The 16+1 Format: Chinese presence in fragmented markets on the periphery of Europe

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Introduction

The 16+1 Format refers to the association between China and 16 countries of Eastern and South-Eastern Europe: ***Cooperation between China and Central and Eastern European countries***, which emerged in the early 2010s and has since developed through the development of numerous projects and major investments in several countries of the region.
The 16 are made up of countries that have recently joined the European Union (2004,2007,2013) and others in the process of accession (Western Balkans). All have in common to be former socialist economies of different varieties.
Over the last thirty years, these economies have undergone major institutional, political, economic and even territorial changes. They have been transformed into "dependent capitalisms", by importing the market economy model, by restructuring themselves according to the principles of the "Washington consensus" and programmes imposed by European leaders (privatisation, opening up and liberalisation of markets). Convergence mechanisms, including financial transfers, structural funds on the one hand and the massive inflow of foreign direct investment, mainly from the EU-15, on the other, have helped to transform them substantially. Several economies, notably those of the north (Poland, Hungary, Slovakia), have once again become the hinterlands of Germany. Further south, delays in political process and the nature of investments made under socialism have made adjustment and convergence more difficult (Romania, Bulgaria). The Western Balkans, for their part, with the brutal break-up of the former Yugoslavia, are in the third category and are facing a high blow from the disintegration of their former market with the reappearance of many barriers, the shrinking of their markets and their narrow specialisations. Their joining together in an economic area of the Western Balkans, recently decided at the Trieste Summit in July 2017, looks like a sort of airlock, a test proof before their possible integration to the EU which no longer seems to have unanimous support among the 27 while the idea of the establishment of a multi-speed Europe is spreading (X. Richet 2018)
In most countries the link with the EU has become a reality; the majority of trade takes place within the EU thanks to the convergence policies led by the EU.
It is in this context that China's entry into this region and these markets is taking place, with specific, segmented, sometimes narrow and highly regulated markets but also close to the

more buoyant markets of the EU-15, in particular the most developed (Germany, France, Italy and Great Britain).

The various motivations pushing Chinese companies in the region are beginning to be identified:

1 The economic and geographical area represented by the 16 is first of all a section of the New Silk Road which follows two tracks: in the north, a land arrival in Poland to cross it and reach Germany, in the south, in Greece, a maritime arrival, between the two the development of a section linking the south and the north of Eastern Europe (Piraeus-Budapest).

2 Opportunities for Chinese public firms with overcapacity, particularly in the infrastructure sector, which contribute - mainly through investments financed by Chinese banks - to building motorways and ports in the Balkan countries, which are only partially taken into account in the European Union's pre-accession programmes.

3 A "hub" effect through the investments of the major telecommunications groups already present or under way in other countries of the region; investment in sectors where China has expertise in medium and high technology sectors (nuclear industry), in traditional and declining industries in the region (steel industry in Serbia, coal mines in Bosnia, chemicals in Hungary)

4 An attempt to create a regional value chain around a few sectors (automotive in Bulgaria, Serbia, Croatia).

6 More targeted although limited investments and cooperation in cutting-edge sectors (Baltic countries).

There is therefore a great diversity of motivations which do not lead to a coherent vision, but rather the creation of a framework facilitating trade and investment and, above all, the materialisation of the BRI initiative in this peripheral area of Europe, which motivates this approach.
Finally, is the presence of China represent a threatto the EU? Does China try to influence the governments of the periphery, to insert itself into the internal affairs of the Union, to circumvent European regulations? For China, the challenge, beyond the success of its establishment in the region, lies in its articulation with its overall European strategy, which is not yet assured because of the opposition that still exists between China and the European Union (absence of bilateral agreement on investment, China not yet recognize as market economy within the WTO).

In our contribution, we intend to analyse
1) the different aspects of the Chinese presence in the region,
2) the motivations of the countries of the region to cooperate with China
3) the likely impact of this Chinese presence in terms of investment volumes (FDI) and trade volumes, the provision of services, and even on the diplomatic level of indirect influence in European affairs.

It will be stressed that the future of the 16+1 Format is ultimately linked to relations between China and the EU.

1 All roads lead to Rome…..

As part of its vast project ***One Road, One Belt,*** (OBOR) renamed the ***Belt and Road Initiative***, (BRI) China traces a land route from the western Middle Empire, China's least developed regions, through Central Asia and the former Soviet space to Europe. A maritime route also reaches southern Europe through the Suez canal (Richet 2017b).
Rome is no longer in Rome: the road splits into several destinations in Germany, Italy, France, even Great Britain. Central and South East Europe (CSEE) is a place of passage, it has vocation to become a place of anchorage by attracting the Chinese firms at the same time to trade, to produce, to carry out services of various types there, in particular the construction of port, motorway and railway infrastructures. .
The activation of these rail routes in order to promote and generate trade flows in both directions is based on the existing (national networks), it also requires the construction of new tracks, especially in under-equipped.
The region, in spite of still important differences with its western part (Figure 1) is an important market in terms of consumers (over 100 million) with growing purchasing power. It is a region with significant human capital resources (high skills and low labour costs) which has attracted many direct investments both to serve these markets and those of Europe as a whole (X. Richet 2016a)). For Chinese firms that are considering investing, this is the way to join regional value chains in order to get closer to issuing centres (in the heart of Europe), to support the internationalisation of Chinese firms that need to build different spaces (Huawei, ZTE). On the other hand, major investments in the railways, ports, motorways and "infrastructure diplomacy" sectors are mainly financed by Chinese. This abundant supply of projects expresses both the know-how acquired by China at the domestic level and the importance of overcapacities developed in this sector during the last decades in the country. For these companies, a swap between bad debt and BRI credit is a way to continue their business without closingdown their business.
The supply of investments by of Chinese firms can rely on significant financial resources mobilized: domestic banks, investment funds, international banks (NDB, AIIDB) with Chinese capital. The 16 countries benefits from a credit line of more than 10 billion dollars (barely begun to date), of specific funds allocated to project financing in the region (around 3 billions US$). The fact remains that the modalities of access to this financing, the economic spinoffs and the spin-off expected from this windfall raise many questions: quasi-monopoly of Chinese firms to carry out these projects, opacity of the conclusion of contracts, corruption leading to the interruption of construction sites (Macedonia), not to mention, as a consequence, the high indebtedness of the receiving countries towards China (Bosnia-Herzegovina, Montenegro)countries that join the growing list of countries with high indebtedness to China (Pakistan, Sri Lanka, Laos, Maymar...).

Last but not least, China's growing presence in the region raises the question of its influence on the countries of the region. Does China offer a plausible alternative to member or acceding countries challenging the European order *("democratic illiberalism")*, the methods of accession (Balkan countries), does its presence influence the political choices of certain countries on sensible subjects ultimately threatening the unanimity of the European Union's positions.

2 Building cooperation with a new sub-regional bloc

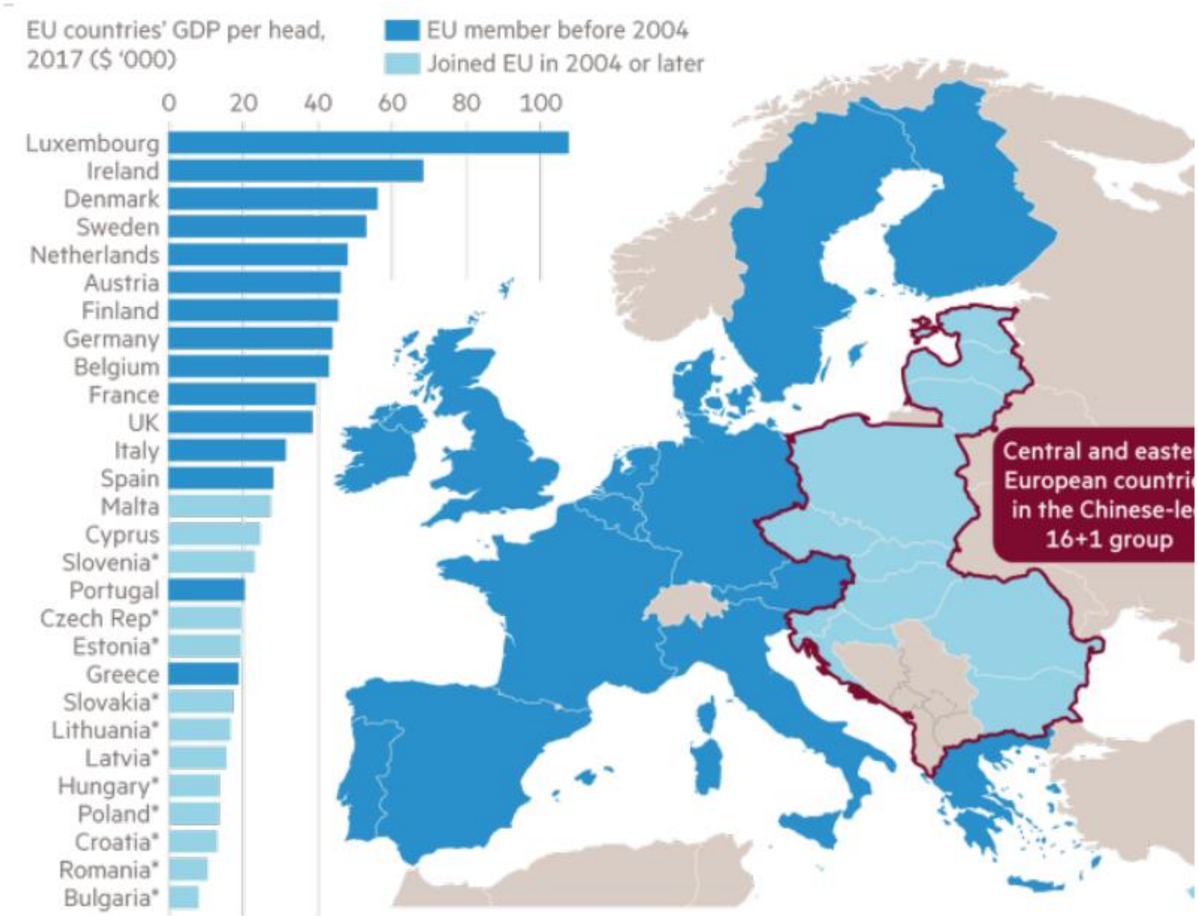
The Chinese presence in CSEE goes back to the beginning of this decade even if, historically, the links between China and the 16 are older and go back to the fifties of the last century at the time of the friendship between socialist countries. After the great Sino-Soviet schism , only small Albania and Romania continued to maintain commercial relations. Thereafter and overall, trade flows have never been very large. As Chinese growth took off, Eastern Europe was plunged into a long economic decline that would lead to the disappearance of the socialist system in the region in 1989 and the implosion of Yugoslavia before facing the shock of transition and integration into the European Union.

In 2012, China created an association with 16 countries in the region to promote exchanges between partners:Cooperation between China and Central and Eastern European Countries (Le Format 16+1). Formally the Association gathers its members alternately in China and in one of the capitals of the 16. It has spread and given birth to a myriad of institutions with diverse concerns (sectoral, academic issues). For the time being, The format is an empty shell, rather a regional institutional gathering that masks the bilateral nature of the relations that are being established primarily between countries (contracts, funding). Moreover, the Format can hardly be mobilised as a political instrument due to the fact that 11 countries belong to the EU and are obliged to follow European regulations.

The member countries make up a heterogeneous whole by size, population, level of development and institutional affiliation (Figure 1). Nine countries belong to the European Union (Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovakia, Hungary, Slovenia, Croatia, Romania, Bulgaria) joined in several waves (2004, 2007, 2013); five are members of the euro zone (Estonia, Latvia, Lithuania, Slovakia, Slovenia) and two (Montenegro and Bosnia and Herzegovina) use the €uro currency as their currency without being members of the zone, five other countries of the Western Balkans (Albania, Bosnia and Herzegovina, Macedonia, Montenegro, Serbia) are in the process of acceding to the European Union and are therefore subject to European regulations deriving from their status as future members.
Together with Kosovo, not recognised by several EU member states, they are members of a new entity recently created by the European Union, the Western Balkans Economic Area. Two of these countries, Bosnia and Herzegovina and Kosovo, are “states under construction from outside”, (i.e. construction supported and framed by foreign powers) still highly unstable. Serbia which has to manage politically the secession of Kosovo and Montenegro, marked by corruption, should be the next entrants into the European Union before 2025.
Some countries could have been included in this list: Greece (seniority of EU membership?), Ukraine (instability and conflict with Russia?), Kosovo (secessionist province recognized by few countries and supported by the United States?).
It would therefore, apparently, be the socialist past of the sixteen countries that would be the common denominator at this regional gathering.
The 16 country members can also be classified into sub-regions by taking into account their level of development, size and population, previous affiliation, progress in the transformation of these economies into market economies: one finds the block of Baltic

countries (small countries, formerly integrated into the former USSR), the block of the Visegrad Group (Hungary, Poland, Czech Republic, Slovakia), the most developed and the closest to the the EU-15, the laggards in transformation (Bulgaria, Romania), less developed than the previous ones, and , finally the former Yougoslave block (with Albania), the most open economically before the collapse of socialism and political disintegration.

Figure 1 : The 16+1 association built around the new EU Member States



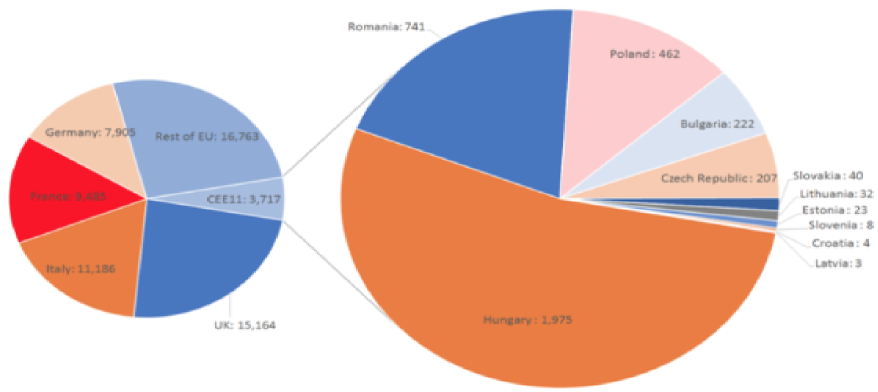
Source : Financial Times (2017)

These countries have undergone rapid transformation into market economies following the collapse of socialism, adjustment policies and transformation into market economies. Their integration into the EU followed the systemic changes and structural adjustments that followed. In a few decades, economies have become market economies by meeting the criteria for EU membership, in particular the establishment of market institutions, the ability to sustain competition in return for receiving structural funds. Within this framework, foreign direct investment has entered massively in the form of acquisition of assets or virgin investments, coming almost exclusively from EU-15 countries (almost 80%), the rest coming from the United States, Asian countries (Japan, South Korea). In just two decades, trade within the EU has changed completely. Existing specialisations, qualifications and low labour costs have led to an in-depth transformation of the industrial landscape, with several countries (Poland, Slovakia, Hungary, Czech Republic) becoming major industrial centres in several sectors, notably automotive and electronics. Today, the most dynamic sectors are in the hands of large European foreign groups establishing a relationship of dependence (Richet 2016b). It is clear that the Chinese presence, in terms of FDI volume, by comparison, remains very modest (Figure 2, Table 1) and that Chinese investors have a marked preference for FDI in the most developed part of the EU.

For China, the CSEC is both a gateway, a market of almost 100 million consumers, a springboard to the EU-15, and a part of Europe where infrastructure needs are great. A passage first of all. Poland, to the north-east, is on the overland route from Belarus, the arrival point of trains crossing the Eurasian Economic Union and continuing on their way to Germany. In southern Europe, the sea route, via the Suez Canal, reaches the port of Piraeus in Greece. Other nearby port terminals are of interest to China, notably in Bulgaria and Turkey near Istanbul, the arrival point of another overland route that passes through Iran, Georgia and Turkey, an alternative to passing through Russia.

The attraction of the CSEE is first and foremost the possibility of making a connection and entering the various European markets. This is an opportunity for Chinese construction firms to build infrastructure, including highways in different countries. The flagship project remains the construction of a high-speed railway line between Belgrade and Budapest, increasing the duration of the rail link from more than eight hours to two and a half hours. The line is to be completed later by the Belgrade sections Skopje in Macedonia, then Skopje-Athens. The work is financed by loans from Chinese banks up to 75%, the rest by states that will repay Chinese banks. The construction of this line obliges Chinese firms and the States concerned to follow European regulations concerning public procurement and environmental constraints. Technically, there are doubts about the profitability of such a train considering the limited number of users of this fast service. But this is not the problem of Chinese manufacturers who are not subsequently linked to the operation of this new service.

Figure 2: Chinese FDI (2000-2015) among EU Member States



Source : Jacopo Maria Pepe (2017)

The search for sovereign guarantees is very important, as many countries in the region are unable to face the risk of non-reimbursement because of their financial situation. European financial institutions (EIB, EBRD) are thus involved in these financial arrangements and guarantee loans granted by Chinese banks.

The shopping list of Chinese investors, moreover, is limited in terms of asset acquisition (Table 1 & 2). The economic opening and integration with the EU, the mode of privatisation, the proximity effect have made the region, first in Central-Eastern Europe, the backyard of the major Western European groups by making these economies dependent capitalisms (Richet 2016).

Table 1: Chinese investments in the 16 Central and South East European countries in 2009 and 2014 (Stock/USD million)

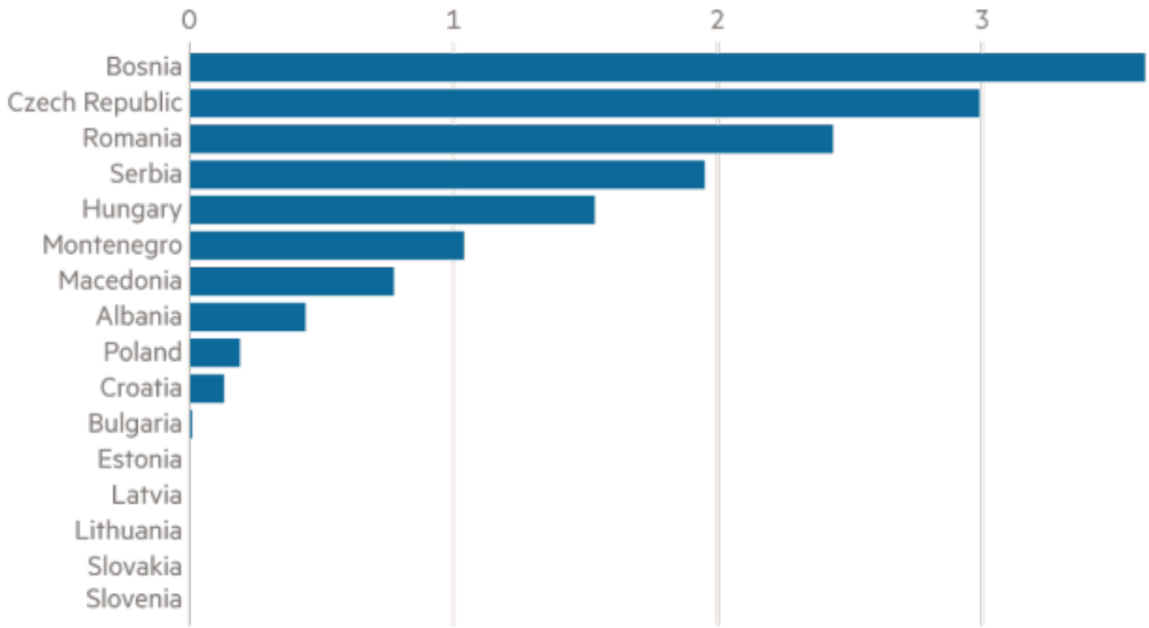
	2009	2010	2011	2012	2013	2014	2009-2014 growth	Share of total Chinese investment in CEE (2014)
Hungary	97.41	465.70	475.35	507.41	532.35	556.35	471.14%	32.79%
Poland	120.30	140.31	201.26	208.11	257.04	329.35	173.77%	19.41%
Czech Republic	49.34	52.33	66.83	202.45	204.68	242.69	391.87%	14.31%
Romania	93.34	124.95	125.83	161.09	145.13	191.37	105.02%	11.28%
Bulgaria	2.31	18.60	72.56	126.74	149.85	170.27	7271.00%	10.04%
Slovakia	9.36	9.82	25.78	86.01	82.77	127.79	1265.28%	7.53%
Serbia	2.68	4.84	5.05	6.57	18.54	29.71	1008.58%	1.75%
Lithuania	3.93	3.93	3.93	6.97	12.48	12.48	217.56%	0.74%
Croatia	8.10	8.13	8.18	8.63	8.31	11.87	46.54%	0.70%
Albania	4.35	4.43	4.43	4.43	7.03	7.03	61.61%	0.41%
Bosnia-Herzegovina	5.92	5.98	6.01	6.07	6.13	6.13	3.55%	0.36%
Slovenia	5.00	5.00	5.00	5.00	5.00	5.00	0.00%	0.29%
Estonia	7.50	7.50	7.50	3.50	3.50	3.50	-53.33%	0.21%
Macedonia	0.20	0.20	0.20	0.26	2.09	2.11	955.00%	0.12%
Latvia	0.54	0.54	0.54	0.54	0.54	0.54	0.00%	0.03%
Montenegro	0.32	0.32	0.32	0.32	0.32	0.32	0.00%	0.02%
Total	410.60	852.58	1008.77	1334.00	1435.76	1696.51	3.13	100%

Source : China's Analysis (2016)

The most attractive assets are no longer numerous or even non-existent. Chinese investors often buy companies in difficulty, which cannot be recapitalised by domestic investors, in sectors such as the steel industry (Serbia), chemicals (Hungary) or participate in the modernisation and extension of nuclear power plants (Romania). The construction and expansion of coal-fired power plants are also planned in Serbia, Bosnia and Herzegovina (note that these investments.

Other sectors attract foreign direct investment in order to benefit from local know-how with a higher added value content (Northern Central Europe, Baltic countries) or to create a regional resource base in certain areas (information technology in Hungary, Romania) that can serve as a springboard to enter EU-15 markets. In other cases, such as car manufacturing in Bulgaria and electric batteries in Serbia, there is a spin-off effect. The forthcoming participation of Chinese investors in the privatisation of Serbian companies should increase the phenomenon of sectoral diversification without yet being able to measure the coherence of these participations. The effect of "infrastructure diplomacy" can be seen here: after signing contracts for the construction of roads, motorways, ports and railway lines on favourable terms, Chinese provincial firms from other sectors are invited and encouraged to invest in other sectors (Table 3).

Figure 3: Total (announced) infrastructure investment by country ($ miads)



Source : Financial Times (2017)

For the receiving countries, the Chinese presence is welcomed with interest but also with a certain scepticism. The countries of the region, as in other parts of Europe, are rolling out the red carpet to welcome Chinese investments that complement those made by EU-15 investments in unattractive sectors. Railway lines certainly provide access to Chinese markets but do not contribute to the creation of many jobs, unlike virgin investments.

Several countries wish to extend cooperation with China to other areas (airways, tourism). Making virgin investments rather than building railways, opening-up the Chinese market to products from the region would contribute more to job creation. Analysts also underline the scepticism of the region's leaders regarding China's real commitment. The governments of the region do not forget that their development is fundamentally linked to the EU and that they cannot ignore the many regulations that oblige them.
Real regional anchorage or sprinkling to facilitate the crossing of this segment? Finally, the Chinese presence in the region remains weak. In percentage terms, Chinese FDI is low, representing only a very small share of Chinese FDI in this part of the EU. In addition, FDI in the WCT is concentrated in a few countries. The sprinkling to which the government and Chinese firms lend themselves would be the right of entry allowing passage in the region towards the final destination, the heart of Europe.

The geopolitical dimension of the Chinese presence was mentioned, which has resulted, at the institutional level, in the creation of the 16+1 association, which gives rise to an annual meeting, and the establishment, in cascade, of consultative bodies on various aspects of cooperation. Some analyses mention interference, the possibility of nuisance vis-à-vis the EU or, in the Balkan countries (Serbia in particular), the means of countering the Russian presence. It is not certain that Serbia is the object of such a stake. The country is still unstable despite recent progress, the country is heavily indebted, it is still strongly marked by the impact of the Milosevic years (lack of investment, NATO destruction, the Kosovo issue) and, as such, has limited room for manoeuvre to launch into an uncertain diplomatic game.
As the largest country in the Western Balkans, still heavily affected, it has great investment needs in many areas that it cannot provide for itself. It remains more of an economic than a political challenge to welcome Chinese investments in infrastructure.

Table 3: Chinese presence in Central and Southeast Europe

Country	Investment
Albania	Construction of a section of motorway. Financing by China of an industrial park in the coastal city of Durres. Project for the construction of a deep water port. Estimated project value: €2.2 million
Bosnia & Herzegovina	Bosnia and Herzegovina Construction and modernisation by Chinese firms of 3 coal-fired power plants, investment in energy projects in the Serbian part (Srpska Republic). Chinese financing up to 85% (785 million €. Project to build another power plant in the east by a Chinese consortium.
Bulgaria	Infrastructure investment in agro-business. Investment in bus construction by Great Wall. It is China's first vehicle manufacturing company in the EU but the project has failed. Chinese firms' participation project for the construction of the Black Sea motorway linking Varna to Burgas. Chinese participation in the construction of a new nuclear reactor at the Kozloduy power plant.
Croatia	Investment project in the electric batteries sector by the car manufacturer Camel group in the company Rimac Automobili for a value of $ 30 million. Project to open a Chongching-Zadar airline to transport 25,000 Chinese tourists during the summer months
Czech Republic	Investment in financial services in a local J&T company up to €1.4 bn. Otherwise minor investments. Investment projects in the pharmaceutical industry.
Estonia	130 million investment in renewable energies
Hungary	Acquisition of a chemical group
Latvia	Purchase of land to acquire permits to reside in the EU against a minimum investment of 70 000 € recently raised to 250 000 €. Real estate investments represent 40% of Chinese investments. Investment projects in port infrastructure in Riga, in communications infrastructure with the three Baltic capitals. Small investments in the agricultural sector.
Lithuania	Investments made by Huawei, ZTE, Lenovo, China National Petroleum, SAIC Chery Automobile
Macedonia	Construction of two motorways financed by Exim bank for € 680 million. Project to build the country's gas network. Chinese participation in the construction of the Macedonian section of the Athens Belgrade railway line
Montenegro	Construction of a 170 km long highway financed at ¾ by China and built by a Chinese firm Renewal of Montenegrin fleet with construction of four vessels Investments in several energy projects: hydroelectric, thermal power plant.

	Project to participate in the construction of motorway segments as part of the "Blue Corridor" project which will link Italy to Greece along the Adriatic coast.
Poland	The largest country in the region with the largest volume of trade with China, Chinese investment is still low. It should increase soon
Romania	Project for the construction of new units of the Cernavoda nuclear power plant on the Danube for an amount of €6 bn. Several European firms have declined this market. Construction (Rovinari) and modernisation (Mintia-Deva) of two coal-fired power stations and a hydrothermal power station (Tarnita-Lapustesti). Presence in the residential construction, electronics and communications market (Huwei).
Serbia	Construction of a bridge over the Danube, a coal-fired power station, part of the Belgrade ring road. Construction of the Belgrade-Budapest high-speed rail line (already well behind schedule). Construction of a motorway linking Serbia to Montenegro. Investment projects in the construction of electric cars, Chinese participation in the privatisation programme of 18 state-owned enterprises.
Slovakia	Very few Chinese investments exceeding $ 100 minutes. Seems to be forgotten by China

Source: Compilation by the author

The summary of foreign direct investments made (and planned but failed) in Hungary by Chinese firms in recent years (Table 4) illustrates both the preferred modes of entry, the diversity of sectors, their volume and their impact. Sectoral dispersion reflects the approach in terms of market seeking, the creation of (electronic) hubs by resorting to greenfield type investments. Investments of the acquisition type are limited, reflecting the position occupied by the first movers in the most competitive sectors with strong growth potential. They are distinct from infrastructure investments that fall into another category and that benefit from specific financing lines.

Table 4: Entry mode and sectoral distribution of Chinse FDI in Hungary

Company	Sector (Target company)	Mode of investment	Year of first mention or invetment	Total value (estimate, EUR million)	Result
Changshu Standard Parts Factory	Screw factory (Ongai Csavargyártó Ltd.)	Acquisition	1997	NA	Success
Yanfeng Automotive	Automotive	Greenfield	2004	25	Success
Hisense	Electronics (joint venture wit Flextronics)	Joint venture	2004	3	Success but closed in 2010
Huawei	ITC	Greenfield	2005	300	Success
ZTE	ITC	Greenfield	2005	15	Success
Lenovo-Flextronics	ITC	Greenfield	2009	NA	Success
Sevenstar	Solar panels (EnergoSolar Ltd.)	Acquisition	2009	NA	Success
Wanhua Group	Chemicals (Borsodchem)	Acquisition	2010	1600	Success
Comlink	ITC	Greenfield	2012	NA	Success
BYD	Electric buses	Greenfield	2016	20	Success

China-CEE Fund	Telecommunication (Invitel)	Acquisition	2017	200	Success
BBCA	Citric acid factory	Greenfield	2012	80-200	Still in progress
China Railway Group	Railway reconstruction (Belgrade-Budapest)	Infrastrcuture investment	2015	1500	Still in progress
Tianshan Indsutrial Group	Aviation industry	Joint venture	2016	30	Still in progress
RZBC	Citric acid factory	Greenfield	2014	100	Likely failed
HNA	Airlies (Malev Hungarian Airlines)		2004	NA	Failed
Livan biodegrable Prodcut	Biotechnology	Greenfield	2007	18	Failed
Shanghai Construction Group	Cargo Airport	Greenfield	2009	NA	Failed
Orient Solar	Solar panles	Greenfield	2011	NA	Failed
Canyi	Lighting technology	Greenfield	2011	30	Failed
China Railway Constrcution Corporation	Railway contruction (airport to downtown)	Infrastructure investment	2012	150	Failed
VO	Railway constrxution (ring around Budapest)	Infrastructure investment	2013	NA	Failed

Source: Matura (2017)

3 Implementing the project in the 16 countries area: Some remarks

For its designers, the Initiative is not a plan, the materialization of a concept, of an idea that must be realized quickly in time. Like the great works in the past, their usefulness, their full use can prove to be profitable only in the long term even if one must consider that the motivations behind the launching of such programs are part of a more reduced temporality.
The implementation of this project raises numerous questions on institutional, technical, financial, economic and geopolitical aspects.
At the institutional level, the 16+1 Format remains a curious construction: a regional institutional structure that masks a network of bilateral relations that apparently does not serve to unify the various projects. The choice of bilateralism reflects the absence of an overall vision of the Chinese presence in the region around structuring programmes.
From a technical point of view, some of them are those which fall into the category of services, irreversible investments (railways) the use of which will continue to compete with other means of transport (particularly maritime) in terms of costs. For the time being, on existing lines, the utilisation rate remains low, the cost of transporting goods is high (and subsidised), between two and three times the cost of goods transported by sea. On the other hand, the construction of motorways in the Balkans meets much-needed infrastructure needs, which until recently have been neglected by the European Union. However, the implementation of these projects puts the receiving countries in difficulty (indebtedness of BiH, Montenegro to finance their share of the investments), induces corruption leading to the termination of some projects (construction of a motorway in

Macedonia).Moreover, and this is a criticism that can be found in several countries, these investments, in proportions ranging from 60 to 80%, are made by Chinese firms and labour, so they have little impact on the economies concerned in terms of employment, activity.

The heterogeneity of the 16+1 Format also has consequences on the nature of investments in the infrastructure sector, as shown by the difficulty of the construction of the Belgrade-Budapest railway project (tender obligation). It leads the Chinese firms, within the framework of this project to concentrate among the 5 countries not yet members. To date, the implementation of infrastructure projects remains limited despite the size of the available funding. The EU's recent decision to launch projects could limit China's supply in this sector.

In financial terms, the opening of a credit line and the establishment of a specific fund do not yet seem to attract many projects. Most of the available funds have not yet been committed. On the one hand, there are not many investment projects to be financed, and on the other, European funding is also, if not more, competitive. Here we see one of the limits of the initiative: a supply policy does not automatically attract Chinese or local investors. The result, if we consider the projects carried out or in the process of being carried out, is rather an “archipelago approach”: investments made with the help of Chinese financing are part of the region's landscape but they do not contribute to the emergence of local growth poles structured around a few activities with strong implications in terms of economic spinoffs. For example, there are no Chinese firms involved, with the exception of a few (Huawei in Romania), large Chinese firms with regional or even European projects. The acquisition of local firms in Bosnia and Herzegovina (coal), Serbia (steel), Hungary (chemicals) reflect the limited (declining sectors) and risky opportunities (the Serbian steel company acquired by an American company was sold to the Serbian state for a symbolic dollar), the investment in the coal industry violates the environmental commitments made by the receiving country. The weakness of local attractiveness reflects both the still limited opportunities of these still converging economies within the EU, especially in the South, and the strong attraction of the heart of Europe to Chinese investments. It would be tempting to say that pitting China's least developed parts, which are supposed to be actors and beneficiaries of the Initiative, against the least developed part of the EU necessarily leads to a thwarted dynamic in terms of trade and investment development.

This leads us to the last point, geopolitical, induced by the Chinese presence in this region. Can China rely on this growing presence to influence the European Union? To quote a Polish analyst, the Chinese presence presents an opportunity, an alternative, a threat. Opportunity in terms of the development of new activities (trade, investment, provision of services), an alternative for host countries in need of infrastructure, outlets, jobs that European integration cannot fully provide (member countries) or could not provide (countries in the accession phase) but limited due to European constraints, often easier access to sources of financing from the EU, finally because of the selective nature of investment operations carried out by Chinese firms which first see their own interest or are not motivated to finance projects desired by host countries (for example, the construction of motorways in Romania). As for the threat posed by the Chinese presence, it seems limited for the moment. The "illiberalism" displayed by some countries (Hungary, Poland) has its limits linked to the strong dependence of these economies on the EU. The structural and cohesion funds received by Hungary from the EU amount to almost 6% of the country's GDP. Further south, recurrent political instability (Bosnia-Herzegovina, Serbia-Kosovo) certainly does not encourage China to interfere in these cases. However, China can introduce divisions on certain outstanding issues with the EU, as shown, for example, by the refusal of the Hungarian Ambassador in Beijing to sign a joint declaration with his peers on cooperation between the EU and China.

Conclusion

The BRI project is still in its infancy, and many investments have not yet been completed or are not yet fully mature and used, particularly with regard to the development of land routes, with accompanying investments enabling their optimal use.

However, we see the outlines of this ambitious project taking shape and taking shape, which, according to Chinese specialists, is more a state of mind, a new concept of exchanges based on cooperation than a rigid framework imposed on the participating partners.

Several interesting lessons can already be learned.

Recycling financial surpluses from trade by creating new trade channels centred around China's interests: supply and securing of resources, access to new terminals, new ports at regional level.

A market penetration logic favouring Chinese firms, especially state ones, in sectors where China possesses skills and overcapacities, where it extends abroad what it has achieved on its territory (motorway and railway line networks).

This strategy is served by substantial financial resources and favourable allocation terms to borrowers, almost to Chinese companies, particularly from its political banks in support of its expansion strategies.

The implementation of these projects has an integrating and structuring effect; their implementation leads to important asymmetries between partners (countries, firms) both close and far, as we have seen on this section of the Route, to China's advantage. In Asia, the implementation of this project reflects China's growing power and fuels tensions between BRICS partners (Russia, India). In Europe, the Chinese presence is less important, the CSEE remains a place of passage and not yet of anchorage: the EU-15 market and in particular those in the heart of Europe are more important but more difficult targets to reach .

There are risks associated with this project. First, those related to its profitability: will the infrastructure generate enough activities to ensure the profitability of investments? Is China assured of generating annually, through its exchanges, the level of resources needed to finance the projects? Will the external investment control policy not direct investments towards less profitable investments? The most pessimistic observers in Beijing draw a parallel with the Great Leap Forward.

Finally, there are political and financial risks not to be neglected, particularly with several receiving countries (some of which will be unable to repay), with neighbours worried about China's rise to power and about not benefiting from this project presented as a "win-win" by its promoters.

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