The 16+1 Process: Correlations between the EU Dependency/Attitude Matrix and the Cooperation Intensity with China

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Abstract

This paper has as a starting point the emerging literature on the Dependent Market Economies (DMEs) in Central and Eastern Europe (CEE) built upon Andreas Nölke and Arjan Vliegenthart (2009) seminal work. Our first research objective is to outline the degree of dependency on the EU market and investment and also the attitudes towards the EU in the case of the CEE countries included in the 16+1 cooperation platform (CEE-16). The resulting EU dependency/attitude matrix helps us identify four groups of countries taking into account their lower/higher dependency on the EU trade and investment and also their negative/positive attitude towards the EU. Our second research objective is to include also the CEE-16 countries into four categories according to their economic ties and political relationship with China mirroring the **cooperation intensity** with China. Our investigation underlines that: (1) higher levels of cooperation intensity with China are generally correlated with negative attitudes towards the EU, the importance attached to national interest and the recognized need of developing balanced relations with significant actors on the world stage; (2) lower levels of cooperation intensity with China correspond to euro-optimist/euro-moderate stances, extreme dependency on the EU internal market or a political inertia. Nevertheless the 16+1 mechanism has a mobilizing effect on all the participants due to the intrinsic networking and interactions.

Keywords: Central and Eastern Europe (CEE), Dependent Market Economies (DMEs), EU, China, 16+1, CEE-16, EU dependency/attitude matrix

1. *Institutional framework of capitalism in CEE*[1]

The contrasting economic performances of different CEE[2] countries after the fall of the Iron Curtain, their various paths of transition to the market economy but especially distinct degrees of resilience under the global crisis of 2008-2009 reignited the debate on the models of capitalism in this region.

The literature on the typologies of capitalism has been dominated for decades by several main "varieties" of capitalism. These did not refer to CEE but took mainly into

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[1] This paper is based on the preliminary results of the investigations carried out as part of the study "Romania, at the junction between the Chinese initiatives *Belt and Road* and *16+1*. Positioning Romania on the New Silk Road Map", included in the research plan of the Romanian Academy, 2017, coordinator I. M. Oehler-Șincai.

[2] 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. We use the CEE-16 acronym for the sixteen CEE countries participating in the 16+1 platform and CEE-11 for the group of countries which are already EU member states.

consideration the forms of capitalism of the developed world. Esping-Andersen (1990) identified *middle-class welfare state* and *liberal-residualist welfare state* (mainly United States, United Kingdom and Canada). The first category was split into two subcategories, namely social-democratic (Scandinavia) and corporatist (Germany). Albert (1993, p. 18) emphasized that capitalism has two faces/personalities: the neo-American model (synonym with individual success and short-term financial gain) and the Rhine/Rhenan model (collective success, consensus and long-term vision). Michel Albert included in the Rhenan model not only Rhine riparian countries (Germany, Netherlands, Switzerland, France), but also Scandinavian countries and also Japan.

Capitalism typologies are based on different groups of criteria. For instance, Hall and Soskice (2001) set the accent on industrial relations, vocational training and education, corporate governance, inter-firm relations and internal coordination (employer-employee intra-firm relations). They consider the company as the central actor. According to their theory, there are two main types of capitalism, namely Liberal Market Economy (LME) and Coordinated Market Economy (CME). LME is identified with neoliberal policies, radical innovation, new sectors of the economy and Anglophone countries (United States, United Kingdom, Australia, New Zealand, Ireland but also Canada), while the CME in characterized by direct engagement of the social and political institutions in shaping the economic action, which generates social democracy, incremental innovation and declining economic sectors.

Amable (2003) identified six main criteria for his typology of capitalism: product-market competition, wage-labour and labour-market institutions, financial system, corporate governance, social protection and welfare state and education. Correspondingly, he established five forms of capitalism: market-based model (similar to LME), social-democratic, Continental European, Mediterranean (or South European) and Asian. The first four of them remind us of Sapir's European Social models, namely Anglo-Saxon, Nordic, Continental and Mediterranean (Sapir, 2006).

Amable and Azizi (2011, p. 20) underline that "the differentiation of capitalism is not limited to formal rules such as employment legislation, corporate governance, or competition law, but is also expressed in different types of macroeconomic policy." Therefore, state has the primordial role in determining the varieties of capitalism.

Built upon Hall and Soskice (2001), the research initiated by Andreas Nölke and Arjan Vliegenthart (2009) brings to the forefront the new concept of Dependent Market Economies (DMEs), extended from the Visegrád Group of countries (V4) to the whole CEE. The authors underscore the "fundamental dependency" of the CEE on the investment decisions taken by the transnational corporations (p. 676). Even if the CEE countries "imported" the occidental capitalism by taking over the Western institutions and the acquis communautaire, however the regional varieties of capitalism are not identical with the imported ones. The economies in this region "rely on the foreign capital much more than countries considered to be Liberal or Coordinated Market Economies" (Dudziak, 2014). Nölke and Vliegenthart (2009) emphasize that institutions of capitalism differ from one country to another but the DMEs have a set of common features: comparative advantages are concentrated in the assembly and production of relatively complex and durable consumer goods; the comparative advantages are based on complementarities between skilled but cheap labour; the transfer of technological innovations takes place within the transnational enterprises; provision of capital has as main sources foreign direct investment and foreign-owned banks. *The origin of capital represents one of the main differences between the three main varieties of capitalism. Comparatively, in the LMEs model, the primary means of raising investment is domestic and international capital market, while in the CMEs it is the domestic bank lending and internally generated funds.*

However, there is not a unique model of capitalism for all the CEE countries. After 1989, they had to choose a model of capitalism from the existing models offered by the developed countries. Together with the preparation for the EU accession, most of them had to adapt and implement the *Acquis communautaire*, which ensured that a set of institutions should be taken over from the EU. Four Balkan countries outside the EU (Albania, Former Yugoslav Republic FYR of Macedonia, Bosnia-Herzegovina and Serbia) did not hurry up to align to the EU rules, while Montenegro has been recording significant progresses in this direction.

However, in spite of the common institutions and rules, the EU itself was characterized by varieties of capitalism. As indicated by Becker (2011), one can identify: the liberal type of capitalism (i.e. market is dominant and state intervention is limited, the Anglo-Saxon model), the corporatist type (institutionalized cooperation between capital and labour, as in Germany), the statist type (market is strictly regulated by the state, as in France). Beside these types there are two others outside the old EU member states: meso-communitarian (organisation of networks of firms acting as welfare agency while politics is limited to competitiveness issues, as in Japan and other Asian countries) and patrimonial (dominated by patron-client relations between the state and the economy).

According to Adam *et al.* (2009), the cases of Estonia and Slovenia demonstrate that a balance should be struck between the welfare state and the meritocratic principles supporting the economic competitiveness. Going too far in the neoliberal direction is as harmful as ignoring the market rules.

In the centre of the debate on the varieties of capitalism remains the question: which is the dominant form of capitalism in the post-communist countries, especially in CEE? For instance, Romania borrowed from several models and implemented a "cocktail capitalism", therefore it was described as "perhaps the country that encountered the most serious difficulties in its attempts to introduce the much needed institutional and economic reforms" (Cernat, 2006, p. 46).

Nölke and Vliegenthart (2009) conclude that: (1) there is an "extraordinarily high degree of external dependency in DMEs"; (2) Some of the CEE governments have become "extremely dependent on imported industrial goods, foreign markets, and the investment decisions of foreign-owned firms and banks"; (3) the current comparative advantages of CEE might be eroded, due to the decreasing value of the "skill heritage" and the lack of substantial investment into research, development, education and training.

The DME model proposed by Nölke and Vliegenthart (2009) is sustained by other recent researches. Farkas (2017, 2011) outlines a separate model of CEE, similar to DME, attributable to three main factors: the shortage of capital and management skills in local companies, weak civil society, and the impact of the European Union and other international organisations on the new member states/accession aspirants.

Moreover, the special division of labour between the old member states and the new ones is equivalent with an asymmetric interdependency. However countries of the Visegrád group (Poland, Czech Republic, Slovak Republic, Hungary), Baltic States (Latvia, Lithuania, Estonia) and Slovenia which are closer to the Western European markets (than Romania for instance) benefitted mostly from the EU integration. Their proximity to large Western European markets and technology sources and also the adequate infrastructure and ease of doing business offer a strong base for **agglomeration effects** (Szunomár, Biedermann, 2014).

Beáta Farkas (2017) identifies four main groups of countries in CEE: Baltic States, V4 plus Slovenia (CEE5), Romania and Bulgaria (SEE2) and Western Balkans (WB). The similarities between the first three groups are stronger, which makes them part of the CEE capitalism model. As regards the WB, the author concludes that the "comparison of institutional systems does not provide an unambiguous answer to the question of whether the WB market economies fit the capitalism model of CEE" in terms of product markets, innovation, financial system, labour market performance, industrial relations, social protection, education system and quality of governance, however the implementation of reform policies has the potential to bring the WB closer to the other CEE which are already EU member states.

In spite of the positive results generated by the EU integration, the asymmetric interdependency led to the reaction of "economic patriotism" (Szanyi, 2016) synonymous with "illiberalism" in countries such as Poland and Hungary. During the recent years, this contributed to the strengthening of the relationships with powerful countries outside the EU, including China, in order to counterbalance the EU influence and increase the own negotiation power inside the EU. This does not mean that China's image in these countries is positive or has improved as a result of the increased bilateral ties but underlines that national interest goes beyond the image of a partner country. Some CEE countries have understood that the larger the number of strong partners at global level, the higher will be their bargain power inside the EU. Others, including Romania, have to become aware of this. The 16+1 platform offers a good complementary partnership outside the EU and also the impetus for the consolidation of the cooperation between China and these countries, both institutionally and pragmatically.

2. Comments on "extraordinarily high degree of external dependency in DMEs"

In this section, we demonstrate that the CEE external dependency is mainly EU based, both in terms of trade in goods and FDI. Although the 16+1 platform has become a relevant cooperation mechanism between China and CEE-16 and a distinct component of the Chinese foreign policy since 2012 (Oehler-Sincai, 2016), the EU integration process continues to be the central element of the economic policies in the majority of CEE countries. In spite of the EU weaknesses, most of the CEE countries remain strongly dependent on the EU markets and capital.

Considered as a part of the Belt and Road initiative, 16+1 has been accompanying the transformation of the Chinese foreign policy into an assertive one from the beginning of the Xi-Li administration, offering the Chinese "going-out strategy" new characteristics. However, this is not meant to "divide and conquer", but to unify and consolidate Europe, one of China's most important partners worldwide.

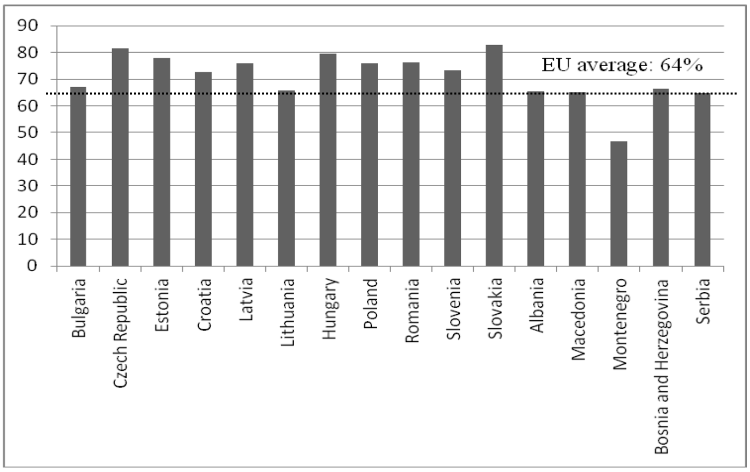
Jacopo (2017) associates China's inroads into CEE with its goal to create a "transportation gateway and commercial platform to Western European markets" in order to "integrate the EU into its Eurasian grand strategy". In his opinion, V4 serves as an "emerging production platform linking Germany with China and Asia". Germany concentrates circa 30% of the extra-EU trade and 25% of the intra-EU trade and it is the core of the European production networks linked to other CEE countries. V4 have already generated the so-called German-Central European manufacturing core, which stimulates the triangular cooperation with China (Jacopo, 2017).

In this regard, China is "complementing efforts of the EU and international financial institutions to upgrade regional connections." Moreover, "Chinese-financed infrastructure investments are also motivated by the desire to enhance trade links with the region and facilitate direct investment by Chinese companies in various manufacturing and services sectors." (Levitin *et al.*, 2016).

On the subject of trade, our analysis based on the Eurostat and DG Trade data underlines the following results at the level of aggregate export and import flows.

(1) Four Balkan states record lower degrees of trade dependency on the EU internal market than the CEE-11 average (79.2% in 2016) but higher than the EU average (64%) (Chart 1). Montenegro has the lowest EU trade dependency among the five Balkan countries (46.8%). In 2016, China was Albania's second trade partner after the EU (6.9% of its total trade), Montenegro's and Bosnia-Herzegovina's third partner (shares of 8.6% and 4.5%, respectively) and Serbia's fourth main trade partner (4.8% of its total trade) (DG Trade, 2017).

Chart 1: CEE-16 countries' trade with the EU as shares of their total trade in 2016 (%)



Source: Own calculations based on Eurostat (2017a).

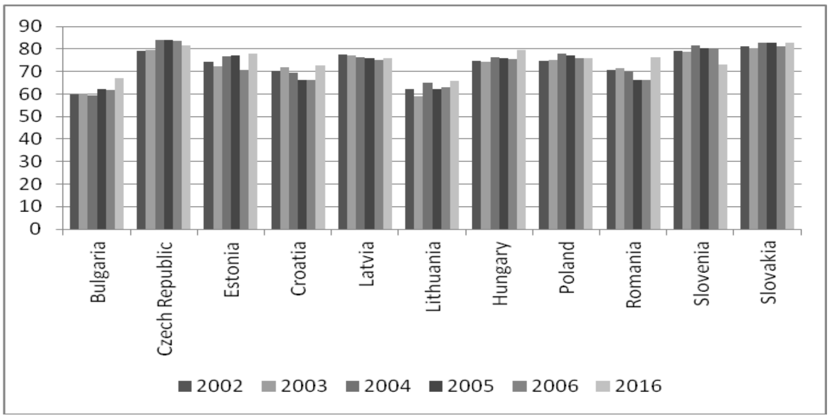
(2) In nine countries of the CEE-11 group were noticed shares of intra-EU trade larger than 70% in 2016: Slovakia (circa 83%), Czech Republic (81.7%),

Hungary (79.6%), Estonia (78%), Romania (76.2%), Poland (75.9%), Latvia (75.8%), Slovenia (73.2%) and Croatia (72.5%) (Chart 1).

(3) The CEE-11 countries had in 2016 a cumulative share of circa 8% of the extra-EU trade and 17% of intra-EU trade, which reflects the size of these economies as compared to the "the Big Four", namely Germany, France, Italy and the United Kingdom. Their share in the EU GDP is around 15%.

(4) The average share of the intra-EU trade in the case of the CEE-11 increased during 2002-2016 by 4.2 percentage points (p.p.), from 75% to 79.2%. Increases were recorded for nine of the eleven countries, the largest being indicated by Bulgaria (by 7.4 p.p.), Romania (by 5.4 p.p.), Hungary (by 4.8 p.p.), Estonia and Lithuania (by 3.8 p.p. each) (Chart 2). The EU integration process was generally accompanied by the intensification of the trade flows with EU countries in the majority of the CEE-11 countries, however for Czech Republic, Slovenia, Latvia and Poland the intra-EU trade shares were lower in 2016 as compared to 2006.

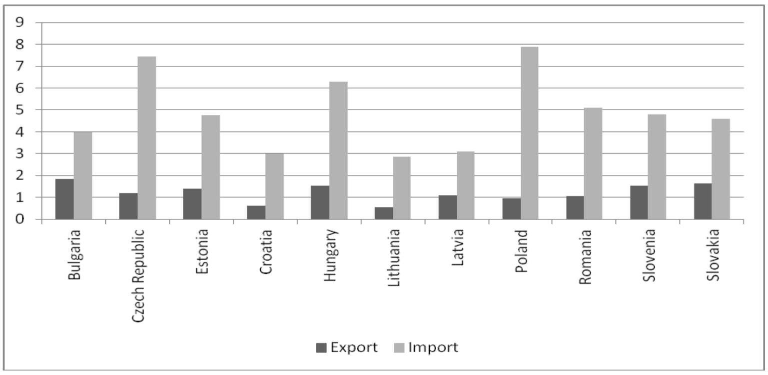
Chart 2: CEE-11 countries' trade with the EU as shares of their total trade in 2002-2006 and 2016 (%)



Source: Own calculations based on Eurostat (2017a).

(5) As regards China, it is still far behind EU in terms of trade flows with CEE. It has low shares in CEE-11 exports and larger shares in CEE-11 imports (Chart 3), which explains its considerable trade surpluses in relation with countries such as Poland (Euro 12.3 billion), Czech Republic (Euro 7.9 billion), Hungary (Euro 4 billion), Romania (Euro 2.8 billion) and Slovakia (Euro 2 billion). This represents a sensitive issue in the bilateral relations with the CEE countries.

Chart 3: CEE-11 countries' trade with China as shares of their total trade in 2016 (%)

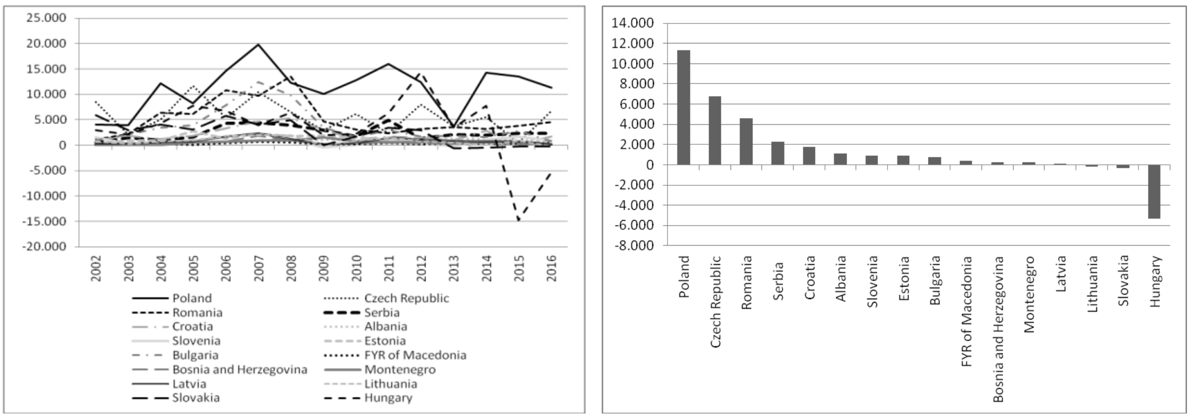


Source: Own calculations based on Eurostat (2017a).

In terms of FDI, CEE-16 as a whole attracted in 2016 a small share of the global FDI (1.5%), much lower than in 2002-2008 (with shares of 3.8%-6% of the world total). In 2016, Poland, Czech Republic and Romania were the favourite destinations of FDI in CEE, in contrast to Hungary, Slovakia and Lithuania, with negative flows (Chart 4). On the one hand, the political instability and even "illiberal democracy", associated with access restrictions in some countries are considered as barriers to FDI in this region. Anticipating the analysis of Chinese FDI in the region, it is noteworthy that, despite "illiberal democracies", Hungary and Poland have attracted the highest level of Chinese investment, which highlights a selective lack of liberalism. On the other hand, recent analyses include in the list of positive developments: the growth rates - as CEE is growing faster than any region in the world with the exception of Asia-Pacific - and other factors such as still competitive wage costs, well-educated and skilled workforce, location, improving infrastructure and strong consumer spending (Buckley, 2017).

Chart 4: Total FDI flows to CEE-16 (millions of dollars)

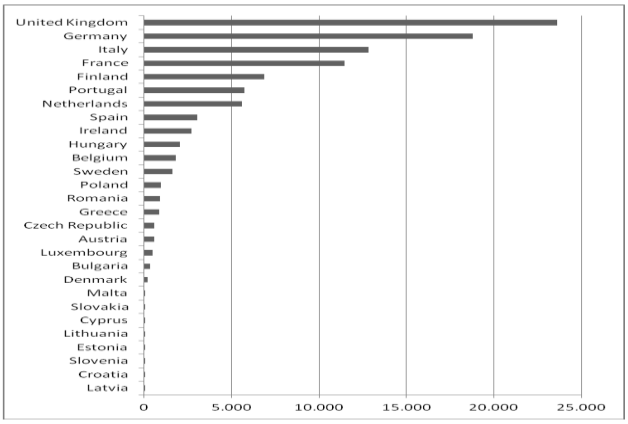
2002-2016 *2016*



Source: Own representation based on UNCTAD (2017).

The share of CEE-11 into the Chinese FDI to EU for the period 2000-2016 is estimated at 4.5% approximately, which underlines the relative low importance of this region for China in economic terms as compared to Western Europe (Chart 5). Our calculations based on UNCTAD (2017) and Hanemann-Huotari (2017) underscore that the Chinese FDI has a low share in the total FDI received by the CEE countries, varying from 0.1% in the most cases to 0.5% in Poland and Czech Republic, 1% in Romania and 3% in Hungary.

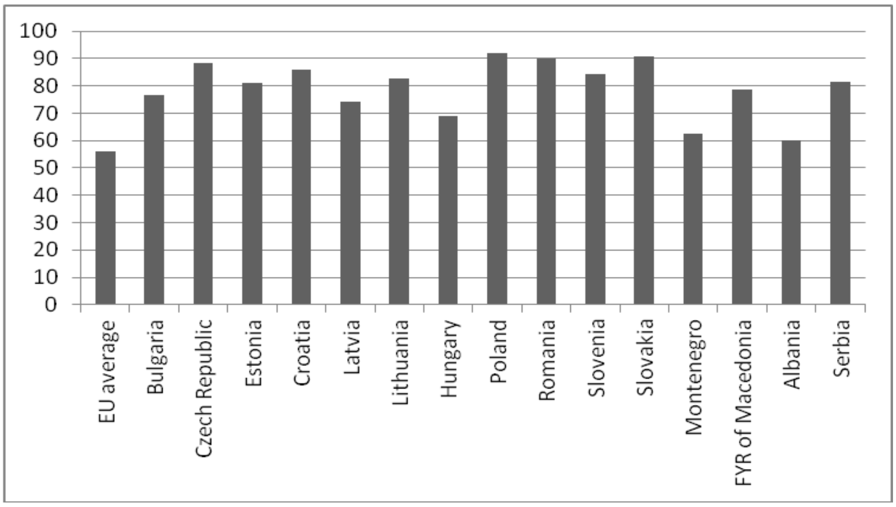
Chart 5: The hierarchy of recipients of Chinese FDI in the EU during 2000-2016 (aggregate value, million Euro)



Source: Own representation based on Hanemann, Huotari (2017).

It is worth noting that CEE degree of dependency on FDI from the EU is much larger than the EU average (Chart 6). Percentages higher than 80% were recorded in the following countries in 2016: Poland (92%), Slovak Republic (91%), Romania (90%), Czech Republic (89%), Croatia (86%), Slovenia (84%), Lithuania (83%), Serbia (82%) and Estonia (81%).

Chart 6: CEE-16 FDI from EU as a share of total FDI stock in 2015 (%)



Notes: There are no available data for Bosnia-Herzegovina.
Similar percentages were recorded also in the previous years.
Source: Own calculations based on Eurostat (2017b).

Based on the previous data, we can outline **four groups of CEE-16 countries according to their dependency on EU trade and FDI**. The largest one is given by countries which manifest both high degrees of dependency on EU trade and FDI (Slovakia, Czech Republic, Estonia, Romania, Poland, Latvia, Slovenia and Croatia). The second largest group is given by CEE states with lower dependency on trade and higher dependency on FDI (Bulgaria, Lithuania, FYR of Macedonia and Serbia). There are only three CEE-16 countries with lower degrees of dependency on both trade and FDI (Montenegro, Albania and Bosnia-Herzegovina), while Hungary is the only one with higher dependency on trade with the EU but lower dependency on FDI (Figure 1).

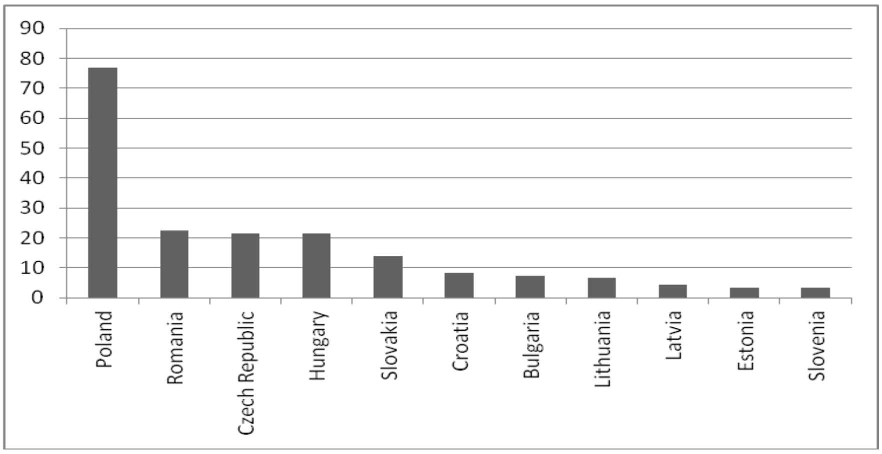
Figure 1: Dependency matrix – CEE-16 groups of countries in terms of their dependency on trade and FDI flows with the EU

TRADE *higher*	*Higher dependency on trade, lower dependency on FDI (1)* Hungary	*Higher dependency on trade, higher dependency on FDI (8)* Slovakia, Czech Republic Estonia, Romania, Poland, Latvia, Slovenia, Croatia
	Lower dependency on trade, lower dependency on FDI (3) Montenegro, Albania Bosnia and Herzegovina	*Lower dependency on trade, higher dependency on FDI (4)* Bulgaria, Lithuania FYR of Macedonia Serbia
lower	*FDI*	*higher*

Note: Lower dependency – percentages < 70%, higher dependency – percentages ≥ 70%.
Source: Own representation based on Eurostat (2017a, 2017b).

As regards the dependency on EU funds (taking into account the breakdown of EU funds during 2014-2020), one can remark that Poland (circa Euro 77 billion) and Romania (Euro 23 billion approximately) account for the half of the EU funds allocated for the CEE region, while these countries together with the Czech Republic, Hungary (each one with circa Euro 22 billion) and Slovakia (Euro 14 billion) concentrate more than 80% of the total EU funds allocated for the CEE region (KPMG, 2016, Chart 7). However there are large differences between the CEE countries in terms of contracting and payment ratios but also in relation to indicators such as EU funds per capita or EU funds as a share of GDP.

Chart 7: Breakdown of EU funds for CEE during 2014-2020 (Euro billion)



Source: Own representation based on KPMG (2017).

These data indicate that even if the degrees of dependency on the EU vary among the CEE-16, most of them are strongly interconnected with the EU through trade and capital. Beyond this analysis, we will show which of the CEE-16 countries are on good terms with the EU, China or both of them and also which ones have a critical attitude towards the EU and/or China.

3. *EU Dependency/Attitude Matrix and correlations with the cooperation intensity with China*

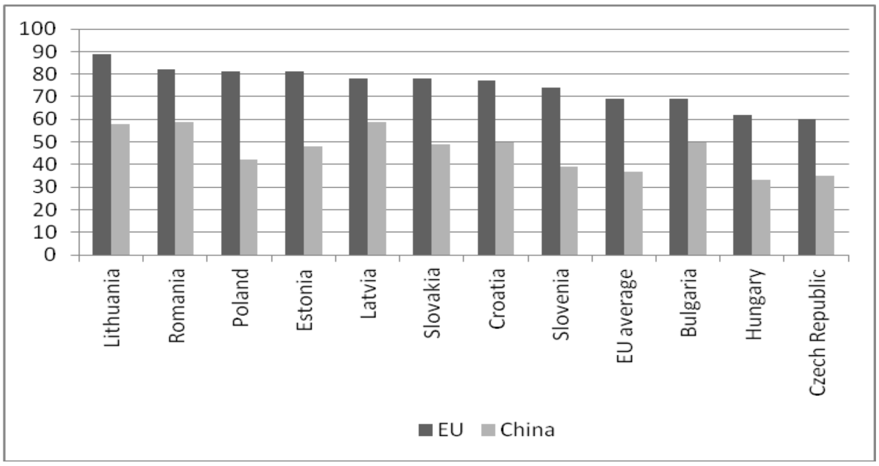
In order to outline the dependency/attitude matrix, taking into account not only the trade and FDI dependency on the EU but also the attitude towards the EU as an entity and China, in this section we resort to the literature and also the Eurobarometer (the public opinion surveys published by the European Commission).

Even if the CEE countries have been "traditionally" more pro-EU than the Western Europe, especially those that are already EU member states, however both popularity and party-based euro-scepticism have been on the rise in CEE after the global financial and economic crisis (Heinisch, Mühlböck, 2014), due to economic, political, socio-demographic determinants but also elite's influence on public opinion (Durach, 2016). The migration crisis has added a new impetus to the already established euro-scepticism, as the EU solutions to it, associated with its "perceived intrusion" on matters of national sovereignty and identity have eroded public support for European institutions and integration (Heinisch, Mühlböck, 2014).

A country's attitude towards an entity, organization or another country cannot be exactly measured. Besides, the attitude varies among different groups: population, politicians and political parties, experts, journalists, business people and others. For instance, at the political level, the V4 countries have a critical attitude towards the EU and its institutions however the majority of the citizens in these countries have a positive attitude towards the EU, as indicated by the Eurobarometer results.

In spite of the recent exacerbation of the euro-scepticism at the CEE level, one can remark that the support for the EU and its institutions is still high among the citizens of the CEE-11, as nine of these countries record much higher or at least similar levels of satisfaction as the EU average. In Lithuania, Romania, Poland and Estonia there are observed the highest shares of "total positive" views about the EU among the citizens (European Commission, 2017a). It is also interesting to notice that the attitude regarding China is comparatively much critical (Chart 8) and, surprisingly, among the countries with the most negative opinions on China there are exactly those which are the most active participants at the 16+1 platform, namely Hungry, Czech Republic and Poland.

Chart 8: "Total positive" views about the EU and China among the citizens of the CEE-11 countries (% of the total number of interviewees)



Source: Own representation based on European Commission (2017a).

The attitude towards China might reside in the sensitive issues. For instance, these countries record the largest trade deficits in relationship with China (Poland Euro 12 billion, Czech Republic Euro 8 billion and Hungary Euro 4 billion). Another explanation might be the accent set by the EU institutions on the sensitive issues in relationship with China. A more favourable EU image in some CEE countries could denote that sensitive issues linked to China have a higher significance there, with direct implications on the attitude towards China. Other scholars consider that some participants in the "16+1" process have "excessive expectations" about it and the current lack of achievements generates disappointment (Liu, 2016, p. 29).

Two main conclusions result from this. First, in a partnership between two states, the economic factors are more important than the image of the partner country. A positive image might strengthen the economic partnership nevertheless a negative image does not prevent two countries to have solid economic ties. Second, for the EU member states but also candidates and potential candidates, relationships with powerful countries outside the EU, including China can contribute to the increase of their own negotiation power inside/with the EU.

Among the CEE countries, Poland is considered by China as its most important partner (Góralczyk, 2017), while Hungary is a partner with a "special status" (Chen, 2017), which manifests the most obvious political will to strengthen bilateral relations (Góralczyk, 2017). Out of the CEE-16 countries, Poland, the Czech Republic and Serbia are China's strategic partners. In spite of that, the EU is by far their most important economic partner.

As regards Serbia, it "is currently walking a very fine line between an obvious need to cooperate closely with China and Russia, and to continue successfully its accession to the EU – proclaimed as the country's highest priority" (Teokarevic, 2016).

Poland is not considered by China to be merely a regional economic power, but also a country with the ambition to become a powerful state (Yao, 2017), which does not hesitate to criticize EU decisions when the national interest calls for it. A similar attitude has been identified in Hungary's case. Hungary has not supported a firm EU common position against China in sensitive issues, which reflects the success of the latter's bilateral lobbying actions

(Godement, 2016). Both Poland and Hungary consider that *a balance should be struck between the EU decisions and their own national interest*.

As regards Romania, since the 2007 accession, it has recorded high levels of trust and even “blind faith” in the EU institutions, correlated with distrust in national ones, due to the “disastrous situation in the public sector” (Durach, 2016, pp. 44-46). In Romania, which has not been affected by the migration crisis, EU is still seen as a “watchdog of democracy”, “a problem solver”, “a legitimate actor” in internal political affairs, in spite of the setbacks. Moreover, the EU is considered a prosperity enabler, as it offers access to “the civilized world”, “peace and democracy”, “freedom of movement”, “European funds” and other “financial advantages” (Durach, 2016, p. 46).

In relationship with China, Romania’s stance might be described as a “wait-and-see” attitude, as none of the large scale projects announced by the Romanian government in partnership with China has been implemented until now, neither in the field of energy, nor in others such as infrastructure. However, many private initiatives have been carried out. The total value of Chinese investment in Romania during 2000-2016 is estimated by Rhodium Group at almost Euro 890 million (the third largest value among the CEE-16, after Hungary and Poland), and the three most attractive sectors of the Romanian economy for Chinese investors are: energy (35% of total Chinese investments in Romania in 2000-2016), information and communication technology (24%) and the automotive industry (parts and components, 14% of the total). It should be underlined that Romania can cooperate with China in many other sectors, such as: transport, utilities, infrastructure, industrial machinery and equipment, tourism, agriculture, biotechnology.

The group of Balkan states has a special status among the CEE-16 countries. Four are EU candidates (of them, Montenegro and Serbia have started the accession talks), while Bosnia-Herzegovina is a “potential candidate”. The Western Balkans represent “the number 1 geopolitical challenge to the European Union. If the EU fails in the Balkans, its credibility as a global actor will be lost forever” (Fouéré, Blockmans, 2017). That is largely due to the North Atlantic Treaty Organization’s implication in the Yugoslav wars and explains the launch of the “Berlin Process” on Western Balkans in 2014 at Germany’s initiative, in order to stimulate the reform process in these countries and also the reconciliation at the level of civil society. Residents of all the five countries are more likely to see membership as beneficial rather than harmful, however in a different manner: from 80% in Albania, to 59% in Bosnia-Herzegovina, 58% in Macedonia, 49% in Montenegro and 40% in Serbia (Ritter, Zapryanova, 2017). The EU funds for this region still remain at low levels and in most of the cases, the citizens consider the Chinese and Russian funds as good as the EU ones (Republic of Serbia Government, 2016).

Figure 2: Dependency/attitude matrix – CEE-16 groups taking into account their dependency on EU trade and FDI and their attitude towards the EU

higher	*Higher dependency on trade, lower dependency on FDI (1)* Hungary – Euro-sceptic	*Higher dependency on trade, higher dependency on FDI (8)* Romania, Estonia, Latvia, Croatia, Slovenia – Euro-optimist/euro-moderate Poland, Czech Republic, Slovakia – Euro-sceptic
TRADE	*Lower dependency on trade, lower dependency on FDI (3)* Montenegro, Bosnia and Herzegovina – Euro-moderate Albania – Euro-optimist	*Lower dependency on trade, higher dependency on FDI (4)* Lithuania – Euro-optimist FYR of Macedonia – Euro-moderate Bulgaria, Serbia – Euro-sceptic
lower	*FDI*	*higher*

Notes: Lower dependency – percentages < 70%, higher dependency – percentages ≥ 70%. China's image is considered negative if the percentage of negative views in total is ≥ 50% and positive if the percentage of positive views in total is ≥ 50%. For the Visegrád group, is more relevant the political stance towards the EU, therefore we included the four countries among the Euro-sceptics.

Source: Own representation based on Eurostat (2017a, 2017b) and European Commission (2017a, 2017b).

Figure 2 emphasizes **several main conclusions**. The higher degree of dependency on the EU market and capital does not ensure a positive attitude towards the EU. The countries of the Visegrád group, together with Bulgaria and Serbia are euro-sceptic, while the euro-optimists and euro-moderates represent less than the half of the CEE-16. With the exception of Serbia, a euro-sceptic, the other four Balkan countries are either euro-moderate or euro-optimist.

The recent Chinese initiatives, meant to consolidate the economic ties with CEE-16 through direct lending (especially for infrastructure), trade and investment have not ensured automatically a positive attitude towards China. However these countries are ready to intensify their cooperation with China as this represents a complementary factor leading to economic growth. Not only the euro-sceptic countries such as V4, Bulgaria and Serbia are active players inside the 16+1 platform, but also euro-optimists and euro-moderates. This framework generates a **networking pushing effect**, which stimulates the CEE participants to keep the pace with the active players, in order not to be left behind.

Poland hosts already four bodies belonging to the institutional architecture of the 16+1 platform: the Permanent Secretariat for Cooperation between China and CEE, China-CEE Business Council, the Contact Mechanism for Investment Promotion Agencies and the

Secretariat for Maritime Issues. It launched also new institutions and mechanisms under the "Go China" program, in order to expand the ties with China (Yao, 2017). Other eight CEE-16 countries coordinate activities under this cooperation mechanism: Hungary (Tourism Coordination Centre), Czech Republic (Association of Provincial Governors), Bulgaria (Association for the Promotion of Agricultural Cooperation), Latvia (Secretariat on Logistics Cooperation), Slovenia (Cooperation in Forestry), Serbia (Association on transport and infrastructure cooperation), Slovakia (Technology Transfer Centre) and Romania (Centre for Dialogue and Cooperation on Energy Projects). In its turn, Macedonia intends to open a Cultural Cooperation Centre. Although this structure may appear as "bizarre" for some analysts, it highlights the sectors that are considered as priority by each participant and provides more efficiency in organizing 16 + 1 activities.

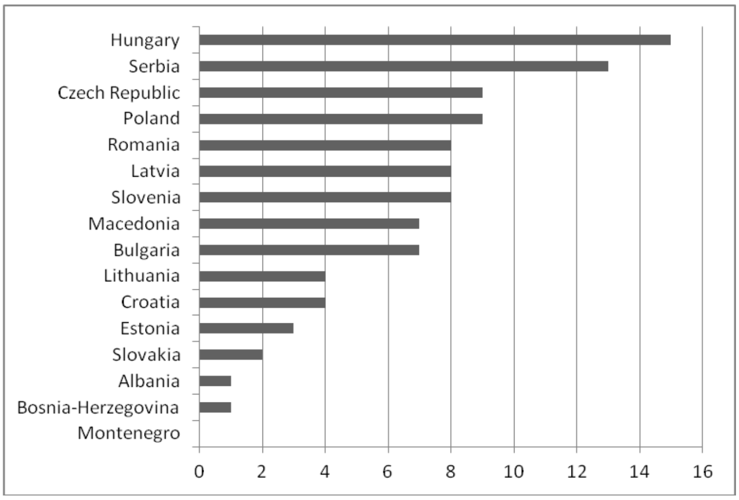
Romania, even if having recognized the importance of cooperation with China and having concluded a series of memoranda of understanding in 2012-2015, and also having proposed large-scale projects in the fields of energy and infrastructure with Chinese capital, it did not implement any of them. A certain progress is remarked in cultural activities however this is paralleled by an evident "wait-and-see" attitude.

In terms of political will to strengthen the cooperation ties with China, we resort to a simple clustering method in order to identify the main groups inside the CEE-16. By analyzing the lists of implemented measures of Bucharest, Belgrade and Suzhou Guidelines for Cooperation between China and CEE-16 (Chart 9), the number of coordinating bodies hosted by each CEE-16 country and the pace of fulfilling the undertaken commitments, one can remark four groups:

- Active participants ("champions", "leaders") – Poland, Hungary, Czech Republic and Serbia –. All of them are euro-sceptic.
- Ambitious partners – Romania, Latvia, Slovenia, Bulgaria and Macedonia –. The group is made of euro-optimists/euro-moderates but also one euro-sceptic, Bulgaria.
- Followers – Lithuania, Croatia, Estonia and Slovakia –. They are euro-optimists/euro-moderates.
- Laggards – Albania, Bosnia-Herzegovina, Montenegro –, euro-optimists/euro-moderates.

Romania is an atypical case among the CEE-16. On the one hand, it has a significant potential of cooperation with China and it recognizes it. On the other hand, the level of actual cooperation is much lower than the potential and it undertakes commitments in order not to be left behind, but the pace of implementation is sometimes too slow. "Ambitious laggard" might better reflect its stance as a participant at the 16+1 platform.

Chart 9: Hierarchy of the CEE-16 by number of events organized and agreements signed during 2013-2015 as part of the 16+1 framework



Source: Own representation based on the Ministry of Foreign Affairs of the People's Republic of China (2014, 2015, 2016).

Montenegro, Albania, Bosnia and Herzegovina have a lower dependency on EU trade and FDI but also lower levels of cooperation intensity with China under the 16+1 format (at political level). They are euro-optimist/euro-moderate. Macedonia is a euro-moderate, Serbia a euro-sceptic, and both have a lower dependency on EU trade, but higher on EU investment. The Western Balkan countries have already outlined major transport and energy infrastructure projects that have begun or are to be financed by Chinese loans, which are complementary to Russian and European ones. The transport route and the logistic corridor prefigured in the region are generically named the *Balkan Silk Road* (Bastian, 2017). It starts from the Greek port of Piraeus (already under concession agreement with the Chinese company Cosco) and continues with infrastructure projects in all the other countries mentioned, and will also be connected with Hungary if the Belgrade-Budapest railway project is declared compatible with the European acquis on public procurement. It must be stressed that the Balkan Silk Road is not imposed by China, but its route has been agreed with the partner countries. In Albania, China has already obtained the concession agreement for the international airport in Tirana for a period of ten years. Albania's participation in the Trans Adriatic Pipeline (TAP) gas pipeline project, which will ensure the transport of natural gas from Azerbaijan to Europe (southern Italy) on the Turkey-Greece-Albania-Adriatic route - requires massive infrastructure investments, and China might become a major player in this field as well. On the other hand, China's intentions to finance the Arber motorway and the Durres industrial park in a public-private partnership have not materialized, but it remains receptive to all investment opportunities in the region. In Bosnia-Herzegovina there are projects such as: Banja Luka-Split motorway, Tuzla, Banovici and Stanari thermal power plants (Levitin *et al.*, 2016). These aspects demonstrate that bilateral initiatives such as those mentioned above have the potential to boost 16 + 1 cooperation and, in turn, the 16 + 1 mechanism has a mobilizing effect on all participants due to intrinsic networking interactions.

4. *Conclusions*

The 16+1 platform has become a relevant cooperation mechanism between China and CEE-16 and a distinct component of the Chinese foreign policy since 2012, as demonstrated by the five summits which took place during 2012-2016 (Warsaw, Bucharest, Belgrade, Suzhou and Riga) and their direct results. Considered as a part of the Belt and Road initiative, 16+1 has been accompanying the transformation of the Chinese foreign policy into an assertive one from the beginning of the Xi-Li administration, offering the Chinese "going-out strategy" new characteristics. However, this is not meant to "divide and conquer", but to unify and consolidate Europe, one of China's most important partners worldwide.

The EU integration process continues to be the central element of the economic policies in the majority of CEE-16 countries and in spite of the EU weaknesses most of the CEE countries remain strongly dependent on the EU markets and capital. This supports the main variety of capitalism in this regions labelled as *Dependent Market Economy* by Andreas Nölke and Arjan Vliegenthart in 2009, however this does not prevent EU member countries, especially V4 but also candidates such as Serbia to find a balance between the EU decisions and their own national interest.

Our investigation highlights four groups at the level of CEE-16, taking into account their dependency on EU trade and FDI and their attitude towards the EU. Hungary, a euro-sceptic, is the only one with a higher dependency on EU trade but a lower dependency on EU FDI. In the group of countries manifesting an overreliance on both EU trade and FDI there are five euro-optimist/euro-moderate, namely Romania, Estonia, Latvia, Croatia, Slovenia and three euro-sceptics, Poland, Czech Republic and Slovakia. Lithuania, a euro-optimist, Macedonia, a euro-moderate and two euro-sceptics, Bulgaria and Serbia belong to the group with lower dependency on EU trade but overreliance on EU FDI. In the category of countries with lower dependency on both EU trade and FDI there are three Balkan countries, Montenegro, Bosnia-Herzegovina (euro-moderate) and Albania (euro-optimist).

One of the conclusions of our research is that a higher degree of dependency on the EU market and capital does not ensure a positive attitude towards the EU. At the same time, the recent Chinese initiatives, meant to consolidate the economic ties with CEE-16 through direct lending (especially for infrastructure), trade and investment have not ensured automatically a positive attitude towards China. However these countries are ready to intensify their cooperation with China as this represents a complementary factor leading to economic growth. Not only the euro-sceptic countries such as V4, Bulgaria and Serbia are active players inside the 16+1 platform, but also euro-optimists and euro-moderates. This framework generates a networking pushing effect, which stimulates the CEE participants to keep the pace with the active players, in order not to be left behind.

In terms of political will to strengthen the cooperation ties with China, we identify also four main groups inside the CEE-16: (1) Active participants ("champions", "leaders"), all euro-sceptic (Poland, Hungary, Czech Republic and Serbia); (2) Ambitious partners (Romania, Latvia, Slovenia, Bulgaria and Macedonia, most of them euro-optimists/euro-moderates but also one euro-sceptic, Bulgaria); (3) Followers (Lithuania, Croatia, Estonia and

Slovakia, euro-optimists/euro-moderates); (4) Laggards (Albania, Bosnia-Herzegovina, Montenegro, euro-optimists/euro-moderates).

Poland, the Czech Republic and Serbia are China's strategic partners, while Hungary is a partner with a “special status”, which manifests the most obvious political will to strengthen bilateral relations. All these countries attach a great importance to national interest and recognize the need of developing balanced relations with significant actors on the world stage, including China.

Even if it is included in the category of “ambitious partners”, Romania is an atypical case amid the CEE-16, as it is an “ambitious laggard”. It admits that there is a significant potential of cooperation with China, it undertakes commitments in order not to be left behind, but the pace of implementation is sometimes too slow.

Montenegro, Albania, Bosnia and Herzegovina have a lower dependency on EU trade and FDI but also lower levels of cooperation intensity with China under the 16+1 format (at political level). They are euro-optimist/euro-moderate.

Beyond these facts in these countries there have been already drafted major transport and energy infrastructure projects supported by Chinese loans, which demonstrates that the 16+1 mechanism has a mobilizing effect on all the participants due to the intrinsic networking and interactions.

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