

# WORKING PAPER

## **Bulgaria-China Relations in the Context of the Changing World - Challenges and Opportunities**

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# **Bulgaria-China Relations in the Context of the Changing World**

## **- Challenges and Opportunities**

Evgeniy KANDILAROV

### **The changing world and the geopolitical challenges**

At the beginning of the second decade of the XXI century, globally the two major geopolitical players opposing each other are the United States and China. Their interests and actions are crossing in many regions around the world. One of these crossing points is undoubtedly the region of Central and Eastern Europe.

Over the past two decades, China has become a significant economic player on the international stage. This enabled it to become also an important geopolitical power worldwide. At the same time, Europe is a key element of China's strategy to impose a new model of global governance. The EU is China's largest trading partner and China is the EU's second largest trading partner.<sup>1</sup>

The discussion among EU member states about what the Belt and Road Initiative (BRI) means for Europe, and what response would be appropriate took quite a long time. Until 2015 there was no official position of the EU toward the issue of the BRI. It was mentioned for the first time in a Resolution of the European Parliament from 16 December 2015, regarding the EU-China relations. In this document the European Parliament stated that since the launch of the BRI aimed at constructing major energy and communication links across Central, West and South Asia, Europe considers the project with a *“geostrategic relevance which should be pursued in a multilateral way”* and *“believes that it is of the utmost importance to develop synergies and projects in full transparency and with the involvement of all stakeholders...”*<sup>2</sup>

In July 2016 the “16+1” formula was referred for the first time in an European document (the new EU Strategy on China) as a sub-regional framework for cooperation in the context of connectivity.<sup>3</sup>

Talking about the official reaction, the EU initiated the EU–China Connectivity Platform in 2015, but there was little else resembling a coherent policy response to the Chinese strategic

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<sup>1</sup> Mapping and recalibrating Europe's economic interdependence with China - <https://merics.org/en/report/mapping-and-recalibrating-europes-economic-interdependence-china>

<sup>2</sup> <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&language=EN&reference=P8-TA-2015-0458>

<sup>3</sup> <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P8-TA-2015-0458+0+DOC+XML+V0//BG>

initiative. At the level of the member states, approaches varied greatly, with many governments, especially in Central, Eastern, and Southern Europe, welcoming the initiative, while those in Western and Northern Europe showed more restrained attitudes.

China's entry into the region became more and more visible during the last 10 years.<sup>4</sup> China's new strategy toward CEE emerged in 2011. The so-called regional approach to deal with Central and Eastern European countries can be regarded as a breakthrough. Pragmatic cooperation between China and the EU's Central and Eastern European member states strengthened in 2011. On June 25th, 2011, the first China-Central and Eastern Europe Business Forum was held in Budapest. Premier Wen Jiabao address to the forum, conveyed message to CEEC that China is strongly committed to develop a new platform for good relations with CEEC. On the second China-Central and Eastern Europe Business Forum in Warsaw, in April 2012, Chinese Prime minister brought forward the 12-point initiative for deepening cooperation with CEEC which consisted of several measures for promoting friendship and cooperation entitled "China's 12 Measures for Promoting Friendly Cooperation with Central and Eastern European Countries". The document was announced as a new Chinese engagement strategy in the CEE region (for China CEE consists of 16 states: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Macedonia, Montenegro, Latvia, Lithuania, Romania, Poland, Serbia, Slovak Republic and Slovenia) and this was considered as an official launch of the '16+1' formula.<sup>5</sup>

Over the years subsequent rounds of talks between prime ministers were held in Bucharest (2013), Belgrade (2014) Suzhou (2015), Riga (2016), Budapest (2017), Sofia (2018). On the summit in Dubrovnik (2019) Greece joined the Initiative and for a while it became known as "17+1". In 2020 the annual summit was originally planned to take place in Beijing but as a result of the pandemic, it had to be postponed to a later date. On February 9, 2021, a several-hour long virtual summit of the Heads of States of the 17+1 format members took place. For the first time in the history of the initiative, China was represented by the President of the People's Republic of China (PRC) Xi Jinping. However, at that time the event was already not so enthusiastically received by countries in the region and the future of the format was seriously shaken for the first time. Nevertheless, the growing dissatisfaction of some countries participating in the initiative couldn't be hidden. During the meeting, six of 12 EU members

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<sup>4</sup> *Kandilarov, E.* China And CEEC Relations In The Past 40 Years: Achievements, Challenges And Prospect – Bulgarian Point Of View – *Journal of Xi'an Jiaotong University (social sciences)*,2018,(6):76-82.[doi:10.15896/j.xjtuskxb.201806009], ISSN:1008-245x/CN:61-1329/c

<sup>5</sup> *Marcin Kaczmarek, Jakub Jakóbowski.* China on Central-Eastern Europe: '16+1' as seen from Beijing. Centre for Eastern Studies Number 166 | 15.04.2015

that are part of the format – the Baltic states, Bulgaria, Romania and Slovenia – were represented only by their ministers, not heads of states or governments. Many political analysts interpreted this as a clear sign of cooling relations between these countries and China under this initiative.

In May 2021 suddenly Lithuania has dropped out of "17+1" group and called on other EU countries to also abandon the initiative. *"From our perspective, it is high time for the EU to move from a dividing 16+1 format to a more uniting and therefore much more efficient 27+1,"* Lithuanian foreign minister said.<sup>6</sup> This development highlights a growing split that is taking place in CEE, where many countries have more sober assessment of the engagement with China and are carefully positioning themselves between Beijing and Washington amid the deepening global geopolitical rivalry.

In a major blow to China's diplomatic efforts in Europe, on August 11, 2022, Estonia and Latvia also announced that they have exited China's 16+1 initiative, following Lithuania's departure last year. According to many analyses the reason for this decision was the deepening concerns of the Baltic countries over Beijing's ties with their arch-enemy Moscow. China's declaration of a "no-limits" friendship with Russia in February 2022 has been considered as a warning sign to Baltic nations, which fear that Russian invasion of Ukraine, is a precursor to a wider attempt by Russia to establish back its Soviet empire.<sup>7</sup>

Both Baltic states announced that they want to continue to work toward constructive and pragmatic relations with China but would like to do so within the framework of EU-China relations, and *"in line with rules-based international order and values such as human rights."*<sup>8</sup>

This way currently the China-CEE cooperation Framework was reduced to a "14 + 1" format and its further existence was seriously questioned.

However, in the past 10 years since the beginning of this regional approach of China to Central and Eastern Europe, the top-level meetings were complemented by a series of multilateral events of secondary importance, attended by representatives of the CEE states and China. Various initiatives have been organized, including forums focused on economic and investment affairs as well as regional cooperation. Other initiatives include: ministry-level conferences and other events devoted to issues such as tourism, education, agriculture, energy affairs, infrastructure development. The progressing institutionalization of the '16+1' format

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<sup>6</sup> <https://www.politico.eu/article/lithuania-pulls-out-china-17-1-bloc-eastern-central-europe-foreign-minister-gabrielius-landsbergis/>

<sup>7</sup> <https://chinadigitaltimes.net/2022/08/latvia-and-estonia-exit-chinas-161-central-and-eastern-european-cooperation-group/>

<sup>8</sup> Ibidem.

resulted in the establishment of a Permanent Secretariat at the Chinese Foreign Ministry (2012), a Permanent Secretariat for Investment Promotion in Warsaw (2014), and several associations and industry organizations coordinated by individual states (e.g. agricultural cooperation is coordinated by Bulgaria, railway transport – by Serbia).<sup>9</sup>

China-CEEC cooperation has provided new driving force to China-CEEC traditional friendship, built a new platform for mutually beneficial cooperation and served as a new engine for deepening China-Europe relations for mutual benefit and the so called “win-win” cooperation. One of the most important things for the further development of the China CEEC relations was the fact that 16+1 formula has been integrated into the grand BRI strategy.

However, some European countries and the United States view China-CEEC cooperation mechanism as a strategic intrusion of China into Europe, which poses serious threats to their national interests. In general, the EU is suspicious of China’s investments in the CEE region for fear that China may be implementing a divide et impera policy toward the EU.<sup>10</sup> According to a number of analysts, China aims to turn its investment capital into political, pursuing its own geostrategic interests in the Balkans and Southeast Europe.

Although the European Union accepted this format of cooperation between China and the region of Central and Eastern Europe, In the Joint Communication on ‘EU-China – A strategic outlook’ of the Union from March 2019, China has been described as “*an economic competitor in pursuit of technological leadership, and a systemic rival promoting alternative models of governance.*”<sup>11</sup>

Meanwhile, in recent years, the political presence and pressure from the United States in the region of Central and Eastern Europe has been growing. The most significant example of this is the so called “Three Seas Initiative” (3SI) which is more and more often described as a political tool of the US designed to somehow counter China’s efforts to gain greater influence in CEE.

The Three Seas initiative, launched in 2015, brought together 12 European countries between the Adriatic, Baltic and Black Seas. They are Austria, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. The

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<sup>9</sup> New 16+1 China-European initiative introduced in Beijing - Wang Qingyun ( chinadaily.com.cn ) Updated: 2015-10-31 09:26:16 - [http://www.chinadaily.com.cn/world/cn\\_eu/2015-10/31/content\\_22332681.htm](http://www.chinadaily.com.cn/world/cn_eu/2015-10/31/content_22332681.htm)

<sup>10</sup> Brinză, Andreea. The “17+1” Mechanism Caught Between China and the United States - <https://www.worldscientific.com/doi/pdf/10.1142/S237774001950009X>

<sup>11</sup> <https://ec.europa.eu/info/sites/default/files/communication-eu-china-a-strategic-outlook.pdf>

announced main goal of the Initiative was through joint projects to promote cooperation for infrastructure, digital and energy connectivity, to achieve sustainability and economic growth.<sup>12</sup>

Since the very beginning, the “birth” of the Three Seas initiative was triggered by a report of the US think tank, the Atlantic Council, entitled ‘Completing Europe’ (2014) in which attention was drawn to Europe’s disparity in development. At the same time even in this strategic document there is a clear notion and suggestion about Russia and China considered as global threat that has to be counterbalanced.<sup>13</sup>

In 2017, when the recently elected president of the United States, Donald Trump, chose to attend a summit of the Three Seas Initiative in Warsaw before he had visited western European allies like the UK, France and Germany, a number of commentators took note. Moreover, many insiders have argued that the Three Seas Initiative is becoming one of the most important European projects after the EU and NATO.<sup>14</sup>

During the third summit of the 3SI (September 17-18, 2018, Bucharest, Romania), on the initiative of the United States, was launched also a new format of cooperation with the 3SI member states called Partnership for Transatlantic Energy Cooperation.<sup>15</sup>

Most naturally this 3SI has to be considered not simply as an infrastructure, communication and economic strategy, but rather as a military-political project directed against China and Russia.

There is a concern of the geopolitical experts that the 3SI could become a trigger for a new division in the European Union. Reasons for that kind of concerns are coming from the fact that from the very beginning of the Initiative USA have been keen on supporting and investing in the region, aiming to roll back Russian influence and counter Chinese “17+1” and BRI investments in the CEEC.

The U.S. government, including some members of Congress, has indicated strong backing for the 3SI. In November 2020, the House of Representatives passed a bipartisan resolution “*expressing support of the Three Seas Initiative in its efforts to increase energy independence and infrastructure connectivity thereby strengthening the United States and European national security*” (H.Res. 672, 116th Congress).<sup>16</sup> The resolution contains plans to increase energy security and connectivity in the region's infrastructure. It says Russia “uses

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<sup>12</sup> <https://3seas.eu/about/threeseasstory>

<sup>13</sup> [https://www.ceep.be/www/wp-content/uploads/2014/11/Completing-Europe\\_Report.pdf](https://www.ceep.be/www/wp-content/uploads/2014/11/Completing-Europe_Report.pdf)

<sup>14</sup> Lewicki, Grzegorz. Meet the Three Seas Initiative: the Crucial International Project You Probably Know Little About, Notes From Poland, January 12, 2021, <https://notesfrompoland.com/2021/01/08/meet-the-three-seas-initiative-the-crucial-international-project-you-probably-know-little-about/> (Accessed May 27, 2021).

<sup>15</sup> <http://www.pac1944.org/featured-stories/partnership-for-transatlantic-energy-cooperation-p-tec/>

<sup>16</sup> The Three Seas Initiative - <https://crsreports.congress.gov> | IF11547 · VERSION 2 · UPDATED

*energy as a weapon to put pressure on or undermine freedom and democracy in Europe.*"<sup>17</sup>

This resolution is very indicative of the US strategic vision for the place and role of the Three Seas Initiative in the counterbalance of China as well.<sup>18</sup> In the document it is clearly stated that: *"Three Seas Initiative provides a positive alternative for financing for transport, energy and digital connectivity projects in the Three Seas region to China's 17+1 and Belt and Road Initiatives, which have exported corruption, debt traps, and poor labor and environmental standards"*<sup>19</sup> Even more the one of the authors of the resolution, Congresswoman Marcy Kaptur, describes the meaning of the resolution as an expression of robust Congressional support against *"Russian and Chinese malign influence"* in Europe.<sup>20</sup>

At the Tallinn summit of the 3SI in 2020, the US delegation announced a \$ 300 million investment through the US Development Finance Corporation (DFC) in the Three Seas Fund. At the same time, US Deputy Secretary of Economic Affairs, Energy and Environment Keith Krach announced the US commitment to contribute 30% of the contributions of the 12 countries of the initiative, taken together, to a maximum of 1 billion euros.<sup>21</sup>

Thus the US support reflects the primary geopolitical purpose behind the 3SI. The opportunity to drive a wedge between Russia and its former zone of influence in Central Europe not only appeals to the US, but promises the added advantage of beefing up US trade and other interests in the region.

In 2020, during his visits to the Czech Republic, Slovenia, Austria and Poland, US former Secretary of State Mike Pompeo summed up Washington's goals: *"We have the opportunity to keep countries in Europe strong, free and committed to the United States, just as my country wants."*<sup>22</sup> At the time, Pompeo's main task was to gather support in Europe for anti-Chinese pressure, advising European countries not to use the technology supplied by the Chinese telecommunications company Huawei for 5G networks. Pompeo advised them to join the American plan "5G Clean Network Security".<sup>23</sup> Digital technologies (including 5G, AI, IoT) are the most critical investment factor of the Three Seas and infrastructure and energy projects. That is why the Three Seas countries are trying to develop an autonomous technological idea

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<sup>17</sup> <https://www.congress.gov/bill/116th-congress/house-resolution/672/text>

<sup>18</sup> <https://kaptur.house.gov/media-center/press-releases/kaptur-kinzinger-resolution-supporting-three-seas-initiative-unanimously>

<sup>19</sup> <https://kaptur.house.gov/sites/kaptur.house.gov/files/documents/BILLS-116hres672-SUS.pdf>

<sup>20</sup> <https://kaptur.house.gov/media-center/press-releases/kaptur-kinzinger-resolution-supporting-three-seas-initiative-unanimously>

<sup>21</sup> <https://3seas.eu/about/past-summits/tallinn-summit-2020>

<sup>22</sup> <https://ee.usembassy.gov/2020-10-19-2/>

<sup>23</sup> <https://2017-2021.state.gov/the-clean-network/index.html>

in digital solutions. This is to be achieved through activities such as the establishment of the CEE Digital Coalition in 2020.<sup>24</sup>

Nevertheless, the United States' political influence might be a decisive factor regarding China's participation in the digital infrastructure and services in 3SI. The US has been bringing its influence to bear on individual member states to ban Huawei and other Chinese suppliers from their digital infrastructure, as envisaged in its plan for a “Clean Network” of “trusted suppliers” and countries. By the end of October 2020, joint declarations with the United States on the security of 5G networks were signed by Romania (August 20, 2019), Poland (September 2, 2019), Estonia (November 1, 2019), Latvia (February 27, 2020), Lithuania (September 17, 2020), Slovenia (August 13, 2020), Slovakia, Bulgaria and North Macedonia (October 22, 2020). At the same time among the 3SI countries, there is more and more awareness that Huawei is a tool of Chinese geopolitics, aiming to gain a major position in the 5G and IoT market, and then impose standards and technological solutions through the economies. For most of the CEEC, the United States is the main security partner that ensures credibility to NATO commitments.<sup>25</sup>

When President Joe Biden met NATO and EU leaders in Brussels in mid-June 2021, he also stressed the need to push back against Russian aggression, as well as against Chinese influence through its 5G technology and belt-and-road investments.<sup>26</sup>

Bringing all this facts together make sense that the United States began to see the 3SI as a mean of winning the geopolitical battle for "hearts and minds" in the CEE region especially trying to reduce Chinese and Russian influence. With backing from the United States, the 3SI not only looks like but it's a certain Central Europe's answer to China's “17+1”and Belt and Road Initiative.

This was made more than clear during the format's last meeting in August 2022. It was held in Riga, Latvia. The meeting underlined its anti-China strategic aims several times. The summit documents make it clear that the 3SI offers the U.S. and Europe an alternative engagement model to the Chinese Belt and Road Initiative in Central Europe and Beijing's 17+1 cooperative development framework. It was also underlined that the 3SI could potentially

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<sup>24</sup> *Lewandowski, Piotr, Paszak, Pawel*. Three Seas Project (3SI) and the Belt and Road Initiative (BRI): The Security Dimension - European Research Studies Journal Volume XXIV, Issue 1, 2021 pp. 1230-1239.

<sup>25</sup> *Grochmalski, Piotr, Lewandowski, Piotr*. US-China Technological Rivalry and its Implications for the Three Seas Initiative (3SI) - European Research Studies Journal Volume XXIII, Special Issue 2, 2020 pp. 840-853.

<sup>26</sup> <https://www.courthousenews.com/biden-goes-to-brussels-and-builds-front-against-china-russia/>



address energy security and dependence on Russian gas and oil as well as strengthen dual-use infrastructure for the forward collective defense of NATO.<sup>27</sup>

The official webpage of the Initiative stressed that recent developments have placed renewed focus on the 3SI. According to the statement *“One reason is growing concern about Chinese investments in the region. Beijing had heavily promoted cooperation through its 17+1 initiative and its Belt and Road development program. Few major programs, however, came to fruition in Central Europe. Further, Europeans became increasingly worried about security issues related to infrastructure, such as the deployment of 5G networks. Many Central Europeans also resented Beijing for not condemning the Russian invasion of Ukraine and not cooperating in efforts to restrain President Vladimir Putin. It has now become apparent that Beijing has worn out its welcome in the region.”*<sup>28</sup>

It is also mentioned that in 2021, Lithuania withdrew from the 17+1 and that other Central European nations are also considering withdrawing. Several have downgraded their level of senior official commitments to the forum. Finally the 3SI forum pointed out that *“Arguably, the initiative is near moribund, signaling the time may be right for a major U.S. and Western European effort counter to Chinese investments.”*<sup>29</sup>

However, the accelerating deterioration of the relationship between the West and China – and the growth of various tensions and rivalries – is redefining the overall context of Beijing’s – CEE relations.

A major turning point in the EU-China relationship occurred in March 2021. The EU levied sanctions on some Chinese officials for abuses in Xinjiang. Beijing retaliated by sanctioning EU members of parliament and others. Finally in May 2021, the European Parliament voted overwhelmingly to freeze efforts to ratify the EU-China Comprehensive Agreement on Investment (CAI) until Beijing lifts sanctions imposed in retaliation for the EU's condemnation of China's human rights abuses.<sup>30</sup> This was considered as a major blow to the EU-China relationship at a decisive moment.

The deterioration of EU-China relations, which was fully in line with the increasing tensions between the US and the PRC, ultimately led to the EU's adoption of two key strategies that are complementary and have a common goal. It's about *“EU Strategy for cooperation in the Indo-Pacific”* and *“The Global Gateway Initiative”* both adopted and implemented in 2021.

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<sup>27</sup> <https://www.gisreportsonline.com/r/three-seas-initiative-2/>

<sup>28</sup> Ibidem.

<sup>29</sup> Ibidem.

<sup>30</sup> Ibidem.

Without being explicitly stated, the analysis of the documents shows that both strategies are related to the EU's desire for clearer and more decisive actions to counterbalance China's strategic goals and actions.

### **Bulgaria-China relations and the changing world - challenges and opportunities**

The described geopolitical situation presents a series of very serious challenges for the relations between China and Bulgaria. What are the opportunities that lie ahead for Bulgarian-Chinese relations in the light of all these dynamic changes and severe challenges?

Bulgaria and China have stable relations based on a long tradition dating back to the Cold War period.<sup>31</sup>

During the first two decades after the end of the Cold War China was not a priority of the Bulgarian foreign policy which was focused mainly on the Euro-Atlantic Integration of the country. Additional reason for the cooling down was the Ideological incompatibility since all the Bulgarian governments during the transition period have been demonstrated that they have cut off with the communist past of the country respectively with its ideology so more close relations with country like China would be quite problematic, especially when we take into account the extremely active role and influence that USA have had over Bulgaria and its governance since the beginning of the 90s.<sup>32</sup>

Since the start of the BRI this tendency gradually changed. In the last ten years Bulgaria has been actively involved in China's initiative for Central and Eastern Europe "16 + 1" and until 2-3 years ago the relations between the two countries developed relatively well, based on a non-ideological, pragmatic approach that takes into account objective realities and the opportunities of these relations politically, economically and culturally.<sup>33</sup>

As a result, Beijing has significantly expanded its cooperation with Bulgaria both on national and mostly on at the subnational level in areas such as culture, education, agriculture, research, public procurement and e-government.

In 2014, a Memorandum was signed in Bucharest to create an Association for the Promotion of Agricultural Cooperation between China and the Central and Eastern European countries which was established at the Ministry of Agriculture of the Republic of Bulgaria. Since 2015 it has been fulfilling the mission of coordinator in the mechanism for cooperation

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<sup>31</sup> *Kandilarov, E.* 70 years Between Ideology and Pragmatism – Within the “Zig-Zags” of Bulgaria – China Relations from the Cold War Period to the Belt and Road Initiative – China And The World: Language, Culture, Politics, Volume 1, Sofia, 2020, 126-136, ISBN 978-954-07-5075-0.

<sup>32</sup> *Kandilarov, Evgeniy, Dimitrov, Aleksander.* Bulgaria-China Relationship: Between the National Development Strategy and Belt and Road Initiative – Yearbook of UNWE, University of National and World Economy, 2018, pp. 33–73, ISSN:1312-5486

<sup>33</sup> *Kandilarov, E.* 70 years Between Ideology and Pragmatism...132-133.

in the field of agriculture, creating a network of business contacts, and exchanging relevant information in its unified database.<sup>34</sup> Since the official launch of its activities on June 26, 2015 in Sofia, the Association has proven to be an important tool for promoting cooperation and trade in agricultural goods and food within the China-CEE relations. The Association has two strategic projects, namely "Demonstration zones for cooperation in agriculture in CEE countries and China" and "Logistics centers and Pavilions for e-commerce of agricultural and other products in CEE countries and China".<sup>35</sup>

On November 24, 2017 was opened the first "16+1 e-Commerce Logistics Hub and Pavilion for Agricultural and other Products" in Trakia Economic Zone, Plovdiv City, Bulgaria. In 2018 was established the "16Plus1Cloud" ([www.16plus1cloud.org](http://www.16plus1cloud.org)) which is a digital online platform for the consolidation of products from China and the CEE countries. The Platform complements the "17+1 Logistics Hub and Pavilion for agriculture and other products" – Bulgaria.

The Liaison office of the Association for the Promotion of Agricultural Cooperation between China and the CEE countries was opened in November 2018. It is located in the China (Ningbo) – Central and Eastern European Countries Youth Innovation Center. An equipped demonstration space – 16+1 Pavilion is available at the Liaison office for displaying samples of agricultural and other products from Central and Eastern Europe.

The "16+1 Demonstration Center for e-Commerce with Agricultural and other Products" was officially opened on February 21, 2019 in the Agricultural University in Plovdiv city, Bulgaria. The Demonstration Center is part of the Project "16+1 Demonstration Agricultural Cooperation Zone between China and the CEE Countries" which was officially launched during the 7th Summit of Heads of Governments of China and CEE Countries in July 2018 in Sofia, Bulgaria by the Chinese Premier Li Keqiang and the Bulgarian Prime Minister Borisov. The Project is a model of a comprehensive agricultural cycle, from production to its realization on the world markets.<sup>36</sup>

In September 2022, Counselor Xia Xiaoxi from Secretariat for Cooperation between China and Central and Eastern European Countries of Chinese Ministry of Foreign Affairs visited the Bulgarian Chamber of Commerce and Industry (BCCI). In a conversation with the chairman Tsvetan Simeonov, she underlined that despite the stagnation in the world economy and the global Covid crisis, in the period 2017-2021 trade between China and Bulgaria has

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<sup>34</sup> <https://china2ceec.org/apaccceec/?lang=en>

<sup>35</sup> Ibidem.

<sup>36</sup> Ibidem.

doubled and reached 4.5 billion USD. For the first seven months of 2022 an increase of 12% was observed.

For the first half of 2022, the most imported from China in Bulgaria are solar panels. Only for the first 3 months of the year, Bulgaria has imported about 266,006 panels worth USD 34,113,706.<sup>37</sup>

In terms of exports, the most exported things from Bulgaria this year are products such as honey and corn. In the first quarter of 2022, Bulgaria exported 1,519 kilograms of honey to China, worth 10,718 US dollars. This is an increase of nearly 50% compared to 2021. Only for the first two months of the year, Bulgaria exported 48,700 tons of corn to China.<sup>38</sup>

The wish of the Chinese partners that has been pointed out was with the support of the BCCI, more Chinese companies to invest in the Bulgarian economy. As potential sectors were pointed the infrastructural facilities such as roads, railway infrastructure, export of high-quality agricultural products for the Chinese market. The Chinese government has budgeted USD 170 billion for the next five years, for the import of goods in line with the cooperation between China and the countries of Central and Eastern Europe. It is also planned to increase by 50% the export of agricultural goods from the countries of Central and Eastern Europe to China.

In its cooperation with China, Bulgarian side strives to attract serious Chinese investments in sectors in which Bulgaria has traditional advantages and those that provide high added value and increased competitiveness of the economy – mechanical engineering, automobile construction and production of auto parts, electronics and electrical engineering, information and communication technologies, agriculture and food industry.

According to Bulgarian National Bank data, at the end of 2021, the total invested funds (with accumulation) from China in Bulgaria amounted to EUR 131.1 million.<sup>39</sup>

However, from the point of view of Chinese investments in Bulgaria, it must be said that the largest ones are in the field of agriculture which is one of the Bulgarian economy's most important sectors. The agriculture has emerged as the most important area of bilateral relations. Three of the biggest Chinese investments in Bulgaria are in this industry. Since 2013, Tianjin Farm Cultivation Group Company Bulgaria EOOD is estimated to have invested approximately

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<sup>37</sup> <https://bccci.net/bg/blog/2022/05/05/%d1%81%d0%be%d0%bb%d0%b0%d1%80%d0%bd%d0%b8%d1%82%d0%b5-%d0%bf%d0%b0%d0%bd%d0%b5%d0%bb%d0%b8-%d1%81%d0%b0-%d0%bd%d0%b0%d0%b9-%d0%b2%d0%bd%d0%b0%d1%81%d1%8f%d0%bd%d0%b0%d1%82%d0%b0-%d1%81%d1%82%d0%be/>

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<https://bccci.net/bg/blog/2022/05/02/%d0%bf%d1%87%d0%b5%d0%bb%d0%b5%d0%bd-%d0%bc%d0%b5%d0%b4-%d0%b7%d0%b0-%d0%ba%d0%b8%d1%82%d0%b0%d0%b9-%d0%bd%d0%be-285-%d0%bf%d1%8a%d1%82%d0%b8/>

<sup>39</sup> <https://old.mi.government.bg/bg/themes/kitai-192-333.html?p=eyJwYWdlIjo1fQ==>

€35million in the cultivation of corn, wheat, and other crops around the town of Parvomai. In the north-eastern region of Dobrich, the Bulgarian-Chinese joint venture called “Bulgaria Tianshinong Feed Company”, which specialises in feed production and the cultivation of corn, began initial investment activity in 2012 which expanded to around €15million.<sup>40</sup> Since 2015, the Chinese-Bulgarian Terraland Group is estimated to have invested approximately €8million in vine growing around the Danube town of Lom.<sup>41</sup>

Bulgaria is also home to China’s largest construction engineering company – China Communications Construction Company Limited (CCCC), a leader in the construction and design of railway and port infrastructure, roads and bridges all over the world. In a consortium with Trace – Sofia, CCCC won the tender for the third lot of the modernization of the Elin Pelin-Kostenets railway line in the section from Ihtiman to Kostenets. China Communications Construction Company Limited has chosen Sofia as its office for Central and Eastern Europe.<sup>42</sup>

Politically, the past ten years have also seen a significant rapprochement between Bulgaria and China. Within this period Bulgarian presidents visited China twice - in 2014 and 2019, while the Bulgarian prime minister visited China in 2015. China’s premier, in turn, visited Bulgaria in 2018. The framework of bilateral cooperation agreements and protocols has also deepened, culminating in 2019 by the signing of a declaration that upgraded relations to a ‘strategic partnership’.

It was of a great importance the fact on July 7, 2018 Bulgaria hosted the 7th Summit of China and Central and Eastern European Countries where the Participants formulated and issued the so called Sofia Guidelines for Cooperation between China and CEEC with *"Deepening open and pragmatic cooperation for inclusive prosperity"* which at this moment included further measures for Strengthening the “16+1” coordination.<sup>43</sup>

During the visit of the Chinese Prime Minister to Bulgaria in 2018 both sides relised joint communique, in which they highly valued the development of bilateral ties in recent years and pledged to enhance cooperation in such areas as infrastructure construction, agriculture, tourism, new technologies, innovation and renewable energy. The result was 20 signed agreements, including for: scientific and technical exchange, peaceful use of nuclear energy, financial

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<sup>40</sup> <https://bta.bg/en/news/160197-Bulgarian-Chinese-Company-Starts-Building-Animal-Feed-Plant-in-NE-Bulgaria>

<sup>41</sup> *Shopov, Vladimir*. Let a thousand contacts bloom: How China competes for influence in Bulgaria – <https://ecfr.eu/publication/let-a-thousand-contacts-bloom-how-china-competes-for-influence-in-bulgaria/>, Policy Brief 10 March 2022.

<sup>42</sup> <https://www.tracebg.com/en/articles/trace-not-only-focused-bulgarian-market-liu-jianfeng-cccc-representative-central-and>

<sup>43</sup> [https://www.fmprc.gov.cn/mfa\\_eng/wjdt\\_665385/2649\\_665393/t1577455.shtml](https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t1577455.shtml)

cooperation between development banks worth 1.5 billion euros, purchase of Bulgarian tobacco, export of Bulgarian wine, etc.<sup>44</sup>

The peak of the bilateral relations was the official state visit to China of the Bulgarian President Rumen Radev held from 1st until 5th of July 2019. Leading accents in all the meetings of the Bulgarian president with Chinese governmental and state officials were the upgrading of the bilateral relations between Bulgaria and China at strategic level and the establishment of guidelines for their further development and deepening. Bulgarian president discussed a series of concrete prospects for increasing Chinese investment in Bulgaria, promoting business contacts, as well as partnerships in information technology, transport infrastructure and communications, tourism, science, education and culture, agriculture etc.

The core of the visit of the Bulgarian President was that the two heads of state announced their intention to raise relations between the two countries to the level of strategic partnership by signing a Joint Declaration between the Republic of Bulgaria and the People's Republic of China.

The main point of the signed document is focused in the article three which states that *“Both sides express their willingness to achieve the objectives set out in the intergovernmental Memorandum of Understanding on the Joint Implementation of the "One Belt One Road" initiative, following the principles of broad consultation, joint contribution and mutual benefit, in order to foster practical cooperation in a range of areas, for the purposes of implementing the "One Belt, One Road" initiative to the highest level of quality.”*<sup>45</sup>

Whether Bulgarian government will fully recognize and strictly follow the goals and principles of this document, is very hard to be predicted so far. One is clearly sure and it is that Bulgaria is one of the first Central and Eastern European countries to sign intergovernmental cooperation documents with China on the BRI. With this declaration Bulgaria showed clearly that it considers the BRI and China-CEEC cooperation not only as a project for transport connectivity, but also an investment in the future and the prosperity of the countries that participate in the Initiative.

At the same time, however, the dynamically developing geopolitical situation in recent years poses a number of serious challenges to the relations between the two countries. Even before the global coronavirus pandemic and the start of the war in Ukraine, the geopolitical tensions between the United States and China at the global level affected China-EU relations

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<sup>44</sup> <https://www.mfa.bg/bg/3145>

<sup>45</sup> <https://m.president.bg/bg/news5051/prezidentite-rumen-radev-i-si-dzinpin-prieha-deklaratsiya-zaustanovyavane-na-strategichesko-partnyorstvo-mezhdu-balgariya-i-kitay.html>

and hence Bulgarian-Chinese relations. The pandemic and especially the beginning of the war in Ukraine escalated this geopolitical tension, which led to the delineation of new ideologically justified dividing lines in international relations, which affect the relations between Bulgaria and China as well.

However, taking into account these new political realities, we must also pay attention to the objective opportunities that the changing world offers Bulgaria in its relations with China. Despite ideological contradictions and political tensions, due to its economic and political influence, China continues to be an extremely important partner for the European Union, and vice versa. In terms of trade and economic relations, the pandemic and the war in Ukraine led to a transfer of trade between Asia and Europe in the so-called middle way - through Central Asia and Southeast Europe, where the place of Bulgaria is becoming increasingly important.

In economic terms the cooperation potential between China and Bulgaria is relatively high. Bulgaria is situated at a transportation hub between the Eastern and Western states, with very good natural conditions, skilled manpower and relatively low cost of investment expenditure. Following the principle of mutual benefit China and Bulgaria could quite realistically link their business in areas of mutual interest and pursue joint development.<sup>46</sup> Low taxes, increasing consumption and strategic location are among the main reasons for Bulgaria to be considered as an important place for investments by the Asian entrepreneurs.

In recent years China ranks second after Turkey among Bulgarian export partners outside the EU and is Bulgaria's largest Asian trading partner.

In 2021, bilateral trade reached a peak value of USD 3832.5 million. (growth of 33.9% compared to 2020), of which Bulgarian exports to China in the amount of USD 1328.3 million (+25.2%) and imports from China in the amount of USD 2504.2 million. (+39.0%).<sup>47</sup>

Bulgarian exports are still limited to a small assortment of goods but there is a great potential for the expanding Bulgarian exports to China in the field of agricultural products and food, wine, mineral water, essential oils and cosmetic products, as well as high-tech products with high added value (chemical and pharmaceutical industry products, electronics products, machines and machine parts, etc.).<sup>48</sup>

In the past few years, China's agricultural imports have increased at a tremendous rate, fueled by rapid economic growth and rising incomes of the Chinese population. China is

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<sup>46</sup> Търговско-икономически отношения между Република България и Китай. Министерство на Икономиката на Република България. <http://www.mi.government.bg/bg/themes/kitai-192-333.html?p=eyJwYWdlIjo0fQ==>

<sup>47</sup> <https://www.mi.government.bg/foreign-economic-trade-policy/kitay/>

<sup>48</sup> Ibidem.

emerging as the world's largest and most lucrative food market. Bulgaria has the necessary potential to export agricultural products and food to the Chinese market. Furthermore, there is great potential for cooperation in the field of agriculture: the establishment of joint Bulgarian-Chinese companies to produce agricultural products in Bulgaria and export to China.

There are also opportunities for the establishment of joint ventures between Bulgarian and Chinese companies for the production in Bulgaria of goods with an export orientation to the huge European market. Prospective areas are electronics and electrical engineering, information technology and research and development, mechanical engineering, automotive, food industry, agriculture, pharmaceuticals, textile industry, etc.

A recently published study shows another characteristic of Bulgarian-Chinese relations, which has the potential to become a key to the further deepening and expansion of relations between Bulgaria and China, despite the geopolitical challenges of the changing world. The study shows that over the last few years, China's diplomatic strategy has transitioned to a more nuanced, multi-level approach, which extends beyond central government institutions. This process has evolved in at least two directions. Alongside a shift towards a greater focus on non-governmental and civil society organisations and actors, there has been increasing interaction with subnational, local, and regional levels of government.<sup>49</sup> China's engagement with subnational institutions and actors – which encompasses both directly elected local mayors and government-appointed provincial governors – takes place through the China-CEEC Association of Provincial Governors, the Capital Mayors' Forum, the Mayors' Forum etc.<sup>50</sup>

The analysis shows that this approach at the local level gives extremely good results. In recent years China has intensified its subnational engagement with Bulgaria, particularly in the fields of agriculture, culture, education, and research.

It is more than clear that the establishment, rejuvenation, and maintenance of frameworks for cooperation with local institutional actors is a key mechanism deployed by the Chinese side to engage with countries with which it hopes to build warmer relations. Currently, 19 Bulgarian municipalities have bilateral cooperation agreements with various Chinese cities and towns. The focus of the agreements ranges across the economy, culture, academic cooperation, tourism, and administrative governance.<sup>51</sup>

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<sup>49</sup> *Shopov, Vladimir*. Let a thousand contacts bloom: How China competes for influence in Bulgaria, 10 March 2022 - <https://ecfr.eu/publication/let-a-thousand-contacts-bloom-how-china-competes-for-influence-in-bulgaria/>

<sup>50</sup> *Ibidem*.

<sup>51</sup> *Ibidem*.



The results show that this is probably the way to successfully overcome the difficulties caused by the global geopolitical opposition that is happening at the national level.

However, the analyses shows also that Bulgaria is one of the EU and NATO member states least likely to support more confrontational policies on China. Sofia has continuously emphasized the cooperative component of the EU's approach to China – which also focuses on competition and rivalry – and has largely avoided initiatives advocated by the US, the EU, and NATO in areas such as foreign investment screening and critical infrastructure protection agreements.<sup>52</sup>

### **Conclusion**

A few years ago, on the occasion of the 70th anniversary of the founding of the People's Republic of China, the Press Office of the State Council of China published a white paper entitled "China and the World in the New Era". In it Chinese government underlined once again the need to create a new model of global governance, based on the principles of multilateralism.<sup>53</sup> Following this understanding, for the last decade, China has been trying to build various platforms for multilateral dialogue and cooperation in political, economic, security, cultural and other fields. In order to promote multilateral cooperation, China has also established a number of global and regional multilateral platforms including Belt and Road Forum for International Cooperation. Together with this in recent years, China has proposed a raft of significant international concepts and initiatives, including a global community of shared future, a new model of international relations, the Belt and Road Initiative etc.

Paradoxically, however, only three years later, the world seems completely divided and as if light years away from the idea of building together a global community for a shared future.

On October 27 2022, the Defense Department of the USA for the first time released the public versions of three strategic documents — the National Defense Strategy, the Nuclear Posture Review and the Missile Defense Review — together after having developed both the classified and unclassified versions of all three in conjunction with one another. The 2022 National Defense Strategy places a primary focus on the need to sustain and strengthen U.S. deterrence against China. It also advances a focus on collaboration with a growing network of U.S. allies and partners on shared objectives. The document states that the most comprehensive and serious challenge to U.S. national security is the PRC's coercive and increasingly aggressive endeavor to refashion the Indo-Pacific region and the international system to suit its interests and authoritarian preferences. According to the US government the PRC seeks to

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<sup>52</sup> Ibidem.

<sup>53</sup> [http://english.www.gov.cn/archive/whitepaper/201909/27/content\\_WS5d8d80f9c6d0bcf8c4c142ef.html](http://english.www.gov.cn/archive/whitepaper/201909/27/content_WS5d8d80f9c6d0bcf8c4c142ef.html)

undermine U.S. alliances and security partnerships in the Indo-Pacific region, and leverage its growing capabilities, including its economic influence and the People's Liberation Army's (PLA) growing strength and military footprint, to coerce its neighbors and threaten their interests.<sup>54</sup>

In his speech at the just concluded 20th Congress of the CCP, Xi Jinping did not use such and aggressive rhetoric towards any country on the world. What is more important, however, is that he defined the present momentous world changes of a magnitude not seen in a century. Chinese president outlined these changes in two directions - a new round of scientific and technological revolution and industrial transformation; and a significant shift in the international balance of power.

Together with this Xi Jinping pointed out that, *“however, the once-in-a-century pandemic has had far-reaching effects; a backlash against globalization is rising; and unilateralism and protectionism are mounting. The global economic recovery is sluggish, regional conflicts and disturbances are frequent, and global issues are becoming more acute. The world has entered a new period of turbulence and change.”*<sup>55</sup> Finally he stressed that these changes are bringing the world once again on a crossroads in history and presenting China with new strategic opportunities in pursuing development.

Hopefully, this historic crossroads will also provide better strategic opportunities for expanding the mutually beneficial cooperation between Bulgaria and China within the framework of EU-China relations.

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<sup>54</sup> <https://www.defense.gov/News/News-Stories/Article/Article/3202438/dod-releases-national-defense-strategy-missile-defense-nuclear-posture-reviews/>

<sup>55</sup> President Xi Jinping's report to China's 2022 party congress - <https://asia.nikkei.com/Politics/China-s-party-congress/Transcript-President-Xi-Jinping-s-report-to-China-s-2022-party-congress>