



VOLUME 19 • ISSUE 17 • SEPTEMBER 26, 2019

IN THIS ISSUE:

The United Front Work Department Assumes a Diplomatic Role

By John Dotson

Xi Signals a New Round of “Struggle” Against Foes in the Party

By Willy Lam

**Confucius Institutes and the Corporate Sector:
An Emerging Avenue for Chinese Communist Party Foreign Influence?**

By Sarah Cook and Flora Yan

The Belt and Road Initiative Adds More Partners, But Beijing Has Fewer Dollars to Spend

By Cecilia Joy Perez

Not Really Probing the East: Romania’s Position on Chinese Investments

By Horia Ciurtin

The United Front Work Department Assumes a Diplomatic Role

By John Dotson

Introduction

In the first week of September, a “United Front Organizations Special Symposium” (统一战线组织专题研讨会, *Tongyi Zhanxian Zuzhi Zhuanti Yantaohui*) was held in Beijing. Under the official slogan of “Forging Synergy and Promoting Consensus” (凝心聚力, 增进共识 / *Ning Xin Juli, Zengjin Gongshi*), this meeting brought together representatives from the united front branches of all four of Asia’s remaining Communist party-states: the People’s Republic of China (PRC), North Korea, Vietnam, and Laos. Official PRC media coverage praised the event as an opportunity for these united front organizations to “strengthen relations [and] closely cooperate to pursue a brighter future for socialist countries” in Asia ([People’s Daily](#), September 5). [1] [2]

The September 4 conference was hosted by the Chinese People's Political Consultative Conference (中国人民政治协商会议, *Zhongguo Renmin Zhengzhi Xieshang Huiyi*), or CPPCC. The CPPCC is a nominal advisory body—and actual propaganda forum—controlled and stage-managed by the Chinese Communist Party (CCP)'s own United Front Work Department (统一战线部, *Tongyi Zhanxian Bu*), or UFWD ([China Brief](#), April 9). The event was chaired by CPPCC Secretary-General Xia Baolong (夏宝龙). It was also attended by Wang Yang (汪洋)—chairman of the CPPCC, and the member of the CCP Politburo Standing Committee who currently bears responsibility for the united front policy portfolio—who presented a speech and hosted a reception for the visiting delegates ([CPPCC](#), September 5).

Following the conference, the three visiting delegations visited the city of Tianjin on September 5, and then returned to Beijing on September 6. In Tianjin, the delegations toured business and cultural sites intended to impress the visitors with the PRC's economic and political achievements at a local level; and in each city they met with officials from the municipal-level political consultative conference (市政协, *shi zhengxie*). The visiting officials and CCP representatives discussed the structure and functions of these local organizations, as well as their role in “strengthening thought and political guidance” (加强思想政治引领, *jiqiang sixiang zhengzhi yinling*) in Chinese society ([Tianjin Daily](#), September 6; [Beijing Daily](#), September 7).



Image: Representatives of the united front organizations of the Communist parties of the PRC, North Korea, Vietnam, and Laos meet at a conference held in Beijing on September 4. (Source: [Xinhua](#))

A Potential New Role for the CCP United Front Work Department?

This unusual conference signaled an apparent further expansion of the roles currently exercised by the CCP UFWD. The UFWD has seen a steady expansion in resources, roles, and bureaucratic clout during the tenure of CCP General Secretary Xi Jinping ([China Brief](#), April 24, 2018; [China Brief](#), May 9, 2019). Within the PRC, the roles of the UFWD have traditionally been focused on co-opting and controlling social groups

outside of the CCP, such as ethnic minorities and religious organizations. In areas beyond PRC authority, the UFWD's efforts have largely focused on targeting Hong Kong and Taiwan, and seeking control of the overseas Chinese diaspora.

Historically, the CCP Central Committee International Department (中共中央對外聯絡部, *Zhonggong Zhongyang Duiwai Lianluo Bu*) has been the primary official channel for the CCP's relations with other Communist parties—a role that has expanded in more recent years to include party-to-party relations across the political spectrum, in a host of countries throughout the world. [3] The International Department maintains this traditional role, but the UFWD may now be entering this realm, as well: specifically, by promoting its expertise in political co-optation and social control mechanisms, in order to build influence among regional Asian governments that share the PRC's Leninist party-state organizational structure.

Official coverage of the September 4 conference indicated that the visiting delegates discussed means "to make achievements in the construction of socialism, under the leadership of each ruling party." This was conducted under the rubric of two broad discussion topics: "the position and functions of the united front organizations in the national administration system of each country," and "effective mechanisms and methods" for united front work. PRC representatives reportedly briefed the visiting delegates on their experience in multiple areas, including: strengthening party building and the CPPCC system; strengthening "ideological weapons" (思想理论武装, *sixiang lilun wuzhuang*); and strengthening the building of vaguely-defined "work mechanisms," to include tools utilizing information technology ([Renmin Zhengxie Bao](#), September 5).

Ideological Themes from the United Front Conference

PRC state media explicitly identified the conference as a follow-on event linked to the PRC-hosted Asian Civilizations Dialogue Forum (亚洲文明对话大会, *Yazhou Wenming Duihua Dahui*) held in Beijing in May 2019. The proceedings emphasized the political commonalities of the four officially Marxist-Leninist states, as well as striking a Pan-Asianist theme: host Xia Baolong told the delegates that not only did the party organizations of China, Korea, Vietnam, and Laos "possess similar functions," but that the four countries were also "linked by mountains and rivers, are closely related by culture, and possess deep traditional friendships" ([Renmin Zhengxie Bao](#), September 5).

As is now *de rigeur* for PRC media, official outlets also took the opportunity to play to Xi Jinping's growing personality cult: invoking one of Xi's favorite foreign policy slogans of a "common destiny for mankind" (人类命运共同体, *Renlei Mingyun Gongtongti*) ([China Brief](#), July 16), state coverage declared that the event further contributed towards "producing new and greater accomplishments in constructing a community of common destiny for Asia, and a community of common destiny for mankind" ([People's Daily](#), September 5).

Conclusion

This early September conference of united front officials heralds a potential new diplomatic role for the UFWD in engaging with other Communist states. Although it fulfills a range of functions, the UFWD's most central mission—like that of all CCP organs—is promoting the security of the regime. Less powerful and less-developed Communist states have solid reasons to look to the PRC as a model in terms of economic development. However, such states, which face problems of legitimacy and anxieties regarding future regime survival, may also look to the PRC as an attractive model of a Communist state that has achieved rapid economic growth without corresponding political change.

The mechanisms of domestic social co-optation and control employed by the UFWD may prove attractive to such regimes—and potentially, to other authoritarian one-party states interested in “strengthening political guidance” among their citizens. It remains to be seen whether the UFWD will continue to further develop this nascent diplomatic role with Communist states around China's periphery—and perhaps, with other states further afield in the developing world.

John Dotson is the editor of China Brief. Contact him at cbeditor@jamestown.org.

Notes

[1] For a further discussion of the nature of united front work in Leninist regimes, and of the CCP United Front Work Department as a specific organization, see: Anne-Marie Brady, "On the Correct Use of Terms," *China Brief*, Vol. 19, Issue 9 (May 9, 2019),

<https://jamestown.org/program/on-the-correct-use-of-terms-for-understanding-united-front-work/>; and Alex Joske, "Reorganizing the United Front Work Department: New Structures for a New Era of Diaspora and Religious Affairs Work," *China Brief*, Vol. 19, Issue 9 (May 9, 2019),

<https://jamestown.org/program/reorganizing-the-united-front-work-department-new-structures-for-a-new-era-of-diaspora-and-religious-affairs-work/>.

[2] PRC press reporting indicated that the three visiting delegations were led by: Yang Chol Sik (North Korea); Nguyen Huu Dung (Vietnam); and Khambay Damlath (Laos) (*Xinhua*, September 4).

[3] For one historical discussion of the CCP ILD, and two that are more recent, see: U.S. Central Intelligence Agency, "The International Liaison Department of the Chinese Communist Party," intelligence report dated December 1971 (declassified May 2007), <https://www.cia.gov/library/readingroom/docs/polo-33.pdf>; and David Gitter and Julia Bowie, "The Chinese Communist Party International Department: Advancing 'One China' Behind the Scenes," Center for Advanced China Research, Sep. 28, 2016, <https://www.ccpwatch.org/single-post/2016/09/28/The-Chinese-Communist-Party-International-Department-Advancing-One-China-Behind-the-Scenes>; and Martin Hála and Jichang Lulu, "A New Comintern for the New Era: The CCP International Department from Bucharest to Reykjavík," *Sinopsis*, Aug. 16, 2018, <https://sinopsis.cz/en/a-new-comintern-for-the-new-era-the-ccp-international-department-from-bucharest-to-reykjavik/>.

Xi Signals a New Round of “Struggle” Against Foes in the Party

By Willy Lam

Introduction: A Renewed Call for “Struggle” Within the CCP

Chinese Communist Party (CCP) General Secretary Xi Jinping has called for a season of renewed *douzheng* (斗争), or “struggle,” to tackle the country’s international and domestic problems. To further consolidate his position as the “eternal core” of the CCP, Xi is also set to unleash struggle campaigns against the paramount leader’s enemies within the higher echelons of the party. It is significant that the struggle-related bugle call was issued by Xi in early September, just as the party had scheduled for October a much-delayed fourth plenary session of the CCP Central Committee— which consists of the nation’s most powerful 374 cadres, many of whom are not members of the fast-rising Xi Jinping Faction.

The rallying cry for struggle was sounded at a talk given by Xi to mid-career cadres at the CCP Central Party School on September 3. Xi noted that major endeavors of the party, including the establishment of the People’s Republic of China (PRC) and the reform and open-door policy, “were born, underwent development and strengthened in the midst of struggles.” Xi exhorted every party member “to develop the spirit of struggle, and to boost their ability to struggle [against enemies].” Xi admonished the audience that “We must nurture and uphold a staunch struggle spirit, a tenacious will to struggle and superior struggling skills” in handling international and domestic crises and in running the party, state and military ([Seeking Truth](#), September 4; [China News Service](#), September 3).



Image: The lecture hall at the CCP Central Party School during the “important speech” on “struggle” given by CCP General Secretary Xi Jinping, September 3. (Source: [CCTV](#))

Who are the targets of Xi’s struggles? He noted that parties and agents that “jeopardize our country’s sovereignty, security and developmental interests” must be struggled against. Such arduous work must be

done in areas including the economy, politics, culture, society, defense, work pertaining to Hong Kong, Macau and Taiwan, diplomatic work, and party construction ([China News Service](#), September 4; [Chinadigitaltimes.net](#), September 4).

The Background and Implications of Xi's Calls for "Struggle"

Despite the constant invocation of the need for "struggle," Xi has yet to give a concise definition as to how these struggles should be waged. The term, however, has deep Maoist roots—and Mao's strident characterization of "struggle" invariably implied the demise and disintegration of the targets of his wrath. This applied to the Great Helmsman's struggle-related battle cries against the "U.S. imperialists" and "Soviet revisionists"—as well as his brutal treatment of accused "capitalist roaders" such as reformers Liu Shaoqi and Deng Xiaoping during the Cultural Revolution. The logic of Mao-style struggle was evident in his famous boast that "there is boundless joy in struggling against heaven, struggling against the earth and struggling against fellow human beings." [1]

The United States is a prime target of Xi's calls for struggle. In early September, senior administration officials such as White House Economic Advisor Larry Kudlow indicated that the U.S.-China trade war was a means of winning the new Cold War against the PRC. Comparing the contention with China to the bitter rivalry between the United States and the Soviet Union, Kudlow said, "The stakes are so high, we have to get it right, and if that takes a decade, so be it." President Trump has called upon U.S. businesses to consider abandoning the Chinese market. Beijing's perception of the American threat has been compounded by the Xi administration's claim that Washington is behind a "color revolution" being waged in Hong Kong. Perhaps reflective of Xi's hopes that a deal with the Americans could help lift the Chinese economy out of its doldrums, Xi has floated a more benign version of the struggle concept in terms of trade: "Cooperation should also be sought in the midst of struggles," he said. "Win-win scenarios can also be realized through struggles" ([VOAChinese](#), September 12; [New York Times Chinese Edition](#), August 26; [Global Times](#), August 14).

However, Xi has demonstrated no such flexibility or magnanimity regarding intra-party struggles. The foremost targets of Xi-style struggle are likely political foes who are frustrated that Xi has reinstated the ultra-radical policies of Mao to handle 21st century problems, such as the downturn in the Chinese economy and China's increasing problems with the U.S.-led Western alliance ([Apple Daily \[Hong Kong\]](#), September 9). China specialist David Bandurski has noted that "Xi is facing his own real struggles within the Party" as he appears to grapple with domestic and global challenges: "[Xi's] choice of language might be intended to send a tough message to those within the Party who resist his leadership, or attempt to work against his objectives" ([China Media Project](#), September 6).

Hong Kong Baptist University political scientist Jean-Pierre Cabestan agrees: "Xi's speech about struggle has a strong domestic political dimension... He has asked cadres to struggle against those in China who are against the one-party system and who are in favour of giving more space to the private sector and market

economy.” The Sinologist added that Xi seemed to be on the defensive because he faced a “hard battle” at the Fourth Plenum in view of the unresolved trade war with the United States and the ugly confrontations in Hong Kong. [2]

Signals of a Potential New Round of Party Purges?

Xi indicated in his Central Party School lecture that the goal of the struggle campaign is to “comprehensively and severely govern the party under the insistence of the leadership position of Marxism in ideology and thought.” He admonished cadres and CCP members to “be bold enough to brandish the sword when confronting choices involving major principles.” “Leading cadres must bear full responsibility in safeguarding [security in their] jurisdiction,” he added. “They must be ready when called upon [to struggle], be ready to engage in combat, and be able to always win battles.” By implication, officials who fail to measure up to Xi’s goals and demands may be sacked or even sent to jail.

Similar warnings against errant and disobedient cadres were sounded in a July article on “boosting the self-consciousness and firmness in pushing forward the party’s political construction,” which appeared under Xi’s name in the official CCP theoretical journal *Seeking Truth*. “The question of some cadres neglecting politics and making light of politics is still relatively outstanding... Some only give lip service to [abiding by] the party leadership,” the party boss complained. “Others lack political sensitivity, political discrimination and the spirit of struggle regarding erroneous words and actions... and they have ignored the party’s political discipline and regulations” ([Xinhua](#), July 15).

However, whether or not Xi is well-positioned to launch a new purge—which is a typical form of intra-party “struggle”—can only be seen via the dynamics of the upcoming Fourth Plenum. Normally, a plenum is held every year, but the previous one (the Third Plenum of the 19th Central Committee) took place in February 2018. One possible reason for the repeated delays is that Xi lacks the confidence to handle potentially hostile questions from this top-ranked committee, to which the Politburo and its Standing Committee must at least theoretically make periodic reports ([Radio French International Chinese Edition](#), September 9; [South China Morning Post](#), August 30). It is instructive, moreover, that instead of handling tough day-to-day challenges facing the nation, the plenum is set to deal with theoretical issues relating to “upholding and improving the system of socialism with Chinese characteristics.” According to a late August Politburo meeting, a key goal of the Fourth Plenum will be to generate among cadres “greater efforts in pushing forward the modernization of the state governance system and governance ability” (国家治理体系和治理能力现代化, *guojia zhili tixi he zhili nengli xiandaihua*) ([Xinhua](#), August 31; [HK01.com](#), August 30).

Conclusion: The Gaps Between Rhetoric and Governing Reality

As is usual, Xi is good at coining high-sounding slogans, but poor in defining how these grandiloquent objectives can be attained. Punishments, however, are in order for those officials who fail to acquit

themselves well in what some conservative theoreticians call a potential breakthrough comparable to the party's "Fifth Modernization" ([China News Service](#), July 15; [Xinhua](#), July 6). The August Politburo meeting warned that to reach lofty governance goals, "the party should formulate and review its internal regulations and clarify [cadres'] responsibilities for their implementation." It is thus probable that officials who have fallen short in achieving higher standards of governance—especially Xi's enemies—could be flushed out of the system.

What about Xi himself? Has he passed muster as a party chief who can wage the right kind of struggle so as to modernize the nation's problematic governance system? There is a danger that, having set the bar so high, even the "lifelong core" of the party might sometimes have difficulty making the grade. In his Central Party School speech, Xi reiterated that "a group of faithful, clean and responsible cadres of high quality is needed to perform great struggles." Apart from having undergone "serious training in thought, political tests and training in practice," a top official must be able to see the big picture before everybody else. In relation to the attributes of a great leader, Xi said that "He must know that a deer has passed when he sees and hears the grass and leaves shake... He senses that a tiger is coming when the pine trees whip themselves up into a storm. And he senses a taste of autumn on seeing a single leaf change color" ([Xinhua](#), September 5).

Xi and his aides have been criticized for poor political sensitivities in underestimating the fusillades coming from the Trump Administration, as well as the severity of anti-CCP sentiments that have underpinned the "turmoil" in Hong Kong. The possibility cannot be ruled out that Xi, a brilliant student of Mao-style power struggles, may be hoisted by his own petard in the cut-and-thrust of the Fourth Plenum.

Dr. Willy Wo-Lap Lam is a Senior Fellow at The Jamestown Foundation, and a regular contributor to China Brief. He is an Adjunct Professor at the Center for China Studies, the History Department, and the Master's Program in Global Political Economy at the Chinese University of Hong Kong. He is the author of five books on China, including Chinese Politics in the Era of Xi Jinping (2015). His latest book, The Fight for China's Future, was released by Routledge Publishing in July 2019.

Notes

[1] Cited in: "Mao Zedong Firmly Believes That There Is Boundless Joy in Struggling Against People," Phoenix Television, December 9, 2012, http://phtv.ifeng.com/program/zmdfs/detail_2012_12/09/19990619_0.shtml. For a discussion of Mao-style struggle, see, for example, "Mao Reiterated That If Enough Attention Is Paid to Methods of Struggle, Enemies Need Not Be Feared No Matter How Fierce They Are," *Guangming Daily*, August 1, 2014, <http://www.chinanews.com/cul/2014/01-08/5709277.shtml>.

[2] Author's interview with Professor Cabestan, September 9, 2019.

**Confucius Institutes and the Corporate Sector:
An Emerging Avenue for Chinese Communist Party Foreign Influence?**

By Sarah Cook and Flora Yan

Introduction

September 27 will mark 15 years since the opening of the first Confucius Institute in South Korea in 2004. Today, over 500 of these Chinese government-funded centers operate in more than 150 countries worldwide. Many of them plan to celebrate the occasion as part of the official Global Confucius Institute Day ([Hanban](#), undated). After establishing themselves at universities, Confucius Institutes (CIs) have also begun to branch out beyond higher education. Confucius Classrooms, a network of over 1,100 affiliated programs at surrounding K-12 schools, is the most obvious such example.

But another aspect of this expanded outreach has largely gone unnoticed. Over the past decade, CIs have increasingly tried to establish ties with the corporate sector, offering various services to foreign businesses and more recently, working with a select group of Chinese companies on joint initiatives to be implemented at CIs globally. This phenomenon takes various forms and appears set to intensify based on a new partnership program launched in December 2018. Although seemingly innocuous and even beneficial to some businesses and their employees, these interactions present a new set of risks and challenges for governments, educators, parents and others concerned about the potential negative consequences of growing Chinese Communist Party (CCP) influence in their schools, economies, and political systems.

Confucius Institute Services to Local Businesses, Multinationals

The websites and newsletters of numerous CIs across the United States and elsewhere around the world advertise various services offered to local businesses or multinationals with headquarters nearby. The most common services provided include language and cross-cultural communications classes and translation assistance. But some also involve more substantive courses about contemporary China. For example, the University of Oklahoma's CI offers an introductory class to employees of local businesses that is "designed to provide students with a background understanding of China today" and includes content "about the current political landscape in China" and "how the Chinese economy works"—topics in which CI's pro-Beijing bias is almost certain to manifest itself ([University of Oklahoma](#), undated).

Two CIs in the northwestern United States have been pioneers for this type of outreach. Chinese language courses offered by the CI at Portland State University (CIPSU) in Oregon for employees at Nike's headquarters in 2014 is one of the first examples of such efforts ([Hanban](#), February 26, 2014). A 2012 journal article describes similar efforts by the Confucius Institute of the State of Washington (CIWA) to collaborate with local businesses, stating "We are excitedly preparing Business Chinese, Legal Chinese, and Intercultural Communication courses for Starbucks and Microsoft employees." [1]

Since those initial experiments, similar engagement with businesses has expanded to CIs across the United States and beyond, in locations ranging from Nebraska ([University of Nebraska-Lincoln Confucius Institute](#), undated) to Arkansas ([University of Central Arkansas](#), June 2018), Miami ([Miami Dade College Confucius Institute](#), undated) to Minneapolis ([University of Minnesota](#), undated), as well as in the United Kingdom ([University of Sheffield](#), undated) and Australia ([University of Western Australia](#), undated). Many CI websites house specific pages and programs advertising these services. In several instances, university proposals for the establishment of new CIs ([University of North Carolina-Charlotte](#), October 12, 2017) or general descriptions of the institute ([Georgia State University](#), undated) cite building connections to local businesses as a key aspect of the center's mission.



Image: Representatives from 17 Chinese companies (11 shown in the picture) sign contracts with Hanban at the "Confucius Institute Partnership Project" signing ceremony held during the 13th Confucius Institute Conference on December 5th, 2018 in Chengdu (Sichuan Province). (Source: [The Commercial Press](#))

Corporate Involvement in Managing and Financially Supporting Confucius Institutes

In addition to CIs providing services to local businesses, corporate executives and businesses have taken on roles that support the management and financial viability of the institutes, such as serving on CI boards of directors. For example, Shen Yushi, who headed Microsoft's Chinese Employee Network, served on the board of CIWA in 2012-2013 ([Microsoft CHIME](#), undated); and former Nike Vice President and General Council Jim Carter served on the board of Portland State University's CI prior to his retirement in 2010 ([Portland State University](#), 2010). More recently, since 2014, Donald Fan, a senior director in Walmart's

Global Office of Culture, Diversity, and Inclusion, has served on the board of the CI at the University of Central Arkansas ([Diversity MBA Magazine](#), undated).

Although CIs are primarily funded by the Chinese government, multinational corporations have also provided sponsorship or financial assistance towards the establishment of a CI. In a recent example from Germany, Audi helped jointly found a CI in the city of Ingolstadt, which was accordingly named the “Audi-Ingolstadt Confucius Institute.” According to Chinese media reports, this is the first institute in the world to be established with co-investment from a foreign multinational ([China Daily](#), May 24, 2017). Major Chinese companies have also financially supported CIs abroad, such as a three-year 2012 sponsorship that tech giant Huawei provided to the Copenhagen CI in Denmark ([Hanban](#), March 19, 2012).

These examples are not accidental. The Chinese Ministry of Education’s 2012-2020 “Confucius Institute Development Plan” specifically calls for local CIs to “Actively expand funding channels, encourage and attract enterprises, individuals and other social forces at home and abroad to provide financial support to the Confucius Institute.” The plan also states that “‘Going Out’ [Chinese] enterprises should actively support the construction of Confucius Institutes” ([Ministry of Education](#), February 28, 2013).

New Confucius Institute Partnerships with a Wide Range of Chinese Companies

In parallel to CIs expanding their engagement with foreign businesses and building upon past support from Chinese firms like Huawei, over the last two years there have appeared new initiatives by Hanban to support and partner with Chinese companies operating abroad. In one March 2018 example that offers parallels to the services provided to foreign companies, the CI at Egypt’s Suez Canal University provided a two-day language and cultural training program for Egyptian and Chinese employees of the Chinese fiberglass firm Jushi. The institute’s director Hassan Ragab told the *China Daily* that “We will continue providing such training programs for about 20 Chinese companies operating in the SCZone [the Suez Canal Economic Zone]” ([China Daily](#), March 3, 2018).

In December 2018, Hanban announced a more expansive—and potentially problematic—partnership program with 17 Chinese companies ([Sichuan Online](#), December 5, 2018). The program was unveiled at the annual CI conference held in Sichuan Province, and launched in the presence of Sun Chunlan, a CCP Politburo member and former head of the party’s United Front Work Department ([Hanban](#), December 7, 2018). Various Chinese government and media websites provide the names of many of the partner companies and certain parameters of collaboration. The firms are a diverse collection of state-owned and private enterprises operating across the publication, education, construction, communications, and technology sectors. [2]

The Implications of Corporate Partnerships with Confucius Institutes

There are obvious benefits to businesses and their employees having an opportunity to learn Chinese language skills and to improve their understanding of China, as well as receiving free or low-cost translation services. But the fact that these services and educational opportunities are provided by institutions subsidized by the Chinese government creates the risk of potential hidden strings being attached. The curriculum used by Hanban-vetted instructors, particularly on topics like contemporary China's political and economic landscape, is likely to be highly selective: omitting any serious criticism of Xi Jinping's concentration of political power, increased state censorship and surveillance, or the array of severe human rights violations being committed against lawyers, labor activists, Uighurs, Tibetans, Christians, Falun Gong practitioners, and other Chinese citizens ([National Association of Scholars](#), July 12, 2017). All of these aspects of today's China have concrete consequences for businesses operating in the country.

More broadly, research on the influence of CIs on university campuses has demonstrated that the centers' presence and pro-Beijing perspective often reaches far beyond the classroom. The funding sources from Hanban, and related Chinese government ties developed with universities, have been used to directly or indirectly pressure administrators and faculty into avoiding certain forms of expression, activities, and interactions with actors frowned upon by Beijing. [3] The business community has traditionally advocated for close ties between foreign governments and China, and has not generally concerned itself with standards like academic freedom. Still, increased Chinese government funding benefiting businesses abroad could very easily be leveraged by the CCP for future influence over foreign government policymaking, or corporations' own wording choices related to politically sensitive topics and locations. The website of the University of Sheffield's institute notes that one of its aims is to "forge strategic alliances with key stake-holders in business, industry, government and other sectors," noting that the goal is to support the institute ([University of Sheffield](#), undated). Once established, such alliances can also be deployed towards achieving other CCP foreign policy goals.

However, perhaps the most disconcerting aspect of CI's increased engagement with both foreign and Chinese firms relates to the opportunities created for intelligence gathering for political or economic purposes. This is especially relevant in the context of the new partnership program mentioned above. Several of the companies involved—particularly Tencent's cloud computing subsidiary, iFlytek, and TAL—and the proposed nature of the collaboration envisioned with CIs should raise red flags.

In Tencent's case, the envisioned cooperation appears to include use of artificial-intelligence technology to improve Chinese-language teaching. Part of this endeavor would incorporate measures like collecting foreign students' data on Tencent-run communications platforms in order to provide them with news stories on their preferred topics ([The Cover News](#), December 5, 2018). The CI collaboration with TAL is described in one document to include "using facial recognition and speech synthesis to provide an interactive learning experience to students" ([People's Daily](#), January 18, 2019). Such collaboration is not entirely new, as tech

giant ZTE has reportedly supplied CIs around the world with equipment and training, and also co-founded the CI at France's University of Poitier in 2005 ([Daily Beast](#), June 27, 2018). But the new partnership program would expand the opportunity to a wider array of Chinese companies, including tech giant Tencent.

The services of Tencent—particularly its cloud computing services, and its popular mobile phone applications—have become ubiquitous elements of China's communications, financial, and social fabric. While the company has been forced since its 1998 inception to comply with strict CCP information controls, over the past two years the scale and significance of this activity has increased and become more visible both inside and outside China ([The Diplomat](#), March 26, 2019). Several recent data leaks, media investigations, and anecdotal accounts by users outside China have exposed a notable degree of transnational censorship and surveillance activity by the Tencent-owned social media platform WeChat. Taking into consideration Tencent's complicity with Chinese government monitoring demands, some universities have already recommended that their students not use applications like WeChat when in China, and foreign militaries have told soldiers to remove them from their phones. The apparent plan to incorporate Tencent platforms into instruction at CIs brings those concerns closer to home. iFlytek, another one of the new CI partner firms, also has a problematic background, including in connection to state surveillance, biometric data collection, and repression in Xinjiang ([Human Rights Watch](#), October 22, 2017).

Looking Ahead

In February 2019, China's Ministry of Education published a White Paper on the government's education-related goals and priorities through the year 2035 ([Xinhua](#), February 23, 2019). One of the aims cited involves enhancing international educational cooperation, including promoting "the development of Confucius Institutes and Confucius Classrooms." Another goal relates to reforming education in the "information age," and includes efforts to "accelerate the formation of a modern education management and monitoring system." These assertions, alongside the activities described above, indicate that this dimension of CIs' operations—including the technological components—will likely continue expanding in the coming years.

Foreign governments, universities, and corporations should consider taking steps to limit potentially negative consequences that could emerge from this trend. Universities should be vigilant about excluding Tencent, ZTE, Flytech or similar Chinese firms' technology from classrooms. Corporations should limit financial dependence on CIs, be mindful of any attempt by Chinese government representatives to use this avenue of engagement for illicit influence, and be prepared to report to the relevant authorities any activities that might indicate an effort at intelligence gathering or intellectual property theft. Multinationals should also consider other (and more independent) avenues for supporting Chinese-language learning in their communities, rather than providing funding and support to CIs. Employees and businesses that attend CI-run courses on Chinese politics or travel orientations should actively supplement the curriculum with independent sources of information about China, and meetings with outside human rights groups or local Chinese, Tibetan, and

Uighur refugees. If not already in place, foreign ministries of education should develop channels for communication and consultation with their commerce-related counterparts and domestic intelligence agencies to facilitate sharing of information and coordinated responses to any problematic activities by Chinese or local companies at CIs.

Indeed, although collaboration with Chinese tech giants may provide benefits to CIs, in certain localities—and particularly in the United States—the latest initiative could backfire. It risks reinforcing or accelerating a recent trend of at least 22 American universities choosing to close their CIs because of concerns over not only academic freedom, but also potential Chinese government surveillance.

Sarah Cook is a Senior Research Analyst at Freedom House and director of its China Media Bulletin. Flora Yan studies political science and communications at the University of Washington, where she has been conducting research on Confucius Institutes and Confucius Classrooms.

Notes

[1] Bo D., “The Confucius Institute of the State of Washington: An Introduction,” *Comparative Literature: East and West*, 17:1, 179-182, 2012; Published online August 6, 2018.

[2] The list of Chinese partners identified by the authors as participating in the new partnership program are as follows: 1. Sichuan Xinhua Publication Group (四川新华发行集团); 2. China Education Equipment Industry Association (中国教育装备行业协会); 3. China Nonferrous Metal Industry Human Resource Center - CNMIHR (有色金属工业人才中心); 4. China Communications Construction Company Ltd. (中国交通建设股份有限公司); 5. China International Intellectech Corporation - CIIC (中国国际技术智力合作公司); 6. Tencent Cloud Computing (Beijing) Inc. (腾讯云计算(北京)有限责任公司); 7. iFlytek Co. Ltd. (科大讯飞股份有限公司); 8. Beijing Duodou Technology Co. Ltd. (北京多豆科技有限公司); 9. TAL Education (好未来教育集团); 10. Lishizhen Medicine Group Co., Ltd. (李时珍医药集团); 11. Sichuan Changhong Education Technology (四川长虹教育科技有限公司); 12. China National Publications Import & Export Group Corporation (中国图书进出口总公司); 13. Beijing Perfect World Co., Ltd. (完美世界教育科技(北京)有限公司); 14. Beijing Wenxiang Information Technology Co., Ltd. (北京文香信息技术有限公司); 15. China Publishing Group Co., Ltd. (中国出版集团). The remaining two of the 17 partners are not companies but rather government agencies: Sichuan Province Department of Culture and Tourism (四川省文化和旅游厅) and Henan Province Department of Culture and Tourism (河南省文化和旅游厅). For the original Chinese article with the same list, see 李寰, & 李媛莉. (December 5, 2018). 孔子学院多了“好伙伴” 国内17家企事业单位加入孔子学院合作伙伴计划. Retrieved from <https://sichuan.scol.com.cn/ggxw/201812/56719525.html>.

[3] Peterson, R. *Outsourced to China: Confucius Institutes and Soft Power in American Higher Education*, April 26, 2017. Retrieved from <https://www.nas.org/reports/outsourced-to-china>.

The Belt and Road Initiative Adds More Partners, But Beijing Has Fewer Dollars to Spend

By Cecilia Joy Perez

Introduction

In October 2013, President Xi Jinping of the People's Republic of China (PRC) unveiled the Belt and Road Initiative (BRI), an ambitious plan to build infrastructure and improve transport connectivity in more than 60 countries across Asia and beyond. Since that time, the BRI has become so key to China's national grand strategy that it has been codified in the country's constitution ([Xinhua](#), October 24, 2017). To date, the PRC has signed BRI agreements with 137 countries. However, while memorandums of understanding between Beijing and BRI countries have ramped up—with 62 deals being signed with new partner countries from June 2018 to June 2019 ([BRI Portal](#), undated)—the increase in political partners has not led to a comparable increase in commercial activity.

The BRI is largely a branding strategy for not-for-profit construction that pre-dates the 2013 announcement. In general, energy projects have made up the bulk of BRI-related construction and investment abroad. Apart from energy, China has prioritized BRI-related construction projects in the transportation sector and investment in commodities. This fits with China's longstanding ambitions to secure its energy supply, and improve connectivity for commodities trade and transport links abroad.

Recently, some observers have expressed concern regarding China's expanding influence in BRI countries' telecom industries. As evidenced in authoritative open source articles, Beijing has prioritized its Digital Silk Road (DSR) initiative, which is part of the larger Belt and Road Initiative. However, to date relevant telecom deals have been minor. According to the Chinese Global Investment Tracker (CGIT) database, telecom deals make up only around two percent of investment projects and less than one percent of construction projects. [1] This may be because the DSR is still in its early stages. It is also worth caveating that the CGIT excludes smaller contracts and deals that do not reach the \$95 million threshold. This excludes some satellite and fiber optic cable projects, which are specifically prioritized under DSR.

However, even as BRI publicity is being ramped up, and the initiative seeks to expand into telecom and other strategically important sectors, the PRC's foreign investment spending is not keeping up with these trends. This article highlights a few possible reasons for this discrepancy: ranging from lower foreign exchange reserves, to the possibility that Beijing is choosing to underreport the number of BRI projects following increased international criticisms of the initiative. This does not suggest that the BRI should not be scrutinized; if anything, this should prompt additional efforts to understand what comes next.

BRI Construction Peaks—and Then Declines

Construction, not investment, is the main economic activity in the BRI. For purposes of this article, investment is defined as a Chinese company taking (partial or complete) *ownership* of an asset, whereas construction is defined as an exchange of *services* for payment in the host country ([AEI](#), July 10). When construction

projects include a lengthy operational phase, such as build-operate-transfer projects, they are considered investments. Lengthy concessions to operate ports, like the lease held by China Merchants Ports (CMPort) on the Sri Lankan port in Hambantota ([China Brief](#), January 5; [China Brief](#), January 5), are also treated as investments. Aggregating BRI deals over \$95 million from all current 137 countries from the period of October 2013 through June 2019, construction projects totaled \$432 billion and investment totaled \$257 billion in value. [2]

Construction outpaces investment in the BRI due to both commercial and political reasons. On the commercial side, most BRI countries are developing countries with few profitable assets worth acquiring. On the policy side, China's overseas not-for-profit construction push is a symptom of the overcapacity problem within state-owned enterprises (SOEs). [3] SOEs carry out the overwhelming majority of contracting around the world, both within and outside of the BRI framework. The PRC's unwillingness to let SOEs fail results in a need to provide business projects for bloated firms—which in turn creates incentives for a constant stream of global construction projects.

Based on past years' data, we would have expected to see \$6 to \$8 billion more in construction funding during the first half of 2019. However, the number of BRI construction projects in the first half of the year fell by 40 percent, and the volume of funding fell by almost \$14 billion in the same period. In the past three years, the CGIT recorded an average of 83 construction projects in the first half of the year; however, in the first half of 2019 it only reported 58. One of the reasons for the drop could be diminishing transparency among Chinese companies: the BRI is personally tied to Chinese President Xi Jinping, and fear of failure, or fear of attracting criticism over BRI projects, may lead Beijing and relevant SOEs to reduce reporting of BRI-related activities.

Figure 1: Construction and Investment Figures for the BRI, 2014–First Half 2019 (U.S. Dollar Billions)

Year	Construction	Investment Amount
2014	68.8	51.1
2015	75.2	56.8
2016	94.7	34.1
2017	79.2	38.2
2018	76.0	49.5
2019 H1	21.2	17.6
Total	415.0	247.3

(Source: [China Global Investment Tracker](#))

We can see from the above table that the peak year for construction in the BRI (and worldwide) was 2016. Funding may have fallen in subsequent years due to competing demands on Beijing's foreign exchange reserves. Chinese construction projects are usually accompanied by cheap financing from the Chinese government, [4] and this financial support comes from China's foreign exchange reserves. When the BRI was announced in 2013, foreign exchange reserves were rising consistently, peaking at nearly \$4 trillion in June 2014 ([State Administration of Foreign Exchange \(SAFE\)](#), May 7, 2018). Since then, foreign exchange reserves have dropped, stabilizing around \$3.1 trillion ([SAFE](#), August 2019). While this remains a significant amount, Beijing is becoming increasingly hard-pressed to throw money around, especially when foreign exchange reserves are also being threatened by trade tensions with the United States ([South China Morning Post](#), November 7, 2018).

What Is China Building, and Where?

Chinese construction contractors working abroad are primarily engaged in energy and transport projects: throughout BRI countries since 2014, Chinese companies have contracted work on energy projects worth \$164 billion, and transport projects worth \$140 billion. Real estate construction in the same countries—including housing, cement plants, and other forms of construction—is valued at \$45 billion. Under the umbrella of BRI energy projects, hydroelectric dams account for \$40 billion of contracts, with the majority of projects by cash volume located in Pakistan, Indonesia, and Laos. Coal-fired power plants are the next largest category for energy—accounting for \$35 billion in contracts—with Pakistan the largest host for coal projects by cash volume. Railroad projects represent the highest volume of transport contracts at \$59 billion, followed by roads at \$47 billion. Maritime transportation construction (e.g., port building) is the third largest category, at \$21 billion. Construction outpaces investment in transportation because it is not common to acquire equity in another country's transportation infrastructure. [5]



Image: Workers engaged in the construction of the Jakarta-Bandung High Speed Railway, a major BRI project in Indonesia. (Source: [Youtube / Xinhua](#))

One of China's stated goals in the BRI is to improve transport connectivity. On the surface, transportation infrastructure construction meets that goal. However, it is unclear whether BRI host countries will have the capabilities to maintain these large projects, and the commercial viability of many projects remains questionable. In some cases, Chinese companies continue involvement in providing maintenance and operation services projects after construction has finished—as in the case of the Hungary to Serbia high-speed railway built by China Railway Signal & Communication Corporation Limited ([China Daily](#), June 27). This can benefit the host country; it also extends Beijing's strategic presence, while avoiding the sensitive issue of appearing to take even partial ownership in other countries' transport infrastructure.

The top ten recipients of Chinese-led construction projects (in value by billions of U.S. dollars) are listed below. Most of the top countries on the list hold a large volume of energy contracts with Chinese companies; Nigeria, Bangladesh, Malaysia and Iran also hold major rail contracts.

Figure 2: Top Recipients of Chinese Construction Projects, 2014–First Half 2019 (U.S. Dollar Billions)

Top Recipients of Construction, 2014-2019 H1 (\$ Billions)	
Pakistan	34.3
Nigeria	21.1
Indonesia	19.6
Bangladesh	17.4
Russian Federation	16.4
Malaysia	16.1
UAE	16.0
Egypt	16.0
Saudi Arabia	15.0
Iran	11.3

(Source: [China Global Investment Tracker](#))

Investments in the BRI

Since 2014, investment in the BRI has been divided across three key sectors: energy investments near \$92 billion, metals at \$38 billion, and transport at \$31 billion. Recent expansions in metals are not due to a renewed interest in metals during the first half of this year, but rather due to the induction of Chile and Peru as BRI members (in November 2018 and May 2019, respectively) ([Santiago Times](#), November 4, 2018; [Reuters](#), April 24, 2019), who together add around \$15 billion to earlier deals in metals. During the first half of

2019, the number and volume of China's global investment deals dropped sharply, back to levels consistent with 2011. If the current spending patterns continue, we can expect to see a drop in total BRI-related spending abroad for 2019.

Figure 3: Top Investment Recipients in the BRI, 2014 – First Half 2019 (in U.S. Dollar Billions)

Singapore	25.4
Italy (<i>prior to BRI affiliation</i>)	20.8
Russian Federation	14.6
Peru	12.8
Malaysia	12.6
Pakistan	11.7
Indonesia	11.5

(Source: [China Global Investment Tracker](#))

The largest deals in the BRI so far this year were in energy. In April, the state-owned China National Offshore Oil Corporation (CNOOC) and China National Petroleum Corporation (CNPC) invested a joint total of \$4.04 billion for a 20 percent stake in an Arctic natural gas project with Russia's Novatek ([Reuters](#), April 25). Pakistan was the second largest investment recipient this year, with two greenfield energy projects signed by Datang and China Energy Engineering. The share of greenfield investment in the BRI rose from 36 percent to 50 percent in the first half of the year, although the total amount was stable around \$8 billion. Greenfield investment activity is higher in BRI countries than in the rest of the world because there are fewer assets ready for acquisition.

Outside of energy and metals, Chinese companies are also looking to pick up assets in more developed BRI economies such as Singapore and Italy. Although Italy's entry into the BRI framework initially raised concerns regarding growing Chinese influence in the European Union, no investments or construction projects materialized during the first half of the year ([Council on Foreign Relations](#), March 27). [6] In March, the China Communications Construction Company (CCCC Ltd.) signed a cooperation agreement with the Port of Trieste, but the agreement has so far failed to lead to any concrete projects ([Port of Trieste](#), March 23). Some of the largest previous Chinese investments in Italy focused on automobile companies, like ChemChina's \$7.86 billion acquisition of Pirelli in 2015 ([Wall Street Journal](#), March 22, 2015). However, rather than indicating a renewed interest in the Italian market earlier this year, ChemChina has reportedly considered reducing its stake in Pirelli ([Bloomberg](#), February 27).

For the first half of 2019, BRI investment participation by private firms was reportedly the lowest on record both by volume and by share, down to 13 percent from 34 percent in the first half of 2018. [7] Private firms prefer to invest outside of the BRI, where there are higher returns. In the first half of the year, only a quarter

of Chinese worldwide private investment went to the BRI. The largest deal was Guangzhou-based livestream platform YY's \$1.08 billion purchase of Bigo, a social media platform in Singapore ([YY Press Office](#), March 4). Remaining private deals in the BRI went to Vietnam, Malaysia, Indonesia, Guinea, and the Philippines.

Telecommunications and the “Digital Silk Road”

Both Beijing and Washington are paying more attention to the Digital Silk Road (DSR), which has the declared aim of improving information technology and digital connectivity ([Center for American Progress](#), February 28). A close look at the telecom data in the CGIT reveals that, to date, the DSR's commercial footprint remains small. Telecom deals make up 2 percent of investment (14 transactions total) and less than 1 percent of construction data for the BRI. Early examples of investment in telecom include: upgrades from 3G to 4G in Thailand and Pakistan; fiber optic cables upgrades in Greece; and collaboration on 5G technology in South Korea between KT Net and China Mobile. [8]

One significant caveat is that many telecom projects—including laying fiber optic cables—often do not reach a value of \$95 million, and thus the CGIT does not capture them. The PRC's telecom footprint is understated in the CGIT, as indicated by the proprietary dataset of the research and advisory firm Pointe Bello. [9] Multiple Chinese companies—including China Mobile, Huawei, and China Unicom—are building fiber optic cables with smaller contracts under \$95 million in BRI countries.

Since 2014, most of China's global telecom investment deals have been in Britain, with a total value of \$5.4 billion; and in the United States, with a total of \$3.5 billion. The value of telecom deals in the UK is about the same as the value of deals in all 137 BRI countries combined. The U.S. Government has taken steps to deny Chinese investments in telecom based on security concerns ([China Brief](#), February 1). Some BRI countries have taken note: in New Zealand, for example, concerns over espionage led the government to remove Huawei from the country's 5G technology development in 2018 ([South China Morning Post](#), November 28, 2018.).

The surveillance features of Chinese telecom may prove to be a draw for some authoritarian governments—and a source of concern for advocates of civil liberties. Earlier this year, China Telecom took a 40 percent stake in Philippines Mislattel, now Dito, for \$860 million ([Reuters](#), November 6, 2018). The company aims to provide 5G services in the Philippines within five years. However, local press outlets have already expressed concerns about the Philippines doing business with a company that bolsters China's surveillance state ([Rappler](#), July 9).

Frantic Chinese reactions to sanctions on ZTE and Huawei last year show that the United States has the tools to harm Chinese telecom giants. However, the United States needs to first identify where and how Chinese telecom developments in the Belt and Road are active before it can craft a response. For example, in the case of a treaty ally like New Zealand, the United States has a stake in keeping Huawei out of the

telecom infrastructure for national security purposes. Other cases, such as Zimbabwe's use of Huawei technology for domestic surveillance, may have less of a bearing on U.S. intelligence operations and communications security, but present challenges to bolstering democratic values and the rule of law around the world ([WSJ](#), August 15).

Conclusion

The PRC's investment and construction spending around the world is slowing down—and so is spending on the BRI, despite 62 new countries joining the initiative in the last year. Investment in the BRI is secondary to construction, and will remain that way unless more developed countries are added to the list of BRI partners. Commercially, energy remains the focus of both construction and investment. The budding Digital Silk Road currently has little commercial weight behind it—although here the strategic utility of even just a handful of successful projects should not be discounted. If the grip around foreign exchange in Beijing grows tighter, money for BRI construction and investment projects will be harder to find—and without other funding options, the BRI's commercial importance will diminish.

Cecilia Joy-Perez is an analyst with the research and advisory firm Pointe Bello. Her research focuses on the PRC's global construction and investment projects.

Notes

[1] The Chinese Global Investment Tracker (CGIT) is a database jointly maintained by the American Enterprise Institute and the Heritage Foundation. The database may be accessed at: <http://www.aei.org/china-global-investment-tracker/>.

[2] Author's calculations, using data from the CGIT.

[3] For details on CMPort's investment in the Sri Lankan port, see: Sirilal, Ranga, 'Chinese Firm Pays 584 Million in Sri Lanka Port Debt to Equity Deal,' June 20, 2018, <https://www.reuters.com/article/us-sri-lanka-china-ports/chinese-firm-pays-584-million-in-sri-lanka-port-debt-to-equity-deal-idUSKBN1JG2Z6>.

[4] For an example of China's financing, see: Zhuan Ti, 'Indonesian banks given \$3b loans from lender,' China Daily, March 11, 2016, http://www.chinadaily.com.cn/cndy/2016-03/11/content_23821014.htm.

[5] Author's calculations, using data from the CGIT.

[6] Italy is now in the BRI, but nearly all Chinese investment in Italy occurred before its inclusion in the Belt and Road Initiative. For discussion of Italy's affiliation with the BRI, see: Dario Cristiani, "Italy Joins the Belt and Road Initiative: Context, Interests, and Drivers," China Brief, April 24, 2019. <https://jamestown.org/program/italy-joins-the-belt-and-road-initiative-context-interests-and-drivers/>.

[7] Readers may notice a significant change in the numbers for private firms between this paper and a previous paper by the author (Cecilia Joy-Perez and Derek Scissors, "Be Wary of Spending on the Belt and Road," American Enterprise Institute, Nov. 14, 2018.

<http://www.aei.org/publication/be-wary-of-spending-on-the-belt-and-road/>). This is largely due to the change in the countries that are included within the BRI framework as of the time of this writing.

[8] See: Li Ping, 'CEO: China Mobile's 4G service leads market in Pakistan,' China Daily, October 5, 2018, <http://www.chinadaily.com.cn/a/201810/05/WS5bb70085a310eff303280c6c.html>; Khettiya Jittapong and Manunphattr Dhanananphorn, 'UPDATE 2 – Thailand's AIS and True win 4G spectrum licenses,' Reuters, November 12, 2015, <https://www.reuters.com/article/telecoms-stocks-4g-idUSL3N1371QO20151112>; 'Forthnet teams up with Chinese firms to fund Greek telecoms network,' Reuters, May 13, 2017, <https://www.reuters.com/article/greece-china-telecoms/forthnet-teams-up-with-chinese-firms-to-fund-greek-telecoms-network-idUSL8N1IF0JX>; Caroline Gabriel, 'China Mobile buys 40% stake in Korea's new operator,' Rethink Research, October 29, 2015, <https://rethinkresearch.biz/articles/china-mobile-buys-40-stake-in-koreas-new-operator/>. A caveat on analyzing telecom investments using the CGIT: many telecom projects, including laying fiber optic cables, often do not reach a value of \$95 million, and thus the CGIT does not capture them.

[9] This assertion is confirmed by the proprietary dataset maintained by Pointe Bello.

Not Really Probing the East: Romania's Position on Chinese Investments

By Horia Ciurtin

Introduction: Bucharest's Road to Beijing Goes through Washington

As with many other Eastern and Central European nations, Romania has consistently considered its relationship with the United States to be a privileged one: a strategic partnership meant to mitigate the risks of a neighboring assertive Russia. Nonetheless, while some countries from this region have also hedged their bets by taking a welcoming position towards China ([Eurasia Daily Monitor](#), April 30; [Eurasia Daily Monitor](#), June 10), Romania has maintained a very cautious—and reluctant—position in dealing with Beijing, even before China's recent heightened tensions with the United States rose to prominence on the global scene.

Of course, Romania has cultivated polite and formally cordial relations with the People's Republic of China (PRC)—both at a bilateral level, and within multilateral formats such as the "16+1" framework ([China Brief](#), February 15; [China Brief](#), May 29). However, trade and investment links have been maintained at only a limited level, compounded by a reticence to develop a politically relevant partnership. In this sense, Romania did not really align itself with a broader Central European trend of warming up towards Beijing. Bucharest has not witnessed a significant increase in Chinese economic activity (either in terms of investment or corporate takeover), as has been seen in Hungary, the Czech Republic, or Slovakia ([CHOICE](#), August 22). Chinese investors have generally kept a low profile in Romania, and even the few joint projects that have been the subject of discussions have failed to materialize.

In addition, since the advent of the trade conflict between China and the United States, Romania has taken an even more cautious stance towards Beijing—prioritizing instead its relationship with Washington, and showing little desire to cause any frictions with its North American ally. This has especially the case since Vice President Pompeo's quite explicit hints in his February 2019 Central European tour—during which Pompeo spoke to the need to choose one's political (and economic) friends very carefully ([Radio Free Europe](#), February 11; [U.S. Department of State](#), February 10).

The latest meeting between the Romanian and American presidents at the White House in August bears witness to these policy orientations ([Radio Free Europe](#), August 21). Although the encounter largely went unnoticed in the circles of China observers, it is nonetheless very relevant for predicting a pattern that is gradually emerging in this region: bringing forth the necessity for Central and Eastern European countries to take a stance openly, and stand by those they truly consider allies.

The Writing is on the Wall: The Perils of (Chinese) 5G

While the timing of the August meeting might have touched upon pre-election domestic campaigning—Mr. Iohannis is facing new presidential elections this year in Romania—it also dealt with fundamental issues in Romania's security architecture, and the consolidation of its strategic partnership with the United States. As always, there were many points on the agenda: NATO, the implicit Russian threat, energy, anti-corruption efforts, and economic relations. Without spending too much time on the bilateral trade balance—negative and on the rise, but still negligible in overall value ([Business Review](#), November 21, 2018)—the two presidents managed to discuss a range of important security issues.

Unsurprisingly, the most salient topic was NATO's Eastern Flank and its consolidation in the context of the Black Sea's intensive remilitarization (implicitly connected to concerns over Crimean annexation and its transformation into a full-fledged Russian base of operations). However, after this expected main point, the joint statement emerging from the meeting particularly mentioned that the two countries “seek to avoid the security risks that accompany Chinese investment in 5G telecommunications networks” ([Joint Statement](#), August 20) (hereafter “Joint Statement”). This statement offered no mere hints or euphemistic reading-between-the-lines; it was, rather, a direct reference to *Chinese* companies that operate in the international telecommunications market. Furthermore, the point was listed as a security challenge, at the top of the list concerning key bilateral issues.

Further on, it was reported by the Romanian Ministry of Foreign Affairs that an additional memorandum concerning 5G technology was also signed, intended to allow “a rigorous evaluation of suppliers for fully ensuring the security in the implementation of 5G technology” ([Calea Europeana](#), August 22). While no particular company was mentioned, concerns were mentioned regarding transparency, security, and the rule of law, referencing to the so-called Prague Proposals ([Prague Proposals](#), May 3). Interpreting the content of this memorandum, the head of the national telecom authority in Romania (ANCOM) argued that review of 5G

issues would clearly involve a more proactive role for the Supreme Council of National Defence, a body chaired by the President ([RFI Romania](#), August 21). Therefore, as Huawei was supposed to be an important equipment supplier for many telecom operators, its case would need careful consideration—with prospects in Romania that look rather bleak in the near future.

Energy as National Security: It's Not Only About Russia

The Joint Statement also made the clear assertion that “[t]he United States and Romania recognize that energy security is national security.” This led to an explicit criticism of the Nord Stream 2 project for being a factor which increases the dependency of regional allies upon Russia’s supply of gas ([Joint Statement](#), August 20; [Eurasia Daily Monitor](#), November 14, 2018). In the case of Romania, such assertions must be analyzed in a larger context—one in which China features as a minor, but relevant, actor.

In the last decade, Beijing has made some incremental steps in becoming a more active player in the Romanian energy market—be it in the form of traditional exploitation and power generation, or in the alternative (“green”) sector. Beyond photovoltaic parks and plans to refurbish existing power-plants (or even develop new ones), the main discussion has been centered around one very important event: the 2015 decision by state-owned CEFC China Energy (中国华信能源, *Zhongguo Huaxin Nengyuan*) to acquire a majority shareholding in KazMunayGas International from its Kazakh owners ([Rompetro](#), April 29, 2016). In turn, this would have allowed CEFC to gain control over Rompetrol (owned by KazMunayGas International), a major oil company in Romania and the owner of the country’s largest refinery (Petromidia).

However, when the entire CEFC story unraveled—and company chairman Ye Jianming (叶简明) virtually disappeared, under investigation in China ([China Brief](#), May 9)—the deal for Rompetrol also failed to materialize ([RISAP](#), August 30, 2018). There was no longer any delicate decision for the Romanian authorities to make. Nonetheless, the PRC interest in taking on a greater role in the region’s energy architecture cannot be presumed to have waned, and that is why the Joint Statement is very relevant in this context. Identifying energy issues as national security challenges presents a much greater role for Romania’s Supreme Council of National Defense in reviewing transactions that involve natural resources. Thus, prospective Chinese investments will likely be placed into an unpredictable limbo in regards to their potential access to one of the most promising energy markets at the edge of the European Union.

The Nuclear Option: On (Responsibly) Choosing One’s Friends

A third issue that has a bearing upon Romania’s economic relations with the PRC pertains to the dilemma of developing new generation capacities in Romania’s aging nuclear plant at Cernavodă, near the southeast Black Sea coast. While the U.S.-Romanian Joint Statement merely asserted that “[w]e further urge our industries to work closely together to support Romania’s civil nuclear energy goals” ([Joint Statement](#), August 20), this text appeared in the context of a larger discussion within Romania. Romania’s sole nuclear plant in

Cernavodă is a project dating back to the final decade of Communist rule; it has two operational units, and is reliant upon Canadian technology. In the late 2000s, a quest for building two additional units began, with multiple offers that came to no fruition.

In 2015, a memorandum of understanding was signed for a joint venture (a public-private partnership) with the PRC state-owned enterprise China General Nuclear Power (CGN), a deal estimated by some at almost 8 billion dollars ([Economica](#), June 6; [World Nuclear News](#), May 8). In 2019, an investment agreement in preliminary form was signed in the presence of officials from both countries, prompting the Chinese ambassador to argue that “[t]he Chinese government will work together with the Romanian government for the nuclear power project to start as soon as possible, setting a good example for pragmatic cooperation between the two countries” ([Xinhua](#), May 8).



Image: The Cernavodă Nuclear Plant in southeastern Romania, which dates back to a joint Romanian-Canadian project commenced in the 1980s. A memorandum of understanding was signed in 2015 for the PRC state-owned China General Nuclear Power Corporation (CGN) to enter into a joint venture to continue construction on the facility—with a subsequent preliminary agreement signed in May 2019—but work at Cernavodă under these agreements has yet to begin. (Source: [CGN](#))

This deal seemed like a classic Belt and Road offering, but with a strategic twist. Influential voices in Romania—such as former President Traian Băsescu—promptly manifested their dissent against allowing a state-owned Chinese company to gain control over a part of Romania’s energy production capacities, and “becoming dependent on China’s nuclear technology” ([Mediafax](#), May 16). The situation appears to be even more complicated, as CGN has been recently placed on the “entity list” by the U.S. Department of Commerce, effectively barring the company from acquiring products and technologies from American firms

on grounds that it had “engaged in or enabled efforts to acquire advanced U.S. nuclear technology and material for diversion to military uses in China” ([Department of Commerce](#), August 14).

Therefore, in the context of Romania’s continuous emphasis on its strategic partnership with its North American ally, and its renewed pledge to closely align on global challenges (including energy matters), it is a safe bet to say that cooperation with Chinese entities that have been ‘blacklisted’ in the United States—such as CGN—shall also be reviewed by Romania in terms of national security, possibly leading to a discontinuation of the Chinese investment project.

Conclusion: Sending a Regional Message to Central and East European States

The August meeting between the U.S. and Romanian presidents needs to be understood in an extended strategic environment, not merely in bilateral terms. Its implications pertain to the larger regional—and global arena, in which Russia and China have been designated as challengers to the established system of international order. Thus, it must be taken into consideration that the Joint Statement reflects much more than a lofty communique uttered in diplomatic parlance, especially in the context of an increasing trade conflict with China.

This document was the first official Romanian declaration that directly referenced and singled out “Chinese investment in 5G” as a potential problem. Furthermore, it was meant to show Romania’s resolution in attaining joint strategic objectives together with the United States. At the same time, given the ambiguous relations that some other American allies in the Central and East European region maintain with China, it sent a clear signal in a diplomatic realm that is sometimes immersed in duplicity. Thus, it was not really a message for Beijing, and not merely another episode in an ever-escalating trade conflict—rather, it was a blueprint for America’s regional allies, and a statement on the necessity to take an unequivocal stance regarding relations with China.

Horia Ciurtin is an Associate Expert at the New Strategy Center (Bucharest, Romania), a Research Fellow for the European Federation for Investment Law and Arbitration (Brussels, Belgium), and an External PhD Researcher at the Amsterdam Center for International Law (Amsterdam, Netherlands). He also serves as a legal consultant in the field of international investment law throughout the Balkans and CEE. He recently published the study entitled “A New Era in Cross-Strait Relations? A Post-Sovereign Enquiry in Taiwan’s Investment Treaty System”, in Julien Chaisse (ed.), China’s Investment Three-Prong Strategy: The Bilateral, Regional, and Global Tracks, Oxford University Press, 2019. Contact him at h.a.ciurtin@uva.nl.
