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From Budapest to Budapest – the 16 + 1 Cooperation: A Serbian Point of View

Abstract

In this paper we try to pursue a general overview of the platform for cooperation between PR China and sixteen European countries that the PRC initiated in 2012 under the name *Sixteen Plus One* or *China and Central and Eastern European Countries*. After five years, several prime ministers' summits and different sorts of established or developed ways of cooperation being introduced, it left most, if not all its European participants with mixed impressions about the very experience and the prospect for the future development of the platform. Regarding the complex environment and intense dynamism and controversies surrounding the platform "16 + 1", we will try to analyse the achievements, problems and limitations for its future development, including its visibility and overlapping with the Belt and Road Initiative and its position within EU–China relations.

Keywords: PRC, Central and Eastern European Countries, Sixteen Plus, Belt and Road Initiative, EU, connectivity, China rise

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Introduction of the framework and its geopolitical and geo-economic context

When announced in Budapest in 2011 by PRC's Premier Wen Jiabao and formally established one year later, the new format of cooperation between *Central and Eastern European Countries* and China took everybody by surprise, including the sixteen participants and the EU. Unexpectedness of the Chinese initiative did not help when it came to concerns coming from Brussels and over the Atlantic Ocean or readiness of the sixteen actors chosen for collaboration.

Many analysts and policy makers wanted to know what the interest was of the "16 countries", especially those eleven that at the time were already or just to become EU member states. Nevertheless, the period before and after the outbreak of the global economic crisis and the Eurozone crisis, was the period of disillusioning of the "new Europe" as they were left on their own, while the financial and trade borders of "old Europe" became again apparent in reality. Since the outbreak of the Eurozone crisis, all new EU member states had been experiencing significant budget deficits, credit crunch and liquidity squeeze as well as shrinkage of foreign direct investment (FDI) from the EU by 50%. In the midst of the EU's disappointing capabilities to deal with the ongoing crisis and the new emerging ones, China stepped in with the new platform for deepening and upgrading relations, especially when it comes to construction of traffic and energy infrastructure, financial sector, "industrial capacity cooperation", culture and education, trade and other projects that should build the connectivity within the sixteen and of the sixteen with China. China moved pro-actively onto the European soil offering what was needed: funds, capability to perform and connect, market for specific goods coming from "the sixteen".

When it came to the most important global market for China, the EU market, the world economic crisis only intensified and notably eased the realisation of huge Chinese interests in it. On the other side, it has significantly influenced the change of the EU's attitude towards China, which suddenly for some became an appreciated big investor, and even rescuer of the Union's economy and EMU through purchasing the EFSF and ESM bonds. For the others, it remained a threatening imposer and challenger of the EU dominance in Europe. An important alarming point for the latter position has been the reviving of the economic cooperation between China and Central and Eastern European countries through the

Sixteen Plus One (16 + 1) framework. For the Chinese and the crisis-stricken countries in Central and Eastern Europe, it was a promising and matching interest-based cooperation between CEE countries hungry for investments and technology and rising China in the middle of its global dispersing asset-acquisition process. The long history and tradition in cooperation, dated from the very birth of the People's Republic and the absence of political preconditioning only supported the initiative. Although some analysts saw this Chinese economic interest in countries that became EU members, as an attempt to get a shorter or cheaper way to the EU market, that engagement spread wider – into Eastern and Southeastern European countries.

Central and Southeastern European countries as former communist countries had a history in economic cooperation with China, exporting technology and experiences of their first steps in transition during the initial phase of the Chinese reform and opening up project. Also, they have relatively cheap and skilful work force and do not (or stopped to) press China with ideological issues. Chinese President Hu Jintao pointed out in Zagreb in 2009: "China has always respected sovereignty and territorial integrity of the South-European countries, as well as the development model chosen by the peoples of these countries." In that sense, economic, political and every other aspect of cooperation with China flattered each of these countries. That cooperation, unlike one with major Western powers, was on equal footing, with no subordinating treatment. In that sense, too, countries of Southeastern Europe were also very stimulated to deepen cooperation with China; although in some of them there were concerns that such development could harm their close ties with most powerful EU countries that – paradoxically – have China as a high priority global partner.

Beyond the two high-level visits to Croatia (2008) and Serbia (2009), also other elements contribute to the impression of a much stronger political presence of China in the former republics of Yugoslavia. As a state that opposes the unilaterally declared independence of Kosovo and guarantor to the UNSC 1244 resolution that keeps the runaway province within Serbia, for the first time China behaved proactively when taking part in the debate before the ICJ in Hague, against unilateral secession. Also, Chinese police forces took part in the UN missions in Bosnia and Herzegovina and in Kosovo and Metohija.

Just a year later, after *Sixteen Plus One*, China initiated another much more resonant and almost globally spread initiative – the Belt and Road Initiative. Politically promoting the New Silk Road and strategic

connectivity over Eurasia through numerous bilateral agreements of good neighbourhood, and cooperative and strategic partnerships, China have financed and built traffic, communication and energy infrastructure corridors towards Central Asia, Turkey, East and Central Europe, as well as in Mediterranean, entering the European territory from the directions neglected before: southern and eastern ones. When it comes to the “16 + 1” cooperation, it added confusion to its already poor comprehensiveness. For some, including Chinese officials and scholars in various occasions, they merged or the prior and smaller one was absorbed by the BRI. As previously agreed and even built projects (like the *Pupinov most* in Belgrade, *Kostolac* thermal power station in Serbia) became proclaimed BRI projects (a similar thing happened with parts of the Trans-Siberian Railway), some “16 + 1” projects now “became” elements of BRI – lending and purchasing cargo terminals of the Piraeus Port or Belgrade–Budapest railway (that contrary to the general understanding had existed for decades).

Along with the continuing traditionally strong Chinese economic engagement primarily in Asia, the PRC has become a big donor and investor not only in Africa² and Latin America, but also – in accordance with its high leaders’ repeated announcements in 2009, 2010 and later – in Europe, too. Obvious and remarkably growing Chinese financial involvement, including European ones, has been happening as part of the realisation of the “Go global” strategy.³ Particularly noticeable Chinese interest was seen in the Mediterranean area, where some 30% of all Chinese investments in Europe had been concentrated since the outbreak of the global economic crisis in 2008.

Chinese first attempts to present its new infrastructure building and management capabilities in this part of Europe and in Europe generally were not that successful. On the contrary, a Polish road-building project in 2009 was a negative benchmark for cultural clashes and negative image of Chinese builders. It was marked by formal protests of the Polish company (that lost a bid with 50% more expensive offer than the Chinese one) and finally by a broken contract by China Overseas Engineering Group

² According to the OECD data, the biggest impact of Chinese investment has been in Africa where her foreign investment amounted to near \$51 billion a year since 2007. In proportion to the size of the economy, Chinese direct investment in Africa has been five times larger than in the rest of the world.

³ People’s Daily 2001.

(COVEC) as COVEC proved to be unable to deliver its USD 447 million contract for a 50 km highway from Warsaw to the German border.

When it comes to Southern Europe, China's interest could be noticed a few years before, although it was not announced as a strategy, nor later explained to the engaged "16" as such. Also, China proved to enter the EU through every channel it found or created – as happened with highly costly traffic infrastructure projects in Greece, a member state that had serious problems with the sustainability of its economic model and liquidity of its economy, which did not prevent China to make long-term investment of USD 2.5 billion while renting the Piraeus seaport for thirty five years, the main Greek trade port that is at the same time strategically positioned between three continents: Europe, Asia and Africa.⁴ Chinese state-owned shipping giant COSCO also invested additional 400 million Euros in upgrading and enlarging three container terminals of the port to enable them to connect with Southeastern Europe.⁵ Since 2009, PCT (Piraeus Container Terminal) a wholly owned subsidiary of COSCO Pacific Limited, a world-leading container terminal operator, has been operating in Greece and its engagement has been concentrated on increasing the capacity of the port's terminal by 30%.⁶ Finally, COSCO Shipping bought 51% of Piraeus Port (OLP) in April 2016 for 280.5 million Euros (USD 312.51 million) in a deal with the HRADF, Greece's privatisation agency.⁷

During the Chinese Prime Minister Wen Jiabao's visit to Europe in 2010, the Chinese side also announced the acquirement of Greek state bonds and formation of the regional investment fund for the Southeastern part of Europe, run by the *China Development Bank*. During the high-level visit, the intentions of Chinese corporations to rent the Thessalonica seaport were also expressed, as well as interests for investments in railways, airports, shipbuilding, telecommunications, tourism and agriculture. A total of USD 4 billion deals in shipping, trade and energy were signed by China and Greece during the visit of Premier Li Keqiang to Athens in June 2014 as a continuation of the numerous deals between state and business representatives from the two countries agreed in May 2013 during Greek

⁴ Sofia Echo 2010.

⁵ MICHALETOS 2010.

⁶ Dredging Today 2013.

⁷ Part of the deal was mandatory investments up to 300 million Euros that the Chinese company would pay HRADF an additional 88 million Euros and increase its stake by 16% to 67% in the following five years. See GEORGIPOULOS 2016.

Prime Minister Samaras to Beijing. Chinese firms were about to invest into international airports, regional airports, ports, railways, tourism, real estate and metal production. Although at the time humble China was the only visible face of the rising power, that visit also had an important role to eliminate scepticism of some political and academic circles in the EU about the very nature of the Chinese intentions. Wen Jiabao asked for undisturbed access for Chinese companies while announcing and making new business deals, which paved the way for the long-term presence of the Chinese companies and state in the whole Europe. Another message was also sent: China had already become an important player in the European financial market, the EU market and in numerous national markets of the EU member states and other European states.⁸

China has had a strong motivation to invest in strategic infrastructures in South and Southeastern Europe situated on the crossroads of major inter-regional and intercontinental routes, which had been neglected and for that reason expected to have strong growth; this happened to be the case in Serbia, also in Greece. That makes them smart investment choices. Additionally, an important development was the influx of the Chinese funds through bilateral loans, share placements and foreign direct investments (mostly joint ventures) thusly creating what many define a long-term strategy of Beijing to build a significant foothold in one of the most strategic placements of the European Continent. The railway links to Poland or Budapest from China over Eurasia were a similar strategic path from a different direction.

When the PRC's President Hu Jintao visited Croatia in 2009, it was the first highest-level visit from China to the region of the so-called Western Balkans and the first time that the Chinese intention to develop economic relations with the countries of the region was announced.⁹ During the visit, and later, Chinese companies expressed their interest to invest into Rijeka seaport, and into railway line Rijeka–Zagreb, that would fit into the wider Chinese positioning into transport and producing capacities in Europe. The next year, the third person in China's state hierarchy – Wu Banguo visited Serbia and declared the preferential financing and building of now famous “Chinese bridge” on the Danube in Belgrade (*Pupinov most*), the first bridge built by a Chinese corporation on European soil.

⁸ MITROVIĆ 2014, 24.

⁹ XING 2009.

The EU evolved its response towards a stronger China presence on European territory and its sphere of interest to more activism and participation from the initial suspicion-dominated but passive position. The outbreak of the world economic crisis has intensified and remarkably eased the realisation of the already enormous Chinese economic interest in Europe and especially the EU as the biggest unified global market. Since the very beginning of the initiation of the framework “16 + 1” or more realistically “1 + 16”,¹⁰ the EU has been responding rather strongly. First, pretty harsh criticism came from some academic and political circles in Brussels pointing at China as a distracting factor, that was “building a wall” across the EU territory or its zone of interest and future expansion.

The total value of debt bonds of Greece, Italy, Spain, Portugal, Germany and a few other EU states purchased by China remained unclear due to the cumulative nature of the relevant statistics. Together with appeals towards bigger Chinese involvement in this process came the opposite ones. Some analysts and politicians within the EU saw such development as hazardous for the economic and geopolitical independence of the European Union, as China’s economic, but also political importance within the EU and Europe grew upon the problems of the EMU economies. They saw China using the situation to empower its influence over certain countries, as well as over the whole EU. Although such development comes along the road, such understanding expressed reservations and partly prejudices towards China within certain circles in Europe and attempt to eliminate a competition by the others.

At the same time, China started to pursue another, more powerful role with the EU, as being just a big trade partner did not accommodate its interests. Beyond realising the “Go Global Strategy” Chinese companies were about to spread their financial surplus into more geographically dispersed baskets, including such attractive ones within EU, that, thanks to the debt crises, became more economically and politically accessible in the process of this “reverse FDI” process. In those acquisitions, Chinese companies were targeting rare gains for the investors – to acquire latest technology and managerial skills. The Chinese approach, however, was pragmatic as ever: making valuable bilateral business arrangements with individual EU member countries, which reduced a lot the negotiating power of the EU as a block. On the other hand, such an approach also enabled

¹⁰ MITROVIĆ 2014, 24.

member states to achieve individual national goals on the expense of the EU without seeking for consensus decision on each and every individual case. Also, the nominal devaluation of many assets within Europe made possible for China to maximise the effects of its investments.

Mr. Wen's last visit to the EU as the Premier of the PR China in 2012 corresponded with the "alternative" Chinese approach to Europe, e.g. through comprehensive, but primarily economic cooperation with the Central and Southeastern European countries through a framework created and financed for that purpose.¹¹

Unwrapping the package – "twelve measures", their applicability and further

In April 2012, Chinese Prime Minister Wen Jiabao *de facto* co-hosted in Warsaw¹² high envoys from 16 Central and Southeastern European countries at the economic forum (announced a year before in Budapest) and introduced measures, later named "twelve measures" as tools for developing relations between the *Sixteen Plus One*. They included:

1. Set up a Secretariat for cooperation in Beijing, naming 16 national coordinators in each of the involved CEECs
2. USD 10 billion special credit line – 30% preferential loans
3. Investment cooperation fund – USD 500 million first stage
4. Increase total two-way trade to USD 100 billion by 2015
5. China to establish one economic and technological zone in each of the 16 in 5 years
6. Enhance financial cooperation between PRC and "the sixteen"
7. Expert advisory committee on the construction of transportation network
8. Organise a Forum on cultural cooperation and enhance cooperation
9. PRC to give 5,000 scholarships to students of the CEEC in the upcoming five years¹³

¹¹ MITROVIĆ 2013, 168–169.

¹² Previously, in 2011 Poland and China established the relations of strategic partnership, the second one after the first was established with Serbia in 2009.

¹³ A typical example of how some measures were realised was the distribution of scholarships in Serbia, which were given as a personal choice of the Chinese Ambassador in Belgrade, with no transparency of the "project".

10. Tourism promotion
11. Establish a research fund on relations – China to provide RMB 2 million per year
12. Organise the Young Political Leaders' Forum in 2013

While some of the measures were immediately realised, as establishing the Secretariat in Beijing – although with a very modest number of assigned officials – naming the General Secretary, engaging the lower levels of administration in China to join, some waited much longer to come to reality (the Young Political Leaders' Forum occurred in 2017) and even became presented in public as a new joint venture and Chinese business involvement (the Borca economic zone in Serbia, in 2018).¹⁴ The announced Research Fund was launched in April 2018¹⁵ while availability remained vague and obviously meant to be used by Chinese academic and research institutions¹⁶ that would later pick up partners in “the sixteen”,¹⁷ often designated by the relevant state institutions through political connections in their relevant country, sometimes with no previous knowledge or experts on China. Usually, Chinese institutions would be advised by the Chinese Embassy in the relevant country and pick up an “appropriate” partner that would stage the annual “scientific conference”, that would allow funds to be used, Chinese scholars to travel to Europe and deliver the speeches and “cooperation” pursued. While tourist effects of such conferences, as well as opportunities for researchers to meet were created, the academic aspect of it remained dubious in many cases.

A credit line worth 10 billion US\$ for support of the future projects, among which some 30% of the amount noted to be financed under the preferential conditions soon became not at all preferential due to the

¹⁴ In January 2018, the Serbian Government announced that it was to “set up a joint venture with CRBC (China Road and Bridge Corporation)” and construct an industrial park in Belgrade’s suburb Borca. Construction works were to be done by CRBC and financed by loans from the Exim Bank of China and China Construction Bank and China Development Bank, while the Serbian Government would pay 300 million euros (362.2 million US\$) for an industrial park that was supposed to be “set up by China in each of the sixteen”.

¹⁵ Cooperation between China and CEEC 2018.

¹⁶ Please consult www.china-ceec.org/eng/yjjj_1/2014ndsqrn/t1410656.htm (Accessed: 17 October 2017.)

¹⁷ Please consult www.china-ceec.org/eng/yjjj_1/2018ndsqrn_1/t1529356.htm (Accessed: 27 May 2018.)

global downturn of the interest rates while the rest of the 70% were named “commercial loans”. So far the whole amount of USD 7 billion remained untouched, as unofficially explained, due to its unfavourable conditions. Projects in the area of traffic infrastructure (bridges, railways, ports, highways), high technology, renewable energy were said to be prioritised. Nevertheless, the conditions of the loans for infrastructure projects offered by China to the sixteen countries (the Chinese side required state guarantees from the recipient state) were not applicable to eleven of “the sixteen” that were EU member states due to EU regulations from 2011 and introduced code of conduct for performing projects (from the top political level to the corporations engaged, no bidding process, etc.) because these were declared market distortions by the EC and the relevant regulations.

In 2013, Chinese Premier Li Keqiang visited Romania, the first Chinese Premier to visit that country in nineteen years; this is a typical example of “rediscovering” old friends and partners that goes for most of “the sixteen”. Romanian Prime Minister Ponta was in China as that year Bucharest was the host of the second summit of the “China Plus Sixteen” Meeting of Heads of Government of Central and Eastern European Countries and China.¹⁸

Cultural cooperation or more correctly, Chinese cultural spreading over the sixteen became obvious. While in 2006, the first Confucius Institutes in CEECs were established in the capitals of Bulgaria and Hungary, by May 2014 there were already 24 Confucius Institutes and 8 Confucius Classrooms established in fourteen out of the sixteen CEE countries, with 18,000 students enrolled, mostly to study Chinese language. At the same time China’s announcement to offer 5,000 scholarships to CEE countries and invite 1,000 students to study Chinese in China started to be realised, but mostly in a non-transparent manner.

At the Belgrade Summit held in December 2014, the parties stated that they deem the basic principles of the document entitled *China 2020 Strategic Agenda for Cooperation* and the EU legislation as the basis for cooperation. As the first large-scale infrastructure project of the “16 + 1 Cooperation”, the reconstruction of the Budapest–Belgrade railway line was signed (although the agreement between the foreign ministers was signed two years before). At the Summit, the parties declared that they would support the set-up of the China–CEEC Business Council in Warsaw,

¹⁸ Bucharest Guidelines 2013.

which the regional economic organisations can join on a voluntary basis. A decision was passed on the formation of the first sectoral coordination centres: the China–CEEC Tourism Promotion Agency in Budapest and the China–CEEC Investment Promotion Agency in Warsaw and Beijing. During the Belgrade Summit, Chinese Premier Li insisted that all the agreements and projects were pursuing in accordance with the EU regulations.

The year 2015 and the first half of 2016 were marked by intensified cooperation and high level visits between China and 16 Central and Eastern European countries through the framework “16 + 1” regular prime-ministers’ summit held in Suzhou in November 2015 and through bilateral cooperation of China and a few crucial CEE countries: the Czech Republic, the Republic of Serbia and Poland that was highlighted by President Xi Jinping’s visit to the three states in Spring 2016. The general feature of the relations during that time was upgrading and framing cooperation into China’s wider internal and international frameworks and paths.

The project for the modernisation of the Belgrade–Budapest railway that was initially agreed at the meeting of the China–CEE countries premiers in Bucharest by China, Hungary and Serbia in November 2013, confirmed at the Bucharest Summit of prime ministers.¹⁹ Once completed, the 374 km rail was supposed to become a major commercial traffic corridor along the planned path from Athens (Piraeus Port) along Greece, over Macedonia, Serbia and upward to Hungary.²⁰ In Belgrade, in December 2014, the Memorandum of Understanding was signed by China, Hungary and Serbia. Again, the cooperation plan for the railway construction was signed in 2015 in Belgrade at the meeting of the Trilateral Group of China, Hungary and Serbia for Traffic and Infrastructure Cooperation, setting dates for certain phases of the project. The project was especially highlighted again at the Belgrade Summit, at the Suzhou Summit, the Riga Summit, the Budapest 2017 Summit and at the first Belt and Road Forum in Beijing in 2017. The Budapest Summit was postponed from May, as it was firstly announced to the end of 2017 as the beginning of works on the railway was expected, but it did not occur.

¹⁹ The 374 km long rail link between Belgrade and Budapest has its section through Serbia totalling over 200 km and through Hungary of 166 km. According to earlier estimates, the modernisation of the railway would cost between EUR 1.5 to 2 billion (MITROVIĆ 2016a, 8).

²⁰ MITROVIĆ 2016a, 8.

The problem was and remained that the three-party project, described by the Chinese media as “*China Railway Corporation’s* first project in the European Union”, had not started yet. Ever since it was announced, it came under fire by Brussels institutions. Brussels loudly criticised such deals as opposing the EU regulations and business practice because they excluded competition and public tenders and assigned (Chinese) companies that would deliver the works, as well as its price was marked as a ballooned one. Hungary, as an EU member state and Serbia, as a candidate country, have been under direct and indirect scrutiny, political pressure and questioning regarding the project. Orbán’s government proved to be tough in pursuing with the project as one of a national interest and at the same time trying to get it along with the EU regulations, while Serbia, being overindebted, was combining terms of the financing the project with the Chinese loan (USD 1.6 billion) and the previously received Russian loan for the upgrading of the railways and other possible models of financing, such as concessions or public-private partnership etc. Technical and legal preparations went on,²¹ but not a single piece of practical realisation of the project had happened until 2020, although announced several times.²² There was one more symbolic opening during the Budapest Summit in 2017, but it ended with the Chinese corporation’s engagement in renovating the Zemun railway station. The project was later officially connected to China’s Belt and Road Initiative, aimed at boosting Chinese trade with the EU as the modernised line would speed up the land transport of Chinese goods from the Greek harbour of Piraeus to Budapest and from there to the West and North of Europe, which remained a top priority for Chinese planners.²³ Aside from signing another relevant agreement with both Serbian and Hungarian prime ministers in Suzhou, the Chinese premier expressed China’s readiness to “build the China–Europe land–sea express line and promote connectivity in Europe”, while Chinese president Xi Jinping named it as a top project within the BRI Forum in May 2017. In Suzhou, in his opening remarks Li put that this framework for cooperation was one with “all win outcomes”: for China, the sixteen and EU, as the “16 + 1” cooperation “had fully accommodated the relevant concerns of the EU and moved in parallel with the greater interests of China–EU cooperation”. If that is going to be

²¹ KESZTHELYI 2014.

²² Xinhua 2015.

²³ For more see MITROVIĆ 2013, 167–185.

so depends largely on China's capacity to grasp Brussels frustrations, as well as the differential approach needed for achieving mutually beneficial cooperation with each of the very different sixteen CEECs.

Again, in Suzhou, another level in carving the framework of "16 + 1" was reached while EU posted itself more visibly and boldly. On the final day, President Xi held a group meeting with leaders of the sixteen Central and Eastern European countries, as part of the Fourth Summit. At the occasion, Xi Jinping and President Duda of Poland, Serbian Prime Minister Vučić, Prime Minister of the Czech Republic, Sobotka, Bulgarian Prime Minister Borisov and Slovakian Deputy Prime Minister Vážny, signed the intergovernmental memorandums of understanding on jointly constructing the "Belt and Road" between China and five countries.²⁴ Hungary was the first country to sign a memorandum of understanding with China on promoting the Belt and Road Initiative,²⁵ followed by the Czech Republic, the Republic of Serbia, etc.²⁶

When it comes to "connectivity in Europe" and connectivity between Asia (Eastern China) and Europe, there has been a notable increase of the railway lines across the three corridors, announced by China, as parts of the continental BRI or The Belt. The very strong political promotion of the new railway routes that connect China and Europe also serves China's political, commercial and security objectives, especially when it comes to creating an alternative path to export and import and reduce the Malacca dilemma. Still, its profitability and sustainability remain questionable.²⁷

Problems, achievements and opportunities

The fact that several of "the sixteen" cannot be found in the framework area of Europe, e.g. "Central and Eastern European Countries", but in the Southeastern part of Europe, only illustrates the way they were perceived and put in the same basket by the initiator. Beyond the fact that they were socialist countries, the criteria that China used when it decided to pick those

²⁴ Ministry of Foreign Affairs of the PRC 2015.

²⁵ TIEZZI 2015.

²⁶ MITROVIĆ 2016a, 7–23.

²⁷ It is evaluated that each container has been subsidised by provincial governments in the PRC by 7,000 US\$. See BESHARATI et al. 2017.

sixteen European former socialist countries, remains a puzzle. It seems that geopolitics and geography played an important role. Nevertheless, putting these sixteen very different countries, with different sizes, economic development, cultures and traditions in the same basket was not positively accepted. When Chinese PM wanted to meet all their prime ministers together during the summits, it caused negative reactions as they all wanted to be individually perceived and treated adequately.

These individual “treatments”, though, did not help the functionality of the platform and its quality, as lack of coordination and any block alignment among “the sixteen” make them exposed economically and politically to the enormously bigger partner. Not just that they could not articulate and coordinate their common interests in the platform, but they also performed as each other’s competitors for the “gate of China towards Europe”. Actually, the code of conduct of the *Sixteen Plus One* was bilateralism between each of them and China, much more than it became a truly multilateral cooperative platform. On the other hand, China’s attempt to connect itself with “the sixteen” and to support their interconnectivity did occur when it came to tourists, and especially experts in various think-tanks in “the sixteen”, that were showered with a variety of invitations from China and towards similar institutions in other “fifteen” CEECs. They grasped the chance that elevated their relevant importance in the national academic and research communities, while others took the opportunity to get government support and financing, as they became advising tools.

Although both sides experienced tremendous and substantial changes since they had been closely cooperating the last time, China successfully initiated a certain level of coordination of the development plans and courses of “the sixteen”, each of them with its ongoing 13th Five Year Plan and the Belt and Road Initiative’s agenda, as it was suggested by Li Keqiang at the Suzhou Summit.²⁸ Hungary introduced its Eastern Opening policy, Poland its Go China Strategy and the Czech Republic the China Investment Forum while Slovakia launched a three-year (2017–2020) Strategy for Development of Economic Relations with China. On the other side, for five years, growing trade produced multiplied deficits on the side of “the sixteen” while FDIs coming from China into economies of the sixteen remained modest compared to the surge of those in the leading economies of the EU. The growing political influence based on China in the eleven

²⁸ MITROVIĆ 2016b, 139–141.

EU member states and the “alternative model” that it could offer to five candidate countries caused concern and moved the European Commission into action.

Another problem alarmed by the institutions of Brussels came with the pattern of doing major infrastructure deals in the traffic and energy sector in Serbia, Macedonia, Montenegro, Bosnia and Herzegovina and Albania. Without proper transparency about the contracts and feasibility studies or public discussions on its quality or necessity, with assigning state-owned Chinese corporations to realise the projects and picking local subcontractors in the same manner, contributed to undermine the ongoing reforms of the local institutions, including the governance quality and sway them away from the reform path they chose according to the accession process towards membership of the EU. Also, with each individual project that could be huge in the relative context of the country’s economic strength, like the highway loan of USD 1 billion provided to Montenegro, that has a GDP of USD 4.5 billion,²⁹ China enlarged its economic presence without taking care of the financial burden made to the countries that received loans with a state guarantee, as the Chinese side required.

When explaining the platform, Chinese scholars and politicians would usually describe it as a part of EU–China relations or a way of empowering EU–China relations, but as the EU did not totally overlap with the “sixteen” and because of the specific elements of the platform introduced by China, it was not perceived as such from the EU side. That contributed to the vague impression of some in Europe, that China had some hidden agenda about the platform. When analysing economic cooperation between China and “the sixteen”, Chinese scholars typically analyse each of the sixteen countries individually and tend to express arithmetically their relevant “successes” in cooperation with China with little, if any consideration towards the specific interests of “the sixteen”.

When it comes to the “16 + 1” and the BRI overlapping or the first be absorbed by the latter, it remains ambiguous as ever, and open to different interpretations, while China’s determination to incorporate into BRI projects that were previously built or agreed was clear. When President Xi made three European, and all three “Eastern” European visits during the spring of 2016, it was very much about confirming the positions already taken. China and Serbia, as well as China and Poland,

²⁹ A 2017 estimate of the IMF (IMF World Economic Outlook 2016).

both of which strategically located, upgraded their strategic partnership to a “comprehensive strategic partnership” with the PRC during the visits. President Xi’s visit was aimed at further promoting political ties with both EEC countries, at improving the arrangement of the two’s respective development strategies with those of China and at reassuring commitments for the Belt and Road projects.³⁰ As Xinhua earlier pointed out in the commentary focused on President Xi’s visit to the Czech Republic in March 2016, “China, Czech Republic set example for broader region to advance Belt and Road Initiative”. Therefore, all visited countries in spring 2016 were expected to “set an example” and were seen as “pivot points” for the cooperation with the whole “sixteen group” and Europe by the Chinese side, including the media and analysts.³¹

President Xi’s visits were focused on further upgrading political ties with the Czech Republic, the Republic of Serbia and Poland, three EEC countries with different but important positions within “the sixteen”, as well as on firming the accommodation of their respective midterm development strategies with China’s Five Year Plan and on reassuring commitments for the Belt and Road projects. They were all seen and praised from China’s perspective as important to “set example for the broader region”, also as “pivot points” for the cooperation with the whole “sixteen group” within the Belt and Road Initiative. From their side, the three countries recommended themselves as “gates to Europe”, “gates to the EU”, “central points of China’s presence in Europe”, etc. Three CEECs visited by President Xi have been seeking for benefits that China’s economic presence in their relative economies could deliver through FDIs, opening segments of Chinese markets for their products and technology, better mutual and Eurasian traffic, communication, energy infrastructure and people to people connectivity, soft and available loans, that could all bring an upgrading business environment, recovery of their economies or be a strong impetus for more robust growth, more employment and other benefits that could come out of the cooperation, that China names as “win-win”. Additionally, the incapability of the EU institutions to tackle crucial problems mounting over it and Brussels’ persistent and endemic hypocrisy and bureaucratic stiffness when dealing with the weaker partners from within or outside have toppled the initial enthusiasm of the CEECs and for sure opened the door of

³⁰ MITROVIĆ 2016a, 7–23.

³¹ See Xinhua 2016.

the Eastern part of the European Continent to China wider. So far, some of them have been ready to expose themselves to pressure coming from Brussels and over the Atlantic from the political centres that follow the rise of China globally, including in this part of Europe, with strong suspicion.

Since China has started to push more boldly for its regional and even global ambitions, it also has become louder and more present in Central and Eastern Europe with a double dual approach to the EU: verbally abiding to its principle, while in reality using all its political, moral and economic weakness. Intensifying its far more important and profitable cooperation with the most developed Western EU economies, while pushing forward its cooperation with the eleven “newcomers” of the EU and the other five “willing to become members”. We can also observe that approach when it comes to the evaluation of China’s accumulated direct investments in the economies of the sixteen Central and Eastern European countries. By the end of 2016, they valued approximately USD 1.8 billion, according to the Ministry of Foreign Affairs (MOFA) and Statistical Bureau of China, in spite of the record breaking 2015 for China’s private and state investment in Europe of USD 23 billion. However, most of that impressive sum went to Western Europe with three quarters of it into real estate, automobile and IT industries. In 2017, the sum was astronomic, due to the acquisition of the Swiss *Syngenta* for USD 43 billion, but the rest of the FDI, which went into top EU economies also grew significantly and hit the new record of USD 38 billion. The other top eight EU countries, recipients of Chinese FDI by investment value were the U.K. (USD 20.8 billion), Germany (USD 1.9 billion), Italy (USD 1 billion), France (USD 1 billion), the Netherlands (USD 3.9 billion) Finland (USD 0.1 billion) and Portugal (USD 0.3 billion),³² accounting for almost 80% of the total European investment. They mostly went into agriculture and food, transport, healthcare, ICT and tourism.

President Xi’s visits to three CEECs in 2016 – actually two central European and one Southeastern – proved China’s demonstration of certain political triumphalism over flaws and weak points of Brussels’ high moral stands, including its concerns when it comes to all aspects of the “16 + 1” cooperation. A “new spring” in relations with the Czech Republic and Poland and the “special brotherly bond” with Serbia “proved” that China’s road was correct and that it was on the right track with perceiving itself

³² Baker and McKenzie 2018.

as a leading and creative power that “as the second-largest economy in the world should be more proactive in dealing with other countries”, as president Xi told to government officials, entrepreneurs and scholars in a recent meeting.³³ Additionally, by a strong position on the strategic water flow of Europe, the Danube (in Smederevo, Serbia), China strengthened its geopolitical grasp on Europe’s soil. As always, China was also pursuing its current internal and foreign political and economic goals that included the sixteen CEE countries, but much more modestly than those countries would have liked to see.

High-level visits and summits are important and powerful tools of political connections, but they failed to be followed by Chinese investors. As it happened during President Xi Jinping’s visit to Prague in March 2016, when he announced that the Czech Republic would receive over EUR 3 billion worth of Chinese investments by the end of that year, but so far there had been a very modest realisation of it. The similar outcome followed in Serbia after the presidential visit, where after a lot of promising from the Chinese side, only one investment deal was realised.³⁴ Also, beyond the dramatic difference of China’s FDI flow between the EU18 and “the sixteen” mentioned before, there has been a strong geographic asymmetry among “the sixteen” as some 95% of the Chinese FDI went to Hungary,³⁵ Bulgaria, Poland, Romania, the Czech Republic and Slovakia. However, in those countries, even in Hungary as the biggest recipient among the CEECs, they comprise only between 2.4 and 2.5% of the cumulative FDI in their economy. During the 6th Summit of the prime ministers of China and Central and Eastern European Countries in Budapest in November 2017, Chinese officials spoke of “Chinese investment in CEEC [...] over USD 9 billion”,³⁶ while they could actually only refer to Chinese loans borrowed to the different non-EU countries, as well as FDI into “the sixteen” that were less than 20% of the mentioned sum.

When it comes to trade, the proclaimed increase of the two-way trade up to USD 100 billion by 2015 as one of the “twelve measures” was not reached, trade increased continuously, mostly the trade deficit on the side

³³ AN 2016.

³⁴ E-kapija 2018.

³⁵ MATURA 2017.

³⁶ Xinhua 2017.

of “the sixteen”.³⁷ In 2016, the trade volume between China and CEEC reached USD 58.7 billion, according to Chinese data. Additionally, the two-way trade was also focused on the five mentioned CEECs by 82%. In numerous participations of the trade fairs in China and in the sixteen partner countries, Chinese corporations were mostly interested in enlarging their export, while the biggest exporters among the CEECs, like Poland, complained that Chinese markets opened at certain points, but, at the same time, got closed for other products.

Cooperation also included the financial sector, including the opening of the new branch of the *Bank of China Ltd.* that already existed in Budapest and Belgrade in 2017, and several divisions of the *Bank of China*: in Poland and the Czech Republic. The *Industrial and Commercial Bank of China* opened divisions in Prague and Warsaw and the *China Construction Bank* opened its Warsaw division, while the *Hungary Commercial Savings Bank* opened a representative office in Beijing in 2017. China also established the USD 10 billion China–CEEC Investment Cooperation Fund I in 2014 that invested in dozens of projects worth USD 422 million, again in five CEE countries, while Fund II announced the secured commitments of USD 800 million and one billion as a target for 2018.³⁸ Hungary, Serbia, Lithuania and Poland have participated in China’s bond market, while Poland was one of the founders of the Asian Investment Infrastructure Bank, lately joined by Hungary and Romania. Cooperation between the central banks of the partners was also introduced, as well as the China–CEEC Inter-Bank Association. China has signed currency swap agreements with three of the CEECs: Hungary, Albania and Serbia, with a total swap size of RMB 23 billion.

Different and numerous additional institutional mechanisms were also introduced to serve various fields of cooperation, such as China–CEEC Investment and Trade Promotion Agencies Contact Mechanism, The China Investment Forum, China–CEEC Business Council, China–CEEC Secretariats on Logistic Cooperation, for Maritime Issue, for Customs cooperation, etc., situated in different CEECs and their frequency of meetings and events was pursued. There were over twenty different mechanisms so far, and although it might look like helping people to people and economic cooperation, V4 countries were particularly annoyed by the

³⁷ PENCEA 2017.

³⁸ GHEORGHE 2018.

intensity of such frameworks that drained many of their capacities and as said, prevented them to focus on bilateral cooperation with China, that they appreciate much more than the “16 + 1” framework. According to China specialist in these countries, their relevant governments have already made such comments when addressing Chinese counterparts.

China and CEEC have truly witnessed growing people-to-people exchanges. In 2016, there were one million tourists between them, with the number of Chinese tourists visiting the CEE countries tripled compared to 2015.

Conclusion

For China, the platform has served as a tool for multiplying and strengthening its presence in Europe, through building a stronger influence on the EU from the inside and at the doorstep. China also wanted to get multiplied economic and geopolitical gains as seeing the building, financing, investing, trading, connecting and spreading of the Chinese culture as part of the realisation of its China Dream and a way of buffering domestic economic problems. Nevertheless, in spite of the stronger ever presence in the political arena and media in “the sixteen”, China’s economic presence remained symbolic compared to the EU or the German one, whether it comes to trade or foreign investments. Even that cause strong EU reactions on the side of Brussels and caused China to get a more pragmatic and hedged approach. At the beginning of 2018, there were rumours that China would initiate a new frequency of the *Sixteen Plus One* prime ministers’ summit by making it happen every second year instead of the yearly basis, but reactions within “the sixteen” were negative. Some saw this as China’s retreat in front of its much more important partner: the EU and its constant criticism.

However, the format, with all its shortcomings, put a strong light on the EU’s lack of political and economic capacity during the turbulent years of the crisis, during which eleven member states, not mentioning the candidate countries or the future candidate countries within “the sixteen” were politically disregarded and economically deprived of many of the EU funds. In addition, Brussels boldly insisted on the traffic corridors it drew while ignoring the needs and desires of the countries over the territories of

which they were supposed to pass. China stepped in into this “deserted” area and was welcomed by the local political elites, sometimes perhaps stimulated in various, not always acceptable ways.³⁹ It could be that the Chinese strong appearance “helped” the Brussels institutions to step in as responsible stakeholders with the Juncker Plan or Investment Fund for Europe and other financial tools for the member states, and to introduce though modestly, a Connectivity Agenda as part of the Berlin Process for the Western Balkans, worth of EUR 1.4 billion. The other part of the EU wakening process is a New Framework for Investment Screening that will make any further Chinese corporation’s attempt to acquire security sensitive asset, such as energy infrastructure firm, harbour, etc., much more difficult and submissive to strict EU rules.

Central and Eastern Europe are seen by China as important factors of China’s Belt and Road Initiative and partners as all the sixteen CEE countries are seated on the route charted by the Initiative, proposed by Chinese President Xi Jinping in 2013. That is why the previously initiated framework of cooperation *Sixteen Plus One* was immediately incorporated into the Belt and Road Initiative with all its twelve proposals. The major cooperation projects between the CEECs and China have been moving ahead steadily, with certain obstacles coming from limited capabilities of the relatively small economies of “the sixteen”, neglected ties between the two sides in the past decades, the tendency of China to treat them as a unique group of states, disregarding their differences, obstacles coming from the membership of eleven of the sixteen countries that has a legal, political and economic impact on the cooperation and China’s pursuing its way of conducting business operations and concluding business deals from the top political level and strong state involvement with minimum or no transparency. For the sixteen Central, Eastern and Southeastern European countries cooperation with China will be much more beneficial if their relevant governments manage to pursue less competition and more cooperation among them and try to form common middle and long-term positions in several major areas of cooperation. So far, they tend to be a passive partner in one of the complex experiments of China ascending towards its desired global position.

³⁹ Xinhua 2017.

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