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Iulia Monica, Oehler-Șincai and Costin, Lianu and Irina
Gabriela, Rădulescu

Institute for World Economy (IWE), Romanian Academy, Spiru
Haret University, Oil and Gas University of Ploiești

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European Union and Big Four's Position Towards the 16+1 Cooperation Platform

*Iulia Monica Oehler-Șincai*¹, *Costin Lianu*², *Irina Gabriela Rădulescu*³

¹ Institute for World Economy (IWE), Romanian Academy, monica.oehler@iem.ro

² Spiru Haret University, clianu@gmail.com

³ Oil and Gas University of Ploiești, iri_radulescu@yahoo.com

Abstract

The aim of the present paper is to investigate the position towards the 16+1 framework from the standpoint of the EU as an entity and also the four largest EU countries in terms of GDP, namely Germany, Great Britain, France and Italy. The Big Four are the main recipients of Chinese FDI and are also the most active European exporters to China, while CEE concentrates only a small share of the EU-Chinese trade and investment flows. However, the Big Four are apprehensive with regard to China's rising competitiveness through national reform policies (such as China 2025 Program) but also via acquisition of high-tech companies. In the competition with a stronger China, these countries and especially Germany consider that the Chinese presence in CEE, alongside the proposed investment projects in infrastructure, including harbours, represent a threat to their established positions in this region and their companies will lose market shares and big infrastructure contracts. Seen from another perspective, in the literature the new framework is considered as a lobby platform, intended to influence the EU decisions through CEE players, which is incompatible with the strategic Sino-EU partnership. As a matter of fact, the EU foreign policy is incoherent in major aspects, including EU-China relation as well. Therefore our investigation focuses on three main aspects. First, we explain how the lack of harmonization between the Big Four and the other EU member states is influencing EU policy towards China. Conferring the Big Four observer status at the 16+1 summits might mitigate tensions. Second we investigate whether the Big Four detain the supremacy in the EU to the detriment of the EU periphery. Third, we underline that the EU needs a common vision towards the Eurasian cooperation, as it includes a new element: the Belt and Road Initiative. One cannot support the BRI by criticizing the 16+1, as the latter is considered by the Chinese authorities a significant component of the BRI. In conclusion, if the CEE countries become a bridge or a wall in the Chinese-EU relations depends only on the ability of all actors to have a balanced relationship with each other.

Key words

China, Central and Eastern Europe (CEE), 16+1, BRI, Big Four, attitude, competition

1. Introduction

At a time when the European Union faces multiple risks that threaten the very stability of the community built in more than six decades and the United States has become a promoter of protectionism through *America first policy*, China seems to follow a different trajectory and even open a new stage of globalization.

The Silk Road Diplomacy signifies China's further opening to the world and its support for economic integration and cooperation not only with neighbouring Asian countries but also with other continents. This Silk Road Diplomacy incorporates all the other large scale Chinese projects: the Asian Infrastructure Investment Bank (AIIB), China's vision for an “Asia-Pacific dream”, namely the creation of an extensive regional free trade area and even the cooperation platform with the Central and Eastern European (CEE) countries, 16+1.¹ In fact, at the 16+1 Suzhou summit in November 2015, Chinese President Xi Jinping advanced the goal of integrating the 16+1 platform with the Belt and Road initiative (BRI).

Since 2012 when the 16+1 platform was officially launched in Warsaw, one can remark different attitudes in the EU, not only between the old member states which do not take part in this initiative and at the level of EU institutions, but even among the countries participating in the 16+1 mechanism. In this paper, our main goal is to focus on the EU as an entity and the largest EU countries in terms of GDP, namely the four old members, Germany, United Kingdom, France and Italy. Even if United Kingdom decided to leave the EU in the Brexit referendum of June 23, 2016, its position towards China and the 16+1 platform is worth taking into account.

2. What lies behind the narratives and stereotypes reflecting the EU attitude towards China and 16+1?

Recent studies (Ghiassy, Zhou, 2017) highlight that both the EU and China have a number of common goals to promote connectivity and stability at regional and global level. However, the group of enthusiasts among EU countries as regards BRI is limited to some Central and Eastern European countries and a few old member states (especially Greece). EU countries have not yet reached a consistent approach to BRI, as recommended in the EU Global Strategy for Foreign and Security Policy of June 2016. Although none of the EU countries intends to stand completely apart, most of the old EU member states have proposed to first understand all of BRI long-term implications and only then to take a more active role. In our opinion, supported by the literature review, such an attitude is not related only to the need of a better understanding this initiative but also to the apprehension of a *rising China*.

Regarding the EU's attitude towards the 16+1 platform, this is much more critical compared to the position towards BRI. According to the European Parliament research service (Grieger, 2017), “the format is controversial, given the concerns expressed about arrangements made under its umbrella being in conflict with EU law and about a perceived erosion of EU

¹ The acronym refers to the Central and Eastern European countries which cooperate with China under the 16+1 platform, including Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia, plus China.

norms, values and unity. Nearly five years on from its creation, mutually satisfactory results still lag behind expectations.”

China's bilateral relations with different EU members or potential members are perceived as an attempt to undermine EU's unity in decision-making. For example, Germany believes that the 16+1 cooperation project is a way in which China's capital and infrastructure projects are against the interests of the EU's big powers in CEE. Moreover, some of the 16+1 projects are similar to those of the EU, which can lead to the reduction or even elimination of infrastructure dependency of EU Member States (for example, EU Pan-European Corridor X is similar to China-Europe Land-Sea Express Passage, in terms of route). Another similar project is the development of the north-south corridor in Europe by promoting China-Hungary-Serbia railway, which can reduce maritime traffic in the ports from Western Europe (Port of Hamburg and Port of Rotterdam) and at the same time bring benefits to the Balkan region and the Visegrád Group (Pendrakovska, 2017).

Therefore, the relationship between the EU and 16+1 should be developed through better coordination and communication in order to avoid unfair competition and any suspicion that the 16+1 cooperation project acts as a barrier between the EU and the CEE countries.

Beyond such concerns, the real determinant of this position is *fear of competition from Chinese companies' investment and presence in the EU*. This is reflected by the European Commission's own investigation into the Belgrade-Budapest high-speed rail line – a first major project that would also be a success for the 16+1 platform and BRI – (Lai, 2017).

This is underscored also by the recent initiative to monitor the foreign direct investment (FDI) in the EU. In February 2017, Germany, France and Italy (three of the “Big Four”) have asked the European Commission to rethink the rules on FDI inflows. It is not about FDI in general or FDI in search for market and efficiency, but those aimed at the *acquisition of high technology*. The message sent to the Commission earlier this year did not make any reference to a specific country, but recent statements clearly show that Chinese investment in European strategic assets is aimed. After the UK, Germany, Italy and France are the main beneficiaries of Chinese investment (the four cumulating 66% of the total Chinese FDI stock in the EU during 2000-2016) (Hanemann, Huotari, 2017).

While undoubtedly FDI is accompanied by beneficial effects for national economies, Germany, France and Italy consider that by an increased access to high technology (examples of which are numerous in recent times in each of the three countries mentioned, the most relevant being the taking over of German Kuka by Midea Group), China could gain even more ground in terms of competitiveness. In this respect, Germany, France and Italy suggested the introduction of specific measures, such as conditioning or even blocking sensitive investments. According to the Global Competitiveness Report 2017-2018, Germany is the best position among the “Big Four” (5th place), followed by UK (8th position), France (22nd place) and Italy (43rd position) (World Economic Forum, 2017).

In September 2017, the European Commission proposed to set up a *European framework for screening FDI into the European Union*. On September 13, in his annual State of the Union address, President Jean-Claude Juncker explained: *"Let me say once and for all: we are not naïve free traders. Europe must always defend its strategic interests. This is why today we are proposing a new EU framework for investment screening. If a foreign, state-owned, company*

wants to purchase a European harbour, part of our energy infrastructure or a defence technology firm, this should only happen in transparency, with scrutiny and debate. It is a political responsibility to know what is going on in our own backyard so that we can protect our collective security if needed."

Besides such concerns of economic nature, there are also those related to norms and values.

The EU emphasizes the importance of norms and values (human rights, the rule of law, the role of civil society) while China and the partner countries of Central and Eastern Europe prioritize development, including through infrastructure development, reflecting the pragmatism of the Chinese capitalism (Burjanadze, 2017). However, EU Member States from CEE participating in 16+1 comply with Community law and even the 2016 Riga summit papers underline "the need for EU member states' actions to be carried out without prejudice to EU competence and legislation" (Grieger, 2017). In 2016, representatives of the EU institutions and the European Bank took part in the Riga summit as observers however inviting the Big Four and other old member states to attend the 16+1 summits as observers might consolidate their trust in this platform.

In the literature it is underlined that "16+1 cooperation level is inconsistent" and it seems that only several bilateral relations have been spurred, namely those with Poland, the Czech Republic and Hungary (Burjanadze, 2017). However the EU institutions consider that the 16+1 platform instigates the strategy to *divide and dominate* by increasing the dependency of some countries on Chinese investment and threatens regional unity, which would have a direct negative impact on EU-China relations (Bolzen, Erling, 2012). For example, EU was not able to adopt in 2016 a joint statement accusing China of violation of the international law in the South China Sea, due to the opposition by Hungary, Greece (both with strong ties with China) and Croatia (having in mind its own conflict with Slovenia and its refusal to grant the latter access to the Adriatic Sea through the Gulf of Piran).

Different positions of the EU and various EU member states may be explained not only through the *economic and geopolitical factors but also by means of psychological ones*. In recent researches on behavioural economics (for instance Akerlof, Shiller, 2009), noneconomic motives may better explain economic interactions. Behavioural economics focused mainly on motivations out of rationality, which are now embedded in the mainstream theory. George Akerlof and Robert Shiller paid special attention to the tendency of people to think in terms of *narratives or stories*, due to the following set of factors: confidence, fairness, corruption and bad faith, money illusions and stories. Stories about new business, economic or even policy initiatives may be seen as ways to transmit certain emotions and behaviour based more on beliefs than scientific explanations. Looking at possible knowledge connections between narratives, policy initiatives like 16+1 and their perceptions we came across with the idea of branding as a way to influence human minds (Lianu, 2010). *But the means used by a country to brand a large scale initiative such as BRI or 16+1 can be easily counteracted by other countries also through branding: a negative one.*

The "Big Four" manifest their reservations towards the 16+1 and such a stance will continue to influence the EU-China policy and the standpoint of the European Commission. Such reservations are not only linked to the 16+1 direct objectives but most of them are associated to sensitive issues of the bilateral relations and these turn into narratives which negatively influence

the general attitude towards China's initiatives and also towards China itself. Among the most invoked critics there are:

- China's attitude towards the free market principles, representing the main reason why China has not obtained the market economy until now, which, if granted, would reduce possible penalties in anti-dumping cases and other measures of protection;
- Lack of reciprocity and access to the Chinese market for European companies. Despite several years of negotiations, there is still no bilateral investment treaty, and European companies have found it increasingly difficult to do business in China.
- China's significant production and export capacity which threaten the industrial base of Western highly industrialized nations;
- The steady increased presence in Central and Eastern Europe through the 16+1 mechanism and also China's increased access to higher technologies by means of recent mergers and acquisitions are a matter of discontent for "Big Four" and they have managed to influence even the EU policy against China;
- China's involvement in building highways and other infrastructure projects in Central and Eastern Europe, threatening the already established Western companies that have build almost all the infrastructure projects financed by EU structural and cohesion funds in the region.

In spite of the fact that BRI and its component 16+1 represent opportunities for the whole Europe however the image of these initiatives (considered by many EU scholars as strategies, not simple initiatives) is that this will help China expand its influence in the vast Eurasian region in future decades. Part of the emerging narrative suggests that the weak Eastern European partners will not have the ability to control China's "offensive". Moreover, this insinuates that China has demonstrated its ability to divide Europeans by creating new entities such as the 16+1 mechanism (according to the *divide et impera* stratagem), and by encouraging EU members to join the Beijing-run Asian Infrastructure Investment Bank (AIIB). As a matter of fact, the "Big Four", Poland and other 52 countries are founding members of the bank, only the United States, Japan and India among the large countries decided to distance themselves of China, mainly due to geostrategic reasons.

It is worth mentioning that China possesses "liabilities" (sources of negative perceptions, related to: human rights, Tibet, Taiwan, environmental pollution, unfair competition, territorial disputes) and "assets" (sources of strength: culture, history, traditions, Confucian values, tourist attractions, economic and social progress) (d'Hooghe, 2007, pp. 13-16) that confer individual characteristics to its image.

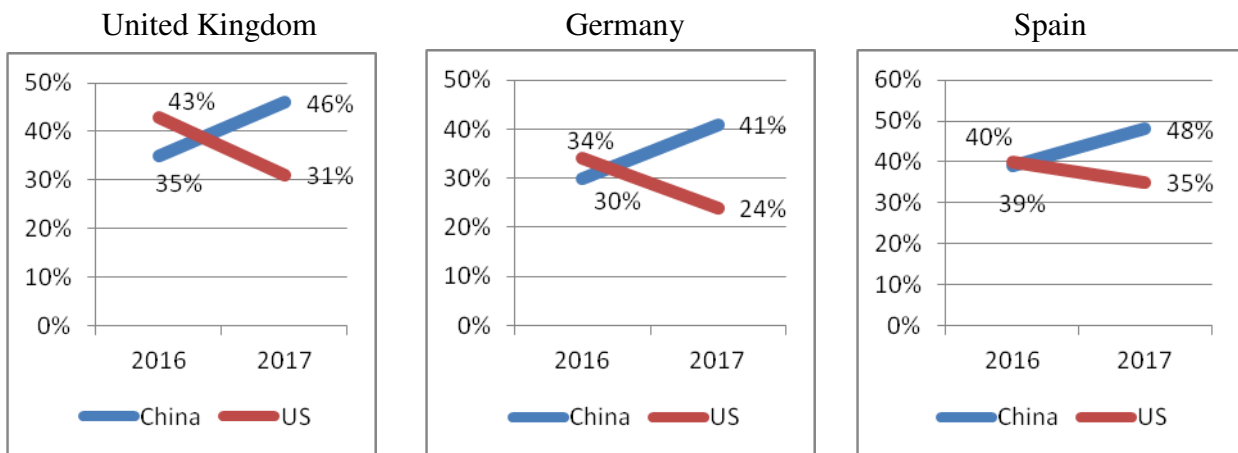
China's multidimensional image is determined by the following categories of factors: (1) its specific "assets and liabilities"; (2) the way it *explains itself to the world* (via Public Diplomacy); (3) how other players of the global stage *explain that country to the world*, according to their specific objectives (including negative branding); (4) the capacity and will of the public to understand that country, as well as the access to objective information (Oehler-Sincai, 2017).

Therefore different positions of the EU and various EU member states towards BRI and 16+1 can be explained by *economic, geopolitical and also psychological factors*.

3. China's International Image

According to a study developed by the PEW Research Center in 38 states, 42% of them consider the US as the world's leading economy, compared to an average of 32% attributing this place to China. Most countries in Latin America, Asia and Sub-Saharan Africa believe that the US is among the most developed economies, while 7 of the 10 EU countries believe that China is the most important economic power (for example UK, Germany and Spain - see Chart 1). Russia has the same perception of China's leadership (Wike *et al.*, 2017).

Chart 1: Perceptions of relative US/China economic power in Europe

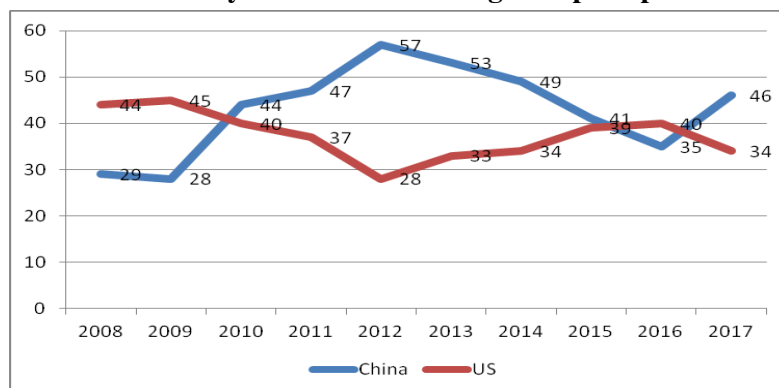


Source: Wike, Poushter, Silver & Bishop (2017).

In recent years, significant US allies have seen a decline in relative perceptions of its economic power, a trend that is also present in European countries. This trend has been boosted by the outbreak of the economic crisis that has led China to the top of countries in terms of economic growth and resilience. As the US economy recovered, the situation has changed in favour of the US. It can be said that there is no well-defined perception of who is the leader of the world economy (see Chart 2).

Although Europeans have different views on China, there is an increase in the share of positive opinions, especially in Spain (43%), France (44%) and the UK (44%).

Chart 2: Dynamic of China/US global perception

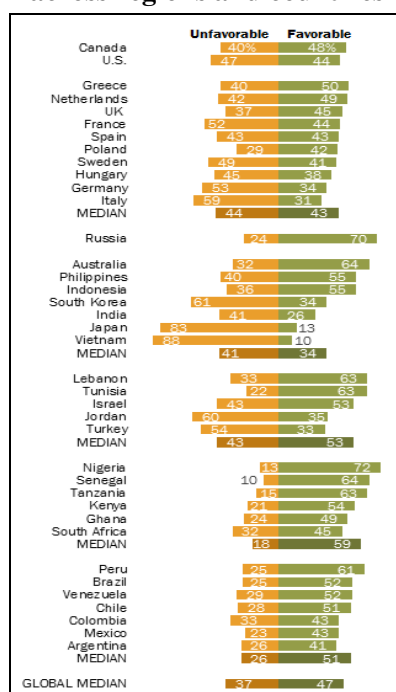


Source: Wike, Poushter, Silver & Bishop (2017).

Overall, China's image is positive with an average of 47% in the countries involved in the study, compared to a 37% average for those with an unfavourable opinion.

On the North American continent, perceptions about China are mixed: the Canadian population has a favourable image for China (48%), compared to the US that is inclined towards the opposite direction (47% unfavourable versus 44% favourable). Also, within the country there are differences of opinion among the political parties (Republicans have more negative views towards China 56%, while Democrats have 41%). *As the United States is considered the most important strategic partner of the UE and also its most significant ally in security issues, this country's position towards China has an indirect impact on EU's own attitude towards China.* In the EU, among the “Big Four”, UK and France have a better opinion on China than Germany and Italy (Chart 3).

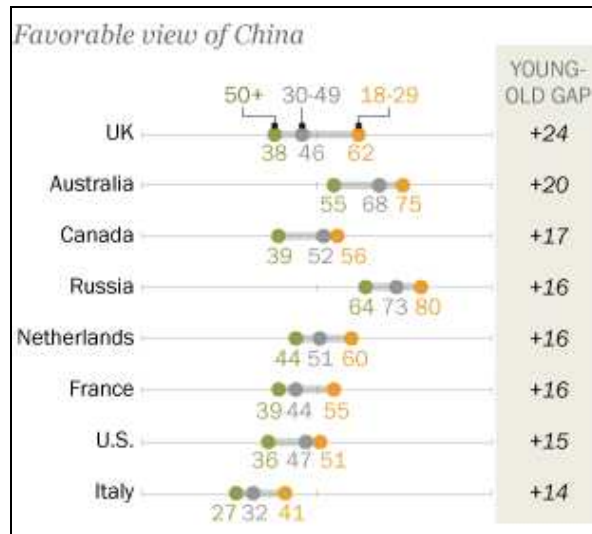
Chart 3: Views of China across regions and countries



Source: Wike, Poushter, Silver & Bishop (2017).

In contrast to Germany, France and Italy, the UK has an overall favourable opinion on China. At the same time, especially in the UK the young generation is more likely to view China favourably (Chart 4).

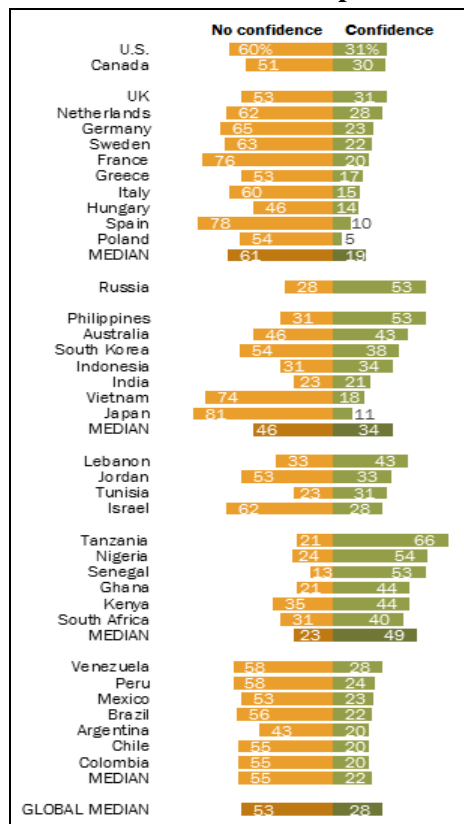
Chart 4: 18-29-year-olds more likely to view China favourably



Source: Wike, Poushter, Silver & Bishop (2017).

Regarding the confidence in the Chinese president Xi Jinping, it is at low levels in the EU countries. This level is higher in the UK and Germany as compared to France and Italy and even relatively to CEE countries such as Hungary and Poland (Chart 5).

Chart 5: Confidence in the Chinese president Xi Jinping

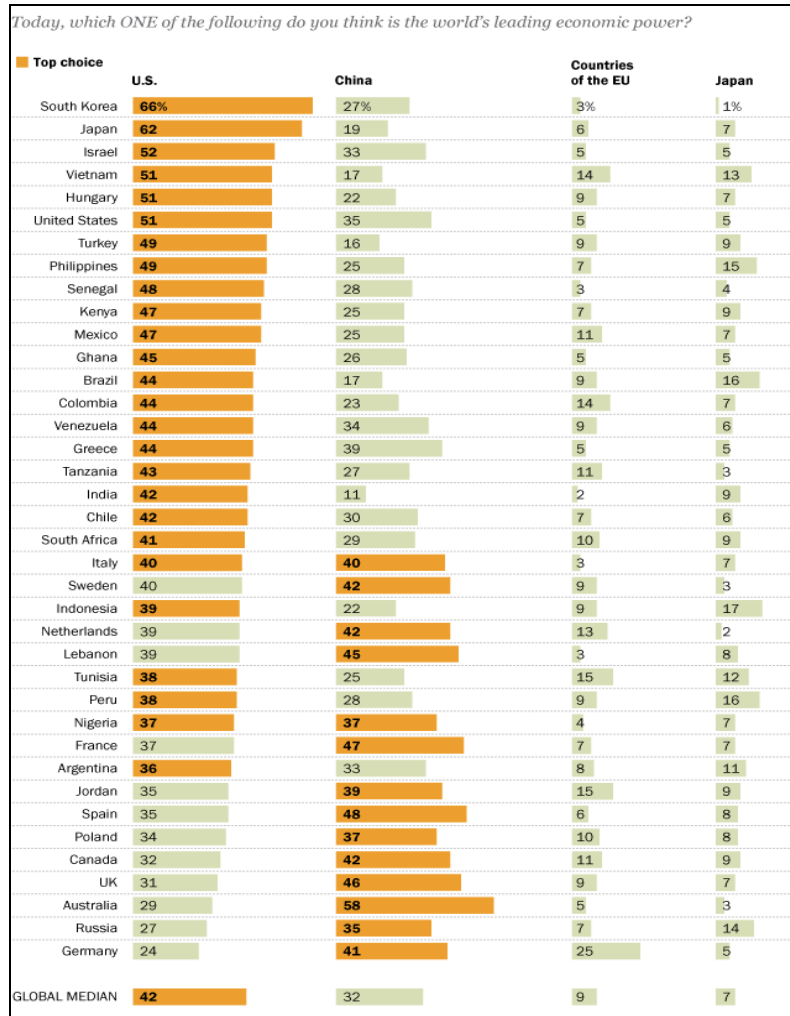


Source: Wike, Poushter, Silver & Bishop (2017).

It is also noteworthy to underline that in France (47% versus 37%), UK (46% versus 31%) and Germany (41% versus 24%), China not the US is considered the leading economic power. In

Italy, the percentages are equal (40% for China, 40% for the US) (Chart 6). *But because of its economic power China and its cooperation initiatives are considered a threat rather than an opportunity for the developed countries, including the “Big Four”.*

Chart 6: US or China as top economy?



Source: Wike, Poushter, Silver & Bishop (2017).

4. Conclusions

The Pew Research Center’s surveys explain much of the “Big Four” stance towards BRI and 16+1. China and its cooperation initiatives are considered a threat rather than an opportunity for the developed countries, including the “Big Four”. As these countries detain the supremacy in the EU to the detriment of the EU periphery and they concentrate much of the CEE trade and investment flows, they have the power to influence periphery’s actions and even those undertaken by the European Commission. In relation to China the EU seems to place more and more emphasis on sensitive issues. In spite of the idea of a common Connectivity Platform launched at the Sino-EU summit of 2015 and the EU’s vision for improving Europe-Asia connectivity presented by the vice-president of the European Commission, Jurky Katainen, at the BRI Forum in Beijing (May 14-15, 2017), the high-level bilateral meetings of 2016-2017 did not circumvent issues such as: China's “unfair” competition, China's territorial disputes, human rights, the

incompatibilities with market economy status (with all its implications on bilateral trade). The EU has now a harsher tone towards China as compared to the previous meetings.

As long as the EU's critiques of China are constructive and lead to the identification of solutions to remove the weaknesses and risks and lead to a strengthening of bilateral cooperation, we consider that they are welcome. Instead, we consider unproductive attempts to minimize the importance of Eurasian cooperation promoted by China based on geopolitical reasons. EU and the “Big Four” should put more emphasis on this cooperation based on transparent negotiations, trying to take benefit from this keeping in mind also the interests of Eastern European economies situated as the Eastern Gateway of the Union.

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