



the 17+1 format and the European Union:

*Why does the EU have Skeptical Perception of the 17+1 Format
initiated by China?*

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Abstract

In 2012, China initiated multilateral cooperation with Central Eastern European countries (CEECs), and until 2019 there are 17 European countries joined the cooperation, also named by the 17+1 format. However, the EU has expressed their concerns and skeptical perception over this format, and consider it as China's intention to 'divide and rule' Europe. From the perspective of public goods, as the potential supplier in the Central Eastern European area, China is less competitive compared with the EU in the fields of infrastructure and norms. However, the CEECs have the demand for public goods provision from outside due to their political and economic dissatisfaction in the EU. So the EU concerns the CEECs' demands could extend the existing gap between them and damage the European unification and cohesion. And the 17+1 format performs the potential public goods supplier to the CEECs and meet these countries' demands, contributing to the EU's skeptical perception of this format.

Key words: the 17+1 format, the European Union, China, public goods.

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1. Introduction

The 17+1 format, which was 16+1 before Greece joined in 2019, is multilateral cooperation initiated by China and Central and Eastern European Countries (CEEC) in fields of infrastructure, trade, investment, technic, energy, and culture, etc. The 17+1 format consists of 12 European Union (EU) member states and 5 EU candidate countries. Since the Central and Eastern European area is the bridgehead of Eurasia and a key corridor of OBOR, the 16+1 format is linked up with the OBOR initiative as the flagship in Europe.

European Union¹ has responded to the 17+1 format with skeptical perception since its establishment. The 17+1 format including 12 EU member states concerns EU this format plays negative effects on European cohesion and function, and even ‘divide and rule’ Europeans². In 2015, European Parliament released a report on EU-China relations, in which the need for EU member states to speak one voice to China is stressed, and especially emphasize that the 16+1 format should not divide the EU or weaken its position, and strengthening of rules-based trade and investment with China is called³. In 2016, the European Commission published a joint communication of an EU strategy on China. This strategy asks for ‘a strong, clear and unified voice’ in interactions with China, and member states or groups such as the 16+1 format should be ‘in line with EU law, rules and policies, and that the overall outcome is beneficial for the EU as a whole’⁴. In the 2017 European Parliament’s report on EU-China relations, besides ‘One voice’ of EU member states to China, this report also asks transparency of the 16+1 format, cohesion with EU policy and legislation, and non-conflict to EU interests. what’s more, the latest EU strategy on China in 2019 described China as a negotiating partner, an economic competitor, and a systemic rival, and 'sub-regional cooperation frameworks such as the 16+1 format have a responsibility to

¹ European Union here is a unique economic and political union between 27 EU countries. In this thesis, the focus of European Union perception on the 17+1 format is from European integrated institutions, such as European Parliamentary and Commission, not individual EU member states.

² François Godement, Abigaël Vasselier, “China at the Gates: a New Power Audit of EU-China relations”, European Council on Foreign Relations, December 2017, p. 64.

³ European parliament, “Resolution on EU-China Relations”, December 16, 2015, <https://www.europarl.europa.eu/doceo/document/TA-8-2015-0458_EN.html>

⁴ European Commission, “Joint Communication to the European Parliament and the Council: Elements for a New EU Strategy on China”, June 22, 2016, p. 4.<http://eeas.europa.eu/archives/docs/china/docs/joint_communication_to_the_european_parliament_and_the_council_-_elements_for_a_new_eu_strategy_on_china.pdf>

ensure consistency with EU law, rules and policies⁵. Throughout these European official documents, the EU consistently emphasizes the importance of ‘One Voice’ on China, and the necessity to coherent with EU law and policies by instancing the 16+1 format, which shows EU skeptical perception on the 17+1 format of its potential negative impacts on European cohesion and function.

Besides these papers implying EU skeptical perception on the 17+1 format, there are some arrangements to respond to China’s growing presence in Europe, such as Instrument for pre-Accession Assistance (IPA II) and Berlin Process on Western Balkans⁶, and the EU-China Connectivity Platform. Firstly, IPA II is a programme of the European Union to help current and potential candidate countries to cope with political and economic reforms and strengthen regional integration from 2014 to 2020, targeting on the Western Balkan countries⁷ and Turkey. The IPA II allocation on Western Balkan countries is 7244.77 million euros. And the Berlin Process has created new regional dynamics, which by July 2018 had provided grants for 31 infrastructure projects in the region. Secondly, the EU-China Connectivity Platform was established in 2015 to explore opportunities for further cooperation in the field of transport, synergies between the EU trans-European transport network (TEN-T) and OBOR, and work towards greater transparency, reciprocity in market access⁸, which also regulates the 17+1 format⁹.

Under the EU’s skeptical perception on the 17+1 format, concerning this format performs negative impact on European cohesion and integration, the formulated question of this thesis is: why does the EU perceive the 17+1 format skeptically?

⁵ European Commission, “Joint Communication to the European Parliament, the European Council and the Council: EU-China a Strategic Outlook”, March 12, 2019, p. 5.<<https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf>>

⁶ Gisela Grieger , “China and the 16+1 format and the EU”, European Parliamentary Research Service, December 2018, p. 8.

⁷ Albania, Bosnia and Herzegovina, Kosovo, Serbia, Montenegro, the former Yugoslav Republic of Macedonia. The 17+1 format includes 5 Western Balkan countries which are Albania, Bosnia and Herzegovina, Serbia, Montenegro and Macedonia.

⁸ European Commission, “the EU-China Connectivity Platform”,< https://ec.europa.eu/transport/themes/international/eu-china-connectivity-platform_en>

⁹ Council of the European Union, “EU Strategy on China—Council Conclusion”, July 18, 2016, p. 5.<<http://data.consilium.europa.eu/doc/document/ST-11252-2016-INIT/en/pdf>>

2. Methodology

2. 1. Choice of Theory: the Public Goods Theory

This thesis applies the Public Goods Theory to address the formulated question. Public goods are non-excludable and non-rivalrous, which means the collective consumption of public goods would lead to an unbalanced supply and demand. The main focus of this theory is the supply and demand of public goods, and there are various sub-concepts and sub-theories, such as Hegemonic Stability, Prisoner`s Dilemma, and Tragedy of Commons, which are all about public goods supply and demand and how to balance these two sides.

Specifically in this thesis, the applying aspects of Public Goods theory are the interaction or competition between different public goods suppliers and the relation between suppliers and consumers, to fit the situation in which EU performs as the main public goods supplier and China as the later supplier in the Central Eastern European (CEE) area. As for this project, the Public Goods theory provides two perspectives of analysis: supply and demand of public goods in the CEE area.

BRI is a public goods provided by China¹⁰, and the 17+1 format performs as a crucial part of this initiative by providing infrastructure and governance goods to CEEC. In 2013, Chinese president Xi Jinping proposed BRI separately in Kazakhstan and Indonesia. BRI forms an international cooperation platform through bilateral agreements and existed multilateral organizations, and provides public goods to involved countries. There are 6 economic corridors between China and other countries or areas: New Eurasian Land Bridge, China-Mongolia-Russia Economic Corridor, China-Central Asia-West Asia Economic Corridor, China-Indochina Peninsula Economic Corridor, China-Pakistan Economic Corridor, and China-Bangladesh Economic Corridor. Through these economic corridors, China provides investment and financial assistance to relevant countries and implements infrastructure projects to promote multi-national transports.

China has initiated and established a series of financial and investment institutions to guarantee developing sources of BRI, such as the Asian Infrastructure Investment Bank (AIIB), the BRICS Development Bank, the Silk Road Fund, and the Asian Financial Cooperation Association. For instance, AIIB is a multilateral development bank with a mission to improve social and economic

¹⁰ Belt and Road Portal, “the Brief of ‘One Belt and One Road Initiative’”, <https://www.yidaiyilu.gov.cn/info/iList.jsp?tm_id=540>.

outcomes by investing in sustainable infrastructure and other sectors in Asia and beyond, and have now grown to 102 approved members worldwide¹¹. From 2016-2020, the total investment of AIIB is up to \$12.31 billion by 65 approved projects in sectors of energy, transport, water and urban, etc¹². In the field of infrastructure and transport, China-Laos Railway, China-Thai Railway, Jakarta-Bandung high-speed railway, and Budapest-Belgrade railway has been implemented and developed under China`s investments and assistances; China cooperates with several countries to build and develop ports like Gwadar Port, Hambantota Port, Piraeus Port, and Khalifa Port; China has signed bilateral air transportation agreement with 126 countries and areas¹³.

Also, the 17+1 format supplies regional public goods to CEEC in sectors of investments, financial cooperation, transport connectivity, and governance. The 17+1 format provides platforms of exchanging information and experiences among member countries and diffuses norms through the annual summit, cooperation secretariat, and national coordinators` meeting. In the field of transport connectivity, China has initiated several local projects, such as Budapest-Belgrade railway, Serbia E763 high-speed road, and Pereshaz sea-crossing bridge in Croatia, and China cooperated with several CEECs on Eurasian Land and Sea Transportation. About financial cooperation and investment, China provides \$100 billion special loads to promote the cooperations between China and CEEC, and CEEC could apply this load through China Development Bank, the Export and Import Bank of China, Industrial and Commercial Bank of China, Bank of China, China Construction Bank and China Citic Bank¹⁴; China initiated China-CEE Fund to support CEEC`s development in sectors of infrastructure, energy, manufacture, and education, and the total fund of stage one and two is up to \$15 billion.

However, there is a regional standing public goods supplier in CEE area, the EU, which is a highly integrated and comprehensive organization providing a vast of public goods to the CEECs like defense, economic, border, and cybersecurity. The EU and China have formatted an unclear

¹¹ AIIB, “the Introduction of AIIB”, <<https://www.aiib.org/en/about-aiib/index.html>>.

¹² AIIB, “the Project list”, <<https://www.aiib.org/en/projects/list/index.html?status=Approved>>.

¹³ Belt and Road Portal, “Six-year Outcome report of the Belt and Road Initiative”, <<https://www.yidaiyilu.gov.cn/xwzx/gnxw/102792.htm>>.

¹⁴ Chinese Ministry of Foreign Affairs, “China`s 12 Measures to Promote Friendly Cooperation with Central and Eastern European Countries”, April 26, 2012. <https://www.fmprc.gov.cn/mfa_eng/topics_665678/wjbispg_665714/t928567.shtml>

interaction on the regional public good supply in the CEE area, which China considers it as a supplement to CEECs' development and the European integration but the EU holds skeptical inception on it. Besides the provision of public goods from China and the EU, the demand of CEECs also plays a role, like these countries' choices and propensities on public goods from the specific supplier.

2. 2. Choices of Data

To address the formulated problem, qualitative and quantitative data would both be utilized. Firstly, qualitative data includes European documents, officials' speeches and statements, Chinese and China-CEEC-related documents, and relevant reports and researches. The main sources of qualitative data are websites of European institutions and China Foreign department and China-CEEC cooperation. Secondly, quantitative data is about economic figures such as trade, investment, and finance. The aim of qualitative data like official documents and relevant researches is to conclude public goods from the EU and China side on CEEC, and quantitative data could benefit the comparison between China and the EU.

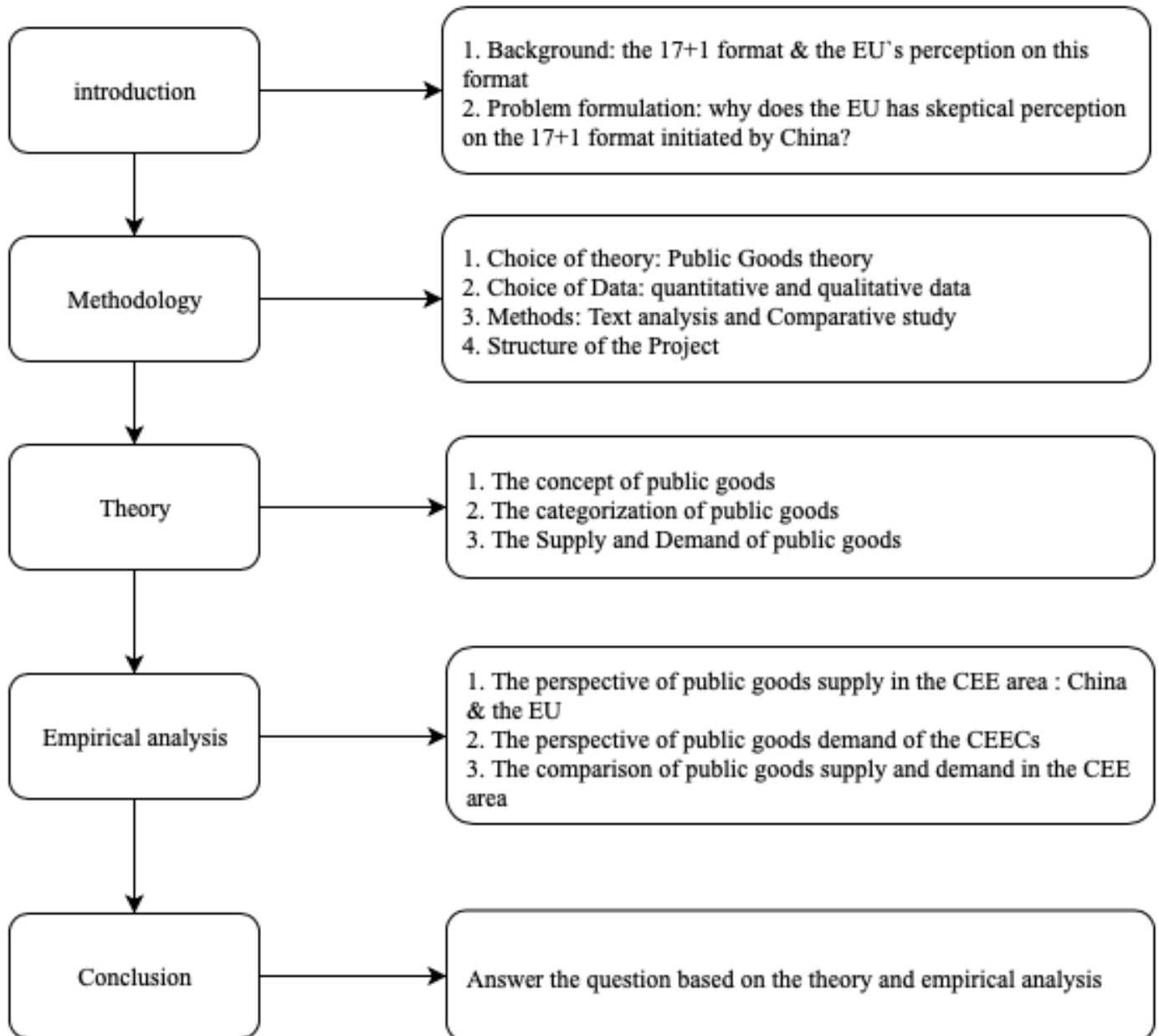
2. 3. Methods

There are two methods applied in this thesis: text analysis and comparative study. Text analysis is applied to conclude the public goods from text contents such as official documents and reports and so on. Specifically in this thesis, the reasons behind the EU's skeptical perception of the 17+1 format are determined from the perspective of public goods and the logics of public goods supply and demand. Secondly, Comparative study is to compare the EU and China's public goods in the CEE area. Part of the analysis of this thesis is to find the difference, overlap, or conflict between the EU and China in the field of public goods, which is to present the competition between these two sides. The Comparative study can help to presents the competitive relationship between the EU and China on the provision of public goods in CEEC.

Regarding the empirical analysis, there are three steps. The first step is to describe the public goods supply of China and the EU in the CEE area, focusing on the fields of infrastructure and norms; the second step is to illustrate the public goods demand of the CEECs; then the final step is to compare the EU's public goods with China's to present the interaction between them and find out if there are

any difference or conflicts, and combined with the CEECs' demand to answer the formulated question.

2. 4. Structure of the Project



3. Theory

3.1. The Concept of Public Goods

There are two fundamental criteria for public goods: non-exclusiveness and non-competitiveness. First, public goods are non-exclusive which means that individuals can not be excluded from the consumption of public goods like Mancur Olson said that any individual in a community cannot be prevented to consume non-exclusive goods¹⁵. Second, the non-competitiveness means that individuals' usages of public goods do not impact others' consumption, as Paul Samuelson said 'collective consumption' is an essential characteristic of public goods, which means an individual's consumption of a product does not decrease in utility because of the simultaneous consumption of others¹⁶.

However, in practice, public goods do not always present these two criteria of non-exclusiveness and non-competitiveness, when there are some specific arrangements to exclude part of people to use public goods or the number of consumers reaches the limits. According to the different extents of non-exclusiveness and non-competitiveness, public goods can be sort into pure public goods and impure public goods. Impure public goods, partially obtaining these two criteria, has two sub-groups: club goods and common pool sources¹⁷. Club goods are non-competitive but exclusive, and common pool sources are non-exclusive but competitive.

In domestic, the government provides public goods to citizens with taxing revenue, which is close to pure public goods. Citizens consume public goods of healthcare, education, national security, and pension. Even though a certain part of people have limited access to specific public goods or the consumption of public goods is unbalanced, which is mostly restrained by practical actors like

¹⁵ Mancur Olson, "Logic of Collective Action: Public Goods and the Theory of Groups", Cambridge: Harvard University Press, 1965, p. 14.

¹⁶ Paul A. Samuelson, "The Pure Theory of Public Expenditure", *The Review of Economics and Statistics*, Vol. 36, No, 4, 1954, p. 387.

¹⁷ Inge Kaul, Isabelle Grunberg and Marc A. Stern, "Defining Global Public Goods ", in Inge Kaul, Isabelle Grunberg, and Marc A. Stern, eds. , *Global Public Goods: International Cooperation in the 21st Century*, New York: Oxford University Press, 1999, pp. 4-5.

geographical location and public facilities, yet the right to consume public goods for each citizen is guaranteed by constitution and law.

While there is no centralized institution over national countries in international society, the provision of global public goods is uncertain. In the theory of hegemonic stability, hegemony takes the role of supplying public goods to international society, such as international financial, trade and security orders or institutions, in order to sustain its power and achieve national interests. Moreover, public goods is most likely to be privatized by hegemony. For instance, in the cold war, the United States and the Soviet Union established two divided systems of providing public goods to their community members, in which public goods works as hegemonies` approaches to maintain control and impact. Charles Kindleberger reckoned the necessity of hegemony privatizing global public goods, and hegemony considers the provision of public goods as a leverage to achieve interests instead of a duty¹⁸.

Furthermore, hegemony needs to bear the cost of providing public goods without any tax revenue from other countries like domestic governments. Of course, the provision of public goods is not charitable, and hegemony can achieve national interests through it, but it is hard to keep the balance between cost and benefit especially when hegemony suffers the power recession and there is an ongoing trend of globalization. In the cold war, the collapse of the Bretton System presented a fail of the United States to provide sustainable global public goods of currency, then Europe established its own Exchange Rate Mechanism and strived to establish European currency. After the cold war, the eruption of cross-border issues like terrorism and climate change burden the United States to supply global public goods, and on the other way around, the single public goods provision from America can not meet the global demand, which promotes the development of regional public goods.

Regional public goods emerged with the development of regionalization, which means goods benefitting region not global¹⁹. Compared with global public goods, regional public goods can be

¹⁸ Charles kindeberger, "Dominance and leadership in the International Economy Exploitation; public goods and free riders", in *Internaitonal Studies Quarterly*, Vol. 25, No. 2, 1981.

¹⁹ Cheng Gao, "Supply-Demand Relations of regional Public Goods and the Shifting Regional Order: A Case Study of Evolution Paths to the East Asian Order", in *World Economics and Politics*, No.11, 2012, pp.4-30.

specified to meet the local demand and focuses on keep the balance of supply and demand²⁰. Also, due to the limited covering scale, the benefits and costs of regional countries are determined, which prevents the free riders. According to Mancur Olson, in a small community, the provision of public goods is more sustainable with efficient supervision among countries while it is most unlikely in a big community because of ‘the Dilemma of Collective Action’²¹.

In European Integration, regional public goods performed a positive role. European countries have established a set of institutions and orders from political decision, security, currency, trade and border to tech, in order to build a Europe owned by European and cut dependence on America. The institutions and orders built by European regionalization are exclusive to outsiders, which gets rid of free riders. The emerge of regional public goods does not threaten global public goods or means that global goods are collapsing. On the contrary, regional public goods could be a supplement to global public goods and address local needs that global goods cannot meet, and global and regional public goods are coexisting or overlapping to some extent.

3. 2. Categorization of Public Goods

As for the categorization of public goods, there are various sorts. For instance, according to the degree of competitiveness and priority, there are public goods of security, development, norm, and value. Or according to the non-competitiveness and non-exclusiveness, there are pure public goods, common pool resources, and club goods. Practically, according to the division of fields, public goods can be sort into six sub-groups²²:

- Knowledge: the exchange of information, scientific research and development, education and training, and communication.
- Environment: approaches to decrease pollution, cooperation to establish a green economy and to combat climate change.
- Health: providing health assistance and service, preventing disease, and stopping the spread of epidemics.
- Peace and security: providing security in areas and military assistance

²⁰ He Huang, “‘One Belt and One Road’ from the perspective of Public Goods”, in *World Economy and Politics*, No. 6, 2015.

²¹ Olson, *Ibid.*, p. 25.

²² Evans School Policy Analysis and Research (EPAR), “Global Public Goods”, *University of Washington*, January 30, 2016, p. 5.

- Governance: setting common standards, promoting practices and policy regimes to address cross-border issues, and creating international or regional regulatory agencies.
 - Infrastructure: projects to deliver services, and investment to gain economies of scale.
- Infrastructure is not in itself public goods, but rather it provides services which have elements of the public goods. And also, it is more likely a regional public good, instead of global goods.

Table 1 shows examples of global public goods (GPG) and regional public goods (RPG) in the five main sectors:

Sector	GPG Examples	RPG Examples
Knowledge	Science and information technologies, education, cultural heritage, research centers, internet services, language, open source/ access, remote sensing data, GNSS signals, Global Earth Observation Systems of Systems, intellectual property rights	Knowledge processing and dissemination, study of innovations and best practices, Knowledge processing and dissemination, study of innovations and best practices,
Environment	International environment/ atmosphere, climate change mitigation, international environmental agreements, Amazon rainforest, biodiversity conservation, international agriculture, geoengineering, food security, ozone layer protection, international waters, food safety, Consultative Group on International Agricultural Research	Flood prevention/control, environmental education, water policy/management, water resources protection, waste management, acid rain prevention, limiting sulfur emissions, climate information systems, forest fire suppression
Health	Disease eradication, disease surveillance, vaccination R&D, communicable disease control, animal health/veterinary services, affordable access to medicines, genomics	Health policy/management, medical services, malaria eradication, medical education/ training, health education, health personnel development, protection and pest control, rural regional development
Peace and Security	Drug trafficking control, corruption control, strategic defense, peace-keeping, international humanitarian assistance, refugee protection, maritime security	Post-conflict peace building, demobilization, land mine clearance, reconstruction relief
Governance	Financial stability, international financial regulation, political stability, trade, global institutions, equity and justice, universal human rights, tax competition	Setting up regimes to address cross-border problems, creating networks of regulatory agencies

Table 1 Source: EPAR research on Global Public Goods

3. 3. The Supply and Demand of Public Goods

Differing with domestic public goods which are mainly provided by national governments, the suppliers of global or regional public goods are not certain or constant. Powerful countries tend to provide public goods to other countries in order to promote international impact and gain power²³. Especially, in a multi-polarized world, there are competitions among big countries on public goods provision, and also the demand for public goods consumers plays a vital role in the public goods system.

3. 3. 1. The Perspective of Public Goods Supply

Powerful countries can gain power from small countries through sharing benefits, which is the basic rationale of big countries providing public goods to expand international influence²⁴. However, the number of public goods consumers is comparatively fixed, which intensifies the competition among public goods suppliers. For instance, in the cold war, the United States and the Soviet Union competed to win the third world by providing military equipments and financial assistance. And also, during the transformation of international power structure or the existence of multiple powers, the competition of public goods provision would be intense²⁵.

There are two types of competitions of public goods supply: geographical and functional competition. Firstly, in a certain area, the provision of public goods is monopolized by one specific supplier, and the potential public goods supplier needs to defeat the original supplier to gain the power of supply, like the confrontation between the United States and the Soviet Union on the middle area during the cold war, and nowadays the EU could be considered as the main public goods supplier in the region. Secondly, the functional competition is a matter of public goods suppliers' comparative advantages in different fields. One country that has more capability in one

²³ Wei Li, "the Transformation of International order and the Generation of Realistic Institutionalism ", in *the Foreign Affairs Review*, No. 1, 2016, pp. 31-59.

²⁴ Yuan Yang, "How did a Rising Power Compete with a Hegemonic power for a Small stats?-Case Studies from the History of Ancient East Asia", in *World Economics and Politics*, No. 12, 2012, pp.26-52.

²⁵ Zhang Chun, "Competition over Provision of International Public Goods and Paths Forward: Polarizing Dynamics in the Asia Pacific Region and the Building of a New Type of Great Power Relationship between China and the U.S.", in *Journal of Contemporary Asia-Pacific Studies*, No. 6, 2014, pp. 52-77.

specific field tends to expand its power to other countries or areas, leading competition of public goods provision with a local supplier.

The geographical competition is most likely to be zero-sum, and the loss of existing public goods supplier would be the gain of potential supplier; the functional competition is not a zero-sum game, but this type of competition could turn into geographical one with potential supplier's willingness and capability²⁶.

3. 3. 2. The Perspective of Public Goods Demand

It is obvious that different countries have distinct demands of public goods, so the consumers also involve the competition among public goods suppliers. In these two types of competitions mentioned above, public goods consumers play different roles. In the geographic competition, public goods consumers have limited impacts on the competition, in which the relation between existing and potential suppliers performs as the leading factor. In the functional competition, consumers' perceptions and policy of public goods would lead to completely different public goods supplying models and influence the competition.

So under the functional competition, there are mainly three models according to the consumers: Firstly, if public goods consumers choose a single supplier for all types of public goods, the functional competition would turn into a geographical one, and the potential suppliers need to invest a lot to involve the public goods provision in the region; Secondly, if consumers do not show any tendency or make any choice or act as a free-rider, the competition would be determined by the relation between the existing and potential public goods suppliers and their strategies; Thirdly, consumers make choices based on the comparative advantage of public goods supply, then the zero-sum competition between existing and potential public goods suppliers would be avoided, and at the same time public goods consumers can get the most efficient public goods²⁷. However, the behavior of consumers could be more complicated, and the intentions and strategies behind their choices would also affect the competition.

²⁶ Ibid.

²⁷ Ibid.

Overall, public goods consumers have limited impacts on geographical competition but can play a vital role in functional competition. In the functional competition, consumers' different choices and rationales behind them would lead the competition among public goods suppliers in a distinct direction.

4. Empirical Analysis

Regarding the empirical analysis, there are three steps. The first step is to describe the public goods supply of China and the EU in the CEE area, focusing on the fields of infrastructure and norms; the second step is to illustrate the public goods demand of the CEECs; then the final step is to compare the EU's public goods with China's to present the interaction between them and find out if there are any difference or conflicts, and combined with the CEECs' demand to answer the formulated question.

4. 1. The Public Goods Supply from China and the EU

4. 1. 1. The Implementation and Outcome of the 17+1 Format

In 2012, in the wake of the 2008 financial crisis and the low-growth situation in the EU, China initiated a cooperation format with 16 CEECs which share a communist past but are fairly heterogeneous in terms of their economic development and legal status as EU Member States and (potential) candidates for EU membership. Also, CEECs holds a strategic position as a bridgehead to the EU market and a crucial transit corridor for Belt and Road initiative (BRI) initiated by China. In turn, the CEECs were 'looking east' for new investment in support of their recovery and development. Western Balkans were particularly eager in seeking sources of funding to upgrade infrastructure and transport links and modernize outdated energy and industrial facilities. These needs fit with China's demands in developing a key transport corridor of its Belt and Road initiative (BRI).

Accordingly, in its 2012 Twelve Measures paper, China proposed to enhance its relations with the CEECs through a loose multilateral platform followed these formats it had previously established with Africa, the Middle East and Latin America. The China-CEEC cooperation format established a multilateral, and pragmatic cooperation on trade, investment, financial, connectivity and cultural issues. It created an additional layer to bilateralism between China and CEECs and the EU-China multilateral setting.

4.1.1.2. The Institutional Structure of the 17+1 Format

Since the establishment of "17+1" in 2012, this format has been institutionalized consistently by member states, and the official Guidelines released after the annual summit every year represent the

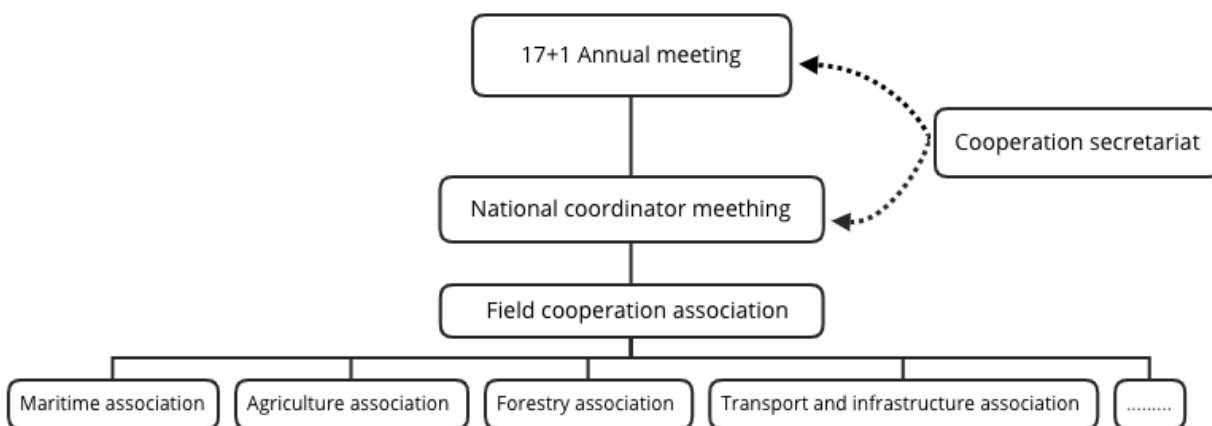
concrete institutionalizing steps of the "17+1" format, which are shown in table. The top-level of this format is the annual summit attended by high-level leaderships from 17 countries. Under the annual summit, the national coordinator meeting would hold twice a year in China and one CEE country separately. Besides, the cooperation secretariat would report to the national coordinator meeting sharing information and hold a quarterly meeting with CEE countries' embassies in China. In different fields, cooperation associations are set to manage relevant projects, such as maritime association, transport, and infrastructure association and agriculture association, and these associations need to update the cooperation statuses to the national coordinator meeting. Aside from the institutional arrangements, official group meetings, forums, and expos are applied in this format while these activities can not be considered as multilateral order, regime, or institutions.

Year	Official document	Order, Regime or Institutions
2012	Press release of the summit between China and central and Eastern European countries	-
	Twelve measures to promote friendly cooperation between central and Eastern European countries	Setting the cooperation secretariat
2013	Bucharest Guideline	Setting the contact mechanism for the investment promotion agencies of China and CEE countries
2014	Belgrade Guideline	<ol style="list-style-type: none"> 1. Establishing the transport and infrastructure association, Logistics cooperation association, commerce association, agriculture association 2. Setting the secretariat of the contact mechanism for the investment promotion agencies
2015	Suzhou Guideline	<ol style="list-style-type: none"> 1. Setting the national coordinator meeting 2. The cooperation secretariat would report to the national coordinator meeting sharing information and hold quarterly meeting with CEE countries' embassies in China 3. The cooperation associations need to update the cooperation statuses to the national coordinator meeting
	Medium term plan for China CEEC cooperation	<ol style="list-style-type: none"> 1. University association 2. The establishing of The customs clearance facilitation cooperation mechanism 3. Governors association 4. Forestry cooperation and coordination mechanism
2016	Riga Guideline	<ol style="list-style-type: none"> 1. Setting secretariats for the Logistics association and maritime association 2. Association for the promotion of health cooperation
	Riga affirmation	-

Year	Official document	Order, Regime or Institutions
2017	Budapest Guideline	1. Interbank consortium, interbank consortium secretariat, interbank consortium coordination center
	List of five-year achievements of China CEEC cooperation	1. China-Hungary-Serbia working group on transport infrastructure cooperation 2. China, Hungary, Serbia and Macedonia sign a framework agreement on customs clearance facilitation cooperation 3. China, Hungary, Serbia, Macedonia and Greece cooperation mechanism on facilitation of customs clearance for the construction of the China-Europe land-sea express line was formally established
2018	Sofia Guideline	-
2019	Dubrovnik Guideline	-

Table 2 source: the guidelines of the 17+1 format

So the "17+1" format is in the early multilateral stage with no completed regime and developed institutions and also low-recognized and poor-designed orders. The annual meeting is the top-level arrangement of this multilateral cooperation, which sets plans and strategies. Then, field cooperation associations focus on practical works under the instructions of annual meetings' outcomes involving different countries that are interested in the cooperation associations. Moreover, the cooperation secretariats and national coordinator meetings perform as the channel of information and communication. Even though there is an annual meeting attended by 17 countries and sub-agencies implementing and monitoring the cooperation progress, the actual and practical cooperations are divided and non-united because of the diverse demands and various domestic situations from the CEE countries which are more bilateral or limited multilateral. Overall, the multilateral arrangements of the "17+1" format are fragmented and undeveloped.



4.1.1.3. Public goods provisioned through the 17+1 format

According to Five-year Outcome List of Cooperation Between China and Central and Eastern European Countries in 2017 and Reflections of Sofia and Dubrovnik Guideline in 2018 and 2019, the category of public goods provided through the 17+1 format could be concluded as follow table:

China-CEEC Cooperation	
Knowledge	<ol style="list-style-type: none"> 1. Official and civil communication on culture, art, and tourism 2. High education cooperation and exchange programme 3. Tech and innovation interaction
Environment	<ol style="list-style-type: none"> 1. Environment cooperation mechanism 2. Climate change
Health	<ol style="list-style-type: none"> 1. Hospital cooperation alliance 2. National public health cooperation mechanism
Peace and Security	-
Governance	<ol style="list-style-type: none"> 1. Annual summit 2. Cooperation secretariat and national coordinators 3. Cooperation associations in various fields
Infrastructure	<ol style="list-style-type: none"> 1. Custom convenience cooperation: China, Hungary, Macedonia, Serbia, Greece 2. Railway cooperation: China, Hungary, Serbia 3. Sea ports and industrial park nearby: Latvia, Bulgaria, Lithuania, Croatia 4. Internet cooperation: Czech, Poland, Serbia 5. Nuclear cooperation: China, Romania, Czech, Hungary 6. Financial fund and investment for infrastructure and other projects

Table 3 source: the guidelines of the 17+1 format

Knowledge, health, and environment public goods through the format are at a comparatively low level; and governance public goods are under the process of institutionalization but in a loose shape and a combination of multilateralism and bilateralism; public goods of infrastructure is the most fruitful cooperation area with multiple projects.

Regarding the public goods of governance, besides the concrete and visible institutional arrangements and regulations of the 17+1 format, there are invisible and underlying norms and practices implementing with the cooperation projects, which could exert subtle influences on CEECs. For instance, Chinese loans are based on intergovernmental agreements that do not envisage public tenders but are tied to a Chinese main contractor, usually a Chinese state-owned

enterprise (SOE), and a high level of involvement of Chinese workers, material and equipment. Moreover, Chinese loans usually require state guarantees²⁸. In practice, the features of Chinese loans are incompatible with EU norms and regulations, notably with the EU public procurement rules on open and competitive bidding procedures. Also, the 17+1 format has increased competition among CEECs for cooperation with China. They have spurred the political alignment of some CEECs to China's interests, like sovereignty (South China Sea), economic interests (market-economy status for China), and silence on human rights issues. As for the public goods of infrastructure, according to the MERICS BRI database, since 2013 China has financed completed infrastructure projects worth US\$715 million in the 16+1 region and Chinese-funded projects of over US\$3 billion are under construction.

4. 1. 2. The EU's regulations, norms and assistance on CEECs

This part focuses on the EU's arrangements on EU and non-EU countries in the 17+1 format, such as regulations, norms and assistance. From the perspective of public goods, the EU, as the dominant supplier in the region, provides goods of multiple fields to member countries from monetary, economic, and border to security, and also assists candidate countries politically and financially in the enlargement process. In the implementation of the cooperation projects, the 17+1 format performing as an external public goods supplier would be most likely to confront the EU's regulation and norms for member countries and assistance for candidate countries.

4. 1. 2. 1. The EU's regulations and norms on EU members in the 17+1 format

(1) European Union Competition Law

The EU has established a set of rules to protect free competition in the European Single Market, which is the European Union Competition Law. The Competition Law is developed from the Article 101 and 102 of the Treaty on the Function of the European (TEFU). Firstly, article 101 bans two or more independent companies in the market make agreements to restrict competition, including horizontal and vertical agreements²⁹, such as cartel involving price-fixing and marketing sharing.

²⁸ Gisela Grieger, "China, the 16+1 format and the EU", European Parliament Research Service, September 2018, p.7.

²⁹ Horizontal agreements between actual or potential competitors at the same level of supply chain; vertical agreements between companies at different levels.

Secondly, article 102 prevents dominant companies in the market to abuse business power like setting unfair price and limiting production.

The TEFU endows the European Commission investigative power to conduct the Competition Law, and commission can also fine companies or operator in the market which break the law. On the national level, the TEFU also empowers National Competition Authorities(NCAs) to maintain free competition and protect citizens' right. Overall, the Commission has conducted relevant policy to protect free competition before national courts, and also works with national authorities to ensure the coherence of the Competition Law throughout the EU³⁰.

In 2004, the EU and China built the EU-China Competition Policy Dialogue, a permanent mechanism for consultation and transparency. Moreover, the EU initiated the Competition Cooperation Project with Asian countries including China, India, Japan, South Korea and the ASEAN member states, for communication and exchanging practice experiences. And, the Directorate General for Competition of the European Commission has established close cooperation with Chinese National Development and Reform Commission and State administration of Industry and Commerce on anti-monopoly and free-competition³¹.

In practice, China's state-owned companies are the potential concerns to the European free competition. In 2020, Margrethe Vestager, vice-president of the European Commission, stated in a conference that the European authority is working on new methods to confront with 'state ownership' which harms free competition³², and Chinese state-owned companies could be in an advantageous position in the competitions with European counterparts. And, the 16+1 format is mostly financed and led by state-owned and government-controlled companies and banks of China, which could be considered as the potential violation to the EU competition rules and lead to failure of 16+1 projects.

³⁰ European Commission, "Overview of Competition", <https://ec.europa.eu/competition/antitrust/overview_en.html>.

³¹ European Commission, "Competition-China", <<https://ec.europa.eu/competition/international/bilateral/china.html>>.

³² Foo Yun Chee, "EU's Vestager to set out plans to tackle China's state-backed firms", March 3, 2020, *Reuters*, <<https://www.reuters.com/article/us-eu-antitrust/eus-vestager-to-set-out-plans-to-tackle-chinas-state-backed-firms-idUSKBN20P2RF>>.

(2) EU's rule on State Aid

Under the principle of free competition, state aid to companies is generally considered as violations to competition as companies could gain advantages over other companies, unless the state aid is for general economic development. The EU's rule on state aid developed from the article 107 of TFEU which regulates any aid from member states or state resources should not threat competition and trade³³.

According to the European Commission, state aid is 'an advantage in any form whatsoever conferred on a selective basis to undertakings by national public authorities'. There are some variables of state aid: firstly, an intervention from member states or state resources like interest and tax reliefs, grants or government holding; secondly, aid on s selective basis; and such intervention might affect competition or trade. Of course, in some fields state aid is vital for economic development such as agriculture, and the TFEU leaves space for exceptions.

Same as the Competition Law, the European Commission is entitled the power of investigation and decision-making on state aid. Followed the State Aid Procedural Regulation, state aid inquiries would be launched if certain aids or interventions are likely to harm free competition in member states with permission of the European Commission, and beside official institutions, companies and citizens also have the right to submit complaints and ask for investigation. Also, all new aids have to be approved by the European Commission before put into implementation, and if there is an unlawful aid without the Commission's approval, the Commission would open up an investigation and make a final decision³⁴.

As for the 17+1 format, the infrastructure or other fields projects receive Chinese investments or are implemented by Chinese companies which are state-owned or under state intervention, so the EU rules on state aid are applicable to these projects under 17+1 format. More likely, Chinese state funding pouring into the CEE area concerns the EU, which might be a violation to the rules of state aid as it could harm free competition in the European internal market.

³³ European Commission, "State Aid Procedures", < https://ec.europa.eu/competition/state_aid/overview/state_aid_procedures_en.html?

³⁴ Ibid.

In 2017, China and the EU signed a Memorandum of Understanding to start a dialogue on state aid control. This dialogue is a channel for China and the EU to communicate about the state aid and each others` experiences and practices, and ultimately to maintain free competition. However, there are criticism and concerns about Chinese state-aid and its negative impacts. And currently, during the Corona-situation and potential economic depression, the EU has the tendency to relax the state aid rule and allow member states to help companies which may face bankruptcy³⁵, and particularly be important to prevent hostile takeovers of strategic company by foreign purchasers and unfair competition from state-owned companies such as China³⁶.

(3) EU Public Procurement Rules

To guarantee fair access to goods, works and services for member states, the EU established a set of rules on public procurement. According the European Commission, public authorities in the EU cost about 14% GDP on the procurement of services, works and supplies, and procurement can increase employment, promote economic growth and investment³⁷. So maintaining fair and efficient procurement is essential and vital for economic development, and the purposes of public procurement rules are to keep procedural process open, transparent, equal and competitive.

The public procurement rules have six strategic policy priorities elaborated in the 2017 communication 'Making public procurement work in and for Europe': ensuring wider uptake of innovative, green and social procurement; professionalizing public buyers; increasing access to procurement markets; improving transparency, integrity and data; boosting the digital transformation of procurement; cooperating to procure together³⁸. Specifically about large infrastructure projects, the public procurement rules allow national authorities to get an assessment

³⁵ Darren McCaffrey, “European countries need to protect their companies from Chinese takeovers, says EU Commissioner”, April 13, 2020, *Euronews*, <<https://www.euronews.com/2020/04/13/european-countries-need-to-protect-their-companies-from-chinese-takeovers-says-eu-commissi>>.

³⁶ Justin Harper, “EU helps protect weak firms from foreign takeovers”, April 17, 2020, *BBC*, <<https://www.bbc.com/news/business-52320435>>.

³⁷ European Commission, “Public Procurement”, <https://ec.europa.eu/growth/single-market/public-procurement_en>.

³⁸ European Commission, “Internal market, Industry, Entrepreneurship and SMEs”, <https://ec.europa.eu/growth/content/increasing-impact-public-investment-through-efficient-and-professional-procurement-0_en>.

from the Commission through the ex-ante mechanism³⁹ before the project tendering or signing agreement.

Chinese companies are also obliged to the EU Procurement Rules, and due to state funds or resources in projects that China involves, Chinese companies and investors might confront obstacles in the procurement, such as the project of Pelješac bridge in Croatia. The Pelješac bridge project will connect the southern portion of Croatia with its north part, in which the Neum Corridor divides these two parts and its a 12km land of Bosnia and Herzegovina. This project will bypass the land of Bosnia and Herzegovina, and improve the connectivity and enhance the territorial cohesion of Croatia.

In 2018, this project tender won by a Chinese company, China Road and Bridge Corporation (CRBC). However, there was controversy and complaints about China dumping price during tender. With 297 million euro, CRBC outbid other two companies Strabag of Austria whose bid was 351 million euro and Astaldi with 343 million euro. After the tender, these two companies sent a complaint to the Croatian State Commission of Public Procurement Procedures about CRBC's 'unusually cheap tender price' that was supported by China government. The state Commission rejected their complaint, then these companies reported to the EU Commission and the Commission referred the case to local court. Later, Strabag filed a complaint to the Court in Zagreb, but the appeal was turned down⁴⁰.

(4) Foreign Direct Investment(FDI) screening mechanisms

In 2017, the European Commission accepted a proposal for establishing a FDI screening mechanism to protect the European interests like fair trade and investment. The background of this proposal was the EU faces the shifts of international power structures and other rising countries' political and economic impacts and intervention, such as FDI⁴¹. Moreover, there was no integrated and centralized FDI screening mechanism in the EU, and the FDI mechanism of member states

³⁹ The ex-ante mechanism includes helpdesk providing guidance, answering questions and clarifying specific issues at an early stage, notification mechanism providing assessment if the procurement plan complies with EU laws, and information exchange mechanism sharing information between the Commission and contractors.

⁴⁰ Jelena Prtoric, "In Croatia, China's building its bridge to Europe", May 11, 2020, *China dialogue*, <<https://www.chinadialogue.net/article/show/single/en/12005-In-Croatia-China-s-building-its-bridge-to-Europe>>.

⁴¹ European Parliament, "EU Framework for FDI screening", April 2019, <[https://www.europarl.europa.eu/RegData/etudes/BRIE/2018/614667/EPRS_BRI\(2018\)614667_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2018/614667/EPRS_BRI(2018)614667_EN.pdf)>.

were fragmented. According to a report from the European Commission in 2018, there were 13 member states established screening law along with relevant regulations like ownership restrictions, and other countries just had various restrictions on ownerships or investments⁴².

In 2019, the new FDI screening mechanism came into force. Based on the proposal in 2017, the new framework is to⁴³:

- Create a cooperation mechanism for the Commission and member states to exchange information
- Allow the Commission to give opinions to an investment which potentially threat to the EU interests
- Encourage international cooperation on FDI screening
- Set requirements for member states who want to keep a national creeping mechanism

The EU has long-standing concerns over Chinese investment on EU market for its state-backed nature. In practice, Chinese investment could face the intervention or barrier from European institutions or member states within or without FDI screening mechanism, and some FDI screening could come out of political and security concerns in an informal way, such as the case of Kuka – Midea’s takeover. In 2016, Midea, a Chinese manufacturer, offered to buy around 25% Kuka’s share valued about 1.2 billion⁴⁴, which is a German robot maker. However, this takeover raised German government’s concern and they failed a try to persuade a consortium of German and European investors to takeover Kuka. Also, out of security concern, Kuka sold its American business on sensitive military activities to a US company. Eventually, Midea’s takeover of Kuka came into effect in 2017.

4. 1. 2. 2. The EU’s Assistance on EU Members and Non-EU countries

In 17+1 format, there are 5 non-EU Balkan countries, Albania, Bosnia-Herzegovina, North Macedonia, Montenegro, Serbia. The EU invested more than 8.9 billion euro in Balkan region

⁴² European Commission, “Review of national rules for the protection of infrastructure relevant for security of supply”, February 2018, <https://ec.europa.eu/energy/sites/ener/files/documents/final_report_on_study_on_national_rules_for_protection_of_infrastructure_relevant_for_security_of_supply.pdf>.

⁴³ European Commission, “EU foreign investment screening regulation enters into force”, April 10, 2019, <https://ec.europa.eu/commission/presscorner/detail/en/IP_19_2088>.

⁴⁴ Amie Tsang, “Midea of China Moves a Step Closer to Takeover of Kuka of Germany”, July 4, 2016, the New York Times, <<https://www.nytimes.com/2016/07/05/business/dealbook/germany-china-midea-kuka-technology-robotics.html>>.

through the Instrument for pre-Accession Assistance, which helps potential candidate countries to adapt their legal systems and economics in order to qualify to join the European Union. Besides, in 2014 the EU launched the Berlin Process, which by July 2018 had provided financial support for 31 infrastructure projects in this area.

(1) Trans-European Transport Network (TEN-T)

TEN-T was implemented in 1996 by the European Commission to develop the European connectivity and enhance European territorial connection. Currently, there are two layers of TEN-T: the first one is to accomplish the core network linking the most strategic geographical locations by 2030 and including nine corridors; the second is the comprehensive network which is to connect all European regions by 2050.

At the time of 1996, Eastern European countries were still candidate countries and not included in the TEN-T. Until 2017, TEN-T was extended to eastern Europe and covered Eastern member states. According to German Federal Ministry of Transport and Digital Infrastructure, there are total 26.2 billion euro for TEN-T funding in the period from 2014 to 2020, and 500 billion euro is required for the extension of TEN-T.

(2) Instrument for Pre-accession Assistance (IPA II)

The EU established the Instrument for Pre-accession Assistance from 2014 to 2020 period to assist potential candidate countries to conduct political and economic reforms and to meet the EU's standards. Currently, the IPA II is in new phase from 2014 to 2020, and the former one was from 2007 to 2013. And the assisting targets of IPA II are Western Balkan countries, Albania, Bosnia and Herzegovina, Kosovo, Montenegro, Serbia, the former Yugoslav Republic of Macedonia, and Turkey.

For current and potential candidate countries, they have to meet the Copenhagen Criteria to get the EU membership, which is a set of standards of political, economic and law fields. During the process, IPA II assists these countries: reform for the EU membership and capacity building; economic and regional development; employment, social policies, education and gender equality development; agriculture and rural development; regional and territorial cooperation⁴⁵. Under the

⁴⁵ European Parliament, "Instrument for Pre-accession Assistance (IPA II)", June 2017, <https://ec.europa.eu/neighbourhood-enlargement/instruments/overview_en>.

IPA II, the financial allocation from the EU is around 117 billion euro⁴⁶. Moreover, the largest beneficiary of the IPA II is Turkey that shares over 44 billion euro.

(3) The Berlin Process

The Berlin process was set by the European Commission to help six Western Balkan countries- Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Kosovo, Montenegro and Serbia to confront economic and political barriers, especially to improve connectivity in these countries by investing infrastructure projects. This initiative is considered as the EU's response to China's involvement in this area, and by July 2018, the Berlin Process had invested 31 infrastructure project in these countries⁴⁷.

4. 2. The Public Goods Demands of CEECs

In the end of last 80s, the unification of Germany and collapse of Soviet Union pushed the Eastern European countries into a middle zone between Western community and Eastern communist failure. Under the situation, 'back to Europe' and joining the European Integration became their strategic goal.

Historically and culturally, eastern European countries are always part of Europe, and the cold war had divided them and put them under the communist campaign led by Soviet Union. When in the communist side, Eastern European countries joined the Council for Mutual Economic Assistance and conducted planned economy initiated by Soviet Union. After the end of the second world war, the planned economic mechanism lifted these countries out of poverty and chaos. With the recovery of economy and society, the planned economy blocked the further development, and under Soviet Union's regulation, any interaction and communication with Western Europe were prohibited, which led to a gap between Eastern and Western Europe and unbalanced economy in Eastern European countries. So after the collapse of Soviet Union, Eastern European countries intended to choose the western economic mode.

⁴⁶ Ibid.

⁴⁷ Gisela Grieger, "China, the 16+1 format and the EU", European Parliament Research Service, September 2018.

Moreover, the economic power of Western Europe appealed these former planned economic countries to join western part. Economically, Eastern European countries had great potential to further economic development, and with grande demand and free market of Western Europe, these countries could have more opportunities for development, and build open and competitive market economy and improve social living.

From the perspective of security, Eastern European countries regarded joining the European Integration as their safety net after the Cold War. Eastern European countries were fragmented and not in a union, and seeking align with other powers could secure their interests. And the Warsaw Treaty Organization dismissed with the collapse of Soviet Union, which isolated Eastern European countries in military. So join the European Integration became these countries` prior option for their security.

As for the process of enlargement, Eastern European countries needed to meet the Copenhagen Criteria, which is a set of standards ranging from politics, economic, law and other arrangements, for the European Union membership. These countries started political, economic and social reforms, and the first group of 10 Eastern European countries joined the EU on 2004, and other 3 countries followed in 2007 and 2013.

However, the Eastward Enlargement has raised a bunch of problems. Firstly, the join of new members led to a change of the EU`s original finance structure, like agriculture and assistance funding, about how the new members share the burden and enjoy benefits. Then, enlargement increased the figure of member states, which challenged the European institutions and decision-making; Thirdly, the existing gap between Eastern and Western part decreased Eastern European countries` willingness to promote the European Integration. Furthermore, the European debt crisis, refugee crisis and populism has worsened these problem and extended the gap between Eastern and Western Europe.

After the 2008 economic crisis and European debt crisis, there was a decease of FDI in CEE area, slowing down the economic recovery and development. Especially, the investment from Western European has also been cut. So under this situation, China became the potential investor to CEECs for economic development. On anther way, decreasing of investment from wealthier EU member states has raise CEECs` dissatisfaction, and the EU`s inefficient deal with the economic crisis also

has dampened CEECs' expectation on the European Integration. For instance, members states from Slovakia to Estonia refused to pay more for Greece reform, and Slovak Finance Minister said that the scenario of Greece leaving Euro zone is realistic⁴⁸.

With the refugee crisis, the conflicts between CEECs and the EU has been intensified. To cope the refugee crisis, the EU planned to relocate 160000 refugees in its member states. But Poland and Hungary refused to relocate any refugee and oppose the mandatory plan, and Czech firstly took 12 refugees and then withdrew from the scheme, and Slovakia took 16 refugees. In total, the Visegrad countries relocated 28 refugees out of a quota of 11069. The European Commission planned to conduct infringement toward these four countries⁴⁹. Poland commented it as an intervention to its domestic affairs, and embarked on a process of 'de-Europeanisation' to fight against western Europe⁵⁰. Moreover, the campaign of populism strengthened the CEECs' dissatisfaction over the EU.

There is a similar situation in the Balkan area, after the conflicts and was of Yugoslavia, Balkan countries had the willingness to join the European Integration, also this intention had been supported by the European Commission's statement of 'the future of the Balkans lies in the European Union' in 2003. However, the economic crisis, refugee crisis and Brexit dampened these countries' willingness, and currently only Croatia met the standards to join the European Union and became member states.

Overall, the expending gap between CEECs and the EU lead these countries looking for an outsiders for political and economic interests. The economic relevant demands of public goods are these countries' preferment, such as investment and infrastructure public goods, to supplement the unmet demand from the EU. And, the present of other public goods supplier itself give the CEECs the political support when deal with the EU.

⁴⁸ BBC news, "Greek debt crisis: Where do other eurozone countries stand? ", <<https://www.bbc.com/news/world-europe-33408466>>.

⁴⁹ Jacopo Barigazzi, "Brussels takes on (most of the) Visegrad Group over refugees", *Politico*, December 2017, <<https://www.politico.eu/article/brussels-takes-on-most-of-the-visegrad-group-over-refugees/>>.

⁵⁰ Piotr Buras, "Europe and its discontents: Poland's collision course with the European Union", European Council on Foreign Relations, 2017, <https://www.ecfr.eu/publications/summary/europe_and_its_discontents_polands_collision_course_with_the_eu_7220>.

4. 3. Comparison of the 17+1 Format and The EU

4. 3. 1. The Infrastructure Sector

Due to the 17+1 format, China`s investment in CEECs has been boosted significantly. Specifically, the infrastructure and transport have become the top sector for Chinese investment in this area.

According to the MERICS BRI database, since 2013 China has (co-)financed completed infrastructure projects worth US\$715 million in the 16+1 region and Chinese-funded projects of over US\$3 billion are under construction.

Since 2011, China-driven efforts to enhance railway-container traffic between China and Europe have resulted in a proliferation of cargo train connections. Technical barriers, such as the need for Chinese trains to frequently switch gauges because of their varying width from one country to another, and customs clearance, continue to create bottlenecks. While westbound cargo has witnessed enormous growth rates, the bulk of rail containers return empty to China due to lack of demand for eastbound cargo except for capital-intensive goods, such as laptops and car parts. So far, the only connectivity project which has started being implemented is the refurbishment of the Budapest-Belgrade railway line for high-speed trains and its extension through the Former Yugoslav Republic of Macedonia and Greece, to link it to the mostly Chinese-operated port of Piraeus. However, it has been delayed due to a related infringement procedure initiated by the European Commission against Hungary.

Moreover, targeted on infrastructure and investment, the EU established an effective EU-wide transport infrastructure network through the Trans-European Transport Network Policy. The EU aims to build a modern integrated transport system that strengthens the EU's global competitiveness and is able to meet the challenges linked to sustainable, smart and inclusive growth. In 2017, the EU's physical infrastructure counts over 217,000 km of railways, 77,000 km of motorways, 42,000 km of inland waterways, 329 key seaports, and 325 airports⁵¹.

Overall, even though China`s investment in the infrastructure sector in CEECs accounts for the top sector in 17+1 cooperation, yet the implementation of infrastructure projects has encountered

⁵¹ European Commission, "Infrastructure and investment", https://ec.europa.eu/transport/themes/infrastructure_en.

barriers due to its incompatibility to EU law and rules and less-transparent practices. Besides, the EU-wide transport infrastructure network initiated by the EU partly balances the demand from CEECs.

4. 3. 2. The Governance and Norm Sector

The EU is a highly integrated regional organization with the constitution and comprehensive administrative agencies and a law system, which regulates member states in some fields like a national administration. For 17+1 format, as a loose and uncompleted multilateral coordinating mechanism, the format can not regulate member states' behaviors and form their developing mode through the designed multilateral mechanism. Moreover, the cooperations between China and CEECs are more likely to be bilateral than multilateral, such as cooperation association in different fields, so there are no concrete and common rule or order to impact CEECs in the EU affairs.

The EU has established a comprehensive system of law and rule for foreign investment and cooperation like the Competition Law, the Public Procurement Rules and FDI Screening Mechanism, which filter Chinese investment and companies that do not align with the EU's requirements. As the EU member states, Central Eastern European countries in the 17+1 format has to follow the EU's regulations and law. For china, all projects and cooperations in infrastructure and economic and other fields involved Chinese companies and investors also need to be compatible with the EU's law. What is more, confronting the 17+1 format, the EU has emphasized the significance of unity and 'one voice' in the interaction with China, and the member states should follow the EU's regulation when implement projects or cooperations involving China.

Currently, the 17+1 format is still in the process of institutionalization, and due to the complexity and diverse demand of CEECs, this process would not be accomplished in a short time. And also, the target of the 17+1 format is not to build an integration organization like the European Union, which means the regulations or norms of this format is not likely to overrun the EU. Undeniably, there are continued conflicts and trouble in the 17+1 cooperation and project, while it is more about the Chinese companies and investments' adaptation to the EU law and orders. So the norms and regulations of 17+1 format are less likely to overrun the EU's.

4. 3. 3. The Comparison of Public Goods Supply and Demand in CEE area

According to the Public Goods theory, in the perspective of public goods supply, there are two types of competition: geographical and functional. Based on the analysis of public goods supplied by China and the EU, the competition between these two parties are functional. The 17+1 format initiated by China does not intend to replace the EU to be the only public goods supplier to the CEECs, and this format focuses on the fields of infrastructure and connectivity.

In the field of infrastructure, the public goods provided by this format is less competitive compared with the EU's assistance programmes and the total amount of investment. Also, in the implementation of these infrastructure projects, Chinese companies and investors need to align with the EU's law and regulations, and occasionally, they would confront and contradict the EU's norms so as to block cooperation between China and CEECs. Especially, with a loose and incomplete multilateral mechanism, the cooperation of 17+1 format need to be conducted under the regulation of the EU. Currently, the 17+1 format is unlikely to overrun the EU's norms and regulations on its member states, the CEECs. So in the perspective of public goods supply, the EU still in the dominant position in the CEE area, and China does not have enough capacities to replace the EU and so far has not shown any ambition to overrun the EU in this area as well.

Then from the perspective of public goods demand, the situation becomes more complicated. Based on the Public Goods Theory, if the competition between existing and potential public goods suppliers is functional, there would be three modes up to the choice and demand of consumers. The first mode is that consumers choose one supplier for all public goods and the competition would transfer from functional to geographical. The second mode is that consumers do not make choice or act as free riders and the interaction between public goods suppliers determine the competition, and the third mode is the consumers make a choice based on comparative advantage and the public goods supply would be efficient.

Apparently, the CEECs accept public goods from both China and the EU. For instance, in the field of infrastructure, China and the EU both initiate numbers projects and put investments in the CEE area, and CEECs also cooperate with both parties. From the point of comparative advantage, China has advanced tech and practices in infrastructure and connectivity, but still, the total amount of infrastructure projects and relevant investments are still less than the EU's, so the comparative

advantage is not CEECs' prior consideration. In the second mode, the consumers do not show any tendency or make a choice over public goods, but in reality, CEECs countries express their attitude of these two public goods suppliers, China and the EU. So, it seems all three modes do not fit in the real situation.

The main reason for this uncertain classification is that the CEECs are member states of an integrated organization with compulsory power and authorities, the EU, and CEECs have to make a choice in the context of the EU. Currently, CEECs are still part of the European Union, and they have to follow the EU's law but also enjoy its benefits even though they have dissatisfaction with the EU. So CEECs have no right and also no willingness to pick a side.

On the other way, CEECs' identity of the EU member states is the main factor for the EU's skeptical perception of the 17+1 format. As the EU member states, CEECs have dissatisfaction and skepticism on the EU, and there is already a gap between these two sides. At that time, any public goods provision from outside could extend the gap and worsen the situation. So it is not a matter of what kind of public goods or intention behind the public goods, it is more about the existing gap between CEECs and the EU and the fear for the provision of public goods from outside worsening the situation.

Overall, the main factor for the EU's skeptical perception of the 17+1 format is the existing gap between CEECs and the EU, which is mostly led by CEECs' unmet demands from the EU. And CEECs' friendly attitudes towards the 17+1 format has the potential to extend the gap and raise the bar for the EU to improve the situation, so the EU is skeptical about the 17+1 format.

5. Conclusion

The 17+1 format is a channel for China to provide public goods to Central Eastern European Countries, which is a multilateral format with loose and uncompleted institutional structure. This format focuses on the fields of infrastructure and connectivity and so on, and the cooperation through this format is more like a combination of bilateralism and multilateralism instead of highly integrated inter-regional cooperation.

From the perspective of public goods supply, public goods provided by the 17+1 format is less likely to overrun the EU's. Corresponding to this format, the EU has initiated several programmes to assist CEECs on infrastructure and connectivity, and the total amount of the EU's investment is much higher than China's. Also, in the norms and regulations, this format does not have a comprehensive and compulsory mechanism of orders and norms, and the 17+1 projects and cooperations have to align with the EU's law. As for the public goods demand, after the Eastward enlargement, economic crisis, refugee crisis and populism campaign, CEECs' expectation of the European Integration has been dampened, which extends the gap between CEECs and the EU, and these countries are open to public goods from outside in order to balance the EU.

The gap between CEECs and the EU has existed for a long time. During the Cold War, the gap was made forcedly by the Soviet Union and the United States. After the Eastward Enlargement, the gap was narrowed by CEECs' effort to meet the Copenhagen Criteria. But with the continual crisis since 2008, the gap was extended again. The cohesion and unification of the European Union are not faultless and solid, and this problem has been lasted after the enlargement and has the possibility to be solidified. Under this situation, the European Union has expressed skeptical perception on the 17+1 format from official documents, reports to European and member state officials, and doubted China intends to 'divide and rule' Europe through this format. However, it is not a profitable and wise way to blame China and the 17+1 format for damaging the European unification that is never accomplished before, and the EU should utilize and cooperate with the 17+1 format to narrow the gap between CEECs and the rest part of EU and to get close to the European unification and cohesion.

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