CHINA’S “16+1 INITIATIVE” IN CENTRAL AND EASTERN EUROPE

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Introduction

From the mid-18th century until 1949, the Chinese Empire, one of the oldest civilizations in the world, which experienced many wars, occupations, power struggles and social changes, evolved into the People’s Republic of China under the leadership of Mao Zedong in 1949. Since then, China has undergone political, economic, and cultural changes and has taken its place as an important actor in the international order thanks to its policies.

The policy of opening, announced at the 11th Central Committee Session of the Chinese Communist Party (CCP) in 1978, has enabled China to achieve double-digit growth rates in the economy for many years, enabled it to cooperate with the West, integrated into the Atlantic-based economic system, and attracted foreign capital thanks to its cheap labour force. With many global companies investing, opening new factories, and moving supply chain centres to China, China has become known as the “Factory of the World.”

China needs markets to deliver the goods it produces to many parts of the world and makes investments in this regard. Being a producer country, China must enter consumer markets. Therefore, developed countries are vitally important for China. In this sense, Europe has been an important region in China’s foreign policy. Both as a consumer

There are two main reasons for the influence that China wants to gain over the region. First, China has replaced the peaceful upward trajectory initiated because of the economic reforms implemented since the 1980s with more proactive policies in 2008. China, which wants to weaken the current transatlantic structure of world politics for a Sinocentric order, wants to change the geopolitical balance of power in its favour by controlling Central and Eastern Europe on the periphery of the Western part of Europe, which is the power centre of Europe.

The second objective is to improve the infrastructure and superstructure performance of the region along the corridor of the Belt-Road Initiative, which includes both maritime and land trade routes with the goal of reaching the Western European market and ensuring the commercial security of this region. In this context, the aim of the 16+1 Mechanism, which was established in Budapest under the patronage of China in 2012, is to increase investment, trade, and cooperation with Central and Eastern Europe and to stimulate regional diplomacy between China and 16 countries. As a result of this initiative, diplomatic and economic relations between China and the region have increased, while academic studies assessing Chinese regional interests and strategies have also increased.
Visual 1: Members of the 16+1 Format (Before 2019)

The 16+1 Mechanism is seen as a mechanism that aims to increase the relations of 16 Eastern and Central European countries with China, lay the foundations of bilateral cooperation and develop projects that will benefit both sides with a win-win method. Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, North Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia have been involved in this mechanism, where many infrastructures and superstructures projects including wide highways, new port projects, telecommunication investments and railway transportation lines are realized. This mechanism is also considered an extension of the Belt and Road Initiative that opens China to the World.

This initiative, which China started in 2012, was mentioned with different numbers with the participation and exit of different countries in the process. This 16-member organization became known as 17+1 with the inclusion of Greece in 2019. However, with the exit of Lithuania in 2021 and the separation of Estonia and Lithuania in 2022, the initiative is called 14+1. The fact that Lithuania, Estonia, and Latvia, which left the said initiative, are included in the Baltic States also indicates a significant break. Starting on February 24, 2022, Russia’s invasion of Ukraine scared the Baltic states the most, as these countries are geographically close to Russia and are in Russia’s crosshairs. During and before the Ukraine crisis, the friendship between Xi and President of Russia Vladimir Putin and China-Russia relations disturbed the Baltic region.

The process that started with Joe Biden’s becoming US President and repairing Transatlantic relations is gradually tearing Europe away from China. The US built its strategy of containment of China, which it implemented through Europe, since “Western Values” and was successful. The most important reasons for this success are the aggressive attitude of China and Russia, the ability of the US to influence the public through the media, deep relations with governments and bureaucracy from the past, and common values.
Economic Relations

According to a CSIS study, China has contributed about $15.4 billion to infrastructure and other investments in the 16+1 countries since 2012 in areas such as energy, transportation, information and communication technology, manufacturing, real estate, etc.8

Visual 2: Trade Volume between 2012-2017

As it is known, economic data in Beijing’s investments and projects differ due to China’s privacy policy on its data and confidentiality on contracts. The International Monetary Fund (IMF) report published in 2017 declared the total value of projects currently financed by China for railways, energy and roads in the Western Balkans to be 6.2 billion euros (Macedonia: 0.6 billion euros; Montenegro: 0.9 billion euros, Bosnia and Herzegovina: 2.1 billion euros and Serbia: 2.6 billion euros).9 However, according to the MERICS database, from 2013 to the end of 2017, China financed 715 million USD worth of completed infrastructure projects in the 16+1 region, and projects over 3 billion USD financed by China for that period are also under construction.10

Visual 3: Investment and Infrastructure Projects Provided by China (2020)

The table above shows that China has focused more on certain countries in this initiative, which brings together 16 European countries. Serbia, Hungary, Romania, and Poland are the countries that receive the most shares from Beijing’s investments and projects. Serbia’s share in particular stands out compared to other countries.

Serbia Case

Relations between Serbia and China have increased rapidly in recent years. Although Serbia is geographically located in Europe, it is ideologically closer to Russia than to Europe. For this reason, Serbia has never questioned the investments from China, on the contrary, it has taken steps to facilitate these investments. However, the fact

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8 "Will China’s ‘16+1 Format Divide Europe?’ CSIS: https://www.csis.org/analysis/will-chinas-161-format-divide-europe, (Date of Accession: 18.08.2022).
that China has become very powerful in
Serbia has led to Serbia being referred to
as China’s satellite.

Visual 4: China’s Investments in Serbia
(Sector)

According to CSIS research data,
between 2012 and 2020, 93% of Chinese-owned Balkan investments, the majority
of which are in Serbia, were undertaken
by Chinese-origin companies, while 7%
were undertaken by local and Western
companies. From this perspective, it
would not be wrong to say that China’s
win-win approach is not very valid, and
Beijing is the main winner.11 Another
focus of China’s investments in Serbia
has been the digital economy.

Chinese technology companies,
noteby Huawei, see Serbia as a base and
showcase for their regional operations.
The Chinese and Serbian governments
signed agreements on deepening
technology cooperation in 2009, 2016
and 2019.

Chinese projects in Serbia include
infrastructure projects such as smart
city development, fiber optic cables,
data centres, broadband systems, 5G
and artificial intelligence. The Serbian
Government signed a Memorandum of
Understanding to deepen cooperation
with Chinese companies, including
Huawei and Alibaba. According to CSIS
data, 14 of the 18 digital projects involving
Chinese companies in the Eastern and
Central Europe region are in Serbia, and
about half of them were launched after
2019.

Looking at the market entry of Chinese
devices, a more detailed and widespread
picture emerges. Besides these projects,
China’s surveillance technology is also
popular in Serbia. As of 2020, there are
around 900 internet-connected security
cameras across Serbia produced by
China’s largest camera manufacturer,
Hikvision. Undoubtedly, Serbia’s size,
population, and geographical connection
to the region, combined with its rapidly
developing technology infrastructure,
make Serbia a strategic ally for China.

Conclusion

While the unipolar world system
established after the Cold War gradually
evolves into a multipolar structure, the
weight of each region in the established
balance is increasing. Europe, one
of the main pillars of the Atlantic
system, is also one of the regions that
are increasing its weight. In recent
years, Europe’s increased dialogue and
economic relations with Beijing, parallel
to the rise of China, have brought a new
order and created a crack between the
USA and the EU. As a matter of fact,
many EU countries were among the first

to join China’s Belt-Road Initiative and Asian Infrastructure Investment Bank project and made statements of support.

However, in the process that started with Trump after 2016 and then with Biden, the US started a project to contain China. The increasing tension between China and the US and the onset of global power competition have put pressure on the EU as well as in many regions. As a result of this pressure, it is seen that the EU is gradually moving away from China. Another factor contributing to this trend was Russia’s intervention in Ukraine and the US’s use of this as an opportunity to control Europe through this threat. In the competition that is expected to increase in the future, it can be predicted that Europe will be on the side of the US more and will gradually move away from China.
AUTHOR

Mustafa Cem Koyuncu is a Master’s student in International Relations at Karabuk University and works on Indo-Pacific Region, USA-China Rivalry, international security, geopolitics and strategic research. Before starting his education at Karabük University, he completed his undergraduate education at Boğaziçi University. After gaining management experience in the private sector, Koyuncu continues his career at ANKASAM. Koyuncu speaks advanced English.