

# “16+1” FORMAT – ROLE IN GEOPOLITICAL STRATEGY OF PRC

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**Abstract.** *In the latest years the “16+1” Format is becoming more and more important for the Central and Eastern Europe countries. Although at the very beginning the format “16+1” has not been considered an important initiative from geopolitical and even from economic point of view at the background of “One Belt One Road” (OBOR) Geostrategic Strategy it began to acquire the features of geo-strategic scheme.*

*The current progress within the “16+1” Format has exposed the challenges China is facing in its attempt to shape a concrete framework for cooperation on OBOR. Brussels is concerned about China cooperation with the CEE countries. This suspicion hinders cooperation between China and the CEE countries. Such cold war mentality needs proactively respond.*

**Keywords:** *The “16+1” format, “One Belt-One Road” (OBOR) Initiative, win-win development, Geopolitical Strategy, suspicion concerned about China cooperation with the CEE*

## **Introduction**

The purpose of the present report is to examine the “16+1” format as component with increasing importance in the project “One Belt One Road”. For the eastern part of EU this project implies active interaction between the PRC and the countries of Central and Eastern Europe on the win-win development platform. A key point in this interaction is that the format “16+1” not only does not ignore bilateral relations, but the opposite helps to strengthen bilateral relations. This purpose is pursued through the following main tasks structured in the major sections of the report, namely:

1. The “16+1” Format – basic parameters;
2. The “16+1” as an important component in the geostrategic project “One Belt One Road”;
3. Problems and perspectives in the “16+1” Format.

Basic methodological approaches used in this report are:

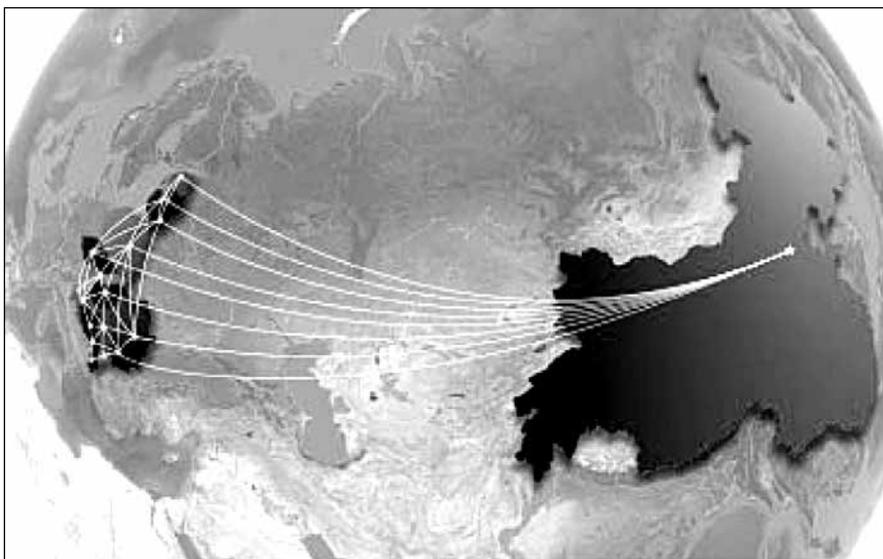
- System-structural approach, which sees objects in question as “systems”, i.e. as a set of interrelated components creating one whole. The components of the system are in certain relationships, i.e. they are structured;

- Comparative approach – if we compare a phenomenon with other phenomenon with similar characteristics is possible more fully understand the first one;
- Geopolitical and geo-economics platforms – these platforms examine the overall political and economic development of certain social phenomenon by taking into account geographical and natural factors that govern the functioning and interaction of this phenomenon.

### 1. The “16+1” Format – basic parameters

China’s rise as a powerhouse of the world economy is one of the most important factors in the global power shift. Fast-paced economic growth and the improvement of people’s welfare can be attributed to a sound economic reform strategy and economic policy, opening to the outside world, and active participation in the process of globalization over the last three decades.

The European Union is one of its most important economic and trading partners and the final destination of China’s flagship initiative, the New Silk Road. However, some EU member states have recently become increasingly critical of China’s push for more investment in Europe. Beijing has invested significant effort in building a new entry point into Europe.



*The “16+1” Format<sup>1</sup>*

<sup>1</sup> <http://ceec-china-latvia.org/summit>

The “16+1” Format was an ambitious diplomatic initiative by the People’s Republic of China. The goal of the creation of this diplomatic initiative is intensifying and expanding cooperation with 11 EU Member States (Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia and 5 Balkan countries (Albania, Bosnia and Herzegovina, Macedonia, Montenegro and Serbia). The area of the cooperation covers the fields of investments, transport, finance, science, education, and culture. According to Chinese analysts, the main reason for this decision of Beijing is the increasing importance of the countries in the region within the European Union;

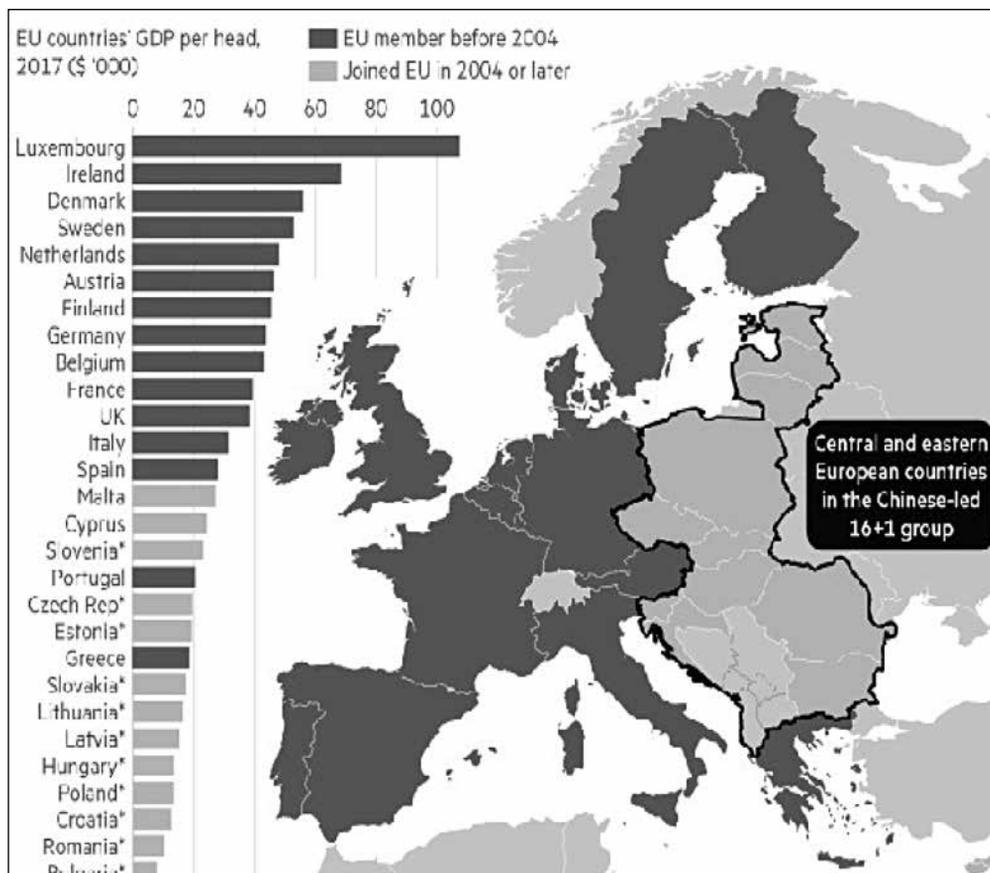
The “16+1” format started after the visit of PRC Premier Wen Jiabao to Poland in 2012. The 16+1 cooperation framework has been widely accepted in Central and Eastern European countries. The Hungarian Prime Minister Viktor Orban said in that connection the following: “We see the world economy’s center of gravity shifting from the Atlantic region to the Pacific region. This is not my opinion — this is a fact.”<sup>2</sup> Milos Zeman, the Czech president announced that the Czech Republic is “a gateway for the People’s Republic of China to the EU”.<sup>3</sup> Poland launched the “Go China” strategy aimed at encouraging Polish entrepreneurs to cooperate with Chinese business partners and explore the booming Chinese market.

Since the formation of the “16+1” there is a progress in strengthening dialogue and cooperation between China and CEE countries. The heads of state of the member countries meet annually at different places. Each meeting results in a list of agreements. During the fifth summit, held in Riga, Chinese premier Li Keqiang formally launched a €10 billion investment fund to finance infrastructure and production capacity projects. The 16 member countries have to contribute on a voluntary basis in order to raise more funds. The level of cooperation between China and CEE participants is not consistent from country to country. Only a few, such as Poland, the Czech Republic, and Hungary, have so far benefited from Chinese investment.

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<sup>2</sup> See in: <https://www.ft.com/content/16abfb2a-cf9b-11e7-9dbb-291a884dd8c6>

<sup>3</sup> Ibid.



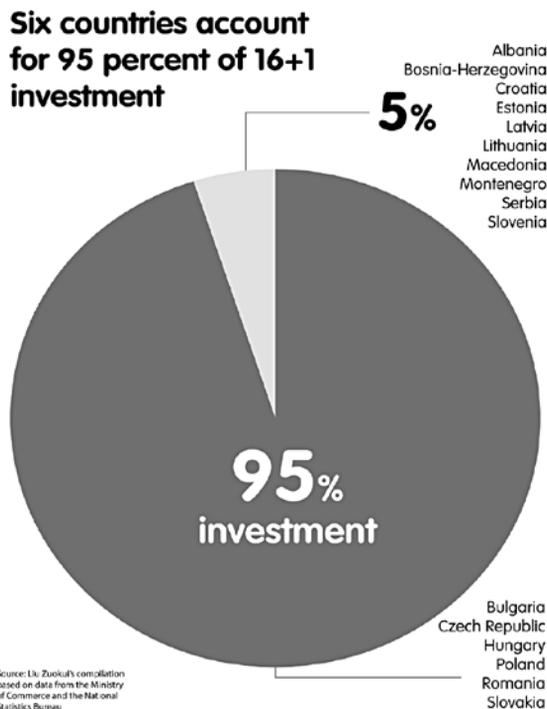
*The format "16+1" built by PRC<sup>4</sup>*

Since 2012, Chinese companies, backed by state banks, have announced an estimated \$15bn in investments in infrastructure and related industries, according to data collected by the Center for Strategic and International Studies, a Washington think-tank. The trend was also geographically uneven. Just five countries out of the 16 – Poland, Czech Republic, Hungary, Slovakia and Romania – constituted about 80 percent of the investments.

There are three potential priority areas of PRC for economic cooperation:

- Infrastructure;
- High technologies;
- Green technologies.

<sup>4</sup> Ibid.



*Six CEE countries account for 95 % of “16+1” investment<sup>5</sup>*

Hungary hosted the China-CEEC Association of Tourism Promotion, Institutions and Travel Agencies. Serbia sets up a China-CEEC Federation of Transport and Infrastructure Cooperation. The executive office of the China-CEEC Joint Chamber of Commerce is in Warsaw. The secretariat of the China-CEEC Contact Mechanism for Investment Promotion Agencies will be in Beijing and Warsaw. Bulgaria will host the China-CEEC Federation of Agricultural Cooperation. The Czech Republic will host the China-CEEC Federation of Heads of Local Governments. Romania took the initiative to set up a China-CEEC Center for Dialogue and Cooperation on Energy Projects. These different federations can serve as a social network.

Trade and investment is high on the agenda in the “16+1” framework. The last years have seen rapid growth in trade between China and Central and Eastern Europe. For example, the trade volume between China and the CEEC in 2014 reached \$60.2 billion, five times more than in 2004. China, as a latecomer on the CEEC market, faces the reality of a saturated market as Western Euro-

<sup>5</sup> [http://www.ecfr.eu/publications/summary/chinas\\_investment\\_in\\_influence\\_the\\_future\\_of\\_”161\\_cooperation7204](http://www.ecfr.eu/publications/summary/chinas_investment_in_influence_the_future_of_”161_cooperation7204)

pean firms already predominate. The 16+1 framework will help Chinese firms a great deal, as it facilitates business contacts, builds social networks, and makes business decisions easier

We have to stress that the China and the CEE countries cooperation has to take into consideration the context of China-Europe relations, China-United States relations, China-Russia relations, and China's relations with its neighboring countries. All these external forces influence in one or another rate the cooperation between China and CEE countries.

## **2. The “16 +1” as an important component in the geostrategic project “One Belt – One Road” (OBOR)**

The “One Belt – One Road” project represents a demonstration of the increased geopolitical and geo-economic power of China. This is an expression of the new geo-strategic thinking of the leadership of the Celestial, backed by the instruments of “soft power”, i.e. economic impact and interaction.

President Xi Jinping proposed the project in 2013. OBOR initiative is an estimated \$5 trillion infrastructure-spending spree that spans 60-plus countries across Asia, the Middle East, Europe, and Africa. The “One Belt” part of it refers to the Silk Road Economic Belt while the “One Road” refers to the 21st-century Maritime Silk Road. Jointly, they mean to be a revival of the ancient Silk Road trading routes.

Together, the 64 nations plus China account for 62% of the world's population and 30% of its economic output. As leading players in the initiative, about 50 Chinese state-owned companies have invested in nearly 1,700 OBOR projects since 2013.

The flagship projects include the \$46 billion China-Pakistan corridor, a 3,000 km high-speed railway connecting China and Singapore, and gas pipelines across central Asia. The Belt and Road initiative has also entered regions as far as New Zealand, Britain and even the Arctic.

The funding will go through three different sources. These include the state-owned Silk Road Fund, officially launched in 2015 with \$40 billion of initial capital, and two Chinese policy banks, the China Development Bank and the Export and Import Bank of China. Two multilateral institutions led by China, the Beijing-based Asian Infrastructure Investment Bank (AIIB) — with its registered capital of \$100 billion — and the Shanghai-based New Development Bank with \$50 billion starting capital — are also major financiers of the initiative. In 2016, for example, the AIIB approved \$1.7 billion in loans to nine development projects along the Belt and Road.

Under the OBOR, there will be six economic corridors and one maritime route:

1. New Eurasian Land Bridge. (Connect Western China to Western Russia)
2. China – Mongolia – Russia Corridor (North China to Eastern Russia via Mongolia)
3. China – Central Asia – West Asia Corridor (Western China to Turkey via Central and West Asia)
4. China – Indochina Peninsula Corridor (Southern China to Singapore via Indo-China)
5. China – Pakistan Corridor (South Western China to and through Pakistan)
6. Bangladesh – China – India – Myanmar Corridor (Southern China to India via Bangladesh and Myanmar)
7. Maritime Silk Road connecting Coastal China to the Mediterranean via Singapore-Malaysia, the Indian Ocean, the Arabian Sea and the Strait of Hormuz.

As we can see, OBOR is an ambitious project and it encompasses almost 65 countries. China has planned around \$1 trillion of investment in various infrastructure projects by providing loans to the countries involved at a low cost.

This OBOR project is made up of:

- Highways and expressways – They target to connect the inimical terrains of Central Asia like Karakoram, Himalayas etc .
- Overland rail routes - This is done to fasten the import and export, that too on a comparatively cheaper way .
- Ports – China on its own making ports in various places like Gwadar port, Chittagong and Hambantota port etc .
- Gas pipeline – The Central Asia is inundated with gas and China is eyeing on it by making pipelines, so that China and other countries can get gas .
- Other infrastructure – They're innumerable infrastructure project yet to be unveiled which aim to connect .

The CEE region is attractive for China as it seeks to establish OBOR network. It is a strategic territory for OBOR. The infrastructure cooperation in connection with OBOR can improve China's relations with CEE countries.



### OBOR Initiative<sup>6</sup>

China's One Belt, One Road initiative (OBOR) and a newly created funds give new momentum to the relationship in the "16+1" Format. The Belt and Road initiative, through which China intends to boost commerce with more than 64 countries between Asia and Europe, offers good opportunities to CEE countries. The "16+1" grouping of 16 Central and Eastern European countries plus China does not seek to displace the EU but to establish a structure that is in some senses — such as financing and nascent diplomatic cohesion — parallel to it.

The CEE countries respond to OBOR in three ways:

- High-level bilateral and multilateral meetings in which support the strategy;

<sup>6</sup> <https://www.rferl.org/a/russia-china-one-belt-one-road-project-putin-xi/28579849.html>

- Research and strategic planning to develop OBOR;
- Supporting documents outlining specific policies, such as memoranda of understanding.

Enthusiasm for participating in the “16+1”, as well as the OBOR initiative, has varied due to various differences. The willingness of the CEE countries to cooperate also depends on their different “political identity.” There are still many CEE countries, which do not respond to China’s OBOR initiative with any specific commitments.

### 3. Problems and perspectives in the “16 +1” Format

The perspectives concerning the CEE countries participation in OBOR project are connected with many problems and challenges. Some circles in EU see in the “16+1” Format an attempt of PRC to “divide and rule”. For example, in article in “Financial Times” under the title “Brussels rattled as China reaches out to eastern Europe” is written the following: “For Beijing, the grouping embraces a mix of commercial and strategic aims. China wants to boost trade and investment ties with former socialist allies. It also sees the 16 countries as a gateway to western Europe and one that is critical to Beijing’s Belt and Road Initiative, which seeks to win markets and diplomatic allies in 64 countries between Asia and Europe — a priority for Xi Jinping, China’s powerful leader. In addition to its avowed commercial motivations, Beijing is using its ties for political ends”<sup>7</sup>.

Even in the CEE countries there are groups, which are criticizing the “16 +1” Format trying to create unfavorable climate the cooperation between PRC and CEE. For example, it is worth to review several opinions expressed by leading think-tank centers or mass communications sources in the region.

Some authors are commenting that “Half a decade after it was launched, the network of cooperation between China and 16 Central and Eastern European countries has brought uneven economical and political fruits so far.”<sup>8</sup>

In the article are cited opinion like that of Petr Kratochvil, the director of Prague’s Institute of International Relations, who said that “It’s not really a multilateral format, it’s more a group of countries that China took to have bilateral ties with. It’s mainly Poland and Hungary in terms of investment, and Romania and Serbia for building projects.”<sup>9</sup>

<sup>7</sup> <https://www.ft.com/content/16abbf2a-cf9b-11e7-9dbb-291a884dd8c6>

<sup>8</sup> Eric Maurice. China’s 16+1 foray into Central and Eastern Europe. In <https://euobserver.com/eu-china/138347>

<sup>9</sup> Ibid.

In the same article another specialist – Anastas Vangeli, from the Polish Academy of Sciences said that “Southern and Eastern Europe are a testing ground for the Belt and Road, it is more an “experiment” than a “Chinese plan”, and that Beijing tries “to see whether this type of diplomacy can help them boost economic relations.”<sup>10</sup>

Agatha Kratz, from the European Council on Foreign Relations, a London-based think-tank, thinks that: “The first idea was to treat CEE as Asia and Africa.” “That was a big shock, they explained that loans for projects that China would build were not going to happen.” For Kratz, “the success of the 16+1 initiative is to be found on the political side than in the economic side.”<sup>11</sup>

The note that there are limitations in the CEE countries and PRC cooperation, is expressed also in article, written by Richard Q. Turcsányi, Deputy Director at Institute of Asian Studies/CENAA, Slovakia. He stated, “The list of economic achievements – the main motivation for participating in the 16+1 platform, at least on the side of CEE – has not been so impressive.”<sup>12</sup> The same author concluded, “At the beginning of the 16+1 platform it was CEE16 countries that had unrealistic expectations for cooperation with China – and they likely have figured it out by now. Today, the tables might have turned, with China now holding unrealistic expectations of what it can achieve in the CEE countries and how the 16+1 platform can be used.”<sup>13</sup>

It is possible to give other opinions like that of Kerry Brown, who says “... China’s enthusiasm over the last few years for setting up its own international network of multilateral groupings has become well known... The 16-plus-one is just the most westerly of these groupings. The EU greeted it with suspicion when the idea first emerged, around the time Chinese President Xi Jinping became Party secretary in 2012.”<sup>14</sup>

After that, Brown made some geopolitical speculations like as “The Belt and Road Initiative, creating a comfortable, non-contentious zone of Chinese interest right in Russia’s backyard, looks increasingly like a Chinese diplomatic masterstroke. Across a massive swath of Central Asia, Chinese investment is increasing, and political links with Beijing, rather than Moscow, are warming up. The 16-plus-one offers a very similar scenario. Many of the members are

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<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

<sup>12</sup> Richard Q. Turcsányi. The Limits of China’s Cooperation with Central and Eastern Europe. In <https://thediplomat.com/2015/12/the-limits-of-chinas-cooperation-with-central-and-eastern-europe/>

<sup>13</sup> Ibid.

<sup>14</sup> Kerry Brown China’s Geopolitical Aims: The Curious Case of the 16-Plus – 1. In <https://thediplomat.com/2017/05/chinas-geopolitical-aims-the-curious-case-of-the-16-plus-1/>

former satellites of the former Soviet Union; they fall into Russia's natural zone of interest and influence. Yet, China for the first time ever is building a benign bamboo curtain around Russia where, decades ago, there was an iron curtain under the Soviet Union. In addition, as with Central Asia, all that Russia can do is smile politely and bear this new phenomenon.<sup>15</sup>

Finally, K. Brown concludes "Optimism is thick in the air; the 16-plus-one summits are popular events. The issue, however, as elsewhere, is that while the expectations toward China are diverse, disappointment often takes an eerily similar form. For China, ensuring that it fulfills some of the hopes expressed toward it will be very important."<sup>16</sup>

Such views are clear evidence that the opportunities offered by the "16 + 1" Format harnessed in the "One Belt – One Road" project, despite the prospects they offer through the formula for mutually beneficial development, are encountered not just with the normal for such a gigantic project financial, economic and technical problems. There are definitely political and ideological obstacles to them.

There are circles in the "16 + 1" countries, and above all support for these circles outside, by certain forces in the West, which, as shown by the above-mentioned opinions, have clear orientation. They strive towards creating a negative public opinion on both – the mutually beneficial cooperation with the PRC in "16+ 1" format and on the realization of the "One Belt – One Road" project. Such trends probably can have a serious negative impact on both the "16 + 1" format and the realization of "One Belt – One Road" project.

### **Instead of a conclusion**

All that mentioned above should be taken into account when it comes to the need for a successful development of mutually beneficial cooperation. This means making the necessary efforts for that the broad society's circles of the CEE countries to familiarize themselves with the "16 + 1" format and with the "One Belt – One Road" project.

This means not only to develop financial-economic and technical cooperation but also to pay attention to the wide cultural-information, scientific and other cooperation. To create opportunities for the so-called "People's diplomacy", including regional cooperation between towns and villages. It is necessary to pay attention not only to the realization of such cooperation on the official line but also on the so-called NGOs. Where possible, the latter to develop

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<sup>15</sup> Ibid.

<sup>16</sup> Ibid.

not only on bilaterally but also on a multilateral basis, because this is the case in the “16 + 1” format.

In this sense, a comprehensive strategy for broad public participation is needed as one of the guarantees for the success of mutual beneficial cooperation and, above all, the mutual beneficial development in the “16 + 1” format and the “One Belt – One Road” project.

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