CHINA IN THE BROADER BLACK SEA REGION
China in the Broader Black Sea Region

The broader Black Sea region is the scene of increasing tensions amid renewed great power competition and conflicting geopolitical and geo-economic interests. The rise of China and its solidifying regional footprint requires a better understanding of how this influence is capitalized at national and regional level, what type of challenges it creates for respective countries, and what choices decision-makers have at their disposal in this new complex and complicated geopolitical setting.

A report coordinated by

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PARTNERS

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China in the Broader Black Sea Region

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THE ROLE OF CHINA IN THE BROADER BLACK SEA REGION

FOREWORD

Steven Everts, Senior Advisor
European External Action Service

The EU has a strategic stake in the success of its neighbourhood. In contrast to those who believe in ‘competitive nationalism’, a core tenet of the EU is the conviction that it can only be strong and successful if its neighbours are too. Hence, all the efforts that the EU puts, and has done for years, into supporting political and economic reforms, through advice, trainings, financial resources, preferential market access, policy support and more.

These days, everyone talks about how we live in an age of enhanced competition among powers and political models and how the COVID-19 pandemic has accelerated these trends. Indeed, the situation in our extended neighbourhood bears this out. Across the EU’s neighbourhood, we see increased geo-political competition and growing influence from other countries, such as China, Russia and Turkey. They are acting in a determined manner, in areas of key infrastructure, and more recently, through mask and vaccine diplomacy. All this is often accompanied with disinformation campaigns, feeding anti-EU sentiments.

EU High Representative Josep Borrell has spoken about a rise in ‘empire mentality’ that one can see spread across our neighbourhood. There are actors who combine a certain nostalgia with only accepting the sovereignty of states and not of the people. As EU, we need to be fully aware of what’s going on; be aware that we are not the only actor in the region; and that there is a battle of narratives underway.

This then is the background for the report ‘China and the broader Black Sea region’, published by GLOBSEC, the Martens Centre and the Black Sea Trust for Regional Cooperation of the German Marshall Fund. It offers a careful analysis of the “intricacies of this geo-political reordering... for the Broader Black Sea region, a space that has become the interplay of power, economic, and ideological interactions between super powers.”

It helps the reader make sense of key policies and projects pursued by China, such as the Belt and Road Initiative and the 17+1 platform. It separates facts from hype and sets out clearly how countries in the region and the EU can best respond to risks of economic asymmetries and excessive dependencies.

A key strength of the report is that it uses a wide prism and assesses how China’s growing presence is affecting not only the EU but also Russia and Turkey, in terms of their own relationships with China but also their regional footprint and options. It all points to a dynamic and competitive strategic environment.

Sound policy-making depends on having a clear yet nuanced understanding of the issues at stake. This report on China’s role in the broader Black Sea region offers just that. It should be widely read.

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Mohammadbagher Forough
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The EU should commit increased resources and effort to strengthen and expand the initiatives related to digital services, transportation, and energy. Mitigate potential security risks and interference in the roll-out or cyber-espionage is essential. Additionally, a strengthened mechanism for the screening of foreign direct investment from third countries should be at the disposal of the Commission in order to mitigate potential security risks and interference in domestic matters.

There are a number of actions which the EU can take so that the economic bloc can safeguard its strategic interests and limit the potential negative spill-overs of the BRI within its member states generally and in the Black Sea region in particular. A collective response is key. The EU must ensure internal cohesiveness and make sure that Chinese bilateral or regional trade efforts do not break European unity or influence the EU’s foreign policy. The CEE European member states have moved vocal about the unequal trade relationship with China and make sure they improve the market access of European companies if they are to continue their engagement. The EU should also devote appropriate attention to the countries within the Eastern Partnership and provide a viable alternative to the BRI in the Black Sea region. Additional efforts and funds should be dedicated, boosting the Trans-European Transport Network (TEN-T), which aims to foster better connectivity between Armenia, Azerbaijan, Belarus, the Republic of Georgia, the Republic of Moldova, and Ukraine. Countries like Georgia and Ukraine have already benefited from European macro-financial assistance and Europe has been actively engaged in providing economic support in the aftermath of the Covid-19 pandemic. The long-term European budget (MFF) should be leveraged to support EU’s strategic eastern partners, while financial institutions such as the EIB and EBRD can provide valuable credit lines for connectivity projects.

The European Union is fully aware that the Chinese Belt and Road Initiative is a tool for expanding China’s influence abroad. Beijing has not shed away from making grandiloquent claims about its ‘project of the century,’ which aims to run in the upcoming decades and strengthen its foothold in Eurasia, Africa, and even Latin America. The EU should respond to the challenge and optimise its financial, diplomatic, and international development tools, in order to guarantee that its strategic interests are protected internally and in its own back yard.

Sino-Russian interactions in the region have been limited so far. Both states hardly mention the region in their annual communications, nor do any joint military exercises take place in the area. Rather parallel activities of both states define the state of their relationship in the region. China seems to exercise self-restraint and take some Russian interests into account, when it comes to its relations with Ukraine and Georgia.

Several obstacles prevent Moscow and Beijing from upgrading the level of their relationship to that of an alliance. While one of the fundamental reasons for the absence of a military alliance, it’s China’s traditional unwillingness to get involved in alliance commitments, other factors are specific to the Sino-Russian relationship: (a) increasing asymmetry of power and influence between the two states; (b) unwillingness to support each other’s aggressive policies, towards post Soviet neighbourhood and the South and East China Seas respectively; (c) divergent views on the key challenges and future evolution of the international order.

The United States and NATO presence in the region may create an incentive for closer Sino-Russian cooperation. From Moscow’s perspective, it is the Western military presence that constitutes the key challenge. For China, the US influence in the region may turn out to be an obstacle in both further development of the Belt and Road Initiative and in increasing regional influence.

Russia’s conflict with Ukraine, including the annexation of Crimea, posed the biggest challenge for Sino-Russian relations in the Black Sea region. Moscows aggressive foreign policy put Beijing in a highly uncomfortable position. China walked a fine line, trying to avoid direct support for Russia and unwilling to criticise Moscows actions. Russian policy generated concrete obstacles for the implementation of Chinese economic interests, such as the inclusion of Ukraine and the Black Sea region in general into a broader scheme of the Belt and Road Initiative. As post-2014 developments illustrated, Russia and China have managed to avoid the conflict over the region. Beijing seems to respect what it perceives as Russian ‘red lines’. Russia, in turn, seems to have limited the activities that might directly harm Chinese economic interests.

While there remains some potential for competition between Russia and China (e.g. with regard to nuclear energy market or arms sales), it is the increase in tensions between Russia and NATO/the West that might turn out most detrimental to China’s interests. Beijing remains interested in using the region as one of corridors for the BRI and perceives it as attractive for Chinese investments. As a result, China – unlike Russia – requires a certain degree of stability and economic openness in the region. As the opening of transit via Ukraine and the potential for a new transit corridor via Azerbaijan demonstrate, Moscow appears to take Chinese interests into consideration. A sui genera division of labor exists that both states practice in Central Asia (with China increasing its economic influence, and Russia taking on the political-military leadership) can to some extent be replicated in the Black Sea region.

Ankara has tried to use Moscow and Beijing as balances against NATO and the EU to get some benefits on its differences. On the other hand, Turkey still has bitter differences with China on the Uyghur cause and with Russia on Syria, Libya, and the Nagorno-Karabakh dispute between Azerbaijan and Armenia. The AKP-MHP government has also tried to use the BRI cooperation with China as a bargaining chip to get more investments and financial flows from Western countries and financial institutions.

Ankara is demanding more Chinese investments in Turkish transportation, energy, and mining infrastructure and a flow of Chinese financial assets to Turkey without offering lucrative tenders to Beijing. Meanwhile, Beijing has not made clear its BRI vision to Turkey. Ankaras NATO membership and economic integration with the EU and the OECD makes Beijing hesitant to reveal its so-called grand strategy to Turkey.

Trends in global politics such as the U.S.-China trade war, the turn towards U.S.-Russia relations, the re-statement of U.S. sanctions against Iran, and the ongoing process to reach a final peace settlement in Syria have made the prospect of further Sino-Turkish cooperation in general even more unclear. In the absence of concrete offers by Ankara for projects of Silk Road cooperation, Beijing appears to pursue a wait-and-see policy to avoid the political uncertainties associated with any Turkey-related initiative.

Despite rhetoric ridden statements regarding cooperation between Ankara and Beijing for official, China’s current involvement in the Middle Corridor (MC) is not at the significant level. There are no significant Chinese investments in the ports, railroads, and motorways in the Broader Black Sea region. Although some Chinese cargo were transferred to Europe through the MC in the past year, sea routes and the Northern (Russian) Corridor are still the backbone of China-Europe trade. The United States and the EU are also not eager to see Chinas heavy involvement in the MC. The United States and the EU likely support the MC, for the purpose of building an integrated market in the Broader Black Sea region rather than reaching to China.

The conflicting interest of the West and Russia in the Broader Black Sea region may make China hesitant to take a decisive role in the MC. The increasing Chinese economic dominance over Central Asia has already disturbed Russia. China’s strategic investments to the critical infrastructures in Georgia and Ukraine may anger Russia more. Under these circumstances, there is a long way to go for reaching an ultimate integration between the BRI and the EBRD. Beijings and Ankaras efforts to address these difficulties, the Sino-Turkish Silk Road cooperation will enter to next stage.

ON SINO-TURKISH RELATIONSHIP

ON BELT AND ROAD INITIATIVE

No country should be reprimanded for looking for investment opportunities or boosting its trade prospects. If the Chinese Belt and Road initiative was a transparent and open mechanism for international development, and mutually beneficial investments, many international actors could benefit. But the BRI pursues a different agenda which not only serves mostly Chinese interests, but also exacerbates current existing problems between the EU and China. European member states have signaled their concerns about the lack of transparency of the initiative and the unbalanced relationship between China and its partnering countries. The initial excitement of the European countries partnering in the ‘17+1’ mechanism is waning as many of the involved European actors see their trade deficits with China soaring and a lot of the promised infrastructure projects not materialising at all.

China in the Broader Black Sea Region

ON SINO-RUSSIAN RELATIONSHIP

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ON SINO-WESTERN BALKANS RELATIONSHIP

Due to a substantial increase in its economic foothold over the past decade, China is set to remain an important player in the Western Balkans. In spite of China’s partial downsizing of BRI investments by late 2020, its significance is likely to grow further in the region. Analysts have gone so far as to opine that China “poses the greatest long-term threat to economic development in the Western Balkans, especially in the context of an escalating “systemic rivalry” with the West.”

What makes the competition in South Eastern Europe different than any other endured so far by the EU is that, with the 17+1 Initiative, China’s state-backed enterprises brought the action ‘closer to Europe’. Furthermore, the bulk of the projects of 17+1 is focused in the non-EU countries of the initiative, making the Balkans the neuralgic point of this project. Beijing might not be the biggest investor in the Western Balkan countries (it is worth remembering that this title is still firmly held by the EU), but it is a very smart one.

China’s willingness to loan money to tottering democracies for the construction of economically unviable projects has made it the partner of choice for many autocratic countries – from Central Asia, to Latin America, and to Africa. Several Western Balkan states, two of which have been downgraded to ‘hybrid regimes’ by Freedom House in 2020, have eagerly embraced this partnership, especially in a context in which EU accession remains an ever more tenuous mirage and is therefore no longer able to exert much traction.

The lack of transparency and accountability, frowned upon by the EU, is an advantage in Balkan leaders’ business relations with Chinese actors. The secretiveness of the Sino-Balkan projects has the potential to allow political elites to pursue rent-seeking schemes, while presenting a narrative of shared success to the domestic public. This is an account that suits Chinese investors and local politicians alike, and that is buttressed and supported by an increasingly sophisticated soft power strategy by China, while being amplified by media loyal to domestic political elites.

ON GEOECONOMICS OF THE WIDER BLACK SEA REGION

European relations with China, especially in the context of US-China trade war, is an area in which European Strategic Autonomy (ESA) is getting tested and sharpened to a considerable degree. Europe has been trying in recent years to develop an independent foreign policy towards China. China interestingly has expressed its support for ESA, arguing that it will make Europe a reliable ‘pole’ in the current multipolar world. The reason for this support is rather obvious; an EU independent of the US can balance the US and is easier to handle for China.

China does not see the Wider Black Sea Region (WBSR) as a region per se, but as a piece in its larger global geo-economic strategy of connecting Western Europe and the Mediterranean. China’s infrastructure investments in Central and Eastern European, part of WBSR, is to facilitate and boost its vision of connecting Sind Asia to Western European markets. Along the way, it also wants to buy itself goodwill and soft power through economic investment.

The US is involved in the region to counter the geopolitical and energy interests of Russia as well as to limit the increasing influence of China, its BRI, and Chinese Digital Silk Road, through development aid, lethal military aid, and supporting the Three Seas Initiative (3SI) and the Clean Network. Competing with Russian energy interests (Nord Stream 2 particularly), the US is also trying to find a market for its energy exports. The American geopolitical and geo-economic approach in the region is more focused on short-term results. However, China is clearly playing a long-term game.

The EU wants to create a third space between China and the US so that it can act independently. It has acted relatively autonomously and through multifarious policies, initiatives, and partnerships to actualize its European Strategic Autonomy. It has introduced its own Connectivity Strategy, as its overarching geo-economic concept that is supposed to rival China’s BRI.

The EU should continue developing independent policies with regard to China’s role as an emerging superpower in general, and in the WBSR in particular, as this is a region in which many of the challenges and promises of EU role in the world are unfolding. The EU should particularly focus on infrastructure development in the region as much as possible, since this region is infrastructurally underdeveloped. Furthermore, infrastructure development is currently and in the foreseeable future the global geo-economic battlefield.

The EU should not get entangled in the American trade war with China. It should act independently to develop a robust policy vis-a-vis China, that is conducive to furthering European interests and values. The current Comprehensive Investment Agreement with China is a solid foundation to build a China policy on. To balance against China, the EU should also deepen its engagement with Japan and its QII, to produce actual momentum for the European Connectivity Strategy.

INTRODUCTION AND SUMMARY

Alexandra Martin

The world is going through profound geo-political realignments, as great power competition is back on the cards, appearing to be the dominating modus operandi on the international stage now. China’s rising power along with its growing geo-political and geo-economic ambitions, continue to raise concerns among the transatlantic community. The Chinese ascendant is seen by many as a challenger to the west-dominated liberal order, which had been left unquestioned till recently. Many observers today look at the global landscape through the lens of an ever intensifying global confrontation between democracies and authoritarian models of governance. And in this regard, Beijing seems poised to secure a more active role in the international system and determined to be among the rule-setters of this century. Today, China accounts for over 12 percent of global trade and about 15.5 percent of the world’s GDP. Since 1978, the country’s average growth rate was 9.5 percent of GDP and is now the world’s largest producer of manufactured goods.

US-China tensions and trade wars have dominated the global agenda in the last couple of years, to a point where fears about a possible decoupling, and a new “Cold War” have become real policy options, rather than just IR simulations. The new U.S. Administration is expected to shape a less bellicose narrative vis-a-vis China but, President Biden is likely to continue criticism of President Xi’s policies, and he can be expected to work with allies and partners to counter Beijing’s assertiveness and aggressive rhetoric, especially over economic policies, human rights and security issues.

The EU has been caught in the middle of this power struggle, with its transatlantic identity on the one side and its economic interests on the other. The Union’s largest trade partner, while China is the EU’s second largest trade partner after the US. In 2019, the European Commission published the EU-China Strategic Outlook and outlined the approach the EU would take to develop a meaningful and enduring relationship with China. China was recognized as a negotiating partner, important in the fight against climate change and in the efforts towards energy diversification. At the same time, the EU characterized China as an economic competitor and a systemic rival. The document also outlined the need for more balanced and reciprocal trade conditions and steps to strengthen Europe’s own economy. By concluding the agreement in principle on investment after seven years of negotiations - Comprehensive Agreement on Investment (CAI) - the Union’s ambition to achieve a more even economic relationship with China seems to have been satisfied, especially on opening the domestic Chinese market, to sectors like financial services, manufacturing, and real estate. The deal caused waves on both sides of the Atlantic, with supporters applauding the effort pushed across the line by the German Presidency in the interest of Europe in the last days of 2020. However, many critics could not help but emphasize the wrong symbolism of EU’s strategic autonomy ambitions towards China and the lack of coordination between Brussels and Washington DC on a possible transatlantic consensus on China.

The intricacies of geo-political reordering can be observed in the Broader Black Sea region, a space that has become a key player of power, economic, and ideological interactions between super powers. China’s policy of engagement in the region, underpinned by the Belt and Road Initiative (BRI) and more specifically the 17+1 platform, has at times received possibly unjustified attention, with the region being considered a ‘trojan horse’ for Chinese influence in Europe. Despite the grand expectations, the BRI has in many ways, failed to live up to it promises of delivering benefits in the region. In Central and Eastern Europe unfinished BRI projects significantly outnumber the ones which have been completed. Across the region disillusionment with the economic results of engaging with China, especially through frameworks like the BRI or the 17+1 arrangement is growing. Concerns about economic asymmetry, economic dependency, and rising trade deficits are now at the forefront of the trade and infrastructure cooperation relationships with China, with few exceptions detailed in this report’s pages.

This work investigates China’s growing presence and influence in the Broader Black Sea region amid increased global power competition. It focuses on and explores a myriad of issues, including China’s Belt and Road Initiative, instability in Europe’s neighborhoods, Sino-Russian, and Sino-Turkish relationships. An EU and a transatlantic comprehensive China policy that take account the needs and interests of the countries in the region, requires substantial understanding of the challenges and opportunities on the table. China seeks to set the agenda, and the EU has to pass up on, particularly for states with weaker economies, underdeveloped infrastructure, or ongoing conflicts. This is especially concerning when one considers the impact post-Chinese economic depression will have on regional development.

Russia has obvious interests in the Black Sea Region. However, it has been weakened by the double impact of the pandemic and an unstable, ailing economy that is still highly dependent on fossil fuels, for example. Russia, having the risk of becoming a junior partner to China, a situation which would not be acceptable to Moscow. It is unclear at the moment, how Russia will respond to China encroaching on its traditional sphere of influence in the long term. Similarly, Turkey is also under increased international pressure due to various international disputes and domestic economic challenges. This instability could spill over into open confrontations in Europe’s neighborhood, compounding the existing instability. An adequate understanding of the current geo-political competition around the Black Sea region should not be overlooked and should become the basis of sound political decisions both in Europe and across the Atlantic.
In chapter 1, Dimitar Lilkov tackles The Belt and Road Initiative in the Black Sea Region, connecting it to the broader Chinese strategic outlook and interests. Countries are now aware Chinese investment comes with strings attached. Through parallel projects in different economic corridors, China aims to bridge the huge infrastructure investment gap in partnering countries and, ultimately, boost its own economic and diplomatic interests. The Black Sea Region is seen as the gateway to Europe for Chinese economic and political interests.

Chapter 2 addresses the topic of the evolving Sino-Russian relationship. Mircin Kaczmarski argues that this relationship plays a role across the Black Sea Region and in the respective countries’ spheres of influence. Shared aversion towards numerous features of the post-Cold War US-led liberal international order has provided a solid foundation for Sino-Russian cooperation, elites in both countries believe they deserve a higher standing in the world, but neither country will go as far as calling themselves allies.

Selçuk Colakoluğlu analyzes in Chapter 3 whether China’s Belt Road Initiative (BRI) and Turkey’s Middle Corridor (MC) are compatible to each other. Policies of global players like Russia, the European Union (EU), and the United States, China and regional players like Turkey towards the Black Sea region are also elaborated in this chapter. As both the BRI and the MC are regional integration initiatives, other regional actors’ involvements or objections could play a crucial role in their success. This chapter also reviews current assessments and shortcomings of integration between the BRI and the MC.

The Chinese influence in the Western Balkans is analyzed in Chapter 4, where Tena Plišćev presents the evolution of the relationship. Before 2010, China had little to no presence or interest in the region. That quickly changed under Belgrade’s ambitions to build closer ties with Beijing. The other Western Balkan countries interacted with China through the Yugoslav foreign policy framework since its official recognition of China in 1949. The relations were lukewarm at best, very far from today’s “our brothers, our saviours” rhetoric applied by Aleksandar Vučić in Serbia. Personal political relationships and considerable Chinese investments seem to be pulling the region away from the EU.

In chapter 5, Mamad Forough tackles the Geoeconomics of the Wider Black Sea Region: Between China and the West. The Wider Black Sea Region is a highly fluid area in which some of the most significant global actors, such as the EU, NATO, China, the US, Russia, Turkey, among others, are vying to shape the future of the global order. Despite being a newcomer, it is no less significant for the long-term future prospects of the region. EU’s strategic autonomy, combined with the American short term geo-economics approach compete with China’s quest for influence.

1. THE BELT AND ROAD INITIATIVE IN THE BLACK SEA REGION

Dimitar Lilkov

The Chinese Belt and Road (BRI) initiative is an interesting enigma. Officially announced by Xi Jinping as the flagship Chinese project for reviving ancient trade routes globally, it aims to improve the economic and infrastructure development of partnering nations. Through parallel projects in different economic corridors, China aims to bridge the huge infrastructure investment gap in partnering countries and, ultimately, boost its own economic and diplomatic interests. As of early 2020, more than 100 countries had expressed interest in or signed BRI partnerships—the reach of the initiative touches two-thirds of the world’s population. China has pledged to continue the BRI as an umbrella initiative throughout the 2020s and has promised at least $1 trillion in funding. This ambitious platform is largely funded by the China Development Bank and the Export–Import Bank of China, both of which provide attractive loan options.

And here is where many agree to disagree. Without a doubt, the BRI can be a boon for developing countries that are suffering from poor energy, telecoms and road infrastructure, as well as low GDP per capita. However, there is growing criticism that the platform lacks transparency and that its specific parameters for concluding partnerships, allocating loans and choosing contractors are unclear. Some international actors see the threat of “hidden debts” as many of the financial flows related to the project are not reported to the International Monetary Fund or the World Bank. There is notable concern that China is indebting dozens of countries which will be unable to repay their loans and may be placed under pressure to provide political favours to Beijing in the long run. The outgoing US Secretary of State Michael Pompeo has likened the Initiative and its leading contractors as imposing an expansionist agenda. European leaders have criticised the project as it runs against liberalised global trade and solely promotes the interests of heavily subsidised Chinese companies. Scholars have highlighted the BRI as a project which aims to shift the major economic flows, restructing global value chains, and repositioning them towards Eurasia, with China at the centre.

This ambitious Chinese initiative seems like a shapeshifter which shows different faces to the different observers. The BRI itself remains opaque and even Byzantine in terms of its management and overall coordination—several Chinese ministries, agencies and banks shuffle hundreds of projects with varying priorities from high-speed railway projects in South-East Asia, to an economic corridor through Pakistan, to massive shipping ports in East Africa, the BRI pursues different objectives with varying degrees of success. This demonstrates that Xi’s flagship initiative is global in its ambition, but its contours depend on local context and the nature of the bilateral relationship between Beijing and the partnering country.

This article explores the BRI’s footprint in the Black Sea region and analyses the impact of Chinese investment in the EU and non-EU members in the geographic basin. The text analyses the most notable current developments in the different countries when it comes to the BRI and tries to trace Beijing’s principal long-term goals to the whole region. The article concludes with a discussion on the future of the BRI and a list of key recommendations for European policy-makers.

THE BELT AND ROAD REACHES EUROPE

As a transit route the Black Sea region offers substantial possibilities for maritime transport and commerce, as well as large scale energy infrastructure. For the Belt and Road blueprint, the biggest asset in this region are the connections between the Middle East, the Caucasus, and Europe. Most importantly, the region serves as a direct foothold from Asia into Europe, and offers the possibility to paint the final brushstrokes of the BRI. After all, if you want to rekindle the ancient silk road routes, you need to be able to reach Rome.

The access of the BRI to European member states and their markets accomplishes several important achievements for the Chinese ‘project of the century’ Partnerships, contracts and projects approved by EU authorities, or significant business entities, gives credibility to the Chinese initiative as a truly global endeavor. This provides a positive signal that the dubious contractual agreements, sub-par labor

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China in the Broader Black Sea Region
and severe strain on national budgets. China saw this as an opportunity to step up and engage with both EU and non-EU countries in order to increase the scale and open up additional export avenues. In 2012, China set up the ‘16+1’ initiative together with Albany, Bosnia, Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovakia and Slovenia in order to formalize cooperation between China and Central & Eastern European (CEE) countries. In 2019 Greece also officially joined the initiative which has since been dubbed as the ‘17+1’. The aim of the cross-country partnership is to promote cooperation in infrastructure, trade, and tourism, essentially providing a conduit between CEE countries and BRI projects.

Some European leaders have been happy to embrace such initiatives and welcoming Beijing to consider their countries as welcoming partners. The memorable party leader of Syriza Alexis Tsipras bluntly stated that Greece could serve as China’s gateway into Europe when he was Prime Minister in 2015.9 In the same year, China’s shipping giant Cosco purchased a majority share in the Piraeus port – Greece’s largest harbor which also has a strategic geographic location. For Beijing, this was an important achievement, which signified that the maritime pillar of the Belt and Road had been successfully expanded to Europe. Hungary’s Victor Orban hasn’t shied away from being openly pragmatic by claiming that the EU cannot provide financial support, the country will turn to China for investment.10 Both Greece and Hungary have been in minority positions on several important EU decisions by disagreeing to condemn China’s actions in the South China Sea2 or Beijing’s deplorable human rights record.11 Of course, the statistical principle of ‘correlation does not imply causation’ holds true for politics – there is no way to prove that China’s actions have had a developing preferential treatment from both countries due to prior investment deals. However, many European capitals have been wary that third party investments in strategic sectors can come with political strings or go against the European interests. In 2018, EU ambassadors to Beijing put together a report that highlighted that the BRI promotes mainly the interests of heavily subsidised Chinese companies and goes against European unity by relying only on bilateral deals.12

In essence, securing bilateral deals and engaging in country-specific projects has been the over-reaching strategy of China. This tactic has been applied to the wider Black Sea region, Central and Eastern Europe and even five non-EU countries from the Western Balkans. The 2008 financial crisis and the following economic downturn in the belt and road had been successfully expanded to Europe. Hungary’s Victor Orban hasn’t shied away from being openly pragmatic by claiming that the EU cannot provide financial support, the country will turn to China for investment. Both Greece and Hungary have been in minority positions on several important EU decisions by disagreeing to condemn China’s actions in the South China Sea or Beijing’s deplorable human rights record. Of course, the statistical principle of ‘correlation does not imply causation’ holds true for politics – there is no way to prove that China’s actions have had a developing preferential treatment from both countries due to prior investment deals. However, many European capitals have been wary that third party investments in strategic sectors can come with political strings or go against the European interests. In 2018, EU ambassadors to Beijing put together a report that highlighted that the BRI promotes mainly the interests of heavily subsidised Chinese companies and goes against European unity by relying only on bilateral deals. In essence, securing bilateral deals and engaging in country-specific projects has been the over-reaching strategy of China. This tactic has been applied to the wider Black Sea region, Central and Eastern Europe and even five non-EU countries from the Western Balkans. The 2008 financial crisis and the following economic downturn in Europe brought rising unemployment across a number of EU countries together with a shortage of public investment and severe strain on national budgets. China saw this as an opportunity to step up and engage with both EU and non-EU countries in order to increase the scale and open up additional export avenues. In 2012, China set up the ‘16+1’ initiative together with Albany, Bosnia, Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovakia and Slovenia in order to formalize cooperation between China and Central & Eastern European (CEE) countries. In 2019 Greece also officially joined the initiative which has since been dubbed as the ‘17+1’. The aim of the cross-country partnership is to promote cooperation in infrastructure, trade, and tourism, essentially providing a conduit between CEE countries and BRI projects.

Scientists who study the ‘17+1’ framework have described it as a form of ‘multilateral bilateralism’ which places China in the middle, while the rest of the countries remain around it, and with little to none cooperation among themselves.

The ‘17+1’ initiative also gives the impression of being a multilateral platform between equals. The China-CEE mechanism has had annual meetings in different European capitals since its inception and thus sending a signal of an institutional actor similar to the OECD, which has received preferential treatment from both countries due to prior investment deals. However, many European capitals have been wary that third party investments in strategic sectors can come with political strings or go against the European interests. In 2018, EU ambassadors to Beijing put together a report that highlighted that the BRI promotes mainly the interests of heavily subsidised Chinese companies and goes against European unity by relying only on bilateral deals. In essence, securing bilateral deals and engaging in country-specific projects has been the over-reaching strategy of China. This tactic has been applied to the wider Black Sea region, Central and Eastern Europe and even five non-EU countries from the Western Balkans. The 2008 financial crisis and the following economic downturn in Europe brought rising unemployment across a number of EU countries together with a shortage of public investment and severe strain on national budgets. China saw this as an opportunity to step up and engage with both EU and non-EU countries in order to increase the scale and open up additional export avenues. In 2012, China set up the ‘16+1’ initiative together with Albany, Bosnia, Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovakia and Slovenia in order to formalize cooperation between China and Central & Eastern European (CEE) countries. In 2019 Greece also officially joined the initiative which has since been dubbed as the ‘17+1’. The aim of the cross-country partnership is to promote cooperation in infrastructure, trade, and tourism, essentially providing a conduit between CEE countries and BRI projects.

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There have been attempts for gradual institutionalization by the set-up of sectoral coordination mechanisms on different themes such as forestry, energy, or maritime issues by the involved countries. However, there is still no evidence that such sectoral institutional expansion has yielded any sufficient economic gains. The whole operational framework of ‘17+1’ has provided the Asian country with a strong agenda-setting role and also given Beijing additional room to manoeuvre when it comes to formal commitments and execution of projects. Many of the participating countries have signed Memorandums of Understanding (MoUs) which express willingness for certain partnerships or projects, but many of them have remained in the setup just as a sign of goodwill or a photo-op for politicians.

One of the most pertinent questions related to the China-CEE mechanism has been the actual impact of Chinese investment on the European continent. Whether the promises for large-scale infrastructure projects were really kept. After a pledge of opening generous credit lines for partnering countries, Beijing has under delivered on its commitments. As of late 2020, only four of the planned projects under the ‘17+1’ framework have been successfully completed – they are in Greece, Serbia and Montenegro. China has announced an estimated EUR 13 billion of investment to CEE countries since 2012, but the balance so far has been clearly tipped toward the five non-EU Balkan countries. The investment tracker of the Mercator Institute for China studies estimates that the cumulative Chinese investment in the 12 EU member states participating in the ‘17+1’ mechanism between 2012 and 2019, was lower than the investment China did in individual Western countries like Finland or the Netherlands during the same period. In parallel, the expected positive trade spillover from the enhanced cooperation between Beijing and the seventeen countries did not reinvigorate the exports toward China. A detailed study released on the ‘17+1’ framework shows that CEE trade with China has been described by constantly rising deficits amounting to 75 billion USD in 2018. Moreover, one of the most ambitious projects under the framework is the Belgrade railway supported by mammoth Chinese loans to both countries has been mired in controversy surrounding the legality of the procedures and the overall debt sustainability of the projects. Beijing has done its best to keep a low profile around the corridor, which has darkened the political mood for many of the European member states which are still unable to see the actual benefit behind all the political pledges and lengthy summits in the last several years. One of the staunchest political opponents of the Chinese initiative - Czech President Miloš Zeman publicly acknowledged his disappointment with the lack of substantial investment to his country. The 2020 edition of the China-CEE annual summit was postponed indefinitely due to the Covid-19 pandemic and a lot of doubt remains on the overall future direction of the partnership framework devoted to promote the BRI.

BRI AND THE BLACK SEA: BULGARIA AND ROMANIA

The Republic of Bulgaria has remained optimistic toward the ‘17+1’ format and the Chinese BRI initiative since their inception. Cheap labor costs, low corporate tax rate, and EU membership were seen as selling points for attracting Chinese investment or large-scale infrastructure projects. Much was expected in the field of agriculture, commodities, transport and overall connectivity since the country still suffers from insufficient public investment and lukewarm foreign direct investment. Bulgaria’s annual summit mostly intended for one-way traffic. Some of these concerns were expressed during the 2018 summit of the China-CEE mechanism in Sofia. Initially there were rumours about the possible delaying of the summit but eventually it was held even ahead of schedule, possibly in order not to coincide with Bulgaria’s Presidency of the Council of the EU in the second half of the year. The official summit guidelines expressed indirect CEE criticism related with trade deficits and the insufficient economic progress when it comes to investments.

In the aftermath of the 2018 Sofia summit, China expressed its interest to invest in Bulgaria’s infamous Belene nuclear power project under the expected German state guarantees. The power plant project has been mired in controversy since the 1980s, relating to the financial viability and practical need of building an additional nuclear reactor in the country. After the summit, and then restarting it again, the Bulgarian government is looking for viable investors to become part of the project. For the time being, it remains unclear if the China National Nuclear Corporation (CNNC) would actually invest in this burdensome project. The Balkan country was supposed to be a hub for the production of automobiles, which were designed by the Chinese and manufactured on EU soil. The Chinese car producer Great Wall Motors (GWM) established a joint venture with Bulgarian Litex Motors in 2012, with the aim of producing tens of thousands of cars annually and opening up to 2000 employment opportunities. The joint partnership was mostly active between 2013-2015 after which the project stalled and sales stagnated. GWM Litex Motors eventually fell to a halt in 2017 – after an inefficient marketing strategy and bad financial management made Litex file for bankruptcy after failing to
to register sustainable profit. In 2019, China signaled its intent to extend the maritime corridor of the BRI to the Black Sea region, through a partnership with the BRI and its capacity to develop the country’s shipping facilities and ensure the improved access of

Since 2019 China has sent mixed political signals about its continued optimism about future partnerships under the BRI. The COVID-19 pandemic has made everyone look at the strategic importance of the CEE region, which is still undergoing its industrialization. China has been quite active on this front by securing the signature

The Republic of Bulgaria closed 2020 essentially sitting on the fence when it comes to the BRI. The country has taken an cautious line with the EU and its future development on the one hand, as well as frustration by the lack of actual investment flows or improved trade balances on the other. The overall disappointment of many CEE countries is the relationship with China and the growing pressures of the Sino-American rift could make Bulgaria revaluate its expectations towards the Belt and Road Initiative.

Similar processes of BRI ‘second thoughts’ are exhibited by Romania, as well. The country also started its membership in the BRI in 2017 and its future development on the one hand, as well as frustration by the lack of actual investment flows or improved trade balances on the other. The overall disappointment of many CEE countries is the relationship with China and the growing pressures of the Sino-American rift could make Bulgaria revaluate its expectations towards the Belt and Road Initiative.

Recently, Chinese interest in the Rovnari nuclear power plant suffered a similar blow. Bilateral negotiations were conducted for the better part of the last decade in which Chinese partners were supposed to become majority shareholders of the 600 MW thermal plant.33 The Romanian side eventually lost interest after protracted delays and a row over the plant’s own environmental considerations in line with the European Green Deal.

Chinese interests suffered another setback in late 2020 after the Romanian Prime Minister banned Huawei from building 5G networks in the country.34 This happened in parallel to many CEE countries signing on to the abovementioned US ‘Clean Network’ initiative in opposition to the Chinese communist party and private technology companies who cooperate with the Chinese authorities. Both Huawei and ZTE had already established themselves in the Romanian market and have nurtured positive business relationships. It is clear that Romania was heavily influenced by Washington as Bucharest enjoys a close relationship on trade and security with the United States. The tumultuous Sino-American relationship and the extensive pressure on Chinese technological companies by the Trump administration is leaving its mark on CEE and influencing a number of these countries in their public networks.

Moreover, the European Union as a whole is carefully re-adjusting its position towards Beijing when it comes to trade, unfair competition practices, and predatory foreign policy. Countries such as Germany are carefully scrutinizing Chinese investments and especially the ones related to critical infrastructure and technology. The Covid-19 health crisis also led to a dramatic shift of the public perception of China, and how it behaved in the aftermath of the pandemic.35 In parallel, the ‘17+1’ initiative mentions lowering momentum due to the growing skepticism of many of its members on the actual merits of sustaining smoke and mirror partnerships which barely bring tangible results. The indefinite postponement of the next China-CEE meeting and the strategic realignments of the EU towards Beijing with such countries as Romania and Bulgaria to rethink their commitment towards Chinese investments and large-scale projects of strategic importance. The year 2020 will possibly mark the shifting attitude of the two EU Black Sea countries to the ‘17+1’ framework and potentially cool off their expectations to the Belt and Road Initiative in the upcoming years.

**BRI AND NON-EU MEMBER STATES IN THE BLACK SEA REGION**

The BRI has all the necessary features to be an alluring proposition for Georgia. The former Soviet republic is looking for opportunities to boost the blacklist foreign direct investments flow and open new engagement opportunities, while also addressing the poor connectivity within the country. The country’s Black Sea ports of Batumi and Poti could be seen as appealing investment prospects, while improved railway links can boost the transit of goods to and from the Caspian and numerous landlocked Central Asian countries. Georgia’s geographic location and the recent military conflict with Russia make it an inevitable ally of Moscow’s belligerent foreign policy and its hawkish attitude toward its ‘near abroad’. China has supported Georgia’s territorial integrity and refused

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27 Bulgarian National Radio. Vonewa and our companies’ most sensitive information under the auspices of the US State Department. 35 Radio Free Liberty, Romanian Rejests Partnering With China’s Huawei On 5G, Prime Minister Says. BNR.BG Romania (23 April 2019)

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30 Smolnik, F., The Balkan Dimension of the Belt and Road Initiative in the Black Sea Region. The BRI and the New Silk Road. The Regional and Global Implications of the BRI for Southeast and Central Europe. 32 Ibid, p.29

31 Karásková, I et al. (2020), Empty shell no more: China’s growing footprint in Central and Eastern Europe

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33 Abdel-Aziz, A et al., China and its Hawkish Attitude Towards Its ‘Near Abroad’. China in the Broader Black Sea Region

34 Transnational Cooperation with China: A New Era for Georgia’s Security? Georgia Can Still Be a Hub for China, But Only If the Belt and Road Survives. The Diplomat (27 August 2019)

35 Smolnik, F., Georgia: Positions Shift on China’s New Silk Road. German Institute for International and Security Affairs, SWP Comment, p.2

36 Smolnik, F., Georgia: Positions Shift on China’s New Silk Road. German Institute for International and Security Affairs, SWP Comment, p.4

37 Topurina, R., Georgia Can Still Be a Hub for China, But Only If the Belt and Road Survives. The Diplomat (27 August 2019)
the main transport hubs between China and Europe. Initially started as a joint Georgian-American venture, the ambitious project attracted US and European funding and even secured an investment from ZPMC – a Chinese manufacturer of cargo equipment. However, in early 2020 the investment agreement was officially scrapped by the Georgian government and it is uncertain whether a new investor will be found for the multi-billion euro project.41 Even though Anaklia remains an alluring long-term prospect, there are no indications whether China would like to commit itself to investing substantially in the project under its BRI. The BRI footprint in Georgia is still shallow and its future is an open question. Similar to other countries in the region, China has been seen as an alternative source of funds filling gaps in public investment budgets. However, neither the free trade agreement, nor the BRI provided a substantial windfall for Georgia. In parallel, the preferential trade agreement, part of the EU-Georgia Association agreement from 2014, has substantially increased the market access of the Caucasian country to Europe. The European Union remains Georgia’s main trading partner and a strategic-economic ally. And yet, Georgia remains open to engagement with China as it may provide credit lines in the future and possible diplomatic support to counterbalance Russian pressures. Of all the analysed countries in the Black Sea region, it appears that the BRI has made most tangible progress in Ukraine. The country was one of the first countries in the region to signal its interest and signed a series of preferential trade agreements with China.42 In 2013 a belt and road agreement was signed with Yankovych and led to an increased interest of Ukraine to China in December 2013. The BRI cooperation and overall positive relations between the two countries also continued after the downfall of Yanukovych and the illegal annexation of Crimea by the Russian Federation. Beijing’s interest in engaging with the former Soviet republic is manifold. Ukraine has vital transport links to Europe and is open for extending its rail system and boost the railway connectivity with Europe. In 2018, Ukraine established a dedicated center to promote BRI investment partnerships and provide assistance to interested businesses. Since 2014, Ukraine has also been a beneficiary to generous macro financial assistance (MFA) from the EU with several tranches totalling more than EUR 4 billion. European financial institutions such as the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) also allocated substantial funds as part of the post-Maidan EU support. However, many of these credit lines or grants come with requirements for comprehensive reform of Ukraine’s judicial system, and anti-corruption measures. Additional technical requirements or structuring measures can slowdown or freeze some of this funding if conditions are not met. This dynamic has also been exploited by China which pledges multi-billion euro projects or targeted loans demanding very little in return apart from access to a country’s strategic market.43 As a spill-over to BRI partnerships, China has also been interested in Ukrainian industrial expertise and also looking for avenues to additionally engage in the field of military equipment. All of these developments have naturally stoked concern in Brussels and Washington. It appears that Ukraine has determined on its Euro-Atlantic path but is also walking a tight rope in order to attract as much as investment as possible for its cash-stripped economy. The complex geopolitical situation of Ukraine has forced the country to explore additional partnerships not only from the West, but also from its Eastern neighbors which also carry long-term risks. For the time being Kyiv remains committed to the BRI and continues its elaborate balancing act between major international actors in order to ensure its economic interests are protected. In the last several years, China has tried to positively engage with Turkey in order to fulfill its BRI ambitions in the region. Several large-scale Chinese investment projects such as the Ankara-Istanbul high speed railway pre-date the BRI and have been the beneficiary of both China’s improved railway connectivity for freight transit between Turkey and China has already been mentioned above and Beijing is exploring additional options for investing in energy or debt-for-equity swaps. In 2017 China’s two largest port operators acquired a controlling stake in Turkey’s Kuprum Port – further boosting China’s positions in the Sea of Marmara and the Aegean. In 2018, the two companies acquired a direct majority stake of a USD 17 billion coal plant on the southern coast of Turkey.46 Turkey is also looking for synergies between its own multilateral transportation policy and the BRI. Istanbul is engaged in the Economic Corridor initiative which aims to connect several countries along the way to China as a more economical transport corridor. Turkey’s currency crisis and rising deficit are forcing it to boost its trade relationship with China and explore additional investment options for the future. A substantial problem plaguing the Beijing-Istanbul relationship has been the detention of more than one million Uighur Muslims and other minorities, in the Xinjiang province.47 In 2019 the Turkish President Erdogan refused to attend in-person the second high-level Belt and Road Forum in Beijing, probably as criticism of China’s actions.48 Lastly, a reference should be made to the complex dynamic between China and Russia when it comes to the BRI. The international sanctions have dealt noticeable damage to the Russian economy, while the fluctuating plunging oil prices and US made Kremlin dig into the country’s financial reserves. This pushed Moscow to look for deeper ties with its formidable Asian neighbour. In recent years there have been expanding bilateral ties between Beijing and Moscow in strategic sectors such as trade, energy, and military. The two countries have been signalling their common criticism toward the US and pursued common interests in international institutions. Russia has been a popular destination for China’s upgrading of road and bridge infrastructure between the two bordering countries. And yet, Moscow remains lukewarm toward the Belt and Road Initiative as it increases China’s sway in many Central Asian countries. Russia has pursued its own vision for a Eurasian Union which currently features Armenia, Belarus, Kazakhstan, and Kyrgyzstan, and aims for the creation of an integrated internal market between its members. Russia has been exploring common projects with China for the upgrade of road and bridge infrastructure between the two bordering countries. Seven years on, the Belt and Road Initiative continues its expansion with varying degrees of success – in some countries it is still a faint trickle, in others it is a formidable flow. As discussed in the opening of this chapter the initiative follows different objectives in the different geographical regions and is characterized by an opaque strategy and obscure overall management. Interestingly, one of the official advisory groups to the BRI composed of high-level officials and former politicians observed that unlike other platforms for international cooperation this forum is neither coordinated from a central mechanism nor there is a clear set of work streams.49 Its latest progress in the Black Sea region has several similarities with the fuzzy blueprint Chinese authorities have applied in other regions. One of the main objectives of the BRI in the Black Sea basin is improving the access of Chinese goods, companies, and labor in the European Union and its immediate neighborhood. Ambitious projects for railways, highways, and ports are a recurring theme for the Chinese emissaries who hope to engage with local politicians and national governments to open up various markets. Even though many of the pledges, memoranda, and megaprojects exist only on paper, the BRI is a positive tool for boosting China’s image and strategic penetration in important global markets. The outstretched hand offering partnership is also part of China’s overall charm offensive campaign for improving its diplomatic relations within the EU and its eastern neighborhood. China is also aware that countries such as Greece or Germany have a strained relationship with the Russian Federation, and are also pursuing a Euro-Atlantic geopolitical path. China wants to present the BRI as a third way which is flexible, neutral and materially benefits the host countries. To counteract the Western paranoia about the need for better connectivity and increased foreign direct investment can sometimes override geopolitical allegiances. The countries in the Black Sea region are also characterized by institutionalization in the rule of law, instances of high-level corruption, and legislative back-doors which can be exploited so that Chinese companies can secure access to lucrative contracts or provide credit lines which come with political strings.46 GCR, Work jegers on $7.5bn. China_advanced coal plant in Turkey, Global Construction Review (24 September 2019) 47 Maizland, L. China’s Repression of Uighurs in Xinjiang. Council on Foreign Relations (25 November 2019) 48 Hiljeman, G. (2020), The Emperor’s New Road. China and the Project of the Century. New Haven, CT: Yale University Press, p.201 49 Ibid, p.203


A common feature for all of the studied Black Sea countries is that the BRI partnership projects are usually in the field of road, rail and maritime transport, and also energy. Improved bilateral trade and overall boost for tourism and cultural cooperation are also pursued objectives. It is interesting to note that large-scale digital infrastructure and communication is of a priority for many of these countries. One of the main pillars of the BRI in other continents is the ‘Digital Silk Road’ – which focuses on investment in broadband networks, data centres, long-distance fibre-optic cables and related digital infrastructure. Estimates suggest that under this head China has invested USD 79 billion50 in projects around the globe, primarily in Southeast Asia and Africa. In effect, China is heavily involved in securing the digital backbone of many developing countries, which are expressing a growing interest in cheap and functional technological advancement. Relevant examples of these projects include data centres in North Africa and underground/underwater fibre-optic cables in Pakistan, Vietnam, Indonesia and the Philippines, to name just a few.51 This approach is extremely procreative as it further reinforces Beijing’s strategy of tech dominance. Moreover, China is making these countries more dependent on future hardware or software support, provided by Chinese firms. China will also be tempted to tap into the valuable troves of data created and open new avenues of covert intelligence collection which it has done in the past, e.g. the wire taping of Chinese-built IT system in the headquarters of the African Union is a case in point.52 This is not to say that companies such as Huawei or ZTE don’t have access to countries such as Bulgaria or Georgia. It’s more of a confirmation that the BRI changes and adapts to local contexts and places where it can get the most added value financially and politically. The Digital Silk Road is primarily targeting developing countries where the need for basic telecommunications infrastructure is more pressing.

The Black Sea region is an important link in the overall BRI logistical chain which aspires to stretch from Shanghai to Rotterdam. For all the talk about diplomacy and mutually beneficial joint projects, China’s overarching goal with the BRI is to revitalize global supply chains and open up new secure routes for its exported goods. China is heavily reliant on massive demand in order to sustain economic growth, and the huge public investment programs within the country. Moreover, China is dedicated to its ‘Made in China 2025’ strategy which is an ambitious effort to prop up the Chinese economy from low-value-added manufacturing of cheap consumer goods to a high-tech manufacturing with an upgraded domestic industry. The country is prioritising specific sectors and investing heavily in R&D and breakthrough technology, in order to push the country towards higher value services and revamped industry. Hence, Beijing needs to make sure that it has secured different access routes in higher income markets such as the European Union. In the next several years China will focus its efforts on keeping the BRI flame alive within the Black Sea region and fill in every suitable opening for strategic investment and increased economic ties. This opens up new avenues of investment for the Belt and Road Initiative is the maximum push of the economic centre of the world from the Atlantic to Asia and making sure that most of the global trade routes lead to Beijing.

CONCLUSIONS AND POLICY RECOMMENDATIONS

No country should be reprimanded for looking for investment opportunities or boosting its trade prospects. If the Chinese Belt and Road initiative was a transparent and open mechanism for international development, and mutually beneficial investments, many international actors could benefit. But the BRI pursues a different agenda which not only serves mostly Chinese interests, but also exacerbates existing problems between the EU and China. European member states have signalled their concerns about the lack of transparency of the initiative and the unbalanced relationship between China and its partnering countries.53 The initial excitement of the European countries partnering in the ’17+1’ mechanism is waning as many of the involved European actors see their trade deficits with China soaring and a lot of the promised infrastructure projects not materialising at all.

This has coincided with an overall EU regrouping on its common position toward China as a number of problems vis-à-vis the Asian country have remained unresolved throughout the last decade. The EU has struggled to develop a more balanced and reciprocal relationship with Beijing as many European companies are denied access to the Chinese market. Chinese protectionism and heavy public subsidies are nurturing national champions which receive unfair advantages when competing internationally. In its 2019 strategic outlook the European Commission recognised China as a negotiating partner in key areas but also ‘an economic competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance.’54 The Covid-19 pandemic has also led to a shift in public opinion towards China and the European Union even more distrustful of Chinese foreign policy.

The Sino-US trade spat and growing competition in the field of cutting-edge technologies adds additional fuel and considerable uncertainty. There is growing pressure from the United States towards its international partners to reconsider their dependence on Chinese goods in key economic sectors and also limit the penetration of Chinese technological giants on their territories. The recent ‘Clean Network’ initiative and US push for CEE countries to ban Huawei from rolling-out 5G infrastructure has already made many of the ’17+1’ European countries limit the access of the technological giant to their networks. All of these developments have made the EU aware that the dominant environment will likely bring a shift in the EU’s relationship with China and its international endeavours such as the Belt and Road initiative.

There are a number of actions which the EU can take so that the economic bloc can safeguard its strategic interests and limit the potential negative spill-overs of the BRI within its member states generally and in the Black Sea region in particular. A collective response is key. The EU must ensure internal cohesiveness and make sure that Chinese bilateral or regional trade efforts do not break European unity or influence the EU’s foreign policy. The CEE European members states part of the ’17+1’ should be more vocal about the unequal trade relationship with China and make sure they improve the market access of European companies if they are to continue their engagement with the initiative. Countries such as Bulgaria and Romania should wary of possible long-term debt traps as part of the BRI and thoroughly scrutinise large-scale investment projects for their compatibility with EU environmental and social standards. On the technological front, a common approach to addressing cybersecurity risks relating to the future 5G network roll-out or cyber-espionage is essential. Additionally, a strengthened mechanism for the screening of foreign direct investment from third countries should be at the disposal of the European Commission in order to mitigate potential security risks and interference in domestic matters.

The Covid-19 pandemic has already considerably damaged European economies and numerous European companies are tackling reduced share prices or reduced liquidity. Brussels has signalled that this makes companies vulnerable to overseas bids and potential Chinese takeovers, which should be prevented.55 The EU should commit increased resources and political attention to providing attractive international partnerships which can compete with the Chinese BRI. Efforts such as the current EU–Asia Connectivity platform and the enhanced partnership with Japan in the field of digital services, transportation, and energy should be strengthened and expanded to other countries in the region. An interesting prospect to counter Chinese influence is the Three Seas initiative between twelve (mostly CEE) European member states located on an axis between the Baltic, Adriatic and Black sea. The initiative aims to develop the region’s weak infrastructure and provide funds for strategic projects.

The EU should also devote appropriate attention to the countries within the Eastern Partnership and provide a viable alternative to the BRI in the Black Sea region. Additional efforts and funds should be dedicated, boosting the Trans-European Transport Network (TEN-T) which aims to foster better connectivity between Armenia, Azerbaijan, Belarus, the Republic of Georgia, the Republic of Moldova and Ukraine. Countries like Georgia and Ukraine have already benefited from European macro-financial assistance and Europe has been actively engaged in providing economic support in the fallout of the Covid-19 pandemic. The long-term European budget (MFF) should be leveraged to support EU’s strategic eastern partners, while financial institutions such as the EIB and EBRI can provide valuable credit lines for connectivity projects.

The European Union is fully aware that the Chinese Belt and Road initiative is a tool for expanding Chinese influence abroad. Beijing has not shied away from making grandiloquent claims about its ‘project of the century’, which aims to run in the upcoming decades and strengthen its foothold in Eurasia, Africa, and even Latin America. The EU should respond to the challenge and optimise its financial, diplomatic, and international development tools, in order to guarantee that its strategic interests are protected internally and in its own back yard.

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51 Harding, B., China’s Digital Silk Road and SouthEast Asia, Center for Strategic and International Studies (15 February 2019).
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2. THE SINO-RUSSIAN RELATIONSHIP

Marcin Kaczmarski

INTRODUCTION

The Sino-Russian relationship has become an increasingly important variable in international politics over the past decade. Political, security, normative and to a lesser extent economic cooperation with China has allowed Russia to pursue a more assertive foreign policy. Close ties with Beijing shielded Moscow from diplomatic isolation after the annexation of Crimea and helped with economic challenges due to the resulting sanctions imposed by the West. For China, collaboration with Russia has provided a ‘strategic backyard’ that allows Beijing to focus its attention on East Asia and strengthens China’s hand in dealings with the United States.

However the relationship cannot be called a fully-fledged alliance. Both states remain unwilling to give each other a ‘carte blanche’ for policies across the board. As a result, in many parts of the world, the Sino-Russian relationship does not lead to a close coordination of their policies.

This is also the case of the Black Sea region. As this chapter demonstrates, the relationship between China and Russia in the Black Sea region is almost non-existent. There has been no security and defence cooperation, nor do we see joint economic investments in infrastructural projects; Russia and China continue to pursue their distinct policies in the region. For Moscow and Beijing differs substantially, with the former seeing it as a ‘strategic backyard’ that allows Beijing to focus its attention on East Asia and strengthens China’s hand in dealings with the United States, while the latter recognising the region as a potential transit corridor, part of the Belt and Road Initiative.

THE CURRENT DYNAMIC OF THE SINO-RUSSIAN RELATIONSHIP

Over the past decade, the Sino-Russian relationship has deepened considerably. During Xi Jinping’s 2019 visit to Russia, the relationship was elevated to ‘comprehensive partnership and strategic coordination entering a new era.’ This move is symbolic in two respects. For the first time ever, China’s strategic partnership with Russia was made formally distinct from PRC’s broad collection of several strategic partnerships. At the same time, however, the new move of elevating Sino-Russian relations to a higher level of partnership might not lead to a close coordination of their policies.

The points of convergence between Russia and China also includes the conviction of both states’ ruling elites of their special responsibilities as great powers; membership of key international institutions giving both states a seat at, and a say in major global fora, almost identical rhetoric with regard to the primacy of the United Nations and international law, as well as the need to ‘democratize’ international relations.

Ruling elites in both states also believe in the idea that their respective states deserve a privileged position in international politics. Joint Sino-Russian declarations adopted at annual summits usually provide a catalogue of their agreed positions with regard to ongoing conflicts, as well as challenges to global and regional security. International security is interpreted by Moscow and Beijing, through a state-centric lens and with a clear focus on territorial integrity and regime security. Both states tend to support incumbents in domestic conflicts and civil wars, for instance in Syria. Regular condemnations of ‘external interference’ are usually aimed at Western policies towards particular conflicts.

The two states also find it relatively easy to agree on those aspects of the contemporary liberal order they would reject. Both cherish the traditional ‘Westphalian’ definition of sovereignty, which they understand as a state’s impunity within its own borders. Moreover, Russia and China have attempted to broaden the definition of state sovereignty so that it encompasses the cyber domain and the Internet. At different UN fora, both states have attempted to deter the international community from greater engagement in domestic affairs of particular states. Behind their repeated calls for reform of international relations is the desire for a diminished role for Western states, particularly the United States. At the same time, Moscow and Beijing continue to pay lip service to the primacy of international law and declare the UN to be the most important international institution.

Energy cooperation

The global financial crisis of 2009-2009 led to a breakthrough in Sino-Russian energy cooperation. Russia agreed to construct an oil pipeline to China, while Russian state-owned companies, Rosneft and Transneft, received multi-billion dollar loans from Chinese banks and entered into long-term contracts with Chinese energy companies. Since then, the scope of energy collaboration has only broadened, with the exception of few minor setbacks.

Russia emerged as China’s top oil supplier in 2016. Chinese companies currently buy more than a fifth of Russia’s crude oil.3 From the Chinese perspective, oil imports from Russia are relatively secure as in most cases they do not need transit countries and take place overland. China purchases Russian oil from several sources: (a) the East Siberia – Pacific Ocean, ESPO pipeline’s to Daqing in northern China, composed of two pipelines with the capacity of 15 million tons per year each, which were completed in 2011 and 2018 respectively, (b) the ESPO Pacific pipeline branch that ends at the port of Kozmino, with the capacity of approximately 30 million tons per year, and (c) from the pipeline transiting Kazakhstan.

The LNG sector represents another success story for Sino-Russian energy cooperation. In 2013, a leading Chinese state-owned energy company, CNPC, acquired a 20 percent stake in the Yamal-LNG project, operated by the Russian independent gas producer, Novatek. In 2015, China’s Silk Road Fund purchased an additional 9.9 percent stake in the same project. In 2016, two Chinese state-owned companies, Export-Import Bank of China and the China Development Bank, provided a US$ 12 billion loan for the Yamal-LNG project’s development, practically saving it from Western sanctions, which prevented Novatek from borrowing in the international markets. LNG deliveries from the Yamal Peninsula started at the turn of 2018, with the first delivery by sea arriving in China in July 2018. In 2019, Novatek sold 20 percent of its Arctic LNG-2 project to Chinese companies, CNPC and CNODC.

Cooperation in the natural gas export developed much slower. Ultimately, however, in 2014, the key Russian gas producer Gazprom and CNPC agreed on the construction of the Power of Siberia gas pipeline and signed a 30-year contract on deliveries of 38 billion cubic meters (bcm) of gas per annum, worth US$ 400 billion. The Power of Siberia began transmitting gas to China in late 2019, however it will take another five years before it reaches its full capacity. The pipeline and the contract bind Gazprom in a long-term perspective to the Chinese market. The new gas fields, the exploration of which is necessary to fill the Power of Siberia, will supply exclusively the Chinese market.

The nuclear energy sector constitutes another pocket of energy cooperation between Russia and China. Despite Chinese advancements made in the civilian nuclear sector in the last decade and a half, Russia’s Rosatom has managed to keep its share of the Chinese nuclear energy market.4 Rosatom completed three reactors at the Tianwan nuclear power plant and plans to finish the fourth by early 2019. Both sides agreed for the construction of at least two additional reactors in the Tianwan NPP. Given Rosatom’s weight and position in the Russian political economy, its participation in the Chinese market further reinforces the strategic dimension of the relationship.

Further developments in Sino-Russian energy cooperation are more difficult to predict. The construction of another proposed gas pipelines, the so-called Power of Siberia-2 (via the most-western part of Sino-Russian border, formerly known as Altai) and Power of Siberia-3 (via Mongolia), remains uncertain. The two sides have signed several agreements concerning the Altai pipeline during the past decade, but no contracts have followed. The location of the pipeline, in the north-western part of China, makes it economically unviable. Additional infrastructure is required to transport gas from Xinjiang region to coastal parts of China and existing gas pipelines from Central Asia provide a viable alternative. China will probably continue to discuss the Altai project can be considered a political goodwill gesture towards Russia, as Moscow attempts to use the negotiations in talks with the EU, threatening to redirect gas away from Europe via Moscow to China. This move could be more feasible but the necessity to transit the territory of a third party may limit China’s enthusiasm for it.

The absence of mutual investment in the oil and gas exploration and sales in local markets remains the key weakness. Chinese companies have not received major shares in Russia’s upstream sector, including the failure

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1. Russian-language version: http://kremlin.ru/supplement/5413
China's traditional unwillingness to get involved in alliance commitments, other factors are specific to the Sino-Russian relationship: (a) increasing asymmetry of power and influence between the two states; (b) unwillingness to support each other's aggressive policies, towards post-Soviet neighbourhood and the South and East China Seas respectively; (c) divergent views on the key challenges and future evolution of the international order.

Security and defence cooperation

Security and defence cooperation has also grown over the past decade. Joint military exercises have emerged as a major pillar in this cooperation and has gradually replaced arms trade. Arms trade between the countries bounced back after the mid-2000s cessation but never returned to its golden age. China remains an important partner but the scope of arms trade remains comparable to other customers of the Russian military-industrial complex. The most relevant contracts for S-400 surface-to-air missile systems and Su-35S fighters were signed in 2014 and 2015 respectively. Not only did they represent the first sale of complex weapons systems to China after a decade-long pause, but also for the first time ever Moscow decided to sell more advanced weapon systems to China prior to supplying India. The earlier pattern of Russian arms sales to Asia was to sell more advanced weapon systems to India, thus pursuing a hedging policy against China and helping to maintain a delicate balance of power between the two giants. From the Chinese perspective, these weapon systems significantly enhance the PLA’s capabilities in the Taiwan Strait and South China Sea. From the Chinese perspective, the incentives to procure equipment from Russia is constantly diminishing. The Chinese military-industrial complex has matured, while Russia’s offer for China has narrowed down. Along with growing sophistication of the Chinese military-industrial complex (even though in an online mode), Vladimir Putin hinted at the possibility of a Russian-Chinese military alliance. Responding to the question posed by a Chinese expert, Putin emphasised that both states 'are free to enter into a military alliance but he did not exclude such a possibility.’ Experts’ reactions pointed to some doubts about the feasibility of such an alliance. There remain several obstacles that prevent Moscow and Beijing from upgrading the level of their relationship to that of an alliance. While one of the fundamental reasons for the absence of a military alliance, is China’s traditional unwillingness to get involved in alliance commitments, other factors are specific to the Sino-Russian relationship: (a) increasing asymmetry of power and influence between the two states; (b) unwillingness to support each other’s aggressive policies, towards post-Soviet neighbourhood and the South and East China Seas respectively; (c) divergent views on the key challenges and future evolution of the international order.

The not-so-equal partnership

The increasing asymmetry between China and Russia threatens the notion of an equal partnership. This asymmetry manifests itself on a number of levels. It is most apparent in the regional political arena where China’s economic size is seven times larger than the Russian economy. Chinese military budget is three times bigger, even though Beijing maintains military expenditures below the 2 percent of GDP level, while Moscow has spent between 4 and 5 percent for the last couple of years. The bilateral relationship has different weight for the two sides. While Moscow can offer geopolitical and strategic support to Beijing, it cannot do much to help China in economic terms. Russia cannot provide a market for Chinese products banned from the United States, offer technologies Chinese companies are after, or become a secure place to invest trade surpluses. Both states’ activities in each other’s backyards constitute another dimension of the asymmetry. China has managed to establish itself as Russia’s peer in Central Asia, conditioned by Moscow’s recognition of Tajikistan and Kyrgyzstan, by the close relationship with the Kyrgyz People’s Armed Police and the Chinese People’s Armed Police has established their own channels of communication and in 2016 began to hold annual exercises of their own special units. Additionally, in 2019 China and Russia conducted their first joint bomber patrol ever, in East Asia, provoking the scramble from South Korea and Japan. The same year, Vladimir Putin admitted that Russia helped China in developing the ballistic missile early warning system (the Chinese side did not reveal any details, though).
Divergent views of globalization and its future

Another crucial obstacle is long-term divergence of views and policies related to economic globalization, global populism, and anti-establishment movements. Russia seems to be thriving on events such as Boris or Donald Trump’s presidency. China, due to the structure of its export-oriented economy, has much more to lose from protectionism and the reversal of economic globalization. The difference is that to the West, Russia and China have drawn from the post-Cold War economic globalization have shaped their attitudes towards the anti-globalization and populist processes, which became the hallmarks of the 2000s. China has much more to lose in case of the rise of protectionism, dominant in the United States since the 2000s. China’s and Russia’s post-Soviet policies have been much more nuanced.

China: a transport corridor

From the Chinese perspective, the Black Sea region is much less relevant. Even though its prominence increased since the proclamation of the Belt and Road Initiative in 2013, the region remains an alternative transport corridor. While the corridor via Kazakhstan, Russia and Belarus is the most beneficial and convenient, the trans-Caspian corridor – via Kazakhstan, the Caspian Sea, Azerbaijan, Georgia, the Black Sea and to south-eastern Europe – provides an alternative route. However, its use so far has been limited. Both hard infrastructure (railways) and soft infrastructure (documents and procedures) are heavily underdeveloped. Kazakhstan, Azerbaijan, and Georgia seem to be more interested in developing this corridor than China.

Beijing has increased its political profile on the western coast of the Black Sea for the past decade by establishing the ‘17+1’ (originally ‘16+1’) formula of cooperation with Central and East European states. Romania and Bulgaria are the most important participants in this regard.

Beijing seems to stick to the ‘hands off’ policy when it comes to Russia’s actions directed towards the region, in particular its post-Soviet members. On the one hand, China has not recognized either the independence of Abkhazia and South Ossetia, nor the annexation of Crimea; On the other, it has exercised some degree of self-restraint in its relations with Ukraine and has not criticised Russia.

China in the Broader Black Sea Region

The US factor in the region

The United States and NATO presence in the region may create an incentive for closer Sino-Russian cooperation. For Moscow, the US factor is an important factor that has affected its foreign policy, not shying away from the use of military or political force. China, in turn, walks a delicate line. It has developed substantial economic cooperation with Ukraine and considers Ukraine a relevant provider of military technologies, especially those which Russia is not willing to deliver. At the same time, Beijing seems to respect what it perceives as Russia’s ‘red lines’.

China’s reaction to Russia’s annexation of Crimea and its intervention in Eastern Ukraine in 2014 illustrated the limitations of Beijing’s political engagement in the region.

The US factor in the region

Among the factors which pushed China to challenge Russia on the latter’s policy towards Ukraine is its fear of separation, which Beijing considers its most serious challenge. Moreover, the form of Russia’s support for Ukrainian separatism – a declaration by its inhabitants expressed in a referendum – might create a precedent potentially detrimental to China’s core interests. It thus seems implausible that China might formally accept Crimea’s annexation by Russia. At the same time, there are aspects of the Russian-Ukrainian conflict that prevented China from supporting the new Ukrainian government openly. Chinese scholars and analysts as well as the official Chinese media tend to interpret the Maidan revolution in terms of a Western-led conspiracy which overthrew the legal government, in a way similar to the so-called ‘colour revolutions’ in the post-Soviet space in the mid-2000s. This is related to the sensitivity of Chinese authorities to possible and imagined challenges to the CCP’s own monopoly on power domestically. Beijing has
blamed external forces for such protests as in Tibet in 2008, Xinjiang in 2009 and in Hong Kong in 2014. In the case of Ukraine, the success of a democratic and popular protest does not bode well for China’s ruling party. Seen in this light, Russia’s intervention in Crimea was deemed a ‘proper response’ to Western subversion. Consequently, China might have implicitly supported such methods.

From Beijing’s perspective, the relevance of Ukraine has significantly increased since 2013. The proclamation of the Belt and Road Initiative (or, to be more precise, of its land component, Silk Road Economic Belt) has made Ukraine an important transit country in building transport corridors to Central and Western Europe. Ukraine offered a convenient and fast railway connection to the markets of EU. Chinese companies had also planned the construction of a deep-sea port in Crimea. But following the Russian-Ukrainian conflict, the transit route via Ukraine was closed due to the Russia’s ban on transit goods, whereas the planned deep-sea port in the Crimea was put on hold as Beijing refused to recognize the annexation of Crimea. In addition, both the domestic context of the Maidan Revolution and the conflict with Russia have decreased Beijing’s willingness to engage in closer political dialogue with Kyiv. Only the lifting of the Russian ban in June 2019 began to restore the importance of Ukraine for China.

In the end, shared opposition to the US influence may serve as the basis for a more substantial cooperation between China and Russia in eastern parts of the Black Sea region.

**Turkey**

As in the case of Ukraine and Caucasian states, the relevance of Turkey for Russia and China differs substantially. For Russia, Turkey has emerged as a relevant partner and occasional rival. Relations with Turkey have an impact on Russia’s position vis-à-vis NATO and the US, Russian energy policy, and Russian role in regional conflicts in the Middle East and North Africa. Cooperation with Turkey has helped Moscow to weaken NATO (the sale of Russian S-400 systems soured Turkish-American relations) and to improve its position in the energy market in southern Europe. rivalry with Turkey has made the Russian intervention in Syria as well as engagement in Libya more difficult. Turkish support for Azerbaijan in the latter’s conflict with Armenia over Nagorno-Karabakh has reduced Moscow’s room for manoeuvre.

For China, in turn, the importance of Turkey is defined by transit possibilities via the Turkish territory, the scope of possible economic cooperation, and by the Turkish policy towards the Uyghur question. The Chinese offering in Turkey includes the offer of Chinese telecommunications and high-speed railway. The most plausible bone of contention between China and Turkey is the Uyghur question. Turkey is one of the places where a sizeable Uyghur diaspora exists and Turkish authorities have spoken out in defence of Uyghurs and against Beijing’s policies.10

But Turkey seems to be non-existent on the map of Sino-Russian relations. In 2012, Turkey became a dialogue partner within the Shanghai Cooperation Organization, but no further steps followed. Ankara seems to have considered the idea of joining the SCO, but neither Moscow nor Beijing encouraged it. China and Russia pursue their distinct policies towards Turkey, which rarely interact directly with each other.

There exists some potential for competition between Russia and China in the commercial realm. Before Turkey purchased the S-400 anti-missile systems from Russia in 2017, it had chosen (in 2013) and abandoned (in 2015) Chinese anti-missile systems for its armed forces. In the case of the Chinese offer, Ankara’s decision to withdraw from a contract was the result of the US pressure.11 Having decided to buy the Russian system, Turkey resisted the US insistence on canceling the deal. The case of S-400 sale showed that the Turkish arms market was no longer monopolised by Western companies, and as such it might be an attractive market for the Chinese military-industrial complex. Another area of potential Sino-Russian competition in Turkey is the civilian nuclear energy sector. Russia is constructing a nuclear power plant in Turkey, Ankara has indicated more than once that China might construct another one of their planned nuclear power plants. However, the Chinese export of civilian nuclear technology is still in its early phase of development and Sino-Russian cooperation in this sphere has not gone beyond initial consultations.

**Romania and Bulgaria**

In the case of Romania and Bulgaria, we can see a similar pattern where Russia and China pursue parallel policies but rarely coordinate their actions or present a joint position on issues concerning any of those states.

For Russia, the primary importance of the Black Sea’s western coast relates to its energy policy. In the 2000s, Moscow kept undermining the concept of the Nabucco gas pipeline, which it saw both as empowering post-Soviet gas producers (Azerbaijan and possibly Turkmenistan) and challenging its own position in the EU gas market. The alternative solution proposed by Russia’s Gazprom, the South Stream pipeline, was to enter the European market via Bulgaria. Eventually Moscow dropped the project, and the EU also changed its concept of the Southern Gas Corridor.

From the Chinese perspective, Romania and Bulgaria are members of the 17+1 format of cooperation with the Central and East European states.16 China has also eyed the Romanian civilian nuclear energy market but it has failed to complete its initial plans at this stage.

**CONCLUSION**

Russia’s conflict with Ukraine, including the annexation of Crimea, posed the biggest challenge for Sino-Russian relations in the Black Sea region. Moscow’s aggressive foreign policy put Beijing in a highly uncomfortable position. China walked a fine line, trying to avoid direct support for Russia and unwilling to criticise Moscow’s actions. Russian policy generated concrete obstacles for the implementation of Chinese economic interests, such as the inclusion of Ukraine and the Black Sea region in general into a broader scheme of the Belt and Road Initiative. As post-2014 developments illustrated, Russia and China have managed to avoid the conflict over the region. Beijing seems to respect what it perceives as Russian ‘red lines’. Russia, in turn, seems to have limited the activities that might directly harm Chinese economic interests.

While there remains some potential for competition between Russia and China (e.g. with regard to nuclear energy market or arms sales), it is the increase in tensions between Russia and NATO/the West that might turn out most detrimental to China’s interests. Beijing remains interested in using the region as one of corridors for the BRI and perceives it as attractive for Chinese investments. As a result, China – unlike Russia – requires a certain degree of stability and economic openness in the region. As the opening of transit via Ukraine and the potential for a new transit corridor via Azerbaijan demonstrate, Moscow appears to take Chinese interests into consideration. A sui generis division of labour that both states practice in Central Asia (with China increasing its economic influence, and Russia taking on the political-military leadership) can to some extent be replicated in the Black Sea region.

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3. THE SINO-TURKISH RELATIONSHIP

Selçuk Çolaşoğlu

CHINA’S BELT ROAD INITIATIVE
China’s BRI, introduced by Chinese President Xi Jinping in 2013, has resonated with both the overland and the maritime Silk Roads. In addition, both in terms of its financing and the geographical area that it covers, this initiative has increasingly become the object intense discussion.

First, China’s initiative spans a much wider geographic area than other countries’ Silk Road initiatives. The BRI encompasses two major geographical expanses: the first follows the historical overland Silk Road through Central Asia, then north to Russia, and eventually to Europe. The other passes through Iran and Turkey to the south. China’s overland Silk Road is called the Silk Road Economic Belt, while the maritime Silk Road is called the 21st Century Maritime Silk Road (MSR), covering Southeast Asia, South Asia, East Africa, and Europe. The route of the MSR begins in the South China Sea, passing through the Malacca Strait, the Indian Ocean, and Red Sea before extending into the Mediterranean Sea.

Second, the BRI foresees the establishment of wide-ranging cooperative efforts, from infrastructure to developmental aid like the China-Pakistan Economic Corridor. This context is quite significant when considering that the Silk Road infrastructure projects and investment strategies that have been undertaken by Turkey, Azerbaijan, and Pakistan have been built to attract Chinese investment and to be part of the BRI. Moreover, Turkey has been building a network of transportation infrastructure and integration into the world market by way of trade liberalization.

China also brings a generous budget to the table. Beijing initially committed to allocate $40 billion of resources to the BRI and said that this figure is ambitious, in 2015 the China-led Asa Infrastructure and Investment Bank (AIIB) was established, and China plans to use the Bank’s $50 billion fund primarily for Silk Road projects. The possibility that the AIIB’s funds can be used in such a way seems quite likely, especially when taking into consideration that the initiative covers nearly the entirety of the Asian continent. A third source of revenue for the initiative will be a total sum of $62 billion that Beijing is considering transferring to the coffers of the BRI from the China Development Bank. Taken in total these contributions amount to around $152 billion for the initial stage, thus making the BRI one of the biggest infrastructure projects in history.

The BRI has also received the support of countries throughout the region. Countries like Myanmar, Cambodia, Sri Lanka, Bangladesh, Pakistan, and Vietnam have faced development challenges in integrating into foreign markets, have expressed their interest in the BRI. Likewise, developed countries including EU member states like Italy, Greece, and Portugal have said they would like to be part of the BRI, supporting its use in exchange reserves for the Euro and the Yuan.

The BRI also has received interest from the US, where the former US Treasury Secretary, Henry Paulson, expressed his interest in the BRI, and he also said that he would advise US companies to invest in the BRI. The BRI has also been a topic of interest for the European Commission, which has expressed its support for the BRI and has said that it will work with China to ensure that the BRI is a success.

The BRI is expected to bring significant benefits to the region. It will help to improve connectivity, trade, and investment. It will also contribute to the development of the region’s infrastructure, which will help to attract foreign investment. It will also help to create jobs and improve living standards.

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Turkey’s Middle Corridor

Turkey put forward a new Silk Road initiative named the Middle Corridor, or MC in the 2010s. Turkey’s main objectives in launching this initiative are to create a belt of prosperity in the region, to increase connectivity, and to encourage foreign investment. The MC is expected to bring significant benefits to Turkey, including increased trade, investment, and job creation.

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the SREB tends to use the Southern Corridor for main transportation and logistics links rather than the Southern Corridor. The SREB uses the Southern Corridor, it means bypassing the MC. However, the reinstatement of U.S. sanctions on Iran in November 2018 under the Trump Administration has become an obstacle for China to use the Southern Corridor to realize its regional integration vision. It remains unclear whether the Biden Administration will be able to restore the 2015 Iranian nuclear deal again. If the nuclear deal is reinstated or at least there is a possibility of normalization under the Biden Administration, the Southern corridor may become attractive again for Chinese BRI investments.

Ankara does not want to completely rely on Moscow or Tehran when it comes to strategic transport corridors that would serve as a gateway to the entire Asian continent. Approximately 30,000 Turkish trucks annually use the Iranian route, while another 9,000 Turkish trucks traverse Russia to reach Central Asia. As a matter of fact, both Iran and Russia have played an inhibiting rather than facilitating role as far as Turkey’s opening to Central Asia in the post-Cold War period is concerned. As a recent example in 2014, Iran and Turkey were embroiled in a transit fee dispute. In 2015, after the downing of a Russian jet by Turkey near the Syrian border, Turkish truckers faced additional hurdles due to intensified Russian customs checks.13 Yet a third alternative would be connecting the SREB with the MC through Central Asia and the Caspian Sea. The TCR can be integrated into Kazakhstan’s railway network and from there extend to Azerbaijan through a trans-Caspian roll-on-roll-off (Ro-Ro) link. This railway link connects this route to Turkey. A link between the SREB and the MC would be shorter and less costly than any alternative involving the Northern and Southern corridors. The MC’s connectivity to the SREB helps Beijing’s ambitions pertaining to the reinvigoration of the ancient Silk Road via an integrated rail link between China and the Middle Eastern and European markets through Central Asia.

Within this framework, the agreement on creation of the Trans-Caspian International Transport Route (TITR) was signed in April 2016 in Baku by the railway authorities of Azerbaijan, Georgia, and Kazakhstan. TITR is a project initiated to improve transit potential and development of the countries of the Caspian region. This route runs from China through Kazakhstan, the Caspian Sea, Azerbaijan, Georgia, Turkey and further to Europe. The Turkish railway authority-TCCD and Ukraine’s Ukrzaliznytsia joined the TITR after 2018. China’s Lianyungang is an associate member of the TITR, along with the railway of Poland.14

With Eastern Europe, the Caucasus and now Turkey on board, Beijing is aiming for China–Europe trade to reach 300,000 shipping containers annually via the Trans-Caspian Route. Fifteen thousand shipping containers per year is the agreed target for China–Turkey container traffic in 2018, with the cost of one container from Lianyungang to Istanbul by block train $6,300. The TITR tart rates were approved at the meeting in February 2018.15

At this juncture, Ankara is concerned that Turkey may be bypassed by the two Black Sea ports – Anaklia in Georgia and Constanta in Romania – from the SREB16. Furthermore, Grupmet - Grup Feroviar Roman (Romania), GRS Logistics and Terminals LLC (Georgia), and ASCO Logistic CJSC (Azerbaijan) agreed to establish a consortium in October 2019 that would operate regular shipping between the Black Sea ports of Constanta (Romania) and Batumi/Poti (Georgia).17

The modernization of Turkey’s existing railroads includes plans by the TCDD and the Chinese Ministry of Transport to jointly construct a high-speed rail line between Erzincan and Kars in Turkey. However, Ankara and Beijing have not been able to reach an agreement on the project so far. Ankara has demanded full funding by China without offering the whole high-speed tender in Turkey to a Chinese-led consortium while Beijing has insisted that, if it covers construction costs, the complete tenders should be offered to Chinese companies.

In September 2018, Turkey reached a $40 billion deal with Germany to modernize the Turkish rail network. A consortium led by Siemens is to build new railway lines, electrify old ones and install modern signaling technology throughout the country.18 This project is exactly the kind Beijing would like Chinese companies to undertake.

In 2018, new freight services have also been launched, such as the lines linking Venlo in the Netherlands to Istanbul, Lüdt in Poland to Istanbul, and Istanbul to the Chinese port of Lianyungang. In April 2019, a regular feeder service from Lianyungang to Aktau in Kazakhstan and from there to Baku was established.19

The first China Railway Express freight train traveled from China to Europe in November 2019 within 12 days through the BTK railway, and the trans-Bosphorus undersea tunnel (Marmaray). The 820-meter-long train with 40 carriages departed from the northwestern Chinese city of Xi and traveled 11,500 km to Prague, capital of the Czech Republic, as part of the BRI via Kazakhstan, Azerbaijan, Georgia, Turkey, Bulgaria, Serbia, Hungary, and Slovakia.20 This was the symbolic realization of connectivity between the BRI and the MC as a Beijing’s gesture to Ankara. Another cargo train consisting of 43 cars from China headed to Istanbul on June 20, 2020, passing through the Caspian Sea, Azerbaijan, and Georgia.21 The facilitation of the BTK railway among regional countries was on the agenda at Extraordinary Virtual Summit of the Turkic Council on April 10, 2020. The leaders of Azerbaijan, Kazakhstan, Kyrgyzstan, Turkey, and Uzbekistan discussed the preservation of economic ties amid border closures in the coronavirus pandemic, especially the implementation of cargo transportation through transit lines for providing food and medical items. The leaders discussed for BTK to transport an additional 3,500 tons of cargo per day. To achieve this goal, member countries of the Turkic Council may have to simplify some issues such as drivers’ visas, reduction of duties in Ro-Ro lines, submission of necessary additional documents.22

The Turkish Ministry of Infrastructure and Transport aims to increase the amount of freight transported by rail annually from 30 million tons at the moment to 45 million tons by 2023 and 150 million tons by 2028. The state hopes to invest in the Divriği-Kars line, which is one of the main parts of the BTK railway. There is also a plan for a line that will cross from Turkey to Azerbaijan’s enclave Nakhichevan.23

There are also several main existing routes for highway transportation between Asia and Europe through Turkey:

1. Turkey-Iran-Turkmenistan-Uzbekistan-Tajikistan-Kyrgyzstan route,
2. Turkey-Georgia-Azerbaijan-Caspian Sea (Ro-Ro)-Turkmenistan/Kazakhstan route,
3. Turkey-Georgia-Russia-Kazakhstan route,
4. Turkey-Iran-Pakistan route.

Turkey has been developing links between the Silk Road and Turkish seaports during the past decade. Around 30 international Ro-Ro lines were launched during this time period from the Turkish ports in the Black Sea to the Mediterranean. Majority of these Ro-Ro lines are still active despite ceasing some of them due to political or financial reasons.

Turkey international Ro-Ro lines in the Black Sea:
Samsun-Kavak (Russia), Samsun-Tuapse (Russia), Samsun-Gelendzhik (Russia), Samsun-Novorossiysk (Russia), Zonguldak/Re不动产or (Ukraine), Zonguldak-Sevastopol (Ukraine), Zonguldak-Chornomorsk (Ukraine), K Erğil-iLyuczysiy (Ukraine), Istanbul-Mersin (Turkey), Haydarpaşa-Edirne-Constanta (Romania), and Derince-Potix.

There are also several other major port investment in Turkey. The first, the Mersin Port (on the Eastern Mediterranean coast), will have 11 million ton/ year (TEU) cargo processing capacity, with an estimated construction cost of $3.8 billion. The second, the Filyos Port (on the Western Black Sea coast), will have 700,000 TEU capacity, at a cost of $0.87 billion and is expected to be completed in 2021. This port in Zonguldak’s Filyos district will be accompanied by an industrial zone, and it will be the third-largest port in Turkey. The third major investment, the Çanakkale Port at İzmir (on the Aegean coast) will have 12 million TEU capacity, with the cost of $1.24 billion. Turkey expects that the Çanakkale Port would play a crucial role in the development of the MC to increase Turkey’s cargo handling capacity after taking into service in 2021.24 So far, the initial projects developed under China’s MSR use the Greek port of Piraeus. Chinese President Xi Jinping and Greek Prime Minister Kyriakos Mitsotakis agreed on November 11, 2019 to push up by a new $600 million investment by COSCO Shipping into Greece’s largest port, Piraeus, as part of efforts to boost its role as a hub in rapidly growing trade between Asia and Europe.25 However, Athens’ delicate balancing policy between economically important Beijing and politically important Washington – in the United States after U.S. Secretary of State Mike Pompeo’s visit to Greece in September 202026 as a sign of this trend, the Greek government declared that Greece was considering excluding Huawei equipment from 5G and wireless broadband networks. In return, the Greeks hope Washington will expand its military and diplomatic ties with Greece, an unsuitable warning to neighboring Turkey, which is taking on what U.S. officials see as a more combative role in the eastern Mediterranean and Middle East.
In 2015, a consortium of COSCO, China Merchants Holdings International and China Investment Corporation spent $920 million stake at the Kupom port terminal in Istanbul.29 It seems that the Chinese consortium has made this investment with the aim of using Kupomport as a gateway to the Turkish market rather than using it as a regional hub. It is unlikely that Beijing considers Turkey part of the MSR, though Ankara has sought Turkey’s inclusion.

At this juncture, Ankara might put forth several alternatives to integrate the SREB to the MSR via the MC using Turkish regional hub. It is unlikely that Beijing considers Turkey part of the MSR, neither Chinese finance nor Chinese companies are involved sufficiently. Beijing has also been largely absent from port developments around the Caspian Sea. A lack of infrastructure and multiple border crossings mean the MC cannot compete with the Northern Corridor, which may be the safest route between Europe and Asia. And the MC involves crossing five borders and traversing one or two seas, depending on where the cargo’s heading. MC’s bottleneck is the lack of an entire transport-oriented business ecosystem appearing in the Caspian and Black Sea region. With major logistics and manufacturing parks popping up in places like Baku, Batum, Ankala, and Kar.30 The MC remains a firmly regional initiative and faces serious obstacles to becoming an alternative China–Europe route. The MC’s main appeal is that it bypasses Russia. Despite friendly Sino-Russian relations, Beijing likes to build redundancies into global trade networks. The MC provides a good route to Europe should problems arise along the Northern Corridor.31 Furthermore, in terms of China’s geo-political and economic aims, the Black Sea region is far less significant than Southeast Asia, South Asia, or the Middle East. China has only given importance to its individual relations with Russia and Turkey without referring to the Black Sea regional context.32

CHINA’S BRI INVESTMENTS IN TURKEY

Over the past five years, Beijing has remarkably increased its investment in Turkey for the implementation of the BRI, particularly in mining, energy, telecommunication, and transportation infrastructure sectors, and the financial and banking sectors since 2015.

The Industrial and Commercial Bank of China (ICBC) acquired Turkish TurkTelekom in May 2015. The Turkish banking watchdog-BDDK gave the operational rights in Turkey to the Bank of China and the ICBC in 2017.33 The Bank of China became operational in Turkey with a capital of $300 million. The ICBC, Airbank, Ikbank, and Garanti BBVA also have branches in China. The ICBC brokered an agreement in 2017 between the Turkish and Chinese central banks to use Turkish lira and Chinese yuan instead of dollars and euros. 450 million Turkish lira worth of currency swaps were initially exchanged in December 2016.

The ICBC approved a loan amount of $ 1.2 billion to increase the capacities of Sıilvi and Tuz Gölü natural gas storage facilities, which will store 20 percent of Turkey’s natural gas on a yearly basis consumption. ICBC and the Turkish Petroleum Pipeline Corporation (BOTAS) also reached an agreement on providing the credit, which will have a maturity term of 15 years.34 China has invested nearly $500 million in Silivri and Tuz Gölü natural gas pipeline projects. The ICBC approved a loan amount of $ 1.2 billion to increase the capacities of Sıilvi and Tuz Gölü natural gas storage facilities, which will store 20 percent of Turkey’s natural gas on a yearly basis consumption. ICBC and the Turkish Petroleum Pipeline Corporation (BOTAS) also reached an agreement on providing the credit, which will have a maturity term of 15 years.34

China-led AIIB allocated a $600 million loan to Turkey in July 2018 to increase security of Turkey’s gas supply. Turkey’s state lender Ziraat Bank also signed a $600 million credit agreement with China’s ICBC in December 2017.35 In January 2020, the Export-Import Bank of China (China Exim) signed a three-year loan worth $300 million to Garanti BBVA that will provide financing to Turkish companies for Chinese imports.36

The cooperation on telecommunication has intensified since 2016. Chinese smartphone giant ZTE bought 49.8% of Turkish Telekom in December 2016.37 Chinese tech companies are also the biggest bidders for Turkey’s 5G tender expected to deliver in 2021. Turkey’s leading GSM operator, Turkcell, signed an agreement in December 2019 for an eight-year loan worth €500 ($539 million) with the China Development Bank. The new loan will be used to finance the procurement of hardware and equipment from Chinese vendors.

China’s central bank transferred $1 billion worth of funds to Turkey in June 2019, Beijing’s biggest support package ever for the Turkish government. This package was delivered at a critical time just before the Istanbul elections on June 24. The inflow marks the first time Turkey received such a substantial amount under the lira-yuan swap agreement with Beijing that dates back to 2012. In return, a Turkish parliament investigation bill for the mass detainment of the Uighurs in Xinjiang supported by opposition parties - the Iyî Party, the Republican People’s Party (CHP), and the Peoples’ Democratic Party (HDP) - was rejected by the ruling Justice and Development Party (AKP) on June 20, 2019. AKP’s coalition partner the Nationalist Movement Party, or MHP abstained during the voting in the parliament. This was an important gesture from the AKP-MHP government to the Communist Party of China (CPC).

After the Akkuyu nuclear power plant was built by the Russians and the Sinop nuclear power plant was built by a Japanese-French consortium, Turkey was hoping to hand over the tender for a third nuclear power plant, possibly in the northeastern province of Kırklareli, to a Chinese company. To this end, Ankara initiated negotiations in August 2018 with Chinese state-owned companies the State Power Investment Corporation (SPIC) and the State Nuclear Power Technology Corporation (SNPTC). Beijing was not eager to start talks on the plant NPP under the Turkish offer.38 Furthermore, the Japanese Mitsubishi and French Areva consortium was set to abandon the Sinop power plant in December 2018, because construction costs ballooned to around $4 billion. Ankara has begun to offer to Beijing to take over the Sinop plant, but the Chinese side is reluctant to get involved.

The Turkey Wealth Fund (TVF) said in October 2019 that it planned to partner on energy, petrochemical, mining, and logistics projects in Turkey with the Chinese, and inked a $5 billion agreement with China Export and Insurance Corporation (Sinosure) to promote bilateral trade and investment as part of the BRI.39 The Chinese export credit agency would also recommend Chinese investors, contractors and financial institutions to the Turkish fund for projects focused in the energy, petrochemicals and mining sectors. Sinosure will provide financing, guaranteed loans and export insurance for Chinese investors. Turkey has the world’s fourth largest reserves of copper and is the mineral’s biggest exporter. Meanwhile, China is its biggest importer.

Ert Maden, the Turkish public company that produces copper, is controlled by the TVF.40 Chinese banks and companies have recently involved in the current transportation infrastructure projects. The operator of the new Istanbul Airport was in talks in February 2020 with a Chinese bank to refinance €5.7 billion ($6.2 billion) of existing loans. Around half of the new borrowing could come from Chinese banks led by the ICBC, while some banks on the original loans may also participate.41

Five Chinese highway companies (Anhui Expressway, China Merchants Expressway, Zhejiang Expressway, Jiangsu Expressway, and Sichuan Expressway) have formed a consortium to buy 51% shares of three investments in Istanbul (The Istanbul Yavuz Sultan Selim Bridge, North Marma Motorway, and Eurasia Highway) and injected $688.5 million capital into the partnership in December 2019.42

In January 2020, the AKP-MHP government approved a 45km long Kanal Istanbul tender, running parallel to the Bosphorus strait between the Black Sea to the Marmara Sea. Chinese companies have previously expressed interest in building a shipping canal in Istanbul.43 If China decides to construct the $25 billion Kanal Istanbul, in return getting privileged access to the Black Sea via the canal, ports, and highways, there will be a tremendous increase of Chinese economic influence over Turkey and the implementation of the BRI will become more concrete.

The Turkish Ministry of Transport and Infrastructure purchased 176 metro vehicles from China’s CRRC Zhuzhou Locomotive for the Istanbul Airport metro line in April 2020. Delivery of all metro vehicles will be completed by the end of 2022 and a total of 1.6 billion Turkish lira will be paid for metro vehicles.44 Chinese Ambassador to Ankara, Deng Li, said on March 28, 2019 that China was looking to double its investments in Turkey from $2.8 billion to $6 billion by 2021.45
Turkey and China are very eager to develop Silk Road cooperation. However, there are some uncertainties and challenges to increase the connectivity of the BRI and the MC.44 First, Turkey’s domestic political climate and debate on foreign policy orientation create some ambiguities for Silk Road cooperation with China. The Islamist AKP and non-Eurasianist association—Vatan Party—have Soviet era has delivered some strategic and must be produced in country to combat natural and health disasters properly. Many developed countries have hit rock bottom. Sinosure’s agreement with the TVF is likely to boost Chinese stakes in embattled Turkish companies and lead to a possible string of takeovers.56 Within this framework, there is an increasing concern to the BRI which is allegedly covering up China’s new imperial policies. Third, one knows how coronavirus pandemic will affect global economy and politics. Economically, China like every country has faced a huge cost to bring the pandemic under control and an immense fund has been allocated for the national health budget. Furthermore, China’s draconian lockdown measures because of the pandemic caused a GDP fall at least for 2020, and the spread of the pandemic is having a direct impact on BRI projects in other countries. In the aftermath of the virus, the fact that Chinese workers cannot travel and the fact that China is not likely to send workers for BRI projects, means that other countries will not be in a position to focus on BRI-related projects at least for some time.57 The China Development Bank recently announced that it would provide low-cost loans to affected BRI related companies, though it is not clear if Turkey will be mainly to Chinese firms.58-59 Beijing is likely considering delaying some tenders under the BRI due to the pandemic.

The pandemic has also deteriorated trust and fueled that war of words between Beijing and the Western capitals because China has been accused of covering up human-to-human transmission of coronavirus at an earlier stage and cost other countries precious time to take measures.50-51 U.S. President Donald Trump called the coronavirus a “Chinese virus” and the World Health Organization (WHO) has become a battle ground between Washington and Beijing.54 Beijing has been denying these allegations as baseless and anti-China. It is still not clear whether the BID Administration will continue to push the Trump Administration’s tough stance on trade. It is highly likely that President Biden will become more critical of China’s human right violations in Xinjiang and Hong Kong. Thus, if this is to be the case, there will be negative implications for China’s BRI cooperation with the countries in the Broader Black Sea region. If the BID Administration continues U.S. objections over Chinese tech companies’ taking 5G tenders in allied countries, Beijing will face more challenges to implement its BRI projects in the region.

The pandemic has revealed that personal protective equipment, medicines, and agricultural products are strategic and must be produced in country to combat natural and health disasters properly. Many developed countries have transferred labor intensive production to the countries in the Global South including China to maximize profits, but they may call some operations back particularly pharmaceutical and health equipment production. Western countries may consider developing strategic supply chains to mitigate China’s dominance over global supply chain.60 The countries in the Broader Black Sea region are potential production bases for the EU market instead of China. Beijing may consider making downward revisions to the BRI under these new global developments.

CONCLUSION

Despite rhetoric ridden statements regarding cooperation between Turkish and Chinese officials, China’s current involvement in the MC is not at the significant level. There are no significant Chinese investments in the ports, railroads, and motorways in the Broader Black Sea region. Although some Chinese cargos were transferred to Europe through the MC in the past year, sea routes and the Northern (Russian) Corridor are still the backbone of China-Europe trade, and the EU and Russia are also not eager to see China’s heavy involvement in the MC. The US and the EU likely support the MC, for the purpose of building an integrated market in the Broader Black Sea region rather than reaching to China.

Russia is also not happy to be sidelined from the MC which has mainly been developed by Turkey’s unexpected neutral stance during the last Nagorno-Karabakh war between Azerbaijan and Armenia during October and November 2020 is a reflection that Moscow wants to keep a good relationship with Baku, even at the expense of resentment of Yerevan. Russia’s creating “frozen disputes” strategy in Nagorno-Karabakh, Abkhazia, South Ossetia, Transnistria, and finally in Eastern Ukraine in the post-Soviet era has delivered some strategic and territorial benefits to Moscow. On the other hand, Russia may totally lose Azerbaijan, Georgia, Ukraine, and Moldova in its “Near Abroad”. On the other hand, Ankara has got the trust of the Trump Administration for the purpose of building an integrated market in the Broader Black Sea region. It is still not clear if Turkey will face more challenges to implement its BRI projects in the region.
Asian Abashidze during the 2004 Adjara crisis while the Adjara Autonomous Republic, historically dominated by the “Muslim Georgians” on the Turkish border, was seeking Ankara’s support against Tbilisi. However, Russia declared war on Georgia during the 2008 South Ossetia crisis and then recognized self-declared independence of Abkhazia and South Ossetia.

Thus, playing a fair peace-maker role in the Nagorno-Karabakh conflict has now become particularly important for Russia, so as not to lose Azerbaijan to the West, like Georgia and Ukraine. Russia has the opportunity to deploy peacekeeping forces in Nagorno-Karabakh, controlling the Lachin corridor between Karabakh and Armenia. More importantly, Russia will build and control a corridor between the Azerbaijani enclave-Nakhichevan and mainland Azerbaijan. Baku has become more dependent on Moscow for the sustainability of the Karabakh peace deal and the Nakhichevan corridor. Depending on changing balances in the last three decades, Russia respects Azerbaijan’s demands and restricts Armenia’s maximalist claims, which include annexing seven Azerbaijani provinces of Nagorno-Karabakh. It is not clear yet that the Russian-brokered peace deal will pave the way of normalizations between Baku and Yerevan, and between Ankara and Yerevan. If there is a normalization, Turkey and Azerbaijan may end their three-decade old land blockade of Armenia and Yerevan may join regional integration projects under the framework of the M. C.

The conflicting interest of the West and Russia in the Broader Black Sea region may make China hesitant to take a decisive role in the M. The increasing Chinese economic dominance over Central Asia has already disturbed Russia. China’s strategic investments to the critical infrastructures in Georgia and Ukraine may anger Russia more. Under these circumstances, there is a long way to go for reaching an ultimate integration between the BRI and the MC. If Beijing and Ankara can address these difficulties, the Sino-Turkish Silk Road cooperation will enter to next stage.

4. CHINA’S INFLUENCE IN THE BALKANS

Tena Prelec

“We are full of strength, we are full of will, we are going forward – faster, stronger, better “. So went the campaign anthem of the Serbian Progressive Party (SNS) ahead of the 2017 presidential election, at which Aleksandar Vučić – the country’s Prime Minister until then – was to run for President, and win resoundingly. Vučić’s campaign of optimism and growth was linked to small measurement to the projected impact of the burgeoning Chinese investments in the country. However, critics promptly highlighted that many of those purported investments were loans to be paid back by Serbia in unclear circumstances, as most deals with China were shrouded by secrecy. Before 2010, China had little or no presence in the Balkan region, but since then the cooperation has definitely become faster and stronger across the whole region, particularly in Serbia. All the indications are there that it will continue to be so. However, is it also better? What socio-economic impact it having on the Western Balkan countries, and is it compatible with their EU aspirations?

Starting from these underlying questions, this chapter provides a comprehensive overview of China’s engagement with the six countries of the Western Balkans, namely Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia. It starts with a brief historical contextualisation, identifying the main events that have marked the relationship between Beijing and the Balkans after the Second World War to date. The discussion then focuses on the most important issue pushed by China’s foreign engagement vision as set out by the Belt and Road Initiative (BRI) and the 17+1 initiative with Central and Eastern Europe (CEE). Both potential benefits and controversies of this engagement are highlighted, including the consequences for the rule of law and its adverse impact on the environment, including the consequences for the rule of law and its adverse impact on the environment, including the consequences for the rule of law and its adverse impact on the environment, including the consequences for the rule of law and its adverse impact on the environment.

In the third empirical section, the attention shifts onto ways by which China is branching out of the economic dimension and starting to influence ‘hearts and minds’; i.e. through the propagation of specific narratives, which are amplified by local media, and by expanding educational cooperation through academia and think tanks. In conclusion, the material analysed on China is juxtaposed onto the role of the European Union.

HISTORICAL CONTEXT: FROM THE COMMUNIST YEARS TO 17+1

China and the Western Balkans share significant episodes of common history, but in some countries, Sino-Balkan ties have been closer than in others. In the second half of the 1960s, China had little or no presence in the Balkan region, but after the 1956 split with the Soviet Union, which was deemed anti-Marxist by Hoxha for mending relations with Yugoslavia. In the 1960s, Chinese donations to Albania – primarily food, machinery and raw materials – blossomed, while Albania’s nickel and chromium mines were used to foster industrial production in China. By 1966, 70 percent of Albanian trade was with the People’s Republic of China.

The relationship started deteriorating with Mao Zedong’s death in 1976, coming to a complete standoff in 1978. After that era, the next major Chinese economic project in Albania did not occur until 2001, when the construction of the Bushat hydropower station started, which was funded through a loan from China and built by a Chinese company.

The other Western Balkan countries interacted with China through the Yugoslav foreign policy framework since its official recognition of China in 1949. The relations were lukewarm at best, very far from today’s ‘our brothers, our saviours’ rhetoric applied by Aleksandar Vučić in Serbia. Tito visited China for the first time in 1977, and only after the worsening of the Sino-Albanian relations did the two countries start to converge, developing warmer ties in the 1980s. With the breakup of the Yugoslav federation in the early 1990s, Serbia became China’s main political ally in Europe. The new relationship was crowned by Slobodan Milošević’s visit to Beijing in 1997 and followed by the mutual foreign policy support in regard to the Kosovo and Taiwan issues.

China abstained in voting on the UN Security Council Resolution 1244, which laid the groundwork for Kosovo’s international recognition. Although it eventually accepted the Resolution as the legal basis for the settlement of the Belgrade-Pristina dispute, to this date China has not yet formally recognised Kosovo, maintaining only unofficial relations with the country.

2 Andrija Kornja, Brza, Jace, Bojke!, Vreme Belgrad, 14 May 2015.
3 The designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.
7 Jens Beckman, China Reconnects: The Balkans, Belt and Road Investments Build on Historical Ties’, Reconnecting Asia, 22 February 2018.
8 [https://jfcnaples.nato.int/kfor/page184922022.aspx](https://jfcnaples.nato.int/kfor/page184922022.aspx)
9 Wouter Zweers and others, China and the EU in the Western Balkans A Zero-Sum Game?, August 2020.
Another not-so-subtle reminder that China’s influence in the region did not start with the One Belt One Road Initiative is its 1999 UN Security Council veto to the extension of UN preventive forces deployment in North Macedonia (then officially called the Former Yugoslav Republic of Macedonia), which was, at the time, overwhelmingly over 300,000 Kosovar war refugees.¹⁰ Not so coincidentally, the government of North Macedonia was then the only Western Balkan government maintaining official diplomatic relations with Taiwan. In 2001, the country switched to the One China Policy, recognising the government of the People’s Republic of China as the only legitimate authority.¹¹

While cooperation was somewhat subdued during the 2000s, signs of increased interest emerged towards the end of this decade (with the Serbia-China memorandum of strategic partnership in 2009, signed by presidents Boris Tadić and Hu Jintao) and burgeoned in the 2010s. The crucial year was 2013, when China’s President Xi Jinping announced the $900 billion belt and road initiative (BRI). With the acquisition of the highly strategic port of Piraeus in Greece in 2016 – one of the largest of the Mediterranean – it became clear that the Western Balkans region will play a very important role in China’s new trade network to Europe. By financing the region’s infrastructure projects, China is making sure that their cargos will be delivered as quickly as possible to the Central European markets – while, at the same time, building influence across the region.¹²

Within the wider BRI vision, which targets several regions of the world, China has also set up a framework of cooperation specifically aimed at Central and East European countries: the 16+1 initiative. This was initially established in 2012 and later renamed to the 17+1 initiative, with Greece’s inclusion in the club at the Dubrovnik summit in spring 2019.¹³ This group of countries includes both EU member states and EU hopefuls, forming a heterogeneous region with a shared (barring Greece) post-communist background. The framework ensures a regional, multilateral approach to the wider region, while also allowing space for bilateral relations. As several analysts have remarked, China has been skilled in tailor-making its strategy in accordance with the specificities of each partner country it comes to do business with.¹⁴

China pledged EUR 12.7 billion for infrastructure projects in the 17+1 cooperation framework.¹⁵ The European countries involved in 17+1 are Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia (EU member states), Albania, Bosnia and Herzegovina, North Macedonia, Montenegro, and Serbia (EU accession countries) and the last comer Greece. But the initiative seems to be a disappointment for some. Many EU member states involved in the initiative are unhappy with the realisation of the agreed projects, to the point that a Belt and Road Initiative virtual meeting in June 2020 was attended only by representatives from Serbia, Hungary and Greece.¹⁶ Kosovo, not recognised by China, remains outside of these frameworks.

‘It is however important to put China’s economic influence in the region in perspective. In spite of the narrative that surrounds it, China is very far from being the biggest economic partner of the Western Balkan countries. In fact, their trade in goods with China is a fraction of that with the EU’

THE ECONOMY: A GROWING ENGAGEMENT FUELLED BY PERSONAL-POLITICAL RELATIONSHIPS

The lack of viable investment sources in the region, especially for large infrastructure projects, is what makes China’s loans and investments extremely appealing for the Western Balkan states. These countries offer little scope for short-term investments, preferred by Western investors. Injections of cash that create value in the long run are the most desirable type of investment.¹⁷ Chinese entities, operating with a long-term vision that is strongly linked to its government’s foreign policy, are well-placed to offer this.

It is however important to put China’s economic influence in the region in perspective. In spite of the narrative that surrounds it, China is very far from being the biggest economic partner of the Western Balkan countries. In fact, their trade in goods with China is a fraction of that with the EU. Among this group of countries, imports from China oscillate between 6 percent to 10 percent of total

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Table 1. Significant Chinese projects in the Western Balkans

<table>
<thead>
<tr>
<th>Host country</th>
<th>Industry</th>
<th>Project</th>
<th>Year</th>
<th>Chinese contractor</th>
<th>Pledged value</th>
<th>Loaned by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>Energy</td>
<td>Petos-Marinize oil fields</td>
<td>2016</td>
<td>Geo-Jade Petroleum</td>
<td>384.6</td>
<td>undisclosed</td>
</tr>
<tr>
<td>Albania</td>
<td>Infrastructure</td>
<td>Tirana International Airport</td>
<td>2016</td>
<td>China Everbright Friedman Project Management</td>
<td>83</td>
<td>undisclosed</td>
</tr>
<tr>
<td>Albania</td>
<td>Mining</td>
<td>Bujika mines expansion</td>
<td>2014</td>
<td>Wuzhou Mining Co Ltd</td>
<td>16.52</td>
<td>undisclosed</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>Energy</td>
<td>Tuzla coal power plant - Block 2</td>
<td>2017</td>
<td>Gezhouba Limited</td>
<td>700</td>
<td>Exim bank</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>Energy</td>
<td>Stanari coal power-plant</td>
<td>2010</td>
<td>Dongfang Electric</td>
<td>550</td>
<td>China Development Bank</td>
</tr>
<tr>
<td>Montenegro</td>
<td>Infrastructure</td>
<td>Bar-Boljare highway</td>
<td>2012</td>
<td>China Road and Bridge Corporation</td>
<td>780</td>
<td>Exim bank</td>
</tr>
<tr>
<td>North Macedonia</td>
<td>Infrastructure</td>
<td>Kčevo-Ohrid Highway</td>
<td>2013</td>
<td>Sinohydro Corporation Limited</td>
<td>491.56</td>
<td>Exim bank</td>
</tr>
<tr>
<td>Serbia</td>
<td>Energy</td>
<td>Kostolac power plant</td>
<td>2013</td>
<td>China Machinery Engineering Corporation</td>
<td>502</td>
<td>Exim bank</td>
</tr>
<tr>
<td>Serbia</td>
<td>Heavy industry</td>
<td>Linglong tyre factory</td>
<td>2019</td>
<td>China Energy Engineering Group – China Road and Bridge Corporation</td>
<td>800</td>
<td>undisclosed</td>
</tr>
<tr>
<td>Serbia</td>
<td>Heavy industry</td>
<td>Meia Ta factory</td>
<td>2016/2019</td>
<td>n/a (Serbian partner: Energoup)</td>
<td>150</td>
<td>undisclosed</td>
</tr>
<tr>
<td>Serbia</td>
<td>Heavy industry</td>
<td>Bor copper mining and smelting</td>
<td>2018</td>
<td>Zijin Mining</td>
<td>1040</td>
<td>undisclosed</td>
</tr>
<tr>
<td>Serbia</td>
<td>Heavy industry</td>
<td>Smadrenevo steel mill</td>
<td>2016</td>
<td>Hesteel Group</td>
<td>46</td>
<td>undisclosed</td>
</tr>
<tr>
<td>Serbia</td>
<td>Infrastructure</td>
<td>Mihajo Pupin bridge</td>
<td>2014</td>
<td>China Road and Bridge Corporation</td>
<td>215</td>
<td>Exim bank</td>
</tr>
</tbody>
</table>

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Values are in million EUR. USD values have been converted to EUR with data provided by Morningstar Financial Services, on 10 December 2020, 1USD = 0.83 EUR
trade, and exports between nil to 4 percent; on the other hand, imports from the EU reach between 47 percent to 61 percent, and from the non-EU 43 percent to 79 percent.20 Interestingly, the country that imports most goods, in percentage terms, is Kosovo: 10 percent of its total imports come from China. Political barriers seem to have been overcome by the economy.

However, when it comes to large investments, chiefly in infrastructure projects, heavy industry politics seem to have played a big role in spearheading them. Such projects have been rising steadily across the region, with a considerable increase particularly in Serbia, North Macedonia, and Montenegro in the second half of the 2010s.21 The good relations of Aleksandar Vučić (in power since Serbia in 2012), Nikola Gruevski (Prime Minister of North Macedonia from 2006 to 2016) and Milo Đukanović (the most influential politician in Montenegro up until summer 2020) with their Chinese counterparts have no doubt aided in this increased collaboration.

Many of the projects realised under the political leadership of the three strong-handed leaders mentioned above have been accused of fitting within a pattern of “corrosive capital” i.e., flows of money that exploit governance weaknesses in the host countries, often making them more vulnerable.22 Well-researched cases of Chinese corrosive capital include the highway projects in North Macedonia and in Montenegro, as well as Chinese takeovers of heavy industry plants in Serbia, such as the copper mine in Bor.23 The modes by which corrosive capital works in practice include the broadening of rule of law gaps, the damage to the environment resulting from existing patronage networks, and – ultimately – the exacerbation of inequality.24 The environmental harm is an especially bitter consequence of this engagement, given that data suggests that the coal-based power-plants in the Balkans pollute more than all others in Europe combined,25 and Balkan cities regularly figure among the most polluted in the world. Evidence is mounting that Chinese investments are linked with adverse environmental impact in Serbia,26 Bosnia and Herzegovina27 and Albania.28

Aside from the industries mentioned above, the field of security and defence deserves a special mention. Most notably, and most controversially, China’s Huaiwei installed over 1000 facial recognition cameras in Belgrade.29 Serbia is also the only nation in the region with substantial cooperation with China in the military-security sector: as the only non-NATO aligned country in the region, it has the “luxury” of accessing the lower cost Chinese military products, such as the 2019 acquisition of the Chengdu Phaoridy-1 drones and the 2020 delivery of the first contingent of six Cai Hong military drones, accompanied by eighteen FT-8C laser-guided missiles.30 The below case study of major Chinese investments in the Balkans (summarised in Table 1) give a snapshot of the above-mentioned issues, empirically contextualising their reception in each country.

**MONTENEGRO**

Bar-Boljare highway

In 2012, the Montenegrin government took a USD 944 million loan from China’s Eximbank to finance the first 41 km section of the Bar–Belgrade highway,31 a segment that is being built by the China Road and Bridge Corporation. An analysis from the IMF signals a significant rise in Montenegrin debt levels. The country’s GDP to debt ratio has jumped from 63 percent to 80 percent in just five years between 2015 and 2019.32 This very significant increase in indebtedness leaves the country financially vulnerable. Considering that Montenegro changed its elite in power in early December 2020, when a new government was approved three months after parliamentary elections, it is as yet unclear how its relation with China will evolve.33

**BOSNIA AND HERZEGOVINA**

Tuzla coal-power-plant

Bosnia and Herzegovina’s electricity utility company Elektroprijeda BH took a EUR 700 million loan from China’s Exim bank in 2017 for the construction of the new Block 7 of the Tuzla coal power plant. The state-run company paid an advance to China Gezhouba to start building the power plant, thus initiating the construction agreement.34 Although preparatory construction works have started in November 2019, the start of the construction has been delayed by the COVID-19 pandemic and the closure of the borders for international travel, as more than 1000 Chinese workers were expected on the construction site. The government of Bosnia and Herzegovina might have breached the Energy Community rules on state aid and guaranteeing the Elektroprivreda loan, and thus could possibly face consequences like exclusion of the country from meetings.35 The then European Commissioner for European Neighbourhood Policy and Enlargement Negotiations, Johannes Hahn, tweeted in March 2019 that the decision “raised serious questions about Bosnia’s commitment to international treaties and EU rules” and that it “would certainly be closely looked at during the opinion process.”36

Stanari coal-power-plant

The Stanari coal-power plant is located in the north-west of Republika Srpska in Bosnia and Herzegovina, close to one of the biggest lignite mines in former Yugoslavia. Since 2004, the mine has been owned by a controversial Serb businessman, Vuk Hamović, through his Energy Financing Team (EFT) Group. In 2005 the EFT was under investigation by the UK Serious Fraud Office. As lignite is highly inflammable and very heavy, it is not ideal for long-range transport, often, lignite power-plants are situated in the proximity of the mines. This was not the case with Stanari. In 2008, the local government signed the permit for the construction of a new 420 MW power plant, more than half of Srpska’s current electricity production, to one of the biggest lignite mines in former Yugoslavia. Such considerations were not a problem for the China Development Bank (CDB) as a financier, and for Dongfang Electric as contractor. This was one of the earliest cases of Chinese investment in the region and a rare case of a direct deal between a Chinese investor and a private company.37 However, the Republika Srpska government was a crucial player in making it happen: the EUR 550 million project would not have been possible without the government lowering concession fees and offering transfer rights for the mining concessions, and most important of all, allowing the construction of a less efficient system which does not adhere to the EU’s Industrial Emissions Directive.

**NORTH MACEDONIA**

**Kićevò-Ohrid highway**

In 2013, the former PM of North Macedonia, Nikola Gruevski, took a USD 580 million loan from Exim bank China for the construction of the Kicëvo–Ohrid motorway, later added to the Pan-European Corridor B, linking the country with Bulgaria and Albania.38 The loan agreement specified the contractor – the Chinese Sinohydro Corporation Limited, a company blacklisted from World Bank projects since December 2013 for corruption.39 The planned motorway is supposed to pass through the UNESCO heritage site of Ohrid and through the natural habitat of the protected Balkan Lyon. Poor planning40 resulted in numerous land-right problems with land expropriation, which increased the cost of the project significantly. But the apex of the Kicëvo–Ohrid motorway controversy occurred during the 2015 wire-tap scandal, which led to the destitution of VMRO-DPMNE as the governing party and to Gruevski’s flight to Hungary, where he was granted political exile. The recordings evidence major corruption surrounding the motorway project. A subsequent investigation led to the trial in absentia of Gruevski for corruption and money laundering. After several years of negotiation, the new PM Zoran Zaev, in November 2018, signed an agreement with Exim bank so that the construction could continue.41

**Miladinović–Štip motorway**

The Miladinović–Štip motorway was open for traffic since June 2019. The 47 km motorway connects the capital, Skopje, and the eastern town of Štip. The project was financed with an EUR 206 million loan from Exim bank and constructed by China’s Sinohydro Corporation.42

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27 Zawrowski and others, p. 11.
Kostolac power plant

In November 2013, the Serbian government signed an agreement with the China Machinery Engineering Corporation (CMEC) for the construction of a new 350 MW lignite power plant in Kostolac on the territory of the municipality of Bor. According to the agreement, China was to provide EUR 1.6 billion for the construction of a new lignite power plant and the expansion of the Kostolac open cast lignite mine. The deal, worth USD 608 million, is financed through a loan provided by the China Export Import (Exim) Bank. The agreement was signed without a public tender process because of the 2009 intergovernmental agreement between China and Serbia, which exempted joint projects from public tender obligations. However, Serbia as a signatory of the Energy Community Treaty could not have taken a loan in the name of its utility company, and the state aid rules from the same document prevent the State from paying the carbon cost of the power plant.

Linglong tyre factory

The single largest Chinese investment in Serbia is a EUR 800 million-worth deal for the construction of a production plant of the Linglong tyre factory in Zrenjanin. The Chinese tyre producer initiated construction works in April 2019. They are still ongoing, despite the absence of a valid construction permit for the development. This investment, carried out by the Linglong Group and the China Road and Bridge Corporation, has raised many eyebrows in the local community. Activist groups have been fighting for more transparency in the project. The main bone of contention is the environmental impact assessment, which critics claim to be incomplete and not duly approved by the state authorities. The local authorities have named the street where the factory is being built “Linglong Avenue.”

Mei Ta factory

The Franco-Chinese electric car parts maker Mei Ta has opened two production plants in the municipalities of Obrenovac and Banja in Serbia. The first development started construction in 2014 and was inaugurated in 2017, while the second plant opened its doors in 2019. The total investment on these two plants is approximately EUR 150 million. For the first factory the state provided EUR 21 million of job subsidies, gifted the investor half of the land for free, financed all the necessary infrastructure and waived VAT and import taxes for the first three years of the plant’s operations. The government plans to allocate another EUR 11 million in job subsidies for the second factory.

Bor copper

At the insistence of the IMF in 2017, Serbia’s government had to find a new strategic partner for the copper mining and smelting operation in Bor, because losses at the plant were proving to be an excessive burden for the state coffers. In August 2018, the Chinese mining company Zijin Mining won the tender pledging to invest USD 126 billion in the industrial plant and another USD 200 million to settle pre-existing debts. The invested sum was supposed to include USD 135 million to be invested in environmental protection measures and USD 320 million in a new copper mine. Since January 2019, Bor has been struggling with serious air pollution problems, so much so that the city decided to sue the company in September 2020. Sulphur dioxide emissions exceeded the limit of 350 micrograms per cubic meter, reaching levels as high as 2000 micrograms since the Chinese took over the industrial plant.

Smederevo steel mill

The Smederevo steel mill has had a turbulent history since its inception in the 1960. In the 2000s it was owned by US Steel, which tried to introduce a professionalisation of the workforce and the expansion of the Drmno open cast lignite mine. The deal, worth USD 608 million, is financed through a loan provided by the China Export Import (Exim) Bank. The agreement was signed without a public tender process because of the 2009 intergovernmental agreement between China and Serbia, which exempted joint projects from public tender obligations. However, Serbia as a signatory of the Energy Community Treaty could not have taken a loan in the name of its utility company, and the state aid rules from the same document prevent the State from paying the carbon cost of the power plant.

CHINA & SOFT POWER

As alluded in the previous section, so far the Chinese presence in South Eastern Europe has been mainly discussed within the framework of its growing economic influence, and for good reason, given its rapidly expanding financial footprint. But while China’s ‘soft power’ – or rather its ‘ideational impact’ in the Balkans might not be so apparent at the present moment, it is definitely on the rise. In its official communications, the Chinese authorities have long emphasized the mutually beneficial economic cooperation, thereby seemingly detracting from value-based considerations. However, there are plenty of signs that the relationship is starting to exceed the mere economic dimension.

This is true, first and foremost, of the political domain. As examined above, economic deals are fuelled by strategic relationships with key actors, and especially with the ruling parties. These relationships have spearheaded the construction of a narrative about China as a ‘friendly nation’ in several Western Balkan states, especially in Serbia. This notion goes hand in hand with China’s presence in the media, where Chinese ‘disinformation’ in Western Balkan countries is not done explicitly, but rather exercised in a more subtle way, by leveraging the good relations with the domestic political leaders. Finally, the linkages in the educational sphere (academia, research and think tanks) are starting to take hold. This section examines these latter two key areas and shows their interconnectedness with one another, as well as their economic and political dimensions analysed previously.

MEDIA: THE COVID-19 CRISIS EXPOSES CHINA’S PR GAME

As its economic foothold increased, China’s presence in South Eastern Europe’s media has also increased. In less than a decade, China went from being virtually a non-topic to becoming one of the foremost foreign policy priorities by the EU officials, openly admitting that they ‘overestimated Russia and underestimated China’ in the Balkans. Discussions in policy circles and in the media accompanied and underpinned this relatively sudden interest, which has burgeoned in the second half of the 2010s.

At the global level, China is no stranger to disinformation campaigns. Its government has been shown to deploy disinformation campaigns to push a agenda or to disrupt media narratives, as for the cases of the Belt and Road and political issues such as Xinjiang, Hong Kong and the South China Sea, respectively.

But in the South Eastern European context, studies on the influence of external actors have found that “foreign actors are minority players in the disinformation game,” as “[n] ot of the producers and disseminators of disinformation... are domestic and pursue local aims.” Crucially, even when foreign countries are involved, their efforts tend to...
build and amplify actions of domestic players – which are first and foremost political parties, but also include social and religious, business and financial interests. In this sense, the media scene is not unlike the governance one; disinformation presenting China in a good light reflects a ‘demand side’, rather than a ‘supply side’.65 This does not mean that the media landscape in the region is wholly disregarded by China. Chinese efforts focus not so much on the outright creation of media content, unlike Russia and Turkey, none of the major Chinese news agencies or television networks run a local-language edition.66 Rather, Chinese objectives are pursued through the propagation of mutually advantageous economic benefit, which is amplified by local political leaders, who often present China’s investments as their own successes.67 The economic narrative, while the strongest, is not the only one at play. The coronavirus crisis offered an example in this sense. The specificity of China’s public relations offensive became very evident during the first few months of the Covid-19 crisis in Europe, i.e., in early spring 2020. It was soon clear that the countries of the Western Balkans were particularly ill-prepared to cope with the crisis, not least because of the lack of resources in their health systems and the high emigration of health workers, which reached huge figures across the region, particularly in Bosnia and Herzegovina.68 The EU’s decision to block the export of medical equipment at the beginning of the crisis drew angry reactions across the region, as Balkan countries were struggling to get hold of basic equipment to deal with the emergency. This situation opened the doors for other actors to step up their public relations efforts.69 China quickly decided to send doctors and medical equipment to several European countries, in an effort to present itself as a generous partner and thus attempt to position itself as a ‘benevolent and responsible partner’.70 Its ‘mask diplomacy’ to present itself as a generous partner and thus attempt to position itself as a ‘benevolent and responsible partner’.71

Unsurprisingly, citizens’ attitudes followed suit. The response to the crisis gave rise to an array of conspiracy theories, which have been shown to follow geopolitical cleavages in the Balkans. An IPSOS survey carried out by BiEPAG in October 2020 found that Serbian citizens, as well as ethnic Serbs living elsewhere in the region, are considerably less likely to believe in theories that suggest malign intent from China, than non-Serb respondents.72 While it is true that the coronavirus crisis proved to be a boon for conspiracy theories everywhere, it is notable that of respondents believing in any one of six widely-held conspiracy theories was more than double in the Balkans (where it reached 75 percent) than in Western Europe (where this figure stands at 25-33 percent), making these findings particularly noteworthy as indicative of the stances of a large portion of the population. The way the media reported on the ‘friends’ and ‘foes’ during the health crisis is very likely to have an impact on citizens’ attitudes. This is reflected by the rate of Telegraph respondents (a tabloid that regularly reports favourably about Russia) who would prefer Moscow’s Sputnik vaccine to Pfizer’s vaccine; 70.99 percent against 29.34 percent. Telegraphiers itself explained that this result “confirmed that the choice of vaccine comes down to a choice between the East and the West.”

Although the EU policy course and multiplied efforts in the Balkans, and although China’s aid was, in a twisted way, partially funded by the EU itself (as Brussels funded its transportation),73 help coming from the East received much more air time than that coming from the West.74

70.99 percent against 29.34 percent. Telegraphiers itself explained that this result “confirmed that the choice of vaccine comes down to a choice between the East and the West.”

Therefore, although China does not, as yet, have direct influence on local media outlets in the Balkans, the narrative it pushes reaches the population through the agency of local actors, and the media controlled or influenced by them. While the dominant positive discourse is still focused on the economic benefits of the Belt and Road initiative, China’s use of ‘mask diplomacy’ during the first stage of the Covid-19 crisis in Europe shows the willingness, and the potential, for other topics to be leveraged in order to present China as a magnanimous, benevolent and responsible partner.

EDUCATION: ACADEMIA, RESEARCH & THINK TANKS

Cooperation in the education sphere is currently limited, but it is expanding. In the period from the fall of communism in Eastern Europe to 2010, very few Chinese scholars studied Central and Eastern Europe and vice-versa, but, since 2010, academic and epistemic ties have been re-established and strengthened.75 The renewed interest includes the presence of one of China’s foremost tools to exercise soft power and thus influence how it is perceived in the world; the Confucius Institutes (CI). As partnerships between local and Chinese universities, the CIs are a key tool of Beijing’s cultural diplomacy. Its goal is twofold while contributing to the internationalisation of China’s higher education, they are also tasked with upholding Beijing’s positive image worldwide.76 In some ways, the establishment of cultural institutes around the world to promote a country’s culture is nothing unusual. Many Western states have such an arrangement in place, and most of these institutes are named after important personalities that have marked the cultural contribution of the country in question. Germany has Goethe, Spain has Cervantes, and China has – Beijing’s argument goes – Confucius. But this apparent parallel is a false equivalence. The above-mentioned institutes of Germany and Spain, as well as France’s Alliance Française and the UK’s British Council, are led as separate establishments, without interference from their country’s governments in their activities. They are, furthermore, organisations that exist independently, outside of higher education institutions.77

This is in stark contrast with the CIs, whose “constitution and bylaws (…) place their academic activities under the supervision of the Beijing headquarters of the Chinese Language Council International, commonly known as Hanban.”78 and whose modus operandi is to approach prestigious universities around the world with generous donations to establish CIs within those institutions. The Hanban, which is part of the Ministry of Education of China, usually pays for their operational costs, selects textbooks, and recruits Chinese language teachers. Among other rules and regulations, the Hanban insists on a specific version of Chinese writing to be the only one taught at CIs around the world. By doing so, the CIs are creating a general category of scholars whose access to documents written in Chinese is selective – not allowing them to read material that might present a different version of China. Even more controversially, the generous funding they provide is often a double-edged sword for many chronically underfunded universities in Europe and

Table 2. Confucius Institutes in the Western Balkans

<table>
<thead>
<tr>
<th>Country</th>
<th>Higher education institution hosting the Confucius Institute</th>
<th>Year of foundation</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>University of Trna</td>
<td>2013</td>
<td>cui.edu.al</td>
</tr>
<tr>
<td>BDI</td>
<td>University of Sarajevo</td>
<td>2014</td>
<td>confucius.uns.ba</td>
</tr>
<tr>
<td>BH</td>
<td>University of Banja Luka</td>
<td>2017</td>
<td>li.umb.org</td>
</tr>
<tr>
<td>Montenegro</td>
<td>University of Montenegro</td>
<td>2014</td>
<td>hanban.org/node_44652.htm</td>
</tr>
<tr>
<td>North Macedonia</td>
<td>University of SS Cyril and Methodius</td>
<td>2013</td>
<td>cyril.meth.mk.chinesecio.com</td>
</tr>
<tr>
<td>Serbia</td>
<td>University of Belgrade</td>
<td>2006</td>
<td>konfucius.fit.bg.ac.rs</td>
</tr>
<tr>
<td>Serbia</td>
<td>University of Novi Sad</td>
<td>2013</td>
<td>english.hanbai.org/node_42256.htm</td>
</tr>
</tbody>
</table>

Source: Hanban official website (English/hanbai.org). Compiled by: the author.
the USA, which are being pushed towards the search for external support within the context of higher education models that are increasingly dependent on private funding. Studies have shown that academic freedom in Europe and the whole western world is increasingly under threat due to such dynamics, with self-censorship being extremely common among area studies scholars.83

In South Eastern Europe, in line with the Cis’ wider strategy, these institutes are set up within existing higher education establishments. They typically provide Chinese culture and language classes, while also often hosting events on China-related social, political and economic issues. There are, at present, 7 Cis in the Western Balkan countries; one in each capital, except for Serbia (which hosts an additional CI in Novi Sad) and Bosnia and Herzegovina (where each of the two constituent entities, the Federation and Republika Srpska, are home to Cis); Kosovo, which is not recognised by China, is the only Western Balkan country without a CI (see: Table 2).

There are signs that the academic cooperation is increasing beyond the establishment of the Cis. This is especially evident in Montenegro, where the University of Donja Gorica (UDG) has established a close cooperation with Renmin University. UDG, a private institution, has a version of its website that is fully in Chinese84 and the two universities have agreed upon scholars and student exchanges.85 The Hanban furthermore lists UDG as hosting a ‘Tourism Confucius Classroom’ in partnership with Beijing and is the only Western Balkan second largest economy, waking up to Beijing’s rapidly growing importance on the EU’s very doorstep, only in the second half of the 2010s. Since then, it has found itself in a quasi-open conflict with the second largest economy what guides and underpins the collaboration between China and the region, and especially those with ties with political actors who are already connected with China, might be better placed to build such academic collaborations.

Another important line of cooperation are think tanks. Once again, the economic imaginary is front and center: what guides and underpins the collaboration between think tanks in the whole of Central and Eastern Europe (CEE) and those from China are the “potent narratives of imagined futures of prosperity under the new Silk Road.”86 The Chinese Academy of Social Sciences (CASS), the largest government-affiliated think tank in China, is the key institution that studies and creates link with think tanks in CEE. It has established the China-CEE institute that is based in Budapest, Hungary, which is tasked with liaising with Chinese scholars conducting research in the wider region, organising events, and funding research projects on China by CEE think tanks. After the launch of 16+1, CASS refocused its programme to study the region predominantly from the point of view of China’s ‘pro-active diplomacy’ and the Belt and Road Initiative.87

Local knowledge creation regarding China has thus been increasingly supported by such initiatives, but also by a range of Western donors that have become interested in understanding Beijing’s role in the Balkans. As a result, the spectrum of research institutes, think tanks, and ‘free-floating’ individuals working on China in the Balkans and the wider CEE region has become vibrant. In China itself, there are now a number of think tanks and research centres working on the region, including the China Institute for International Studies (CIIS), the Shanghai Institute for International Studies (SIIS), as well as area studies centres at the Shanghai University of International Business and Economic (SIUE), Tongji University, Capital Normal University (CNU) and Beijing Foreign Studies University (BFSU). The end result is an increasing ‘diffusion of policy ideas among knowledge actors and the epistemic community,’88 with China at its centre.

CONCLUSIONS: A RAFTED SETTING THAT REQUIRES EU ACTION

As this chapter has shown, due to a substantial increase in its economic foothold over the past decade, China is set to remain a major player in the Balkans. In spite of China’s partial downscaling of BRI investments by late 2020,89 its significance is likely to grow further in the region. Analysts have gone so far as to opine that China “poses[... the] greatest long-term threat to democratic development in the Western Balkans, especially in the context of an escalating “systemic rivalry” with the West.” But how worried is ‘the West’ – and the European Union in particular? And how worried should it be?

Although China is a global economic powerhouse, in the EU its economic and political influence is still relatively limited. This somewhat ‘muted’ entrance into the Old Continent is probably the main reason why Brussels initially underestimated China, waking up to Beijing’s rapidly growing importance on the EU’s very doorstep, only in the second half of the 2010s. Since then, it has found itself in a quasi-open conflict with the second largest economy in the world. For about half a decade now, the European Commission has been investing increasing resources in deciphering China’s intentions and exploring collaboration opportunities;90 so to avoid a scenario in which the bloc’s economies succumb to their rival coming from the east.

What makes the competition in South Eastern Europe different than any other endorsed so far by the EU is that, with the 17+1 Initiative, China’s state-backed enterprises brought the action ‘closer to Europe.’ Furthermore, the bulk of the projects of 17+1 is focused in the non-EU countries of the initiative, making the Balkans the neuralgic point of this project. Beijing might not be the biggest investor in the Western Balkan countries (it is worth remember that this title is still firmly held by the EU), but it is a very smart one.

China’s willingness to loan money to tottering democracies for the construction of economically unviable projects has made it the partner of choice for many autocratic countries – from Central Asia, to Latin America, and to Africa. Several Western Balkan states, two of which have been downgraded to ‘hybrid regimes’ by Freedom House in 2020,91 have eagerly embraced this aspect of the partnership, especially in a context in which EU accession resembles an ever more tenuous mirage and is therefore no longer able to exert much traction.

The lack of transparency and accountability, frowned upon by the EU, is an advantage in Balkan leaders’ business relations with Chinese actors. The secretive character of the Sino-Balkan projects has the potential to allow political elites to pursue rent-seeking schemes, while presenting a narrative of shared success to the domestic public. This is an account that suits Chinese investors and local politicians alike, and that is buttressed and supported by an increasingly sophisticated soft power strategy by China, while being amplifying by media loyal to domestic political elites.

84 https://www.udg.edu.me/zh/
85 https://www.ruc.edu.cn/archives/32920
88 Vangeli, p. 421
89 Vangeli, p. 428
5. THE GEOECONOMICS OF THE WIDER BLACK SEA REGION: BETWEEN CHINA AND THE WEST

Mohammadagher Forough

THE WIDER BLACK SEA REGION: FLUIDITIES AND FRAGILITIES

The Wider Black Sea Region (WBSR) is a region where different political, economic, and social forces and civilizations have historically met, merged, and/or clashed with each other. Today, the region is a highly fluid arena in which some of the most significant global actors, such as the EU, NATO, China, the US, Russia, Turkey, among others, are vying to shape the future of the global order. For the purposes of this policy paper, The Black Sea Region is “defined as the land- and seascape from the Balkans to the Caucasus and from the Ukrainian and Russian steppe to Anatolia” (Hamlin and Mangott, 2008). NATO and EU are aiming to expand their influence in this region. Russia considers this region as part of its “natural” and immediate neighbourhood, hence, part of its core interests. Increasing tensions between Russia and some of its neighbours such as Ukraine, Romania, and Bulgaria are part of the contemporary (and historical) make-up of the region. Turkey has been historically a major player in this region and today it is involved in it no less than before. Turkey has ambivalent relations with its NATO and EU partners, as well as with Russia. The more one looks towards the Eastern flank of this region, the more vulnerable situations and populations (including in EU member states) one sees and the more security situations and configurations (such as the Russian-Georgian War in 2008 and the more recent Azerbaijan-Armenia War) that add to regional fragilities, become apparent.

Add to regional fluidity the arrival of a new superpower on the scene, China. Despite being a newcomer, it is no less significant for the long-term future prospects of the region. China, currently the most forceful driver of economic globalization, is increasingly important in shaping the emerging global order including in the WBSR. Some of the most contentious issues in China’s relations with its Western counterparts arise in and pertain to dynamics that have to with this region. This chapter will unpack the role of China in the region and the place of the region in China’s geopolitical and geoeconomic imagination. China’s relations with its Western counterparts will be discussed, especially in terms of how the region is an active arena of US-China superpower rivalry as well as a geographic space in which the concept of European Strategic Autonomy is gaining increasing relevance. Turkey and Russia’s response to the rise of China will also be discussed. Conceptually, this chapter examines the topic through the dual lens of ‘geopolitics’ and ‘geoeconomics’.

The chapter proceeds as follows. The following section (2), demarcates the conceptual boundaries of geoecomics and geopolitics. Section 3 introduces Chinese geoecomics. Section 4 deals with the region’s place in Chinese geoecomic practice and narrative, and how other actors such as Turkey and Russia are responding to it. The next section (5) deals with the American view on China’s presence in the region. Section 6 addresses the EU response to such dynamics, especially in terms of European Strategic Autonomy. The conclusion wraps up the analysis and makes recommendations for the EU.

GEOPOLITICS AND GEOECONOMICS

Geopolitics

Both geopolitics and geoecomics are highly slippery and contested concepts. Geopolitics as a consciously developed concept roots back to ancient times. Geoecomics is a however a more recent concept. When it comes to the rise of China, one of the common analytical pitfalls analysts and policy-makers face is to view the rise of China in terms of old-school geopolitics (for instance in terms of Western relations with the Soviet Union). This is why some politicians and analysis are talking about a new cold war. The rise of China and the place of the WBSR in China’s new world order should be understood not only in terms of geopolitics but also, and perhaps more accurately, in terms of geoecomics. In this section, I will briefly introduce the two concepts.

The tradition of geopolitical thinking has existed since ancient times in various civilizations in world history, going back to thinkers such as Aristotle and the Confucian-Mencian tradition of geopolitical thinking in China. Aristotle investigated the effects of the geographic environment on human nature and its consequences for the economic and military necessities of the ideal states. For Aristotle, therefore, geopolitics and geoecomics were not separable frameworks of analysis. An ideal state for him allows for the geoecomic model of ‘autarky’ to protect that state from foreign influence and invasion (Kristol, 1960). The Confucian-Mencian geoecopolitan discourse has historically portrayed ‘a Chinese world-system that was harmonious, hierarchical, and orderly. In this geopolitical imagination, China was represented as the cultural center of the universe, entitled to the respect and deference of other polities and peoples with whom it was in contact’ (Latham, 2007: 17). Both the ancient Western and Chinese views are still relevant and partially at work in today’s world.

Classical geopolitics in Europe suffered from environmental determinism (the belief that one is shaped by its environment) and was thus hardly hijacked by Nazi war propagandists (Park, 2014). In more contemporary times, critical geopolitics (Tutthal, 1996) came to revise the premises of how politics relates to geography. It emphasized the role of discourse and narratives in how international space is shaped. For instance, there was nothing fixed about the label of the Cold War. The Cold War was applied as the result of not only practice, but discourses or narratives about the world, about ‘us’ as well as ‘them’ on both the Eastern and the Western front. There is no ‘view from nowhere’ in critical geopolitics. When discussing an issue, such as the role of China in the region, one can therefore only talk about how different actors ‘view’ the situation, what narratives they are propagating about the situation, and what policies are coming out of those narratives. It is according to this premise that this chapter discusses Chinese, American, European, Turkish, and Russian views about the region.

Geoecomics

“We are shaping our foreign policy to account for both the economics of power and the power of economics.”

Hilary Clinton, 201296

After the collapse of Soviet Union, the discourse of geoecomics received increasing attention in scholarly publications, think tanks, and popular discourses. Although the idea or practice of geoecomics is not new, it was first consciously developed in the sense we use it today, by the conservative pundit Edward Luttwak. In his 1990 essay ‘From Geopolitics to Geoecomics’, he argues that ‘methods of commerce are displacing military methods’ (1990:17). In this new geoecomic logic we see, according to Luttwak, the increasing importance of ‘disposable capital in lieu of firepower[,]’ and market penetration in lieu of garrisons and bases’ (ibid). Along the same lines, Samuel Huntington argued that ‘the principal conflicts of interest involving the United States and the major powers are likely to be over economic issues.’6 More recently, in War by Other Means, Harris and Blackwell (2016) offer a historical review of geoecomic policies in modern era by various actors including the US and then argue that the American geoecomic power has declined due to various factors and that China is the epitome of a country that does geoecomics best, at the moment. They define geoecomics as ‘applying economic instruments to advance geopolitical ends’ (2016: p.8), or ‘waging geoecomics with capital, attempting with sovereign instruments to advance geopolitical ends’ (2016: p.8). One could argue that the American geoecomic power has declined due to various factors and that China is the epitome of a country that does geoecomics best, at the moment. They define geoecomics as ‘applying economic instruments to advance geopolitical ends’ (2016: p.8), or ‘waging geopolitics with capital, attempting with sovereign instruments to advance geopolitical ends’ (2016: p.8). One could argue that China is the epitome of a country that does geoecomics best, at the moment.

It is the argument of this chapter that the rise of China is best understood at the intersection of both geoecomics and geopolitics. We live in an era that is unprecedented in capitalist history. Arighi (1994, 2007) argues, unprecedented in that our era is bifurcated between military power (in the US) and economic power (in Asia, particularly China). In the American (or before that the British) unipolar moment, economic and military powers were in the same hands. Today’s world is different. Asia’s economic power is reconfiguring global geography (Forough, 2018). The analysis of this world should be different, by using a dual lens that understands the interlinkage between American geoecomics and Chinese geoecomics, and Europe’s position in relation to the two. To view the rise of China as only a geopolitical phenomenon can only lead to failed policies, such as the Obama/Clinton’s Pivot to Asia, which had all the necessary geopolitical and military elements of a pivot aimed at containing the rise of China, but lacked the necessary geoecomic policies to deal with the East Asian dependency on the economic power of China. That is why it is considered a failed policy (Ross, 2012), as many East Asian countries did not want to choose a side between China (their geopolitical ally) and the US (their geopolitical ally). That is also why introducing a US-American relations as a ‘new Cold War’ is off the mark. There was no trade interdependence during the Cold War between the two poles. Ideological spheres of the world.

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93 Important abbreviations in this text:
BSS: Black Sea Region
WBSR: Wider Black Sea Region
BR: The Belt and Road Initiative
NSR: New Silk Road
CEECs: Central and Eastern European Countries
ESA: European Strategic Autonomy
3SIs: Three Seas Initiative
MCI: The Middle Corridor Initiative
ESA: European Strategic Autonomy
94 https://www.ft.com/content/7b809c6a-f733-46f5-a312-9152aed28172
95 Clinton, Hilary. Delivering on the Promise of Economic Statecraft, Speech at Singapore Management University, Singapore, November 17, 2012, link: https://www.foreignaffairs.com/2012/12/05/statement/92563/92064.htm
matched the economic spheres. Our contemporary world is fundamentally different and requires a new analytical mode. The role of China in WBSR should be understood and analysed in such terms.

Chinese GeoEconomics

China is at the moment the most significant geoeconomic actor in the world (Blackwell and Harris, 2016). It is ‘using economic statecraft more frequently, more assertively, and in more diverse fashion than before’ (Ibid: 94). It is therefore of utmost importance to see what China’s geoeconomic entanglements and how it is exercised. While American economic statecraft toolkit, under contemporary conditions, has been limited to the use of sanctions (such as the sanction regime against Iran or Russia) or embargos (such as against Cuba), Chinese geoeconomic toolkit is much more diverse and works in much more profound and long-term ways for China to achieve its strategic goals. In what follows, some of the major ways in which China exercises its toolkit will be unpacked, the short-term (similar to American geoconomics) and the long term (that is particularly Chinese).

China, at times, uses the American geoeconomic model of sanctioning countries to get immediate results, as evidenced by Chinese counter-measures in the trade war that the US started against it. Another recent instance of the use of such short-term economic statecraft is the trade war that China started against Australia, as a response to the United States leading the call for an independent WHO inquiry into the origins of Covid-19. Beijing became furious and retaliated by increasingly tough measures against Australian exports to China, including Australian wine and barley, as well as restricting Australian coal, timber, red meat, cotton, and the like. Similar measures were taken, when China decided to punish Norway for awarding a Nobel Peace Prize to the imprisoned Chinese human rights activist, Liu Xiaobo. China halted the export of rare earth metals to Japan after the latter detained a Chinese fishing captain tailor in 2010.

Just like the American approach to economic statecraft, this approach is short-sighted in its vision and aimed at achieving quick results, for instance, making adversaries backtrack or to dissuade them from repeating specific behaviors. The emphasis in this approach is on the ‘economics’ part of ‘geo-economics’. However, there is a much more far-sighted approach to geo-economics that is specifically Chinese, which concerns the topic of the WBSR. This approach is focused much more profoundly on the ‘geo’ part of ‘geo-economics’. It is aimed at reconfiguring the mid-term to long-term future of global economic geography, and therefore the global order in ways that make Asia, and more specifically China, the epicenter of global economic gravity. This approach works in two simultaneous ways to change global geography, materially and ideationally.

Materially, in recent years, Chinese geo-economics is unfolding under the banner of the Belt and Road Initiative (BRI). This initiative works through infrastructure development programs aimed at producing new transport linkages, supply chains, production hubs and manufacturing networks to make China the economic epicenter of the world and make all global (or at least all Afro-European) trade lines (literally) lead to Beijing. The BRI is currently the most forceful geo-economic initiative in the world. It can be called the driving force behind today’s globalization. Other initiatives, such as Transatlantic Trade and Investment Partnership (TTIP) and Transpacific Partnership (TPP) that were meant to compete and/or contain China and its geo-economics rise have both failed to be finalized deals so far.

Ideationally, the BRI is accompanied by narratives and discourses of global order and geography that are as important as the material dimension of the BRI. The overarching discourse that accompanies China’s long-term geo-economics (of the BRI) is the narrative of ‘New Silk Roads (NSR)’ (Frankopan, 2019). It is the new global geographic discourse which involves both history and geography, regional and national actors, business and political actors, and more. The discourse of Silk Roads interestingly arose in the WBSR and more precisely in the discourses of Iran, Turkey, and the newly established Central Asian countries following the collapse of the Soviet Union (de Cordier, 1996). Iran and Turkey picked up the discourse in the 1990s and pushed for it in the 2000s. It was picked up by the Obama administration, particularly Hilary Clinton who spoke of a ‘New Silk road’ in Afghanistan in 2011. With the advent of the BRI, the discourse was adopted systemically by China in 2013. Nowadays the term ‘NSR’ is globally associated with China’s BRI, even in countries in WBSR, that gave birth to the idea of NSR such as ‘Roža-e ostrhám-e jâfîd’ in Farsi/Persian, ‘yeni jîyâmî’ in Turkish, and ‘tong of hair of yâjîd’ in Arabic. Moreover, the popular discourses in EU countries that are not officially members of the BRI also refer to the Chinese initiative as NSR, such as ‘Neue Seidenstraße’ in German, ‘Nieuwe Zijderoute’ in Dutch, and ‘Nouvelle route de le soie’ in French. The universal adoption of the NSR discourse proves beyond doubt that China is exerting a considerable amount of ‘discourse power’ on the geography of WBSR as well as its neighbouring regions such as Western and Central Europe, Middle East and Africa, not to mention East and South Asia.

Both material (BRI) and narrative dimension of China’s geo-economics are equally important. Chinese geo-economics is ‘reconfiguring’ the political and economic geographies around the world and our conceptions of security, conflict, and intervention (Forough, 2019). Chinese New Silk Road has also produced new types of geography, the ‘Digital Silk Road’ and ‘Health Silk Road’, which will be discussed below. There are other smaller-scale narratives that are subsumed under the NSR logic. China sees its rise as an undeniable reality, considers itself a ‘great power’, and is advocating for a new type of international relations. The Chinese discourse entails that in this new international politics, international actors should not ignore the interests, especially the core interests (for instance pertaining to Taiwan, Hong Kong, Tibet, and Xinjiang) of the Chinese state and nations, as they did in the past. The new national development, or Chinese Dream, envisions China to be a completely prosperous and technologically advanced country in the world by the middle of this century, a world leader in all major areas of human consequence such as economic, technological, and military domains. To cut a long story short, China aims to make itself the central player, the Middle Kingdom if you will, in global affairs, and the geography of WBSR is part of that vision.

The Wider Black Sea Region in China’s Geographical Imagination

The WBSR is central to the geographic imagination of the New Silk Road (NSR) that China is promoting. If you think of the NSR geography, mainly in terms of Europe, Asia, and Africa (or Afro-Eurasia), the WBSR is right at the center of it, straddling the two largest economic clusters of the world, East Asia and European markets. China’s main aim is to revive the Silk Road by creating connectivity between these two sides of WBSR. This also includes, as discussed earlier, the Digital Silk Road (including 5G from Chinese providers such as Huawei) and the more recently developed concept of Health Silk Road, which includes Chinese face masks as well as ‘vaccine diplomacy’. This NSR connectivity is taking place through an infrastructure-based geo-economic approach, mostly under the banner of the BRI. The map below shows infrastructure projects across Eurasia funded by various actors, including China. This supercontinent is undergoing tectonic shifts, with global ramifications. At the centre of it, the WBSR is, as per its historical custom, the arena where many forces and counterforces of change are meeting one another.

Railway construction and coordination of existing railways play a significant role in China’s geo-economic imagination. Global commerce is dominated by shipping and maritime routes, including between China and Europe. Creating furtherrail freight connections and moving more of global commerce on land, away from maritime routes (that are
dominated by the US Navy has been an objective of Chinese economic foreign policy. A geostrategic reason for that is for China to decrease its dependency on the Strait of Malacca. Another economic reason is that China has immense surplus capital and surplus capacity in the infrastructure and construction sector. With the BRI and its focus on building infrastructure projects around the world, China has managed to find a ‘spatial fix’ (Harvey, 1981) for this problem, that is to say, fixing the ‘problem’ of overaccumulation of capital by investing and spending that capital along new spatial and geographic spaces. In this case, China has focused on Afro-Eurasian geography, including the WBSR, which in turn includes various sub-regions and actors which are adapting their geopolitical policies to the rise of China and the advent of BRI.

One region in which this spatial fix is happening is the Central and European Countries (CEECs) through the 16+1 Initiative, which includes 16 CEECs plus China. In 2019, Greece joined the initiative, hence, it was renamed as the 17+1. It is in the Balkans and the Black Sea region that the maritime Road and the territorial Belt meet each other with the aim of materializing the NSR and solidifying China’s access to the rich Western European markets without resorting to any single road or corridor that is dominated by the American navy (on the sea) or Russia (on the land). China has created further connectivity in this region such as creating new flight paths, port developments (for instance, in Piraeus), and other infrastructure projects (such as telecommunications) across the region. This initiative has afforded a unique opportunity to China to increase its influence in the CEE region (Kavalski, 2019), a region that was suddenly overlooked in the aftermath of the Soviet collapse. Recently, with China’s increasing geoeconomic and Russia’s increasing geopolitical interventions in the region, more attention has been paid to the region in the academic and policy circles. In the beginning, this attention produced a considerable amount of enthusiasm in the region. However, with regional countries not seeing economic promises fulfilled, the US actively increasing tensions with China and starting a trade war including in this region, and China’s actions at the outset of Covid-19 pandemic, much of the initial enthusiasm for the initiative is gone. However, the present lukewarm response is (at least as far as we can see now) only short-term. China’s visions for the CEECs within the framework of 17+1 is long-term and cannot be considered gone due to a momentary curb in enthusiasm.

In terms of relations with China’s BRI, another major player which is creating new dynamics in the WBSR is Turkey. Under President Erdogan, Turkey has increasingly been distancing itself from its Western partners and allies, opting for a ‘pivot’ to ‘Eurasia’ (Ersen and Köstem 2019). This process has been ramped up seriously in the aftermath of the failed coup in 2016, when Erdogan saw more immediate support (during the coup) from his ‘Eurasian’ partners and allies, such as Iran, Russia, and China. Turkey is involved in two types of processes in the region. Geopolitically, Turkey has reasserted itself in the region, for better or worse, in numerous theatres of conflict in WBSR, such as in the Mediterranean Sea, Syria, Iraq, and the recent Azerbaijan-Armenia war. It has had a confrontational attitude towards its Western allies, for instance against France over the Libyan intervention. The Azerbaijan-Armenia war of 2020 was effectively decided by Turkey. It has also created a working partnership with Iran and Russia, to deal with the Syrian situation in the Astana process105, which has the blessing of China. Turkey is therefore increasingly finding itself in a more natural agreement or partnership (but not alliance) with Eurasian actors such as Russia, Iran, and China.

Concomitant with the geopolitical shift to Eurasia, Turkey has also tried to create geo-economic synergies, mostly with China, in the interest of solidifying its role as a ‘cusp’ (Herzog and Robins, 2014) or ‘bridge’ at the crossroads of various regions, economies, and civilizations. The main geo-economic framework through which Turkey is trying to achieve this goal is through ‘Trans-Caspian International Transport Route,’ otherwise known as the ‘Middle Corridor Initiative’ (MCI). The Turkish Ministry of Foreign Affairs visualizes the corridor as the blue lines in the picture below, which is supposed to compete with the Russian or ‘Northern Corridor’ (the red lines).

The MCI aims to create a Turkic-centric geo-economic corridor that complements the new emerging BRI geography and its corridors. MCI goes through the Caspian Region and Caucasus, Central Asia, and finally connecting to Western province of Xinjian in China. Its officially stated aim is to ‘coordinate interaction of all the participants of transportation of goods and containers along the route from Asia to Europe and in the reverse direction, including needed informational support.’106 Azerbaijan, Georgia, and Kazakhstan have been enthusiastic about this initiative. The Baku-Tbilisi-Kars railway, whose picture you can see below, is the highlight of this initiative so far. A less explicitly stated but equally important aim of MCI is to solidify the role of Turkey as the self-proclaimed ‘big brother’ or ‘elder brother’ of countries along this corridor, countries with which it has historical, ethnic, linguistic, and cultural affinities. The MCI, according to Turkish officials, is supposed to ‘create a natural synergy with the Belt and Road Initiative of the People’s Republic of China, which aims at developing connectivity between east and west.’ In this framework, Turkey supports the Belt and Road Initiative (BRI) on the basis of ‘win-win’ principle.107 As is obvious from this statement, Turkey is fully endorsing the Chinese BRI and also buying into the Chinese discourse of ‘win-win’ cooperation. This is part of the pivot to Eurasia that Turkey is undertaking.

Russia, another country that is indispensable to any analysis of WBSR, has its own geo-economic vision, and plans. It has been, since 2013, one of the early supporters of the BRI, particularly promoting the complementarity of the Russian profile (centered around geography, energy, and stability) and the Chinese investment strategy. But Russia is not only looking for involvement in the BRI. It has been coming up with its own geo-economic initiative called the Eurasian Economic Union (EAEU). The overall aim of this initiative has been to it has been to geo-economically solidify the Russian position in a region that it considers to be under its geopolitical and security umbrella, namely Eastern Europe (as much as Russia can manage to bring it under EAEU, which is not much these days), the Caspian region, and Central Asia. Not everyone in these regions is welcoming this Russian initiative; so far only Russia, Belarus, Armenia, Kazakhstan, and the Kyrgyz Republic are part of this union. China and the EAEU have signed a Free Trade Agreement (FTA) as you can see in the picture below. A number of countries are also in the process of signing a FTA with EAEU.

The relationship between EAEU and the BRI is complicated and nuanced as the relationship between China and Russia. Officially, the two initiatives are said to be complementary. However, in practice, China has replaced Russia in the Central Asian space as the top geo-economic power, far surpassing Russia Central

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105 https://www.euractiv.com/topics/astana-process/  
106 https://www.clingendael.org/publication/chinese-investment-port-piraeus  
107 http://www.mfa.gov.tr/turkey_s-multilateral-transportation-policy.en.mfa  
108 https://middlecorridor.com/en

© The official map of The Middle Corridor according to the Turkish Ministry of Foreign Affairs

© Map of Baku-Tbilisi-Kars Railway, photo from Reconnecting Asia
Asia is now a region that is bifurcated between Russian geopolitics and Chinese geoeconomics. EAEU cannot possibly compete with the sheer force and magnitude of Chinese BRI. Putin had enthusiastically attended the first Belt and Road Forum in 2017. In 2019, he attended the second Forum and described Sino-Russian relations as part of the larger package of what they see as a ‘new cold war’ with China and the ‘great decoupling’116 that is taking place between the two superpowers. That is why for instance, the Trump administration tried to deal with China in a geopolitical way, but as it was mentioned earlier, it was aimed more at the ‘economics’ part of geoeconomics that is, tariffs and sanctions and not so much on the ‘geo’ part, to create a long term economic geography.

When it comes to the WBSR region, the situation is essentially not very different. American strategy towards the region has been a two-pronged approach, defined by both long-term geopolitical thinking and short-term geoeconomic tools (such as sanction against Russia and even Turkey). Geopolitically, American approach has been defined by its great power competition strategy in the region. This strategy has targeted mainly Russia and China (albeit in different ways), and also to a certain degree, Turkey (and in a broader perspective, Iran and Syria). Enlarging NATO (through for instance, Bulgarian and Romanian membership) and containing Russia are of course the main American geopolitical goals. Such efforts were exacerbated by the annexation of Crimea by Russia in 2014. Since then, both the Obama and Trump administrations have introduced and pushed for ‘The European Reassurance Initiative’117, which aims to increase the U.S. presence in Europe to contain the rise of Russia. This includes for instance the sale of lethal military equipment to the region, such as Javelin missiles118 to Ukraine in recent years. America has also supported the Polish-Croatian efforts in the Three Seas Initiative (3SI), which will be discussed in the next section.

In terms of Sino-American relations, American geopolitical and geoeconomic imagination sees WBSR as yet another region in which to contain the global rise of China, its New Silk Road (NSR), and its Digital Silk Road and Silk Road offshoots. A major source of concern for America (and European) foreign policy vision would be to have WBSR converted into yet another Central Asia, that is, to say, to have on their hands a region in which the US has no real power and have or bifurcated and dominated by Russian geopolitical and Chinese geoeconomic power. American policymakers see this region as part of the larger package of what they see as a ‘new cold war’ with China and the ‘great decoupling’116 that is taking place between the two superpowers. That is why for instance, the Trump administration tried to deal with China in a geopolitical way, but as it was mentioned earlier, it was aimed more at the ‘economics’ part of geoeconomics that is, tariffs and sanctions and not so much on the ‘geo’ part, to create a long term economic geography.

Perhaps most importantly, China’s Digital Silk Road, has been welcomed in the two most powerful countries of Russia, China,214 and Turkey,215 both of whom have welcomed Chinese 5G infrastructure. In the predictable future, it is hard to imagine a scenario in which these two countries will officially or practically ban China’s power in the technology domain. On the contrary, Turkey, with its pivot to Eurasia, and Russia, being sanctioned by America, are getting increasingly reliant on Chinese technology and economy. This poses challenges for Western policy-makers, given the sheer geopolitical power and geographic size of Russia and the indispensable centrality of Turkish geography and its power in this region at the crossroads of Europe, Asia, and Middle East. America is increasingly witnessing a solidification of Sino-Russian cooperation in the region. The Russians see this cooperation as a ‘strategic partnership’ The Chinese prefer to call it a ‘stand back-to-back’ relationship.122 Although the relationship is not devoid of (potential) tension, it is steadily solidifying. Turkey is in some (but not all) domains gravitating towards this Eurasian partnership too, evidenced, for instance, by the purchase of the Russian S400 missile defense systems and the Astana Process.

When it comes to geoeconomics and development agendas, the US is pursuing its global strategy of focusing on two types of short term geoeconomic tools: a) foreign aid for infrastructure or capacity building in allied countries, through for instance USAID’s Black Sea Trust for Regional Cooperation119 and b) sanctions, that are against adversaries such as Russia or at times against allies such as Turkey.120 Such measures are meant to be called ‘Clean Network’, which is practically aimed at excluding Chinese technology (infrastructure) providers such as Huawei. The Trump administration convinced the Romanian government to support US ‘Clean Network’, effectively banning Huawei’s 5G in Romania. Bulgaria has signed a similar agreement with the US.121 So have North Macedonia and Kosovo. But this network and overall American policy of containing China (and Russia) has not met universal enthusiasm or consensus in the region. Ukraine has signed a 5G deal with Huawei,122 despite American pressure. Serbia has made a ‘big swing’123 towards China in the technological and economic domain. China, Georgia, Armenia, and Azerbaijan have not yet fully decided on which side of the Sino-American competition to land on and are trying to navigate their way through this technological rivalry.124

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EUROPEAN VIEW: ‘STRATEGIC AUTONOMY’ AND ‘CONNECTIVITY STRATEGY’

The EU finds itself at a sobering historical junction, with several world-changing dynamics unfolding simultaneously. Since the Second World War, Europe has been in the business of reconstructing itself and prospering under the American security guarantee. Together with the US and China, the EU has become one of the three largest markets in the world, without existential security threats. However, since the beginning of this century, things have shifted for the EU. China has emerged as the foremost economic actor in the world. The US has become self-absorbed and unilateral in its foreign policy. Europe’s alliance with the US has come under considerable strain. This trend started long before the Trump presidency, but his administration’s ‘America First’ foreign policy doctrine (including the tariffs levied against European companies) made it clear to the EU that things have fundamentally shifted. More recently Brexit has introduced a new host of challenges for the European integration project. In the context of such dynamics, the EU, especially Germany and France, have been increasingly promoting the idea of ‘European strategic autonomy’ (ESA).

The main function ESA is for the EU to be able to find its way in a world in which America and China have defined their strategic directions very clearly. The strategic independence of Europe in the new common project for this century, said the European Council President Charles Michel in 2020. However, this incipient concept means different things to different people. Its policy implications remain fuzzy and complicated, especially now that the UK has officially exited from the EU. France and Germany are the main forces that are pushing this idea in the image below and the Adriatic, the Baltic and the Black Seas, is aimed at creating European geo-economic cohesion and unity in the face of the challenges posed to the EU by Russia. This cohesion is to take place in the areas of transport, communications, and energy infrastructure. Most of the infrastructure in this region goes from East to West, making the region in many ways intertwined with, if not dependent on Russia. The EU has also introduced the EU Connectivity Strategy, in its strategic autonomy in the domain of connectivity, the EU and China are mostly the geoeconomic drivers, and China is not the only EU partner. In the interest of boosting its strategic autonomy, the EU also promotes its own initiative, Quality Infrastructure Investment (QII).

Another dynamic that has arisen from within the EU, which can truly be called a geo-economic initiative is the Three Seas Initiative (TSI), which was launched in 2015 by Poland and Croatia. This initiative, covering 12 EU countries (see the image below) and the Adriatic, the Baltic and the Black Seas, is aimed at creating European geo-economic cohesion and unity in the face of the challenges posed to the EU by Russia. This cohesion is to take place in the areas of transport, communications, and energy infrastructure. Most of the infrastructure in this region goes from East to West, making the region in many ways intertwined with, if not dependent on Russia. The TSI aims at creating North-South connectivity, mostly transport and energy infrastructure, that can balance against that reality in the long term. Most of the proposed projects remain on paper only, pending the necessary funds, which have not materialized so far. However, the initiative is not only directed at Russia. It is a potential opportunity for the US to export its own energy to Europe, to compete with the Russian-German Nord Stream 2. To achieve this goal, the US, in 2020, committed $1 billion to energy development in Central and Eastern European countries.

Furthermore, the initiative has been discussed as a European interconnectivity project that can balance against, and provide an alternative to the Chinese BRI. CEECs, which in many ways overlap with the WBSR, are far behind Western Europe, in terms of infrastructure development. The region is therefore becoming an infrastructural and developmental battlefield between the EU and the US on the one hand, and China (and Russia) on the other. The EU and China are mostly the geoeconomic drivers, and Russia and the US are the geo-political forces that interface with issues of infrastructure.

However, infrastructure development is not a zero-sum game and potential synergies can be created. The EU and China have established the EU-China Connectivity Partnership in 2015 in order to better harmonize issues of connectivity between them, including infrastructural (under)development in the WBSR. Further synergies and interoperable capacities are to be created between Trans-European Transport Network and the BRI (including in its 17+1 geography). The EU-China Summit of 2019 has predicated this connectivity cooperation on the shared concepts of enhanced transparency, open procurement, a level playing field and fair competition, and by fulfilling with established international norms and standards. The momentum seems to be going forward cautiously and positively, interrupted temporarily, due to the Covid-19 pandemic. China is not the only EU partner. In the interest of boosting its strategic autonomy in the domain of connectivity, the EU has also introduced the EU Connectivity Strategy, which finds a natural partnership with Japan, which is also promoting its own initiative, Quality Infrastructure Investment (QII). The European connectivity strategy and QII are supposed to balance the (Central and Eastern) European and Asian reliance on Chinese BRI investment.
by introducing their alternatives. So far the EU connectivity strategy has not produced tangible results. Nor has the Japanese QII made significant investments around the world. It has combined investment portfolio below $2 billion globally. However, the fact that the EU got its act together to develop this concept of connectivity strategy, in different directions, geopolitics and geoeconomic, is evidence that it is looking to be connected to all major actors in the world, including both Japan and China.

More recently, the EU showed strategic autonomy in the recent Sino-European ‘Comprehensive Agreement on Investment (CAI)’, which was signed on the penultimate day of 2020 after seven years of negotiation. The fact that the EU policy-makers did not wait for the Biden administration to assume office and did not coordinate the content of this agreement with the US interests shows the concerted push for a European (economic) foreign policy that is independent of the US interests. The deal is aimed at creating a more level playing field in the economic and investment interactions, introduce standards of sustainability in economic interactions, offer further market access in China to large European manufacturers, and curb the power of Chinese State-Owned Enterprises, among other things. It remains to be seen how much of these promises are fulfilled.

The overarching concept of European Strategic Autonomy, its sub-category of European Connectivity Strategy, and the deals that flow from such initiatives (such as CAI), are incipient dynamics and strategies that will affect the future of the WBSR. This is a region in which the EU finds some of its most serious challenges to and opportunities for its strategic autonomy in terms of relations with Russia (geopolitically speaking) and with China and its BRI in the region (geoeconomically speaking). The recent deal with China provides a framework (when fully approved by the EU Parliament and Council) for EU-China cooperation. The deal signifies that the EU, headed in practice by Germany and France, is attempting to create a third space in the world for itself, next to the US and China, a third space which also involves major actors and relations in the WBSR region, such as EU-Turkey relations and EU-Russian Relations.

**CONCLUSION AND POLICY RECOMMENDATIONS FOR THE EU COUNTRIES**

This report examines China’s presence in the Wider Black Sea Region (WBSR) by unpacking two global dynamics that are simultaneously pulling and pushing the region in different directions, geopolitics and geoeconomics, with a focus on the latter. All the actors, discussed in the chapter, are showing ‘geographic agency’ by actively trying to change the ideational and material geography of their region. When it comes to China, the report concludes that China does not see the region as a region per se, but as a piece in its larger global geoeconomic strategy of connecting Western Europe and the Mediterranean. China’s infrastructure investments in Central and Eastern European, part of WBSR, is to facilitate and boost its vision of connecting East Asia to Western Europe and beyond. Along the way, it also wants to buy itself goodwill and soft power through economic investment. It is however not working all smoothly for China. The enthusiasm for 17+1 is dying down. For the other countries involved, 17+1 has been beneficial in the sense that it has focused the attention of European and American policy-makers on the region once again.

The US is involved in the region to counter the geopolitical and energy interests of Russia as well as to limit the increasing influence of China, its BRI, and Chinese Digital Silk Road, through development aid, lethal military aid, and supporting the Three Seas Initiative (3SI) and the Clean Network. Competing with Russian energy interests (Nord Stream 2 particularly), the US is also trying to find a market for its energy export. The American geopolitical and geo-economic approach in the region is more focused on short-term results. However, China is clearly playing a long-term game.

On the more Asian side of WBSR, the two most important actors in the region, Russia and Turkey, have introduced their own economic initiatives. Eurasian Economic Union by Russia and the Middle Corridor by Turkey. These two initiatives are supposed to restore and/or cement Russian and Turkish influence in their historical spheres of influence. Both countries have aligned their initiatives with the Chinese BRI, claiming ‘natural synergy’ between them. The EU countries that are part of the WBSR are certainly conscious of the new dynamics that are going on in their region. Twelve WBSR countries have introduced their own initiatives such as the 3SI to create cohesion in Europe against Russia (and possibly balance against China). They are also trying to bring the US into the mix to solidify their position. The US obliged during the Trump presidency. To cut a long story short, the Eastern and Southern side of the WBSR is clearly welcoming the rise of China, while the Western side of WBSR is welcoming EU and NATO enlargement.

When it comes to the EU’s approach to the region and China’s presence in it, the best concept that can shed light on the matter is the still fuzzy concept of European Strategic Autonomy (ESA). However, the fuzziness is an asset and not a liability. The fuzziness can give the EU freedom of action in choosing the paths it is interested in. In terms of China, the EU is particularly aiming to decide what its security and foreign policy interests are (or should be) and what tools it should use to achieve them, including military tools. The WBSR is a region where Europe finds some of the most serious promises and perils for its idea of ESA. The EU wants to create a third space between China and the US so that it can act independently. It has acted relatively autonomously and through multifarious policies, initiatives, and partnerships to actualize its ESA. It has introduced its own Connectivity Strategy, as its overarching geoeconomic concept that is supposed to rival China’s BRI. It has supported the 3SI. It has created partnerships between its connectivity strategy and Japan’s QII, to balance against China’s BRI in the world, including in the WBSR. It is working with Russia through Nord Stream 2 to the detriment of the US, while also working with the US in Ukraine to combat Russian influence and proxy warfare. The EU is also engaging the region with its European Neighborhood Policy, which involves the WBSR through Eastern Partnership program. The latest instance of European ESA is signing the Comprehensive Investment Agreement with China, right before the Biden administration assumed office. Europe has been trying to assert itself in various geopolitical and geoeconomic processes in order to create an autonomous zone of policy-making for itself in the realm of security and geopolitics.

Finally, in terms of policy recommendation, the EU should continue developing independent policies with regard to China’s role as an emerging superpower in general, and in the WBSR in particular, as this is a region in which many of the challenges and promises of EU role in the world are unfolding. The EU should particularly focus on infrastructure development in the region as much as possible, since the region is infrastructurally underdeveloped. Furthermore, infrastructure development is currently and in the foreseeable future the global geoeconomic battlefield.

The EU should not get entangled in the American trade war with China. It should act independently to develop a robust policy with China that is conscious of the US interests and values. The current Comprehensive Investment Agreement with China is a solid foundation to build a China policy on. To balance against China, the EU should also deepen its engagement with Japan and its QII, to produce actual momentum for the European Connectivity Strategy. The EU should also co-invest in the WBSR, with all actors including China, so that through its co-investor role it can influence and steer the development processes towards social, environmental and economic sustainability. To sum it up, the EU should focus on the long-term infrastructure-based geoeconomic development of the region.