Sieps
Swedish Institute for European Policy Studies

2020:1

Compatible Interests? The EU and China's Belt and Road Initiative

Svante E. Cornell
Niklas Swanström

POLICIES OF THE EUROPEAN UNION

Svante E. Cornell and Niklas Swanström

Compatible Interests? The EU and China's Belt and Road Initiative

– SIEPS 2020:1 –

Report no. 1
January 2020

Published by the Swedish Institute for European Policy Studies

This publication is available at www.sieps.se
The opinions expressed in the publication are those of the authors.

Cover design by LuxLucid
Print by EO Grafiska AB

Stockholm, January 2020

ISSN 1651-8942
ISBN 978-91-86107-86-4

Preface

The rise of China as an economic and military power after the end of the cold war has been widely discussed and scrutinized in terms of its impact on the world system and the struggle between major states. The launch of the Belt and Road Initiative (BRI) by the Chinese government in 2013 to integrate the Eurasian landmass through large-scale trade corridors has been perceived as a key feature of Chinese political and economic expansion.

Parallel to this development lies the weakening of the multilateral institutional infrastructure of the 20th century that has been central for the prosperity and success of the EU. With a European Union burdened with internal crises and political divergence, these conditions have sparked a debate on the future of the community and its capabilities to define and defend its interests.

Against this backdrop, SIEPS aims to make sense of the major political and economic impact of the Chinese initiative launched in 2013. In this report, the authors examine the planned trade routes connecting Europe and China via Central Asia along with their geo-political and geo-economic implications. Additionally, the analysis raises the question whether the interests and fundamental values of the EU are compatible with the political structure of the BRI.

Göran von Sydow
Director

About the authors

Svante Cornell is a co-founder and Director of the Institute for Security and Development Policy (ISDP). He directs ISDP's Joint Center with the American Foreign Policy Council, the Central Asia-Caucasus Institute & Silk Road Studies Program. Cornell is the author or editor of several books, most recently *Long Game on the Silk Road: US and EU Strategy for Central Asia and the Caucasus*, with S. F. Starr. He holds a Ph.D. in Peace and Conflict Studies from Uppsala University and has previously held positions as Associate Professor in Government at Uppsala University and Associate Professor at Johns Hopkins University's Paul H. Nitze School of Advanced International Studies. Cornell is a member of the Royal Swedish Academy of War Sciences.

Niklas Swanström is Director and co-founder of the Institute for Security and Development Policy (ISDP). He is a Fellow at the Foreign Policy Institute of The Johns Hopkins University's Paul H. Nitze School of Advanced International Studies (SAIS) and a Guest Professor at Leshan Normal University. Swanström is the author, co-author and editor of several books, including *Eurasia's ascent in Energy and Geopolitics* and *Sino-Japanese relations: The need for Conflict Prevention and Management*. He holds a Ph.D. and a Licentiate degree in Peace and Conflict Studies from Uppsala University.

Acknowledgements

The authors would like to express their gratitude to several colleagues at the ISDP and the American Foreign Policy Council for their research contributions to this paper. Fatoumata Diallo contributed much of the research on China's BRI. Alexander Gran provided research on China's interactions with Eastern European states. Hayden Gilmore contributed research on China's interactions with Central Asia. Julian Tucker provided useful comments on the entire manuscript, and Oskar Gustafson assisted with editing.

Table of contents

Executive Summary 6

1 Introduction 10

2 The EU, China, and the Resurgence of Continental Transport and Trade in Eurasia 12

2.1 Overview of EU–China Relations 15

2.2 EU and Chinese Initiatives 17

2.3 Impediments 20

3 The BRI in Europe and Eurasia 22

3.1 Central and Southwest Asia 22

3.2 The South Caucasus 24

3.3 Belarus and Ukraine 28

3.4 Turkey 32

3.5 The 17+1 Initiative 33

4 Making Sense of the BRI 37

4.1 Origins of the BRI 37

4.2 The Rationale behind the Belt and Road Initiative 39

4.3 Financial Architecture of the BRI 42

4.4 Financial Challenges 44

4.5 Project Implementation 45

4.6 Influence and Implications for Governance and the Rule of Law 46

4.7 Rule of Law and Legal Challenges 47

5 EU Policies and the BRI 48

5.1 EU Foreign Policy: From the Lisbon Treaty to a Global Strategy 48

5.2 EU and Continental Trade 50

5.3 EU Thinking in Eurasia: Candidates and Partners 52

6 Are Chinese and European Interests Compatible? 59

7 Conclusions and Implications 63

References 66

Svensk sammanfattning 77

Executive Summary

While China and the European Union are at opposite ends of the Eurasian continent, booming trade, along with China's rise as a global power, has made their relationship increasingly multi-faceted. The launch of China's Belt and Road Initiative, which reaches into the EU itself, has raised questions about the initiative's implications for Europe. While the EU, China, and the countries between them all share an interest in the development of continental trade routes, the opacity and modalities of the BRI have led the initiative to be increasingly controversial. However, the BRI cannot be seen in a vacuum: the rise of a more assertive China is taking place in parallel with the challenge of managing a more aggressive Russia, an increasingly chaotic neighbourhood east and south of the Mediterranean, and a transatlantic link that is increasingly in doubt.

This study seeks to answer several questions that the BRI has raised for the EU. First, what are the implications of the initiative, particularly in Eastern European and Eurasian states? This includes an analysis of what China is seeking to achieve, how the BRI is structured, and what implications it has for the rule of law and political and economic development in the states concerned. Second, how do Chinese interests compare with the EU's own interests in this region? This requires the study to determine what the EU's interests are, how it has sought to achieve them, and how the EU's approach to these regions – and to China – has evolved. The third and most important question is whether the Chinese and EU interests are compatible.

The BRI emerged in 2013, twenty years after the EU itself launched a project to create a transport corridor linking Europe with China across the Caucasus and Central Asia. In this sense, both the EU and China are working towards what the World Bank has termed "one of the main defining features of the twenty-first century," namely the re-integration of the Eurasian continent following the collapse of the Soviet Union. In addition, the rationale for such transportation links is apparent: the EU, China, and the countries between them stand to benefit from the opening of continental transportation routes to complement the over 90 per cent of Europe–China trade that is carried by sea or air.

The BRI was launched as a series of land corridors through Eurasia, complemented by a maritime network across the Indian Ocean. China's presence in Central Asia predates the announcement of the BRI, as the Chinese infrastructure project was developed from the late 1990s onwards. More recent is China's economic outreach to countries closer to the EU, including Ukraine, Belarus, Turkey, and the South Caucasus. Most noteworthy is the 17+1 initiative (previously 16+1 until Greece joined in April 2019), which brings together a mix of EU members and aspirant countries in Eastern and Southeastern Europe.

The BRI is an attempt to achieve a holistic framework for the development of global mega-projects designed to increase connectivity and trade between China and the rest of the world, and in this sense it is in line with previous Chinese economic policies but unprecedented in its scope and ambitions. Beyond its impact on connectivity, the BRI is a response to the overcapacity weighing down several sectors of China's economy by allowing the development of new opportunities for Chinese enterprises confronted with a saturated domestic market. It is also connected to China's transition to a new economic model that seeks to redirect the drivers of growth from external to internal factors, with the BRI serving as a shock absorber to reduce the negative spillovers from the economic rebalancing. Finally, it serves to counter the regional development disparities in China by boosting development in inland areas, which have developed more slowly than China's coastal regions.

While China presents the BRI as an inherently economic project, it has important geopolitical implications. Reducing the reliance on maritime chokepoints is by itself a geopolitical goal, but the BRI also serves to reassert China's geopolitical influence in Eurasia and the Indian Ocean and contributes to balancing the US presence in the region. The development of port facilities and coastal infrastructure under the Maritime Silk Road initiative also serves to facilitate the development of Chinese blue-water naval capabilities. Thus, the BRI is inextricably linked to China's long-term vision of its role in world politics in the middle of the twenty-first century.

The BRI is extremely expensive, with total investments in the trillions of dollars. China has implemented a vast financial network to support it, backed by multiple public and private actors. The key financiers of the BRI are China's "policy banks" and large non-commercial banks as well as newly set up sovereign wealth funds and novel financial institutions like the Asian Infrastructure Investment Bank. Still, the scale of the BRI means that it requires the influx of private investors to finance its projects, and the financial challenges involved are significant: these include concerns about the sustainability of a financial model mainly carried by Chinese state-owned banks and the lack of transparency in the financing process, including the terms and conditions of the loans and the lack of coordination between financial donors. Ensuring debt sustainability has emerged as one of the most important issues. Several observers have raised concerns over the long-term implications of the Chinese debt-financed infrastructure, warning of a debt trap – there are already several cases in which projects have put recipient countries in debt distress, forcing them to grant China a lease on their lands.

Aside from this, several successful achievements should not obscure the fact that there has been a large number of "white elephant" projects that have failed to materialize, for example as a result of conflicts with the local population over either environmental concerns or the Chinese insistence on bringing Chinese labour for construction. In addition, while China has promoted an alternative set of norms and ideas on governance and cooperation that differs from the Western governance model – theoretically based on win–win thinking and South–South cooperation, within the implementation process, it has often been perceived as neo-colonial and focusing on China's gains at the expense of local partners. Furthermore, because Chinese financial aid comes without economic or political conditionality, Western donors have criticized it for eroding the bargaining power of their own agencies and thus undermining the efforts to improve good governance, human rights protection, and the rule of law in aid recipient countries.

Meanwhile, the EU's approach to the countries to its east has been indexed almost exclusively on the question of European integration, grouping states on the basis of their level of integration with EU institutions. As such, the EU has not paid considerable attention to its concrete political or economic interests in designing instruments for its relationships with candidate states like Turkey or Southeastern Europe, associated states like those of the Eastern Partnership, or external partners like Mongolia or Central Asia. Thus, geopolitical, economic, or trade factors have been secondary at best in EU thinking, which may have made sense in the immediate post-Cold War era but no longer does in an era when the EU's relationship with the countries to its east cannot rely solely on the power of its normative values. Recent experience has suggested that a new approach is needed – one that will focus to a much greater extent on European *interests*, not solely European norms and values. The EU must act not only as a European *project* but as a European *power*.

From this perspective, China's rise presents important opportunities: Beijing's involvement in Central Asia, and more recently in Belarus and Ukraine, has helped to strengthen the sovereignty and independence of the region's countries, a goal shared by the EU. Geopolitically, all the talk of a Russian–Chinese alliance obscures the reality that, in Eurasia, China's interests appear to be aligned more with the EU than with Russia.

Still, the problems involved with the BRI listed above also pose challenges for the EU. Beyond problems of debt and corruption, the growing Chinese influence cannot be dissociated from the model of governance that China is increasingly promoting – one built around a single party led by a strong leader. To the extent that China is promoting this model in its foreign relations, it stands in direct contradiction to the governance model that the EU is seeking to promote. When China promotes it *within* the boundaries of the EU itself, it becomes tantamount to a direct challenge to the EU's internal governance. The Chinese influence potentially forms a direct counterweight to the European political norms that transcend the EU border itself.

For future EU policies, this reality calls for an engagement with China and the BRI that is driven by clearly identified European *interests*. This would entail recognizing common interests but engaging with aid recipient states in a way that influences the manner in which they frame their ties to Beijing. This would mean tailoring EU policies to the estimated impact of Chinese activities. Concretely, this approach could mean complementing China's focus on hard infrastructure with an emphasis on rule of law, capacity building, and institutional reforms, along with supporting European investment banks to promote infrastructural projects that are in the interests of the EU and aid recipient states. It could also mean targeting Chinese companies directly for sanctions if, for example, they violate EU legislation in EU countries. Such an EU approach would signal that the EU and China have common interests and that the EU is prepared to support some Chinese efforts that are key to its leadership but that the EU is also willing to stand up for its own interests and to defend them against Chinese encroachments.

1 Introduction

China and the EU are at opposite ends of the Eurasian continent, yet this land mass is increasingly acting as a bridge rather than a barrier between them. In the past quarter of a century, international trade has surged, while the Eurasian heartland has re-emerged on the international scene following the collapse of the Soviet Union. As China, the EU, and the many countries in the vast area between them have worked to develop continental land trade routes, China and the EU have inevitably sought greater influence over various parts of the Eurasian landmass.

For many years, China developed its presence in these areas cautiously and discreetly. That changed in 2013, when Chinese President Xi Jinping, in two major speeches, announced the creation of a massive initiative to connect China with markets in Europe, Eurasia, the Middle East, and Africa. This initiative was first known as "One Belt, One Road" and subsequently renamed the "Belt and Road Initiative" (BRI). Given that the BRI includes close to seventy countries and investment pledges that exceed a trillion dollars, it has been termed one of the largest infrastructure and investment projects in history. Its significance is as much political as economic: China's state media coverage of the initiative has left no doubt that it has become a signature initiative for President Xi Jinping.

Nevertheless, while the BRI is undoubtedly a political and economic behemoth, it is also notoriously difficult to define. As one American scholar put it, "mapping the BRI is part art, part science".[1] The project lacks a concrete definition and has no clear timeline, and it is not always obvious which infrastructure projects are in fact a result of Chinese investments. Multiple projects that have now received the BRI label originated before Xi's official formulation of the initiative. In light of this, it would be fairer to view the BRI as an umbrella concept encompassing several different economic projects and infrastructural investments. Furthermore, while the BRI is a relatively young initiative, it has also become controversial. Because BRI projects are largely financed by loans with terms that are less than transparent, a number of countries that have sought financing through the BRI have already found themselves to be heavily indebted. In political terms, the sheer size of the BRI has led to concerns that the initiative is a vehicle for Chinese global political ambitions.

The BRI is also increasingly relevant from a European perspective. In principle, the EU and China have common interests: expanding continental trade across Eurasia is in the interest not only of the EU and China but also of the nations along the

---

[1] Jonathan E. Hillman, *How Big is China's Belt and Road?* Center for Strategic and International Studies, 3 April 2018 (https://www.csis.org/analysis/how-big-chinas-belt-and-road).

way. However, as China extends the BRI into areas in the EU's neighbourhood, indeed into the EU itself, the implications of the initiative hit closer to home.

From a European perspective, the BRI cannot be seen in a vacuum: the rise of a more assertive China is taking place in parallel with the challenge of managing a more aggressive Russia, an increasingly chaotic neighbourhood east and south of the Mediterranean, and a transatlantic link that is increasingly in doubt. These developments all challenge the very foundation on which the EU was built: a world governed not by raw power but by international norms and rules of conduct. The world seemed to be moving in such a direction when the key treaties governing the EU were created in the aftermath of the Cold War. The problem is that this is no longer necessarily the case, particularly in Europe's neighbourhood. As Robert D. Kaplan observed in *The Return of Marco Polo's World*, Eurasia is increasingly characterized by a "tightly wound interconnectedness of weakening states and faded empires". Kaplan's insight is that anarchy and greater connectivity will happen simultaneously, not one at the expense of the other, and may in fact reinforce each other.[2] In this emerging Eurasia, large powers, such as Russia, China, Iran, and Turkey, seem once again to be behaving increasingly as empires, rather than as nation states bound by the rules of the international system. They are increasingly engaging in brinkmanship, assertively seeking influence on the territory of neighbouring states, the sovereignty of which they circumvent or ignore, and simultaneously engaging in rivalry and cooperation with one another.

This raises a number of fundamental questions for the EU. First, what are the implications of China's Belt and Road Initiative, particularly in Eastern European and Eurasian states? This involves an analysis of what China is seeking to achieve, how the BRI is structured, and what implications it has for the rule of law and political and economic development in the states concerned.

Second, how do Chinese interests compare with the EU's own interests in this region? This requires the determination of the EU's interests, how it has sought to achieve them, and how the EU's approach to these regions – and to China – has evolved. The third and most important question is whether the Chinese and EU interests are compatible.

This study aims to answer these questions. An introductory chapter sets the scene by presenting the rationale for continental transport and trade as well as discussing how far it has progressed and the impediments to its developments. Subsequent chapters then treat, respectively, the activities and rationale for Chinese and European approaches to territories in Eurasia before concluding with a discussion of the compatibility of EU and Chinese interests and a forward look at what the future might entail.

---

[2] Robert D. Kaplan, *The Return of Marco Polo's World: War Strategy, and American Interests in the Twenty-First Century*, New York: Random House, 2018, p. 28.

2 The EU, China, and the Resurgence of Continental Transport and Trade in Eurasia

Over the past century, one of the most remarkable global developments has been the exponential increase in world trade. In 1950, exports and imports combined only constituted some 20 per cent of the world GDP, estimated at $10 trillion in 2011 dollars. By 2015, the figure had reached 60 per cent – of a GDP of over $100 trillion.[3] Meanwhile, a cursory glance at trade statistics shows clearly the prominence of three hubs of global trade: North America, Western Europe, and East Asia. As far as Europe is concerned, the most rapid development in recent decades has been the rise of trade with China: China was the EU's second-largest trade partner after the United States in 2018; the EU was China's largest trade partner in 2016.[4] The emerging trade conflict between the US and China, and potentially between the US and the EU, is likely only to reinforce the importance of the bilateral relationship between China and the EU.

The EU and China are located at each end of the Eurasian continent, with almost 4,500 kilometres separating the EU's eastern border with China's western border. Nearly 90 per cent of EU–China trade by volume is carried by sea, with most of the remainder shipped by air. If measured by value, however, the share of air transport rises to over a quarter. The use of air and sea transport may seem natural given the considerable distance between the EU and China and because of the low cost of maritime trade. However, the fact that so little trade is carried by land is a historical anomaly. Since the collapse of the Soviet Union, however, both the EU and China have taken an interest in this prospect, while countries along the way have invested considerably in infrastructure. The emerging land-based transport networks follow the traditional trade routes over the Eurasian landmass to no small degree.

Centuries ago, the so-called Silk Roads provided overland links between the main commercial centres of China, India, the Middle East, and Europe, bringing wealth and prosperity. Such long-distance trade also served as a valuable two-way conduit for the exchange of culture and technology between the major centres of

3 Our World in Data, "Globalization over Five Centuries" (https://ourworldindata.org/wp-content/uploads/2013/05/ourworldindata_world-trade-over-5-centuries.png).

4 European Commission, *Client and Supplier Countries of the EU28 in Merchandise Trade (Value %) (2016, Excluding Intra-EU Trade* (www.trade.ec.europa.eu/doclib/docs/2006/september/tradoc_122530.pdf).

civilization in Europe and Asia. However, soaring tariffs and mounting insecurity along the land routes some five hundred years ago fostered the opening of sea lanes between the East and the West. This also led to the fading of the traditional role of the inner Eurasian lands as a commercial hub – and accelerated their economic and intellectual decay, a development that was exacerbated by British and Russian imperial advances towards the heart of the Eurasian continent. Subsequently, with the creation of the Soviet Union, ancient and diversified routes were replaced by a single hub-and-spoke transport system oriented around Moscow.

A number of factors over the past 25 years have created opportunities for a revival of overland trade across the Eurasian continent. The collapse of the Soviet Union and the rise of global trade are only the most obvious among them. While globalization was fuelled by improvements in technology and the reduction of transportation costs, the parts of Eurasia that were under Soviet domination were not able to benefit from this process until they had gained sovereignty and independence in 1989–1991. Even then, these states – particularly those that had been not only part of the Warsaw Pact but also components of the Soviet Union – faced the monumental task of building functioning state institutions, often from scratch, and reconnecting their economies and infrastructure to their neighbours, from which they had been artificially separated for a century or more. In effect, only today – a quarter of a century after independence – have these states completed the initial state-building process and can fully step out onto the world scene.[5]

As this happens, it creates unprecedented opportunities for the re-integration of the Eurasian continent, something that the World Bank has termed "one of the main defining features of the twenty-first century".[6] Today, trade between the leading Eurasian economies, that is, those at the western and eastern edges of the "world island", account for a preponderant share of global trade.[7] However, wealth on the Eurasian continent is strongly concentrated on the coastlines. As *The Economist* noted in 2015, there is a strong global correlation by which landlocked areas are less wealthy and less well managed than their coastal counterparts.[8] This is true between countries but within them as well: hinterlands far from the coast are often at an economic disadvantage compared with coastal areas. Nevertheless, over the past quarter of a century, there have been massive

---

5 S. Frederick Starr and Svante E. Cornell, *Long Game on the Silk Road: US and EU Strategy for Central Asia and the Caucasus*, Lanham, MD: Rowman & Littlefield, 2018, pp. 15–38.

6 Cordula Rastogi and Jean-Francois Arvis, *Eurasian Connection: Supply Chain Efficiency along the Modern Silk Route through Central Asia*, Washington, DC: World Bank Group.

7 Johannes Linn, "Central Asian Regional Integration and Cooperation: Reality or Mirage?", in *EDB Eurasian Integration Yearbook 2012*, ed. Evgeny Vinokurov, Almaty, Kazakhstan: Eurasian Development Bank, 2012, pp. 96–117.

8 "Interiors", *The Economist*, 9 May 2015 (https://www.economist.com/the-americas/2015/05/09/interiors).

efforts to develop inland areas of Eurasia. The EU has expanded into Central and Eastern Europe, with considerable economic development as a result. Similarly, China has invested heavily in its western areas, the most remarkable example of which is the 3.5-million-strong modern city of Urumqi in the Xinjiang-Uyghur Autonomous Province.

The restored trade corridors across the continent not only provide additional means of communication and trade between Europe and China but also make it possible for the landlocked Eurasian hinterlands to partake in global commerce and exchange high-value goods efficiently. There are several areas that stand to benefit from this development. They include, first and foremost, the republics of Central Asia and Afghanistan, which were the core of the ancient Silk Roads and where new trade hubs are likely to emerge. Similarly, Russia's Urals region and southern Siberia stand to benefit, as do northern Pakistan, eastern Iran, the South Caucasus, and eastern Turkey. All would be able to gain from improved access to the goods, capital, and labour markets of their continental neighbours, not to mention the profits to be reaped from more traditional forms of transit trade.

The logic for continental trade is, therefore, straightforward: the EU, China, and the countries between them stand to benefit from the opening of continental transport routes. However, which goods will be carried through this corridor? A Chinese proverb states that, if one wants to be wealthy, one should build a road, but, in a market economy, a road or railway will not be used only because it has been built – it needs to make economic sense for someone actually to use it.

As noted earlier, nearly 90 per cent of the trade between Europe and China is transported by ship, predominantly via the Suez Canal and the straits of Hormuz and Malacca. Most of the remaining volume is flown by air. Nevertheless, these two options are not satisfactory: air transport is extremely fast but prohibitively expensive for anything more bulky than small, high-value goods, like consumer electronics. Sea transport, by contrast, is very cheap but also very slow – a container departing from the Chinese coast can take a month to reach its destination in Europe.

In this context, land trade provides an attractive alternative to sea and air transport for certain goods – those that are too bulky to be shipped efficiently by air but that require faster delivery than sea trade can offer. Moreover, land trade routes would reduce the dependency on the overcrowded chokepoints of global trade – the Suez Canal and the straits of Hormuz and Malacca.

Land trade routes may not be the most appealing choice for coast-to-coast shipments – such as a shipment from Shanghai to Hamburg or Hanoi to London, for which a direct sea route exists. However, for trade between *inland* areas – say, Lanzhou to Warsaw or Chengdu to Dresden – it may be appealing. Since such trade already requires land shipments at both ends, it may be expedient to send goods directly across the continent rather than sending them eastwards to the Pacific coast, only to have them delivered far to the west of their destination on the Atlantic coast.

Political factors are relevant as well. Both the EU and China have an interest in the stabilization and political and economic development of their neighbouring states. The EU has long wrestled with the fact that it is surrounded, to its south and east, by weaker, poorer states that pose significant challenges to its own stability. The conflicts in Syria and Libya, the 2015 migrant crisis, and the war in Ukraine are prominent illustrations of this fact. Similarly, China has been concerned with the stability of neighbouring states in Central Asia and Southeast Asia. While the exact objectives and instruments display considerable differences, the EU and China have both launched initiatives to tie neighbouring states more closely to them and increase their respective influence over them.

2.1 Overview of EU–China Relations

Sino-EU relations are complicated, and there are as many policies concerning China as there are Member States. This is the very weakness of the EU's "China policy". There is no doubt that Sino-EU relations have greatly evolved since the implementation of the Strategic Partnership in 2003, as a result of China's role in Europe's economic growth but also in some cases its political development. The 2013 EU–China 2020 Strategic Agenda for Cooperation, "EU-China: A Strategic Outlook"[9] and the 2016 *Elements for a New EU Strategy on China*[10] currently form the core of the policy framework for their relations.[11] The two partners have committed to cooperating in several areas of common interests, such as supporting global peace and security efforts, protecting multilateralism and combatting protectionism, promoting free trade, innovation, and global sustainable development, and increasing connectivity and people-to-people exchange. Apart from the obvious common interests in creating economic development and promoting global peace, there are crucial differences between the EU and China, which rest primarily in the core values of the two partners. The EU's engagement with China at the diplomatic level has been governed by the promotion of principles and core values such as "democracy, the rule of law, human rights and respect for the principles of the UN Charter and international

---

9 European Commission and HR/VP, *EU-China – A Strategic Outlook*, Joint Communication to the European Parliament, the European Council and the Council, Strasbourg, 12 March 2019 (https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf).

10 European Commission and HR/VP, *Elements for a New EU Strategy on China*, Joint Communication to the European Parliament, the European Council and the Council, Strasbourg, 22 June 2016 (http://eeas.europa.eu/archives/docs/china/docs/joint_communication_to_the_european_parliament_and_the_council__elements_for_a_new_eu_strategy_on_china.pdf).

11 European Commission, *China* (http://ec.europa.eu/trade/policy/countries-and-regions/countries/china/).

law".[12] There remain substantial divergences of opinion between China and the EU in most of those areas, presenting an important impediment to cooperation. While the EU has put the respect for democracy, the rule of law, and human rights at the forefront of its external actions, the EU states consider that Beijing has yet to uphold the same commitments. They have cited the increasingly grave and sustained civil and political rights violations, restrictions on the freedom of expression and religion, and repression of human rights defenders and civil society activists. Nevertheless, against the backdrop of what the EU sees as deteriorating human rights records under Xi Jinping's leadership – especially concerning the crackdown against the Uighurs in Xinjiang – the international community has refrained from confronting China strongly on the matter. Although the EU has been pursuing efforts for dialogue and negotiations, these have largely failed to materialize into concrete actions and have not offered much of a breakthrough. This moderate approach appears to reflect the EU's desire to balance its commitment to its core values and interests with its desire to maintain opportunities for dialogue and cooperation with a partner that has now become a key player on the international scene. In contrast to this accommodative behaviour, the EU has stated that China is a strategic competitor that poses a growing threat to the EU's economic interests and values and that China is a systemic rival promoting alternative models of governance.[13] It is increasingly evident that China is both a strategic competitor and – maybe more controversially – a polarizing force within the EU, as the EU seems to be divided on the importance of core values and what constitutes them.

At the economic level, the EU and China have deepened trade and investment links. Beijing is currently the EU's largest trading partner, and the EU–China trade totals over €1 billion per day. The EU has advocated cooperation based on balanced and reciprocal benefits, including greater access to Chinese markets for European enterprises. One of the main priorities outlined by the EU is to pursue negotiations for the signature of a bilateral investment agreement (BIA) and a free trade agreement (FTA) with China. However, given the differences in their respective economic systems, progress has been slow. China still faces heavy criticism from the EU for its manipulative state capitalism tactics. The manipulation of the yuan, which is kept undervalued to maximize Beijing's own economic advantages, has generated longstanding complaints. Further, China's deficits in the rule of law and accountability have facilitated multiple cases of violation of intellectual property rights and forced technology transfers. Moreover, its over-reliance on sovereign wealth funds for investments and to support the growth of state-owned enterprises has been criticized because of its lack of transparency.

---

12 European Commission, *Frequently Asked Questions on EU–China Relations*, Fact Sheet, 1 June 2017 (http://europa.eu/rapid/press-release_MEMO-16-2258_en.htm).

13 European Commission and HR/VP, *EU-China – A Strategic Outlook*, Joint Communication to the European Parliament, the European Council and the Council, Strasbourg, 12 March 2019 (https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf).

2.2 EU and Chinese Initiatives

As early as 1992, the EU launched an initiative known as TRACECA – Transport Corridor Europe–Caucasus–Asia – that developed the vision of a continental trade corridor to East Asia. By the mid-1990s, China had begun to develop the first of its trade corridors west – investing simultaneously in a trade corridor across Russia towards Europe and in another linking western China with Central Asia. In 2003, the EU launched the European Neighbourhood Policy, which sought to create a mechanism to regulate its relations with states to its east. This was superseded by the Eastern Partnership, created in 2009. As for Beijing, it launched the Silk Road Economic Belt initiative focusing on Central Asia in 2013; this would form part of the larger framework dubbed "One Belt, One Road", was subsequently renamed the "Belt and Road Initiative".[14] Thus, the BRI did not come from nowhere: it integrated a myriad of initiatives dating back to when the Central Asian states became independent in the early 1990s.[15]

For some time, the European and Chinese efforts in their respective neighbourhoods did not overlap, but it was inevitable that they would. In 2007, the EU launched a Central Asia strategy, which is currently in the process of being revised. Soon afterwards, in 2012, China launched the 16+1 mechanism, a consultative body to organize its relationship with Central and Eastern European countries. Importantly, the latter body includes not only Balkan countries that aspire to EU membership but also eleven member states of the European Union, something that has created a stir in the EU. Subsequently, 16+1 effectively became 17+1 with the inclusion of Greece in 2019 and for all practical purposes 18+1 with Italy, which is formally not a member but is eyeing the initiative with great interest. These initiatives will be treated in detail in subsequent chapters as will the question whether they have been accompanied by a concomitant use of land trade routes.

As noted, the primary driving force of the "New Silk Roads" is the expanding trade between the EU and China, which increased from $93 billion to $560 billion from 2002 to 2013. In 2012, more than 90 million tons of goods were exchanged between the EU-27 and China.[16]

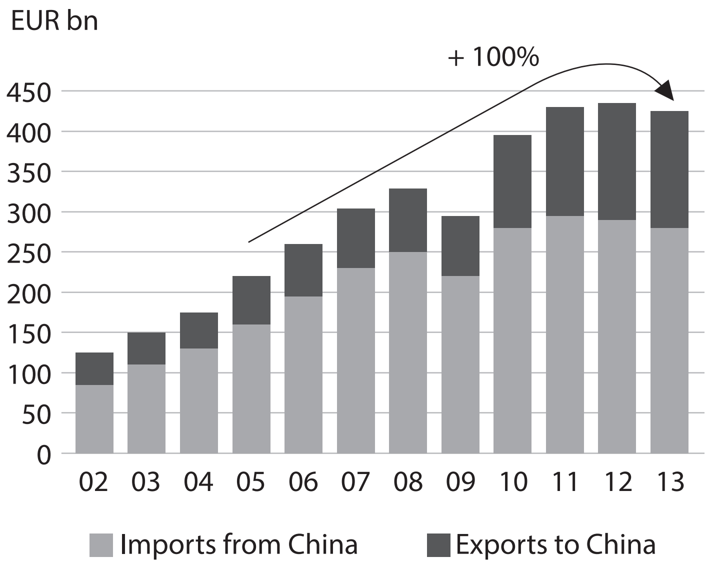
The logic of the development of continental trade and transport links rests above all on capturing a portion of this burgeoning trade. Growing volumes on the overland links would also help to cut transport costs, thus raising the

[14] Confusingly for Western audiences, the OBOR initiative referred to the land bridge across Eurasia as a "Belt", while the maritime initiative in the Indian Ocean and Arabian Sea was termed the "Road".

[15] Niklas Swanström, "China and Central Asia: A New Great Game or Traditional Vassal Relations?" *Journal of Contemporary China*, vol. 14 no. 45, 2005, pp. 569–584; Swanström, "China Conquers Central Asia through Trade", *Central Asia-Caucasus Analyst*, 11 April 2001.

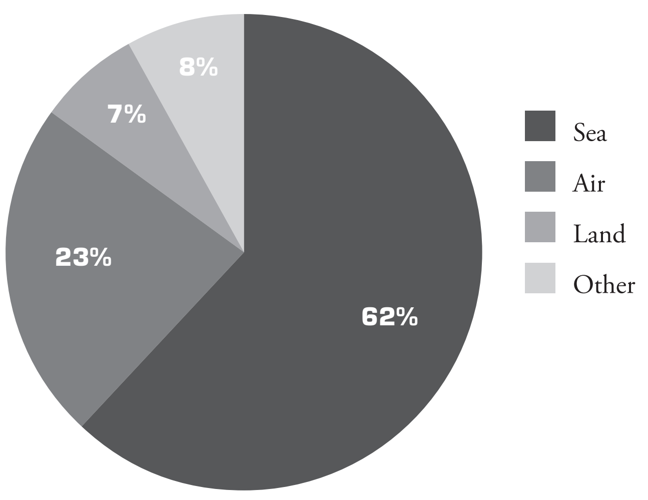
[16] United Nations Economic Commission for Europe, *Transport Links between Europe and Asia, New Challenges*, 30 August 2013 (http://www.unece.org/fileadmin/DAM/trans/doc/2013/wp5/wp5-eatl/EATL_8th_session_InfDoc1e.pdf).

Figure 1 Doubling of EU–China Trade, 2005–2013



Sources: Eurostat, Deutsche Bank Research

Figure 2 Distribution of EU–China Trade by Mode of Transport in 2012



Sources: Eurostat, Deutsche Bank Research competitiveness of these trade routes, and attract transport and logistics firms to make further use of them.

However, rail and road links still lag far behind sea-based transport options. This is the case with respect to both the tonnage and the value of the products transported. In terms of value, slightly over 60 per cent of the traded goods between the EU and China in 2012 were transported by sea and almost a quarter by air, while road and rail accounted for less than 8 per cent.[17]

In other words, overland trade is still in its infancy. This is the case in spite of China's increasing trading ties with Eastern and Central Europe, which would be particularly suitable for overland or intermodal transport. China's trade with Eastern and Central Europe increased nearly tenfold from 2002 to 2013, from $6.8 billion to $58 billion, while its trade with all the CIS countries together expanded from $16 billion to $153.5 billion during the same period of time.[18]

The growth of both the Chinese and the East and Central European economies fuelled this growth in trade. Xinjiang, for example, has recorded an average growth rate of about 10 percent since 1991,[19] while Eastern and Central European countries grew by an average of nearly 5 per cent between 2000 and 2008.[20] This economic boom has slowed since the 2008 financial crisis, and growth is continuing at a slower pace. Xinjiang has emerged as one of the most important hubs for China's BRI, and the investments in the region have been consistent.

These factors have led to growing recognition of the further potential of overland trade and transport links. For instance, the official statement issued by the Milan Summit of the Asia–Europe Meeting (ASEM) in October 2014 noted the potential growth of value of better connectivity and improved transport between Europe and Asia along the New Silk Road.[21] According to the then President of the European Council, Herman von Rompuy, overland transport has become "a priority" in Asia–Europe cooperation, drawing on the experiences of trans-European networks and the ASEAN's "Masterplan on Connectivity".[22] In April 2015, ASEM transportation ministers gathered in Riga for a meeting on "Euro-

---

17 Ibid.

18 IMF, *Direction of Trade Statistics Yearbook 2009,* Washington: IMF, *2009*; IMF, *Direction of Trade Statistics,* Washington; IMF, *June 2014*.

19 Deutsche Bank Research, "Province: Xinjiang", in *Emerging Markets – China Chartbook*, September 2015 (https://www.dbresearch.com/PROD/DBR_INTERNET_EN-PROD/PROD0000000000247542.pdf).

20 Eric Labaye et al., *A New Dawn: Reigniting Growth in Eastern and Central Europe*, McKinsey Global Institute, December 2013 (http://www.mckinsey.com/insights/economic_studies/a_new_dawn_reigniting_growth_in_central_and_eastern_europe).

21 Summit statements are available at: http://www.consilium.europa.eu/en/meetings/international-summit/2014/10/16-17/.

22 Ibid.

Asia Multimodal Transport Connectivity", and the 11th ASEM Summit was held in 2016 in landlocked Mongolia. In parallel with this diplomatic activity, private sector interest has also begun to grow.

2.3 Impediments

The overland corridors of trade are shorter than the sea routes but are presently inefficient and, in some cases, relatively expensive. Several obstacles must be overcome to make overland transport corridors genuinely competitive. The first is the continued weakness of the infrastructure. The road, rail, and air infrastructure connecting former Soviet states with the rest of the world was extremely limited and suffered from the dilapidation that affected much of late Soviet-era infrastructure. The deep economic depression following independence – with GDP losses exceeding 50 per cent in many states – allowed infrastructure to decay further and made it impossible for local states to invest in the maintenance of transportation links, let alone engage in hugely expensive projects such as the building of tunnels, bridges, and airports. Only in the past decade has this problem begun to be overcome. External funding has been the key to this, but high oil prices have allowed oil-producing states, such as Azerbaijan and Kazakhstan, to invest heavily in infrastructure as well.

The problem of "hard" infrastructure is likely to be overcome over time. As will be seen, a key issue remains the conditions under which Chinese-funded projects are implemented. However, even the completion of road and rail infrastructure will not meet the criteria necessary to restore inner Eurasia's role as a transport corridor. Other impediments range from the legal, economic, tax, organizational, and banking sectors to security issues. Furthermore, there is a need to achieve greater efficiency at border crossings and create integrated and competitive intermodal transportation and logistics networks across Eurasia. The heart of the problem is that bottlenecks in one section of a given route end up affecting the entire route and those trading along it.

It must be noted that booming China–EU trade and other economic drivers of continental trade are gradually dissolving the institutional impediments. Previously, while China, India, Pakistan, Ukraine, and Russia were all WTO members, as were the EU member states, many countries within inner Eurasia were not. Kyrgyzstan had already joined in 1998, and Armenia and Georgia followed soon afterwards, but most Central Asian states opted to stay outside the WTO, as did Afghanistan and Azerbaijan. This factor served as an impediment to continental trade. However, Afghanistan, Kazakhstan, and Tajikistan have all recently joined the WTO, and, following the initiation of large-scale economic reforms in Uzbekistan, this country is now seriously addressing the issue of WTO membership. Azerbaijan is also ramping up its efforts to gain membership, and even Turkmenistan has taken cautious steps in the same direction. The incorporation of all of inner Eurasia into the WTO could make some progress towards removing the existing institutional impediments to the extension of continental land trade. This is of course dependent on the WTO continuing to carry international weight and on the proposed reforms succeeding in revitalizing the organization.

In theory, the formation in 2015 of the Eurasian Economic Union (EEU), comprising Russia, Belarus, Kazakhstan, Kyrgyzstan, and Armenia, should have removed the post-Soviet customs barriers that have impeded trade and transit across the continent. However, that has come at the price of forcing members like Kazakhstan to hike their tariffs against other trading partners. Moreover, Kazakhstan's membership to date has not insulated the country from discriminatory Russian infringements on free trade *within* the EEU.[23] In any case, it has become clear to many that the EEU is for now primarily a political project and one that has yet to deliver its announced economic benefits.

This background provides a backdrop to a focused overview of the Chinese Belt and Road Initiative as it concerns Europe and Eurasia.

---

[23] Sergei Gretsky, "Hanging in the Trade Balance: Is Free Trade a Curse for Kazakhstan?", *Central Asia–Caucasus Analyst* vol. 17 no. 11, 10 June 2015 (http://www.cacianalyst.org/publications/analytical-articles/item/13228).

3 The BRI in Europe and Eurasia

China's presence has developed gradually across Eurasia into Europe, extending roughly from east to west. China's influence in neighbouring areas, like Pakistan and Central Asia, has increased rapidly; meanwhile, in the past several years, its presence has begun to be felt as far away as the Eastern Partnership countries and the Western Balkans as well as within the European Union itself.

3.1 Central and Southwest Asia

President Xi Jinping launched the "Silk Road Economic Belt" in Astana in September 2013, a month before making a similar announcement regarding the "Maritime Silk Road" in Jakarta. This is in itself an indication of the importance that China attaches to Central Asia as a key route for Chinese land trade with Europe. It is not the only one: as noted, China has also invested in routes that transit Russia and has pledged to invest over $50 billion in the China–Pakistan corridor, which links China with the Arabian Sea. Still, Central Asia figured prominently in Chinese thinking from the start. As S. Frederick Starr has observed, in the early days of planning transport routes, Russia worked hard to convince China that it could dispense with Central Asia and route all its trade from western China northwards into Russia, from where goods could be carried through Belarus to the EU.[24] However, while China did help to build one route across Russia, it also ensured that it invested seriously in transport infrastructure in Central Asia and that its transit routes through Central Asia did not only link up towards Russia. It was evident that China did not trust Russia and was not ready to give Moscow a veto over Chinese trade with Europe and the Middle East. On early maps of the BRI, routes connecting Central Asia with Europe through Iran were prominent; subsequently, routes connecting to the South Caucasus across the Caspian Sea were added.

Chinese investments in Central Asia long predate the announcement of the BRI. The most visible investments were in energy infrastructure. In 2005, the China National Petroleum Corporation (CNPC) purchased Petro Kazakhstan for over $4 billion, then the largest foreign acquisition by a Chinese company. In December 2005, the 960-kilometre China–Kazakhstan pipeline, agreed in 1997, began to pump oil. While these projects were being developed, China worked to secure Central Asian natural gas supplies as well. While the idea of exporting Kazakh gas along a parallel line to the Kazakhstan–China oil pipeline dates back

[24] S. Frederick Starr, *U.S. Perspectives on China's Belt and Road Initiative in the South Caucasus and Central Asia*, *International Studies*, vol. 56 no. 2, June 2019.

to 2003, China also moved to secure the much more considerable natural gas resources in Turkmenistan. As early as April 2006, Beijing and Ashgabat signed a framework agreement to this effect. The next year, Uzbekistan also joined the project. The first of two parallel lines carrying gas 1,911 kilometres from Turkmenistan to Xinjiang was completed in November 2009; from there, it connects to China's East–West pipeline system, which reaches the Pacific coast.[25] The importance attached to this project is best illustrated by Chinese President Hu Jintao's participation in the inauguration in December 2009 alongside the presidents of Kazakhstan, Turkmenistan, and Uzbekistan.[26]

Building on these successes in the energy field, China partnered with Central Asian states to develop rail connections that would help to link China to Europe. While Kazakhstan and Uzbekistan, in particular, have invested considerable resources of their own in railway rehabilitation and expansion, China has contributed significant resources. Central to China's strategic approach has been the creation of the "Khorgos Gateway" on the China–Kazakhstan border. Khorgos is a "dry port", a transshipment, warehouse, and manufacturing base and a cross-border free economic zone modelled on Shenzhen, with a projected capacity of half a million twenty-foot container equivalents (TEU).[27] The western corollary to Khorgos is the new $260 million seaport of Kuryk, on Kazakhstan's Caspian coast. China has also invested in railway projects to complete missing elements in the Central Asian railway grid. One important example is the Angren–Pap railway, which provides Uzbekistan with a direct rail connection between Tashkent and Andijan in the Ferghana Valley portion of the country, which is separated from the capital by mountains. Importantly, though, as is the case with many regional projects, the lion's part of the $1.6 billion project was funded by Uzbekistan itself, aided by a $350 million loan from China's Eximbank and $195 million from the World Bank. However, the China Railway Tunnel Group built the key element of the project, a 19-kilometre tunnel under the Kamchik pass.[28] Plans exist to develop this railway further eastwards – linking Andijan with Osh in Kyrgyzstan, through the 3,000-metre-altitude Irkeshtam pass connecting Kyrgyzstan and China, to Kashgar in Xinjiang.[29] In Tajikistan,

[25] Calvin Lee, "China's CNPC Says Central Asia Gas Pipeline Rate to Hit 30 Bcm/y Jun 2012", *Platts*, 16 December 2011 (https://www.platts.com.es/latest-news/natural-gas/singapore/chinas-cnpc-says-central-asia-gas-pipeline-rate-7882712).

[26] Marat Gurt, "China Extends Influence into C. Asia with Pipeline", *Reuters*, 14 December 2009 (https://uk.reuters.com/article/china-pipeline/china-extends-influence-into-c-asia-with-pipeline-idUKSGE5BD0BQ20091214?sp=true).

[27] Wade Shepard, "Khorgos: The New Silk Road's Central Station Comes to Life", *Forbes*, 20 February 2017 (https://www.forbes.com/sites/wadeshepard/2017/02/20/khorgos-the-new-silk-roads-central-station-comes-to-life/#79b602b2c22e).

[28] Mirzohid Rahimov, "The Pap–Angren Railway and Its Geoeconomic Implications for Central Asia", *Central Asia–Caucasus Analyst*, 18 April 2016 (http://cacianalyst.org/publications/analytical-articles/item/13354).

[29] "The New Uzbekistan–Kyrgyzstan–China Railway to Compete with Kazakhstan", *Qazaq Times*, 22 January 2018 (https://qazaqtimes.com/en/article/32135).

China provided a $72 million loan for a railway that links the central regions of the country with the southern Khatlon province.[30]

China has also been involved in the rehabilitation of road networks in Central Asia. The Bank of China has provided loans for the rehabilitation of the highway connecting the Kyrgyz capital of Bishkek via Naryn to Tourugart on the Chinese border. In addition, the Chinese Eximbank has provided loans for the construction of a new highway connecting the north and south of Kyrgyzstan, a $850 million project. These roads will make it possible to connect the Chinese border with Kyrgyzstan to Uzbekistan and Tajikistan.[31]

China does not view Central Asia in isolation: it considers the post-Soviet republics of Central Asia together with Afghanistan and Pakistan as its western neighbours. Thus, the Chinese investments in Central Asia must be seen as part and parcel of the same strategy as the China–Pakistan Economic Corridor as well as the Chinese investments in Afghanistan. While the China–Pakistan Economic Corridor links China with the Gwadar port that China has built on the southwestern coast of Pakistan, it is also involved in a project to connect China through Kyrgyzstan, Tajikistan, and Afghanistan with Iran's railway infrastructure, providing connections to the ports of Bandar Abbas and Chabahar.[32]

In sum, the Chinese vision is grand: a complex web of pipelines and rail and road networks that increase connectivity through Central and west Asia, providing China with land connections to the Arabian sea, the Middle East, and Europe through Central Asia, Afghanistan, and Pakistan.

3.2 The South Caucasus

The South Caucasus occupies a unique place in the BRI project. When it was first announced in 2013, the South Caucasus seemed to be outside the scope of the project. By 2018, however, countries such as Georgia and Azerbaijan, which were not even mentioned in initial drafts, had become important Chinese partners. Though the overall plans still include an infrastructure corridor from Central Asia through Iran to Turkey, the South Caucasus has emerged as a viable alternative route for the corridor – in line with the original EU vision embodied in TRACECA. This corridor runs through Central Asia by rail, across the Caspian Sea by ship, and across the South Caucasus by rail, reaching Europe either through Turkey or via Georgian Black Sea ports to ports in the Balkans and Southeastern Europe. The main advantage of this corridor is that it mostly

---

30 "PM Gets Acquainted with Construction of the Vahdat–Yovon Railway", *Asia-Plus*, 11 April 2016 (https://www.news.tj/en/news/pm-gets-acquainted-construction-vahdat-yovon-railway).

31 "Bishkek–Naryn–Torugart Road Reconstruction 67% Done: Transport Ministry", *AKIpress*, 4 May 2017 (https://akipress.com/news:592106).

32 "China–Kyrgyzstan–Tajikistan–Afghanistan–Iran Railway Corridor to Boost Regional Economies", *The Times of Central Asia*, 15 February 2018 (https://www.timesca.com/index.php/news/19352).

avoids the multiple unstable areas that dot the region: Iran, currently isolated economically; Ukraine, with its conflict in the Donbas; and Russia, with its simmering unrest in the North Caucasus.

To this end, countries in the South Caucasus – primarily Georgia and Azerbaijan and to a much lesser extent Armenia – have invested significant sums in infrastructure and expanded their trade with China to capitalize on their corridor's potential. Chinese investment, while substantive, has not matched the levels or style of regions such as Central Asia or Eastern Europe. Major funding for important infrastructure projects, such as the Baku–Tbilisi–Kars (BTK) railway, has come from non-Chinese sources, and Chinese investment has taken different forms.

In 2015, the first train leaving northern China reached the new Baku port of Alat in six days, having travelled across Kazakhstan and by ferry across the Caspian Sea.[33] In October 2017, the Baku–Tbilisi–Kars railway became operational, connecting the Caspian Sea port with the Turkish railway network. The new Marmaray tunnel under the Bosporus, completed in 2013, connects Turkey's Anatolian rail network with Europe.[34] As a result, there is now an uninterrupted rail connection between China and Europe through Kazakhstan, the Caspian Sea, Azerbaijan, and Georgia, with one line through Turkey into Europe and another connecting to the Georgian seaports of Batumi, Poti, and Anaklia.

Crucially, however, the investments that made this corridor real were not Chinese. Most of the funds were invested by regional states. Azerbaijan financed the Baku–Tbilisi–Kars railway's sections in Azerbaijan and Georgia, while Turkey funded the section on its territory. China instead played a role in Kazakhstan's Kuryk port, and the ports on the Caspian were mainly funded by their respective governments. Georgia's Anaklia port development is run by an American consortium and only has a minority Chinese share.

That said, there is growing coordination among China, Kazakhstan, Azerbaijan, and Georgia. Georgia, which has a Free Trade Agreement with both the EU and China, has emerged as a major Chinese partner in the region, in terms of both investment and logistics, although Russian-related security concerns hang over the partnership. In recent years, China has overtaken Russia to become Georgia's third-largest trading partner and invested heavily in trade

[33] Eva Grey, "Can the Trans-Caspian Route Deliver the Next Freight Revolution?", *Railway Technology*, 3 November 2015 (https://www.railway-technology.com/features/featurecan-the-trans-caspian-route-deliver-the-next-freight-revolution-4684339/).

[34] Constanze Letsch, "Istanbul's Underwater Bosphorus Rail Tunnel Opens to Delight and Foreboding", *The Guardian*, 29 October 2013 (https://www.theguardian.com/world/2013/oct/29/istanbul-underwater-bosphorus-rail-tunnel-european-asian-earthquake).

and economic projects.[35] In the overall scheme of the BRI project, Georgia is important because of its ports on the Black Sea, its tariff regime, and its rail connections to Azerbaijan's Caspian coast. Chinese investment and diplomatic efforts in Georgia have largely focused on tariffs, logistics, and direct economic investment. Port infrastructure investment, such as the Anaklia deep-water port project, is dominated by local and American investors, although Chinese investors joined the project in 2018, contributing $50 million.[36] However, Chinese investment has been minimal beyond a partial stake in the Anaklia project and the purchase of part of a tax-free industrial zone in the port of Poti, which will include port infrastructure.[37]

The Free Trade Agreement between Georgia and China, which came into effect on 1 January 2018, eliminated tariffs on 96.5 per cent of Chinese imports to Georgia and 91 per cent of Georgian exports to China.[38] By 2017, the bilateral trade between the two was worth $939 million, largely consisting of Chinese imports to Georgia.[39] This agreement, combined with Georgia's trade agreements with the EU, allows Georgia to become a trade intermediary between two of the largest economies in the world.

For the Chinese, the benefits are better access to the EU and the diversification of trade corridors. Chinese investment in the broader Georgian economy is focused on the Hualing Group. This Chinese company is the single largest foreign investor in Georgia, with a portfolio centred on real estate, logistics facilities, and a local airline start-up.[40] The Hualing Group's largest project in Georgia is the Hualing Tbilisi Sea New City, a massive new urban centre on the edge of Tbilisi. The project is planned to include the largest trade centre in the South Caucasus region as well as housing and amenities for thousands of people.[41]

---

[35] Emil Avdaliani, "Comment: Georgia Hopes To Use China's One Belt, One Road Project To Break its Dependence on Russia", *BNE Intellinews*, 31 January 2018 (http://www.intellinews.com/comment-georgia- hopes-to-use-china-s-one-belt-one-road-project-to-break-its-dependence-on-russia-136041/).

[36] Franziska Smolnik, *Georgia Positions Itself on China's New Silk Road*, German Institute for International and Security Affairs, March 2018, p. 6 (https://www.swp-berlin.org/fileadmin/contents/products/comments/2018C13_smk.pdf).

[37] Joseph Larsen, "Georgia: The Black Sea Hub for China's 'Belt and Road'", *The Diplomat,* 3 May 2017 (https://thediplomat.com/2017/05/georgia-the-black-sea-hub-for-chinas-belt-and-road/).

[38] Bradley Jardine, "With Port Project, Georgia Seeks Place on China's Belt and Road", 21 February 2018 (https://eurasianet.org/s/with-port-project-georgia-seeks-place-on-chinas-belt-and-road).

[39] John C. K. Daly, "China and Georgia Deepen Transit Cooperation", *Eurasian Daily Monitor*, 25 April 2018 (https://jamestown.org/program/china-and-georgia-deepen-transit-cooperation/).

[40] "Why China is Swooping on Georgia's Airline Industry", *The Economist*, 15 March 2018 (https://www.economist.com/gulliver/2018/03/15/why-china-is-swooping-on-georgias-airline-industry).

[41] Wade Shepard, "Why Is China Building a New City in Georgia?", *Forbes*, 21 August 2016 (https://www.forbes.com/sites/wadeshepard/2016/08/21/why-is-china-building-a-new-city-in-georgia/#1a7f42234f15.

Azerbaijan shows a similar pattern to Georgia: a government actively expanding trade with China and trying to take advantage of BRI-related trade while mostly building the vital infrastructure without Chinese funding. As noted, the most prominent examples of such infrastructure are the BTK railway line and the Alat port. When finished, the port will be able to process up to 1 million cargo containers per year.[42] The BTK railroad is projected to carry up to 5 million cargo containers per year.[43] Both of these projects have received the majority of their funding from the Azerbaijani state, and together they hope to become the spine of the South Caucasus route. The only major exception to this rule is the Trans-Anatolian Natural Gas Pipeline Project, a project designed to transport natural gas from Azerbaijan to Europe, which received a $600 million loan from the Chinese-led Asian Infrastructure Investment Bank in 2016.[44]

Chinese investment is focused on other sectors of the Azerbaijani economy, such as telecommunications, oil, and agriculture. Bilateral trade between the two countries reached $1.29 billion in 2017, and the Azerbaijani state is hoping to attract Chinese investment through industrial parks designated for low-tax foreign investment.[45] According to official Chinese sources, by 2016, Chinese investment had reached approximately $300 million in value.[46] No free trade agreement appears to be on the horizon, and Azerbaijan remains outside the Eurasian Economic Union and has not sought a Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU.

Comparatively, Armenia had seen little Chinese investment by 2018. Yerevan has publicly signalled its willingness to participate in the BRI project on several occasions, such as in 2017 at the St. Petersburg International Economic Forum.[47] However, no large programmes under the BRI aegis have been confirmed. A well-publicized January 2018 meeting between the Chinese Ambassador and the Armenian Prime Minister produced only vague commitments to boosting bilateral trade links and plans to build a $15 million Chinese language school

---

42 Turloch Mooney, "Caspian Sea Port of Baku Builds for China–Europe Overland Links", *Journal of Commerce*, 26 November 2015 (https://www.joc.com/port-news/asian-ports/caspian-sea-port-baku -builds-opportunities-china-europe-overland-links_20151126.html).

43 Radio Free Europe, "Baku–Tbilisi–Kars Railway Line Officially Launched", 30 October 2017 (https://www.rferl.org/a/baku-tbilisi-kars-railway-line-officially-launched-azerbaijan-georgia-turkey/28824764.html).

44 Janne Soukas, "China-Led AIIB Invests in Gas Pipeline Linking Azerbaijan with Turkey, Europe", *GB Times*, 22 December 2016 (https://gbtimes.com/china-led-aiib-invests-gas-pipeline-linking-azerbaijan -turkey-europe).

45 Yin Yeping, "Azerbaijan: A Growing Trade Partner with China", *The Global Times*, 31 May 2018 (http://www.globaltimes.cn/content/1105003.shtml).

46 Fuad Shahbazov, "Baku–Beijing Relations and China's Growing Interest in the South Caucasus", *Eurasian Daily Monitor*, 12 April 2017 (https://jamestown.org/program/baku-beijing-relations-chinas-growing-interest-south-caucasus/).

47 Zhao Hong, "Armenia Open to the Belt and Road Initiative", *CGTN*, 6 June 2017 (https://news.cgtn.com/news/3d41444e3345444e/share_p.html).

in Yerevan.[48] The only hint of a major project in recent years came in March 2018, when a Chinese firm expressed its interest in building a railway to connect Armenia to Iran better, although no formal plans have been announced.[49]

Armenia's lack of connectivity to the BRI project is a result of its ongoing dispute with Azerbaijan over Nagorno-Karabakh: Armenia is largely isolated from the east–west corridor linking Central Asia with Europe across the South Caucasus.

3.3 Belarus and Ukraine

Aside from the South Caucasus artery of trade, China has shown an interest in Ukraine and Belarus. Belarus occupies a unique position in the BRI project. On the one hand, it is located on the most direct rail route from Russia, Central Asia, and China to Europe and avoids unstable areas such as Ukraine and Syria, making it an important partner for the project. Belarus has strained relations with the European Union, with an authoritarian political structure and a semi-planned economy. Bilateral trade between Belarus and China has grown modestly for the last 25 years, and, despite some tangible investment from Chinese companies, Belarus still has a large trade deficit with China.

Trade between Belarus and China grew from $34 million in 1992 to around $2.5 billion in 2010 and up to 2013 consisted mainly of potash and petrochemical products.[50] In recent years, several high-level government declarations have promised stronger Chinese–Belarusian economic ties. In 2013, China and Belarus signed the New Strategic Partnership, and the announcement of the BRI set high expectations for Chinese investment in Belarus. The announcement was followed by a state visit to Belarus by Chinese President Xi Jinping, during which the two countries announced another round of cooperation, investment, and deepening ties.[51] In 2016, Belarusian President Lukashenko and Xi signed another joint declaration of "trustful comprehensive partnership", with more promises of closer ties and economic cooperation.[52]

The outcome so far has been relatively modest. The most prominent project that involves Chinese investment in Belarus is the Great Stone Industrial Park near Minsk. The complex was designed to be a special economic zone for attracting

---

[48] Xinhua, "China, Armenia Discuss Future Trade Collaborations", 1 January 2018 (http://www.xinhuanet.com/english/2018-01/31/c_136937111.htm).

[49] "China Interested in Iran–Armenia Rail Project", *The Financial Tribune*, 6 March 2018 (https://financialtribune.com/articles/economy-business-and-markets/83024/china-interested-in-iran-armenia-rail-project).

[50] Belarus Institute of Strategic Studies, *Belarus and Developing Countries: Faulty Single-Commodity Export Orientation*, 22 July 2013 (http://belinstitute.eu/en/node/1194).

[51] S. Tiezzi, "In Belarus, China Seeks Gateway To Europe", *The Diplomat*, 12 May 2015 (https://thediplomat.com/2015/05/in-belarus-china-seeks-gateway-to-europe/).

[52] "Belarus, China Establish Comprehensive Strategic Partnership Relations", *Belarusian Telegraph Agency*, 29 September 2016 (http://eng.belta.by/president/view/belarus-china-establish-comprehensive- strategic-partnership-relations-94922-2016/).

foreign investment to Belarus, to become a hub of hi-tech manufacturing, biotechnology, and logistics.[53] In theory, Chinese companies could use the park as a launching pad to the EU, and, as of February 2018, the Chinese investment totalled $273 million, with up to $500 million planned by 2020.[54] However, as of 2017, only 13 companies had officially registered to occupy the facilities, none of which were hi-tech companies.[55] The project remains troubled by stiff competition from Kazakhstan for Eurasian Economic Union-bound foreign investment. Furthermore, despite the stricter regulatory environment, Chinese companies have so far preferred to invest directly in the European Union for trade deals.[56] The Belarusian and Chinese governments nevertheless remain committed to the project.[57]

Chinese investment outside the Great Stone project has been modest in scope as well. The primary focus in terms of the BRI project has been on improving the rail connections from Russia to Poland to expand the freight rail capacity. The funding provided for such projects has largely been in the form of Chinese loans to the Belarusian state, and the result has been approximately $2.5 billion in funding for rail improvements over six years from 2011 to 2017, primarily for electrification and concentrated along the corridor from Minsk to the EU border.[58] This investment has resulted in a string of highly publicized freight routes running through Belarus between Chinese cities and various European destinations, mostly in Germany but reaching as far as the United Kingdom.[59] However, these services are fairly new and have to yet to attract substantial traffic. Belarusian Railways estimated that eight trains heading from China to the EU passed through Belarus every day, while the major bottleneck for freight rail remained the Polish border infrastructure.[60] The Belarusian state has continued to

[53] "Great Stone Industrial Park is the Great Hope for the Belarus Government", *BNE Intellinews*, 19 December 2016 (http://www.intellinews.com/great-stone-industrial-park-is-the-great-hope-for-the-belarus- government-111001/).

[54] "Belarus Eyes Becoming Major China–Europe Cargo Hub", *Journal of Commerce*, 1 February 2018 (https://www.joc.com/rail-intermodal/belarus-eyes-becoming-major-china%E2%80%93europe-cargo-hub_20180201.html).

[55] Anais Marin, "Minsk–Beijing: What Kind of Strategic Partnership?" *Russie.Nei.Visions*, No. 102, IFRI, June 2017, p. 5.

[56] Ibid., p. 6.

[57] "Plans To Finish Large Piece of China–Belarus Industrial Park Great Stone Infrastructure by Year End", *Belarusian Telegraph Agency*, 11 May 2018 (http://eng.belta.by/economics/view/plans-to-finish-large- piece-of-china-belarus-industrial-park-great-stone-infrastructure-by-year-end-111606-2018).

[58] "Перспективы роста", *Железнодорожник Белоруссии*, 7 October 2017 (http://xpress.by/2017/10/07/perspektivy-rosta-2/).

[59] "First Rail Freight Service to China Departs UK", *BBC News*, 10 April 2017 (https://www.bbc.com/news/uk-39549077).

[60] Vitaly Lobyrev et al., *Belt and Road Transport Corridors: Barriers and Investment*, Eurasian Development Bank, Institute of Economy and Transport Development, 10 May 2018, p. 14.

support the overall project and in 2018 vowed to double freight rail traffic from China by 2020 by solving the remaining rail capacity issues within Belarus.[61]

The main question is whether Belarus can truly become the launch pad to Europe that the BRI investment promises. Will Chinese companies prefer Belarus's geographical proximity to the EU or Serbia or Hungary's institutional proximity to the EU as destinations for their foreign investment? The answers to such questions will determine whether BRI projects in Belarus can use their continuing state support to generate more substantial economic gains for the country.

Chinese–Ukrainian economic relations have improved in the areas of rail, ports, agriculture, and machinery manufacturing. However, Ukraine was included in the 17+1 mechanism, the regional association of states created by China to coordinate trade, investment, and BRI activity in Eastern Europe. Ukraine poses a particular challenge for China, as Beijing is seeking to avoid damaging its relations with Russia through its activities in Ukraine and remains neutral in the Donbass conflict.

In terms of infrastructure, Chinese investment has focused on upgrading the port, highway, and rail capacity. The Ukrainian shipping sector was hit hard by Russia's annexation of Crimea. The country lost two of its largest ports, Sevastopol and Kerch, which cut shipping by 35 per cent.[62] In addition, the 2018 completion of the Kerch Strait bridge is likely to limit the ability of large cargo ships to reach Ukrainian ports on the Sea of Azov, such as Mariupol, further constraining Ukrainian shipping. Ukraine has welcomed Chinese investments to ameliorate the situation. In early 2018, the China Harbor Engineering Company completed a dredging project for the port of Yuzhny, expanding its capacity to accommodate ships of up to 100,000 tons.

Chinese investment has been more prominent in the railway sector. In November 2017, a consortium of Chinese companies signed an agreement to construct a $2 billion expansion of the Kiev metro.[63] The project was presented as part of the BRI and is expected to ease congestion and link previously neglected neighbourhoods to the centre of Kiev. Another headline project for Chinese investment has been the construction of a high-speed railway from the centre of Kiev to the city's main airport, Boryspil International, which is scheduled

---

61 "Plans To Boost China–Europe Rail Freight Traffic via Belarus almost Twofold by 2020", *Belarusian Telegraph Agency*, 4 May 2018 (http://eng.belta.by/economics/view/plans-to-boost-china-europe-rail -freight-traffic-via-belarus-almost-twofold-by-2020-111437-2018/).

62 Veronika Melkozerova, "Chinese Company Ends Project to Deepen Yuzhny Port", *Kyiv Post*, 30 January 2018 (https://www.kyivpost.com/business/chinese-company-ends-project-deepen-yuzhniy- port-video.html).

63 Xinhua, "Chinese Consortium To Build Metro Line in Kiev", 23 November 2017 (http://www.xinhuanet.com/english/2017-11/23/c_136772548.htm).

for completion by the end of 2018.[64] While Ukraine needs these investments, neither is directly related to freight traffic and they are only tangentially related to the flow of goods.

Chinese-supported highway projects in Ukraine are modest, with only a few hundred million dollars of investment targeting highway repair. One of the main programmes is the rehabilitation of the main highway from Kiev to the Russian border.[65] Another project, more pertinent to Chinese trade interests, is the repair of a highway in western Ukraine that is important to the transportation of grain. These projects also reflect the Chinese interest in Ukraine's potential as a cargo corridor, connecting to China through ferries and rail through Georgia and Azerbaijan.[66]

The expansion of Chinese–Ukrainian trade has proceeded slowly but steadily. China could be moving cautiously after the failure of the loans-for-grain agreement, in which Chinese banks extended loans to the Ukrainian state for agricultural investment in return for guaranteed grain shipments to China. The agreement was signed in 2012, and, when the Ukrainian economy collapsed in 2014, the agreement fell by the wayside. China even threatened to sue Ukraine in the London Court of Arbitration.[67] Despite several such failures, Chinese firms have still invested in medium-sized Ukrainian projects in recent years, including deals for aircraft, real estate, grain, and renewable energy.[68] Grain in particular has been an important Ukrainian export to China, and Ukraine has, in recent years, been one of the largest suppliers of various agricultural products to China.[69] The main factor slowing down Ukrainian grain exports has been insufficient rail capacity to meet the demand, which is likely to guide Chinese rail investment in Ukraine.[70] In addition, with the growth of trade ties between Ukraine and the European Union, Chinese companies may aim to set up operations in Ukraine with an eye on easier entry into the EU market.

The Chinese caution is reflected in the broader regional context. Ukraine's absence from the 17+1 mechanism is likely to be part of the reason why no Chinese investment has yet supported cross-border infrastructure projects

---

64 "PM: Project of High-Speed Trains Going Boryspil Airport to be Completed by Late 2018", *Interfax-Ukraine*, 16 February 2018 (https://en.interfax.com.ua/news/economic/485639.html).

65 Xinhua, "Chinese Company Signs Deals To Modernize Highways in Ukraine", 11 October 2017 (http://www.xinhuanet.com/english/2017-10/11/c_136670427.htm).

66 Olena Mykal, "Why China Is Interested in Ukraine", *The Diplomat*, 10 March 2016 (https://thediplomat.com/2016/03/why-china-is-interested-in-ukraine/).

67 China Sues Ukraine for Breach of US$3b Loan-for-Grain Agreement", *South China Morning Post*, 27 February 2014 (http://www.scmp.com/news/china/article/1435976/china-sues-ukraine-breach-us3b-loan-grain-agreement).

68 "China Becomes a Key Trade Partner, Investor in Ukraine", *Kyiv Post*, 12 January 2018 (https://www.kyivpost.com/business/china-becomes-key-trade-partner-investor-ukraine.html?cn-reloaded=1).

69 Mykal, "Why China Is Interested in Ukraine".

70 Xinhua, "Ukraine's Grain Exports Projected To Decline for First Time in 5 years", 30 December 2017 (http://www.xinhuanet.com/english/2017-12/30/c_136860580.htm).

to Poland or Hungary. It also reflects China's efforts to tread carefully in a country that Russia considers to be a vital national security interest. China's statements on the Ukrainian conflict have been measured, calling for diplomacy and negotiations to end the conflict in a way that "take[s] into account the legitimate rights and aspirations of the various regions and ethnic groups within Ukraine ...".[71] This studiously neutral line indicates an ambition to have the best of both worlds, the benefits of investing in Ukraine without antagonizing Russia. The official BRI Europe website has suggested that Chinese investment could serve as a catalyst for reconciliation between Ukraine and Russia.[72] Moscow may in fact prefer Chinese investment in Ukraine to European investment, as European investment would be likely to lead to further European integration. Given the country's position between Europe and Asia, and China's demand for grain, it is probable that that, barring more political instability, Chinese investment will grow in the coming years.

3.4 Turkey

The relations between China and Turkey have traditionally been relatively distant, partly because of Turkey's concern for the plight of Turkic Muslims in Xinjiang. However, in recent years, Beijing has made it a priority to take advantage of the growing rift between Turkey and its Western partners. In 2010, Turkey and China signed a strategic partnership agreement, which saw the rise of both Chinese tourism and bilateral trade. This trade is heavily skewed: of a total trade volume of over $27 billion in 2016, Turkey's imports from China (at $25.4 bn) were more than ten times larger than its exports (at $2.3 bn).[73]

The same year, 2010, witnessed the first joint military exercises between China and a NATO member, as the Chinese Air Force visited Turkey for exercises in which Turkey did not use its F-16 fighters as a result of NATO pressure.[74] There is little doubt that the Turkish–Chinese relationship was affected by Turkey's souring relations with the West. In 2012, Erdoğan had already half-jokingly raised the possibility that Turkey would drop its EU bid for membership of the Shanghai Cooperation Organization.[75] The next year, Turkey awarded an air defence missile contract to the China Precision Machinery Import–Export Corporation (CPMIEC). Turkey backed down from the deal later under heavy

---

[71] Xinhua, "China Calls for Balanced Solution to Ukraine Crisis", 30 May 2018 (http://www.xinhuanet.com/english/2018-05/30/c_137217609.htm).

[72] OBOReurope, "The BRI and the Modernization of Infrastructure in Ukraine", 27 December 2017 (http://www.oboreurope.com/en/infrastructure-ukraine/).

[73] Turkish Ministry of Foreign Affairs, "Turkey–People's Republic of China Economic and Trade Relations", n.d. (http://www.mfa.gov.tr/turkey_s-commercial-and-economic-relations-with-china.en.mfa).

[74] Hay Eytan Cohen Yanarocak, "Turkey and China: Merging Realpolitik with Idealism", *Turkey Analyst*, 20 August 2015 (https://www.turkeyanalyst.org/publications/turkey-analyst-articles/item/426).

[75] "Turkey 'Would Abandon' EU for Shanghai Five", *Hürriyet Daily News*, 27 July 2012 (http://www.hurriyetdailynews.com/turkey-would-abandon-eu-for-shanghai-five-26455).

US pressure, but the award provides context to the greater attractiveness of Turkey for China. It is not just a key piece of the puzzle in China's BRI: it is an opportunity to cultivate a disgruntled major American ally.

Only two weeks after the failed 2016 coup, which Erdoğan suspected American institutions of having been informed of or complicit in, China's Deputy Foreign Minister Zhang Ming visited Turkey to express support.[76] In addition, following the Trump Administration's imposition of punitive US tariffs on Turkey in the summer of 2018, which contributed to a 40 per cent drop in the Turkish currency, Beijing came to Erdoğan's rescue with pledges of $3.6 billion in investments in infrastructure within the framework of the BRI.[77] Thus, in Turkey, it is clear that the motivations behind China's growing presence are as political as they are economic, if not more so.

3.5 The 17+1 Initiative

The 17+1 initiative is one of the more controversial and ambiguous aspects of the Belt and Road Initiative. Officially, it is simply a forum for coordinating investment and economic cooperation among participating members. Though its members, institutions, and projects are easily identified, the intentions of all parties, particularly China, and its ramifications for Europe are much harder to parse. On the one hand, the group could help to focus investment on much-needed infrastructure in Eastern Europe. However, others have contended that the format could increase China's influence inside the EU, to uncertain ends.

The 17+1 group contains Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Montenegro, North Macedonia, Poland, Romania, Slovakia, Slovenia, and Serbia as well as China. It is notable that the initiative does not include any country in the Commonwealth of Independent States, possibly as a result of a Chinese attempt not to intrude into Russia's perceived sphere of influence. The 17+1 mechanism was established in 2012 at a summit in Warsaw and has met every year since then in various Chinese and Eastern European cities.

European countries have sent their heads of state to most 17+1 summits, while the Chinese have sent Li Keqiang, China's Premier. Each annual summit has issued a set of general guidelines to direct activity between China and the members for the following year. These guidelines concentrate on economic and social issues, primarily trying to boost economic cooperation and investment and foster cultural and educational exchanges. For example, the 2013 Bucharest

---

[76] Wang Jin, "After the Failed Coup: A New Dawn for China–Turkey Relations", *The Diplomat*, 10 August 2016 (https://thediplomat.com/2016/08/after-the-failed-coup-a-new-dawn-for-china-turkey-relations/).

[77] Masanori Tobita, "China Money Flows into Turkey as Crisis Creates Opening", *Nikkei Asian Review*, 22 August 2018 (https://asia.nikkei.com/Politics/International-Relations/China-money-flows-into-Turkey-as-crisis-creates-opening).

guidelines declared that the signatories had agreed to "Promote investment and trade cooperation" through mechanisms such as commodity expos, policy symposiums, investment forums, and linkages between Chinese and European financial agencies.[78] These economic programmes include an $11 billion infrastructure investment fund, which aims eventually to reach $50 billion.[79] The guidelines also encouraged political youth exchange programmes, which have involved hundreds of students since 2012.[80]

The most visible results of these summits and guidelines, however, have been connective infrastructure projects, most notably the Belgrade–Budapest high-speed rail project. Announced in 2014, the project was envisioned as a way to increase trade in the Balkans and connect the Chinese-owned Greek port of Piraeus more directly to markets across Europe.[81] The Hungarian section of the plan ran into trouble, however, when the European Commission launched an investigation into the tendering process in Hungary used to award the construction contract. The European Commission alleged that the contract, which was ultimately won by a Chinese company, was not made public, in violation of the EU regulations.[82] The investigation is ongoing and could be a major setback for the project. The Serbian section, which is not governed by such strict tender process rules as in Hungary, is continuing.

These difficulties highlight a common theme of the process across Eastern Europe. Projects outside the EU, such as the Serbian section of the railway, are proceeding the fastest. Chinese investment in Serbia produced a $260 million bridge across the Danube in 2014, bought a $46 million steel plant, and provided another $700 million in loans to the Government for future infrastructure projects.[83] Additionally, highway projects in Montenegro, Albania, and Bosnia and Herzegovina are in the planning stages or under construction.[84] Projects

78 Government of Romania, *The Bucharest Guidelines for Cooperation between China and Central and Eastern European Countries*", 27 November 2013 (http://gov.ro/en/news/the-bucharest-guidelines-for-cooperation-between-china-and-central-and-eastern-european-countries).

79 Maggie Zhang, "China's State Fund Kicks Start New Silk Road Project with Eastern Europe Investment", *South China Morning Post*, 28 May 2017 (https://www.scmp.com/business/china-business/article/2096005/sino-ceef-track-first-investment-central-and-eastern-europe).

80 Wang Qingyun, "New 17+1 China–European Initiative Introduced in Beijing", *China Daily*, 31 October 2015 (http://www.chinadaily.com.cn/world/cn_eu/2015-10/31/content_22332681.htm).

81 "Belgrade–Budapest Railway Part of Chinese 'Express Lane' to Europe", *Reuters*, 17 December 2014 (https://www.reuters.com/article/europe-china-east/belgrade-budapest-railway-part-of-chinese-express-lane-to-europe-idUSL6N0U11ZN20141217).

82 James Kynge et. al.,, "EU Sets Collision Course with China over 'Silk Road' Rail Project", *The Financial Times*, 19 February 2017 (https://www.ft.com/content/003bad14-f52f-11e6-95ee-f14e55513608).

83 Plamen Tonchev, *China's Road: Into the Western Balkans*, European Union Institute for Security Studies, February 2017, p. 2 (https://www.iss.europa.eu/sites/default/files/EUISSFiles/Brief%20 3% 20China%27s%20Silk%20Road.pdf).

84 Ibid.

within the EU have not progressed nearly as quickly. One exception is the acquisition by China's COSCO Shipping of the Port of Piraeus in 2016, which China aims to make its gateway into Southeastern Europe and beyond.[85]

Non-infrastructure investments have been tangible but modest. Since 2012, the Baltic states have seen both a doubling of trade with China and a large increase in the number of Chinese tourists visiting the region.[86] Chinese investment in the Czech Republic has been primarily in real estate and was valued at €1.5 billion in 2018. However, Ye Jianming, the founder of the main Chinese company driving the investment, CEFC Energy, was arrested in China in 2018 for corruption and delinquency on €450 million of loans owed to Czech financial groups.[87] Overall, Chinese government media have claimed that China has invested $10 billion in the participating nations and received $1.4 billion in investment in return.[88]

The EU's response to the 17+1 initiative has been mixed. Despite the public enthusiasm of many members' heads of state, responses from European officials and commentators have ranged from muted to alarmed. Some have highlighted that Chinese investment has undermined European unity vis-à-vis the China policy, such as the Hungarian Government's refusal to support an EU motion to denounce China's inhumane treatment of lawyers in its prison system, precluding EU unity on the issue.[89] Several months later, Greece blocked an EU statement at the United Nations to denounce China's human rights record.[90] So far, these efforts have been more symbolic than substantive, but there is growing concern that the leverage that China is creating in Eastern Europe through the 17+1 group will eventually translate into further stress on EU cohesion. Chinese leaders have attempted to mollify EU leaders publicly, claiming to respect EU jurisdiction and rules.[91]

---

85 Charles Stevens, "Along the New Silk Road – Piraeus: China's Gateway into Europe", *Geographical*, 17 August 2018 (https://geographical.co.uk/people/development/item/2866-silk-road-pir).

86 Una Aleksandra Bērziņa-Čerenkova, "China's New Role in the Baltic States", *The Baltic Bulletin*, Foreign Policy Research Institute, 30 January 2018 (https://www.fpri.org/article/2018/01/chinas-new-role-baltic-states/).

87 Krzysztof Dębiec and Jakub Jakóbowski, *Chinese Investments in the Czech Republic: Changing the Expansion Model*, Center for Eastern Studies, 6 June 2018 (https://www.osw.waw.pl/en/publikacje/analyses/2018-06-06/chinese- investments-czech-republic-changing-expansion-model).

88 Hu Yongqi, "China To Boost Economic Links with CEE Nations", *China Daily*, 9 July 2018 (http://www.chinadaily.com.cn/a/201807/09/WS5b429e38a3103349141e16a8.html).

89 Jan Gaspers, "Divide and Rule", *The Berlin Policy Journal*, 2 March 2018 (https://berlinpolicyjournal.com/divide-and-rule/).

90 Ibid.

91 Ben Blanchard, "China Assures EU of Good Intent at Eastern Europe Summits", *Reuters*, 29 June 2018 (https://www.reuters.com/article/us-china-eu-trade/china-assures-eu-of-good-intent-at-eastern-europe-summits-idUSKBN1JP0GU).

The 17+1 initiative is ultimately too new to judge fully whether the biggest fears of its critics will come true. The difficulties and limitations of the format are already apparent, and they underscore one of the fundamental issues of the 17+1 initiative as an investment grouping: the participants are not playing by the same rules and regulations. Countries within the European Union are held to a higher standard on corruption, labour, and environmental issues, among others. Chinese companies have thus far struggled to adapt to such stringent requirements, as the Hungarian tender process demonstrates. Whether Chinese investors can overcome such issues and pacify the concerns of EU officials sufficiently will ultimately determine the success of this project.

4 Making Sense of the BRI

As the Belt and Road Initiative has grown to be one of the largest infrastructural initiatives in modern history, this chapter takes a closer look at what the BRI is. It discusses its economic and political rationale; the peculiar models of financing and implementation of projects; and its implications for governance and the rule of law. This initiative should by no means be underestimated: it is not simply an economic initiative, as it is written into the Chinese constitution and has much more far-reaching ambitions than simply dealing with economic development and infrastructural investments. Several reasons explain its inclusion in the constitution. One is to consolidate Xi's leadership for years to come; others include consolidating control over the provinces and cities that are crucial to the BRI and consolidating the Party's (and President Xi's) control over society at large.[92]

By securing the top three positions in the country – Chairman of the Central Military Commission, General Secretary of the CPC, and President of the PRC – Xi Jinping has successfully consolidated his power and authority since the beginning of his mandate in 2013. He has multiplied efforts to promote a unified and centralized leadership and strengthen the overall authority of the Party, which strongly suggests a return to the Maoist era. In 2017, he was anointed "the core" of the CPC, which elevated him to a status comparable to that of Deng Xiaoping and Mao Zedong. His ideology of "socialism with Chinese characteristics in the new era" and the BRI were enshrined in the country's constitution, both deemed to be essential components for the realization of the two centenary goals and the "Chinese Dream". Under Xi's leadership, Beijing has pursued a more assertive foreign policy and voiced a desire to assume greater responsibilities in global governance, resulting in a policy that is much more assertive internationally as well as internally, with mixed results in both areas.

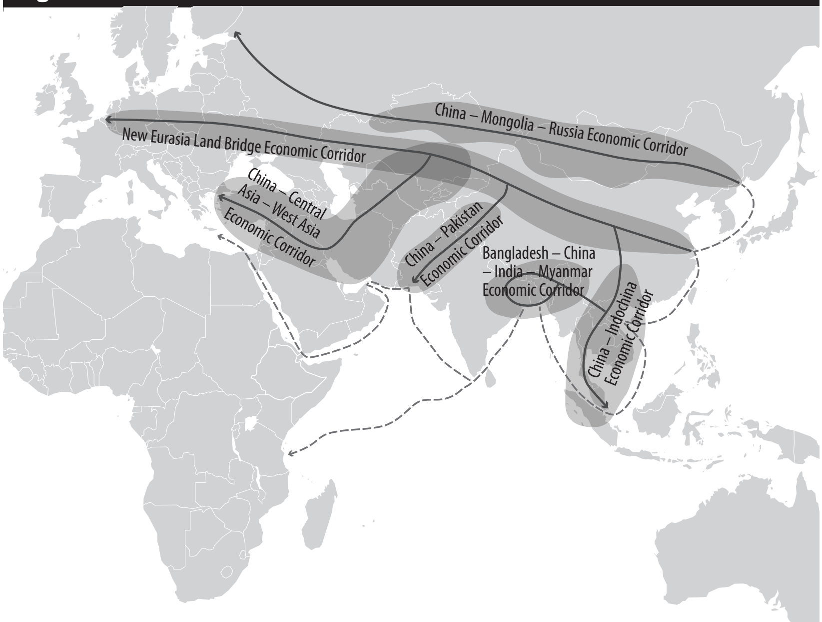
4.1 Origins of the BRI

President Xi Jinping unveiled the Belt and Road initiative (BRI) in 2013 during visits to Astana, Kazakhstan, and Jakarta, Indonesia. In Astana in September, Xi unveiled the Silk Road Economic Belt, which envisions the construction of a network of roads, railways, and six strategic corridors through Central Asia to reach Europe.

In Jakarta in October, he announced the vision of a twenty-first-century Maritime Silk Road designed to improve connectivity and trade and diversify

92 Wade Shepard, "Why China Just Added the Belt and Road Initiative to Its Constitution", *Forbes*, 25 October 2017 (https://www.forbes.com/sites/wadeshepard/2017/10/25/why-china-just-added-the-belt-and-road-initiative-to-its-constitution/#40ab6e9f42ab).

Figure 3 Planned trade routes



shipping routes through the construction of ports and maritime infrastructure.[93] More than 70 countries have signed up or expressed an interest in participating in this ambitious endeavour.

While the BRI is often touted as a complete innovation in China's foreign policy, it more accurately represents an extension of multiple trade policies and opening reforms initiated since the 1980s and even arguably deriving from the policies of Mao – as Xi Jinping's thought (思想) is directly derived from Mao's thought.[94] It is in direct line with the establishment of special economic zones (SEZs) as part of the 1979 opening-up reforms, the push for regional multilateralism, such as the Shanghai Cooperation Organization, and the "Go Global" policy initiated in 2001 with the aim of creating more incentives for Chinese state-owned enterprises to invest abroad. It also follows the 2011 five-year plan's objectives of rebalancing the Chinese economy and boosting the socio-economic development of interior provinces through revitalization plans. Consequently, in many regards, the Belt and Road Initiative is an umbrella concept for disparate elements of China's grand strategy that have evolved over time.

---

[93] National Development Reform Commission et al., *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road*, March 2015 (en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html).

[94] We would like to extend thanks to Enrico Fardella for the idea about this linkage and look forward to the upcoming article on the topic.

Thus far, it remains difficult to assess the nature of this initiative clearly, as there is no agreed-upon definition and no specific criteria for assigning a BRI label to a project. The BRI has become a catch-all term for a variety of projects related to infrastructure, connectivity, and trade, and every province, organization, and university has its own BRI strategy. In fact, several projects that now carry the BRI label – such as the China–Kazakhstan oil pipeline – were initiated before Xi's announcement in 2013 and simply revived within that new framework. Nevertheless, in March 2015, the Chinese Government published a "Vision Statement" that articulates the general framework and the main aims of the BRI, which are fivefold: policy coordination, facilities' connectivity, trade facilitation, financial integration, and people-to-people bonds.[95]

Overall, the Belt and Road Initiative could be defined as an attempt to create a holistic framework for the development of global mega-projects designed to increase connectivity and trade between China and the rest of the world, and that is in line with previous Chinese economic policies but unprecedented in its scope and ambitions.

The BRI consists of the six "corridors", if generalized slightly. Two of these connect China with Southeast Asia: the China–Indochina Peninsula corridor and the China–Myanmar–Bangladesh–India corridor. One, the China–Pakistan corridor, connects China directly to the Arabian sea, to the port of Gwadar in western Pakistan. Three cross the Eurasian heartland: the China–Mongolia–Russia corridor, the New Eurasia Land Bridge corridor, and the China–Central Asia–West Asia corridor. The two latter corridors jointly link western China with Central Asia, but, while the former continues west to Europe, the latter branches of through Afghanistan and Iran to connect to the Middle East.

4.2 The Rationale behind the Belt and Road Initiative

In explaining the rationale behind the BRI, the Chinese Government has first and foremost raised the aim of improving infrastructure and connectivity and boosting investment and trade in Eurasia and along the Maritime Silk Road.

Second, China's rapid industrialization in the last three decades has resulted in overcapacity weighing down several sectors of its economy, in particular the steel, cement, and construction sectors. For instance, in 2017, China produced more cement than the rest of the world combined. The BRI will allow for the development of new opportunities for Chinese enterprises confronted with a saturated domestic market.

[95] National Development Reform Commission et al., *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road*, March 2015 (en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html).

Third, China is transitioning towards a new economic model. This "new normal", as President Xi has termed it, seeks to redirect the drivers of growth from external to internal factors – that is, from an export- and investment-driven model to more sustainable consumption-based growth. This transition, although necessary to boost domestic consumption, comes with significant costs – the main one being the slowing down of economic growth. China thus aims for the BRI to serve as a shock absorber to reduce the negative spillovers from the economic rebalancing.

Moreover, the BRI could boost the internationalization of the renminbi. Although the IMF added the yuan to its special drawing rights (SDRs) basket in 2016, the currency is still lagging behind the US dollar, as it only represented 1.61 per cent of international payments in 2017 compared with more than 40 per cent for the US dollar.[96] However, for the many countries that have received loans from China within the BRI framework, it is easier to repay them in RMB. Several African banks are already discussing including the currency as part of their foreign reserves.[97] China has additionally entered into more than 30 bilateral swap agreements with BRI countries and started implementing cross-border RMB payments.

China is confronted with a structural economic slowdown resulting from its transition to a new model of growth and a potential economic conflict with the United States. The BRI could serve as a shock absorber for the negative spillovers from this transition. To China, ensuring the success of the BRI is vital not only for reinforcing political and social stability at home but also for its transition to a new growth model. Domestic discontent and frustration about the billions of yuan spent abroad on the initiative have flared up considerably in China, as citizens deplore the fact that the Government is not giving greater priority to addressing the key domestic shortcomings in the health care, housing, and education sectors. Thus, the project will test the Government's ability to deliver the economic targets that it has promised to its people.

Finally, domestic regional development disparities have been a longstanding issue in China. There is a large gap in terms of socio-economic development between inland and coastal provinces. The east coast has enjoyed steady economic growth since the implementation of the 1979 reforms, with the establishment of four SEZs and the opening of 14 coastal cities to foreign investors. However, western provinces, such as Ningxia, Gansu, Qinghai, Yunnan, and Xinjiang, to name but a few, have been lagging behind, displaying some of the lowest levels of GDP and per capita income in the country. As noted in chapter 1, this is consistent

---

[96] SWIFT, *RMB Internationalization: Where We Are and What We Can Expect in 2018*, January 2018 (https://www.swift.com/resource/rmb-tracker-january-2018-special-report).

[97] Abdi Latif Dahir, "There is Growing Momentum to Adopt China's Yuan as a Reserve Currency in Africa", *Quartz Africa*, 29 May 2018 (https://qz.com/1291372/chinas-yuan-gets-support-from-africa-central-banks-to-replace-us-dollar-reserve/).

with the global trend of inland and landlocked areas lagging behind coastal ones. The BRI aims to narrow those disparities by reinvigorating economic activity in areas such as China's "rust belt" in the northeast and the weaker landlocked western provinces.

In the Chinese Government's rhetoric, the BRI is an inherently economic project. However, it is also clear that it has important geopolitical implications. First, the BRI was influenced by China's domestic political imperatives. President Xi has pledged to build a "moderately prosperous society" by 2021, the centenary of the CPC, and a "prosperous, strong, democratic, harmonious and modern socialist country" by 2049, the centenary of the PRC.[98] The BRI is designed to support the achievement of those two centenary goals and ultimately to contribute to realizing the great rejuvenation of the nation – the so-called Chinese Dream.

Second, the initiative stems from China's desire to reassert its geopolitical influence in Eurasia and the Indian Ocean. Investment and trade under the BRI in the Asia-Pacific region will most likely influence the geopolitical balance of power in favour of the PRC. It will contribute to balancing the US presence in the region and allow Beijing to gain more political leverage over neighbouring countries, in particular in the context of the territorial disputes in the East and South China Seas. China has been accused of using countries' indebtedness to Beijing to influence them, cases in point being Laos and Sri Lanka.

Third, as noted above, the overwhelming majority of world trade is carried by sea, but the majority of existing trade routes are saturated. China is strongly dependent on imports for its energy supplies, and 85 per cent of these transit the Malacca Strait.[99] The overdependence on this strategic passage point – which former Chinese leader Hu Jintao called the Malacca Dilemma – is a vulnerability for Beijing, because it is exposed to the threat of blockades from the US or India.[100] With the nascent trade war between China and the US, the possibility of a hostile takeover of the Malacca Strait becomes even more plausible. Other maritime passage points, such as the Hormuz and Bab-el-Mandeb straits in the Persian Gulf and Red Sea, respectively, are also considered to be vulnerable because of their exposure to piracy. Consequently, China needs to improve its connectivity to diversify both land and maritime trade routes, reduce its reliance on chokepoints, and secure access to raw materials and energy resources. The

[98] Graham Allison, "What Xi Jinping Wants", *The Atlantic*, 31 May 2017 (https://www.theatlantic.com/international/archive/2017/05/what-china-wants/528561/); Oki Nagai, "China's Xi Outlines Vision of 'Great Modern Socialist Country'", *Nikkei Asian Review*, 18 October 2017 (https://asia.nikkei.com/Economy/China-s-Xi-outlines-vision-of-great-modern-socialist-country).

[99] Michael Richardson, "Thirst for Energy Driving China's Foreign Policy", *Japan Times*, 7 June 2012 (https://www.japantimes.co.jp/opinion/2012/06/07/commentary/thirst-for-energy-driving-chinas-foreign-policy/#.W50Nw84zbIU).

[100] Ian Storey, "China's 'Malacca Dilemma'", *Jamestown China Brief*, 12 April 2006 (https://jamestown.org/program/chinas-malacca-dilemma/).

BRI is intended to allow the development of more alternative routes and the considerable reduction of shipping times. For instance, importing energy supplies from the Persian Gulf through the Gwadar port on the Pakistani coast is estimated to reduce the transportation time by 75 per cent, from 45 to only 10 days.[101]

Finally, the development of port facilities and coastal infrastructure under the Maritime Silk Road – coined the "String of Pearls" by analysts at Booz Allen Hamilton – will facilitate the deployment of the PLA Navy and serve China's ambitions of building up its blue-water navy capabilities.[102] Deep sea ports, such as Gwadar, will be able to accommodate submarines and aircraft carriers, which will in turn contribute to the protection of critical sea lines of communication in the Indian Ocean.

Thus, the BRI is at once an economic and a geopolitical project, inextricably linked to China's long-term vision of its role in world politics in the middle of the twenty-first century, but it will also have potential impacts on President Xi's internal position.

4.3 Financial Architecture of the BRI

The Belt and Road Initiative is an ambitious and costly project that necessitates massive financial resources. In 2013, China announced that it will contribute $900 billion to this mega-project and has since increased this initial pledge. According to estimates, Chinese outward direct investment (ODI) in BRI projects represents 10.5 per cent of the total ODI. This has raised the ability and willingness to change international institutions and norms, both directly through new institutions and more covertly through reforms of existing institutions.

China has implemented a vast financial network, with the support of multiple public and private actors. The key financiers of the BRI are China's "policy banks", in particular the China Development Bank and the Export–Import Bank of China as well as the Agricultural Bank of China, and the big non-commercial banks, ICBC, the Bank of China, and the China Construction Bank. China has also set up sovereign wealth funds, such as the $40 billion Silk Road Fund (with an additional $100 billion committed to this fund in 2017) as well as several regional development investment funds.[103]

---

[101] Sajjad Ashraf, "The BRI–CPEC Connectivity Ushering Hope", *China–US Focus*, 2 March 2018 (https://www.chinausfocus.com/finance-economy/the-bri--cpec-connectivity-ushering-hope).

[102] Bethany Danyluk, Julie MacDonald, Amy Donahue, *Energy Futures in Asia: Perspectives on India's Energy Security Strategy and Policies*, Washington, D.C.: Booz-Allen Hamilton for the Director of Net Assessment, November 2004.

[103] Sarah Chan, "The Belt and Road Initiative: Implications for China and East Asian Economies", *Copenhagen Journal of Asian Studies*, vol. 35 no. 2, 2017 (https://rauli.cbs.dk/index.php/cjas/article/view/5446).

In parallel, Beijing has created new financial institutions. While the move was essentially perceived as an attempt to challenge US dominance in global financial/economic governance, it mainly stemmed from China and other emerging nations' growing dissatisfaction with a system dominated by the West, in which they perceived their voices to be largely underrepresented.[104] In particular, their weak voting powers within the IMF and the World Bank contributed to such frustration. Although voting rights reforms were initiated by the IMF in 2010, they failed to pass due to the US refusal to ratify the new agreement. In addition, the level of infrastructure investment in the existing institutions did not match the urgent infrastructure needs of Asia and the Pacific. The Asian Development Bank announced that the infrastructure needs in the region will exceed $22.6 trillion until 2030.[105] However, the World Bank does not have the necessary capital to meet those needs. It is in this context that, in 2014, China established the BRICS New Development Bank (NDB) and the Asian Infrastructure Investment Bank (AIIB) to give a greater voice to the global South and improve infrastructure financing. The AIIB brings together more than 70 nations. China is the largest shareholder, with 30 per cent of the capital, but, as several Western countries are among its founding members, China must also compromise in the decision-making process and has refrained from exerting its power over the organization so far, as there has been some criticism in China that the AIIB is not promoting Chinese interests. The bank has already approved more than a dozen BRI projects, valued at $1.7 billion, but its mandate extends beyond the framework of the initiative.

However, despite its colossal financial resources, China is not able to finance the BRI unilaterally. This is the case especially in an economic situation that has lowered Chinese growth to 6.8 per cent in 2017 from 10.6 per cent in 2010; it is estimated to fall further to 5.8 per cent in 2022.[106] Consequently, Beijing has increasingly welcomed cooperation with international stakeholders, in particular European banks. Being the largest financiers in the world, they can play an important role in financing the BRI. For instance, the European Bank for Reconstruction and Development and the European Investment Bank have become active investors in the BRI. These long-term lending institutions have mature financing mechanisms and the necessary expertise and experience to support sustainable investments. They can also contribute to building the necessary channels for increased private sector investment. This will reduce

[104] Daniel C. K. Chow, "Why China Established the Asia Infrastructure Investment Bank", *Vanderbilt Journal of Transnational Law*, vol. 49 no. 5, 2016, pp. 1258–1264 (https://www.vanderbilt.edu/jotl/wp-content/uploads/sites/78/7.-Chow_Paginated.pdf).

[105] Asian Development Bank, *Asia Infrastructure Needs Exceed $1.7 Trillion Per Year, Double Previous Estimates*, News Release, 28 February 2017 (https://www.adb.org/news/asia-infrastructure-needs-exceed-17-trillion-year-double-previous-estimates).

[106] Statista, *China: Growth Rate of Real Gross Domestic Product (GDP) from 2011 to 2024*, 2019, accessed 1 October 2018 (https://www.statista.com/statistics/263616/gross-domestic-product-gdp-growth-rate-in-china/).

some of the criticism that the AIIB and other Chinese investment schemes lack transparency and the necessary legal framework.[107]

As private investors are increasingly needed in the financing of BRI projects, China has been promoting the use of public–private partnerships (PPP) instead of the more traditional engineer–procure–construct (EPC) model. In some cases, projects are financed though equity investments, but the favoured approach is debt financing, mostly in the form of concessional or non-concessional loan packages and sovereign bonds.[108] Moreover, Chinese provinces have been major contributors to the investments, and only Xinjiang will invest 450 billion RMB in infrastructural investments in Xinjiang during 2018, an increase of 50 per cent since 2017.[109]

4.4 Financial Challenges

There are multiple financial challenges facing the Belt and Road Initiative. As more and more countries demonstrate an interest in joining this endeavour, the financial needs will continue to increase, and these needs are immense. The question concerns the degree to which China has the ability to continue financing this rising demand and whether all the states can absorb the investments.

In this regard, the first concern is about the sustainability of the current BRI financial model, mainly adopted by Chinese state-owned banks. The reason is that the Chinese banking system still suffers from deep imbalances and is weakened by widespread shadow banking activities.[110] The banks often rely on non-performing loans (NPLs) to finance projects. Those NPLs reached a total of RMB 1.7 trillion (over 200 billion euros) last year. Moreover, the China Banking Regulatory Commission has further lowered the coverage ratio – that is, the loan loss provision ratio – below the required minimum of 150 per cent to 120 per cent, allowing commercial banks to use those provision to shore up their profits.[111]

Second, there is a lack of transparency in the financing process, including the terms and conditions of the loans, as well as a lack of coordination between financial donors. Until recently, there was no agency in charge of coordinating BRI funding. China eventually set up a new agency in charge of international

---

[107] Kate Geary, "The AIIB Needs To Deliver Governance To Match its Rhetoric", *China Dialogue*, 22 June 2016 (https://www.chinadialogue.net/article/show/single/en/10692-The-AIIB-needs-to-deliver-governance-to-match-its-rhetoric).

[108] CFOInnovation, *Silk Road Bonds Proposed To Meet Financing Needs of "Belt and Road" Countries*, 8 September 2016 (https://www.cfoinnovation.com/risk-management/silk-road-bonds-proposed-to-meet-financing-needs-belt-and-road-countries).

[109] Xinhua, "Xinjiang To Invest 70 Billion USD in Infrastructure in 2018", 5 January 2018 (http://www.xinhuanet.com/english/2018-01/05/c_136874801.htm).

[110] Torsten Ehlers, Steven Kong, and Feng Zhu, *Mapping Shadow Banking in China*, BIS Working Paper, no. 701, 12 February 2018 (https://www.bis.org/publ/work701.htm).

[111] Li Zheng and Engen Tham, "China Regulator to Cut Banks' Bad Debt Buffers: Sources", *Reuters*, 6 March 2018 (https://www.reuters.com/article/us-china-banks-regulations/china-regulator-to-cut-banks-bad-debt-buffers-sources-idUSKCN1GI0OZ).

development and foreign aid coordination in March 2018. The issue of transparency has not seen much improvement and continues to hamper cooperation with international stakeholders, increasing the distrust of Chinese international development funding.

Another problem is the infrastructure-for-resource model that characterizes Chinese lending. This is problematic for two reasons. First, it increases recipient countries' reliance on a single commodity, preventing them from building more resilient diversified economies. In addition, the value of the loans fluctuates in accordance with commodity prices, while price volatility has increased considerably in these last years. The fall of commodity prices has put greater pressure on countries' ability to repay Chinese loans, which has created a debt dependency on China in several states and rising anti-Chinese sentiments.

The question of ensuring debt sustainability has emerged as one of the most important issues. Several observers have raised concerns about the long-term implications of Chinese debt-financed infrastructure, warning of a debt trap.[112] The majority of aid recipient countries in the BRI have weak financial governance and very low sovereign debt ratings. In several cases, projects have put countries in debt distress, forcing them to grant China a lease on their lands. One of the most compelling examples is Sri Lanka. The country ended up having to give a 99-year lease for the Chinese-built Hambantota port in exchange for debt relief. In the past year, an increasing number of BRI countries, including Pakistan, Laos, Djibouti, Malaysia, and Montenegro, to name but a few, have experienced similar debt concerns.

4.5 Project Implementation

The implementation of the Belt and Road Initiative presents some major challenges. Successful achievements – such as the acquisition of the Greek Port of Piraeus – should not obscure the fact that a large number of "white elephant" projects have failed to materialize.

The first reason is that both Chinese state-owned enterprises and BRI countries lack sufficient expertise or management skills to implement projects on such a large scale. There are, for instance, frequent delays due to permit and land acquisition problems that stall the disbursement of loans by Chinese banks and conflicts arising over labour and taxation laws.

Second, Chinese authorities and SOEs often fail to take into account the security situation of the countries in which they invest. Many projects of the BRI venture through volatile conflict-prone areas and SOEs, and the Chinese Government

---

112 John Hurley, Scott Morris, and Gailyn Portelance, *Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective*, CGD Policy Paper, no. 121, March 2018 (https://www.cgdev.org/sites/default/files/examining-debt-implications-belt-and-road-initiative-policy-perspective.pdf).

at large has very limited experience in dealing with these types of security risks. They tend to place blind faith in the ability of the Chinese Government or local security forces to protect them, which is in fact rather limited given the scale of the initiative and local security conditions. Moreover, in many BRI countries, the political situation is characterized by unrest, instability, and rampaging corruption, which threaten the successful implementation of ongoing projects. Investments in countries facing elections are particularly at risk, as a leadership transition can result in unfavourable government policies towards Beijing and the BRI.

Finally, projects have been stalled by conflicts with local populations. This situation is mainly due to a lack of consultation with local communities and stakeholders. Some projects can have negative impacts on the ecosystem and the biodiversity of a region, which indirectly affect the livelihood of local communities. For instance, the Diamer–Bhasha Dam in Pakistan was cancelled following local protests over environmental concerns. Both the Myitsone dam in Myanmar and the Budhi Gandaki dam in Nepal experienced similar fates. In other cases, the influx of Chinese investments and workers can have a destabilizing effect on the local economy, creating competition instead of a win–win situation and contributing to anti-Chinese sentiment.

4.6 Influence and Implications for Governance and the Rule of Law

Since 2014, there has been an apparent shift in Chinese foreign policy, with Deng Xiaoping's approach of "keeping a low profile" being slowly replaced by Xi Jinping's approach of "trying to accomplish something". The Belt and Road is a major expression of this new trend that sees China assuming a more proactive role in shaping global governance, not only by actively participating in existent international multilateral institutions but also by creating new ones. This desire to promote a new vision of the international order has grown particularly strong since the 2008 global financial crisis, which resulted in an erosion of confidence in the current global trade regime and economic order. However, Chinese institutions and companies have experienced some difficulties in implementing the visions of President Xi, and the lack of success can to some degree be attributed to the lack of experience and competence.

Through the Belt and Road Initiative, China has thus been promoting an alternative set of norms and ideas regarding governance and cooperation that differs from the Western governance model. This "Chinese model" of development is theoretically based on inclusiveness and connectivity, win–win, and South–South cooperation, but, within the implementation process, it has been perceived as neo-colonial and focusing on China's gains at the expense of the local partners.

However, the Chinese model has challenged the Western model and, in terms of financial governance, notably, China is challenging the traditional aid donor–

recipient dynamics. Western institutions – such as the IMF and the World Bank – have a rule-based and conditionality-based approach to global governance. They impose a set of fiscal, political, and policy requirements on their financial aid packages, also known as the Washington Consensus. In contrast, Chinese financial aid comes without economic or political conditionality – in other words, it does not promote economic reforms or democracy. Western donors have argued that China's unconditional financial aid is eroding the bargaining power of their agencies and that it undermines their efforts at improving good governance, human rights protection, and the rule of law in aid recipient countries. Concerns are also high because China does not recognize international norms of debt sustainability, which can threaten the financial stability of countries involved in the BRI.

4.7 Rule of Law and Legal Challenges

Building an appropriate legal framework for the Belt and Road Initiative is also a challenge. Considering the diversity of legal systems in the approximately 70 countries of the BRI, the choice and application of the relevant law and jurisdiction will be complex tasks. In addition, the different conceptual understanding of the "rule of law" in the West and in China will be problematic.

As such, developing a harmonized legal and regulatory system is the key to ensuring the success of the initiative. While there is still much to achieve, new dispute resolution mechanisms have already been created within the BRI framework. Beijing has inaugurated two new international commercial courts to settle BRI-related disputes, based in Xi´an and Shenzhen.[113] The Chinese Government has also been promoting joint dispute arbitration mechanisms, with, for instance, the establishment of the China Africa Joint Arbitration Centre (CAJAC). The risk, however, is that China will use those dispute mechanisms as a way to delegitimize the judgments of international courts, as it did in 2016 when the Permanent Court of Arbitration ruled in favour of the Philippines in regard to South China Sea territorial disputes.

[113] Nicholas Lingard, John. Choong, Robert Kirkness, Kate Apostolova, & Xin Liu, *China Establishes International Commercial Courts To Handle Belt and Road Initiative Disputes*, Freshfields Bruckhaus Deringer LLP, 20 July 2018 (https://www.lexology.com/library/detail.aspx?g=7cc76e29-129b-4531-b60a-d782131499be).

5 EU Policies and the BRI

China's inroads into Europe and Eurasia are fairly recent. To gauge their implications for Europe, it is necessary to take a step back and analyse what the EU's approach to foreign policy has been and how it has evolved, with a particular focus on Eastern Europe and Central Asia – an area where substantial change has taken place in the last quarter of a century.

When the collapse of the Soviet Union allowed the opening of land trade routes across the Eurasian continent, the EU was considerably weaker and smaller than it is today, consisting of twelve member states. The Maastricht Treaty, which effectively created the European Union, had yet to be signed, and there was no Common Foreign and Security Policy. Much has changed since then. The EU has moved relatively rapidly towards a common approach to world affairs, including the launch of a Global Strategy in 2016. While the EU has often supported visionary ideas for its eastern neighbourhood, its ambitions have been dampened by internal difficulties and enlargement fatigue. Recent decades have been focused on the expansion of the Union's areas of responsibility as well as its membership. Nevertheless, since 2008, the EU's internal troubles and its enlargement fatigue have combined to lead to a loss of attractiveness among its candidates and partners. This chapter provides a succinct analysis of the EU's evolving foreign policy approach, with a focus on the regions that are the main focus of China's growing interest within the scope of the Belt and Road Initiative.

5.1 EU Foreign Policy: From the Lisbon Treaty to a Global Strategy

Europe, the US, and China are indisputably the world's three largest trading partners. However, unlike the US and China, the EU is a union of sovereign nation states. As a result, while the EU is fairly united in economic terms, it is not a traditional great power: it does not have military muscle of its own, and, even in political terms, a unified EU foreign policy constantly needs to accommodate the separate foreign policies of its 28 member states. That said, there has been a considerable, rapid development of the EU's ability to act on the international scene since the Maastricht Treaty creating the Union was signed over a quarter of a century ago.

Most importantly, the 2009 Lisbon Treaty created the position of a High Representative for Foreign Affairs and Security Policy, who is also the Vice-President of the European Commission. The Treaty also created an External Action Service to support the High Representative, an institution that effectively built an EU Ministry of Foreign Affairs, drawing staff and responsibilities from the Commission and the Council as well as the Member States. The launch of the EEAS was not smooth by any standard, given the challenge of retooling the institutions of the EU and overcoming the vested interests of the existing bodies that the EEAS superseded and the wariness of Member States, which were eager not to let go of their national prerogative in foreign affairs. Still, after some growing pains, the EEAS undoubtedly helped the EU to "take swifter and more coordinated international action so that it can punch its weight in the world".[114] Indeed, its relative success is due very much to an understanding among the Member States that a unified EU approach is needed if the EU is to safeguard European interests on the world scene in competition and dialogue with great powers.

An important step in this direction was the launch of the EU Global Strategy in mid-2016. The launch of the strategy explicitly mentioned the challenge of the "violation" of the European security order "to the East" as well as the "terrorism and violence" that plagues the Middle East and North Africa, with a direct impact on the EU itself. The strategy advanced the notion of EU strategic autonomy, which implies the ability of Europe to operate independently to protect the EU itself, maintain stability in the neighbourhood, and uphold a global security order. While it was launched before the election of Donald Trump, much of the discussion about the Global Strategy and strategic autonomy has come to focus on its link to the transatlantic relationship and the controversy over decoupling European security from NATO and the United States by strengthening the EU's autonomous capabilities. Similarly, considerable focus has been on the Strategy's military aspects – which are indeed novel, as they indicate an ambition to develop "full-spectrum capabilities", including "strategic enablers".[115] Indeed, the main visible result of the Strategy has been the launch of joint military initiatives, like the Permanent Structured Cooperation (PESCO).[116] Still, the Strategy is equally relevant to a discussion of EU relations with China and its approach to the BRI: the EU, as a global actor, must form a coherent response to China's growing assertiveness and in particular the BRI as it affects both the EU's own member states and its interests in Eurasia and elsewhere.

It is against this background that the launch of the 2018 EU–Asia Connectivity Strategy (EACS) should be seen. The EACS was launched in October 2018 on the occasion of the 12th Asia–Europe Meeting (ASEM) with the aim of exporting to Asia the EU's framework for connectivity, which emphasizes sustainability as well as respect for the international rule-based system and thus will create a stronger cross-border network to facilitate exchanges and partnerships. The

[114] Adam Hug, *The EEAS Needs Cooperation from Member States*, Foreign Policy Centre, 14 February 2013 (https://fpc.org.uk/the-eeas-needs-cooperation-from-member-states/).

[115] European Union, *Shared Vision, Common Action: A Stronger Europe. A Global Strategy for the European Union's Foreign and Security Policy*, Brussels, 2016 (https://eeas.europa.eu/archives/docs/top_stories/pdf/eugs_review_web.pdf).

[116] Daniel Fiott, "Strategic Autonomy: Towards 'European Sovereignty' in Defence?", *European Union Institute for Security Studies Issue Brief*, no. 12, 2018; Corentin Brustlein, *European Strategic Autonomy: Balancing Ambition and Responsibility*, Paris, IFRI, 16 November 2018.

EACS rests on the development of measures in various sectors ranging from transportation to IT. More concretely, it aims to implement projects involving data and transfer, the construction of infrastructure, electricity transmission, community integration, student exchanges, and global mobility, to name but a few.[117]

The strategy has put strong emphasis on enhancing connectivity with the Western Balkans and the Caucasus. China, however, is barely mentioned, and the BRI is completely omitted from the document. This has contributed to a perception that the EACS constitutes a European initiative to respond to the BRI.[118] As it appears to be mapping out a coordinated framework for engagement on connectivity, the strategy could indeed be viewed as the EU's normative response to the concerns that it has raised about the BRI, in particular regarding issues of transparency and accountability. The EU has also launched a separate connectivity platform with China,[119] which aims to fulfil similar purposes and in particular to promote "sustainable transport corridors based on the principles of the Trans-European Transport networks policy".[120] The EACS emphasizes "sustainable connectivity", "comprehensive connectivity", and "international rules-based connectivity". This language appears to be tailored to respond to – and indeed to challenge – China's model of development. In particular, it responds to the non-transparent way in which Chinese projects are tendered and implemented as well as the high and arguably unsustainable levels of indebtedness incurred by several states participating in the BRI, as discussed in the previous chapter. However, the success of the EACS will depend on its ability to raise significant sums from Member States, the private sector, and international financial institutions. It remains to be seen whether the EACS will have the financial wherewithal to provide an alternative to the BRI in Eurasia.

5.2 EU and Continental Trade

While the present discussion of continental trade focuses on Chinese policies, the EU was in fact the prime external mover in the efforts to develop trade and transportation across the heart of Eurasia. In May 1993, the EU hosted a conference of Ministers of Trade and Transport from the eight countries of Central Asia and the Caucasus. This conceived the idea of the Transport Corridor Europe–Caucasus–Asia (TRACECA), which subsequently grew

[117] European Commission and HR/VP, *Connecting Europe and Asia - Building Blocks for an EU Strategy*, Joint Communication to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank, Brussels, 19 September 2018 (https://eeas.europa.eu/sites/eeas/files/joint_communication_-_connecting_europe_and_asia_-_building_blocks_for_an_eu_strategy_2018-09-19.pdf).

[118] Julian Chan, "Europe's Challenge to China", *The Diplomat*, 26 October 2018; Bart Gaens, "Europe's Connectivity Strategy and the Challenge of China", *FIIA Comment*, December 2018.

[119] European Commission and HR/VP, *EU–China: A Strategic Outlook* (https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf).

[120] *EU–China: A Strategic Outlook.*

to include numerous countries along the intended route. Following a joint initiative of Azerbaijan's President Heydar Aliyev and Georgia's President Eduard Shevardnadze, this conference was followed by a major conference in Baku in 1998, and TRACECA has maintained a permanent secretariat in Baku since 2001. TRACECA was truly a visionary project: it correctly identified the states of the Caucasus and Central Asia as the key transit corridor linking Europe with Asia. Nevertheless, while TRACECA was launched to much fanfare, it fell short of expectations. The EU did implement some 60 technical assistance and investment projects at a value of an estimated €120 million in a variety of areas, including the rehabilitation of border posts between Azerbaijan and Georgia, the training of freight forwarders, and the facilitation of a host of agreements. Moreover, TRACECA provided a consistent forum for the coordination of policies among the original signatories and the other countries that joined it, including Bulgaria, Romania, Turkey, Iran, Moldova, and Ukraine.

At the same time, TRACECA did not have the financial backing to secure the large-scale investments required for new infrastructure. Indeed, the most salient transport infrastructure projects were conducted without EU involvement. The chief example is the Baku–Tbilisi–Kars railway, which linked the Caspian Sea to Turkey's railroad system. The EU and the US both opposed this project on political grounds – because it circumvented Armenia, which had a pre-existing rail connection to Turkey, although it has been inactive since Turkey closed its border with Armenia in 1993 in response to the Armenia–Azerbaijan conflict. Thus, the project was realized as a result of Azerbaijani and Turkish financing. Similarly, large infrastructure projects have been accomplished by the states themselves. Foreign assistance has also been a factor: the Anzob tunnel linking the northern and southern parts of Tajikistan was completed in 2017 with Iranian assistance, and the Angren–Pap railway linking Tashkent with the Ferghana Valley was completed in 2016 with Chinese assistance.[121]

Notwithstanding, TRACECA launched the "Silk Wind" initiative, a container block trade route connecting the Kazakhstan–China border to Turkey via a ferry between Kazakhstan's Caspian port of Aqtau and the Baku port of Alat. In August 2015, the first 82-container cargo train from China arrived in the port of Alat in six days; with the completion of the Baku–Tbilisi–Kars railway, trains now reach Europe within 14 days, which is faster than the route across Russia, which takes 15–19 days.

The EU appears to have re-energized TRACECA and is achieving substantial results. In 2007, the European Commission launched the "Reorganization of Transport Network by Advanced Rail Freight Concepts" (RETRACK), which

[121] Mirzohid Rahimov, "The Pap–Angren Railway and Its Geoeconomic Implications for Central Asia", *Central Asia-Caucasus Analyst*, 18 April 2016 (https://www.cacianalyst.org/publications/analytical-articles/item/13354).

identified four main competing overland railway corridors between China and Europe. The first is the Trans-Siberian Route connecting northeastern China through Russia with further connections via Belarus to Europe. The second is the Trans-Siberian–Kazakhstan Route, which begins in western China, crosses Kazakhstan, and joins the Trans-Siberian route in Russia. The third is the TRACECA–Turkmenbashi route, which starts in western China, runs through Kazakhstan, Uzbekistan, and Turkmenistan and then crosses the Caspian Sea, Azerbaijan, Georgia, and the Black Sea before terminating in Romania. A parallel route connects western China through Kazakhstani territory to the Caspian port of Aqtau. Finally, the "Central Corridor" starts in western China and crosses Kazakhstan and Russia to connect to Ukraine and Slovakia.[122] This corridor has been disrupted by the conflict in eastern Ukraine.

The main objective of the RETRACK project was to connect the North Sea with the Black Sea, with a focus on linking Europe to China's western provinces. The RETRACK project seriously examined the potential of overland railway transportation between China and Europe and identified three potential European hubs for such traffic: Bratislava, Budapest, and Bucharest. From these three hubs, it envisaged rail routes connected to a new container terminal in Urumqi to serve as a hub.[123] RETRACK is currently under development and progressing.

While the EU has been eclipsed by China in terms of the sheer scale of investment in transport infrastructure, the EU has a considerably more developed array of political and economic relations with states on the land trade route to China.

5.3 EU Thinking in Eurasia: Candidates and Partners

Through sometimes tortuous processes and negotiations, the EU has, over time, come to divide the countries between its 1992 borders and China into four categories. The first consists of states that have been accepted into the Union as full members. The second consists of candidate states, which aspire to membership. The third is countries that are associated with the EU and that aspire to membership. The fourth is all others, which are partners to the EU. While these categories are not necessarily important to Chinese thinking, they guide every aspect of the EU's relationship with a state.

5.3.1 Central and Eastern Europe

The EU's enlargement into central and eastern Europe in 2004–2007 was a historical move to build European unity. It incorporated states that had only recently been under Soviet domination into European institutions and contributed to the stabilization and development of a dozen countries. However,

[122] Igor Davydenko et al., *Potential for Eurasia Land Bridge Corridors & Logistics Developments Along the Corridors*, Brussels: European Commission, DG TREN, 2012. (https://www.tno.nl/media/2825/report_potential_eurasia_land_bridge_rail-corridors_final_25042012.pdf).

[123] Ibid.

it should be noted that this enlargement has not been entirely smooth. It has been pointed out that several states were accepted into the EU at a stage when they were scarcely ready to fulfil all the membership conditions. A cottage industry of studies has debated the alleged backsliding in terms of political reforms after the conditionality of membership had been removed as a motivating factor.[124] More recently, of course, events in Poland and Hungary have caused considerable alarm in the rest of Europe and raised the prospect of EU sanctions on these states.

While the purpose of this study is not to debate the wisdom of EU enlargement, this context is important for three reasons. First, it contributed to the growing resistance to enlargement within the EU and NATO and increasing caution in the EU policy towards its eastern neighbours. Meanwhile, the EU charter provides the possibility of membership for all "European" states. As a result, some European officials long resisted publicly acknowledging that Ukraine was a European state, and, when the European Neighbourhood Policy was first announced in 2003, the three South Caucasus states were not made part of the instrument and were instead reduced to a footnote – in spite of being members of the Council of Europe. Following the Rose Revolution in Georgia in 2003, this blatant mistake was corrected. Even thereafter, enlargement fatigue also led to resistance to efforts to create a substantial EU instrument for the eastern neighbourhood. Thus, while Sweden and Poland had already launched the idea of an Eastern Partnership in early 2008, it met only a lukewarm reception until after the August 2008 war in Georgia, which forced the EU out of its complacency to take more decisive action in the East.

Second, by contrast, the EU's enlargement to Central and Eastern Europe brought into the Union a considerable number of states that had a much more pronounced interest in Eastern Europe, the South Caucasus, and Central Asia. Poland, as noted, was a sponsor of the Eastern Partnership idea. Romania took a direct interest both in Moldova, a kindred nation, and in the South Caucasian states across the Black Sea. Latvia developed perhaps the most determined and systematic outreach to Central Asia of any EU state. In other words, the eastern enlargement brought a constituency into the EU that thought strategically about the Eurasian landmass all the way to the Chinese border.

Third, the rapid enlargement into Central and Eastern Europe is significant in that it incorporated states that now form the target of Chinese interest. Indeed, as we shall see, China's 17+1 initiative targets exactly those members of the European Union that gained membership after 2004 and includes no earlier member of the EU.

---

[124] Philip Levitz and Grigore Pop-Eleches, "Monitoring, Money and Migrants: Countering Post-Accession Backsliding in Bulgaria and Romania", *Europe–Asia Studies,* vol. 62 no. 3, May 2010, pp. 461–479; Ulrich Sedelmeier, "Anchoring Democracy from Above? The European Union and Democratic Backsliding in Hungary and Romania after Accession", *Journal of Common Market Studies*, vol. 52 no. 1, 2014, pp. 105–121.

5.3.2 The Western Balkans: Restoring Credibility

The countries of the Western Balkans form a unique challenge to the EU. On the one hand, the region is troubled by lingering inter-ethnic tensions stemming from the wars of the 1990s and the economic underdevelopment tied to this recent history. On the other, since Romania and Bulgaria joined the EU in 2007, these countries are encircled by EU members and form an "island" of non-members within the EU.

Of course, the EU is intimately engaged in the Western Balkans. In many ways, the region's conflicts formed the impetus for the formation of a joint EU foreign and security policy. In the 1990s, the EU failed either to stop the escalation to war or to play a decisive role in ending these wars. Indeed, the Balkan wars forced the United States and NATO to step in to end the conflicts in a painful show of Europe's continued inability to manage the continent's security affairs. However, equally important perhaps was that it was the EU that stepped in to lead the post-conflict international presence in both Bosnia-Herzegovina and Kosovo. In Bosnia, the Office of the High Representative, foreseen in the Dayton Peace Agreement, was led by the EU and for a number of years was merged with the office of the EU Special Representative for Bosnia-Herzegovina. In Kosovo, the EU deployed a Rule of Law Mission (EULEX) to oversee the building of key governmental institutions in this disputed territory (the independence of which is still not recognized by five EU states).

Crucially, however, there is a reluctant consensus in the EU that the Western Balkan states have a membership perspective in the EU and are the next targets for EU enlargement. Slovenia, which largely stayed out of the wars of the 1990s, joined the EU in 2004. Croatia began negotiations for membership along with Turkey in 2005 and became an EU member in 2013. No other Balkan country is expected to meet the criteria for membership anytime soon, however. Montenegro and Serbia started accession negotiations in 2012 and 2014, respectively, suggesting that membership is likely only a decade from now. Albania and North Macedonia are scheduled to start accession talks, after the European Commission recommended in April 2018 starting such talks, which were nevertheless delayed until summer 2019.[125] Bosnia-Herzegovina and Kosovo are "potential candidates", the former having applied for membership only in 2016 and the latter having completed its Stabilization and Association Agreement in the same year.[126]

---

[125] M. Peel, "Two Balkan States Clear Hurdle in Quest to Join EU", *Financial Times*, 17 April 2018 (https://www.ft.com/content/2234d578-418a-11e8-803a-295c97e6fd0b); Deutsche Welle, "EU Delays Accession Talks with N. Macedonia and Albania", DW, 18 June 2019 (https://www.dw.com/en/eu-delays-accession-talks-with-n-macedonia-and-albania/a-49252519).

[126] European Commission, *Western Balkans Enlargement: Common Destination, State of the Union 2017* (https://ec.europa.eu/commission/sites/beta-political/files/western-balkans-enlargement_en.pdf).

In recent years, there has been a return of ethnic tensions in the Western Balkans and a developing sense in the EU that the region is heading in a potentially dangerous direction. This prompted the EU in 2017 to adopt the *Credible Enlargement Perspective for and Enhanced EU Engagement with the Western Balkans*.[127] As the Commission pointed out, the strategy deemed "the European future of the region as a geostrategic investment in a stable, strong and united Europe based on common values".[128] The title itself, however, suggests that the credibility of the region's European perspective was in question and needed reinforcing. This, as we shall see, facilitated the region's growing interest in a closer relationship with China.

5.3.3 Turkey – The Permanent Candidate

Turkey is technically in the same category as the Western Balkans from an EU perspective: a country negotiating accession to the European Union. However, in practice, its size and attitude towards the EU put it in a category of its own. Turkey has been associated with the EU since 1963, applied for full membership in 1987, and was given candidate status in 1999. It finally achieved its aim of starting accession negotiations following heated debate within the EU in 2005. Soon afterwards, though, Turkey's interest in fulfilling the criteria for membership faded. Within a few years, Turkey had positioned itself increasingly as an independent regional power with considerable ambitions, particularly in the Middle East. Especially after the 2010 constitutional referendum and the 2011 Arab upheavals, Turkey's distancing from the EU accelerated. Domestically, the country turned increasingly authoritarian, implying that it was ever farther from fulfilling the EU's democratic criteria. In foreign affairs, Turkey supported Islamist forces across the Middle East while developing closer relations with non-Western powers. While most attention has been placed on Turkey–Russia relations, Ankara's outreach to China has been equally significant. Alongside declarations of a strategic partnership, Turkish and Chinese air forces held their first-ever joint exercise in 2010. While points of friction remain in the relationship, notably over the plight of Muslims in China, China has taken great interest in Turkey within the framework of the BRI.[129]

5.3.4 Eastern Partnership: Integration without Membership

The Eastern Partnership was launched in 2009 as a specific instrument for the six countries of Eastern Europe and the South Caucasus that have a clear European identity but do not have a perspective of EU membership. These are Ukraine,

---

[127] European Commission, *A Credible Enlargement Perspective for and Enhanced EU Engagement with the Western Balkans*, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 6 February 2018 (https://ec.europa.eu/commission/sites/beta-political/files/communication-credible-enlargement-perspective-western-balkans_en.pdf).

[128] European Commission, *Strategy for the Western Balkans*, 6 February 2018 (https://ec.europa.eu/commission/news/strategy-western-balkans-2018-feb-06_en).

[129] Hay Eytan Cohen Yanarocak, "Turkey and China: Merging Realpolitik with Idealism", *Turkey Analyst*, 20 August 2015 (http://turkeyanalyst.org/publications/turkey-analyst-articles/item/426).

Moldova, and Belarus as well as Georgia, Armenia, and Azerbaijan. These are countries that stand out due to Russia's considerable geopolitical involvement and not least due to the existence of unresolved conflicts and separatist territories outside government control, which in turn have close ties to Moscow. The conflict-prone nature of the region makes it similar to the Western Balkans, but it differs in two inter-related ways: unlike the Balkans, no conflict in this region has been resolved, and Moscow's influence in the region is incomparably more significant – and, not coincidentally, a factor that has prevented conflict resolution.

The EU does not view the Eastern Partnership states as candidates for membership. However, neither does it formally *exclude* membership. When the instrument was being launched, the question of a membership perspective was a clear bone of contention. Proponents of EU engagement made the point that Article 49 of the EU's Lisbon Treaty provided that any European state committed to the Union's values "may apply to be a member of the Union" and that such a membership perspective would provide a considerable boost to the political and economic reforms in the Eastern Partnership countries. However, these arguments were not sufficient to sway the resistance to the opening of a membership perspective to another troubled and conflict-prone region, which would also further strain the ties to Russia. As a result, the Eastern Partnership simply ignores the issue of membership, allowing its proponents to argue that a membership perspective is implicit and in any case not precluded. In practice, thus, the Eastern Partnership offers EU assistance in helping the six states to incorporate most of the EU *Acquis Communautaire* into their national legislation but without this approximation to EU standards being linked with the reward of membership. This is at once the strength and the weakness of the instrument: countries stand free to approximate to the EU and thereby gain visa liberalization, association agreements, and deep and comprehensive free trade agreements that provide access to the EU market. Nonetheless, such reforms are also costly and difficult and have traditionally been motivated by the expected benefits of membership.

In practice, three states – Georgia, Moldova, and Ukraine – have decided to take advantage of this opportunity. Armenia negotiated an association agreement but was forced, in 2013, to jettison this agreement for membership of the Russian-led Eurasian Economic Union. Subsequently, Armenia negotiated a watered-down version of this agreement, known as a comprehensive and enhanced partnership agreement. As for Azerbaijan, it has indicated its interest in a strategic partnership agreement instead of an association agreement; some form of agreement is currently being negotiated. Belarus, meanwhile, remains under sanctions from the EU, which is nevertheless "deepening, in carefully calibrated mutual steps, its critical engagement with Belarus".[130]

[130] Council of the European Union, *EU Relations with Belarus*, n.d. (http://www.consilium.europa.eu/en/policies/eastern-partnership/belarus/).

The reactions of Armenia and Azerbaijan, as well as the EU's frustration with the reform process in Moldova and Ukraine, have combined to put the Eastern Partnership in its original form in question. The one-size-fits-all approach clearly did not prove to be suitable to apply to countries with considerably different interests in the EU. As a result, the EU has been in a process of adaptation to a reality in which it will be likely to have to apply an individual approach to each of the six states.

5.3.5 Greater Central Asia: Strategies and Partners

The EU's relationship with Greater Central Asia, defined here to include Afghanistan and Mongolia, has developed considerably in the past decade. The EU did not have a concrete approach to post-Soviet Central Asia until 2007. In 2005, the post of EU Special Representative for Central Asia was created; this spurred the creation of a strategy, which was developed under German leadership.[131] This strategy differs fundamentally from the EU approach to all the other regions mentioned above. Everywhere else, the EU programmes are aimed at integration: prompting countries to adopt, in full or in part, the EU *acquis communautaire*. As mentioned, this was the aim of the Eastern Partnership as well but without the carrot of membership. In Central Asia, the EU's strategy refers to "achieving stability and prosperity by means of peaceful interaction" and contributing to "the dialogue between civilizations". Simply put, Central Asia is treated as a world region *separate* from Europe with which the EU interacts, whereas the Western Balkans, Turkey, and the eastern neighbourhood are all treated as European states, with the assumption that they should emulate the EU.

This does not make the EU Strategy devoid of normative contents. Despite its peaks of political and energy dialogue, it also prominently features a "Rule of Law Initiative" as well as a "Human Rights Dialogue", both predicated on the notion that Central Asian states should adopt the EU's values and norms and incorporate them into their domestic systems of government.

By 2017, the EU had started a process of revising the Central Asia strategy, with the goal of launching a new strategy in 2019. In so doing, the EU Council noted that Central Asian states "have become significant partners of the EU", thus being an indication that the EU finds the current strategy to be inadequate for a region that now holds greater importance to the Union.[132] While the communication highlighted numerous issue areas, including human rights, education, and security, it is notable for the purposes of this paper that the Council emphasized "that cooperation between the EU and Central Asia should

[131] Nargis Kassenova, "The New EU Strategy towards Central Asia: A View from the Region", *CEPS Policy Brief*, No. 148, January 2008 (http://aei.pitt.edu/7540/1/148.pdf).

[132] Council of the European Union, *Council Conclusions on the EU Strategy for Central Asia*, 19 June 2017 (http://www.consilium.europa.eu/media/23991/st10387en17-conclusions-on-the-eu-strategy-for-central-asia.pdf).

prioritise the integration of the Central Asian countries with each other and into international markets and transport corridors".[133]

The EU also has strategies for Afghanistan and Mongolia. The EU involvement in Afghanistan differs because of its focus on the promotion of peace and development. A new EU strategy was developed in 2017. While its main focus is peace building, it also supports sustainable development and reinforces democracy and human rights. The fourth key aim is to address migration issues, specifically cooperating to ensure the return of Afghan migrants who have been denied asylum in EU countries.[134] Meanwhile, the EU's interest in Mongolia has been on the rise. The EU supported Mongolia's bid to host the 2016 Asia–Europe Meeting (ASEM), and top EU officials visited Mongolia for the event.

What remains problematic in the EU's approach to Greater Central Asia is that the EU's bureaucratic divisions reflect the realities of the past. There are three strategies due to the fact that post-Soviet Central Asia is part of the Europe and Central Asia division of the European External Action Service; Afghanistan is joined with Pakistan as a department of the Asia and Pacific division; and Mongolia is part of the same division's China department. While this is not unique to the EU, it makes it nearly impossible to develop policies that take into account the growing interaction between countries in Greater Central Asia and in fact contributes to centrifugal perspectives, that is, viewing them as appendixes to other priorities.

[133] Ibid.

[134] European External Action Service, *Afghanistan: New EU Strategy*, 16 October 2017 (https://eeas.europa.eu/headquarters/headquarters-homepage_en/33983/Afghanistan:%20new%20EU%20strategy).

6 Are Chinese and European Interests Compatible?

As the discussion above has highlighted, both the EU and China have developed increasingly complex interactions with the plethora of states that lie between them across the Eurasian landmass. The EU's policies have been gradual and incremental; China's activity is more recent and rapidly evolving. What does the rise of China's activity and influence across Eurasia mean for Europe? Is it compatible with European interests or at odds with European norms and values? The answer could be that it is both. This seemingly contradictory conclusion stems from two facts: first, that China's rise presents both opportunities and challenges for the EU; second, that the answer to the question depends on how the EU's priorities are defined.

Indeed, any answer to the question must depart from a definition of European interests. That, in turn, presents the question of whether the EU even thinks in terms of concrete interests in a traditional, realpolitik sense. As the previous chapter has shown, an important feature of the EU's approach to the Eurasian landmass has been its single-minded focus on European integration. In a relatively short period of time, the EU created an impressive array of instruments, grouping countries according to a clear logic depending on the nature of their relationship with Brussels. The EU exhibited a strategic vision that it is seldom credited with in expanding into central Europe, offering a membership perspective to the Western Balkans, creating the Eastern Partnership, and developing strategies for the countries of Greater Central Asia.

However, this is also where the weaknesses of the EU approach are laid bare. The EU defined its approach, and indeed the relatively artificial boundaries that it created when grouping countries, on the basis of a single criterion: EU integration. It appears that, with the launch of the EU Global Strategy, a new and more interest-based approach may be developing in Brussels. Still, it is the EU's understanding of a particular country's prospect of integration into EU structures that forms the guideline for the EU's policy. Geopolitical, economic, or trade factors have been secondary at best in this regard. This may have made sense in the immediate post-Cold War era, when the power of attraction of the EU was at its strongest and the geopolitical tensions in Eurasia at their weakest. However, since at least 2008, it has become clear that the EU's relationship with the countries to its east cannot rely solely on the power of its normative values and the prospect of association with the EU. This reality stems from the EU's growing aversion to enlargement as well as its reduced appeal following a succession of internal crises from the euro crisis to Brexit. The EU's recent experience in the western Balkans and in the Eastern Partnership area is a clear indication that a new approach is needed – one that will focus to a much greater extent on European *interests*, not solely European norms and values. The EU must act not only as a European *project* but as a European *power*.[135]

What, then, are the European interests in this area? Simply put, they range from stability and development in the political and economic fields to securing energy supplies and developing trade and transport links. Importantly, the EU's interest in political and economic stability implies that the development of the rule of law and the consolidation of participatory forms of government are not simply European values but also concrete EU interests.

In this sense, China's rise presents important opportunities. For all the talk of a Russian–Chinese alliance, it is a fact that Beijing's involvement in Central Asia has helped to strengthen the sovereignty and independence of the region's countries. The US and EU support for oil and gas pipelines linking the South Caucasus states to European markets broke Russia's hegemony in that region and helped to secure the economic independence of Azerbaijan and Georgia in the early 2000s. China's lead in the construction of pipelines linking suppliers east of the Caspian to itself in the latter part of the decade had exactly the same effect in Central Asia. In this sense, China contributed to a long-standing Western policy goal in the former Soviet space: the securing of sovereignty and independence that makes countries across this space full international citizens and thus potential partners not only for China but for Europe as well. In more recent times, against the background of a Western and particularly American disengagement from regional security issues, it is instructive to witness how countries closer to the EU, such as those of the Eastern Partnership, seek closer ties to China with the objective of counterbalancing their dependence on Russia.

Furthermore, there is no question that China's investments answer a direly felt need across Eurasia. As noted, the infrastructural needs of Eurasian and Asian states are enormous, and neither the EU nor Western development banks are in a position to fulfil those needs. In supporting infrastructure for trade and transport, China is providing a public good that will be beneficial for local states as well as business entities in Europe.

That said, the challenges involved in China's role are also notable. The most obvious relate to the specific forms that Chinese investments take. Their opaque and often non-transparent nature is an impediment to closer analysis, yet enough is known to suggest that Chinese investments very often come with strings attached. Leaving aside the fact that BRI projects typically employ Chinese

[135] In this, this paper agrees with the argument put forward in Sven Biscop, *European Strategy in the 21st Century: New Future for Old Power*, London: Routledge, 2019.

workers and thus have little positive effect on local employment, the projects often lead less developed countries to incur high levels of debt as a result of large-scale projects that, by Western standards, are not considered to be bankable. Countries as diverse as Djibouti, Mongolia, Sri Lanka, and Montenegro have found themselves facing serious debt crises as a result of Chinese-funded projects.[136]

This links to another problem: the fact that Chinese investment may be attractive to political leaders precisely because they are unable to raise funds for vanity projects elsewhere. Beijing's concerns for the fiscal consequences of its investments for recipient countries seem limited at best; at worst, these steps may fulfil the purpose of gaining long-term leverage over states that will continue to be heavily indebted to China for the foreseeable future. Future political leaders in such indebted countries will, no doubt, need to take Chinese interests and demands into consideration if they are to stand any chance of seeking debt relief. This indebtedness therefore fulfils a political purpose for China, as detrimental as it may be to the states involved. However, even from Beijing's perspective, this risks backfiring: as recently seen in Malaysia and the Maldives, for example, governments are increasingly sceptical towards large-scale deals with China.

This is entirely aside from the plentiful anecdotal evidence of corruption being tantamount to being used as a strategy by state-supported Chinese investors when securing contracts abroad. In Transparency International's 2011 Bribe Payers Index, Chinese companies were only outranked by Russian ones in terms of their propensity to engage in corruption.[137] The problem is so serious that it has been implicitly acknowledged by Chinese President Xi Jinping, who, when opening the BRI Forum in Beijing in 2017, urged "strengthening international counter-corruption cooperation so that the Belt and Road will be a road with high ethical standards".[138] Unless this problem is remedied, Chinese investments risk undermining, even nullifying, European efforts to support the struggle against corruption in countries in Eastern Europe and Eurasia. It is notable that, under the 17+1 mechanism, Chinese companies have had a considerably more difficult time achieving results in countries bound by EU laws and regulations than in those candidate countries in the Western Balkans that are not constrained by these regulations. The EU is correct to take this challenge very seriously, as it runs directly counter to its own interests not only in candidate and accession countries but also in countries *within* the Union itself.

---

[136] Hurley, Morris, and Portelance, *Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective,* pp. 16–19.

[137] Transparency International, *Bribe Payers Index 2011*, p. 5 (http://files.transparency.org/content/download/98/395/file/2011_BPI_EN.pdf).

[138] Xinhua, "Xi Urges Anti-Corruption Cooperation in Belt and Road Development", *Xinhuanet*, 14 May 2017 (http://www.xinhuanet.com//english/2017-05/14/c_136281350.htm).

Taking one step further, the growing Chinese influence cannot be dissociated from the model of governance that China is increasingly promoting – one built around a single party led by a strong leader. To the extent that China is promoting this model in its foreign relations, it stands in direct contradiction to the governance model that the EU is seeking to promote. When China does this *within* the boundaries of the EU itself, it becomes tantamount to a direct challenge to the EU's internal governance. This has led several European scholars to conclude that "all areas of Europe's interaction with China have strong political undertones" and that, "from the perspective of liberal democracies, all areas of interaction with China are potentially problematic and deserve scrutiny".[139] While the authors of this report would not go that far, it is clear that the Chinese influence potentially forms a direct counterweight to the European political norms that transcend the EU border itself.

Taking a different perspective, China's rise in Eurasia is indicative of a broader phenomenon that affects the EU and should compel it to update its approach to its neighbourhood. As noted in the introduction, the EU approach assumes a world governed by international norms and rules of conduct, yet great powers are increasingly flouting these norms and rules with impunity. This is not a form of international politics in which the EU was built to engage. In fact, the EU was created as a norm-based institution precisely as a reaction to the most devastating consequence of such international behaviour, the Second World War. However, the EU may be forced to adapt to this reality. To do so, and specifically to manage the role of China across Eurasia, it must increasingly be ready to act on the basis of hard interests both in its relationship with individual states in Eurasia and especially in its bilateral dialogue with China. As always, the EU's challenge will primarily be internal: to ensure unity among its members, while foreign powers may seek to divide and rule by striking bilateral agreements with individual Member States that undermine EU unity. This may not be easy, but the EU has powerful instruments in its hand. Most importantly, the EU must decide on a strategy regarding China's BRI project.

[139] Thorsten Benner, Jan Gaspers, Mareike Ohlberg, Lucrezia Poggetti, and Kristin Shi-Kupfer, *Authoritarian Advance: Responding to China's Growing Political Influence in Europe*, Berlin: Global Public Policy Institute and Mercatur Institute for China Studies, 2018 (https://www.merics.org/sites/default/files/2018-02/GPPi_MERICS_Authoritarian_Advance_2018_1.pdf).

7 Conclusions and Implications

The rise of the Belt and Road Initiative is symptomatic of the broader inevitable rise of China as a player on the global stage. As such, it is fraught with both challenges and opportunities for the EU.

China's Belt and Road Initiative has multifaceted aims that are both domestic and external in nature and that are inextricably linked to China's bid for a global leadership role. It is often promoted as an economic initiative, and, of course, it aims to improve infrastructure and connectivity, redirect the drivers of Chinese growth from external to internal factors, and develop the inland areas of China that have been lagging behind the coastal areas. Nevertheless, the BRI is about much more than economics: it is inherently geopolitical in nature. The BRI serves to reassert China's geopolitical influence in Eurasia and the Indian Ocean; to balance the US presence in these areas; to gain political leverage over partner countries; and to diversify China's trade routes, thus shielding them from dependence on key vulnerable chokepoints. Thus, the BRI is at once economic and geopolitical and the key to the personal agenda advanced by Chinese leader Xi Jinping.

While those are the BRI's goals, the initiative's challenges are numerous. The first risk concerns the sustainability of a financial model dependent on Chinese state-owned banks, the finances of which are deeply affected by non-performing loans and which lack transparency. Another key problem is the sustainability of the debts incurred by partner countries: indeed, while the BRI has many successful achievements, it sports both "white elephant" projects that have not materialized and debt crises in countries that have, as a result, seen a growing backlash against Chinese interests. This highlights the fact that neither Chinese state-owned enterprises nor many BRI partner countries possess the expertise and management skills to implement projects of this scale. On an international level, meanwhile, the business model of the BRI has challenged the rule-based lending model advanced by Western development cooperation and thus weakened the leverage of Western donors and international organizations.

Meanwhile, the EU has adopted a complex and thoughtful approach to the territories to its east, seeking continuously to manage the inherent tension between the logic for greater engagement, on the one hand, and the growing enlargement fatigue within the union, on the other. The EU has divided Eurasia up according to its own main key parameter – the extent to which countries are considered to be candidates for EU accession in the near or distant future. In other words, trade has not been a major consideration for the EU in its categorization of Eurasian states. In fact, it could be said that trade played a more significant role in EU thinking in the early 1990s, whereas, subsequently, an array of other factors have gained prominence.

This creates the problem that the EU has not articulated concrete interests in its approach to these countries. It is not only trade that has been secondary to EU activity: to an even greater extent, the EU has ignored geopolitical interests in developing its relations with Eurasian states. This study finds that, given the changing nature of world politics *away* from the rule-based international order that the EU was designed to promote, the EU can no longer rely solely on the power of its normative values. It must act more as a power, not an integration project. The EU has begun to move in this direction with the launch of the Global Strategy and more specifically the Connectivity Strategy, but it will succeed only if a more interest-based approach that takes geopolitics firmly into account is adopted across the board in EU ties with countries involved in the BRI project.

This applies very directly to the EU's approach to China's role in Eurasia, where the EU must determine its course of action on the basis of hard interests. Thus, for example, the BRI supports an EU interest in weakening Russia's dominance over the Eurasian continent and makes available resources that the EU itself cannot muster. Meanwhile, its implications for certain countries' debt burden and its lack of transparency and implications for the rule of law oppose the EU's interests in the stability and political development of these countries. Weighing these positive and negative implications against each other must be the guiding light for EU approaches to the BRI.

For future EU policies, this reality calls for engagement with China and the BRI that is driven by these interests. Writing from an American perspective, Job Henning called for a strategy of "disruptive collaboration" with China as regards the BRI. In essence, instead of a hostile policy towards Chinese initiatives, Henning recommended a policy that recognizes the common interests furthered by the BRI, seeking to encourage Chinese activities and take a role in the region that cooperates with specific Chinese initiatives. At the same time, he argued, the US should attempt to disrupt the possibility of collusion among American adversaries in Eurasia and simultaneously to influence the manner in which America's allies frame their ties to Beijing.[140] Such an approach would also make sense for the EU, which has a more structured and less conflictual relationship with China as it is while also having close to 20 Member States in the Asian Infrastructure Investment Bank. Such an approach would mean engaging China prominently in the BRI but, equally importantly, engaging the states in which

[140] Job C. Henning, *"Disruptive Collaboration" in U.S. and China Relations: A New Approach to U.S. Foreign Policy towards Eurasia*, forthcoming, p. 34; Henning, "Change the Subject: U.S.–China Relations after Buenos Aires", *War on the Rocks*, 4 December 2018 (https://warontherocks.com/2018/12/change-the-subject-u-s-china-relations-after-buenos-aires/).

the initiative is being implemented. The EU would tailor its own policies to the impact that Chinese activities might have – encouraging and supporting China in some cases while countering the possible downsides of Chinese investments in other cases.

Such an approach could mean close cooperation with Beijing and local states, where the EU could complement China's focus on hard infrastructure with an emphasis on rule of law, capacity building, and institutional reforms. In fact, Chinese voices have indicated that they actually see such EU programmes to be in China's long-term interest, not least because Chinese SOEs themselves incur risks based on the political risk derived from the absence of rule of law in many countries in which they seek to invest.

This approach could mean supporting European investment banks to promote infrastructural projects that are not in China's interest but that are in the interest of the EU and the local state in question. It could also mean directly targeting Chinese companies for sanctions if, for example, they violate EU legislation in EU countries. Such an EU approach, ideally but not necessarily coordinated with the US, would send a clear signal to Beijing that the EU and China have common interests and that the EU is prepared to support China's efforts to realize what is a key priority for Xi Jinping. However, it would also indicate that the EU is prepared to stand up for its own interests and that it is prepared to take steps to defend them against Chinese encroachments. Such an approach, if successfully implemented, could be in the long-term interest of the BRI, aiding it in avoiding the embarrassing type of failed large-scale projects known as "white elephants". It would certainly be in the interest of countries across Eurasia that welcome China's presence, but they are simultaneously wary of growing dependence on China. Additionally, it would be in the interest of the EU and its Member States, which would be able to promote a more secure and developed neighbourhood.

References

Перспективы роста. Железнодорожник Белоруссии, 7 October 2017. Retrieved from http://xpress.by/2017/10/07/perspektivy-rosta-2/.

10th ASEM Summit, Milan, 16–17 October 2014. (2014, 16 October). Retrieved from http://www.consilium.europa.eu/en/meetings/international-summit/2014/10/16-17.

Allison, G. (2017, 31 May). What Xi Jinping wants. *The Atlantic.* Retrieved from https://www.theatlantic.com/international/archive/2017/05/what-china-wants/528561/.

Ashraf, S. (2018, 2 March). The BRI–CPEC connectivity ushering hope. *China–US Focus*. Retrieved from https://www.chinausfocus.com/finance-economy/the-bri--cpec-connectivity-ushering-hope.

Asian Development Bank. (2017, 28 February). *Asia Infrastructure Needs Exceed $1.7 Trillion Per Year*. News release. Retrieved from https://www.adb.org/news/asia-infrastructure-needs-exceed-17-trillion-year-double-previous-estimates.

Avdaliani, E. (2018, 31 January). Comment: Georgia hopes to use China's One Belt, One Road project to break its dependence on Russia. *BNE Intellinews*. Retrieved from https://www.intellinews.com/comment-georgia-hopes-to-use-china-s-one-belt-one-road-project-to-break-its-dependence-on-russia-136041/.

Belarus, China establish comprehensive strategic partnership relations. (2016). *Belarusian Telegraph Agency*. Retrieved from http://eng.belta.by/president/view/belarus-china-establish-comprehensive- strategic-partnership-relations-94922-2016/.

Belarus eyes becoming major China–Europe cargo hub. (2018, 1 February). *Journal of Commerce*. Retrieved from https://www.joc.com/rail-intermodal/belarus-eyes-becoming-major-china%E2%80%93europe-cargo-hub_20180201.html.

Belarus Institute of Strategic Studies. (2013). *Belarus and Developing Countries: Faulty Single-Commodity Export Orientation*. Retrieved from http://belinstitute.eu/en/node/1194.

Belgrade–Budapest railway part of Chinese "express lane" to Europe. (2014, 17 December). *Reuters*. Retrieved from https://www.reuters.com/article/europe-china-east/belgrade-budapest-railway-part-of-chinese-express-lane-to-europe-idUSL6N0U11ZN20141217.

Benner, T., Gaspers, J., Ohlberg, M., Poggetti, L., & Shi-Kupfer, K. (2018). *Authoritarian Advance: Responding to China's Growing Political Influence in Europe*. Berlin: Global Public Policy Institute and Mercatur Institute for China Studies. Retrieved from https://www.merics.org/sites/default/files/2018-02/GPPi_MERICS_Authoritarian_Advance_2018_1.pdf.

Bērziņa-Čerenkova, U. A. (2018, 30 January). China's new role in the Baltic states. *The Baltic Bulletin*, Foreign Policy Research Institute. Retrieved from https://www.fpri.org/article/2018/01/chinas-new-role-baltic-states/.

Biscop, S. (2018). Strategy. In *European Strategy in the 21st Century*, pp. 21–36. doi: 10.4324/9780429427442-3.

Bishkek–Naryn–Torugart road reconstruction 67% done: Transport Ministry. (2017, May). *AKIpress*. Retrieved from https://akipress.com/news:592106.

Blanchard, B. (2018, 29 June). China assures EU of good intent at Eastern Europe summits. *Reuters.* Retrieved from https://www.reuters.com/article/us-china-eu-trade/china-assures-eu-of-good-intent-at-eastern-europe-summits-idUSKBN1JP0GU.

Brustlein, C. (2018, 16 November). *European Strategic Autonomy: Balancing Ambition and Responsibility*. Paris: IFRI.

CFO Innovation. (2016, 8 September). *Silk Road Bonds Proposed To Meet Financing Needs of "Belt and Road" Countries*. Retrieved from https://www.cfoinnovation.com/risk-management/silk-road-bonds-proposed-to-meet-financing-needs-belt-and-road-countries.

Chan, J. (2018, 26 October). Europe's challenge to China. *The Diplomat*. Retrieved from https://thediplomat.com/2018/10/europes-challenge-to-china/

Chan, S. (2017). The Belt and Road Initiative: Implications for China and East Asian economies. *Copenhagen Journal of Asian Studies*. Retrieved from https://rauli.cbs.dk/index.php/cjas/article/view/5446.

China becomes a key trade partner, investor in Ukraine. (2018, 12 January). *Kyiv Post*. Retrieved from https://www.kyivpost.com/business/china-becomes-key-trade-partner-investor-ukraine.html?cn-reloaded=1.

China interested in Iran–Armenia rail project. (2018, 6 March). *The Financial Tribune*. Retrieved from https://financialtribune.com/articles/economy-business-and-markets/83024/china-interested-in-iran-armenia-rail-project.

China–Kyrgyzstan–Tajikistan–Afghanistan–Iran railway corridor to boost regional economies. (2018, 15 February). *The Times of Central Asia*. Retrieved from https://www.timesca.com/index.php/news/19352.

China sues Ukraine for breach of US$3b loan-for-grain agreement. (2014, 27 February). *South China Morning Post.* Retrieved from https://www.scmp.com/news/china/article/1435976/china-sues-ukraine-breach-us3b-loan-grain-agreement.

Chow, D. C. K. (2016) Why China established the Asia Infrastructure Investment Bank. *Vanderbilt Journal of Transnational Law*, *99*(5), 1258–1264. Retrieved from https://www.vanderbilt.edu/jotl/wp-content/uploads/sites/78/7.-Chow_Paginated.pdf.

Council of the European Union. (2017, 19 June). *Council Conclusions on the EU Strategy for Central Asia*. Retrieved from http://www.consilium.europa.eu/media/23991/st10387en17-conclusions-on-the-eu-strategy-for-central-asia.pdf.

Council of the European Union. (n.d.) *EU Relations with Belarus*. Retrieved from http://www.consilium.europa.eu/en/policies/eastern-partnership/belarus/.

Dahir, A. L. (2018, 29 May). There is growing momentum to adopt China's yuan as a reserve currency in Africa. *Quartz Africa*. Retrieved from https://qz.com/1291372/chinas-yuan-gets-support-from-africa-central-banks-to-replace-us-dollar-reserve/.

Daly, J. C. K. (2018, 25 April). China and Georgia deepen transit cooperation. *Eurasian Daily Monitor*. Retrieved from https://jamestown.org/program/china-and-georgia-deepen-transit-cooperation/.

Danyluk, B., MacDonald, J. A., & Donahue, A. (2004). *Energy Futures in Asia: Perspectives on India's Energy Security Strategy and Policies*. McLean, VA: Booz Allen Hamilton.

Davydenko, I, et al. *Potential for Eurasia Land Bridge Corridors & Logistics Developments Along the Corridors,* Brussels: European Commission, DG TREN, 2012. (https://www.tno.nl/media/2825/report_potential_eurasia_land_bridge_rail-corridors_final_25042012.pdf)..

Dębiec, K., & Jakóbowski, J. (2018, 6 June). *Chinese Investments in the Czech Republic: Changing the Expansion Model. Center for Eastern Studies.* Retrieved from https://www.osw.waw.pl/en/publikacje/analyses/2018-06-06/chinese-investments-czech-republic-changing-expansion-model.

Deutsche Bank Research. (2015). Province: Xinjiang. In *Emerging Markets – China Chartbook*. September. Retrieved from https://www.dbresearch.com/PROD/DBR_INTERNET_EN-PROD/PROD0000000000247542.pdf.

Deutsche Welle. (2019, 18 June). EU delays accession talks with N. Macedonia and Albania. *DW*. Retrieved from https://www.dw.com/en/eu-delays-accession-talks-with-n-macedonia-and-albania/a-49252519.

Ehlers, T., Kong, S., & Z. Feng. (2018, 12 February). *Mapping Shadow Banking in China*. BIS Working Paper, no. 701. Retrieved from https://www.bis.org/publ/work701.htm.

European Commission. (n.d.). *China*. Retrieved from http://ec.europa.eu/trade/policy/countries-and regions/countries/china/.

European Commission. (2017). *Frequently Asked Questions on EU–China Relations*. Fact Sheet, 1 June 2017. Retrieved from http://europa.eu/rapid/press-release_MEMO-16-2258_en.htm.

European Commission. (2017). *Western Balkans Enlargement: Common Destination, State of the Union*. Retrieved from https://ec.europa.eu/commission/sites/beta-political/files/western-balkans-enlargement_en.pdf.

European Commission. (2016). *Client and Supplier Countries of the EU28 in Merchandise Trade (Value %) (2016, Excluding Intra-EU Trade)*. Retrieved from www.trade.ec.europa.eu/doclib/docs/2006/september/tradoc_122530.pdf.

European Commission. (2019, 12 March). *EU–China: A Strategic Outlook*. Retrieved from https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf.

European Commission. (2018, 6 February). *A Credible Enlargement Perspective for and Enhanced EU Engagement with the Western Balkans*. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Retrieved from https://eeas.europa.eu/sites/eeas/files/communication-credible-enlargement-perspective-western-balkans_en.pdf .

European Commission. (2018, 6 February). *Strategy for the Western Balkans*. Retrieved from https://ec.europa.eu/commission/news/strategy-western-balkans-2018-feb-06_en.

European Commission & HR/VP. (2018, 19 September). *Connecting Europe and Asia – Building Blocks for an EU Strategy*. Joint Communication to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank. Brussels. Retrieved from https://eeas.europa.eu/sites/eeas/files/joint_communication_-_connecting_europe_and_asia_building_blocks_for_an_eu_strategy_2018-09-19.pdf.

European Commission & HR/VP. (2016, 26 June). *Elements for a New EU Strategy on China*. Joint Communication to the European Parliament, the European Council, and the Council, Strasbourg. Retrieved from http://eeas.europa.eu/archives/docs/china/docs/joint_communication_to_the_european_parliament_and_the_council__elements_for_a_new_eu_strategy_on_china.pdf.

European Commission & HR/VP. (2019). *EU–China – A Strategic Outlook*. Joint Communication to the European Parliament, the European Council, and the Council, Strasbourg. Retrieved from https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf.

European External Action Service. (2019, 16 October). *Afghanistan: New EU Strategy*. Brussels: European External Action Service.

European Union. (2016). *Shared Vision, Common Action: A Stronger Europe. A Global Strategy for the European Union's Foreign and Security Policy*. Brussels: European Union. Retrieved from https://eeas.europa.eu/archives/docs/top_stories/pdf/eugs_review_web.pdf.

Fiott, D. (2018). Strategic autonomy: Towards "European sovereignty" in defence. *European Union Institute for Security Studies Issue Brief*, 12.

First rail freight service to China departs UK. (2017, 10 April). *BBC News.* Retrieved from https://www.bbc.com/news/uk-39549077.

Gaens, B. (2018). *Europe's Connectivity Strategy and the Challenge of China*. FIIA Comment.
Gaspers, J. (2018, 2 March). Divide and rule. *The Berlin Policy Journal*. Retrieved from https://berlinpolicyjournal.com/divide-and-rule.
Geary, K. (2016, 22 June). The AIIB needs to deliver governance to match its rhetoric. *China Dialogue*. Retrieved from https://www.chinadialogue.net/article/show/single/en/10692-The-AIIB-needs-to-deliver-governance-to-match-its-rhetoric.
Government of Romania. (2013, 27 November). *The Bucharest Guidelines for Cooperation between China and Central and Eastern European Countries*. Retrieved from http://gov.ro/en/news/the-bucharest-guidelines-for-cooperation-between-china-and-central-and-eastern-european-countries.
Great Stone Industrial Park is the great hope for the Belarus Government. (2016, 19 December). *BNE Intellinews*. Retrieved from http://www.intellinews.com/great-stone-industrial-park-is-the-great-hope-for-the-belarus- government-111001/.
Gretsky, S. (2015, 10 June). Hanging in the trade balance: Is free trade a curse for Kazakhstan? *Central Asia-Caucasus Analyst 17*(11). Retrieved from http://www.cacianalyst.org/publications/analytical-articles/item/13228.
Grey, E. (2017, 10 November). Can the Trans-Caspian Route deliver the next freight revolution? *Railway Technology*. Retrieved from https://www.railway-technology.com/features/featurecan-the-trans-caspian-route-deliver-the-next-freight-revolution-4684339.
Gurt, M. (2009, 14 December). China extends influence into C. Asia with pipeline. *Reuters.* Retrieved from https://uk.reuters.com/article/china-pipeline/china-extends-influence-into-c-asia-with-pipeline-idUKSGE5BD0BQ20091214?sp=true.
Henning, J. C. (2018, 4 December). Change the subject: U.S.–China relations after Buenos Aires. *War on the Rocks*. Retrieved from https://warontherocks.com/2018/12/change-the-subject-u-s-china-relations-after-buenos-aires/.
Henning, J. C. (forthcoming). *"Disruptive Collaboration" in U.S. and China Relations: A New Approach to U.S. Foreign Policy towards Eurasia*, Washington: forthcoming, p. 34.
Hillman, J. E. (2018, 3 April). *How Big Is China's Belt and Road?* (2019, September 12). Center for Strategic and International Studies. Retrieved from https://www.csis.org/analysis/how-big-chinas-belt-and-road.
Hong, Z. (2017, 6 June). Armenia open to the Belt and Road Initiative. *CGTN*. Retrieved from https://news.cgtn.com/news/3d41444e3345444e/share_p.html.
Hug, A. (2017, 14 February). *The EEAS Needs Cooperation from Member States*. Foreign Policy Centre. Retrieved from https://fpc.org.uk/the-eeas-needs-cooperation-from-member-states/.

Hurley, J., Morris, S., & Portelance, G. (2018, March). *Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective*. CGD Policy Paper, no. 121. Retrieved from https://www.cgdev.org/sites/default/files/examining-debt-implications-belt-and-road-initiative-policy-perspective.pdf.

IMF. (2009). *Direction of Trade Statistics Yearbook,* Washington: International Monetary Fund, *2009*.

PM: Project of high-speed trains going Boryspil airport to be completed by late 2018. (2018, 16 February). *Interfax-Ukraine*. Retrieved from https://en.interfax.com.ua/news/economic/485639.html.

Interiors. (2015, 9 May). *The Economist.* Retrieved from https://www.economist.com/the-americas/2015/05/09/interiors.

Jardine, B. (2018, 21 February). With port project, Georgia seeks place on China's Belt and Road. *Eurasianet*. Retrieved from https://eurasianet.org/with-port-project-georgia-seeks-place-on-chinas-belt-and-road.

Jin, W. (2016, 10 August). After the failed coup: A new dawn for China–Turkey relations. *The Diplomat*. Retrieved from https://thediplomat.com/2016/08/after-the-failed-coup-a-new-dawn-for-china-turkey-relations/.

Kaplan, R. D. (2018). *The Return of Marco Polo's World: War, Strategy, and American Interests in the Twenty-First Century*. New York: Random House.

Kassenova, N. (2008, January). The new EU strategy towards Central Asia: A view from the region. *CEPS Policy Brief*, No. 148. Retrieved from http://aei.pitt.edu/7540/1/148.pdf.

Kynge, J. (2017, 20 February). EU sets collision course with China over "Silk Road" rail project. *Financial Times.* Retrieved from https://www.ft.com/content/003bad14-f52f-11e6-95ee-f14e55513608.

Labaye, E. et al. (2013, December). *A New Dawn: Reigniting Growth in Eastern and Central Europe*. McKinsey Global Institute. Retrieved from http://www.mckinsey.com/insights/economic_studies/a_new_dawn_reigniting_growth_in_central_and_eastern_europe.

Larsen, J. (2017, 3 May). Georgia: The Black Sea hub for China's "Belt and Road". *The Diplomat.* Retrieved from https://thediplomat.com/2017/05/georgia-the-black-sea-hub-for-chinas-belt-and-road.

Lee, C. (2016, 16 December). China's CNPC says Central Asia gas pipeline rate to hit 30 Bcm/y Jun 2012. *Platts*. Retrieved from https://www.spglobal.com/platts/en/market-insights/latest-news/natural-gas/121611-chinas-cnpc-says-central-asia-gas-pipeline-rate-to-hit-30-bcmyear-jun-2012.

Letsch, C. (2013, 29 October). Istanbul's underwater Bosphorus rail tunnel opens to delight and foreboding. *The Guardian.* Retrieved from https://www.theguardian.com/world/2013/oct/29/istanbul-underwater-bosphorus-rail-tunnel-european-asian-earthquake.

Levitz, P., & Pop-Eleches, G. (2010). Monitoring, money and migrants: Countering post-accession backsliding in Bulgaria and Romania. *Europe–Asia Studies*, *62*(3), 461–479. doi: 10.1080/09668131003647838.

Lingard, N., Choong, J., Kirkness, R., Apostolova, K., & Liu, X. (2018, 20 July). *China Establishes International Commercial Courts To Handle Belt and Road Initiative Disputes*. Freshfields Bruckhaus Deringer LLP. Retrieved from https://www.lexology.com/library/detail.aspx?g=7cc76e29-129b-4531-b60a-d782131499be.

Linn, J. (2012). Central Asian regional integration and cooperation: Reality or mirage? In *EDB Eurasian Integration Yearbook 2012*, ed. Evgeny Vinokurov. Almaty, Kazakhstan: Eurasian Development Bank, pp. 96–117.

Lobyrev, V. et al. (2018, 10 May). *Belt and Road Transport Corridors: Barriers and Investments*. Saint Petersburg: Eurasian Development Bank, Institute of Economy and Transport Development, p. 14.

Marin, A. (2017, June). Minsk–Beijing: What kind of strategic partnership. *Russie.Nei.Visions*, *102*, 5.

Melkozerova, V. (2018, 30 January). Chinese company ends project to deepen Yuzhny Port. *Kyiv Post*. Retrieved from https://www.kyivpost.com/business/chinese-company-ends-project-deepen-yuzhniy- port-video.html.

Mykal, O. (2016, 10 March). Why China is interested in Ukraine. *The Diplomat.* Retrieved from https://thediplomat.com/2016/03/why-china-is-interested-in-ukraine/.

Mooney, T. (2015, 26 November). Caspian sea port of Baku builds for China–Europe overland links. *Journal of Commerce*. Retrieved from https://www.joc.com/port-news/asian-ports/caspian-sea-port-baku-builds-opportunities-china-europe-overland-links_20151126.html.

Nagai, O. (2017, 18 October). China's Xi outlines vision of "great modern socialist country". *Nikkei Asian Review*. Retrieved from https://asia.nikkei.com/Economy/China-s-Xi-outlines-vision-of-great-modern-socialist-country.

National Development and Reform Commission, Ministry of Foreign Affairs and Ministry of Commerce of the People's Republic of China, with State Council Authorization. (2005, March). *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road*. Retrieved from http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html.

OborEurope. (2017, 27 December). The BRI and the modernization of infrastructure in Ukraine. Retrieved from http://www.oboreurope.com/en/infrastructure-ukraine/.

Our World in Data. (2013). *Globalization over 5 Centuries*. Retrieved from https://ourworldindata.org/uploads/2013/05/ourworldindata_world-trade-over-5-centuries.png

Peel, M. (2018, 17 April). Two Balkan states clear hurdle in quest to join EU. *The Financial Times.* Retrieved from https://www.ft.com/content/2234d578-418a-11e8-803a-295c97e6fd0b.

Plans to boost China–Europe rail freight traffic via Belarus almost twofold by 2020. (2018, 4 May). *Belarusian Telegraph Agency*. Retrieved from https://eng.belta.by/economics/view/plans-to-boost-china-europe-rail-freight-traffic-via-belarus-almost-twofold-by-2020-111437-2018/.

Plans to finish large piece of China–Belarus industrial park Great Stone infrastructure by year end. (2018, 11 May). *Belarusian Telegraph Agency*. Retrieved from https://eng.belta.by/economics/view/plans-to-finish-large-piece-of-china-belarus-industrial-park-great-stone-infrastructure-by-year-end-111606-2018/.

PM gets acquainted with construction of the Vahdat–Yovon railway. (2016, 11 April). *Asia-Plus*. Retrieved from https://asiaplustj.info/en/news/tajikistan/economic/20160411/pm-gets-acquainted-construction-vahdat-yovon-railway.

Qingyun, W. (2015, 31 October). New 17+1 China–European initiative introduced in Beijing. *China Daily*. Retrieved from http://www.chinadaily.com.cn/world/cn_eu/2015-10/31/content_22332681.htm.

Rahimov, M. (2016, 18 April). The Pap–Angren railway and its geoeconomic implications for Central Asia. *The Central Asia–Caucasus Analyst*. Retrieved from http://cacianalyst.org/publications/analytical-articles/item/13354.

Rastogi, C., & Arvis, J.-F. (2014). *The Eurasian Connection: Supply-Chain Efficiency along the Modern Silk Route through Central Asia*. Washington, DC: World Bank.

RFE/RL. (2017, 30 October). Baku–Tbilisi–Kars railway line officially launched. Retrieved from https://www.rferl.org/a/baku-tbilisi-kars-railway-line-officially-launched-azerbaijan-georgia-turkey/28824764.html.

Richardson, M. (2012, 7 June). Thirst for energy driving China's foreign policy. *Japan Times.* Retrieved from https://www.japantimes.co.jp/opinion/2012/06/07/commentary/thirst-for-energy-driving-chinas-foreign-policy/#.W50Nw84zbIU.

Sedelmeier, U. (2013). Anchoring democracy from above? The European Union and democratic backsliding in Hungary and Romania after accession. *JCMS: Journal of Common Market Studies*, *52*(1), 105–121. doi: 10.1111/jcms.12082.

Shahbazov, F. (2017, 12 April). Baku–Beijing relations and China's growing interest in the South Caucasus. *Eurasian Daily Monitor*. Retrieved from https://jamestown.org/program/baku-beijing-relations-chinas-growing-interest-south-caucasus/.

Shepard, W. (2016, 21 August). Why is China building a new city in Georgia? *Forbes*. Retrieved from https://www.forbes.com/sites/wadeshepard/2016/08/21/why-is-china-building-a-new-city-in-georgia/#1a7f42234f15.

Shepard, W. (2017, 20 February). Khorgos: The New Silk Road's central station comes to life. *Forbes*. Retrieved from https://www.forbes.com/sites/wadeshepard/2017/02/20/khorgos-the-new-silk-roads-central-station-comes-to-life/#79b602b2c22e.

Shepard, S. (2017, 25 October). Why China just added the Belt and Road Initiative to its constitution. *Forbes*. Retrieved from https://www.forbes.com/sites/wadeshepard/2017/10/25/why-china-just-added-the-belt-and-road-initiative-to-its-constitution/#40ab6e9f42ab.

Smolnik, F. (2018, March). *Georgia Positions Itself on China's New Silk Road*. German Institute for International and Security Affairs. Retrieved from https://www.swp-berlin.org/fileadmin/contents/products/comments/2018C13_smk.pdf.

Soukas, J. (2016, 22 December). China-led AIIB invests in gas pipeline. *Global Times.* Retrieved from https://gbtimes.com/china-led-aiib-invests-gas-pipeline-linking-azerbaijan-turkey-europe.

Starr, S. F. (2019). US perspectives on China's Belt and Road Initiative in Central Asia and the South Caucasus. *International Studies*, *56*(2–3), 79–91. doi: 10.1177/0020881719851916.

Starr, F. S., & Cornell, S. E. (2018). *Long Game on the Silk Road: US and EU Strategy for Central Asia and the Caucasus*. Lanham, MD: Rowman & Littlefield, pp. 15–18.

Statista. (2019). *China: Growth Rate of Real Gross Domestic Product (GDP) from 2011 to 2024*. Retrieved 1 October 2018 from https://www.statista.com/statistics/263616/gross-domestic-product-gdp-growth-rate-in-china/.

Stevens, C. (2018, 17 August). Along the New Silk Road – Piraeus: China's gateway into Europe. *Geographical*. Retrieved from https://geographical.co.uk/people/development/item/2866-silk-road-pir.

Storey, I. (2006, 12 April). China's "Malacca Dilemma". *Jamestown China Brief*. Retrieved from https://jamestown.org/program/chinas-malacca-dilemma/.

Swanström, N. (2001, 11 April). China conquers Central Asia through Trade. *Central Asia-Caucasus Analyst*.

Swanström, N. (2005). China and Central Asia: A new great game or traditional vassal relations? *Journal of Contemporary China*, *14*(45), 569–584. doi: 10.1080/10670560500205001.

SWIFT. (2018, January). *RMB Internationalization: Where We Are and What We Can Expect in 2018*. Retrieved from https://www.swift.com/resource/rmb-tracker-january-2018-special-report.

The new Uzbekistan–Kyrgyzstan–China railway to compete with Kazakhstan. (2018, 22 January). *Qazaq Times.* Retrieved from https://qazaqtimes.com/en/article/32135.

Tiezzi, S. (2015, 12 May). In Belarus, China seeks gateway to Europe. *The Diplomat.* Retrieved from https://thediplomat.com/2015/05/in-belarus-china-seeks-gateway-to-europe/.

Tobita, M. (2018, 22 August). China money flows into Turkey as crisis creates opening. *Nikkei Asian Review*. Retrieved from https://asia.nikkei.com/Politics/International-Relations/China-money-flows-into-Turkey-as-crisis-creates-opening.

Tonchev, P. (2017, February). *China's Road: Into the Western Balkans.* European Union Institute for Security Studies, p. 2. Retrieved from https://www.iss.europa.eu/sites/default/files/EUISSFiles/Brief 3% 20China's Silk Road.pdf.

Transparency International. (2011). *Bribe Payers Index 2011*, p. 5. Retrieved from http://files.transparency.org/content/download/98/395/file/2011_BPI_EN.pdf.

Turkey "would abandon" EU for Shanghai Five. (2012, 26 July). *Hürriyet Daily News.* Retrieved from http://www.hurriyetdailynews.com/turkey-would-abandon-eu-for-shanghai-five-26455.

Turkish Ministry of Foreign Affairs. (n.d.). *Turkey–People's Republic of China Economic and Trade Relations*. Retrieved from http://www.mfa.gov.tr/turkey_s-commercial-and-economic-relations-with-china.en.mfa.

United Nations Economic Commission for Europe. (2013, 30 August). *Transport Links between Europe and Asia, New Challenges*. Retrieved from http://www.unece.org/fileadmin/DAM/trans/doc/2013/wp5/wp5-eatl/EATL_8th_session_InfDoc1e.pdf.

Why China is swooping on Georgia's airline industry. (2018, 15 March). *The Economist*. Retrieved from https://www.economist.com/gulliver/2018/03/15/why-china-is-swooping-on-georgias-airline-industry.

Xinhua. (2017, 14 May). Xi urges anti-corruption cooperation in Belt and Road development. *Xinhuanet*. Retrieved from http://www.xinhuanet.com//english/2017-05/14/c_136281350.htm.

Xinhua. (2017, 11 October). Chinese company signs deals to modernize highways in Ukraine. *Xinhuanet*. Retrieved from http://www.xinhuanet.com/english/2017-10/11/c_136670427.htm.

Xinhua. (2017, 23 November). Chinese consortium to build metro line in Kiev. *Xinhuanet*. Retrieved from http://www.xinhuanet.com/english/2017-11/23/c_136772548.htm.

Xinhua. (2017, 30 December). Ukraine's grain exports projected to decline for first time in 5 years. *Xinhuanet*. Retrieved from http://www.xinhuanet.com/english/2017-12/30/c_136860580.htm.

Xinhua. (2018, 1 January). China, Armenia discuss future trade collaborations. *Xinhuanet*. Retrieved from http://www.xinhuanet.com/english/2018-01/31/c_136937111.htm.

Xinhua. (2018, 5 January). Xinjiang to invest 70 billion USD in infrastructure in 2018. *Xinhuanet*. Retrieved from http://www.xinhuanet.com/english/2018-01/05/c_136874801.htm.

Xinhua. (2018, 30 May). China calls for balanced solution to Ukraine crisis. *Xinhuanet*. Retrieved from http://www.xinhuanet.com/english/2018-05/30/c_137217609.htm.

Yanarocak, H. E. C. (2015, 20 August). Turkey and China: Merging realpolitik with idealism. *Turkey Analyst*. Retrieved from https://www.turkeyanalyst.org/publications/turkey-analyst-articles/item/426.

Yeping, Y. (2018, 31 May). Azerbaijan: A growing trade partner with China. *The Global Times*. Retrieved from http://www.globaltimes.cn/content/1105003.shtml.

关晓萌 Yongqi, H. (2018, 9 July). China to boost economic links with CEE nations. *China Daily.* Retrieved from http://www.chinadaily.com.cn/a/201807/09/WS5b429e38a3103349141e16a8.html.

Zhang, M. (2018, 20 July). China fund kicks start new Silk Road with Eastern Europe project. *South China Morning Post.* Retrieved from https://www.scmp.com/business/china-business/article/2096005/sino-ceef-track-first-investment-central-and-eastern-europe.

Zheng, L., & Tham, E. (2018, 6 March). China regulator to cut banks' bad debt buffers: Sources. *Reuters.* Retrieved from https://www.reuters.com/article/us-china-banks-regulations-idUSKCN1GI0OZ.

Svensk sammanfattning

Blomstrande handel och Kinas omvandling till en global stormakt har gjort europeisk-kinesiska relationer alltmer mångsidiga. Lanseringen av Kinas Belt and Road Initiative (BRI) som sträcker sig ända in i EU har väckt frågor gällande projektets implikationer för Europa. EU, Kina och länderna dem emellan har alla ett intresse av att utveckla transkontinentala handelsvägar, men BRI har blivit allt mer kontroversiellt. Detta måste förstås i BRI:s geopolitiska kontext: utvecklingen i riktning mot ett allt mer självsäkert Kina kommer parallellt med utmaningen att hantera ett mer aggressivt Ryssland, ett mer kaotiskt europeiskt grannskap i Medelhavsregionen och en transatlantisk länk som har blivit allt mer ansträngd.

Denna studie täcker flera frågor som BRI har väckt för EU. För det första, vilka är initiativets följder för stater i Östeuropa och Eurasien? För att svara på den frågan görs en analys av vad Kina söker uppnå, hur BRI är strukturerat samt vilka implikationer det har för rättsstatsprinciper och för den politiska och den ekonomiska utvecklingen i de berörda staterna. För det andra, hur ser Kinas intressen ut i relation till EU:s egna intressen i regionen? Studien syftar därför till att ge en korrekt förståelse av EU:s egna intressen samt hur EU har försökt uppnå dessa intressen och hur dess relationer till dessa regioner, inklusive Kina, har utvecklats. Slutligen besvaras också den tredje och mest väsentliga frågan: är Kinas och EU:s intressen kompatibla?

BRI tillkom år 2013, tjugo år efter det att EU initierade ett projekt för att skapa en transportkorridor som skulle länka samman Europa, Södra Kaukasien, Centralasien och Kina. På så vis har både EU och Kina arbetat mot vad Världsbanken har kallat ”ett av 2000-talets mest definierande kännetecken”, nämligen återintegreringen av den eurasiska kontinenten efter Sovjetunionens fall. Den underliggande motiveringen till transportlänkarna är uppenbar: EU, Kina och länderna där emellan har intresse av att det öppnas kontinentala transportvägar. Dessa vägar kan komma att utgöra ett betydande komplement till de närmare 90 procent av den europeisk-kinesiska handeln som sker genom havs- och flygtransporter.

BRI initierades som en serie landkorridorer genom Eurasien och kompletterades med ett tilltänkt maritimt nätverk tvärs över Indiska oceanen. Kina initierade emellertid regionala infrastrukturprojekt redan under 1990-talets slut och närvaron i Centralasien föregår således BRI. Mer nyligen har Kinas ekonomiska expansion riktats mot länder närmare EU, till exempel Ukraina, Vitryssland, Turkiet och södra Kaukasien. Mest anmärkningsvärt är formatet 16+1 som sammanför en blandning av EU-medlemsstater och kandidatstater i östra och sydöstra Europa.

BRI är ett försök att skapa ett enhetligt ramverk för utvecklingen av globala megaprojekt som ska öka förbindelserna och handeln mellan Kina och resten av världen. Detta ligger i linje med Kinas tidigare ekonomiska politik men saknar motstycke i både omfattning och ambitionsnivå. BRI är också en respons på den överkapacitet som finns i flera sektorer i den kinesiska ekonomin; genom att tillåta utvecklingen av nya affärsmöjligheter utomlands begränsas kinesiska företag i mindre utsträckning av den övermättade kinesiska hemmamarknaden. BRI är vidare kopplat till Kinas övergång till en ny ekonomisk modell som syftar till att omdirigera de tillväxtdrivande krafterna från externa till interna faktorer. Initiativet kan här fungera som en stötdämpare som begränsar de negativa spridningseffekterna från den ekonomiska omställningen. Slutligen påverkar det även den ojämna regionala tillväxten inom Kina genom att stärka den ekonomiska tillväxten i de inlandsområden som utvecklats långsammare än Kinas kustregioner.

Kina framställer BRI som ett rent ekonomiskt projekt, men det har även viktiga geopolitiska implikationer. Att reducera beroendet av flaskhalsar till havs är i sig ett geopolitiskt mål, men BRI fyller även funktionen att på nytt bekräfta Kinas geopolitiska inflytande i Eurasien och Indiska oceanen. Det balanserar därutöver USA:s inflytande i regionen. Utvecklingen av hamnanläggningar och kustinfrastruktur tjänar också syftet att underlätta utvecklingen av en kinesisk flotta som kan operera på världshaven. Således är BRI oundvikligen länkat till Kinas långsiktiga vision om sin roll i världspolitiken i mitten av detta århundrade.

BRI är ett oerhört kostsamt projekt som inbegriper investeringar till ett belopp av flera biljoner dollar. Kina har upprättat ett brett finansiellt nätverk för att understödja initiativet som har stöd från flera offentliga och privata aktörer. BRI:s nyckelfinansiärer är Kinas policybanker, stora icke-kommersiella banker, nyligen skapade statsägda fonder och nya finansiella institut som Asian Infrastructure Investment Bank (AIIB). Omfattningen medför dock även ett behov av privata finansiärer och initiativets finansiella utmaningar är betydande. Det finns en oro över hållbarheten i finansieringsmodellen, som i huvudsak är beroende av kinesiska statsägda banker. Liknande frågetecken uppstår gällande bristen på transparens i finansieringsprocessen, till exempel rörande villkoren för lån och avsaknaden av koordinering mellan finansiella donatorer. Hur hållbar skuldsättning ska garanteras har blivit en av de allra viktigaste frågorna. Flera observatörer har lyft problematiken med de långsiktiga implikationerna av infrastruktur finansierad med skulder till Kina. Risken med en skuldfälla har uppmärksammats: det finns redan flera fall där projekt har satt mottagarländer i ekonomiskt trångmål och därigenom tvingat dem att ge Kina rättigheter till deras territorium.

BRI:s framgångar bör heller inte ta uppmärksamhet från det faktum att ett stort antal projekt inte har materialiserats, exempelvis till följd av konflikter med lokalbefolkningar om miljöproblem eller Kinas insisterande på att kinesisk arbetskraft ska genomföra projekten. Vidare har Kina verkat för att sprida alternativa normer och principer kring styrning av internationellt samarbete. De skiljer sig från den västerländska styrningsmodellen och är teoretiskt sätt baserade på ”win-win-tänkande” och syd-syd-samarbete. I praktiken har de emellertid ofta uppfattats som neokoloniala och fokuserade på Kinas vinning på lokala partners bekostnad. Eftersom kinesiskt finansiellt stöd ofta kommer utan krav på ekonomiska eller politiska motprestationer har västerländska biståndsgivare dessutom kritiserat Kina för att försvaga biståndsorganens förhandlingskraft. Kina, menar de, underminerar deras försök att förbättra styrning samt att skydda mänskliga rättigheter och rättsstatsprinciper i mottagarländerna.

EU:s tillvägagångssätt gentemot länderna i det östra närområdet har varit väsensskilt från Kinas. Det har nästan uteslutande utgått från staternas nivå av integration med EU:s institutioner och normer. EU har således endast ägnat begränsad uppmärksamhet åt sina konkreta politiska eller ekonomiska intressen i utformningen av instrument för sina förhållanden med kandidatstater (såsom Turkiet, sydöstra Europa, associerade stater i det östra partnerskapet och externa partners som Mongoliet eller Centralasien). Följaktligen har faktorer med koppling till geopolitik, ekonomi och handel i bästa fall varit sekundära för EU, medan normer och värderingar har varit prioriterade. Det förhållningssättet kan ha varit meningsfullt omedelbart efter kalla krigets slut, men när det gäller förhållandena till staterna österut kan EU inte längre enbart förlita sig på kraften av sina normativa värderingar. Den senaste tidens erfarenheter tyder på att det behövs ett nytt tillvägagångssätt – ett som fokuserar i mycket större utsträckning på europeiska intressen och inte bara på europeiska normer och värderingar. EU måste agera inte bara som ett europeiskt projekt utan som en europeisk makt.

I detta perspektiv innebär Kinas expansion viktiga möjligheter: Pekings inblandning i Centralasien, och mer nyligen i Vitryssland och Ukraina, är en positiv faktor som har stärkt ländernas suveränitet och oberoende. Det är en målsättning som delas av EU. Geopolitiskt har allt prat om en rysk-kinesisk allians dolt det faktum att Kinas intressen i Eurasien förefaller överlappa mer med EU:s intressen än med Rysslands.

De problem med BRI som anges ovan utgör dock en utmaning för EU. Utöver frågor om skulder och korruption kan Kinas växande inflytande inte kopplas från den styrningsmodell Kina uppmuntrar i allt högre grad – det vill säga en modell byggd runt ett parti med en stark ledare. Den modellen står i direkt motsättning till den modell som EU söker stärka. När Kina gör det inom EU:s egna gränser blir detta en direkt utmaning av EU:s interna angelägenheter. Kinas inflytande kan således komma att utgöra en direkt motvikt till europeiska politiska normer inom EU.

För EU betyder detta att det behövs en uppgörelse med Kina som drivs av tydligt definierade europeiska intressen. Uppgörelsen behöver innefatta ett erkännande av gemensamma intressen, men även en dialog med mottagarstater. Dessa diskussioner bör syfta till att påverka mottagarstaternas sätt att bygga sina relationer med Peking. Detta medför att EU:s politik måste skräddarsys efter de förväntade effekterna på Kinas agerande. Mer konkret skulle detta tillvägagångssätt innebära ett komplement till Kinas satsning på hård infrastruktur i form av stöd för rättsstatsprinciper, kapacitetsbyggande och institutionella reformer. Europeiska investeringsbanker bör vidare understödja sådana infrastukturprojekt som ligger i EU:s och mottagarländernas gemensamma intressen. Utöver detta krävs ett ökat fokus på kinesiska företag. Om de bryter mot EU-lagstiftning i EU-länder måste de bemötas med sanktioner. En sådan politik skulle signalera att EU och Kina har gemensamma intressen, att EU är redo att stödja vissa av de kinesiska ambitioner som har avgörande betydelse för det kinesiska ledarskapet, men att EU också är redo att stå upp för sina intressen när de utmanas av Kina.

"China's rise in Eurasia is indicative of a broader phenomenon that affects the EU and should compel it to update its approach to its neighbourhood."

Svante E. Cornell and Niklas Swanström

SIEPS carries out multidisciplinary research in current European affairs. As an independent governmental agency, we connect academic analysis and policy-making at Swedish and European levels.

www.sieps.se • info@sieps.se • +46-8-586 447 00