

EU Relations with China: Differentiated or Fragmented?

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Abstract

This article examines the special relationship that a number of EU member states (together with several non-member states) have developed with the People's Republic of China, conceptualising this format – generally known as the 16+1 initiative – as an example of differentiated cooperation. Against the background of the significance that relations with China have for the EU – being recognised as both a strategic partner and a systemic rival – the article proceeds in three steps: first, the broader landscape in EU-China relations is being reviewed, as this provides the foundation for the analysis of the 16+1 cooperation; second, the driving forces behind the 16+1 format and the implications that this has for EU external relations is being assessed; and, third, the significance that this case of differentiated cooperation has on the EU's global role, in the context of the return of great power rivalry and the aftermath of the Russian invasion of Ukraine. In the context of this special issue, the 16+1 format can be seen as a critical case of differentiated cooperation, given that it involves a group of member states (as well as several candidate countries) that are cooperating outside the EU's institutional framework under the leadership of an external power. Assessing the dynamics behind, and the impact of, this particular instance of differentiated cooperation therefore constitutes an important dimension to the wider study of this phenomenon.

Keywords

European Union, China, Central and Eastern Europe, differentiated cooperation, trade, geopolitics.

Introduction: The Challenge of China for the European Union

In the 21st century, relations with the People's Republic of China have become highly salient for the European Union. While China's rise as a global power has impacted the international system in numerous ways, for the EU the dominant feature has been the expanding commercial ties between the two sides (Christiansen *et al.*, 2017). China ranks first among the EU's trading partners, and in the aftermath of the global financial crisis has also become an increasingly important source of inward investment. It is above all against this significant economic engagement that the two sides agreed to upgrade relations to a Strategic Partnership in 2003, leading to regular high-level dialogues also in areas such as foreign policy, technological cooperation and "people-to-people" relations (Christiansen, 2015). 2014, following the signing of the "EU-China 2020 Strategic Agenda" (EEAS, 2013) in the previous year, President Xi Jinping travelled to Brussels for a summit meeting with EU leaders – the first-ever such visit of a Chinese president in Brussels. More recently, in December 2020, negotiators for both sides concluded a Comprehensive Agreement on Investment (CAI) (European Commission, 2021), intended to replace 25 separate agreements that individual member states had previously signed with China (García-Herrero, 2021).

Much of this intensifying engagement with China has been based on the *common* position agreed among member states. This is expressed not only through the bilateral agreements between China

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and the EU, but also the unilateral statements that have emerged from Brussels. Among the latter are key documents such as the “Elements for a new EU Strategy on China” (EEAS, 2016), the “Council Conclusions on an EU Strategy on China” (Council of the European Union, 2016) and the “EU-China Strategic Outlook” (European Commission, 2019). The principle of unanimity that applies to EU foreign and security policy more generally also required in this context that all member states come to an agreement on a common position. These strategy papers and formal agreements with China demonstrate the degree of consensus that the EU has been able to reach regarding this relationship.

The capacity of the EU to agree on a common position among all member states also continued into the period since the mid-2010s during which the EU’s relations with China have become more complex and challenging (Christiansen and Maher, 2017). In the context of disruptive developments in China’s domestic and foreign affairs – notably the violent suppression of the democracy movement in Hong Kong, the persecution of the Uighur minority in Xinjiang, and the aggressive posture vis-à-vis Taiwan and neighbouring states around the South China Sea – the EU reconsidered its reliance on a genuine “partnership” with China. By the early 2020s, a compromise position emerged which sought to maintain the economic engagement with China while also recognising the presence of systemic rivalry, in line with the need to assert European values *and* interests in the context of more fractious relations in a multipolar world. Among other lines of cooperation, the above-mentioned investment agreement has also fallen victim to this new reality, as the EU responded in kind to Chinese sanctions on individual EU representatives and entities (including the President of the European Parliament), making the eventual ratification of the CAI difficult to foresee (Politico, 2021).

In other words, the EU has broadly managed to maintain a common position vis-à-vis a major power such as China, despite the substantial fluctuations in the quality of the relationship. Yet throughout this period, from the turn of the century to the early 2020s, there has been the formation of a number of informal groups of member states, each developing distinct perspectives with regard to EU-China relations (Algieri and Honeck, 2022). In 2012 eleven Central and Eastern European (CEE) member states decided, together with five candidate countries of the Western Balkans, to join China in a structured relationship generally known as the “16+1” framework² (Song and Pavličević, 2019). While opinions differ on the depth and ultimate value of this initiative, it has operated with a fairly high profile: there are annual summit meetings, the “organisation” has a secretariat (albeit one that is practically part of the Chinese Ministry of Foreign Affairs), a committee of national coordinators and a website (<http://www.china-ceec.org/eng/>).

The cooperation in the context of the 16+1 initiative raises therefore serious questions about the coherence of the EU’s common approach to China, a pertinent issue especially in an era of systemic rivalry. This paper conceptualises the membership of the CEE member states in the 16+1 initiative as an instance of differentiated cooperation and explores the impact that this initiative has had on the conduct of EU foreign and security policy, and on the EU’s global role more generally. In doing so, it contributes to this special issue by adding the study of a particular case of differentiated cooperation that is both formalised and – from the EU’s perspective – irregular. From the critical perspective initially adopted by stakeholders in Brussels, it constitutes a potentially disruptive influence on the EU’s aspiration of speaking (and acting) coherently vis-à-vis third countries. In the extreme, it is sometimes seen as an example of a Chinese ‘divide and rule’ strategy that peels off individual member states and thus weakens the EU’s unity (Szcudlik-Tatar, 2013). Yet seen in a different, more favourable light, it could also be interpreted as a type of avantgarde approach adopted by some member states in order to constructively engage with a major power – an extreme version of the “Wandel durch Handel” (transformation through trade) approach espoused by Germany and other

² The original members of the initiative were Albania, Bosnia and Herzegovina, Bulgaria, China, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovakia, Slovenia. Greece joined in 2019, making it 17+1, yet Lithuania left in 2021, bringing the number of partners back to 16. This paper uses the terminology of “16+1” irrespective of the temporary change in the number of members.

Western countries (Barkin, 2020). Beyond that, it also encapsulates the unorthodox situation of bringing together some member states with a number of non-member states in the formation of a group maintaining special relations with an external power. Therefore 16+1 also has a potential impact on the process of enlargement and the EU's relations with its neighbourhood.

In the context of this special issue, the study of this initiative, and the impact it has on the EU's external relations, adds to our understanding of the dynamics behind differentiated cooperation at all three levels that were set out in the introduction:

- at the micro-level, it contributes to the research agenda on member state preferences as drivers of the demand for differentiated cooperation;
- at the meso level, it speaks to identifying the rationale for the chosen mode of such initiatives, helping to answer the question under which conditions participating member states prefer publicity over stealth; and
- at the macro-level, it allows us to assess the implications that such an initiative has on the EU's international relations, and indeed the wider significance of such cooperation in terms of geopolitical competition globally.

While seeking to contribute to a better understanding of dynamics at all three levels, the main focus of this paper will be on the meso-level. It is here, in relating the effects of institutional overlap to the policy-outcomes, that the study of the 16+1 initiative has great relevance. Given that it constitutes an important aspect of China's so-called pivot to the West (Tiezzi, 2013), which also includes the systematic expansion of trade and investment through the Belt and Road Initiative, the setting up of the Asian Infrastructure Investment Bank (AIIB) and related policies, it is pertinent to examine the implications that the segmentation of the EU's relations with China has for the conduct and the coherence of EU external action.

In line with the aims of this special issue, the present research will examine four hypotheses related to the dynamics at this meso-level that were set out in the introductory article. These concern two distinct strands of enquiry. The first of these concerns the significance that the mode of differentiated cooperation – the choice between its pursuit in public or through stealth – in explaining the driving forces behind the initiative. This dimension requires the following two hypotheses to be addressed:

- H1: Differentiated cooperation is likely to occur through publicity when it is supplied by majoritarian actors (i.e. member states); and
- H2: Differentiated cooperation is likely to occur through stealth when it is supplied by non-majoritarian actors (i.e. EU institutions).

A second dependent variable identified at the meso level of analysis are the **implications** of differentiated cooperation for EU foreign and security as a **policy field**. Here two further hypotheses advanced can be advanced:

- H3: Institutional overlap is more likely to hinder an effective execution of EU foreign and security policy, when governments hold distributional rather than communal preferences; and
- H4: Institutional overlap is more likely to hinder an effective execution of EU foreign and security policy in case of a dual institutional position of the member-states rather than single one.

These hypotheses are derived from Hofmann's conceptualisation of institutional overlap and its application in the area of European foreign and security policy involving the EU, NATO and the OSCE (Hofmann, 2011). This work has demonstrated the effects that institutional overlap can have on the evolution of policy-making, and also provides a number of analytical categories for the potential strategies that states may follow depending on the configuration of their preferences and membership positions (Hofmann, 2019). This provides a valuable starting point for the present

analysis of the implications of a group of countries maintaining dual membership in two different institutional frameworks, the EU and the 16+1 mechanism. Whether these hypotheses hold in this very different context is an empirical question which this paper seeks to address.

In addressing this research agenda, the paper proceeds in three steps: first, the following section provides an overview of developments in EU-China relations over the past two decades, indicating the growing complexity of the relationship and the challenge facing the EU in seeking to achieve coherence in its approach to China. Second, the paper reviews the experience of the 16+1 initiative, identifying the driving forces and the outcomes of this example of differentiated cooperation, while the subsequent section will then assess how the findings from this case can contribute to the broader line of enquiry as set out in terms of the above hypotheses. By way of conclusion, the paper relates these findings to the wider geopolitical context confronting the EU's relations with China following the Russian invasion of Ukraine.

The Shifting Sands of EU-China Relations: From Strategic Partnership to Systemic Rivalry

As mentioned at the outset of this paper, EU-China relations have gone through various stages over the past couple of decades. From the low point after the Tiananmen Square massacre, relations improved steadily during the term of Presidency Hu Jintao, buoyed by the ascendancy of an export-oriented Chinese economy (Brandt and Rawski, 2012). China joining the World Trade Organisation in 2003 was an important factor in facilitating a massive increase in bilateral trade (García-Herrero et al., 2014), and also politically there was what China perceived as an apparent opening for closer ties as transatlantic relations suffered in the aftermath of the 2nd Iraq War and the Snowden revelations (Christiansen *et al.*, 2014). And even though the EU was not willing, as some in China might have hoped, to let go of the alliance with the US, the idea that there might be a distinct European way of relating to China persisted, and this was indeed reinforced during the Trump era when the US abdicated global leadership and initiated trade wars against *both* China and the EU (Hu & Pelkmans, 2017). In a landmark speech at the World Economic Forum, Xi Jinping embraced globalisation and expressed the aspiration of Chinese leadership on global governance issues such as trade and climate action (Jiao, 2014), raising the prospect of a European-Chinese axis that might fill the vacuum left by the US.

However, the second half of the 2010s witnessed the failure of such a vision, for the reasons mentioned above. Increasingly, Europeans adopted an increasingly critical attitude towards China, more in line with what had already been predominant in Washington. Not only have the tensions between economic cooperation and political confrontation in the EU's policy on China become ever more apparent, but crucially economic ties in themselves have come to be seen as something of a risk. China's Belt and Road Initiative (BRI) was initially welcomed by Europeans as an opportunity to further deepen trade and investment links with China – presented as a “win-win” for both sides in the Chinese discourse (Song and Pavličević, 2019). It was emblematic of this enthusiasm to engage with the BRI that the majority of EU members decided to join the Asian Infrastructure Investment Bank (AIIB), defying the explicit opposition of Washington to such a move. Appearing to threaten the regionally dominant position of the Asian Development Bank, a Western institution in the mould of the World Bank, the AIIB has been viewed as an example of “multilateralism with Chinese characteristics” (Ministry of Foreign Affairs of the People's Republic of China, 2014)

Yet, for a number of reasons scepticism about the benefits of these economic ties has been rising in Europe (and elsewhere). First, Chinese investments, initially regarded as a welcome injection of capital in the aftermath of the global financial crisis, shifted from an emphasis on infrastructure projects (ports, airports, railways, etc.) to industrial take-overs in strategically important high-tech industries (robotics, nano-technology, photovoltaic panels, etc.) carrying the risk that privileged know-how and eventually production capacity would be migrated to China (Mozur & Ewing, 2016).

The concern that through such developments Europe would concede its leading role in key industrial sectors was further compounded in the course of the Covid pandemic which exposed vulnerabilities in global supply chains and potential dependency on China for essential equipment (Economist Intelligence Unit, 2021). This triggered a debate in Europe about ways of responding to such risks, reinforcing a wider re-thinking about “strategic autonomy” (European Parliament, 2022) and leading eventually to the introduction of new mechanisms for trade defence and investment screening (European Commission, 2020). Also views on previously less contentious investments into infrastructure projects have changed as the short-term advantages of capital inflows are being re-evaluated in the light of long-lasting debt service and interest payments which threaten new forms of dependency (BBC, 2018).

A related bone of contention has been the Chinese footprint in terms of telecommunications infrastructure, in particular the possible involvement of Huawei in the building up of 5G networks in Europe (Brattberg & Le Corre, 2018). Already having been excluded from such a role in the United States, European states initially took a more ambivalent line, until eventually adopting an increasingly hostile view (Brinza, 2018). The concern is that the use of Chinese-manufactured telecoms equipment might compromise secure communications through hidden ‘backdoors’ accessible to Chinese authorities. On the other hand, the lack of readily available alternatives to equipment provided by Huawei risks delays in the roll-out of 5G and thus impose competitive disadvantages for European providers.

As disenchantment with Chinese inward investments has grown, complaints about the way in which European investments in China are being treated have persisted. Western firms have long lamented the presence of discriminatory practices, lack of protection for intellectual property rights and bureaucratic obstacles that they face when investing in China – issues that had also been the driving force behind the seven-year long negotiations for the CAI. Beyond the problems regarding investment, questions have also been raised about unfair trading practices, and the two sides have a growing list of cases pending before the dispute settlement panels of the WTO.

These dissonances in the economic relations between the EU and China have demonstrated that even in the areas that constitute their strongest ties the two sides do not see eye to eye (Oertel, 2020). It shows that the underlying problem in EU-China relations is not only about the lack of shared values, but also about European actors increasingly questioning whether the deepening relationship is actually in their material interest. In other words, the debate has shifted from what in the past appeared as a more simple trade-off between the pursuit of values-based or interest-based external relations to something that has become unpalatable across a range of issues, including trade and investments (Fogh Rasmussen, 2017)

This shift in the European assessment of the benefits of economic engagement with China – which nevertheless continues to be profound and arguably remains essential for the economic prosperity of both sides – adds to the existing obstacles that have been present across many policy-fields, thus complicating EU-China relations further. These include disagreements with China in areas that are of major concern to the EU, from violations of human rights and the rule of law to concerns about stability in the East Asia and geo-political competition in Asia, Africa and elsewhere. With regard to the latter, the “Indo-Pacific” has become a region of strategic significance in the rivalry between China and other powers, pushing also the EU to the declaration of an Indo-Pacific Strategy (European Commission, 2021) following similar such moves by partners such as the United States, (The White House, 2022) Japan (Ministry of Foreign Affairs of Japan, 2022) and others (Incisa and Pugliese, 2020).

Globally, the antagonism between the United States and China has descended towards a “new Cold War”, involving plans to progressively disengage from one another’s economies (Brands and Gaddis, 2021). This is a trajectory that has become increasingly pronounced under Presidents Obama, Bush and Biden, even though their respective strategies and the instruments being employed to contain China’s rising power have varied. Strategic rivalry between China and the US constitutes a dilemma

for the EU, given the importance of the Transatlantic alliance for European security and the deep economic entanglement it has developed with China. Russia's 2022 invasion of the Ukraine, the imposition of far-reaching Western sanctions in response to this aggression, and China's own equivocal reaction to the war (Jungbluth, 2022) have further complicated Europe's balancing act between the commitment to a strong security partnership with the US and the preference to continue the economic engagement with China (Duchâtel *et al*, 2022).

While this is a necessarily brief account of recent developments in EU-China relations, it emphasises the difficulties involved in maintaining a relationship, not say a "strategic partnership", that is also subject to the influence of other global powers, in particular the United States and Russia. The shift in relations with China has constituted a growing challenge for the EU as it seeks to manage its precarious position in a multipolar world, where the re-emergence of great power rivalry threatens the viability of Europe's commitment to multilateralism, economic cooperation and soft power more generally.

Beyond its global significance, what matters in the context of this paper and special issue is the manner in which member states have been affected differently by China's policies, and how as a consequence formal and informal differentiation in the conduct of relations with China has emerged. This is to some extent about individual members states having specific interests that may trigger a departure from the Union's common position, but more relevant here is the formation of informal groups of member states developing a distinctive relationship with China, and above all the more formal setting up of the 16+1 initiative.

First among these member states that stand out as having a 'special' role is Germany, given its unique position as the leading trading power in the EU. Germany accounts for roughly 50 per cent of the overall volume of EU trade with China, making it by far the actor with the greatest stake in this relationship. Crucially, among EU member states, Germany is alone in having a persistently positive balance in the trade in goods, and only Luxembourg, due to its financial services sector, joins Germany in having an overall positive trading balance with China. All other member states run structural trade deficits with China. Similarly, with regard to investments, most European FDI destined for China originates from German firms.

Even when subscribing to the view – predominant in EU circles – that trade is mutually beneficial regardless of whether it is balanced or not, this put Germany in a category of its own in terms of gains to its economy. The size of its share of overall EU trade and the presence of a structural surplus have made Germany the leading advocate for deeper EU engagement with China. It was no coincidence that the controversial CAI negotiations were concluded during the final weeks of the German Council Presidency in December 2020. Chancellor Merkel's government – whose China policy was generally regarded as being dominated by business interests – had been closely associated with this 'final push' to get the agreement signed before President Biden took office (Politico, 2020). Yet also Chancellor Scholz expressed his continued support for the deal in his first conversation with President Xi after taking up his office (EU Observer, 2021), despite expectations that the new German coalition government would adopt a more hawkish approach towards China.

On the basis of this dominant position, the EU's China policy has largely reflected Germany's (economic) interests. The EU's more general commitment to economic cooperation, trade liberalisation and foreign investment protection anyway coincides largely with the objectives of Germany's foreign policy and its export-led economic model. Other member states, with differently configured interests, may have sought a more protectionist line in the EU's trade policy vis-à-vis China. As it happens, the EU has balanced its broadly liberal approach to trade with steadfastly resisting Chinese calls for the negotiation of a free trade agreement, and launching trade defence measures for particular sectors when unfair practices by Chinese exporters were identified.

The fact that trade policy and – since the coming into force of the Lisbon Treaty – also investment policy are exclusive competences of the EU limits the scope of what individual member states can do to depart from the common position in external economic relations. One notable example of a

member state testing these limitations was the signing of Memorandum of Understanding (MoU) between Italy and China in March 2019 (Government of the Italian Republic, 2019). Agreed during the short-lived tenure of a populist government, it sought to facilitate greater cooperation between the two countries in the context of China's BRI. Regardless of its material value – which eventually turned out to be miniscule – this incident carried significant symbolic power. The MoU was a snub to Brussels and to Washington, indicating that Italy would be willing to go it alone on closer relations with China, and it was a propaganda victory for Beijing in reaching the first such formal agreement with a West European and G7 country. Yet, as subsequent research has demonstrated, the China-Italy MoU was essentially an exercise in “political marketing” and not as disruptive to the trajectory of Italian and EU policy towards China as it initially appeared (Pugliese et al., 2022).

A much wider and more sustained challenge to the coherence of the EU's position on China has come from the collective engagement that Central and East European member states entered into in the context of the 16+1 initiative. As mentioned above, this form of institutionalized cooperation with China has been long-lasting, starting in 2012. The following section will analyse in more detail how this cooperation has come about, examining the preferences of the participating member states, the positions that EU institutions have taken in response to these, and the implications that this instance of differentiated cooperation has had on the effective execution of EU foreign and security policy.

Differentiated Cooperation in the 16+1 Framework: Disruptive or Complementary for the EU?

The 16+1 framework is a China-led initiative. It has been presented by Beijing as a multilateral framework and as a sign of the importance that it attaches to the CEE region (Song and Pavličević, 2019). Launched in 2012 during a summit meeting between Chinese and CEE leaders, it is ostensibly designed to further their common interests and to deliver mutual benefits to all participants. For China, it constitutes an integral part of the wider Belt and Road Initiative that seeks to expand trade and investment corridors to Central and South Asia, Africa, the Middle East and Europe. On the CEE side, it includes all Central and East European member states that joined the EU since 2003, as well as five candidate countries from the Western Balkans and Bosnia-Herzegovina (which the EU recognises as a “possible candidate state”). Greece joined the group in 2019 as the first and only West European country (Ciurtin, 2019).

While sharing the status of ‘new’ member states that joined the EU most recently – a process that actually occurred over an extended period and involved three separate accession dates for different groups of states³ - the countries of CEE are weakly organised within the EU. They are unique among EU members in sharing the experience of former Communist rule, yet also in this regard there had been significant variation: the three Baltic states had been part of the Soviet Union, and Slovenia and Croatia as former Yugoslav republics had not been part of the Warsaw Pact. The legacy of Communist rule and their experience of transition to capitalism is sometimes used as source of affinity with China, yet due to historical tensions between the USSR and China any historical links are actually rather weak. Four CEE states – Poland, Hungary, Slovakia and the Czech Republic – have an existing, sub-regional cooperation in the Visegrad Group (V4) which has an ambivalent approach to European integration, not least since in several of these countries right-wing, populist parties have come to power (Becker, 2018). The V4 countries cooperate in a range of policy-areas, and have also sought to develop special relations with China (Turcsanyi *et al*, 2014), yet these efforts have largely been eclipsed by the wider 16+1 format.

Membership in the EU, in the Visegrad Group and in the 16+1 format as well as the status of countries as ‘new’ or future member states all contribute to the institutional overlap in this region. Figure 1

³ Poland, Hungary, Czech Republic, Slovakia, Slovenia, Estonia, Latvia and Lithuania joined in 2004; Romania and Bulgaria joined in 2007; Croatia joined in 2013.

below visualises the complexity arising from these overlapping institutional affiliations, and the challenge for the coherence of EU external action that arises from this arrangement.

Insert Figure 1 here

Beyond history and institutional affiliation, another plausible driving force is the shared socio-economic situation confronting CEE countries in the EU context – more than 15 years after the 2004 enlargement they remain without exception among the poorest member states. Prior to the economic disruption of the Covid-pandemic, all 12 EU member states participating in 16+1 ranked lowest in the EU on GDP/capita, with only Portugal slightly above Slovenia (China thus targeted those EU member states with the promise of a privileged economic relationship for whom income levels had been a long-standing grievance, and for whom the benefits of participation in the Single Market were less apparent.

The comparatively smaller size of the CEE countries' economies also implies that the added value and political significance of trade with, and investment from, China would be greater. For this group, receiving the attention (and possibly sizeable investments) from a leading global power such as China promised both economic and political pay-offs. With regard to the latter, there has been the expectation that a privileged relationship with China will allow CEE countries to be taken more seriously within the EU, against the background of a latent sense of being relegated to 'second-class citizens' within the Union. More generally, participation in 16+1 leverages their geopolitical position for a seat at the table with a global power.

Beyond structural factors such as historical legacies, economic performance and geopolitical location, agency has also been a driving force in sustaining the 16+1 initiative. While the EU's common position has always included a strong normative element, this has been less of a concern for many CEE governments. Indeed, during the 2010s several of them have had their own confrontations with the EU institutions about corruption, rule of law violations, civil rights, media freedom, the independence of the media and other issues (Kelemen and Blauburger, 2017). Poland and Hungary, in particular, developed over this period an increasingly antagonistic attitude towards the EU, culminating in cases brought to the Court of Justice of the EU, the introduction of a new rule of law mechanism tied to the EU's budget (Baraggia and Bonelli, 2022). and even the threat of suspension of their voting rights in the Council.

Against such a background it has been convenient for both sides, China and the CEE countries, to engage in a format in which issues such as human rights and the rule of law are not on the agenda. The focus of the 16+1 cooperation has been squarely on the economic side, and in particular on Chinese investments in the CEE countries, even if in due course other elements such as technological cooperation, health, connectivity and "people to people contacts" were added to the framework (Song and Pavličević, 2019). In addition, as in any such cooperation with China, participation in 16+1 has required an acceptance of key tenets of Chinese foreign policy: non-interference in domestic affairs, acceptance of the principle of "one country, two systems" with regard to Hong Kong, and non-recognition of Taiwan. Based on these foundations, Beijing would look for support from CEE countries, both in the global context more generally, and within the decision-making processes of the European Union. It has been this that promised to make 16+1 a "win-win" for China: economically, opportunities to invest in the EU's Single Market, and politically, the chance to weaken the Union's stance on normative issues.

It was precisely for these reasons that the 16+1 framework was regarded with scepticisms in Brussels and elsewhere in the European Union. In 'peeling off' a distinct group of member states for

participation in a new form of institutionalized cooperation, China has been regarded as practising 'divide and rule' tactics, and even to building up the CEE members as a 'Trojan Horse' within the EU (Stec, 2020). Beyond values and foreign policy, one concern here is also the compliance with EU law. Coming as soon as it did after the ratification of the Lisbon Treaty which made investment policy an exclusive competence of the Union, 16+1 cooperation raised concerns that it would provide the vehicle for this group of member states to disrupt the EU's common position. Since Lisbon, EU law prohibits the signing of new investment agreements between individual member states and third countries, yet opportunities remain for governments to channel investments towards their own territories. 16+1 constitutes the kind of diplomatic initiative that provides a vehicle for such efforts, and indeed annual summits bringing Chinese and CEE leaders together regularly featured announcements of multi-billion dollar investment deals being signed.

In the final analysis, however, the 16+1 cooperation has done little to change the overall pattern of Chinese investment in Europe: in the decade between 2000 and 2019, Chinese investments in the EU27 amounted to \$126bn, yet only \$10bn – less than 8 per cent – of these were directed to the EU members of the 16+1. Germany alone attracted \$25bn of Chinese finance, and the UK as much as \$57bn (Brînza, 2020). Arguably, without 16+1 investment in CEE countries might have been even lower, but these figures contradict a narrative of Chinese favouritism towards CEE and of a major disruption to the existing investment flows. As long as the main focus of Chinese firms investing in the EU remains on mergers and acquisitions in high-tech industrial sectors, capital flows are bound to target the economic centre of Western Europe rather than the CEE periphery (Defraigne, 2017). At the same time, the requirement to comply with EU rules on issues such as public procurement, transparency, state air control, environmental impact and the like actually made non-EU members of the 16+1 format – countries in the Western Balkans – more attractive for Chinese investment.

Looking in more detail at the country-specific destinations of Chinese investments reveals significant internal differences: more than half of all Chinese investments in the CEE during this period (\$5.5bn) have gone to three member states: Poland, Hungary and the Czech Republic. In terms of actual infrastructure projects, the vast majority of these remain unfinished and the main flagship project – a high-speed railway linking Budapest with Belgrade, Skopje and eventually the Chinese-owned Greek port of Piraeus – has been overshadowed by delays, accusations of corruption, EU investigations into the tendering process and questions about its commercial viability.

As it happens, the takeover of the port of Piraeus, occurring in the aftermath of Greece's 2015 sovereign debt crisis, is one significant 'success story' of Chinese investment in Europe, and it has been argued that this was the main reason why China had been keen to include Greece in the 16+1 format. While Greek representatives had been attending 16+1 meetings previously as observers, on the resolution of the dispute about the name of North Macedonia, an existing 16+1 member, allowed Greece to assume full membership itself. At the Dubrovnik Summit in April 2019 Greece was formally welcomed, transforming 16+1 into 17+1 and allowing China to present the Piraeus port purchase and its connection to the planned Budapest–Belgrade–Skopje–Athens high-speed railway link as genuine products of the cooperation in the 17+1 framework (Brînza, 2020).

After ten years of high-profile cooperation, the 16+1 format has therefore struggled to demonstrate its added value – and equally relaxed fears in Brussels about its disruptive potential (Kavalski, 2020). Rather than seeing it as a vehicle for channelling Chinese investments to the poorer half of the EU (as CEE leaders had initially hoped), or as a divisive strategy by China (as suspected in Brussels circles), the impact of this form of cooperation has been predominantly symbolic: while garnering a lot of attention in political, media and think tank circles, 16+1 has not fundamentally altered the economic realities of the region, nor divided the European Union – echoes here of the experience of the MoU on the BRI between China and Italy discussed earlier (Pugliese et al., 2022)

This muted outcome is in part due to China's recognition that both economically and geopolitically, the European Union as a whole is more important than the cooperation with the CEE countries. The

above-mentioned investment flows already indicate where the centre of gravity of China's interest in Europe lies, and in the light of initial 'divide and rule' accusations China has also been at pains to emphasise that 16+1 is not directed *against* the EU, but that it should rather be seen as part of its wider cooperation *with* the EU (Ergunsu, 2018). Western observers have increasingly adopted a similar view, and in fact have come to regard the 16+1 cooperation as an expedient way of continuing a form of European engagement with China in the face of the above-mentioned downturn in EU-China relations.

Going further than that, EU institutions, rather than maintaining a defensive stance towards the 16+1, have since around 2017 sought to actively use the framework as a complementary conduit to the existing EU-wide dialogue structures with China. 16+1 summit declarations like the one in Sofia in 2018 have been occasions to affirm key EU positions such as the commitment to more balanced trade, reciprocity of market access and open tenders in infrastructure construction. Since 2017 the European Commission as well as the European Bank of Reconstruction and Development have an observer status in the network, further underpinning the perception that 16+1 is considered by EU elites as a useful addition to the existing channels of EU-China relations (Tzogopoulos, 2019).

In the late 2010s, as it has become apparent that 16+1 cooperation has neither delivered on the economic expectations of the CEE countries nor on the geopolitical designs of Beijing, some observers have called the format a "zombie mechanism" consisting essentially only of the hollow shell of annual summit meetings (from which actually a growing number of CEE heads of government stay away), while otherwise short of life or prospects (Brinza, 2021). It is a status that can be considered a "win-win" for Brussels: while it lasts, it can serve as a vehicle to further advance EU positions, while an eventual breakdown would serve as a demonstration of the limited appeal of China-led multilateralism (Weidenfels, 2021).

The crisis that occurred in 2021 around Lithuania's overtures towards Taiwan revealed the fragility of the framework and further accelerated the downward trend in EU-China relations. China responded with harsh economic sanctions and diplomatic retribution towards Lithuania when a Taiwanese representation office was opened in its capital Vilnius. Yet, the swift imposition harsh sanctions on Lithuanian trade did not change their stance on the issue. Instead, Lithuania withdrew from the 16+1, urging other participating countries to do the same, and seeking a common EU position to confront China. For the Union, it was a further argument to develop an anti-coercion instrument (ACI), a proposal for which the Commission duly presented in December 2021. Intended to confront "the rising weaponization of trade in a geo-economic context, where third countries unduly interfere with the policy choices and sovereignty of the European Union ("EU") or its member states" (European Commission, 2021), China's treatment of Lithuania constituted precisely the kind of scenario that this instrument is intended to address in the future. Once the ACI comes into force, it will strengthen the European Commission's hand in confronting coercive behaviour by other powers, while not requiring the unanimity among member states that is needed for the imposition of traditional sanctions. In other words, it will strengthen the EU's capabilities that are critically needed in an era of growing geo-economic rivalry (Christiansen, 2020).

If the experience of Lithuania ultimately contributed to a stronger common EU position on China, the behaviour of other CEE states has had the opposite effect. Among the 16+1 members, Hungary and Serbia stood out as having adopted a decidedly pro-China stance – a positioning that correlates with their closeness to Putin's Russia, and indeed the entrenched position of their populist leaders. The fact that the above-mentioned 16+1 flagship project is a railway line connecting their capitals reflects their status as being China's closest allies in the region. The Hungarian government also signed an MoU with Fudan University to open a campus of this leading Chinese university in Budapest, a move that generated domestic and international protests.

Having established such privileged relations with Beijing, Hungary has been an advocate for a softer line in the context of the EU seeking to adopt joint positions on China. On various occasions Hungary

sought to water down EU statements that are critical of China, and in June 2021 garnered much criticism for blocking an EU declaration condemning the violent suppression of democracy protesters in Hong Kong – leading to accusations that Budapest acts as a China’s ‘Trojan Horse’ in the EU and reinforcing calls among observers and policy-makers for the end of national vetoes in such aspects of the EU’s foreign policy.

Yet, the actions of Hungary are those of an individual member states, and thus are no evidence that differentiated cooperation among the CEE is responsible for disruption to the EU’s policy on China. To the contrary, the cases of Lithuania and Hungary demonstrate the high – indeed growing – degree of divergence among the 16+1 members in their attitude towards China. Despite the common features that were discussed earlier as factors driving CEE countries to join the 16+1 framework, the group is far from homogeneous. Among their members there is significant variation of opinion on issues such as transatlantic relations, energy security, migration, economic policy or deepening of European integration. To some extent, the 16+1 initiative has helped to perpetuate an image of the CEE countries as a coherent group when in fact individual countries have chosen to cooperate in this format to different degrees for different purposes.

Drawing a preliminary conclusion from this examination of the first ten years of the 16+1 format suggests cautious optimism with regard to the resilience of the EU’s institutional framework. Even though this form of differentiated cooperation among a distinct group of EU member states sharing a similar background is being led by an external power (and systemic rival) and thus contained the potential to disrupt EU policy in salient areas, its eventual impact on the coherence of the EU position were negligible. There was no significant division among EU members, no fundamental impediment to the formulation of an increasingly combative approach to China, and on occasion even support for a strengthening of the common approach towards China (Dempsey, 2022). The positions of individual CEE states have certainly been disruptive to the formulation and execution of an effective EU foreign policy, but these actions have been the result of individual governments’ choices and not the outcome of collective decision-making in the 16+1 format. As far as this instance of differentiated cooperation is concerned, it has provided a complementary forum for engagement with China at a challenging time for bilateral relations, ultimately adding to, rather than detracting from, the effectiveness of the EU’s external action.

Understanding the Nature of Differentiated Cooperation: Insights from the 16+1 Case

The above study of differentiated cooperation in the context of the 16+1 format constitutes only a single case studied over a limited period of time. We should be cautious in drawing more general conclusions from this particular experience, but – also in the context of this special issue – it does contribute to a better understanding of the phenomenon, its driving forces and implications for European integration. In order to do so, we need to re-visit the hypotheses set out earlier and consider how the case of the 16+1 format fits into this wider perspective.

In focusing on the meso-level, one explanatory dimension identified the mode of differentiated cooperation – the choice between its pursuit in public or through stealth – as dependent variable. In this regard, two hypotheses were formulated:

- H1: Differentiated cooperation is likely to occur through publicity when it is supplied by majoritarian actors (i.e. member states); and
- H2: Differentiated cooperation is likely to occur through stealth when it is supplied by non-majoritarian actors (i.e. EU institutions).

As has been clear from the above discussion, the 16+1 initiative has been a very public affair. It has involved high-level summits, public declarations and received much attention in both political and academic debates. It was driven by the participating states, outside the EU’s formal architecture and

initially against the resistance of EU institutional stakeholders. As such, the incentive for differentiated cooperation was supplied by majoritarian rather than non-majoritarian actors, thereby providing a positive response to the above hypotheses. Indeed, it is elected politicians who essentially constitute the framework, namely national leaders coming together at the annual summits and making public declarations. As a matter of fact, we have observed that while detailed work on projects and the scale of investments stagnated over time, the public image of 16+1 has become the main focus, turning the initiative increasingly into an example of symbolic politics (or a “zombie mechanism” in the eyes of detractors). Either way, publicity has been central to the 16+1 format and majoritarian actors have been the main drivers of the process, and non-majoritarian actors like EU institutions have only been marginally involved. H1 and H2 are supported by our analysis of the 16+1 initiative.

A second dependent variable identified at the meso level of analysis were the implications for EU foreign and security policy field. Here the two hypotheses advanced earlier are:

- H3: Institutional overlap is more likely to hinder an effective execution of EU foreign and security policy, when governments hold distributional rather than communal preferences; and
- H4: Institutional overlap is more likely to hinder an effective execution of EU foreign and security policy in case of a dual institutional position of the member-states rather than single one.

While the answers to H1 and H2 were rather straightforward, the response to these two hypotheses is more complex. First of all, we have observed that the 16+1 cooperation did not significantly hinder the effective execution of EU external action, thus our analysis can only speak to the conditions under which something did *not* occur. Concerning H3, governmental preferences were largely distributional considering that the interest of CEE leaders was to attract a larger share of Chinese investments to their countries. Whether the wider effects of 16+1 cooperation would be beneficial or – as many Western observers initially assumed – detrimental to the EU’s common interest does not appear to have been a major concern. Certainly, the initiative when it launched was not *intended* to advance the EU’s collective interest, but rather the specific interests of the participating CEE countries. In due course, it may have come to be seen by EU institutional actors as a useful, complimentary channel to project EU interests towards China, and to make the need for a stronger institutional approach to Chinese coercion more apparent. Yet these were unintended consequences of the initiative rather than the original intention behind it. Therefore, we have to conclude that *despite* a distributional configuration of member state interests the 16+1 initiative did *not* hinder the effective execution of EU foreign and security policy. This research therefore does not support H3.

With regard to H4, the institutional positions of the member states involved in this instance of institutional overlap are straightforward – all EU member states participating in the 16+1 format hold dual institutional positions. It is this simultaneous engagement of CEE countries with both Brussels and Beijing that has given rise to the question of possible implications on EU foreign policy – which, as we have seen, has not been a hindrance for effective EU policy-making. Therefore, based on the present analysis, H4 is not supported either.

In Hofmann’s conceptualisation of institutional overlap, a combination of dual membership and distributive preferences is linked to an expected strategy of forum-shopping, of states flexibly selecting the institutional context most suitable for the advancement of their objectives (Hofmann, 2019). However, in the case of the 16+1 cooperation we do not observe such a strategy being following – unsurprisingly since neither H3 or H4 could be confirmed. The benefits and obligations that come with EU and 16+1 membership are fundamentally different, creating essentially fixed expectations on what each ‘forum’ can deliver to its members and leaving scarcely any opportunity for ‘shopping’.

Conclusions: Future Perspectives for EU-China Relations

The study of the 16+1 format has demonstrated the challenge of managing institutional overlap in the context of EU foreign policy, yet also shown that concerns about a negative impact on the coherence of the EU's external action proved to be misplaced. If there has been disruption to the effectiveness of EU foreign policy, it has resulted from the actions of individual states either pursuing their distinctive policy-agenda outside the EU's institutional framework or impeding the formation of a common position vis-à-vis China. The presence of differentiated cooperation among the EU member states designed to engage with Beijing in a separate format outside the EU's institutional structure has caused some irritations in Brussels but has not threatened the EU's common position in a profound way. As a matter of fact, in providing additional channels for diplomatic communication, as well as opportunities for friction, 16+1 may actually have helped to strengthen the role of the EU institutions and to sharpen the EU's collective approach vis-à-vis China.

What remains to be seen at the time of writing is how the Russian invasion of Ukraine will effect the relationship between the EU, China and the CEE countries. Russia's unprovoked war of aggression against its neighbour, the imposition of far-reaching sanctions on Russia by Western powers, and the altered security situation in the CEE region all combine to create a fundamentally different political landscape. For the CEE countries the increased threat from Russia, the arrival of millions of Ukrainian refugees and the economic impact of the crisis all mean that membership in both EU and NATO are now valued more highly. In the face of the fate endured by Ukraine, the collective security – political, military, economic – provided by these institutions has become infinitely more salient than it was prior to the Russian invasion. (Hungary, where the pro-Russian populist leader Viktor Orban won a fourth term at an election in April 2022, is an exception here).

While the war in Ukraine has given the EU and NATO a new *raison d'être*, its impact on EU-China relations is more difficult to foresee. From the perspective of Western societies and governments that are broadly united in their outrage at the Russian aggression, the perception of China condoning or even tacitly supporting Russia is very damaging for the EU-China relationship – and hence also for the continued cooperation in the 16+1 format. The war that has created a gulf between Russia and the West is likely to push Russia and China closer together. Greater economic exchange between them will be the natural outcome as a consequence of the effects that sanctions have on the Russian economy. Opportunistically, China may look for imports of discounted oil and other natural resources from Russia, thereby ameliorating the impact that Western sanctions have on the Russian economy.

In one scenario, this closer cooperation between Russia and China, and China's growing antagonism vis-à-vis the West, implies that the effect of the war will hasten the transformation of global politics from a multipolar order into a bipolar system in which the US and the EU on one side confront Russia and China on the other side. In this new Cold War, the liberal West will be opposed by autocratic regimes in Russia and China, heralding a new division of the world along these lines.

What cautions against this assessment is that China has remained somewhat ambivalent in its position on the war. While not having joined Western sanctions, China abstained in the United Nations in the vote condemning the Russian invasion. The war has a negative impact also on the Chinese economy, making it an important objective for Beijing to seek an early end to the hostilities. Yet even in such a scenario, the war is likely to have a detrimental impact on EU-China relations, unless it turns out to provide an opportunity for a re-set of these relations in view of the shared interests that the EU and China have in global stability (Jungbluth, 2022).

What are the implications of these developments for the 16+1 format? Given the previous trend of decline in the engagement between CEE countries and China, the disruption and loss of faith that comes with the war in Ukraine is likely to create further doubts about the viability of the cooperation. The expected shift in the targets of Chinese investments, and the greater centrality that effective relations with EU and NATO now have for the CEE countries, diminish the benefits that either side can now expect to extract from the 16+1 format. The acrimony over the treatment of Lithuania had already soured relations, and a perceived alliance between Russia and China will exacerbate these

sentiments further. Most problematic here may well be the manner in which Hungary has been isolating itself from the remainder of the CEE and EU countries through its alignment with Putin's Russia. That split in itself is creating fundamental doubts as to whether the CEE countries can continue to cooperate effectively in formats such as V4 and 16+1.

The 16+1 mechanism fulfilled a particular function in its early years, allowing a number of CEE countries on the economic and political periphery of the EU to engage with a major global power. Yet, after a decade in which the circumstances have become increasingly hostile towards this kind of cooperation, the purpose for the format is unclear. In the context of the EU's deteriorating relations with China, China's apparent alignment with Russia, and the majority of the CEE countries looking to the EU for economic and possibly even military security, there is limited scope for continued differentiated cooperation in the 16+1 format. The formalised cooperation between China and the CEE countries may continue despite these counter-currents, but if it does it will reinforce the already existing perception that it has become a "zombie mechanism".

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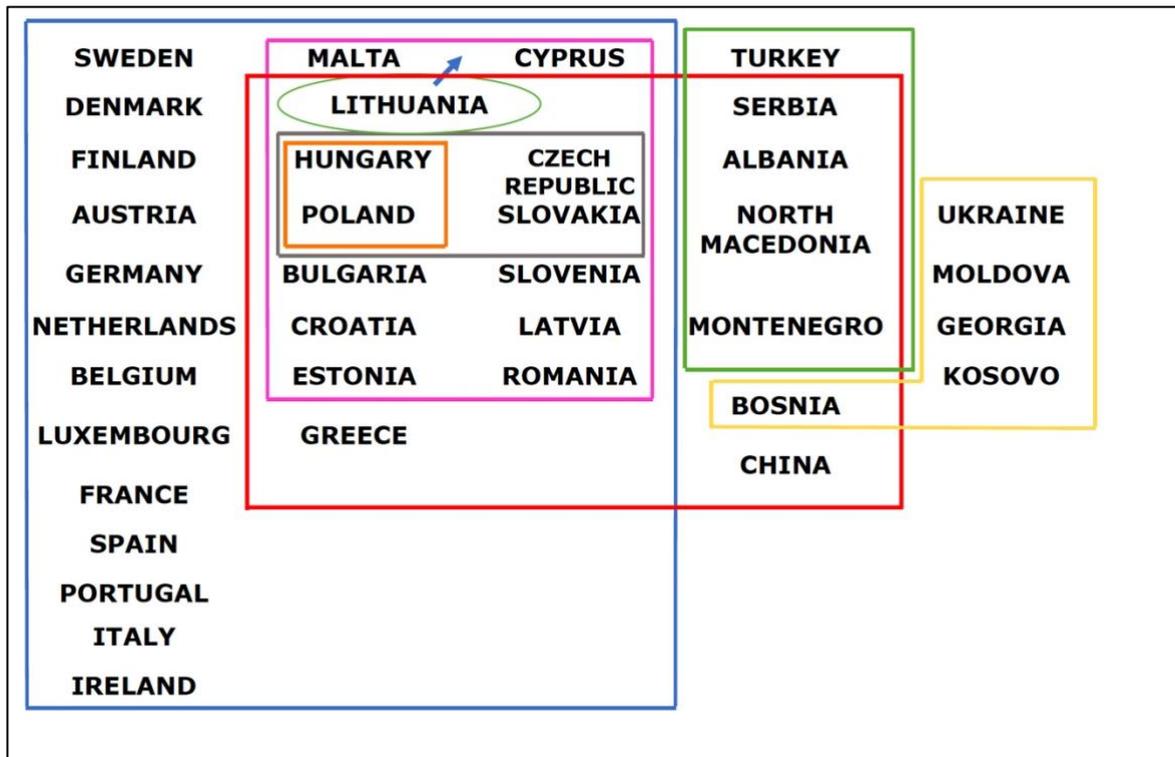
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Figure 1 Overlapping institutional affiliations with regard to the 16+1 Format



Legend

EU Member States	post-2003 accession countries
16 + 1 Members	Members of the Visegrad Group
EU Candidate countries	EU Member States with legal proceedings regarding the Rule of Law
possible EU candidate countries	