

The Chinese Belt and Road Initiative from the Central European Perspective – Rhetoric Versus Reality

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The Chinese Belt and Road Initiative, announced by President Xi Jinping in Kazakhstan in 2013, attracted a lot of attention in both the global media, and the academic community. This vague idea which has been evolving since then, has not necessarily led to many practical achievements. Nonetheless, it has become very popular in Central and Eastern European Countries (CEEC), as their governments have perceived it as a chance for diversification in their foreign policies, as well as in economic relations.

Apart from the Belt and Road Initiative, CEEC countries have been implementing concurrent platform of 16+1 since 2011, being also presented as an important stepping stone in providing the Chinese with a backdoor entrance to Europe. In both cases the reality is far behind expectations, especially in economic terms. Chinese investments are still relatively low in most CEEC countries, especially in those that are EU members.

This paper will try to assess both initiatives and their convergence by comparing reality with declarations, especially in economic terms. Reference will be made to certain neo-liberal as well as neo-realist theories and the research will be based on legal analysis, comparative analysis, as well as mostly on descriptive statistics.

Keywords: BRI, Belt and Road Initiative, China, CEEC Central and Eastern Europe, 16+1, neorealism, neoliberal institutionalism.

Introduction

In 2013 Xi Jinping and Li Keqiang launched the Silk Road Economic Belt Initiative, followed by the Maritime Economic Belt (later referred to as One Belt, One Road – OBOR or Belt and Road Initiative – BRI). These initiatives encompass a wide variety of activities, countries, routes, and even names, but in reality seem pretty vague, despite impressive resources designated to the idea by the People's Republic of China.

Moreover, the Belt and Road Initiative projects within the BRI scheme are a priority for the newly created Asian Infrastructure Investment Bank. The Belt and Road Initiative seems rather important in the sphere of geopolitical and geoeconomic competition in Central Asia, especially having in mind competition for resources and control over resource transportation (the so called ‘geopolitics of pipelines’) between China and Russia. On the other hand, this initiative has brought high expectations globally, particularly in Southeast Asia and Africa (Maritime Silk Road) and Europe, with a special focus on Central and Eastern Europe.

The reality behind the BRI seems to be far from those expectations, especially in Europe, as European and Chinese expectations seem to be extremely divergent in this respect. Despite an abundance of capital, the PRC cannot provide it more cheaply than European and global institutions do. Moreover, China can earn a higher return rate in other parts of the world, even though investments in Europe are safer. This is one reason Chinese investments are smaller than expected in sectors seen as attractive by European partners, especially members of the European Union (there are exceptions, like Portugal) and visible more in countries suffering from a scarcity of capital (like Greece). Non-EU European countries are exceptions here (e.g. the Balkan states), as they have limited access to cheap or even free capital from European financial institutions or European Union funds. In EU countries Chinese investors seem to be especially eager to acquire advanced technology (including high-tech companies, patents, know-how), but such developments are not necessarily expected by the EU and its member states.

Central and Eastern Europe has often been perceived as a stepping stone to European expansion for the People’s Republic of China. Therefore the 16+1 initiative, created in 2011 and developed into a summit meeting by then Polish prime minister Donald Tusk in 2012 (when the first meeting of heads of governments was organized in Warsaw) seemed attractive to both sides (CEEC and China). This initiative was organized at the time when Europe was still suffering from a lack of capital due to the financial crisis of 2007–2008 and its aftermath. Despite limited achievements the so-called Warsaw initiative was continued by the PRC and 16 Central and Southern European Countries. The initial declarations of the Chinese prime minister were rather generous (including large inflows of capital in different forms), but many initial assumptions had to be modified due to inconsistency with EU standards.

This paper aims at assessment of both the Belt and Road Initiative, and the concurrent 16+1 platform, having in mind the declaration and reality of these megaprojects. The economic dimension will be prevalent in the analysis. This research paper will answer the following research questions:

RQ1: Is the Chinese Belt and Road initiative a coherent strategy or merely rhetoric?

RQ2: Is the BRI an important policy changer for Central and Eastern Europe?

RQ3: What is the level of concurrence between the BRI and the 16+1 platform?

RQ4: What are the true BRI and 16+1 achievements in CEEC countries?

Based on these research questions, a set of hypotheses was prepared in order to drive this paper, namely:

H1: The Belt and Road Initiative is still in the process of conceptualization; therefore it is incoherent and vague, hence not necessarily allowing easy analysis of its effectiveness globally.

H2: For most of Central and Eastern European countries (CEEC) the BRI is marginal, with a higher level of usefulness only for the countries of South-Eastern Europe.

H3: The level of concurrence between the Belt and Road Initiative and the 16+1 platform is relatively high, but both initiatives have limited scope and achievements despite far-reaching declarations and rhetoric.

H4: Real BRI and 16+1 achievements are limited in most European countries, including most of the CEEC region, with the exception of non-EU members or countries suffering from a scarcity of capital.

The analysis will be conducted on the basis of two dominant theoretical traditions, namely realism, in its neo-realist form, and liberalism, within the neoliberal institutional approach. Such approaches will allow for broader understanding of the role of the dominant players in this endeavour (especially China's) but also for the analysis of newly formed institutions (in the form of a regime). Methods selected for this paper encompass a legal analysis, a comparative analysis, as well as mostly descriptive statistics.

Theoretical Setting¹

Neorealism

Two theoretical approaches were taken into account in this paper: neorealism and neoliberal institutionalism. Neorealism, known also as a structural realism, has been developed mostly by Kenneth Waltz and fully described in his prominent book *Theory of International Politics* (1979). Although states, as units of the system remain crucial, their interactions and position in the system are dependent on the system structure.²

As there are various publications focusing on the role of structural realism in IR theory or International Relations as a discipline,³ only certain features were selected

¹ Theoretical setting for this paper is adapted from our text: M. Grabowski, J. Stefanowski, 'Regional integration in Central Asia in the shadow of Sino-Russian rivalry', in A. Mania, M. Grabowski, T. Pugaczewicz (eds), *Global Politics in the 21st Century: Between Regional Cooperation and Conflict*, Berlin: Peter Lang Verlag, 2019, pp. 69–108.

² See: K. Waltz, *Theory of International Politics*, Reading–Menlo Park–London–Amsterdam–Don Mills–Sydney: Addison-Wesley Publishing Company, 1979, pp. 41–59.

³ See especially: R. Keohane, 'Realism, neorealism and the study of world politics', pp. 1–26; J.G. Ruggie, 'Continuity and transformation in the world polity: Toward a neorealist synthesis', pp. 131–157; R. Keohane, 'Theory of world politics: Structural realism and beyond', pp. 158–203; R. Ashley, 'The poverty of neorealism', pp. 255–300; K. Waltz, 'Reflections on theory of international politics: A response to my critics', pp. 322–346 all in: R. Keohane (ed.), *Neorealism and Its Critics*, New York: Columbia University Press. See also:

as analytical tools for the paper presented. These features focus on the international structure, as defined by Kenneth Waltz:

- 1) Structures defined according to the principle ordering the system (including transformation of the system from an anarchic one to a hierarchical one);
- 2) Structures defined by different functions of distinguished units (again a hierarchical system changing with differently defined and allotted functions vs. an anarchic system with similar units);
- 3) Structures defined by the distribution of capabilities across units, making the system anarchic or hierarchical.⁴

This paper refers to both initiatives, namely the Belt and Road Initiative, as well as the 16+1 meetings as elements forming the structure of the regional system, hence, to a certain extent, a framework for unit relations with appropriate feedback, but having in mind the fact that the European Union plays an important role in influencing this structure and competes with the PRC in Europe (both in terms of its members and analyzed non-member states).

Neoliberal Institutionalism

Neoliberal institutionalism refers to two traditions in IR, namely liberalism (or neoliberalism) and institutionalism. If we focus on neoliberalism, we can find a certain shift from liberal to realist traditions, as neoliberal theory is based on the following features: states are leading actors, states are rational actors, states operate in international anarchy, but cooperation in an anarchic system is possible, with a generally increasing level of cooperation at regional and global level. Finally, absolute gains are more important for states than relative gains.⁵

Moreover, some scholars situate it relatively closely to neorealism, as thanks to game theory cooperation and conflict become possible at the same time. Robert Keohane, being the crucial scholar of this theory/perspective juxtaposes international institutions and state interests,⁶ providing sets of theories of cooperation and international regimes (referring to rational-choice, functional explanations, functional theory or bounded rationality redefining self-interest).⁷

S. Guzzini, *Realism in International Relations and International Political Economy: The Continuing Story of a Death Foretold*, London–New York: Routledge, 1998; M. Griffiths, *Rethinking International Relations Theory*, Houndmills–New York: Palgrave Macmillan, 2011.

⁴ K. Waltz, *Theory of International Politics*, op. cit., pp. 100–101.

⁵ O. Daddow, *International Relations Theory: The Essentials*, London–Thousand Roads–New Delhi–Singapore: Sage, 2013, pp. 134–135.

⁶ Such an approach (calling neoliberal institutionalism a perspective, but not a theory) is presented by K. Jorgensen in: *International Relations Theory: A New Introduction*, Houndmills–New York: Palgrave Macmillan, 2010.

⁷ R. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, Princeton: Princeton University Press: 1984, pp. 49–132.

As states play a crucial role in neoliberalism, different types of institutions (organizations, regimes), are often perceived as tools in acquiring relative gains (states cooperate if their relative power increases), cooperation within the organization is somehow coercive – as bargaining strength is different among countries forming an international regime or institution. Finally there are some club goods, making weaker countries join the group in order not to be excluded.⁸

Some of those features are taken into account by Stephen Krasner, building the theory of international regimes, being either an intervening variable – serving egoistic self interest and political power (in common good or particular interests), supported by norms and principles, usage and custom, as well as proper knowledge,⁹ or an autonomous variable, being more important in the calculation of countries' interests, alternating their interests, being the source of power and finally changing actors' capabilities.¹⁰

Looking at the Belt and Road Initiative as an international regime, we may perceive it as a possible tool for increasing Chinese relative gains in the system, including the European sub-system, presuming tools applied are strong enough to attract Central and Eastern European countries to accept the newly created regime. At the same time, all the risks of being possibly excluded from a new, beneficial initiative coerces the 16 countries from Central and Eastern Europe to engage in both vague initiatives, as it is better to be a part of it, just in case of success.

Belt and Road Initiative (BRI)

In September 2013 Chinese President Xi Jinping announced the creation of the Silk Road Economic Belt. Its purpose was “to make economic ties closer, mutual cooperation deeper and space of development broader between the Eurasian countries”. He proposed to build it step by step by strengthening economic policy communication, developing roads connectivity to gradually form the transportation network that would bind East Asia, West Asia and South Asia, facilitation of trade, enhancement of monetary circulation and lastly by the improvement of people-to-people exchange.¹¹

Then, in October, the project was enlarged by the Maritime Silk Road, which was proposed on Xi's trip to Indonesia and was mainly focused on the development of interactions with members of the Association of the Southeast Asia Nations (ASEAN).

⁸ A. Stein, 'Neoliberal institutionalism', in Ch. Reus-Smit, D. Sindal (eds), *The Oxford Handbook of International Relations*, Oxford–New York: Oxford University Press, 2008, pp. 201–210.

⁹ S. Krasner, 'Structural causes and regime consequences: Regimes as intervening variables', in S. Krasner (ed.), *International Regimes*, Ithaca–London: Cornell University Press, 1983, pp. 1–22.

¹⁰ S. Krasner, 'Regimes and the limits of realism: Regimes as autonomous variables', in S. Krasner (ed.), *op. cit.*, pp. 355–368.

¹¹ Ministry of Foreign Affairs of the People's Republic of China, 'President Xi Jinping delivers important speech and proposes to build a Silk Road Economic Belt with Central Asian countries', Ministry of Foreign Affairs, the People's Republic of China Archives, http://www.fmprc.gov.cn/mfa_eng/topics_665678/xjpf-wzysiesgjtfshzzfh_665686/t1076334.shtml (accessed on 10 April 2018).

In his speech he expressed that China will “strive to expand two-way trade to one trillion US dollars by 2020”.¹² Altogether this creates the project commonly known as the Belt and Road Initiative (BRI).

The Chinese present BRI as a means “to realize the great rejuvenation of the Chinese nation” by achieving two of their goals, namely to double 2010 GDP per-capita income and build a moderately prosperous society by 2021, and to turn China into an all-round modern and socially advanced country by 2049. In addition, the BRI, as political researchers have indicated, refers to the setting up of a geopolitical and geo-economic platform, whose objective is to create a multi-polar, non-hegemonic world and to serve as an antidote to the US foreign policy strategy, namely the “pivot to Asia” or “rebalancing” and then to counter such initiatives as the Trans Pacific Partnership (TPP).¹³

The assumptions of the project are rather more than simply being another international organization. It resembles more a manifestation of China’s goals in the international area than a single project. Its base is a set of economic ideas, which on their own do not instantly present a clear blueprint for a new international structure.¹⁴

The most profound legal text, which gave some form to the BRI is the *Vision and Actions of Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road* (also known as *the Action Plan on the Belt and Road Initiative*, March 2015). Accordingly, to the document, the BRI “runs through the continents of Asia, Europe and Africa, connecting the vibrant East Asia economic circle at one end and the developed European economic circle at the other”. The document also indicates that the BRI on land will focus on jointly building a new Eurasian Land Bridge and developing China-Mongolia-Russia, China-Central Asia-West Asia and China-Indochina Peninsula economic corridors. At sea, the Initiative is focused on jointly building transport routes connecting major sea ports along the Belt and Road, the China-Pakistan Economic Corridor and the Bangladesh-China-India-Myanmar Economic Corridor. The Vision also highlights five essential forms of connections, namely infrastructure construction, unimpeded trade, financial integration, policy coordination, and people-to-people ties, so in general they are a reflection of Xi’s speech from 2013.¹⁵

¹² J. Xi, ‘Speech by Chinese President Xi Jinping to Indonesian Parliament’, ASEAN-China Centre Archives, October 2013, http://www.asean-china-center.org/english/2013-10/03/c_133062675.htm (accessed on 10 April 2018).

¹³ B.R. Deepak, ‘China’s global rebalancing: Will it reshape the international political and economic order?’, in B.R. Deepak (ed.), *China’s Global Rebalancing and the New Silk Road*, New Delhi: Springer, 2018, pp. 1–2.

¹⁴ M. Kaczmarek, *Russia-China Relations in the Post-Crisis International Order*, New York: Routledge, 2015, p. 98.

¹⁵ M. Mayer, ‘China’s rise as Eurasian power: The revival of the Silk Road and its consequences’, in M. Mayer (ed.), *Rethinking the Silk Road China’s Belt and Road Initiative and Emerging Eurasian Relations*, Singapore: Palgrave Macmillan, 2017, pp. 6–7; The National Development and Reform Commission of People’s Republic of China, ‘Vision and actions of jointly building Silk Road Economic Belt and 21st Century Maritime

The BRI project was developed and in 2017, in a new document, entitled *The Vision for Maritime Cooperation under the Belt and Road Initiative*, to the construction of the Maritime Silk Road was added the blue economic passage of China-Oceania-South Pacific, travelling southward from the South China Sea into the Pacific Ocean and the blue economic passage envisioned to lead to Europe via the Arctic Ocean.¹⁶ As a concept of Chinese foreign policy, the Belt and Road Initiative was in 2017 signed into *the Constitution of the Communist Party of China*.¹⁷

The institutionalization of OBOR is very weak. It mainly rests upon the political commitments of the interested parties. The new international organizations, which are part of OBOR are: The Silk Road Fund, established in 2014 with capital of 40 billion USD (65% from China's currency reserves, 15% from one of China's SOEs and the remainder from state banks)¹⁸ and the Asian Infrastructure Investment Bank, which was also established in 2014 and currently numbers 84 states (but only two from CEEC – Poland and Hungary).¹⁹

Although OBOR does not currently have its own fully dependent organization to gather interested parties, in May 2017 the first 'Belt and Road Summit' was held in Beijing. To that date, more than 100 states and international organizations confirmed their support for and engagement with the project. China signed 40 memoranda of understanding, which concerned cooperation within the OBOR framework.²⁰

16+1 INITIATIVE

The 16+1 Initiative was firstly publicly mooted in Budapest in 2011 during the first China-Central and Eastern Europe Business Forum by then Prime Minister of China, Wen Jiabao, but was formally created a year later at the second forum, held in Warsaw, when Wen addressed the CEEC with a 12-point initiative for deepening cooperation with the region.²¹

Silk Road', The National Development and Reform Commission of People's Republic of China Archives, http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html (accessed on 10 April 2018).

¹⁶ The State Council of the People's Republic of China, 'Vision for maritime cooperation under the Belt and Road Initiative', The State Council the People's Republic of China Archives, http://english.gov.cn/archive/publications/2017/06/20/content_281475691873460.htm (accessed on 10 April 2018).

¹⁷ National Congress of the Communist Party of China, 'Constitution of the Communist Part of China', <http://www.china.org.cn/20171105-001.pdf> (accessed on 10 April 2018).

¹⁸ The Silk Road Fund, 'Overview', <http://www.silkroadfund.com.cn/enweb/23775/23767/index.html> (accessed on 10 April 2018).

¹⁹ M. Kaczmarek, 'Two ways of influence-building: The Eurasian Economic Union and the One Belt, One Road initiative', *Europe-Asia Studies*, 2017, vol. 69, no. 7, p. 103; <https://www.aiib.org/en/about-aiib/index.html> (accessed on 10 April 2018).

²⁰ M. Kaczmarek, 'Two ways of Influence-building...', op. cit., p. 1031, http://www.xinhuanet.com/english/2017-05/14/c_136282982.htm (accessed on 10 April 2018).

²¹ T. Kong, '16+1 Cooperation Framework: Genesis, Characteristics and Prospect', China-CEEC Think Tanks Network, December 2015, <http://16plus1-thinktank.com/1/20151203/868.html> (accessed on 10 April 2018).

Like in the case of the BRI, the goal of the creation of the 16+1 formula was mainly economic in nature and in its first legal basis had references to facilitation of trade, the development of mutual investments and financial cooperation. Based on Wen's plan, the secretariat, based in China's Ministry of Foreign Affairs, was created and a special 10 billion USD credit line for infrastructure, high technology and new technologies and green economy projects was also established. Furthermore, China expressed its will to boost the mutual value of trade with CEEC to 100 billion USD by 2015 (WITS's data indicate that in 2016 the value of trade between China and CEEC stood at around 59 billion USD).²²

Since 2013, during the summit of the 16+1 new objectives and achievements of the grouping have been publicized annually in the form of guidelines for cooperation.²³ Additionally, in 2015 the Medium-Term Agenda for Cooperation between China and Central and Eastern European Countries was adopted.²⁴ Unfortunately for the initiative, all of these documents do not present any complex obligations, simply listing upcoming meetings or general goals to be fulfilled. However, one issue which should be noticed is that in the documents parties consistently confirm the compliance of the 16+1 with the EU-China agenda and that the grouping activities are in accordance with European law and agreements.²⁵ What is more, since the 2015 summit the same may be seen in the documents of the 16+1, if the BRI is analyzed.²⁶

When it comes to the institutionalization of the 16+1, it is, as in the case of the BRI, rather poor. Apart from the aforementioned secretariat based in Beijing, the China-CEEC secretariat on logistics cooperation, China and Central-Eastern European Countries Business Council, China-CEEC Technology Transfer Centre, China-CEEC Secretariat for Maritime Issues and the China-CEEC Inter-Bank Association were established. Although the number of initiatives may be considered as high, the initiatives mentioned are generally only a mechanism, whose daily activities are led by some of the departments of a suitable ministry from one of the members states.

²² Secretariat for Cooperation between China and Central and Eastern European Countries, 'China's Twelve Measures for Promoting Friendly Cooperation with Central and Eastern European Countries', http://www.china-ceec.org/eng/zdogjhz_1/t1410595.html (accessed on 10 April 2018).

²³ Secretariat for Cooperation between China and Central and Eastern European Countries, 'Measures for Cooperation', http://www.china-ceec.org/eng/hzjl_1/hzjc/ (accessed on 10 April 2018).

²⁴ Ministry of Foreign Affairs of the People's Republic of China, 'The medium-term agenda for cooperation between China and Central and Eastern European countries', Ministry of Foreign Affairs, the People's Republic of China Archives, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1318038.shtml (accessed on 10 April 2018).

²⁵ In the (2016) The Riga Guidelines for Cooperation between China and Central and Eastern European Countries there is a mention of the development of synergies between 16+1 Cooperation and the EU-China Comprehensive Strategic Partnership; In (2013) the Bucharest Guidelines for Cooperation between China and Central and Eastern European Countries the parties stressed that China-CEEC cooperation is in concord with China-EU comprehensive strategic partnership or for example in (2015) the parties confirm development of synergies between the European Commission's Investment Plan for Europe and the 16+1 formula.

²⁶ In (2017) the Budapest Guidelines for Cooperation between China and Central and Eastern European Countries the Belt and Road Initiative was in particular mentioned.

The issue of the 16+1 formula as a factor in the CEEC foreign policy should also be, as Piotr Bajor indicates, considered in the European dimension.²⁷ Many different scientists focused on the issue, but overall the project is thought to be “controversial” with the EU.²⁸

There is a concern that the Chinese initiatives could be a way to use “divide and rule” mechanism within the EU or to circumvent the EU’s import duties and antidumping tariffs, in particular given that Chinese FDI is in the vast majority mergers and acquisitions (around 95% of total FDI in 2017).²⁹ The debate about the role and interest of the 16+1 formula for the Chinese is heated and faces many different arguments. Some researchers indicate that the economic aspect of tariff-jumping is the real cause of the Chinese interest in the CEEC, whereas other point to the relatively low labour and land costs and the well-educated labour force.³⁰ In the opinion of Richard Turcsanyi, based on the long pursued policy of China to create a multi-polar world, 16+1 is not a measure to weaken the EU but rather to develop it, as the CEEC provide favourable conditions for investments.³¹ To some extent both opinions are feasible; there is a documented case of China using its influence with EU members to divide the European consensus – the issue of the EU statement on China’s legal defeat over the South China Sea,³² although the real impact of China is still limited in the CEEC and currently it is not something which should be feared.

Regarding the 16+1 Initiative, there is also the issue of competition between the 16 Central and East European countries over the position of a European leader in the grouping. Currently, the main three contenders for such a title are Poland, Hungary and Serbia. Poland has a claim based on its relative strength as the biggest and most centrally located country in the region.³³ In Serbia, due to the high number

²⁷ P. Bajor, ‘Determinants and directions of Polish-Chinese cooperation in the context of the One Belt, One Road Initiative’, in Y. Cheng, L. Song, L. Huang (eds.), *The Belt & Road Initiative in the Global Arena: Chinese and European Perspectives*, Singapore: Palgrave Macmillan, 2018, p. 87.

²⁸ G. Grieger, ‘At a glance: China, the 16+1 cooperation format and the EU’, European Parliamentary Research Service, March 2017, [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 on 10 April 2018).

²⁹ A. Stanzel, ‘China’s Investment in Influence: the Future of 16+1 Cooperation – Introduction’, European Council on Foreign Relations, China Analysis, December 2016, http://www.ecfr.eu/page/-/China_Analysis_Sixteen_Plus_One.pdf (accessed on 10 April 2018); G. Grieger, op. cit.; T. Hanemann, M. Huotari, ‘Chinese FDI in Europe in 2017. Rapid recovery after initial slowdown. An update by Rhodium Group (RHG) and the Mercator Institute for China Studies (MERICS)’, *Merics Papers on China*, No. 3, <https://www.merics.org/papers-on-china/chinese-fdi-in-europe> (accessed on 10 April 2018).

³⁰ A. McCalab, A. Szunomar, ‘Chinese foreign direct investment in central and eastern Europe: An institutional perspective’, in J. Drahokoupil (ed.), *Chinese Investment in Europe: Corporate Strategies and Labor Relations*, Brussels: ETUI, 2017, p. 121–136.

³¹ R. Turcsanyi, ‘Central and Eastern Europe’s courtship with China: Trojan horse within the EU?’, European Institute for Asian Studies, *EU-Asia at a Glance*, January 2014, <http://www.eias.org/wp-content/uploads/2016/02/EU-Asia-at-a-glance-Richard-Turcsanyi-China-CEE.pdf> (accessed on 10 April 2018).

³² A. Stanzel, op. cit.

³³ B. Góralczyk, ‘China’s interest in Central and Eastern Europe: enter the dragon’, *European View*, May 2017, <https://www.ce.uw.edu.pl/wp-content/uploads/2017/05/ev-china.pdf> (accessed on 10 April 2018).

of projects and agreements agreed upon and implemented with China, the whole formula is sometimes semi-jokingly referred as the 15+1+1 Initiative.³⁴ In the case of Hungary, the regional ambition was even institutionalized in a form of government's "Eastern Opening" policy, whose ultimate aim was to play a bridging role between China and the European Union.³⁵ All of the above states, to some extent, have some points in that debate but on the other hand the 16 CEE countries are rather a heterogeneous group, in which many aspects such as the level of development, size, historical experience, culture or religion are significantly different, thus leading to a rather an unrealistic outlook on a potential leadership.³⁶

The Economic Outcome of the BRI and the 16+1 Initiative

In the case of the facilitation of trade relations between China and the countries of Central and East Europe, which are common to both initiatives, the situation from the creation of the 16+1 formula until 2016 is not as successful for China and some Central European countries as it is often presented. The data is shown below in table 1.

Based on data collected from the World Integrated Trade Solution for 6 out of the 17³⁷ countries which are studied in this paper, it is true that the value of trade (import + export) decreased in the observed period (Croatia, Estonia, Hungary, Latvia, Macedonia and Slovakia) for another 2 the change was barely visible (Lithuania, Greece). The biggest, relative increase in the value of trade occurred, first of all, in the Balkan States (Albania, Bosnia and Herzegovina, Montenegro, Serbia) and secondly in Poland and Slovenia.

The value of Chinese exports, in the observed period, also decreased in 7 out of 17 of the countries researched, which is a sign that that proposed in the mechanisms of both initiatives, designed to facilitate trade, are not 100% effective. Contrary to the majority of observed smaller EU countries, the Balkan States and Poland faced qualitatively different situation and their imports of Chinese goods did rise significantly. In the case of import of goods from the CEEC, in the vast majority the value of sold goods rose and the dynamics of that growth was relatively higher than the Chinese outcome.

China has a positive trade balance with all of the CEEC countries observed, but the dynamics of this is highly diverse between different countries. Croatia, Estonia,

³⁴ D. Pavilicevic, 'The geoeconomics of Sino-Serbian relations: The view from China', European Council on Foreign Relations, China Analysis, December 2016, http://www.ecfr.eu/page/-/China_Analysis_Sixteen_Plus_One.pdf (accessed on 10 April 2018); P. Tonchev, 'China's Road: into the Western Balkans', European Union Institute for Security Studies (EUISS), February 2017, <https://www.iss.europa.eu/sites/default/files/EUISSFiles/Brief%203%20China%27s%20Silk%20Road.pdf> (accessed on 13 April 2018).

³⁵ V. Eszterhai, 'The Question of the Missing Chinese Greenfield Investment in Central and Eastern Europe: the Case of Hungary', *China-CEEC Institute Working Paper*, 2017, No. 18, https://china-cee.eu/wp-content/uploads/2018/02/Work_paper-201718.pdf (accessed on 10 April 2018).

³⁶ R. Turcsanyi, op. cit.

³⁷ The data was collected for the 16 countries gathered in 16+1 initiative and for Greece because of its geographical importance for the project.

Latvia and Slovakia managed to narrow the balance of trade deficit with China. The case of Hungary is also a positive one, in particular given that in Jeremy Garlick's trade tendencies research Hungary, along with Poland and Romania, was indicated as a country with the most disappointing results.³⁸ Overall, the worst outcome can be traced to the performance of Poland, which, in the observed period, increased its trade deficit with China, which was already the highest in the group, by more than a quarter.

It is fair to state that trade relations between China and the CEEC face mixed outcomes and, if the scale of the trade hegemony of the EU market is considered, the Chinese project is not a game changer. The share of total trade of the 16 CEEC with the EU stands approximately between 60 to 80% and that will not change instantly.³⁹ On the other hand, it is also worth recalling that currently around 90% of all bilateral EU-China trade still takes place within the oldest and largest members of the EU, namely the UK, France, Germany and Italy.⁴⁰

When it comes to investments in the whole region, which are directed exactly towards the BRI's goals there are only a few worth mentioning. The Budapest-Belgrade railway reconstruction, agreed in November 2016 has been delayed mainly due to the conflict with the European Union about the procedures of public procurement. The project is planned to be extended to Skopje and Athens, to reach in particular the COCO Pacific Piraeus harbour, controlled by a Chinese company. Another example is the inception of arrivals of trains from the hub of Yiwu to Central Europe or the Chengdu-Łódź and Kutno-Sichuan railway connections.⁴¹ Although these initiatives are important, their meaning today is rather marginal and, as many observers have pointed out, the trains are usually filled with goods only when they are coming from China and not when they are returning to the territory of the second biggest economy in the world.⁴²

Since the issue of investment was first mentioned, beginning from the creation of the 16+1 initiative, the level of Chinese investments in Europe, but in particular in Western Europe, had been rising. The last year (2017) brought a break in that tendency, due to the fact that in the EU the value of Chinese FDI dropped to 30 billion euro – a decline of 17% (globally the value of Chinese FDI dropped by 29%).⁴³ This is another sign that Chinese initiatives are not so effective and operative but it should also

³⁸ J. Garlick, 'China's trade with Central and Eastern European EU members: An analysis of Eurostat data, 2004–2014', *Acta Oeconomica Pragensia*, 2015, vol. 23, no. 4, pp. 20–21.

³⁹ Eurostat, 'International trade in goods', http://ec.europa.eu/eurostat/statistics-explained/index.php/International_trade_in_goods (accessed on 13 April 2018).

⁴⁰ B. Góralczyk, *op. cit.*

⁴¹ J. Czerp, 'Influence of the Łódź-Chengdu railway on the perception of 16+1 in Poland', *China-CEEC Institute Working Paper*, 2017, No. 5, https://china-cee.eu/wp-content/uploads/2018/02/Work_paper-201705.pdf (accessed on 13 April 2018).

⁴² P. Maciejasz, M. Buczek, in conversation with M. Grabowski, 'Marcin Grabowski – CEEC and China', *The Virtual Forum for Visegrad+ Studies*, <http://visegradplus.org/opinion/grabowski-chinese-are-interested-in-entering-the-eu-market-but-it-turns-out-that/> (accessed on 13 April 2018).

⁴³ T. Hanemann, M. Huotari, *op. cit.*

Table 1. The dynamics of Sino-CEEC + Greece trade 2011 to 2016

	% ratio of trade value (import + export) 2016/2011	% ratio of Chinese export value 2016/2011	% ratio of Chinese import value 2016/2011	Chinese trade balance (millions USD)	Change in Chinese trade balance, 2011–2016 (2016– 2011, millions USD)
Albania	145.39	179.95	82.76	377.94	198.28
Bosnia and Herzegovina	150.81	154.52	145.66	20.48	36.24
Bulgaria	112.28	104.96	128.28	465.44	180.06
Croatia	72.70	65.98	202.99	855.31	-442.26
Czech Republic	110.22	105.07	127.27	5,106.98	1,021.66
Estonia	87.96	85.21	103.10	751.85	-160.83
Greece	104.21	106.38	80.06	3,918.32	181.56
Hungary	95.98	79.67	141.26	1,958.45	-371.32
Latvia	95.08	89.05	208.40	9,30.16	-61.80
Lithuania	102.26	96.69	187.21	1,126.92	32.24
Macedonia	55.56	98.07	30.26	43.34	105.83
Montenegro	138.09	120.38	270.26	75.74	38.87
Poland	135.75	137.97	123.91	12,556.34	4,644.26
Romania	111.40	99.82	153.65	1,992.44	502.06
Serbia	125.32	108.90	208.87	2,68.96	120.11
Slovak Republic	88.30	113.88	69.71	451.19	-698.41
Slovenia	144.14	135.45	216.22	1,832.56	8,28.87
World	101.2	110.49	91.08	509,716.48	354,722.92

Source: Authors' own calculations, based on the World Integrated Trade Solution data.

be mentioned that 2017 was the year in which the PRC reformed its system of investing and the data may not necessarily be illustrating a stable tendency.⁴⁴

Secondly, as the CEEC are the main focus of the study, it is obligatory to state that in the case of the CEEC countries, which are members of the EU, their attractiveness is limited. CEEC, members of EU, are not in the centre of focus when it comes to Chinese FDI, and they constitute less than 14% of all Chinese investments in the EU. The majority of Chinese capital is located in the UK, Germany and France.⁴⁵

The real impact, contrary to the beautiful rhetoric, may be seen if the comparison between the value of Chinese investments and the biggest player in the region, namely the European Union and its Structural and Investments Funds budget for the countries both gathered in 16+1 and the EU, is made (table 2).

The collected data, which present aggregated funds from 5 EUs bodies (European Regional Development Fund, European Social Fund, Cohesion Fund, European Agricultural Fund for Rural Development, European Maritime and Fisheries Fund) show that the impact of Chinese investment is factually rather limited in the CEEC of the EU (the situation is visibly different for example in Germany or in the UK).

The value of EUs funds provided to Poland is more than 100 times greater than the value of the Chinese FDI transactions in the country in the period from 2000 to 2017 (table 2). What is more, for example in the Czech Republic, if the Chinese investments are evaluated in relation to other states' activities, the official sources state that in the ranking of the biggest investors China was, in 2016, in 20th place, well behind Japan, South Korea and even Taiwan.⁴⁶

The role of Chinese investments is different in the Balkan states, due to the fact they do not have the possibility to access EU institutions. China, based on the above mentioned 10 billion USD credit line offer, via its state policy banks (for example Exim Bank or the China Development Bank), covers around 85% of the present value of investments. Usually, the Chinese loans are dependent upon assigning the implementation of the sponsored project to Chinese contractors, and with the inclusion of Chinese suppliers for the required components. It is estimated that the final cost of the loans, which are drawn on average up for 20 to 25 years, for the CEEC should be around 2.5 to 3%. The Chinese offer is attractive to the Balkan States, compared to conditions from other sources like Russia or the World Bank, though in the case of the EU members the offer is simply more expensive and unnecessary.⁴⁷

⁴⁴ J. Stefanowski, 'Chińskie inwestycje zagraniczne – nowe regulacje', *Puls Azji*, November 2017, <http://pulsazji.pl/2017/11/20/chinskie-inwestycje-zagraniczne-nowe-regulacje/> (accessed on 13 April 2018).

⁴⁵ T. Hanemann, M. Huotari, op. cit.

⁴⁶ A. Kizekova, 'China's connections with Europe: Investments beyond the European Union', *The Bulletin of the Centre for East-West Cultural and Economic Studies*, 2017, vol. 12, no. 2, p. 41.

⁴⁷ J. Jakóbowski, M. Kaczmarski, 'Beijing's mistaken offer: the '16+1' and China's policy towards the European Union', Centre for Eastern Studies, OSW Commentary, no. 250, September 2017, https://www.osw.waw.pl/sites/default/files/commentary_250_0.pdf (accessed on 13 April 2018).

Table 2. Comparison of the value of Chinese FDI transitions in EU from 2000 to 2017 and the countries budget of EU's Structural and Investments Funds in period of 2014–2020

	Chinese FDI transactions in the EU 2000–2017, billion EUR	EU's Structural and Investments Funds budget, 2014–2020, billion EUR
Bulgaria	0.3	11.73
Croatia	0.1	12.65
Czech Republic	0.6	32.38
Estonia	0.1	5.97
Greece	1.2	26.66
Hungary	2.1	29.65
Latvia	0.1	6.91
Lithuania	0.1	9.95
Poland	1	104.92
Romania	0.9	37.59
Slovak Republic	0.1	19.56
Slovenia	0.1	4.96
UK	42.2	26.80
Germany	20.6	44.75
France	12.4	45.66

Source: Authors' own work, based on the European Commission data T. Hanemann, M. Huotari, op. cit.

Ultimately, although the EU offers, in general, potentially larger funds and grants than China, the results of projects funded by the EU are only visible in the mid-term or sometimes over a long term period. China, in contrast offers more flexible instruments, thus attracting the Balkan states to its initiatives.⁴⁸

The value of Chinese engagement in the Balkan states might be well presented, if the comparison between the increase of Chinese FD's in recent years and the EU budget for the pre-accession funds for those states is analyzed (table 3).

The biggest beneficiary of Chinese investments in the Balkans is Serbia, in which the value of Chinese FDIs in recent years has skyrocketed and is currently over four times higher than the funds prepared by the EU for pre-accession development

⁴⁸ M. Struvoll, T. Flessenkemper, 'China's Balkans Silk Road: Does it pave or block the way of Western Balkans to the European Union?', HKTDC Research, August 2018, <http://cdinstitute.eu/web/wp-content/uploads/2018/03/China-and-Western-Balkans-Policy-Brief.pdf> (accessed on 13 November 2018); A. Lagazzi, M. Vit, 'The good, the bad and the ugly: Chinese influence in the Western Balkans', Institute for European Policy, Policy Paper, October 2017, <http://www.europeum.org/data/articles/al-mv.pdf> (accessed on 13 April 2018).

assistance. In 4 out of 5 Balkan states, the Chinese engagement is almost equal to or higher than the EU's basic funds, which gives an insight into the real change and influence of the PRC on those states and in the region overall.

Table 3. Comparison of the value of Chinese FDI (stock) in the Balkans States in 2009 and 2016 and the EU's funds for the pre-accession assistance (IPA II)

	China's value of inflows (stock, in million USD) 2009	China's value of inflows (stock, in million USD) 2016	EU Funds of the Instrument for the Pre-Accession Assistance (IPA II) in million USD
Albania	435	727	760
Bosnia and Herzegovina	592	860	196
Macedonia	20	210	772
Montenegro	32	443	317
Serbia	268	8268	1765

Source: Authors' own work, based on the European Commission data and P. Huang, Z. Liu, et.al., 'The Cooperation between China and CEEC (16+1): 2012–2017' China-CEEC Think Tanks Network, 2017, <http://16plus1-thinktank.com/u/cms/cepen/201801/13214915w9yy.pdf>, (accessed on 13 April 2018).⁴⁹

In the end, as in the case of trade, the Chinese are far from moving the centre of gravity of regional investments and, although there is a visible improvement in Chinese performance in the region, and in particular in the Balkan states, its role is not as extensive as the rhetoric would sometimes imply.

Summing up, after a brief overview of the declarations and strategic documents of both initiatives, e.g. the Belt and Road Initiative, as well as 16+1 initiative, juxtaposing those declarations with reality definitely casts doubt on the feasibility of implementation of those declarations due to a set of limitations, and competition in the international system.

Theory Driven Analysis

A brief look on the aforementioned initiatives in the context of neorealist theory, or the three principles of systemic level of analysis in neorealism would generally bring us to the conclusion that both the Belt and Road Initiative, and the 16+1 initiative should be understood as neorealist endeavours aiming at an the increase in Chinese relative power. In this context the opportunity to shape the regional system, or at least influence the Eurasian regional system, seems pretty tempting and worth devoting

⁴⁹ There is a need to mention that data collected by Huang Ping, Liu Zuokui, et. al. is not in accord with the data collected by Hanemann Thilo and Huotari Mikko, which is also used in this article.

certain resources, as the structure of the system provides long-lasting benefits for an actor shaping those structures (vide the US-shaped regional post-WWII system).

The problem appearing in Central and Eastern Europe should be analyzed as a kind of competition between the European Union and China in terms of shaping the system, or as a Chinese attempt to change a system to a large extent shaped by the European Union, especially in reference to its member countries, but to a large extent to non-EU member countries from the CEEC, as they generally apply for membership, hence follow EU rules. Shaping new rules or influencing them substantially would require both hard (especially economic power) and soft power. Data presented in tables 1 and 2 illustrate (especially table 2) the lack of a strong Chinese foreign policy economic instrument, comparable to those of the European Union in terms of influencing Central Europe.

Therefore three dimensions of structural level of analysis are virtually impossible to be shaped by China, as generally the structures ordering the system in Central and Eastern Europe are already defined in legal, economic and functional terms by the European Union (with some exceptions in candidate countries). The second dimension, namely functions of distinguished units would also bring us to the conclusion that even though Chinese power is much stronger than all 16 CEEC member states, it's at the same time weaker in CEEC countries than European power (especially the power of the strongest EU member states). Therefore the third dimension, distribution of capabilities in the system, including power projection capability, does not allow China to play as important a role, as described in strategic documents published in connection to the BRI and the 16+1 initiatives.

A brief reference to neoliberal institutionalism will bring us to similar conclusions, somewhat surprisingly. Namely, created institutions (16+1, BRI – analyzed as set of rules or regimes, generally *in statu nascendi*) aim at acquisition of relative gains by their participants. In neoliberal institutionalism all 16+1 countries have those relative gains in mind. In the case of China, new institutions are potentially useful for changing the rules of the game in Europe, opening doors for further expansion, especially economic expansion (somehow contradicted by the rules of the European Union). Bigger European countries in the initiative (including Poland, playing an active role in the process of the 16+1 initiative) aim at using this institution as a leverage to increase their position within the region or in the wider European Union. Weaker/smaller CEEC countries follow the principle of coercion, as not joining could be costly in the future in case of success (and costs of joining are relatively low).

In this context, South-East European countries (mainly non-EU members with some exceptions, like Hungary) are the biggest beneficiaries of these new developments. China has to invest much more than hitherto in order to achieve a 'game-changer' position in the EU, especially comparing data from table 2. In both cases institutionalization, as mentioned above, is very weak.

Conclusions

Both the discussed initiatives attract a lot of attention in the international media and the academic community, as mentioned above. There is really promising rhetoric behind them, including official Chinese declarations. The reality, as shown by the data presented is still far from those declarations and such slow developments may be justified on the basis of aforementioned IR theories, namely neorealism and neoliberal institutionalism.

Referring to the hypotheses driving this paper, we can confirm the fact of the incoherence and vagueness of the Belt and Road concept, having been changed a couple of times since its relatively recent inception. Therefore, even though broadly discussed, this initiative has to be further conceptualized and implemented in order to be efficient and effective globally, as well regionally in Central and Eastern Europe.

If we look at the data, especially economic data, focusing on trade (including balance of trade) and investment, there is no doubt both initiatives are absolutely meaningless for CEEC countries in absolute economic terms and in comparison with the European Union, with the exception of selected South-East European countries, especially non-EU member states.

Even though we have observed a high concordance between the Belt and Road Initiative and the 16+1 Initiative, these initiatives neither influence the policies of most CEE countries, nor institutionalize them further. Having in mind the aforementioned lack of economic impact we may not focus too much on this concurrence.

Finally, there is a group of countries, both established members of the EU (e.g. Portugal, Greece) and new members of the EU (e.g. Hungary), but especially non-EU members (mostly Balkan states), suffering mostly from a scarcity of capital. In their case these initiatives make sense, but in case of access to Chinese capital, is not so beneficial for them, as there are relatively high costs embedded in the deals.

Summing up, despite the very attractive rhetoric of both the analyzed initiatives (BRI and 16+1), their real impact on Central European institutional structure, power dynamics, economic structure and systemic structure is extremely limited. As for an instrument of Chinese foreign policy, both initiatives play an important role in promoting China as a global power (hence increasing its soft power) but cannot influence the EU dominated subsystem thus far.