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The Dubrovnik summit: the Europeanisation and enlargement of the 16+1 format

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On 11th-12th April the eight 16+1 summit was held in Dubrovnik in Croatia; this format brings together the prime ministers of Central and Eastern European countries (CEE) and China. A co-operation plan for a further year was adopted at the summit (the Dubrovnik Guidelines), focusing on issues linked to logistics, transport, and the promotion of trade between China and the CEE countries, in particular with regard to agriculture and forestry. The document includes numerous references to the joint statement from the EU-China summit of 8th April with regard to support for a new agreement on mutual China-EU investments (Comprehensive Agreement on Investment, CAI), the implementation of the EU's Strategy on Connecting Europe and Asia and EU-China trade negotiations at the World Trade Organization. Furthermore, during the summit, the 16+1 format (established in 2012) was extended to Greece, which had previously had observer status. In keeping with tradition, the meeting of the heads of government was accompanied by a business forum of representatives from the participating countries.

China signed approximately 40 bilateral agreements during a series of bilateral meetings with representatives of the countries from the region. The agreements concerned such areas as: the further opening up of China's market of agricultural and food products (regarding food certification) and the strengthening of co-operation in education and cultural exchanges. In Dubrovnik, the collaboration within the China-CEEC Interbank Association, which groups together development banks of the 16+1 format, gathered momentum. The China Development Bank concluded agreements regarding the opening of credit lines with its counterparts in Hungary (worth 500 million euros), Croatia (300 million euros), Romania (100 million euros), Bulgaria (300 million euros) and Serbia's Postal Savings Bank (25 million euros).

The summit was accompanied by a bilateral visit of China's head of government Li Keqiang to Croatia, which started on 9th April. During the visit and the summit ten agreements were concluded with the Chinese government and Chinese companies in such areas as infrastructure, agriculture, finance, telecommunications and tourism. The bilateral talks culminated in the prime ministers of China and Croatia visiting the construction site of the bridge leading to the Pelješac peninsula (where a bridge is being built by the Chinese company, CRBC).

Commentary:

- The Dubrovnik summit brought about important changes to the functioning of the 16+1 format, making it an instrument complementary to the EU-China dialogue, both with regard to the objectives and mechanisms of co-operation. In line with the declarations made at the summit, the negotiations in the areas that fall under the EU's competences (including transport, trade and investment regulations, customs, infrastructure) are set to be conducted basing on the existing mechanisms of EU-China dialogue (this applies to the EU member states, 11 out of the 16 countries of the 16+1 format). According to the press, representatives of the EU institutions took part in the negotiations of the documents. In this respect, the outcomes of the Dubrovnik summit have gone beyond the general declarations regarding support for the EU-China agenda, which have been made in the previous years and repeated this year, and the development of co-operation with China following EU legislation. The Central and Eastern European countries which are EU member states are thus seeking to ease diplomatic tensions in their relations with Brussels, Paris and Berlin who are calling for a more unified EU position on relations with China. By relying on EU-China dialogue, the CEE are also trying to increase their negotiating position with regard to Beijing regarding economic issues, in particular a further opening of China's market and the adjustment of China's financial offer to the EU's business and legal environment. For China, the Europeanisation of the 16+1 format is part of its policy of making partial concessions to the EU, with the aim of securing the EU's support for China in its economic conflict with the US, and to stop protectionist tendencies towards China in the EU's policy.
- The fact that Greece joined the China-CEE co-operation is in contrast with Beijing's policy of making concessions to the EU. It is a clear signal that the regional format will continue and may be extended further. The enlargement of the 16+1 format (China continued to use this name at the Dubrovnik summit) to include another member took place in the context of intensified speculations and suggestions regarding the potential phasing-out of the 16+1 format that were present within the EU in the previous year. Greece, the first country from the 'old' EU to be a member of the format, is in conflict with Berlin and Paris over a number of policy issues, including on China. The invitation of Greece, following Xi Jinping's visit to Italy, should also be interpreted as another attempt by Beijing to play on tensions between the South and the North of the EU. Athens' participation in the 16+1 format appears to be a logical step given China's transport and financial projects in the Balkan Peninsula. It will foster cross-border co-operation in the transport corridor (Pan-European Corridor X) that links the Piraeus port in Greece (where China's COSCO is the primary operator) to CEE via the territories of Serbia and Macedonia. The inclusion of Greece in the 16+1 format will also increase the competition that exists among its members' ports to attract flows of goods from China, for example on the Adriatic coast (Koper, Rijeka), the Black Sea coast (Constanţa, Varna) and the Baltic Sea coast (Gdańsk, Riga).
- Despite the fact that a part of negotiations between China and Central Europe was moved to EU-China dialogue, the Dubrovnik summit helped to promote co-operation between China and the CEE in spheres which lie within the competences of the EU member states. This is part of China's strategy of rallying support in the EU through bilateral concessions to its members states. China used this strategy, for example,

during Xi Jinping's visit to France this year and during the intergovernmental China-Germany consultations in 2018. The economic agreements which were signed at the summit cover such areas as the certification of CEE food and agricultural products on the Chinese market. The access to this sector has been the subject of the negotiations in the 16+1 format for years. The bilateral agreements regarding the financing, worth 1.2 billion euros in total, which the China Development Bank signed within the framework of the China-CEEC Interbank Association (established at the Budapest summit in 2017, with the coordinating role of the Hungarian Development Bank MFB) are also noteworthy. Offering funding directly to the development banks of CEE is a clear departure from the previous proposals of loans provided for selected infrastructural projects offered by China's Exim Bank, opening up a pathway to CEE gaining increased control over how the Chinese funding is spent. The funding will go to infrastructure projects, energy, telecommunications and support for small and medium-sized enterprises. The total amount of funding is likely to be larger than the 2 billion euros which Li Keqiang initially declared in 2017, as certain countries of the region have already signed framework agreements for further financing. For example, the Bulgarian Development Bank is set to receive another 1.2 billion euros in consecutive instalments. According to the Dubrovnik Guidelines, European financial institutions from states that do not participate in the format will be invited to join the co-operation.

- The visit which the prime ministers of China and Croatia took to the construction site of the bridge leading to the Pelješac Peninsula had a significant political dimension for both bilateral and EU relations. Given existing proposals to limit Chinese companies' access to public tenders in the EU (in order to open up the construction market in China) which have been discussed within the EU, the project of building a bridge to Pelješac has been promoted by China as an example of the competitive pricing and effectiveness of Chinese companies, and China's contribution to the EU's economic integration. The construction of the bridge is also presented as a flagship project of the 16+1 format, which indicates China's ambitions in the area of public tenders for building infrastructure in the EU. In promoting this project, Croatia projects the image of a country that has successfully reconciled collaboration with China in infrastructure with respecting the competitive mode of selecting a contractor which the EU regulations stipulate and which stirs controversies in EU-China relations. The EU-funded bridge construction project (whose cost is estimated at 280 million euros) is the largest construction project in the EU won by a Chinese company since 2009. It is also the first large-scale project implemented by the state-owned China Communications Construction Company (China's biggest construction company, the owner of CBRC which is present in Serbia) on the EU market.
- Croatia has also used the summit and the accompanying visit of China's premier Li Keqiang to increase China's involvement in other infrastructure projects in the country. Croatia is determined to engage Chinese companies in the development of its railway network linking the Rijeka port to the border with Hungary. The objective of this multi-stage project which, along with the LNG terminal on the isle of Krk is Croatia's flagship proposal under the Three Seas Initiative, is to strengthen Rijeka's position with regard to other Adriatic port towns (particularly, with regard to Slovenia's Koper). Part of the

infrastructure developed in this corridor has been financed by the EU. However, one remaining issue is the funding of the most difficult, mountainous section of the route between Rijeka and Karlovac, whose costs may reach even 1.5 billion euros. Croatia is willing to agree to China's proposal that this section will be built by a Chinese contractor as long as it obtains the long-term licence to manage it. The memorandums regarding co-operation in establishing an inter-modal transport corridor and collaboration in the project of modernisation of the railway linking Rijeka and Zagreb both serve as indications that Croatia is open to reaching agreement.

- The Dubrovnik summit indicates that the main focus for economic co-operation in the 16+1 format may shift to the countries of the region that are EU member states. Much less attention was given to the Western Balkan countries which have received the bulk of Chinese funding to date (approximately US$ 7 billion out of US$ 10 billion from Exim Bank's credit line). China is present above all in Serbia, where Chinese companies have acquired important companies from the heavy industry sector and are implementing many road and rail projects. Furthermore, China is providing loans for infrastructure investments in Montenegro and Macedonia and new blocks in coal-fuelled power plants. Even though two memorandums of agreement were signed with Serbia regarding the construction of further road links, China's proposals for the Western Balkan countries were modest. Due to the weakness of the administrations of the Balkan states, they are not able to prepare and swiftly implement projects which would be attractive for China. This is proven by further delays in the modernisation of the Belgrade-Budapest railway connection. Secondly, the Balkan countries have limited possibilities of taking out loans due to their high levels of debt. Furthermore, China's activity in the Balkan Countries has been met with stark criticism from the EU countries (particularly Germany) and the US. Due to this, both parties are rather cautious in undertaking further initiatives.

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