 2012) In 2016, China also signed a strategic partnership agreement with the Czech Republic. Strategic partnerships are integral part of Chinese foreign policy, since China has established partnerships with 47 countries and 3 international organizations, with the EU, the ASEAN and the African Union. (Zhongping – Jing, 2014, pp. 18-19.)

2. The "16+1" mechanism. Despite efforts to strengthen bilateral relations, given the number of the Eastern countries and the relatively small size of the economies, it seems to be more manageable for the Chinese partners to establish regional cooperation frameworks. In 2012, another initiative was born by the launching of the "16+1" mechanism of cooperation including China and 16 CEE countries. And up to this point, each year a summit was held in different capital if the country group.[6] There are already positive signs of this cooperation as the quote puts: "According to the Chinese Ministry of Commerce, the total annual trade volume between China and CEE countries registered 43.9 billion U.S. dollars in 2010, and the figure surged to 60.2 billion dollars in 2014. China has plans to double its trade with the region by 2019."[7] (China Economic Net). Between 2009 and 2014, Chinese FDI flows to V4-countries increased by 366 percent, while total Chinese OFDI only

4 http://www.businessinsider.com/ap-hungarian-leader-wants-strategic-partnership-with-china-2016-10
5 http://news.xinhuanet.com/english/china/2012-04/26/c_123037803.htm
6 In Warsaw, Poland (2012); Bucharest, Romania (2013); Belgrade, Serbia (2014); and Suzhou, China (2015).
7 http://en.ce.cn/main/latest/201603/27/t20160327_9841265.shtml

doubled. (217 percent). However, it is not clear that how much of this change in data can be explained by the strengthening of the regional cooperation framework. The "16+1" cooperation mechanism is an intergovernmental platform which is extended by working groups, forums and dialogues in various fields. (F. ex. China-Hungary-Serbia joint working group on transport infrastructure cooperation; China-CEEC Health Ministers' Forum, China-CEEC Literature Forum, and China-CEE Countries Political Parties Dialogue).

China's 'one-size fits all' framework has a few limitations, which are to be led back to visible fault-lines between the sixteen Central and Eastern European countries:

(1) Large economies are more able to take advantage of the cooperation, whereas small economies find it difficult to cooperate with China. Size also matters in trade.

(2) Political identity also differs widely among the 16 countries (membership in the EU, Single Market and the Eurozone)

(3) This new cooperation form triggered suspicion in EU institutions, EU countries as to what are the Chinese intentions with this mechanism, referring to the possibility of the divide and rule tactics of great powers.

3. EU-China partnership. There is another layer which only partly overlaps the "16+1" mechanism is the EU-China comprehensive strategic partnership, which started in 2003, however, it is based on several formal agreements between China and the EU. (See the High Level Economic and Trade Dialogue in 2009 or the 1985 agreement on trade and economic cooperation etc.) The partnership was complemented by the EU-China 2020 Agenda for Cooperation in 2013 encompassing four areas of cooperation: peace, prosperity, sustainable development and people-to-people exchanges. There are various causes for criticism when it comes to this layer of cooperation:

(1) Traditionally the EU has deep concern about civil and freedom rights in China (at the same time, EU-member don't have, they want to trade with China).

(2) At the same time, the 28 countries of the European Union – despite being part of the Single Market – offer different business and investment opportunities.

(3) EU institutions are slow in their responses to Chinese political and initiatives, given the fact that they represent 28 countries.

Against this backdrop, it is no surprise that the Chinese foreign policy has favored more limited forms of cooperation in the recent years (bilateral or regional frameworks), where interests can be formulated more precisely and adequately.

4. Silk Road and the 21st Century Maritime Silk Road. Through this cooperation channel China seeks to establish contact with countries of very different development levels and more continents. This Silk Road was initiated and is being led by China. The main reason behind this initiative was the need to push down transaction costs of negotiating processes. V4-countries with the exception of Poland have small economies and along with Poland they belong to middle-income countries. That is the reason why this cooperation was speeded up by the “Belt and Road initiative”[8] proposed by China with the aim to promote the connectivity of Asian, European and African countries.[9] References to the Ancient Silk Road are often made as these remarks deliberately seek to reinforce the open and peaceful nature of this cooperation form.

The explicit strategic goal of all Chinese initiatives is to strengthen economic cooperation possibilities, without wishing to interfere with domestic affairs of the participating countries. This is made explicit in the case of the “Belt and Road Initiative”. The so-called “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road”[10] stress this aspect by adhering to the following principles: mutual respect for each other’s sovereignty and territorial integrity, mutual non-aggression, mutual non-interference in each other’s internal affairs, equality and mutual benefit, and peaceful coexistence.

These Chinese initiatives were followed by or coincided with several strategical changes in some of the Eastern European foreign trade strategies. The most obvious example can be found in Hungary where the “Eastern opening policy” was launched in 2011. The strategy was revised in 2012 by adopting a broader growth strategy (the Széll Kálmán plan[11]). The strategy points out the importance of trade and investment diversification. The goal is to double the export of Hungarian small and medium enterprises to the targeted regions whereas China, Russia and India are the most important partners of these regions. Details of this policy are described by Zsolt Becsey

8 The full name of the initiative is Silk Road Economic Belt and the 21st Century Maritime Silk Road.
9 See the full text here: http://english.gov.cn/archive/publications/2015/03/30/content_281475080249035.htm
10 It was issued by the National Development and Reform Commission (Ministry of Foreign Affairs, and Ministry of Commerce of the People’s Republic of China).
11 http://index.hu/assets/documents/belfold/szkt_2_0.pdf

who explains that besides the establishment of trading houses in emerging markets, and the promotion of Hungarian firms, in particular small and medium enterprises, initiatives in the education and tourism sectors are linked to the core "Eastern opening policy". (Becsey, 2014)

3. Funds to Facilitate Economic Cooperation

As it can be seen, China has utilized an internalization strategy which is built on a multilayer approach in which not only global, regional, and bilateral elements can be distinguished, but also efforts to make use of economic power built on the vast reserves of the People' Bank of China. In 2015 the Chinese Premier underscored the following possible elements of future cooperation:

1. a full leverage of the 10 billion USD special credit line;
2. the possibility of setting up a 3 billion USD investment fund;
3. the possibility of an RMB fund for China-CEEC cooperation;
4. the aim to create a 16+1 multilateral financial company. (Keqiang, Li, H.E. 2015)

Reserves of the central bank also matter in the broader picture, since the Silk Infrastructure Fund launched in 2014 is to be capitalized by China's foreign reserves. While the Fund invests in business projects, the Asian Infrastructure Investment Bank, which was set up with a capital of 100 billion USD in 2015, lends money to projects of the One Belt, One Road initiative. (Poland is the only founding member from the V4 countries.)

The One Belt, One Road initiative not only includes European countries, but Asian and African countries as well, thus according to the plans China is going to spend around one trillion USD giving loans to about 60 developing countries via the China Development Bank and Silk Road Fund. After underwriting the construction of circa 900 infrastructure projects, the funds are to be transferred from the Chinese banks to Chinese firms, which will carry out the projects using Chinese labor and materials. The project faces the question of how to assess and manage financial risks in numerous uncertain economic, and regulatory environments. Poor countries are happy to take cheap Chinese loans at the expense of future generations, but the question remains whether they are going to be paid back to the already indebted Chinese banking sector.

4. China's Approach to the Global Economic Order – What is the Role of the "16+1" Mechanism in China's Global Strategy?

China's economic rise is a paradoxical one, since the economy itself is a leading one in size, but it is still in some aspects a developing economy. China's efforts to transform the global economic order have been low-keyed, because this duality does not make China able to sponsor this change. However, there are clear signs that China strongly supports the reform of the international system, and has two main reasons for doing this:

- current crises, tensions highlight the problems of the global economic and political order,
- the current system reflects the interests of a small set of advanced countries. (Wang, 2013, p. 72)

It can be added that the Brexit and the policy of the new American Administration (see the TPP) both showing a definite withdrawal from the current political and economic system create clear opportunities for the Chinese foreign and trade policy to reshape the existing frameworks.

There are several schools of thought as to how the emerging China tries to achieve the change in this framework.

1. Some argue that the Chinese economic reforms depend on its participation in the existing order, thus the country is not likely to challenge the system.
2. The other version points out that China has an interest in "soft balancing", which means a slow extension of the Chinese frontiers, in particular when it comes to the adjacent countries.
3. Clearly, the third concept is about an aggressive foreign and trade policy which attempts to achieve a sudden change in the global order.

Recent political and economic changes support the theory of soft balancing. It is clear that China as emerging political and economic power has a strong interest in reshaping the institutional environment and after the Global Financial Crisis, the country has become more assertive in its foreign policy and trade strategy, but these are very cautious and moderate steps.

For the time being, China offers an alternative model of development policy to the developing countries of Asia, Africa, South America and to the Central and Easter countries as well. In contrast to the Washington Consensus, the so-called Beijing Consensus develops a pragmatic approach to problems, whereas the Washington Consensus clearly contained a vison of the desirable political and economic order of catching-up countries. The US was often blamed for exporting the American values and societal and economic institutions (free market economy and democratic institutions.) However, this approach would have required a slow democratization of the countries in question which did not find support among local elites. Democratization in exchange for investment and trade was never required by the Chinese, strictly in the spirit of non-intervention.

In the developing countries, the Chinese approach promises cheap credits and infrastructure investments while not intervening in domestic issues. The same conditions are offered in the 16+1 framework, however, V-4 countries are in a very different situation, because being part of the Single Market means the implementation of EU rules related to the procurement system. Being part of the EU also offers access to the EU transfers which grants and no credits. And this is a different situation – many argues, since one doesn't know what will be the financing conditions after 2020, when the new EU financial framework is to be implemented.

There is another channel of influence, which is rather underemphasized in the literature. In contrast to a regulatory state concept of the Western world where states refrain from intervention in the market places, the developmental state of China intervenes in the market in order to achieve certain goals.

5. What Does the Developmental State Model Offered by China Look Like?

The developmental state paradigm refers to the effectiveness of these states in implementing policies aimed at modernizing, reorganizing backward and traditional economies, directing the behavior of economic players, and shaping major macroeconomic trends.

The term 'developmental state' describes one version of the free market economies, indicative of East Asian countries. This expression also refers to a state-determined, albeit more or less market-friendly, approach to economic development. Asian developmental states can generally be characterized by a strong emphasis on diverse forms of state intervention; however, these institutions differ to some extent in Japan, South Korea and China.

Originally, the developmental state concept only referred to Japan and later also to South Korea. Chalmers Johnson was the first to conceptualize the term 'developmental state'. He emphasized competent and far-sighted bureaucracy as a defining feature of the Japanese economic miracle. The purpose of making a distinction between capitalist and capitalist economies was to call attention to differences instead of similarities in these economic systems. As he puts it: "One of my purposes in introducing of the 'capitalist developmental state' into a history of modern Japanese industrial policy was to go beyond the contrast between the American and Soviet economies." (Johnson, 1999, p. 32)

Later, the concept 'developmental state' has become popular, and major contributions were made by Alice Amsden (Asia's Next Giant), Robert Waden (Governing the Market), and others. However, the emphasis was shifted in some cases, some analysts highlighted infrastructure, policy tools (saving and credit giving schemes, foreign investments, export zones, government interventions to spread technology etc.), history or culture. Among the Asian Tigers only Hong Kong adopted a free market approach. One of the often-recurring argument is that strong state is needed to mobilize resources for public goods, since only the strong state is able to convince people and firms that painful political adjustments are necessary to make an economic breakthrough. At the same time, politicians must have credible strategies in order to convince the actors of the private sector.

Macroeconomic and political stability are preconditions of economic success. Political stability often coupled with the ability to build strong and efficient institutions. In each of the cases, import-substituting policy was part of the history, however, it was short-lived. Another common element in the economic development of these countries was the importance of agriculture, which was not heavily taxed and agricultural workers were not impoverished. A strong social infrastructure of family, local communities supported by the culture, a modern physical infrastructure financed by governments and donors can be found in Japan, and South Korea. In each case, the 'benevolent' external supporter – the United States pursuing its own political and economic interests – is also there to aid the countries and advise the elites of these societies. These are the most important elements of the developmental state concept. In his 'Governing the Market', Wade ascribed the success of these Asian countries to two basic policies: very high levels of productive investment and exposure of many industries to international competition. (Wade, 1990, pp. 22-33)

Utilization of very similar economic policy measures can be clearly shown in the case of China. And results are plenty to be found in the modern China, so it might surprise us that Central European countries have been turning to the developmental state model in recent years, since it is clear adaption of Western European recipes for economic catchup did not bring the awaited results and the gap between Western and Central European has not diminished since 1990.

6. Conclusions – the Effects of a Successful Story

The “16+1” mechanism faces serious challenges with regard to differences in legal framework, but these are most likely to be solved. Other challenges arise from the fact that in terms of investments and trade Central European countries do not offer too much to China, and CE countries are far less important than the Chinese would set political considerations ahead of economic ones. However, China and its developing state model along with the so-called Beijing consensus has become very popular in some regions of Asia, Africa, Latin-America and Central and Eastern Europe. China has reinforced its attraction thanks to cheap credit, aid and the promise to improve infrastructure in the countries in question. That is clearly a soft power, whose attraction has gained many supporters in the recent years. As Josep S. Nye puts it: “Success depends not only on whose army wins, but also on whose story wins.” (Nye, 2005)

As we could see the Chinese governing market approach is very different from the Western European approach where the state rarely intervenes in the marketplace. (Even among the so-called free market systems there clearly exist different versions.) What are the very basic elements of Chinese development which are to be connected to the first and the second wave of Asian developmental states:

- a stable policy environment which protects bureaucrats from external political influences. Relying on traditions, the Chinese state has been able to build such a stable environment. In Japan, the Ministry of International Trade and Industry, in South Korea the Economic Planning Board, and in China the National Development and Reform Commission are the institutions playing part in the creation of a favorable environment.

- At the same time, bureaucracy must have its ties to receive the needed feedback from the society.

- The third element is the relatively equal distribution of income, which not only brings about social peace, but also creates a growing aggregate demand for domestic products and services. This element might be the one China struggles the most with (Woodall, 2014).

When it comes to a new approach in the economic policy, which is being presented as alternative to the liberal, regulatory model, the Hungarian economic policy might be the one with the most "innovative" solutions including some features of the developmental state as well. Elements as

1. re-industrialization of the economy,
2. preference of domestic firms,
3. prioritizing selected sectors,
4. managing asymmetric imbalances,
5. dealing with indebtedness,
6. connecting taxation policy with economic priorities,
7. and efforts to strengthen state bureaucracy

clearly point to a more active role of the Hungarian state in the domestic economy. Besides the developmental state model China offers the Beijing Consensus as well, which goes back to one of the key lessons of the Chinese history: the Chinese state is susceptible to fall apart if politics is unstable. And politics tend to be unstable if there is no substantial and sustainable economic growth. So, political – internal or external – instability is interpreted as a threat to economic growth, since there is a clear connection between the two, influencing each other mutually. It is no surprise, then, that the Chinese recipe for economic cooperation, namely the Beijing Consensus, seeks to strengthen stability, emphasizing the "no intervention principle." The Beijing consensus highlights the following elements: (1) the importance of innovation (which is not new compared to the small Asian Tigers); (2) the rejection of the GDP per capita approach, putting emphasis on other indicators (HD index) and (3) the self-determination of countries, which puts the "no intervention principle" in the focus again (Habib, 2015).

The Beijing Consensus not only challenges the US dollar as a global reserve currency, and the establishment of the Asian Infrastructure Investment Bank creates a new competitor to the World Bank, but more importantly, the development model challenges the free-market based democratic model of the Western world by offering viable alternative to democracies. Thus, the paper concludes that China's efforts to enhance economic cooperation with the CE region can be traced back to the interests of a slowly rising political power, however the V4 are not geopolitically important enough to base this cooperation on exclusively political interests. That is why he author of this paper argues that the “bestselling product” of China is the Chinese developmental state model, a “product” which tests the vitality of the free-market based democracy model and can turn into a fruitful cooperation between China and the CE countries.

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