

WORKING PAPER

The “EU effect”: How European Union influences state’s involvement in the “16+1” China - Central and Eastern European Countries (China-CEEC) Initiative

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Abstract

The article analyses the effect which China-EU relations have on the participants of “16+1” initiative. It describes two groups of countries with different attitude: with reservation towards cooperation with and China`s supporters. It also analyses the current phase of relations between “16+1” and European Union. In conclusion it points out to a certain leverage and connection between EU and “16+1” although the financial and developmental assistance China provides still does not much EU`s levels. The future of “EU effect” remains rather controversial and negative due to the different views on China`s flagship initiative - BRI.

Keywords: *European Union, China, Central and Eastern Europe, cooperation, “Belt and Road”, “16+1 initiative”*

Introduction

The purpose of the article is to analyze the effect of the European Union (EU) membership (or country`s accession process) on Central and Eastern European (CEE) countries within their activities as participants of the China Central and Eastern European “16+1” initiative (“16+1” initiative) and cooperation with China. For the purpose of this article six countries were chosen: four EU members (Poland, Hungary, Croatia, and Estonia) and two - in the negotiation process with EU - Serbia and Montenegro. Countries selected equally represent the different attitudes towards China and its policy in the region, especially in the context of “16+1”.

Poland is the biggest country participating in the “16+1” initiative, with highest GDP level, and population. Such a status highly influences its policy in the context of EU-China relations. Hungary - on the other hand - is a country with biggest Chinese minority and also the only EU country involved in the construction of the regional infrastructure initiative currently developed under the “16+1” format (Belgrade - Budapest railway). Hungary is also a destination of the biggest Chinese investment in the CEE region, as well as one of the very

few UE member states openly supporting China's political ideas¹, also within EU. Croatia, as one of the Balkan states and the newest EU member serves here as an example of a country from Balkan region as well as creator and popularizer of the "Three Seas Initiative", a one infrastructural and development initiative in CEE with many possible links to EU-China cooperation. Estonia was put on the list as representative of Baltic states and their policy towards China with different objectives and political perspective (relations with Russia) but also different and limited economic attitude and expectations towards China. As to the non-EU members: Serbia is being observed as the most important Chinese partner within the Balkan states, as well as the country which foreign policy was always mixed between support for EU integration and criticism towards European Union in the same time. Montenegro serves as the example of the country heavily dependent on financial cooperation with China to the level which endangers its financial stability and also harm Montenegro's cooperation with EU and other global financial institutions.

The main research questions of the article are: what is the role of "16+1" in the foreign policies of selected countries? To what extent it is influenced by their membership in EU or a process of integration? Is there any convergence between their trade relations with China and other EU member states?

Methodology comes from the personal observations of an author during his four year experience as diplomat in Beijing (2012-2016), observation on China-EU and China-CEEC relations, as well as participation in China-CEEC think – tank cooperation meetings as an analyst currently working for Polish Institute of International Affairs. The participant observation is complemented with insights from informal interviews, as well as official documents or media reports. The paper is also based on political statements by political leaders from the CEE countries on "16+1" initiative, cooperation with China and relations with EU. It also uses the results of trade and investment cooperation as well as people-to-people exchanges with China. The issue of possible EU influence on "16+1" cooperation will be measured by comparing the cooperation of mentioned countries with China (political, economic and people-to-people relations) with EU financial assistance whether issued and received via EU structural funds (member states) or pre-accession funds (Serbia and Montenegro).

"16+1" initiative and EU: a complicated beginning

The idea to establish the "16+1" initiative had on one hand its origins in the 2004 EU's enlargement and 2008 EU's financial crisis. Both factors changed the perspective of China's foreign policy towards Europe and fastened the decision to put more focus on relations with CEEC. Official establishment of the initiative took place in April, 2012 during the visit of Wen Jiabao, China's prime minister to Poland. During the visit he announced "China's 12 Measures for Promoting Friendly Cooperation with Central and Eastern European Countries" - a document describing China's plans of engagement with the regional countries. They included (among others): setting up a secretariat of cooperation between China and Central

¹ R. Prasad, *EU Ambassadors Condemn China's Belt and Road Initiative*, <https://thediplomat.com/2018/04/eu-ambassadors-condemn-chinas-belt-and-road-initiative>, 21 April 2018, (accessed 17 May 2018).

and Eastern European Countries in the structure of China's MFA European Department, establishment of a special credit line, setting up an investment fund, academia and cultural cooperation². It was a clear sign of growing China's involvement in the CEE region, as well as its will to actively strengthen relations with the mentioned countries³.

Since the summit in Warsaw sixteen countries are included in the cooperation: Poland, Croatia, Hungary, Czech Republic, Slovakia, Montenegro, Serbia, Lithuania, Latvia, Estonia, Slovenia, Albania, Bulgaria, Romania, Macedonia and Bosna and Hercegovina. Main communication happens at the (as established in the "12 measures") annual leaders' summits gathering China's prime minister and CEEC heads of government (or state). Since 2012 (after Warsaw) there were summits organized in Bucharest (2013), Belgrade (2014), Suzhou (2015), Riga (2016) and Budapest (2017).

"16+1" initiative was a relatively new form of China's multilateral diplomacy⁴. It induced a lot of questions and concerns in the international community, especially EU institutions and major member states (Germany, France, Italy). In 2012, when CEE submitted the joint communique for China-CEE meeting to EU institutions, EU objected to the proposal of "institutionalizing the China-CEE relationship for a long term"⁵. Diplomats, politicians and analysts from think-tanks focused (among others) on the challenge identified with a question: what kind of influence "16+1" initiative may have on EU-China relations⁶? Will it make the formulating of common EU policy towards China impossible (or at least less balanced)? There were different explanations of these critical assumptions. One was the fear of political destabilization, a possible change of China's policy towards Europe (and European Union) and "16+1" as a possible example of "divide and rule" towards EU. Second explanation implies the issue of EU's symbolic power which China was indeed challenging by touching upon intra-European power relations and taxonomies and creating new divisions⁷.

And also the (although non-direct) role of European Union in the initiative, as well as the China perception of possible EU involvement in "16+1" was changing. Since 2013 EU officials and representatives of the European Commission, or European Action External Action Service were invited to the summits. Every post-summit (except from the meeting in Bucharest in 2013) guidelines published contained the passages on importance of China- EU

² China's Twelve Measures for Promoting Friendly Cooperation with Central and Eastern European Countries, http://www.fmprc.gov.cn/mfa_eng/topics_665678/wjbispg_665714/t928567.shtml, 26 April 2012, (accessed 19 May 2018).

³ J. Szczudlik-Tatar, *China's Charm Offensive in Central and Eastern Europe: The implementation of its "12 measures strategy"*, "PISM Bulletin", no 106 (559), 4 October 2013.

⁴ Although other forms of multilateral diplomacy in the South - South format were established earlier, for example Forum on China-Africa Cooperation had its first summit in 2000

⁵ Liu Zuokui, *The Pragmatic Cooperation between China and CEE: Characteristics, Problems and Policy Suggestions*, http://ies.cass.cn/webpic/web/ies2/en/UploadFiles_8765/201311/2013111510002690.pdf, 2013, (accessed 17 May 2018).

⁶ For example: V. Esterhai, *The presentation of "16+1" Cooperation*, available on www.geopolityka.hu (accessed 16 May 2018); A. Stenzel, *China's investment in Influence: The future of "16+1" Cooperation*, available on www.ecfr.eu (accessed 16 May 2018); J. Knyge, M. Peel, *Brussels rattled as China reaches out to eastern Europe*, www.ft.com (accessed 16 May 2018); D. Pavlicevic, "China Threat" and "China Opportunity": *Politics of Dreams and Fears in China-Central and Eastern European Relations*, "Journal of Contemporary China", DOI: 10.1080/10670564.2018.1458055, R. Turcsanyi, *Central and Eastern Europe's courtship with China: Trojan horse within the EU?*, <http://www.eias.org/wp-content/uploads/2016/02/EU-Asia-at-a-glance-Richard-Turcsanyi-China-CEE.pdf>, January 2014, (accessed 17 May 2018); A. Burjanadze, *China and the EU within the framework of "16+1": Obstacles and Prospects*, <http://www.lai.lv/viedokli/china-and-the-eu-within-the-framework-of-161-obstacles-and-prospects-631>, 7 August 2017, (accessed 17 May 2018).

⁷ A. Vangeli, *Global China and Symbolic Power: The Case of 16+1 Cooperation*, "Journal of Contemporary China", DOI: 10.1080/10670564.2018.1458056, p. 9.

relations and complementarity of China-CEEC and China-EU relations (for example: China – EU dialogue on connectivity in CEE is now conducted through the China-EU Connectivity Platform⁸). These include the need to develop synergies between “16+1” cooperation and the EU-China Comprehensive Strategic Partnership including the EU-China Connectivity Platform, affirmation that its implementation will conform EU laws and regulations (Riga 2016⁹, Suzhou 2015¹⁰), or contributing to EU-China 2020 Strategic Agenda for Cooperation (Belgrade 2014¹¹, Budapest 2017¹²). Chinese experts always tried to identify the actual China-CEE cooperation as component and new source of growth of China-EU relations¹³. With the practical cooperation growing the mutual understanding between China and UE in the context of “16+1” initiative was also visibly enhanced, mainly because of synergies possible between “16+1” and China – EU cooperation¹⁴.

Situation got more complicated with the changing EU’s attitude towards China’s “Belt and Road Initiative”, due to the growing Chinese investment, especially takeovers of important EU companies with know-tech and knowledge on modern technologies¹⁵. These problems of distrust and lack of communication were clearly visible during the “Belt and Road” forum in May 2017 especially in the EU member states disagreement on signing the – suggested by Chinese MOFCOM - trade declaration. Some of the researchers are predicting the future institutionalization of BRI Forum in a way to reflect the China multilateral diplomacy tools¹⁶. If so, there will definitely be a problem with the participation of EU member states, also the participants of “16+1 initiative”. One of the troublesome implications is the negative effect BRI had on the legal regulations in the countries preparing for an accession to EU, especially Serbia. It has been claimed that at least thanks to the burgeoning relationship with Beijing, Belgrade’s alignment with the EU’s declarations dropped from 89 percent to 59 percent¹⁷.

⁸ J. Jakóbowski (2018), *Chinese-led Regional Multilateralism in Central and Eastern Europe, Africa and Latin America: 16+1, FOCAC, and CCF*, “Journal of Contemporary China”, DOI: 10.1080/10670564.2018.1458055, p. 11.

⁹ *The Riga Guidelines for Cooperation between China and Central and Eastern European Countries*, http://english.gov.cn/news/international_exchanges/2016/11/06/content_281475484363051.htm, 6 November 2016, (accessed 17 May 2018).

¹⁰ *The Suzhou Guidelines for Cooperation between China and Central and Eastern European Countries*, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1318039.shtml, 24 November 2015, (accessed 17 May 2018).

¹¹ *The Belgrade Guidelines for Cooperation between China and Central and Eastern European Countries*, 16plus1-thinktank.com/11/20160105/1000, 5 January 2016, (accessed 17 May 2018).

¹² *The Budapest Guidelines for Cooperation between China and Central and Eastern European Countries*, http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t1514534.shtml, 28 November 2017, (accessed 17 May 2018).

¹³ Kong Tianping, *16+1 Cooperation Framework: Genesis, Characteristics and Prospect*, <http://16plus1-thinktank.com/1/20151203/868.html>, 3 December 2015, (accessed 17 May 2018).

¹⁴ Ling Jin, *EU’s presence in CEEC’s and its impact on China-CEEC cooperation*, in (ed.) Weiqing Song, *China’s Relations with Central and Eastern Europe. From “old comrades” to new partners*, New York, 2018, p. 100.

¹⁵ L. Poggetti, *One China-One Europe? German Foreign Minister’s Remarks Irk Beijing*, <https://thediplomat.com/2017/09/one-china-one-europe-german-foreign-ministers-remarks-irk-beijing/>, 9 September 2017, (accessed 19 May 2018).

¹⁶ J. Jakóbowski (2018), *Chinese-led Regional Multilateralism in Central and Eastern Europe, Africa and Latin America: 16+1, FOCAC, and CCF*, “Journal of Contemporary China”, DOI: 10.1080/10670564.2018.1458055, p. 15.

¹⁷ M. Makocki, Z. Nechev, *Balkan corruption: the China connection*, <https://www.iss.europa.eu/sites/default/files/EUISSFiles/Alert%202022%20Balkans.pdf>, 18 July 2017, (accessed 19 May 2018); D. Pavlicevic, “China Threat” and “China Opportunity”: *Politics of Dreams and Fears in China-Central and Eastern European Relations*, “Journal of Contemporary China”, DOI: 10.1080/10670564.2018.1458055.

EU and non-EU members: differences and similarities

Cooperation with reservation:

Countries like Poland, Estonia and Croatia constructed their China policy in respect to their EU membership. These countries are interested in strengthening their political and economic relations with China but it is not their political priority. Their foreign policy remains focused on other issues and their strategic security (both military, political and economy) comes mainly from their membership in European Union and NATO. That also means they will try not to harm the strategic interests with possible strengthening of relations with China.

Poland's relations with China in the EU context deteriorated in 2017. The actual disputes on human rights, protectionist practices or restrictions towards EU companies on Chinese market were also influenced by China investment policy towards EU. Poland decided not to openly support the EC initiative on investment screening¹⁸ but remains rather positive on the initiative. Poland also showed its appreciation for "Belt and Road" forum by sending its Prime Minister to the forum but also decided not to sign the disputed trade declaration and presented its solidarity with EU. According to an analysis committed by China Academy of Social Sciences politics, trade, investment and people to people exchanges between Poland and China remained on a good cooperation with only finance staying at low degree¹⁹.

Country	Political	Economical	People-to-people/Cultural
Poland	6 th China-CEE Coordinators Meeting - October 2015	MoU on Jointly building the "Belt and Road" Initiative - November 2015	China Performing Arts delegation visit - July 2014
		MoU on enhancing cooperation for Internet Silk Road to promote information connectivity – 2016	3 rd China – CEEC Education Policy Dialogue and the 2 nd meeting of the China-CEEC Higher Education Institutes Consortium – September 2015
	China – CEEC Coordinating Secretariat for Maritime Issues 16+1 set up in Warsaw – February 2017	2 nd Meeting of the Investment Promotion Agencies Contact Mechanism of China and CEEC – November 2014	1 st China – CEEC Experts Forum on Intangible Cultural Heritage – October 2016
	2 nd China-CEEC Transport Ministers Meeting & Business	1 st Meeting of the China-CEEC Business Council -	

¹⁸ Germany, Italy and France asked European Commission to revise the regulations on foreign investment in order to enhance the possible screening of the projects. E. Maurice, *EU preparing to screen Chinese investments*, <https://euobserver.com/economic/139015>, 14 September 2017, (accessed 19 May 2018).

¹⁹ Chen Xin, Yang Chengyu, *A quantitative Analysis on China-CEEC Economic and Trade Cooperation*, www.geopolityka.hu (accessed 7 May 2018).

	Forum – October 2017	April 2015	
	MoU on Nuclear Energy Cooperation – July 2017	Bank of China set up branch in Warsaw – June 2012	
		National Bank of Poland invested in Chinese interim-bond market – 2014	
		Poland became a member of Asian Infrastructure Investment Bank - June 2016	
		1 st China – CEEC Development Forum – September 2017	
		Industrial Bank of China set up branch in Warsaw - November 2012	

Table: 1: Poland activities during the first five years of “16+1” initiative²⁰

Croatia as one of the Balkan states remains committed to EU but is rather skeptical on strengthening political cooperation with China. In the same time it tries to make China interested with possible cooperation on “Three Seas Initiative” mostly in infrastructure investment as a way to develop logistical mechanisms in a way to develop the transport situation in Northern, Central and Southern Europe. China Academy of Social Sciences also identified bilateral cooperation between China and Croatia as good in the fields of politics, investment and people-to-people exchanges. There is a need of improvement in terms of finance and trade²¹. The case of Estonia is even different: limited in the scale and expectations. CASS identified the bilateral cooperation as mostly focused on investment and people-to-people exchanges. Other fields of cooperation: finance, politics and trade needs to be improved²². As Latvian expert suggest it is mostly connected to different Estonian perspective - also shared by other Baltic states: “Latvia, Lithuania and Estonia - while surprised with the format – welcomed this new avenue for cooperation. (...) Having very limited economic ties with China in the past, the baseline for success in the Baltics was quite low”²³.

²⁰ This and other tables with data on “16+1” participants activities and events are based on: *Five-year Outcome List of Cooperation Between China and Central and Eastern European Countries*, http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t1514538.shtml, 18 November 2017, (accessed 17 May 2018)

²¹ Chen Xin, Yang Chengyu, *A quantitative Analysis on China-CEEC Economic and Trade Cooperation*, <http://www.geopolitika.hu/en/2017/04/12/a-quantitative-analysis-on-china-ceec-economic-and-trade-cooperation/>, 12 April 2017, (accessed 19 May 2018).

²² Ibidem, <http://www.geopolitika.hu/en/2017/04/12/a-quantitative-analysis-on-china-ceec-economic-and-trade-cooperation/>, 12 April 2017, (accessed 19 May 2018).

²³ U.A. Berzina-Cerenkova, *China’s New Role in the Baltic States*, www.fpri.org/article/2018/01/chinas-new-role-baltic-states. 30 January 2018, (accessed 17 May 2018).

Country	Political	Economical	People-to-People/Cultural
Estonia			Chinese Performing Arts delegation visited Lithuania, Latvia and Estonia to purchase programs – August 2013.
			The Chinese Art Festival was held in Lithuania, Estonia and Latvia - 2015
Croatia	China signed MoU on Jointly Building the "Belt and Road" Initiative with Croatia, Montenegro, Bosnia and Herzegovina, and Albania – May 2017	In November 2016, China signed interdepartmental MoU on port and harbor industrial park cooperation with Latvia, Bulgaria, Lithuania and Croatia – November 2016	Chinese Performing Arts delegation visited Slovenia, Slovakia and Croatia to purchase programs – June 2016
			Martial Arts on the Silk Road" training sessions were held in Hungary, Romania and Croatia – 2016 and 2017

Table 2: Croatia and Estonia activities and events during the five years of “16+1” initiative

China supporters

The examples of Hungary, Serbia and Montenegro show the need to strengthen political and economy cooperation without any serious considerations on their commitments to EU (Hungary) or future success of the negotiations (Serbia, Montenegro). All three constantly described their will to cooperate with China as almost unconditional even as a form of substitution to EU funds (Hungary²⁴) or the only possible chance to develop infrastructure (Serbia, Montenegro). And China - due to the general trend in its foreign policy - is using its investment in order to gain political influence in all the countries from “16+1” but especially from these three countries serving for the purpose of this article as an examples of “*China supporters*” in the context of European Union.

Hungary has a long history of China’s political support against EU’s plans coming mostly from political purposes. They weakened the EU statement on South China Sea²⁵, as well as rejected the mentioned above negative report on “Belt and Road” initiative issued by EU ambassadors in Beijing. According to the CASS analysis Hungary gets the best score as one of the best China cooperation partners in 2016 (together with Poland and Czech Republic)

²⁴ *Orban: if Eu does not pay, Hungary will turn to China*, https://bbj.hu/economy/orban-if-eu-doesnt-pay-hungary-will-turn-to-china_143836, 11 January 2018, (accessed 17 May 2018).

²⁵ *EU’s statement on South China Sea reflects divisions*, <https://www.reuters.com/article/southchinasea-ruling-eu-idUSL8N1A130Y>, 15 July 2016, (accessed 19 May 2018).

among “16+1” countries. Their indexes show very good cooperation especially in finance, investment and people-to-people exchanges.

Country	Political	Economical	People-to-People/Cultural
Hungary	China – CEEC Political Parties Dialogue – October 2017	1 st China-Hungary-Serbia Joint Working Group on Infrastructure Cooperation meeting – June 2014 ²⁶	The 1st China-CEEC High-Level Conference on Tourism Cooperation was held in Budapest, Hungary, and China-CEEC Association of Tourism Promotion Agencies and Businesses was officially launched – May 2014
	10 th China – CEEC National Coordinators Meeting – October 2017	China, Macedonia, Serbia signed a framework agreement on facilitation of customs clearance cooperation – December 2014	In March 2015, the launch ceremony of the Year of Promotion of China-CEEC Tourism Cooperation was held in Budapest, Hungary.
	6 th Summit of China and Central and Eastern European Countries – November 2017	China, Hungary, Serbia signed an interdepartmental MoU on Hungary – Serbia railway cooperation projects – December 2014	In May 2015, Chinese Performing Arts delegation visited Hungary, Serbia and Romania to purchase programs.
	In June 2015, China signed with Hungary the MoU on Jointly Building the "Belt and Road" Initiative.		In May 2016, the 1st China-CEEC Literature Forum was held in Budapest, Hungary.
	In May 2015, China signed with Hungary a MoU on nuclear energy cooperation.		China-CEEC Association of Traditional Chinese Medicine was set up in Budapest, Hungary in March 2017.
	In November 2017, the China-CEEC Think Tanks		From January to March 2017, China took part in tourism fairs in Slovakia, the Czech Republic,

²⁶ There were also 6 another meetings in the same format which are not included in the table.

	Network Conference was held in Budapest, Hungary.		Hungary and Serbia.
		In November 2015, China and Hungary signed an agreement on the development, construction and financing cooperation of the Hungary Section of the Hungary-Serbia Railway	The 3rd China-CEEC Health Ministers' Forum was held in Budapest, Hungary in June 2017.
		In December 2015, the launching ceremony of the Serbia Section of the Hungary-Serbia Railway was held in Novi Sad, Serbia.	In June 2017, China-CEEC Traditional Chinese Medicine Center in Hungary broke ground.
		In June 2016, the 2nd Working Group Meeting on Cooperation in Facilitating Customs Clearance Among Chinese, Hungarian, Serbian and Macedonian Customs was held in Budapest, Hungary.	In 2016 and 2017, "Martial Arts on the Silk Road" training sessions were held in Hungary, Romania and Croatia.
		In November 2016, China signed with Hungary an agreement for the establishment of a joint venture company for Hungary-Serbia Railway, a construction contract and a MoU on financing cooperation.	
		In 2014, China signed with Hungary, Latvia, Serbia, and Macedonia cooperation agreements on quality inspection.	
		In September 2015, the 10th China-CEEC Agro-trade and Economic Cooperation Forum and the 1st meeting of the Consultative Board of the China-CEEC Association on Promoting Agricultural Cooperation were held in Budapest, Hungary.	
		In December 2014, Bank of China set up a branch in Budapest, Hungary.	
		In June 2015, the Hungary Branch of Bank of China was authorized as the first clearing bank for RMB business in the CEE region.	
		In 2014, Hungarian National Bank	

		invested in the Chinese inter-bank bond market as overseas central banks.	
		In November 2015, Hungarian National Bank entered China's inter-bank foreign exchange market.	
		In April 2016, Bank of China issued 1 billion RMB dim sum bonds on behalf of the Hungarian government.	
		In May 2017, Shanghai gold exchange signed a MoU with Hungary Budapest Stock Exchange in Beijing.	
		In June 2017, Hungary became a formal member of Asian Infrastructure and Investment Bank.	
		In September 2016, the People's Bank of China renewed the bilateral currency swap agreement with Hungarian National Bank.	
		In July 2017, Hungary issued 1 billion RMB panda bonds with a three-year maturity in China's inter-bank bond market.	
		In March 2015, the 1st Working Group Meeting on Cooperation in Facilitating Customs Clearance Among Chinese, Hungarian, Serbian and Macedonian Customs was held in Shanghai, China.	
		In May 2015, the 1st Customs Control Techniques Workshop for the China-Europe Land-Sea Express Line among the Chinese, Hungarian, Serbian and Macedonian Customs was held in Shanghai, China.	
		In May 2015, heads of customs of China, Hungary, Serbia and Macedonia met in Xi'an, China,	

		and signed the Cooperation Action Plan for 2015-2016.	
		In January 2015, the customs clearance facilitation cooperation mechanism for the China-Europe Land-Sea Express Line among the Chinese, Hungarian, Serbian, Macedonian and Greek Customs was officially established.	

Table 3: Hungary activities and events during the five years of “16+1” initiative

Both Serbia and Montenegro implemented a different foreign policy in the context of relations with China. Both are also in the process of negotiating their EU accession: Serbia already opened 12 chapters (last two in December 2017²⁷) and Montenegro has already 30 chapters opened. According to European Commission both are on the fast track to become EU members even in 2025²⁸.

According to analysts from CASS the bilateral cooperation between China and Serbia is doing well, especially in terms of politics, investment, people-to-people exchanges and finance²⁹. Due to its modern history Serbia have usually maintain good relations with China even since the “16+1” establishment³⁰. Serbia always managed to develop its foreign policy in order to struggle between different powers (Russia, US, EU and China). As far as China and EU are concerned the main problem is keeping the balance between rule of law, democracy and procedural standards implied by EU, especially in the terms of possible China’s investment in Serbia. The ongoing dispute which keeps the relations with EU on a low level and practically blocks the fastening of EU membership negotiations is of course an issue of Kosovo independence. The scale of finances and amount China is actually providing makes equally Serbia and Montenegro vulnerable to expand their cooperation with China. Serbia especially was supposed to act as main part of the infrastructure hub connected with China’s Belt and Road initiative. China’s economic engagement in Serbia is seen as providing developmental opportunities which will not only help to strengthen its infrastructure but also raise the importance of Serbia on regional and international level³¹. Here comes the case of Belgrade – Budapest railway and Serbia ambitions to serve as a regional integrator for China’s investment. So sometimes Serbia does not get mostly what it needs (like in terms of

²⁷ Serbia opens chapters 6 and 30 in EU accession talks, https://www.b92.net/eng/news/politics.php?yyyy=2017&mm=12&dd=12&nav_id=103005, 12 December 2017, (accessed 17 May 2018).

²⁸ J. Stone, *Serbia and Montenegro could join EU by 2025, European Commission says*, <https://www.independent.co.uk/news/world/europe/eu-enlargement-serbia-montenegro-macedonia-albania-kosovo-brexit-juncker-2025-a8197201.html>, 6 February 2018, (accessed 17 May 2018).

²⁹ Chen Xin, Yang Chengyu, *A quantitative Analysis on China-CEEC Economic and Trade Cooperation*, <http://www.geopolitika.hu/en/2017/04/12/a-quantitative-analysis-on-china-ceec-economic-and-trade-cooperation/>, 12 April 2017, (accessed 19 May 2018).

³⁰ D. Pavlicevic, *Sino-Serbian Strategic Partnership in a Sino-EU relationship context*, China Policy Institute Briefing Series no 68 (2011), pp. 1-13; D. Pavlicevic, “China Threat” and “China Opportunity”: *Politics of Dreams and Fears in China-Central and Eastern European Relations*, “Journal of Contemporary China”, DOI: 10.1080/10670564.2018.1458055.

³¹ D. Pavlicevic, “China Threat” and “China Opportunity”: *Politics of Dreams and Fears in China-Central and Eastern European Relations*, “Journal of Contemporary China”, DOI: 10.1080/10670564.2018.1458055, p. 6.

mentioned railway line)³². But despite their general positive attitude China's investment is growing but still is far behind the other partners. In 2016 China was the 11th largest investor in Serbia, better than in 2015 but worse than in 2014 (7th)³³. As far as EU (mostly Netherlands and Austria) is concerned it was single largest investor in Serbia (almost 80% of FDI in 2016 and 85% in 2017)³⁴. In 2017 Serbia's biggest trade deficit was actually with China³⁵. In 2016 China ranked fourth in Serbia's total trade, slightly behind Bosnia³⁶. Although Serbia is far in the negotiation process with European Union it is still not a EU member state and the arms embargo (applied to China after 1989) does not apply to Serbia. And the cooperation of military and defense slowly starts to grow - at first as the possibility to start producing China's equipment in Serbia and a donation of military equipment in 2017³⁷. In October 2016 it also declared a will to abolish the need of visas between Serbia and China for short term stays which will help in increasing people-to-people exchanges³⁸. Montenegro's policy towards China remains focused on development support and need to build the infrastructure. According to the CASS research its cooperation with China is mainly at low degree (politics, trade, investment), except the one factor financial cooperation³⁹.

Country	Political	Economical	People-to-people/cultural
Serbia ⁴⁰	The 4th China-CEEC National Coordinators' Meeting was held in Belgrade, Serbia – 2014.	In June 2014, the 1st meeting of the China-Hungary-Serbia Joint Working Group on Infrastructure Cooperation was held in Beijing, China. ⁴¹	In May 2015, Chinese Performing Arts delegation visited Hungary, Serbia and Romania to purchase programs.
	The 3rd Summit of China and Central and Eastern European Countries was held in Belgrade, Serbia - 2014	In December 2014, customs representatives from China, Hungary, Macedonia and Serbia signed a framework agreement on facilitation of customs clearance cooperation.	In June 2016, the 1st China-CEEC Cultural and Creative Industries Forum was held in Belgrade, Serbia.
	China signed the MoU on Jointly Building the "Belt and Road" Initiative	In March 2015, the 1st Working Group Meeting on Cooperation in Facilitating Customs Clearance Among	The Health Qigong Team visited Slovenia and Serbia to hold promotional activities and training

³² C. Hartwell, K. Sidlo, *Serbia's cooperation with China, the European Union, Russia and the United States of America*, [http://www.europarl.europa.eu/cmsdata/133504/Serbia cooperation with China, the EU, Russia and the USA.pdf](http://www.europarl.europa.eu/cmsdata/133504/Serbia%20cooperation%20with%20China,%20the%20EU,%20Russia%20and%20the%20USA.pdf), p. 24

³³ Ibidem, p. 35

³⁴ Ibidem, p. 32; D. Pavlicevic, "China Threat" and "China Opportunity": *Politics of Dreams and Fears in China-Central and Eastern European Relations*, "Journal of Contemporary China", DOI: 10.1080/10670564.2018.1458055, p. 13.

³⁵ *Foreign trade of Serbia amounts to EUR 34,46 billion in 2017*, www.ekapija.com (accessed 7 May 2018).

³⁶ C. Hartwell, K. Sidlo, *Serbia's cooperation with China, the European Union, Russia and the United States of America*, <http://www.europarl.europa.eu/cmsdata/133504/Serbia%20cooperation%20with%20China,%20the%20EU,%20Russia%20and%20the%20USA.pdf>, (accessed 18 May 2018), p. 29

³⁷ Ibidem, p. 41

³⁸ Ibidem, p. 30

³⁹ Chen Xin, Yang Chengyu, *A Quantative Analysis on China-CEEC Economic and Trade Cooperation*, www.geopolityka.hu, (accessed on 7 May 2018).

⁴⁰ Table does not provide every detailed activities organized for the preparations or construction of Belgrade - Budapest railway.

⁴¹ There were also another 6 meetings within this format which are not included in the table.

	with Poland, Bulgaria, the Czech Republic, Serbia and Slovakia – 2015.	Chinese, Hungarian, Serbian and Macedonian Customs was held in Shanghai, China.	sessions in November 2016.
		In May 2015, heads of customs of China, Hungary, Serbia and Macedonia met in Xi'an, China, and signed the Cooperation Action Plan for 2015-2016.	From January to March 2017, China took part in tourism fairs in Slovakia, the Czech Republic, Hungary and Serbia.
			The 1st China-CEEC Cultural Heritage Forum was held in Belgrade, Serbia in May 2017.
			The 5th China-CEEC Education Policy Dialogue and the 4th meeting of the China-CEEC Higher Education Institutes Consortium were held in Novi Sad, Serbia in September 2017.
		In December 2015, the launching ceremony of the Serbia Section of the Hungary-Serbia Railway was held in Novi Sad, Serbia.	
		In May 2017, China and Serbia signed the loan agreements on the modernization and reconstruction of Hungarian-Serbian Railway Line for the Belgrade Center-Stara Pazova Section.	
		In June 2017, the Workshop on Customs Transshipment Operation of China-Europe Land-Sea Express Line among Chinese, Hungarian, Macedonian and Serbian Customs was held in Ningbo, China.	
		In June 2016, the People's Bank of China signed a bilateral currency swap agreement with National Bank of Serbia.	

		In January 2017, Bank of China set up a branch in Serbia	
		In April 2017, the 1+3 Seminar on Customs Valuation of China-Europe Land-Sea Express Line among Chinese, Hungarian, Macedonian and Serbian Customs was held in Budapest, Hungary	
Montenegro	In May 2017, China signed the MoU on Jointly Building the "Belt and Road" Initiative with Croatia, Montenegro, Bosnia and Herzegovina, and Albania.		
	The 2nd China-CEEC Capital Mayors Forum was held in Podgorica, Montenegro in September 2017 ⁴²		

Table 4: Serbia and Montenegro activities and events in the five years of “16+1” initiative

Conclusions

Clearly the level of real regional cooperation within “16+1” remains limited where most of the projects are being developed on bilateral basis. The actual divisions and differences in the level and scale of cooperation still remain between EU and non-EU participants (especially in terms of infrastructural investment and financial cooperation)⁴³. It actually shows that divisions within “16+1” which existed there from the beginning are still there and mostly have its background in the “EU effect”. The “divide and rule” tactics which China is being accused of actually quite corresponds to the anti-EU sentiments present in some CEEC (Serbia, Hungary). China’s financial, development and economic assistance follows the model of South-South cooperation so it e. g. comes without any preconditions concerning democratization, liberalization or rule of law – in opposite to EU’s arguments. Both Serbia, Montenegro and Hungary serve as an examples of pragmatic, far reaching cooperation with delicate balance over their commitment to EU standards and regulations.

⁴² Table is based on: *Five-year Outcome List of Cooperation Between China and Central and Eastern European Countries*, http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t1514538.shtml, 18 November 2017, (accessed 17 May 2018).

⁴³ J. Jakóbowski, M. Kaczmarek, *Beijing’s mistaken offer: the ‘16+1’ and China’s policy towards the European Union*, OSW Commentary, <https://www.osw.waw.pl/en/publikacje/osw-commentary/2017-09-15/beijings-mistaken-offer-161-and-chinas-policy-towards-european>, 15 September 2017, (accessed 18 May 2018).

The influence of “EU factor” in the “16+1” initiative is mostly based on its symbolic and political aspects. EU financial assistance leverage is still impossible to be reached by China which (even after five years) is still in the stage of early development of cooperation with CEEC⁴⁴. As “16+1” remains largely a bilateral platform of communication and cooperation its danger of becoming a China’s tool for “divide and rule” is relatively low. Contrary to other existing formats of China multilateral diplomacy (FOCAC or CCF) the “16+1” initiative remains a very low focus on dialogue on international politics. The published guidelines after every leaders summit do not touch upon any multilateral or international issues. So China-CEEC initiative cannot be considered as venue for gathering international support⁴⁵. Due to the internal and external pressure the dialogue on international and political affairs was excluded from “16+1”⁴⁶. But it can be and currently is a venue for China to express their policy expectations towards EU through different models of cooperation with EU member states and candidates. It also is a venue to establish business cooperation for Chinese companies in order to better position to strengthen relations with German economy which remains a vital one in Chinese perspective and in terms of the success of China’s modernization plans. It was extremely visible in 2016 when high frequency of high-level visits (chairman Xi Jinping visited the region twice) helped to build momentum of “16+1” cooperation, lay out a new blueprint for China-CEEC cooperation, and even accounted as the most prominent highlights of China-Europe relations in 2016⁴⁷. But in the EU context “16+1” is neither a “divide and rule” example nor the “development aid” mechanism for CEE countries. For China instruments which it is using (concessional loans and state-led investment) are part of political process of gaining influence in exchange for future political favors. Such a strategy is clearly visible in the case of Hungary, Montenegro and Serbia (as well as Portugal and Greece) in other parts of Europe. Practical example of China’s using its economical leverage was at the Belt and Road Forum in May, 2017. For China economic assistance is a mean to achieve political goals which is also a reason why countries like Poland, Croatia or Estonia are more skeptical of future cooperation and such an understanding does not completely fit their foreign policy agenda.

But will China win the rivalry of symbolic power with European Union? A. Vangeli presents quite positive perspective by saying that China growing relations with CEE countries will lead to further pluralization and diversification of the global ideoscape with China becoming an important catalyst of changes in the way others see the world and behave⁴⁸. In that way cooperation with China will also be a political tool, symbolic leverage on countries relations with EU. Future of cooperation remains even more difficult. First there is a case of possible change of China’s attitude towards “16+1”, change of timetable of the consultation mechanisms which would also mean the downgrading of the initiative and making it even

⁴⁴ Please check the table: *Trade volume with China in 2017/EU funds and pre-accession funds* on page 17.

⁴⁵ J. Jakóbowski (2018), *Chinese-led Regional Multilateralism in Central and Eastern Europe, Africa and Latin America: 16+1, FOCAC, and CCF*, “Journal of Contemporary China”, DOI: 10.1080/10670564.2018.1458055, p. 10.

⁴⁶ Ibidem, p. 11.

⁴⁷ Cui Hongjian, *China-Europe Relations: Key Diplomatic Direction, Consolidating Mutual Ties*, in ed. Su Ge, *The CIIS Blue Book on International Situation and China’s Foreign Affairs (2017)*, Beijing, 2017, p. 400.

⁴⁸ A. Vangeli, *Global China and Symbolic Power: The Case of 16+1 Cooperation*, “Journal of Contemporary China”, DOI: 10.1080/10670564.2018.1458056, p. 13.

more bilateral than it currently is. China was supposed to decide to organize the leaders' summit every two years not annually and part of understanding was the notion of friendly gesture towards European Union. Second is the issue of BRI and the overcoming attention it gets from Chinese authorities. This will also influence the "16+1" cooperation creating more divisions between countries willing to strengthen sectoral and regional cooperation with China and - in the same time - countries which would rather focus on bilateral issues with high respect to EU interests.

Trade volume with China in 2017/EU funds and pre-accession funds⁴⁹				
	Export	Import	China investment (2000-2017)⁵⁰	EU funding (in total: 2014-2020)⁵¹
Poland⁵²	2 bln EUR	16,3 bln EUR	c. a. 1 bln EUR	86 bln EUR
Hungary	1,5 bln EUR	5,6 bln EUR	c. a. 2 bln EUR	25 bln EUR
Croatia	125 mln EUR	700 mln EUR	c. a. 100 mln EUR	10,7 bln EUR
Estonia	219 mln EUR	688 mln EUR	c. a. 100 mln EUR	c. a. 4,4 bln EUR
Serbia	no data	1,6 bln EUR	70 mln EUR (in 2016) ⁵³	c. a. 4 bln EUR
Montenegro	6 mln EUR	205 mln EUR	no data	c. a. 270,5 mln EUR (without cross-border cooperation)

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⁴⁹ Export and import figures of EU member states provided by Eurostat, <http://ec.europa.eu/eurostat/web/international-trade-in-goods/data/database>, (accessed 18 May 2018). Data of Serbia and Montenegro by International Monetary Fund, www.imf.org, (accessed 18 May 2018).

⁵⁰ Data by Rhodium Group published in the report by T. Hanemann, M. Huotari, *Chinese FDI in Europe in 2017*, <https://www.merics.org/en/papers-on-china/chinese-fdi-in-europe>, 17 April 2018, (accessed 18 May 2018).

⁵¹ Based on data provided by <https://cohesiondata.ec.europa.eu/countries>, (accessed 18 May 2018).

⁵² Based on data provided by China Customs Administration.

⁵³ Data based on C. Hartwell, K. Sidlo, *Serbia's cooperation with China, the European Union, Russia and the United States of America*, <http://www.europarl.europa.eu/cmsdata/133504/Serbia%20cooperation%20with%20China,%20the%20EU,%20Russia%20and%20the%20USA.pdf>, (accessed 18 May 2018).