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The China-Central and Eastern Europe 16+1 Cooperation Mechanism

Abstract

The “Belt and Road” Initiative is an abbreviation of the “Silk Road Economic Belt” and the “21st Century Maritime Silk Road”. It was launched by President Xi Jinping during his visit to Kazakhstan in September 2013.¹ The “Belt and Road” runs through the continents of Asia and Europe, connecting the vibrant economies of East Asia with the developed European economic circle, and encompassing countries with huge potential for economic development. Central and Eastern Europe (CEE) is an inevitable part of the Eurasia Land Bridge, and possesses important strategic and economic status thanks to its sound social environment and humanistic qualities. It has naturally risen as a key economic tie along the “Belt and Road” after the launch of the Initiative, further highlighting the significance of the China-CCE 16+1 Cooperation Mechanism.

Keywords:

Initiative 16+1, Belt and Road, international risks

I. ACHIEVEMENTS OF THE 16+1 COOPERATION MECHANISM

The First China-Central and Eastern European Countries (CEEC) Business Forum was held in Budapest, Hungary, in 2011. It established cooperation between China and the 16 CEE countries (abbreviated as “16+1”). Later, in

¹ Xinhuanet: *Speech by President Xi Jinping at Nazarbayev University*, September 8, 2013, http://www.xinhuanet.com/politics/2013-09/08/c_117273079.htm (Last date online: February 13, 2018).

April 2012, the two parties formally established the “16+1” cross-regional cooperation platform. The “Belt and Road” Initiative has been well received by the 16 CEE countries. It requires massive external investments and technologies for their own economic development, and thankfully they are endowed with favorable conditions for developing greater foreign trade and transportation. This is due to their geo-economic advantages in terms of connecting the Baltic in the North, Western Europe in the West, the Mediterranean in the South, and Western Asia in the East. The 16+1 Cooperation Mechanism is included in the general framework of the “Belt and Road” Initiative as an integral part of the Eurasian economic circle.

1. Frequent High-level Meetings, Close Policy Communications

In April 2012, the Second China-CEEC Business Forum was held in Warsaw, Poland, taking place at the same time with the first collective meeting between the leaders of China and the CEE countries. In the *Bucharest Guidelines for Cooperation between China and Central and Eastern European Countries* issued in November 2013, leaders of the 17 countries set up a series of meetings for the 16+1 Heads of Government. These regular summits have intensified policy communications between the 17 countries and strengthened relations and cooperation among them (see Table 1). For further promotion of the 16+1 cooperation in all sectors, the *Guidelines for China-CEEC Cooperation* issues during each annual summit meeting will announce the progress and future cooperation vision of the 16+1 cooperation as an appendix

Table 1. *History of the “16+1” Summit Meeting*

Name of Meeting	Date	Location	Major Outcomes
Summit of China and CEECs	April 2012	Warsaw, Poland	12 measures for promoting friendly cooperation between China and CEECs
Second Summit of “1+16” Countries	November 2013	Bucharest, Romania	<i>Bucharest Guidelines for Cooperation between China and Central and Eastern European Countries</i>
Third Summit of China and CEECs	December 2014	Belgrade, Serbia	<i>Belgrade Guidelines for Cooperation between China and Central and Eastern European Countries</i>

Fourth Summit of China and CEECs	November 2015	Suzhou, China	<i>Medium-term Agenda for Cooperation Between China and Central and Eastern European Countries, and Suzhou Guidelines for Cooperation between China and Central and Eastern European Countries</i>
Fifth Summit of China and CEECs	November 2016	Riga, Latvia	<i>Riga Guidelines for Cooperation between China and Central and Eastern European Countries</i>
Sixth Summit of China and CEECs	November 2017	Budapest, Hungary	<i>Budapest Guidelines for Cooperation between China and Central and Eastern European Countries</i>

Data Source: Ministry of Foreign Affairs of the People's Republic of China: <http://www.fmprc.gov.cn>.

In the meantime, China and CEECs also hold ministerial conferences to discuss topics of common concern. Two Ministerial Conferences of China and Central and Eastern European Countries on Promoting Trade and Economic Cooperation were held respectively in June 2014 and June 2016. The topics discussed at the two conferences are reflected in the results of the “16+1” cooperation.

Table 2. History of the “16+1” Ministerial Conference

Name of Conference	Ministerial Conferences of China and Central and Eastern European Countries on Promoting Trade and Economic Cooperation	Second Ministerial Conferences of China and Central and Eastern European Countries on Promoting Trade and Economic Cooperation
Date	June 2014	June 2016
Location	Ningbo, Zhejiang	Ningbo, Zhejiang
Theme	Improving pragmatic cooperation, achieving common development	Opening a new chapter for 16+1 trade and economic cooperation based on a new starting point
Major Topics	Expanding trade scale, promoting trade balance, increasing mutual investment, cementing economic and trade cooperation, widening financing channels, and strengthening cooperation for infrastructure	Identifying characteristic products, developing new growth points for bilateral trade, extending cooperation areas, promoting cooperation for capacity and equipment manufacturing, and creating financing models and new models for infrastructure cooperation

Major Outcomes	Joint Document of the Ministerial Conferences of China and Central and Eastern European Countries on Promoting Trade and Economic Cooperation	Ningbo Declaration of the Second Ministerial Conferences of China and Central and Eastern European Countries on Promoting Trade and Economic Cooperation
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Data Source: Ministry of Commerce of the People’s Republic of China: <http://www.mofcom.gov.cn>.

Promoted by the “16+1” Cooperation Mechanism, various business associations and cooperative organizations have been set up in recent years. On May 22nd 2014, the 1st High-level China-CEEC Conference on Tourism Cooperation was held in Budapest – Hungary, during which the Coordination Center for the China-CEEC Association of Tourism Promotion Agencies and Businesses was officially inaugurated. On May 24th 2016, the 1st High-level China-CEEC Meeting on Cooperation in Forestry was held in Ljubljana, Slovenia, adopting the *Action Plan for the China-CEEC Forestry Cooperation Coordination Mechanism*. Thereafter, Slovenia took the lead in the establishment of the Mechanism; Serbia in the establishment of the China-CEEC Association of Transportation Infrastructure Cooperation; Poland in the establishment of an executive body of the China-CEEC Business Council with a Secretariat respectively in Beijing and Warsaw; Bulgaria in the establishment of the China-CEEC Association for Promoting Agricultural Cooperation; Latvia in the establishment of the China-CEEC Association for Cooperation in Logistics; and Slovakia in the establishment of the Technology Transfer Virtual Center of China and the CEECs.

2. The China Railway Express – Emerging Brand Benefits

To promote the smooth flow of goods between China and the EU, the Chinese government stated in the *Vision and Actions on Jointly Building the Silk Road Economic Belt and the 21st-Century Maritime Silk Road* that “we should set up coordination mechanisms in terms of railway transport and port customs clearance for the China-Europe corridor, to cultivate a brand of China-Europe freight trains, and construct a cross-border transport corridor connecting the eastern, central, and western regions”.² Since the launch of the first Yuxinou Train on January 28th 2011, the China Railway Express – a freight train between China and Europe – has seen rapid progress. With the mutual recognition of customs supervision between the countries along

² NDRC, MFA and MOFCOM: *Vision and Actions on Jointly Building the Silk Road Economic Belt and the 21st-Century Maritime Silk Road*, March 28, 2015, http://www.xinhuanet.com/world/2015-03/28/c_1114793986.htm (Last date online: February 12, 2018).

the route, and the policy of “One Declaration, One Inspection, and One Release”, the trading volume between the “16+1” countries is rising sharply. On June 8th 2016, an umbrella brand was launched, known as the China Railway Express (CR Express, or 中欧班列 in Chinese). This was followed by the release of the *China Railway Express Five Year Plan (2016-2020)* on October 8th – the first top-level design, which specifies the three major layouts and seven major tasks required to build a comprehensive CR Express service system with a reasonable layout, complete facilities, stable freight volume, convenience and efficiency, safety, and smoothness by 2020.

In April 2017, a new freight train linking Xi’an in China with Budapest in Hungary began official operation. The journey covers a distance of 9,300km and takes a total of 20 days. To optimize the operation efficiency of the CR Express, China Railway Corporation signed the *Agreement for Further Cooperation on China-Europe Container Block Trains* among the Railways of China, Kazakhstan, Mongolia, Russia, Belarus, Poland and Germany with railway companies in the relevant countries on April 20th 2017 – the first cooperation agreement between the CR Express and railway departments along the route.

Since its launch six years ago, CR Express has seen 17 round trips in 2011, 42 in 2012, 80 in 2013, 308 in 2014, 815 in 2015, and 1702 in 2016. The year 2017 saw a sharp rise in the number of trips to 3,673, as well as a rapid expansion in the scope of services. Thus far, 38 Chinese cities are running the CR Express to 36 cities in 13 European countries – a growth of 23 cities in 5 countries compared to 2016. A total of 61 lines at a speed of 120km are now in operation. Travel time has been shortened to less than two weeks from more than 20 days for many journeys. Transport costs have been cut by about 40 percent, and operation efficiency continues to rise. In addition, the supply of goods is being enriched by IT products like mobile phones and computers, clothes, shoes & hats, automobiles & parts, grain, wine, coffee beans, and wood, covering multiple aspects of production and livelihoods along the route.³

The soaring development of the CR Express has also motivated trade between China and the CEECs and other European countries. In January 2018, the freight train from Qinzhou in Guangxi to Mataszewicze in Poland made its maiden trip, carrying goods from ASEAN countries and opening a new channel for international land and sea trade through Guangxi to Eu-

³ CRCT: <http://www.crct.com/index.php?m=content&c=index&a=lists&catid=22> (Last date online: January 10, 2018).

rope.⁴ Nippon Express is also planning to open freight services from Japan to Europe through China's railway network.⁵

3. Pioneering Rail Connectivity, Strengthening Cooperation on Infrastructure

Rail connectivity is an important means for the Chinese government to promote the "Belt and Road" Initiative. Connectivity between China and the CEECs involves railways, highways, aviation, and shipping as well as programs including the construction of cross-border telecommunication facilities and oil and gas pipelines. With the operation of the CR Express, the blueprint of the CEE Corridor was once again put on the agenda when cooperative projects between China and CEECs were implemented.

In December 2015, joint efforts of the countries involved resulted in the construction of the railway from Budapest in Hungary to Belgrade in Serbia. The 350km Hungary-Serbia Railway is the representative project for China-CEEC Cooperation. Modified as an electrified double-track passenger-cargo railway with a design speed of 200km/h, upon completion it will cut the journey time between the two cities from eight hours down to within three hours.⁶ China has also participated in the construction of important infrastructure projects including Macedonia's Miladinovci-Stip Expressway and Kicevo-Ohrid Expressway, the Smolyac-Matthsevo Section of the North-South Freeway in Montenegro, the Danube River-Crossing Bridge in Belgrade, the urban flood control facilities in Wroclaw, Poland, and the Bosnia and Herzegovina Steiner Power Plant.

4. Diversified Cooperation in Trade and the Economy, Smooth Funding Channels

The economic and trade cooperation zone is an effective platform for promoting the "Belt and Road" Initiative, and for international cooperation in

⁴ CR Express Qinzhou Maiden Trip with ASEAN Goods to Europe, January 18, 2018, <https://baijiahao.baidu.com/s?id=1589924377034319366&wfr=spider&for=pc> (Last date online: January 25, 2018).

⁵ Reference News: *Japanese Media: Japan-Europe Freight Transport Turns to Belt & Road through CR Express*, January 11, 2018, <http://www.cankaoxiaoxi.com/world/20180111/2251353.shtml> (Last date online: February 12, 2018)

⁶ 21st Century Business Herald: *China's First European Railway Infrastructure Commenced*, December 7, 2017, <http://m.21jingji.com/article/20171207/809f296868a7750dc3a0aeb82b4cac1f.html> (Last date online: January 22, 2018).

industrial capacity and equipment manufacturing. In building such zones overseas on the basis of commercial operation and for the purpose of promoting mutual benefit, Chinese enterprises are playing a major role. They make decisions according to the market conditions, investment environment, and attraction policy of the host country. The construction of these zones encourages enterprises to invest and build factories in the host countries, increase employment and tax revenue there, expand exports and foreign exchange, upgrade their technical levels, and promote the common development of investors and host countries. The Central European Trade and Logistics Cooperation Zone (CECZ) set up in Budapest, Hungary, is a large-scale project organized by the Shandong Provincial Government and implemented by Shandong Imperial Investment Co., Ltd. under the Ministry of Commerce of the People's Republic of China. With a planning area of 0.75km² and total investments of USD 264 million, CECZ has now completed an "One Zone, Three Parks" layout, and has established projects such as the Chinese Commodity Exchange & Exhibition Center and the Chipper Port Logistics Park.⁷ CECZ provides one-stop services ranging from export & import of goods, customs declaration & inspection, logistics & distribution, and warehousing till finance for settled enterprises. It also offers marketing activities such as trade fairs, trade talks, promotion meetings for Chinese products, and exhibition halls for Chinese commodities. As the first state-level economic and trade cooperation zone in CEE, CECZ is an important promoter of economic and trade cooperation between China and CEECs. It has created opportunities for Chinese enterprises to locate investment projects and expand trade, facilitating their "go global" initiatives while reducing operating costs, controlling risks, and forming an industrial cluster with a scaled economic effect.⁸

One important condition for the co-building the Belt and Road between China and CEECs is the accommodation of funds. The internationalization of the Renminbi and the support of the Asian Infrastructure Investment Bank and the Silk Road Fund are both important channels for this purpose. While the aforementioned entities do not yet cover CEECs, China has established an investment fund of USD 3 billion to promote projects in CEECs. China has always been committed to encouraging the 16 Central and Eastern European countries to use special loans provided by its own government in line with EU and local laws and regulations. Those Chinese

⁷ Refer to Belt and Road Portal: *Central European Trade and Logistics Cooperation Zone in Hungary*, February 4, 2017, <https://www.yidaiyilu.gov.cn/qyfc/xmal/6052.htm> (Last date online: February 12, 2018).

⁸ Refer to CECZ homepage: "http://www.cec.org/menu_1.html" http://www.cec.org/menu_1.html (Last date online: January 23, 2018).

enterprises and financial institutions actively participate in “public-private partnerships” (PPP) in such countries. Based on Phase I of the China-CEE Investment Cooperation Fund, the Chinese government launched the second phase at an amount USD1 billion.

5. Enhanced Think Tank Exchanges, Close Interpersonal Bonds

To promote research and academic exchanges related to the 16+1 Cooperation Mechanism and the bilateral relations between China and the 16 Central and Eastern European countries, the Chinese government has set up a research fund to investigate ties between the countries, with China providing RMB 2 million every year. The fund is aimed at encouraging and supporting research programs by experts both at home and abroad, as well as the participation of Chinese scholars in international academic meetings, and workshops by Chinese institutions for scholars and young politicians in the CEECs. This has deepened mutual understanding and laid a foundation for further cooperation between China and CEECs.

To explore the significance, problems, and countermeasures of the “16+1” Cooperation Mechanism, the two sides set up the China-CEEC High-level Symposium of Think Tanks. At each of the four symposia, a theme was selected and participants held discussions about promoting relations between China and the Central and Eastern European countries. They shared opinions and contributed ideas to achieve this end. In December 2015, the China-CEEC Think Tanks Network was set up by the Chinese Academy of Social Sciences. As a cooperative platform for think tanks between the two sides, it is expected to be a major pillar for “16+1” Cooperation.

In terms of interpersonal exchanges, people-to-people dialogue and cooperation has become increasingly dynamic, as evidenced by popular events such as the Year of Promotion of Tourism Cooperation, the Year of People-to-People and Cultural Exchanges, and the Year of Media Cooperation between China and CEE countries. The 16 CEE countries are now approved destinations for Chinese tourists, which has raised the number of visits by Chinese tourists to the region from 280,000 to 930,000. The number of two-way student exchanges has doubled.⁹

⁹ Ministry of Foreign Affairs of the People’s Republic of China: *Speech by Li Keqiang at the Sixth Summit of China and Central and Eastern European Countries*, November 28, 2017, <http://www.mfa.gov.cn/web/zyxw/t1514520.shtml> (Last date online: January 11, 2018).

II. CHINA'S INTERNATIONAL RESPONSIBILITY AND DEVELOPMENT CONCEPT

In the current global context of significant development, change, and adjustment, peace and sustainability remain the themes of our times. However, uncertainties and destabilizing factors still abound. Since the global financial crisis of 2008, the world economy is still struggling to recover, and trade protectionism is on the rise. The US is losing its power on the world stage, and global governance is awaiting new forces and new ideas. China's overall national strength has risen rapidly in the last 40 years after its reform and opening up, and its GDP comes second in the world. The international community foresees a more active Chinese involvement in international affairs. China itself also realizes that there is currently a lack of robust driving forces for economic growth, with regional hot spots rising up. In an age when non-traditional security threats such as terrorism, refugee crises, and climate change continue to spread, China's active participation in global governance is an important manifestation of its international responsibility.

1. The "16+1" Cooperation Mechanism: the Outcome of Reciprocal Demand between China and CEECs

Since the establishment of diplomatic relations between China and the European Union (EU) in 1975, China has firmly supported the process of European integration, and has respected the chosen development paths of European countries. After the Cold War, the nations of Central and Eastern Europe began to transform, and "Europeanization" became a one-sided trend. However, due to the differences in national strength, economic structure, and geopolitics among Central and Eastern European countries, they held different positions on the process of EU integration, leading to a lack of coordination.

Given the profound changes in the international situation, both China and Central and Eastern European countries have a strong desire to deepen bilateral cooperation. China's economy has achieved a new status quo, and is faced with multiple pressures such as economic downturn, economic restructuring, and globalization capacity. It is therefore necessary to continue with reform and opening up, and further expand the international market. Located in the heart of Europe with excellent transport links, Central and Eastern European countries are important bridges between the Eastern and Western markets. Their sound development, broad prospects, and a cer-

tain complementarity with the Chinese economy make them a key area for China to expand its foreign economic and trade ties. China expects CEE to become a new growth point for the development of China-EU relations. For CEE countries, the investment and purchasing power of Western European countries has dropped under the impact of the 2008 financial crash and debt crisis. The task of transforming and economies of Central and Eastern European countries has necessitated new cooperation opportunities and financing channels. China – a representative of emerging economies – has made an impressive performance on the world political and economic stage, attracting Central and Eastern European countries to collaborate.¹⁰ However, the differences between the Central and Eastern European countries determine that the demands and focuses of cooperation with China vary. For China, making a choice among CEE nations to identify a country of preference or a priority project goes against the basic principle of equality and mutual benefit. On the contrary, CEE as a whole to develop bilateral economic and trade relations with China is not only beneficial to China but to all CEE countries as well. In this context, it is very important for the two sides to conduct comprehensive strategic cooperation and establish a breakthrough platform. The “16+1” Cooperation Mechanism is an outcome of this mutual need.

2. Belt and Road: Promoting the “16+1” Cooperation Mechanism

Since President Xi Jinping proposed the “Belt and Road” Initiative in September 2013, the Chinese government has attached great importance to its promotion. In March 2015, National Development and Reform Commission (NDRC), Ministry of Foreign Affairs (MFA), and Ministry of Commerce (MOFCOM) issued the *Vision and Actions on Jointly Building the Silk Road Economic Belt and the 21st-Century Maritime Silk Road*, which identified the concepts, principles, and path of action for the Initiative. In October 2017, the “Belt and Road” Initiative was incorporated into the Constitution of the Communist Party of China and became a historic mission for the Party. The “Belt and Road” Initiative is a lynchpin for China’s continuing opening up, and its common development with other countries in the world. Advocating peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit, the Initiative has cracked Darwin’s development dilemma of “survival of the fittest”. It takes mankind as whole to build a community of shared interests and responsibilities, featuring mutual political trust,

¹⁰ Yu Jun: *China-CEEC Cooperation Mechanism: Current Situation and Improvement Path*, International Studies, Edition 2, 2015, p. 121.

economic integration, and cultural inclusiveness. This has revealed a new concept for international cooperation, namely that the “Belt and Road” Initiative will be jointly built through consultation to meet mutual interests. This is an extension of the principles of mutual respect, equality, mutual benefit, and win-win cooperation from the previous “16+1”. The “Belt and Road” Initiative clarifies cooperation priorities as policy coordination, connectivity among facilities, unimpeded trade, financial integration, and interpersonal bonds. In this sense, the Initiative has a higher concept, a broader vision, and a more ambitious goal. It is an important guarantee for promoting “16+1”.

3. The “16+1” Cooperation Mechanism: A Key Driver for the Implementation of the “Belt and Road” Initiative

The “Belt and Road” Initiative is China’s intellectual contribution to the theory and practice of global governance. It is inspired by the ancient Silk Road, and provides new impetus for economic globalization in the 21st century. It brings together different political and economic systems, different stages of development, different endowments of resources, and different civilizations. The Belt and Road can enhance interconnectivity among the countries along it, promote economic and social development in Eurasia, boost global trade and investment, and improve livelihoods around the world. The “16+1” Cooperation Mechanism is an important driver for implementing the “Belt and Road” Initiative. As observed by Premier Li Keqiang at the Sixth Summit of China and CEECs, the “16+1” Cooperation Mechanism – which emerged in the context of globalization – conforms to the historical trend of liberalization and the facilitation of trade and investment.¹¹

At the joint promotion of the Heads of Government of the 17 countries, the “16+1” Cooperation Mechanism has yielded significant results. These include the formulation of the *Medium-Term Agenda for Cooperation Between China and Central and Eastern European Countries*, the establishment of 20-plus institutional exchange platforms, the planning of several major initiatives (including the Budapest-Belgrade railway, the China-Europe Land-Sea Express Line, and the Adriatic-Baltic-Black Sea Seaport Cooperation) and the roll-out of more than 200 specific measures. Cooperation between Chi-

¹¹ Ministry of Foreign Affairs of the People’s Republic of China: *Speech by Li Keqiang at the Sixth Summit of China and Central and Eastern European Countries*, November 28, 2017, <http://www.mfa.gov.cn/web/zyxw/t1514520.shtml> (Last date online: January 11, 2018).

na and Central and Eastern European Countries in investment, trade, and tourism has seen rapid progress. It highly gratifying to see China maintain an economic growth of over 6.5% in the context of sluggish world economic recovery, with continuously improving benefits and optimized structures. Meanwhile, CEE countries have digested the negative impact of the European Debt Crisis, achieving economic growth of over 3% in recent years and becoming the stand-out sector in the European economic circle.¹²

III. PROBLEMS IN BILATERAL COOPERATION

Despite the many positives, there remain some unsatisfactory phenomena in the economic and trade relations between China and CEE, which deserve serious consideration and treatment.

1. Weak Hardware on the CR Express; Trade Imbalance

The CR Express has seen rapid development from a dozen trips per year in its early days to the current 3,000-plus. However, certain problems persist. Firstly, rapid development has led to a lag in infrastructure. The three traditional CR Express ports of Alataw, Manchuria, and Erenhot are at full capacity. With the increase in trips, Alataw is likely to hit bottleneck as it awaits support from Khorgos Port. Secondly, non-uniform rail gauges and inconsistent quarantine policies of the countries along the CR Express add obstacles and difficulties. Any change in policies within the countries may influence the operation of the CR Express. Thirdly, the CR Express faces problems such as poorly targeted trade goods and litigation of transnational claims caused by the trade information asymmetry; this requires communications of market information and coordination of laws and policies between countries along the line. Finally, imbalanced quantities of goods between onward trips and return trips make it hard for many trains to be profitable. Due to the lack of return goods, many containers have to be sold abroad after being unloaded.¹³

¹² Ministry of Foreign Affairs of the People's Republic of China: *Speech by Li Keqiang at the Sixth Summit of China and Central and Eastern European Countries*, November 28, 2017, <http://www.mfa.gov.cn/web/zyxw/t1514520.shtml> (Last date online: January 11, 2018).

¹³ Kunlunce.com: *Problems of the CR Express*, May 19, 2017, <http://www.kunlunce.com/ssjj/guojipinglun/2017-05-19/116037.html> (Last date online: January 22, 2018).

2. Apparent Differences between CEE Countries; Difficulty of Cooperation within the Framework

Behind the regional integration of CEE countries lie hidden differences in national conditions. Outwardly, the differences between CEE countries cover language, culture, religion, social customs and traditions, economic scale, and self-identity. Some countries even avoid the name “Central and Eastern Europe”. Differences in titles – like Central Europe, Eastern Europe, Southeast Europe, the Western Balkans, the Eastern Balkans, the Eurozone and non-Eurozone, the EU member states and non-EU member states, potential EU candidate countries and non-potential candidate countries – reflect underlying issues like geopolitical preferences and development paths. International institutions like the European Bank for Reconstruction and Development (EBRD), the World Bank (WB), and the International Monetary Fund (IMF) also classify CEE countries differently. The EU itself uses different strategies and policy instruments to develop relations with CEE countries. In this light, CEE countries have failed to develop into an integrated strategic force despite their regional commonality. As a result, their orientations and expectations in their relations with China are also different. For this reason, China is likely to encounter more difficulties in developing bilateral relations in the same cooperative framework using a regional approach to CEE countries, in particular policy coordination.

3. High Market Risks; Unsound Business Environments

From a macro perspective, the market mechanisms, investment policies, and legal systems in CEE countries require improvement. From a micro perspective, the most attractive traditional high-quality assets of CEE countries have been largely controlled by Western countries through privatization during the transition period. When Chinese investors entered the region in the 21st century, they could only look for new investment points for cooperation. Besides, the CEE countries that have become members of the EU (or expect to) are all targeted at the EU system and entering the EU market. This structural dependence will not change overnight, which inevitably makes things difficult for Chinese-funded enterprises. Moreover, the grey economy and prevailing corruption in some CEE countries (in particular Southeastern European countries) obstruct the enforcement of laws and regulations, bringing yet more risks to Chinese investors.¹⁴

¹⁴ Liu Zuokui: *China-CEE Cooperation: Problems and Countermeasures*, International Studies, Edition 5, 2013, pp. 78–80.

4. The Bi-layered Structure of the EU Restricts Full Realization of the Potential of CEE Countries

As the most integrated international organization in the world, the EU enjoys the status of International Law, and its member states have different legal status from ordinary sovereign states. On one hand, as sovereign states, CEE countries can freely choose their partners. Developing their bilateral relations with the EU or China is a duty assigned by sovereignty. For instance, CEE countries showed a positive attitude toward returning to Europe after the Cold War, and actively turned to China after the 2008 European Debt Crisis. On the other hand, the collective sovereignty of the EU weighs over the sovereignty of CEE countries as its member states. In this way, the EU can fulfill its power of censorship on China-Europe cooperation projects, and can even stop some of the so-called “non-compliance” projects. The EU is wary of the “16+1” cooperation between China and CEE countries, suspecting that China wants to split the union. German Chancellor Angela Merkel once asked why China engaged in separate bilateral talks with Central and Eastern Europe. When the joint communiqué on the meeting between China and CEE countries was presented to the EU for review in advance, the EU officially made a stand against the reference to the “long-term and institutionalized China-CEE relationship”. To sum up, the “16+1” cooperation mode is subject to the bi-layered structure of the EU and the dual identities of EU members.

IV. REFLECTIONS ON STRENGTHENING THE “16+1” COOPERATION MECHANISM

Although there are still many issues in the cooperation between China and CCE countries, the “16+1” Cooperation Mechanism will keep running once triggered, not unlike the CR Express. In fact, it is such adverse factors that have directed both sides to improve the trade and investment environment.

1. Policy Communication, and A Full Exploration of Common Interests

The “16+1” Cooperation Mechanism accommodates many participating countries and involves many stakeholders, making it difficult to cater for all tastes. In this light, sound alignment of macro development plans at the strategic level becomes very important. The principle of “16+1” Coopera-

tion Mechanism is mutual benefit; we should not only focus on China's national interests, but also become acquainted with the development plans of the 16 CEE countries. We must pay attention to the EU's strategic vision for the development of the CEE, and understand and satisfy the interests of the extra-territorial powers in the region. In the strategic alignment of cooperation between China and the 16 CEE countries, differences in economic scale, development status, and national interests shall be taken into consideration. Instead of locating a "leading country" out of the 16, we regard them as one entity. We treat each of them fairly so as to lift their overall status on the international stage. We also attach great importance to the varying interests among the 16 countries. For example, in industrial cooperation the 16 CEE countries may coordinate soundly in the same industry to avoid internal competition. They should cooperate with China from the perspective of benefiting integral regional development, and give full play to their own industrial advantages.

2. Support from Financial Services; Establishing Platforms for Investment and Financing

Most of the 16 CEE countries face problems such as weak infrastructure, strict investment access, high investment risks, and underdeveloped financial services. As a developing country, China is also short of governance experience in the trade and finance fields. It is therefore necessary for the two sides to conduct discussions and undertake cooperation in this regard. In the field of financial services, China should promote the internationalization of the RMB by intensifying its financial cooperation with CEE countries. This includes expanding bilateral currency swaps and local currency settlement, helping companies from CEE countries to issue Panda bonds in China, and supporting financial institutions on both sides in conducting RMB financing. Both sides may further explore multiple forms of market-based investment and financing to provide the financial lifeblood necessary for our cooperation.¹⁵ In the field of investment and trade, China should work with the 16 CEE countries to simplify procedures and reduce transaction costs; lower the investment threshold and reduce tariff barriers; establish trading and processing zones and demonstration zones, increase trade and investment cooperation platforms; encourage the devel-

¹⁵ Ministry of Foreign Affairs of the People's Republic of China: *Speech by Li Keqiang at the Sixth Summit of China and Central and Eastern European Countries*, November 28, 2017, <http://www.mfa.gov.cn/web/zyxw/t1514520.shtml> (Last date online: January 11, 2018).

opment of all kinds of investment and trade consulting institutions; and establish an open and transparent information platform. A sound business platform should be set up through the joint efforts of the governments of the 16 countries.

3. Consolidate Cooperation with Infrastructure Projects

With the Budapest-Belgrade railway and the Danube River-Crossing Bridge in Belgrade, cooperation between the two sides in infrastructure has been an entry point for the “16+1” Cooperation Mechanism. This is partly due to the fact that CCE countries have greater needs for infrastructure and investment shortfalls, and require China’s technical and financial support. It is also closely related to the experience – China has gathered in infrastructure and overseas investment during its 40 years of reform and opening up. The history of Chinese diplomacy is littered with examples of improving local traffic conditions and promoting the development of bilateral relations through infrastructure investment. Infrastructure projects bear large investments, long construction durations, and long return periods, and thus have greater stability than those in other fields. In this light, the “16+1” Cooperation Mechanism in infrastructure construction is fully qualified as a lynchpin for the cooperation between China and CCE countries. China should continue to expand infrastructure investment projects in CEE from land transport (such as roads, railways, and bridges) to maritime transport and aviation (such as harbors and airports). In line with the principles of mutual benefit, mutual consultation, sharing and co-construction, China should help CEE countries to build relatively complete transport networks so that each project will benefit both local people and the long-term development of bilateral relations.

4. Emphasizing Interpersonal Connectivity and Comprehensive Cultural Exchanges

Interpersonal connectivity is one of the “five connections” of the “Belt and Road” Initiative. As pointed out by President Xi Jinping, friendship – which derives from close contact between the people – holds the key to sound state-to-state relations. Interpersonal connectivity promotes friendship and strengthens mutual understanding, and also plays a role in boosting economic cooperation. Promoting interpersonal connectivity can provide a platform for improving exchanges and mutual assistance between nations, and for building a common cultural context for a wider community with a

similar destiny. To accomplish the “16+1” ideal of interpersonal connectivity, we must start with dialogues and exchanges in the fields of science, education, health, and tourism, and then radiate it to other aspects of “16+1” Cooperation Mechanism. At the Sixth Summit of China and CEECs, Premier Li Keqiang proposed designating the year 2018 as the Year of Cooperation between Local Governments and Local Enterprises. We look forward to growing participation in the “16+1” Association of Governors of Provinces and Regions by local governments on both sides, and hope to turn it into an all-dimensional platform for solid and in-depth growth.¹⁶ China should take the Year of Local Cooperation as an opportunity to extend cultural exchanges with CEE countries from the state level to the local level, and enhance mutual understanding between the two sides.

To sum up, cooperation with CEEC is an important part of China’s foreign relations. Its bilateral cooperation shows ever-increasing vitality, as is indicated by current practice. China will take a longer and broader perspective to position “16+1” in the “big game” of participating in global governance, as well as in the long-term goal of building a global community with shared destiny. Objectively speaking, the space for China-CEE cooperation is vast, and the designs tend to be optimistic. However, the challenges and difficulties it faces are equally great. Therefore, in order to promote the “16+1” Cooperation Mechanism, we must stick to the concept of the “Belt and Road” Initiative. This involves aligning with the development plans of CEE countries, and properly closing all projects determined in the “16+1” Cooperation Mechanism. This will involve keeping abreast of policy communications, seeking support from financial services, consolidating infrastructure projects and cultural exchanges, creating new areas for cooperation, and broadening the horizons of development.

¹⁶ Ministry of Foreign Affairs of the People’s Republic of China: *Speech by Li Keqiang at the Sixth Summit of China and Central and Eastern European Countries*, November 28, 2017, <http://www.mfa.gov.cn/web/zyxw/t1514520.shtml> (Last date online: January 11, 2018).