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■ China in Central and Eastern Europe: a debate in the wake of the 17+1 summit

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One of the pillars of China's global expansion is the 17+1 format, also known as China-CEEC (Cooperation between China and Central and Eastern European Countries). Initiated by China in 2012, the format provides a platform for cooperation with Central and Eastern Europe, primarily in infrastructure development. Founded originally as 16+1, it was renamed 17+1 after Greece joined the grouping in 2019. The initiative currently associates twelve EU Member States (Bulgaria, Croatia, the Czech Republic, Estonia, Greece, Lithuania, Latvia, Poland, Romania, Slovakia, Slovenia and Hungary) as well as Albania, Bosnia and Herzegovina, Montenegro, Macedonia and Serbia.

The 17+1 summit of February 9, 2021 showed that Beijing continues to appreciate the initiative as highly valuable, recognizing its considerable strategic potential. Meanwhile though, its European partners have lost some of their initial interest and commitment to the 17+1, largely as a result of their growing disappointment with its effectiveness. In addition, the involvement of selected European countries in cooperation with China within the 17+1 framework has long been raising concerns and fueling fears over the damage it does to the unity of the European Union. On realizing that the balance of the outcomes of the February summit was negative and that the future of the initiative itself hung in the balance, the EU member states felt incentivized to revise their perceptions. This applies to both the countries of the format and those who have never joined it. In the meantime, the EU institutions have changed their view of the initiative, deeming its aim to be to define the best use of the capacity of the 17+1 for formulating a coherent EU policy towards China.

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The Summit's fiasco

Originally scheduled for April 2020, the eighth summit of the 17+1 was postponed to February 9, 2021 due to the COVID-19 pandemic, its format modified to that of a videoconference. For the first time in the initiative's history, the Chinese President Xi Jinping chaired the proceedings, replacing the previous chairman Prime Minister Li Keqiang. Such an elevation of the summit's rank by the Chinese was not matched by the European partners. On the contrary, a staggering six of them, i.e. Bulgaria, Estonia, Lithuania, Latvia, Romania and Slovenia, only sent their ministers. The summit was ultimately attended by only five heads of state other than Xi Jinping, among them the President of Poland Andrzej Duda.

China did not take well to the lowering of the rank of summit delegates by the majority of European countries, especially that in the runup to the event, Beijing pushed hard to secure the involvement of heads of state and government from all 17 countries. To that end, for instance, China signed an agreement with Poland in which the former pledged to increase its food imports. To prevent a loss of face, which would be seen as a humiliating failure in the Chinese culture, especially in high level politics, the summit was billed a success by both the Chinese authorities and the country's state-owned media. Their message was one of building a new consensus and a momentum for cooperation between China and CEE. The Chinese authorities spared no effort to paint the 17+1 as a symbol of an successful partnership with the region.

Xi Jinping summit pledge to have China import \$170 billion's worth of goods (including agri-food products) from Central and Eastern Europe over the span of five years and to join forces in developing Covid-19 vaccines, was not enough to offset the negative balance of the meetings. Notably, unlike in previous years, the 2021 summit did not conclude in the publication of any specific "guidelines". Only a general "roadmap" was agreed. Not even a date for the next summit was set. This led commentators to predict that the 17+1 format itself would eventually fade out, its summits becoming less frequent (the frequency being down to once every two years), its membership gradually reduced by attrition.

All in all, the most recent 17+1 summit took place amidst mounting concerns and skepticism expressed by the European participants, particularly the EU members. The cooperation achieved by the 17+1 up to that point had failed to meet Europe's expectations. As no marked increases were noted in Chinese investment and trade, European countries reported continued substantial deficits. However, remarkable headway was made in people-to-people relations between the two regions as China significantly increased its involvement through smaller-scale sectoral initiatives.

(Un)justified concerns

The 17+1 format has sparked considerable controversy, both among the Western EU Member States and the EU institutions. The involvement of twelve EU member states in a formalized platform of cooperation with China has been viewed as a barrier to formulating a coherent European strategy towards Beijing, if not as a cause of erosion of the European project. These fears were quickly realized as Croatia, Greece and Hungary sided with China in the South China Sea dispute in 2016, and as Greece vetoed the EU's 2017 statement on the human rights situation in China. Equally notable was Hungary's recent strengthening of cooperation with China on combating the pandemic and Budapest's narrative on China's effectiveness and helpfulness mixed with criticism of the EU's response, and especially its slow vaccination campaign. Hungary was the first EU member state to approve and adopt the Chinese Sinopharm vaccine. This vaccine has also been supplied to Serbia, another China-friendly 17+1-format-country. China's growing influence on the Balkan states participating in the format has raised serious concerns over China reportedly seeking to block these states' aspirations to join the EU, thus undermining the Berlin Process that envisions their future integration into the European community.

In its March 2019 policy paper on China's policy ([EU-China - A Strategic Outlook](#)), the European Commission stressed that both bilateral and regional formats of cooperation between the Member States and China must respect the laws, principles and policies of the EU, and benefit the entire community. In its January 2019 document ([State of play of EU-China relations](#)), the European Parliament appealed to the EU member states involved in the 16+1 (known under this former name until it was joined by Greece) not to stand in the way of the EU "speaking with one voice" in relations with China and warned against the political influence that Beijing exerts through strategic infrastructure projects.

Skepticism towards the 17+1 is particularly evident in Germany. The Federation of German Industries (BDI) warned in 2019 ([Grundsatzpapier China - Partner und systemischer Wettbewerber](#)) against allowing "the EU to be divided" by such formats as the 16+1. The "undermining" of European policies by the involvement of Central and Eastern European countries in the 17+1 was additionally brought up in parliamentary inquiries to the federal government and in parliamentary debates. The media dubbed the initiative a Chinese "trojan horse" in Europe ([Die Welt](#), February 16, 2021), portraying it as an instrument of Beijing's "divide and rule" strategy ([Deutsche Welle](#), July 7, 2018). The prevalence of such views over more balanced commentaries (such as that from the [Bundesakademie für Sicherheitspolitik, Bundeszentrale für politische Bildung, Tagesspiegel](#), September 15, 2019), which name the risks involved in the initiative while noting that the actual state of relations between Central and Eastern European countries and China is a far cry from deep unconditional dependence, has polluted the air around the 17+1 and subverted trust between Germany and the format members.

Such tensions have resulted from largely uncredible arguments on the dangers of economic and political dependence of CEECs on China resulting from their

involvement in the 17+1. The United States and the non-17+1 EU member states still remain to be key foreign trade partners of such CEECs. China's investment in Central and Eastern Europe remains low compared to that in western and northern parts of the continent. According to MERICS, China's investment in Hungary in 2000-2019 amounted to €2.4 billion. During the same period, China invested €1.4 billion in Poland, €1.2 billion in Romania, €1 billion in the Czech Republic and €0.4 billion in Bulgaria. These figures are dwarfed by the corresponding €50.3 billion in investment in the UK, €22.7 billion in Germany, €15.9 billion in Italy, €14.4 billion in France and €12 billion in Finland (*Chinese FDI in Europe: 2019 Update*).

Although members of the 17+1 group include countries (Hungary, Serbia) that leverage their relations with China in their disputes with the EU, there is little reason to paint the entire group with broad strokes as a bloc of China's political allies that are susceptible to being drawn away from the EU or that go as far as to intentionally undermine Europe's sense of community. Note that the "guidelines" published after previous 16/17+1 summits included provisions that recognized the role of the EU and the need to comply with EU standards in the pursuit of projects.

Moreover, a broader analysis of the positions of the EU member states involved in the 17+1 format in recent years shows a growing assertiveness that relates to an escalation of the Washington-Beijing dispute. A case in point is the approach to new technologies and digitization, where the Czech Republic, Estonia, Lithuania, Latvia, Poland, Romania and Slovenia, acting jointly with the United States, have signed memoranda restricting the access of Chinese investors to 5G network extension projects. Several countries from the region have also backed the US Clean Network initiative. Considering warnings of "extreme competition" from Joseph Biden (*Financial Times*, February 7, 2021) and the importance of alliances with the US for most CEECs, it seems unlikely that any of these countries would center their foreign policy on China any time soon. However, they can be expected to remain in the 17+1, perhaps at a reduced level of involvement, if only to maintain a channel of dialogue with China and avoid officially exiting the format, which would certainly evoke a harsh reaction from Beijing.

A 27+1 project in place of 17+1?

The German and French accusations of the 17+1 may raise some eyebrows, especially in view of the negotiation of the EU-China Comprehensive Agreement on Investment (CAI), which was finalized in late December 2020, mainly through the efforts of these two countries. Germany's push for a quick end to the talks during that country's EU Council presidency came as a surprise to other member states. Equally controversial was the CAI agreement itself. Minister of Foreign Affairs Gabrielius Landsbergis later commented that the actions could "convince others to remain in the 17+1". Landsbergis emphasized that countries such as Lithuania have an interest in coordinating their policy on China within the 27+1 (*Politico*, February 12, 2021). Such coordination would be possible after identifying the divergencies and convergencies of interest in relations with China among all EU member states.

Although the 17+1 format has been in place since 2012, the participating EU countries continue to share challenges in China relations with Germany, France and other EU member states. In addition to the persistent trade deficit with China and restrictions on access to the Chinese market, problems arise with investments by companies controlled by the Chinese Communist Party (CCP), especially in sensitive sectors of the economy that are key to state security. Estonia has recently suspended, for security reasons, its project of constructing an undersea tunnel between Tallin and Helsinki which involved Chinese state-owned enterprises. The Romanian government, in its turn, has chosen to revise its agreement with the state-owned company China General Nuclear to construct two nuclear reactors. Croatia has terminated a Chinese seaport project in Rijeka. The Greek authorities have blocked a bid by the Chinese state-owned company SGCC (State Grid Corporation of China) to acquire a 49% share of the electricity grid operator HEDNO (Hellenic Electricity Distribution Network Operator).

Another common challenge faced by all EU countries in their relations with Beijing is China's wielding of what is generally referred to as "sharp power". This includes propaganda being spread by the so-called wolf warriors and the state media, China's mask and vaccine diplomacy, social-media-based networking, the work of Chinese think tanks in Europe, and the country's intelligence and espionage activities. All of the above is an integral part of the CCP's strategy of building a narrative that promotes Beijing's interests and of disseminating China's positive image in Europe and the rest of the world. The hope is to win over allies for systemic competition with the United States. Having Central and Eastern European countries back the EU's response to this challenge has become all the more vital at a time when Chinese policies are harming the entire union, as is most evident in the very same countries of the region that are involved in the format.

Upon analysis of the potential impacts of the 27+1 group, it should be noted that not all Chinese investments pose a security risk or serve as a potential debt trap. Any infrastructure development projects in Central and Eastern Europe that respect the EU's environmental and transparency rules are very much in the interest of the entire union. What is more, the EU should further augment its own offering for 17+1 group members in such fields to compete with China's proposals.

Conclusions

It seems counterproductive today to perpetrate the negative narrative focused on the threats to the EU that are posed by the 17+1 format. Such a narrative would show the lack of an orientation in the format's functioning and the changing approaches of the participating states. The fiasco of the February 17+1 summit and the lack of progress in developing multilateral cooperation through the initiative (often referred to as a collection of 17 bilateral partnerships) has opened up opportunities to change the perception of the group by EU institutions and member states, whether or not they are involved in the 17+1. Such an operation should strive

to utilize the existing capabilities of the 17+1 format and formulate a coherent and effective policy on China among the 27+1 in the interest of all EU member states.

In line with the strategy proposed by the European Commission in March 2019, the EU has adopted a multifaceted approach towards China that follows from its desire to separate economic cooperation from other differences, e.g. on human rights. According to Germany, it is vital to maintain dialogue with China despite systemic rivalries. By assigning the role of EU “stakeholders” to the twelve EU countries involved in the 17+1, the Union would be enabled to harness their experience and use their established channels of dialogue with China for pragmatic, selective cooperation and to create, within the format, a unified front made up of states speaking for the entire EU. To include the Balkan states in this process would require the EU to restore trust and willingness to cooperate in that region after they have been strained by recent failures of the Berlin Process.

By transforming the 17+1 format into a force for building a coherent policy on China, the EU would mitigate the risk of China pursuing a “divide and rule” policy in Central and Eastern Europe. This would strengthen Europe’s capacity to resolve problems in its relations with China with respect to, for instance, Chinese state-controlled enterprises, the lack of transparency in Chinese projects, failures to comply with environmental standards, competition on digitization, sharp power measures and trade balance.

The views expressed in this publication belong solely to its author.

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