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THE 'BELT AND ROAD' INITIATIVE AND ITS IMPLICATIONS FOR SOUTHEAST EUROPE

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This paper is part of a multi-year project by CIRSD to acquaint decision-makers from Southeast Europe with the goals and aspirations of the Belt and Road Initiative, particularly as it relates to its potential contribution to the economic growth of the region.

It is directed towards Southeast European government officials, public administrations, the business community, academic circles, the media, civil society organizations, and all interested individuals.

EXECUTIVE SUMMARY

THIS PAPER explores the opportunities and challenges of developing cooperation between the countries of Southeast Europe and China within the framework of the “Silk Road Economic Belt and 21st Century Maritime Silk Road” development project, which China presented publicly in 2013. The central goal of this project, which is most often called the Belt and Road Initiative (BRI),¹ is the possible shared benefit and added value from interdependent development for all participants involved in the new economic integration of China, Asia, Europe, and Africa.

China has invited Southeast European countries to join the BRI project, which aspires to modify the world’s economic geography and ensure the development of all countries along BRI routes. China’s further fostering of relations with the countries of Southeast Europe aims at maintaining stable growth rates in China by expanding the market for Chinese goods, finding new areas for investing Chinese capital in the energy sector and, above all, improving the transport infrastructure sector. Southeast European countries, on the other hand, would benefit from being included in this new global network of trade—along both land and sea routes.

The benefits of the Belt and Road project ought to be presented in the context of a broad timeframe and with an emphasis on understanding its potential. This does not mean that the project will last forever: no one can confidently predict what the world will look like in twenty years; something unexpected always happens. The financial crisis of 2008 has shown how dangerous an overreliance on neoliberal policies can be. Yet, this does not relieve Southeast European countries of their obligation to focus on developing a vision of their own position in tomorrow’s economic world order, so as not to be left behind.

¹ The terms “Silk Road Economic Belt and the 21st Century Maritime Silk Road,” “One Belt, One Road,” “Belt and Road,” and “New Silk Road” all denote the same vision and initiative. In this document we shall for the most part use the term “Belt and Road,” with its acronym BRI.

This policy paper describes the basis behind the possibility of implementing the Belt and Road Initiative and analyzes its compliance with the goals and aspirations of the “China and 16 Central and Eastern European Countries” (also known as the “16+1”) initiative launched in 2012, which includes most of the countries of Southeast Europe. The launch of the 16+1 initiative is built on China’s assessment that its relations with the 16 countries of Central and Eastern Europe is largely imbalanced in comparison with its trade and investment relations with developed EU member states.

This paper presents arguments and evidence that BRI is in harmony with the development policies and regulations of the European Union, something which is of importance for EU member states and EU membership candidate countries.

The key findings of this paper demonstrate that Southeast European countries have an historic opportunity to further develop economic relations with China and attract investment within the framework of the Belt and Road Initiative. Partaking in this initiative would not only result in strengthening economic relations with China, but would also lead to better economic ties with other countries associated with BRI. Participation in this project would also enable the countries of Southeast Europe to improve their position as attractive emerging markets through a combination of developed economies’ best practices alongside those of China’s economy and other developing countries along BRI.

KEY RECOMMENDATIONS

- According to conventional theories, which argue that cooperation with economically powerful countries has a positive impact on the development of other countries, it is recommended that Southeast European countries participate in the Belt and Road Initiative. The direct participation of Southeast European countries would not only increase opportunities for economic growth, but would also increase the possibility of their inclusion in the global economic trends of the twenty-first century.
- A further and deeper understanding of the Belt and Road Initiative, focusing on its openness, flexibility, and strategic importance for the particular and joint economic development of Southeast Europe and the EU, is recommended.
- The goals, conditions, benefits, and risks of involvement in the construction of the Belt and Road should be clearly defined from the perspective of national interests and in accordance with market rules.
- It is recommended that an active effort be made to estimate the benefits of increased economic cooperation from the perspective of social welfare, with priority given to the 'green economy' and contemporary standards of sustainable development.
- Timely involvement in the Belt and Road Initiative and promotion of a policy of openness towards Chinese investment is recommended, due to strong competition in attracting Chinese capital. The Belt and Road Initiative needs to be observed as a means of increasing direct investment, launching development that will lead to the creation of new jobs and new infrastructure, allowing for economic expansion into new markets, and opening up access to new technologies. The involvement of Chinese trade, the global logistical industry, and research and development, as well as easier access to capital, are observed as particularly important opportunities.

- It is recommended that an effort be made to properly evaluate the potential risks for local industry, employment, and property that might result from Chinese investments.
- For faster implementation of the opportunities provided by BRI, in addition to the formal adherence to memoranda of understanding and cooperation in joint development projects, it is necessary to also initiate the processes of harmonization of medium- and long-term development strategies within those areas that are designated as priorities in Belt and Road documents.
- Political leaders and senior government officials of Southeast European countries are encouraged to consider a new approach with China and their own region. The further integration and connectivity of trade, production, transportation infrastructure, and finance between the countries of Southeast Europe may be helpful in achieving national benefit from the Belt and Road Initiative. This is a project that requires a stronger and more multilateral approach, differing from existing bilateral relations with China.
- Permanent consultation and information sharing about the project, as well as the joint engagement of experts from China, is recommended in order to increase capacity and know-how in attracting Chinese investments, as well as gaining further insight into the Chinese way of doing business.
- A multi-dimensional view of the Belt and Road is recommended, given that it is a project with many direct and indirect goals. In a more narrow sense, China's turning towards developing countries is based on economic considerations. However, the processes that might result from BRI would lead to greater realization of the benefits of economic globalization in developing countries. This is a policy of more balanced economic globalization, which should lead to economic growth instead of the accumulation of capital that would deepen existing inequality. In this sense, globalization in the context of BRI may represent a new opportunity for the transition economies of Southeast Europe, whose experience with globalization over the past two decades has been relatively negative. Through their active participation in BRI, Southeast European countries would be given

the opportunity to capitalize on their geo-economic, not geopolitical, position. They would also benefit from energy and tourism resources through the linking of energy infrastructure, roads, ports, and high-speed rail links. They would thus, globally and regionally, increase their ability to compete economically and to export their respective goods and services.

- This paper recommends an economic approach to the development of Southeast Europe through the strengthening of relations with China. It would be unhelpful to simplify the many development opportunities provided by the Belt and Road by reducing this to an argument that implies BRI would merely represent a change in Southeast European countries' lenders, i.e. replacing Western European banks with Chinese and Asian banks. There are real opportunities for the development of stronger relations, due to the coinciding of a shortage of capital in Southeast European countries for major infrastructure projects and China's evaluation that a decline in the West's economic strength is a potential long-term process. As such, the crisis of public finances and unemployment in EU states is seen by China as an opportunity to prove itself to be a new and preferred creditor for major infrastructure works in the European market. To avoid connectivity through indebtedness, Southeast Europe should focus on cooperation through other forms, such as concessions and public-private partnerships.
- Many Southeast European countries have problems with low export levels and a stagnation of production, which is why it is recommended for them to focus on investments that encourage export and production. Although this does not imply that foreign investment can solve all of the region's developmental problems, it is nonetheless certainly helpful in encouraging re-industrialization.
- China has a unique approach to business; one that is linked to its political and economic system. Southeast Europe is interesting to Chinese businesses because of the opportunities available for executing large infrastructure undertakings. Yet, at the same time, these businesses usually bring their own Chinese workforce with them. As such, Southeastern European countries are recommended to reach agreements that allow for the greater involvement of local labor.

- Southeast European countries that do not possess the economic and diplomatic wherewithal necessary for the development of broad economic cooperation with China as a whole are recommended to find possible forms of cooperation with Chinese provinces and companies that have closely linked their business strategies with BRI. The western regions of China, for example, have an important role in the development of economic corridors to Europe. The development of economic cooperation with China's eastern provinces is a greater challenge, due to the difficulty of competing with companies from the United States and Western Europe.
- The creation of a multilateral platform for negotiations with China on the facilitated and preferred access of products and services from Southeast Europe to the Chinese market and BRI countries is recommended.
- It is recommended that efforts be made to improve the transparency of information on Chinese direct investments, as well as the systematic monitoring of other types of investments, given that such data is not currently uniform and is difficult to access.

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INTRODUCTION

THE MAIN VISION of China's strategic development project known as the Belt and Road Initiative is the advancement of economic interdependence and integration in Asia, Europe, and Africa through the improvement of trade, infrastructure, investment, capital, and people.² The intention is to construct a web of interdependent economic development along the Belt and Road which, in turn, would fundamentally transform the global economic order of the 21st century.³ Like other major economic powers in world history, China has managed to develop its economic strength to the point of being able to influence global governance. This new position is reflected by BRI (Chinese: *yi dai yi lu*), which aims to build a community of "common interests, fates, and responsibilities."

The document which lays out the BRI framework begins with the assumption that there is "massive potential and scope for cooperation," provided that countries supporting the project focus on five priority areas: economic policy coordination, facilitating connectivity, unimpeded trade, financial integration, and people-to-people bonds. These areas would be pursued by utilizing a high standard of cooperation and respect for market rules and international norms.⁴ The Belt and Road document strongly emphasizes that the project is open to all countries, international and regional organizations, as well as public and private companies.⁵ Emphasis on the involvement of private businesses in the construction and financing of major infrastructure projects makes it hard to argue that BRI is an attempt to "export" the Chinese model of state development.⁶ The Belt and Road

² Combining all economic routes, whether they be land or sea, old or new, into a single Belt and Road framework may seem unusual to some, but it is fully in line with the concept of globalization as shaping the world into a single space.

³ For more on the objectives, priorities, and mechanisms of cooperation of BRI, see english.gov.cn/beltAndRoad

⁴ See: *ibid*, Chapter IV. Cooperation Priorities.

⁵ The Belt and Road will pass through 65 countries inhabited by 4.4 billion people.

⁶ See: V. Cooperation Mechanisms, "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road," *op. cit.*

strategy is, thus, an example of the internal and foreign policy reforms launched in 2013 by the Chinese Communist Party, which pledged to give market forces a “decisive role” in the economy and made changes with regard to the management of public capital.⁷ These changes are perceived by some observers to be strengthening China’s global investment power.

CHINA has envisioned the building of the 21st century Maritime Silk Road economic zone as a long, pluralistic process of cooperation and coordination of national, regional, and inter-regional development plans and interests. Therefore, the content, policies, mechanisms, and measures of Belt and Road are open to constant improvement.⁸

The very name and geographic scope of the project are reminiscent of the ancient Silk Road, which for centuries brought major benefits to a broad and multi-civilizational geographic area, and was one of the most important economic, intellectual, and cultural achievements in the history of exchange.⁹ In many ways, the ancient silk routes were the precursors to the contemporary concept of globalization. With the “discovery” of new continents, along with the emergence of the European industrial revolution and colonialism, significant swathes of the regions through which the silk

⁷ The theme of the objectives and areas of reform is remarkably and thoroughly elaborated in the document: “China talking points: a new blueprint for reform,” Touchstones prepared by Marijan Gubić, *Strategic Global Insights*, December 2013. The reforms followed the Third Plenary Session of the 18th Central Committee of the Communist Party of China, where the Communiqué was adopted on November 12, 2013. See: Internet, www.china.org.cn/.../third_plenary_session/.../content.

⁸ For quick, though superficial, insight into the priorities of the Belt and Road, we searched the most frequently mentioned words in the document “Vision and Actions.” The word “cooperation” is mentioned 130 times, “economic” 44 times, “trade” 37 times, “development” 36 times, “mutual” 30 times, “connecting” 25 times, and “common” and “changes” 20 times.

⁹ The ancient Silk Road was a network of trade routes between East and West that began in Xi’an (*Chang’an*) and ended at the Mediterranean, thereby linking China during the Han Dynasty (206 BC—220 AD) with the Roman Empire. Trade, which started in 130 BC, reached its peak during the Tang Dynasty (618-906), while in the time of the Yuan Dynasty (1279-1368) there was a decline in the volume of trade along these routes. In 1453, the Turkish Ottoman Empire interrupted trade in the direction of the West. Religious conflicts and new maritime routes around the western part of Africa to the Indian and Pacific Oceans reduced the importance of the Silk Road in trade between Europe and Asia. Silk itself represented the most valuable commodity of this mutual trade, inspiring German geographer Ferdinand von Richthofen to coin the term “Silk Road” in 1877. For more on trade routes between East and West, see Frances Wood’s book, *The Silk Road: Two Thousand Years in the Heart of Asia*, University of California Press; New Ed, 2004; Ljubo Jurčić, Vlatka Bilas, Sanja Franc, *Međunarodna trgovina kroz povijest*, Alfa d.d., Zagreb, 2015.

roads passed entered into a long period of economic hibernation. Once capital flows were diverted and investment dried up, the networks that kept that space bound together as a whole began to disintegrate. While other parts of the world progressed, many of these areas regressed.

The old silk routes came into being “organically” as the result of demand for Chinese silk. BRI, on the other hand, is a planned and organized Chinese economic initiative whose basic principles include: connectivity, openness, and inclusion. China has defined the main corridors of this project on both land and sea, as well as its priorities and mechanisms of cooperation.

The Belt and Road vision attempts to “rejuvenate” regions that in past times secured mankind’s economic development, scientific innovation, cultural sophistication, and artistic refinement.

BRI’s goals relating to sustainable economic growth for all countries along the ancient Silk Road, as well as the mechanisms of its implementation and sources of funding, create the impression that it is a project that will open the way for Southeast European countries to benefit from new and voluntary economic integration and infrastructure connections with Asia, Europe, and Africa under favorable terms and conditions. In the coming years, it is a near certainty that developing countries will see a greater share of representation in global affairs. Southeast Europe fits well into this vision of prosperity and interdependence. The region needs new opportunities for economic growth, especially given that its involvement in current conceptions of economic globalization have thus far not helped it to become globally competitive, with some transition countries having even lost their own national and regional markets.¹⁰

¹⁰ The strong capitalist economies of the European Union, in accordance with the theories of free trade and liberalization, demanded in the 1990s that the transition economies of Southeast Europe compete with them on an equal basis, despite the fact that some of these countries had no experience with capitalism and that some of their economies had been destroyed by wartime conflict.

In the period from 2011 to 2015, relations between the Southeast European countries and China improved significantly. The volume of mutual trade and investment of Chinese capital increased, a number of bilateral and multilateral agreements were concluded, and memoranda on mutual understanding were adopted—particularly in the domain of transportation and energy infrastructure construction. In addition, numerous high-level political, business, and academic meetings have been held.

The main instruments in advancing these relations, rooted in shared interests, have been the “China plus 16 Central and Eastern European Countries” and, beginning in 2014, BRI—both of which are complementary to present Chinese diplomacy towards Southeast Europe and the European Union.

An overview of the various memoranda put forward by China and the countries of Central, Eastern, and most of Southeast Europe—including the dozen agreements signed in Budapest (2011), China’s 12 Measures for Promoting Friendly Cooperation with Central and Eastern European Countries (2012), the Bucharest Guidelines (2013), the Belgrade Guidelines (2014), and the Suzhou Guidelines (2015)—shows that relations between them are developing in an economic and transport-geographic direction, and not a political and geo-strategic one.¹¹

The relationship between China and the 16 countries of Central and Eastern Europe is developing slower than China anticipated, possibly because the countries of Central and Eastern Europe have not built a framework for multilateral relations with China. Moreover, the countries of Southeast Europe have so far not crafted policies that would help develop relations with China as a particular region.

¹¹ For more on the plans to improve cooperation between China and the countries of Central and Eastern Europe up to 2020, see the Mid-Term Agenda for cooperation between China and the countries of Central and Eastern Europe, which also takes into account the guidelines of the document on relations between China and the EU by 2020. “The Medium-Term Agenda for Cooperation between China and Central and Eastern European Countries,” Internet, www.fmprc.gov.cn/.../t1318038.shtml.

IN THE diplomatic pursuit to build links and develop shared prosperity between Asia and Europe, China views Europe less through a geographical lens than through one concerned with the logic of transport and economic objectives. In this regard, the countries of Southeast Europe are a part of the Central and Eastern Europe grouping. The official document describing BRI does not single out Southeast European countries in particular. Yet on BRI maps, both Istanbul and Athens are marked as strategic transport nodes. Such an approach does not imply that the other countries of Southeast Europe are unimportant to China, but rather that they are free to define and shape for themselves what connects them, as well as the depth of their respective involvement in new modes of transportation, trade, energy, and cultural connections. The BRI document cannot be seen as a detailed and final description of the economic zone, for doing so would compromise the principles of pluralism, openness, and flexibility, which is designed to enable BRI participating countries to contribute to the continuous improvement of the initiative and its mechanisms of cooperation.

The success of this project depends precisely on each country finding its proper sense of place and interest, as well as countries' respective abilities to build BRI from the collective harmonization of these interests.

It seems that, in the coming years, the Belt and Road project could serve as the foundation for the development of relations between the Southeast European countries and China. This is also because China would—due to the continuous development of economic ties with Europe, and the fact that the peak of these ties is still expected—aim at calibrating BRI as the central instrument of cooperation with the whole of Europe.

THE emergence of China as a global investor and the orientation of its companies toward investing in Europe could represent a source of stronger growth for the countries of Southeast Europe.¹² Now that this

¹² China's direct investment abroad in 2015 increased by 14.7 percent compared to 2014, amounting to \$118 billion, excluding the financial sector. In 2001, these investments amounted to a mere \$6.9 billion. Forecasts that China's foreign investment in 2015 will be equated with the

historic opportunity has appeared in the form of BRI, Southeast European countries are faced with three challenges: a) the interpretation of the general goals and advantageously harmonizing them with the Chinese conception of the new drivers of economic growth; b) converting the opportunities offered by BRI into reality by means of inclusion in medium- and long-term national plans and development policies, which requires the countries of Southeast Europe to “speak with one voice”; and c) aligning BRI with existing EU integration pathways. The latter is important but not complicated to implement, as the new platform for cooperation is not meant as an alternative to the EU, but rather is in synergy with the EU’s goals of connecting Europe and the world. Southeast European countries find themselves in a situation of being able to benefit both from the “Chinese Dream” and the dream of a united Europe.

BRI is primarily focused on infrastructure projects with long construction periods, which may sometimes take several decades to become profitable. However, such investments have the power to change the current position of Southeast Europe as a transportation and geo-economic periphery. That is why, for instance, policies that seek to persuade Serbia to give up on the construction of a high-speed railway with Chinese capital seem anti-developmental, outdated, and even discriminatory when compared with the current economic ties between China and the developed economies of the West. What is good for Western Europe should be good for its Southeast, and what Southeast European countries need is modern transportation infrastructure that can make their economies more competitive and attractive for foreign investment.

influx of foreign direct investments in China have not been proven accurate. China remained a net importer of capital, due to the fact that foreign investment in China in 2015 reached \$126.3 billion. China has maintained the position of the top third global investor, behind the United States and Japan, a position it acquired in 2012, when its investments abroad amounted to \$87 billion. Some forecasted a slowdown in Chinese investments abroad, but at the end of 2014 the Ministry of Commerce introduced measures to support Chinese companies. Therefore, since 2015, licenses for investment abroad are no longer necessary except in cases of vulnerable countries and areas or industries. The guidelines for overseas entrepreneurship and plans for key industries and sectors, as well as for avoiding risk, are in line with the spirit of the policies of the 18th National Congress of the Communist Party of China and the 3rd Plenary Session of the 18th Central Committee. Chinese capital is also attracted by reduced investment costs, such as the fall in asset prices in foreign markets and the weakening of the Euro. For more on this, see: 2015 Statistical Bulletin of China’s Outward Foreign Direct Investment, Internet, www.hzs.mofcom.gov.cn.

THIS paper proceeds in the following manner. First, it demonstrates the importance of BRI for China and outlines its key regional, national, and global economic and foreign policy goals. A great deal of attention is devoted to the analysis of the impact of BRI on international relations and its exposure to economic and geopolitical risks, both traditional and new. This paper demonstrates that China's vision of networked economic development can diminish such risks.

Second, the paper describes how Southeast European countries themselves understand the new proposal for cooperation with China. It then clarifies why the diplomatic achievements of "China plus 16," which includes a large number of countries from Southeast Europe, can serve as a platform for improving relations between Southeast Europe and China within the framework of BRI.

It also examines the elements by which China divides Europe sub-regionally, along with how it views and classifies the space of Southeast Europe. This seems important given that the Chinese approach is different from the usual characterization of regions based on geography, language, and culture.

This paper analyzes how all countries of Southeast Europe might be able to engage in the construction of BRI, but focuses specifically on Turkey, Greece, and Serbia, due to their geographic position, the direction of Chinese investments, and the strategic and friendly relations these states have with China. These are the conditions put forth by the BRI document that a country must meet in order to become a key partner of China in implementing BRI in Southeast Europe. This is of particular importance, as the region is considered as having the potential to become a future gateway for the deepening of China's trade and services with the rest of Europe.

Third, this paper examines whether China's new diplomacy is a source of tension in relations between the countries of Southeast Europe and the European Union. It finds that China and the EU have expanded their economic ties to the highest levels and have laid a balanced foundation for the purpose of cooperation in an effort to promote free trade and

investment. Taking into account the existing fabric of coherence and the policy of confidence between the European Union and China, this report examines the logic and viability of the thesis that cooperation between Southeast Europe and China poses a threat to the stability of the EU.

In the end—as the most important question when it comes to cooperation in constructing BRI—this policy paper underscores the win-win nature of the envisioned partnership through the establishment of criteria that would enable the countries of Southeast Europe, taken both individually and collectively, to evaluate the medium- and long-term benefits of accepting or rejecting the Chinese concept of mutually dependent development.

CHINA AND THE GOALS OF THE BELT AND ROAD INITIATIVE

CHINESE FOREIGN POLICY has been determined throughout its long history, from the dynastic to the communist period, by careful consideration of its own interests.¹³ The Chinese emperors of old subscribed to the idea that their nation held superiority over other countries; a view founded upon the belief that such a hierarchy does not complicate the world, but rather that it guarantees a state of harmony. China's current foreign policy, from Deng Xiaoping to Xi Jinping, is based on the idea of building a harmonious world without the hegemony of Great Powers.¹⁴

Pessimism prevails in the current state of international relations: there is no peace in the Middle East, terrorism has spread to the Old Continent, millions of young people are unemployed, and the European Union is facing a decline in relative domestic and international influence, despite being a successful model for the integration of countries.

BRI may appear too optimistic and possibly unrealistic given such circumstances, due to its goals and aspirations of connecting continents. But the strategy actually represents China's veritable answer to the question of how to encourage further economic growth and development, both in relation to its own and global needs. This answer is based on economic logic and calculations; behind BRI lies a pragmatic intention to accelerate the process of connecting the economies of Asia, Europe, and Africa, all of which share the same goals of promoting economic growth and greater stability.

THERE are other projects related to the reconstruction of the ancient Silk Road network. For example, the United States has called for the building of transmission lines to transfer electricity from Kyrgyzstan and

¹³ The dynastic period lasted from 221 BC to 1912 AD, the republican period from 1912 until 1949, when the communist period began.

¹⁴ For more on the change of China's attitude towards the world see: Jeffrey, A. Bader, "How Xi Jinping, Sees the World...and Why," Asia Working Group, Paper 2, February 2016.

Tajikistan to Pakistan and Afghanistan, along with other such projects to spur regional integration, under the title of the “New Silk Road Initiative.” Yet this “road” is limited in scope, and the resources being put forward, both actual and proposed, are not comparable to the Chinese vision. It does, however, seem to share the basic ideas about the need to develop multilateral economic cooperation, which can have a positive impact on development and stability.¹⁵

In 2013, during a state visit to Kazakhstan, Chinese president Xi Jinping introduced the vision of a new phase of convergence between China and the world in the form of a land-based “New Silk Road” and a sea-based economic belt, later describing it while in Indonesia as a “21st Century Maritime Silk Road.” More recently, the unified concept of both the “New Silk Road” and “21st Century Maritime Silk Road” was given the name of the Belt and Road Initiative. The scale of the proposed goals and aspirations of this vision indicates that China has entered a new stage of opening up to the world, ready to take on all challenges, without any doubt as to its way forward, even in the face of uncertainty.

The official paper on the background, principles, framework, priorities, and mechanisms of bilateral and multilateral cooperation, as well as the role of Chinese regions in the implementation of BRI and the shared framing of a prosperous future, was published in March 2015. It was jointly drafted by China’s National Development and Reform Commission, the Ministry of Foreign Affairs, and the Ministry of Commerce. It expresses the idea of a complex economic network between pivot regions and cities in China with the world, bearing in mind the logic of current and future developmental trends in the rest of the world. The aforementioned pivot regions and cities have a favorable geographic position, are economically open, and have developed a strong capacity for international trade.

¹⁵ During a 2011 visit to India, then Secretary of State Hillary Clinton recalled the historical importance of the silk trade routes in connecting South and Central Asia. She urged India to work together to build a network of economic, transportation, and energy links between Turkmenistan, Afghanistan, Pakistan, and India, in order to advance the principles of the 21st century of free flow of goods and people. See: Remarks Hillary Rodham Clinton, Secretary of State, Anna Centenary Library, Chennai, India, July 20, 2011, Internet, www.state.gov/secretary/20092013clinton/rm/2011/07/168840.htm.

According to official Chinese data, as of March 2016, more than 30 countries had signed agreements with China on the construction of BRI, while 70 countries and international organizations had demonstrated interest in the initiative.¹⁶

Projects are to be prepared with BRI partners until 2020, with the implementation starting in 2021 and lasting until 2049.¹⁷ The project is not envisioned as a program of Chinese international aid, nor can it currently be perceived as a free trade agreement, though it is aimed at coordinating trade policies in order to better facilitate trade and reduce barriers to investment.

BRI's rules and norms are broadly structured and include the five classic principles of conduct of Chinese foreign policy. They respect the Charter of the United Nations, the standards of the World Health Organization, the principles of sustainable development, as well as the win-win principle, which can be interpreted as the ethical and moral precept of BRI.¹⁸ For China, such norms are not about altruism, but rather about the need for all sides to be satisfied, understood, and respected in the spirit of advancing mutual relations. In the context of global interdependence, it is difficult for one country to damage another without damaging itself. By focusing on the needs of the other side, taking into account its economic situation, its autonomy, and other factors, China is building the foundation for developing optimal and productive relations with countries along the Belt and Road.

¹⁶ See: Foreign Minister Wang Yi Meets the Press, Internet, www.fmprc.gov.cn/.../t1346238.shtml.

¹⁷ To see an interactive map of past investments: Ariella Viehe, Aarthi Gunasekaran, Vivian Wang, Stefanie Merchant, Investments Along China's Belt and Road Initiative, Center for American Progress, September 22, 2015, Internet, <https://www.americanprogress.org/.../investments-along-chinas-belt-and-road-initiative/>

¹⁸ This recalls the Five Principles of Peaceful Coexistence: 1. Mutual respect for territorial integrity and sovereignty; 2. Mutual non-aggression; 3. Mutual non-interference in internal affairs; 4. Equality and mutual benefit; and 5. Peaceful coexistence. In other words, China does not seek hegemony and domination. These Five Principles, which form the basis of China's participation in global politics, were introduced to the world by Zhou Enlai at the April 1955 Asian-African Conference in Bandung, Indonesia. The policy of peaceful coexistence is the foreign policy innovation of Indian Prime Minister Jawaharlal Nehru and Chinese Prime Minister and Foreign Minister Zhou Enlai, who accepted Nehru's proposal that the rules codifying the personal conduct of Buddhist monks—described in holy Buddhist scriptures by the term “Panchsheel” (“panch” means five and “sheel” means good behavior)—be contextualized in the foreign relations between India and China.

China deliberately avoided developing BRI solely on its own terms, endeavoring instead to reduce the asymmetry resulting from its own large economic power, and as a show of respect for other participants and the norms of international relations. China's diplomacy has led to the implementation of a mutual benefit policy in Asia, Africa, and South America, where its efforts have demonstrated in practice that free trade is not a "zero-sum" game, and that stable long-term sustainable relationships should take precedence over short-term business gains.¹⁹ Such an approach by a country that has its own standards, and partially burdened by an experience with "Western imperialism", is certainly specific.

THE purpose of this paper is to soberly and impartially explain the Belt and Road Initiative on the basis of facts. Criticism that describes the overall proposal as "insufficiently specific" ignores the fact that it is not a single initiative, but rather a decades-long process, which is impossible to concretely determine in terms of its full content and deadlines in its first stage. All large transnational projects necessarily contain certain conceptual gaps, owing to the fact that the entire contents of cooperation and functioning mechanisms cannot be encompassed and explained in advance, nor can different influences be predicted.

Since 2013, China's high politics and diplomatic efforts have been focused on the promotion of this project abroad as both "open and flexible," along with presenting some of its early results.²⁰ Authors, such as Hu Angang, Feng Bing, Zhao Lei Wang Yiwei, and Liu Wei, have published several books in China concerning the historical, geographic, economic, philosophical, and legal aspects of the Belt and Road Initiative. One could conclude that no topic is the subject of more debate in Chinese diplomatic and foreign policy circles than this new climate of opening up towards the world.

¹⁹ On these achievements by China and its special features in comparison with other world powers, see: Jasna Plevnik, Stjepan Mesić, Ljubo Jurčić, *Kina na Balkanu*, Plejada, Zagreb, 2013.

²⁰ To see more on what China did to promote the construction of the Belt and Road from late 2013 until the Spring of 2015, and the progress of practical cooperation with countries along the area, see: Chapter VII. China in Action, "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st- Century Maritime Silk Road," op. cit.

The decision to place the Belt and Road at the center of diplomatic processes and relations with Asia, Europe, and Africa holds several goals. We shall consider two types of interrelated goals: possession goals and milieu goals.²¹

First, understanding BRI from the perspective of China's possession goals is a prerequisite for taking a comprehensive approach to this project and understanding its meaning. Possession goals in this case could be defined as a desire to increase China's national wealth through international economic relations, but not through a process that ignores the interests of other countries involved in BRI, which would bring into question the win-win philosophy.

BRI could have a positive impact on the Chinese economy through the strengthening of economic cooperation between its eastern, western, and central provinces, as well as their integration into new forms of connectivity with Asia, Europe, and Africa.²² A large number of provinces have planned their own involvement in BRI in order to exploit their comparative advantages by investing in strengthening transportation, trade, logistics, energy, and scientific ties with neighboring countries.²³ In a document issued by the National Development and Reform Commission of Xinjiang Province, along with a description of its role in deepening cooperation with the countries of Central, South, and West Asia, this has been described as critically important. Xinjiang would, according to this paper, be developed as the center of BRI.²⁴

²¹ Arnold Wolfers was the first to differentiate between *possession goals* and *milieu goals*. See his book: *Discord and Collaboration: Essays on International Politics*, The John Hopkins Press, Baltimore, 1962.

²² China is currently divided into 23 provinces, four municipalities—Beijing, Shanghai, Tianjin, and Chongqing—five autonomous regions—Guangxi, Inner Mongolia, Ningxia, Tibet, and Xinjiang—that have a certain degree of autonomy in economic, cultural, and other issues, but remain politically and militarily governed by the central authorities, and the two special administrative regions of Hong Kong and Macao. For more, see: Administrative Division, Internet, english.gov.cn/.../china.../content_28147498387340.

²³ For the official plans of inclusion by the provinces of Gansu, Guangdong, Guangxi, Henan, Hunan, and Jiangsu, see: Official Documents, What is Belt and Road Initiative, Internet, beltandroad.hktdc.com/en/about-the-belt-and-road-initiative/about-the-belt-and-road-initiative.aspx.

²⁴ More about the manner in which the Chinese provinces and autonomous regions will be involved in BRI, see: Chapter VI. China's Regions in Pursuing Opening—Up, Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road," op. cit.

From a national perspective, the Belt and Road is an instrument for expanding the range of markets for Chinese products and services, solving the issue of production over-capacity, increasing the placement of surplus capital in cost-effective and tangible material objects and infrastructure, and strengthening domestic demand.²⁵

The internationalization of China's currency also has an important role to play in the context of BRI. China plans to push for the inclusion of the yuan in its trade and financial relations with the countries along BRI, both as a way to promote the increased internationalization of its currency and increase the yuan's circulation in the global financial system. China's current position in financial globalization is negligible in relation to its role in global trade.²⁶

In the context of China's cooperation with the 16 countries of Central and Eastern Europe, the possibilities for the establishment of a multilateral financial institution are being analyzed. The central banks of Hungary and Albania concluded currency exchange agreements with the People's Bank of China in 2013. Development in that direction is not contrary to the interests of the European Union, given that the European Central Bank signed an exchange rate agreement in November 2013 with the People's Bank of China according to which the central banks can exchange currencies and trade in yuan and euros at an agreed interest rate. This helps avoid a floating exchange rate and provides stability in financial markets, while also reducing the role of the dollar in bilateral trade. The yuan is used in trade with Mongolia, Russia, Kazakhstan, Uzbekistan, Thailand, and Vietnam.

BRI is one of the many projects established by Chinese leaders in order to facilitate the country's transition towards a new model of development, as

²⁵ For more, see: He Yafei, "China's overcapacity crisis can spur growth through overseas expansion," *South China Morning Post*, January, 7, 2014, Internet, www.scmp.com/.../chinas-overcapacity-crisis-can-spur-growth-through-overseas.

²⁶ As of October 2016, China's currency, the yuan or renminbi, will be included in special drawing rights, the accounting currency of the IMF. This implies that, along with the U.S. dollar, euro, Japanese yen, and British pound sterling, the Chinese yuan could become one of the world's currency exchange reserves for other countries.

well as to ensure stable growth in the years to come.²⁷ The possibility that a country can stagnate and lose its wealth in the absence of innovation in its growth strategies, as well as concern involved in preventing such a thing from occurring, is the major driver of China's new reforms. Development from one stage to the next, the higher economic stage, could not be possible without continuous innovation and an increase in a country's comparative advantages by its leaders.

The coming years should bring the reallocation of Chinese labor, capital, and services, in which China has a comparative advantage, to countries associated with BRI, which could result in a new growth of Chinese economic power in the regional and global trade of goods and services.

Second, the milieu goals of the Belt and Road are associated with fostering economic growth and interdependence in Asia, Europe, and Africa. China has experience in creating an environment of cooperation and coordination for achieving its goals. Its contributions to regional financial stability in the wake of the 1997 Asian Financial Crisis, and its help in resolving the global financial crisis of 2008, have qualified it as a country able to realize the milieu goals of the Belt and Road Initiative.

The term "joint development" has a strategic role in BRI's milieu goals. Only great powers have the ability to initiate and lead the diplomacy of joint development. On the other hand, the term "development diplomacy" is no longer insisted upon, as that could lead one to conclude that it relates to diplomacy of economic and technical assistance to other countries, debt write-offs, and technology transfer facilitation under conditions of political reform and external control. BRI is not an example of such diplomacy.

From a regional and global perspective, the milieu goals of BRI have the characteristics of leadership. The achievement of such goals would

²⁷ Other development initiatives are, for example: "The coordinated development of the Beijing-Tianjin-Hebei region"; "The development of the Yangtze River Economic Belt"; "The development of the four regions (the western, northeastern, central, and eastern regions)"; and "The promotion of the New Urbanization."

certainly see a rise of Chinese influence in the BRI space and an increase of its power in the processes of economic interdependence and in the establishment of a balance in the rules of the global economic order. The latter is important, but not decisive, because China already operates in international relations as an influential actor.

In the first phase of its recent economic history, from 1979 to 2013, China opened up to the world. Now, it is “opening up” other countries, regions, and continents as well. Based on this distinction, one could argue that the country is becoming a subject (as opposed to an object) and a leader of economic globalization in contemporary international relations. Its new position in global relations is reflected in the decision to launch the Belt and Road Initiative.

China does not want a new world order, so to speak, but seeks a place in the existing international system that is adapted to its increasing economic, political, and military power. It currently has different requirements from the international system than it did in 1945 or 1979; it was once poorer than Cambodia, and was not even a member of the United Nations, World Bank, International Monetary Fund (IMF), or the General Agreement on Tariffs and Trade (GATT) prior to 1971.

Today, China is the leading nation in terms of trade, the second strongest economic power in the world, and the third in terms of its investments abroad. It is autonomous in financial and investment operations, owing to the large amount of capital at its disposal. It has specialized in building high-speed rail networks, power stations, ship building, information and communications systems, and the green economy. It has become, thanks to its efforts at innovation, capable of offering products and services of the highest technological caliber in fields that were once solely dominated by Western countries. Chinese companies in Europe are also introducing new technologies in the transportation sector, and advanced models of organization, as well as creating innovation and research and development centers. Chinese companies have extensive experience in building large-scale infrastructure projects in the sectors of railway transportation, energy, and telecommunications.

In late 2015, China's voting rights in the IMF increased from 3.8 to 6 percent, following the adoption of reforms by the U.S. Senate, which enabled emerging market countries to be given a greater say in lending. This was the biggest change to the IMF since the organization's founding. IMF members supported reform in this direction back in 2010, which slightly reduced the influence of the United States and gave China a status more in line with its economic importance. China should, with the strong support of France, soon become a full member of the Paris Club, an informal group of creditors.

China's capacities inherently require its participation in the management of international economic relations and ensuring global stability. This indicates something already obvious: China strengthening its position in global governance is not only the result of decisions made by Chinese leaders, but also a product of historical changes in the global economic balance of power. The West sometimes neglects China's new place in the world's economic development. In 2008, for example, China assisted greatly in resolving the global financial crisis; yet there are still attempts to interpret its inclusion in global governance as a source of tension in relation to other major economic powers. Much like it had to develop its "soft power" during times of economic boom—in order to convince countries in its region and further afield that its economic development is "peaceful" and does not represent a threat to other countries—so too must it now strive to strengthen its "soft power" to create a more positive picture of its participation in global governance. China is thus offering the world more information so that its global goals and projects can be more clearly understood and accepted as legitimate and universally appealing.²⁸

CHINA is aware that, along with the reform-oriented policies of its government, its diplomacy of accommodating a significant portion of its own standards to international norms of production, trade, and banking, is responsible for its economic growth. The international context has also helped, since China's opening up has coincided with the goals of economic

²⁸ In its 12th Five-year Development Plan, in contrast to previous plans, the term "soft power" was especially noted, suggesting a long-term investment in the development of Chinese soft power. For more on the development of China's "soft power," see: "Širenje globalnog utjecaja i ruan shili," in: Jasna Plevnik, Stjepan Mesić, Ljubo Jurčić, *Kina na Balkanu*, op. cit.

globalization in fostering an economically interconnected world. As a result, China's current discourse on the common fate of the world is not empty talk. Its BRI vision represents an expression of China's commitment to the more rapid construction of an economically interdependent world.²⁹

In the multilateral and multipolar strategic diplomacy of Chinese President Xi Jinping, the BRI vision stands as the embodiment of a policy of improving the regional and global situation through joint economic development. It could then influence the increase of stability in Asia, Europe, and Africa, as well as prompting a more rapid shift of the whole world towards multipolarity. All Chinese leaders, from Deng to Xi, have interpreted the idea of multipolarism as key to building a harmonious world order in which no country dominates another—a necessary precondition for achieving peace and cooperation founded on mutual interests and mutual respect. This is of such importance that some Chinese scholars of international relations place the achievement of a harmonious world order above the achievement of a multipolar one.³⁰

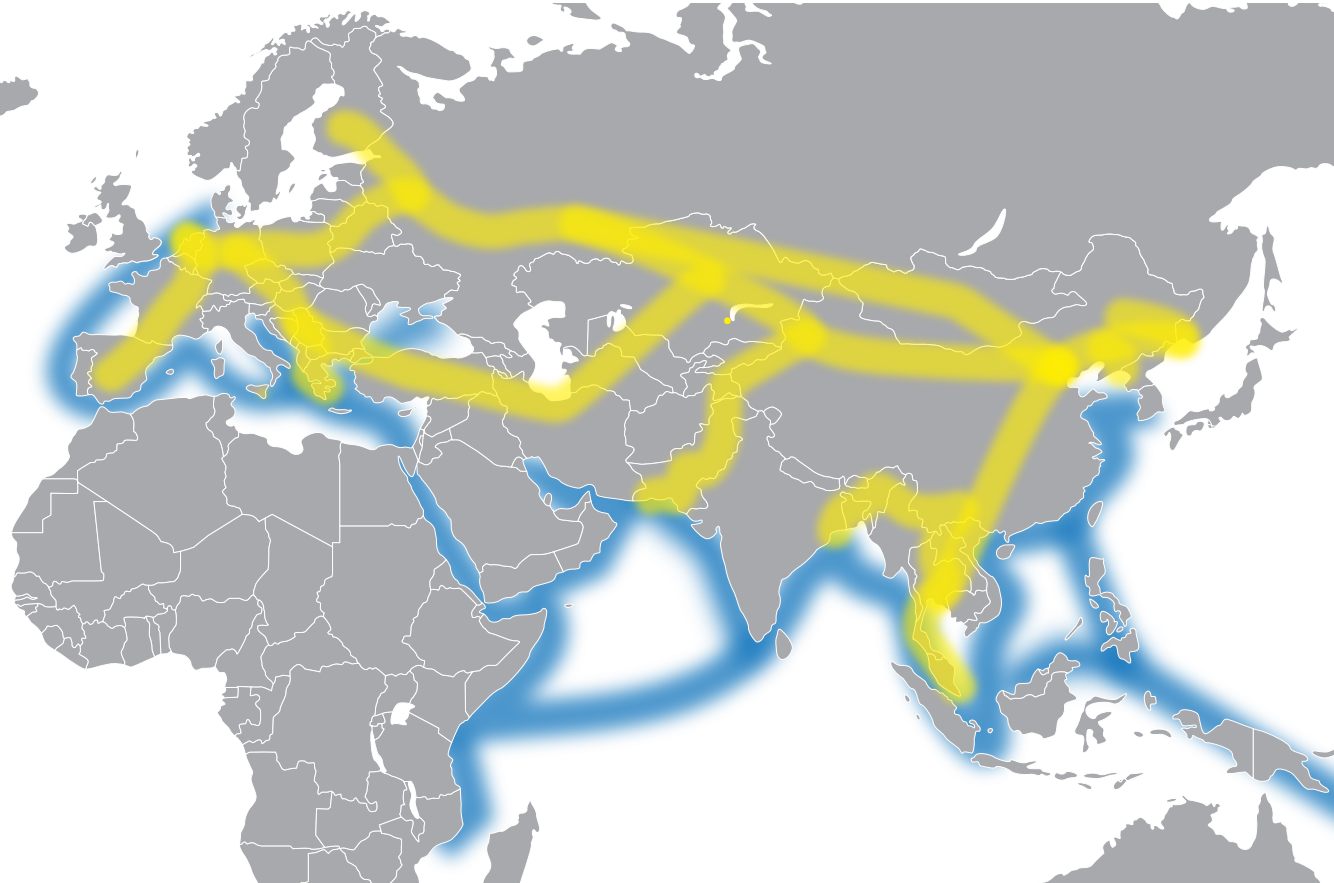
The first version of the official BRI paper lists the directions of land and sea corridors.³¹ Following debate in the media on BRI, academic and business circles have produced numerous maps with marked energy, rail, maritime, and other corridors of the economic belt and maritime route. Just as “a

²⁹ At a press conference, on March 8, 2016, held as part of the 4th Plenary Session of the 12th National People's Congress on the Foreign Affairs of China, Wang Yi said that BRI is China's idea, but that the opportunities provided by it belong to the world. See: Foreign Minister Wang Yi Meets the Press, www.fmprc.gov.cn/.../t1346238.shtml

³⁰ See: Yan Xuetong, *Ancient Chinese Thought, Modern Chinese Power*, Princeton University Press, 2011.

³¹ The directions of land and sea corridors are described as follows: “The Silk Road Economic Belt focuses on bringing together China, Central Asia, Russia, and Europe (the Baltic); linking China with the Persian Gulf and the Mediterranean Sea through Central Asia and West Asia; and connecting China with Southeast Asia, South Asia, and the Indian Ocean. The 21st-Century Maritime Silk Road is designed to go from China's coast to Europe through the South China Sea and the Indian Ocean in one route, and from China's coast through the South China Sea to the South Pacific in the other. On land, BRI will focus on jointly building a new Eurasian Land Bridge and developing the China-Mongolia-Russia, China-Central Asia-West Asia, and China-Indochina Peninsula economic corridors by taking advantage of international transport routes, relying on core cities along the Belt and Road, and using key economic industrial parks as cooperation platforms. At sea, BRI will focus on jointly building smooth, secure, and efficient transport routes connecting major sea ports along the Belt and Road.” For more, see: III. Framework, in: “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road.”

picture is worth a thousand words,” so too do maps have the power to thoroughly describe China’s intentions regarding BRI.



WE SHALL describe the main land and sea corridors in broad strokes. The Silk Road Economic Belt from Asia to Europe consists of three main routes: Northern, Central, and Southern; as well as some minor secondary routes. The Northern Route starts in Beijing, splitting before Korgas into two branches: one heading toward Astana, the other toward Omsk, with both branches being later reconnected near Perm and continuing on toward Moscow. From Moscow, one branch heads toward Helsinki, while the other progresses toward Duisburg, ending in Rotterdam. The Central Route also starts from Beijing, heading toward Shanghai and Xi’an, then to Korgas, from where it continues southward toward Samarkand, Tehran, Istanbul, and eventually Paris.

The Southern Route starts from Fuzhou, with one branch going toward Hanoi and another toward Dushanbe, then descending toward Karachi and passing through Iran, Iraq, and Syria, before ending in Southeast Europe.

The land routes of BRI will be shaped by existing and newly built “channels of communication and distribution:” rail connections, ports, highways, airports, oil and gas pipelines, and fiber optic cable networks.

The development of freight rail plays an important role in linking China’s mainland to Europe, possibly reducing the use of maritime transport, which currently handles 90 percent of goods. Several cities in China are already connected to Europe via rail, including: Chongqing-Duisburg, Changsha-Duisburg, Zhengzhou-Hamburg, Wuhan-Duisburg-Hamburg, Leipzig-Shenyang, Wuhan-Pardubice, Chengdu-Łódź, Suzhou-Warsaw, and Yiwu-Madrid. In the official BRI paper, Chongqing is designated as the “center for the development and opening up of the western region, in order for Chengdu, Zhengzhou, Wuhan, Changsha, Nanchang, and Hefei to become leaders in the opening up of the inner provinces.”³²

The transportation of goods by rail from China to Europe is considered a cost-effective option compared to the maritime route. These shipments—composed of thousands of containers filled mainly with electronic products and cars—travel the Northern and Southern rail routes for two to three weeks, depending on the route. The Northern Route starts from the northern cities of China, largely passing through Russia via the Trans-Siberian Railway. The Southern Route includes the central and northwestern cities of China, and passes through Kazakhstan, Russia, and Belarus, where the two routes intersect at the border crossing of Brest. Russia and Kazakhstan both benefit from the steady growth of rail container transport from China to Europe. Kazakhstan, in particular, is one of the main drivers of the Southern Rail Route, and seeks to enable higher train speeds by investing more in the route, with the overall goal of shortening travel time from Chongqing to Duisburg to 12 days.³³

³² Ibid.

³³ The 2050 Kazakhstan development strategy lists joining the group of the 30 most developed countries as one of its targets. See: Internet, kazakhstan2050.com/.

Early 2015 saw the launch of a new line connecting Hamburg to Zhengzhou, which runs once a week, transporting electronics and auto parts, as well as industrial robots produced in China. The transport of goods, in hundreds of containers, takes 17 days, with the route stretching from Germany through Poland, Belarus, Russia, and Kazakhstan to China.³⁴

Highways throughout Central Asia have been, and are being, built to connect China, via Kazakhstan and Turkmenistan, with the Caspian Sea and its oil resources.³⁵

At present, goods from China are mainly transported by sea to Europe. The proposed maritime belts of BRI are formed into two main routes. One connects China's sea ports with Europe and the east coast of Africa. This route begins in Shanghai, passes through the South China Sea, heads towards Kuala Lumpur, through the Strait of Malacca to Colombo, branches out at that point to Calcutta, Karachi, and Nairobi, and passes through the Suez Canal to Athens. At Piraeus, the sea route divides into two directions: one runs along the coasts of Albania, Montenegro, and Croatia before ending in Venice, which, as can be seen on various maps, will then be connected with Rotterdam terrestrially. The port of Thessaloniki is also important because of its proximity to Belgrade, the Danube, and Corridor X, which is a corridor that passes through Austria, Slovenia, Croatia, Serbia, and Macedonia. The other direction extends from Athens to Sicily, passing Sardinia, and ending in Marseilles.

The second major route of the "21st Century Maritime Silk Road" links China's coast via the South China Sea with the South Pacific.

³⁴ For more, see: Zhou Wa, "Rail route to Europe improves freight transport," *China Daily*, 13 September, 2013, Internet, usa.chinadaily.com.cn/.../content_16968074.htm; as well as a presentation of DB *Schenker*, the leading global provider of integrated logistical services and a pioneer in the development of regular rail services between China and Europe, "Logistics. Growing number of China Train products are used by DB Schenker," Internet, www.logistics.dbschenker.cz/.../direct-trains-china.ht.

³⁵ Since 2001, the International Network of E-roads has also included Central Asia, through which it has completely reached the borders of China. Kazakhstan is the only Central Asian country included in this network, conceived and steered by the United Nations Economic Commission for Europe (UNECE), which aims to encourage cooperation between member states.

THE REALITY AND FEASIBILITY OF THE ‘BELT AND ROAD’ INITIATIVE

SINCE THE INITIAL presentation of BRI, China’s leadership has taken on a number of concrete commitments. Countries that intend to develop cooperation with China within the framework of BRI are likely to first raise questions concerning the project’s implementation. The exact deadline by which BRI is to be fully operational has yet to be determined; as such, it remains unclear when it should be fully completed. The implementation of the initiative could take a long period of time, which, according to some observers, could last all the way until 2049, when the People’s Republic of China celebrates its centenary. According to estimates by auditing agency Pricewaterhouse Coopers (PWC), BRI is no longer just a concept, given that projects worth over \$250 billion were contracted from 2013 to 2015.³⁶

IT IS currently impossible to accurately assess the exact level of commitment behind Chinese promises regarding BRI. For example, China promised the establishment of a “Silk Road Fund” in November 2014, with an expected initial investment of \$40 billion in capital from its foreign reserves. In late 2014, the “China Silk Road Fund Limited Liability” company was registered, with \$10 billion in capital for its first phase.³⁷

By establishing the Fund, China has made significant progress in shaping important financial mechanisms for achieving the goals of BRI. The Fund’s owners—China’s State Administration of Foreign Exchange, the Export

³⁶ See: “China’s new silk route: The long and winding road—PWC,” Internet, <https://www.pwc.com/.../china-new-silk-route.pdf>.

³⁷ The Fund’s first investment was the construction of hydroelectric power plants in Pakistan, which are scheduled to begin producing electricity by 2020, remaining in Chinese ownership for 30 years. This is the biggest foreign investment in Pakistan. China and Pakistan have signed agreements on China’s investment in the construction of the China-Pakistan Economic Corridor, worth \$46 billion. For more about the hydroelectric power project see: internet, www.karotpower.com/index.php? ...Benefits percent20of percent20Karot percent20Power.

Import Bank of China, the China Investment Corporation, and the China Development Bank—have set its protocols of operation in accordance with market rules, international norms, and transparency standards. The Fund's Investments Committee will finance medium- and long-term infrastructure projects essential to the construction of the Belt and Road, and which are also assessed as being profitable.³⁸ The Fund is open to investment funds from countries along BRI, and is also encouraging private investment in key BRI projects.³⁹ The privately-owned Maritime Silk Road Investment Fund Management Centre is planning to establish the Maritime Silk Road Bank with capital of \$100 billion, which will be invested in countries along the maritime route. These moves reflect China's efforts to make BRI a reality, whilst having a positive and stimulating effect on the countries involved in the project, as well as those that are considering joining.

The Asian Infrastructure Investment Bank (AIIB) and the BRICS New Development Bank will also, according to China's plans, become sources of capital for long-term BRI infrastructure projects.⁴⁰ Through these institutions, China is developing its position in regional and global finance, as well as increasing the strength of its influence on managing economic globalization processes in Asia, Europe, and Africa.

THE AIIB and the Silk Road Fund are understood by some analysts as a Chinese challenge to U.S. domination in the fields of finance and trade in the Asia-Pacific region, as well as a source of competition to the Asian Development Bank. Since 1966, the U.S. and Japan have been its main shareholders, viewing the AIIB as an unnecessary duplication of capacity.⁴¹ The United States has expressed concern publicly about the fact that the United Kingdom, without consulting the U.S., became one of

³⁸ For more on the Fund's mechanisms and investment management, please see: Internet, www.silkroadfund.com.cn/.../index.html.

³⁹ For more on cooperation in the sector of finance, see: Chapter IV. Cooperation Priorities, "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road," op. cit.

⁴⁰ For more on the relationship between the Belt and Road and the AIIB, see: David Dollar, "China's rise as a regional and global power: 'The AIIB the One Belt and One Road,'" Internet, www.brookings.edu/research/papers/2015/07/china-regional-global-poer-dollar.

⁴¹ On the AIIB's operations, see: Jin Lique, "Financing for the Future, The Vision for the Asian Infrastructure Investment Bank," *Horizons*, Summer 2015, No. 4, pp. 54–61.

the bank's founders. For the time being, the U.S. has called on the bank to comply with high standards, especially in relation to its management and its position on environmental protection.

Francis Fukuyama has assessed that the current U.S. policy of non-participation in this new bank initiative as undesirable, and advises that the U.S. become involved.⁴² Some American authors believe that both the AIIB and BRI are China's way of filling the vacuum following America's withdrawal from promoting global economic development. They propose that the United States launch its own version of BRI, "from the Canadian Arctic to Central America", in order to retain its leading role in the construction of global economic architecture.⁴³ Currently, the most important question is which—if any—new direction U.S. foreign policy will take following the departure of President Barack Obama. An important question is how the new U.S. President will come to understand and develop the concept of economic globalization.

It seems that, in addition to dependable sources of financing for the implementation of BRI, of equal importance is its inclusion in China's 13th Five-Year Development Plan (2016–2020), which represents the Chinese political leadership's vision of rejuvenating the nation's strength in the economic, social, and political spheres. In this plan's draft, the creation of the new economic corridors and channels of communication laid out in BRI has been underlined as a new step forward in integrating China with the world. Private enterprise is expected to take a leading role in promoting cooperation between China and countries along the Belt and Road, whereas the AIIB, the Silk Road Fund, and the New Development Bank are expected to cooperate in financing projects.⁴⁴

⁴² Francis Fukuyama, "Exporting the Chinese Model," *Project Syndicate*, January 12, 2016, Internet, <https://www.project-syndicate.org/.../china-one-Belt>.

⁴³ See: Michael Lind, "Where Are America's Bold Foreign Policy Plans?" *The National Interest*, December 10, 2015, Internet, nationalinterest.org/.../where-are-americas-bold-foreign-policy-plans-14571.

⁴⁴ At the 4th Plenary Session of the 12th National People's Congress of China on March 5, 2016, the National Development and Reform Commission submitted, among other things, a report on the implementation of the new guidelines for the accelerated opening up of China with the help of BRI

ONE of the eight key slogans of the new five-year plan is the Belt and Road Initiative.⁴⁵ Having such an important position in China's development plan is practically a guarantee of its implementation, since it is known that Chinese five-year plans have a high level of probability of being carried out.

China has, as we have shown, established fundamental mechanisms for implementing the “symphony” of BRI projects, which requires a “concert” of Chinese regions, as well as the continuous compliance of all participants at various levels, in order to be actualized.⁴⁶ This musical metaphor for the relationships between China and countries along BRI is set as an essential factor in determining the fate of the Belt and Road Initiative.

BRI is remarkable due to the ideas, resources, and political support at its disposal. Yet the project seems to be very demanding and challenging to implement owing to its size, the long execution timeframe, and the number of participants involved. These facts make the construction of BRI and coordination of its management a very complex task that will require the commitment and discipline of all participants.

BRI is a central project of the 21st century, meaning that progress in its implementation will necessitate good relations between China and all stakeholders involved. These relations need to be sustainable over the long-term and function at the bilateral level as well as the multilateral level—a condition that raises the implementation of BRI to a high level of complexity.

for 2015. It also passed the Draft of the 13th Five-Year Development Plan of China (2016-2020). The reports were adopted on March 16, 2016. The 2015 report offers a method of implementation for “The Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road” project, while noting that, in 2015, direct investment in the countries involved in the project amounted to \$14.8 billion, which is an 18 percent increase over 2014. The National Development and Reform Commission also presented the Draft 13th Five-Year Development Plan of China (2016-2020) and the role of the Belt and Road in the construction of new systems for an open economy. For more, see: “Report on China's economic, social development plan...” entire text, Internet, news. xinhuanet.com/.../c_135202412.htm.

⁴⁵ For more, see: “Graphics of 13th Five-Year Plan,” *China Daily*, www.chinadaily.com.cn/china/.../node_53003140.htm.

⁴⁶ The Minister of Foreign Affairs of China, Wang Yi, first used the metaphor of the “Belt and Road” as a “symphony,” and not a “solo performance,” at a press conference following a meeting of the foreign ministers of China, Russia, and India on February 2, 2015. See: Wang Yi, “Belt and Road is ‘Symphony’ Jointly Performed by All Countries,” Internet, www.fmprc.gov.cn/.../t1234406.shtml.

Furthermore, in order for BRI to succeed, it is necessary for the countries involved to accept the possibility that existing bilateral and multilateral agreements are not sufficiently elastic to achieve the objective of fostering the faster movement of goods, people, and technology. This connectivity also depends on inter-regional and cross-sectorial cooperation in the areas of railway, shipping, and air transportation, free economic zones, and gas and oil pipelines, all of which must be regulated via agreements. Implementing BRI will require the creation and adoption of specific rules and standards, such as harmonized traffic and customs regulations, uniform marine and rail logistics, transactions in local currencies, and visa facilitation. This will be a challenging task, given the differences in economic capacities between the countries that lie along BRI, differences in standards, and many states' membership in existing economic communities.

BRI is a Chinese state project centered on cooperation with other countries for the purpose of building infrastructure and engaging in joint economic development. While states are usually the only ones capable of investing in large infrastructure projects, the public-private partnerships envisioned by BRI will enable a significant number of private entities to be involved as well. It is necessary to create a relationship between states, with important funds at their disposal, and private business that will be free from any sort of manipulation, so as to prevent misuse of the goals of connectivity. Following an advertising and promotion phase, the evaluation of each BRI transaction should incorporate the mechanisms of zero tolerance for corruption.

RISKS OF AN ECONOMIC NATURE

IN CONTEMPORARY international relations, economic, political, cultural, and even military policies are all implemented simultaneously. With objectives shifting from one field to another and back again, the gap between the concept of geopolitics and geo-economics has grown narrow. In today's world, acquiring NATO membership is interpreted as an opportunity to attract foreign investment; the World Bank attempts to resolve ethnic conflicts by financing development programs; while the Pentagon conducts a military strategy known as counterinsurgency (COIN) in Afghanistan. In addition to fighting the Taliban, this strategy aids the civilian population in the development of civil authorities and the construction of cultural institutions, resulting in increased security.⁴⁷ One could say that geopolitics and geo-economics are on their way to being fully integrated, fast becoming "two sides of the same coin." In such conditions, it is difficult to separate economic risks from geopolitical ones.

There are a number of medium- and long-term economic risks that could slow the implementation of BRI, since its objectives involve a wide temporal, geographic, and economic space. Let us consider four key risks with regard to handling capital.

1. The outbreak of a new global financial crisis. Such an event would, in the medium-term, slow the implementation of BRI's goals due to the sudden pressure to focus on short-term, unilateral interests and to implement protectionist measures. Adding to this risk is the fact that most developing countries have not yet fully recovered from the 2008 financial crisis.

⁴⁷ This strategy was used by the commander of all U.S. and NATO forces in Afghanistan, General Stanley A. McChrystal, who was replaced in June 2010 after he told *Rolling Stone* magazine that the anti-terrorist strategy of American Vice President Joe Biden is short-sighted and that it leads to "Chaostan." In order for COIN to achieve results, it would take years and billions of dollars, which was viewed as a waste of time and money by the Obama administration.

From the period of the onset of the global crisis until today, China has strengthened its role in traditional global financial institutions, established the AIIB and the BRICS New Development Bank, and initiated BRI. China's presidency of the G-20 in 2016 was dedicated to improving the negative aspects of global finance, the growth of investment and trade, spurring industrial growth through innovation, and the drafting of an action plan for the implementation of the UN 2030 Agenda for Sustainable Development.

The objective of all these activities is to further efforts to shape the world on the basis of the principles of connectivity and inclusiveness, which can contribute to stabilizing the global economy, thereby preventing future global economic crises.

2. The collapse of economic globalization and the return of protectionism.

It seems unimaginable that the process of economic globalization could stop or slow down, or even that there could be a tearing up of the economic interdependence that represents the main characteristic of international relations these days.⁴⁸ On the other hand, if the benefits arising from the global market of goods, services, and finance are not adequately felt across highly developed countries, we are at risk of witnessing a return to the policies of protectionism and anti-dumping.⁴⁹ This would be risky for BRI, given that it is a "child" of economic globalization, economic interdependence, and "shared responsibility."

⁴⁸ The Eurasia Group, a consulting firm specializing in assessing global political risks to economic investment, released in early 2008 a list of the top ten risks to economic investment. In first place on this list was the trend of anti-globalization, specifically designating the United States as a serious macro-factor for such a risk, given its internal economic and political problems that encourage protectionism.

⁴⁹ In early 2016, following a seven-year dispute between China and the EU, the World Trade Organization (WTO) upheld China's appeal on the dispute over tariffs that the EU imposed on Chinese imports of screws, nuts, and bolts made of iron or steel. For the introduction of such duties on "cheap exports," it is necessary to strictly respect the rules, which was not the case with the EU, according to the estimates of China and the WTO. These measures caused great harm to the Chinese economy, creating the loss of "over 100,000 jobs at thousands of screw manufacturers in China." The EU must now abandon its illegal tariffs, while China has the right to demand compensation.

In the years to come, international relations will be marked by competition between states and various transnational groups for influence over the norms according to which global trade, investment, and finance are conducted. There is, though, a general agreement about the necessity to reform the current management of the economic world order.

3. Serious problems in the implementation of China's new growth model.

If this scenario occurs, the implementation of BRI is likely to be placed in jeopardy. Instability in Chinese capital markets and a 6.9 percent growth rate in 2015 sparked debate that China could be moving in the direction of an economic crisis.⁵⁰ That being said, predictions of its economic collapse and mistrust of the transformational power of its economy also existed when it was experiencing double-digit growth rates.

China's political leaders are focused on the transformation of their economy from a rapid economic growth model by means of export and investment to a slower growth model. China has, in recent decades, confirmed its ability to carefully manage its economic growth. It has now focused on new drivers, such as innovation and domestic consumption, as sources of demand, which require higher wages, a growing middle class, and overseas investment via the use of foreign exchange reserves.⁵¹

From the perspective of Chinese experts, their country's real economy is healthy and capable of modernizing successfully.⁵² The world has yet to reconcile with the fact that China is still growing, even within

⁵⁰ The growth of the Chinese economy in 2015 was 6.9 percent, while GDP growth in 2014 was at of 7.3 percent. For more, see: "China's Economy Realized a Moderate but Stable and Sound Growth in 2015," National Bureau of Statistics of China, 19 January, 2016, Internet, www.stats.gov.cn/t20160119_1306072.html. Beijing expects the Chinese economy in 2016 to grow between 6.5 and 7 percent. The IMF forecasts growth of 6.3 percent, while it expects growth of 6 percent in 2017. See: IMF, World Economic Outlook (WEO), Subdued Demand, Diminished Prospects, Update, January 2016, Internet, www.imf.org/external/pubs/.../2016/.../01/.

⁵¹ China's foreign exchange reserves were reduced by \$512.7 billion in 2015 and amounted to \$3.200 billion in February 2016. China's foreign exchange reserves remain the largest in the world.

⁵² See: Li Wei, "Toward Greater Success, Advancing the 'New Normal' Track," *Horizons*, Summer 2015, No. 4, pp. 20–28.

its “new normal” GDP growth rate, and that it is transforming into an economy focused on higher quality production.⁵³

4. High costs of monitoring the standards of sustainable development. There are realistic predictions whereby the intervention of capital in the natural environment can lead to the endangering and pollution of soil, water, and air along the BRI. This must be prevented in advance. The issue relates to connecting vast geographic areas, some of which are still ecologically intact. This filling of empty space on land and sea with new roads, energy facilities, ports, logistical centers, and people, as well as their integration with existing infrastructure, could lead, apart from to cohesion and development, to the physical destruction of the natural environment. Environmental protection is an area of paramount importance. Omissions in this domain, despite the fact that environment protection increases investment costs, would have an overall negative impact on BRI, which is presented as an investment project that is highly beneficial for society. On the other hand, China has earned the reputation of a country that puts economic growth ahead of environmental protection, and that will, no matter the positive change that has occurred in the meantime, follow through aggressively in the realization of BRI. However, China is now the global leader for investments in clean and renewable energy, and its 13th five-year development plan is focused, as before, on investing in wind and solar energy, the green economy, and sanctioning those who pollute the environment.⁵⁴ At the 2015 Paris Climate Change Conference (COP21), China accepted a shift in direction towards building energy systems with low levels of coal consumption as a long-term goal.

BRI has a long-term time scale, which can be closely linked to the fulfillment of the Paris commitments. It remains unclear whether the

⁵³ China’s leading economic expert, Hu Angang, believes that the economic slowdown is a necessary step in the long-term economic reform of China, which is also under the influence of market rules. For more, see: Hu Angang, “Embracing China’s ‘New Normal’: Why the Economy is Still on Track,” *Foreign Affairs*, 20 April 2015.

⁵⁴ Ed Crooks, “China extends lead over U.S. as top green energy backer,” *The Financial Times*, January 9, 2015, Internet, www.ft.com/.../8209e816-97de-11e4-b4be-00144feabdc0.html.

list of specific investments in clean and renewable energy has already been enumerated. It will take several years for such projects to be ready for implementation, but China's state leadership claims that investment in new transportation and energy infrastructure, and in industry, will respect the rules of sustainable development.⁵⁵ Such an approach may increase the amount of required initial investment in the short term, but in the long run it will be profitable for Asia, Europe, and Africa alike.

⁵⁵ At the 4th Plenary Session of the 12th National People's Congress of China, held on March 5, 2016, the National Development and Reform Commission submitted the Report on the Implementation of the 2015 National Plan for Economic and Social Development, which expresses the most recent responses to climate change. The report stresses the launching of the low carbon city pilot project (Beijing, Tianjin, Shanghai, Chongqing, Guangdong, Hubei, and Shenzhen) and an effort to control pollution through the trade of carbon dioxide emission rights. For more, see: "Report on China's economic, social development plan...", entire text, op. cit.

RISKS OF A GEOPOLITICAL NATURE

IN TERMS OF geopolitics, there are three risk categories that could cause a slowdown in the implementation of BRI's goals. These are distinguished by the strength of their influence on building BRI.

1. BRI as a hidden geopolitical conception of China. This is not a new theory, since the economic diplomacy of China was interpreted as “threatening” and geopolitically oriented even before the advent of BRI.⁵⁶

Exclusively classifying BRI in a geopolitical context prior to its very implementation may have an adverse impact on its perception in the countries that have already joined, as well as those still only considering becoming part of the initiative. Publics could perceive this project as hostile to strategic national interests—even without any evidence. The consequences of such perceptions could discourage politicians from supporting BRI. Although interpretations that describe the project solely from the geopolitical perspective likely do not have the power to stop the construction of BRI, they could have political implications, which is why they should not be ignored.

One of the factors making BRI more vulnerable to analyses that ignore the realities of economic globalization and the network's essence is the current geostrategic importance and geopolitical history of its key land and maritime corridors. These corridors are based on geopolitics, a discipline that deals with the relationship between geography and politics, and which was founded in the early 20th century by Halford Mackinder, who wrote in his 1919 book *Democratic Ideals and Reality* that China would—if Eurasia were to be connected to Africa and form the “World Island”—have the most prestigious global position as the largest Eurasian continental country. According to this book, China would, in cooperation with the U.S. and the

⁵⁶ For more on the fabrication and objectives of the “theories of a threatening China,” see: Jasna Plevnik, Stjepan Mesić, Ljubo Jurčić, *Kina na Balkanu*, (Zagreb: Plejada, 2013).

UK, manage the world, creating a new civilization that would be neither completely eastern, nor entirely western.⁵⁷

In 1944, Geopolitical theorist Nicholas John Spykman likewise claimed that China would become a major world power, which could lead to a change in the balance of power in Asia and affect the security of the United States unless a concrete alliance with Japan were to be built.⁵⁸

Mackinder and Spykman accurately predicted that China would end up becoming a global power. Yet China did not acquire that position by conquering and controlling foreign territories and resources, but rather through economic means and expansion into foreign markets.

In addition to official diplomatic representatives' rebuttals to the idea that BRI is part of China's hidden geopolitical plan, further evidence can be provided by professional and intellectually independent analyses of "smart grids," such as, for example, the Silk Road Think Tank Network (SiLKS). Alongside focusing on the global, regional, and local economic benefits of BRI, such networks could orient the discussion toward the main strategic economic concepts of the strategy, such as "joint development" and its impact on the stability of international relations.⁵⁹

A broader shift from the introductory to a more complex phase of interpreting the project is necessary. In 2014 and 2015, the focus was on presenting BRI

⁵⁷ Halford John Mackinder, *Democratic Ideals and Reality: A Study in the Politics of Reconstruction* (Classic Reprint), Forgotten Books, 2015. In the article "The Geographical Pivot of History" (1904), Mackinder argued that China will become the dominant geopolitical force by conquering the strategic space that denotes the concept of heartland.

⁵⁸ Nicholas John Spykman in his book "*The Geography of the Peace*," published by Harcourt, Brace and Company in New York in 1944, predicted that growth in China could lead to a change in the balance of power in Asia and influence the security of the United States unless a strong alliance were to be built with Japan. In the article "Geography and Foreign policy," published in 1938, Spykman wrote that in fifty years China would be one of the four Great Powers of the world. See, also: Nicholas John Spykman, *America's Strategy in World Politics: The United States and the Balance of Power*, Transaction Publishers, 2007. The new introduction to the book was written by Francis P. Semp.

⁵⁹ The Silk Road Think Tank Network (SiLKS) was launched in Istanbul in December, 2014, by the Development Research Center of the State Council of the People's Republic of China (DRC) and the Center for International Relations and Sustainable Development (CIRSD).

to states and the professional, business, and general publics of Asia, Europe, and parts of Africa, from the perspective of its vision, historical background, basic normative principles, goals, and cooperation fields and mechanisms.

The year 2016 saw the beginning of a new phase in BRI, one in which the feasibility of new and complex forms of cooperation are more rigorously assessed, as well as a period in which analyses are carried out on the initial results of BRI on the basis of experience.

It could be concluded from the aforementioned arguments that BRI is a geo-economic concept. However, given that this paper is opposed to any kind of determinism, even economic, it cannot be categorically claimed that this project, in addition to its central economic dimension, does not contain a certain security aspect for China, such as, for example, the provision of long-term alternative energy, maritime, and land routes for the Chinese economy and an increase in the level of security along maritime routes. Not all interpretations of the geopolitical implications of BRI have a negative effect on its public image. Linking trade, infrastructure, investment, capital, and people can positively influence the geopolitical situation in all parts of BRI and lead to increased stability in zones of high volatility, such as the Middle East, but also in Europe and Africa. One should remember that the European Union, in addition to its objectives of integrating Europe into a single market and forming a collective of countries with common interests and responsibilities, also set and achieved strategic goals: reducing the scope for military conflicts and expanding zones of peace.⁶⁰

2. Strategic interests of the Great Powers. In international relations, some Great Powers are generally concerned about the steady growth of China's involvement in Asia and the world. To them, BRI could, in addition to being a way of introducing positive changes to the world economy, be China's strategy

⁶⁰ The *Clingendael Policy Brief* interprets the Belt and Road as the most ambitious security initiative to date, and as an opportunity for the European Union if it were to involve BRI projects in its security plans, provided it enhances its cooperation with China in this field. See: "One Belt, One Road": An Opportunity for the EU's Security Strategy," *Clingendael Policy Brief*, December 17, 2015, Internet, www.clingendael.nl/.../one-belt-one-road'-opportunity-eu's-security-strategy.

to trigger changes in the strategic hierarchy of the Great Powers in Asia, Europe, and Africa. This has given rise to opinions that advocate setting limits to BRI.

The 2013 Chinese shift towards the assumption of leadership in the economic integration of Eurasia, a broad region which is described as a pivot area of world politics in geopolitical theories—the “Grand Chessboard” upon which competition for global leadership occurs—cannot be fully interpreted as a response to the 2011 American pivot from Europe to the Asia-Pacific region. At the center of BRI lies the economic growth of China and other countries along the routes. In contrast, the objectives of the doctrine put forth by U.S. President Barack Obama are concerned with—in addition to fostering economic partnerships (for example, the Trans-Pacific Partnership, or TPP)—the geostrategic “rebalancing” of military and naval capacities and alliances in the region.⁶¹

The United States has never really left Europe and the Asia-Pacific region. In these areas, it has led, and still leads, a foreign policy that is influenced by geopolitical concepts. For the U.S., the central issues of the day can be considered challenges to American geo-strategic interests and objectives, and thus warrant an adequate response.⁶² The United States is concerned about the possibility of China’s policies reducing American influence in Eurasia, jeopardizing the interests of American capital, weakening alliances with the pro-U.S. regional powers in the Asia-Pacific theatre, and undermining the local and global balance of power in the 21st century.

So, while the BRI routes do not pass through the territory of the United States, they do traverse regions that play a key role in the achievement of American geostrategic and economic aims.

⁶¹ For more, see: “Remarks by National Security Advisor Tom Donilon—As Prepared for Delivery,” The White House, Office of the Press Secretary, November 15, 2012, Internet, <https://www.whitehouse.gov/the-press-office/2012/11/15/remarks-national-security-advisor-tom-donilon-prepared>. It is believed that Thomas Donilon, National Security Adviser to President Obama, is the author of the shift to the Asia-Pacific region, which will be the stage for “determining the future of the world.”

⁶² On U.S. military strategy in the Asia-Pacific region, as well as on the maintenance and expansion of U.S. military presence in the next decade, see the paper *Asia-Pacific Rebalance 2025* CSIS/Rowman & Littlefield, Jan 19, 2016.

The United States has not officially reacted negatively to BRI. It has neither come out directly against the global vision of BRI, nor asked other countries not to join the project. But some of China's goals, such as increasing the use of the yuan in trade along the Belt and Road, are perceived to be, just as the AIIB, potentially destabilizing for global trade and finance. America's policy of containing AIIB has not achieved its desired effect. The Sino-American relationship is, thus, generally referred to as one of "competition and partnership," because there is a possibility for the U.S. to join China's initiative, given that it is open to all countries.

The attitude of major European powers towards BRI is in line with the new global economic balance of power that is in the making. Europe recognizes the new spirit of the times marked by the rapid growth of China and other emerging markets, the opening up of new investment opportunities, and the possibility of innovative cooperation projects. But it is also sensitive to the possible rise of China's political influence over the behavior of EU Member States in South and Southeast Europe. The UK, Germany, and France are optimistic about China's ideas concerning the stabilization of the world through BRI, and are preparing for an era in which the paradigm of Western economic superiority would become relativized.⁶³ The French government has decided, together with major French banks, to pursue a China-oriented policy whereby France would become the "number one European center for the use and promotion of the renminbi."⁶⁴ Germany and China, in turn, are discussing mechanisms

⁶³ China has geographically diversified European investment, but still mostly invests in the so-called *core* countries of Europe, focusing on investments in energy, the automotive industry, agriculture and food, property, and industrial equipment. The UK received a cumulative 12 billion euros in Chinese investment from 2000 to 2014, Germany nearly 7 billion euros, and France close to 6 billion euros. Germany, though, received the greatest share of *greenfield* investments. For more on Chinese investments in Europe, see: "Chinese investment into Europe hits record high in 2014," Baker & McKenzie, Internet, www.bakermckenzie.com/.../Chinese-investment-int; as well as: Thilo Hanemann, Mikko Huotari, "Chinese FDI in Europe and Germany, Preparing for a New Era of Chinese Capital," A Report by the Mercator Institute for China Studies and Rhodium Group, June 2015, Internet, rhg.com/wp-content/.../ChineseFDI_Europe_Full.pdf.

⁶⁴ Statement by French Finance Minister Michel Sapin in Hong Kong ahead of a meeting of G-20 finance ministers in Shanghai. See: Nectar Gan, "Why are the world's markets going crazy?," *South China Morning Post*, February 26, 2016, Internet, www.scmp.com/.../china/.../why-are-worlds-markets-going-crazy-its-chinas-economy-us-monetary.

to harmonize their respective “*Made in China 2025*” and “*Industry 4.0*” industrial strategies.⁶⁵

The UK has linked its future economic prosperity and job creation efforts with those of China, which it calls “an emerging superpower.” There is significant change ongoing in international relations, which, it seems, will not be temporary. In 2008, the UK adopted a decision to recognize China’s sovereignty over Tibet. Explaining the change of a nearly century-long position, the British Foreign Secretary at the time, David Miliband, stated that the Shimla Agreement was anachronistic and that it was the result of geopolitics from the beginning of the 20th century. Now, just as all other EU members and the United States, the UK considers Tibet to be a part of the People’s Republic of China.

British diplomacy is focused on securing the position of being China’s “best friend in the West,” so that the UK can become a leader in relations between Europe and China, as well as China’s gateway to the EU market. All Southeast European countries also share such desires, but they do not have a leading role in the EU.⁶⁶ There is a consensus of British political and business circles concerning the development of relations in this direction; an understanding that BRI is a serious project that will lead to global economic growth and connectivity.⁶⁷

Based on lessons derived from the experience of Great Powers that have fallen as a result of quests to achieve hegemony, China is trying to build a

⁶⁵ “*Made in China 2025*” is the Chinese government’s strategy for improving industry based on innovation, smart technology, quality, and respect for the principles of sustainable growth. It is considered that the German strategy “*Industry 4.0*,” or “Fourth Industrial Revolution,” adopted in 2013 in order to develop smart production that uses information technology, partly influenced China to present “*Made in China 2025*” in 2015. For more, see: Internet, knowledge.ckgsb.edu.cn/.../made-in-china-2025-a-new-era-for-chinese-manufacturing/

⁶⁶ For more, see: “Osborne hails ‘golden decade’ in Sino-British relations,” *The Financial Times*, Internet, www.ft.com/.../6d107dc4-5fae-11e5-a28b-50226830d644; as well as: “The Osborne Doctrine,” *The Economist*, September 26, 2015, Internet, www.economist.com/.../21667935-britain-sleepwalking-much-closer-relationship-china-osborne-doctrine.

⁶⁷ British business circles have been regularly informed about the Belt and Road project. For more, see: British Business Briefing: “One Belt One Road,” Internet, www.britishchamber.cn/.../british-business-briefing.

world order free from the concept of “power politics” and the “great game” for control of the world’s strategic areas.⁶⁸ In a sense, China was a victim of Western geopolitics in the 19th century, when it was forced into an unequal position in political relations and trade, and turned into a semi-colony.⁶⁹

The impression is that Chinese foreign policy behavior is not driven by “revenge,” but rather by an appreciation of geo-economic concepts, with the objective of promoting interdependent and common development.

3. Geopolitical conflicts and tensions. The deteriorating geopolitical situation in the Middle East and Central Asia, as well as the current state of relations between Turkey and Russia, and Russia and Ukraine, could impose limits on the construction of important segments of the central and southern routes of the Belt and Road. These routes pass through some areas that are burdened by long-term geopolitical conflicts over territories. BRI will be implemented over a period of several decades, but that might not perhaps be a long-enough timeframe in the context of the Middle East. This region is classified in geopolitics as a shatterbelt, or a space of permanent and maximal instability in the world, due to local ethnic violence and the interests of Great Powers over its strategic location and economic resources. In this case, it is possible that China, for the sake of BRI’s progress, might emphasize the advantages of the northern route. A long-term consequence of this decision would be that Southeast Europe would be circumvented.

The terrorism of the so-called Islamic State, along with the growth of Islamic extremism, could endanger the goals of connecting the Middle East and Central Asia. Possible operations by the Islamic State in the area of northeast Afghanistan and in the direction of Pakistan would constitute a threat to China’s stability.

⁶⁹ Here, one should mention the geopolitics of the British Empire toward China in the 19th century, whereupon the UK forcibly imposed “norms of international trade” on China without any right of control and collection of taxes, and without any supervision or regulation regarding the entry of foreign ships in its waters. The trade deficit with China was remedied via drug trade backed by the British state. As a then young member of Parliament, William Wart Gladstone, the future prime minister of Britain, condemned the First Opium War against China as “unjust and morally wrong,” and as a chapter in history that will be remembered as a permanent disgrace for the country.

The China-Pakistan Economic Corridor is closely connected with BRI, since China is the main trading partner for Pakistan, India, and Bangladesh. Connecting the Chinese city of Kashgar by road and rail with the Pakistani port of Gwadar, the operation of which is currently under Chinese lease, should provide a significantly shorter and cheaper alternative route for trade between China and South Asia, the Middle East, Africa, and Europe. This long route, though, passes through Pakistan's highly unstable Balochistan region, which could affect the safety of investments and the security of infrastructure works.⁷⁰

Geopolitical tension in the Asia-Pacific region is generated by strategic competition between the U.S. and Japan in relation to China, as well as disputes over various islands in the South and East China Seas. Differences over these issues could affect the maritime route of the Belt and Road that passes through the South China Sea. It could also weaken the local network of free trade and reduce the amount of investment in the region. BRI's implementation could be slowed further by relatively new forms of geopolitical risks, such as the steady increase in the flow of refugees from the Middle East and Asia to Europe, which could lead to the reappearance of internal EU borders, migration law reform, and labor movement limits. This could also encourage nationalism, with economic "spillover" effects. Europe is entering a period of instability, which is not, as in the past, associated with traditional areas of insecurity, such as the Balkans. Rather, it is expanding into areas that have so far been oases of security. The capital cities of Western Europe have become particularly vulnerable to terrorist activities.

⁷⁰ For more on the conflict in Balochistan, see: Frederic Grare, "Balochistan, The State Versus the Nation," The Carnegie Papers, April 11, 2013, Internet, carnegieendowment.org/.../balochistan-state-versus.

SOUTHEAST EUROPE AND THE GOALS OF THE BELT AND ROAD INITIATIVE

CHINESE DIPLOMACY HAS an elastic approach to European regions, because such an approach is more in line with the economic and transport-geographic goals of Chinese capital rather than with the geographic delimitations of Europe. This is one reason why, in principle, China does not use the term “Southeast Europe,” and why the Baltic, Central, East, and Southeast European countries are clustered in a regional context, despite the fact that these countries themselves do not see each other in this way.

China mainly covers Southeast European countries within the term “Eastern Europe,” sometimes using the term “Balkans.” Such a generalization can be justified in several ways. First, the countries of Southeast Europe themselves use different terms to define their own geographic location within Europe, with some defining themselves as “Central Europe,” others as the “Western Balkans,” or simply “the Balkans.” Second, some Chinese scientific and party institutions still to this day use Cold War notions of European political division into East and West in a geographic sense. Third, Chinese capital divides the European Union into West and East. Such a division should be viewed not only from the context of economic wealth and technological power, but also as a reflection of the Chinese conception of time. The decade or less of membership that some of the countries of Eastern, Central, and Southeast Europe have held in the European Union is extremely short by Chinese standards. For China, the enlarged EU is a relatively new creation whose future is not yet fully clear.

This study uses a relatively accepted definition of Southeast Europe as a region encompassing the former Yugoslavia, Albania, Bulgaria, Moldova, Romania, Greece, and Turkey. Naturally, such a grouping is objectionable to some, which is understandable. The classification of Southeast Europe, or the Balkan Peninsula, in addition to considerations of geography, also depends on historical, political, economic, cultural, religious, and tourism factors, which is why some countries can simultaneously be perceived as

marginal, neighboring, or central countries in Southeast Europe. In this paper, the terms “Southeast Europe” and “Balkans” have the same meaning.

THE goals of BRI are not identical for every part of Europe. In Western Europe, the focus is on investments in high technology, global brands, real estate, and finance, though this does not mean that other issues are less important from the Chinese perspective. China’s interest in Southeast Europe is primarily transport-geographic; linking the transportation infrastructure of Southeast Europe could essentially reduce transportation costs of delivering Chinese goods to Central and Western Europe, and vice versa. These lower transport costs are very important for Chinese investors, who need efficient transportation and logistics infrastructure in order to hold a firm grip on supply chains. Yet this is just as important for the countries of Southeast Europe, where good transportation links would likewise reduce the costs of exporting to BRI markets, in addition to lowering the cost of supply in the context of the national economy.⁷¹

The new form of cooperation with China covers all Southeast European countries directly and indirectly. However, only Greece and Turkey, the latter of which is the sole Southeast European country to have been part of the ancient Silk Road, are plotted as strategic locations. At the present moment, there is yet to be a detailed map on which one could see the exact routes and sub-routes that would make their way across Southeast Europe, nor can the already defined hubs of BRI be considered definitive, given the possibility of numerous modifications. For example, details concerning land routes may face alterations, since the network of transport and energy corridors have yet to have their specific projects formulated.

FOR Southeast Europe, the central corridor of the land route is important, as it is designed to move from China and, unlike the northern corridor, does not pass through Russia. Instead, it crosses Kazakhstan, Uzbekistan, and Iran, passes through Turkey, Bulgaria, and the northeastern and

⁷¹ For more on global logistics, see: Donald Walters, Stephen Rinsler (eds), *Global Logistics: New Directions in Supply Chain Management*, Kogan Page, 7th ed, 2014.

northwestern sections of Serbia, before heading further north toward Hungary, Austria, and Germany. The southern corridor is also important for Southeast Europe, as Istanbul is the point at which it ends and merges with the central corridor.

The Greek port of Piraeus, through the Suez Canal in Egypt, connects the seaports of China with Europe and the east coast of Africa. It represents one of the important nodes in the network of existing and future ports, as well as other forms of BRI's maritime infrastructure. From Piraeus, the maritime route is divided into two branches. The first route, which follows the coasts of Albania, Bosnia-Herzegovina, Montenegro, Croatia, and Slovenia, ending in Venice, is of particular interest for the countries of Southeast Europe. Smaller ports, such as Vlorë, Bar, Koper, and Rijeka, can use this direction to their own advantage. The port of Thessaloniki is also interesting, due to its proximity and connection to Corridor X, Belgrade, and the Danube.

Ports on the east coast of the Adriatic Sea have yet to be definitely marked as points along the New Maritime Silk Road, but this is not a limiting factor for their involvement in BRI: these ports already have an important place in China's cooperation with the 16 countries of Central and Eastern Europe, which is being implemented in synergy with BRI. Owing to its unique position, the port of Koper, regardless of its current infrastructure limitations, acts as a transit gateway for Serbia, Hungary, the Czech Republic, Slovakia, Germany, Austria, and Poland. Slovenia, where Koper is located, plans to introduce a large number of freight trains to Central Europe, which is why it needs a new railway line.⁷²

As an example of the potential gains that might arise in the development of Koper, consider the case of Mercedes-Benz, which transports some of the vehicles it produces in Hungary, France, and Slovenia through the port

⁷² Slovenia was not granted funding from the European Union to build a railway from the port of Koper to Divača, which its government sees as a means of developing the port of Koper into a major logistics hub for Central Europe. Slovenia is considering a business alliance with partners from Hungary, putting this line into the broader context of the Koper-Budapest link.

of Koper to China, Singapore, and Brunei. In developing its own global logistics network, the company sees this “southern logistics route” as ideal for automobile export to Asia. The China Development Bank opened a branch in Slovenia several years ago, and in 2016 China’s Gezhouba Group showed great interest in the financing and construction of a new container terminal in Koper and the new Koper-Divača railway.⁷³ China plans to achieve connectivity in the sectors of shipping and railway reconstruction within the “Cooperation Between Three Port Regions” initiative, which was presented at the Suzhou Summit. Its intention is to connect existing ports in the Adriatic, the Baltic, and the Black Sea, as well building new ports, logistics parks, and railway lines.⁷⁴

To the south of Slovenia is Croatia, which has a certain geo-economic weight thanks to its transport-geographic position. The future of the port of Rijeka, in particular, depends on building a better railway connection with Central Europe and the wider Mediterranean region. In 2013, the Croatian government decided to build a new double track railway line from the Hungarian border to Rijeka, with co-financing from EU funds. The European Commission did not accept to invest close to four billion euros in this railroad, having deemed it unprofitable and beyond the interests of the EU. Until 2016, Croatia was not interested in exercising its economic interests through cooperation with Chinese capital, although investment in the Botovo-Rijeka railway infrastructure was presented to the Chinese delegations as a key project. COSCO, the world-leading Chinese maritime shipping carrier on the China-Europe route, and also one of the five largest non-financial Chinese investors abroad, offered to construct the Rijeka-Zagreb-Botovo railroad and reconstruct the Rijeka-Zagreb railroad. In exchange, it asked for the right to build and operate the new container

⁷³ China is also interested in cooperation in the forestry sector. Following the Slovenian-held Asia-Europe Meeting (ASEM) on sustainable forest management in May 2015, China expressed absolute support for Slovenia to initiate cooperation mechanisms in the forestry sector within the framework of the “China plus 16” initiative. For more on this, see: Silvija Fister, “China and Slovenia—Building a firm foundation,” *The Slovenia Times*, February 4, 2016, Internet, www.sloveniatimes.com/china-and-slovenia-buildin.

⁷⁴ At the 4th Summit of the Leaders of China and 16 countries of Central and Eastern Europe, Chinese Prime Minister Li Keqiang proposed that the existing framework of cooperation include the “Cooperation Port of Three Seas” initiative.

terminal in the port of Rijeka. COSCO has the capacity to provide container transportation, can finance the construction of a new terminal and railway, and could accept both under concession.⁷⁵

The processes initiated by cooperation between the countries of Southeast Europe and China pose a risk to the port of Rijeka, not so much because of a reduction in workload as through the possibility of its transport-geographic position losing relevance should it remain outside the network of new routes. By constructing new land and sea routes, BRI has the ability to influence the transport-geographic position of certain countries in terms of increasing, or decreasing, their respective importance in the functioning of the regional and global economy. While the geographic position of a country cannot be changed, its strategic importance in the transport and communication lines between Europe and Asia can. The Croatian port of Rijeka, besides having the benefit of being in a convenient location, also has the advantage of adequate sea depth and close proximity to Central Europe. Its weakness is that Croatia assumes that this position is permanent and guaranteed, and does not make any effort to develop it further in line with future trends.

The construction of the Koper to Budapest railway, as well as the one that would connect Piraeus with Skopje, Belgrade, and Budapest—that is to say, with Central and Western Europe—could exclude Croatia from future traffic and trade corridors, as well as logistics centers that are necessary to better connect to the economies of Asia and Europe.

THE competition in attracting Chinese capital and occupying a position in the emerging economic world corridors is very strong. Regional cooperation, however, especially between Koper, Rijeka, Budapest, Belgrade, Skopje, and Piraeus, could raise the transport-geographic value of Southeast Europe in the context of BRI, thus transforming the whole region into a primary corridor of great importance.

⁷⁵ In late 2014, the port of Ploče became the first Croatian concession deal with China. It is the biggest Chinese investment in Croatia, amounting to 30 million euros, which will be used to build new equipment at the terminal.

The inclusion of the Southeast European countries in the implementation of BRI's complex land and sea infrastructure networks will depend not only on the financial strength of these countries, but also on the ability of their state leaderships to individually and collectively deepen regional cooperation. As such, they would do well to harmonize their respective national economic interests and place them in the service of plans for a common future in a new world.

EXISTING ‘BELT AND ROAD’ PLATFORMS IN SOUTHEAST EUROPE

BEFORE INITIATING THE BRI project, China developed various mechanisms through its diplomacy for deepening dialogue and promoting cooperation with Europe. The region is a favorable environment for a project that cannot be implemented all at once, but will be implemented in a gradual manner, (i.e. locally, regionally, and continentally). Here we shall discuss three platforms which have the capacity to initiate, accelerate, and coordinate the processes of involving Southeast European countries in BRI.

THE FIRST platform of cooperation between China and the 16 countries of Central and Eastern Europe is widely known by its acronym, “China + 16”, and includes Albania, Bosnia-Herzegovina, Bulgaria, Montenegro, Croatia, Macedonia, Romania, Serbia, and Slovenia.⁷⁶ The other countries of the Balkan Peninsula develop relations with China in the context of other political cooperation models.

China launched this initiative in 2011 and formalized it in 2012, as a new historical development model of relations with the countries of Central and Eastern Europe in the fields of investment, trade, cultural exchange, tourism, and education. Here we can see once again, as was previously explained, that China mainly identifies Southeast European countries under the moniker of “Eastern Europe.”⁷⁷ So far, Chinese investors have injected more than \$5 billion into the countries of Central and Eastern Europe, primarily in the sectors of telecommunications, mechanical engineering, and the chemicals

⁷⁶ The official name of the Chinese initiative for developing relations with the countries of Central and Eastern Europe is “Cooperation Between China and Central and Eastern European Countries.” Informally, this cooperation mechanism is abbreviated as “China + 16” or “1 + 16.” Probably in order to give preference to multilateralism, the names “16 + China” or “16 + 1” are also used.

⁷⁷ The initiative was institutionalized by the establishment of China’s Secretariat for Cooperation between China and Central and Eastern European countries, which operates under the mandate of the Chinese Ministry of Foreign Affairs. Each of the 16 countries of Central and Eastern Europe designated a coordinator at the government level for participating in the Secretariat’s work. The first Secretariat meeting was held at on September 6, 2012, in Beijing. For more, see: Internet, www.china-ceec.org.

industry, as well as in the joint development of transportation and energy infrastructure.⁷⁸ China plans to double trade with the countries of Central and Eastern Europe by 2019, a figure which in 2014 amounted to \$60 billion, which was itself an increase of 77.4 percent compared to 2010.⁷⁹

“The Cooperation between China and the Central and Eastern European Countries” and BRI’s projects, although very different in geographic extent, are similar both in their goals of economic integration through infrastructure investment and in their rules of inclusiveness and openness with potential for win-win effects.⁸⁰ At the Fourth Summit in Suzhou, the development of cooperation between China and the 16 countries of Central and Eastern Europe was officially supported in synergy with the BRI project, as well as the Investment Plan for Europe.⁸¹

The agreement between China, Hungary, and Serbia on the construction of the Belgrade-Budapest high-speed railway demonstrates progress in economic relations, as well as aptly illustrating the true meaning of the “synergy” that China has been promoting between the “China + 16” and “Belt and Road” initiatives. The Belgrade-Budapest project, as one of the most important in the “16 + China” relationship (and the eventual extension of track from Athens or Piraeus, to Thessaloniki, Skopje, Belgrade, Budapest, and onwards to Central and Western Europe), achieves a higher value in the economic relationship between China and Europe. China is ready to connect its development plans with the construction of the Belgrade-Budapest railway, as well as to make a more powerful “push” for the “China-Europe Land-Sea Express Line” project, in order to improve their interconnectedness.⁸²

⁷⁸ For more on the results of cooperation, see the Chinese government report “Review of cooperation between China and CEE countries,” 24 Nov, 2015, Internet, english.gov.cn/.../content_281475241322733.htm.

⁷⁹ For more, see: “Chinese Premier Li Keqiang’s remarks at the Fifth China and Central and Eastern European Countries Economic and Trade Forum,” entire text, Suzhou, 24 November, 2015, Internet, news.xinhuanet.com/.../china/.../c_134855063.htm.

⁸⁰ For more, see: “A panorama of China-CEE cooperation under Belt and Road Initiative,” *Xinhua*, March 27, 2016, Internet, news.xinhuanet.com/.../c_135237095.htm.

⁸¹ The Summit in Suzhou was held on November 24, 2015. Its participants concluded that significant progress has been made in cooperation, especially in the implementation of the Belgrade Guidelines for cooperation between China and the Central and Eastern European countries. The first meeting of heads of government was held in Warsaw in 2012, when China announced a fund of \$12 billion.

⁸² See: “Chinese Premier Li Keqiang’s remarks at the Fourth China and Central and Eastern European Countries Economic and Trade Forum,” op. cit.

The “China + 16” model remains important for the development of relations between China and a great many Southeast European countries. It already presently provides a stable foundation for the implementation of the goals of the “Belt and Road” in Southeast Europe. The Suzhou Guidelines (2015) opened the path for the widest Chinese development concept to date for many of numerous countries of Southeast Europe. Perhaps in the future, all Chinese bilateral and multilateral foreign policy initiatives in Europe will be united under the umbrella of BRI.

CHINESE investments in the Greek port of Piraeus represent a second platform. The relations between this port and those of the southeast and southern provinces of China are not new. Even prior to the start of BRI, Greece held a strategically important position for Chinese capital, since Chinese goods passing through Piraeus can reach the markets of Central and Western Europe much faster than via any alternative route.⁸³ After Chinese company COSCO Group leased Piraeus II for 35 years in 2008, the port had become one of the key nodes of trade in the Mediterranean after just a few years. Huawei, a Chinese telecommunications and services company, manages the logistics center in Piraeus. Hewlett-Packard, Huawei, Samsung, Sony, and ZTE, for example, all shifted their trade with South, Central, and Eastern Europe away from Rotterdam towards the Greek port.

Piraeus has a real chance to develop into one of Europe’s largest ports for the delivery and distribution of Chinese goods to Europe. There are two key reasons for this: first, its strategic position, and second, the fact that COSCO bought 51 percent of the port in 2016, with the intent of acquiring another 16 percent by 2021, following an additional investment in the port of 350 million euros.⁸⁴

While China has chosen Greece as its gateway to Southeast Europe, the focus on Piraeus does not imply a marginalization of other container ports.

⁸³ China and Greece declared 2015 to be the year of mutual maritime cooperation, in order to attain yet more mutual benefits in the sectors of sea transport, trade, and tourism.

⁸⁴ For more on the privatization, see: “Greece seals sale of its biggest port Piraeus to China,” *Reuters*, April 8, 2016, Internet, www.reuters.com/.../eurozone-greece-privatisation-china-cosc-idUSL5N17B243.

Rotterdam is designated as the most important port in Europe for Sino-European trade in the “Belt and Road,” as well as being identified as a key link between the project’s land and sea components.

THE third important platform for integrating Southeast Europe in this Eurasian linking process is the cooperation between the European Union and China in the context of BRI. In the long and rich history of Sino-European relations, BRI is emerging as the flagship cooperation project of the 21st century on the basis of its goals, values, size, and depth.

There are numerous mechanisms that hold the goal of strengthening and developing cooperation between China and the European Union. The strategic agenda for cooperation between China and Europe in 2020 creates a favorable environment for the implementation of the “Belt and Road” in Europe, which can have a positive impact on the countries of Southeast Europe, many of which are EU Member States, are candidates for membership, or are in open negotiation with the EU regarding accession into the bloc. Due to a tendency of interpreting economic relations between the countries of Southeast Europe and China as a threat to the European Union, their partnership is treated in a separate chapter.

In addition to the aforementioned three major platforms, existing and new mechanisms of cooperation between the countries of Southeast Europe—with their respective regional agendas, policies, and projects—could favorably affect the implementation of BRI in Southeast Europe. The processes linking the countries of Southeast Europe were launched by the European Union after 2000 through a special form of relations with Balkan non-EU member countries—the so-called Stabilization and Association Agreements (SAA). The regional linking of the countries that formed after the breakup of Yugoslavia, plus Albania, is a strategic project of the EU, which has raised the level of economic stability in the region.⁸⁵

⁸⁵ In late 2007, the European Commission approved the 2007-2013 Southeast Europe Programme as an instrument for the development of regional cooperation in Southeast Europe. It refers to cooperation between member states, candidate countries, potential candidates for EU membership and neighboring countries. In the 2014-2020 period, there are three new programs under The Southeast Europe Transnational Cooperation Programme: ADRIION (*Adriatic-Ionian Programme*), Balkan-Mediterranean, and Danube. For more see: www.southeast-europe.net/.

Regional fora, initiatives, and organizations, the spreading of a culture of transnational cooperation and the removal of all kinds of obstacles to the movement of goods and people, all provide a positive context for the construction of the “Belt and Road” in Southeast Europe. BRI cooperation mechanisms emphasize that the project is open to all international and regional organizations. China, for example, intends to make full use of existing bilateral and multilateral cooperation mechanisms, such as the Shanghai Cooperation Organization, Association of Southeast Asian Nations (ASEAN) plus China, Asia-Pacific Economic Cooperation (APEC), and the Eurasian Economic Union, to build “Belt and Road” and promote regional cooperation in Asia.⁸⁶

The Croatian initiative to connect the countries along the Adriatic-Baltic-Black Sea in the fields of transportation, energy, and telecommunications structures is in some respects close to BRI and “China + 16” initiatives. This initiative of promoting stronger links between these geographic areas, which are important to the functioning of the global economy, was initiated by Croatian President Kolinda Grabar-Kitarović. She presented the Croatian initiative to China’s President Xi Jinping and Prime Minister Li Keqiang as a form of cooperation that shares the same values as the “Belt and Road.” The initiative is complementary in its objectives to the “Cooperation Between Three Port Regions” initiative.

The Organization of the Black Sea Economic Cooperation (BSEC) supports economic interdependence and dialogue between the coastal states of the Black Sea, the Balkan nations, and the countries of the Caucasus. Its objectives—which include the construction of a Black Sea circular highway, the reconstruction of regional ports, the promotion of trans-modal transportation, and a harmonization of customs regulations—make it a natural partner for BRI in the pursuit of these infrastructure projects and to push for economic integration. The plans and results of BSEC’s efforts in connecting Europe and Asia could prove useful to Southeast European

⁸⁶ For more see: V. Cooperation Mechanisms, “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road,” *op. cit.*

countries partaking in the Silk Road. Half of the 12 permanent members of BSEC are Southeast European countries (Albania, Bulgaria, Greece, Moldova, Romania, Serbia, and Turkey), whilst an additional country (Croatia) holds observer status.⁸⁷

Southeast European countries cooperate with each other through the Southeast European Cooperation Process (SEECP), a regional forum in operation since 1996. Its objectives—strengthening multilateral economic and trade cooperation in the region, particularly cross-border cooperation, as well as improving transportation, communication, and energy infrastructure, along with the promotion of investment and trade—are complementary with the objectives of the “Belt and Road.” The operational body of the Forum is the Regional Cooperation Council (RCC), which was founded in 2008 as the successor of the Stability Pact for Southeast Europe.

Albania, Bosnia-Herzegovina, Montenegro, Greece, Croatia, Italy, Slovenia, and Serbia have cooperated within the framework of the Adriatic-Ionian Initiative in the sectors of maritime transportation, connectivity with the hinterland, and energy, since 2000. This type of cooperation has the potential for connecting with the maritime component of the “Belt and Road.”

⁸⁷ The Secretary General of the Organization for Black Sea Economic Cooperation, Michael B. Christides, endorsed the concept of “One Belt, One Road” in the 1st Tbilisi Silk Road Forum in 2015. He said that members of the BSEC cover Asia and Europe, so whatever route BRI chooses it must traverse “BSEC territory.” To learn more, see: “The Participation of the BSEC PERMIS Secretary General to the Tbilisi Silk Road Forum,” 15–16 October, 2015, www.bsec-organization.org

THE CHINA – EU PARTNERSHIP AND THE BELT AND ROAD INITIATIVE

CLAIMS THAT THE strengthening of relations between the countries of Southeast Europe and China may result in a weakening of the EU in international relations have created indirect pressure on the countries of Southeast Europe. This affects their diplomatic activity, and may weaken their ability to compete for Chinese investment in Europe. This issue needs to be discussed in greater detail.

A basic understanding of the balance of power in the European Union tells us that the countries of Southeast Europe have little to no power or influence over the actions of the European Union in the realm of foreign policy, or when it comes to the relationship of the European Union and China. At the strategic level, France, the UK, and Germany—countries with which China has significantly more developed economic relations than the “China + 16”—are the ones making the important decisions.⁸⁸

EU Member States in Central and Eastern Europe have not, thus far, organized themselves to operate in Brussels as a type of Chinese lobby, notwithstanding the fact that since 2008 a number of analyses have stressed that China would take advantage of trade, investment, and the purchase of government bonds as a means of influencing their behavior within the EU, in order to make progress on various matters, such as the 1989 embargo on arms exports to China, as well as recognizing the country as a market economy and granting it the corresponding status.⁸⁹

CHINESE initiatives in Europe, whether it be “China + 16” or the “Belt and Road,” do not bring into question the role of Brussels in international relations, nor do they weaken the EU’s cohesion. China, for example,

⁸⁸ On the capabilities of the “China + 16” initiative and how it could divide Europe, see more at: Theresa Fallon, “China’s Pivot to Europe,” American Foreign Policy Interests, *The Journal of the National Committee on American Foreign Policy*, 36, no. 3, 2014, pp. 175–182.

⁸⁹ In the context of scientific and technological cooperation, individual EU members export arms to China or sell it licenses for the production of military systems, helicopters, and warplanes. France, the UK, and Italy are all involved in the modernization of China’s defense forces.

urged Greece not to leave the Eurozone so as to not weaken the position of the EU in the global economy, a move which confirmed to Brussels that China's leadership absolutely supports a stable European Union. On January 15th, 2016, China became the 67th member of the European Bank for Reconstruction and Development (EBRD), thus establishing even closer ties with Europe. Chinese capital is granted simpler and safer ways of investing in areas in which the EBRD operates, which includes a large number of countries along the Silk Road.⁹⁰

Relations between China and the 16 countries of Central and Eastern Europe, 11 of which are members of the European Union, are developing in accordance with EU laws, standards, and practices. This is in the interest of China, the region, and the European Union. The growth of Chinese investment and the availability of favorable loans for large infrastructure projects have a positive impact on the economic stability of the EU member states of Southeast Europe, and thus the entire European Union.

The difficulty lies in the fact that some EU institutions neither encourage nor support these relationships in the same manner as, for example, those between China and Germany, or China and the UK: European countries that are developing significant economic relations with China.⁹¹ Relations between highly developed, older EU member states and China are regarded as unlikely to open the way for China to politically interfere in the internal affairs of the EU and threaten bloc unity, or act as an expansion of China's "sphere of influence" in Europe.

Persistence in implementing this policy of double standards could weaken the credibility of the European Union as an entity in the international field,

⁹⁰ The EBRD is interested in developing ties with the AIIB. For more, see: Marc Jones, "EBRD approves China's application to become shareholder," *Reuters*, Dec 14, 2015, Internet, www.reuters.com/.../china-ebrd-idUSL8N1434GM20151215.

⁹¹ In 2012, the European Commission told Poland it could not act unilaterally in the energy sector in relations with China. Meanwhile, Germany, the UK, Austria, and Italy act unilaterally in this respect. Before the 2013 Bucharest Summit, the European Commissioner for Trade sent a letter to the heads of government of Central and Eastern European EU member states, telling them not to sign any bilateral or multilateral trade agreements. Romania has publicly rejected this behavior from the European Commission as inappropriate.

as well as undermine its internal unity and rules. The EU does not have a federal structure, and by the adoption of its legislation, states did not lose their right to behave as sovereign state actors in international relations and to represent their own interests abroad.

FROM the perspective of many Southeast European countries, double standards such as these are generated by forces within the EU which attempt to achieve their own economic interests through the controversial use of funds in competition for Chinese investment. An impression has been brought to bear that some economic and political circles, as well as large companies within the European Union, support the policy of limiting the relationship between China and the “Region of 16” by using the institutions of the Union, the Lisbon Treaty, and the idea of “China as a threat”: their goal is to retain their preferential status in Southeast European markets. Indeed, empirical analysis demonstrates that the Balkan market is dominated by companies from Germany, Austria, and Italy in the sectors of trade, telecommunications, banking, and audits. Retail chains from these three countries place most Chinese goods arriving on the Southeast European market mainly through their retail outlets. Direct economic relations between China and the countries of Southeast Europe would change the balance of power in the market and force Western European companies to compete with highly competitive Chinese companies, which is much more challenging than competing with Southeastern European companies.

The economic presence of China in Southeast European countries is in accordance with the principles of the free market and free trade, as well as the ideology of globalization—all of which are supported by the European Union. It is difficult, then, to find compelling economic arguments against the development of such relations between China and the Balkan countries, which is why the argument of being concerned with “security and geopolitical risks” can be used as a disguised yet effective form of protectionism.⁹² China has had a similar experience in America, where its

⁹² Chinese investment and international relations experts believe that the EU should be more powerful to combat the idea of “China as a threat.” See: Yao Jing, “Investment pact ‘means better market access,’” *China Daily*, January 18, 2014, Internet, europe.chinadaily.com.cn/.../2014.../content.

companies have been accused of being a threat to U.S. national security.⁹³ What is particularly important for stimulating the development of relations between the countries of Southeast Europe and China is the existence of a tight Sino-EU partnership, thus negating all suspicions that Chinese diplomacy is a threat to Southeast Europe.

The partnership between the European Union and China is currently stable and developing through different forms: annual summits, conferences at the ministerial level, and sector-based dialogue. Chinese bilateral relations with France, Germany, and the UK are also built into its ties with EU institutions, just as they are built into relationships with sub-regions (Southern Europe, Northern Europe, and Central and Eastern Europe).⁹⁴

China views the EU not only as its most important trade partner, but also as a fellow contributor in promoting multilateralism and just relations in the building of a multipolar world order.⁹⁵ Such a world may come about someday, but for now there are only trends pointing in that direction. The level of political trust between the EU and the United States sometimes oscillates. Yet deep changes to the strategic relationship between the United States and Europe, such as replacing the U.S. with China, seem unimaginable for now.⁹⁶ The EU has kept its strategic policy within NATO, a concept that ensures its dependence on the United States for matters of security. This condition affects the manner of determining the global strategic goals of the EU, as well as the way they are perceived by other world powers.

⁹³ In 2011, *The Washington Post* organized a presentation entitled “Huawei and National Security,” which was prepared and funded by *Cisco Systems Inc.*, Huawei’s chief rival in the global market of information and telecommunication equipment. On the considerations of Cisco management, see: “Cisco Wary of Huawei,” *The Wall Street Journal*, 6 April 2012.

⁹⁴ Kong Tianping, “Changing World and China—CEE Relations,” a speech by a Chinese expert for Europe held at the Embassy of the Republic of Poland, February 27, 2013, Internet, beijing.mfa.gov.pl/.../2a451c0d-8d19-431d-895e-3f3de8746ec4:JCR.

⁹⁵ For more, see: David Scott, “China and the EU: A Strategic Axis for the Twenty-First Century?,” *International Relations*, 21, no. 23, 2007, pp. 23–45, Internet, <https://www.kuleuven.be/.../international-relations-2>.

⁹⁶ For more on the attitude of President Obama toward the leaders of the main European powers, see: Jeffrey Goldberg, “The Obama Doctrine,” *The Atlantic*, April 2016 Issue, Internet, www.theatlantic.com/.../obama-doctrine/471525/, as well as “Obama points finger at Britain, France over Libya chaos,” FoxNews.com, published March 11, 2016, Internet, www.foxnews.com/.../obama-points-finger-at-britain-france-over-libya-chaos.html.

All those actors that have declared BRI as being threatening to Southeast Europe would have to face the fact that the current level of cooperation between China and the EU is focused on precisely those areas whose projects are potentially in full synergy with BRI. There is a high level of harmonized compliance in the goals, mechanisms, and areas of investment between the Belt and Road Initiative and the China—EU 2020 Strategic Agenda for Cooperation, the key document on cooperation between China and the EU. In the 2020 Agenda, the focus is on mutual prosperity through deepening cooperation in trade and investment. In these areas, their relations are developing toward the signing of a bilateral agreement on investment in the fields of industry, information technology, agriculture, transport, infrastructure, and energy.⁹⁷ The goal of the Agenda, like BRI, is the development of a “fully connected and smart infrastructure system,” and the construction of land, sea, air, rail, and road routes between Asia and Europe.

Sustainable development is a key area of “strategic and practical cooperation” between the European Union and China. Both economic powers are planning “green” economic growth by respecting the rules of environmental protection. Furthermore, China is entering a new phase of urbanization and construction, guided by the desire for its cities to use clean energy.⁹⁸

THE European Union’s positive attitude toward BRI is understood in China as one of the guarantees that the project will be implemented successfully. The President of the European Commission, Jean-Claude Juncker, has described BRI as “strategic thinking,” an “open hand,” and an “invitation” which could be beneficial to China, Asia, and Europe.⁹⁹ The European Union needs Chinese capital, especially given that the EU’s strongest economies experienced a sharp decline in investment after 2008.

⁹⁷ At the 16th EU-China Summit held on November 21, 2013, negotiations on a comprehensive investment agreement between the EU and China were initiated. See: Internet, ec.europa.eu/trade/policy/...and.../china/.

⁹⁸ The EU and China are planning to start a Clean Energy Center. For more, see: “China-EU 2020 Strategic Agenda for Cooperation,” Internet, eeas.europa.eu>EUROPA>EEAS.

⁹⁹ “The EU and China: A solid partnership,” Speech by President Juncker at the EU-China Business Summit Brussels, 29 June, 2015, Internet, europa.eu/.../press-release_SPEECH-15-5278_en.ht.

China is the first country outside the European Union to have announced that it will contribute to the European Fund for Strategic Investments, which was established in 2015 by the European Commission. The fund itself was set up by the Commission following an investment plan aimed at renewing economic growth and job creation in the European Union, presented in late 2014.¹⁰⁰ Experts of the Chinese “Silk Road Fund” and the European Investment Bank are currently working on connecting BRI with the Investment Plan for Europe, and negotiating the establishment of a joint fund between China and the European Union.¹⁰¹

In order to increase the volume of business cooperation, employment, and economic growth for both sides, the European Commission and the Chinese government signed a Memorandum of Understanding which aims at designing new platforms of connectivity. China and the EU want to raise the level of synergy between the Chinese BRI project and EU initiatives like the Trans-European Transport Network, in which transportation infrastructure is identified as being critical to maintaining the competitiveness and wealth of the European Union.

ECONOMIC interdependence between China and the European Union is strongest in the field of trade, which from 1978 grew from four billion euros to nearly 500 billion euros in 2014.¹⁰² The aim of China’s diplomacy is to, once negotiations on bilateral investment are completed, initiate negotiations on a free trade area between China and the EU as soon as possible. At the Bucharest Summit, Hungary endorsed the idea of

¹⁰⁰ For more on the functioning of the European Fund for Strategic Investments (EFSI) and the approved projects, see: Internet, www.eib.org/invest-eu. Croatia was granted five energy projects: the Hungary-Croatia-Slovenia electricity interconnection; the construction of an LNG (liquefied natural gas) terminal on the island of Krk and the Bosiljevo-Zlobin-Sisak-Kozarac-Slobodnica gas pipeline; a gas pipeline interconnection between Croatia and Slovenia; the renovation, upgrade, maintenance, and increase in capacity of the Adriatic oil pipeline; and the development of smart grids, i.e. the “Sinco. Grid” Project (Slovenia / Croatia).

¹⁰¹ The shift in this direction had already been agreed at the High Level Economic and Trade Dialogue held on September 28, 2015, in Beijing.

¹⁰² The EU is China’s largest trading partner, while China is the EU’s largest partner in terms of imports and the second largest by export volume. For data on trade between the European Union and China, see the analysis “European Union, Trade in goods with China,” Internet, [trade.ec.europa.eu/doclib / .../113366.htm](http://trade.ec.europa.eu/doclib/.../113366.htm).

establishing a free trade zone, which it considers useful for the countries of Central and Eastern Europe. BRI is not being designed as a free trade agreement, but its objectives of removing barriers to trade and investment can have a favorable impact on future talks on forming a free trade zone between China and the European Union. The Chinese Ministry of Commerce plans for China to sign more than 65 agreements on free trade with countries along the “Belt and Road.”¹⁰³

Much time will be needed before negotiations can begin on a free trade area between China and the EU in the direction of deeper liberalization of mutual trade relations. Bilateral negotiations between the EU and the United States on the Transatlantic Trade and Investment Partnership (TTIP), for example, only began in 2013 after many years of preparation, despite the United States having a strategic position in European foreign policy, security, and the economy, as well as a cultural closeness to Europe.

TTIP could also become an instrument for reducing the impact of Chinese trade in Europe, should the U.S. perceive the participation of European countries in the AIIB and the “Belt and Road” initiative—as well as the intention of the EU to grant China Market Economy Status—as a shift towards China and Eurasia.¹⁰⁴

The multilateral Agreement on the Trans-Pacific Partnership (TPP), which the White House promotes under the slogan “*Made in America*,” represents for Washington an agreement that “allows America—and not countries like China—to write the rules of the road in the 21st century, which is especially important in a region as dynamic as the Asia-Pacific.”¹⁰⁵

¹⁰³ See: “Politics of Trade,” in *One Belt, One Road: A brilliant plan*, CLSA, Internet, <https://www.clsa.com/.../onebeltoneroad>.

¹⁰⁴ The United States is opposed to the EU granting China Market Economy Status, while Germany and the United Kingdom support the motion. China considers that it automatically deserved such a status in February 2016 after 15 years of membership in this organization, based on the rules of the WTO.

¹⁰⁵ See: “Statement by the President on the Signing of the Trans-Pacific Partnership,” 3 February, 2016, Internet, <https://www.whitehouse.gov/.../statements-and-releases>.

CHINA strongly supports the establishment of a regionally integrated model of free trade, currently in the form of the Free Trade Area of the Asia Pacific (FTAAP), which for the time being is not perceived by the U.S. as a way of harmonizing trade policy in the Asia-Pacific region. At the APEC forum in Beijing in 2014, China and Russia signed 17 bilateral commercial agreements that indicate the formation of a strategic alliance between the two countries in realms of energy and finance. Therefore, the development of these relations in the direction of a free trade zone between China and the Eurasian Economic Union is possible.

Competition for influence over the global economic order could have consequences on the economic stability of the rest of the world in at least two ways. If the ideas of convergence and economic integration take the lead, which is theoretically the end goal of economic globalization, new and existing bilateral and multilateral free trade agreements will eventually develop and evolve in a single direction—a coalescing of all agreements into a single, global agreement on trade and investment. Developments in the opposite direction could start trade wars between the Euro-Atlantic and Eurasian free trade zones, as well as create exclusive economic alignment with one zone or the other, thereby jeopardizing the stability of world order.¹⁰⁶ The future position of Great Powers could be determined by the trade alliances, just as they were defined by military alliances in the past.¹⁰⁷

¹⁰⁶ For more on trade agreements, see: Internet, https://www.wto.org/.../regfac_e.htm.

¹⁰⁷ Former U.S. Congressman John S. Tanner predicted in 2000 that by 2010 a leadership position in trade alliances would become critical for U.S. leadership in the world. See: Weekly Review, Embassy of the United States of America, no. 12 (286), Zagreb, March 21, 2000, p. 7.

OPPORTUNITIES FOR SOUTHEAST EUROPE

PARTICIPATING IN THE construction of BRI at the invitation of China—the world’s second largest economic power—is a historical opportunity for Southeast European countries to pursue economic growth in the direction of Eurasia. The participation of these countries would be achieved through transportation, economic, cultural, and tourism integration. There is nothing unnatural in this orientation. On the contrary, it reflects the spirit of our times and the current condition of economic globalization, which needs a new stimulus for the world to be unified as a single trade and investment zone. We live in an age where processes fostering economic interdependence are simultaneously developing in multiple global directions and from several economic centers; we are also bearing witness to new forms of economic integration in the world.

Statistical data available on Chinese investment in developed European economies indicate that these countries have more effective and longer term strategies for attracting Chinese investments than do the countries of Southeast Europe. The focus of these Western European economies on Chinese capital and economic growth in Eurasia is not considered anti-European or a danger to the stability of the EU; rather, it is seen as an opportunity to renew economic strength.¹⁰⁸

FOR the countries of Southeast Europe, new trends toward integrating economies and the economic hierarchy of world powers mean that how states are involved in global economic growth in 2016 is different from how they were in the 1990s. This in turn means that these countries can simultaneously be involved in a number of vectors of economic integration at the global level, as well as that these processes can be in interrelated

¹⁰⁸ China invested \$18 billion in Europe in 2014, mostly in the UK, followed by Italy, the Netherlands, Portugal, and Germany. The sectors in which it invested the most are agriculture and the food industry, energy, real estate, the automotive industry, finance, and the service sector. The growth of Chinese investment came after 2004. For more see: Internet, www.bakermckenzie.com/.../Chinese-investment-into-Europe-hits-record-high-in-2014-02-11-2015/.

synergy. The Belt and Road Initiative, as a new vector of economic globalization, supported by new financial and development institutions, is proof that such a world is emerging.

Southeast Europe must travel a long road towards modernization. One way of achieving this is by building new forms of economic connectivity and communication within the Eurasian space. The geographic location of Southeast Europe was, and still is, important for the movement of trade, capital, and people. This was, unfortunately, confirmed by the movement of refugees from Asia toward Europe. All countries of Southeast Europe have been affected by the consequences of the refugee crisis, precisely because of their location on the shortest route from Asia to highly developed Western Europe.¹⁰⁹

However, geographic position and natural resources are not sufficient for GDP growth, and they do not represent capital by themselves. They do not guarantee the inclusion of Southeast Europe in transportation and other networks that form an essential part of the modern global economy. Transforming these assets into capital requires large investments in energy, transport, and telecommunications infrastructure, as well as various forms of connectivity. Only then can the geographic location of every country of Southeast Europe become an engine of economic growth. With the exception of the port of Piraeus and high-speed railways in Turkey, there is an evident lack of railway, maritime, and air infrastructure that would enable the countries of Southeast Europe to become both well interconnected between themselves and transport-competitive on the European, and eventually Eurasian, level.

THE FACT is that the countries of Southeast Europe themselves lack the funds necessary for both the construction of new infrastructure and the modernization of what already exists. Economic growth depends

¹⁰⁹ Turkey has accepted 2.5 million refugees, which has resulted in the loss of jobs for women in the agricultural sector. Although they are calculated as a burden, the refugees are actually contributing to the economic activities of Turkey.

on high rates of investment; yet, for most of Southeast Europe, the rate of investment was significantly reduced after the onset of the global economic crisis.¹¹⁰ The decrease in capital investment from Western Europe, which is also facing a decline in investments, as well as the withdrawal of capital by Western banks from their subsidiaries, limited the possibilities of Southeast European countries for stronger growth, as well as reducing the opportunity of borrowing for new projects at advantageous rates. Most of these countries, be they EU members or not, have a high rate of youth unemployment, foreign debt to GDP ratio, a high state budget deficit, an increase in economic inequality, high levels of corruption, and high demand for loans.¹¹¹ These are problems which, if not resolved, could lead to political instability.

The political leaderships of the countries of Southeast Europe, in their bilateral visits to Beijing, have asked China for help in filling this gap. Just like all countries of the world, the nations of Southeast Europe view relations with China as an opportunity for economic growth and new jobs. With the help of “Belt and Road,” the countries of Southeast Europe could not only reap the benefits of the ongoing economic development of China and Asia, but also from their future progress, which will initiate a new form of networking in Asia, Europe, and Africa. BRI has capital at its disposal that can be invested, via loans, into the transportation and economic integration of Southeast Europe with Eurasia, the opening of production facilities, and the purchase of real estate. China possesses goods that need to be transported by land and sea routes and then distributed, and for that it needs logistics centers in Southeast Europe. Across the BRI space one finds a number of political markets for goods from Southeast Europe. In addition to the economic dimension, BRI also has long-term, non-material goals, such as the preservation of stability, and peace-building through economic integration and interdependence. These are known

¹¹⁰ See the IMF analysis: “The Impact of the Global Crisis on South-Eastern Europe.” Foreign direct investment in the transitional economies of Southeast Europe was also significantly reduced in 2014. On trends of foreign direct investment in the world’s regions, see: World Investment Report 2015—UNCTAD.

¹¹¹ On the economic prospects of Southeast Europe, see: “Regional Economic Prospects in EBRD Countries of Operations,” EBRD, November 2015.

and accepted goals of economic globalization, but the “Belt and Road” exemplifies the idea of achieving the promotion of stability through dialogue and exchanges among civilizations. On this path, they can thrive and prosper through “mutual learning and common development.”¹¹²

THIS approach to stability can be described not only as a novelty, but also as the political wisdom of BRI that emerges from both ancient and modern Chinese political philosophy. Chinese President Xi Jinping—in explaining the principles of mutual learning among civilizations—quoted ancient Chinese political philosopher Meng-tzu, who stated that civilizations are unique, but none is superior to any other. Meng-tzu taught that other countries should be viewed in the same way as one’s own, and that one should oppose all hegemony.

The principles of dialogue, exchange, and learning among civilizations, respecting others and the equality of their development models, a common need for cooperation, and the secularization of development, are the four main principles of the “Belt and Road” initiative.

The inclusion of Southeast European countries in BRI could accelerate the region’s transformation from an economic crisis zone into a development zone, which would have a beneficial effect on the overall stability of the region and all of Europe. States may have a market economy and democracy, and may be included in the EU and other international organizations; but a long period without development can become a source of local and regional conflicts, as well as turmoil in the international system. Obsolete economic structures and a primitive transportation network, a low GDP per capita, low educational standards, high indebtedness, and lack of capital are as dangerous to the stability of the Balkans as geopolitical events.

Southeast Europe is currently excluded from large conflicts, and economic cooperation now prevails across the region. But territorial issues remain

¹¹² See: “Chinese President’s speech at Boao Forum for Asia...,” enti, Internet, english.boaoforum.org/.../19353.jhtml.

unresolved in some quarters and could, at some point in the future, once again become a source of great instability. The issue of borders is just as fractious in the European Union, which is today facing the challenge of redefining the Schengen zone—i.e., its external borders. The abolition of the Schengen arrangements would slow the transport of goods through Southeast Europe. Currently, for example, the transportation of goods from Turkey to the European Union takes place via Bulgaria, where it enters the EU without any need for further border controls, traveling all the way to its final destination.

The consequences of the “Arab Spring” and the war in Syria—effects that include the spread of terrorism from the Islamic State in the direction of Europe and the arrival of refugees—raised in 2015, reopened the security question for Southeast European states in new ways. For instance, the fragile level of regional cooperation on the passage of refugees from Syria and other unstable countries from Asia through the region resulted in a dispute between Croatia and Serbia, demonstrating how much economic damage can occur from the closing of borders.

Southeast Europe has not ceased to be an area of overlapping jockeying for influence by the great powers, and such a state of affairs also generates instability. Western interests, for example, view Montenegro’s accession to NATO as an event that will favorably influence the political, military, and economic stability of the region, whilst Russia interprets the same development as a threat to the regime of stability in Europe in favor of NATO enlargement in the Balkans.

China’s behavior in the framework of the “China + 16” could generate stability in Southeast Europe, because it is based on projects that connect the region and China through the growth of trade, investment, and other forms of cooperation.

CHINESE INVESTMENT IN TURKEY, GREECE, AND SERBIA WITHIN THE BELT AND ROAD INITIATIVE

IN RECENT YEARS, events and agreements that have defined the bilateral and multilateral diplomacy of China and the countries of Southeast Europe have enabled these countries, in their compatibility with the central Chinese “Belt and Road” initiative, to be prepared for a new wave of connectivity with China as soon as BRI materializes. Southeast European countries have an opportunity to capitalize in a new way on their position (both in terms of geography and transport corridors) and become keystone states in the convergence of China and Europe.¹¹³

The present state of relations between China and the countries of Southeast Europe can be characterized as a new, third period in the history of mutual understanding, economic cooperation, and friendship. The first period of cooperation lasted from 1949 until the end of the bipolar world order in 1991, and was marked by a low level of trade and China’s lagging behind in the field of international economics. The second period, from 1991 to 2011, was marked by China’s deep transformation into a significant actor in international economic relations, along with a radically new model of economic, political, and security development for the countries of Southeast Europe.

TURKEY, Greece, and Serbia are singled out for their development of relations with China in the sectors of trade, roads, energy and innovation, and logistics centers and production, as well as by the number of memoranda of mutual understanding and strategic partnership agreements signed. They are also noted for their geographic position.

¹¹³ Nikolas K. Gvosdev, in his article “Keystone States, A New Category of Power,” categorizes states according to their role in stabilizing the different areas of the world. Gvosdev defines states that are physically located on the transport, commercial, or communication borders of the global system, which serve as intermediaries between Great Powers, acting as a gateway or gateways between different blocs of countries, regional associations, and civilizations as “keystone states.” These states may be small, and economically and militarily weak. But if they possess the power of integration, they can be important for regional and global security. See: Nikolas K. Gvosdev, “Keystone States: A New Category of Power,” *Horizons*, Autumn 2015/ Issue No. 5, pp. 104–120.

Turkey's economy is growing thanks to commercial investment and its transportation connections in several directions, indicating that Turkish diplomacy knows how to exploit its comparative advantages—namely, its strategic geographic position as the meeting point of Asia, the Middle East, and Southeast Europe. Turkey is involved in a negotiation process to accede to membership in the European Union, which is its primary trade partner.¹¹⁴ In the Asia-Pacific region, Turkey's strategic partners, in addition to China, are Japan, South Korea, Indonesia, Malaysia, and Singapore.¹¹⁵ Turkey is planning to become a member of ASEAN, with which it has been developing friendly cooperation since 1999.¹¹⁶

Even before the launch of BRI, which it has been supporting since 2014, Turkey attracted Chinese investments in the energy, air, and rail transportation and tourism sectors. In 2010, it signed a framework agreement with China on the future expansion and deepening of bilateral relations and cooperation in the fields of public infrastructure, telecommunications, energy, air, rail, and road traffic. Turkey is one of the founders of AIIB, and will have a certain influence on the bank's activities. The China Railway Construction Corporation (CRCC) and the China National Machinery Import and Export Corporation, along with Turkey's Cengiz Construction and Ibrahim Cecen Ictas Construction, worked together on the construction of the second phase of the high-speed Ankara-Istanbul railway.¹¹⁷ This project is aligned with the strategic transport corridors of the EU and is part of Pan-European Corridor IV, which bypasses the countries of the former Yugoslavia.

¹¹⁴ On trade relations between Turkey and the European Union, see: Internet, ec.europa.eu/trade/policy/.../turkey/.

¹¹⁵ Turkey, Azerbaijan, Iran, Georgia, Kazakhstan, and Kyrgyzstan launched the "Caravanserai" Project in 2008, with the aim of reducing tariff barriers and liberalizing trade.

¹¹⁶ Turkey's trade with ASEAN countries has been growing steadily. In 2014, for example, it amounted to more than \$8.5 billion.

¹¹⁷ The Ankara-Pendik stretch, reaching the outskirts of Istanbul, was made operational in 2014, with the expectation that, by mid-2016, superfast trains would travel to downtown Istanbul through the Marmaray Tunnel, located 62 meters below the Bosphorus and connecting the European and Asian halves of Istanbul. The tunnel was opened in 2013 for the underground railway, having been built by a consortium of Japanese company Taisei and Turkish companies Nurol and Gama. It is estimated that the final costs of construction, once completed, will reach about \$4.5 billion. A large part of the funds were provided by the Japan Bank for International Cooperation (JBIC).

This contract, which was awarded to Chinese companies in 2005, strengthened its market position in the modernization of Turkish railways, in which Turkey plans to invest \$45 billion by 2023—the centenary of its modern founding.¹¹⁸ Turkish-Chinese business cooperation could be extended to the markets of third party countries, particularly in Central Asia and the Balkans. Chinese companies are focused on capturing the global market of high-speed railways, in order to best capitalize on the experience they gained from building a high-speed railway network at home, through partnerships with companies such as Alstom, Bombardier, and Kawasaki Heavy Industries.

From the perspective of BRI, Turkey is crucial for land, maritime, and air connectivity between Asia and Europe, and as such can expect a growth in Chinese investment in the coming years.¹¹⁹ Large European companies that are prepared to do business along the “Belt and Road” on the stretch of territory between Turkey and China also count on development to move in this direction. Global logistics company DHL, part of Deutsche Post DHL Group, with about €60 billion in revenue in 2015, is opening an intermodal corridor between Turkey and China, which it describes as part of BRI. It is anticipated that the transport of parcels between Lianyungang and Istanbul will take 14 days. Chinese investment will attract more investors from other countries.

Although there is optimism regarding Turkey’s inclusion in BRI, there is always the possibility—however important it is to further develop the strategic geographic position of Turkey—of a slowdown or even outright rejection of economic cooperation as a result of political issues. Open Turkish criticism of China for its attitude towards its Muslim minority, which

¹¹⁸ The total cost of the superfast Ankara-Istanbul railway line is estimated at over \$4 billion. With loans from the EIB, the EBRD, and EU pre-accession funds, Turkey has attained a loan for \$750 million from the Chinese. See: Chris Lo, “China’s fast track to high-speed rail exports,” October 13, 2014, internet, railway-technology.com, www.railway-technology.com/.../featurechinas-fast-track-to-high-speed-rail-exports-4401625.

¹¹⁹ COSCO and China Merchants Holdings International teamed up with CIC Capital (China Investment Corporation Capital) to form a consortium that, in late 2015, bought a majority stake in the Turkish terminal of Kumburgazi, located in the Istanbul port of Ambarli, for \$940 million. This is China’s biggest direct investment in Turkey.

makes up 45 percent of the population in China's Autonomous Region of Xinjiang, as well as the issue of Turkish Muslims and Uyghurs who share ethnic origins and have cultural and religious ties, could negatively affect Turkey's activities within BRI. Turkey and China have publicly rejected such views as untenable.¹²⁰ Political and security turbulence along parts of BRI (such as in the Caucasus region) could also pose a challenge to its realization.

FURTHER south is Greece, an EU member state and a keystone state in connecting China and Europe, due to its strategic geographic position in maritime corridors. The "health" of Chinese trade in Central and Western Europe depends on Greece.

The importance of Greece within the concept of the "Belt and Road" initiative is associated with Chinese interest in Greek maritime and railway infrastructure. Since 2016, China has been the majority owner of the largest Greek port, Piraeus. That privatization secured Greece's long-term position as the main gateway for the entry of goods from Asia to Europe. The importance of the port of Piraeus is explained in detail in the chapter on the existing "Belt and Road" platforms in Southeast Europe.

According to data from China's Ministry of Commerce, the volume of Chinese investment in Greece grew from \$273 million in 2010 to \$1.3 billion in 2014, while Greek companies invested about \$100 million in China.¹²¹ The economic crisis in Greece has not so far jeopardized China's investment in shipping and tourism. According to estimates by Chinese officials, these are not large investments, but China is still following the

¹²⁰ During a visit to Beijing on July 29, 2015, in the midst of protests in Turkey regarding the Chinese attitude towards the Uyghur minority, Turkish President Recep Tayyip Erdogan said he expected Turkey to become a "production and logistics base for Chinese entrepreneurs." China's Prime Minister Li Keqiang said that Turkey would benefit from the "One Belt, One Road," and that both sides need deeper cooperation in the fields of new energy sources, telecommunications, and railway infrastructure. See: "China, Turkey can ensure sound development," *Xinhua*, internet, news.xinhuanet.com/english/.../c_134464102.htm.

¹²¹ The available data on Chinese investment in Greece must be accepted with caution. See also: "FDI in Greece during the period 2004–2014," Foreign Direct Investment—ENTERPRISE GREECE; as well as: "FDI home by country" (2009–2015)—Bank of Greece, Internet, www.bankofgreece.gr/.../FDI_HOME_BY_COUNTRY.xls.

way that Greece—which has become a global symbol of collapse due to debt—is making its way out of the crisis.¹²²

We have already noted that the objectives of China's investment in Piraeus are aligned with the goals of improving the supply chain of Chinese goods to Europe, the Arabian Peninsula, and North Africa. But the question is: where is the win-win position for Greece.¹²³ Due to the importance of its geographic and transportation location for Chinese trade, Greece has more opportunities to take advantage of the new Chinese economic initiative to serve as a lever to overcome its own financial crisis. In the short-term, Greece can offer the privatization of other ports and airports, the value of which will increase over the long-term if viewed through the lens of BRI. Without the interest of Chinese capital, Greek asset prices would reach bargain basement levels. The Greek business community estimates that China's investment in the port of Piraeus is profitable and beneficial to the Greek public sector, since Chinese management of the port has led to spectacular growth in its efficiency, and the travel time of various goods has been reduced from 30 to 20 days.¹²⁴ In the long-term, cooperation with China is expanding the Greek economy's shipping and logistical services markets, the export of typical Mediterranean products, as well as the tourism industry along the Maritime Road. By supporting China's initiative, Greece could strengthen its position in Southeast Europe through a deeper connection with Adriatic ports and a high-speed rail link from Athens to Skopje, Belgrade, and Budapest.

WITHIN the context of the main "Belt and Road" map, Serbia does not have the strategic transportation and geographic position of Turkey and Greece. What it does have is the shortest land route from Europe to Central Asia, which traverses its territory.

¹²² See: "China says has limited Greek investments, little default impact," *South China Morning Post*, July 8, 2015, internet, www.scmp.com/.../china/.../china-says-it-has-few-in.

¹²³ Yannis Palaoglos, "China's New Silk Road Might Save Greece," *Politico*, January 5, 2015.

¹²⁴ Trade unions and employees in the port of Piraeus, which is under Chinese administration, have a different picture of the consequences of China's investment. See: Pierre Rimbart, "Pirejski neravnopravni sporazumi," *Le Monde diplomatique*, March 8, 2013, Internet, lemondediplomatique.hr/pirejski-neravnopravni-sporazumi/.

Through the Danube and its eastern neighbors of Romania and Bulgaria, Serbia is part of the Black Sea Region, which is an important area for communication between Europe and Asia. The Danube connects the Black Sea with the industrial centers of Western Europe and Rotterdam.

Serbia's activities within the "China + 16" initiative have influenced its transformation into an important country for the transfer of Chinese goods to the markets of Central and Eastern Europe. By participating in the "Belt and Road" initiative, Serbia has a chance to increase its energy and transport capacity, which could provide it with a better position in the global economy and improve the quality of life of its citizens. Further integration in the direction of the European Union, together with an increase in the level of economic relations with the engines of growth of the Eurasian economies, is not a matter of choice for Serbia, but rather corresponds to a strategic adjustment to the realities of international relations.

Compared to other countries in Southeast Europe, Serbia has several important advantages. China sees Serbia as a friend and stable political partner with which it has a harmonized approach at the multilateral level.

Belgrade and Beijing have had a long history of good relations.¹²⁵ Since 2009, mutual cooperation is being undertaken within the framework of the Strategic Partnership Agreement, which reflects a high level of alignment in political and economic relations. This agreement simplifies commercial cooperation between the two countries, as it enables the completion of certain deals without public tenders, but rather on the basis of an intergovernmental agreement, thereby offering important investors a sense of security.¹²⁶ The strategic partnership with China has raised the international reputation of Serbia in the region and throughout Europe.

¹²⁵ Relations between Serbia and China developed within the framework of Yugoslavia of Josip Broz, and following that within the Federal Republic of Yugoslavia, which was established in 1992 as a joint state of Serbia and Montenegro and ultimately the state union with Montenegro, after 2003.

¹²⁶ For the analysis of Serbia's strategic partnerships, see: Dragan Đukanović, Dragan Živojinović, "Strateška partnerstva Republike Srbije," Yearbook, no. 6, FPN, Belgrade, December 2011.

Serbia's economic goals are focused on the development of more complex forms of economic relations with China. In addition to trade, there is also economic cooperation in the FDI area, as well as work to achieve a more balanced level of bilateral trade. By 2020, China could become the largest investor in Serbia.¹²⁷

In the present phase of economic relations with Serbia, China is playing the role of builder and banker, as well as serving as an investor in the energy, transportation, agricultural, and telecommunications sectors. The interest rates charged by Chinese banks are below three percent, with a grace period of three to five years and the option of paying in Chinese or local currency. The China Development Bank and China's State Export-Import Bank (EXIM), unlike the IMF, does not interfere in Serbia's economic policymaking and does not require privatization. Despite this, Serbia, which has no room for additional debt, seeks the realization of projects through concessions or public-private partnerships.

China built its first European bridge in Serbia using workers from China.¹²⁸ The total Chinese investment in the Serbian electric power industry could amount to more than \$2 billion (the revitalization of the Kostolac thermal power plant, the construction of a new block in the Kostolac thermal power plant, the use of renewable energy sources in Vojvodina).¹²⁹ Investment in the Serbian energy sector is seen by Chinese companies as the gateway to the European energy market, where earnings are high and the return on equity relatively quick.

¹²⁷ The assessment of then Minister of Foreign Affairs of Serbia, Vuk Jeremić, during his visit to the economically rich Chinese province of Guangdong in 2011. The leadership of the province signed a memorandum of cooperation with the Serbian Autonomous Province of Vojvodina. See: Internet, www.rts.rs

¹²⁸ The Zemun-Borča Bridge over the Danube, named "Mihajlo Pupin," whose construction began in 2011, was opened in late 2014 during the Summit of the Heads of Government of China and Central and Eastern European Countries in Belgrade, Serbia. The total value of the bridge, with access roads, is about \$260 million, and of this amount 85 percent was financed by the Chinese EXIM Bank, with the remaining 15 percent coming from the budgets of the Republic of Serbia and the City of Belgrade.

¹²⁹ For more on the Serbian energy sector and renewable energy sources, see: *A Roadmap for Deploying Renewable Energy Sources in Serbia and the Regional Perspective*, CIRSD, Belgrade, November 2015.

Serbia has gained experience in doing business with Chinese banks, construction, energy, and transport companies, and has been successful in developing bilateral and multilateral relations with the country. These are all factors that allow it to direct relations towards it becoming the coordinating hub for Chinese infrastructure investment and logistics, trade, research and development, production, and distribution in Southeast Europe.¹³⁰ Serbia can also explore new opportunities in the exercising of its interests outside of bilateral agreements. Based on this, one might conclude that Serbia is capable of initiating and setting the regional agenda for coordinating cooperation between the countries of Southeast Europe and China within the “Belt and Road” and “China + 16” initiatives.¹³¹ The aim of this agenda could be to increase the competitiveness of the region in relation to Chinese capital. The introduction, for example, of the concept of continuous consultations on regional economic initiatives with the Chinese side would have a two-fold benefit. First, the countries of Southeast Europe would enhance mutual cooperation in the sectors of transportation infrastructure, energy, trade, industry, agriculture, education, and culture. Second, their economic interests within the “Belt and Road” would be more easily attainable by portraying them simultaneously as the interests of Southeast Europe as a region.

The development of Serbia as a coordinator for the “China + 16” initiative, and as an important partner within the “Belt and Road,” is not inconsistent with its status as an EU membership candidate; on the contrary, it is in line with the partnership being developed by China and the European Union.

China has accepted Serbia as a strategic partner in Southeast Europe, but such relations do not hinder Serbia in the simultaneous development of partnerships with Russia, the United States, and the European Union,

¹³⁰ In the Suzhou Guidelines of November 24, 2015, the participants “welcome and support Serbia in leading the efforts to establish a China-CEEC association on transport and infrastructure cooperation.” See: “The Suzhou Guidelines for Cooperation between China and Central and Eastern European Countries,” Internet, www.fmprc.gov.cn/mfa_eng/zxxx.../t1318039.shtml.

¹³¹ Romania and China have developed a special relationship in the energy sector, and Romania’s goal is to lead the dialogue on energy sector projects within the framework of “One Belt, One Road.” Bulgaria wants the coordinating role for transport infrastructure, arguing its ambitions by its geostrategic position on the border between Europe and Asia and the passage of the most important BRI and “China + 16” corridors through Bulgaria.

which makes it an even more interesting partner for China. Maneuvering between great world powers, economic blocs, economic associations, and other groups is very complex, but has proven to be feasible and beneficial to Serbia's interests. Today, the economic progress of each country depends on its ability to maintain beneficial relationships with as many economic groupings and networks as possible, regardless of which great power initiated them.

By taking part in the "Belt and Road" initiative, Serbia will have the opportunity to participate in a new phase of economic globalization, which aims to accelerate the flow of goods, people, and capital through the infrastructure connectivity of Asia, Europe, and Africa. In order for Serbia to progress, it is important that its road and rail infrastructure, alongside its regional and European orientation, also obtains a Eurasian dimension. This has been the viewpoint from the onset: local benefits are not enough, and membership in the European Union does not seem so far to guarantee a good connection of its members from Southeast Europe with the West, nor with the rest of the world. Southeast Europe has no high-speed railway. A train trip from Zagreb to Munich takes nine hours, which is the same as it was 35 years ago. Many Southeast European countries conduct their international air transport via cities such as Frankfurt, Vienna, and Paris—with Air Serbia being the exception that proves the rule.

Serbia has signed a trilateral agreement with China and Hungary to build a high-speed railway between Belgrade and Budapest. Investment in Serbian railways will improve the transport position of Serbia and increase its attractiveness for foreign direct investment—not only from China, but also from transnational companies from other countries. This will bring Serbia closer to Central Europe and the European Union.¹³² As was already clarified, the Belgrade-Budapest railway has the potential to become part of the route connecting Athens, a "Belt and Road" strategic

¹³² The agreement was signed at the Summit of Heads of Government of China and Central and Eastern European Countries in Belgrade, on 16 and 17 December, 2014.

node, with Macedonia, Serbia, and Hungary, as well as the countries of Western Europe. Chinese company COSCO and the railways of Serbia, Greece, and the Czech Republic opened a new transport route from Piraeus to Prague in 2014. A container train between these two termini now transports goods once a week—with plans to increase the number of freight trains six to seven fold.¹³³

China's EXIM Bank will provide funding for the high-speed rail to the tune of \$2.5 billion, and it will be built by the China Railway and Construction Corporation (CRCC). Chinese companies are the main contractors in projects implemented within the framework of "China + 16" and the Belt and Road Initiative, which is one of the conditions for financing the projects. For the Chinese state leadership, it is essential for these demands to be met, although this approach could bring some limitations for the countries of Southeast Europe.

BRI represents an opportunity for Serbia to develop into one of the centers of the road network that exports goods from Asia to Europe, as well as the export of goods from Chinese production facilities in Serbia and Europe to Asia and Africa. China already imports agricultural products from Bulgaria, where it has leased land and began production.

Following the completion of all sections of the highway leading from Timișoara, via Vršac, Belgrade, Čačak, Požega, and Podgorica, ending in the port town of Bar, Serbia will become transport competitive on a European and global level. Serbian river ports on the international Danube waterway will be connected to ports on the South Adriatic coast (Montenegro, Albania, Italy) via road and rail. China envisions all these ports as future free trade zones.

Through its inclusion in the Corridor X project, which stretches from

¹³³ For more, see: "Generalni direktori srpskih i grčkih železnica dogovorili teretni saobraćaj između luke Pirej i Češke—u martu kreće prvi voz," February 24, 2014, Internet, www.zeleznicesrbije.com/.../51048.html.

Austria to Greece and Turkey, Serbia will become part of one of the most important Pan-European road corridors.¹³⁴

The Serbian strategy for rail, road, water, air and intermodal transport is in line with the Trans-European Transport Networks of road and rail transport routes in Europe. Connecting Serbia with transport corridors that facilitate transportation between Eastern and Western Europe, as well as within Southeast Europe and Europe and Asia, will require large investments for which Serbia lacks capital, which has forced it to go into debt. Participation in BRI could prove to be one way for a decent return on investment in transport infrastructure and an economic growth incentive through the increase of direct investment.

¹³⁴ In 2010, Slovenia launched an initiative for the merger of the state railways of Slovenia, Croatia, and Serbia into the *Cargo 10* Joint Venture, named after the Pan-European multimodal corridor, which starts at Salzburg and passes through Slovenia, Croatia, Serbia, and FYR Macedonia. One branch of this corridor goes from Niš to Skopje and Thessaloniki, the second from Sofia to Istanbul. The aim of the initiative is to reduce customs and other controls, along with increasing competitiveness with faster transport in relation to Corridor IV. The initiative was supported by FYR Macedonia and "Railways of the Federation of Bosnia-Herzegovina," while interest was shown in Austria, Bulgaria, Greece, Italy, and Germany, with an expectation for the inclusion of Turkey. The joint venture has yet to be registered.

NATIONAL INTERESTS AND JOINT COOPERATION PRIORITIES

JOINT PARTICIPATION in economic growth in the context of BRI under the leadership of China is a matter of political decision-making for each Southeast European country. It is impossible to reach such a decision without an economic calculation of the systematic and long-term benefits that could accrue from involvement in China's flagship global initiative, without knowing the direction of changes in the current setting of international relations, and a readiness for national economic development to be planned and coordinated with other countries along BRI. This is crucial for each participating country.

Nothing positive will occur in the economies of Southeast Europe if the Belt and Road Initiative is interpreted superficially, such as seeing BRI as merely a new source for borrowing money, or forming a dependence on Chinese capital and trade. Furthermore, loans for financing major infrastructure projects could prove to be dangerous if these investments do not produce a high multiplier effect: that is to say, if no new jobs are created, exports and productivity are not increased, long-term GDP growth does not result, and inclusion in existing and new economic corridors of Eurasia does not take place.

Southeast European countries have the ability to analyze—and even to imitate, in the segments in which that is feasible—the way in which developed economies realize their interests in relation to the economic growth of China. Belgium is one of the founders of AIIB, and its port of Antwerp plays a leading role in maritime trade routes from China to Europe. Antwerp's Port Authority has already set up a working group to advance the interests of the port in connection with BRI, within which it plans to become a trade center with Africa.

A PRAGMATIC approach to the initiative is not an expression of distrust in the vision of mutual benefit, nor is it a turn towards narrow selfish interests. It is a mechanism for the realistic implementation of the *win-win* principle, which is an essential characteristic of BRI.¹³⁵ China has set clear economic goals that it wishes to achieve through the construction of the “Belt and Road.” It has determined its areas of interest in terms of investment: public procurement, transport, logistics, trade and shipbuilding, ship maintenance, and energy. It has also determined the conditions under which it will approve loans and invest capital, and the cooperation that it promotes should bring benefits to its economy, as well as to the economies of its partners. Finally, BRI is defined as an open initiative for improving policies, mechanisms, and measures, as well as for defining the interests of countries in the context of BRI.

The countries of Southeast Europe are expected to propose and support projects by which they can achieve their own national development interests, regional development interests, the interests of BRI as a whole, and the development interests of the entire world. Without understanding and harmonizing all of these interests, and cooperating in accordance with them, it will be difficult, if not impossible, to build the “Belt and Road.” The official project document on this issue is very precise: the implementation and success of BRI depends on the establishment of multi-layer cooperation. The countries involved in the project can achieve bilateral and multilateral cooperation regardless of the challenges posed by differences in business cultures, political systems, and standards in the industry, trade, traffic, and energy sectors. The document’s starting point is that there is “huge potential and scope for cooperation,” should the countries involved in BRI focus on promoting cooperation in five priority areas: policy coordination, facilitating connectivity, unimpeded trade, financial integration, and people-to-people bonds.¹³⁶

¹³⁵ See: EBRD, “Transition Report 2014.” EBRD believes that Chinese investors are interested in investing in this part of Europe and will support such an orientation that is potentially useful for all parties. EBRD sees the Chinese projects as a *win-win*.

¹³⁶ See: Chapter IV. Cooperation Priorities in “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road,” *op. cit.*

People-to-people bonds are a classic form of cooperation that is realized through cultural, academic and media exchanges, tourism, political organizations, and parliaments. Cooperation on the coordination of economic policies, facilitating connectivity, unimpeded trade, and financial integration, are, however, demanding forms of cooperation. This kind of cooperation could cause large-scale shifts in the transportation and energy infrastructure sectors by connecting Asia, Europe, and Africa.

JOINT economic development depends on promoting economic and trade policy coordination through “intergovernmental cooperation, building a multi-level intergovernmental macro policy exchange and communication mechanism, expanding shared interests, enhancing mutual political trust, and reaching new cooperation consensus. Countries along BRI routes may fully coordinate their economic development strategies and policies, work out plans and measures for regional cooperation, negotiate to solve cooperation-related issues, and jointly provide policy support for the implementation of practical cooperation and large-scale projects.”¹³⁷

The aim of the joint economic development of “countries along BRI should improve the connectivity of their infrastructure construction plans and technical standard systems, jointly push forward the construction of international trunk passageways, and form an infrastructure network connecting all sub-regions in Asia, and between Asia, Europe and Africa step by step. At the same time, efforts should be made to promote green and low-carbon infrastructure construction and operation management, taking into full account the impact of climate change on construction.”¹³⁸

According to the BRI official document, the objectives of the “Belt and Road” in the field of investment and trade growth can be only be achieved if the stakeholders “remove investment and trade barriers for the creation of a sound business environment within the region

¹³⁷ Ibid.

¹³⁸ Ibid.

and in all related countries. We will discuss with countries and regions along the BRI routes on opening free trade areas, so as to unleash the potential for expanded cooperation.”¹³⁹

This will require, inter alia, multilateral and bilateral negotiations on the harmonization of customs regulations and laws, as well as other forms of regulating trade.

WIN-WIN results will depend on the financial integration of the countries along BRI for the building of a stable financial system and an increased ability for predicting potential financial crises. In the first stage, the focus is on Asia. “We should strengthen practical cooperation of the China-ASEAN Interbank Association and Shanghai Cooperation Organization Interbank Association, and carry out multilateral financial cooperation in the form of syndicated loans and bank credit. We will support the efforts of the governments of the countries along BRI and their companies and financial institutions with good credit-rating to issue Renminbi bonds in China. Qualified Chinese financial institutions and companies are encouraged to issue bonds in both Renminbi and foreign currencies outside China, and to use the funds thus collected in countries along BRI.”¹⁴⁰

The establishment of cooperation in priority areas will depend on negotiation and the mutual economic and political confidence of countries that participate in the construction of the transnational “Belt and Road” project. The leaders of Southeast European countries announce to their publics, in the first phase defined by the signing of the agreement on the joint development of the BRI vision, as well as promoting the project—that achievement of cooperation priorities and the idea of “joint development” of Asia, Europe, and Africa requires significant effort, and that the harmonization process will be a lengthy one.

¹³⁹ Ibid.

¹⁴⁰ Ibid.

The Belt and Road Initiative and its Implications for Southeast Europe

The essence of the initiative is in the following: any country wishing to advance within the framework of BRI cannot achieve its economic development if it is not part of the whole that is the “Belt and Road.” On the other hand, for the “Belt and Road” initiative to progress, the development of each of its parts must be assured.

CONCLUSION

ONE COULD APPLY to the 21st century the words of Former U.S. President Woodrow Wilson: “We are citizens of the world. The tragedy of our times is that we do not know this.” With this project, China has shown optimism with regard to the prospects for global development, irrespective of wars and terrorism, opting to strategically promote the growth of economic interdependence and the interconnection of interests.

The development of Southeast Europe depends on the availability of capital, but also on the ability to understand the course of events and processes in international economic relations, which have already entered a new stage of restructuring on a global scale.

Enhanced cooperation and the integration of the economies of Southeast Europe in the direction of Eurasia may seem like a radical change from a local perspective. Common geography, history, language, culture, religion, and civilization are crucial for a local position. The issue is that neither local nor European perspectives have the ability to fully comprehend global economic events and, thus, cannot ensure the necessary developmental step forward.

NEW geo-economic trends and the evolution of China into a global investor require Southeast European countries to simultaneously consider the regional, European, Transatlantic, and Eurasian perspective of their industries, roads, ports, and airports—both in the present and future world.

Entry into the age of the “Belt and Road” requires significant changes in the functioning of regional cooperation, a different promotion of the benefits of investment, and a harmonization of medium- and long-term national development plans with those of the Chinese initiative.

In the new world economic order, the existing forms of economic integration of the Southeast European countries are not able to fully meet the region’s

economic development expectations. The existing paradigm of regional cooperation must be changed, which is something that requires political leaders to shape their economic policies in accordance with the principles of networking trade, manufacturing, transportation, and finance, in order to benefit from the next phase of global integration and minimize the potential risks of an economic slowdown in the next decade. In any case, the ideas and events that triggered the development of Southeast Europe in the 1990s and 2000s, however piecemeal, cannot today grasp the essence of current world economic events. One should not engage in debates about whether the evident changes in international economic relations are real or not, but rather consider their significance, figure what drives this change, and consider how best to adapt to these new currents.

THE EXISTENCE of several world economic “centers,” a result of the development of China and other Asian countries, make the Eurasian economic partnership seem as natural as the Transatlantic Trade and Investment Partnership. Integration is the only adequate policy for the 21st century, regardless of the geographical direction of connectivity.

China will continue its rise as a global economic powerhouse independent of the possible difficulties in adapting its economy to the new model of economic development and financial liberalization. The “Belt and Road,” through its idea on the development of the infrastructure, telecommunications, intellectual, and tourist connectivity of Asia, Europe, and East Africa, is a project that has the potential to achieve win-win outcomes for all. This policy paper recommends that Southeast European countries include themselves in the future *Zeitgeist* of “joint development,” which is far from simple, because it requires the ability to compete with other economies, many of which are more advanced than those of this region.

THROUGH participation in BRI, Southeast European countries have a unique opportunity to attract Chinese capital in circumstances characterized by the fact that the state leadership in Beijing has chosen

to enter into a new stage of opening up to the world. Existing experience with China in terms of development capacity, as well as China's practical competence to engage in the strategic planning, management, and implementation of projects, inspires confidence in the feasibility of BRI. Recent Chinese practice has not lost touch with the tradition of strategic thinking and upholding a system of meritocracy.¹⁴¹

Connecting transportation structures in the direction of Eurasia with the growth of Chinese investment, and the growth of exports from Southeast Europe to China, as well as Chinese exports to Europe, will lead to economic interdependence between China and Southeast Europe. It is wrong to interpret the development of relations in this direction as “anti-EU” or “anti-American.” It would be more realistic to describe it as a course of integration into global economic development. The deepening of relations with China, due to the strengthening of the influence of its capital on the state of the world economic order, is not reserved for Southeast European countries—it represents the dominant economic motive of all developing economies.

THE THESIS that argues that the construction of BRI will result in the exclusive growth of Chinese exports and the deindustrialization of Europe must be analyzed on the basis of the fact that a large portion of Chinese exports to Europe are exports of Japan, South Korea, and transnational companies (including EU companies)—that is to say non-Chinese businesses with operations in China. Direct investment by EU companies in China is also one of the reasons for the increase of China's surplus in trade with the EU. In the largest category of Chinese exports to the EU—machines and electronics—Chinese companies have 10 percent profit from sales, while the remaining 90 percent belongs to

¹⁴¹ For more on the features of “political meritocracy” and Chinese mechanisms on choosing leaders who cannot reach the top before they have proven themselves at the local and provincial levels, see: Daniel A. Bell, *The China Model: Political Meritocracy and the Limits of Democracy*, Princeton University Press, 2015. Also see the book by Yan Xuetong, *Ancient Chinese Thought, Modern Chinese Power*, Princeton University Press, 2011. It apparently influenced Bell. See also the book by David M. Lampton, *Following the leader: Ruling China, from Deng Xiaoping to Xi Jinping*.

foreign companies operating in China. Chinese companies make less than 5 percent of the profits in the textile industry.¹⁴²

There will always be those who interpret the economic connection of China and Southeast Europe as an unnatural partnership that could undermine the geopolitical balance in Europe. Using concrete arguments, this policy paper has demonstrated that the evolution of relations between China and the European Union represents a supportive environment and a call for the inclusion of Southeast Europe in the “Belt and Road.” The EU is no longer the same integrated bloc it was a decade or two ago—China has changed, as has the world. This means that there is a high probability for strong cooperation with China to become an important aspect of European foreign policy.

Southeast European leaders have demonstrated an interest in formally adhering to the Belt and Road Initiative. In the initial phase, it would be focused on the promotion of this project’s benefits and its ability to change the development prospects of the countries of Southeast Europe, which are now on the economic periphery of Europe regardless of whether they are members of the EU or not. At the 2015 Summit of Heads of Government of China and Central and Eastern European Countries in Suzhou, Southeast European countries showed interest in signing an agreement similar to the one already signed by Hungary.¹⁴³

Given the obvious progress that has occurred in economic relations between China and Southeast Europe within the framework of the “China + 16” initiative, it can be assumed that participation in the construction of BRI

¹⁴² See: Chen Xin, “Trade and Economic Cooperation between China and CEE Countries,” Working Paper Series on European Studies Institute of European Studies, Chinese Academy of Social Sciences, Vol. 6, No. 2, 2012.

¹⁴³ On June 6, 2015 in Budapest, Hungary signed a Memorandum of Understanding with China, which was supported by China’s initiative for the common development of a vision of “One Belt, One Road.” The Hungarian Foreign Minister, Péter Szijjártó, said that the Chinese project is “one of the most important concepts in international trade.” Hungary was the first EU country to formally join the construction of BRI. See: “Hungary first European country to sign up for China Silk Road plan,” *Reuters*, Jun 6, 2015, Internet, www.reuters.com/.../us-china-hungary-id.

would allow Southeast European countries to transform into new growth markets. There are numerous examples of countries that have enjoyed great benefits from economic relations with China.

The processes of transportation and energy connectivity between Southeast Europe and Eurasia are not one-directional. The Belt and Road, with its multilateralism, openness, connectivity, and the removal of trade and other barriers, makes it easier for the countries of Southeast Europe to enter the huge markets of China and other Asian countries. At the same time, it points the way for them to cooperate with those Chinese provinces that have an important place in the development of economic corridors to Europe.

Participation in this project requires large investments in new transport infrastructure, as well as in the modernization of existing systems. In most cases, the countries of Southeast Europe themselves lack the funds for such ventures. A favorable geographic position, seas, rivers, and other natural resources are not capital in themselves, and do not guarantee—without new investment—the inclusion of Southeast Europe in the transport and other economic networks of Eurasia, which form an important part of the global economy.

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