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How the 16+1 Cooperation promotes the Belt and Road Initiative

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Section 1 Overall Analysis

16+1 as a Laboratory: Lessons China's New Relations with CESEE Can Teach Us about the Future of the Belt and Road Initiative

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On the Idea of 16+1 as Laboratory for the Belt and Road

In the scholarly circles that work on the new relations between China and the sixteen countries of Central, East and Southeast Europe (CESEE, or what in the Chinese terminology is known as Central-East European Countries, abbreviated as CEEC), the connection between 16+1 and the Belt and Road Initiative (BRI) is self-evident. Chinese scholars have repeatedly written on the strategic importance of the CESEE area for the BRI. Much of the cooperation within 16+1 is framed as cooperation “under the BRI”. A growing number of CESEE countries are becoming part of the BRI by signing Memorandums of Understanding. At the BRI Forum on International Cooperation held in 2017 in Beijing, the largest group of heads of governments was in particular from CESEE (Serbia, Hungary, Czech Republic, Poland). China has already three strategic partners in the region, with one to follow soon.

In this sense, 16+1 is an important leg of the BRI. Geographically, it is adjacent to Russia and Central Asia, but also to Turkey and the Mediterranean—meaning that what is called Eurasian Land Bridge, as well as a number of maritime routes envisioned under the BRI pass through CESEE. It is also an entry point to the European Common Market, thus as China proposes, part of the China-EU relationship.

However, the BRI is not only a geo-economic vision, but rather an elaborate plan that has significant emphasis on policy coordination, development agenda alignment, global governance and institutions. It is an inter-governmental initiative, coordinated through a complex web of multi-channel diplomacy. It is also an umbrella concept that brings together many pre-existing and new diplomatic mechanisms and institutions of China's foreign policy—such as 16+1.

16+1 was established in 2012 in Warsaw, following the meeting in Budapest in 2011—chronologically before the BRI was announced, but as many other items of China's foreign policy, has been since “retroactively” assigned the BRI label. Even though established during the Hu-Wen administration, it has become one of the landmark projects of China's diplomacy of the Xi Jinping era. One can argue that it is a project that—just as the BRI—is personally very dear to Xi Jinping, who traveled in the region in 2009 as China's Vice President and according to diplomatic sources was intrigued by the prospects of China-CESEE cooperation. The goal, as argued, was to develop a new form of cooperation that will put the relationship on the fast track after more than two decades of lag (especially compared to the cooperation between China and Western Europe which has been constantly at a very high level). For the Chinese side, this would have been an approach that could later be used in other geographic regions. Around the time of Xi Jinping's visit, it is said that a number of senior officials had brainstormed different possible approaches to this challenge, and came up with 16+1.

The notion on the origin of 16+1 does not matter only for understanding the genesis and importance of the mechanism, but also for understanding its context in China's new foreign policy. 16+1 was devised by unexpected announcement (for the partner countries, at least), as a China-led platform that brought together a particular group of countries with their own similarities and differences, which was implemented through innovative foreign policy and communication approaches. In this sense, given the timing of the development of the 16+1 institutional infrastructure (just shortly before the BRI institutional infrastructure) and the narrative surrounding 16+1 and the BRI, I argue that

one way to examine the relationship between the two is to see 16+1 as a policy experiment or a laboratory where many policy innovations were tested, and some of them had later been used in developing the BRI. After all, often 16+1 is described as a “testing ground” by Chinese scholars.

This idea is especially rooted in the Chinese policy context. China’s policy process in general is marked by experimentation and consultation. In modern China’s history, before undertaking large-scale reforms, certain policies have been devised and fine-tuned by selecting particular areas as testing grounds. The lessons from these areas, then, have been used in developing policies on the provincial or even national level. However, even when policies have been developed on the national level, their implementation has always been adjusted to the local conditions and circumstances. In the age of global China, when it has a bold global vision and ample resources at its disposal to pursue it, I argue, China also uses an experimental approach in crafting its new foreign policy.

One can also make an argument that this is to a certain extent compatible with the flexible role of CESEE in the global political and economic landscape. CESEE, in many ways is a malleable region where everything goes. During the age of the big European empires and well into the twentieth century, CESEE was a laboratory for drawing and redrawing borders, much of them arranged by external players. During the Cold War, its fate was dependent on the Kremlin and the dynamics of big power relations. After the Cold War, it became a laboratory for the “end of history” ideology and the teleology of liberal democracy and economic neoliberalism. After most of CESEE have joined the European Union (EU) and the North Atlantic Treaty Organization (NATO), however, in the light of the post-crisis era of “global uncertainty” and multiple European crises, the divergence between the West of Europe and CESEE is again visible—not the least on questions of migration, solidarity and liberal values (which, according to some CESEE officials are just a manifestation of the big elephant in the room in Europe—the great economic disparity between the core and the periphery). As such, the countries of and the region of CESEE as a whole have a certain thirst for new ideas and visions for the future, and can be actively engaged by external

actors if treated with recognition and dignity. Such context, in addition to the above-mentioned lag in the relations with China, makes CESEE a region where China can feel comfortable with pursuing an innovative foreign policy approach.

In analyzing 16+1 as a laboratory for the BRI, I below review several principles reflected in 16+1, which are to be found in the BRI as well. The principles listed below can be briefly described as “developed and tested through 16+1, utilized in the BRI”. However, this does not imply that the sole purpose of 16+1 is to be a testing ground for the BRI, nor that 16+1 is the sole testing ground for the BRI. 16+1 has a complex multifold nature, and as such is a mechanism that has several purposes (as argued above, one of it is also that it is somewhat of a leg of the BRI). Moreover, any foreign policy interaction, especially if it has a multilateral, institution-building component in which China is involved can be considered a laboratory for the BRI. At the same time, what I discuss below is not a definite list of principles of the “16+1 Cooperation”, but only principles that can be extrapolated to the BRI. On its own, 16+1 can have other aspects which are however out of scope of this paper. At the same time, the principles listed below are not the only principles of the BRI as well—the BRI has other sources of influence and is also much broader than what is argued below. However, as a holistic concept, the principles outlined below reinforce the argument of a strong connection between the two concepts, and a particular relation of experimentation through 16+1 with the purpose being developing new practices to be then used for the BRI.

State-led Economic Cooperation

If one observes the data on the economic exchange between China and the sixteen CESEE countries, it is obvious that there is a distinct trajectory which can reveal much about the purpose of the “16+1 cooperation”. Namely, the trade between the two sides has exponentially increased in the period before 2007-2008 (the global financial crisis)—although it has still remained a fraction of what China trades with Western Europe. Then the trade has dipped in the crisis years, after which it has recovered, but has somewhat hit a plateau (or has

had a much slower growth compared to the pre-crisis years). Economic analysts from China and CESEE could have been well aware of such trends.

Xi Jinping's 2009 trip to CESEE (the mental inception of 16+1) has occurred roughly at the same time when the economic exchange between the two sides has suffered due to the crisis. This has been perhaps a point in time when China had already realized that the economic exchange cannot grow with the same tempo as before the crisis and new approach is needed. The crisis had revealed the vulnerability of the CESEE economies and the ceiling of their capacity to both consume and produce. This has perhaps been a serious warning sign for China. China had completely integrated itself in the global economy and became the largest trader in the world, with a tendency to upgrade its economy up the value chain (i.e. move from low value exports to high value ones). Its interest has been to find ways to now reinvigorate the economic cooperation.

A particular need for advancing economic cooperation has been demonstrated by the CESEE countries as well. While not necessarily prioritizing trade, they have been in a dire need of external capital inflows. As having underwent a significant structural shift in the post-transition eras, their economies have become greatly dependent on external financial injections and support, and the public discourse has internalized a dialogue on the perennial need on attracting FDIs.

The solution for China was to somehow get the state more involved, following the underlying logic of the Chinese system (the state is in the driving seat of the economy). Following the Chinese example, state-led investment, and particularly state-led investment in infrastructure, is considered a first step towards boosting economic development (The Chinese often say "if you want to develop, you need to build the roads first").

This has already formed the essence of the "16+1 cooperation". However, while the Chinese state has a high level of autonomy at home, on the international arena it needed to devise a new approach, in order to engage rather to deter partner countries. Moreover, it had to approach a number of

different small countries which had little knowledge of China. Thus, a platform for regional diplomacy, developed across several channels, was the solution. Thus, a major political operation was developed, in order to formulate concrete measures that would lead towards economic development. The key results of this cooperation, thus, will not be achieved directly or on the short term—China through 16+1 rather creates the conditions for future successes (i.e. China and the participant countries cannot directly influence trade flows, but can invest in production capacities and transport infrastructure which after some time can lead to increase in exchange). Therefore, 16+1 is not just a simple “pragmatic” form of cooperation, but rather a complex platform where China inspires and coordinates state-led cooperation between itself and a number of countries, with the goal not only of invigorating economic cooperation, but especially creating the conditions for this to happen.

The BRI in this sense, emerges from a similar context. It is a vision that aims to alleviate the detrimental effects of the global crisis, and to use an innovative diplomatic approach to create the conditions for better economic outcomes. Again, at the very core is inter-governmental dialogue and state-led initiative, and the creation of a China-centered mechanism will involve a variety of countries that never assembled before in such setup.

Institution Building

The major tangible advancement of 16+1 in the first five years of its existence is the rapid advancement of the multilateral, multi-channel relationship between China and CESEE. The intensity of this cooperation, starting from scratch, in over just five years of existence has increased to levels that no one had originally anticipated.

Central mechanism through which the cooperation is advanced is the annual Summit of heads of states and governments that is organized in one of the participant countries. The permanent Secretariat established within the Chinese Ministry of Foreign Affairs then has regular meetings with the CESEE

ambassadors in Beijing. Then there are national coordinators, and the ministries of participant countries who are over-viewing the cooperation. However, the most innovative aspect is that a number of coordinating institutions across a myriad of policy areas have been created. According to the typology of prof. Song Lilei, these policy areas include people to people contact, trade and investment, connectivity, technology and innovation, agriculture and forestry, healthcare, political parties dialogue and local government. While it is still difficult to even map all the institutions created under 16+1, it is also important to argue that most of them are yet to pick up the pace with their work.

The innovative component however is not the creation of the different coordination mechanisms, but the fact that they are seated in various countries involved in the cooperation. Moreover, a special role is assigned to China's different regions and provinces—the institutions hosted in China are not specifically seated in Beijing, but rather spread throughout the country: a trade expo is seated in Ningbo, Zhejiang province; a particular role is played by Sichuan province and the city of Chengdu, as well as the municipality of Chongqing. This is in line with China's domestic imperatives of creating reform and opening for the inland areas and mitigating the internal disbalance between the burgeoning east coast and the less developed western part of the country. The involvement of sub-national actors in the cooperation follows the logic of railway links and city-to-city diplomacy (most famous case is the Lodz-Chengdu relationship).

Under 16+1, in conclusion, a setup resembling a quasi-international organization has been created. This is an important characteristic of China's new foreign policy, and something that is also visible in the BRI, and where one can argue there is somewhat of a diffusion effect. One of the key promises of the BRI Forum held in May 2017, was the establishment of a special Secretariat that will coordinate the cooperation with the participant countries. The Forum will then take place every two years regularly. A whole range of institutional and coordination mechanisms is about to be established—with some of them located outside China. Most importantly however, the BRI will also be

accompanied with significant diplomatic activity of China's regions, provinces and cities, and promote the idea of railway linkages.

(Re)construction of a Region

Regions are socially constructed, and they are certain narrations of geographical space that are mediated through interaction, especially within certain constellations of asymmetrical power relations. That means that the actors with more resources and leverage are always in a position to (re)create regions, whereas those who are less resourceful and somewhat of an "object" of the process, can either reinforce or object to the emerging symbolic order.

With 16+1, China has itself become an actor that symbolically (re)constructs a particular region. It did so by using its own logic and mental mapping, that is distinct from all pre-existing definitions of the region. It convened together sixteen European countries that it calls "Central-East European Countries". This is the broadest current definition of this region, as it includes several narrower groups of countries: the Baltic Countries, the Visegrad Countries, the former Yugoslavia/Western Balkans, and the Eastern Balkans. What these countries all share is that they are post-socialist countries. Moreover, eleven of them are EU members: Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovenia, Slovakia. Five of them are in different stages of accession: Albania, Bosnia and Herzegovina, Macedonia, Montenegro, Serbia. Post-socialist legacy, and being current or future member of the EU are the two characteristics that make the most parsimonious definition of who comprise the sixteen. This explains why for example Ukraine, Belarus and Moldova—countries that are post-socialist but not completely in the orbit of the EU are not part of the 16+1; it also explains why for instance Greece—geographically adjacent to the region, structurally not that different—and for that matter, involved in many visions that involve other 16+1 countries is also not a member (not a post-socialist state).

China's attempt at defining the region of CEE/CESEE is of course, not the

first, or the last in Europe. The debate on European (sub)regions has marked greatly the history of modern Europe, it has had a particular impetus in the 20th century, and is still persistent even today. Economic discrepancies, but also culture and identity play an important role in this. However, it is one of the many attempts—and at present, perhaps the one with the strongest political backing and most frequent and elaborate interaction.

China's region (re)construction though 16+1 however does not aim to create a new exclusive identity of these countries, but merely to add one more layer in their identification in international affairs. While many in the region had originally said they are not fully aware of the selection criteria and of the Chinese multilateral diplomacy, they have gradually accepted the notion of the region as such and played along.

The regionalization with Chinese characteristics in CESEE resonates greatly with the approach seen in the BRI. The BRI even though shaped by national governments greatly emphasizes the notion of regions, regional cooperation, alleviating inter-regional discrepancies, etc. It has a logic of creating transportation and economic corridors which is also a manifestation of the regional thinking. Sometimes there may be some historical and other grounds to the project of creating a region (such as in CESEE), but ultimately, the selection of the area and participating countries, and the way it is developed, depends greatly on China.

South-South Cooperation with North-South Characteristics

16+1 has been promoted as a form of “South-South Cooperation with North-South Characteristics”. This label has created some confusion among scholars, and it has also somewhat hurt the feelings of some people within CESEE circles since it assigned CESEE characteristics of the developing world. However, if one discusses it critically, under the surface there is a rather significant meaning behind this phrase.

Namely, in China's worldview and its foreign policy, there is the idea of

a division based on development level—a global North, which is the developed world, and a global South, which is the developing world to which China belongs. This is a global taxonomy that embraces a world-systems logic (the world is comprised of core[s], semi-periphery and periphery). This is also a distinction that is juxtaposed against the idea of East-West division of the world, which embraces a “clash of civilizations” logic.

For China, the belonging of an external actor to the Global South or the Global North greatly determines how China treats them. Towards countries of the North, China embraces a less ideologized, more pragmatic, but also colder and more—posture. There is no convergence on major strategic issues—in fact, while there is a warm partnership in some areas, there is still a lot of friction in others (i.e. human rights, reciprocity, etc.). The examples here are Sino-US relations, or Sino-German relations, which are crucial for China, but in addition to elements of friendship, they do contain some friction. When it comes to the South, however, China here has a sentiment of solidarity, shared struggle against colonialism, and engages in development aid and actions that serve to boost the economic and political profile of the partner countries. The cooperation here also involves a certain normative and strategic convergence, and there is an awareness of non-interference in each other’s internal affairs. A paradigmatic example here is the Sino-African relationship—with its activity in Africa, China has contributed to the economic renewal of the continent.

A South-South cooperation with North-South characteristics, however, means that in this case, China devises an approach in between the two, or rather than an approach that combines elements of the two. 16+1 is a South-South cooperation because the sixteen CESEE countries—or at least the majority of them—even though geographically in Europe and some of them in terms of the numbers quite well off compared to the rest of the world, they are still semi-peripheral in the global economy. It however has North-South characteristics because some of these countries are more developed than others, they are part of the most developed block of countries on Earth (the EU). Moreover, 16+1 is similar to other South-South platforms (such as FOCAC or China-CELAC) in the sense that

it is oriented towards economic development, but in that sense does not include any strategic cooperation, which makes it have “North-South characteristics”.

One can also hypothesize that the BRI is another instance where the concept of “South-South cooperation with North-South characteristics” (SS-NS) can be applied. Among the participant countries there are some developing and poor countries, as well as developed and rich ones. Moreover, the areas of cooperation of the BRI while greatly focused on economic development and joint efforts, just like 16+1, lack any dialogue or statement on high politics, strategic or normative issues. Thus the SS-NS approach is yet another feature to be met in China’s new foreign policy practice, originally developed in the context of 16+1, but then also visible in the context of the BRI.

Overcoming Historical and Ideological Conflicts

Having a rather interconnected trajectory of development up until the 1990s, in the period from the 1990s up until the financial crisis, China and the sixteen countries were rather estranged, talking using diverging frames of reference and exhibiting rather different normative viewpoints. The split occurred after the crisis of the communist governments worldwide at the end of the 1980s. In Europe, communists fell, while in China they remained in power. In CESEE, the new governments took upon a moralistic, ideological diplomacy (one symbol of this was the Czech dissident turned president Vaclav Havel) that was not favorable of China. They were often more critical of China on issues of human rights than the US or Western Europe. This negative attitude towards China lasted well into the 21st century when even some CESEE leaders adopted ideological discourse in the light of the Beijing 2008 Olympic Games.

However, with 16+1, over a very short period of time, the relations between CESEE and China significantly improved. Having had turbulent history with the region (not only during the 1990s, but also during the Cold War), when there was never a period when China enjoyed equally good relations with the whole region, China for the first time since 1949 managed to get all of the

countries on the same table. China has also laid the grounds for developing new intra-CESEE rhetoric of friendship and cooperation that can help overcome pre-existing tensions. Moreover, China has preempted any potential politicization of the cooperation by reaching out also to opposition political parties via the political parties forum. Thus, the question on cooperation with China has been a subject to national consensus in the countries of CESEE.

This is perhaps one of the greatest immediate successes of China's new foreign policy practices under 16+1—using a future-oriented, economically rooted approach to overcome historical and ideological divergences and conflicts. As such, it is a principle to be looked for in the BRI cooperation. However, in the BRI, China will have different challenges in this area—while the divergence with CESEE has been primarily in the domain of normative politics and thus relatively easy to overcome especially once there have been normative shifts worldwide, in other regions along the BRI China will have to face problems such as problematic borders and statehood, nationalism, religious extremism and other sources of division. It is in those cases that one can verify the premise that focuses on economic cooperation to help overcome the complications created by essentializing history, identity and ideology.

Testing the Behavior of Global and Regional Powers

16+1 involves countries that are members of the EU and the NATO, however, it has not been developed in communication with the two international organizations. This has been a particular reason for worry in the EU, which since the beginning has objected to the creation of 16+1 as a “divide and conquer” mechanism.

The problem with the EU stems primarily because the EU was not consulted when China established the format. China overall presents a challenge for the EU because often the member-states pursue their bilateral relations with China based on their national interest—often neglecting official EU policy lines. The fear is that many of the CESEE countries will serve as a “China Lobby” that will act on behalf on China within the EU. While there is

little empirical evidence that precisely 16+1 is a cause for such tendencies, at a time of multiple crises and internal divisions within the Union, with China demonstrates not only resilience, but also global ambition, 16+1 has triggered more internal insecurities in Europe as it has been an external challenge. After all, there are socio-economic divergences inside the Union, with the CESEE countries that are EU members to be mostly among the poorer ones in the union. Moreover, there has been political challenges as well, as some of these countries had seen as democratic backsliding and have had a particularly confronting attitude towards Brussels during the EU migration crisis, which recently led to legal case against Poland, the Czech Republic and Hungary.

In response, China has tried to reassure the EU that it really considers 16+1 as complementing EU-China relations, by involving the EU more and more into it. However, this has had a limited success. This is also visible in the BRI, and not only in the case of the EU, but also in the case of the US. China has managed to alarm the foreign policy specialists in the US by starting a major global vision on its own, thereby fueling the fear that it has reached a global power status. This reality, and the unfavorable response is often explained using the concept of Kindelberger trap—the temptation of the global hegemony (in this case the US) to prevent rising powers (China) to be more pro-active and provide what can be common public goods to others.

Non-Synchronized, Non-Uniform Advancement

One characteristic of the Chinese practice is that sometimes improvisation, incrementalism, and fixing things on the go are an appropriate approach. This is a thinking that is preoccupied with the process, and with the effects beyond just the numbers, unlike the mainstream European thinking which is concerned with rules, exactness, and measurable concrete outcomes. Often, the fuzziness of the Chinese approach is challenging for Europeans to properly grasp it.

Since in 16+1 there is an innovative, creative thinking on regional economy and economic integration, this poses particularly difficult challenges in terms of

the match between expectations and reality of how things are done, but also of the criteria of what can be considered success, and how failure will be treated. So far, however, the reality is that there is a process of exponentially increasing cooperation, which is dominated by non-monolithic official institutions, which can also have their own agenda and interest that drive their behavior. The end result of this is that while there is a consolidated, and often somewhat redundant discourse on 16+1 in the expert and scholarly circles, in reality it is a rather lively and perpetually evolving process, which also branches out via the different mechanisms and projects. While there is a shared common vision, thus, in practice, 16+1 can often mean and be symbol of and symbolized by different things across the myriad of policy fields.

Moreover, the development of 16+1 does not happen simultaneously. Some aspects of the cooperation have been initiated before the others (investment); some aspects develop faster than others (infrastructure); and some aspect can undergo fluctuations (it all started with emphasis on trade but after five years trade is not the main narrative). Moreover, the cooperation advances differently in different countries or regions. The end result is that a zooming out of 16+1 can show a truly pluralistic state of the cooperation.

Moreover, since there is an underlying experimental trial and error approach, what may come natural to the cooperation is that some parts of the cooperation will ultimately succeed, while others not so much. However, the individual and separate narratives do not matter much, as long as the main story of 16+1 moves forward.

The similar logic is to be met in the BRI as well. The BRI is not one concrete project, but is a myriad of projects joined together under an umbrella term—all of them shaped by their idiosyncratic circumstances. Often they are not comparable to each other, and by definition, non-generalizable. Moreover, the fact that the BRI (in that sense similar to 16+1) is about construction not only of infrastructure capacities, but rather new economic corridors, which as concepts is very much experimental in nature—whether the new corridors will be functional, can be discovered only on the medium and longer run.

Conclusion

This paper has discussed seven features of China's new diplomacy that are characteristic for the China-led cooperation with CESEE under the 16+1 platform, that are to be met in the BRI. 16+1 is a feature of China's diplomacy to use a complex political strategy to create conditions for improvement of the economic relations between China and CESEE, whereas the BRI is a complex diplomatic undertaking that helps China create the right conditions not only for improving economic relations in all countries involved, but rather re-negotiating the position of China within the global economic order and thereby the structure of the order itself. 16+1 is a process of creative and rapid institution-building and so is the BRI—these are new institutions, formed outside (but not in opposition to) all existing institutional mechanisms. 16+1 is an exercise in social and symbolic (re)construction of one particular region, while under the BRI, China will have to (re)construct a number of other regions and corridors. 16+1 is perhaps the first platform for “South-South cooperation with North-South characteristics” briefly put—cooperation focused on closely knit economic development without bringing in strategic issues. Through 16+1 China has managed to overcome the pains of the recent past, when many CESEE leaders blasted China based on ideological grounds, by creating a new, econocentric discourse of the mutual relationship at a time when it has been badly needed; it is to be seen if the same approach under the BRI can contribute in overcoming more heated conflicts. By creating 16+1 without coordinating its steps with the EU, China has created a mirror for Europe's internal problems and fading influence; with the BRI and by leaving Washington outside of it, it perhaps has done the same thing with the US. Finally, while these previous points have all referred to more theoretical and macro-perspectives, on the micro level, 16+1 has so far been fuzzy, and different parts developed in different manner, while in the future it is very likely that some parts will succeed more than others—this will be also the reality of the BRI, a mega initiative under which every project will have a life and history of its own.

How Could the “16+1 Cooperation” Promote the Belt and Road Initiative after the Belt and Road Forum for International Cooperation

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I. Perception of BRI: objectives, connotation and relation with “16+1 Cooperation”

BRI is perceived as the major strategic initiatives coming from China combining a geopolitical, economic and people-to-people component around major transport routes that connect China and Europe. The geo-political sphere aims to increase security and the political leverage mostly in the close neighborhood of PRC. On top of reducing the cost of transport, the economic component tries to respond to over-dependence from capital investment at home, to the goal to make Yuan more a global reserve currency^①, to increase the demand for Chinese goods and services; and to secure the energy supply networks through Asia deep-water ports. Even if there are not similar initiatives to compare with, BRI strikes by its financial ambitions: *At maturity, investment in the Belt and Road is expected to reach \$4 trillion, equivalent to China's 2015 foreign currency reserves*^②.

“16+1 Cooperation” Initiative (16+1CI) appears as an intensification of BRI focused in a certain geographical space and possessing a more coherent governance architecture. It is in the “16+1 Cooperation” that the people-to-people component of the BRI becomes visible, through the attention that non-

① A strategic important step has been reached on 13 June 2017 when the ECB invested the equivalent of EUR 500 million in yuan. Incidentally this was the first time that ECB sold USD. www.afp.fr.

② China's belt and road initiative motives, scope, and challenges, Ed. S. Djankov & S. Miner, PIIE 2016, p. 8.

mercantile activities such as cooperation of local government units, health, research, art and culture become visible. However 16+1CI being a heteroclite assembly of different European countries, it is very difficult to pinpoint the rationale and contribution of each country. Moreover, it is the smallest countries, i.e. WB6-that are the “freest” to conduct somehow national policies in the framework of BRI, the rest being EU member states, hence bound by the EU legislation.

Both BRI and 16+1CI have a China-centered approach, where the institutions are based, the drive and the financial support originates from. From China CEE are seen as an access platform to the bigger and richer Western Europe. While this argument may have been relevant right after the crisis of 2008, today with the re-invigorated economic growth and the Brexit phenomenon, there are no real differences between CEE and Western Europe. Both areas are constituted by countries that are members of the European Union. In this angle, only the WB6 may be slightly different, however they too are well engaged in the EU membership road, and as such bonded by the EU rules.

Another feature of the EU-view of BRI is that it concerns mostly with China and Europe. The other countries are considered as intermediate passages and not as policy-targets . Its in-land Chinese and China-close neighborhood role is not very visible in the explanations and assessment of BRI.

II. Similarities and differences between 16+1 CI and BRI

There are no huge perceived differences between the two of them. However we can observe some individualized features described below:

- European Local Government Units are more active-it appears-mentioned, no relevant LGU actor is visible under 16+1CI;
- BRI seems to serve as an *ex-post* umbrella for already existing joint projects among EU and PRC. Giving the BRI stamp seem to provide some prestige as well as a better ranking needed to raise financial support nearby of International Finance Institutions (IFI). Also BRI comes after

the myriad of former platforms, agreements, and joint meetings between EU and PRC, so it has to provide an significant and well targeted effort to clarify where its added value stands when compared to existing cooperation schemes;

- 16+1 gives the impression to be a better designed top-down approach, with a clearer vision from its inception. This vision is translated in the supporting and back-office structures and mechanisms that 16+1CI has when compared to BRI. Almost every sector has a Secretariat^①, and the power of initiative remains with PRC structures. However this is what appears in documents while observable impact on the ground remains to be noticed;
- BRI focuses on connectivity-transport, energy and digital, while 16+1 is multi-sector and multi-actor;
- Under 16+1CI certain Eastern Europe countries have seen an advantage by going solo in their relationship with PRC during acquisition of financing and project implementation. This approach seems to have proved controversial with their EU peers. Also this rush forward to acquire prestige investments has raised many question marks regarding the immediate financial benefits of the investments, and the impact to local communities.

III. Areas where BRI should integrate with 16+1CI

It may be more efficient to see the 16+1CI as a component of BRI, adapted to the geographic area it covers, than as a separate initiative from the range of infrastructure projects that are being implemented in BRI framework. Or at least as two initiatives that are complementary in the related area. However, as mentioned above the 16 European countries that participate have a very different profile from one another. This makes it difficult a unified approach for the 16 countries.

However sub-groups can be considered so as to offer tailor-made

^① Its functioning is not the subject in here.

cooperation modalities that reflect their specificities and increases the impact. One illustrative dividing line is between EU member states and the rest (the rest being Western Balkans 6—WB6). In that optic, the policies impacting the sub-group of countries that are at the same time EU member states and 16+1 participants is a clear intersection point between BRI and 16+1CI.

The group of non-EU member countries—the WB6, are all politically committed and economically almost integrated with the EU. Their legal framework is being harmonized with the EU one through the gradual adoption of the *acquis communautaire*. Their infrastructure is being linked with the EU networks in energy, transport and digital. Their government representatives participate in the regional platforms that regulate those networks.

It may sound paradoxical, but from the infrastructure point of view an efficient way to “integrate” 16+1CI to BRI, would be through active participation of Chinese organizations in the development of EU core networks and comprehensive into Eastern Europe and the WB6. This requires an active participation of BRI authorities in the EU and regional structures planning and implementing the EU Connectivity Agenda. The list of the TEN—T related projects presented in May 2017 in the framework of the Expert Group on Investment and Financing of the EU-China Connectivity Platform is an illustration.

So while BRI is focused on the road connectivity, unimpeded trade and money circulation, 16+1CI builds up and contributes to policy coordination and mutual understanding between peoples. In CEE and WB6 both overlap—this situation can produce excellent opportunities for innovative, out of the box, and sustainable opportunities of collaboration between Europe and China.

IV. Progress made and accumulated experiences since the establishment of 16+1 CI

It is not easy to provide a comprehensive picture of the progress and / or accumulated experiences of 16+1 CI. There was a list of 12 measures adopted in Warsaw aiming to “promote friendly cooperation with CEE

countries”. They encompass a large array of sectors and include objectives in terms of policy-making as well as on governance of the 16+1 CI. But to our knowledge there is no official mechanism of assessment and / or to monitor those goals or to verify the achievements. Hence to measure the progress in each of the 12 measures a profound research need to be carried out.

Another methodological difficulty is the absence of a stamp/logo “16+1CI” for the activities carried under this initiative. It can be useful for the visibility to identify a logo and / or the panoply of usual visual identity tools and instruments to make 16+1 CI outcomes and products more visible.

In this respect, EU has a very clear and strict set of guidelines that clarify the obligations for each activity funded with EU money, to visibly mention where the funds came from. This example is an illustration of the mutual benefits BRI and EU initiatives may draw from each other.

However as regards the visibility, the identification of initiatives and the monitoring of their progress, the 16+1CI (and BRI) are way more advanced than the latest European connectivity initiative called the Berlin Process. At least 16+1 CI has one secretariat and one website, while the Berlin Process doesn’t have any. In this optic, the website of the Secretariat for Cooperation between China and Central and Eastern European Countries is an important resource where policy documents, action plans, monitoring reports, etc can be stored to allow researchers and other interested parties in the BRI and 16+1CI to obtain first-hand information.

Cooperation & Development Institute, Tirana for which I work has identified similar challenges for the Berlin Process. This explains why, all by being a modest organization, we have been filling this gap by organizing since 2015 a yearly conference on analyzing the progress of the Berlin Process, completed with a Monitoring Report. As it happens this is the only document providing an overview of the progress made from the initiatives and

connectivity projects under the Berlin Process. In the 2016 edition^① we added a short section on 16+1 CI thus providing a comparative view to the Berlin Process^②.

V. Challenges and risks faced by the key projects under the 16+1 CI and BRI

Regarding the connectivity projects, there is an abundant literature analyzing the current situation of projects being brought and implemented under the BRI. According to literature, the main challenge met by Chinese companies seem to be the EU procurement rules which do not allow for direct award of contracts without going through an open tender.

Labour regulations, specific technical requirements, environmental standards, obligations to consult local communities are also quoted as challenges needed to be dealt with Chinese companies while investing in infrastructure.

The above range of challenges require a fine understanding not only of each country national regulatory context, but of the EU one. Given their cross-border and supra-national nature, for a successful implementation of connectivity infrastructure projects, the Chinese cooperation with EU should start from the phase of the vision, and then to design to end with financing, procurement, implementation and post-investment maintenance and running.

Given the importance of EU funds (structural and territorial cohesion are among the most important ones) in the development of infrastructure of CEE (and also of WB6 countries), BRI needs to avoid false impressions of advancement when negotiating with single countries. Networks, technical design, legal framework, monetary context, procurement, even the consultation

① Monitoring the Berlin Process: from Paris to Trieste, Cooperation & Development Institute, Tirana 2017.

② Ibid, p. 50. In our reasoning, 16+1CI is a component of BRI focussed on connectivity and complemented with a strong sectoral cooperation effort.

of local communities is based in EU rules—everything falls within the EU umbrella of regulations.

This legal approach of EU vs. project-centered approach of BRI while implementing projects, need to be bridged at the EU level. Any deal at the country level that breaches the EU rules, will be challenged in court and will impact the cost and efficiency of the project.

Another challenge that needs to be dealt with by BRI is the public image of Chinese investments regarding their impact on environment, new jobs generating for locals; and of expected contribution to the partner country. The population of CEE and WB6 has been exposed since decades to high standards of environment. Regarding jobs creation, they are just recovering from the financial crisis of 2008. This makes the local population very sensitive of any allegation—true or not—of “strangers coming and taking their jobs”.

While the connectivity infrastructure investments may make perfect sense financially and economically, it is crucial to get on board the local population both as potential employees but also as the long-term users and beneficiaries of the outcome of the investment.

The long-term view vs. short-term return on investment is a choice that BRI should make while engaging with European partners, them being from governments to simple local communities. To our opinion given the very large geographical distance, the relatively low communication intensity, the comparatively new history of collaboration, a low level of mutual knowledge on non-business sectors, and the potential of a virtuous circle amongst two blocs, BRI is not in a very advantageous position to use a business, short term value for money approach while dealing with Europe.

To be sustainable the engagement should complement the business rationale of infrastructure investments with the need to better understand the local populations where these projects will go through, as well as their European belonging (also in the case of the WB6). BRI need to take into account that while it is natural for the CEE and WB6 citizen to feel European and to support European-driven initiatives, a long time and a lot of efforts is needed to make China present.

Regarding the financing of infrastructure projects through state-backed guarantees, the very high cost of strategic infrastructure investments, the very low fiscal space of CEE and WB6 countries, and the expected increase in the interest rates worldwide, this instrument may have reached / will reach very quickly its limit. Other challenges related to the development of large BRI infrastructure projects include the complexity of project preparation and financing dossier; the timely, qualitative and cost-controlled implementation; the need to take into account their dependence from political cycle of the country (mostly for WB6), and the need to foresee their post-investment phase (while not relevant for the financial efficiency of the project, it is of utmost importance for the image of BRI in the local population).

The low visibility in the media is another challenge that BRI must tackle. In average media coverage follows political events with high-level politicians as well as milestones of important project developments. This situation must be completed with a “natural / organic” buzz that talks about BRI / 16+1CI notwithstanding politicians or financing opportunities. Simple citizen and small and medium enterprises should be approached with tangible results of BRI and 16+1CI can do for them, and not only for the large businesses.

This multi-layered approach will also tackle the risk of interpreting good relations that BRI / 16+1CI have with local politicians and large businesses, as an indicator of the country perception of China. In many cases what the citizen thinks and what the politicians / big business state are not the same. In that situation BRI / 16+1 may find itself promoting and supporting projects that while on paper look as having the right political support and check in all the financial boxes, on the ground they meet with resistance of the citizen.

By the very nature of connectivity infrastructure projects, BRI / 16+1CI require the cooperation of large companies. This feature may alienate the SMEs which form the largest number by far of the productive structure in CEE and WB6. In the worst case, Chinese support may be interpreted as profiting only the certain oligarchs and not the rest of the country, the communities or the simple citizen.

VI. Unleashing 16+1CI

While BRI is viewed mostly as an infrastructure connectivity initiative with a primarily-mercantile profile, “16+1 Cooperation” Initiative (16+1CI) expands the cooperation opportunities around the BRI to include a comprehensive list of sectors such as health, research or even local government cooperation for a defined group of countries. 16+1CI countries, as mentioned before can be split in two groups: (i) the EU members states and; (ii) the Western Balkan 6 countries (WB6 are on their way to EU).

As a result both BRI and 16+1CI can come to full potential only if they: (i) take into account and build together within the EU policy and legal framework regarding the BRI connectivity networks and standards; (ii) when dealing with the 16+1CI, pay careful attention to involvement of communities, of the micro-SME, and finally to the citizen. Even if WB6 countries are not formally in the EU, their whole institutional system is based on the EU values.

a) building communities around connectivity infrastructure: linking 16+1CI with BRI in Europe

Regarding the BRI, taken into account the already set legal and political context in EU, the major way of increasing the efficiency of connectivity infrastructure is to increase and coordinate the exchange of information between China and EU at all levels: policy-making, technical and financial. The actors involved in BRI are mostly government institutions, regulatory agencies and big businesses.

The 16+1CI offers a wider ground for development and cooperation, going beyond the infrastructure projects. Here we see possibilities for a closer and more intense cooperation in 16+1CI selected sectors such as health, tourism, research, local government, youth, etc. The 16+1CI interventions in those sectors, even if smaller and less tangible than infrastructure investments, are bound to impact directly the communities and citizen of “16+1 Cooperation”, in both Europe and China. Such an intensity of “small size” contacts can produce a comparatively large impact when brought together around BRI.

In conclusion 16+1CI brings into play larger and more diverse number of actors than BRI, such as communities, non-governmental organizations, academia and citizen. While this opening of the game may not provide measurable financial benefits in the short term, in the longer perspective it will provide the required base conditions for a sustainable, peaceful and mutually beneficial cooperation between Europe and China.

b) build up cooperation 16+1CI with the Berlin Process Initiative

Another possibility of 16+1 CI to better develop in harmony and synergy with the European vision, is the cooperation with the so-called Berlin Process initiative (BPI). BPI is also based on the connectivity principle and encourages and support to transport, energy and digital infrastructure investments linking EU and WB6.

The Berlin process was initially conceived as a temporary replacement for the “slowing / stopping” of the enlargement process. It gradually evolved into a process—at least in the EU official discourse; constituted of *different cooperation platforms* (political, technical and financial); at *different levels of hierarchy* (prime ministers, ministers, technical, etc.) and *collaboration* (communications / meetings / joint selection and implementation, etc.); and *actors* (EU, International Financing Institutions and Western Balkans Six governments, CSOs and businesses).

Berlin process uses connectivity as the key principle on which its dynamics is based, and as the rationale of its decision-making. The connectivity concept calls for anchoring points and the respective actors on both sides of the EU—WB6 border, as well as among WB6 national borders.

BP uses the configuration of many existing regional collaboration platforms to select, prepare and implement its connectivity projects. It calls upon a constellation of financing institutions and public private partnership (PPP) schemes to finance them. The BP agenda is set by the Presidency of the annual summit, while the implementation of the decisions taken in the summits is left to the partners themselves. It is the administrative structure of the upcoming presidency that ensures the follow up in-between two summits.

BP connects WB6 with EU by:

- *connecting strategic infrastructure* on transport, energy, and digital. All three sectors are crucial for the long-term growth of WB6 and the security of supply of EU industry. They also increase the economic inter-connection of WB6 to the EU;
- *connected in security* by counting on WB6 to secure EU southern borders. The creation of a joint external border mechanism by tasking the WB6 countries to manage the main entry-points of the migration fluxes into the EU, creates de-facto a new collaborative setting between EU and WB6 governments;
- *connecting people*, through the establishment of Regional Youth Cooperation Office (RYCO) and the structuring of civil society cooperation and its participation in the BP Annual Summits. BP extends the enlargement process to the “*people factor*”;
- *connecting businesses* through the regular inclusion of WB6 business community in the BP Summits agenda. Until now, this component has been underused by focusing mainly on the opportunities that the investment in infrastructure may offer to the EU and WB6-based businesses. The industry networking, the creation and support of EU value chains, support to SMEs, the design and implementation of joint industrial policies have not received the required attention as yet. The support and promotion of higher value WB6 exports to EU will increase the return on investment of digital networks, road infrastructure or energy connections and will ensure the commitment of local communities.

Berlin Process is a very interesting development that shares many similar features with BRI / 16+1CI. Both the EU and China supported initiatives started only a couple of years ago (2013 for BRI and 2014 for BPI), they are both based on connectivity principle; and they are both in the initial phase with no set governance architecture, no proper legal context (Berlin process uses EU *acquis*), and they are open-ended initiatives. This creates the opportunity to get engaged

from the beginning to try to understand and better harmonize mutual interests of all the interested stakeholders in Berlin Process, BRI and 16+1CI.

It also interesting to note that physically 16+1 CI countries are in the geographical junction point of European networks that are being developed under Berlin Process and BRI.

c) getting on-board of local cooperation initiatives: the case of the Western Balkans Fund

Currently there are two WB6 regional cooperation initiatives that are being developed under the Berlin Process umbrella: the Regional Youth Cooperation Office and the Western Balkans Fund (WBF). Both have their headquarters in Tirana, Albania.

WBF is created, as an all-inclusive regional initiative, through which, participating parties^① commit their own resources to finance regional projects and for supporting the overall development and cooperation of the civil society organizations in the Western Balkans^②. The Fund aims to achieve these goals by supporting common regional projects and by bringing people to share mutual experiences and be aware of values, traditions and culture of their respective countries, strengthening regional cohesion in these key areas: (i) Education and Scientific exchanges; (ii) Cultural cooperation; (iii) Cross-border and youth cooperation; and (iv) Sustainable Development.

This initiative is at its beginning. On 15+16 June its National Coordinators concluded the preparatory phase and now the setting up of structures, personnel and grant procedures is under way.

Currently WBF is the only bottom-up, homegrown initiative in the WB6. Its activities fall under the 5th component of the BRI i.e. mutual understanding between the various peoples. Hence we believe that it may be of interest to China to closely look to this new initiative.

① Albania, Montenegro, Kosovo, Macedonia, Bosnia & Herzegovina, and Serbia.

② <http://westernbalkansfund.org/web/>.

VII. Role of Think Tanks in pushing forward the “16+1 Cooperation” and BRI Initiative

European think tanks from 16+1CI and from China have a strategic role in the 16+1 CI and BRI initiative: (i) in general by producing information and disseminating it; and (ii) in particular in promoting specific fields of knowledge mostly in international cooperation. However to achieve their full potential think tanks need for critical mass of knowledge and official documents to be available, if possible in internet. This knowledge mass need to include the identification of existing activities regarding connectivity, and the exploration of new and innovative ways of cooperation with BRI / 16+1CI.

Different ways of encouragement of think tanks can include:

- creation and support of local initiatives focused on researching, analyzing and making visible BRI and 16+1CI in selected regions;
- encouraging local think tanks to explore ways in which BRI / 16+1 can be beneficial to local communities and to the citizen;
- link BRI / 16+1CI research actors and process to local, national and regional policy-making process through the National Strategies for Development & Integration, sectoral policies and respective action plans, budget preparation and other policy-making instruments;
- support long term scientific cooperation amongst researchers from China and CEE / WB6. Link and find synergies wherever possible with EU instruments that support and promote research such as H2020;
- increase the number of events gathering think tanks, NGO, different stakeholder groups in the CEE and WB6 to outreach a larger number of interested organizations and citizen;
- to deal with the physical distance between China and Europe and its impact on the cooperation dynamics China and Europe, create and support “focal points of research” in Europe;
- encourage cooperation research and business all around BRI / 16+CI, either through a separate endeavor, or by making it obligatory for

BRI investment to include a R & D component / community outreach activities in every connectivity infrastructure investment.

VIII. Role and strength of CEE, WB6 and Albania in building BRI

CEE are at the geographical juncture of EU networks and BRI. Through 16+1 they also may extend the cooperation reach by moving from specific projects and respective regulatory context, into policy-making field. 16+1CI can be very useful to better understand and communicate about the policy-making cycle in CEE and WB6, understand the future developments of those countries and adapt accordingly the relevant developments. For example for the WB6, an increased cooperation between the national authorities and 16+1CI can be useful during the preparation of the Sectoral and then National Single Project Pipelines (NSPP)^①.

Albania, unfortunately, has not fully profited from the friendship capital built up during the 70s and 80s between the two countries. Chinese support for Albanian economy has been crucial during this period. For example, in 1973 and 1974 Albania sent 24% of its exports to China, from where it received 60% of the total imports. They were mostly in investment goods, which were also financed through financial support from PRC^②.

The years 1971-1975 were the golden years of China-Albania economic cooperation. There were 132 capital investment initiatives (in all the economy sectors), out of which 75 were completed, 32 in pipeline and 25 ready to start. Major investments such as Fierza HPP, the Metalurgical Combine in Elbasan, Balls Refinery, etc. have been financed with Chinese money and the technology and the knowhow has been imported from China.

The bilateral cooperation has been very strong also on the military field. In total Albania received from China in the form of military aid 199 airplanes (70

① for an illustration of the NSPP in Albanai, please refer to “Albania in the Berlin Process: from Paris to Trieste”, p. 32.

② “Marredheniet Shqiperi-Kine gjate viteve 1960-1978”, A. Kreka, Tirana University, 2015.

Mig 17, 12 Mig 19, 12 AN-2, 95 Mig-19 ES, etc.) and 36 helicopters. This is on top of the military aid for the army, and the naval fleet^①.

Nowadays^②, China comes the third in the volume of exchanges with Albania (with 7.1% of the total after Italy and Germany), up from the fifth place in 2012 (where Turkey and Greece were in front and its percentage was 5.3%). The weight of imports from China has continued to grow over the last five years, reaching 8.8 % in 2016 from 6.4 % of total imports in 2012. During the 5 years period, imports with Italy occupied 30.8 %, followed by Greece with 8.7 %, China with 7.5 %, and Turkey with 7.0 %.

Albania imports from China have gone up 51.3% (from 33,574 to 50,814), where 20% is justified by equipment and spare parts (from ALL 12,028 to ALL 20,048). Chinese technology is the major import from China to Albania. Follow the textile (twice less at ALL 10,056) and construction materials (ALL 8,699). Exports in China have increased by 29.7% from 2012 to 2016 (ALL 5,744 to ALL 7,452), supported by the increase in exports of minerals and oil and of construction materials and metals.

In 2014, Bank of Albania has concluded a SWAP agreements with Bank of China which is an important step in supporting bilateral economic exchanges. In April 2017, the Deputy Prime Minister Zhang Gaoli visited Albania where he was received by PM Rama. In May a high level Albanian delegation went to China to participate in the Belt and Road Forum for International Cooperation (BRF) in Beijing, which was organized on 14-15 May 2017. This visit resulted many memorandums of cooperation in media, research, education and youth. In May, Chinese government agreed to support the renovation of the Opera House in Tirana with a grant of USD 2 MiO.

During the last year, two major Chinese investments have come to Albania. In October 2016 China Everbright Co., Ltd. has acquired 100% of the shares of the Tirana International Airport (TIR), the company that bought management

① Idid

② following data came from “Foreign Trade 2012-2016”, INSTAT 2017.

of the airport for 30 years in 2005. In September, another Chinese company acquired management rights for the largest oil field in Albania from the Canadian company Bankers Petroleum for USD575 million.

IX. Role of 16+1CI in promoting integration between BRI and European Economy

“16+1 Cooperation” countries are in the junction of transport networks that connect BRI and Western Europe. They represent a heteroclite group of countries that while still in their way to achieve Western EU economic standards, are different and more advanced than the other countries that BRI goes through (the Stans, Pakistan, India, Ukraine, Russia, Turkey, ENP countries, etc.).

As a group 16+1CI countries offer: (i) higher political trust to Chinese counterparts, as compared for example with India; (ii) better sovereign credit rating than the rest of the countries between China and them; and (iii) safe and decent returns for the money that Chinese bankers may be willing to invest.

“16+1 Cooperation” can complement efficiently the connectivity mercantile nature of BRI by focusing on the support to the human development through connectivity. Being in the juncture of European and Chinese networks, and offering a fair and stable geo-political environment, CEE and WB6 can contribute to long-term goals of BRI regarding the reinforcement of cooperation with Europe.

Joint initiatives aim to: (i) increase Chinese and EU cooperation in creativity and innovation; (ii) encourage and support of joint platforms where best technological standards on future technologies are jointly developed and promoted; (iii) create of cooperation platforms for dealing with world-wide concerns ranging from environment to fighting terrorism, will increase the mutual understanding and create optimal condition for the success of the BRI infrastructure connectivity projects.

X. Deepening the China-EU Comprehensive Strategic Partnership in CEE and WB6

At the time of the writing of this paper, we couldn't find any CEE country that has prepared a strategy of dealing with B&R and / or 16+1 Connectivity initiative^①, neither one that has appointed / created any institution in charge.

This is in stark contradiction with their involvement of CEE and WB6 administrations—with EU connectivity initiatives in transport and energy.

In the document “List of deliverables of Belt and Road forum^②” there is no mention of the European Union. Different EU states are mentioned but no reference of the EU neither on the Deepening of Project cooperation for Infrastructure Connectivity, nor for the Synergy of Connectivity of Development Policies & Strategies. While there may be no “deliverable” on the cooperation with EU, it may be productive to refer to it if only to acknowledge the larger context where the rest of the deliverables of China with EU member countries are taking place.

In our research we noticed that the knowledge about BRI and “16+1 Cooperation” Initiative is very little and the media coverage very small. The CEE and WB6 companies have an irrelevant size to fully profit from BRI and 16+1CI, and this feature may cause the capture of CEE and China economic exchanges by business tycoons or state-run (and protected) monopolies. This would leave out European SMEs and local communities.

After four years BRI and 16+1CI can envisage to move another step forward for a more strategic involvement and collaboration not only in connectivity projects. Projects are the result phase of the policy-making cycle. Policy-related efforts (like a better understanding of the single project pipeline or mid-term budget planning) can help BRI / 16+1CI and their European partners to start cooperation from the very first steps.

① The same absence of policy documents applies for the Berlin Process as well for the countries that participate.

② http://news.xinhuanet.com/english/2017-05/15/c_136286376.htm.

A better knowledge of the regional cooperation mechanisms such as Macro Regions would help policy planners to foresee long-term tendencies of regional cooperation, eventual projects (soft & hard) and get access to EU financing, eventually^①. A better knowledge and exchange of information will allow for a careful and comprehensive interaction and cooperation of BRI / 16+1CI with regional development strategies in the WB6, together with EU^②.

Other joint interest points that can be explored under the 16+1CI is the: (i) development of joint standards for certain technologies in selected 16+1CI sectors; and (ii) the use of subsidiarity principle to support bottom-up initiatives and regional cooperation projects that are not coordinated from China but driven from the 16+1CI actors situated in Europe. Those Europe-based initiatives will counter the “China-centered institutional set up”^③ and resulting policy drive to actions more in tune with the needs and vision of CEE and WB6. They have to be implemented in harmony with EU territorial development and cohesion policies for CEE, and the regional cooperation policies for WB6.

① For a quick overview of EU Macro regions, please see “Report from the Commission to the European Parliament, the Council, the European Economic & Social Committee and the Committee of the Regions on the implementation of EU macro-regional strategies”, Brussels, 2016, COM(2016) 805 final.

② Also refer to part of the Western Balkans Fund.

③ “At a glance: China, the “16+1 Cooperation” format and the EU”, European Parliament, EPRS, March 2017.

Innovation in Understanding and Cooperating the Macro-Regions: The Potential of Promotion of the “16+1 Cooperation” and the Belt and Road Initiative

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I. Introduction: The Belt and Road Initiative related to the “16+1 Cooperation”

International and transnational cooperation has the long history, and the contemporary organizations of cooperation have their predecessors both in the East and in the West. It is possible to mention various kinds of organizations, such as the Council for Mutual Economic Assistance which existed as an organization of the socialist countries, the Organization for European Economic Cooperation in the Western Europe or the European Union today, and the Union of South American Nations, for example.

The Silk Road Economic Belt and the 21st century Maritime Silk Road which is commonly known as the Belt and Road Initiative (B&R), is an ambitious development project aiming at intensifying communication, connection and cooperation among countries in Asia, Europe and Africa. Because the B&R pursues linkages among various places, it focuses primarily (1) on the overall territory of the project, and (2) on particular macro-regions and regions of the project. While the “16+1 Cooperation” can be understood in its narrower sense with its own agenda, it is in the process of being prepared to play an important role of the part of the B&R. The “16+1 Cooperation” was created in order to develop a strategic dialogue and cooperation among China and 16 Central and Eastern European countries (CEECs). At the same

time, it is defined in a way that it is considered one of B&R parts which focus on the specific macro-region of B&R. Both the projects contain various types of activities in the fields of investment, energy, transport, trade, research, education, culture, environment, etc. So far in the B&R, China stressed especially infrastructure, high technologies, and green issues.

The “16+1 Cooperation” was initiated by China and has been developed also by the 16 related CEECs since 2012, and it held already five annual summits which specified step by step the cooperation. The B&R was proposed by the China, particularly by its President Xi Jinping, in the autumn 2013, as a broader economic, geopolitical and civilizational project. We can understand these activities and their mutual relations in two basic meanings from the Chinese perspective even if they have also other ones. First, in general, China follows its strategic projects of the past and the recent era, and it develops its global cooperative agenda. Second, particularly, China brings an active reaction to the global economic crisis, and suggests overcoming the economic slowdown after the crisis. Both the meanings can have a potential positive impact on China and related countries, specifically other parts of Asia, Europe and Africa, by increasing contacts and collaboration and overcoming past tensions, isolation, and the post-crisis situation.

The B&R Initiative has a strong global aim, as mentioned by Peter Thomson, the President of the UN General Assembly at the Plenary Session of the Belt and Road Forum for International Cooperation in Beijing, 14 May 2017: “The Belt and Road Initiative is a massive driving force towards the achievement of the Sustainable Development Goals. The Initiative’s inclusive, integrated and transformational vision is in complete synergy with the 2030 Agenda, and its ‘can-do’ spirit is an inspiration for us all.” The 16 Central and Eastern European countries aim to contribute to the UN global plan of the 2030 Agenda as well. From this perspective, they can understand the “16+1 Cooperation” both from the part of their contribution to the B&R and also from the part of their own broader, global agenda. The B&R and the “16+1 Cooperation” are really ambitious projects. Of course, ambitious projects

contain by definition also various risks which have to be solved. However, they can be considered challenges which are necessary preconditions of any development and progress.

It is important to mention that while the contemporary mainstream discourse on global interactions stresses competition among partners, the analyzed projects are formulated in a way of cooperation and also of a connection of cooperation and competition, i.e. “coopetition”. In this essay, I will contribute to the workshop on a strategic potential of the “16+1 Cooperation” and the Belt and Road Initiative by focusing especially on innovation in understanding and cooperation macro-regions.

II. The similarities and differences between the “16+1 Cooperation” and the Belt and Road Initiative

The “16+1 Cooperation” and the B&R Initiative share an attempt to bring more strategic dialogue, connectivity and cooperation among the territorial parts of these projects. Both the projects have an ambition to bring the people and their activities together. While the “16+1 Cooperation” focuses on the macro-region of Central-Eastern Europe and its relations with China, the B&R Initiative focuses on the much larger territorial space of Asia, Europe, and Africa. In both the cases, China and its partners develop long-term strategic thinking and activities which has international and transnational dimensions.

While there are also many other similarities among both the projects, there are also relevant differences which have to be analyzed in order to identify a potential specific contribution of the “16+1 Cooperation” to the B&R, and their potential synergy.

The first difference is obviously an already mentioned territorial scale of the projects. The 16 countries +1 is different than the 3 continents +1.

Second, there is a difference. On the one hand, the B&R Initiative deals with countries with the very different histories, economies, politics, cultures, etc., even if they share the historical bases of the Eurasian heritage. On the

other hand, the advantage of the “16+1 Cooperation” is that it is much more specific and less diverse and disperse. Even if there are differences among the 16 CEECs, these ex-socialist countries share the socialist experience and the following economic and political transformation with market economy after 1989. They share this experience partly with China as well because China went through the process of significant transformation since 1978.

Third, the difference in scale and internal coherence has its consequences in kinds of cooperation which can be much more intense and developed in the 16+1 but they can be really fully developed only in the broader and stronger project of the B&R.

All the three differences can enrich the B&R Initiative by its specific characteristics. Thus, cooperation with other parts of the B&R can bring other specific characteristics which can enrich the B&R in the different significant ways. All together can offer mutual recognition and complement each other.

III. Areas of integration of the “16+1 Cooperation” with the Belt and Road Initiative

Considering the specific advantageous geopolitical position and the economic and political situation of the CEECs’ macro-region in the Eurasian continent especially in the recent decades, it has a potential to contribute to the development of Eurasia by connecting the Western part of Europe with its Eastern counterpart and all the parts of Asia. It has a capacity to connect the developed and developing countries in many areas. The B&R Initiative needs such a partner which can cooperate by creating a bridge for connecting countries interested not only in production, trade and consumption of goods and energy but also in a platform for synergy of innovative societies. The 16+1 can contribute fruitfully to building the B&R, and by doing that, also to global development.

Innovative technologies are an important part of a complex of innovative societies. It is illuminating to mention that the CEECs, while investing a

little less in research and innovation than an average of the EU (2.1%), have significant results. The advantage for the public interest and its middle-term and long-term strategies is that about half of the investment in the CEECs is focused on the public sector. In the CEECs, the Czech Republic, for example, there are many people highly educated at public universities which are able to offer a high-quality education which is relatively inexpensive, if compared with the Western countries of the EU and the USA.

There are various differences among the CEECs concerning this issue. Slovenia and the Czech Republic invest in research and innovation approximately the same sum as the EU average, and Estonia is a regional leader in digital technologies. As for ranking, not only the mentioned countries but also Hungary and Latvia are recognized as highly innovative (see the map below).



Of course, innovation requires a financial cover. While there is a decent spending which should be increased, the presence of the Chinese financial sector can play an important role here as well. The Bank of China, for example, as the oldest Bank in China, operates in Hungary concerning its activities in Central and Western Europe, and it opened its first branch in the Czech Republic in the spring of 2016. Hungary and the Czech Republic are safe places for the Chinese investment, and a gateway for the rest of the CEECs.

The important area of integration of the “16+1 Cooperation” and the B&R Initiative, which is related to innovation, is a cooperation of researchers and think tanks. It has already a good basis because the Meeting of Heads of Government of China and CEECs in Serbia in December 2014 brought the Belgrade Guidelines promoting China-CEECs cooperation and also an announcement of the establishment of the China-CEECs Think Tanks Exchange and Cooperation Centre, now called 16+1 Think Tanks Network. The Chinese Academy of Social Sciences with the Ministry of Foreign Affairs can initiate a larger and deeper cooperation among researchers and think tanks of the “16+1 Cooperation”. This area of cooperation can have a strong multiplication impact on other areas of cooperation by empowering the intellectual bases of the “16+1 cooperation”. It would serve for purposes of mutual recognition and interests, internationalization and transnationalization of research and innovation capacities, and its application in various fields of society in the CEECs, China, the other countries of the B&R Initiative, and also in the global context in order to reinforce the global connection and cooperation of the B&R Initiative.

IV. Progress and experiences accumulated ever since the establishment of the “16+1 Cooperation” mechanism

Since an establishment of the “16+1 Cooperation” in 2012, it has attracted attention of many people not only in Central and Eastern Europe and China but also in other parts of the world. Of course, it is not such a big project as the whole B&R project is. Therefore, it was less analyzed than the B&R but it has still been respected as an ambitious project.

Many bilateral meetings and discussions and the five annual summits made possible the establishment of the Initiative and its development. There is an important rise concerning trade and investment. In the beginning of June 2017, the Chinese Commerce announced that trade and investment have increased among China and the CEECs. The China-CEECs trade grew to 58.7 billion US dollars last year which means that, in total trade of China with Europe, the share

of China-CEECs trade rose to 9.8 percent last year. The investment in CEECs grew to 8 billion dollars. On the other hand, the 16 CEECs invested in China 1.2 billion dollars. The Chinese Prime Minister Li Keqiang announced a 10 billion Euro investment fund in the fifth 16+1 Summit in Riga in November 2016. The CEECs can contribute to the fund under voluntary conditions. This year's contributions of individual countries will indicate a possible development of the fund in the future.

While the CEECs of the 16+1 have their own specific characteristics, we can divide them into five basic groups. One of dividing lines is defined by the fact that there are 11 EU member countries and 5 non-EU member countries in the Balkans. The other lines are sketched by regional specifications. Thus, we can talk about the Baltics (Estonia, Latvia, and Lithuania), Central Europe (so called Visegrad Group: Poland, Czech Republic, Slovakia and Hungary), the North-Western Balkans (Croatia and Slovenia), the Eastern Balkans (Romania and Bulgaria), and the non-EU members (Albania, Bosnia and Herzegovina, Macedonia, Montenegro, and Serbia). It seems to be that the most engaged are Central Europe and non-EU members. Especially Serbia attracted the Chinese investment, and the Czech Republic is on a rise as well. While especially the countries of Central Europe and the North-Western Balkans have a comparative advantage because they are more developed and prepared for cooperation, the non-EU members are the most motivated countries because they do not use advantages of various kinds of the EU support. These factors explain also different interest demands of the individual regions and countries of the CEECs.

As for my home country Czech Republic, since the President Xi Jinping visited the Czech Republic in 2016, trade is stable and the Chinese investment has grown. Of course, it takes some time to implement the trade agreements among companies. However, it is necessary to work it out because it will not be automatically applied. Concerning the exact data, the Czech trade export to China grew to 36 billion Czech Crowns last year, while the Chinese one rose to 321 billion Czech Crowns, i.e. now it is ten times more than the Czech one. The Chinese investment to the Czech Republic was around 3 billion Czech Crowns

which means that it doubled since the last year, and the previous year as well. Now China is still in the third place for investment after Germany and Japan but it is characterized by the rapid growth.

Needless to say that economy is not the only sphere of connection and cooperation in the 16+1 Initiative. There is a potential of mutual cooperation also in research, university education, culture, etc.

V. The potential challenges and risks

The advantage of the “16+1 Cooperation” and the B&R Initiative is that they attracted serious attention of the CEECs and other agents in the world. The first challenge and risk, which is important to analyze, is a potential loss of interest of some 16+1 partners because of a fragmentation of the projects. In order to avoid the problems, both the projects have to be formulated and pursued in a way which stresses mutual recognition, cooperation, interests, and results. It is closely related to the relevant differences among the individual countries of the “16+1 Cooperation” which I partly explained in the previous part of my paper focusing on the progress which has been made so far since the establishment of the “16+1 Cooperation” mechanism, and also in the part of my paper focusing on potential areas of cooperation (see above).

As for an approach to the analyses of risks, it is relevant to mention the main European analyst of risks in the last decades: the German sociologist Ulrich Beck (1944—2015). He, as an author of a concept of risk society (*Risikogesellschaft*), stresses mainly its global characteristics (*Weltrisikogesellschaft*). He explains mutually interdependent concepts which are relevant especially in the last decades since the 1980s: risk society, individualization of social inequalities, reflexive modernity. The human civilization is in its turning point because it started endanger itself and has become a risk society. Risks are more present both in the personal lives of the people and in the macro-regional level in the fields of economy, financial sector, environment, or military. Because of unintended consequences of the

modern society (activities of the people and institutions), the contemporary society reached a risk epoch of technological development. However, under pressure of risks, it transforms itself step by step into a reflective society (the so called second modernity) which begins to be able to analyze and evaluate critically an insufficiently developed reflective process containing many risk factors: environmental, military, economic, social, political, health and other risks. Such a significant transformation creates need to solve the risks not only in the individual countries but also in the global scale, including civilizational problems, social injustice, military threats or ecological issues of the climate change. These cosmopolitan changes can be an important metamorphosis of the world which can bring transition to a new epoch of the global human civilization.

If we apply this approach to risks to the projects of the “16+1 Cooperation” and the B&R Initiative, we can see that the risks and also both the projects deal with complex phenomena which cannot be reduced only to one or two dimensions. Both the projects can avoid a reductionist approach which would deal only with modern technological issues. Addressing the complex risks would require analyzing many important dimensions of the modern society in order to solve the issues together, and make possible cooperation between the societies and civilizations of Europe and China.

Both the projects try to contribute to solve the mentioned thematic problems by developing also a reflective aspect of the projects by including a cooperation of scholars and academic institutions within the 16+1 Think Tanks Network, which can be made at several territorial levels: at the level of individual states, at the level of macro-regions (“16+1 Cooperation”), at the level of continents (the B&R), and also at the global level because of a global reach of the B&R, and partly also of the “16+1 Cooperation”. The cooperation should be developed not only in a short-time run (as it is usual in the Western societies where politicians are mostly interested in various issues only within the limits of their election period) but also and especially in a long-term approach.

Unsubstantiated criticism is a critique of a risky possibility that many parts of the project will not be developed, and they can eventually collapse. However, because the B&R is many times bigger than the Marshall Plan, for example, even if some parts of the project were not developed, it would still be one of the biggest development projects with massive impact in the history.

IV. Application after the Belt and Road Forum for International Cooperation

The B&R Forum for International Cooperation, which was held in China on May 14th and 15th, 2017, was organized to strengthen cooperation by specifying conditions and activities in order to achieve better development and prosperity. The CEECs have their own specific role in the program within the framework of the “16+1 Cooperation” because of their geopolitical position and the economic-political experience since the WWII. Their geopolitical and historical position between the Western European countries, on the one hand, and the Eastern European countries and Central Asia, on the other, will make possible to create a bridge of international and transnational cooperation between the West and the East on the basis of mutual recognition, interests and benefits. It can deal with production, exchange, and consumption of goods (made especially in China and other countries) and energy (from Russia and Central Asia) and also a more sophisticated cooperation in the fields of innovation, research, and university education which have its important social, economic and cultural dimensions as well. The cooperation among researchers and think tanks can give fuller play to the “16+1 Cooperation” by stimulating an intellectual aspect of cooperation by analyzing possibilities of complex cooperation in many other fields in a systematic way. Thus, it can have a multiplication impact.

The precondition of such cooperation is already basically structured by the 16+1 Think Tank Network with its cooperative partners, and it can be further developed. The positive political precondition of cooperation among the countries of the “16+1 Cooperation” is also the fact that there are already established the

embassies of all the CEE countries to China and also the embassies of China to all the CEE countries. Therefore, also a formal coordination and support of activities at diplomatic level can be easily made as well.

VII. The role of think tanks

Think tanks should analyze many aspects of the “16+1 Cooperation” and the B&R Initiative, and then, to be helpful in their application. The main role in doing that is an innovative analysis of strategic importance of these projects concerning: (a) the specific macro-regions with their particular parts and countries, (b) the macro-regions in their mutual interactions in the Eurasian and global frameworks, and (c) the macro-regions in their mutual interactions with other macro-regions in the Eurasian and global frameworks. The analyses should be made concerning: (a) the historical development, and (b) scenarios of probable future development of macro-regions. The macro-regional scenarios can work out various versions of macro-regional interdependence in the Eurasian and global frameworks.

While the processes of global integration are one kind of integration, there are also important processes in between the nation states and the global integration. The processes of the gradual integration of macro-regional units that are integrated economically, politically, etc., deserve more attention, both theoretical analyses and empirical research in many areas of investigation. In referring to macro-regions, I mean not only the emerging supranational bodies formed in the gradual integration of multiple individual states (the EU, for example), which is often a long process with many stages of tumultuous integration steps and subsequent depression. I also have in mind large, economically strong countries which have a comparative advantage in that, due to their size, they can be strong players in the global context. Nation states, such as Brazil, Russia, India, China, and the USA, are themselves already macro-regional units with a strong economy, a large population holding similar values, and vast territories, whose individual provinces or states can be quite different

from one another, and whose governance, in some cases, is more independent than the common governance of certain states drawn together in recent times into the new super-national bodies, such as the European Union. Another type of transnational integration is the problematic economic and political links of certain superpowers with their former colonies, although the integrated territories are located in different parts of the world. All these types of macro-region now play a significant role in the process of redefining their mutual recognition and thus transforming the current virtually unipolar world order into a multipolar and transpolar world order. It is important to mention also trans-macro-regional relations which should be taken seriously into account because highly developed global interactions in communication and transport make connection of the people global across the macro-regions.

The contemporary macro-regional organizations of cooperation have their own historical predecessor in the East and in the West as well. The Council for Mutual Economic Assistance (CMEA or Comecon) was formed by the Soviet Union and other socialist countries of the Eastern Block in 1949, and lasted till 1991. It was more ambitious project than the Marshal Plan established by the USA after the WWII. In the Western Europe, parallel organizations were formed later: the Organization for European Economic Co-Operation which was later transformed into the European Economic Community since 1957, and the OECD since 1961.

Of course, today the integrative tendencies are most developed in the European Union, and the CEECs which are part of the “16+1 Cooperation” can be considered a macro-region with the broader macro-region of the EU. Although the European Union is already a supranational body, its implementation continues to remain on the borderline of international and supranational integration. Due to the terminology of European studies, this is a conflict primarily between an intergovernmental and neo-functionalist approach, although supranational integration may also be based on other theories. An analogous, though much less developed, process of macro-regional integration process may also be analyzed in the Union of South American Nations (UNASUR), the African Union (AU), the

Association of Southeast Asian Nations (ASEAN), the South Asian Association for Regional Cooperation (SAARC), the Cooperation Council for the Arab States of the Gulf (CCASG), the Arab League and other groups. Concerning the B&R Initiative, the very important organization is the Shanghai Cooperation Organization. This organization could, if developed, become the most influential because it includes China, Russia, India and other countries. Given the size and population of these countries, the organization encompasses almost a half of the world's population. It is a question if it will follow similar integrative tendencies of the EU and the UNASUR in the future.

The essential aspect of these integrations is the quality of living of the people in those macro-regions. The European integration has its roots in economic transnational tendencies which in recent decades have resulted in an ambivalent form promoting various legal arrangements adopting a problematic *lex mercatoria*, on the one hand; on the other hand, the EU legal standards of justice that limit contracts of this type. Just as the concept of integration in the European Union was rooted in international treaties that created a supranational body where intergovernmental powers remain strong, the Union of South American Nations (UNASUR) is a concept of supranational integration in politics, economics, finance, security, defense and other areas. It is based on rejection of foreign colonial meddling, as well as on the recognition of citizens in social and economic justice. In this constellation, a dual role may be played in particular by Brazil which is a developing country and also an internationally economically and relatively politically strong country within the scope of the BRICS countries. So far, Brazil supported the internal integration of Latin American based on solidarity, and on the other hand, reinforced the benefits to be gained from the status of a strong economy in global system. UNASUR as a whole largely follows this approach, at least in that it has formulated a normatively strong project of socially just society, but its implementation in conditions hardly ideal for development in the current global context will require a longer time.

Of course, there are also other roles of think tanks concerning the “16+1 Cooperation” and the B&R but I had to stress one if I wanted to explain it

a little more. The analysis of macro-regional characteristics of the “16+1 Cooperation” and the B&R and their mutual interactions in the global framework is essential for understanding the strategic significance of these projects in the global era. The macro-regions are the main players in the globalized world today. Policy papers, consultative discussions and other practices about these issues among academies, universities, and various local and state institutions, and macro-regional and global institutions are a basis of successful cooperation.

VIII. The roles and strength of CEECs, the Czech Republic in particular, in building the Belt and Road Initiative

The main role of CEECs countries in building the B&R is a macro-regional contribution from the specific part of Europe which experienced both the socialist and capitalist regimes. The ex-socialist countries had a practical contact with the reality of the Soviet Block for around 40 years, and now they learned their lesson from the contact with the European Union and its allies (while the most of them are EU members, the other ones are closely connected to the EU). It gives the macro-region of CEECs the specific identity which makes possible to understand both sides, i.e. advantages and weaknesses of both the arrangements.

This specific identity is undoubtedly a comparative strength in the European and global contexts, the strength which can enrich the B&R. The CEECs have the experience with market incentives and central planning, and also with private and public kinds of ownership. While the CEECs experienced them mainly separately in two distinct time epochs, these experiences also partly overlapped in practice. The joint experience of these aspects is partly a practical experience, and partly also a theoretical one. The time will make possible to get necessary distance in order to make a more objective evaluation of the experience.

As for the particular contribution of the Czech Republic to the B&R, it has its historical and contemporary aspects. The Czechoslovakia was one of the 10

most developed countries in the world between WWI and WWII, and it was one of the most developed ones also in the Soviet Block. However, there was a slower development in the 1970s and 1980s, and there was a slowdown after 1989 during the economic and political transformation as well. Nevertheless, the historical experience of the relatively high standard of living has created a motivation to try to develop more.

Involvement of the Czech Republic in the B&R was made especially by activities of the President of the Czech Republic Miloš Zeman. He has pursued overcoming unilateralism and developing a multilateral world order. While the previous epoch was characterized by developing connections with the Western countries, the President has kept the intensive connections with the EU and the USA and, at the same time, he has revitalized the contacts especially with China, and also with Russia and other countries. He is aware of the importance of the B&R, as it is evident from his sentences mentioned in his speech in the B&R Forum in Beijing in May 14th, 2017: “The One Belt One Road is a fascinating project, one of the most fantastic projects in the whole modern history.” He compares the B&R with the Marshall Plan developed after the WWII, and he stresses that the B&R have 12 times more financial expenses.

During and after the visit of the President of PR China Xi Jinping to the Czech Republic in March 2016, the Czech President's cooperation with China has been supported also by the three other most important political leaders according to the Czech constitution: Prime Minister, and also the Chairmen of both the chambers of the Czech Parliament: i.e. the Chairman of the Chamber of Deputies (the Lower House), and the Chairman of the Senate (the Upper House). Thus, it received the highest possible official political support.

The Czech Republic joined the B&R, and signed agreements on various activities within the B&R already in the previous time. In the B&R Forum in Beijing in May this year, the Czech Republic signed 22 projects. Other 16 projects will be prepared in the Czech-Chinese Investment Forum in July this year. They are a small but significant contribution to the big project of the B&R, and they create the beginning of other bigger projects.

Just to mention an example, the Czech President suggests an implementation of the dream of the famous person of the Czech history, particularly the Czech King Charles IV from the 14th century, and his followers: the dream to make a canal connection between the major European rivers Danube, Elbe, and Oder. It would be an ambitious project at the European scale. Of course, first, it would need detail analyses in order to satisfy necessary transport, energetic, and environmental requirements. The Czech project is similar to the Chinese project on the south to north water transfer (although the Chinese project is much bigger because it includes three canals in the project: the eastern canal, the canal across the north China plane, and the western canal).

It is necessary to stress that the Czech Republic is a relatively small country which can, however, play its relevant economic role in the B&R. Its strategic geopolitical position with its cultural heritage and strong academic tradition offers a big potential in cooperation also in the fields of research, innovation and education, concerning the humanities and the social sciences and also the natural and technical sciences in various think tanks at universities, the Czech Academy of Sciences, etc.

IX. The 16+1 Cooperation's promotion of the integration between the Belt and Road Initiative, China, and Europe

The strategic position of the CEECs in Europe is not exhausted by its unique geopolitical position in Europe but it also plays its specific role related to the European Union. Those CEECs which are the EU member states can coordinate their activities of the "16+1 Cooperation" also within the EU. Then, they can also promote the integration with the B&R by the means of the EU institutions. While the cooperation of China with the Western European countries is highly developed, the EU member CEECs have not yet developed its potential of cooperation with China within the EU. It can be improved.

The EU member CEECs can use various financial opportunities of the EU membership. Investment into infrastructure, be it transport, energy or

constructions, for example, can be co-financed by the European funds. As for these issues, the EU supports not only individual countries but also their connection and cooperation. Therefore, the building of infrastructure makes Europe more integrated, and, by doing that, it can integrate also the EU member CEECs with the B&R Initiative and China. Of course, such an integrative process can connect China also with other parts of the European Union beyond the CEECs.

The China-EU cooperation would also need a better monetary and financial system in order to satisfy requirements of increased cooperation. The cooperation of China with the EU, and especially with the CEECs, and also with Central Asia within the B&R Initiative should have a better sustainable system because Euro and also US Dollar have not been stable; they depreciated mainly after the global financial crisis, for example. Because of the problematic US currency and the US unsustainable state debt and economy, some countries already started thinking or even making to stop using the US Dollar. An inclusion of Yuan in the Special Drawing Rights program can open a possibility of redefinition of its role in the global financial sector. China's banking sector can be supplemented by other spaces by the special lending plan for supporting the B&R, as it was formulated by President Xi Jinping in the B&R Forum in Beijing on May 14th, 2017. It has been partly already done when the two states, which are also macro-regions (China and Russia), started using their currency for their mutual trade exchange.

One of examples of new challenges of cooperation can be also coordination of the industrial revolution 4.0 which relies on automation. Not so much labour in the EU and China will be needed in the near future, and the people will get an opportunity to have only 4 working days which will be probably introduced in the various EU countries around 2030. The coordinated approach to this issue can help avoiding chaotic social, economic, and political consequences of this empowering technological development.

The contribution of the "16+1 Cooperation" to the integration between the B&R Initiative and the European economy, society, and its other dimensions

is given already by the fact of the integration of the EU macro-region, including the EU member CEECs, as I described a role of macro-regions in the contemporary globalized world above when I analyzed the role of think tanks and other aspects of the “16+1 Cooperation” and the B&R. It would be important to include well educated people in Central Europe and other parts of the CEECs, and to stress a focus on research and innovation, including a better connection and cooperation of think tanks, etc. Support of research and innovation should, first, try to develop a communicative and research infrastructure of think tanks by analyzing the political, economic, societal, and cultural preconditions of the cooperation in the macro-regional, Eurasian and global frameworks. Therefore, it means analyses in the humanities and the social sciences in the Chinese and European academic institutions. The cooperation in research and innovation can be supported by various grants, funded either directly by China, the EU, the individual states of the CEECs or by various grant agencies. Such a focus on research and innovation would create a multiplication effect, and stimulate both the economic cooperation and also other kinds of cooperation between the Belt and Road Initiative and the European economy, as well as between China and Europe.

X. Conclusion: deepening of the comprehensive strategic partnership

China and the countries which form the original part of the European Union have developed their cooperation since 1975. The China-EU Comprehensive Strategic Partnership was initiated in 2003, and adapted to the new economic and geopolitical situation after the global economic crisis. As the China's 2nd Policy Paper on the EU on Deepening the China-EU Comprehensive Strategic Partnership for Mutual Benefit and Win-win Cooperation (April 2014) mentions “tremendous changes have taken place in China, the EU and the world as the whole” after the last decade. It included new forms of mutual interactions among the individual parts of the world which meant especially IT application in communication, production, trade, intelligence services, military

and other areas. It brought positive and also negative sides of the interactions. The big communicational and economic interdependence among the people made increased both the better understanding and peaceful development in some parts of the world, on the one hand, and on the other hand, also misunderstanding, destabilization of the whole regions, and war conflicts, including the problems in cyber security and drone attacks. It is necessary to solve the current problems, and avoid other conflicts in the Middle East, Africa, Central Asia, and the South China Sea, for example. The positive dimension of the interdependent world is that the world has become more multipolar.

China and the EU are in the process of specifying their up-dated way of cooperation in this context. Economically taken, China and the EU create together one third of the global economy. They are not in conflict relations, and have followed step by step long-term cooperation as a peaceful coexistence based on mutual recognition, interests, and benefits. If it is developed, it can have positive consequences also in the global framework. The CEECs can play a stabilizing role in this context. The global economic crisis did not hit the CEECs too much, and they are a peaceful place without any dramatic violent changes, in comparison to other parts of the world. There is an unused potential of the CEECs within the EU for cooperation with China. While China developed an intensive cooperation with the Western European countries mainly since its 1978 transformation, the CEECs were not involved too much in the cooperation.

It is a challenge also for the CEECs because the CEECs are able to recognise the position of China in the world. In the China-EU 2020 Strategic Agenda for Cooperation, the framework for cooperation in field of peace and security, prosperity, sustainable development, and people-to-people exchanges were formulated. In the Joint Statement on Deepening the China-EU Comprehensive Strategic Partnership for Mutual Benefit, it is supported by the statement: “China and the EU reaffirmed their commitment to deepening their partnership for peace, growth, reform and civilisation, based on the principles of equality, respect and trust”. The Strategic Agenda is in a full correspondence

with aims of the cooperation between China and CEECs within the “16+1 Cooperation”, including the above mentioned focus on innovation: “Reinforce cooperation on science, technology and innovation, involving industry, universities and research institutes, so as to tackle common challenges; complement mutual strengths and deliver win-win results”.

Deepening of the China-EU Comprehensive Strategic Partnership in Central and Eastern European countries have to reflect seriously the global framework in which the CEECs and China interact not only with each other but also with other macro-regions. The friendly and power relations with other macro-regions create a relevance and specification of roles of the CEECs and China in the world, and indirectly also with each other. And also on the contrary, a China-EU Comprehensive Strategic Partnership can have its global influence. It can make possible full play of the synergic potential of the “16+1 Cooperation” and the B&R.

Overcoming one-sided unilateralism and Westcentrism, think tanks are expected to pursue multipolar world which requires not only dialogue based only on two partners but also poly-logue based on more partners, i.e. on multipolarity. We need also a transpolar world which would contain global governance based on a transformation of the UN in order to avoid conflicts and wars, and to reach higher quality of living of the people and global prosperity.

16+1 Promoting Belt and Road Initiative: Challenges and Potential Policy Responses

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Introduction

This essay is concerned with the prospects of synergizing China—Central and Eastern Europe Cooperation Framework and the Belt and Road Initiative. It surveys European responses to 16+1 and BRI in order to identify the key obstacles standing in a way of a deeper engagement between Central and Eastern Europe and China in the context of these initiatives. Developing stronger horizontal links among the European members of 16+1, ensuring support and participation of the EU, and further diversifying China's policy and communication tools are identified as the priority-level objectives to be pursued in order to facilitate more productive engagement. The essay concludes with suggestions on how to achieve these objectives.

The relationship between the Central and Eastern European states and China has made significant strides forward in a relatively short span of time. While positive trends in economic exchange were observed for a number of years preceding establishment of the China—CEE Cooperation Framework (Also known as, and hereafter referred to as, 16+1) in 2012, the overall scope and depth of the relationship has been substantially scaled up during the following 5 years. Since 16+1 aims at a comprehensive development of ties between China and 16 participating states from Europe, it has facilitated intensive consultations, exchange and cooperation on numerous fronts and levels well beyond trade and investment, though economic considerations retain the central place in the calculations of both China and participating European countries. Many initiatives within the framework have taken institutionalized

and policy forms, bringing into existence a network of relationships between seventeen participating countries that did not previously exist. Simultaneously, 16+1 has also significantly contributed to a much livelier bilateral relations between China and sixteen Central and Eastern European (CEE) states, and as such has played a guiding role for the relationship between China and the individual CEE countries. Hence, 16+1 now potentially serves as an important resource for all members of the initiative.

Since 2013, however, the Belt and Road Initiative (Hereafter BRI) has emerged as the conceptual and policy framework that guides China's foreign relations in the greater Eurasian region, including CEE. BRI rests on five pillars, namely infrastructure development, policy coordination, trade facilitation, financial integration and people-to-people exchanges along the broadly defined corridors stretching from China to Europe via land and sea routes. CEE region and 16+1 occupy an important place within BRI.

For one, the CEE region is a geographical point of entry of the BRI logistic corridors into Europe, and both land-based and maritime corridors traverse over parts of CEE once they reach geographical borders of Europe. Various transportation and energy infrastructure projects delivered or under discussion between China and several CEE countries respond directly to the infrastructure connectivity pillar of BRI. Furthermore, two larger initiatives formulated in the context of 16+1—namely, “China Europe Land-Sea Corridor” and “Three Areas Seaport Cooperation”—further establish CEE region and the CEE individual countries as having an important role to play within BRI.

Furthermore, 16+1 is an embodiment of BRI's other pillar-policy coordination. Although most, if not all, of the early initiatives, mechanisms and measures established under the framework have been introduced by China, 16+1 has been increasingly serving as a place where there are ongoing communications, consultations and deliberations about how the existing policies can be refined and new ones put in place. In addition to the “track one” diplomacy and meetings and events attended by official representatives

of seventeen involved countries, the “second track” exchange involving the think-tank and research force has played an important role in this regard by providing space for communication and discussion of policies and related preferences and concerns. In terms of the tangible outcomes of policy coordination “on the ground”, the agreement on customs procedures between Macedonia, Serbia, Hungary and China signed in 2014 offers an example. Others include various developments related to the formulation and alignment of broader policies and measures—as diverse as, for example, “Three Areas Seaport Cooperation”, the commitment to expand the scope of agricultural exports from CEE to China, or official declarations of support for BRI by the CEE countries, to name just a few.

16+1 relates well to the remaining three priority areas defined by BRI. Improving infrastructure connectivity and policy coordination is expected to result in growth in trade, deeper financial cooperation (if not integration) and growing people-to-people exchange (both officially-sponsored and unofficial, such as those expected to be brought about by increasing trade links or tourism between China and CEE). Furthermore, various measures, initiatives and priority areas defined through the workings of 16+1 also directly respond to the priorities defined under BRI.

The brief analysis above suggests that 16+1 and BRI are fully complementary and mutually reinforcing initiatives. From a functional perspective, 16+1 can be understood as a means of delivering BRI. Therefore, the challenges to synergy of these two initiatives do not lie in their design: simply put, there are not any conflicting objectives, or mechanisms and policies put forward within these two initiatives that might work at cross-purposes with each other and hence have a negative effect on the potential for policy and “operational”-level synergy of 16+1 and BRI.

On the contrary, as the following two sections will argue, the challenges relate to a mix of factors, which cumulatively significantly diminish the likelihood of committed and effective participation of the European actors in these initiatives.

CEE and the EU' s initial responses to 16+1 and BRI

Prior to the establishment of 16+1 , the relationship between the CEE states and China was overall underdeveloped, diplomatic interactions few and far between, and geographical distance coupled with a lack of knowledge and information about each other. By providing a general policy and institutional framework for developing CEE-China relations, the establishment of 16+1 marked the first milestone in the development of the China-CEE relationship. As of recently, sheer number, depth and high visibility of diplomatic activities, policy debates, and concrete measures undertaken in relation to 16+1 and BRI in the CEE capitals and Brussels alike testify to the increasing importance attached to these initiatives across the continent. Media coverage has also been growing accordingly. This growing interest suggests that the second milestone has been reached: these initiatives are now understood as among the key “areas” of Europe’ s relationship with China, and as such indicate that the overall “climate” favours further engagement.

However, the “rules of engagement” have not been settled yet—Europe is still coming to terms with these initiatives and possibilities implied in them. So far, initial European responses to both 16+1 and BRI have been uneven across the continent, often incoherent, and occasionally contradictory. For the prospects of synergizing 16+1 and BRI, much will depend on the ways in which the CEE countries themselves and the EU define their interests and priorities and set their position and policies in relation to 16+1 and BRI. The following paragraphs survey the current state of the debate about engaging China through 16+1 and BRI in the CEE countries and the EU.

Some of the Central and Eastern European countries have immediately responded to 16+1 and BRI and prospects of building closer links with China very enthusiastically. Others have increasingly come to accept over the last few years that to engage China is both inevitable and potentially beneficial. Official rhetoric across the CEE region toward 16+1 has been positive and high-level exchanges on bilateral and multilateral level have been increasingly

frequent. There is an upward trend in various aspects of economic, political and people-to-people exchange. CEE countries have also embraced BRI with positive rhetoric, with several of them committing further by signing related Memorandum of Understanding.

While this reveals an interest in forging closer links with China, there are deep concerns and reservations about these initiatives in some quarters of CEE. These concerns and reservations relate to the perceptions that China has prioritized developing aspects of relationship that play strongly to China's strategic goals and which are at odds with the strategic interest of CEE region; that China's policies neglect preferences and 'needs' of the CEE region; that 16+1 is not a suitable platform to push forward the relationships of individual CEE countries with China; that so far the tangible outcomes of the attempts to deepen cooperation under 16+1 has been underwhelming; and that prospects for changing such a predicament are bleak. The similar questions have been aired regarding BRI.

On the other hand, the EU has not positioned itself clearly toward both 16+1 and BRI. Regarding 16+1, the silence maintained on official level has been coupled with a deep dissatisfaction with the fact that China established its own multilateral framework in Europe. Regarding BRI, the positive rhetoric about its potential to benefit the Eurasian region has been coupled with a series of measures seemingly aiming to facilitate cooperation and coordination with China on implementation of the initiative. To mention just a few, in 2016 China has become a member of EBDR while many EU member states have joined Asian Infrastructure Investment Bank; loan programmes have been established for private sector in Balkans to facilitate their participation in China-backed projects in the region; and both at the member state and the EU level "connectivity platforms" have been established to explore means for EU-China synergy in areas identified as priority by BRI and the Juncker Plan. Yet, lack of substantial progress over the last year in finding suitable operational modalities for a coordinated, if not synergetic, approach has been accompanied with the concerns about the implications of BRI for the fortunes of European economy

and politics and the broader context of the EU's relationship with China.

A list of specific concerns habitually aired in expert discussions and media within CEE and Europe, as well more broadly in the so-called "West", about 16+1 and BRI is long and the comprehensive overview is well beyond the scope of this paper. However, a few major themes are easily discernible in existing views on and analyses of both 16+1 and BRI.

First, there are questions about China's strategic intent. Dominant perceptions have been shaped by the concerns about whether China pursues a 'money for influence' or 'divide and conquer' strategy. In this view, widespread in policy circles, a purpose of 16+1 is to create conditions for China to leverage its economic might to ensure support of the CEE countries for its own goals, either on the level of the individual CEE states or by influencing the decision-making of the EU.

Second, questions are raised about the limits of complementarity between 16+1 and BRI and the interests of CEE countries and the EU. Both initiatives are often understood as ultimately serving as outlets for Chinese manufacturing and capital with an end goal of increasing Chinese exports to Europe and acquiring valuable assets and—although mainly in the case of developed European countries—advanced know-how and technology. This is aggravated by the lack of "equal opportunities" for Europe in China — many industries in China remain closed for participation of foreign enterprises, the government procurement is directed toward domestic enterprises, and the access to Chinese market is limited due to the preferential and protective measures extended to Chinese businesses.

For CEE, an additional problem is posed by the non-familiarity of consumers in China with products from the region, a situation that seriously restricts opportunities for accessing and profiting from China's market. Furthermore, this issue is perceived to require (too) long time and sustained efforts to rectify even if there is willingness on China's behalf to address it, which is also often questioned. Hence, the trade deficit CEE has with China is likely to grow in the future, pouring salt in the existing wound, since the trade

imbalance is identified as a significant problem in many analysis concerned with China- CEE relations.

Furthermore, there are concerns whether developing economic relationship according to the blueprint offered by China through 16+1 and BRI is beneficial for the CEE countries and the EU, even if assessed on its own and without reference to the broader context of economic relationship between Europe and China. On the positive side, it is recognized that the emphasis put on infrastructure development under 16+1 and BRI in principle shares much in common with the EU' s Juncker plan, as well as fits well with priorities of several CEE countries. However, attracting direct investment in greenfield and brownfield projects is regarded as the priority by many within 16+1 . At the same time, there is discomfort about the state ownership of most important and active companies involved in the CEE region, and whether the projects they are involved in are motivated by political calculations of the type described above rather than based on a sound economic approach.

Thirdly, there are concerns about the Chinese enterprises' commitment to uphold EU' s legislation and technical standards, and whether they have know-how to deliver large-scale projects. The failed highway project in Poland has been understood as a warning sign, while there are growing concerns that the *modus operandi* of China-backed projects is falling short of meeting EU rules and standards as these projects tend to be structured around tied loans, noncompetitive interest rates, and Chinese labor force, therefore not only failing to comply with EU' s rules for government procurement but also failing to contribute a "real value" to local economies.

Fourthly, there are questions about whether the 16+1 format is an adequate platform to shape relations between China and Central and Eastern Europe. This concern is shared by China and CEE countries, and relates primarily to the "fragmented" nature of Central and Eastern Europe "block" within 16+1 . According to many opinions in CEE, the differences between the 16 countries are too significant for them to be able to identify common interests and areas for close cooperation (and by extension, a joint approach to China). On

China's side, such fragmented CEE is perceived as an impediment for the implementation of regional approach that favors large-scale projects, bigger markets and integrated developmental agenda, all supported by the commitment and support at the state level—all of which is difficult to achieve without firm cooperative relationships among the sixteen countries in Central and Eastern Europe.

Overall, positive rhetoric, more frequent and diverse ways of engagement and a number of affirmative policies and measures undertaken by the CEE countries and the EU suggest that there is interest on the continent in both 16+1 and BRI and that the doors are open for dialogue about specific ways to move forward with both of these initiatives. However, positive public diplomacy and participation in multilateral and bilateral mechanisms under 16+1 framework are widely perceived to have resulted in an underwhelming number and suboptimal type of cooperative arrangements and tangible outcomes, which together with the concerns about the purpose and modalities of cooperation envisioned under 16+1 and BRI prevents constructive and committed participation of the European actors in these initiatives.

Bottlenecks for developing China-CEE relations through 16+1 and BRI

The concerns outlined above are expected to continue to shape considerations and actions of European actors to a significant extent if left unaddressed. It is beyond the scope of this essay to engage in the discussion and evaluation of these concerns in order to determine whether they are based on informed and comprehensive analysis. However, for what this essay sets to achieve, such analysis would be beside the point. The significance of these concerns lies in the fact that they contribute to the formation of the general context of both CEE and the EU's relationship with China and to a great extent inform policy-making in Europe, including toward 16+1 and BRI.

In relation to these concerns, three bottlenecks have formed at each side

off the triangular China-CEE-EU relationship. The first relates to a lack of enthusiasm and commitment, as well as coordination and cooperation, on the European side of 16+1. The second concerns reluctance of the EU to extend support to 16+1 and BRI. The third concerns appropriateness of China's communication and policy tools backing these initiatives.

The following paragraphs aim to illustrate and explain how these bottlenecks impede deepening of ties under the 16+1 framework and prevent establishment of a constructive and effective environment for implementation of BRI.

16+1: Suboptimal levels of commitment and horizontal coordination

The concerns outlined in previous section to an extent diminish the enthusiasm for active participation in 16+1 and BRI, and therefore prevent full commitment of the European states to these initiatives and for achieving related objectives. To offer examples, a consultative event organized in Poland in 2016 under the auspices of 16+1 on the topic of China's investments in CEE was attended by delegations from only five European members. More recently, only delegations from ten CEE countries, many of which sent lower-ranking personnel, participated in a high-level trade-focused event held in Ningbo. Therefore a vicious circle is being formed-lack of enthusiasm translates in inferior levels of participation in related mechanisms, which results in less-than-optimal outcomes, which leads to lower levels of commitment, which in turn translates into lack of enthusiasm for more intensive and substantial engagement.

Lack of horizontal links and consultations among the members of 16+1 is equally damaging for the prospects of these initiatives. 16+1 and BRI envision a path to regional economic development that combines various tools within a broader development agenda, involving infrastructure development, loans and additional investment, facilitation of trade, and integration with other markets. Such approach is believed to offer best prospects not only for local economies, but also China's economic interests. However, this "holistic" approach works

best within the trans-border setting that could provide the economies of scale and improve prospects of financial returns—something individual countries in CEE can hardly offer on the individual basis and without pooling together their resources and coordinating their policies where appropriate.

EU: Unsupportive policies and measures

The EU does not speak “with one voice” and the positive rhetoric and some proactive measures by some stakeholders, as described above, are balanced by the non-cooperative and occasionally hostile responses to 16+1 and BRI, as these are more widely perceived to threaten some of the EU’s core political and economic interest. Concerns about economic and geopolitical ramifications of 16+1 and BRI have been increasingly coming to the fore in the recent months in the EU, and resulted in a series of policies and measures that aim to ensure these interests are protected.

To provide an example, reciprocal market access has been voiced increasingly loudly as the key obstacle to considering cooperation with China. Regardless of overall political and economic trends and the structural incentives which these may offer for closer cooperation between China and the EU, it is unlikely that the EU will agree to grant the privileges to China and Chinese enterprises—such as the participation of China’s enterprises in government procurement projects in Europe—which the enterprises from the European member states do not enjoy in China, except possibly on the case-by-case basis. The investigation of the terms of agreement for the Hungarian section of Belgrade-Budapest railway concerned with their compliance with the EU rules on public procurement and technical standards illustrates how the EU’s concerns play out on the ground and impede progress of the projects relevant for 16+1 and BRI.

More recently, there have been calls to regulate Chinese investments in Europe, which would have ramifications for the prospects of pushing forward economic agenda under 16+1 and BRI, by not only preventing some investments from China, but also possibly making any prospective positive policies extended to Europe, including many CEE countries, for access to China’s

market less likely. It remains uncertain whether such policy will be enacted on an EU level or a level applicable to the members of 16+1. Of note, Germany has recently tightened the related rules, and will reportedly call for a similar European mechanism, while the Western Balkan states have been prompted to synchronize the relevant investment policies with those of the EU through the Berlin process. This will potentially make the investment from China in the whole of the CEE region in the future less likely. Already, the very fact that there are such deliberations taking place will likely adversely affect the CEE countries' commitment to working through 16+1 and in the context of BRI.

The perceptions that these initiatives are not really structured in a way to produce 'win-win' outcomes are coupled with the doubts about the strategic intent of both 16+1 and BRI. The decision of the EU's 28 member states not to support a statement about trade to mark the end of the Belt and Road Forum for International Cooperation, apparently as a number of concerns that had been raised by the EU with the Chinese government were not incorporated into the draft text can be seen in this light. Overall, these 'non-cooperative' policies reflective of the doubts and concerns on the EU side create a significant obstacle to substantiating cooperation on 16+1 and BRI.

China: Limits of existing policy and communication tools

The existing concerns and the impact they have on the response of CEE countries and the EU toward 16+1 and BRI have been easily observable for as long as these initiatives exist. In fact, some of the measures brought about or announced within 16+1 and BRI have aimed to remove these concerns or address them head-on. These include, among others, the inclusion of the EU's representatives in some dialogues of 16+1 and various public diplomacy efforts (such as, for example, statements aiming to clarify to Brussels that 16+1 is not an anti-EU plot); "Three Areas Seaport Cooperation" initiative; attempts to ease export of agricultural produce to China from CEE and increase tourist flows the other way; establishment of permanent trade "stations" for CEE countries in Ningbo, or floating of the ideas to create sub-regional groupings to facilitate

multilateral cooperation within China and those CEE states which have similar characteristics in some important regards. These measures have all been (at least) to an extent a response to these concerns and to what have been suggested by the CEE countries and the EU to constitute a desirable and positive course of action. The planned Import Fair under the BRI framework can be understood as a means of addressing concerns that BRI will balloon trade deficits of the countries along BRI route, including in CEE, with China.

However, there is widespread conviction that China has not as of yet addressed—or at least, has not *convincingly and successfully* addressed—some of the most salient concerns, specifically those related to strategic goals of 16+1 and BRI, trade and (lack of) investment, reciprocity of market access, and overall business “model” and political economy of economic activities in CEE, Europe and the areas along the BRI corridors. The perceived rigidity of policies put in place to facilitate economic exchange under 16+1 and BRI favoring only some policy areas, tools and actors—such as infrastructure development carried out by the Chinese state actors excludes areas of cooperation that are seen as desirable by the CEE countries, while favoring those that are perceived as incompatible with their interests. This seriously limits the potential for deeper economic engagement.

Furthermore, much of China’s public diplomacy gets lost in translation, both literally and metaphorically speaking, as well as lacks in detail. For example, the concepts such as “Three Areas Seaport Cooperation” and even BRI at often thought to be insufficiently elaborated, while the concept of “Industrial capacity cooperation” is linguistically formulated in a way that sounds both foreign and too technical that is unlikely to catch attention and prompt deeper reflection. This results in low level of recognition and understanding of these concepts among the general public as well as research and policy circles in Europe.

These gaps in policy and communication strategies not only adversely impact prospects of deepening engagement on their own, but also contribute to and even enhance existing perceptions and concerns in CEE and EU, and reinforce the bottlenecks formed by their concerns about 16+1 and BRI as

outlined in the preceding paragraphs above.

Reinvigorating China- CEE cooperation under 16+1 and BRI

The previous sections of this essay outlined the main concerns in Europe regarding 16+1 and BRI and how they affect responses of the CEE countries and the EU to these initiatives. The analysis identified three bottlenecks that are formed within such a context, and which pose as obstacles to achieving a cooperative climate and promoting measures necessary for deepening exchange and coordination.

Moving forward, a priority should be given in devising adequate solutions to overcome them. As these bottlenecks in effect reinforce each other, they (and concerns which form them) would be best tackled simultaneously and with priority in order to improve the overall environment within which 16+1 and BRI are embedded. The following paragraphs aim to offer preliminary thoughts on the possible course of action that China, as the engine behind 16+1 and BRI, could take to create circumstances that would blow a fresh wind into the sails of China's relations with CEE and the EU.

Widen and re-prioritize policies put forward under 16+1 and BRI.

On the policy level, areas such as tourism, establishment of industrial zones with some participation of China's private sector, or preferential trade policies—where the benefits for the CEE countries might be immediate and direct and more easily observable should be pursued with greater vigor. On the project level, while Chinese government and enterprises have already shown readiness to participate in public tenders and public-private partnerships, further emphasis on adherence to local regulations, transparent standards and procedures, financial feasibility of the projects, and their contribution to the local economies would alleviate some of the gravest concerns about economic, financial and political implications of China's economic involvement in the region.

Enhance efforts to create consensus and commitment within 16+1 .

The “course of action” should be created through extensive consultation and analysis by all involved parties. Establishing both “first track” (at appropriate level) and “second track” working groups that would be tasked with producing blueprints and recommendation for policies, both broad and specific (i.e., sectoral or issue-related), within a reasonable time frame, could provide a path to identifying common ground, building consensus and further deepening mutual trust. The proposals produced in the “second track” working groups could be made public and distributed to policy makers on all sides, with a view of producing 16+1 level policies where possible.

Encourage horizontal cooperation of 16+1 members.

The above measure can also contribute to a more lively and efficient “working relationship” between European members of 16+1 by creating suitable opportunities and environment for deliberation. Furthermore, the trans-border projects should be firmly put on the agenda and emphasized in official communication and mechanisms. Working groups tasked to explore, identify or develop such projects could be formed, and possibly attached to the sectorial cooperation mechanisms established under 16+1 . This would further enhance the role and impact of these mechanisms and at the same time strengthen horizontal linkages among the sixteen European countries.

Seek engagement and common ground with the EU.

The EU could be formally invited to have a role within the 16+1—as an observer or even as full member. While it is sometimes claimed that “Brussels does not have a mandate to represent just 11 but (should represent) all (EU member states)”, there are many other examples where the EU has representation in the multilateral setting alongside selected individual EU members (such as for example within the Development Assistance Committee under the Organization for Economic Cooperation and Development (OECD), or OECD itself.

Furthermore, already identified commonalities in the EU and China's policies toward the CEE region (of course, where these are welcomed by CEE states themselves), should be built upon toward a limited-scope cooperation, as comprehensive synergy is likely to be out of reach at this time due to the complexity, the sheer number and significance of the existing issues.

There is no shortage of possible routes to explore. For example, the European Parliament Research Service's briefing published in July 2016 proposes that EU's "existing policy tools and strategies, such as the European Neighbourhood Policy (ENP) and the EU Maritime Security Strategy, could be linked with B&R and [it should be considered] how this strategic alignment could feed into the EU's new Global Strategy for Foreign and Security Policy".

Both the EU and China wish to see improvements in various sorts of infrastructure across the European continent, increase investment inflows into Europe and trade volume. The EU—China Connectivity Platform—referenced as potentially being a 'turning point' in above-mentioned report—and relevant 16+1 dialogue mechanisms (with participation from the EU) can be utilized to discuss and (hopefully) forge an agreement on how to channel Chinese participation in the CEE and broader European regions in the context of 16+1 and BRI in a way that is suitable for all stakeholders.

The non-EU part of CEE offers opportunity for synergies as well. This has already been noted by some important stakeholders. For example, the so-called Berlin process has called for the synchronization of policies and legislations, while focus, together with the new funds made available, has been put on the development of transportation and energy infrastructure. Due to the lack of full membership of these countries, there is possibly some latitude in policy design available to these countries in terms of economic engagement with China. One way forward might be a quota system—facilitating some investment from China to enter the region or be used for trans-border projects (as in case of the Belgrade-Budapest railway) that are part of the EU-designed plans in return for similar arrangements for European enterprises in China. More broadly, the

sub-region might serve as a testing ground for some aspects of the EU-China Bilateral Investment Treaty where some of the adjustments and policies under negotiations are tried and assessed in the process.

Further efforts could be made to promote and utilize the concept of “industrial capacity cooperation” , and proceed via pilot projects identified and then delivered under a trilateral arrangement by the group of 16 European countries (or some of the individual countries within this group), China and the EU. This may appeal to Brussels as an appropriate way to engage China, but also ease her into the rules and norms existing in European markets, while at the same time dispelling fears about the “zero-sum game” nature of China’s economic diplomacy.

Finally, concerns related to the market access could be addressed more resolutely, as they are among the main reasons why the EU is reluctant to embrace BRI. Shortening of the negative list for investment on the trial basis is a good signal, but likely insufficient to prompt Europe to adopt a more cooperative attitude toward Chinese economic ambitions in the CEE region and Europe. Broader application of this or similar measures is therefore desirable.

Improve communication.

To dispel existing concern, China should actively seek to communicate its position through authoritative official documents, which would explain the motivations and goals it hopes to achieve in relation to 16+1 and BRI. A document summarizing China’s position on 16+1 could be published as a white paper or in other authoritative form. The fifth anniversary of 16+1 offers good opportunity to produce such a document. Additionally, concepts and plans related to 16+1 and BRI should be advertised with greater clarity and detail to be more palatable to European audiences and policy-makers.

Furthermore, 16+1 countries should seek continuous communication on all levels between all stakeholders which would acknowledge the existing differences and insufficiencies and tackle them directly and constructively. Further strengthening the role of consultative mechanisms under 16+1 and

BRI, as well as pursuing engagement on the bilateral level, is therefore also of crucial importance.

By addressing some of the main existing concerns, adopting these policies is certain to send a positive message about China's intentions related to the 16+1 and BRI. It will also provide incentives for CEE and EU to reciprocate. Indeed, to create a new momentum for 16+1 and BRI, these policies must be followed by a set of adjustments on the side of the CEE countries and the EU that would embody good—will and commitment to tackling differences and pursuing opportunities in a constructive manner. The impetus for such adjustment, judging by the analysis above, might be best provided by a signal China—as the driving engine of 16+1 and BRI—would send by adopting some of these policies.

16+1 China-CEEC Cooperation Platform Promoting Belt and Road: Opportunities and Challenges

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1. Evolution of China's Development Path

In the course of 35 years Deng Xiaoping's modernisation reforms have transformed China into one of the world's centers of gravity (the second largest economy contributing some 40% of to global economic growth, holder of the largest foreign currency deposits [with Renminbi included in IMF reserve foreign currencies basket], the leading export country, with its own advanced space program, third largest exporter of modern weaponry after the US and Russia). Furthermore, Beijing's permanent seat in the UN Security Council and its formidable conventional nuclear armed forces, clearly demonstrate why China no longer can be considered just the "shy dragon". Experts are unanimous on the assumption that Beijing will be assuming greater responsibility on matters of global peace and security. However, unlike other great powers China has been reinforcing its influence regionally and worldwide not through ideological doctrines, military alliances or conventional geopolitics but mainly through "soft power" instruments (engaging in pragmatic bilateral and multilateral political, economic, cultural, humanitarian relations with other countries based on respect for sovereignty, developmental and foreign policy choices and non-interference in internal affairs, as well as respect for WTO, and especially the role of the UN). In return, Beijing expects countries to reciprocate in the same fashion. This includes accepting Chinese sensitivity towards human rights criticism and avoiding any official meetings with the Tibetan Dalai Lama. Beijing is particularly uncompromising towards any state entering into official relations with the region of Taiwan in violation of "One China" policy. This is precisely the "red line" which no one is allowed to trespass.

Deng Xiaoping's reforms [which includes also period of governance of the next three Chinese presidents-Jiang Zemin (1992-2002, Hu Jintao (2002-2012) and Xi Jinping (2012 onwards)] have come to a certain cost for China. Rapid industrialization has made the economy too energy dependent and levels of air pollution and land erosion (due to over-cultivation) are reaching record highs. The export driven economy has made the country too dependent on the volatility of the foreign markets. These factors have geared China into a new set of strategic modernization and adaption under the leadership of Xi Jinping. It seems that China's future economic and social development will rest upon the accomplishment of three main goals: a) full integration in the global industrial chain, value and logistics (putting emphasis on quality sustainable development, environmental protection, promoting R&D investments, expanding the country's middle class by boosting its purchasing power and domestic demand, persistent reduction of poverty levels through further urbanization); b) addressing the problem of overcapacity in domestic industrial economy by export of capital and technology investments abroad; c) promotion of economic globalization (e.g. by further opening up to the world).

2. B&R and 16+1: China's Principal Foreign Policy Instruments

Implementation of China's new developmental goals called for formulation of innovative foreign policy approaches. It is in this context that B&R and 16+1 have emerged as principal instruments of China's foreign policy during the second decade of the XXI century.

B&R is China's response to the era of globalisation (characterized by increasingly interconnected and multipolar world). It rests on re-thinking of the Chinese ancient/medieval "Silk Road" paradigm of economic and cultural interaction with the outside world. XIII century was marked by Chinese military, economic and cultural expansion during the Great Kublai Khan (founder of the Chinese-Mongolian Yuan dynasty). It was at that time China's shipping and merchant routes to Europe via Central Asia, Middle East and

the Black Sea were traversed by the Mongolian traveler and diplomatic envoy Raban Bar Sauma. It was Bar Sauma who encountered the Roman Pope Nicolas IV and reached out to influential West European rulers at that time. Modern B&R gradually evolved into a grand strategic vision. It was officially articulated during Xi Jinping's visits to Kazakhstan and Indonesia in 2013. Similarly, the practical dimension of B&R began to take shape a decade before its articulation [with the construction in 2001 of the Lianyungang-Rotterdam rail line (10900 km) which improved China-Europe freight transportation]. B&R strategy revolves around creating intercontinental connectivity (Asia-Europe-Africa) by establishing land, maritime and air based transportation networks (high speed train connections, shipping routes, construction and rehabilitation of sea and river based port infrastructure). But B&R is more than just a transportation connectivity. In the broader terms B&R is intended to be the springboard for increased trade, scientific, educational, technological, intercivilizational exchange along new Silk Road routes. Thus B&R strategy carries obvious geo-economic and geo-cultural implications. Given massive manufacturing overcapacity of considerable number of Chinese state run enterprises, as well as real estate bubble and environmental pressures, China seeks new economic engines. Since B&R focuses on infrastructural development, it would hence provide the state owned Chinese sector with new construction markets along the Silk Road routes. From a domestic point of view B&R's land based direction should also help socio-economic development of a number of inland Chinese provinces. However, Beijing does not want B&R to be portrayed as a one-way street. Adopting such an internal strategy, China expects interested states along Silk Road corridors to come up with their proposals on how to implement further initiatives. B&R's success is very much dependent on its synchronization with other regional geopolitically viable projects (in particular, "EU-China Connectivity Platform", "Eurasian Economic Union", Kazakh driven "Bright Road", Mongolian "Steppe Road", South Korean "Eurasia Initiative", to name a few).

Beijing's friendly relations with Central and Eastern Europe date back

to late 1940s. Although these relations have been forged under a different historical and geopolitical context (when most the CEEC were part of the socialist integration area), they are bringing added value and trust to the current status of China-CEEC relationship. Bulgaria was the second country to recognize New China, a highly valued fact in the history of our bilateral relations. In 2014 the two countries marked the 65 anniversary of establishing diplomatic ties, which was celebrated by a state visit of the President of Republic of Bulgaria Mr. R. Plevneliev to China.

In conjunction, the Chinese leadership has acknowledged the geopolitical importance of an emerging integrated Western Europe by the end of China's Cultural Revolution which resulted in the establishment of diplomatic/political relations with the European Commission in 1975. The signing of a trade and cooperation agreement with the EU in 1985 (at that time acting as European Economic Community) may be considered as a significant stage in China's relations with Western Europe. EU-China relations have undergone ups and downs, but in the end have matured to a strategic partnership by 2003. The China-EU 40th anniversary summit in 2015 has identified substantial progress in political, economic, social, environmental and cultural spheres of relationship.

Beijing began recalibrating its policy approach toward CEEC after 2010. In Chinese strategic thinking the CEEC forms a distinct geographical region within the EU. The region is considered a springboard for Chinese positioning in the West European geopolitical and geoeconomic domain. Beijing has formulated an autonomous policy approach towards CEEC. In response, China gathered all 16 CEEC for a high level meeting in 2011 in Budapest, and a year later the 16+1 China-CEEC cooperation process was officially launched at the Warsaw summit. Brussels approached 16+1 rather reluctantly, accusing Beijing of undermining EU unity by rule and instigating divide tactics. Germany is particularly suspicious of Chinese strategic intentions towards CEEC despite Beijing's reassurance and intention to develop relations with CEEC within the framework EU-China strategic partnership and in line with the common EU laws and regulations. Berlin finds it difficult to comprehend why China sets up a cooperation platform

with a regional grouping from which 11 partner-countries are part of the EU. China insists “16+1 Cooperation” process is in the interest of the Union. 16+1 Guidelines, including Suzhou Medium-Term agenda (produced during the high level China-CEEC meetings) have continuously emphasized that China-CEEC cooperation process seeks synergies with EU China Comprehensive Strategic Partnership (incl. EU-China Connectivity Platform). Chinese trade and investments could boost economic growth in the CEEC. This in turn would help narrow the economic gap between West European countries and Eastern newcomers, and promote a more balanced economic development in the EU. China considers legitimate to build up relations with CEEC as freely and sovereignly as it does for instance with France, Germany, Great Britain, Italy, etc.

16+1 brought new momentum to China’s positioning in Europe. China-CEEC summits have outlined the areas and mechanisms of cooperation. China-CEECE platform has matured within a period of 6 years into a pragmatic wide-ranging cooperation in the sectors of trade, finance, industry, agriculture, forestry, energy, environmental protection, science and technology, culture, education, media, tourism, sports, and health care. China emphasizes the equality in the political dialogue, benefiting from mutual advantages and moving away from zero-sum options (winner takes all mentality). Beijing gave up the initial idea of setting up a 16+1 permanent secretariat. Instead, the China-CEEC platform shaped up as a loose institutionalization in the form of the so-called associations of sectoral cooperation. Associations constitute mechanisms for policy coordination in respective cooperation sectors. One can identify the interest of a particular CEE country within the 16+1 platform by the association that has chosen as host to coordinate. Sectoral cooperation forums have helped intensification of China-CEEC contacts at a level of local authorities (where China represented by provincial governors), business communities, think-tanks and policy research institutes, to name a few. Since the China-CEEC cooperation process affects interests outside the regional format countries like Greece, Austria and neutral Switzerland have joined 16+1 as observers. The EU is also represented at the summits by the EU Commission. The China-CEEC summits is where 16+1 decision-making happens. Adopted guidelines

and agendas are doctrinal instruments of 16+1 decision-making. Conversely, at the Suzhou summit the seventeen leaders outlined a clear direction and forms of cooperation until 2020 in medium term agenda, and 16+1 Riga summit apart from guidelines also produced a declaration.

3. Synergizing B&R and 16+1 at the Level Concept and Principles

B&R and 16+1 share a common philosophy and principles of cooperation. Beijing's perspective is that they are based on transparent, inclusive, and win-win approaches (opposed to zero-sum geopolitics). Both are based on respect for sovereignty, non-interference, no political conditions attached. B&R and 16+1 share a high level of pragmatism. Each CEE country should decide to what extent and form to participate in both initiatives. 16+1 has a regional focus while B&R is global in scope. China regards 16+1 as a natural continuation of B&R in the European context. On the one hand, six years of existence have helped 16+1 to be well structured in terms of areas and formats of cooperation, levels of interaction and mechanisms of policy coordination. B&R, on the other hand, has still a long way to go. China's initiated high-level B&R Forum for International Cooperation (BRF) held in Beijing, 14-15 May 2017 is subject to further observation. The event which gathered national delegations of some 130 countries (incl. 29 heads of states), heads of international organisations (incl. the UN Secretary General, the president of the World Bank and the director of IMF) was designed to be a stepping stone in the realization of B&R (the next BFR summit is planned for 2019). Until the next BRF (2019) B&R's operability will be maintained by an Advisory Council and a Liaison Office. In this respect an institutional coordination between these two BFR bodies and 16+1 China-CEEC Secretariat should be sought. The first BRF resulted in signing of more than 70 unprecedented multilateral and bilateral agreements. The aim of the Chinese hosts was to operationalise the B&R at the level of policy-making and policy coordination despite differences in socio-political systems, development models, business regulations and practices and cultural traditions between participating in B&R countries. BRF produced a joint communiqué (in which B&R cooperation principles

and measures were outlined) by the Leaders Roundtable of BRF (head of states meeting), a list of deliverables (cooperation initiatives, incl. list of concrete projects to be implemented within B&R framework during the next five years), an Initiative on Promoting Unimpeded Trade Cooperation along the B&R (the last document was not accepted by the EU).

There is consensus within the Bulgarian expert community and political elite with regard to China. Sofia-Beijing relations are not burdened by unresolved issues. Bilateral political dialogue at all levels (from expert to high level) is favorable and promising. Bulgaria participates in the network of 16+1 China-CEEC cooperation platform given its institutional expertise, capacity and sectoral specialization (e.g. in 2016 hosted a meeting of the China-CEEC Agricultural Cooperation Association; China-CEEC Forum of Capital City Mayors; Sept 2017 to host the 3rd working meeting of the China-CEEC Association of Provincial Governors and in 2018 The 4th China-CEEC Local Leaders' Meeting). The Bulgarian government explores financially and economically viable partnership schemes for implementation of concrete Bulgarian-Chinese projects in the field of transport and logistics infrastructure, manufacturing and energy sectors, information and communication technologies sector, tourism etc. The country should utilize its experience within 16+1 as a premise for proactive engagement in B&R framework. Bulgaria's membership in the EU requires its participation in 16+1 and B&R to be in conformity with the EU legislation and common policies.

4. Cooperation Connectivity Platforms

Synergy means harmonisation of efforts (incl. application of complementary skills, division of labour and teamwork) for completion of a common task (or a set of goals). The common goal of CEEC and China within both B&R and 16+1 should be sharing the benefits and tackling challenges of globalization era through cooperation connectivity platforms (in key areas of infrastructural development, industrial investments & trade, finance & banking, people-to-people relations). Thus, the uniting link between B&R and 16+1 is connectivity.

4.1 Infrastructural Development Connectivity

Infrastructure constitutes the material (machines & equipment, production facilities), technological, information, and social foundation for the economy. CEEC are fully aware how critical infrastructural investments are for their economic development. Land, maritime, air, cyber-based interconnectedness is impossible without necessary infrastructure. CEEC seek to build on China's experience, know-how and potential in infrastructural development. 16+1 Suzhou summit (2015) was an important step in terms of infrastructural synergy with B&R in the CEE context. Beijing signed two sets of bilateral MoU with 5 CEE countries (Poland, Serbia, Bulgaria, Czech Republic, Slovakia). The first agreement was related to jointly advancing land and maritime dimensions of the New Silk Road through policy coordination, connectivity (road & rail), trade, investments, and humanitarian exchange. A special emphasis is to be placed on further synergizing the development of regional transport infrastructure with B&R plans. The second agreement laid the principles of port and harbor industrial port cooperation. Unarguably, B&R land and maritime connectivity would be impossible without setting up necessary logistics [in the form of sea and river port infrastructure systems and industrial logistics zones (to serve connecting dots along the B&R routes)].

Beijing's initial strategic perception of the CEEC as a common region is now under reassessment. 16+1 Riga Summit (2017) witnessed the adoption of "Three Sea Initiative" (the Baltic Sea, the Black Sea, the Adriatic Sea) in which Beijing indirectly recognized the sub-regional divisions within the region of CEE (the Baltic states; Visegrád group; the South East Europe). The CEEC is heterogenous with regard to China since 16 CEEC (having different potential, developmental needs and interests) compete on their own for the Chinese attention and investments.

As for sub-region, of the CEE, the South East Europe (also historically known as the Balkans) experiences different levels of Chinese engagement. This is one of Europe's entry points for B&R. So far China's B&R and 16+1 infrastructural plans are mainly concentrated in the Western Balkans alongside the Greece-Macedonia-Serbia-Hungary transportation corridor (involving modernisation of sea-port infrastructure, road & railways infrastructure

construction, etc.).

China takes into account Bulgaria's strategic geographic position in the South East Europe. In this context there could be two options for inclusion of Bulgaria in China's Eurasian connectivity strategy (New Eurasian Land Bridge Corridor) embedded both in 16+1 and B&R plans. Firstly, inclusion of Bulgaria in planned high-speed rail connection starting from North-West China via Central Asia, Iran, Turkey, via Bosphorus to Bulgaria and further extension to Central Europe through Serbia and Hungary. Chinese corporate business has spotted Bulgarian town of Plovdiv as a networking hub for B&R and 16+1 and investigates the possibility of setting up an industrial and logistic zone "Trakia Economic Zone".^① Secondly, inclusion of Bulgaria in a rail and sea-based corridor starting from China via Central Asia, then crossing the Caspian Sea to reach Azerbaijan and continuing up to Georgia, then passing through the Black Sea to Varna/Bulgaria with a deviation to Rousse/Bulgaria and Geurgevo/Romania where the Danube River route can be further utilized for cargo transportation to Central Europe. This option would require substantial investments in construction and rehabilitation of sea-port and river-port infrastructure (incl. setting up of multi-modal terminals) and railway networks. If realised this option will promote the Black Sea regional dimension of B&R.

① In April 2016 Shenzhen City Porter Business Management Co. Ltd. entered into a joint venture with Sienit Holdings (a large Bulgarian construction company) to set up an integrated logistics and commercial centre in Trakia Economic Zone (projected as EU-China New Economy Cooperation Pilot Zone-Plovdiv). The project has the backing of the Bulgarian government and nine municipalities. The centre is envisaged as a modern public hub for business, e-commerce, logistics and finance (networking platform for direct contact between customers and manufacturers). The hub could be used as a launching pad for Chinese access to European markets. A German business association with over 100 corporate members joined the initiative too. The project suits overall China's Eurasian connectivity strategy. China's major European markets could be reachable in 3 hours flight and 24 hours by trucking from the planned commercial and logistics hub. It is in this context that Chinese investors demonstrate also an interest in obtaining operator's rights of Plovdiv Airport (through a concession agreement) and integrate it in the centre's logistics infrastructure. The Bulgarian government is also promoting hub development advantages of Bozhuriste Industrial Zone and Sofia Tech Park.

4.2 Industrial Investments and Trade Connectivity

Industrial investments in the context of B&R and 16+1 involve setting up industrial parks, manufacturing capacities, power generation capacities, and agro-complexes to name a few. They add up to highways, railways, road bridges, tunnels, junctures, energy pipelines and accompanying land based logistics hubs, sea and river port based multi-modal terminals etc, characterized as infrastructure investments. Both industrial and infrastructural investments are essential background for trade flows alongside the B&R economic corridors.

Warsaw based China-CEEC Business Council and China-CEEC Investment Promotion Agencies Contact Mechanism should seek synergy with emerging B&R trade and investment promotion structures in outlining areas of shared development [(e.g. setting up cross-border economic zones, e-commerce connectivity platforms (digital trade)]. Business investment forums, held under the aegis of China-CEEC summits could include the B&R-16+1 synergy topic high on its discussion agenda. China-CEEC Trade Expos could be utilized as supportive platforms for increasing commercial, industrial, technological visibility of small and medium size companies in an integrated B&R and 16+1 context. Institutional support should also be extended to small and medium size enterprises in prospective 16+1 and B&R shared economic activity.

4.3 B&R and 16+1 in larger EU Context

Europe and China are closely intertwined by history, culture, trade, investments, R&D, etc. Brussels and Beijing share similar positions on world politics (both are proponents of multilateralism and opponents to economic protectionism). Currently, China is the EU's second trade partner (after the US) and the EU is the China's first trade partner (mutual trade worth up to 514.7 billion euro in 2016).^① These trade dynamics will change once Great Britain completes its departure from the EU. The EU-China relations have been naturally elevated to the point of comprehensive strategic partnership since

① European Commission: Directorate General for Trade (Trade-G-2/15.02.2017) online: http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_122530.02.2017.pdf [Accessed on 20.06.2017]

2003. This has served as an important point of reference for EU members states to intensify their bilateral relations with Beijing.

The CEEC are an integral part of the EU (with 11 countries EU members and EU integrated legislative and market space). The rest (notably, the Western Balkan countries) are linked with the EU through association agreements and are at different stages of the EU integration process. For the moment 6 of the CEEC countries are not fully integrated in the EU normative framework. From a geostrategic point of view Beijing regards CEE region an important linking point of B&R corridors to western markets. CEE region is a territory of 1.3. million sq. km. with 123 million total population. Total Chinese investment in the CEE region went beyond \$5 billion, while CEEC have invested some \$1.2 billion in Chinese economy. China-CEEC trade volumes reached \$65 billion in 2015.^① However, CEEC still are not in a position to export high-technology goods to China.

The EU refused to subscribe to the BRF Initiative on Promoting Unimpeded Trade Cooperation along the B&R. Brussels (mainly key European institutions-Commission and the Parliament) still doubts Chinese commitments to economic, financial, social, environmental sustainability and transparency of the projects it initiates. The EU wants true promotion of free trade and reciprocity in market access.^② Besides B&R economic corridors should be designed in operability with Trans-European Networks, including the EU neighbourhood.

Bulgaria's Connectivity Priorities:

- Bulgaria considers 16+1 China-CEEC cooperation platform as an indispensable reinforcement to EU-China relations. The platform should contribute to overall EU-China connectivity.
- 16+1 and B&R should evolve alongside EU common policies and

① Spotlight: Premier's Latvia visit adds fresh impetus to China-CEE ties. Xinhua, 11.06.2011 online: http://news.xinhuanet.com/english/2016-11/06/c_135810001.htm [Accessed on 21.06.2017].

② For instance, Bulgaria's access to China food and agro-products market is still difficult. The country has problems with approval procedures for export of certain foods and feed to China (out of 28 requests by the Bulgarian Ministry of Agriculture and Food only 4 procedures have been approved by the Chinese side).

regulations and should not undermine the EU common development. Chinese investments in CEEC should take into account the EU social and environmental standards, the EU public procurement regulations (the EU tender law). The European Commission's assessment of compliance with EU regulations by Chinese infrastructural projects stays critical.

- At doctrinal level (policy coordination) synergy should be sought between EU-China Comprehensive Strategic Partnership (incl. EU-China Connectivity Platform and EU Investment Plan) and B&R (incl. 16+1 as an important addition to B&R in CEEC context).
- B&R and 16+1 infrastructure and trade connectivity contributes to development of South-East Europe (as a sub-region of CEE). It also shows the significances of region's strategic value for Eurasian connectivity (incl. New Eurasian Land Bridge Corridor). In this context Bulgaria welcomes Chinese investments in logistics infrastructure along this B&R economic corridor.
- The EU Black Sea Synergy should be reinvigorated and included in EU-China connectivity proposals (the EU Black Sea Synergy highlights the significance of the Black Sea region for overall EU development).
- Synergy should be sought between the EU Danube Strategy and B&R/16+1. Bulgaria supports Chinese infrastructural investments (motorways, railways, sea and river port based multi-modal terminals) designed to link Danube river with major country's Black sea ports. Currently Europe's second-longest river's potential as a transport artery has remained underutilized.
- EU-China connectivity should be envisioned beyond trade, transport, infrastructure, manufacturing. Humanitarian dimension of relations is a key ingredient for building ambience of mutual trust and mutual learning (which goes long with any business undertaking).

4.4 Financial Connectivity

Beijing resists B&R and 16+1 to be labeled as China's "Marshal Plan"

because it does not impose any political and security conditions on realisation of B&R and 16+1 based projects. However, the projects are executed by Chinese companies. Usually they are the ones to provide financing and Chinese workforce (“loan-and-build” based contracts). Beijing therefore preserves managerial, know-how and funding supervision over the projects.

On the one hand, the Silk Road Fund (RMB100) and the Asian Infrastructure Investment Bank are the principal pillars of the B&R financial infrastructure. China encourages Overseas Fund Business in RMB (appx. 300 RMB) to financially back B&R (BRF deliverable). The purpose behind is to speed up the internationalization of Chinese yuan (RMB) in investment and commercial transactions. The 16+1 funding framework, on the other hand, initially began with a special credit line of 10 billion euro (announced at Bucharest summit, 2013) and later (at Riga summit, 2016) evolved in a decision to set up a separate international financial company for implementation of infrastructural development projects under China-CEEC investment format. Synergy should be sought in the form of inter-bank cooperation between B&R and 16+1 funding instruments and major European banks (e.g. MoU between the Asian Infrastructure Investment Bank and the European Bank for Reconstruction and Development, and the European Investment Bank).

Large portions of Chinese lending for 16+1 major infrastructure development projects originate from Beijing’s policy-making banks: Development Bank Cooperation and Export-Import Bank of China (leading commercial banks). Thus, in addition to potential China-EU inter-bank synergy bilateral financial cooperation should be encouraged between Chinese banking institutions and individual CEEC national development banks.^① The problem with the Chinese B&R and 16+1 funding mechanisms for CEEC is that they

① Example: Bulgarian Development Bank has entered into framework agreements (MoU) with the Export-Import Bank of China (China Exim Bank) and Industrial and Commercial Bank Loans of China for mutual lending, feasibility studies, financial evaluation and management of the projects. Both agreements have been signed within 16+1 China-CEEC framework. Inter-bank Bulgarian-Chinese cooperation would provide funding for the realization of Bulgarian-Chinese investment and trade related projects.

use conventional lending schemes, not grants. This type of lending is not attractive for 11 CEEC which as EU members have access to EU structural funds (under the EU cohesion policy). Besides, most CEEC refuse Chinese funding to be linked to an obligation of sovereign guarantees to be granted by recipient countries. Alternative forms of funding agreements should be sought (such as public-private partnership schemes or concession agreements, toll system financing for major railroad and highway projects).

Nevertheless, CEEC's participation of both 16+1 and B&R provides a possibility for these countries to attract infrastructural and industrial investments beyond the EU financial instruments. Both cooperation platforms offer possibility for diversification of CEEC economic and trade relations and for greater integration in the global networks of industrial production, commerce, transportation and logistics.

4.5 People-to-People Connectivity

People-to-people relations are a non-governmental foundation for support of official state-to-state relations. High-level political dialogues remain a futile exercise if not enhanced by people-to-people bonds. They are also an essential prerequisite for conduct of corporate business. Deadlocks in political and corporate negotiations could be overcome thanks to building mutual human trust and understanding. This is accomplished through the ambience of people-to-people interaction (cross-professional, cross-cultural and cross-civilizational).

In the context of B&R and 16+1 people-to-people contacts mean first and foremost humanitarian exchange (e.g. in the field of culture, education & science, technology, tourism sports).

4.5.1 Education and Science Connectivity

Education and science are the intellectual backbone of society. They are essential tools for a nation's overall economic competitiveness. Education is also a basic tool for fighting poverty worldwide. Education and science are high on B&R and "16+1 Cooperation" connectivity agenda. They are

used in fostering educational and scientific exchange and promotion of sustainable environmentally friendly development. While B&R stresses on developing relations with a network of UN specialised agencies (most notable UNESCO) and promotion South-South and North-South educational and scientific connectivity (e.g. boosting educational and scientific opportunities for underdeveloped countries in line with the UN Millennium Development Goals) 16+1 utilizes regional connectivity formats. A synergy should be sought between 16+1 China-CEEC Virtual Technology Transfer Centre and China-CEEC Higher Education Institute Consortium with respective B&R connectivity platforms (e.g. there are proposals for Science and Technology People-to-People Exchange Initiative, Science Park Cooperation Initiative and the Technology Transfer Initiative).

CEEC national educational centres can serve as good examples of 16+1 and B&R synergy. Such is the case the Confucius Institute in Bulgaria (functioning under the auspices of Sofia University “St. Kliment Ohridski”)^①. Four editions of the international conference “The Silk Road” organized by the institute during 2010-2017 provided scientific and expert platform for European sinologists, orientalist, historians, foreign policy analysts, etc. to seek links between B&R and 16+1 China-CEEC cooperation.

4.5.2 Think Tanks Connectivity

Think tanks [defined as policy research organisations or institutes (centres) for strategic studies] operate as incubators of ideas and concepts. The indirectly influence policy-making process. (in theory, should be independent institutions,

① The Confucius Institute under Sofia University “Kliment Ohridski” (one of the first to be set up in SEE) is an important platform for popularizing Chinese cultural heritage, folklore and language in Bulgaria. Sofia based Confucius Institute uses on-line platform “Friends of the Great Chinese Wall” to reach wider audiences. “All about China” web portal managed by Bulgarian enthusiasts is an example of how internet exchange can stimulate people-to-connectivity. Chinese language has been taught at a secondary school level since 1992. Now, some 2000 Bulgarian pupils study Chinese language and culture in 20 schools. On the other hand, Chinese specialists on Bulgaria are trained at the Department of Bulgarian Studies at Beijing Foreign Studies University. Bilateral agreements in the field of scientific research and education ensure smooth exchange of students, university tutors & professors.

not affiliated to political and business structures and interests). Thus, think tanks could provide policy analysis and expertise outside the pressure of government bureaucratic decision-making.

Think tank networks have been established to provide academic support for B&R and 16+1. The networks encompass a large number of partnering organisations and function as non-hierarchical, flat, flexible structures. 16+1 Think Tanks Network was inaugurated in Beijing, Dec. 2015 and underpinned by the creation of Budapest based China-CEEC Institute in April 2017. Among the deliverable of BRF-2017 was: 1) the establishment of International Think Tank Cooperation Network by Silk Road Think Tanks Association, and 2) creation the Silk Road Think Tanks Network (SiLKS) under the MoU between the Development Research Centre of the State Council of China and the UN Industrial Development Organisation.

Think tank networks should be envisioned as centres for generation, dissemination, management and sharing of general and specialised expertise, institutional capacity building. They could utilize advantages of web-based interactive platforms for knowledge generation and sharing (cost-effective knowledge management platforms). The synergy between B&R and 16+1 analytical/academic networks could be implemented in three ways: 1) Organisation of joint conferences, roundtables, expert discussions on cross-cutting topics; 2) Initiation of joint research projects aimed at synergizing B&R and 16+1 knowledge in key areas of connectivity-infrastructure, commerce, finance, manufacturing, sustainable development and ecology, non-governmental exchange.^① B&R and 16+1 can succeed if only comprehended by

① Examples: 1) EU-China Facilitation Project: The project will be run through a number of activities, including policy research, capacity building, policy study tours, regional workshops and business facilitation conferences, strengthen and improve the Clean Development Mechanism (CDM) in China. 2) Marketing study project: marketing study of the habits of Chinese touristic trips to CEEC (expectations and preferences in terms of accommodation, places of interests) The project results could be disseminated via 16+1 Tourism Promotion Association and relative B&R structures. 3) Contribute to policy coordination in various fields of common concern (e.g. poverty eradication through policy related research and capacity building).

societies at large (and not confined to small circles of experts). In this respect: 1) think tanks networks should work closely with higher educational institutions in promotion of bachelors and master university programs with regard to B&R and 16+1 (provide methodology toolkits for teaching the subjects). 2) engage with leading media outlets in popularizing the topics of B&R and 16+1 at a national and international levels. 3) synergize closely with business associations with the purpose of brining academia and industry together (e.g. B&R and China-CEEC think tank networks can provide institutional and analytical/theoretical framework for joint business-academia projects for development of technology driven industrial parks).

4.5.3 Diaspora Factor

The Diaspora factor has a specific role to play in people-to-people B&R and 16+1 connectivity. Diasporas are bridge builders that bring different nations, cultures, and civilizations together. They are especially useful in fostering inter-business relations.^① Diasporas can be indispensable information source about business culture and practices in the country of their residence. Sometimes they may be even more valuable with an excess they could have to key political and corporate decision makers. Diasporas do not substitute but complement the embassies in promotion of China-CEEC trade and business relations.

Chinese companies operating in CEE markets and CEE companies operating in the vast Chinese market face unfamiliar business environment. Diasporas from CEE countries on Chinese soil and Chinese diaspora in CEE countries can contribute to successful realization of various business undertakings. For instance, little known is the fact the first Bulgarian-Chinese

① There is a small but vibrant Chinese Diaspora in Bulgaria. Chinese residents in Bulgaria are involved in small scale retail trade, restaurant business, in running small and medium sized companies in the field of agro, wine and rose oil production. Some have lived in Bulgaria for more than 25 years. There is already a first generation of young Chinese who have been raised and educated in the country. They are at ease with the local way of life, speaking Bulgarian and making Bulgarian friends. Chinese who live and work in Bulgaria do not generate social problems and do not challenge the domestic labor market in general. There is also a small Bulgarian business and student community living, working or studying on Chinese soil.

auto industry joint venture (a vehicle assembling plant for China's Great Wall Motors in the town of Lovetch with the annual capacity of 50.000 unit with 120 and export markets in Serbia, Macedonia, Romania, Croatia and Italy) was accomplished thanks to corporate and technological connections of Bulgarian expats in China. A prospective St. Sofia Smart City undertaking (a joint venture by Bulgaria Development Holdings Ltd, and ZTEICT, a subsidiary of ZTE for the purpose of building a smart entertainment and commercial complex near the Bulgarian capital) has been initiated under auspices of the B&R cooperation program, jointly between Bulgarian expats in China and representatives of ZTE (a leading Chinese telecommunication company) present on the Bulgarian market for more than 5 years. If realised it would be the first corporate driven new generation smart city complex in CEE.

“16+1 Cooperation” Promoting Belt and Road Initiative Better after the Belt and Road Forum for International Cooperation

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The place of “16+1 Cooperation” in the Belt and Road initiative and the development process of the cooperation

The Belt and Road Initiative (hereinafter as BRI) is a grand-scale vision to establish an economic, financial and cultural belt in order to redefine the relationship of Asia, Europe and Africa, as well as their near seas. The skeleton or the channels of the belt is the so-called “five connectivities”—including policy consultation, infrastructure connectivity, unimpeded trade, free circulation of local currencies and financial integration, and people-to-people connectivity—which provides physical (“hard”) and psychical (“soft”) infrastructure for the initiative.^① The main infrastructure lines gather into the so-called six economic corridors, which are proposed to be the arteries of the

① “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road”, Issued by the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People’s Republic of China, with State Council authorization, March 2015. URL: http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html (Accessed: May 8, 2017).

BRI.^① One of the core regions of BRI is Central and Eastern Europe (CEE),^② which provides a natural link within the framework between the two economic centers: Europe and China. The region is involved in three of the Europe-bound and mainly railway-based economic corridors: the Eurasian Land Bridge (China-Mongolia-Russia) Corridor, the New Eurasian Land Bridge Economic Corridor and the Central-Asia Western-Asia Economic Corridor.^③ The last one, the alternative trade line stretches from the Port of Piraeus (partly under the control of the China Ocean Shipping (Group) Company) in Greece via the countries of Southern Europe and Hungary to the EU.^④

The convergence of the CEE region and China, however, had other reasons, too. Since the financial crisis of 2008-2009 the relationship of the Central and Eastern European (CEE) countries has been improving rapidly according to the mutual demand of the two parties. First, the CEE countries unilaterally depended on Western Europe after being badly hit by the global financial crisis. Pivoting toward the dynamically growing China can be regarded as a natural phenomenon, because it increased the diversification opportunities of the region's relations. Secondly, a growing appreciation of the CEE region could be observed in China, too. The level of economic development in these countries is closer to China's, thus it is considered to be an appropriate pilot area for Chinese companies intending to invest in the European Union (EU). The region's further advantage is its cheap workforce (as compared to Western Europe), and the competition between small states for foreign investors,

① New Eurasian Land Bridge; China-Mongolia-Russia Corridor; China-Central Asia-West Asia Corridor; China-Indochina Peninsula Corridor; China-Pakistan Corridor; Bangladesh-China-India-Myanmar Corridor. "The Belt and Road Initiative", Hong Kong Trade Development Council, May 16, 2017. URL: <http://china-trade-research.hktdc.com/business-news/article/The-Belt-and-Road-Initiative/The-Belt-and-Road-Initiative/B&R/en/1/1X000000/1X0A36B7.htm> (Accessed: June 8, 2017).

② Liu Zuokui: The Role of Central and Eastern Europe in the Building of Silk Road Economic Belt, *China-CEEC Think Tanks Network*, January 11, 2016. URL: <http://16plus1-thinktank.com/1/20160111/1096.html> (Accessed: June 12, 2017).

③ "Vision and Actions...", 2015.

④ „China, Serbia, Hungary intensify cooperation on railway deal”, *New China*, June 24, 2015. URL: http://news.xinhuanet.com/english/2015-06/24/c_134349965.htm (Accessed: June 12, 2017).

which means considerable state subsidies for Chinese companies. Finally, the companies of the region mean fine acquisition targets to Chinese companies.^①

As a result of the deepening relations between China and the CEE region,^② a new demand has risen to establish a new institutional mechanism, the so-called “16+1 Cooperation”, with the aim of effectively coordinating and facilitating the relations. In China it is generally said that the “16+1 Cooperation” is one of “the most important diplomatic achievements in China’s European policy”.^③ The notion of establishing a regular cooperation framework between the CEE countries and China was first suggested by the Former Premier Wen Jiabao at the CEE—China Economic and Trade Cooperation Forum, held in Budapest, Hungary on June 2011.^④ The realization of the idea was the First Summit of the CEEC—China cooperation in Warsaw in April, 2012, which can be regarded as the establishment of the “16+1 Cooperation”. Moreover, the “Twelve Measures” has laid down the main goals of the cooperation.^⑤ Following this, the main achievement of the Bucharest Summit, held in November 2013 was the launch of the institutional coordinating body, with the Secretariat in Beijing, the Sectoral Coordination

① Chen Xin: “Trade and Economic Cooperation Between China and CEE countries”, *China-CEEC Think Tanks Network*, November 23, 2015. URL: <http://16plus1-thinktank.com/1/20151123/817.html> (Accessed: June 12, 2017.); Liu Zuokui: Analysis of China’s Investment in CEECs under the New Situation, *China-CEEC Think Tanks Network*, January 11, 2016. URL: <http://16plus1-thinktank.com/1/20160111/1091.html> (Accessed: June 12, 2017).

② The participating countries are Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia, and Slovenia.

③ Kong Tianping: “16+1 and Economic Relation Between China and the Central and Eastern European Countries”, Critcom, December 14, 2015. URL: <http://councilforeuropeanstudies.org/critcom/161-framework-and-economic-relations-between-china-and-ceec/> (Accessed: June 12, 2017).

④ “Full text of Chinese Premier’s speech at China-Central and Eastern European Countries Economic and Trade Forum”, *Xinhua*, June 26, 2011. URL: http://news.xinhuanet.com/english2010/china/2011-06/26/c_13950035.htm (Accessed: January 15, 2017).

⑤ “China’s Twelve Measures for Promoting Friendly Cooperation with Central and Eastern European Countries”, *Cooperation between China and Central and Eastern European Countries*, January 26, 2015. URL: http://www.china-ceec.org/eng/zdogjhz_1/t1410595.htm (Accessed: April 15, 2017).

Centers for different areas of cooperation and the System of Regular Meetings.^① At the Belgrade Summit the first Sectoral Coordination Centers were selected and several projects in different fields were announced. Premier Li Keqiang pointed out that the “16+1 Cooperation” is core part of BRI.^② The above-mentioned first large-scale, transborder infrastructural project, the Budapest—Belgrade railway line was selected for a flagship project. At the Hangzhou Summit, held in November, 2015 a systematized regular operational mode of the cooperation started, with a joint document on actual issues and a special program for the medium-term goals.^③ The Riga Summit organized in November, 2016 continued the operational mode, focusing on key issues, while the China-Central and Eastern Europe Investment Cooperation Fund was established.^④

In the light of these developments, we can state that serious progress has been made since the establishment of the “16+1 Cooperation”. After formulating the joint institutional framework in the first years, the cooperation has started to shift into the new stage, namely, filling the cooperation with real content via implementing common projects, and with the organs and sub-organs having started to operate.^⑤ The “16+1 Cooperation” has become a vivid type of established interregional cooperation within a relatively short time. Despite

① “The Bucharest Guidelines for Cooperation between China and Central and Eastern European Countries”, *Cooperation between China and Central and Eastern European Countries* 26 January, 2015. URL: http://www.china-ceec.org/eng/zdogjhz_1/t1410594.htm (Accessed: April 15, 2017).

② “The Belgrade Guidelines for Cooperation between China and Central and Eastern European Countries”, *Cooperation between China and Central and Eastern European Countries* 26 January, 2015. URL: http://www.china-ceec.org/eng/zdogjhz_1/t1410596.htm (Accessed: April 15, 2017).

③ “The Suzhou Guidelines for Cooperation between China and Central and Eastern European Countries”, *Ministry of Foreign Affairs of the People’s Republic of China*, November 24, 2015. URL: http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1318039.shtml (Accessed: April 15, 2017).

④ “The Riga Guidelines for Cooperation between China and Central and Eastern European Countries”, *The State Council of the People’s Republic of China*, 6 November 2016. URL: http://english.gov.cn/news/international_exchanges/2016/11/06/content_281475484363051.htm (Accessed: April 15, 2017).

⑤ Kusai Sándor: “A New Look at Some Lessons of Prospects for the 16+1 Cooperation”, In: Chen Xin (ed): *How Hungary Perceives the Belt and Road Initiative and China-CEEC Cooperation*, National Think Tank 2017 (1), China Social Sciences Press, 2017. PP.39-42.

these results, the “16+1 Cooperation” still faces several challenges.

Challenges (1): Technical challenges

The challenges and risks faced by the “16+1 Cooperation” are different from those of BRI. In the case of the BRI the biggest questions are technical. Nevertheless, the “16+1 is not a plan, but a working mechanism, which has already proved its viability. Despite that, the mechanism has some technical challenges too.

First, there is an asymmetry in the economic relations especially by trade deficit for the CEE region: in 2015, China’s exports (42. 2 billion USD) were three time the size of its imports from the 16 countries (14.1 billion USD^①). Moreover, despite all the efforts, the CEE countries’ medium and small enterprises have failed to export more value-added and high-technology goods to China and their most competitive goods are connected to agriculture.^②

Second, while the CEE government’s top political priority is green field investment to provide jobs for the local workforce, the Chinese companies are usually interested in acquisitions in order to acquire technologies and assimilate advanced management skills and to reach the European market. Probably that is the reason why Chinese FDI in the CEE region is relatively low.^③

Third, the quality of the cooperation between the different CEE countries

① “Belt and Road Opportunities in Central and Eastern Europe” Hong Kong Trade Development Council, October 5, 2016. URL: <http://economists-pick-research.hktdc.com/business-news/article/Research-Articles/Belt-and-Road-Opportunities-in-Central-and-Eastern-Europe/rp/en/1/1X000000/1X0A7MSE.htm> (Accessed: July 25, 2017).

② Kaczmariski, Marcin: China on Central-Eastern Europe: 16+1 as seen from Beijing, Ośrodek Studiów Wschodnich, April 14, 2015. URL: <https://www.osw.waw.pl/en/publikacje/osw-commentary/2015-04-14/china-central-eastern-europe-161-seen-beijing> (Accessed: July 25, 2017).

③ Kratz, Agatha: “The best of both worlds? CEE’s place in China-Europe economic relations” In: Kratz, Agatha—Stanzel, Angela: “China’s Investment in Influence: the Future of 16+1 Cooperation”, The European Council on Foreign Relations, China Analysis, December 2016. 8. URL: http://www.ecfr.eu/page/-/China_Analysis_Sixteen_Plus_One.pdf (Accessed: January 15, 2017).

and China is diverse. Especially the Visegrad Group—the Czech Republic, Hungary, Poland and Slovakia—has benefited the most from the Chinese investment and trade, while some other countries’ expectations have failed, which made them less motivated in supporting the mechanism (“cooperation vacuum”).^①

These technical problems are important but not necessarily jeopardizing the existence of the “16+1 Cooperation”, and in the long run it is not impossible to manage them. Another problem is the suspicious attitude of the EU itself, which existentially challenges the mechanism.

Challenges (2): The skeptical attitude within the EU toward the “16+1 Cooperation”, as an existential problem

The real long-term challenge for the “16+1 Cooperation” is the basically negative attitude of the EU’s leading circles toward the platform. Although the “16+1 Cooperation” is not a big issue (compared to other problems like trade, investment, human rights, etc.^②) within the EU-China relations, several politicians in the leading EU countries—especially in Germany, argue that the region needs no new channel outside the EU when formulating the relationship with China. This directive is also true for the five non-member Balkan countries since they all intend to join the EU. There are three main concerns within the EU connected to the “16+1 Cooperation”.

The first concern is that the common projects—mostly the transport connectivity and the financial cooperation—within the framework of the mechanism would generate conflicts with the EU legislation. Namely, China’s

① Stanzel, Angela: “Dividing without antagonising: China’s 16+1 image problem” In: Kratz, Agatha—Stanzel, Angela: “China’s Investment in Influence: the Future of 16+1 Cooperation”, The European Council on Foreign Relations, China Analysis, December 2016. 3.

② About the main issues: “European Parliament resolution of 16 December 2015 on EU-China relations (2015/2003(INI))”, European Parliament, December 16, 2015. URL: <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&language=EN&reference=P8-TA-2015-0458> (Accessed: August 15, 2017).

low-interest financing tools, combined with the previously designated construction delivering Chinese state-owned enterprises, the so-called “loan-and-build contracts” scheme, which has been a common Chinese practice in the developing countries and has already appeared in the non-member states in the Balkan (e.g. Friendship Bridge in Belgrade) within the “16+1 Cooperation”. The first large infrastructure project concerning an EU member state, the Budapest-Belgrade Railway would follow the same implementation method.^① The “loan-and-build contracts” have two disadvantages from the view of Brussels. First, the financial method is not based on market rules and it is characterized by the lack of transparency. Moreover, the EU member states must call for tenders by public investments, which means the “loan-and-build contracts” scheme breach the EU’s internal market rules (public procurement, environmental impact assessment, technical standards and so forth) and give no chance for other European companies to take part in the implementation.^②

Second, China’s growing activity in the CEE region is often deemed as a challenge to the European principles and values. Since the transition and change of regimes in the CEE countries in 1989, in their development they all have accepted the so-called “Western modernization model” that attempts to impose market economy and liberal democracy simultaneously. The CEE countries were the “students” of the highly developed Western European ones. This asymmetrical characteristic of the relations between “teacher” and “student” countries has become a norm within Europe, with the general assumption that it would foster the convergence of the region to the core of the EU. There are two reasons why the leading political circles of the EU see the “16+1 Cooperation” as a tool for China to challenge the Western model. First, they are afraid that the competition between the CEE countries for the Chinese investments makes the

① The refurbishment of the Budapest-Belgrade railway line has been delayed due to a related infringement procedure initiated by the European Commission against Hungary.

② Grieger, Gisela: “China, the 16+1 cooperation format and the EU”, European Parliament, March 2017. 2. URL: [http://www.europarl.europa.eu/RegData/etudes/ATAG/2017/599313/EPRS_ATA\(2017\)599313_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/ATAG/2017/599313/EPRS_ATA(2017)599313_EN.pdf) (Accessed: August 11, 2017). (Grieger, 2017)

region more open to China's interests, while hindering the EU's efforts to keep alive those topics connected to the Western "core values" in Sino-European relation, like human rights issues, democratic reforms, market-economy status of China, etc.^① Second, there is a rarely articulated concern that China's non-western receipt for the economic success could strengthen the so-called "illiberal turn" within the region, generally labelled some countries like Hungary or Poland.^② These countries' skepticism about the previously accepted "Western model" gives a negative precedent for other member states, which seems to threaten the future of the EU.^③

The third concern within the EU is geopolitical, namely that the "16+1 Cooperation" would undermine the EU's unity.^④ It is clearly articulated by the European leadership that the EU must project a strong, clear and unified voice in its approach toward China, which view is squarely stated in the *Joint Communication to the European Parliament and the Council Elements for a new EU strategy on China*: "the Member States conduct their bilateral relations with China—whether one-on-one or as groups of countries such as the 16+1

① Guy de Jonquières: "The European Union's China Policy: Priorities and Strategies for the New Commission", European Centre For International Political Economy, Policy Brief 3. 2015. 2-3. URL: <http://ecipe.org/app/uploads/2015/04/The-European-Union%E2%80%99s-China-Policy.pdf> (Accessed: August 10, 2017).

② Hanley, Seán—Dawson, James: "Poland Was Never as Democratic as It Looked", *Foreign Policy*, January 3, 2017. URL: <http://foreignpolicy.com/2017/01/03/poland-was-never-as-democratic-as-it-looked-law-and-justice-hungary-orban/> (Accessed: August 10, 2017).

③ Kauffmann, Sylvie: "Europe's Illiberal Democracies", *The New York Times*, March 9, 2016. URL: <https://www.nytimes.com/2016/03/10/opinion/europes-illiberal-democracies.html> (Accessed: August 10, 2017).

④ Grieger, 2017.2. Heilmann, Sebastian—Rudolf, Moritz—Huotari, Mikko—Buckow, Johannes "China's Shadow Foreign Policy: Parallel Structures Challenge the Established International Order," Mercator Institute of China Studies, China Monitor 18, October 28, 2014. URL: http://www.merics.org/fileadmin/user_upload/downloads/China-Monitor/China_Monitor_No_18_en.pdf (Accessed: June 15, 2017). Burnay, Matthieu—Carbonnet, Adrien—Raube, Kolja—Wouters, Jan: "China's foreign policy and external relations", *European Parliament's Committee on Foreign Affairs*, July 2015. URL: [http://www.europarl.europa.eu/RegData/etudes/STUD/2015/549057/EXPO_STU\(2015\)549057_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2015/549057/EXPO_STU(2015)549057_EN.pdf) (Accessed: June 15, 2017), European Parliament resolution of 16 December 2015 on EU-China relations.

format—they should cooperate with the Commission”.^① From this point of view, the “16+1 Cooperation” can be regarded as a Trojan horse, which helps to divide the European countries in order to effectively interfere into the European politics.^②

Despite the above-mentioned fears, the strong support of the cooperation from the side of the eleven CEE EU member and five candidate countries shows the opposite view of this question, showing the “16+1 Cooperation” as a comprehensive platform to strengthen the relationship with China. It is also clear that the CEE countries themselves do not see the mechanism as an “anti-EU” platform, claiming that the consciously loosely institutionalized character of the “16+1 Cooperation” does not allow China to formulate the region into a politically united block. The general view of the “16+1 Cooperation” among the CEE countries is fairly pragmatic: the platform has to follow the EU rules; however, less ideology-based and more practical structures are needed to help the economic cooperation between China and the EU. The CEE region needs investment and trade in order to catch up with the core countries of the EU, and the “16+1 Cooperation” and BRI can deliver it.

Despite the common view of the “16+1 Cooperation” within the region, these states have insufficient capacity to affect the bigger countries’ attitude. The CEE region and China have accepted that it doesn’t matter whether the above-mentioned fears are real or not, they have to deal with them, otherwise the “16+1 Cooperation” cannot fulfil its planned role.

① “Joint Communication to the European Parliament and the Council Elements for a new EU strategy on China”, European Commission, June 22, 2016. URL: http://eeas.europa.eu/archives/docs/china/docs/joint_communication_to_the_european_parliament_and_the_council_-_elements_for_a_new_eu_strategy_on_china.pdf (Accessed: August 9, 2017).

② Turcsányi, Richard: “Central and Eastern Europe’s courtship with China: Trojan horse within the EU?”, *European Institute for Asian Studies*, January 2014. URL: <http://www.eiaswp-content/uploads/2016/02/EU-Asia-at-a-glance-Richard-Turcsanyi-China-CEE.pdf> (Accessed: June 15, 2017.) Bolzen, Stefanie—Erling, Johnny: China wird zum heimlichen EU-Mitglied, *Welt*, 07 November 2012. URL: <https://www.welt.de/wirtschaft/article110765993/China-wird-zum-heimlichen-EU-Mitglied.html> (Accessed: July 15, 2017).

Possible solutions for the challenges: greater involvement of the EU

The only solution to this essential problem would be the involvement of the EU at a greater extent. This idea is not new and has been articulated in the recent Summits of China and Central and Eastern European Countries and in several official documents (like “The Medium-Term Agenda for Cooperation between China and CEEC”^①). The task to get the EU more involved into the mechanism is not easy. According to the above-mentioned documents, two strategies can be articulated.

First, there is a clear motivation to synchronize the activities of the “16+1 Cooperation” with the key long-term EU strategies and Chinese-EU plans for cooperation. The main “guideline document” is the “China-EU Strategic Agenda for 2020”.^② This agreement between the EU and China was accepted in 2015 in order to develop their strategic partnership, with accepting objectives and organizing regular meetings in a broad range of sectoral dialogues. From the four pillars of the “China-EU Strategic Agenda for 2020”—the foreign and security policy, sustainable development, people-to-people connectivity and economy-including trade, investment and transport—the last is essentially important for the “16+1 Cooperation” since the CEE region can be regarded as a bridge in the Eurasian continent, while the economic cooperation is the core element of the mechanism itself.^③ Moreover, the “16+1 Cooperation” is promoted as a key element of the BRI, which also supports the efforts to establish the China-EU Connectivity Platform. Several synergies can be found in the infrastructure planning in B&R and Trans-European Transport Networks (TEN-T) to revitalize and create new economic transport corridors (like the New Eurasian Land Bridge Economic Corridor and the connectivity of the

① “The Medium-Term Agenda for Cooperation between China and Central and Eastern European Countries”, *Cooperation between China and Central and Eastern European Countries*, 24 November 2015. URL: http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1318038.shtml (Accessed: April 16, 2017).

② EU-China 2020 Strategic Agenda for Cooperation, *European External Action Service*, November 23, 2013. URL: <https://eeas.europa.eu/sites/eeas/files/20131123.pdf> (Accessed: June 15, 2017).

③ “The Medium-Term Agenda”.

Western-Balkan) and in areas like the harmonization of standards, customs, and logistics, etc.^① Due to the lack of the well-developed infrastructure and its important geopolitical position to connect the two regions, the CEE region could be one of the main targets of this cooperation. Finally, the Investment Plan for Europe (the Juncker Plan), with a budget of EUR 315 billion, seems to have several comprehensive goals—like supporting to finance infrastructure projects within the EU—with the BRI.^②

The second strategy within the “16+1 Cooperation” is pushed forward to the harmonization of the cooperation with the EU legal system, accepting the regulations and policies stemming from EU membership.^③ The Riga Declaration of the China-CEE summit in 2016 states: “all participating EU Member States reaffirm that the implementation of the actions envisaged by this document must be done without prejudice to the competencies of the European Union and with respect to the obligations stemming from their membership of the European Union.”^④ However, the full harmonization would mean to give up the so-called “loan-and-build contracts” scheme by the Chinese side, which is a very competitive, cheap and fast way for the regional construction projects. That is the reason that the harmonization will continue in some areas such as environmental protection, labor rules, etc., but the full harmonization is highly unlikely.

These strategies are important contributions for the better acceptance of the

① “Joint Agreed Minutes of the Second Chairs’ Meeting of EU” China Connectivity Platform, 1 June 2017. URL: <https://ec.europa.eu/transport/sites/transport/files/2017-06-01-joint-agreed-minutes-second-chairs-meeting-eu-china-connectivity-platform.pdf> (Accessed: July 27, 2017).

② “An Investment Plan For Europe” Communication From the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank. 3 September 2014. URL: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM:2014:903:FIN> (Accessed: July 27, 2017).

③ “The Medium-Term Agenda”.

④ “The meeting of Heads of Government of Central and Eastern European countries and China: Riga Declaration”, Ministry of Foreign Affairs of the Republic of Latvia, Riga, 7 November 2016. <http://www.mfa.gov.lv/en/news/latest-news/55300-the-meeting-of-heads-of-government-of-central-and-eastern-european-countries-and-china-riga-declaration> (Accessed: July 27, 2017).

“16+1 Cooperation” within the EU; however, they seem to be insufficient since the latest EU documents still maintain the skeptical view about the platform.^① That is why the present paper tries to suggest some other strategies to facilitate the acceptance of the mechanism.

Possible solutions for the greater involvement of the EU: further suggestions

Direct and more deeply involvement of the EU is suggested within the work of the “16+1 Cooperation”. In practice, the possible solution could be a stronger monitoring role over the decision making mechanism of the “16+1 Cooperation”. The most suitable institution for this would be the European Parliament, represented by a commission or delegate. A possible veto right for the delegate is worthy to take into consideration since the “16+1 Cooperation” is not against the EU, the veto would not obstruct the implementation of the projects and initiations. The immediate gain of this legal tool would be that it could comfort the EU’s leadership.

The other supposed strategy is to further strengthen the CEE countries’ group within the EU in order to win the support of the bigger EU countries. The best candidates for this are those countries which have already shown interest toward the BRI, e.g. Italy and Spain—that took part in the “Belt and Road Forum” in May 2017 with prime-ministerial level delegations. Finding beneficial projects (such as the port cooperation among Trieste, Venice and Ravenna in Italy, Koper in Slovenia and Rijeka in Croatia, the North Adriatic Ports Association)^② would increase their interest. Gaining the support of the bigger countries for the “16+1 Cooperation” would be particularly important since this would avoid the division of the EU into the skeptical old members and the supportive new members, which

① Grieger, 2017.

② “Italian businesses eye Belt and Road Initiative potential”, *Xinhua*, May 17, 2017. URL: http://news.xinhuanet.com/english/2017-05/17/c_136289886.htm (Accessed: July 29, 2017.); North Adriatic Ports Association, 2017. URL: <http://www.portsofnapa.com/> (Accessed: July 29, 2017).

are often treated as a pro-China lobby group.

Finally, the 16+1 mechanism should be open for a win-win-win type of economy cooperation, where the third win would provide interest to the Western-European companies, besides China and the CEE countries. Involvement of the Western European companies as a sub-contractor or the European financial institutions in the implementation process of the projects within the mechanism would increase their interest to support the mechanism. The growing economic interest of the Western-European companies and banks would undoubtedly help to formulate the attitude of their governments.

Conclusion

Despite the various technical issues, the real challenge of the “16+1 Cooperation” is the skeptical attitude of the EU leadership toward the mechanism. In recent years several efforts have been made by the participating countries to change this view; however, the real breakthrough has not been achieved yet. Therefore, the present paper tried to suggest further opportunities for the greater involvement of the EU as a solution to the issue. It is essential to overcome the skeptical attitude since the 16+1 Cooperation” have the capacity to be regarded as a forerunner of the BRI. From this point of view, the “16+1 Cooperation” could be a model for the transregional relationship between China and the European Union in the future and could be an “important engine of China-EU relations”^①. The BRI provides new opportunities for Europe in the more and more multipolar international order. The new mechanism such as the “16+1 Cooperation” will play a more significant role as a tool to help the increased participation of Europe in the world affairs.

① Kong Tianping: ““16+1 Cooperation” Framework: Genesis, Characteristics and Prospect”, *China-CEEC Think Tanks Network*, December 3, 2016. URL: <http://16plus1-thinktank.com/1/20151203/868.html> (Accessed: April 11, 2017).

Section 2 National Perspectives

China in Europe: A View from the Balkans

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I. Belt and Road (BRI) and “16+1 Cooperation” Initiative (16+1CI): connecting with European markets, and with local institutions

1. A quick look from Europe

In Europe, there are different perceptions of BRI and of 16+1CI according to whom we ask: media, businessmen, local population, politicians, or scholars. Based on the literature^① we can safely posit that in general BRI is perceived as the major strategic initiative coming from China combining a geopolitical, economic and people-to-people component around principal transport routes that connect China and Europe. The geo-political angle aims to increase security and the political leverage mostly in the close neighborhood of China. On top of reducing the cost of transport, the economic component tries to respond to over-dependence from capital investment at home, to the goal to make Yuan more a global reserve currency^②, to increase the demand for Chinese goods and services; and to secure the energy supply networks through Asia deep-water ports. BRI strikes by its financial ambitions: at maturity, investment in the Belt and Road is expected to reach \$4 trillion, equivalent to China's 2015 foreign currency reserves^③.

① An illustrative example is the bibliography of the current article.

② A strategic important step has been reached on 13 June 2017 when the ECB invested the equivalent of EUR 500 million in yuan. Incidentally this was the first time that ECB sold USD. www.afp.fr.

③ China's belt and road initiative motives, scope, and challenges, Ed. S. Djankov & S. Miner, PIIE 2016, pp. 8.

“16+1 Cooperation” Initiative (16+1CI) appears as an intensification of BRI focused in a defined geographical space—former COMECON and possessing a more coherent governance architecture. It is in the “16+1 Cooperation” that the people-to-people component of the BRI becomes visible, through the attention that non-mercantile components such as cooperation of local government units, health, research, art and culture achieve the same importance as the economic and mercantile ones. Secretariats have been set in almost every CEEC, but both BRI and 16+1CI have a China-centered approach, where the drive and the financial support originate from.

16+1CI being a heteroclite assembly of different European countries, it is very difficult to pinpoint a common rationale shared by each European country, beyond the aim to attract the maximum of Chinese capital in own country. Moreover, it is the smallest countries i.e. the Western Balkans 6 (WB6)^①—that are the “freest” to conduct somehow national policies in the framework of BRI and 16+1CI, the rest being EU member states, hence bound by the EU legislation.

Regarding the perception of China rationale, it is often argued that the Chinese see CEE as an access platform to the bigger and richer Western Europe, and to its advanced technologies^②. Without delving into this view, this approach requires an extremely high degree of vision, information gathering power and analysis, planning, coordination between public and private sector, faultless implementation capacity, and immense financial power. As we will see further on, the view of the current Chinese investment foray and access in public markets in CEE does not offer this perfect image of a meticulously designed and implemented strategy.

Another feature of the EU-view of BRI is that Europeans see it mostly as

① Western Balkans 6 countries are Albania, Bosnia and Herzegovina, Kosovo Macedonia, Montenegro, and Serbia. China has not recognised Kosovo’s declaration of independence.

② for an original and innovative analysis, see “Continental drift: Germany & China’s inroad in the ‘German Central Eastern European Manufacturing Core’”, by Dr. Jacopo Maria Pepe, paper presented at the ISA International Conference, Hong Kong, 15-18 May 2017.

an initiative between China and Europe. The other countries are considered as intermediate passages and not as Chinese policy-targets *per se*. The in-land Chinese and China-close neighborhood role of BRI are not very visible in European explanations and assessment. The fact remains that it is China's close neighborhood that has received the bulk of Chinese investment.

2. Between doing business and policy-making

While BRI is viewed mostly as an infrastructure connectivity initiative with a primarily mercantile profile, the 16+1CI expands the business and cooperation opportunities around the BRI to include a comprehensive list of sectors such as health, research or even local government cooperation for a defined group of countries.

Hence while BRI is viewed with interest by EU companies looking for market opportunities and EU governments (national or regional) in need of fresh financial resources, the foray of China into CEEC sector policy-making through 16+1CI, is considered as “divisive”^①.

Looking into each initiative, we can observe some individualized features described below:

- The European Local Government Units (LGU) are more active, it appears-under BRI than under 16+1CI. While Duisburg, Lyon, etc. are often mentioned under BRI, no relevant LGU actor is visible under 16+1 CI, yet;
- BRI seems to serve as an *ex-post* umbrella for already existing economic and mercantile joint business deals between EU and Chinese companies, and connectivity infrastructure projects in Europe implemented and / or financed by Chinese institutions. The BRI “stamp” seems to provide some prestige for Chinese companies as well as a better ranking needed to mobilize financial support mainly by Chinese regional governments. In this optic, BRI comes after the myriad of former platforms, agreements,

① Discussion with Adviser of high EU Official, made on 11 July 2017 on the margins of Western Balkans Summit of Trieste

and joint meetings between EU and China, so it has to provide a significant and well targeted effort to clarify where its added value stands when compared to existing cooperation schemes;

- 16+1CI gives the impression to be a better-designed institutional top-down approach, with a clearer vision from its inception. This vision is translated in the supporting and back-office structures and mechanisms that 16+1 CI has when compared to BRI. Almost every sector has a Secretariat^①, and the power of initiative remains with Chinese structures;
- BRI focuses on connectivity-transport, energy and digital, while 16+1 CI is multi-sector and multi-actor. This makes 16+1CI more adapted to the projection of Chinese soft power;
- while under BRI the rules of participation are the same-mostly EU procurement procedure-under 16+1CI certain Eastern Europe countries have seen an advantage by going *solo* in their relationship with China during acquisition of financing and project implementation. This approach seems to have proved controversial with their EU peers. Also, this rush forward to acquire prestige investments has raised many question marks regarding the immediate financial benefits of the investments, and the impact to local communities.

As they stand today, there is ground for synergy between both Chinese-driven initiatives as any relevant business opportunity in CEEC countries has important political, social, environmental implications inside the country and within the European Union.

3. BRI and 16+1CI: the importance of local communities

It may be more efficient to see the 16+1CI as a component of BRI, adapted to the geographic area it covers, than as a separate initiative from the range of infrastructure projects that are being implemented in BRI framework. Or at least they can be seen as two initiatives that are complementary in the related

^① Its functioning is not the subject in here.

geographic area. However as mentioned above, the 16 European countries that participate have a very different profile from one another, as well as different interests in different fields of cooperation. This makes it difficult to have a unified approach for the 16 of them. This feature increases the difficulty of finding synergies between BRI and 16+1CI.

This challenge can be dealt through the geographically-based sub-groups which can offer tailor-made cooperation modalities that reflect their group specificities and increases the impact through economies of scale. One illustrative dividing line is between EU member states and the rest (the rest being WB6).

It may sound paradoxical, but from the infrastructure point of view an efficient way to increase synergies between 16+1CI and BRI, would be through intense communication among both initiatives in the development of EU core and comprehensive networks and connectivity-related platforms covering Eastern Europe and the WB6. The list of the TEN-T related projects presented in May 2017 in the framework of the Expert Group on Investment and Financing of the EU-China Connectivity Platform, is an illustration^①. The list of infrastructure projects (relevant for BRI and Chinese companies interested to bid or Chinese banks interested to finance), is conditioned and impacts directly the 16+1CI components in the countries that they go through.

This approach applies also to the 16+1 European countries that are not yet EU members—the WB6. They are all politically committed and economically almost integrated with the EU. Their legal framework is being harmonized with the EU's through the gradual adoption of the *acquis communautaire*. Their infrastructure is being linked with the EU networks in energy, transport and digital through different cooperation and coordination platforms and joint-political intergovernmental processes such as the Berlin process. Their government representatives participate in the regional *fora* that regulate those

① <https://ec.europa.eu/transport/sites/transport/files/ten-t-rel-projects-may-2017.pdf>, last accessed on 29 July 2017.

networks.

Regarding the BRI, taken into account the already set legal and political context in EU, the major way of increasing the efficiency of connectivity infrastructure is to increase cooperation and coordinate the mutual exchange of information between China and EU at all levels: policy-making, technical, and financial. The actors involved in BRI are mostly government institutions, regulatory agencies and big businesses.

The 16+1CI offers a wider ground for development and cooperation, going beyond the infrastructure projects. Here we see possibilities for a closer and more intense cooperation in 16+1CI selected sectors such as health, tourism, research, local government, youth, etc. The 16+1CI interventions in those sectors, even if smaller and less tangible than infrastructure investments, are bound to impact directly the communities and citizens of 16+1CI, in both Europe and China. Such an intensity of “small size” contacts can produce a comparatively large impact when brought together around BRI.

In conclusion, 16+1CI brings into play larger and more diverse number of actors than BRI, such as communities, non-governmental organizations, academia and citizen. While this widening the scope may not provide measurable financial benefits in the short term, in the longer perspective it will provide the required base conditions for a sustainable, peaceful and mutually beneficial cooperation between Europe and China.

In Central and Eastern Europe and in WB6 both Chinese-driven initiatives overlap and directly interact with the EU convergence process and reforms engaged by those countries. In this optic, we posit that synergies of both Chinese initiatives can be considered as an out-of-the-box occasion that can spur un-foreseen opportunities for innovative and sustainable growth opportunities in the CEEC area, and of strengthened and long term collaboration between Europe and China.

II. Monitoring CEEC—China Connectivity projects

It is not easy to provide a comprehensive picture of the progress and / or accumulated experiences of BRI and of 16+1 CI. There was a list of 12 measures adopted in Warsaw aiming to “promote friendly cooperation with CEE countries”. They encompass a large array of sectors and include objectives in terms of policy-making as well as on governance of the 16+1 CI. But to our knowledge there is no official mechanism of assessment and / or to monitor those goals or to verify the achievements. Hence to measure the progress in each of the 12 measures of 16+1CI, a profound research and analysis need to be carried out.

1. Opacity of the 16+1CI outcomes

So, it appears that while BRI is focused on the road connectivity, unimpeded trade and money circulation between Europe and China, 16+1CI builds up and contributes to policy coordination and mutual understanding between 16 former COMECON member countries (+Albania and countries coming out of former Yugoslavia, less Slovenia and Croatia), with a strong people-to-people component. So, we are looking for outcomes at two related levels: (i) in business development and project implementation, as well as in; (ii) institutional cooperation and policy coordination.

A methodological difficulty in spotting and monitoring Chinese initiatives in CEEC, is the absence of a visible stamp/logo “16+1CI” for the activities carried under this initiative. It can be useful for the visibility to regularly apply the logo and / or the panoply of usual visual identity tools and instruments to make 16+1 CI outcomes and products more visible^①.

In this respect, EU has a very clear and strict set of guidelines that clarify the obligations for each activity funded with EU money, to visibly mention where the funds came from. This example is an illustration of the mutual

^① Apart official meetings, so far, we have seen the 16+1CI logo only in the publications of China-CEEC Think Tank and related events.

benefits BRI and EU-supported initiatives may draw from each other^①.

In this optic, the website of the Secretariat for Cooperation between China and Central and Eastern European Countries is an important resource where policy documents, action plans, monitoring reports, etc. can be stored to allow researchers and other interested parties in the BRI and 16+1CI to obtain first-hand data and respective information.

Cooperation & Development Institute, Tirana has identified similar challenges for the latest European-WB6 regional connectivity initiative: the Berlin Process. We have been filling this gap by organizing since 2015 a yearly conference on analyzing the progress of the Berlin Process, completed with a Monitoring Report. In the 2016 edition^② we added a short section on 16+1 CI thus providing a comparative view to the Berlin Process^③.

2. Challenges and Risks faced by projects under the 16+1 CI and BRI

Regarding the connectivity projects, there is an abundant literature analyzing the current situation of projects being brought in and implemented under the BRI. According to literature, the main challenge faced by Chinese companies seem to be the EU procurement rules which do not allow for direct award of contracts without going through an open tender.

Labour regulations, specific technical requirements, environmental standards, obligations to consult local communities, corruption allegations, perception of undermining the market by offering low prices, etc. are also quoted as challenges needed to be dealt with by Chinese companies while investing in infrastructure.

The above range of challenges require a fine understanding not only of each

① With regard to governance, the identification of initiatives and the monitoring of their progress, the 16+1CI (and BRI) are more advanced than the latest European connectivity initiative called the Berlin Process. “16+1 Cooperation” initiative has one secretariat and one website, while the Berlin Process doesn’t have any.

② Monitoring the Berlin Process: from Paris to Trieste, Cooperation & Development Institute, Tirana 2017

③ *ibid*, pp 50. In our reasoning, 16+1CI is a component of BRI focussed on connectivity and complemented with a strong sectoral cooperation effort.

country national regulatory context, but of the EU one. Given their cross-border and supra-national nature, for a successful implementation of connectivity infrastructure projects, the Chinese understanding of and cooperation with EU should start from the phase of the vision, and then to the design to continue with financing, procurement, implementation and post-investment maintenance and running.

Given the importance of EU funds (structural and territorial cohesion are among the most important ones) in the development of infrastructure of CEE (and also of WB6 countries), BRI actors and Chinese stakeholders need to avoid false impressions of success when negotiating with single countries. The planning of infrastructure networks, technical design, legal framework, budgetary space, procurement, even the consultation of local communities is harmonized with EU rules, and everything falls within the EU umbrella of regulations.

This normative and legal approach of EU vs. project-centered approach of BRI while implementing projects, need to be bridged by Chinese institutions (public and / or privately-owned) at the EU level. Any deal/agreement at the country level that breaches the EU rules, can be challenged in court and this will impact the cost-benefit and efficiency of the project.

Another challenge that needs to be dealt with by BRI actors is the public image of Chinese investments regarding their impact on environment, new jobs generation for locals; and of expected contribution to the partner country. The population of CEE and WB6 has been exposed since decades to high standards of environment and social regulations. Regarding jobs creation, they are just recovering from the financial crisis of 2008. This makes the local population very sensitive of any allegation-true or not of “Chinese coming and taking their jobs” referring to Chinese companies employing Chinese employees to implement works in CEEC.

The low visibility in the local media is another challenge that BRI must tackle. In average local media coverage follows political events with high-level Chinese and national politicians, as well as milestones of important project

developments. To be relevant and sustainable, this situation must be completed with a “natural / organic” buzz that covers BRI / 16+1CI notwithstanding politicians or financing opportunities.

While the connectivity infrastructure investments may make perfect sense financially and economically, it is crucial to get on board the local population both as potential employees, but also as the long-term users and beneficiaries of the outcome of the investment. Simple citizen and small and medium enterprises should be approached with tangible results of BRI and 16+1CI can do for them, and not only for the large businesses.

The long-term view vs. short-term return on investment is a choice that BRI should make while engaging with European partners from governments to simple local communities. To our opinion given the very large geographical distance, the relatively low communication intensity, the comparatively new history of collaboration, a low level of mutual knowledge on non-business sectors, and the potential of a virtuous circle amongst two blocs i.e. Europe and China, BRI is not in a very advantageous position to use a business and short term value for money approach while dealing with Europe.

To be sustainable any engagement should complement the business rationale of infrastructure investments with the need to better understand the local populations where these projects will go through, as well as their “European belonging” (also in the case of the WB6). BRI need to take into account that while it is “natural” for the CEE and WB6 citizen to feel European and to support European-driven initiatives, a long time and a lot of efforts is needed to make China and Chinese “view” present at that level.

Regarding the financing of infrastructure projects through state-backed guarantees, the very high cost of strategic infrastructure investments, the very low current fiscal space of CEE and WB6 countries, and the expected increase in the interest rates worldwide, this instrument may have reached / will reach very quickly its limit. Other challenges related to the Chinese participation in large BRI infrastructure projects include the complexity of project preparation and financing dossier; their timely, qualitative and cost-controlled

implementation; the need to take into account their dependence from political cycle of the host country (mostly for WB6), and the need to foresee their post-investment phase (while not relevant for the financial efficiency of the project, it is of utmost importance for the image of BRI in the local population).

This multi-layered approach will also tackle the risk of interpreting good relations that BRI / 16+1CI have with local politicians and large businesses, as an indicator of the overall country perception of China. In many cases what the citizen thinks and what the politicians / big business state are not the same. In that situation BRI / 16+1 may find itself promoting and supporting projects that while on paper look as having the right political support and check in all the financial boxes, on the ground they meet with resistance of the local citizen.

By the very nature of connectivity infrastructure projects, BRI / 16+1CI requires the cooperation of large companies. This feature may alienate the SMEs which form the largest number by far of the productive structure in CEE and WB6^①. In the worst case, Chinese support may be interpreted as profiting only the certain oligarchs and not the rest of the country, the communities, or the simple citizen.

As a result, both BRI and 16+1CI can come to full potential only if they: (i) take into account and build together with the EU policy & legal framework regarding the BRI connectivity networks & standards, and; (ii) when dealing with the 16+1CI, pay careful attention to involvement of communities, of the micro-SME, and to the citizen.

3. Going local: Western Balkans regional cooperation and 16+1CI

Geographically the WB6 countries (and Greece) are in the junction point of European networks that are being developed under Berlin Process and BRI (including the Maritime Silk Road). This situation is clearly acknowledged by

① As an illustration, in Albania the enterprises employing 1 to 4 employees, constitute 90.5% of the total number of registered enterprises by end of 2016, while those employing more than 50 employees, are 1.05%, at <http://www.instat.gov.al/al/themes/regjistri-statistikor-i-ndërmarrjeve.aspx>, »Active enterprises by activity and size«, last accessed on 29 August 2017.

Chinese scholars^① and authorities.

The Berlin Process is a strategic development that shares many similar features with BRI / 16+1CI, regarding the focus on connectivity. Both the EU and China supported initiatives-started only a couple of years ago (2013 for BRI and 2014 for BRI); they are both based on connectivity principle; they are both in the initial phase with no set governance architecture, no proper legal context (Berlin process uses EU *acquis*), and they are open-ended initiatives. This creates the opportunity for actors of both sides to get engaged from the beginning to try to understand and better harmonize mutual interests of all the Interested stakeholders in Berlin Process and BRI and 16+1CI.

a) 16+1CI and the Berlin Process Initiative: Western Balkans as a meeting point

Another possibility of 16+1 CI to better develop in harmony and synergy with the European vision, is the cooperation with the so-called Berlin Process Initiative (BPI). BPI is also based on the connectivity principle and encourages and support to transport, energy and digital infrastructure investments linking EU and WB6. The main focus of BPI is WB6 regional cooperation, and connection of strategic infrastructure between EU and WB6 on transport, energy, and digital. All three sectors are crucial for the long-term growth of WB6 and for the security of supply of EU industry. It also increases the economic inter-connection of WB6 to the EU.

The Berlin process was initially conceived as a temporary replacement for the “slowing / stopping” of the enlargement process^②. It gradually evolved into a process—at least in the EU official discourse; constituted of *different cooperation platforms* (political, technical and financial); at *different levels of hierarchy* (prime ministers, ministers, technical, etc.) and *collaboration* (communications / meetings / joint selection and implementation, etc.); and *actors* (EU, International Financing Institutions and Western Balkans Six

① “The key to the China—Europe cooperation on the Belt and Road Initiative lies in the Western Balkans”, at Europe and the Belt and Road Initiative«: Responses and Risks», by Liu Zuokui, China Social Sciences Press, Beijing, May 2017.

② For an extensive overview of the Berlin Process, consult CDI publications on BP at www.cdinstitute.eu.

governments, CSOs and businesses).

BP uses the configuration of many existing regional collaboration platforms to support connectivity initiatives and projects between EU and WB6. It calls upon a constellation of financing institutions and public private partnership (PPP) schemes to finance them. The BPI agenda and its programme is set by the Presidency of the annual summit^①, while the implementation of the decisions/agreements taken in the summits is left to the partner countries themselves. It is the government of the upcoming Presidency that ensures the follow up in-between two summits.

In its analysis, CDI posits that BPI connects WB6 with EU, in more ways than through infrastructure: (i) *in security policy*, by counting on WB6 to secure EU southern borders. The creation of a joint external border mechanism by tasking the WB6 countries to manage the main entry-points of the migration fluxes into the EU, creates de-facto a new collaborative setting between EU and WB6 governments; (ii) *by connecting people*, through the establishment of Regional Youth Cooperation Office (RYCO) and the to be established Western Balkan Research Foundation. BP extends the enlargement process to the “*people factor*”; and (iii) *by connecting businesses* through industry networking, financing opportunities, reducing barriers to trade between WB6 countries, and support to SMEs.

Recently Western Balkans (and Greece) are receiving increased attention and investment from China. From Chinese scholars’ point of view, Western Balkans region has become the pivot linking Asian and European markets in the “Belt and Road” construction^②. While assessing the advantages and risks that China faces when engaging in WB6, they identify three components of cooperation EU-China that should be intensified: (i) reinforcing cooperation between China-Europe Land-Sea Express Passage and EU Connectivity plan / Pan-

① Berlin in 2014, Vienna in 2015, Paris in 2016 and Trieste in 2016. The Western Balkans Summit of 2018 will be held in UK.

② “Belt and Road« Initiative lies in the Western Balkans”, at “Europe and the Belt and Road Initiative: Responses and Risks”, by Liu Zuokui, China Social Sciences Press, Beijing, May 2017.

European Corridor X; (ii) starting cooperation between EU and China on co-financing EU's large scale infrastructure plan in Western Balkans; (iii) promote mutual trust and act proactively to develop China's infrastructure plans in WB6 in line with EU connectivity framework^①.

b) the bottom-up local cooperation initiatives: the Western Balkans Fund

Currently there are two WB6 regional cooperation initiatives that are being developed under the Berlin Process umbrella: The Regional Youth Cooperation Office (RYCO) and the Western Balkans Fund (WBF). Both are headquartered in Tirana, Albania.

WBF is created, as an all-inclusive regional initiative, through which, participating parties^② commit their own resources to finance regional projects and for supporting the overall development and cooperation of the civil society organizations in the Western Balkans^③. The Fund aims to achieve these goals by supporting common regional projects and by bringing people to share mutual experiences and be aware of values, traditions and culture of their respective countries. Its activities are designed to strengthening regional cohesion in: (i) Education and Scientific exchanges; (ii) Cultural cooperation; (iii) Cross-border and youth cooperation; and (iv) Sustainable Development.

This initiative is at its beginning. On 15~16 June 2017, its National Coordinators concluded the preparatory phase and now the setting up of structures, personnel and grant procedures is under way. Currently WBF is the only bottom-up, homegrown initiative in the WB6. Its activities fall under the 5th component of the BRI i.e. mutual understanding between the various peoples.

Regional cooperation is the keyword in the political and economic roadmap of the Western Balkans countries. Any effort to increase the involvement in this area should include the regional cooperation dynamic as one of the parameters.

① Idid

② Albania, Montenegro, Kosovo, Macedonia, Bosnia & Herzegovina, and Serbia.

③ <http://westernbalkansfund.org/web/>.

III. Understanding CEEC cooperation with China

CEE is at the geographical juncture of EU networks and BRI. 16+1CI can be useful to better understand and communicate about the policy-making cycle in CEE and WB6, understand the future developments of those countries and adapt accordingly the relevant developments. However, as stated before, on top of having different sub-groups within the CEEC (Baltic, Visegrad, WB6, etc.), each country has its own view, strategic priorities, history of former cooperation with China, and degree of integration / advancement in the EU.

As mentioned before, 16+1CI complement the mercantile nature of BRI by focusing on the support to the human development through connectivity. Being in the juncture of European and Chinese transport networks, and offering a fair and stable geo-political environment, CEE and WB6 can contribute to long-term goals of BRI regarding the reinforcement of cooperation between China and EU.

1. Albania in BRI

Albania has not fully profited yet from the friendship capital built up during the 70s and 80s between the two countries. Chinese support for Albanian economy has been crucial during this period. For example, in 1973 and 1974 Albania sent 24% of its exports to China, from where it received 60% of the total imports. They were mostly in investment goods, which were also financed through financial support from China^①.

The years 1971-1975 were the golden years of China-Albania economic cooperation. There were 132 capital investment initiatives (in all the economy sectors), out of which 75 were completed, 32 in pipeline and 25 ready to start. Major investments such as Fierza HPP, the Metalurgical Combine in Elbasan, Ballsh Refinery, etc. have been financed with Chinese funding and the

① “Marredheniet Shqiperi-Kine gjate viteve 1960-1978”, A. Kreka, Tirana University, 2015.

technology and the knowhow has been imported from China^①.

Lately BRI and 16+1 CI have significantly contributed to the intensification of bilateral China-Albania relations. In 2016 China come third in the volume of exchanges with Albania^② (with 7.1% of the total after Italy and Germany), up from the fifth place in 2012. The weight of imports from China has continued to grow over the last five years, reaching 8.8% in 2016 from 6.4% of total imports in 2012. Exports in China have increased by 29.7% from 2012 to 2016 (ALL 5,744 to ALL 7,452), supported by the increase in exports of minerals and oil and of construction materials and metals.

By January 2017, 103 Chinese-owned companies were active in Albania, focused in Tirana, Durrës, Elbasan and Berat. The biggest Chinese investments however have been carried on through indirect acquisition of shares of Albanian companies' property of non-Albanian owners: China Everbright Limited acquired 100% of the shares of the Tirana International Airport for 30 years, from its German owner. In September of the same year Geo Jade acquired management rights for the largest oil field in Albania from a Canadian company for USD 575 million.

In 2014 Bank of Albania has concluded a SWAP agreement with Bank of China, which is an important step in supporting bilateral economic exchanges. In April 2017, the Deputy Prime Minister Zhang Gaoli visited Albania where he was received by PM Rama. In May, a high level Albanian delegation went to China to participate in the Belt and Road Forum for International Cooperation in Beijing, which was organized on 14-15 May 2017. This visit resulted many memorandums of cooperation in media, research, education and youth. In May, Chinese government agreed to support the renovation of the Opera House in Tirana with a grant of USD 2 Mio.

Currently, the cooperation between both countries has all the chances to

① The bilateral cooperation has been very strong also on the military field. In total Albania received from China in the form of military aid 199 airplanes (70 Mig 17, 12 Mig 19, 12 AN-2, 95 Mig-19 ES, etc) and 36 helicopters. This is on top of the military aid for the army, and the naval fleet.

② Following data came from "Foreign Trade 2012-2016", INSTAT 2017.

be better structured and placed in the long-term optic of development. Joint priorities can be set up in areas of mutual interest, and be completed with practical modalities of financing and implementation. An increased cooperation between Albanian national authorities and 16+1CI can be useful for Albanian authorities in the light of the preparation of sector development strategies of common interest and of important strategic projects (such as the National Single Project Pipelines-NSPP)^①.

Given its unique historical relationship with China, its key role in the Western Balkans regional cooperation, its engagement and commitment to the EU integration, and geographic position in the Maritime Silk Road, Albania can be a key actor in the juncture of Berlin process and BRI.

2. Is 16+1CI divisive ?

“16+1 Cooperation” countries lie in the land intersection of transport networks that connect China and Western Europe. While still in their way to achieve Western EU economic standards, those countries are sensibly more advanced than the other countries where BRI goes through (Pakistan, India, Ukraine, Russia, Turkey, ENP countries, etc.).

From the business point of view, 16+1CI countries offer: (i) higher political trust to Chinese counterparts, as compared for example with India; (ii) better sovereign credit rating than the rest of the countries between China and them; and (iii) safe and decent returns for the money that Chinese bankers may be willing to invest. This explains the high of Chinese business.

However, from an institutional backing angle, at the time of the writing of this paper, we couldn't find any CEE country that has prepared a strategy of dealing with BRI and / or 16+1 Connectivity initiative^②, neither one that has appointed / created any institution in charge. This is in stark contradiction

① NSPP is the mechanism that identifies and promotes the implementation of strategic projects at national and at WB6 regional scale. For an illustration of the NSPP in Albania, pls refer to “Albania in the Berlin Process: from Paris to Trieste”, p. 32.

② The same absence of policy documents applies for the Berlin Process as well for the countries that participate.

with their involvement of CEE and WB6 administrations with EU connectivity initiatives in transport and energy.

From Chinese side, in the document “List of deliverables of Belt and Road Forum^①” there is no mention of the European Union. Different EU states are mentioned but no reference of the EU neither on the Deepening of Project cooperation for Infrastructure Connectivity, nor for the Synergy of Connectivity of Development Policies & Strategies. While there may be no “deliverable” on the cooperation with EU, it may be productive for the Chinese authorities to refer to it if only to acknowledge the larger and incontournable EU context where the rest of the deliverables of China with EU member countries are taking place.

In our research, we noticed that the knowledge about BRI and “16+1 Cooperation” Initiative is very little and the media coverage very small. The CEE and WB6 companies have an irrelevant size to fully profit from BRI and 16+1CI, and this feature may cause the capture of CEE and China economic exchanges by business tycoons or state-run (and protected) monopolies. This would leave out European SMEs and local communities, and for sure will impact the image of Chinese involvement in the CEEC.

After four years, BRI and 16+1CI can envisage to move another step forward for a more strategic involvement and collaboration not only in connectivity projects. A better knowledge of the regional cooperation mechanisms such as the Macro Regions would help policy planners to foresee long-term tendencies of regional cooperation, eventual projects (soft & hard) and get access to EU financing, eventually^②. A better mutual understanding and regular exchange of information will allow for a careful and comprehensive interaction and cooperation of BRI / 16+1CI initiatives with WB6 regional

① http://news.xinhuanet.com/english/2017-05/15/c_136286376.htm.

② For a quick overview of EU Macro regions, pls see “Report from the Commission to the European Parliament, the Council, the European Economic & Social Committee and the Committee of the Regions on the implementation of EU macro-regional strategies”, Brussels, 2016, COM(2016) 805 final.

development strategies^①.

Other joint interest points that can be explored under increased cooperation between EU and China are : (i) the development of joint standards for certain technologies in selected sectors; and (ii) the use of subsidiarity principle to support bottom-up initiatives and regional cooperation projects that are not coordinated from China but driven from the 16+1CI actors situated in Europe. Those Europe-based initiatives will counter the current “China-centered institutional set up”^② and will result in policies more in tune with the needs and vision of CEE and WB6. They have to be implemented in harmony with EU territorial development and cohesion policies for CEE, and with the regional cooperation policies for WB6.

Joint policy initiatives that aim to: (i) increase Chinese and EU cooperation in creativity and innovation; (ii) encouragement and support of joint platforms where best technological standards on future technologies are jointly developed and promoted; (iii) creation of cooperation platforms for dealing with world-wide concerns ranging from environment to fighting terrorism, will increase the mutual understanding and create optimal condition for the success of the joint infrastructure connectivity projects.

3. Role of Think Tanks in “16+1 Cooperation” and BRI Initiative

European think tanks from 16+1CI and from China have a strategic role in the 16+1 CI and BRI initiative: (i) in general by producing information, analyzing and disseminating it; and (ii) in particular by promoting specific fields of knowledge mostly in international cooperation. However, to achieve their full potential think tanks need for critical mass of knowledge and official documents to be available. This critical knowledge mass need to include the identification of existing activities regarding connectivity, and the exploration of new and innovative ways of cooperation with BRI / 16+1CI.

① Such as the Western Balkans Fund.

② “At a glance: China, the “16+1 Cooperation” format and the EU”, European Parliament, EPRS, March 2017.

In this context, different ways of encouragement of think tanks can include:

- creation & support of local initiatives focused on researching, analyzing and making visible BRI & 16+1CI in selected regions;
- encourage local think tanks to explore ways in which BRI / 16+1 can be beneficial to local communities and to the citizen;
- link BRI / 16+1CI research actors and process to local, national and regional policy-making process through the National Strategies for Development & Integration, sectoral policies and respective action plans, budget preparation and other policy-making instruments;
- support long term scientific cooperation amongst researchers from China, and CEE / WB6. Link and find synergies wherever possible with EU instruments that support & promote research such as H2020;
- increase the number of events gathering think tanks, NGO, different stakeholder groups in the CEE and WB6 to outreach a larger number of interested organizations and citizen;
- deal with the physical distance between China and Europe and its impact on the cooperation dynamics China & Europe, create and support “focal points of research” in Europe focused on connectivity, etc.;
- encourage cooperation on research & business between Chinese companies and local think tanks all around BRI / 16+CI, either through a separate endeavor, or by making it obligatory for BRI Chinese actors to include a research component and community outreach activities in every connectivity infrastructure investment.

IV. Conclusions

From the Balkans, the rise of China and its increasing presence in Europe is still in need of a better understanding. Not unlike their EU Member State and LGU colleagues of Europe, WB6 politicians are courting Chinese decision makers-politicians, big companies and banks-mostly for their financial power.

In a slow growth / high public debt environment, Chinese foreign direct investment is very welcome.

Chinese actors are aware of their strategic importance and their economic and financial attractiveness, as well as of the unease caused by their foray into the European business and larger economic and geopolitical scene.

The immediate conclusions that we draw from our analysis, point towards the need for a better communication from both sides, based on nourished debate and increased communication on each other, involving all the stakeholders and not only the politicians, international finance and big businesses.

In Europe, we need to better grasp the rationale of BRI and 16+1CI. We need to be able to accept also the possibility that even if it looks as a top down carefully planned endeavor, BRI and 16+1CI may both be in the phase of design. Chinese partners should realize that EU is a sui-generis political body with a very strong normative component. Even the WB6, even if still non-members, are *de facto* applying the policy-making methodology and the legal framework of the European Union. Their economies are a satellite of the EU economic power, following closely its economic cycle.

Given the size, the complexity and the strategic obligation to succeed in the cooperation with China, one way to advance would be to focus and build on what works instead of trying to solve every problem that may exist. But to focus on what works and invest oneself in its sustainable success, requires an enormous goodwill capital from both sides. This dynamic changes the usual time schedules as well: from business-like short-termism into a more developmental and resource-conscious long-term perspective. We go beyond the famous and ubiquitous Anglo-Saxon “pie that increases” negotiation strategy, into a more “global food” example: a long-term cooperation strategy that Chinese call “win-win-win”.

An illustration of the 3rd “win” can be the idea that BRI and 16+1CI can also be a vehicle that convey European interests in China, and in the China close neighborhood. Chinese market opportunities remain a powerful attractive magnet for the European companies. In this perspective, Chinese must be able

to show and prove that BRI and 16+1CI in Europe is beneficial not only for them, but also for their European partners.

In the 21st century, Europe and China are bound to work together. The question is in the pace and the scope of this process. The distance between them-geographical, economic, social and cultural will continue to be relevant only in the short term.

Perception of the 16+1 and the Belt and Road Initiative: A Perspective from Latvia^①

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This chapter assesses the perception of the “16+1 Cooperation” format and the Belt and Road initiative in Latvia. Since in practice it is difficult to distinguish cooperation elements with China as purely bilateral issues or as a part of the one or the other initiative, a general framework of the political and economic Latvian-Chinese relationship is set, before taking up more specific points related the 16+1 and the Belt and Road initiative.

The General Context of the Latvian and Chinese Bilateral Relations

Apart from withdrawing diplomatic representation of China to Latvia from 1992 to 1994 because Latvia established *de facto* diplomatic relations with the Republic of China (Taiwan) in the same period, political dialogue between Latvia and China has been active. Heads of states and governments have paid visits to both countries. Latvian representatives have travelled to China more often than their Chinese counterparts to Latvia; nevertheless, the Chinese president Jiang Zemin visited Rīga already in 2002. Year 2016 and the beginning of 2017, however, have been marked by the most intensive high-profile Chinese visits so

① This article is based on: Andžāns, M., Bērziņa-Čerenkova, U. A., “16+1 and China in Latvian Foreign Policy: Between Values and Interests”. In: Sprūds, A., Bruģe, I., Bukovskis, K., editors. *Latvian Foreign and Security Policy Yearbook 2017*. Latvian Institute of International Affairs, 2017. Pp. 163.-171. ISBN:978-9984-583-96-9. http://liia.lv/en/publications/latvian-foreign-and-security-policy-yearbook-2017-577?get_file=2; Andžāns, M., Bērziņa-Čerenkova, U. A., “Assessing Chinese Investment in Latvia” (forthcoming 2017).

far, including that of the Former prime minister of China Li Keqiang, speaker of the National People's Congress Zhang Dejiang, as well as several ministers and vice-ministers, accompanied by business delegations.

Given the size of its economy, China is an attractive partner for many countries around the globe. Therefore, it is natural that Latvia, like many other countries, does its best to profit economically from the cooperation with China as from cooperation with any other country. To a large extent, development of the economic relationship has been the main driver behind the Latvian interest to cooperate with China. The particular points of interest have been a better access to the Chinese market, Latvia's offer to use its transport infrastructure for transiting of Chinese goods to Europe, as well as attracting more tourists from China.

The trade balance between both countries has been negative for Latvia, though export to China has grown gradually in the recent years. In 2016, the share of Chinese import to Latvia constituted 3,27 % (401,43 million euros) of the total import, whereas Latvian export to China constituted 1,15 % (119,36 million euros) of the total Latvian export (please see Figure 1).^①

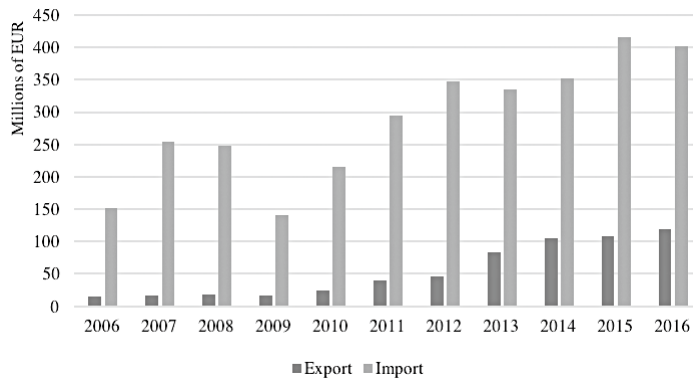


Figure 1 Trade between China and Latvia, 2006-2016^②

Chinese investment in Latvia was marginal up until 2013 as it was constantly

① "AT05. Exports and imports by combined nomenclature sections and countries by quarter (euro)," *Central Statistical Bureau of Latvia*, 2017, http://data.csb.gov.lv/pxweb/en/atirdz/atirdz__istern__atirdz/AT0050c_euro.px/table/tableViewLayout2/?rxid=cdeb978c-22b0-416a-aacc-aa650d3e2ce0.

② Ibid.

lower than 1 million euros before that year. Investment grew considerably in 2014, even though its level is still comparatively low. In 2016, it accounted for approximately 76.71 million euros or 0.57 % of the total direct investment in Latvia (please see Figure 2).^① Chinese investment in Latvia is concentrated in the real estate sector, and it is mostly related to the opportunity to acquire residence permit in the EU in exchange of investment. Thus, investment in Latvia differs significantly from many other regions where Chinese state or private companies are investing in large infrastructure or other commercial projects.

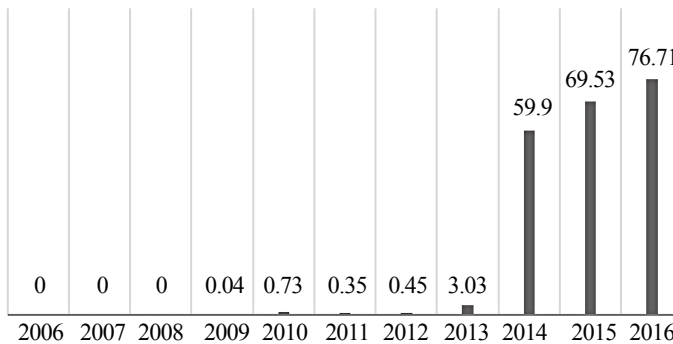


Figure 2 Foreign direct investment of China in Latvia:

Millions of EUR, closing positions at the end of the year^②

Along with prospects of an extended presence in China's market, one of the main interests of Latvia is the transportation of Chinese and China-bound cargo through the Latvian transport infrastructure—ports and railways. A pilot train from Yiwu in China arrived in Rīga during the Summit in November 2016, whereas another train from Rīga to Kashgar was dispatched in May 2017. They have raised the prospect that China's cargo might alleviate the current and expected loss of transit cargo from Russia to a certain extent. However, also in this respect, only time will tell if these pilot trains will be followed by permanent flow of cargo, given such challenges as

^① Based on: 01 DI data by country tables (closing position), *Bank of Latvia*, 2017, <https://statdb.bank.lv/lb/Data.aspx?id=128>.

^② Ibid. No data were received by the Bank of Latvia in 2006 and 2007.

a considerably lower price in ocean shipping, other China-Europe cargo rail routes to the south of Latvia, traffic imbalance (from China to Europe) and the generally limited amount of cargo that can be expected to travel overland.

Among all Latvian-Chinese cooperation elements, surprisingly, tourism has the potential to excel the most. Even though there are no direct flights between China and Latvia, the flow of visitors from China has risen significantly in the recent years—from a mere 457 in 2006 to 20549 in 2016 (please see Figure 3).^① The visibility gained in China as a result of the 16+1 activities as well as a number of other interconnected factors, such as the option of applying for a Latvian visa at visa centers throughout China starting in 2016, raise further prospects of these numbers increasing. Even though Latvia's passenger hubs do not yet possess a regional transit significance in the eyes of Chinese tourists, the ease of travel through the Rīga International Airport, including comparatively short wait, wide accessibility of direct flights across Europe and availability of low-cost ticket options are named among Latvia's advantages by the Chinese community and can contribute to short-stay transfer tourism in the coming years.

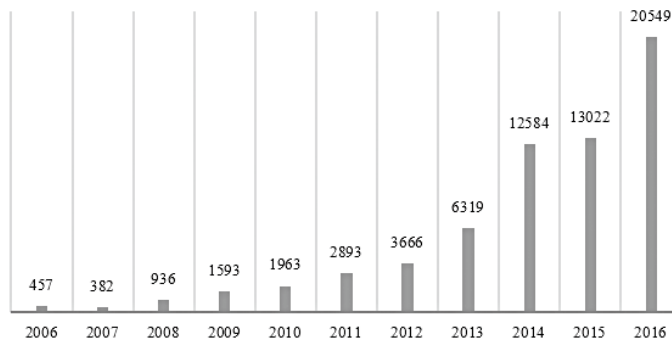


Figure 3 Chinese tourists in Latvia (visitors staying in hotels and other accommodation establishments)^②

From the political perspective, however, China has been treated cautiously as

① “TU04. International visitors: nights spent in hotels and other accommodation establishments by quarter,” *Central Statistical Bureau of Latvia*, 2017, http://data.csb.gov.lv/pxweb/en/transp/transp__istern__turisms/TU0040c.px/?rxid=cdbc978c-22b0-416a-aacc-aa650d3e2ce0.

② Ibid.

its position in the global politics has been more sympathetic towards Russia (which is considered as the main source of threats to the national security of Latvia), than the EU or the US, the strategic partner of Latvia. It is also not a secret that China has been perceived as one of the most active countries gathering intelligence not only in the US or the EU as a whole, but also in the Baltic region. A recent rather negative fact that might diminish trust is China dispatching three warships to the Baltic sea in July 2017 in order to participate in the common Russian-Chinese drills called Joint Sea 2017. Even though these drills do not pose significant and immediate risks, they raised eyebrows in the Baltic states' political elites and societies on what are Chinese real intentions in the region and who are its real friends.

16+1 Summit Bringing Visibility in Latvia

As emphasized by the Ministry of Foreign Affairs of Latvia, the 16+1 initiative is seen as an instrument to complement both the bilateral dialogue with China as well as the EU-China dialogue.^① According to the 2016 Annual Report of the Minister of Foreign Affairs, Latvia's leading role in 16+1 in 2016 was expected to contribute to economic cooperation with Asia and beyond.^②

The highlight of the cooperation in 2016 undoubtedly was the 16+1 Summit in Rīga in November 2016, which brought also the Chinese Premier Li Keqiang to Latvia. This well-attended Summit was supported by the Business Forum, the Think Tank Forum, the Sinologists conference in November, the National Coordinators Meeting in October, as well as the Transport Ministers' Meeting in May, during which the Central and Eastern European Countries' -China Secretariat on Logistics Cooperation was launched by the Ministry of Transport of Latvia. Both the Rīga Declaration and the Rīga Guidelines bear the name of

① "Noslēgusies 16+1 valdību vadītāju sanāksme," *Latvijas Republikas Ārlietu ministrija*, 08.11.2016, <http://www.mfa.gov.lv/arpolitika/daudzpusijas-attiecibas/centraleiropas-un-austrumeiropas-valstu-un-kinas-sadarbiba>.

② "Ārlietu ministra ikgadējais ziņojums par paveikto un iecerēto darbību valsts ārpolitikā un Eiropas Savienības jautājumos," *Latvijas Republikas Ārlietu ministrija*, 2016, http://www.mfa.gov.lv/images/AM_05012016_2.pdf, p. 18.

Rīga and will be referred to as a part of the “16+1 Cooperation” format in the future.

In 2016, these activities have definitely raised the visibility of China and the 16+1 format domestically. For example, months before the 16+1 events were hosted in Latvia, the format was virtually unknown beyond some governmental institutions, businessmen and experts engaged with China. In October 2016, a survey among the Latvian political science students—the future civil servants, politicians and experts—revealed a limited knowledge of both China and 16+1. More than a half of respondents or 56,9% had never heard of the “16+1 Cooperation” format and over two thirds or 70,7% had not heard that the summit of the format was to take place in Latvia the following month.^① The level of recognition of the format and knowledge has definitely increased since, given the publicity of the events in Latvia. As an indicator for that, results of a similar survey done in May 2017 showed that only 22,2% had not yet heard of the format and a similar number of 28,9% had not noticed that the summit took place in Rīga the previous year.^② The 16+1 activities have, however, not that much affected the knowledge of the Belt and Road initiative. According to the aforementioned survey done in May 2017, more than two thirds or 68,9% of the respondents had never heard of the Belt and Road initiative.

Summarizing Perceptions of China, 16+1 and the Belt and Road Initiative

It is not a straightforward task to assess a country in the eyes of another country. Assessing that of China in Latvia is not an exception. If the perception of the general society had to be assessed, then it is likely that almost anybody

① Andžāns, M., Liu, Z., “Relationship Between China and Latvia—Perspective of Latvian Political Science Students,” in *Forum Introduction. International Forum of China and Central and Eastern European Countries. Enhanced Connectivity for Common Advancement. Rīga, Latvia. 4 November 2016*, Latvian Institute of International Affairs, 2016, http://liia.lv/en/publications/introductory-reading-think-tank-international-forum-of-china-and-central-and-eastern-european-countries-552?get_file=1, pp. 9-10.

② Survey conducted by Bērziņa, S., Rīga Stradiņš University, May 2017.

would have his own perspective. At the same time, probably stereotypical associations, not all of them flattering to China, would be the most common among the ordinary people. People following international news would probably name such issues as territorial disputes in which China is involved, the recent assertiveness and activeness of its foreign policy, China's economic development and technological advances, as well as different treatment of rights and liberties compared to the approach in the West. 16+1 would raise more associations because of the visibility it gained due to the 2016 summit in Rīga. The Belt and Road initiative might have higher number of associations if explained as distantly related to the better known Ancient Silk Road.

Among business people, China is naturally seen an economic superpower and therefore as a large market. Interest in a better access to the Chinese market, prospects of transportation of cargo from and to China through the Latvian ports, as well as attracting more Chinese tourists would define the field of the main interests. 16+1 would be seen as a platform for enhancing these aims. Whereas the understanding of the Belt and Road initiative is more limited to what the word "belt" describes, the Eurasian transportation corridors, and in the shape of cargo transportation over the already existing infrastructure. Comparatively limited knowledge of this initiative might be attributed both to the lack of high profile events and projects related to it in Latvia.

The general political perspective is based on the perceptions outlined above. It would be fair to say that the economic cooperation prospects with China are the dominant reasons behind the promotion of cooperation with China. Still, it is not fostered at any cost—China, even though a large market, is only one option among others for trade diversification. If the prospects of the economic gain became dim, it is likely that also levels of the bilateral political engagement would decrease. Yet the political perspective towards China is underpinned by other factors beyond the economic ones. These are, as mentioned above, the Chinese positions in the global politics that are more sympathetic towards Russia than the EU or the US (take the example of the naval common Russian-Chinese drills in the Baltic sea); it naturally creates a

level of suspicion towards the aims and ambitions of China. When it comes to the perception of both cooperation formats, 16+1 and the Belt and Road initiative, then they are solely seen as platforms, probably rather peculiar ones (take the geographical composition of 16+1 or the misleading word “belt” when translated in Latvian), for interaction with China, not as formats for cooperation with other countries comprised by the formats.

For China, if it would like to increase the visibility and success of the both formats, several factors should be considered. First, the need for domestic visibility activities such as the 16+1 format summit in Rīga. Without the summit and the accompanying events in Rīga in 2016, the format would still be virtually unknown. If the Belt and Road initiative is not to bring cargo over the Latvian infrastructure, it is likely that the attention to the initiative will be lessened. Second, even though the sixteen countries of the 16+1 format seem to be a relatively similar group from outside, it is not so by far. Even the 11 EU member states being classified in this format are rather different. When it comes to the Baltic states, it should be suggested, they would rather like to be treated as Northern European countries, not Eastern European countries. As minimum, they definitely should not be treated as “ex-communist”, “ex-socialist” or “ex-Soviet” countries, given the negative connotations and memories these words entail. Legally, the three countries are not successors of the Soviet Union and therefore cannot be defined as “ex-communist”, “ex-socialist” or “ex-Soviet”.

China-Croatia Cooperation: past, present and future

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Participation in the Belt and Road Initiative (BRI) and “16+1 Cooperation” could potentially bring Chinese investments to Croatia which is important for small country like Croatia. On the other hand, Croatia is an interesting country for China. Although lacking infrastructure, three major Pan-European corridors (V, VII and X) cross through Croatia. In February 2016, China had expressed interest in participating in Croatian railway projects.

This paper identifies past cooperation between the two countries including investments made. Then it analyses current role of Croatia in the cooperation frameworks and potential of future projects in Croatia, especially regarding road, sea and river infrastructures. In the last part it analyses commercial diplomatic activities of Croatia in synergy with Croatian participation in “16+1 Cooperation” and BRI, finding how to best combine Croatian potentials with commercial diplomacy to bridge the flow of investments.

Past cooperation: brief history of milestones

People's Republic of China recognized the Republic of Croatia on April 27th 1992, and diplomatic relations were established on May 13th 1992. In China, Croatia is represented by two representative offices: an embassy in Beijing with

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five diplomatic staff and a consulate in Hong Kong with an honorary consul, while China is represented by an embassy in Zagreb with twelve diplomatic staff.

Croatia joined the World Trade Organisation a year before China (in 2000) and joined EU in 2013 which had significant impact on its trade and investment policies. Since 2013, Croatian commercial diplomacy targets the emerging markets of wider neighbourhood. Far East countries, including China, are seen as the markets where the help of Croatian diplomacy is needed the most (Klisočić, 2014). Croatian commercial diplomacy put a highlight on the quality of human resources of the personnel of the embassies abroad who have to be equipped with business knowledge and experience, and if needed, to be in cooperation with local business consultants. Positioning China as one of the countries where commercial diplomacy is targeted means that Croatia had realized the potential of China becoming a major trading partner for Croatia.

During 2015, Croatian export to China amounted to USD 77 million, while import from China amounted to USD 578 million. Although China is not yet Croatian main trading partner^①, there is an increasing trend of export volume in recent years, with Croatia importing eight times more goods from China than exporting it (see Table 1). Almost half of Croatian export to China is capital goods, including timber, leather, aluminium and stone, while most of Croatian import from China is consumer goods including textile products, household appliances, computers and electronic goods (World Bank, 2017).

Table 1 Croatian trade with China in USD million

Year	Export to China	Import from China
2011	54.70	1,604.81
2012	45.87	1,487.85
2013	76.38	769.75
2014	68.09	588.80
2015	77.34	578.39

Source: World Bank (2017)

① In 2015, Croatia major trading partner countries for exports were Italy, Slovenia, Germany, Bosnia and Herzegovina and Austria and for imports they were Germany, Italy, Slovenia, Austria and Hungary.

In 2012, China created the 16+1 mechanism, a platform where the Chinese prime minister meets—usually once a year—with the leaders of 16 Central and East European Countries (CEEC)^①. This framework has become a launch pad for the BRI (at least half of the countries have signed BRI Memorandums of Understanding with China since 2015), and has helped China to build (or in some cases rebuild) close relations with Eastern European countries.

A Memorandum of Understanding (MOU) between the government of the Republic of Croatia and the government of People's Republic of China on cooperation in the framework of BRI was approved by the Croatian government in June 2017. The MOU paves the ground for five areas of cooperation between Croatia and China: (1) transport, logistics and infrastructure focusing on cargo transportation, sea ports, railways and logistic centres, and additionally establishing a direct flight between the two countries; (2) trade and investment including cooperation between companies, with focus on wood products, machines, pharmaceutical products, cosmetics, foods and clothing; (3) financial cooperation for supporting trade and investment; (4) science and technology to stimulate companies from both countries to cooperate in the sector of high and new technology and innovations; (5) cultural and people exchange in the sectors of education, arts and culture (Croatian Government, 2017).

Since the beginning of 16+1 platform, even before Croatia signed the BRI MOU, China had showed interests in transportation infrastructure projects in Croatia. In February 2016, in a meeting between Chinese Ambassador to Croatia and Croatian Minister of Maritime Affairs, Transport and Infrastructure it was expressed that China is interested to participate in the construction project of railway connection between Rijeka via Zagreb to the border of Hungary as well as upgrade of the Port of Rijeka (Croatian Ministry of Maritime Affairs, Transport and Infrastructure, 2016).

Later in November 2016, Croatian Prime Minister Andrej Plenković

① Central and Eastern European Countries (CEEC): Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia.

and China's Former Prime Minister Li Keqiang held a bilateral meeting and signed an MOU on Port and Harbour Industrial Park Cooperation between Chinese National Commission for Development and Reforms and Croatian Ministry of Economy, Entrepreneurship and Crafts. There are three areas in which cooperation is encouraged: (1) investment, construction, modernisation and management of sea ports; (2) development, construction and management of industrial parks including investments in projects; and (3) construction of railways, highways, logistic centres and storage in sea ports and industrial parks (Croatian Government, 2016).

Prior to this event, in the beginning of 2012, China expressed similar interest to invest in the same railway route (Rijeka port to Budapest via Zagreb) but was unfortunately rejected by the Croatian government (Podgornik, B., 2016). At the moment Croatian government was solely expecting grants from the EU to finance such project, once it joins the Union. However, it has been said that when finally joined the EU in 2013, Croatia hesitated in accepting Chinese investments because the deal concluded with China might not be conform to EU guidelines or could undermine EU policies (Stanzel, 2016).

A summit between Chinese and Croatian businessmen was held in 2016 by the Chinese embassy in Zagreb aimed at boosting economic relations between two countries. 100 businessmen, representatives of over 50 companies from the coastal region of Zhejiang in China came to Zagreb, Croatia, to meet over 50 companies from Croatia, to discuss possibilities of investment and trade in the spectrum of sectors like construction, communications, chemicals, energy, car-making, electronics and food industry. The companies from China in this summit showed interest in investing in the ports of Rijeka in the north and in Ploče in the south, for unloading containers with Chinese goods for Europe (Milekić, 2016). This interest is in synergy with the previous Chinese interest of building railway from Rijeka to Budapest via Zagreb, which is essential to the success of BRI.

Compared to other CEE countries, Croatia is lagging behind in attracting investments from China. In 2016, Slovenian company Pipistrel that makes

small electric planes signed a contract worth EUR 350 million with a Chinese company Sino GA for technology transfer. While Serbia, which has had long history of cooperation with China since 2009 signed a EUR 734 million worth of investment for railway and transport infrastructure projects focusing on modernization of the Belgrade-Budapest route fit for fast trains. Other than that, Chinese investment would finance construction of a bridge over the Danube and a power plant in Kostolac (Podgornik, B., 2016).

In 2016 China had become the biggest investor in the world, with its investments reached USD 207 billion all over the world. That is USD 28 billion more than the investment of the USA (Podgornik, B., 2016). It is time that Croatia catches up with other CEE countries.

Both Croatia and China are aware that the cooperation between the two has to intensify due to many potentials to it. And it is time to restart the negotiation. For a small country like Croatia, every opportunity for infrastructure project matters. To actually make use of its geo-strategic potentials, infrastructure projects are necessary.

Present cooperation: potential investments in the framework of 16+1 and BRI

2017 marks 25 years of the establishment of diplomatic relations between the Republic of Croatia and People's Republic of China. During the Meeting of China-Croatia Joint Economic and Trade Commission held in Zagreb in March 2017, both parties highlighted the need for more intensive cooperation between the two countries.

During 2016, trade exchange between Croatia and China was worth USD 1.5 million which was highest in the history of their bilateral cooperation (HINA, 2017). However, compared to the total of trade exchange of China that reached USD 3.6 billion the same year, the amount of trade exchange with Croatia is very small.

For BRI, Croatia could offer one of the shortest connections from Asia to

Western Europe given the fact that three Pan-European Corridors (V, VII and X) pass through Croatia, as well as three Trans-European Transport Network corridors (Mediterranean, Baltic-Adriatic and Rhine-Danube).^① However, although port infrastructure is available, the cargo and turnover are limited. The needs are therefore mutual, because China could provide cargo and turnover.

In 2016 only, the value of newly signed China's contracting projects in the countries participating in Belt and Road Initiative (BRI) reached USD 126 billion. Contracts in BRI countries account for almost 50 percent of China's total turnover in overseas contracting projects (The Economist, 2017). Should cooperation between Croatia and China intensifies, investments will bring infrastructure projects in Croatian roads or railway.

In the framework of Trans-European Transport Network (TEN-T), the main port of Croatia, Port of Rijeka, is inside three corridors: Mediterranean, Baltic-Adriatic and Rhine-Danube. Mediterranean corridor (marked green in Figure 1) will link ports in the south western Mediterranean region to the Ukrainian border with Hungary, following the coastlines of Spain, France, crossing the Alps towards the east. Baltic-Adriatic corridor (marked dark blue in Figure 1) will cross or tangent five other corridors: the North Sea Baltic corridor, the Mediterranean corridor, the Scandinavian-Mediterranean corridor, the Rhine-Danube corridor and the Orient/East-Med corridor. Rhine-Danube corridor (light blue in Figure), with the Main and Danube waterway as its backbone, connects the central regions around Strasbourg and Frankfurt via southern Germany to Vienna, Bratislava, Budapest and finally the Black Sea (see Figure 1).

Shipment from Far East to Europe could be 8 days shorter in transit times if using Port of Rijeka, compared to Port of Hamburg and Rotterdam (Croatian Ministry of Maritime Affairs, Transport and Infrastructure, 2017).

Infrastructure upgrades and development of Port of Rijeka are being made

① Pan-European transport corridors were defined in Pan-European transport Conference in 1994 as routes in Central and Eastern Europe that required major investment; while Trans-European transport network (TEN-T) is a project of the EU and includes all major established routes in the EU. These two systems are distinct.

continuously. A grant agreement for reconstruction of railway station Rijeka-Brajdica and Adriatic Gate container terminal intermodal yard—Brajdica was signed in November 2015 and construction of works are planned for the third quarter of 2017. The total value of the project is EUR 35.5 million, with 85 percent of the total value co-financed by the EU Connecting Europe Facility. Reconstruction of cargo section of Rijeka railway station was also planned for the third quarter of 2017, worth EUR 31.58 million.

During the first Chairs' meeting of the EU-China Connectivity Platform in Beijing in June 2016, a list of pilot projects was established for the cooperation focus. Among 7 pilot projects in Europe^①, one is in the Mediterranean corridor: Rijeka-Zagreb-Budapest railway. This shows the high interest of establishing the Port of Rijeka as one of the main entrance of goods from Far East in Europe.

In this very meeting, to attract Chinese investments, except for the favourable geographical location, Croatian delegation highlighted other strength of Croatia: pro-business environment. In 2017, the World Bank within its Doing Business reports ranked Croatia 43 in the world out of 190 countries, scoring a total of 72.99 out of 100. The evaluation is based on 10 different aspects: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency (World Bank, 2017). Although Croatia scored better than the regional Europe and Central Asia countries (71.05), it performed much worse than most of CEE countries. Only Albania, Bosnia & Herzegovina, Montenegro and Serbia scored lower than Croatia.

However, as a member state of EU, goods and services traded with Croatia is not only aimed at Croatian market but could reach the entire EU with a

① Others are: projects in the Orient/East-Med corridor in the Western Balkans, projects in the North Sea-Baltic corridor, the V0 rail cargo line bypassing Budapest in Hungary, corridor 5C highway project in Bosnia and Herzegovina, railroad upgrade project from Koper to Divača in Slovenia and the Budapest-Belgrade railway.



Figure 1 TEN-T Corridors crossing through Croatia and connected to Port of Rijeka

Source: European Commission, 2017

population of 500 million people. This fact could be interesting for China. Croatia as an EU member also has access to EUR 1 billion of EU structural funds annually aimed for promoting entrepreneurship. Foreign investors, including Chinese investors, who set up business in Croatia have equal access as domestic companies to compete for this fund.

The first investment from China in Croatia is going to be realized this year. Chinese real estate company Zhongya is investing in tourism business in Krapinske Toplice, constructing both residential and touristic resorts worth EUR 20 million. (Večernji list, 2017). Although this investment is not related with transport infrastructure, it is a good start for further cooperation.

Tourism is an important sector in Croatian economy. In 2016, direct contribution of tourism to GDP was USD 5.5 billion or 10.7 percent of the total GDP^①, and created 138,000 jobs which is 10 percent of the total employment in the country (World Travel & Tourism Council, 2017). Investments made in travel and tourism in 2016 amounted 11 percent of the total investment in Croatia, and it should rise by 2.5 percent in 2017.

In an interview in 2016, Chinese ambassador highlighted the need for

① Direct contribution reflects the total spending within the country on travel and tourism by residents and non-residents for business and leisure purposes (accommodation services, food and beverage services, retail trade, transportation services and cultural, sports and recreational services.

Croatian government to promote its tourism to the Chinese market, because the rich tourism resources of Croatia are not well known to Chinese tourists, and are a hidden gem for them (Chinese Embassy, 2016). The number of the Chinese tourists visiting Croatia have been rapidly increasing, and 88,000 Chinese tourists visited Croatia in 2015. However, this number is relatively small compared to the total overseas visits of Chinese citizens that amounted to 120 million in 2015. If Croatian diplomatic effort to China would include tourism promotion, Croatia could benefit from Chinese tourists, and it could possibly attract foreign investments not only regarding tourism infrastructures but also transport infrastructure that can be essential for Belt and Road initiative.

Future cooperation: help of commercial diplomacy

Quite recently, Croatian Chamber of Commerce (HGK) had opened an office in Shanghai to assist Croatian companies in China and Croatian exporters. The main reason of the decision to open an office was the rise of Croatian export to China, which was 93 percent higher in 2014 compared to 2008 (Koretić, 2017).

The activities of commercial diplomacy done by different institutions in Croatia have not been very well coordinated. It is possible that the activities done by the Embassy of Croatia in Beijing and the office of HGK in Shanghai regarding promoting Croatian exports and attracting investment to Croatia overlap because systematic approach is missing. However, since 2013 Ministry of Foreign and European Affairs (MFEA) was to become a coordinator of all of the activities between all of the involved actors of commercial diplomacy. Within “16+1 Cooperation”, coordination in Croatia is done by MFEA, which supports the effort of making MFEA a coordinator in regards of attracting Chinese investors to Croatia.

In the last two years, Chinese commercial diplomacy in Croatia seems to be more actively organized than the other way around. During the 11th meeting

of the Sino-Croatian Joint Committee in March 2017, Chinese Ambassador in Croatia Hu Zhaoming stated the commitment of the Chinese embassy in the Republic of Croatia to continue to establish communication channels and bridges for the enterprises and government departments from both sides.

To maintain economic and trade relations between Croatia and China, there is a mechanism called the Sino-Croatian Joint Committee for Economy and Trade that holds regular working meetings. Several agreements have been signed, such as Agreement on Economy and Trade, Agreement on Reciprocal Promotion and Protection of investments, Agreement on Avoiding Double Taxation and Prevention of Tax Evasion, MoU on the Establishment of Croatian-Chinese Economic and Technological Zone, etc. However, the Sino-Croatian Joint Committee for Economy and Trade meetings are not within the coordination of MFEA. In Croatia, these meetings are attended by the Ministry of Entrepreneurship and Crafts.

Croatian commercial diplomacy is focused on promoting export and attracting Foreign Direct Investments (FDI) (Boromisa, Tišma and Raditya Ležaić, 2012), however, according to the guidelines of “16+1 Cooperation” and BRI, cooperation in other sectors are also desired: tourism, cultural, education, people exchanges and local cooperation.

In line with the issue of tourism mentioned in the previous section, Croatian commercial diplomacy had actually involved the National Tourist Board to be one of its main actors of commercial diplomacy under the coordination of MFEA. However, implementation of the coordination and communication itself is challenging since horizontal coordination among different bodies in Croatia is made on the level of the government (Boromisa and Raditya Ležaić, 2014).

16+1 summit recognizes the importance of Croatian tourism as well. During the Summit in Riga in 2016 which was attended by Prime Minister Andrej Plenković, it was decided that Croatia was to host the new round of 16+1 High Level Conference on Tourism Cooperation, which also should promote the tourism cooperation between Croatia and China, and other 16+1 countries.

Conclusion

The trade between China and Croatia is increasing, but it is still significantly below its potential. Considering the size asymmetry, it is highly unlikely that Croatia will become major Chinese trading partner. However, Croatia's geographical position, knowledge of local conditions in South East Europe and EU membership make it a partner worth consideration.

Croatia has an ambition to become regional transport hub. Such development would need investment and cooperation on regional, European and global level. This further increases the potential for cooperation within 16+1 framework and provides ground for participation in Belt and Road Initiative (BRI). Implementation would require capacity building and raising awareness, as currently there are limited information and activities on China-Croatia relationship.

Commercial diplomacy activities such as investor meetings or business fairs done by diplomatic staff and representatives of both countries could help the business actors to familiarize with opportunities for cooperation and potentials of the countries.

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How Bosnia and Herzegovina Could Benefit from the Belt and Road Initiative: BRI Perspective of an Ambassador

Amel Kovacevic, Former Ambassador of Bosnia and Herzegovina to China

Introduction:

One Belt One Road (B&R), or Belt and Road initiative (BRI), launched in 2013 by People's Republic of China (PRC) undoubtedly represents one of the most ambitious global developmental projects in the history of modern world. It is arguably the most encompassing strategy of globalisation of trade and commerce on a scale never registered in the past. BRI also provides an alternative vision of the world in which all countries could reap benefits of economic and social development and at the same time preserve their identities, specific political cultures and sovereignty.

This alternative vision will complement and build upon the existing post-world war system formed around the central role of the United States and its leadership position, and built on the edifice of Bretton Woods institutions and "Washington consensus". More and more countries are increasingly beginning to perceive BRI as a viable alternative against ideological neoliberal capitalism. As noted by well-renowned international relations scholar Michael Wesley, from a developing country's perspective, global institutions look heavily tilted towards preserving the interests of privileged minority that live in western countries. Decision-making structures that affect economic well beings, that are made in the IMF, the World Bank and a Group of Twenty (G20) seem to be disproportionately geared in favour of the US and the EU.^① Therefore BRI comes at a time of great uncertainty for the western world, and for Europe in

^① Michael Wesley, *Restless Continent: Wealth, Rivalry and Asia's New Geopolitics*, p.88, Black inc. Collingwood, 2015.

particular, which is marred by cycles of financial crisis and uncertainty that have recently led one of the major powers to leave the European Union project (Brexit), prompting vigorous debate as to whether other countries that are contemplating leaving the Union might do the same as Great Britain.

One of the most recent distinguishing features of European political discourse has been proliferation of anti-globalisation sentiments, due to increased nationalist and isolationist tendencies. This is even more intense in those countries deeply affected by economic crisis or where economic growth has slowed down markedly. What we are also witnessing at present moment is a retreat of neoliberalism in the West.

China is now emerging as a new proponent and driver of a different kind of globalisation envisaged on different philosophical foundations. Other large-scale efforts at expanding global trade, commerce and investment, such as Transatlantic Trade and Investment Partnership (TTIP) were met with serious obstacles and hesitation in Europe. More countries are being optimistically eager to embrace BRI as a viable way forward to enhancing economic growth that will in turn provide job security and preserve social cohesion of all the countries that embrace the BRI project.

What we have been witnessing in recent years is the emergence of a new, more just, and more level headed multipolar world characterised by multitude of great powers competing and cooperating with each other to achieve best outcomes for their peoples. Multipolar world does not need to be a world of conflict and discord, as some sceptics would like us to believe.^① It can and it should be a world of mutual cooperation and collaboration of various actors in the international system, for the betterment of the entire humanity. BRI is both an embodiment and ingredient for such a peaceful world to be realised in not so distant future, whereby United States, China, EU, Russia and other major international players such as Turkey can cooperate in different regions of the

① John J. Mearsheimer, *Can China Rise Peacefully?*, National Interest, 24. October, 2014. Online <<http://nationalinterest.org/commentary/can-china-rise-peacefully-10204>>.

world, such as the Balkans.

As much as it is ambitious and colossal it is indeed a viable and realizable world. We understand that when President Xi Jinping first presented BRI in 2013, reactions of the part of the rest of the world, particularly the US and European Union were not so enthusiastic. This atmosphere has changed markedly in recent years and there is now a serious desire on the part of west European countries to embrace this initiative. BRI will bring enormous benefits to all participating countries if they manage to timely position themselves and become active participants in this great vision for a new, more peaceful, better-connected and more equitable world, the world characterised by common interests and shared values, as well as hopes and aspirations.

From the perspective of Bosnia and Herzegovina, a small but nevertheless important country in Southeast Europe, which I was proud to represent here in China several years ago as its ambassador, boosting economic development is of paramount national interest. This can be accomplished through investment, construction of new roads and railways, enhancing and improving existing and building new ports in the Adriatic sea, providing proper logistical and storage facilities and establishing structured educational underpinnings by way of setting up new universities and think tanks, and through regular cultural exchanges. BRI is perceived in BiH, as a unique opportunity to advance its standing in the western Balkans and to position itself as a more robust future member of the European Union.

Promoting BRI in Bosnia and Herzegovina

As a good indicator that BRI is becoming a subject of serious consideration among Bosnian intellectuals and strategic thinkers serves a recently launched initiative to set up an analytical organisation, a think tank, in Bosnian capital Sarajevo. A group of far-sighted individuals of intellectual rigor and vision for the future recently established a research centre the objective of which is to better grasp, explain, and disseminate the information about the importance

of BRI and Silk Road in particular for our country. This endeavour will serve to emphasise importance of Silk Road project to Bosnian policymakers, business and public alike. This type of interest for BRI will provide much-needed platform for launching practical initiatives in terms of implementation of right strategies in order for BiH to become important part of BRI. Not much strategic planning has been invested in thinking through this Chinese global initiative either by Bosnian academic institutions or policy-making circles. This is additional reason why structured platform for disseminating knowledge and benefits of BRI in our country should represent the first important step in the right direction.

We will endeavour to broaden this platform by other, more ambitions, initiatives and practical steps such as establishment of the a new Silk Road University in Sarajevo' which I am going to elaborate in the course of this paper. It is important, however, that business community and political establishment in Bosnia and Herzegovina, as much as it is heterogeneous and sometimes holding divergent views and directions, agrees that BRI represents enormous opportunity which we can only afford to miss at our own peril, while those who embrace it will reap benefits for many years in the future. It is therefore not the question of whether we in BiH want to participate in BRI. Rather it is a question of how best can we utilise it for our benefits by participating in it.

Bosnia and Herzegovina on the way to European integration

Bosnia and Herzegovina is determined to join the European Union (EU) in not so distant future. Process of accession, however, is a lengthy and demanding task. There are many hurdles, which must be overcome on its march to the EU membership. Numerous requirements must be fulfilled before BiH becomes eligible for candidacy in this economically powerful but in recent years increasingly uncertain multilateral organisation. In the meantime current position of BiH presents good opportunity to embrace BRI regional vision in

Southeast Europe, precisely because it is still not bound by requirements it would have been obliged to, had it already been a member of the EU. Some of the major EU member states have shown growing interest in the Belt and Road initiative recently in realisation that Europe is a final destination of both BRI's two major routes: the Silk Road Economic Belt through Central Asia and the 21st Century Maritime Road through South and Southeast Asia. Visionary policy makers can see a great opportunity in facilities offered by the Asian Infrastructure Investment Bank (AIIB) that has become a key source of financial backing of the BRI project, even though European countries were hesitant to join it in the beginning. Rationale behind some initial hesitancy and scepticism of some European countries to provide full-blown support to BRI lies primarily in their tenuous relations with the US on which they depend for security. It is worth noting, however, that many sub-national stakeholders in Europe, particularly provincial and municipal authorities and entrepreneurs alike are eager to become involved in BRI. This will, undoubtedly, provide them with opportunities to attract more investment to their respective economies and open up new trade opportunities with countries scattered along the BRI route, that have already embraced the project.

In a competitive atmosphere in which many powerful actors are positioning themselves to become major gateway of the BRI towards Europe, some would argue that Bosnia and Herzegovina is too small a player to represent a viable partner in the initiative. On the contrary, I believe Bosnia and Herzegovina can offer much more to BRI than others, for a number of reasons I will elaborate in this paper.

Geostrategic position and natural resources

It is true that bigger countries are better placed to engage in large-scale infrastructure projects such as construction of roads or railway networks, ports, bridges or transportation and logistics hubs. Naturally, powerful corporations can do this far more easily than small countries like ours. Yet, Bosnia and

Herzegovina is uniquely positioned to engage and contribute to BRI. Its geographical position is such that it connects east and west. It has access to the Adriatic Sea and it has a long-term lease on the Ploče port in Croatia. Alternatively, it has its own coastal region with town of Neum where an alternative port could be built. In addition, Bosnia and Herzegovina is known for its natural resources. As a former frontier province of the Ottoman Empire, and earlier on as a “*corpus separatum*” during the Roman Empire. Bosnia was also treated as a separate and a unique province under the Austro-Hungarian Empire. As a constituent republic of the former Yugoslavia (SFRY) BiH had equal status to other republics. Subsequently BiH became an independent state in 1992. BiH has always been “a jewel in the crown of the Western Balkans”, so to speak, its mining potentials and minerals, forests, agricultural lands and bountiful water resources are ingredients that provide good foundation for BiH sustainability and indeed serious credibility for BiH to become a serious contender and an active player in BRI structures in the Balkans region.

Cultural diversity: Sarajevo as a Jerusalem of Europe

Apart from its geographical position, natural resources potentials for agricultural production and tourism, BiH has one asset no other country in Europe can match. This is its genuine cultural diversity. Bosnia’s vibrant capital city Sarajevo has long been regarded as a “Jerusalem of Europe” and a meeting place of the east and the west. BiH is a natural bridge between east and west. It is practically the westernmost frontier of the Silk Road. Its architecture, cuisine, religious and cultural mix are unsurpassed. It is therefore no surprise that Bosnia’s tourism industry, for instance, has quadrupled in recent years. Number of foreign visitors to Bosnia increases almost 30 percent every year. In addition, Sarajevo is regarded as a cultural and artistic capital of the Western Balkans. This is widely recognised by international film industry that patronises Sarajevo Film festival (SFF) that has already become one of the leading cultural events in Europe. Last but not least, Bosnia and Herzegovina has for more than

two decades been the region over which great powers are squabbling. Interplay between powerful geopolitical players like Turkey, United States, Germany and Russia, are noticeable precisely in Bosnia and Herzegovina. Wealthy Arab countries from the Persian Gulf (GCC) have recently been investing in Bosnia's precious real estate market, still grossly undervalued. They also invested in luxury hotel and resort facilities and hospitality industry generally, as well as in agriculture and retail sectors. This is a good indication as to how significant BiH will become to investors and visitors alike in the future. Many countries and investors from across the cultural terrain are now positioning themselves to obtain a piece of precious Bosnia's real estate. No other country in the region offers such a serious potential in religious, historical, winter or eco tourism, mountaineering, skiing, water rafting, to name only a few tourist attractions. The entire artistic elites of the Balkan countries perceive Sarajevo as a vibrant, dynamic, cheerful and hospitable city to spend time in. This is an asset, which is heavily underutilised by local companies.

Furthermore, Sarajevo has during recent years positioned itself as a kind of "Davos of Southeast Europe". Its international investment conference, Sarajevo business forum (SBF) regularly attracts thousands of investors, policymakers, statesmen, entrepreneurs and the media participants. Bosnian capital has become a meeting point for moneyed community both from the west and particularly from the east. This position and standing of Sarajevo represent solid platform for deepening cooperation among regional countries whose leaders regularly attend the forum. That our region is important to BRI can be discerned from the fact that Belgrade-Budapest high-speed rail has already become the first flagship of the Belt and Road project in Europe.

We put forward the following projects to be considered for incorporation into strategic planning of Bosnia and Herzegovina's role in BRI by Partners in PRC.

Railway line: Ploče-Sarajevo-Belgrade-Budapest

Railway connection between Sarajevo in Bosnia and Herzegovina with the

port of Ploče on the Dalmatian coast of Croatia, built by the Austro-Hungarian authorities 130 years ago is vital communication that enabled for growth and development of BiH. This is one of the major projects which could be utilised in order to widen the scope of BRI initiative in the Balkans. This railway was one of the most significant communication projects in the last century in our region. The railway is 195 kilometres long and has 27 stops. For it to be constructed 71 bridges of varied sizes and 106 tunnels combined length of which is 37km had to be built. This particular railway represents the vital artery for the development of Bosnia's economy. This railway is significant for cargo transport for some of the most valuable Bosnian industries, such as Aluminium plant in Mostar and Mital Steel in central Bosnian industrial city of Zenica. Not to mention its importance for one of the largest food corporations (Klas) in Sarajevo, energy companies such as Energopetrol and INA, or for chemical industry in the industrial Tuzla basin. This communication line is a part of VC corridor and of (SEETO) Rail comprehensive network.

We propose Sarajevo-Ploče railway to be integrated into a BRI project, and to link it to Belgrade-Budapest so BiH can reap benefits from future growth directly attributed to BRI initiative. Railway improvement and links with Belgrade and Budapest would enhance competitiveness of BiH in relation to more advanced regions. It is estimated that this railway is used for carrying some 2.5 million tons of cargo, which comes, in and out of the port city of Ploče.

The Port of Ploče

The Port of Ploče (Luka Ploče) is seaport near the mouth of Neretva river on the Adriatic Sea coast in Croatia. It began its operations in 1945. It is the second largest cargo port in Croatia after Rijeka. Croatia and the Federation of Bosnia and Herzegovina signed the Ploče Agreement in 1996 which regulates unhindered passage of goods between Bosnia and Herzegovina and the Port of Ploče and stipulates that such cargo should be duty-free. Thanks to support

of the World and European Bank for reconstruction and development this port was modernised to meet the needs of growing economies of Croatia and BiH. In order to facilitate growth of Bosnia's economy Port of Ploče needs further improvements so it can receive larger cargo if it is to be incorporated into BRI project. Alternatively, a new port in Bosnia and Herzegovina's coastal town of Neum could be constructed.

We are pleased that China has decided to make the Western Balkans its preferred access point for the EU and that it will finance its facilitation.

China has strategically chosen Piraeus as the main entry point for exports into the southern, eastern and central EU, as well as the key hub for seaborne transport around the Mediterranean Sea. We will however be at disadvantage if the corridor from the Greek port of Piraeus to north of Europe, by passes our country, hence we suggest utilisation of the Port of Ploče or building a new port in Neum to serve as supporting hub for the major port in Greece. Budapest-Belgrade railway stretching 370km at the cost of 3.2 billion Euros is a great thing. However, linking Ploče with Belgrade by modernising the railway network in Bosnia would fully integrate our country into the BRI network. We are eager to see our inadequate infrastructure improved. We do not share the same characteristics with west Europeans whose infrastructure is advanced and highly developed. They see China as a competitor whilst we in the Balkans welcome Chinese investments and would like Chinese companies to be more active in helping us develop our potentials.

Energy Sector of Bosnia and Herzegovina

Energy potentials of Bosnia and Herzegovina are promising and could be utilised for the success of BRI initiative. Energy sector represents significant part of Bosnian economy but its potentials are much greater as the sector is still heavily underutilised. This is a great opportunity for international investors. Key energy products are coal and lignite, while water resources are underutilised. Bosnia and Herzegovina's primary resources are coal and

hydropower as renewable resources which the country has rich reserves. The energy produced from hydro resource's share is over the world average through the country. Large parts of Bosnia's territory are conducive to wind utilisation for production of energy as well as solar power.

Bosnia and Herzegovina only uses 35% of its hydro resources and generates 35% of the total electricity production. The potentials of thermal and hydropower are very high: It is estimated that the coal reserves are over 10 billion tons and only a fraction of it is being used, approx. 8 million tons annually. The hydro potential is 6,126 MWH and it could be increased multiple times.

Energy companies are mainly in private ownership while some of them are corporations. Energy sector employs 18 thousand workers. In comparison with neighbouring countries the risk in investing in energy sector is in Bosnia and Herzegovina is smallest while chance for long-term profit is very promising. This is important indicator as to viability of long-term investment in Bosnian energy sector.^① For the last 5 years BiH earned more than 1.5 billion Euros from energy exports. We see opportunity for investment in this sector by countries participating in BRI initiative as well as by Chinese corporations before full legislative measures to comply with EU energy community requirements are put in place.^② Bosnia and Herzegovina is a net exporter of electricity to European market and the authorities have ambitious plans to build new and renew the existing power producing capacities. There have been several billion Euros of investments already in hydro energy, as well as thermal energy plants lately.

Southeast Europe: International educational centre

Strategic location of Southeast Europe and its vicinity to Western Europe

① Bisnode AB, Online, Agency for data analytics, Online, www.bisnode.ba.

② Energetski sektor jedan od najvećih potencijala za budućnost BiH, Summit u Neumu, Bljesak.info, 15. March, 2015. <<http://www.bljesak.info/rubrika/business/clanak/energetski-sektor-jedan-od-najvecih-potencijala-za-buducnost-bih/114539>>.

and the Middle East is a significant factor that weighs in heavily in favor of this region to become a leading international center for university education. Latest international trends in higher education indicate that Eastern Europe is increasingly becoming popular international hub for higher education, attractive to foreign students. Level of knowledge and expertise is enviable and those students who fulfill the requirements are usually well equipped to enter the job market or to continue further studies elsewhere in Europe or in the US after graduation. Limited number of placements coupled with lack of scholarships frustrates the expansion of educational sphere while rigorous selections criteria ensure only the best candidates are accepted.

Bosnia's capital Sarajevo is an excellent case in point. During recent decade or so, Sarajevo has become a leading educational destination for foreign students. It currently has more than five international universities, which conduct courses in English. Students from more than 30 countries study at the International university of Sarajevo, International Burch university (IBU), American university in BiH (AUBIH), Sarajevo school of science and technology (SSST), and the University in Sarajevo (UNSA). These universities are accredited in many countries and are therefore attractive to international students. Tuition fees vary, but are generally much more reasonable than those in UK, the EU or the US. According to analysis provided by Sarajevo business forum's "Sarajevo regional hub" educational initiative^① launched in collaboration between five universities and the Ministry of education of the Sarajevo canton in 2011, there are 4,500 foreign students currently enrolled at these universities.^② Due to lower tuition fees and a range of other factors, Sarajevo has already become recognized as an attractive destination for international students.

① Amer Bukvić & Elma Agić-Šabeta, *Southeast Europe as an international hub for education*, Behar, Sarajevo, 2015.

② Ibid.

Sarajevo as a regional hub for higher education

Various factors contributed to Sarajevo becoming attractive to international students. Sarajevo is centrally located and has good access to the wider region. Its proximity to the Adriatic coast is particularly suitable for short breaks or longer seaside holidays. During winter mountains around Sarajevo, Igman, Bjelasnica and Jahorina, in particular, but also other popular ski resorts, offer second to none facilities for skiing and snow boarding. According to ZOI, a company that manages Bjelasnica winter facilities, after completion of upgrade of ski facilities in August this year, Bjelasnica will become the most advanced ski resort in the region and one of the most advanced in Europe.^① During summer holidays, students and academics alike can enjoy weekends in relaxed activities such as bushwalking, paragliding, horse riding, mountain climbing, cycling, or simply relaxing along one of Bosnia's numerous rivers with pristine waters, or fishing for highly sought after organic fresh water trout. Due to significant brain drain in the past two decades, due to protracted armed conflict, Bosnian academics with top experience from prestigious universities around the world have returned for academic teaching and research to Sarajevo's universities. This is only one of important advantages of studying in Sarajevo, as it provides a chance for students to have top-notch education for a fraction of cost they would have to pay should they choose to study at one of the western universities.

Multicultural character of Sarajevo with its mixture of religions and lifestyles, artistic community, café culture, film, theater and entertainment are additional magnet for young people to study while socialize and enjoy life in Sarajevo. Walking through streets of Sarajevo means walking through thousands of years of rich history, from Greeko-Roman, Medieval Bosnian, the Ottoman or the Habsburg heritage, all the way to sophisticated modernity.

① Hubijar: Bjelašnica će nakon augusta biti jedan od najboljih ski-centara u regionu, Klix.ba, June, 2017. <<https://www.klix.ba/vijesti/bih/hubijar-bjelasnica-ce-nakon-augusta-biti-jedan-od-najboljih-ski-centara-u-regionu/170602036>>.

Sarajevo is endowed with attractive boutique hotels and state of the art lavish shopping malls. Historical Ottoman mosques and bazaars share narrow space with orthodox churches; catholic cathedrals, old Jewish synagogues and temples which reflect Sephardic culture, while modern-day spiritual movements seeking peace and tranquility are equally flourishing.

One of earlier defining moments for Sarajevo in modern times that first brought it into international spotlight was certainly the Winter Olympic Games which Sarajevo hosted in 1984. At that time BiH was a constituent republic of the Yugoslav federation. It was the time when world-class sporting facilities were constructed along with significant infrastructure works upgrades. These were the earliest foundations that created favourable conditions for Sarajevo to become not only regional but also a global hub for winter sports and tourism alike.^① Less than a decade later Sarajevo suffered horrendous destruction of its infrastructure and loss of human life in the conflict that engulfed the entire region from 1992-1995. After a successful peace settlement sealed by the Dayton peace accords in 1992. Sarajevo was completely reconstructed due to influx of tens of billions of dollars of foreign aid and investments. Sarajevo is today exemplified by an image of a modern, vibrant and affluent European mid-size city with its unique multicultural feel. Sarajevo has become a symbol of pluralism and social cohesion in the entire region. Resilience and determination of its residents to preserve its multicultural character and pluralism of all sorts in the entire Balkan region has paid off. It was vindicated by enormous attraction of Sarajevo to tourists and businessmen alike.

Sarajevo today is flourishing. It boasts a large number of world-class facilities ranging from five-star hotels to picturesque budget-conscious hostels to elegant restaurants and popular eateries, to local markets and vibrant cultural events, such as book fairs and artistic shows, jazz and film festivals. Church and cathedral bells and Muslim calls to prayers are regular feature of Sarajevo.

^① Murat Gül, John Dee, Sarajevo: A city profile, *Cities* 43 (2015) 152—166, March, 2014. Online, <journal homepage: www.elsevier.com/locate/cities>.

In recent years Sarajevo has become a magnet attracting international students from various countries, including Turkey, Asia and Africa. With the abundance of attractions, educational institutions and entertainment facilities Sarajevo is uniquely positioned to serve as a central hub for education, entertainment and tourism alike.

Traditional Bosnian Islam inherited from the Ottomans is steeped in culture, exhibiting relaxed and highly inclusive approach to life and religious creed, particularly allows for a true multiculturalism and freedom of expression and creativity to flourish in Sarajevo. No other regional or even west-European city, for that matter, can offer similar atmosphere conducive to cultural exchanges and learning, while enjoying life's many values and attractions.

It is estimated that the direct income to universities from tuition fees and other types of spending and the Sarajevo economy at large is approx. 250 million Euros annually.^① Knowledge breeds innovation and innovation drives the economy. Sarajevo is set to benefit from this niche as an international center for higher education. With all its unique characteristics, we would argue, Sarajevo is in a substantial way a product of the Old Silk Road. It has always been the center where people of different creeds and cultures meet, exchange ideas and trade. Its cuisine traces its origins all the way to traditional and historical centers of Middle East and Central Asia known for its foods, delicacies and peculiar tastes. This is why it attracts so many visitors from the immediate Balkan region as well as from further afield. Geopolitical conflicts and simmering tensions in affluent countries in the Persian Gulf region prompted many of their citizens to search for culturally suitable place for education, holidaymaking and investment. Sarajevo is already benefiting from this development.

Silk Road University of Sarajevo (SRUS)

In order to engage in educational activities in Sarajevo does not require

^① Bukvić & Agić-Šabeta, Ibid.

huge investments. We therefore propose the establishment of a new “Silk Road University” in Sarajevo (SRUS). New university would gather students and researchers from countries, which are located on an ancient Silk Road and participate in BRI initiative. This would enable students from such countries as Turkey, Azerbaijan, Iran, Afghanistan, Pakistan, Arabian Gulf and the Middle East, Central Asian republics, and many others, including from China to study in Sarajevo.

Academic courses the proposed university will teach should involve engineering, Information technology, mathematics, nanotechnology, medicine (including traditional Chinese medicine), international relations and Silk Road Studies, a specialized program focusing on history, geography, economics, cultures, religions and languages of countries stretching from China to the Balkans. Engineering and social sciences should be part of the curriculum.

SRUS’ s focus on developing knowledge-based economies

Silk Road University will distinguish itself by offering the type of knowledge and expertise across the range of disciplines needed in order to contribute to fast progression of the BRI initiative. Its niche will be focus on developing skills and expertise demanded by knowledge-based economies. In recent years information and knowledge hold greater contributing power to the economic welfare of nations than in industrial societies. Modern economies require structural transformations and fast creation of new knowledge constitutes the main resource for greater efficiency, innovation and competitiveness. Only economies that generate significant share of its output through knowledge and innovation are guaranteed to progress and succeed. Silk Road University will dedicate its program to this approach.

The SRUS curriculum will approach knowledge as a source of competitiveness. It will also focus on research, technology, and innovation in knowledge creation and high skills. It will make sure that new knowledge is readily available to be accessed by business and public sectors alike.

In addition, special attention will be paid to cultural studies with focus on multiculturalism and conflict avoidance and resolution studies. This discipline will draw on traditional non-western methods of conflict resolution as well as the latest advances in the field internationally.

In Bosnia, Bosniaks, Serbs, Croats, despite practicing different religions lived in harmony most of the time for many centuries. In fact, Bosnia and Herzegovina is an embodiment of harmonious Balkans. Embracing BRI initiative SRUS will endeavour to reverse the derogatory meaning of the word Balkan which wrongly acquired the meaning of ‘fracture’ and came to represent disintegration (balkanisation).

Silk Road University will set as its task to reverse this false image and corrupted meaning and restore it to signify harmony in diversity. SRUS will do away with “balkanisation” concept and restore harmony to the region.

Platforms for cooperation, networking and exchanges

SRUS will create special platforms for close academic and practical cooperation with other universities from countries participating in BRI initiative. It will serve as a major regional university for disseminating values and benefits of the BRI initiatives, both short and long term ones. Students and academic exchanges with universities from Silk Road countries located on the One Belt One Road path. SRUS should also become a part of the University Alliance of the Silk Road (UASR) 丝绸之路大学联盟.¹

SRUS will be a collaborative partnership and knowledge engine for BRI initiative in the region, which aspires to international renown in excellence and results in teaching and learning programs, community engagement and research endeavours through its innovative community and state-of-the-art learning hub. SRUS as such will be unique. It will offer innovative solutions for enhancing regional knowledge and integration as well as fostering closer cooperation of countries situated on the Silk Road. It will devise practical mechanisms to harmonize academic knowledge with requirements of business and industry to

meet priorities of Silk Road economies and contribute to BRI.

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