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ASSESSING THE 16+1 FORMAT:  
A TESTING GROUND  
ON EUROPE'S (INNER)  
PERIPHERY



POLICY PAPER



# *Assessing the 16+1 Format: A Testing Ground on Europe's (Inner) Periphery*

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## *Prolegomena: When China Looked Back*

For almost a century, the peoples of Central and Eastern Europe gazed towards the West, longing to be part of it. Despite their uncomfortable geographies, despite the prolonged Soviet influence, despite being forcefully separated from their European peers. And after the end of the Cold War their turbulent histories seemed to come to an end. The West looked back. It gazed eastwards and offered them the possibility of joining its ranks. In 2004 and 2007, almost all the former Communist states became full-fledged members of the European Union. And the peoples of Central and Eastern Europe no longer needed to look west, because they had become a part of it. What they needed to do was to find a strategic identity to ensure their competitiveness in their enlarged Occidental family and to integrate their commercial flows into the wider global economy. The financial crisis altered the region's perspective, determining it to find additional markets for exports and a set of new partners for trade and investments.

And, then, the East started to look back too. First – and foremost – China's unhindered growth model seemed a rather palatable option. One embarked on expanding wherever it could find a foothold and local leaders willing to take part into a much-advertised 'win-win' pattern of economic cooperation. Apparently, cheap money for infrastructural development, green- and brown-field related FDI and increased trade in goods were on the offer for the cash-depleted economies of Central and Eastern European countries. A deal with no (or little) strings attached. Or so the narrative ran.

In 2012, this *ad hoc* bilateral cooperative model moved towards multilateralization and – more important – towards institutionalization. Placidly called the China-CEEC platform (or "16+1" as it later became known), this pattern strived to be a loose forum where China and 16 other European countries (11 EU member states and 5 Western Balkans states on their – prolonged – path to EU accession) could discuss prospective economic ties and infrastructure links.<sup>1</sup> In many aspects, the 16+1 format was designed as a pilot-project for greater things to come, as an *experiment* in multiple-tier negotiations with states positioned on diverse (and divergent) stages of development, pushed from behind by the Chinese party in its quest to consolidate its position on the fringes of Europe.

<sup>1</sup> As regards the genesis of the format, see Kong Tianping, '16+1 Cooperation framework: Genesis, Characteristics and Prospect', *Medunarodni Problemi* [International Problems] (2015), Vol. 67, Issue 2/3, pp. 171-176, consulted on 02.01.2019 at <http://www.doiserbia.nb.rs/img/doi/0025-8555/2015/0025-85551503167T.pdf>.

## 16+1: A Low-Cost Learning Instrument

Therefore, beyond its immediate – pragmatic – goals, the 16+1 format also presented itself with opportunities to test, learn and adapt methods of engaging with the larger world. Its framework was consolidated a year before the (now) famous speech of Xi Jinping in Astana<sup>2</sup>, which called for the establishment of a “new silk road”, as well as before the joint adoption of the EU-China 2020 Strategic Agenda for Cooperation (also in 2013).<sup>3</sup> In certain ways, it predated – chronologically *and* conceptually – both the Belt-and-Road Initiative and the envisioned comprehensive cooperation mechanism with the European Union.

The diversity of cultural features and strategic alignments of these 16 countries provided the most apt experimental sample for Beijing to partake in the wider Eurasian economic agora. Muslim and Christian polities, full-fledged capitalist and transition economies, EU and non-EU member states, (soft) quasi-illiberal regimes and vibrant democracies, all were present in this instrumental lot of 16 post-Communist countries. A representative micro-cosmos of the enlarged area between the Atlantic and the Pacific oceans, China's new economic playground.

Nonetheless, the initiative stemmed from Beijing and remained deeply entrenched in the strategic necessities of China's proffered development goals. It appeared as a step beyond the mere one-to-one arrangements that dominated bilateral relations so far, but its framework – even at a formal level – reflected a Sinocentric approach. As a starter, the Secretariat of the China-CEEC cooperation was established in Beijing, under the auspices (and direct control) of the Ministry of Foreign Affairs<sup>4</sup>, allowing the Chinese party to set the agenda, the place and breadth of the summits, as well as grant *de facto* veto powers upon the ways in which the project developed.

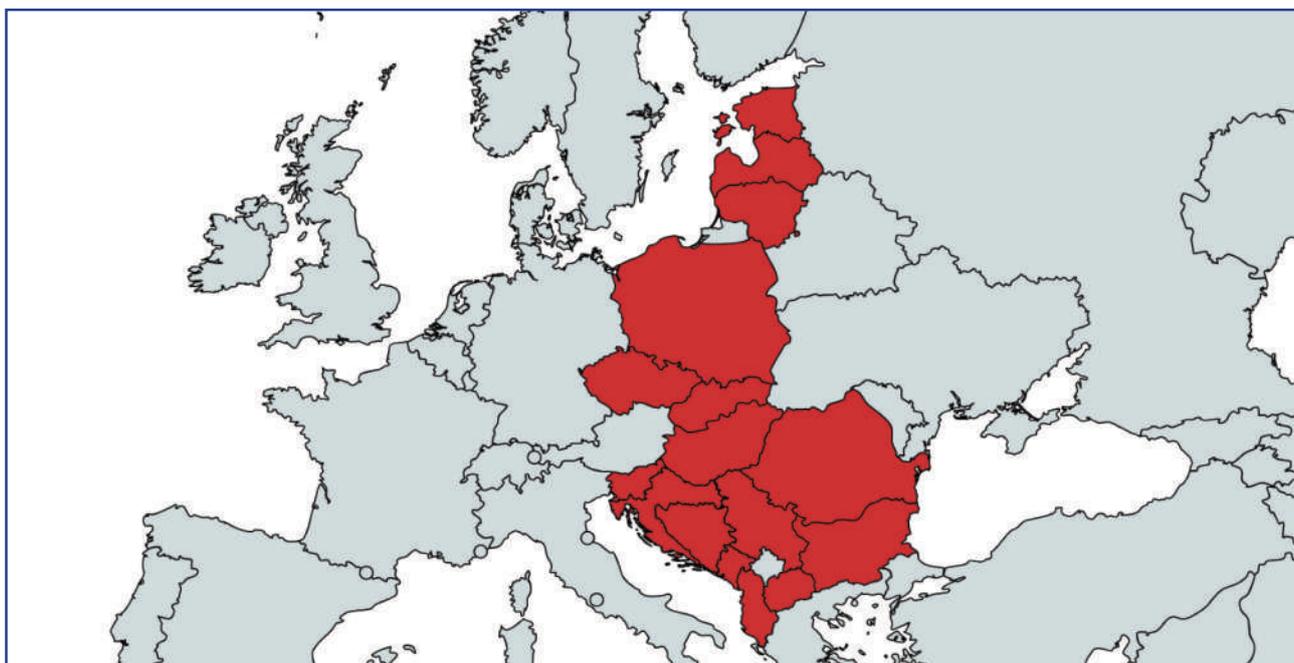


Figure 1 - The 16 European members of the 16+1 cooperation format

<sup>2</sup> Speech delivered on 7th September 2013 at Nazarbayev University, Astana – ‘Work Together to Build the Silk Road Economic Belt’, as presented in Xi Jinping, *The Governance of China*, Foreign Languages Press, Beijing, 2014, p. 315.

<sup>3</sup> European External Action Service, ‘EU-China 2020 Strategic Agenda for Cooperation’, Brussels, 2013, consulted on 02.01.2019 at [http://www.eeas.europa.eu/china/docs/20131123\\_agenda\\_2020\\_en.pdf](http://www.eeas.europa.eu/china/docs/20131123_agenda_2020_en.pdf).

<sup>4</sup> For a larger issue upon this issue, see Marcin Kaczmarski and Jakub Jakóbowski, ‘China on Central-Eastern Europe: ‘16+1’ as seen from Beijing’, OSW Commentary, No. 166 (2015), consulted on 02.01.2019 at <https://www.osw.waw.pl/en/publikacje/osw-commentary/2015-04-14/china-central-eastern-europe-161-seen-beijing>.

Gradually, the envisioned multilateral pattern emerged as a loose forum for the 16 countries to meet – at once – with Chinese officials and strike deals on a bilateral basis in separate high-level meetings. The question of a unified 16-based position never came to be posed, but rather revealed an internal competition between the various European actors to appear more attractive for Chinese FDI and trade flows, even if that could turn out into a tacit ‘race to the bottom’ among themselves.

On the other hand, the cognitive and experimental functions of the 16+1 format – as embedded by China in the initial design of the project – proved to be quite efficient. With a marginal cost for such a global (economic) superpower, it allowed the simultaneous cultivation of 16 parallel strands of cooperation in a rather limited amount of time, allowing Chinese diplomacy to focus its actions during the yearly summits and ensure that its CEE partners receive a well-deserved upper-tier Party attention.

### *A (Larger) Tactical Blueprint: China's Lessons Learned from 16+1*

In this context, China's involvement with the 16 CEE countries proved to be a decent testing-ground for some of its wider plans across Eurasia. Both its Belt-and-Road grand strategy and its EU-specific cooperation might benefit from the lessons learned in this particular and almost ‘experimental’ sub-regional format. The breakthroughs (and failures) encountered here are a blueprint for what can be achieved within large-scale multilateralism, involving numerous actors with specific economic needs and divergent geopolitical anxieties.

**First** of all, Beijing found out that PR is rather cheap, requiring a low level of financial commitment, especially when competing with actors that have little to offer economically, but are still strategically relevant (such as Russia or Turkey) or with actors whose generosity comes along with a full package of conditionalities (such as the European Union or the United States). The first ones can be – politely – left aside (due to their lingering historical importance in the region), while the latter should be avoided in a non-confrontational manner (due to their global capabilities). Beyond this, as the 16+1 experience showed, such economically modest constituencies are open for business. And for receiving whatever might be on the table. A road, a bridge, a rather unspectacular greenfield investment, a local power plant or a railway might well do the job of increasing China's soft-power appeal. In an area that really matters and with a virtually insignificant cost.

**Secondly**, China – perhaps involuntarily – found itself into position to learn how difficult it is to build consensus among so many participants in a grand project. And how fragile cooperation actually is, although it might profit everyone involved. Local dreams of grandeur, historical animosities and intense competition for scarce financial resources within a limited sub-regional market often make it easier for

an external player to extract the maximum amount of benefits, without dedicating too profoundly to the development of such economies. Rhetorical commitments and symbolical gestures sometimes suffice where the lack of cash is doubled by the need to be considered ‘relevant’. And promising everyone to be a ‘hub’ for a specific type of mercantile action – as Beijing generously does within the 16+1 format – might well be a game-changer. Despite no *current* spectacular results in the 16 states’ exports to the Chinese markets (see Figure 2 below).

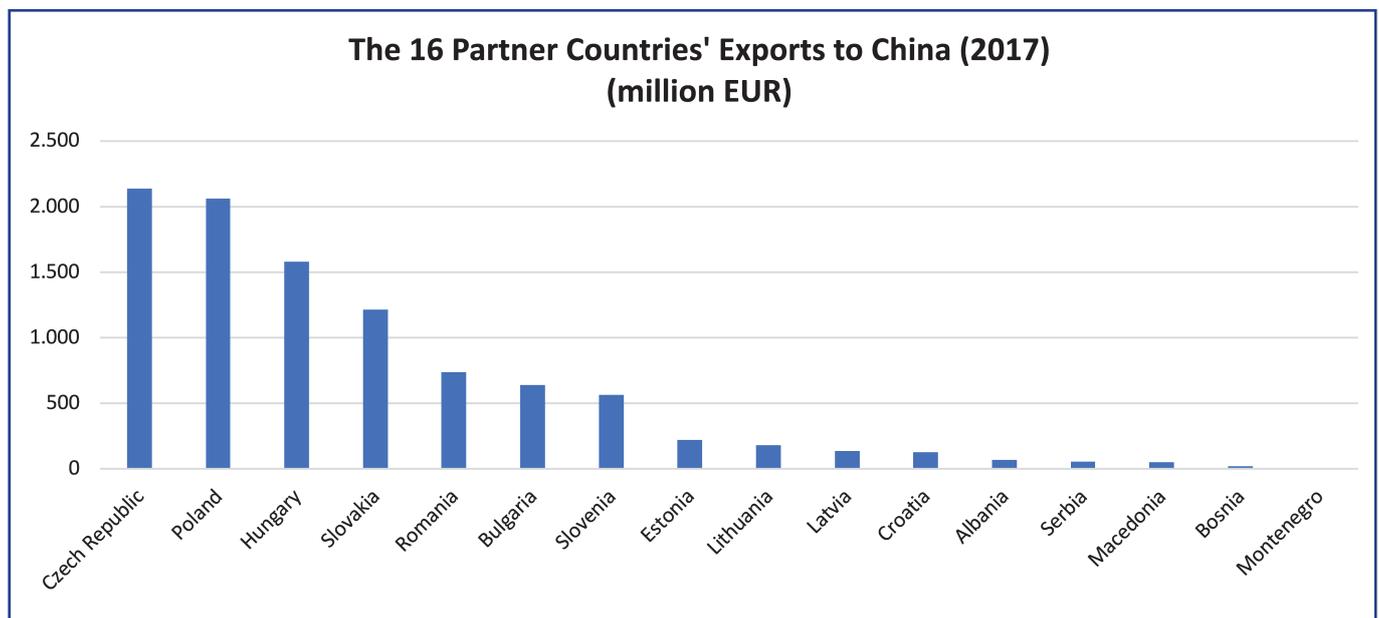


Figure 2 - Exports to China of the 16 partner countries in 2017 [million EUR]

[Source: Eurostat/ DG Trade]<sup>5</sup>

**Thirdly**, policy-makers from Beijing discovered that – unlike its negotiations with Western Europe or the United States – the embedded asymmetries in bargaining power effectively work in its favor. Even more so when possibilities for an authentic multilateralism are scarce. That is what allowed China to develop the 16+1 format in a ‘collection’ of simultaneous bilateralisms, with joint meetings and declarations, but separate tailor-made deals.

**Fourthly**, China has learnt some very important lessons regarding what it means to directly operate in another hegemon’s backyard, namely the European Union. It was self-compelled to move swiftly and in a non-confrontational manner, but – nonetheless – it attracted Brussels’ full attention and cautious-defensive approach. Beijing found out that it is very difficult to negotiate a cooperation pattern with the entire Union and simultaneously move on with its platform dedicated only to one of its – rather vulnerable – constituent parts. Understanding the dynamics between the whole and the part – and dealing with them at the same time – remains as confusing (and undecipherable) today as it was in Plato’s time.

<sup>5</sup> For EU member-states: Eurostat (online data code: DS-018995). For non-EU member-states: DG Trade individual factsheets.

*Lastly*, the 16+1 format was an eye-opener in some other respects. Although China's influence was considered more than welcome in all 16 countries, it was so with some reserves. While local leaders accepted any bearings of good-faith cooperation and actively got involved in competing for Beijing's attention (and cash), they did so only to a certain threshold. And that limit appeared to be determined neither by domestic economic issues, nor by political ones. But rather by their existential relation with the European Union.

When Brussels expressed (even slight) signs of displeasure towards 16+1, most of the EU member-states involved in the format (with the singular exception of Hungary, perhaps) backed down on their level of commitment in a very polite manner. They kept the format alive, but under the condition of it being fully in line with the EU-China greater agenda and under the close supervision of Brussels-based institutions, which have regularly been invited to attend the summits.<sup>6</sup>

Thus, Beijing understood how difficult it is to build an economic foothold in another great power's backyard and how complicated it is to act without arousing any suspicions, even if – sometimes – unsubstantiated. The lesser actors (such as the participating 11 EU member-states) might be willing to accommodate China's increasing influence, but only if it comes with virtually no cost in dealing with their own power-center. Otherwise, it is a no-go. For this reason – as Beijing policy-makers figured out – it is necessary to cultivate a decently polite relation with the *existing* regional power – such as the EU in Central and Eastern Europe or Russia in Central Asia – in order to have any long-term possibility to viably engage that specific part of the world.

## ***Diagnosis and Outlook: Alive and (Somehow) Kicking***

Therefore, at the advent of the Belt-and-Road Initiative, the 16+1 cooperation offers a set of useful lessons which might improve China's tactical and strategic approach in the near future. Nonetheless, beyond such 'cognitive' and episodic pragmatic gains, it must be inquired which of the *professed* goals of the format have actually been met. Have Beijing's relations – economic and political – with these European countries entered a new era or even improved due to the CEEC's establishment? More specifically, have the trade-and-investment flows substantially increased due to the functionality of the 16+1? In addition, the other way round, has the CEE countries' infrastructural development accelerated in this context? Have they managed to diversify – even slightly – their export destinations within the coordinates of the format?

As always, there is no easy answer. Correlations can be made – quantitatively speaking – but it is difficult to ascribe them a certain and undisputable causation. Trade with China and investment from China *did* increase during this period in CEE. However, such an evolution might really have nothing to do with the

<sup>6</sup> Marcin Przychodniak, 'The "EU Effect": How European Union Influences State's Involvement in the "16+1" China - Central and Eastern European Countries (China-CEEC) Initiative', *China-CEE Institute Working Paper* no. 16 (2018), p. 3, consulted on 02.01.2019 at [https://china-cee.eu/wp-content/uploads/2018/08/Work\\_paper-201816.pdf](https://china-cee.eu/wp-content/uploads/2018/08/Work_paper-201816.pdf).

existence of the 16+1 format, but rather with these countries' ever increased integration with EU (and global) economic fluxes.

To be more precise, it was natural that once this region transitioned to a fully developed part of the international mercantile network, numerous Western-based multinational companies would become localized in CEE. Thus, such production and assembly hubs are more closely intertwined with Chinese counterparts providing semi-finished products and components and – also – aim for the Asian markets, in line with their mother-company's business model. Not to mention that the deficits in trading with China still remained substantial for the 16 partner-states of Beijing (proportional to their overall trading activities) (see Figure 3 below). Briefly said, the increase in industrial trading activity with China might have to do more with CEE's increased 'Europeanization', rather than with an eastward-glancing 'opening up' to Beijing. Thus, it might be the EU that – again – did the trick and not really the 16+1.

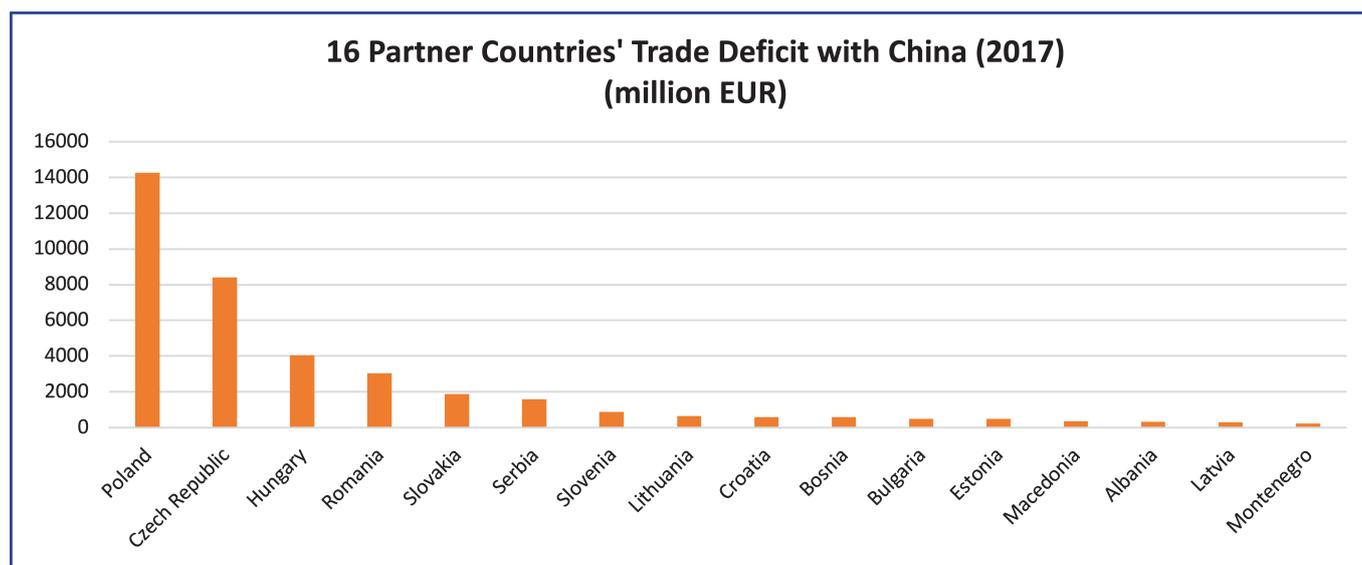


Figure 3 - Trade deficit with China of the 16 partner countries in 2017 [million EUR]

[Source: Eurostat/ DG Trade]<sup>7</sup>

As regards infrastructural development, the story is a little bit different when looking to the 11 EU member-states and the 5 Western Balkan countries. While the largest part of the transport corridors in the CEE received financial support through European funds – and were also developed by European companies – the Chinese (prospective) presence emerged in strategic focal points, especially in non-EU member states that needed to further connect via road or rail with their neighbors and with the Union itself. Nonetheless, what remains doubtful is whether most of this (limited) infrastructural impetus of Beijing was influenced by the existence of the 16+1 format *or* it actually had more to do with improving the transit between China's Piraeus hub and the EU inner core.

Beside such pragmatic (sub-regional) considerations, the situation must be analyzed in the greater context of the Belt-and-Road Initiative. And by taking into consideration China's 'intangible' benefits that

<sup>7</sup> For EU member-states: Eurostat (online data code: DS-018995). For non-EU member-states: DG Trade individual factsheets.

have been acquired steadily. The 16+1 'experiment' already generated (institutional) knowledge that not only came with a low-cost investment, but might have also brought non-negligible political gains, both in relation with the 16 countries and with their European Union power-center.

In this sense, it is a format that (still) proves to be useful for China and for the CEE countries, even though it seems to have missed the *declared* objectives. Its epistemological functions – doubled by a soft-power effect – allow 16+1 to maintain its (marginal) significance at the peripheries of Europe, as a form of *enhanced (collective) bilateralism*, as a new mode of asymmetrical dealing between an economic behemoth and a diverse conglomerate of less powerful states.

Thus, at the moment, even before any considerable project emerges – such as the much-advertised Budapest-Belgrade railway – the China-CEE cooperation is (and shall remain) a useful mechanism for simultaneous dealing within a diverse region, a manner of granting 16 partners the benefit of direct high-level Chinese presence, on a regular and predictable basis. It offers logistic and diplomatic certainty, while its loosely institutionalized framework permits sufficient flexibility in regard to individual negotiations. And, unless it impairs the larger relations with the European Union itself, the 16+1 format shall be preserved by Beijing indefinitely irrespective if it meets its declared goals.

On the other hand, the 16 CEE countries see no reason to stop cooperating in this manner, granted that it does not antagonize Brussels (too much). If any project comes to fruition, fine. If not, fine as well. Their (diplomatic) investment is minimal. And – *ceteris paribus* in the Beijing-Washington reluctant tensions – the risks are negligible. Like playing the (geoeconomic) lottery. With an occasional (political) bonus.

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## *New Strategy Center*

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