

Trade (and) Cooperation Within the Chinese Led Multilateral Framework 16+1

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Abstract

December 2019 saw the 40th anniversary since the beginning of Chinese reforms and opening up initiated by the Deng Xiaoping in 1978 and continued by next generations of Chinese Communist Party's leaders. This has led to the great changes both in and between economic and political relations of China. Increasing economic power impacted China's foreign relations and diplomatic practices. Regional and multilateral cooperation turned out to mark the new China in international affairs. The first part of the paper presents Chinese economic opening and development of multilateralism and regionalism in Chinese foreign policy and its impact on the relations with Central and Eastern European countries. Second part of paper is focused on institutional development of China + 16 Central and Eastern Countries mechanism. Particular attention will be paid on institutionalization of the sub-mechanism defined in guidelines for promoting mutual trade. The third part of the paper analyses the nature, scope and scale of Sino-Central and Eastern European trade.

Keywords: *regionalism, foreign policy, unimpeded trade, China, CEEC*

1. Introduction

After initiating the “policy of reforms and opening up” in 1978, China demonstrated to the international community, for the very first time, that it perceives it as a space of interconnectedness as opposed to the space for conducting the world revolution or revoking Sino centric world order. China started to pursue the strategies of making new partnerships all around the globe as a solid platform for speeding up Chinese integration in the world community. In doing so, China represented itself as a protector of developing world and promoter of South-South cooperation, and lately as a member of global governance club. Thus, instead of Middle Kingdom power position, China is embracing

the role of bridge between West and East, North and South. In the very beginning of its integration with the world community, China relied more on bilateral partnerships. As China was getting more integrated in the international community, it faced more complex challenges, both internally and externally. Simultaneously, Chinese economic power, political influence and military capabilities were growing and enabling it to have larger role in global matters and to voice its opinion. That resulted in step by step strategy of bringing in the elements of multilateralism and multilateral gathering of countries and channels of communications in Chinese foreign policy. Thus, China became one of the most vociferous actors in reforming the existing multilateral institutions with aim to present the real position of the developing world, but also one of the most proactive creators of the new and parallel international institutions, organizations, frameworks of cooperation such as Asian Infrastructural Investment Bank, China + 16 Central and Eastern European Countries, Shanghai Cooperation Organization, etc. Regional and multilateral cooperation turned out to mark the new China in global affairs. By pursuing the strategies of multilateralism China wanted to increase its legitimacy on both international and domestic level. In doing so, China is acquiring larger international audience to present them with the Chinese story and to secure the legitimacy of the Chinese Communist Party within China, and indirectly on global level.

Unobstructed economic development as one of the most important domestic goals is often perceived as equal to global development in China. Nowadays, China is the biggest trading country, second largest world economy whose business praxis is different in many aspects compared to those offered by West. In making its global network of partnerships, China started to deepen its relations with Central and Eastern European countries giving them multilateral prism of economic and political cooperation. This resulted in multilateral organization in 2012, gathering 16 countries of Central and Eastern Europe. Through this mechanism, China expressed its ambitions to become even more involved not only in the geopolitical backyard of the European Union, but also in economic affairs of some EU member states. It is quite obvious that through reinforcing economic relations with 16 CEE countries, China is opening the space for exerting bigger political influence, although China insists that it does not want to be involved in internal affairs of other states. On the other hand, it would be unprofessional if China did not want to protect its material and nonmaterial resources that invested in other countries, particularly if we have in mind that China is making deals with its international partners by using political relations rather than following market rules. There is no unique Chinese strategy of cooperation

in this region, and we will try to focus on the common traits and specificities. But this lack of unified Chinese strategy towards CEE region is also induced by the fact that European members of the mechanism have different perceptions of China. For example, Baltic states started to perceive China as a great security threat, which led to the Lithuanian pooling out from the China + 16 CEEC mechanism, and its bigger cooperation with Taiwan. On the other side, Serbia, Bosnia and Herzegovina and Hungary perceive China as a great friend and a state which can provide the stability to the fragile and divided world. Furthermore, Chinese relations with CEE countries are burdened by fact that EU in its documents defined China as a cooperation partner, negotiating partner, economic competitor, and systemic rival. For the purpose of this research, we will analyse whether and to what extent China + 16 CEEC mechanism helps to develop un-impeded trade, between China and this particular part of the world. At the very beginning of this mechanism, China announced many promising plans how to develop mutual trade and to improve bilateral trade relations. Although there is China-CEEC Investment Cooperation Fund, CEEC Products Fair, China-CEEC SMEs Cooperation Forum, Shenzhen-CEEC Matchmaking Event for Agriculture Cooperation and China-CEEC Association of Chambers of Commerce, up to now, there is no remarkable improvement of collective trade deficit of European 16 in relations with China. Furthermore, access to the Chinese market is still limited by Chinese protectionist measures and by fact that Chinese market is not synchronized due to very complex administrative structure of China's territory. On the other hand, we cannot say that trade deficit is only Chinese responsibility. National governments of the European 16 should protect its national interests and trace the trade cooperation with China to make their economies more competitive and more attractive for other foreign direct investments. Furthermore, European sixteen should use Chinese ambitions in “drafting” 16+1 as a relatively new global hub and creator of new production and supply chains of goods, services, knowledge, know-how management amongst others. On the other hand, many important infrastructural projects under this cooperation were realized such as Pupin's bridge in Belgrade, Pelješac bridge in Croatia, Kichevo-Ohrid motorway in North Macedonia and Rail Baltica in Estonia to name few. Also, infrastructural connectivity is not only limited to rails, highways, tunnels, ports, but also includes and telecommunication infrastructure such as development of the 5G network, as a great part of digital economy and Chinese Digital Silk Road. Chinese ambitious to be more presented in cyber space of CEE countries raised concerns in USA and EU. Countries

of the CEE were under great pressure of USA “clean network” strategic concept to abandon this kind of cooperation with China and its companies, on the first place Huawei. Development of telecommunications technology and digital economy has been emphasized on summits of China + 16 CEEC, such as in document Dubrovnik Guidelines. Apart from that, China is not only focused on promoting infrastructural connectivity amongst CEE countries, but between China and this particular region too. As an illustrative example we can emphasize Chengdu-Lodz railway, which made Poland one of the biggest Chinese continental trading hubs in Europe. With aim to improve its mutual trade, China and its European partners are finding the mechanism for enlarging business opportunities of small and medium sized enterprises which business was the most endangered by COVID-19 outbreak. Furthermore, their mutual trade cooperation is jeopardized by trade protectionism pursued by some countries even before the onset of the pandemic. Promoting trade cooperation and infrastructural connectivity amongst 16 CEE countries and between China and this particular region, Beijing is creating not only the stimulating atmosphere for realization of projects under the Belt and Road Initiative, but increases the absorption power of overseas markets. Thus, the engine is predominantly economic.

2. Chinese Economic Development - Miracle or Challenge for the Central and Eastern Europe

The main goals of Chinese policy of reforms and opening up were collectively defined as *Two Centenary* goals.¹ In achieving mentioned goals, China became the second largest world economy, biggest trading country, one of the world biggest creditors and investors, initiator of many international financial and security institutions and organizations. However, China is still facing many domestic and international challenges. First of all, there are ecological and climate challenges. Having in mind that the policy of reforms and opening up was not pursued by abiding by high ecological standards, Chinese sustainability is endangered by “green challenges” such as water scarcity, fertile soil scarcity, serious air pollution, acid rains among others.

¹Two Centenary goals are separated in 2021 – centenary of foundation of the Communist Party of China and 2049 – Centenary of foundation of the People's Republic of China. The 2021 goal is to build a moderately prosperous society in all respects, whilst 2049 goals represent Chinese ambitions to build a modern socialist country that is prosperous, strong, democratic, culturally advanced and harmonious (New China, 2017).

Anne-Marie Slaughter as a big challenge for Chinese sustainability emphasizes the surrounding culture for “innovation ecosystem”. According to her, nation’s economic fate depends on its being able to maintain and nurture innovation. Fundamental flaws in China’s political and economic systems will make it very difficult for China to move from being the world’s factory to being the world’s designer (Slaughter, 2009). This could have been challenge ten or fifteen years ago, however, since 2019 China brought the most applications for international patents on global scale (Nebehay). Apart from that, great challenge for further Chinese economic sustainability is visible in uneven social development between domestic east and west.² As one of solution for narrowing the challenging social gap, China selected infrastructural modernization of its western part and connecting it not just with its east, but by transforming into the hub towards the geopolitically landlocked Central Asia, and after that to Europe. Infrastructural development as an engine for real economic development is still highly prioritized in its FiveYear Plan for National and Social Development. For example, in the 14th FiveYear Plan it is outlined that improving infrastructure provides support and paves the way for new growth.

The “policy of reforms and opening-up” demonstrates also Chinese expression of its interests to be involved, firstly, in creating interstate relations amongst neighbouring states. Thus, China abandoned the principles of centrally planned economic strategy of self-sufficiency which was the label of Mao Zedong’s era (Whyte, 2020, p. 20). Adopting the approach of the “world interconnectedness”, China started to pursue the strategy of horizontal partnership diplomacy, that is, multilateralism in gathering countries. Through multilateralism, CCP started to inform the international community on China’s identity role in its further global integration (Harnisch, 2015). The identity role refers to the Chinese strategic vision on shared ideas, norms and collective perception of challenges and by which manners and what type of solutions should be provided. Pursuing the strategy of horizontal partnership diplomacy China, also, was advocating that the gap between real power positions, and status of some states in the international community and their institutionally formalized power, without any doubt, indicates the extent to which the existing multipolarism possesses the peculiarities that are not respected, but are visible and operate in establishment of the international order (Стефановић-Штамбук,

2008, p. 34). This gap primarily refers to some developing states which are already constituting new units of the international order. As an illustrative example we can emphasize BRICS group of countries. Therefore, in terms of multilateralism, the power of one state is measured by the level, type and nature of (inter)connectedness. However, in this type of relational power, outcomes could not be imposed. In that sense, networks are not directed and controlled as much as they are managed and orchestrated. Hence the biggest part of the Chinese foreign policy was focused on making new partnerships and connections, because the gap between those who are connected and those who are not will sharply multiply existing inequities (Slaughter, 2009). Consequently, China not only became more and more involved in multilateral institutions led by West, but it also started to create parallel interstate (multilateral) system of relations. There are plenty of illustrative examples of Chinese diplomatic partnership and strategic proactivity such as Shanghai Cooperation Organization, Asian Infrastructure Investment Bank, China + 16 Central and Eastern European Countries and many others. However, the full potential of the Chinese ambitions to take a pivotal role in making interconnected world represents the transforming Belt and Road Initiative as a project that should involve more than four billion people and create the market un-parallel in scale and value (Mitrovic, 2018, p. 17).

Besides economic development rationales, we would add also political and normative factors that are apparent in the cooperation. It is worth analyzing those goals through the prism of the PRC’s policy towards developing countries – which can be considered as the most solid pillar of the country’s diplomacy since 1949 – and China’s regional multilateralism (e.g., the Forum on China-Africa Cooperation, FOCAC). One of the China’s political rationales behind the 16+1 is to increase its number of political friends and in that sense to diversify its diplomatic portfolio. We should also look at the South-South cooperation and China’s intention to represent developing world.

For the purpose of this article, we will examine how does and to what extent China use its interconnectional proactivity to create the atmosphere of un-impeded green, digital and real trade with Central and Eastern European countries. In the next part of our paper, we are analysing how the institutional development of China + 16 CEEC affects their mutual trade, that is, whether it is making the atmosphere of unimpeded trade.

² For example, this is the mostly notable in differences between *Per Capita* GDP. Per Capita GDP in Beijing is 164,220 yuan, whilst in Gansu – western Chinese province is only 32,995 yuan. Having in mind that national average is 70,892 yuan, we notice that Gansu province Per Capita is 50% under the average (Statista, 2020).

3. 16+1 Institutional Review

In June 2011, Chinese Prime Minister Wen Jiabao visited Hungary. At the economic forum in Budapest, he announced Chinese plans to reinvigorate economic relations with Central and Eastern Europe (CEE). Up to this meeting, the CEE region had not been seen as an important partner for the PRC (MFA, 2011). Economic cooperation (in terms of trade and investment) was scarce, while political dialogue was not intensive. At that time, China's relations with Europe were focused mostly on the western part of the continent – the “old” EU member states. But almost a year later, Wen paid an official visit to Poland – the first such since Prime Minister Zhao Ziyang's trip to Warsaw in 1987. Apart from being bilateral, the visit also had a multilateral or sub-regional dimension. Wen not only met with Polish officials, but also with 15 heads of government from the CEE: Albania, Bosnia & Herzegovina, Macedonia, Montenegro, Serbia, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Romania, Slovakia and Slovenia. A day later, Wen took part in the second China-CEEC Economic Forum.

In 2012, China was received with wide-open arms in Central and Eastern Europe, as it put forth its 16+1 mechanism, which was later expanded to the 17+1 with the addition of Greece, and then minus Lithuania which pulled out in 2021. The 16+1 format, also called the China-CEEC (Central and Eastern European Countries) summit, is a Chinese initiated-platform introduced in 2012 to expand cooperation and develop new structure of interstate relations between Beijing and a group of 11 EU member states – Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Slovakia, Slovenia, Poland, Romania, and 5 non-EU member states: Albania, Bosnia and Herzegovina, Macedonia, Montenegro, Serbia. Although the initiative predates the formal announcement of China's Belt and Road Initiative (BRI), the 16+1 summit is widely seen as one of the pillars of the BRI. The priority areas that China has identified for increasing cooperation under the 16+1 include infrastructure, trade and finances cooperation, people-to-people connections and developing of advanced and green technologies. For China, this initiative was in line with the overall aim of undisturbed economic development hence new export markets and destinations of Chinese outbound direct investments, credits and labor. Although the grouping gives the outward impression of multilateralism, it is mainly a forum for China to make bilateral deals. It became known as the “China's Multilateral Bilateralism” or “bimultilateralism” (Smith, 2003).

When it was proposed, almost 10 years ago, the then 16+1 mechanism was received with a lot of enthusiasm and hope. A big power wanted to inject new investments in the CEE region: to build infrastructure, to revive old factories, to invest in people and local projects that couldn't find Western support. This region that felt neglected and sidelined by the Western countries jumped in and hoped for the new era and opportunities. But as the years went by and most promises remained just words, most of the envisaged projects never came into sight. This model of behavior reopened the door for EU to reposition itself in business and political cooperation between China and CEEC. Also, EU used another momentum for exerting pressure on CEE region, when relations between China and EU worsened in 2021 and EU refused to ratify the long awaited EU-China Comprehensive Agreement on Investment (CAI) agreed in principle between the EU and China in December 2020 because of Chinese sanctions to several European individuals and entities including five MEPs (Parliament, 2021). Besides this, cooperation between China and CEEC and institutional development of 16+1 mechanism is shaped by relations between the United States and China. Sino-American relations significantly worsened, and the new U.S. President Joe Biden is looking for greater coordination with Europe in helping to counterbalance Beijing, thus making many countries sensitive to tensions between the two larger powers. This remains especially true for some countries in Central and Eastern Europe that see Russia as their main defense issue and are dependent on close security cooperation with both the United States and NATO. Lithuania's move to pull out of the mechanism is the latest indication of an increasingly shaky relationship between China and the European Union. What followed was the EU resolution on Serbia stating the human rights, democracy and rule of law in Serbia and relating to the Linglong factory in Serbia and Rio Tinto project. EU Parliament members voted out the resolution to show the Chinese economic impact on the Western Balkans and its impact on the violation of human rights (N1, 2021).

The mechanism itself enabled China to become a significant player in Europe. However, institutionalization of the format remains solely on the Chinese side. Each summit brought new guidelines, which became more and more bureaucratically complex and presumed new bodies mainly run by Chinese staff and offices and more confusing for the member countries. We would hereby emphasize what we consider important outcomes of summits.

Based on the China-CEE Countries Bucharest Outline, the Contact Mechanism for the Investment Promotion Agencies of China and CEE Countries is established to promote China-CEEC cooperation in 2013. This mechanism was proved to be efficient and working and organizing regular meetings. China-CEEC Business Council was established in 2015. The Sofia Guidelines from 2018 reflected the imbalance in trade amongst partners. Prior to that, Budapest guidelines announced the support to the China's accession to the WTO Government Procurement Agreement and the work of international group on export credit. The trade cooperation is always based on the complying with WTO rules. The Budapest guidelines also proposed establishing commercial law cooperation committee under the China-CEEC Business Council so as to enhance cooperation in providing commercial legal service (Center, 2017). However, no such council was established in the years to come. The Sofia Guidelines stressed the growing need for development of more balanced economic partnerships (China, 2018). Greece's accession to the mechanism, at the Dubrovnik summit on April 11-12, 2019, was promoted as the result of a Greek initiative and a consensus reached by all participants. Since that, the format is more often used by China to convince CEE countries not only to avoid decoupling with China but also to improve China's image and gather support for Chinese-led initiatives. As the Dubrovnik summit in 2019 represented the "red carpet" for China within the forum, the chiller reception awaited China in 2021 during the online, a long-awaited summit amid growing division in the region and under growing pressure from US and EU on the Western Balkans. In a sign of growing skepticism in the region toward China, six countries: Bulgaria, Estonia, Latvia, Lithuania, Romania, and Slovenia, decided to send ministers instead of their head of state or government. We argue that the reasons lay in EU pressure on the region as well as dissatisfaction in trade disbalance.

In the part that follows we shall analyze the economic development and contribution of the format in trade and investments with the aim to decide whether the growing dissatisfaction with the format and China is to do with the impact of US and EU and its pressure on the mechanism or the numbers did not add up to the envisaged plans.

4. Characteristic of trade between China and 16 Central and Eastern European Countries

From the Chinese perspective, the positive economic result is the expanding trade surplus with CEEC. Another positive effect for the PRC is Chinese investments mostly in non-EU members of the CEEC, especially in Serbia which became one the strongest Chinese hubs in non-EU group of CEEC. Infrastructure projects are welcomed by WB countries, which, contrary to EU members, lack easy access to "cheap" capital (money) from the EU or IMF. Chinese offer is even more attractive and enables local governments to win advantage and power with similar projects. In that sense, this cooperation might be seen as a win-win for the two sides: China invests in five non-EU members of the 16+1, gaining a foothold in those countries, while the recipients benefit by receiving money for infrastructure. Another issue is that in majority of cases, what the PRC offers, in fact, are loans, rather than investments thus shifting the investment risk onto the recipient country (Szcudlik, 2019).

Trade cooperation between China and 16 Central and Eastern European Countries when compared to the value of Chinese economic bilateral trade or Chinese global clout, is still modest. However, vibrant economic cooperation which has gradually been achieving within the framework of the China + 16 CEEC mechanism, triggered bifocal debates, primarily focusing on China as an opportunity and treat (Pan, 2012). Multilateral gathering of China and 16 European states represents great breakthrough in their mutual relations having in mind that China was focused on deeper cooperation with developed European countries deemed vital to China's economic goals. Chinese objectives were to boost trade, attract FDI and secure other important resources such as foreign aid and technology, and create a favourable international climate necessary for modernization and development at home (Pavlicevic, 2018, p. 689). In that sense, China was more focused on developed countries. That does imply that China neglected its cooperation with developing states. Through pursuing strategic steps of going global policy, China is just changing its priorities and it is offering new perspective on their mutual cooperation. Different perspective on Sino-Central and Eastern European countries cooperation was adopted in 2012, when the mechanism China + 16 CEEC was founded. Although, one of the vital goals of foundation of this mechanism was to reinforce mutual trade cooperation, European side is continuously recording trade

deficit in relations with China. As it was explained in introduction the trade deficit is not only Chinese responsibility. European side could not ground their self-worth on expectation that trade cooperation with China will magically boost their economies, if their competitiveness is on very low level. On the other hand, if China wants these countries to be on its side and spread good image of China, it has to change its approach or to achieve the goals defined in the signed Guidelines of the China + 16 CEEC mechanism. China should express good will with regard to European trade deficit. If the trade deficit continues, China will create the impression that the win-win cooperation is based only on Chinese economic interests.

For example, China-backed projects in Serbia typically employ types of technology and materials – such as high-speed rail technology, solar panels, waste recycling and management and others – that are not available locally. After decades of deindustrialization, Serbian companies simply do not presently have the capacity and know-how to fully participate in and profit from projects of such scale, nor to compete in a market of China's size (Pavlicevic, 2018, p. 698). But, Serbian side, should conduct cost-benefit analysis and behave from the position of power with its advantages. During 2019, the value of the Serbian trade deficit with China was more than USD 1 billion. Most of the Serbian export towards China was consisted of refined copper, lead and zinc ore, electrical lighting and signalling equipment, sawn woods, while the offer of the agricultural products such as frozen fruits, raw vegetables and nuts was very modest. China participated with 5.31% in total Serbian import. From China, Serbia imported machines, broadcasting equipment, appliances and air pumps. Besides that, Serbian imported plastic and rubbers, cars, busses, and tractors and footwear and headwear.

When it comes to Bosnia and Herzegovina (BiH) its trade deficit with China in 2019 reached the value of more than USD 0.5 billion. Bosnian export towards China was mainly compound of nonknit women coats, sawn wood, vehicles parts, lead ore, rubber footwear and zinc products. In total BiH import, China accounts 6% in machines, broadcasting equipment and appliances, flat-rolled iron and plastic and rubbers. In regard to deficit in cooperation with China, Albania has been no exception. Its trade deficit with China in 2019 was as high as trade deficit of BiH. In its total export during 2019, 3.53% of Albanian goods were located on the Chinese market. The leading goods in export were raw materials such as chromium and cooper ore, followed by non-knit's women suit. On the other hand, China was the third biggest destination

after Italy and Greece, which Albania imported from. Its import was mainly based on final products such as appliances, iron pipes, coated flat-rolled iron, porcelain tableware and many different types of textile products. Greece, although, is the member state of the EU where production – and exports – are usually oriented towards higher added-value products, its export towards China shows more similarities with the non-EU countries of the 16 CEEC, which is export is characterized by lower value-added goods (Szunomár et al., 2020, p. 39). Therefore, when it comes to the Greek export to China, the biggest share refers to refined petroleum, followed by precious metal ore and other types of ores. Greece is one of the biggest suppliers of olives to China. In total import of Greece, China accounted for 8.89%, which made it, after Germany, the second largest source of import.

As in case with previous analysed states, Greece import from China was mostly based on value-added products, machines, textiles and furniture. During 2019 Greece recorded trade deficit with China amounting to almost USD 4 billion.

On the North Macedonian export line to China, the most represented goods were marble, travertine and alabaster stone and ferroalloys. Export line from China to North Macedonia is based on broadcasting equipment, textile products, aluminium and iron products, but furniture and vehicles as well. North Macedonia recorded trade deficit of USD 200 million. During 2019, Croatian imported goods from China reached the level of more than USD 1 billion USD. As Croatia is following the pattern, the import was constituted of broadcasting equipment, furniture, textile products and rubber tires. During 2019, Croatian export to China is attributed to transport vehicles, especially cargo ships and other vessels (Szunomár et al., 2020). When it comes to export in trade relations between Montenegro and China, this European state records trade deficit of almost USD 80 million. Montenegrin export to China in 90% is constituted of aluminium ore, while its import from China is based on carbon-based electronics, polyacetals and coated flat-rolled iron. Although Sino-Hungarian trade relations are very dynamic and vigorous, Hungary too in 2019 recorded trade deficit of almost USD 5 billion. Hungarian export to China mainly includes electrical transformers, computers and integrated circuits. It is followed by plastic products, packed medicaments and paper goods. The most represented Chinese goods on the Hungarian market are computers, telephones, broadcasting equipment, LCDs and vehicle parts. In 2019, on Hungarian market 6.15% of goods originated from China, which put China on the 2nd place of destinations from which Hungary imported the

most. According to data available to OEC World Economic Atlas, in 2019, Poland recorded trade deficit of more than USD 20 billion. It located on the Chinese market refined cooper, gas turbines, vehicle part, sawn and rough wood, but animal products such as poultry meat, whey and milk as well. It imports from China is almost as same as Hungarian. Hence, it is based on imports of broadcasting equipment and accessorize, LCDs, vehicle parts, textile products, trucks and cases. In Slovenian export to China the dominant part is accounted to the automotive industry, mostly because of Revoz, Slovenia's only automotive manufacturer and one of the largest exporters, starting to produce – and export – Renault and Daimler models, including the new Twingo and Smart Forfour (Szunomár et al., 2020). This is followed by export of rough and sawn wood, and iron pipe fittings and scrap aluminium. In the Slovenian import basket from China the biggest part goes to broadcasting equipment, appliances, nitrogen heterocyclic compounds, textile products and trucks and cases. Although Slovenia is trying to make its economy and market more competitive in 2019, its trade deficit with China amounted to almost USD 2 billion. Bulgaria is another China + 16 CEEC mechanism member state which in 2019 recorded trade deficit in relation with China in amount of USD 600 million. On its export line towards China the biggest the biggest share comprises of cooper, that is, refined and copper ore, followed by electrical resistors, tobacco and corn. On the import track from China the most traded goods were appliances, furniture, textile, metal and chemical products. Romania as another EU member state and China + 16 CEEC mechanism member state, also, records trade deficit in relations with China, which in 2019 amounted to almost USD 4 billion. Romania exports mainly ball bearings, electrical control boards, sawn wood, particle board, thermostats, vehicle parts, rubber tires and petroleum coke. The majority of Romanian import from China represents the goods such as broadcasting equipment, air pumps, printed circuit boards, gas turbines, utility meters, LCDs, furniture, vehicle parts and textile products. In terms of trade deficit between China and 16 European states, Czech Republic has been no exception. Its trade deficit in 2019 reached the value of almost USD 18 billion. Czechian export to China is differentiated, and it is not based on raw material. The majority part of Czechian export towards China accounts to low-voltage protection equipment, liquid and air pumps, non-optical microscopes, dissolving grades chemical wood pulp, vehicle parts and rough wood. After Germany, China is the biggest destination which Czech Republic imported from. In 2019, China participated with 11.7% of total Czechian import. In Czechian import from China the biggest part belongs

to broadcasting equipment and computers. In Estonian export 1.23% of its goods were exported on Chinese market, reaching the value of USD 186 million. Estonia mostly earned on rough and sawn wood, peat, refined copper, beer, integrated circuits and optical fibres. In the same year Estonia imported for USD 725 million goods from China. In trading with China, the biggest amount of money Estonia spent on broadcasting equipment, furniture, textile products and rubber tires. According to data that offers OEC World Economic Atlas 75% of total Slovakian export to China accounts to cars, while its import from China is based on broadcasting equipment and accessories, spark-ignition engines, air pumps, LCDs and vehicle parts.³

From the abovementioned data, we draw on conclusion that Chinese import from 16 CEEC in the biggest part is made of primary sector goods, which China needs to make its development sustainable. But this kind of self-focused import triggers the question whether China promotes their economic development or endangers their international competitiveness. As it was said, it is the task of the governments to protect national interests and to make domestic economy more competitive. In the same context, 16 CEE countries are pushed to draw the boundary between friendship and national interests. On the other hand, China should open its market and stimulate import from 16 CEEC and subsidies are part of Chinese economic policy. European states of the mechanism on single level cannot compete with Chinese trading strength and structural and relational power. This should alarm or motivate them to start to behave from synchronized region power position and to employ more experts who can do analysis on China and help them to create the atmosphere within which *win-win cooperation* will be common understanding.

As it was mentioned before, China understands infrastructural development as an economic development engine. China mirrored that in its cooperation with Central and Eastern European countries. In line with that, China does not only stimulate infrastructural interconnectedness between Central and Eastern Europe, but between China and this particular part of the world. European side should use this to act from unified region and bridge between east and west power position. For some authors, infrastructural connectivity can bring economic benefits for the involved countries, including tariff settlements, fees for the use of their rail infrastructure and rolling stock. Apart from that, benefit is also recognized as modernization of logistics sector (Szunomár et al, 2020). There are argumentations

³ All data of import and export are available at OEC World Economic Atlas: <https://oec.world/>.

that through this kind of behaviour China is creating the geopolitical order in which it will be the gravitation centre and the actor who will dictate the rules of game (Jacques, 2009). However, China is guided by economic reasons, because through infrastructural development it is speeding up the flow of its goods, services and capital not just towards and amongst these states, but towards EU as well. The dynamic of railway interconnectedness between China and Europe is organized by the so-called “block-train” model. This model considerably reduces the duration and price of shipment, because containers are collected in the entry terminal (located in Europe or China) and then they are collectively transported to their destination (Jakobowski, 2019). When it comes to infrastructural connectivity between China and Europe, we can underline Chengdu-Lodz freight railway. This freight railway made Lodz one of the most important transitional hubs in Chinese geo-economics strategies in Europe (Szunomár et al., 2020). Slovakia wanted to present itself as such port in trade relations with China, because Slovakia could gain significant income from tariff collection and fees for using Slovak infrastructure (CEIAS, 2019). But China as an actor who became the second world economy and who wants to protect its national interests was concerned by geopolitical and security situation in Ukraine, and how that will affect the flow of trains via Ukrainian territory. The concern was particularly raised during 2018, when trains stopped going through Ukraine altogether (CEIAS, 2019). Thus, we can see that China is abiding by the on-ground situation rules. In doing so, China demonstrates its adaptive capacities to protect geo-economics and geopolitical interests and to find options to avoid or to be involved in conflict. For such reasons, it was claimed that Slovakia remains as a country of peripheral importance in CEE region (CEIAS, 2019). Jakobowski claims that even freight lines are expressing trade unbalance between China and Europe, because trains are coming back to China with not fulfilled capacities offered by European exporting and Chinese importing strength (Jakobowski, 2019). The railways between China and Europe which goes through Central Asia and Middle East are giving completely new understanding on the geopolitical concepts of *Heartland* and *Rimland* coined by Halford Mackinder and Nicholas John Spykman respectively.

China finances infrastructural interconnectivity amongst the CEE countries and between the cities through direct investments and loans. For example, China invested in modernization of motorways in Bulgaria such as Veliko Tarnovo-Russe, Vidin-Botevgrad and Varna-Burgas, and the tunnel under Balkan Mountains

named Gabravo-Kazanlak. Besides that, China modernized airport in Plovdiv, second largest city in Bulgaria. In Croatia it modernized Peljesac bridge and Zagreb-Rijeka railway. In Serbia, China constructed Mihajlo Pupin bridge, Obrenovac-Ub and Lajkovac-Ljig sections of Corridor XI motorway (Szunomár et al, 2020). But Chinese involvement in infrastructural modernization on territories of the CEE countries raised concerns of national debts, i.e., debt dependency, that China would legitimately use it to increase its influence in this region. As an illustration, it is emphasized the case of Montenegro and its impossibility to repay debt for construction Bar-Boljare highway. The constructor of the highway was China Road and Bridge Corporation, and loan was provided by Export-Import Bank of China. According to some researchers, this highway from the very beginning showed as non-feasible, because two feasibility studies, conducted in 2006 and 2012, showed it was not economically viable. Also, cost-benefit analysis proved highway to be extremely expensive, with an average estimated cost of USD 23.8 million per kilometre (Standish et al., 2021). However, this is not Chinese fault, because national governments should protect national interests and be aware that before accepting not only loans, but FDI as well, the decision should be made on valid analysis. Valid analysis demonstrates that not every source of financing is chance for development. EU constantly accuses that non-EU member states, which are part of the China + 16 mechanism of cooperation, are making deals with China without conducting public analysis and tenders, that projects with China suffers corruption and lack of transparency. However, as the case from Serbia shows, EU is the main constructor of the Belgrade-Nis high speed railway, and EU obtained that project without any public debate or tender. The public information is purely based on the Serbian president Aleksandar Vucic declaring that EU offered better financial conditions than China (Cvetokovic & Zivanovic, 2021).

In the modern times, China is also trying to facilitate interconnectivity amongst CEE countries and with CEE region through information and telecommunication infrastructure. This represents strategic step and goal in Chinese endeavours to protect its cyber sovereignty and partnerships, particularly if we have in mind that China in 2015 offered Digital Silk Road (DSR) to its international partners (Tarrats Castillo, 2021). Besides that, China became one of the global leaders in digital economy. The great impetus to achieving this goal, China is giving by selling smart phones. Although smart phones are not part of digital economy, but they are necessary tool for entering space of digital economy (Foote & Atkinson, 2020). There are estimations,

that by developing digital economy in which Chinese people could use their fintech application for paying we can attract more Chinese tourists. Chinese travellers only in 2017 spent more than USD 258 billion (Foote & Atkinson, 2020). According to the Chinese side, the DSR facilitates the flow of information and data in the cyber world, which can minimize cultural differences, reduce asymmetric information, build trust for Belt and Road countries and regions, and promote all-round cooperation in multiple fields such as information infrastructure, trade, finance, industries, science, education, culture, and health. By reducing the digital gap, it will accelerate economic and social development (Huang, 2019). On the other hand, there are interpretation that China through DSR is striving to participate in building many more pieces of financial, information, and telecommunications networks globally, with the goal of increasing China's overall capacity to participate in international technology standards setting and governance norms bodies (Greene & Triolo). Through development of DSR, the importance of digital sovereignty is becoming even more notable in overall Chinese national security. When it comes to digital economy, we have to accentuate that China's e-commerce transactions today are estimated to be larger than the value of those of France, Germany, Japan, the United Kingdom, and the United States combined (Woetzel et al., 2017). Following this logic, China is willing to use such kind of power to be more presented or even to create digital/5G infrastructure market in CEE region. For this particular reason, China is using by CEE states triggered ITC initiatives, such as Slovakian Smart Industry initiative, Slovenian Digital Coalition initiative, Romanian Manifesto for Digital Romania Initiative to name few (Chen, 2021). Chinese ambitions to be one of the developers of the 5G infrastructure in CEE region raised concerns in Western world. As a result, CEE countries faced the U.S. pressure in form of "clean network" concept. For example, Poland's Prime Minister Mateusz Morawiecki stated that Poland's accession to USA "clean network" and "clean path" concept is a crucial part of preserving EU technological sovereignty and human rights (U.S. Department of State). Same course was followed by Estonia, Albania and Romania who signed Memorandum of Understanding with U.S. on the same topic. On the other hand, Slovakia does not recognize Chinese ambitions to be developer of 5G infrastructure as a security threat (Slovakia Has no, 2019). Although, Chinese ambitions to develop 5G infrastructure globally by West were perceived as a security treat, Chinese Western partners decided to participate in the Chinese 5G joint ventures. As an illustration of that, we can underline the cooperation agreement between Huawei, British Vodafone Hungarian

East-West Intermodal Logistics to build Europe's first smart railway hub managed by a 5G private network to be empowered by Huawei (Hungary to Build, 2021). As we can see, some Western companies are guided purely by profit.

5. Conclusion

Analysing the proposed subject, we would hereby emphasize the two main points. Regionalism and multilateralism became indispensable strategic parts of the Chinese foreign policy, especially now when we notice the trends of deglobalisation. The second, in establishing bi-multilateral partnerships China is following the path between loosen generalized principles/guidelines and binding norms. By stipulating China + 16 CEEC mechanism, Beijing offered its view on regionalism on European territory, which Beijing perceives as the framework of economic possibilities for the involved stakeholders. Having in mind that there is an overlapping of membership between EU and China + 16 CEEC mechanism, China faces complex environment and perplexed bureaucracy in promoting interests of the mechanism. China has to promote the interests of mechanism not just in way not to challenge EU ambitions, but to adapt to very different national interests, security strategies and economic policies of its 16 European partners. On the other hand, the issue of constant trade deficit on European side, should be understood by European states that they should develop regional and common approach towards China. Single states can hardly compete with Chinese economic and diplomatic power. Simultaneously, by creating regional approach in dealing with China, involved states would be in much better position to make Chinese concept of win-win cooperation more familiar to their and EU standards. This presumes development of regional approach, at the same time, harmonization of their single and mutual interests and transformation of disadvantages into common advantages. Instead of atmosphere of competition, they can create attractive environment, which will not only attract Chinese investments, but those from all corners of the world. In doing so, they will possess wider spectre of tools in defending national interests and directing Chinese ambitions to the sectors which they prioritize. Having in mind that relations are always two directional, and in this concrete case, mutual relations are cordial, pragmatic, friendly and defined on various levels of strategic partnerships, China as a much more powerful partner, should activate the measures that are offered through the institutional development of the mechanism. Principally, this refers to Chinese

behaviour to create the atmosphere of more balanced trade. China as a second world largest economy possesses market capacities to stimulate the competitiveness of its European partners. If there is still the gap between proclaimed and done, China is creating the impression that it is not abiding by the principles, norms and aims that itself defined as a framework for mutual development. However, European states would not develop its cooperation with China, if they did not recognize it as an opportunity. Some authors claim that both representations of China as an ‘Opportunity’ and as a ‘Threat’ are based on misunderstandings of China. Such context inevitably produces a sense of disillusionment and anxiety as positive expectations are not met, while the ‘Threat’ appears ever more real, carrying the danger of turning into a ‘self-fulfilling prophecy’ (Pavlicevic, 2018).

In reconvening the 16+1 group, China is hoping to continue success and helps ensure the format’s continued relevance. But the informal bloc has so far delivered meager trade and investment results for its members since it was launched in 2012, while nearly 50 percent of EU exports to China are still from Germany, followed by France. In the short-term perspective, one may expect China to focus on this soft engagement and fewer apparent attempts to antagonize the EU (Szcudlik, 2019). The latest is apparent in WB countries, especially in Bosnia and Herzegovina which currently the hot spot of US and EU balancing against Russia whilst China pulled back and mainly remained politically neutral while stressing its policy never to interfere in internal affairs. It remains the fact that it is in the PRC’s interest to remain good relations with the EU.

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