HOW MANY PLUS ONE AND FOR HOW LONG? A BRIEF CRITICAL ASSESSMENT OF CHINA-CEE COOPERATION

SARMIZA PENCEA
Economic Development Models Dept.
Institute for World Economy
Calea 13 Septembrie nr. 13, Sector 5, Bucharest
ROMANIA
sarmiza.pencea@iem.ro ; pen_sar@yahoo.com

Abstract: This paper looks at the meteoric rise and downfall of the 16+1 platform, created by China in 2012 for its "win-win" cooperation with sixteen Central and Eastern European (CEE) countries. The format has never managed to become as globally well known as China's Belt and Road Initiative (BRI), which it was meant to serve as an implementation tool in Europe from 2013 on. The 16+1 platform's decade-long under-performance in terms of investments and trade has created deep disappointment among its European participants, leading to their growing criticism and disengagement. The paper analyzes these developments, the modest accomplishments of the format as perceived from the CEE standpoint, exemplified with relevant case studies of some of its most notorious projects, trying to discern winners from losers and spot the potentially hidden interests that China might actually have had when initiating the platform.

Keywords: 16+1; 14+1; China-CEE relations; China-CEE trade; Chinese investments; Chinese loans

JEL classification: F550, F21, F020

1. Introduction. The 16+1 debut: the actors, the stage, the "screenplay"

The 16+1 platform, founded in 2012 by China and 16 Central and Eastern European countries (CEE16), members (11) and non-members (5) of the EU, was launched as a *win-win* initiative for the development of trade and cooperation between China and these countries, as well as –most importantly for the CEE16, at the time – for Chinese investments in the region, primarily (i) infrastructure investments (in transport, energy, telecommunications networks) and (ii) greenfield investments in modern manufacturing facilities. According to the Chinese thinking, the format was going to implement in the region China's OBOR/BRI grand and highly ambitious foreign policy strategy, which was to be launched a year later (2013) with the declared purpose of increasing connectivity between Asia, Europe and Africa, mainly by investing in infrastructure. Promoted as win-win endeavours that would have forged their international trade, bring in huge Chinese investments and give a significant boost to the region's development in its efforts to catch up with the West, these two Chinese initiatives were enthusiastically embraced by the sixteen European participant countries.

2. Literature review

China-CEE relations were not a subject of large interest for analysts and researchers before the 16+1 platform was established, and even afterwards, this topic was primarily and prevailingly tackled by authors from the countries directly involved or impacted by its existence, either European or Chinese. Researchers were initially interested in depicting the purpose, objectives and functioning of the 16+1 mechanism, trying to understand why this sudden development in China-CEE relations happened and what opportunities, benefits and challenges it created. They also analyzed the format in comparison with similar Chinese-built mechanisms in other continents [Jakobowski, (2018)]. While the Chinese researchers were more focused on the methods and measures needed to enhance China's effectiveness in the region, the CEE authors were more focused on China's motivations and goals in their countries, with some viewing and presenting them in a positive, even enthusiastic note, while others, on the contrary, seeing Chinese presence and influence in the region as perilous [see

Pavlicevic, (2018) etc.]. Over time, the topic that increasingly has come more to the fore was that of the economic consequences of China-CEE16 cooperation, with most of the authors finding minor economic gains for the CEE16 from their cooperation with China [e.g. Matura (2018), McCaleb & Szunomar (2017) etc.]. Some researchers [e.g. Matura (2021)] signaled that the reported Chinese invested amounts in the region were not trustworthy, as both China's and sometimes the CEE16 leaders' reports were inflated by including in the totals investments that had only been announced but had not materialized, as well as Chinese loans for infrastructure works, or even Chinese acquisitions of assets in these countries. As some EU officials [e.g. the EU Commissioner for Enlargement, Johannes Hanh] launched the concept of CEE as a Trojan horse used by China to divide the EU, there have appeared, again, both analysts and researchers who adopted this presumption and even considered it a serious threat to the transatlantic cooperation [e.g. Vienne (2021) etc.], and others who didn't see any such perils, arguing that neither China nor the CEE had any interest in undermining the EU [e.g. Turcsaniy (2023) etc.]. Moreover, when looking at the 16+1 platform in conjunction with the BRI and identifying not only the similarity of goals but also their reporting on the same projects, many researchers concluded that the 16+1 was either an extension of the BRI, a strategic gateway, or a bridge to the Western European markets [e.g. Musabelliu (2017), Kowalski (2017), Matura (2018), Garlick (2019) etc.]. The most recent articles and studies focused on the decline of 16+1, the shrinking number of its participants and its diminishing prospects [Chen & Yang, (2021); Berzina-Cerenkova, (2022); Kaczynski, (2022); Ciurtin (2022); Jirous, (2022); Brînză, (2023); Trivglavcanin (2023) etc.].

3. Twelve years after, the performance is increasingly farther from the initial "screenplay"

The excitement of the CEE16 countries for the new chance of accelerating their development was indeed prodigious, but here it is, twelve years later, that the 16+1 platform still didn't manage to fulfil the CEE16 countries' expectations, which were indeed outsized, but obviously nurtured and repeatedly reinforced by the generous promises made by China's high-ranking politicians whenever they had a chance to do that. Therefore, let's briefly look at some of the platform's main goals and accomplishments.

3.1. The infrastructure development goal

Most of the 16+1 infrastructure projects have remained only at the stage of ideas, or have been lost in unfruitful, years-long negotiations. Others, although started, were

(i) ***either taking much longer than it was planned, to get finalized***, as in the case of the Belgrade-Budapest speed train connection, which is no longer a high-speed one and is not yet ready after over 10 years since its inception; or, more recently, as in the case of the 5.5 km section of a ring road circling the city of Zalău, the first infrastructure contract won by a Chinese company in Romania, which should have been ready but it's not, because the Chinese side has simply lost its interest in this market[1].

(ii) ***or they were stopped half-way for different reasons***, as for instance in the case of the $2.7 billion Bar - Boljare highway in Montenegro, 40% completed in 2022, but useless, as it was suddenly stopped from being built in the middle of a forest, on the grounds that Montenegro couldn't pay a loan instalment to the Chinese lender bank. Also, as it happened in the case of a huge residential district in the Romanian city of Craiova, abandoned after a few months of extended excavations and only a few walls erected, because the Chinese state bank (Eximbank[2]) simply stopped financing the Chinese building company (Shandong Ningjian Construction Co. Ltd.), without any clear explanations to the local community.

Summing up, only a few infrastructure projects were completed, predominantly in the Balkan countries – among them, the Pupin Bridge in Belgrade, the example always remembered as a great success in the 16+1 forums and everywhere else (Heyes, 2023; Despa, 2023; Pencea, 2022; Brînză, 2020; Miller, 2018).

[1] In 2020, Sinohydro Corporation Ltd. fought for this EU-financed contract, not for profit – as the company has a very low margin and the project is considered small and quite difficult –, but hoping to simply penetrate the Romanian market and get access to much bigger and more rewarding contracts afterwards. However, in the meantime, the EU issued a Memorandum, signed by Romania and many other Member States, which practically excluded Chinese companies from bidding for large infrastructure projects in the EU. Therefore, Sinohydro's strategy was invalidated and, as such, the company no longer strives to make a good impression with its Zalău project, letting it stall (Despa, 2023; Valică, 2021).

[2] Eximbank is one of the main state banks that operate the Chinese loans under the BRI projects.

It is worth underlining that almost all of these projects were financed by Chinese loans, which, contrary to the common belief that they are always cheap, were actually quite costly as they came with all sorts of strings attached (Marrano, 2021; Chauhan, 2021; Surk, 2017; Makocki, 2017). For instance:

- The projects had to be carried out by Chinese companies under ***directly entrusted contracts***, not following competing in biddings;
- ***Strong collaterals*** for loans were usually demanded by the Chinese lending banks - a quite dangerous claim from the beneficiary country's standpoint, as the case of Montenegro demonstrated in 2021: along with other assets, this Balkan country used its seashore as a collateral and it nearly lost it to China when it could not pay the first instalment that was due for the USD 1 billion loan it had taken from Eximbank (China), to have the Bar-Boljare highway built by a Chinese company (China Road and Bridge Corporation / CRBC);
- ***Tax exemptions*** for the Chinese building companies were also usually requested, which not only disrupted markets through unfair competition and crowded out other potential suppliers, but also resulted in significant revenue losses for the host countries' national budgets;
- ***Bypassing or simply not meeting the local rules and regulations***, whenever it would have seemed possible and useful, was also often the norm. Additionally, more often than not, the local corruption was encouraged and capitalized on by the Chinese partner companies (see, for instance, the corruption scandal in Montenegro, regarding the collusion of local politicians with the Chinese state-owned companies involved in inflating the costs of the Bar-Boljiare highway);
- Moreover, very often these ***projects did not generate any positive horizontal effects in the host economy,*** as most of the necessary materials, equipment and workforce came from China, also tax-free.

To bluntly sum up, in these arrangements, the amounts lent by the Chinese banks to the CEE countries in order to finance projects carried out by Chinese companies almost never leave China. They almost never help put in motion the wheels of the borrower countries' economies, because nearly every infrastructure construction input comes from China. As such, the loans taken under such terms support in fact the various Chinese companies involved in CEE projects, as well as China's own economy, by providing both vital export markets for the Chinese goods and services, and opportunities to make more money and to create useful dependencies by lending money. How much the borrower country really benefits from such arrangements doesn't seem that important from a Chinese perspective. It also doesn't matter if the projects are really necessary, useful to, or economically rational for the borrower country, once they are useful to China and paid for by its partner countries.

Let's just think again, for instance, of the initial, hugely expensive **high-speed rail project between Belgrade and Budapest**: the high-speed trains were not meant to stop in any of the Hungarian cities to service the communities they were going to pass by, although those communities were expected to contribute to the loan reimbursement. The high-speed connection was intended primarily for cargo, more exactly to help to swiftly carry enormous quantities of Chinese goods from the port of Piraeus in Greece, to the rich markets of Western Europe. Moreover, even after the initially ambitious high-speed rail project was severely adjusted and reduced to only an upgrade of an already existing link, its efficiency remained questionable because, as one Hungarian politician has put it, without effective rail connections from Serbia to Greece, „ *... this railway will go from nowhere to nowhere*" (Kester, 2020).

In addition to all the above, for the Chinese side it doesn't seem to matter ***if projects are cost effective or not***, as long as China has made sure that the loans it has granted are reimbursed with a profit. Again, let's remember the Belgrade-Budapest high-speed train project, considered unnecessary and inefficient by many Hungarian and foreign experts. Some of them calculated at some point that the high-speed project might have turned profitable after 2,500 operational years, provided that it did not require maintenance costs in the meantime (Heyes, 2023; Brînză, 2020; Miller, 2018).

It's been over a decade since its initiation in 2013, and the Belgrade-Budapest rail project is not yet completed. In the meantime, it has been adjusted, much simplified and, while its Serbian section has made some progress, the Hungarian one has hit more road-blocks and suffered numerous interruptions and delays on various grounds. The most recent one of these took place in September 2023, when all the building activity in the Hungarian section was stopped, on the one hand because of money shortage and surging costs (by at least 35-40%), and on the other hand because of a lack of technological expertise on the Chinese constructor's side as regards the safety systems required by the European standards (CET, 2023; Kusnierik, 2023).

Notably, after securing a Chinese loan for this project at the beginning of 2024, the Hungarian government declared all the documents linked to the financing scheme as state secrets for ten years (ERAI, 2024). Also, it is quite astonishing that, in spite of the long-delayed project completion, the mass media in both countries have recently and proudly announced that the project would be ready and opened to the traffic in 2025, ahead of the deadline (!) (Brader, 2024).

As to the financing schemes, unlike the World Bank or other international financial lenders, the Chinese state banks are probably the only entities in the world that are willing to fund projects that have been assessed as questionable in terms of their economic returns and viability. When this happens, the main purpose of the lender country cannot be one of an economic nature, but most possibly one linked to some political, geostrategic goals, such as, for instance, those of extending Chinese influence and/or establishing Chinese footholds in regions of long-term behalf (Karnitschnig, 2017).

Two other important remarks are imperative here:

- The first one is that ***Chinese loans are not Chinese investments***, as it is often mistakenly, but largely believed as a result of misinformation. They are national investments using money borrowed from China, which will be paid back with an interest from the borrower countries' national budgets (i.e. from the taxpayer's money);
- The second important remark refers to the ***foreign loans' high potential of putting an economy at risk, of creating dependencies and debt traps when they come to account for too much of its GDP*** (Stanicek & Tarpova, 2022). The Balkan countries, which are the main beneficiaries of Chinese loans among the CEE16 group, display quite high levels of China loans' weight into their GDP, with the worst case in Europe registered by Montenegro (Matura, 2021; Marrano, 2021).

Montenegro's debt increased abruptly because of **the Bar-Boljare motorway project**, surging from 63% of its GDP in 2012, to 80% in 2019 and to 105% in 2020 (Stanicek & Tarpova, 2022). Such a high debt burden produced a reimbursement crisis in 2021, when the Balkan country couldn't pay back a loan instalment for the first section of the Bar-Boljare highway, risking both a serious financial destabilization and the losing of valuable collaterals, including territorial ones (an important part of the country's seashore), to the Chinese creditors.

The Bar-Boljare project in Montenegro presents the case of one of the most expensive highways in the world and provides a tough lesson about reckless contracting and high-level corruption. At the same time, it is „ *... a cautionary tale for countries seeking an easy way to reach developmental goals and illustrates the potential negative consequences of relying on Chinese loans"* (Brînză et al., 2024). For just a section of about 42 km of this highway (that led to nowhere!), which was built by a Chinese constructor with money from a badly negotiated Chinese loan (about EUR 950 million), Montenegro has almost lost its seashore, which it had used as a collateral. The country's seashore was saved through a deal with Western banks, from which Montenegro decided to exit in 2023, "*…in a show of confidence in its finances...*" (Scepanovic, 2023), returning to further cooperation contracts with China. Notably, besides that huge territorial risk now avoided, many other complaints piled up in time regarding this project, in terms of the quality of its execution, the working conditions for the employed and the enormous, irreversible environmental destruction it has produced. Indeed, "*Montenegro stands out as an intriguing case, due to its persistent willingness to broaden cooperation with China, despite a history of somewhat turbulent collaboration over the past decade"* (Brînză et al., 2024).

3.2. The greenfield investments development goal

Another important goal for the CEE participant countries to the 16+1 format was that of greenfield investments**.** By the 2020s, the greenfield investments have been quasi-absent in most of the 16 states' cooperation with China, having been replaced, on the one hand, by **(i)** ***takeovers and brownfield investments in mature industries*** such as, for instance, the takeover of the *Borsod Chem* factory, in Hungary, of the only Serbian steel plant in Smederevo, or of the only Albanese airport in Tirana. On the other hand, greenfield investments were replaced by **(ii)** ***the acquisition of stakes in already existing assets of interest to China***, such as ***in energy networks*** (as it was the case of the Greek power grid, in the social capital of which China State Grid purchased a 24% stake), or in important ***mining operations***, (such as in the case of the *Bor Copper Mining and Smelting Complex*, in Serbia, where China's *Zijin Mining Group*, has acquired a control stock of 63%) (Ristivjevic & Lazar, 2023; Tonchev, 2022; Stanicek & Tarpova 2022; BIRN, 2018; Surk, 2017).

The privatization of the **Bor Copper Mining and Smelting Complex** is worth detailing, as it is a very relevant example of how Chinese mining investments in foreign countries often develop (Box 1).

Additionally, it is important to highlight that Chinese companies may own and operate various assets in the CEE16 countries without having directly invested there, as it is the case of the „indirect ownership" of industrial, portual or farm units in Romania that were bought by Chinese companies from other previous foreign owners (Table 1).

Box 1: The Serbian Bor Mining and Smelting Complex under China's Zijin Mining Group control

In 2018 Serbia's largest mining operation, the giant RTB Bor (*Mining and Smelting Complex Bor*), which was mining and processing copper and gold, had 63% of its social capital sold by the Serbian government to *Zijin Mining Group* from Hong Kong, China. The Serbian government remained a minority shareholder (37%) and retained preemption rights to buy the gold bars resulted from the mining activities. The new joint venture, *Serbia Zijin Copper DOO Bor*, became the owner of *RTB Bor* by putting forth a USD 1.26 billion business plan that included a binding capital increase of USD 350 million and a pledge to pay the *RTB Bor*'s outstanding debts amounting to USD 200 million. The arrangement was accepted after further unsuccessful attempts by the Serbian government to restructure and privatise the mining complex, and it was presented as a great accomplishment, while the Chinese multinational company was hailed as a saviour.

But was Zijin Mining Group a real saviour? Why should it? And what happened afterwards?

By February 2022, *Zijin Copper* had invested about USD 1 billion in its mining projects in Serbia, always praised by both the local politicians and the central government. However, its activities were highly controversial in terms of compliance with the Serbian legal framework, regarding the environmental, social and health impact on the local communities, labour terms, general lack of transparency, as well as acts of aggression against the local activists who alleged that some of the mining operations were illegal.

According to the available data, the copper production levels more than doubled in 2022 vs. 2019, and the gold production increased by 65% in 2022 vs. 2020, while the company's reported income increased year by year, getting doubled between 2019and 2022.

However, the company was not transparent about the concentration levels of the unprocessed ore, which is exported to China in huge daily quantities through the ports of Split (Croatia) and Bar (Montenegro).

According to the deal between Zijin and the Port of Split, which was valid until the end of 2022, 15 waggons or 5,000 tonnes of ore were transported daily to the port with a view to exporting them to China. While there are no statistical records of the quantities also exported through the port of Bar, there is public information about an agreement signed with this port for the 2021-2024 time-frame, for about 2 million tonnes of copper concentrate coming by rail from *Zijin* to the port of Bar, in order to be shipped to some unspecified destinations. Also, it is known that in May 2023, a delegation of *Zijin Global* visited Bar and announced that they would significantly increase operations in this port, offering to the local administration investments to „*...improve [its] efficiency and speed of logistics and transportation"*.

Since 2018, the *National Bank of Serbia* (NBS) has bought 6.02 tonnes of gold bars from *Zijin*, but contractually there is no Serbian state control on the unprocessed ore that *Zijin* extracts and is freely exporting without declaring its content. As such, by exporting the unprocessed ore, the Chinese company avoids its obligation to primarily offer to the NBS the gold bars that would have resulted from processing the extracted ore locally.

On the other hand, the capacities of the mining operations have been increased so much, and mining is so intensive, that the air pollution with arsenic, sulphur dioxide and other poisonous elements exceeds by many times the maximum admitted limits, for much longer periods than legally accepted. Also the soil is degraded, the waters have become improper for use and the cases of cancers have tripled in the region.

In June 2022, *Zijin* began blasting Starica Mountain, pretending they „ameliorate" the mountain, but they had no approval for that action and, moreover, it was legally proved that they didn't even own that parcel of land. The area is state property and it makes a natural barrier that protects the town of Maijdanpek from the pollution of an open-pit mining site that is on the other side of the crest. Against all protests, the natural barrier is already partially destroyed, while the Serbian state is not intervening to either protect its population, or its property.

There have also been many conflicts between miners and the *Zijin* leaders, who have repeatedly tried to substantially lower the miners' wages, to drastically cut compensations for nightshifts, overtime, holiday and weekend work, and to eliminate other rights. Older miners continue to be discriminated, being paid less, and foreign workers, presumably Chinese (probably about 5,300 persons), are also paid less and offered dire working and living conditions.

Although the company has repeatedly breached many times the Serbian laws, especially the environmental ones but also many others too, both the local communities' leaders and the Serbian government maintain their supportive and laudatory attitude towards the Chinese investor, which in only a few years of intense activity has gained more than it has invested by a very large margin and, as such, it wants to continue expanding its operations in the area, relocating villages and continuing to pollute without fear of restrictions or fines.

According to the Report this Box is based on, „ *The lenience may be linked to a controversial section of the Strategic Partnership Agreement signed between the Republic of Serbia, the former RTB Bor and Zijin Mining. Section 7.5 of the Agreement, under the title of* ***Obligations of the Republic of Serbia****, states that the Serbian state will assist*

the company to prepare an Ecological Action Plan (which still does not exist) *and will* ***invest all efforts to ensure that the company will not be sanctioned or fined for noncompliance with environmental protection standards during the transition period."*** Doesn't this sound as if all the misfortunes that happened for the region and for the country, which are still going on without being exposed and punished, have been somehow premeditated by the Chinese side, with the Serbian governmental blessing?
At the end of this brief case study, we should mention that the region in question is historically inhabited by an indigenous Vlach/Romanian minority, plus some migrants from the former Yugoslavia who came here in the 1970s and 1980s. The Vlach/Romanian minority has no representation in the central government or in the parliament and therefore they have no voice or power to protect their lands, health and lives. This kind of status offers to the Chinese company a perfect field for acting as it wishes, without worrying. Why should it care for this minority population and for the local natural environment, when the country's leaders are visibly collusive and totally indifferent?

Source: Summarized by the author after Ristivjevic & Lazar (2023).

Table 1: Indirect Chinese ownership in Romania

THE CHINESE INVESTOR COMPANY	THE ACQUIRED FOREIGN COMPANY	FIELD OF ACTIVITY	OUTCOMES FOR ROMANIA
WH Group	Smithfield Food (US)	Animal husbandry, meat processing	50 swine farms, 2 fodder factories, 1 slaughter house, 1 distribution firm in RO now belong to the WH Group, CN
COFCO	NIDERA (NL)	Agribusiness	The largest cereal terminal in the port of Constanta belongs now to COFCO, CN
ChemChina	PIRELLI (IT)	Automotive components, tyres	2 factories in RO (tyres and electric engines) now belong to ChemChina
Ningbo Joyson Electronic Corp.	Quinn (DE) Preh (DE) Takata (JP) Key Safety Systems KSS/(US)	Automotive components	1 factory from each of the DE companies and 3 factories from each of the JP and US companies (8 in total) are now Chinese companies

Note: RO, CN, NL, IT, DE, JP are acronyms for Romania, China, Netherlands, Italy, Germany and Japan, respectively.
Source: The Author's compilations and syntheses based on the cited bibliography.

Returning to the general issue of Chinese investments in the CEE16 countries, we note that, excluding the Chinese loans and the M&A deals, the total Chinese investment stocks in all the 16 countries over the entire decade accounted for only about 2% of all the Chinese investments in the Europe (Chauhan, 2021). But even this percentage is not that trustworthy, as the governments of the CEE and China itself have been inclined to inflate the value of the total Chinese FDI in these economies, by including the values of old investment plans that have never materialized, of infrastructure projects financed with Chinese loans, as well as the results of some international M&As, while the real Chinese FDI positions in the CEE countries are generally very modest, with probably only a few exceptions, among which Hungary ranks first (Matura et al., 2021).

More recently, against the backdrop of the EU's decarbonisation and green development efforts and as a part of the global competition in the new markets of electric vehicles (EVs), lithium-ion (Li-ion) batteries and photovoltaic panels (PVs), some important Chinese private companies have chosen Hungary for significant greenfield investments in EVs and Li-ion batteries manufacturing, worth an estimated EUR 20 billion (about USD 22 billion) according to their announcements (Gergely & Lew, 2022). This total estimate includes the announcement by CATL, the largest Li-ion battery manufacturer in the world, about a EUR 7.3 billion investment in a plant in Hungary. Not accidentally, this announcement was made in August 2022, just one day after Estonia and Latvia left the 16+1 format, following the example set by Lithuania a year before. It was an obvious demonstrative act of rewarding Hungary for being politically close to China, which indirectly suggested that other countries aiming at Chinese investments should behave similarly.

3.3. The commercial exchanges development goal

Coming to trade, China-CEE16 commercial exchanges were not much better after the 16+1 platform's creation. They did increase in total value, but that was mostly due to the boom of Chinese exports to the CEE16 countries, while the access to the Chinese market has remained very difficult for these countries and therefore their exports to China continue to be very weak, leading to chronic and rising trade deficits on their side (Table 2).

Getting increasingly disappointed by the unfulfilled projects, the CEE16 have gradually turned to an inertial participation in the annual 16+1 fora, with a growing number of them reducing the level of their representation and leaning visibly towards disengagement. The spearhead of this trend was represented by countries such as the Czech Republic, the Baltic States, Poland and Romania, while Hungary and Serbia continued to believe in the benefits of the platform and to further develop their relationship with China.

Table 2: EU Member States participating in 17+1*: trade deficits with China, 2022

COUNTRY	EUR, million
1. Poland	-34,639
2. Czech Republic	-27,466
3. Hungary	-10,754
4. Greece*	-7,500
5. Slovenia	-7,438
6. Romania	-6,297
7. Bulgaria	-2,409
8. Slovakia	-1,965
9. Croatia	-1,305
10. Lithuania	-1,895
11. Estonia	-979
12. Latvia	-765

*Note: In 2019 Greece was included in 16+1 and the platform was renamed 17+1 until 2021, when Lithuania exited; in 2022, Estonia and Latvia also left the format, turning it into 14+1.
Source: Eurostat (2023).

Analysing in retrospect, with such a modest economic cooperation record for an entire decade, many started to question the real purpose of China in the region. While some of the causes of the presumed failures came to surface (a faulty understanding of these countries by China, the oversized expectations of the CEE16, the better financing terms offered to the CEE countries by the EU, China's disregard for the local needs and for the economic feasibility of the projects, the cultural differences etc.), researchers, analysts and even a part of the European ordinary citizens became doubtful about China truly having intended a win-win relationship with the CEE16. Many analysts wondered if the platform wasn't, rather, an instrument of investing in Eastern European politicians with a communist background, motivating them to advocate Chinese interests in Europe, a soft power tool used for extending China's influence and for advancing its interests in an important economic and geographical area where it was historically never present.

In addition to records about politicians from the CEE17 countries having stopped different attempts of noticing/criticizing China in different international bodies (EU, UN) by using their veto rights (i.e. Hungary, Grece), recent studies confirm that these questions were totally legitimate.

A recent wide-ranging study by the *Centre for Democracy Studies* in Bulgaria (Standish, 2021) on the expanding Chinese presence in the CEE found out that:

- the higher the contribution of Chinese investments in a CEE country, *"the higher the likelihood"* that China has exploited pre-existing problems with the rule of law in that country aiming to expand "*its economic and political influence". "It's a vicious cycle where authoritarian countries like China take advantage of legal loopholes and corrupt practices to expand their influence on the ground."*
- Also, the study identified a direct correlation between the presence, volume and influence of Chinese money in a certain economy and
  - a continuous decline in its standards of governance and of the rule of law functioning (most visible in Bosnia-Herzegovina, Montenegro and Serbia);
  - grown indebtedness;
  - higher pollution and increased damage to the natural environment;

- the expansion of an economic environment where Chinese companies enjoyed all sorts of exemptions, relieves, or generous state subventions and they colluded with the local firms and with the public administration, generating a juncture in which the governmental institutions no longer regulate Chinese companies to serve the public interest, but they become helpers of various conglomerates and local oligarchs.

Another recently released study by a research network that gathered researchers from eight Southern and Eastern European countries[3] which looked at their own economies, concluded that even if there were no remarkable Chinese investments in these countries, even if there were no visible benefits of China's presence, the trade balances with China were negative and some of these countries were heavily indebted to the Chinese state banks, the public perception about China was in general positive and, most often than not, Chinese influence was on the rise (Leonte, 2023).

4. The changing backdrop hastens casting alterations: one new actor coming in, three actors leaving for good

Since 2019, for some of the CEE16 empty words have become too much to take and they started to openly express their discontent regarding the lack of significant Chinese investments in their economies (e.g. the Czech Republic). Further on, the disappointment among the CEE group was exacerbated by other successive developments: the Chinese attitude when the Covid-19 pandemic outbreak, first concealing and then distorting information; China's adoption of the *wolf diplomacy* in its international relations; China's increasingly hostile relationship with the EU and the US, the main providers of development funding and security for the CEE countries; China's extremely aggressive attitude to Lithuania its exiting the 16+1 platform and on its establishing a diplomatic relationship with Taiwan; China's resort to the military harassment and intimidation of Taiwan and, most of all, China's positioning regarding Russia's aggression in Ukraine and the "*partnership without limits"* declared to an aggressor state that violated sovereignty in Eastern Europe.

Among other complex, far-reaching consequences globally, these developments and especially China's position on Russian war in Ukraine had a significant impact on the China-CEE and China-EU relations, as well as on the way China was seen across Europe. According to Kaczynski (2022), "*…except for Budapest, in all other Central European capitals the principle approach towards China today is limited trust, or even anger. The turnaround moment was the 2021 spat between Vilnius and Beijing over the opening of a new Taiwan trade office in the Lithuanian capital. The open attack on a small EU state, as well as on the EU's single market, led to an increased suspiciousness across the Old Continent."* Afterwards, and mainly once that China's support for Russia became undeniable and their cooperation kept expanding and diversifying, the relations between most of the CEE countries and China have deteriorated rapidly.

Fully aware of the worsening of its relations with the CEE countries, Chinese diplomacy tried to mend ties by sending a special envoy in eight of these countries, without spectacular results, except an outright refusal to meet, by the Polish foreign minister. According to Kaczynski (2022), citing Polish experts, Poland is disappointed with the Chinese approach on Russia and „*Warsaw now perceives its ties to China through the lens of the Moskow-Beijing axis"*.

Since 2020, Romania has cancelled the contract with *China General Nuclear Power Corporation* regarding the addition of 2 new nuclear reactors to the Cernavodă nuclear plant. It has also put off the upgrading of the Rovinari power station on coal, that had been negotiated for years with another Chinese firm and it was the first country to sign engagements with the US to restrict the access of Huawei 5G technology (followed by Poland and Estonia, while the Lithuanian Parliament has banned the use of telecommunication equipment coming from unsafe manufacturers).

Besides banning Huawei from the 5G network, the Romanian government has forced telecom companies to replace the Chinese equipment from their networks and has also enforced a tough mechanism of screening all the non-EU investments. In a different area, a bill providing for the closing of the four Confucius Institutes in Romania was proposed at parliamentary level (Brînză, 2023). At present, with the exception of two small on-going infrastructure contracts (a 8.6 km section of the Bucharest ring-road, and a 5.5 km one circling the town of

[3] Albania, Bosnia and Herzegovina, Bulgaria, Greece, North Macedonia, Romania, Serbia and Slovenia.

Zalău), all the remaining Chinese projects were cancelled and it has become impossible for Chinese companies to compete in any Romanian public tenders.

Despite all these facts, Romania and China managed to successfully avoid a diplomatic conflict similar to that experienced by the Czech Republic, or by Lithuania, as Bucharest has never directly criticized China for its behaviour and, accordingly, Beijing has never resorted to its wolf diplomacy toolbox in relation with Romania. Aware of the platform's fading importance in the CEE region, in 2019 Beijing attempted a resuscitation of the 16+1. For a short time, the format seemed to be revived by China's strategic move of including Greece, an old EU and NATO member, with the clear purpose of freshening up its image and of showing to the world that the 16+1 was well, functioning and attracting new and significant members. However, only two years later, in 2021, the recently created 17+1 turned back into 16+1 after the Lithuanian withdrawal, and a year later, in 2022, it became 14+1, when the other two Baltic States, Estonia and Latvia, also left the platform.

Furthermore, in 2022 the Czech Parliament recommended to the Czech government, and specifically to the Ministry of Foreign Affairs, to leave 16+1, because *„the main initiatives of the format economic diplomacy, the promise of large investments and mutually beneficial trade – did not materialize even after a decade."* Therefore, these *„unaccomplished expectations"* claimed a reconsideration of the Czech participation to the platform. So far, neither the Czech Republic nor Slovakia (which was also pondering about an exit), nor Poland or others left the platform, but for sure more participants thought of leaving and did analyse such a move. Although not interested in it, Romania will most probably not leave the platform in the short run, but it will continue to downgrade its representation and to limit its activities, while the bilateral relations with China will remain cold, despite both countries' diplomatic rhetoric.

5. Before the curtain falls: was it a fiasco, or a success?

Irrespective of the number of member exits, China is not expected to give up on the 16+1 format, but on the contrary, to support it no matter what, for as long as it brings benefits. The platform has already helped China substantially:

- To build a remarkable presence and patches of influence of various intensity all over Europe, a continent where China has never been historically present;
- To open new markets and to rapidly grow the old ones;
- To get access to new information, contacts, knowledge, technology, know-how and even to new deposits of natural resources for its home industry;
- To create useful dependencies;
- To better penetrate worlds of great interest in Europe – that of the politicians, of the central and local administrators, of the academic life etc. – and to capitalize on them.

All in all, the 16+1 platform helped China make more money and establish a highly-beneficial foothold in Europe. And that is for good, it will not subside. No less importantly, the format became a *„...'low-cost learning instrument' both for China and for the participant countries, allowing all the entities involved to understand how future cooperation outside the boundaries of the EU-led initiatives might be shaped and how it could evolve into the much-advertised 'win-win' pattern."* (Ciurtin, 2022).

In the CEE16 region, as almost everywhere else, China did turn the *„win-win"* ideal into a *„win twice"* principle for its own benefit. With the help of the 16+1 *'low-cost learning instrument'* it surely learned more about the Central and Eastern European countries, the Balkans, the Baltics, the EU or Europe in general, but the same did its CEE partner countries, which also learned a lot about trusting bombastic promises and having unrealistic expectations, about the risks of recklessly dealing with China under its own terms and about the need of security and self-protection in an increasingly risky global environment. Therefore, the majority of these countries are now much more critical, sceptical and prudent, choosing to keep a distance in their relationship with China. This is a trend that might prove positive for strengthening the EU unity, and beneficial for its one EU policy on China. Given all the benefits it has brought to China, the 16+1 platform will not be left to disintegrate. And not only because China might lose some of the gains, but because in an autocracy the party and its leaders, the country itself, cannot be or do wrong, they cannot fail, cannot lose the image of perpetual winners. Moreover, although it is now somehow dormant and it no longer appears to make economic or political sense, the format might still become instrumental to China sometime in the future. As Justyna Szczudlik, a Polish expert, has put it, „... *one never knows when this mechanism, today inactive, might be useful again."* (Kaczynski, 2022).

Trying to stop the decline of trust and more exits, China resorted to a policy of carrots and sticks: on the one hand, criticizing and bullying the first participant that left the format, Lithuania, and, on the other hand, rewarding unsparingly the most politically devoted one, Hungary. Just one day after the last two Baltic countries declared that they were leaving the 16+1 format, China announced that CATL, the largest manufacturer in the world of Li-ion batteries for EVs, will invest over USD 7.3 billion into a factory in Hungary, creating many jobs in a high-tech field that is expected to grow vigorously for many years. This will be the largest Chinese investment ever made in Hungary, and in fact in all the ex-CEE17 area.

Some might say that we've all heard many times before such impressive announcements which have never materialized, but, in the given context, this one will probably go through, firstly because it must have a demonstration effect among the CEE and for the entire Europe, for that matter, and secondly, because the Chinese company itself needs to make sure that it will continue to sell its goods in Europe as an European manufacturer, in case the EU would resort to tough forms of protection against Chinese exports.

Of course, this was the kind of greenfield investment that all the 16 countries in the format have hoped for since 2012, but here it is that it is happening after no less than twelve years of empty promises, in only one country of the entire group and in the form of a reward for political loyalty, with an obvious demonstrative purpose! For most of the CEE countries that is not at all enough, it comes too late and it is too politically-driven to revive trust! Therefore it is not at all convincing, just eye-opening.

References:

[1] Balkan Investigative Reporting Network/BIRN (2018, August 31). *China's Zijin to take over Serbian coper giant.* Retrieved from https://balkaninsight.com/2018/08/31/chinese-company-zijin-takes-over-serbian-copper-giant-08-31-2018/.

[2] Berzina-Cerenkova, U. (2022, August 22). *Mild wording, but harsh timing: Latvia and Estonia's exit from the "16+1".* Mercator Institute for China Studies (MERICS). Retrieved from https://merics.org/en/short-analysis/mild-wording-harsh-timing-latvia-and-estonias-exit-161.

[3] Brader, A. (2024, April 4). *Budapest-Belgrade to be operational sooner than anticipated?* Retrieved from https://www.hungarianconservative.com/articles/current/budapest_belgrade_railway_operational_earlier_date_aleksandar_vucic/ .

[4] Brînză, A. et al. (2024, March). *EU-China relations: de-risking or de-coupling – the future of the EU strategy towards China*. European Parliament, the Policy Department for External Relations. DG for External Policies of the Union, PE 754.446. Retrieved from https://www.europarl.europa.eu/RegData/etudes/STUD/2024/754446/EXPO_STU(2024)754446_EN.pdf .

[5] Brînză, A. (2023, June 23). *In or Out of the 14+1 format, Romania's short-lived romance with China is over.* Retrieved from https://chinaobservers.eu/in-or-out-of-the-141-format-romanias-short-lived-romance-with-china-is-over/.

[6] Brînză, A. (2020, April 28). China and the Budapest-Belgrade railway saga. The Diplomat. Retrieved from https://thediplomat.com/2020/04/china-and-the-budapest-belgrade-railway-saga/.

[7] Central European Times/CET (2023, September 24). *Belgrade-Budapest railway project hits buffers*. Retrieved from https://centraleuropeantimes.com/2023/09/budapest-belgrade-railway-project-hits-buffers/.

[8] Chauhan, V. (2021, March 30,), *China's European games: investments in Central and Eastern Europe*, Retrieved from https://diplomatist.com/2021/03/30/chinas-european-games-chinese-investments-in-central-and-eastern-europe/.

[9] Chen Q., Yang, K. (2021, May 23*). Lithuania's decision to quit China-CEEC 17+1 won't change fundamentals of platform*. Retrieved from https://www.globaltimes.cn/page/202105/1224260.shtml ;

[10] Ciurtin, H. (2022 September). *On the future of 14+1: a view from Romania*. Retrieved from https://chinaobservers.eu/on-the-future-of-141-the-view-from-romania/ .

[11] Despa, O. (2023, August 7). *Statul nu reziliază contractul cu chinezii pentru centura Zalăului deși termenul de execuție e depășit*., https://romania.europalibera.org/a/de-ce-nu-reziliaza-cnair-contractul-cu-chinezii-pentru-centura-zalau-termen-depasit/32531191.html.

[12] Eurasian Rail Alliance Index/ERAI (2024*). Belgrade-Budapest high-speed train: highway to rail?*, Retrieved from https://index1520.com/en/news/vysokoskorostnoy-poezd-belgrad-budapesht-ot-shosse-k-zheleznoy-doroge/.

[13] Eurostat (2023, February 23). *China-EU International Trade in Goods Statistics*. Retrieved from https://ec.europa.eu/eurostat/statistics-explained/index.php?title=China-EU_-_international_trade_in_goods_statistics#China_largest_partner_for_EU_imports_of_goods_in_2022.

[14] Garlick, J. (2019). *China's economic diplomacy in Central and Eastern Europe: a case of offensive mercantilism?* Europe-Asia Studies 71, no. 8. Retrieved from https://www.tandfonline.com/doi/full/10.1080/09668136.2019.1648764
[15] Gergely, A., Lew, L. (2022, December 22). *BYD Car Investment affirms Hungary as China's EU bridgehead*. Bloomberg. Retrieved from https://www.bloomberg.com/news/articles/2023-12-22/byd-picks-hungary-for-its-first-european-ev-factory-site .
[16] Heyes, M. (2023, September 26). Budapest-Belgrade railway hits a roadblock, *Construction Europe*. Retrieved from https://www.constructionbriefing.com/news/budapest-belgrade-railway-hits-a-roadblock/8031849.article.
[17] Jakobowski, J. (2018). Chinese-led multilateralism in Central and Eastern Europe, Africa and Latin America: 16+1, FOCAC and CEE. *Journal of Contemporary China* 27(113). Retrieved from https://www.tandfonline.com/doi/full/10.1080/10670564.2018.1458055.
[18] Jirous, F. (2022, July 1,). 16+1: China's push into Central and Eastern Europe loses momentum, Jamestown Foundation. *China Brief*, Vol.22, Issue 12. Retrieved from https://jamestown.org/program/16-1-chinas-push-into-central-and-eastern-europe-loses-momentum/.
[19] Kaczynski, P. M., (2022, August 15). *How China lost central Europe*. BIRN. Retrieved from https://balkaninsight.com/2022/08/15/how-china-lost-central-europe/.
[20] Karnitschnig, M., (2017), Beijing's Balkan backdoor, China looks west Series, *Politico*, July, 13, https://www.politico.eu/article/china-serbia-montenegro-europe-investment-trade-beijing-balkan-backdoor/ ;
[21] Kester, E. (2020). *Will the EUR 4 bn Belgrade-Budapest rail upgrade be a benefit or burden*? Euronews. Retrieved from https://www.euronews.com/my-europe/2020/10/06/will-the-4bn-belgrade-budapest-rail-upgrade-be-a-benefit-or-burden.
[22] Kowalski, B. (2017). China's foreign policy towards Central and Eastern Europe: the 16+1 format in the South-South cooperation perspective. Cases of the Czech Republic and Hungary. *Journal of Eurasian Studies* 1, no.1. Retrieved from https://www.researchgate.net/publication/315976212_China's_foreign_policy_towards_Central_and_Eastern_Europe_The_161_format_in_the_South-South_cooperation_perspective_Cases_of_the_Czech_Republic_and_Hungary.
[23] Kusnierik, E. (2023, October 29). *Belgrade-Budapest railway construction in huge trouble? Xi Jinping rejected Orban*. Retrieved from https://dailynewshungary.com/belgrade-budapest-railway-constrution-in-huge-trouble-xi-jinping-rejected-orban/.
[24] Leonte, A. (2023, January 11). *Report: Secret charm – China's hidden influence in South East Europe*. RISAP. Retrieved from https://risap.eu/report-secret-charm-chinas-hidden-influence-in-southeast-europe/.
[25] Makocki, (2017, July 6). *China in the Balkans: the battle of principles*. European Council on Foreign Affairs. Retrieved from https://ecfr.eu/article/commentary_china_in_the_balkans_the_battle_of_principles_7210/.
[26] Marrano, M. G. (2021, April 27). *Western Balkans: the burden of China lending to governments*. UniCredit Macro Research, the EEMEA Special Topics. Retrieved from https://www.research.unicredit.eu/DocsKey/emergingmarkets_docs_2021_179967.ashx?EXT=pdf&KEY=l6KjPzSYBBGzROuioxedUNdVqq1wFeRoBg8dvzn51cwxIFTj0Rbl4w==&T=1.
[27] Matura, T. et al. (2021). *Chinese investments in Central and Eastern Europe. A reality check*. Research Report by Central and Eastern European Centre for Asian Studies (CEECAS), Budapest. Retrieved from https://www.china-cee-investment.org/_files/ugd/72d38a_373928ea28c44c7f9c875ead7fc49c44.pdf.
[28] Matura, T. (2019). China-CEE trade, investment and politics. *Europe-Asia Studies*, no.89. Retrieved from https://www.tandfonline.com/doi/abs/10.1080/09668136.2019.1571166.
[29] Matura, T. (2018). The Belt and Road Initiative depicted in Hungary and Slovakia, *Journal of Contemporary East Asia 7, no. 2.* Retrieved from https://www.tandfonline.com/doi/full/10.1080/24761028.2018.1537091.
[30] McCaleb, A. & Szunomar, A. (2017). Chinese foreign direct investment in Central and Eastern Europe: An institutional perspective, in *Chinese Investment in Europe: Corporate strategies and labour relations*, ed. Jan Drahokoupil (European Trade Union Institute, 2017).
[31] Miller, N (2018, June 20). '*Why are they giving us money?' Behind China's plans to 'rescue' a decrepit railway link*. The Sydney Morning Herald. Retrieved from https://www.smh.com.au/world/europe/why-are-they-giving-us-the-money-behind-china-s-plans-to-rescue-a-decrepit-rail-link-20180606-p4zjwk.html.
[32] Musabelliu, M. (2017), China's Belt and Road initiative extension to Central and Eastern European countrees – sixteen nations, five summits, many challenges, *Croatian International Relations Review*, no.78 https://www.researchgate.net/publication/320847084_China's_Belt_and_Road_Initiative_Extension_to_Central_and_Eastern_European_Countries_-_Sixteen_Nations_Five_Summits_Many_Challenges.
[33] Pavlicevic, D. (2018), China threat and China opportunity: Politics of dreams and fears in China-Central and Eastern European relations, *Journal of Contemporary China* 27, no.113.
[34] Pencea, S. (2022), Unwary dreams, rude awakenings: BRI in the developing world and emerging Europe, in Young-Chan Kim (editor), *Understanding China,* pp.111-144, *Springer Nature*, ISBN978-3-030-86121-6; ISBN 978-3-030-86122-3 (e-book).

[35] Ristivjevic, D., Lazar, D. (2023). *Bor Mining and Smelting Complex (Serbia Zijin Coper)*, updated November, 14. Retrieved from https://thepeoplesmap.net/project/bor-mining-and-smelting-complex-serbia-zijin-copper/.
[36] Scepanovic, L. (2023, June 21). *Montenegro exits deal that hedged mammoth Chinese highway loan*. Retrieved from https://www.rferl.org/a/montenegro-exits-deal-chinese-highway-loan/32469505.html.
[37] Standish, R. (2021, September 9). *New study says China using investments to buy political influence in Central, Eastern Europe.* Retrieved from https://www.rferl.org/a/chinese-investments-central-eastern-europe/31452615.html.
[38] Stanicek, B., Tarpova, S. (2022). *China's strategic interests in the Western Balkans*. Briefing, European Parliament, European Parliamentary Research Service (EPRS). Retrieved from https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/733558/EPRS_BRI(2022)733558_EN.pdf .
[39] Surk, B. (2017, September 9). *As China moves in, Serbia reaps benefits with strings attached*. New York Times. Retrieved from https://www.nytimes.com/2017/09/09/world/europe/china-serbia-european-union.html.
[40] Tonchev, P. (2022, August 24). *Chinese influence in Greece*, https://cepa.org/comprehensive-reports/chinese-influence-in-greece/.
[41] Turcsaniy, R. (2014). *Central and Eastern Europe's courtship with China: Trojan horse within the EU? European Institute for Asian Studies*. Retrieved from https://www.eias.org/wp-content/uploads/2016/02/EU-Asia-at-a-glance-Richard-Turcsanyi-China-CEE.pdf.
[42] Valică, C. (2021). *Memorandumul care exclude China din proiectele de infrastructură din România: "un compromis obligatoriu".* Europa Liberă România, februarie, 1. Retrieved from https://romania.europalibera.org/a/31080392.html.
[43] Vienne, F. (2021, April 26). *China's Trojan horse canters through Hungary*. CEPA. Retrieved from https://cepa.org/article/chinas-trojan-horse-canters-through-hungary/.