



Belt and Road Initiative and “16+1” Challenges for Poland and CEEC

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Abstract

The aim of this article is to analyse the current status of relations between Poland and China regarding two initiatives: the Belt and Road Initiative (BRI) and 16+1. It is important to name challenges facing these projects, as well as to define the expectations of both sides. Taking into consideration policy recommendations, media discourse, as well as conclusions from debates held in China and Poland, I will try to outline most important features of current Sino-Polish relations in the framework of international cooperation will be outlined. I strongly believe that some of the conclusions can be applied to other participants of the 16+1 formula. Infrastructure and logistics development are key investment projects for 16+1 as well as for BRI. Conclusions from visiting Polish logistic hubs and railway terminals will be described in the course of this article. Another crucial issue is the coordination system within the 16+1 and BRI. It seems that the current structure of institutions within the “16+1” are a bit inadequate, as well as the coordination mechanisms, which are scattered across CEEC.

Key words: BRI, cooperation, infrastructure, logistics

1. INTRODUCTION

In 2012 the 16+1 cooperation framework (hereby 16+1) was announced as a new comprehensive initiative. This framework includes 11 EU members (Bulgaria, Czech, Croatia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia), and 5 non-EU countries (Albania, Bosnia and Herzegovina, Macedonia, Montenegro and Serbia), as well as China. It was proposed by a former Chinese president Hu Jintao in Warsaw. 16+1 is an initiative marked by various asymmetries, which creates challenges for all engaged partners. Some experts criticize the architecture of this initiative pointing out deep political and economic differences between engaged countries. On the other hand, considering the geostrategic location of CEE countries between three sea basins – Baltic, Adriatic and Black Sea – is creating real various possibilities of exerting influence by those 16 countries for a shape of future decisions. It is vital to define asymmetries appearing within 16+1 that are linked to trade imbalances, communication patterns as well as political culture between CEEC and China.

The idea of the New Silk Road (later renamed the BRI) became a central project and at the same time a tool to shape external policies for the president Xi Jinping. Since its announcement in Astana, in 2013, it has strongly influenced the international discourse on Chinese foreign policy. BRI is not only an economic program based on infrastructural projects such as new

railways and maritime routes, but, it is also a geopolitical strategy that aims at changing the global trading routes order.

By analysing Sino-Polish relations, several conclusions regarding multilateral relations within 16+1 and BRI can be drawn. Firstly, asymmetries of size, potential, as well as political culture and economic structures are creating barriers for cooperation that could be based on tangible plans. Secondly, Chinese policymakers try to incorporate some of the European inspired concepts and depict them as part of Chinese initiatives. Third, the image built by the Polish media is often incompatible with realistic conditions. Fourth, BRI as well as 16+1 has not been well defined and demarcated. This means that both projects are, at times, convoluted.

2. “16+1” AND BRI ARCHITECTURE

The diversity within 16+1 does not necessarily carry negative implications. We know many international projects which incorporate multiple states have been quite successful for many years, f.e. European Union. On the other hand, 16 countries are connected together by a common experience of economic and political transformation in the 1990s. Since 2012, the interconnectivity and people-to-people exchange between China and CEEC developed into a networking platform incorporating think-tanks and governmental institutions.

Poland, as the biggest stakeholder within 16 countries could potentially play the role of being a regional leader in negotiations with China. On the other hand, Poland is more restricted by its policy with the EU. Accordingly, September this year, the EU Commission announced plans to introduce a new framework for FDI screening. Alternatively, the Western Balkans are (from a Chinese perspective) more open towards investments, because of a lack of a common model that could efficiently manage competitive public tenders.

In 16 countries infrastructural concepts from the past are being revived. Taking as an example Poland, the idea of Intermarium (strategy developed in Poland as a political doctrine at the turn of the 20th century) evolved into the so called Three Seas. In 2016 the Joint Statement on the Three Seas Initiative, the so called Dubrovnik Statement, was issued by the EU member states situated between the Adriatic, Baltic and Black Seas: Austria, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. In the Joint Statement countries acknowledged the importance of connecting Central and Eastern European economies developing the north-south axis. During a recent trip to New York in September 2017 president Andrzej Duda openly encouraged international investment funds in long-term investments in Three Seas projects.

3. CHALLENGES

From the example of Poland, one of the most important challenges is the fact that what China needs from Poland is not necessarily the same as what Poland expects from China. The asymmetry of interests becomes apparent when it comes to investment. The Polish government prefers greenfield investments. On the contrary, Chinese companies are much more interested in acquisitions and access to procurement markets.

Deficit in trade deficit is mentioned as one of the most urgent issues that need to be solved. Polish entrepreneurs, as well as companies from the CEE need better access to the Chinese market in order to balance the growing trade deficit. There is also a very noticeable imbalance in terms of development of new technologies and innovations between China and Poland. Poland simply lacks adequate capital and companies that could evolve into global innovators. Moreover, the food industry is promoted by media and government as the key trade sector. On the contrary, there are no important attempts from the side of governmental institutions in facilitating access of other products onto the Chinese market. Nearly whole scope of promotion is concentrated on food sector. It is crucial to support Polish products used in industry, like machinery, as well as evolving sectors like cosmetics.

One of the main challenges of the 16+1 initiative is a lack of concrete outcomes. China's Belgrade to Budapest high-speed rail line was to be the first flagship investment of 16+1. Unfortunately, many signs indicate

that the conditions are continually being negotiated and the final decisions is yet to be made.

Currently, Polish enterprises are complaining about the high barrier of entry of China's market. Within 16+1, CEEC could negotiate a beneficial access to the Chinese markets. In this way, Beijing could also efficiently help to boost economy in this part of Europe. It could also be a milestone in multilateral relations between CEEC and China, as well as demonstrating clear and concrete proof that the initiative brings mutual benefits.

Chinese companies highlight the fact, that Polish law and procedures are not very reasonable for them, as well as the connection to the EU law. In building its policy towards CEEC, Beijing to take into consideration not only bilateral relations with single countries, but also relations within 16+1, as well as relations on the EU level. For many years there has been a lack in clear EU policy towards Chinese investments and presence. Competition between EU countries has done little to facilitate a strong relationship between EU members.

Moreover, a clear idea behind 16+1 must be elaborated. One of the main ideas, that appeared during conference at Chinese Academy of Social Sciences in June 2017, was to promote renewable sources of energy, as well as IT sector. These products and services could not only create a leverage for relations in China, but they could also develop the region in an innovative way. This success could be also China's success and a concrete proof of sound and sustainable cooperation.

Asymmetry of time should also be named as a challenge. In China, actions are planned for at least a decade, whereas in Poland and other CEEC they are often planned with regards to the election cycle. This is one of the most important reasons behind the reasonable explanation to why EU, as well as 16+1 needs clear vision and concentration on developing concrete projects.

4. INFRASTRUCTURE

Most infrastructural projects within 16 countries are placed in the Western Balkans, the five countries who still are not yet members of EU. This is surely not a coincidence, but stems from political motivations. By investing in the Western Balkans, China can in fact avoid EU tender regulations that are especially rigid for large scale projects. If we also take a closer look at Chinese infrastructural plans for CEEC, it becomes discussable what projects can be appointed as part of 16+1 initiative and which can be assigned to BRI.

The Western Balkans are in the midst of China's ambitious plans, however, some of these projects recall the ideas of EU. For example, the China-Europe Land-Sea Express Passage that aims to link Greece, Macedonia and Serbia is a similar project, in terms of route, to the EU's Pan-European Corridor X that runs between Austria and Greece. Greece became also important (though is not a member of 16+1), because of

COSCO's investments in the port of Piraeus. As a consequence, the north-south corridor with the Serbia-Hungary railway connection is being strongly promoted. It is obvious that Chinese government takes a chance to alternate old trade routes with the dominance of Rotterdam and Hamburg ports.

During seminars, forums and conferences held in CEEC, Chinese representatives and experts referred to Beijing's interest in investments in infrastructure as well as in logistic centres. These problems are not unique only to BRI/16+1, because many large-scale infrastructure projects have similar issues in terms of clear visions. In Poland, the connection between Lodz and Chengdu is given as the main example of cooperation on the infrastructural level. However, there are also other important centres – like intermodal terminals close to Poznań (e.g. in Gądko), where ZIH containers arrive, and are later transported further to Western Europe. However, these are usually not mentioned in expert's analysis, as Lodz is strongly promoted by Warsaw and Beijing becoming the flagship project.

In the first half of 2017 Polish media were widely discussing problems that arose around the sale of specific land for a new logistic hub in Lodz. In the end, the office of Military Property Agency annulled tender to sell land for building new logistic hub. This development was linked by the media with the unfavourable comment of the Polish Minister of National Defence that negatively referred towards BRI. In fact, this comment was recorded more than a year before the situation with land selling took place. As a matter of fact, a manipulative article appeared and sent a convoluted message, which was by many understood, as lack of support towards the development of Silk Road in Poland. Similarly, the media are actively promoting trade in food related sectors, not giving enough space for other products, that in fact can be more beneficial in terms of minimalizing trade deficits between CEEC and China.

However, the facts are different. There are many existing logistic hubs and railway operators developing cooperation with China or countries along BRI, without commenting it widely in media. Moreover, the Polish railway promotes also broad-gauge railway- PKP LHS. The euro-terminal and station in Sławków is currently being developed to establish connections with Central Asia (e.g. Kazakhstan, Iran, Azerbaijan). In June 2017 the president of PKP and the president of Azerbaijan's railway signed an agreement on strategic cooperation in railway transport. Last year in October the PKP LHS became the first Polish company in Trans-Caspian International Transport Route (TMTM). This route proposes a transport connection between Iran and Europe through Astara.

During first railway forum, that was held in September 2017 by PKP LHS, the importance of building alternative south corridor was strongly promoted. The most important reason, that was mentioned, was that many containers are shipped from fabrics based in

India. As a consequence, cargo could be shipped from Mumbai to Iran by sea routes, and later by the broad-gauge railway into EU through the Sławków terminal. These are long-term plans, however are well-worth consideration. They are also a proof of various discussions held on alternating trade routes with the emerging economies in Central Asia, as well as Eastern Europe.

Only in-depth research through qualitative research, as well as study tours, can present the real image of bilateral cooperation. In conclusion, many parts of the BRI concept are developing and coming into existence in Poland without the public even noticing. The discourse appearing around the BRI is often not coherent with the opinions and facts that are shared with media. Moreover, these problems are not unique only to BRI/"16+1", because many large-scale infrastructure projects have similar issues in terms of clear visions.

Discussing infrastructure, it is of great importance to mention the geopolitical conditions of CEEC. If we take into consideration the so-called northern railway corridor, we will obviously refer to Russia, where hundreds of kilometres of railway tracks are placed. During the Riga summit in autumn 2016 an important question was posed: what will happen if the train stops in Russia? There was no one simple answer, however, the prevailing response mentioned that CEEC will need to cooperate with Russia, and that it is their responsibility to maintain good relation with the large eastern neighbour. However, after the Ukrainian crisis it is difficult for CEEC to trust in cooperation with Russia.

5. INSTITUTIONS

Founding a central office for 16+1 within CEEC could possibly strengthen the political position of the region, because at the moment various institutions are scattered across different countries. For example, 16+1 Contact Mechanism for Promotion of Investment is in Poland, the 16+1 Agency for the Promotion of Tourism and Association of Enterprises is located in Hungary, the, the 16+1 Union of Governors is in the Czech Republic and the 16+1 Logistics Coordination Centre is in Latvia. An international, as well as interdisciplinary headquarters founded in Europe could help in coordinating infrastructural, as well as economic projects. However, since 5 years such an office didn't come into existence. It can be associated with the asymmetry of political culture. In European countries, public opinion expects institutions, as well as other transgovernmental institutions to communicate. Whereas the secretariat in China works in a framework of a different political and cultural system, where access to information is limited.

6. WHY COOPERATION WITH CHINA CAN BE BENEFICIAL?

Poland is the 6th biggest economy in EU. Actually, the impending decrease in EU funds encourage Warsaw to gain new economic partners in Asia. Recent intensive bilateral presidential visits are a proof of Polish policymakers becoming more cautious about China's development. Poland needs not only new export markets than European, but also potential capital. The so-called Morawiecki plan emphasizes the importance of internalisation of Polish companies and strengthening trade, that will need investments in infrastructure, innovation and technology. Actually, these needs can be assigned to other CEEC countries that perceive China as a future partner. Moreover, Warsaw recently promotes the initiative of building a Central Communication Port (CPK) with a huge airport between Warszawa and Lodz, that could become a future trading and logistic hub. It is expected that this airport could compete with the biggest airports in Europe. Moreover, the construction approval was signed in March 2017 by the Economic Committee of the Council of Ministers. Unfortunately, because of decrease in EU funds, Warsaw will probably need to turn to international investors. In 2015 Poland decided to join Asian Infrastructure Investment Bank (AIIB) and potentially this international financial institution could be a source of funding for a Central Communication Port. A resolution on regulating the financing, implementation and operation of the Central Communication Port is still being prepared by the Ministry of Infrastructure and Construction with Ministry of Development.

7. CONCLUSIONS

The "16+1" initiative needs clear vision, as well as clear achievable aims: one of the most important milestones that can be obtained, is greater access to Chinese markets and removal of trade barriers. If the 16 CEEC could unitedly act and negotiate towards these aims, they could develop further their relations with Beijing, as well as minimize trade deficit with partners from China. Launching of a 16+1 headquarters in CEEC could potentially give more political agency to the initiative.

Balanced trade could in fact support the development of infrastructure between CEEC and Asia. Currently, Western Balkans became crucial destination for China's infrastructural investments. Soon Poland with its project of Central Communication Port could enhance the development of region.

Investments in new technologies and renewable sources of energy with a mutual commitment could in fact bring mutual benefits to CEEC and China. Without a clear vision, as well as discussions within 16 countries on central cooperation aims, obtaining quantifiable results can be difficult and bring significant disappointment.

A clear vision, as well as well integrated institutions representing delegates from 17 countries, can build a coherent and successful environment for the further

development of CEEC. In order to achieve this aim, we need not only united countries, but also political will from Beijing's and EU policymakers. In the end, synchronising BRI with "16+1" does not need to create many problems, if trade deficit as a well as other asymmetries will be taken into consideration and subsequently overcome.

8. REFERENCES

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