



Prospects for CEE-China Relations after the Sofia Summit

Justyna Szczudlik

The context of the 7th “16+1” summit in Sofia indicates that this format of Central and Eastern Europe (CEE)–China cooperation is an instrument used by the latter to achieve its main political goals. Through it, China wants to win European allies in its dispute with the U.S. on trade. At the same time, China is trying to reduce the EU’s scepticism of China’s investment policy and the 16+1 format. While also facing tensions in relations with the western part of the EU, China intends to maintain sanguine relations with the 16 countries. However, concerns about an improvement in U.S.-Russia ties has China hoping for closer relations with countries from the 16 that cooperate closely with Russia.

The 7th Central and Eastern Europe–China (16+1) summit in Sofia was attended by the prime ministers of China and CEE countries. Poland and Lithuania, though, were represented respectively by their deputy prime minister and minister of finance. As in previous years, observers at the summit included representatives of the EU, Greece, Belarus, Austria, Switzerland, and the European Bank for Reconstruction and Development (EBRD).

Summit Background. The wider context of the 7th summit was different than those in previous years. The future of these prime minister-level summits had been unclear for several months. In March, *Reuters* published information that China was considering changing the summits to every two years. The Chinese side neither confirmed nor denied this report. Probably, the goal was to probe whether the countries in the region liked this idea. It was also a signal that China is ready to reduce its involvement in this mechanism and was addressed to critics of the 16+1 format, mainly the European Commission and Germany, which accuse China of trying to divide Europe and promote non-liberal democratic values. At the same time, the Chinese side, via unofficial channels, assured the countries that any possible change would only affect the prime ministers’ summit but not the other 16+1 mechanisms. This assurance should be assessed as an attempt to maintain good relations with CEE countries.

The summit in Sofia then took place almost half a year earlier than usual and just before Chinese Prime Minister Li Keqiang’s visit to Germany and the EU–China summit. A few weeks before the meeting in Sofia, China suggested, without consulting this proposal with the sixteen countries, an invitation be given to Germany and other EU members to attend the summit and to consider cooperation in the formula of CEE–China–Germany. What is more, at other 16+1 meetings there were also suggestions from the Chinese side to cooperate with other non-EU countries. This year’s summit in Sofia was marked by the growing U.S.–China trade dispute.

Sofia Summit Results. The most important outcome of the summit is the Sofia Guidelines, a negotiated document by the 17 countries. Although the text is written in a positive tone, it indicates problems in the cooperation. Most likely, these indications were added to the text by the CEE countries. They include (for the first time in such a document) the problem of the trade deficit with China (defined in the Guidelines as the “need to develop a more balanced economic partnership”), a goal of improving market access and

investment environment, the principles of a level-playing field and equal opportunity. The document, again for the first time in a summit statement, also addressed the need for the constructive role of observers and other third countries and institutions in the 16+1 cooperation format. It called for their involvement to be consulted in advance with the members of the grouping and a decision to allow them to participate made on a consensus basis. The Guidelines also announced that the host of the next summit will be Croatia. However, it was not determined whether the meeting would take place in 2019, which can be interpreted as leaving China room for manoeuvre depending on its relations with the EU and U.S.

During the summit, Prime Minister Li presented China's position on matters mostly important to it, counting on the 16 countries' support. It is worth mentioning that in his speeches he often indicated problems in China's cooperation with the U.S. Those topics, not necessarily 16+1 issues, were often the leading issues presented in the prime minister's statements. Li also highlighted the CEE's and China's similar positions on defending the international economic order, meaning support for globalisation, free trade, and WTO rules, in opposition to unilateralism, protectionism, and trade wars. He assured the group of Chinese support for European integration. He emphasised that the 16+1 format is part of EU–China relations, and CEE–China ties comprise an example of a new model of “open multilateralism”. Li also used the meeting in Sofia to promote the Chinese Belt and Road Initiative (BRI) and “community of shared destiny”, its vision of globalisation.

China also presented its offers of further cooperation. Most of them, however, were proposals that already had been announced, implemented, or are being implemented. For example, Bulgaria, the summit's host, was offered Chinese readiness to build a rail connection to the Aegean Sea and to invest in the Bellene nuclear power plant. At the meeting with the prime minister of Croatia, Li emphasised the Chinese success in winning the tender for the construction of the Peljesac bridge. During meetings with the leaders of Hungary and Serbia, the issue of the implementation of the flagship 16+1 project, the Belgrade-Budapest railway, whose construction has been significantly delayed, was raised once again.

Conclusions and Prospects. The results of economic cooperation for the CEE under the 16+1 framework are insignificant. Vindication of this view is the CEE's deepening trade deficit with China and Chinese investment offers based on loans, which increase the public debt of the given country. The format, however, turns out to be useful in the political dimension for both China and most of the CEE countries, in particular, smaller and non-EU countries, which see the 16+1 as a chance for frequent contact with the Chinese administration. Several EU countries, including Hungary, are willing to use the format and good political relations with China as an instrument of foreign policy, especially towards the EU. For China, 16+1 will remain a tool for maintaining contact with the CEE. The people-to-people contacts (mainly cultural, expert, and educational) are gaining more importance, as China wants to try to influence the society directly, bypassing the government. That is why China is interested in maintaining 16+1 cooperation mechanisms beyond the strictly political.

The context of this year's summit indicates that China is apparently using the 16+1 to try to achieve its most important political goals, which mainly refer to its relations with the U.S. but also with the EU and Russia. In view of the EU's caution regarding the BRI and Chinese acquisition of European high-tech firms, the Commission is working on a proposal to introduce investment screening at the EU level. At the same time, China is facing a growing trade dispute with the U.S. Good relations with the CEE may be used by China to, on the one hand, weaken the proposals for investment screening while, on the other hand, seek support from the entire EU (including the 16) in the trade dispute with the U.S. This is especially the case after the U.S. imposed duties on steel and aluminium on the EU, which means that the EU, like China, stands on the brink of a trade war with the U.S. China would therefore like to get EU support to jointly retaliate to actions taken by the U.S. This is the purpose behind China's assurance that together with the EU (including the 16 CEE states) it shares values such as multilateralism, free trade, and WTO rules. This is also why China signalled the possibility of less involvement in the 16+1 (e.g., changing to summits every two years) and offered Germany, the biggest critic of the format, participation in it.

Despite good relations with Russia, China is afraid of improving U.S.-Russia ties. Trump, who considers China a threat to U.S. interests, may try to find common ground with Russian President Vladimir Putin on this issue. Therefore, China wants to maintain especially good relations with those countries of the 16 that cooperate more with Russia (e.g., Hungary, the Czech Republic, and Serbia) and is trying to attract countries recognised as Russian Federation allies (e.g., Belarus) by emphasising the openness of the 16+1.

The lack of favourable economic effects of participation in the 16+1 has resulted in growing scepticism about this formula in Poland. In addition, the various 16+1 mechanisms require the involvement of the Chinese administration, which limits the possibilities of progress in Poland–China relations. Nevertheless, participation in the 16+1 remains justified from the point of view of Polish interests. It allows tracking the Chinese proposals and preventing initiatives unfavourable to Poland and the EU. The format also provides an opportunity to persuade the Chinese side of the importance of transatlantic relations and EU membership to Poland, and for signalling concerns about Russia's policy.