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The 16+1 Initiative and Challenges for Cooperation between China and Central and Eastern European Countries

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It has been five years since the establishment of cooperation in the 16+1 format between China and Central and Eastern European countries. The initiative still serves as a tool to support Chinese interests in bilateral relations with separate CEE countries, rather than as a forum to accomplish common goals and projects. This was confirmed by the sixth 16+1 summit, held in Budapest on 27 November, which was dominated (like previous meetings) by competition between the “16” for Chinese investments and funds. There is little to suggest that this situation will change before the next summit, to be held in Bulgaria in 2018. For Poland, the 16+1 initiative could become a useful instrument for cooperation. However, this will only happen if China offers real reciprocity in terms of economic relations.

The 16+1 initiative, a platform for cooperation between China and Central and Eastern (CEE) countries, was inaugurated in Warsaw in 2012. Differences in the potential and interests of the European countries involved have made it a forum for competition for Chinese financial support, especially regarding non-EU participants. China exploits this attitude to increase its exports to the region by establishing railway connections, promoting Chinese culture (for example, founding Confucius Institutes and funding scholarships), and investment (in infrastructure in the Balkans and acquisitions in the Czech Republic and Hungary). The meeting between the leaders of the “16” and the Chinese prime minister, which concluded on 27 November in Budapest, only served to reinforce this relationship.

No Change in Budapest. For Hungary, organising the 16+1 summit was a crucial element of its desire to become China’s main CEE partner.¹ This was reflected for the duration of Chinese Prime Minister Li Keqiang’s stay in Budapest. Li was greeted at the airport by his Hungarian counterpart Viktor Orbán, which was notable as Russian President Vladimir Putin did not receive such a reception, being met (as are most visiting dignitaries) by Hungary’s minister of foreign affairs. Additionally, only Hungarian and Chinese representatives were scheduled to speak during the summit business forum.

Neither the course nor the outcome of the 16+1 Budapest summit were different from previous meetings. Li used his November speech to repeat declarations of cooperation with CEE countries in five exclusive sectors. These are trade and investment (including greater access to the Chinese market for CEE food exports), transport connections (such as the expansion of air and rail connections, and the establishment of a logistics hub), industrial production and energy, people to people relations (scholarships and tourism), and financial cooperation. The financial element will be underpinned mostly by loans totalling €2 billion from the China-CEE countries Inter-Bank Association and investment in the second phase of the China-CEE investment fund (€1 billion).

¹ V. Jóźwiak, “China’s Role in Hungarian Foreign Policy,” *PISM Bulletin*, nr 71 (1011), 21 July 2017.

The final summit documents (*Budapest Guidelines*, with priorities for cooperation in 2018, together with a summary of the 16+1's accomplishments during its five years of existence) reflect China's stated interests. The summary includes a long list of meetings, fairs, and cultural events, but none of them have been economically profitable for the "16." Nevertheless, differences between the interests of CEE countries mean that China's offers are still of interest to some countries, such as Hungary and Serbia. For example, the Hungarian government decided to join the second phase of the China-CEE Investment Fund, while Poland declined on the grounds that it found the conditions unsatisfactory. In addition, Poland (like most of the CEE countries) did not commit to organising any events included in *Budapest Guidelines*, and is mentioned there only in the context of previously planned initiatives.

On the other hand, the Budapest summit decision that 2018 will be the year of cooperation between local governments does hold value for Poland. Such cooperation is among Polish priorities, with the Łódź and Pomerania regional authorities having already established offices in China.

New Challenges. There was little focus in Budapest on the new challenges. Primarily, the place of the 16+1 within the framework of China's "Belt and Road" initiative (BRI) is unclear. Both initiatives focus on the same areas, but the much greater importance of the BRI to China (as demonstrated by its inclusion in the Chinese Communist Party's constitution during the 19th Party Congress) means that this is where the efforts of the Chinese administration will be concentrated. It is than possible that China will use CEE as a test ground for BRI solutions before implementing them fully. In this respect, it is notable that *Budapest Guidelines* (unlike *Riga Guidelines* following the 2016 summit) includes a declaration of the "16" states' attachment to the BRI.

Second, relations between the EU and China are becoming increasingly tense. Issues arise from EU-China Investment Agreement negotiations and EU plans to restrict acquisitions made by Chinese companies. The European Commission wishes to maintain unity in the EU's policy towards China, and perceives "16+1" initiative as a threat, especially in the face of China's expansive political investment policy. EC officials frequently cite the statements of Hungarian politicians, among others, who present Chinese investment as an alternative to EU funds. The EC believes that China will use its economic engagement (including within the framework of the 16+1) to influence EU countries. Chinese pressure during negotiations on a trade declaration agreement at the Belt and Road Forum held in Beijing in May was an example of such policy. Sigmar Gabriel, Germany's foreign minister, also roused controversy when he stated that the EU should adopt a "one policy" approach to China, which in turn should embrace a "One Europe" formula. China declared that its engagement in 16+1 is detrimental neither to cooperation with the EU nor to involvement with individual CEE countries. Yet Beijing constantly claims that the failure of some Chinese investments within the 16+1 framework to meet EU regulations (as was the case with the railway connecting Belgrade and Budapest) are not China's concern, and should be addressed by the EU and individual Member States.

Finally, the 16+1 initiative could become an element of rivalry between the U.S. and China in Central Europe. This is connected with the Three Seas Initiative, and especially with plans to establish logistics connections between northern and southern Europe, based on Adriatic and Baltic ports. Both the U.S. and China welcomed the initiative, with representatives of both countries attending the first Three Seas meeting in Croatia. China expressed its support for the project as an initiative running parallel to 16+1 priorities (a position that was reflected in *Budapest Guidelines* and in the final declaration of the Riga summit). For China, it could become an opportunity to expand its logistics network on the BRI sea route, and a further opportunity to increase the sales of its products in Europe. U.S. President Donald Trump attended the Three Seas Initiative summit, held in Warsaw in July, and declared his willingness to cooperate. This was noted by China, which made no direct comment but tried to downplay the importance of Trump's visit to Europe in Xinhua news agency editorials that hinted at worsening relations between the EU and the United States.

Conclusions. The Budapest summit confirmed that 16+1 cooperation is unlikely to become multi-lateral, and that China's approach to CEE countries will be based largely on bilateralism. In this context, positive outcomes of the initiative will be the possibility to maintain regular, national, and regional contacts with the Chinese authorities. The promotion of CEE countries in China, in connection with the interests of Chinese business and government interest in the region, is also of some significance. China's policy will continue to serve what Chinese experts unofficially describe as the "regionalisation of cooperation." In this respect, the Baltic States are supposed to be responsible for logistics, the Visegrad Group members for financial cooperation, and the Balkans for infrastructure investment and energy.

China perceives Poland as an informal leader of the 16+1, especially because of it has the highest GDP and most political influence of the CEE countries involved in the initiative. During the last five years, Poland has tried to justify such a perception, which was expressed, for example, by its positioning in *Riga Guidelines* as marine cooperation coordinator. Yet this does not change the fact that, for Poland, participation in 16+1 is an additional platform for communication with China, helpful in intensifying bilateral contacts and supporting economic goals such as increasing Chinese investment and reducing the trade deficit. It remains more likely that these goals will be met within the framework of the EU rather than 16+1, but only if the EU can coordinate its policy towards China—something that 16+1 does not make easier.