

WORKING PAPER

How is Slovenia welcoming the 16+1 Cooperation and the Belt and Road Initiative?

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Abstract

The geostrategic position of Slovenia puts it in direct relation to the processes of the Belt and Road (BRI) initiative, while also being part of the 16+1 cooperation. The aim of the research paper is to analyze the development of initiatives, networks and institutional frameworks in Slovenia, which were established with the aim of facilitating the exchange and cooperation within the two mentioned processes. The paper consists of four parts. In the first part, we analyze several early initiatives and circumstances, which partly pre-dated the 16+1 and BRI frameworks, but are still of key importance for their development. In the second part, institutional development is overviewed and analyzed, paying special attention on the developing relations with Chinese institutions. Developments in business sector are overviewed in the third part, in order to provide a deepened background for the analysis institutional level. In the fourth part the outcomes of this analysis are then juxtaposed with interviews we conducted with representative people from the relevant institutions on state/regional level and representatives of academic sphere. Finally, on the background of particular historical, political and economic conditions several points are made on the possible further policy directions and academic research trajectories in order to further facilitate Sino-Slovenian connectivity.

Early initiatives and circumstances

Pre-dating the official structure of the 16+1 and BRI initiatives, several initiatives and circumstances were of key importance for Sino-Slovenian contacts. Most importantly, these were (a) the evolution in the last decade of the Chinese diaspora in Slovenia along with the presence of the direct foreign Chinese investments and (b) the development of the official Chinese language and culture curriculum in Slovenia. Often neglected in the connectivity paradigm on the institutional level, the two situations prove to be crucial for setting up of the foundations for a comprehensive outlook of the topic in question. Beside the formal political strategic inclination of each government, the informal background, consisting of the presence and economic influence of the Chinese diaspora in the country in question and a broader intercultural understanding can influence the support of the local population for the mechanism.

a) Slovenia has become a migration destination for Chinese citizens and a business destination for Chinese entrepreneurs only in the recent decades. Most of the Chinese migrants have been and still are coming to Slovenia for work and since they help each other find occupation, mainly between siblings, most of them come from villages in the Chinese region Zhejiang. “According to the data collected by the Ministry of the Interior for the year

2010, 76 % of the citizens of People's Republic of China holding a valid residence permit were born in the Zhejiang province (...)." (Bofulin 2016, p.30). The migration trend of Chinese citizens to Slovenia has witnessed a slight but stable increase through the years. Although the numbers are relatively low, the trend should be considered in the perspective of Slovenian migration laws and the position that Slovenia holds among migration destinations for Chinese people. For comparison, according to the statistical data published on the Ministry of the Interior website for the years 2012 – 2016, most people migrating to Slovenia from the countries outside of EEA and former Yugoslavia, are from Russian Federation, Ukraine and, third, China. It is worth noting some interesting and revealing twists in the demography of the Chinese diaspora in Slovenia. While 10 years ago most of the Chinese people living in Slovenia were employed in one of the many Chinese restaurants scattered across the country¹, today we see some successful entrepreneurs choosing Slovenia as their living and working environment. Following these demographic and economic developments, in 2015, a special Chamber of commerce in Ljubljana was established, which aimed at bringing together and giving support to Chinese companies in Slovenia and Slovene companies owned by the Chinese. The financial director of TAM-Europe² Zhao Yu became its president, and Li Changcheng, the director of Huawei Slovenia, its vice president. The companies, members of the Chinese chamber of commerce in Slovenia, are active in a wide range of sectors, from production, telecommunications, energy, trade, transportation and food production. This represents an important milestone for Slovene-Chinese cooperation, as it gives propitious prospects for future Chinese investments and the establishing of new Chinese companies based in Slovenia. »In his inauguration speech Zhao stressed how Slovenian-Chinese partnership has become stronger since the launch of 'One belt, one road' and '16+1' initiatives and that Chinese companies have invested in these years in numerous Slovene companies, making Slovenia the biggest Chinese economic partner in the Balkan area«.

(Chang, 2016).

b) It is also important to note the importance of language education and formal education in the field of Chinese studies/Sinology. In the span of 30 years the comprehensive knowledge about the language and culture of the Chinese nation became available, and this culminated in establishment of a formal degree program in this field. Such a process had and will continue to have a twofold effect. Firstly, it helps local people get a thorough knowledge of a culture that might previously have been treated as foreign and exotic. The newcomers can thus be better understood and more easily accepted. Secondly, it gives the possibility for their children to learn about the language and culture of their home country, thereby establishing an important link with their cultural and linguistic tradition. Compared to other CEE countries, the beginning of the Chinese studies in Slovenia is only relatively recent. It started with several individuals, most notably Jana Rošker, Mitja Saje and Andrej Bekeš, who in the late '70s been awarded with scholarships and sent as Yugoslav students to China. Once back

¹ »In 2005 as much as 77 % of all work permits issued to Chinese citizens (203 working permits) in Slovenia were intended for work in catering trade.« (Bofulin 2016, p. 112).

² TAM-EUROPE is a bus and commercial vehicle manufacturer that in 2013 acquired a major Chinese investment from state run CHTC (China High Tech Corporation).

and with the conditions being favourable, they started to teach Chinese language and culture at different institutions, and shaping the curriculum which by 1995 had grown into the Department for Asian and African Studies at the Faculty of Arts, University of Ljubljana. The department has been successful ever since and already in the first decade several hundred students have graduated in the field of Sinology. The increasing interest in Chinese language and culture was recognized also by the Chinese government, which in 2010 established a Confucius institute in Ljubljana at the Faculty of Economics, University of Ljubljana. Constant endeavours from professors at the Department for Chinese studies, enhanced by the official gesture of interest from the Chinese government have motivated the adoption of the Curriculum for Chinese language for primary schools by the Scientific Council for General Education at the Ministry for Education Science and Sport of the Republic of Slovenia in 2011. All these milestones have created and still are creating the area of knowledge in which Slovenians can get proper education and gain important skills to cooperate with China. They also enable children from Chinese families based in Slovenia to get to know their family culture and language within the Slovenian educational system and without having to move back to China (which can be identified as the *modus operandi* of many Chinese families living abroad).

Institutional response to the 16+1 and BRI initiatives

Even before the Warsaw meeting of 16+1 in 2012, there were several initiatives and developments also on the institutional level. Diplomatic relations were already established in 1992, only a year after the Republic of Slovenia proclaimed independence and remained strong throughout the two following decades. The exchange of visits was conducted on the level of prime ministers in all longer consecutive governmental terms (9th government of PM Borut Pahor, 10th government of PM Janez Janša, 12th government of PM Miro Cerar). Some of the governmental departments were especially active in cooperation with the Chinese counterparts, most prominently the Ministry for Foreign Affairs (especially the Department for Strategic Studies and Analyses), Ministry for Infrastructure and Ministry for Agriculture, but also Ministries for Economic Development and of Defense. After the framework of 16+1 was established, Slovenian representatives participated in each of the annual meetings, PM Janša in Warsaw, PM Bratušek in Bucharest and PM Cerar in Belgrade, Suzhou and Riga.

Of the government initiatives, the activities of the Ministry of Agriculture were especially fruitful. The cooperation started to become stronger after 2014, when a series of visits were conducted between vice-premier of PRC, Wang Yang, and vice-premier of Slovenia and minister of agriculture Dejan Židan. The first of those happened with Wang's two-day visit in November 2014 and the following business forum with the delegation of 151 Chinese companies also opened the door to the establishment of new business partnerships. Slovenian delegation returned the visit next November, when Židan visited Wang along with a larger government delegation and representatives of 29 Slovenian companies. The two sides placed special emphasis on the fields of agriculture, food, wood-processing industry and forestry. During the same visit an important milestone was reached for the field – Slovenian

and Chinese institutions signed a protocol for quality monitoring, inspection and quarantine for dairy products exported from Slovenia to China. Finally the export of dairy was initiated by the first contingent of milk being shipped by the company Ljubljanske mlekarne in September 2016. In the 2015 the two sides also signed a memorandum about forestry, effectively making Slovenia the coordination of the forestry mechanism within 16+1. With the visit of Chinese vice minister for agriculture, Chen Xiaohua in July 2016, further activities started to expand the export of Slovenian foodstuffs to also include poultry, fish, meat and honey. China was also the main partner on the 2017 AGRA, International Fair of Agriculture and Food in Gornja Radgona, Slovenia, which was visited by a high level PRC representative Han Changfu, the minister of Agriculture.

The other important focus of the initiative, namely, infrastructure, also formed a considerable part of institutional development and contacts, and it remained one of the topics in the meetings on ministerial and prime minister level. The visit of Li Changchun, member of the standing committee of the CCP politburo with Slovenian president Danilo Türk and prime minister Borut Pahor in 2011, already brought forward the initiative for joint infrastructural projects. Especially two topics became key: the improvement of Slovenian railroads, especially the second track on the relation between Divača and Koper, and the potential Chinese investment in the Port of Koper. Koper, one of the main Northern Adriatic ports, also remains an important strategic factor for Slovenia in the BRI initiative. Besides already being a twin town with the river port Jiujiang, in December 2013 a joint delegation from the Municipality of Koper and Port of Koper further visited Hong Kong, Shanghai and Ningbo. The delegation from Ningbo then visited Koper in 2016 to further explore the possible cooperation between the two ports. Having always been a place of contact and traversed by different trade routes, the city of Koper holds an attractive position for both BRI dimensions; the land and the maritime route of the initiative. Notwithstanding the fact that the main railway networks that China plans to build from the “Port of Piraeus (Greece) to Central Europe will leave out Slovenia, in the future most of the Chinese transport with Europe will still be by sea via maritime transport, so the initiative of the five Northern Adriatic ports (NAPA) of Koper, Trieste, Venice, Ravenna and Rijeka for a jointly cooperation with Chinese shipping companies remains alive and current.” (Kuzma 2017, p. 17). Concerning investments in infrastructure, much more has been achieved with cooperation between municipalities than on governmental level. There are several examples of cooperation between Slovenian and Chinese cities, namely Ljubljana - Chengdu, Gornja Radgona - Henan, Novo Mesto - Yixing, Koper - Jiujiang, Nova Gorica - Tongling and Maribor - Chongqing and Hangzhou, the last one being one of the most fruitful so far, as evidenced by many already acquired investments, such as the case of Maribor airport (SHS Aviation, worth about 300 million euros), the construction of a residential area (worth about 400 million euros) and other planned investments in Slovenian businesses, as well as the establishment of a RTS Chinese-Slovenian Business Club which will bring together 100 businessmen from Slovenia (Maribor area) and China (Shanghai area).

Tourism also remains an important part of the 16+1 and BRI initiatives. On the side of Slovenian institutions, the development process is mostly led by two institutions, the Ministry

for Economic development (with its Directorate for Tourism) and the Slovenian Tourist Board (STB). A delegation of the representatives of Slovenian tourism industry (STB, travel agencies, thermal resort association etc.) visited China already in 2014. In August 2015, within the annual Bled Forum, a special tourism panel was also organized by the Minister for Economic Development, Zdravko Počivalšek. It brought together representatives of the 16 countries and the representative of Chinese National Tourism Administration (CNTA) Wei Hontang. The number of stays of Chinese tourists in Slovenia is also growing rapidly, at the rate of 20% between 2015 and 2016 (source: SURS), while the average duration of stay, between 1,4 and 1,5 days remains mostly unchanged for the last few years. Most of the Chinese visitors only visit the capital, Ljubljana, and the mountain region, while a great imbalance is displayed in the regional choice of destination, the coast for example, contributing only 7% of the overnight stays.

In 2014, followed by the official formation of eRegions Think Tanks on the New eAmber and New eSilk Roads in 2015, the 2nd High Level Symposium of Think Tanks of the People's Republic of China and Central and Eastern European Countries (CEEC) took place in Bled, Slovenia.

The development of Sino-European business and investment relations

In business, the cooperation between small and medium size enterprises (SMEs), especially in the area of high-tech and innovation, was a field that so far seemed to offer the best opportunities for Slovene companies to export its products to China and attract Chinese investments. Slovenian companies already joined the EU initiative in 2013 when a visit organized by two EU commissioners, Janez Potočnik and Antonio Tajani, was especially interesting for the companies in the field of green technologies. The institutional support of the government institutions of both countries was extended in the form of business forums, most important of which were organised within the 16+1 framework. The business cooperation was especially accelerated by the events organized in 2014, when (twelve) Slovenian companies participated in the August Prague Investment Forum, followed by the Belgrade 16+1 business forum in December. The same year Chinese companies participated on the largest trade fair in Slovenia, MOS Celje, and a large Chinese business delegation from 151 companies visited Slovenia on the occasion of the visit of Vice-Premier Wang Yang in November.

Several Slovenian companies started moving their production to China already more than a decade ago. To note a few, Kolektor Automotive, a company in the Kolektor group producing comutators, was established in Wuxi in December 2003. A company for automobile electronics, Iskra Avtoelektrika, established Iskra Suzhou company in 2005 and other branches of former Iskra group also made similar decisions, most notably Letrika, a Slovenian company fully based in China producing starter-motor circuits, alternators and DC motors. The company Domel, producing electric motors and components, also moved a part of their production to China in 2006 and Hidria, also producing automobile technologies, opened a factory in Changshu in 2011. Gorenje, a big producer of home appliances, opened a

company in Shanghai in 2005 and their own store for exclusive line products in Wenzhou in 2010. On the Slovenian side, one of the first good practice examples of the Sino-Slovenian business cooperation was the investment of the China High Tech Group Corporation (CHTC) in the production of electric busses. TAM-DuraBus in Maribor was established after the collapse of the company TAM/TVM, which dated back to 1947 and was one of the largest manufacturer of trucks and buses in the former Yugoslavia. Besides DuraBus, among the most successful models of cooperation between Slovenia and China enterprises so far, there are some others setting an example for the future. Arctur, an IT enterprise, welcomed a 10 % share from the Chinese partner Inspur (the developer of the biggest supercomputer in the world). Another important investment was acquired by the company Elaphe propulsion technologies from the Chinese investor APG, Zhejiang Asia-Pacific Mechanical & Electronic, who now holds a 20 % share in the Slovenian company. A significant breakthrough was achieved last year by Pipistrel, a major Slovenian producer of light sport aircrafts that has been certified for three of his aircrafts and is now allowed to sell products all over China. (Repovž, 2015)

The business cooperation between Slovenia and China is evidently active, but “most of the Chinese investments are still concentrated toward Bulgaria, the Czech Republic, Hungary, Poland, Romania and Slovakia, who make up for 95 % of all Chinese investments. All other countries (including Slovenia) together represent only 5 % of Chinese investments in CEE”. (Kuzma 2017, p. 9) However low the numbers are, things are also evolving and improving for Slovenian export of goods to China. “Slovenian export has last year increased by 83.5 % and with 271 million euros, ranked China the 22nd Slovenian export market. Since Chinese import remained at the same level as a year before, the Slovenian trade deficit has also decreased in relative terms, currently at around 492 million euros.” (Kuzma 2017, p. 18)

Issues and challenges

Along the development of these processes, it can generally be said that the reception was overall welcoming and enthusiasm prevailed, but the responses still varied. On the official level some issues were brought up repeatedly both in press and on the level of government statements. One of those was the relation between the 16+1 initiatives and the EU regulatives, especially prominent around the time of the Belgrade summit in December 2014 when EU representatives reminded the participants that all infrastructure agreements made within the 16+1 initiative must follow the EU regulations. Slovenian Prime Minister, Miro Cerar, addressed these worries in the December 16th 2014 short interview for the main Slovenian newspaper, *Delo*, saying that “EU should not be a community blocking the path for foreign investment,” and adding that “it is however important to make sure that the rules, which we had set ourselves, are also respected by the foreign investors.” (Gole, 16. 12. 2014). On similar background the initiatives for the Chinese investment in the Port of Koper were largely put aside, the decision which was additionally motivated by recently very unstable organisational and management dynamics within the company itself. One of the biggest obstacles for more successful outcomes of Sino-Slovenian cooperation according to many

commentators seems to be the lack of coordination and vision on the Slovenian side. The president of the Slovenian Chamber of Commerce, Samo Hribar Milič, identified the biggest difficulty Slovenia is facing to be “the lack of profiled political standpoint towards foreign investment” (Kitajska – priložnosti in izzivi, 2014). The criticism was similar in an analysis by the economic analyst Matevž Raškovič, who identified two main shortcomings of Slovenian strategy to be the failure to concentrate on strategic development and the lack of an overall systemic approach to the potential Chinese investment, instead of partial focus on singular investment and cooperation projects (Raškovič, 2014).

In order to complement the official statements and published interviews, we conducted a series of interviews in autumn 2017 with representatives from the relevant institutions on state/regional level and from academia. A detailed analysis of the interviews exceeds the scope and the length of the present paper and will require a thorough additional research, but the preliminary analysis of the material already revealed some interesting general points, which largely confirmed the issues that were identified in the analysis and several published interviews. The main issues could be summarized as:

a) Lack of information and understanding: apart from those interviewees that are directly in contact with either of the two initiatives, with the rest the understanding of the strategies, their framework, functioning and aims is largely unclear. The differences and connecting points of the two frameworks also seem to be confusing for most of our interviewees. There was also a noticeable difference between representatives of state institutions who generally seemed to have a better understanding of the topic, and the representatives of local institutions, which felt that additional information would be required from the state level. This could be a challenge for further improvement with policies on national, bilateral and international level designed to facilitate the availability of information and improve the understanding of the two initiatives. Especially the communication between the level of the central government and the regional institutions could be improved.

b) General dissatisfaction with the current state of Sino-Slovenian cooperation on government level: the interviewees were largely unaware of the present institutional exchange between the two countries, while they knew comparatively more about the business exchange. The disconnection between the two is a topic that was also addressed by several representatives of companies in published interviews. A strategic cooperation between initiatives on government level that would go beyond the initial networking platforms (which seem to work efficiently) would be desired, especially on the local and regional level. There is also a perceived imbalance between different sectors, where especially the academic respondents largely expressed the lack of scholarly exchange and cooperation.

c) Issues related to Slovenia-specific background: the interviews and the published statements alike are seemingly quick to position the issues of the Sino-Slovenian connectivity within some specific Slovenian background topics. Among most prominent frameworks, which influence the reception of the two initiatives is the general situation within the political-economic sphere, largely marked by problems such as corruption scandals and institutional instability. There are also some perhaps less tangible and more subtle frameworks, which are

nation-specific: the issues of state-sovereignty in international relations, intercultural issues, the strong cultural identification within the historical nation-building process etc.

In short, we could conclude that although Sino-Slovenian relations show a considerable acceleration and improvement in the past five years, the situation is still far from what could be achieved. Lack of information and communication and the general unfamiliarity with the basic ideas and conditions of the two initiatives; structural issues and imbalances within Slovenian public sector; the lack of communication and cooperation between different government sectors, between private and public sector and between the state and local level, all contribute to less than optimal outcomes. The challenge, however, is also present on the level of research. The topic is largely underrepresented in scholarly publications and serious research would be necessary, not only from the viewpoint of economic trends but also from the viewpoint of humanities and social studies.

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