

Promoting
the Belt and Road Initiative
and 17 + 1 Cooperation in Central and
Eastern Europe, from the Perspective of
Central and Eastern European Countries

Coordinators:

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middle east political
and economic institute

Center for
China Studies



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Executive Summary

What world are we living in? What kind of future is in front of us? Can we discuss a “new normal”, a “next normal” or rather about an “unpredictable whirlwind” affecting the global level, the national one, and, finally, the personal level?

The traditional geopolitics and geo-economics, which should be adapted to the fluidity and variability of the local and regional conflicts expressing the world disorder, are now left behind by the emergence of non-state actors, by the globalization of capital and of organized crime, by the relative ease of access to weapons of mass destruction, by the digitalization of human relations and by the threat of natural catastrophes, sometimes carried by the most primitive forms of life.

In order to successfully manage its assets, liabilities and opportunities, this world needs discipline (not the current anarchy), it needs trust, including trust in its leaders (not distrust against everybody and everything), it needs stable and strong leadership (not weak leaders, only to contest their every move afterwards), it needs global solidarity (not succumbing to national selfishness), it needs productive investment (as opposed to short term consumerism), it needs transborder or transnational solutions (and not taking refuge in national protectionism and archaic forms of social networking).

After more than four decades of reform and opening-up, China is incontestably an economic, political, and military superpower. The largest developing country worldwide is guided by the principles of socialism with Chinese characteristics, “the only choice for the development of modern China” (Xi, 2017, pp. 53, 56). The singularity of this system is underlined by its three key characteristics: an inclination towards solidarity and unity; strong leadership, combined with self-discipline; results-oriented governance. “Prosperity for all” is at the heart of the leadership with Chinese characteristics and this principle is also supported by China internationally, under the motto of “building a community of shared future for mankind”.

China's new vision for development and global governance under President Xi Jinping, accompanied by the ambitious Belt and Road Initiative (BRI) launched in 2013 mark the end of the *tāo guāng yǎng huì* philosophy ("keep a low profile and bide for your time") and propels China into the position of an active and visible key global player. Not only as a producer, consumer, trader, investor, and innovator, but also as a driving force of international relations. The reactions of the already established powers have been underscored by the multitude of protectionist and hedging strategies, communications, and policies issues recently by each of the members of the triad composed of the United States, the EU, and Russia (Japan and South Korea, in waiting), which dominated the world economy until the turn of the century.

After a moderate change of attitude of the Western world towards China during 2015 and 2016, starting with the National Security Strategy of the United States of America (NSS) of 2017, where China was considered together with Russia as a threat to "American power, influence, and interests, attempting to erode American security and prosperity" (NSC, 2020), one can remark a "fundamental reevaluation" of the Western world relations with China. The US-China trade war is one of the forms of this reevaluation. Various documents point to multiple challenges posed by China, such as economic, in terms of values and related to security. The EU-China Strategic Outlook of March 2019 presented China as a "systemic rival" and among the ten actions proposed by the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy, those regarding the security of 5G networks (a field where Huawei is an undisputed leader) and screening of foreign direct investment in critical assets, technologies and infrastructure definitely indicated an evident lack of trust, a new way of looking at China. Under the mask of "defense of the own values", the Western world started to find ways to curb China's advances. The coronavirus pandemic of 2020 made the majority of the governments worldwide declare the overreliance on China-based supply chains as a major threat and design new policies in order to reduce this overdependence.

Overall, we may say that the Chinese economic miracle and its rapid transformation of the country and its people has led it to a critical threshold, both in the viability of its economic model and in its role and responsibilities. Profound changes are both taking place and called for in order to manage the transition to China's next phase of development which, in just one of its dimensions, will require it becoming a source of capital, not just a destination, a source of technology, of innovation, and of leadership on

important collective issues. The main vehicle by which China is conducting this change is the Belt and Road Initiative, which has been linked to the “Chinese Dream”, the “community of shared destiny for all mankind” and “China’s peaceful rise”. These are political formulas which are increasingly contested not just by newly vocal rivals, such as the US, but also by pensive partners attracted by the possibilities of cooperation, but concerned by its strategic implications.

The Belt and Road Initiative has been dubbed a “project of the century” and features a massive mobilization of resources and governance capacity to improve global connectivity for trade, innovation, and general development. It is also viewed as an instrument of power that threatens to displace the Western-led order from which China has benefited immensely in favor of a “new model of Great Power relations”. This is why it will be strongly opposed by some, gladly supported by others, and prudently mistrusted by many.

In promoting this project, China has as its comparative advantages in the confrontation with its opponents and rivals, its geography, its demography (which include not only the number of citizens but also their unparalleled sense of discipline, hardworking, frugality, sacrifice, learning, endurance, and national cohesion), its culture, its capacity to generate technical and scientific progress, as well as the strength, stability, and the coherence of its leadership.

Many claims that, after the SARS-Cov-2 pandemic, the world will be completely different as compared to what was before. In fact, that pandemic is not the cause of such a transformation but its symptom only or an agent of the old-world order’s dismantlement. The reasons for that change are more profound and, with or without this pandemic, they were merely waiting for a shock (natural or human made) able to change an otherwise unacceptable transformation into an unavoidable one.

The economic and trade exchanges between the economies of the world are increasingly strengthened, which has led to economic integration and interdependence. The world is moving from mono-nationalism to regionalism, from conflict to cooperation and complementary mutual integration. As this decoupling occurs, US-China tensions will provoke a more explicit clash over national security, influence, and values. The European elites consider that the EU should defend itself more aggressively against competing economic and political models. This more independent Europe will generate friction with both the US and China. In the meantime, Russia and India are pursuing their own interests as big powers in the Eurasia and Indo-Pacific regions, and not to forget Japan and South Korea.

In this challenging situation, it is important to discover and strengthen the common ground, while ensuring the maintenance of vital national interests in any formula for cooperation.

The present report presents a Central and Eastern European (CEE) perspective on the BRI and, from among its subordinate initiatives, the 17+1 Cooperation between China and its CEE partners. Chapter 1 presents an overview of the strategic initiatives, discussing some aspects in detail and providing a critique of the China's implementation of its strategic projects. Chapter 2 discusses the evolution of the wider context, with an overview of strategic trends and the rapidly changing and challenging security environment, given the pandemic. Chapter 3 analyzes China's relations with significant powers and regions, but with an ultimate focus and relevance for Europe. Chapters 4 and 5 contain a series of proposals and suggestions for enhancing the BRI. Chapter 4 focuses on non-economic dimensions and Chapter 5 deals with economic cooperation proposals.

The report advances a series of critiques and recommendations for the BRI and the 17+1 Format, drawn from the experience of the contributors and the considerations on the current geopolitical environment.

This project draws from a wide array of resources and features a significant number of contributors who have lent their expertise and experience to craft a document of reference for the future development of the BRI and to present a mainly Central and Eastern European contribution to the ongoing global debate over the BRI and the changes we are experiencing.

PART I:

**The Status of the Belt
and Road Initiative
and 17+1 Cooperation**

Chapter 1.

The Current Strategic Initiatives

1.1. The Belt and Road Initiative as a “Project of the Century”?

The Belt and Road Initiative is a massive strategic project debuted by China to ensure Eurasian connectivity and beyond as part of a transformative process both for China and its partner countries which would cement China’s role in the world as a superpower. The project has attracted both wholehearted support and angry rejection, being seen as an instrument of Great Power ascendancy adapted to China’s unique strengths borne from its development model, its leadership, its strategic culture and its industrious people. The great emphasis that China places on the BRI as an important pillar of “Xi Jinping thought” has had both positive and less positive impact – on the one hand, it is undoubted that the Chinese leadership will reliably dedicate resources to it on a multiannual basis to meet commitments and advance planning. On the other hand, the very long horizon for the strategic initiative and many of its individual projects makes gauging success difficult and generates the possibility of the development of underlying imbalances, such as non-performing loans crises.

It is beyond the scope of this report to provide a detailed description of the Belt and Road Initiative, but a few basic ideas are summarized in the following pages.

A document published by the Office of the Leading Group for the Belt and Road Initiative writes that “[t]he initiative is a Chinese program whose goal is to maintain an open world economic system, and achieve diversified, independent, balanced, and sustainable development, and also, a Chinese proposal intended to advance regional cooperation, strengthen communications between civilizations, and safeguard world peace and stability” (OLG, 2017).

President Xi Jinping described the BRI thusly: “China will actively promote international co-operation through the Belt and Road Initiative. In doing so, we hope to achieve policy, infrastructure, trade, financial, and people-to-people connectivity and thus build a new platform for international co-operation to create new drivers of shared development”.

The BRI has assumed a significant place in the 13th Five-Year Plan of China and in other documents of reference. It is, in fact, a conceptual umbrella bringing together:

- Elements of strategic planning – i.e.: “Made in China 2025”, “Going Global”;
- Political roadmaps – i.e.: “Comprehensively build a moderately prosperous society”, the “Chinese Dream”;
- Bilateral and multilateral initiatives – i.e.: the 16+1 Format (now 17+1 Format) cooperation between China and its Central and Eastern European Partners.

The reason it can do this is that the BRI is a very fluid concept – it has been consistently and constantly changed by authorities to suit changing visions (resulting in confusion even over the correct terminology

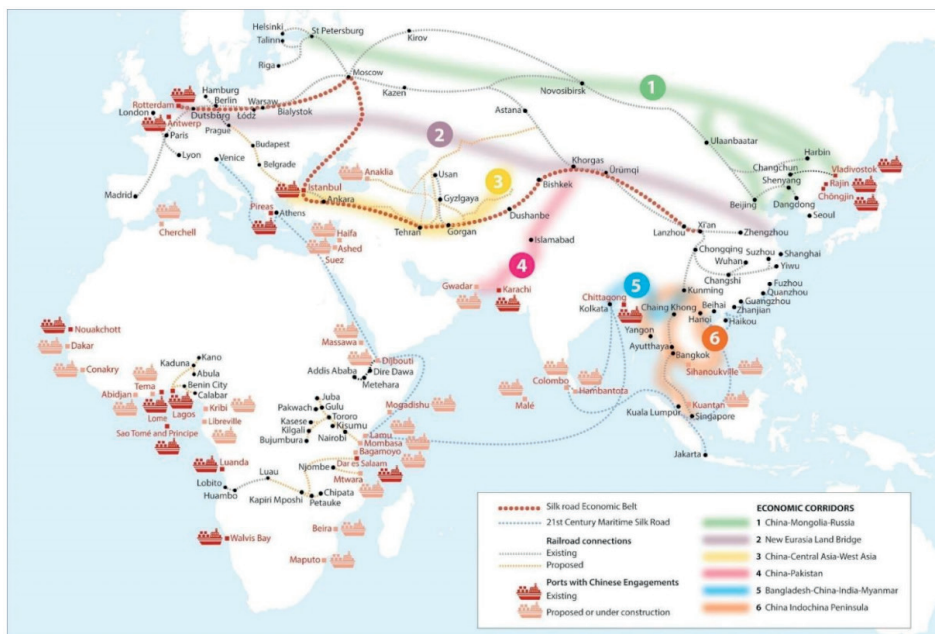


Figure 1: *The Belt and Road Initiative and its main branches, in one interpretation (Source: OECD, 2018a)*

and names), it is not run completely by anyone Chinese organization in accordance with a single programmatic document and it does not have a central budget. As a result, it is supremely adaptable, which fits with its presentation as a voluntary system.

With impressive geometrical preciseness, the BRI represents all ‘on the ground’ (在地上), while looking up to be mirroring the concept of the ‘Chinese Dream’, which comfortably dwells ‘under heaven’ (天下). Intentionally or not, Wang Jisi’s academic push for China to “March West” (2013) – towards Europe, through Central Asia – only appeared to establish a set of clear geographic contours in the initial period of the BRI’s conceptualization. Even then, it was very clear that the BRI was so comprehensive that it would result in a redesign of the entire international system.

As shown in the figure and table below, the BRI is described in its documents of reference as being made up of six land transport corridors and one maritime corridor. The list is not definitive – China has spoken of an Arctic\Polar Silk Road, involving another geographic location, but also sectorial examples, such as the Digital Silk Road and the Health Silk Road unveiled during the coronavirus pandemic.

Table 1: *The names and description of the economic corridors of the Belt and Road Initiative* (Source: Steer Davies Gleave, 2018)

Name of Corridor	Description
New Eurasian Land Bridge Economic Corridor	This is based on a railway line that connects Western China (Jiangsu and Xinjiang provinces) with Rotterdam in the Netherlands through Kazakhstan, Russia, Belarus, and Poland.
China – Mongolia – Russia Economic Corridor	This is based on the integration of existing Chinese, Mongolian, and Russian regional development strategies. The corridor is intended to strengthen cross-border road and rail links between the three countries.
China – Central Asia – Western Asia Economic Corridor	This is a land corridor linking the Xinjiang Province in China with the Central Asia rail network, reaching the Arabian Peninsula and the Mediterranean coast. This corridor passes through five Central Asian countries (Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, and Turkmenistan), one Middle Eastern ¹ country (Iran), and one European country (Turkey).
China – Indochina Peninsula Economic Corridor	Land corridor linking Southern China with Singapore, intended to sustain the development of countries along the Mekong River through transnational road, rail, and airport projects.
Bangladesh – China – India – Myanmar Economic Corridor	This is a land corridor linking southern China to India.

¹ Eds. note: Iran is a Western Asian country as well, in its self-conception and the perspective of certain authors and policymakers.

Name of Corridor	Description
China – Pakistan Economic Corridor	This land corridor links China's Xinjiang with Pakistan's deep-water Gwadar Port. The corridor includes several road and rail infrastructure development projects and oil and gas pipeline and telecommunication network projects.
Maritime Corridor	This corridor links the major ports within the South China Sea and the Mediterranean Sea, across the Bay of Bengal, the East African coast, and the Suez Canal. The corridor currently includes almost 30 ports.

Refinitiv (2019) breaks down the traditional corridors from BRI documents of reference and compiles a new list, using data from its database of projects called BRI Connect:

1. Addis Ababa-Djibouti economic corridor, including the development of industrial parks along the economic corridor;
2. Agua Negra Pass international tunnel;
3. Baku-Tbilisi-Kars new railway line and Alyat free economic zone in Baku;
4. Brunei-Guangxi economic corridor;
5. China-Central Asia-West Asia economic corridor;
6. China-Europe land-sea express line;
7. China-Indochina Peninsula economic corridor, including Laos-China economic corridor;
8. China-Kyrgyzstan-Uzbekistan international highway;
9. China-Laos-Thailand railway cooperation;
10. China-Malaysia Qinzhou industrial park;
11. China-Mongolia-Russia economic corridor;
12. China-Myanmar economic corridor;
13. China-Pakistan economic corridor;
14. Eastern economic corridor in Thailand;
15. Economic corridor in Greater Mekong subregion;
16. European Union (EU) Trans-European transport networks;
17. Europe-Caucasus-Asia international transport corridor and TransCaspian international transport route;
18. Industrial park Great Stone;
19. International North-South transport corridor (INSTC);
20. Lake Victoria-Mediterranean Sea navigation line-linkage project;
21. Lamu Port-South Sudan-Ethiopia transport corridor;
22. Malaysia-China Kuantan industrial park;
23. Nepal-China Trans-Himalayan Multi-dimensional connectivity Network, including Nepal-China cross-border railway;
24. New Eurasian land bridge;

25. New International land-sea trade corridor of the China-Singapore (Chongqing) Demonstration Initiative on strategic connectivity;
26. Northern corridor trade route in Africa linking the maritime port of Mombasa to countries of the Great Lakes region of Africa and Trans-Africa highway;
27. North-South Passage Cairo-Cape Town passway;
28. Port of Piraeus;
29. Port Sudan-Ethiopia railway connectivity;
30. Regional comprehensive economic corridors in Indonesia;
31. Suez Canal Economic Zone (SC Zone);
32. Transcontinental shipment of cargo using the capacities of the Northern sea route;
33. Transoceanic fiber optic cable;
34. “Two corridors and one belt” framework;
35. Uzbekistan-Tajikistan-China international highway.

The motivations behind the BRI are complex. They revolve around China’s quantitative and qualitative structural shift necessitated by having reached the limits of development possible with its current economic model. China will have to become a producer of added value integrating innovation into its products and dedicating a more substantial component of its Gross Domestic Product (GDP) to consumption rather than fixed capital investment, while also addressing its substantial internal inequalities and imbalances and its severe environmental problems. At the same time, the maturing of the Chinese economy and workforce will require a combined shift into automation and the moving of capacity to lower labor cost regions and countries, as well as the pursuit of opportunities to achieve higher yields for the capital accumulated through its surpluses.

For China, the BRI achieves the following:

- The support of the “Westward Development Policy” for its less developed Central and Western regions, which suffer from the “three evils” of terrorism, separatism, and extremism;
- A mobilization of China’s excess capacity in industries such as infrastructure construction, which would otherwise go through either a sectorial crisis, or trigger a financial crisis for the state which would be backing infrastructure projects with diminishing or even negative marginal returns;
- The mobilization of China’s surplus capital and its transformation into a source of investment and of global development aid, despite not being a designated developed country;

- The use of its main comparative advantages, economic prowess, and resource mobilization to generate prestige and influence in pursuit of a leading place in the world that also allows it to revise the global system in its favor;
- The development of previously untapped markets for Chinese exports;
- Accessing resources for the Chinese economy and ensuring food and energy security;
- Diversifying trade routes, thereby making China less vulnerable to accidental or deliberate disruption of trade, especially in energy;
- The promotion of China's preferred standards and systems' architecture for communications, IT, and other fields;
- The faster transition of the workforce from the primary and secondary fields into the tertiary and quaternary ones, where higher added value is generated;
- Easier supply-side reform for its economic transformation – “We should pursue supply-side structural reform as our main task, and work hard for better quality, higher efficiency, and more robust drivers of economic growth through reform. We need to raise total factor productivity and accelerate the building of an industrial system that promotes coordinated development of the real economy with technological innovation, modern finance, and human resources. We should endeavour to develop an economy with more effective market mechanisms, dynamic micro-entities, and sound macro-regulation. This will steadily strengthen the innovation capacity and competitiveness of China's economy” (Xi Jinping apud OECD (2018a));
- The “Going Global” of Chinese companies, especially those nurtured as an infant industry behind tariff and non-tariff barriers;
- The generation of coherence and systemic perspective in China's economic diplomacy, whether practiced by the government, by municipalities, or by companies.

The basic cooperation framework for the BRI is as follows:

- Reaching a consensus for cooperation;
- Building the top-level framework;
- Jointly building economic corridors.

Table 2 lists the seven priorities of the Belt and Road Initiative and their subpriorities.

Table 2: The seven priorities of the Belt and Road Initiative and their subpriorities (Source: OLG, 2017)

The priorities of BRI	The subpriorities of BRI
<i>Promoting connectivity of infrastructure and facilities</i>	<ul style="list-style-type: none"> • Developing and validating project plans; • Aligning quality and technological systems; • Enhancing transport; • Promoting relevant projects; • Connecting energy facilities; • Building an information network.
<i>Enhancing economic and trade cooperation</i>	<ul style="list-style-type: none"> • Cementing economic and trade ties; • Building the BRI free trade zone network; • Facilitating trade.
<i>Expanding production capacity and investment cooperation</i>	<ul style="list-style-type: none"> • Expanding cooperation consensus; • Building platforms for cooperation; • Facilitating investment.
<i>Expanding financial cooperation</i>	<ul style="list-style-type: none"> • Facilitating the development of financial cooperation mechanisms; • Building new types of cooperation platform and financing mechanism; • Deeper cooperation between financial institutions and financial markets; • Expanding the scale of currency swaps and cross-border settlements; • Strengthening cooperation in financial supervision.
<i>Strengthening cooperation on ecological and environmental protection</i>	<ul style="list-style-type: none"> • Building cooperation platforms; • Promoting cooperation on water conservancy; • Strengthening cooperation in protecting forests and wildlife; • Promoting green investment and financing; • Addressing climate change.
<i>Promoting orderly maritime cooperation</i>	<ul style="list-style-type: none"> • Cooperation on connectivity; • Cooperation on the marine economy; • Cooperation on maritime law enforcement safety; • Building cooperation mechanisms.
<i>Strengthening cooperation and exchanges in cultural, social, and other fields</i>	<ul style="list-style-type: none"> • Educational and cultural cooperation; • Cooperation on science and technology; • Cooperation on tourism; • Cooperation on health care; • Disaster relief, aid, and poverty reduction; • People-to-people exchanges.

Finally, the basic cooperation mechanisms are the following:

- State-level support and promotion;
- Coordination of development strategies;
- Bilateral and multilateral mechanisms;
- Non-governmental exchanges and cooperation.

The BRI has resulted in significant transborder investment flows. Projects worth 4-8 trillion dollars are envisioned. The project portfolio of the government was worth 851.2 billion in May 2018, and that of private

companies less than half, at 396.5 billion dollars (Refinitiv, 2019). The figure below shows the number and percentage of BRI projects.

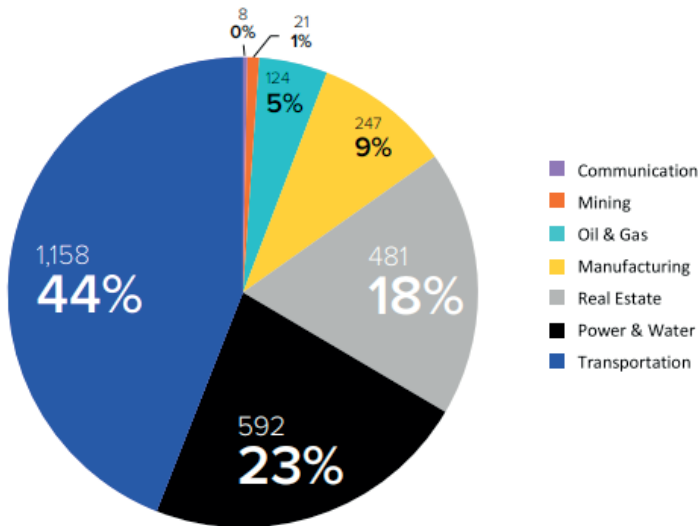


Figure 2: *The Belt and Road Initiative projects by May 2019, arranged and counted by sectors of activity (Source: Refinitiv, 2019)*

It is a certainly, impressive array, as are the other statistics on the extent of the BRI cooperation. However, the rhetoric, either triumphalist or alarmist, that China and its “Beijing Consensus” of which the BRI is a part, as the Asian Infrastructure Investment Bank (AIIB)², will supplant the Western order and institutions, are fundamentally mistaken. The actual investment needs of the developing and developed world as well actually dwarf the resources currently being allocated, whether governmental, private, or through multilateral development assistance. Figure 3 explains the world’s need for development assistance in infrastructure, while Figure 4 highlights the disparity between the needs and the available funding.

At the same time, Dossani et al. (2020) perform a literature review and identify the emerging criticisms of the BRI which are slowly being formed into a narrative that presages confrontation with the West, in general, and the US, in particular, as exponents and supporters of the world order supposedly undergoing displacement because of China’s revisionism (and

² Which is the focus of much Western anxiety, despite being currently a negligible presence in project financing, with just 19 billion dollars in capital and only 10% of it allocated, when compared to Exim Bank and China Development Bank.

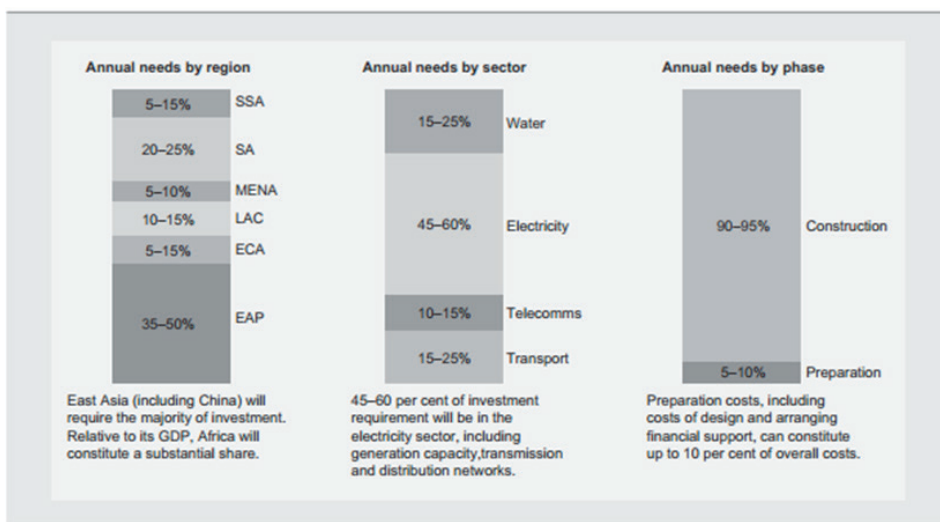


Figure 3: *The infrastructure investment needs by region and sector* (Source: Griffith-Jones, 2014)

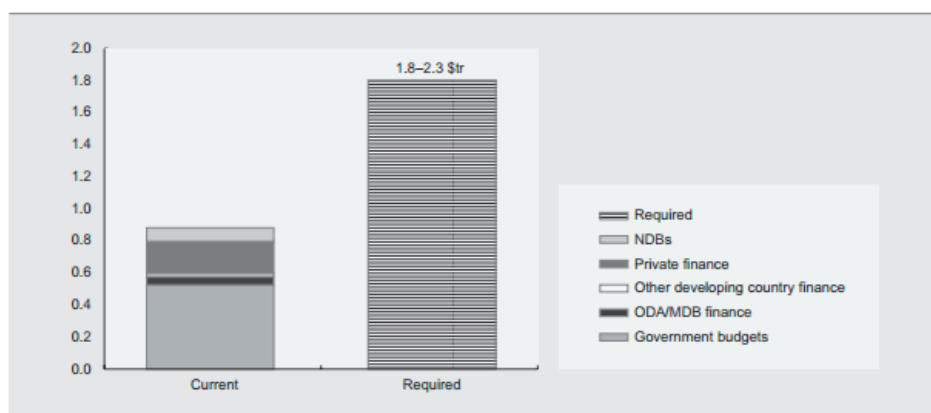


Figure 4: *The infrastructure financing gap* (Source: Griffith-Jones, 2014)

that of the Trumpian US, as a preemptive response to China's rise, according to Bordachev (2020)):

- Partner country economic dependence on China, with privileged access to markets and resources for Chinese companies;
- Global and regional commercial benefits for China: the transformation of the renminbi into a reserve currency and the lessening dependence on the dollar for trade; the advantage of Chinese companies in BRI projects; China as a BRI infrastructure hub;

- Inadequate attention to the UN's Sustainable Development Goals, which is often linked to the nature of the projects being funded and the way in which they are funded, on commercial terms, even by the Chinese development banks;
- Uneconomic projects – the perception of insufficient due diligence to identify and fund solely sound projects which are sustainable and will not cause financial distress or trigger clauses for collateral compensation which are politically contentious;
- Debt trap lending, which has become a mainstay of US and Western rhetoric, as well as that of public perception;
- Inadequate attention to compliance, such as the accepted norms of project governance and elements of public interest regulatory regimes in labor and the environment;
- Noncommercial motives, which is the perception that project selection and development is often linked to political motives which may affect the viability and sustainability of projects;
- Subversion of stated use, which is a nebulous concept related to the legitimate and illegitimate perceived uses of developed or acquired assets, including if they are used to sustain Chinese military power projection abroad or other strategic non-economic interests labelled by critics as illegitimate and compelling evidence of sinister designs.

Table 3: *The Belt and Road Initiative externalities, causes and effects*

(Source: Dossani et al., 2020, p. 19-20)

Externalities of Concern, by Criticism	Causal Factor	China's Commitments	Outcome Measures
Partner country's economic dependence on China: <ul style="list-style-type: none"> • China's privileged access to the partner country's resources and markets; • Privileged role of China in shaping the economic affairs of the partner country. 	Chinese state-owned banks and implementing firms instituting contracts that benefit China.	Unimpeded trade.	Terms of trade with China relative to global terms of trade.
Regional and global benefits to China: <ul style="list-style-type: none"> • Renminbi internationalization; • Flow of projects to Chinese banks and firms; • Growth of regional infrastructure network, with China at the hub. 	The BRI's large scale and regional connectivity projects.	No specific commitments.	<ul style="list-style-type: none"> • Share of renminbi-denominated trade in the region; • Share of Chinese investment in the region; • Centrality of China in regional trade networks.

Externalities of Concern, by Criticism	Causal Factor	China's Commitments	Outcome Measures
Inadequate attention to SDGs: Development of human capital: <ul style="list-style-type: none"> • Skills development; • Local employment; • Local entrepreneurship; • Wage rates. Other SDGs: <ul style="list-style-type: none"> • Protection of the environment and promotion of social services (such as health care). 	The BRI's large scale and portfolio approach.	<ul style="list-style-type: none"> • Cooperation on youth employment, entrepreneurship training, vocational skill development, social security management, and public administration and management; • Commitment to the SDGs. 	<ul style="list-style-type: none"> • National statistics on skills, jobs, and entrepreneurship. • Composition of GDP – whether the share of skill-based products and services is rising. • Use of Chinese labor. • National statistics on the environment, social services, and other SDGs.
Uneconomic projects: <ul style="list-style-type: none"> • Nonviable projects (because of low operating returns, high-cost finance, or poor-quality implementation). 	Chinese state-owned banks and enterprises being allocated projects without competitive bidding.	No specific commitments.	<ul style="list-style-type: none"> • Benchmarking of costs and quality. • Terms of finance. • Use of competitive bidding.
Debt-trap lending: <ul style="list-style-type: none"> • The funding provided to a partner country raises its debt to unsustainable levels. 	Chinese state-owned banks lending to unsustainable levels.	Debt-sustainability framework for partner countries.	<ul style="list-style-type: none"> • Cost of BRI loans relative to the GDP rate; • Country's ability to meet sovereign guarantees; • Takeover of key assets by China.
Inadequate attention to compliance: <ul style="list-style-type: none"> • Corruption and non-compliant standards of governance in project design and implementation. 	Chinese state-owned implementing firms fostering corruption and disregarding best practices in compliance.	Policy coordination, including joint policy support for the implementation of projects.	Regulatory assessments by multilateral institutions.

There is a persistent fear in the Western logos about the involvement and “growth” of Chinese companies in the global economy. Strictly theoretically, Chinese investment, like any investment from another state, regardless of its identity, should be received as good news. The opportunities offered by creating jobs, paying taxes to the national budget, and opening up new outlets outside the country are naturally associated with such investment arrangements. The profile and prestige of these companies are a signal of the growing interest of the new generation of Chinese leaders for the European space and of the orientation of the policies of these companies in the spirit of the government strategy “Go Global” that stimulates Chinese investment abroad (pinyin “zou chuqu”). As we have seen in previous chapters, the strategy includes several steps of the integration of Chinese firms into the

world economy: the creation of connections abroad through direct sale of Chinese products, before positioning itself locally through contractual formulas of various typologies, mostly in the field of infrastructure and energy; the last step of the strategy takes into account Chinese investment in the local economy as Foreign Direct Investment (FDI).

Of course, there are also a number of experiences and caveats that need to be taken into account, which prevents the national gates from opening too widely. At the beginning of the century, there was a lack of notoriety for Chinese companies, as well as the novelty of these Chinese government's investment policies, that have generated a number of concerns that do not necessarily have a concrete justification, but are based mainly on assumptions about what might happen (badly) during the process. The connections enjoyed by companies in the Chinese government apparatus determine these reservations, which, without necessarily having an impact on national security, take into account the potentialities developed by these companies, once firmly installed in the national space. This kind of fears are complementary to anxieties of other etiologies, political, economic or social, with the invocation in the public space of arguments such as cybersecurity (see the notorious cases of Huawei and ZTE), the draining of natural resources, barriers generated by distrust of Chinese partners (political arguments), the use of Chinese labor at the expense of national labor, the hiring of local labor for basic activities, implicitly less remunerated, business practices not in line with local practices (unfair competition), intellectual theft, relocation of business and jobs, lack of reciprocity in terms of access to markets (economic reasons), environmental impact, questionable Western standards on labor protection of workers engaged in the projects, consumer protection (social aspects). Acceptance of foreign firms in local markets occur only after their establishment as long-term responsible actors, with a proven beneficial impact on the economy in a given space.

Deng Xiaoping, the great Chinese reformer and the promoter of the opening of the Chinese economy to the world in the 1970s, expressed very plastic these concerns, common to both Westerners and Chinese: "When you open a window, fresh air enters, but with it, mosquitoes can enter and bite" (in Chinese 打开窗户, 新鲜空气会进来, 苍蝇也会飞进来, dakai chuanghu, xinxian kongqi hui jinlai, cangying ye hui fei jinlai). It is a realistic approach, from which we can all learn – foreign investment is necessary, if not essential for the sustainability and growth of an economy, but it can also generate negative consequences, along with certain economic benefits.

A brief appeal to not too distant history shows us similar stories of American companies perceived at the time as a “threat” to European values. In the 1960s, the Coca Cola brand was regarded as a manifestation of the corporate colonization of the United States or a form of American cultural imperialism. The potential conflict with a number of European cultures is evident in the use of the formula “Coca – colonization”, spread by the local media at the time. In a brief remark, with ironic nuances, half a century later, German Vice-Chancellor Franz Muntefering described foreign investors as “friendly locusts”.

Negative perceptions of the potential “danger” generated by Chinese companies are also amplified by the American and European media, which focus on failed projects. Justified or not, the risk of these debates, through the excessive politicization of cases, which contributes to the emphasis of negative public perceptions, is that Chinese firms will more easily opt for investments in African or Latin American states, known for more favorable treatment, relatively non-conditional, compared to foreign direct investment of Asian partners. It is really difficult for national authorities in Central and Eastern European spaces to find the right balance between the need for foreign Chinese investment for the local market, sometimes underperforming to Western standards, that gives a new impetus to local development, and the inevitable importation of different business practices, considered below the continental standard, as defined within the European Union. Furthermore, competition between the participating European states in the China-Central and Eastern Europe format, in their desire to please Chinese investors in order to attract funds available in their own state, does not contribute to strengthening the negotiating capacity in direct bilateral relations.

From a political perspective, it is advisable for national authorities to reach consensus on clear areas of interest for Chinese investment. This approach allows, by exclusion, the highlighting of those key, strategic areas of national economies, which generate anxieties of various natures regarding the penetration of Chinese capital in sensitive sectors. An objective assessment of these categories of possible security threats could include: generating an excessive dependence on the Chinese firm by providing major goods and services in a given industry from a single source; the transfer of technology or powers to the Chinese firm or state in ways which adversely affect the national interest of the state where the acquisition takes place; infiltration, surveillance or sabotage capacity in that state arises as a result of Chinese investment.

The economic framework of interaction must effectively provide the Chinese firms participating in the auctions with the benefits of fair and non-discriminatory treatment, in accordance with EU provisions on public procurement and concessions and the harmonized legislation of the Member States in the field. Chinese firms may also be encouraged to participate in auctions and choose local partners to form consortia or joint ventures, legal entities recognized under national legal provisions. This approach is necessary because the message that Chinese companies and authorities receive are ambiguous. On the one hand, there are successful models that have managed to penetrate and maintain in Western markets, such as Lenovo, TE, Huawei, or Wanxiang, on the other hand, failed projects such as COVEC in Poland are creating difficulties in trade relations, which lead the Chinese side, justified or not, to ask whether the partner authorities are really open to the penetration of Chinese capital into local markets. This is also necessary from another perspective, that of shaping clear evaluation procedures that are separated from various political actors seeking to capitalize on the dividends of their anti-Chinese guidelines in the national electoral landscape. States perceived by the Chinese side as not liking direct investment from a Chinese source on their territory as a result of unclear, inconsistent policies applied, arising from administrative incapacity or poor inter-institutional coordination, will lose extraordinary opportunities to benefit from Chinese investment.

On the other hand, it has become a tradition for the member states of the European Union to manage at the national level the procedures for attracting and controlling foreign direct investment. The provisions of the Treaty of Lisbon intended to strengthen macro-economic coordination have given the European Union the task of regulating foreign investment on the territory of the (now) 27 member states. However, even in these circumstances, the implementation of a unified supervisory scheme at EU level has encountered difficulties arising from the national specificities of the member states.

Business strategies will be adjusted accordingly to meet new challenges. Chinese firms entering the European market may be new competitors, new partners or new owners. Depending on the type of relationship, the type of response also varies. When firms are in competition, it is necessary for the local business environment to ensure equal conditions for all and to ensure that Chinese firms do not benefit from various forms of facilities from the Chinese state (especially those owned by the state), which would give it an unfair competitive advantage. Companies that partner with Chinese

firms will objectively and realistically consider the long-term impact on their own firm and its industry. Finally, companies seeking to survive in an increasingly difficult domestic and external economic environment will take into account the potential advantages and disadvantages created by their takeover by Chinese firms. It is important that each case is treated in its individuality as a unique situation and taxonomies are avoided by creating unproductive and misleading categories.

At the same time, there are growing expectations for greater transparency in decision-making processes and the role of each institution in the Beijing political establishment. At least in the case of Chinese state-owned companies, it is known that they benefit from extraordinary capital resources, offered through Chinese state banks, the presidents of these companies are supported and appointed by the official, party or governmental structures, also benefiting from preferential government policies that in some cases give them an unfair competitive advantage over private firms. All this takes place under a mysterious veil that leads Westerners to wonder about the true motivations and role of these companies in the business environment. The same category includes the complicated procedures that Chinese firms have to go through to access the funds offered as part of the “Go Global” government campaign, which once again puts state-owned companies in an advantageous position, thanks to the *guanxi* system they can access faster than private companies.

From a mentality perspective, that of intersecting mindsets within these contacts, it appears necessary to strengthen a real understanding of the other side, of the psychology and customs that pervade each partner’s culture. Some Europeans perceive Chinese companies as having hidden reasons, ominous for local industries. Similarly, the Chinese may consider that their Western partners discriminate against them in order to prevent the achievement of competitive advantages that would subsequently allow the Western model to be called into question economically and politically. If this perception remains valid for the next 10-20 years, then Chinese firms will have significant difficulties in adapting into and accepting the Western space and Europeans will lose many real opportunities for economic recovery/growth.

At the same time, Chinese companies will adopt measures, in parallel with the strategy of launching across borders, to strengthen the communication component of their approach. Suspicions of Huawei’s connections to Chinese military leaders are being raised more than ever, which the company has not alleviated initially through effective communication with the wider media

space. According to a former director of international communications for internet giant Baidu, Chinese companies are stigmatized by the perception that they produce Chinese. They need to hire local talent to give them positions of responsibility within the management of the company, who can clearly communicate their brands, values, and missions.

Nicholas D. Kristof, in a 1993 article in *Foreign Affairs*, made the following observations: “If it continues, the rise of China may be the most important trend in the world in the coming century. A hundred years from now, when historians write about this time, they may come to the conclusion that the most significant development has been the rise of a competitive market economy – and an army – in the most populous country of this world. [...] This will be even more likely if many leading historians living beyond a century are not called Smith, but especially Wu.” The remark, not without any irony, shows the scope of a phenomenon that already marks our century in ways that we do not yet fully understand. The People’s Republic of China is a landmark reality of today, ever closer to the West, in various areas of interaction. Chinese firms are in the midst of a campaign to conquer the global economic space and will irrevocably redefine the international business environment. Their investments bring tangible benefits, but also potential concerns, and the adoption of the right measures to meet both sides of this growing trend by all parties involved is decisive in order to enjoy real, long-lasting economic and political benefits.

1.2. An Overview of China's Strategic Initiatives in Central and Eastern Europe

For Europe and, more specifically, the continent's most integrated part (the EU), the BRI can be speculatively treated as an extravagant attempt to quasi-unify, for instance, Latvia and Pakistan under one single 'umbrella'. Therefore, the EU, being preoccupied with the captivating process of monitoring the Russo-Ukrainian War, the issues of the Middle East, such as Daesh, and problems with Turkey, the development of the operationally multi-faceted European migrant crisis, and, eventually, the pre-Brexit 'kaleidoscope' of awkward actions, literally 'overslept' a historic period from 2012 until 2017 when the Chinese state had quickly 'familiarized' itself with a region of the sixteen Central and Eastern European nations. For the EU, it took 'only' four years (since the announcement of the BRI in 2013) to issue a set of "common messages" on the topic ('Belt and Road Forum–EU common messages', 2017), in principle supporting cooperation with China on the initiative, but "on the basis of China fulfilling its declared aim of making it an open initiative which adheres to market rules, EU and international requirements and standards, and complements EU policies and projects, in order to deliver benefits for all parties concerned and in all the countries along the planned routes".

Indeed, the EU-bound debate on the BRI only picked up its decent pace in 2016–2017. The general sentiments were around the undisputed fact that "Europe is clearly placed in China's transcontinental strategic vision" and that the BRI and its integral part of the 16+1 "are motivating the EU to think more strategically" (Sprüds, 2017, 50). Some scholars were thinking that the "ever-growing cooperation" between China and Central-Eastern Europe "should rather be seen as complementary to the efforts that are taken on the EU–China level" and, therefore, "there are no major risks that could go against the EU" (Šteinbuka, Muravska & Kuznieks, 2017, 113). Others were pointing out "fundamental and structural economic differences" that exist among the EU's Member States, while underlining the necessity to "understand the impact of the Chinese [BRI] on the EU's economy" (Ferraro, Dutt, and Kerikmäe, 2017, 98). With its "common messages" expressed in 2017, the EU eventually started communicating on the subject in a more coherent way: "[W]e should remain true to the tenet 'benefits for all'. This

applies not only to countries, but also to economic operators from all sides who should feel that their interests are protected and that they have a fair chance to compete for business through open, transparent and non-discriminatory procurement procedures.”

In Chinese strategic thinking, the region of Central and Eastern Europe (CEE) constitutes a distinct geographical region the within the EU with its own socio-political, economic and cultural specificities. Beijing formulated an autonomous policy approach towards Central and Eastern European Countries (CEECs) after 2010. Its policy has been built on the achievements and failures of its relationship with the CEE region during the Cold War (regardless of the fact that the China-CEEC relationship, then, developed in a different geopolitical and historical context).

Beijing also considers the CEE region as an important springboard for China’s economic foothold in the West European markets (and in the operation in the EU single market). That’s why Chinese leadership has placed the 17+1 cooperation platform in the wider context of its strategic relationship with the EU.

The principal feature of the 17+1 is the high level of pragmatism of the China-CEEC relationship. Beijing employs “soft power” in the form of trade, investments, people-to-people exchange to expand its influence in the CEE region. Beijing accepts the results of the systemic transformations that have taken place in Europe following the end of the Cold War and the collapse of the Union of Soviet Socialist Republics (USSR). It is in this context that China does not question the mostly Euro-Atlantic orientation of the CEE countries’ foreign policies. In Beijing’s view that this should not impede the prospects for developing a mutually beneficial relationship between China and CEECs. CEE countries, in their turn, recognize the benefits of developing relationships with the world’s second economic power without compromising their European and Euro-Atlantic integration.

China’s presence in Central and Eastern Europe is complex and multifaceted. It is a diverse and heterogenous region with a history of conflict and is finding itself in a difficult economic transition. The region is at the intersection of significant geopolitical influences with notable impact on security outcomes, perceptions, economic prospects and the regional architecture. It is a vital region, both as an interface between West and East, as a transit zone for goods and energy, as a dynamic market with significant potential and, finally, as an area of Great Power competition, with many medium powers also exploiting comparative advantages to uphold their interests.

The region is adjacent to the uneasy border area between the North Atlantic Treaty Organization (NATO) and the Shanghai Cooperation Organization (SCO), as well as civilizational fault lines between the Christian and the Muslim world. It is a conductor of risks, vulnerabilities and threats stemming from a challenging security environment and from the perennial competition between outside powers.

The BRI crosses this region multiple times because it is the indispensable interface of any Eurasian integration scheme.

The main strategic thrust of the BRI into the region is the New Eurasian Land Bridge containing Czechia, Slovakia, Poland, Hungary, and Slovenia. It contains the Yu'Xin'Ou railway, which connects Chongqing to Duisburg and beyond, with freight trains going all the way to London. In the future, there will be several other formalized routes, including a Southern Silk Road route passing through Iran and Turkey and entering the Balkans, thereby side-stepping Russia and the volatile Central Asian region, despite exposure to the volatile Middle Eastern region. Another route will be by a maritime branch of the BRI from the Mediterranean, through the Bosphorus Straits and into the Black Sea, especially the largest container port (Constanța, Romania) and the largest energy port (Burgas, Bulgaria), with Danube access providing one potential pathway into the heart of Europe that will also be used by the route through the ports of Greece and the Via Egnatia.

Before the BRI was announced by President Xi Jinping, China had also been developing a regional cooperation initiative that became the 16+1 Format, bringing together countries from the Baltic region to the Balkans. With the addition to Greece in 2019 (during the Dubrovnik Summit of the 16+1 Format), a major Chinese economic partner and infrastructure hub, the group became the 17+1 Format. Wang (2020) writes that “before the onset of 17+1 cooperation, Chinese investment and trade were spatially unbalanced, and concentrated in north-western Europe. Because of the weak condition of transport infrastructure, the trade between China and CEECs heavily relied on the port and railway networks of Germany, the Netherlands, and France”.

The Belt and Road Initiative and the 17+1 Cooperation are still in relatively early stages of development, especially from the point of view of the CEE region, because of preexisting factors and influences, as well as geostrategic and geo-economics considerations. This is highlighted by the limited number of finished projects that have been implemented under the two initiatives in the region. Neither the BRI nor the 17+1 Format have yet developed institutional mechanisms, especially in the case of the BRI.

Without such an institutional framework, their development is slower and on a less certain path.



Figure 5: Map of the Central Eastern European region with the 17+1 members highlighted (Source: authors)

The composition of the group is very careful. Missing from formal membership are the quintessential Central European countries of Germany and Austria (nevertheless an observer and frequent contributor to reunions in this format), and the quintessential Eastern European country of Russia. Either of these three would have made a useful economic addition and they feature significant economic interdependencies with the region, but they would have also brought to bear the significant influence they own. Another three countries in the region – Belarus, Ukraine, and the Republic of Moldova – would also be natural fits for the group and not in any way disruptive of group dynamics, but they are also perceived by China as being in the Russian sphere of influence. Belarus has since become an observer in the 17+1 Format.

The 17+1 Format is a heterogenous group of countries. They differ greatly in population, size, and level of development, as well as in economic structure. They are also divided by membership in the EU and NATO, with

the Western Balkans being in the general process of accession. Therefore, the region features a complex set of circumstances and overlapping governance structures and policy preferences based on diverse background experiences. It would, in any case, be a true challenge to coordinate such a group. China stepped up to this challenge for the reasons highlighted in the following paragraphs.

It is an untapped and underserved market with significant growth and development potential. Its strategic positioning makes it vital to the BRI, as well as any other Eurasian initiative.

China is the EU's largest trading partner, but the EU is not China's largest trading partner. To rectify this imbalance in a situation where the Western markets are saturated by Chinese trade and there is a growing suspicion of China that leads to obstacles to investment and acquisitions, the CEE region provides the most useful "low hanging fruit", especially since every country in the region is slated to, one day, become an EU member. The 17+1 Format has seen significant growth, but starting from a very low base, despite traditionally close relations to China on the part of some of them.

The region features several structural imbalances, including the lack of North-South infrastructure connectors, as opposed to an East-West relationship characterized by dependencies on market access and on subsidies from the West, and energy from the East. The relationships between the participant nations, especially neighboring ones, are also especially complex, with the 16+1 playing host to competitions between them for a perceived edge in enhancing relations with China, as well as the use of relative positions on cooperation with China as dimensions in the strategic competition between countries such as Romania and Bulgaria (Brînză, 2020).

Despite the initial efforts that had gone into it, the 16+1 Format did not meet its potential, due to various structural and governance reasons. The addition of Greece strengthened the Mediterranean dimension, opened the possibilities of synergies with other initiatives, including future ones, and improved the overall statistics for the entire group.

A dimension complicating the 17+1 Format is the anxiety and recrimination it has triggered in Brussels and other European capitals, where the EU and its main power players see China's initiative as a bloc building and a wedge between European countries, with the potential to undermine European governance and unity through a "divide and rule" approach. The abstention of China and its CEE partners from institutional construction at intergovernmental levels was not enough to assuage fears, which have

gained new dimensions with the 5G infrastructure issue in which the US has weighed heavily on the side of excluding China completely. There is a significant variance in the attitudes of the CEE countries, their susceptibility to various arguments, their preexisting commitments, partnerships, and their national priorities, especially in countries with an acute perception of their security vulnerability which are less swayed by the potential of economic gain if it comes at the perceived cost of defense and security. There is also the expectation on the part of China of a deepening relationship with the CEE countries, that encompasses also other fields – “Premier Li Keqiang believes that China and CEECs should build an open road, a road of innovation and a path of partnership, where innovation is the key” (Wang, 2020).

Overall, the barriers to greater China-CEE cooperation can be divided into three main categories:

- The EU’s tougher position on China, starting with the “EU-China: A Strategic Outlook” of March 12, 2019, together with the consolidation of the “principles-first” approach in relationship with China. Even if the EU Member States have some autonomy, measures such as FDI screening will discourage Chinese investment in the region in the long run, especially in assets included in the category of “strategic”.
- CEE countries with strong ties with the United States tend to prefer cooperation with the latter to the detriment of cooperation with China.
- Economic nationalism is on the rise, globally and regionally. EU countries’ representatives pointed in various occasions on the shortage of medical supplies and overreliance on imports from China, underlining the support for production relocation in the EU (including Romania) in spite of higher costs.

The limited participation at the High-level Video Conference on Belt and Road International Cooperation, “Combating COVID-19 with Solidarity”, where from the CEE only Greece, Hungary, and Serbia were present, underlines that only a handful of CEE countries strongly support Chinese initiatives and are ready to cooperate with China at present, in spite of the engagements assumed in the eight sets of guidelines accompanying the 16+1/17+1 summits. This is a negative sum game, when not only China loses, but also its partners, in spite of the high potential of cooperation.

Nevertheless, the 17+1 Format features a significant potential for synergies with other regional initiatives or formulas for cooperation and governance. Among them, we include the Three Seas Initiative and the

European Union's Strategy for the Danube Region, which feature significant overlap in membership, similar priorities of infrastructure, and general economic development and opportunities for agenda convergence. The 17+1 Format would also be compatible with a Chinese initiative in the Black Sea, despite the currently difficult security situation which discourages project building. As Sautin (2018) noted, "[m]ore cooperation is needed between Black Sea states and China on tourism, the digital economy, renewable energy, and green technology, and combating imported counterfeit and illicit goods".

1.2.1. China and Public Diplomacy in the Central and Eastern European Region

When Li Keqiang assumed the role as his country's Prime Minister, he began leading the then 16+1 process in a spectacular way. From summit to summit, be it in Bucharest, Belgrade, Riga, or elsewhere, the Chinese Premier has been successful in "sewing up" an interconnected comprehensive agenda for the sub-region that never existed before, while denying any possible geopolitical aspects, which could be deemed to be speculatively associated with the BRI (Vernygora, 2016, 4). In any case, it could be argued that China started enjoying a relative geostrategic comfort in the area that is directly and/or indirectly "managed" for many years by another major power, the EU. Some ranges of semi-official messages coming from China assisted, to an extent, in clarifying the highly complicated situation. For example, Liu (2017, 21-26) argued that the 16+1 Format "promotes a new type of international relations" in the following four ways: "[Firstly, it] insists on not rejecting third parties and promotes the idea of open and inclusive international cooperation. [...] [Secondly, the 16+1] framework adheres to the principle of mutually-beneficial and win-win cooperation, and proposes to wisely handle differences and divergences. [...] [Thirdly, it] never engages in a zero-sum game. Instead, it fully respects and closely watches the core interests and major concerns of the relevant parties. [...] The fourth and final way [...] is how it is committed to creating a cooperative platform through consultation, to meet the interests of all".

Wan (2017), in her turn, noted that the Chinese state, through developing its 16+1 Format, is supporting the process of European integration, and the framework-bound "cooperation is providing a strong buttress for a solidified European Union, a prosperous Europe, and a stable euro". Is this how the whole idea is understood by the EU's political elites and citizens? The latter

group is, naturally, the most important in this particular one and many other contexts, because of the specifics of their political systems and their worldview. Arguably, the only known soft power-bound mechanism for a country to become positively engaged with the citizens of another country is the mechanism of public diplomacy. It is a matter of academic debate, but the BRI, as a global change-provoking exercise, does not possess a clear strategic policy narrative on public diplomacy. This is a significant flaw in the current strategic make-up of the BRI.

With the addition of Greece to the 16+1 and the entry of Croatia into the EU, currently, twelve of the EU's Member States are within the 17+1 grouping, and this factor makes it dramatically easier to argue that the framework is ultimately yet another dimension of China's interactions with the EU. A legitimate question on whether or not Greece is a Central or an Eastern European country only adds plenty of sense for the EU and China to have an honest conversation on these developments. As noted by Kynge and Peel (2017), some within the EU are concerned that a) "China may intensify efforts to use the influence it is building in central and eastern Europe to frustrate aspects of the EU's common China policy" and b) a number of European nations "may exploit strong ties with China to buttress negotiating positions against Brussels". In plain words, it is in the EU's interests that China will talk directly with Brussels (first or at all), rather than with 17 different capitals. In the context of how the global situation is unfolding in the USA-Russia-EU-China imaginary square, one could presume that a serious fragmentation, as well as weakening of the EU, is not something that China should be looking forward to or actively working towards. Therefore, the Chinese state, which keeps "marching west" to geo-strategically solidify its position in the European continent, is to face a couple of serious challenges in the process of conceptual "accommodating" a range of dissimilar BRI-related integrative segments into the much larger "basket" of the EU-China strategic cooperation. In a significant addition, the EU-China interactions during the 2019-2020 pandemic did not add any effective positivity to the prospects of agreeing on a document that can legitimately replace the "EU-China 2020 Strategic Agenda for Cooperation", which was signed in the almost pre-historic 2013.

What are the serious challenges that China is facing in the process of delivering its message to the EU citizens? Extrapolating Princen's (2011) seminal work on agenda-setting strategies, the effectiveness of Chinese public diplomacy in the EU can be significantly enhanced if China successfully gains attention and builds credibility in the area. According to Princen

(2011, 931), if attention is needed to be gained, it is necessary to “mobilise supporters” and “arouse interest”; on the challenge of building credibility, a country that would prefer overcoming a lack thereof should employ such strategies as “capacity-building” and “claiming authority” (*Table 1*).

Table 4: *Challenges of and strategies for effective public diplomacy mechanisms*
(Source: extrapolated from Princen (2011) and modified by authors)

Challenges	First block of strategies to overcome challenges	Second block of strategies to overcome challenges
How to gain attention	Mobilizing supporters	Arousing interest
How to build credibility	Capacity-building	Claiming authority
Effective public diplomacy mechanisms		

Absolutely, each of the aforementioned two challenges is issue-specific and can be easily exemplified. In general principle, however, it is important to comprehend that the ultimate success that China is clearly aiming to reach with the BRI depends on the level of geostrategic “amenities” it can enjoy at the “premises” that belong to a reliable partner-in-project. Only then, the BRI will be understood and perceived not as a semi-calculated gamble of a big developing country, but a well-thought-out functional move of a superpower. Noting a certain degree of positive stability that the EU-China interrelations used to enjoy for quite some time before the pandemic, it could be rightfully stated that the strategic grand framework could easily enter a distinct period when the two sides could prospectively employ an evolutionarily stable strategy to keep succeeding further. Therefore, it could be suggested that the EU-China strategic cooperation, which, until recently, has been characterized by relative stability and longevity, has already cobbled the way to be understood from the perspective of evolution and functional dynamism. This premise then opens new avenues for Chinese policy-makers to broaden the scope of existing cooperation with the EU by overcoming the already known challenges in the process of crafting the country’s public diplomacy mechanisms and without making the European continent fragmented by numerous different cooperative clusters with the same strategic partner.

1.2.2. Perceptions of the Belt and Road Initiative and 17+1 Format among the Central Eastern European Countries

There has been growing recognition in the region of the BRI and the 17+1 Cooperation, but mostly among the elite. Among the general population, they are still largely unknown and penetrate the public consciousness more through local reports of Western coverage of the initiatives in the prestige press followed by CEE media. Both initiatives have mostly been promoted through media attention and press coverage of the summits. There has been less effort at promotion focused on specific projects, especially in countries in which there are few such projects, as in the case of Romania.

It is interesting to note that Western European researchers have also tried to analyze the perceptions of these initiatives and of China in the CEE region. Oertel (2020) noted, in an ECFR report, the growing consensus in the European Union, including its CEE members that are also part of the 17+1, regarding the fundamental aspects of a relationship with China. It noted that, in the summation of its research (figure 6), only Greece and Bulgaria view China as a strategic partner, rather than both partner and rival. With regards to investment policy (figure 7), only Hungary and Estonia have expressed policy preferences regarding no restrictions of Chinese investment, Bulgaria avoided taking a position and Poland had the strongest position on investment restrictions. The rest of the countries as, indeed, the rest of the EU minus the Netherlands, Finland, and Denmark (in the “no restriction” category), were in favor of restricting access to Chinese investment in strategic sectors. Whether these positions will materialize in fact or endure the passage of time which is sure to increase the appetite for attracting foreign investment, it remains to be seen.

Oertel (2020) writes that “[s]ince the onset of the COVID-19 crisis, there has been a new convergence of EU member states’ assessment of the challenges China poses to Europe” and “it will be crucial to ease concerns about Franco-German dominance of the China agenda – especially those of Eastern and Southern European countries – while enabling all member states to become more engaged in shaping the EU’s future approach to China”.

In the summation of the authors of the present report, currently, the Belt and Road Initiative and the 17+1 cooperation format are *prima facie* perceived by the CEECs as international projects that are driven by the

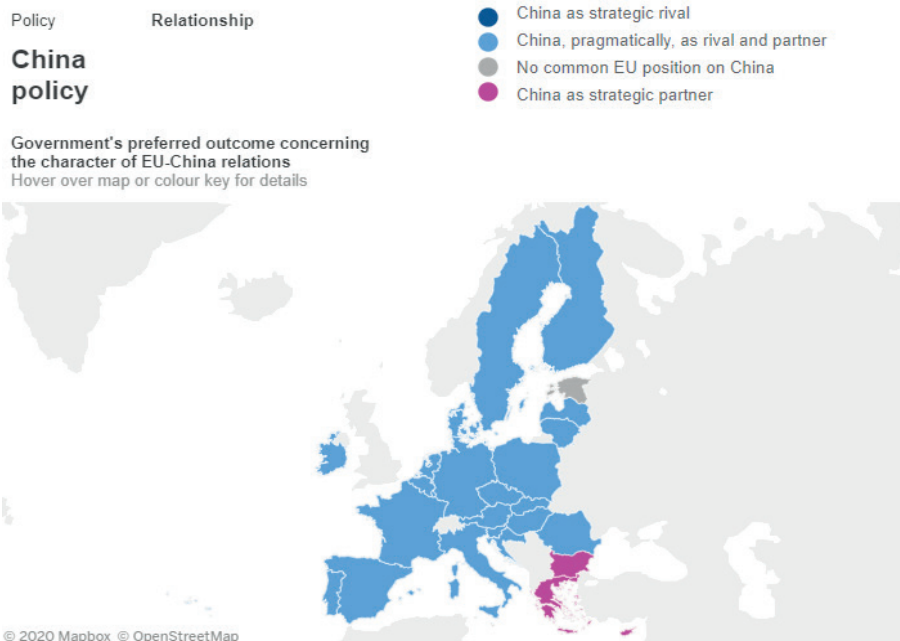


Figure 6: Map of the EU Member States and their views of China (Source: Oertel, 2020)

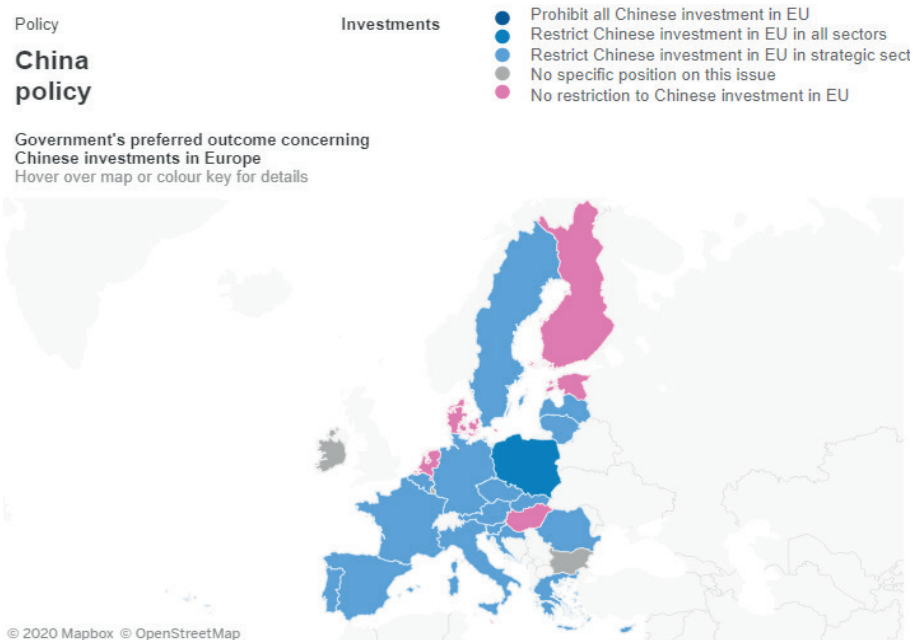


Figure 7: Map of the EU Member States and their positions on Chinese investment (Source: Oertel, 2020)

Chinese political, economic, and cultural ambitions. On the one hand these projects and cooperation mechanisms are multilateral, but on the other hand, they are nearly exclusively led by Beijing and it seems that the most important decision-making centers are placed within China. As a result, the BRI and 17+1 Format could be interpreted as multilateral organizations, however under the influential domination and coordination of Beijing. Thus, both projects are regarded as strategic tools in the Chinese hands which are fostering dialogue, enhancing business contacts as well as broadening the scope of Chinese impact on the region.

The following section investigates the ways in which BRI and 17+1 Format are interpreted in the CEECs taking into consideration the variety of entities and actors engaged in the initiatives on national, subnational, local, and private levels. Secondly, it examines the narrative behind the engagement in Chinese led initiatives by the example of the two oppositions: China threat and the China opportunity (Grzywacz 2020, Pavlicevic, 2018). It seems that both these extremes dominated the way of thinking about China's interactions with the CEECs. Thirdly, the 17+1 Format and BRI are closely examined in regard to the dominant views and treatments of the cooperation. In this part i.e. the hope for the emancipatory power of Chinese engagement will be examined, as some countries perceived the investments in infrastructural development as a possible game-changer for their regional infrastructural development (Pendrakowska, 2018). In fact, China has been perceived as a potential facilitator of development and a source of capital for investments, especially in the Western Balkans. The end of the section highlights the advantages and disadvantages that the CEECs have in promoting the Belt and Road Initiative and 17+1 Cooperation.

1.2.2.1. The Variety of Stakeholders and the Ambiguities of the Cooperation

Various stakeholders and actors are engaging in numerous ways in these Chinese led formats. The governments, public and private companies, public and private institutions, media, academia milieu as well as think-tanks, and financial institutions are co-creating and co-shaping the way in which these cooperation mechanisms evolve and develop as well as are understood and defined. Thus, the BRI and 17+1 Format should be perceived as dynamically evolving initiatives that are prone to various adjustments and interpretations. The cooperation unfolds both on an official as well as

unofficial levels. Moreover, the relations between CEEC and the US and EU are additionally impacting the way the Chinese led initiatives are perceived and recognized.

On the one hand, the governments are participating in political summits during the Meetings of Head of Governments (i.e. the eighth summit of CEECs in Dubrovnik 2019, Sofia in 2018, Budapest in 2017, etc.). The governments are also participating in the organization of secretariats for a variety of affairs and tasks such as maritime cooperation, investment cooperation, or tourism cooperation. On the other hand, media outlets are participating in the BRI media and journalist forums, and selected think-tanks are joining the Chinese led networks, i.e. the 17+1 Think-Tank Network led by the Chinese Academy of Social Sciences (Vangeli, 2019). Due to the variety of stakeholders engaged in both initiatives, it is difficult to formulate a joint diagnosis for the way the CEEC perceive 17+1 Format and the BRI. However, one could argue that the BRI and 17+1 Format are perceived and approached adequately to the interests and goals of engaged stakeholders, also when they are contrary to each other on the governmental and administrative level. Poland serves as a perfect example illustrating the thesis mentioned above.

Between 2013 and 2016 the authorities in Łódź and in the region actively developed relations with China, i.e. through the Łódź-Chengdu railway cargo line (initiated in 2013) and the opening of a permanent office of the Łódzkie Voivodeship in Chengdu (2014). The cooperation between Chengdu (Sichuan) and the Łódzkie Voivodeship flourished and was successfully developing. The Ministry of Foreign Affairs and the central government also decided to establish a Polish consulate in Chengdu in 2015 (the fourth one after Beijing, Shanghai, and Guangzhou). Relations on a subnational level were prospering until Poland's authorities decided to suspend an auction of a parcel of land, which was meant for the construction of a cargo-terminal in Łódź (Skorupska, Szczudlik, 2019). Potentially, the sale of the parcel of land could have further developed the logistic cooperation on the railway connection and contribute to the higher volume of trade exchange. A company operating on the Łódź-Chengdu railway connection was eager to buy the land and the sudden change of decision was an unpleasant surprise that was badly received by the Chinese side. Polish authorities on the central level did not give a clear justification of their motives behind blocking the sale of the parcel, as well as did not consult this decision with the authorities of the city Łódź (Skorupska, Szczudlik, 2019). This can serve as an example

of how various stakeholders and institutions of a single country are shaping their cooperation with China, even contradicting each other.

1.2.2.2. China Threat versus China Opportunity Approach

As Pavlicevic (2018) argues the development of 17+1 Format (earlier 16+1) is strictly connected to the way the CEECs understand and perceive their relations with China. Moreover, the narration surrounding the BRI and regional cooperation mechanisms i.e. in the case of Sino-Serbian relations seem to be imprinted by the two oppositions: *the China threat* and *the China opportunity* (Pavlicevic, 2018). Similar conclusions have been drawn by Grzywacz (2020) who states that the Polish perception of China's rise oscillates between the threat and opportunity perspectives. However, as her study suggests, the threat narration has been more present in the Polish debates than the opportunity discourse. The public opinion in part of the CEECs perceive the US as the main security provider (Pendrakowska 2020) and as a result shapes its foreign policy accordingly to the US interests and views.

However, it should also be highlighted that the narration on *the threat* has been present in the international discourse prior to the initialization of BRI and other multilateral cooperation mechanisms. As Ramo (2007) points out the international image of China is China's greatest strategic threat. Especially when its image is related to danger. Moreover, as Wang (2008) argues the international perception of China is influenced by "China's threat theory". In the CEECs a wide range of academic and think-tank debates referring to this opposition was initialized in recent years. Moreover, China was also portrayed as a challenge that the CEECs must face, because Beijing becomes an influential global power.

1.2.2.3. The 17+1 Format

Generally, the 17+1 cooperation is perceived as an instrument facilitating the possibility of annual meetings between the CEECs head of states and the Chinese prime minister. Thanks to this cooperation mechanism many smaller CEECs obtained the possibility of regular meetings with the Chinese leadership. It should be highlighted that the 17+1 Format was initiated in 2012 in Warsaw and is one year older than the BRI. As a result, the 17+1 Format on various occasions searched for opportunities of synchronization and harmonization of these two multilateral projects. A

variety of conferences regarding this subject were organized in China, i.e. by the Shanghai Institutes of International Studies (SIIS), which arranged a conference “*Developing the Synergy between the Belt and Road Initiative and 16+1 Cooperation*” on September 23, 2016, in Shanghai.

On many occasions, it appeared clear that the CEECs, which annually meet and sign the guidelines during political summits of the 17+1 Format are eager to develop their infrastructure and logistical hubs on the New Silk Road. During the initiation of the 17+1 Coordinating Secretariat for Maritime Issues the representatives of governments were promoting their countries as an interesting spot for investments. It was more of a meeting of competing entities rather than an organization with mutual interests. The following assumption was based on the basis of the author’s participation in the event. The CEECs mostly presented their own national investment potential rather than indicated joint regional investment possibilities. This could also serve as evidence that member states are predominantly focused on bilateral cooperation with China. Thus, the 17+1 Format for many reasons plays a role of a forum for bilateral discussions and negotiations. For example, the Director of the Department of International Cooperation of the Ministry of Marine Economy and Inland Navigation of Poland who also leads the Coordinating Secretariat for Maritime Issues, monitoring the cooperation of Central and Eastern European States with China argued that “the 17+1 Format aims at changing the perception of Poland and the region as merely transit countries on the way to the ports of Hamburg or Rotterdam. We are fighting for goods to be transshipped nowhere else but in Poland” (Instytut Boyma, 2020).

1.2.2.4. The Belt and Road Initiative

The Belt and Road Initiative which was announced by Chinese President Xi Jinping has been perceived and understood in various ways. On the one hand, the BRI is interpreted as an economic and geopolitical project that aims at intensifying China’s relations with countries in Europe and Asia (Grzywacz, 2020). On the other hand, it has been also perceived as Xi Jinping’s grand public diplomacy architecture or an institution which was set up by China primarily in order to build a cross-border infrastructure (Voon, Xu, 2019). Moreover, Voon and Xu conclude that the investment in the BRI countries led to *a significant improvement in China’s soft power* (2019). Thus, some analysts are also referring to the BRI as a soft power tool

facilitating Chinese investments domestically and abroad. It should be also highlighted that the BRI and other Chinese mechanisms in the CEEC region inspired a wide range of narratives of imagined futures of prosperity under the New Silk Roads (Vangeli, 2019).

The conceptual ambiguities in defining BRI worldwide have been influencing and interacting with the various perspectives of CEECs. As Pendrakowska (2018) argues i.e. the Polish perspective on BRI was primarily concentrating on the pragmatism approach as the public opinion focused on potential economic and political benefits that could arise from Poland's engagement in the initiative. For example, Poland wished to be perceived as a strategic location on the BRI transit map in order to develop national and regional infrastructure (Pendrakowska, 2018). The BRI in this variation was perceived as an opportunity to change the trade routes to the benefit of the region (similarly to the 17+1 Format) and the national interests of its members. Thus, the regional cooperation with China was perceived as an opportunity for the national economic development of the countries involved.

1.2.2.5. Advantages of Central Eastern European Countries in Promoting Belt and Road Initiative and 17+1 Cooperation

It is highly recommended that the cooperation and participation of CEECs within the frameworks of BRI and 17+1 Format will be further conducted in the dialogue with the European Union. The 17+1 Format comprises of a variety of countries sharing different historical, economic, and political experiences. Twelve of the 17+1 countries are member of the EU and their cooperation with Beijing within Chinese initiatives should be appointed and discussed closely with Brussels. In this way, the EU member states of the CEEC could promote BRI as well as the 17+1 Format as a supplemental and benign ways of interacting with China on a national and multilateral level. Moreover, the label of the so-called "China threat" or the narrative of the "Chinese trojan horses" could be minimized.

Another case in point are Western Balkan countries that have not joined the EU yet. For the Western Balkans, the "Berlin Process" seems to be the most important reference point. Simultaneously, the region is also actively cooperating with Chinese organizations, financial institutions, and companies in the realm of investment infrastructure (i.e. the case

of the highway in Montenegro). However, as Pavlicevic highlights the EU has “*succeeded in making both China and the Western Balkan states commit to subordinating their relationship to their respective relationships with Brussels*” (2019). Speaking of advantages, the CEEC has in promoting the BRI and 17+1 one must emphasize the *modus operandi*, in which the CEEC can present working within Chinese initiatives as safe and rational cooperation, which does not pose a threat to already existing commitments and obligations to NATO and the EU. The CEECs started perceiving the further development of relations with China through the lenses of national security. This is one of the reasons why many CEECs are still withholding from a decision to develop their 5G with China. Thus, the security question and the US-China tensions became one of the leading subjects of the public debate in the region.

The CEECs can promote the BRI and 17+1 Format as an initiative and mechanism of cooperation that fosters regional dialogue between nations and China. In 2012 Beijing gathered the sixteen countries (without Greece) initiating a new narration of opportunities and chances for the countries that were before parts of the Soviet Union or played a role of satellite countries to the regime in Moscow, or were led by the communist elites. In a sense, Beijing managed to cut through the EU giving a chance to jointly discuss the fate and common interests of the post-communist countries, regardless if they were part of the EU or not yet. As a matter of fact, the 17+1 Format can serve as an example of innovative regional cooperation that inspires to rethink and reframe the cooperation between states sharing a similar communist experience regardless their current state of development and participation in NATO or the EU.

One of the advantages the CEECs can share with other countries is the balanced cooperation in the framework of think-tank exchange and think-tank networks. Thanks to these initiatives, which are accompanying i.e. political summits, the expert and academic milieu can share a variety of viewpoints and expertise as well as present up-to-date critical comments. In the nearest future, the 17+1 Format can serve as an example for recently founded 5+1 format, which is a multilateral initiative between China and the Central Asian countries (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan).

1.2.2.6. Disadvantages of Central Eastern European Countries in Promoting Belt and Road Initiative and 17+1 Cooperation

Still, one of the biggest challenges for the CEECs is the unsatisfactory trade deficit with China. The barriers to enter the Chinese markets still have not been overcome in the course of the past eight years of cooperation. Still, the SME's from the CEECs are not successful at winning their access to the Chinese market. Thus, experts and politicians claim that the expectations for bettering the economic relations thanks to the 17+1 Format have not been materialized. The lack of plausible and measurable successes leads to a disenchantment with the 17+1 Format. As a result, the lack of a measurable success might be interpreted as an obstacle for promoting the 17+1 Format to other countries. On the other hand, the BRI and 17+1 Format are still quite young initiatives, and as such, they need dialogue and discussion rather than rash decisions.

1.2.2.7. Conclusions

The CEECs views and images of the 17+1 Format and the BRI are dynamically changing in the course of time and depend on the interests of engaged stakeholders and the international political atmosphere. The initiative as well as the cooperation mechanisms are posing a range of opportunities and challenges for all sides of these multilateral initiatives. The activities contributing to fostering dialogue and arranging networks facilitating the exchange of views are all positively affecting these initiatives.

There are three main points that are substantial to foster cooperation with China. Firstly, free exchange of opinions and research on the impact of BRI and 17+1 Format in the countries that cooperate with China. It would be also crucial for the CEECs to gather more knowledge on the Chinese impact in the so-called Global South and the consequences of debt policies. Secondly, diagnosing mutual expectations and finding pathways to the implementation of satisfactory policies, which would i.e. tackle the problem of the unsatisfactory trade deficit on the side of CEECs. Thirdly, launching joint projects focusing on ecological development, climate change, and corporate social responsibility should be reconsidered.

1.3. The 17+1 Format and Energy Cooperation – a Case Study

This section sheds light on Chinese energy investments in the countries of Central and Eastern Europe since 2012 and the launch of the 16+1 Format (nowadays, the 17+1 Format) cooperation mechanism. From the beginning, energy has been one of the dominant aspects of 17+1 cooperation; still, the first results of the cooperation took some time to manifest. The energy domains of interest to the cooperation are diverse and include coal, hydro energy, nuclear energy, oil but also renewable energy sources such as solar energy, wind energy, geothermal energy, and energy obtained from biomass or waste.

CEE energy cooperation with China is related to the CEE countries' commitments in terms of environmental protection. All CEECs (EU and non-EU countries alike) are signatories to the Energy Community Treaty (ECT) and are expected to adhere to its environmental protection standards; however, some of the Western Balkan countries have large coal reserves and rely heavily on the energy produced by coal power plants. On the other hand, EU Members from the CEE region have a more pronounced interest in renewable sources of energy. Chinese investments in renewable sources of energy are in different stages of development, and their impact on the energy production and consumption of these countries is yet to be seen. The current models of economic development in the region have mostly disregarded environmental protection and renewable energy; cooperation with China could contribute to reducing the dependence on fossil fuels, as long as there is a public interest in renewable energy. This section reviews the energy investments throughout the CEE region, including the investments in all stages (announced intent to invest, signed Memorandum of Understanding, environmental permits, construction works, completion).

The 17+1 cooperation initiative is frequently mentioned as an integral part of the broader, Belt and Road Initiative; Frans-Paul van der Putten and Xiaoxue Martin have researched the greening of the BRI initiative as a whole, and their arguments are of relevance to the greening of the 17+1 Format as well. They noticed domestic and international reasons behind the Chinese government's interest in sustainable development along the Belt and Road Initiative (which formally dates back to 2017). Domestic motives include the

environmental disasters and pollution that jeopardize public health; at the same time, China's reputation in the international community is at stake due to the BRI's financial support for projects which are environmentally unsustainable (a contribution to global warming) (Van der Putten, Martin, 2020). Chinese leaders amended their policy in favor of a greener BRI, in order to highlight China's commitment to the Paris Agreement on Climate Change; the authors saw the 2017 formation of the Belt and Road Initiative International Green Development Coalition (BRIGC) as the crucial moment for the BRI greening.

The greening of the BRI is also facing some challenges. While the abovementioned support for BRI greening is growing stronger, there is also continued Chinese investments in projects involving coal and oil exploitation. They argued that this support to fossil fuel projects will only end with stricter enforcement of the commitments involving all BRI countries (Van der Putten, Martin, 2020). They also noticed the coordination problems the BRI initiative is facing (revolving around the relationship between central government and local authorities, within China). This initiative involves a large number of actors, and large Chinese state-owned coal, oil, and gas companies represent the vested interests that oppose the greater reliance on renewable energy sources and a greener BRI. The current compliance mechanisms with binding environmental standards under the BRI are insufficient; there is a necessity for more such mechanisms in order for investors to fulfil their commitments. Further on, the SARS-CoV-2 pandemic has already had consequences for the BRI greening and the global economic hardships – the issuance of green bonds has been reduced worldwide due to growing uncertainties on the market. They conclude that while SARS-CoV-2 puts into question green finance as a BRI priority, the pandemic could also open the door to the initiative reset towards sustainable development (Van der Putten, Martin, 2020).

Chinese energy investments have not yet included all of the 17 countries of Central and Eastern Europe. While all CEE countries are EU members or have the ambition to join the EU in the near future, the current non-EU members in the Western Balkans and their political elites tend to disregard the environmental protection despite having environmental protection strategies until 2020 and beyond. So far, the recipient countries of Chinese energy investments in the CEE region include Serbia, Bosnia and Herzegovina, Montenegro, Croatia, Romania, Bulgaria, Albania, Greece, Hungary, Poland, Czech Republic, and Lithuania. These investment projects have not been without public controversy and uncertainties. The reasons range from the predominantly Chinese workforce to objections from

the environmental protection groups and China's domestic fight against corruption. From the following subsections, we can estimate that, once the Western Balkan countries will have become EU Members, the EU will find significant Chinese projects already in place.

There is also the example of Estonia-Chinese companies have not yet made any investments on Estonian territory; however, the two sides have agreed to cooperate together in Jordan. This is an interesting example of a potential development formula, where bilateral cooperation between China and CEE partners are also accompanied by common projects in third countries, even outside the region.

Albania

For the time being, the single most important Chinese energy investment in Albania is in hydrocarbons. After March 2016 investment in two large Albanian oil fields (Patos-Marinza and Kuçova), worth 442 million US dollars, Geo-Jade Petroleum from Shanghai has gained a strong position in the Albanian oil production (Atli, 2016). Albania has also expressed willingness to have Chinese investments in solar and wind farms, however without any specified deadlines for finalization (Xinhua, 2017).

Bosnia and Herzegovina

Bosnia and Herzegovina (BiH) is another example of a CEE country putting significant emphasis on traditional energy sources such as coal (due to significant reserves of coal), while not being too eager to enable energy production from renewable energy sources such as wind energy. A number of large coal power projects are expected, underway, or completed – Stanari, Tuzla Block 7, Gacko 2, and Kamengrad (Davies, Prtoric, 2018). All of these projects promise the creation of new jobs, which (in addition to the increase in energy production) is the main reason the Bosnian political elites support them (even if they are funded by state bank loans). As of now, 40% of the country's electricity output is from hydropower plants, while the rest comes from coal-powered plants; as little as 0.3MW of electricity was generated by windfarms in 2015, although Bosnia and Herzegovina intends to increase the capacity to 330MW by 2020 (Balkan Green Energy News, 2017).

The 2016 Memorandum of Understanding (MoU) for the construction of Block 7 of Thermal Power Plant Tuzla (worth 722 million euro, supported by

a China Exim Bank loan and with China Gezhouba Group Corporation and Elektroprivreda BiH as signatories) was greeted as one of the largest post-war investments in the country (Karanovic/Nikolic, 2016). The beginning of construction work was scheduled for spring 2017 (Nezavisne Novine, 2017); however, the construction did not begin due to the approval procedure for the Exim Bank loan (Profitiraj.ba, 2018). Chinese have also invested in the 390 million dollar-worth Stanari coal power plant (also supported by Exim Bank loans) (Darby, 2016); in November 2017, a MoU regarding the construction of Kamengrad coal power plant near Sanski Most (estimated strength 2x215 MW, estimated cost 521.5 million euro (SeeNews, 2018)) was signed in Budapest between Energy China and the Government of Bosnia and Herzegovina (China Energy Engineering Group, 2017). An additional project concerns the 588 million US dollar modernization of the Gacko coal power plant by building a 350MW block; the Chinese side is represented by two companies, China Machinery Engineering Company and Emerging Markets Power Fund (according to another source, China Africa Investment and Development Co. (SeeNews, 2018)), and they will hold a 51% ownership of the new power plant (Reuters 2017b).

When it comes to renewable sources of energy, they are represented by the energy generated from wind. The projects involving the Chinese side include the wind farms near Tomislavgrad, Glamoč, and Galica and Vlačić near Travnik. The windfarm near Tomislavgrad is expected to have a capacity of 112MW (worth 150 million euro), whereas the Glamoč wind farm is expected to have a capacity of 130MW (Balkan Green Energy News, 2017). On the other hand, the two wind farms adjacent to Travnik will have an aggregate capacity of 100MW and will cost at least 130 million euro (Balkan Green Energy News, 2018). In all of these cases, the Chinese side is represented by China Machinery Engineering Corporation. Although the MoU for the Tomislavgrad windfarm was signed in 2016, the project has been on hold as of June 2017 due to permits not being issued.

Bulgaria

When it comes to Bulgaria, the Bulgarian officials have placed significant emphasis on nuclear energy, namely the two-unit Belene nuclear power plant. This project was previously carried out in cooperation with Russia; however, the construction had to be halted. In July 2018, the project has been the subject of talks with the Chinese Premier Li Keqiang, with a

view to continuing the construction (Sofia Globe, 2018). The Bulgarian Government began negotiations with China National Nuclear Corporation (CNNC) as the potential partner in the nuclear plant construction; CNNC representatives were informed of the compulsory participation in the tendering procedure, as well as the prohibition of state guarantees and long-term electricity purchase contracts (NucNet, 2018). If the mandate had been given for the Belene tendering procedure, it would have been initiated in late 2018. As for the renewable sources of energy, Bulgarian cooperation with China includes for the time being solar energy and energy from biomass. GS-Solar Company (originally from Quanzhou) has discussed building a solar panel factory with Bulgarian Prime Minister Boyko Borisov (InvestSofia, 2017). Another potential energy investor is Sunpower Group – its subsidiary Shandong Yangguang Engineering Design Institute will design a biomass-propelled power plant, with ground breaking initially scheduled for August 2018 (Novinite, 2018). In the latter case, the new plant will make use of waste from wood pulp production.

Croatia

A Chinese-backed windfarm project near Croatia's coastal city of Senj would have a capacity of 156MW. The Senj wind farm project is operated by Energija Projekt with China's Norinco International Co. Ltd. signing an equity purchase agreement with Energija Projekt on November 27, 2017.

According to the agreement, Norinco acquired 76 percent of the Croatian company's equity with around 32 million euros (about 36 million U.S. dollars at the time), while the total investment in the project could reach 179 million euros. By late 2020, 39 wind turbines on a nearly 45-square-kilometer wind farm will be producing 530 million kilowatts of electricity per annum (Ewind, 2018).

Czech Republic

Czech cooperation with China within the 17+1 cooperation mechanism did not result in actual Chinese investments in Czech energy sector, despite the presence of a Chinese energy company, Clean Energy Finance Corporation (CEFC). So far, neither of CEFC's Czech investments is in energy production; instead, the company has shown interest in non-energy sectors such as real estate, banking, media, sports or tourism, having invested approximately

1.5 billion euros since 2015 (Dębiec, Jakóbowski, 2018). CEFC's chairman Ye Jianming was even appointed to the position of honorary advisor to President Miloš Zeman on economic and Chinese matters; he has retained this position even following his arrest and prosecution in China on corruption grounds. The company itself has encountered financial hardships, which led to a takeover by the state-owned CITIC Group and Guosheng Group companies. The new owners have paid some of the CEFC's debts, which could indicate their ambition to remain in the Czech Republic; Dębiec and Jakóbowski believe, however, that without Ye Jianming, the company will lose some ground in the Czech Republic (Dębiec, Jakóbowski, 2018).

One potential opportunity for greater a Chinese presence in the Czech energy sector might be the long-awaited expansion of nuclear power plants at Dukovany and Temelin. The Chinese company CGN is involved in these negotiations as one of the potential partners and suppliers of nuclear technology. The two projects are however facing development difficulties on financial grounds (the funding of the projects is yet unresolved), but also due to local protests, as the expanded nuclear plants will need additional area for storage of nuclear waste.

Estonia

Estonia has so far attracted little interest on the part of Chinese energy investors. There are no Chinese energy investments on the Estonian territory itself; however, the two-billion-euro construction of a 470 MW oil shale-powered plant has been initiated in March 2017 in Jordan (Al-Khalidi, 2017). The construction is carried out by Attarat Power Co. (APCO), a Jordanian subsidiary of Estonian-owned Enefit, while the funds are provided by a consortium of Bank of China and the Industrial and Commercial Bank of China (additional support is provided by China Export and Credit Insurance). The new plant is scheduled for completion in mid-2020 and might consume around 10 million tonnes of oil shale per annum upon launching. This project has been delayed since 2014 due to further talks regarding the pricing of the electricity generated at the new plant.

Greece

Beijing already owns 24% of Greece's electricity transmission system operator and has pledged to back a new Greece-EU-funded interconnector to Crete (Tsagas, 2019). The interconnector, which was expected to be operational in 2020, will offer more opportunity for exporting excess solar electricity back into the grid. Chinese President Xi Jinping visited Greece in November 2019, signing 16 trade deals and memoranda of understanding. Though photovoltaics were absent from the list of subjects directly addressed, the solar industry is expected to be among the beneficiaries of two developments that emerged from the state visit.

The State Grid Corporation of China, the world's biggest utility company, signed a commitment to back a new electricity interconnector to Crete that is expected to help Greece vary its electric loads as it aims to phase out coal by 2028. The interconnector is a 134 km subsea and 42 km underground AC cable by Greek transmission grid company Admie.

The arrangement appears to have already borne dividends with London-based solar developer Nur Energie committing to a 50 MW concentrating solar power (CSP) facility on the island, during Xi's visit. The Nur Energie deal included an agreement with the Industrial and Commercial Bank of China, as well as with China's Energy Engineering Group to collaborate on development of the Cretan CSP plant.

Hungary

Hungary is one of the CEE countries where Chinese energy investments are rare. The only project currently in development was agreed upon during Foreign Minister Péter Szijjártó June 2018 visit to Shanghai – a geothermal power plant will be constructed in Tura near Budapest. The project is expected to cost 45 billion forints (141.1 million EUR) (Daily News Hungary, 2018), and will be built by Zhejiang Kaishan Compressor. According to the agreement, a 40MW power plant and 100MWth (megawatt thermal) heating facility will be constructed; the new complex will be producing electricity and providing heating to the residential buildings and farms. In order to facilitate its operations in Hungary, Zhejiang Kaishan Compressor's geothermal business will set up a base in Budapest.

China National Machinery Import and Export Corporation (CMC) is building central Europe's largest solar plant in Hungary, worth 32 billion forints (100 million euros) (Claudia Patricolo, 2019). The project will support the country's climate policy targets, including making Hungary a country that can produce energy in a carbon-neutral way by 2050. CMC is planning to establish a regional center in Hungary, from which it will manage the preparations for further development in the Central and Eastern European countries. The 100-megawatt solar power plant will be built in Kaposvár and will be able to satisfy the electricity demand of a city with 50,000 inhabitants.

Lithuania

Chinese presence in the Lithuanian energy sector has been made possible in June 2018, with the signing of two Memoranda of Understanding. The Chinese side is represented by China Power Engineering Consulting Group (CPE) and its affiliate companies, North China Power Engineering (NCPE) and China Energy Engineering Group Investment (CEEGI) (Xinhua, 2018). One MoU was signed between NCPE and Lithuania's Achemos Grupe, and it addresses the development of wind power, photovoltaic power, the power generated from biomass, and other renewable energy projects; the other MoU was signed between CEEGI and Lithuania's Orion Securities, with intended cooperation in conventional power plants projects, renewable energy projects, and power transmission infrastructures projects. These two MoUs are still of undisclosed value and have the ambition of covering Lithuania and the remainder of CEE countries.

Montenegro

In the previous years, Chinese companies announced their interest in the Montenegrin energy sector. According to the available information, the only two energy sources in question were coal and hydropower. One potential project included the 664 million euro-worth construction of five hydro plants on the Morača and Komarnica rivers (without any timeframe or deadlines, as the negotiations have not been finalized) (Bibic, 2016). Another such project was the extension of Pljevlja coal power plant (with the worth estimated at 326 million euro in 2013). This project was revisited during the talks between the Chinese company PowerChina and Montenegrin Chamber of Commerce in February 2018; PowerChina, the

potential investor in the Pljevlja power plant expansion, has shown interest in obtaining state guarantees for the project. It is also worth mentioning that the previous investor, Škoda Praha, withdrew from the project in December 2017 due to funding issues (Serbia Energy, 2018).

The Mozura Wind Park in Southern Montenegro, a joint project within the framework of the China-proposed Belt and Road Initiative, was inaugurated in November 2019. The wind farm, constructed by a consortium of the Shanghai Electric Power Company (SEPC) and Malta state energy provider Enemalta. According to Dragica Sekulic, the current Montenegrin Minister of Economy, SEP and Enemalta will run the wind park for the upcoming 20 years, after which the wind park will revert to the ownership of the Montenegrin people. The windfarm consists of 23 turbines, while the testing period lasted for around one year. Chairman of the SEP Wang Yundan announced that the wind farm will provide more than 112 million kilowatt-hours of clean electricity annually, while reducing greenhouse gas emissions by 95 thousand tons (China Daily, 2019).

Poland

In Poland, Chinese energy investments can be divided into investments in energy production (dominated by renewable energy sources) and investments in electric grid construction and modernization (aimed at preventing energy loss during transportation). One of the investors is Pinggao (a subsidiary of the State Grid Corporation of China), the winner of several tenders for modernization or construction of transmission networks (the total worth of these contracts exceeds 150 million US dollars). Another example is Sinohydro, in charge of installing an electric line between Chełm and Lublin (an investment also worth more than 150 million US dollars) (Góralczyk, 2017). As for energy generation, the energy sources include waste-to-energy and wind energy – for the former, worth mentioning is the April 2016 China Everbright International acquisition of Novago (primarily a solid waste treatment and recycling company, but also active in the energy production from waste). The Chinese investor has paid approximately 123 million euro for its Novago investment (Neveling, 2016); in this case, credit support to the investor was provided by the Warsaw branch of the Bank of China (Szczudlik, 2017). However, the largest Chinese energy investment in Poland occurred in October 2016 – a fund controlled by China Three Gorges

Corporation purchased 49% of shares in a windfarm built by Portuguese EDPR Group, a deal worth 289 million euro (Szcudlik, 2017).

A unit of Warsaw-based private equity fund NeoInvestments and China Sinology Electric Engineering have also announced a plan to build 600MW in solar capacity by 2021 in what they called Poland's biggest photovoltaic power station. Poland's state-run copper producer KGHM and energy group PGE said they would work together on new solar projects that might total 500 MW by 2023, costing around 3 million zlotys (\$764,000) per 1 MW. This would be part of PGE's plan to have 2.5 GW in solar energy by 2030 (Institute for Energy Economics and Financial Analysis, 2019).

Justyna Szcudlik underlined the importance of the new Polish law (adopted in mid-2015) regulating foreign investments. According to her viewpoint, the lawmakers intended to protect Polish companies in certain sensitive areas from hostile takeovers from abroad; one such area is energy production and distribution as well as petroleum production, processing and distribution. According to the law, the list of companies legally protected from such takeovers will be publicly known; Szcudlik believes that the country primarily kept in mind is Russia, but the law can be interpreted so as to block investments from any other country (Szcudlik, 2017).

Romania

Of all the countries of Southeast Europe, Romania has so far shown the most interest in Chinese investment in the most diverse combination of energy sources. In addition to coal, hydropower, oil, and nuclear power, Romanian representatives have sought Chinese investments in wind and solar energy. The development of some of these investments is underway, some have ended in failure, while some others remain a mere announcement with finalization being years away. One of the reasons is the political instability, coupled with legislative unpredictability and a fiscal environment, including recent changes, which deters long-term investment. Some of the previous governments wanted to check Chinese and other foreign investment for potential corruption; this had diminished the inflow of investment from 10.93 billion US dollars in 2011 to 3.62 billion US dollars in 2016 (Wilson, 2017).

Oehler-Şincai (2017) has addressed the obstacles Chinese investors face in their plans to invest in Romania. She underlined the lack of continuity, coherence, and transparency in terms of legislative initiatives and regulations

as one of the obstacles. According to her viewpoint, changing incentive schemes by national authorities make investment projects unattractive and may cause investors (Western and Chinese alike) to abandon their plans. An additional obstacle is obtaining environmental permits. As she points out, the Romanian government would have to step in occasionally in order to facilitate the investments (Oehler-Şincai, 2017).

In August 2017, Romanian representatives continued their negotiations with China Huadian Engineering, regarding the construction of the 600 MW coal-powered plant in Rovinari (part of Oltenia Energy Complex, CEO) (Bernovici, 2017). The estimated worth of the new plant is 900 million euros (Oehler-Şincai, 2017). The talks were initially scheduled to be concluded by the end of 2017 in order to proceed with the investment. Oltenia Energy Complex has a major position in Romanian energy market, with investments of more than 60 million euros in the first half of 2017 alone. As for the hydro-powered energy projects, in 2011, the Chinese company China Gezhouba Group International Engineering Co. has initiated talks with Romanian officials to invest in the Tarnița-Lăpuşteşti pumped-storage hydropower plant (Renewables Now, 2011); at the time, the project was estimated at 1.2 billion euro (Oehler-Şincai, 2017). Sinohydro Company was also interested in participating in the same project. The initial talks proceeded until 2015 when the agreement was shelved indefinitely.

Further on, Chinese energy investors have attempted to access the Romanian oil market in 2016. Former state-owned oil company Rompetrol has been the property of KazMunayGaz (KMG) since 2007 (the company had since been renamed to KMG International). In April 2016, Shanghai-based China Energy Company Limited (CEFC) concluded negotiations with KMG on establishing a joint venture in Romania; CEFC offered to contribute to the joint venture with 680 million US dollars. However, two weeks afterwards the Romanian state authorities initiated a corruption investigation and ordered the freezing of 2.1 billion US dollars of KMG assets in Romania (Wilson, 2017). Despite the asset freeze, the joint venture agreement was approved by the Romanian government in July 2017. In the coming months, CEFC encountered financial hardships, and its chairman Ye Jianming was arrested in China due to alleged corruption, which meant that CEFC was not able to fulfil its commitments. As a result, the joint venture has been dissolved on 3 July 2018 (Romania Insider, 2018).

Romania's nuclear energy cooperation with China is dominated by one project, the extension of the Cernavodă nuclear plant. The planned construction of two additional nuclear reactors (each of them with 700

MW of installed capacity) has been a dominant topic on the agenda of various Romanian governments since Romanian accession to EU in 2007, albeit not always with Chinese investors involved. Successful completion of the construction works would increase nuclear power participation in overall energy production from 18% to 30% or more. The value of the whole project was initially assessed at 4 billion euro; however, the estimate was soon elevated to 6.5 billion euro (Financial Observer EU, 2018), and the most recent estimate, done by China General Nuclear, is at 7.2 billion euro (Financial Observer EU, 2018). The Romanian side in the project is represented by Nuclearelectrica; after the withdrawal of Enel, ArcelorMittal, CEZ, RWE, Iberdrola, and GDF Suez from the project, the Romanian party sought cooperation with China General Nuclear Company. The negotiations have stalled several times, as the two sides were unable to reach an agreement on the electricity prices, the controlling stake, and investments; Romanian officials have announced in February 2018 that around 80% of the project is agreed with the Chinese side, and that the actual construction works might begin in 2020 (Financial Observer EU, 2018). However, as of the writing of this report, Nuclearelectrica, a state-owned company, had been instructed officially by the Ministry for Economy, Energy and the Business Environment to cease negotiations with Chinese counterparts.

In November 2013 (during the 16+1 summit in Bucharest), Chinese company Ming Yang signed a framework agreement with Speranta&Succesul S.A. (a major developer of renewable energy in Romania), concerning a 200MW windfarm project (Smith, 2013). At the time, the value of this project was assessed at around 400 million euro; the project was expected to utilize Ming Yang's 2.0 MW large rotor diameter wind turbine generators. In addition, during the 2016 summit of Ministers of Economy from China and Central and Eastern Europe in Ningbo, there were initial talks of constructing a 20 MW solar power station at a location in Romania (The Diplomat Bucharest, 2016). Both of these projects have been put on hold in the meantime, without any new developments.

One of the largest photovoltaic parks in Romania, with an installed capacity of 55MW, changed owners after a deal between two Chinese companies. The park was developed in 2014 by Hareon Solar Technology, a Chinese manufacturer of photovoltaic panels, modules, and cells, on an area of 122 hectares in Ucea de Sus, Braşov County (Romania Insider, 2019). The park's new owner will be Chinese company Jiangsu Sunshine Group, which guaranteed the USD 83 million that the developer contracted from China Development Bank Corporation to finance this investment. Both

Chinese companies, Hareon and Jiangsu Sunshine Group, are reportedly linked to the same Chinese businessman, Lu Keping, one of China's richest, who has been running the Jiangsu Sunshine Group since 1993 (Romania Insider, 2019).

Serbia

Since 2012 and the beginning of Serbia's participation in the 16+1 cooperation mechanism, energy cooperation has (in addition to some other topics) dominated the negotiations with the Chinese investors. Serbia obtains a sizeable share of its electricity from coal and hydropower – in fact, two-thirds of its electricity is obtained from ageing coal-powered plants and the rest from hydro power (Reuters, 2017a). The country's energy sector has been under severe strain since the 2014 flooding, when a mine supplying Serbia's largest coal-fired plant was affected. Its current political and economic elite is keen on modernizing the existing coal and hydropower plants and, where possible, on building additional power production facilities in order to increase capacity (but still using coal and hydropower). The awareness of the impact of such energy sources on the environment is recent and does not influence Serbian energy policy to a greater extent; the environmental protection groups are dedicated to approaching and popularizing renewable sources of energy (such as solar energy, wind energy, etc.) with the broader audience, but their results still remain limited due to Serbia's economic hardship.

However, Serbia's EU candidate status and EU membership accession talks mean that Serbia will be compelled to leave more room for electricity generation from renewable sources of energy. Serbia's energy development strategy until 2025 (with further projections until 2030) prioritizes the rational use of natural resources and systematic support of the use of renewable sources of energy, energy-efficient, and environment-friendly technologies, and appropriate equipment. Therefore, it is to be expected that Serbia's ties with China will begin to reflect Serbia's growing emphasis on renewable sources of energy, and that Chinese investors will find interest in environmentally-friendly electricity production in Serbia. According to the International Renewable Energy Agency, Serbia had installed just 10 MW of photovoltaic capacity by the end of 2019. According to the Serbian government's energy strategy, the nation's cumulative solar capacity is

expected to increase by 100 MW in 2025, and 200 MW in 2030 (Emiliano Bellini, 2020).

One of the major projects involving Chinese investors in Serbia is the modernization of the Kostolac coal power plant. In order to provide funding for this project, China's Exim Bank has issued a state-to-state loan, dedicated for the new Kostolac Block 3 (estimated capacity is 350 MW) and the expansion of Drmno mining pit capacity to 12 million tons of coal per annum (Pavličević, 2015); the project worth was estimated at 715 million US dollars as of November 2017 (Reuters, 2017a). The Serbian side is represented by the Electric Power Industry of Serbia, EPS, who will also provide additional funding for the project; the modernization itself is performed by China Machinery Engineering Corporation (CMEC). According to the initial plans, the Block 3 was to be completed by the end of 2019; however, the construction began in November 2017 (Reuters, 2017a). The EPS officials have expressed expectations that the modernized coal power plant will observe the environmental protection standards upon completion.

Chinese companies also participate in the construction of Block 3 of Nikola Tesla coal power plant (near Obrenovac) and Radljevo mining pit (estimated capacity is 744MW, and the costs are expected to exceed 2 billion euro) (Pavličević, 2015). In the latter case, the Chinese side is represented by China Environmental Energy Holdings (CEE) and the Shenzhen Energy Group (SEG); the Chinese investors will be the majority stakeholders upon completion of the project. It is worth mentioning that the development of the project was hindered by the 2014 floods, and it may end up being behind schedule.

Another potential investor from China is Shanghai-based Sino-China Investment Group. In June 2018, they have announced their wish to incorporate a fund that will invest around one billion euro in various projects in Serbia (energy projects included). The Sino-China Investment Group president Jin Frank Li described the future fund as based on international standards, transparent, and market-oriented, similar to other investment funds in the world (SEE News, 2018); Li advised that one of the funding models will be the public-private partnership, and the fund might get additional financial means via the stock market (RTS, 2018).

Conclusion

As mentioned before, not all of the CEE countries have had energy project ties with China.

The CEE countries will eventually adopt renewable energy sources as a priority and would benefit from its implementation. Cooperation with China may serve this goal of the energy transition. Since 2013, the Chinese development model has gone through changes aimed at including more environment-friendly energy sources. On the one hand, Chinese authorities have undertaken major steps towards less coal consumption and fewer CO₂ emission by closing coal mines, temporarily banning the opening of new ones, and halting the construction of at least 100 coal-powered plants. On the other hand, China has achieved great success in developing its own solar panel production, and Chinese solar panel producers have a dominant position in the market; China also has its own wind turbine production and is capable of building windfarms for electricity production both domestically and abroad.

The first step in energy investments is usually done by the recipient country's political and economic elites, as they set the priorities for investment. Chinese investors have the willingness to follow these guidelines and to adhere to the environmental regulation of CEE countries (EU members and non-members alike). The environmental protection groups throughout the region have been calling on the Chinese investors, China Development Bank and China Export-Import Bank to concentrate their funds into energy efficiency, renewable energy (they view China's experience in wind and solar energy technology as useful) and to create job opportunities that do not disregard environmental protection. Some investments involving the renewable energy are already underway; if they are successfully completed, they will serve as an example for the entire CEE region. However, the enthusiasm of the CEE countries may be dampened by several key issues, unrelated to China – the underlying fragility of electricity grids and the difficulty of rapid integration of high levels of renewable energy, the intermittency of renewables, which requires added standby capacity (usually fossil fuel-based) to balance the grid and the high costs associated with this entire system, that are never visible at the levels of individual renewable energy projects, but are felt down the line, by industrial and individual consumers, as well as by the taxpayer.

1.4. The Main Achievements of the Initiatives

It is difficult to gauge the achievement of the Chinese strategic initiatives in any way other than a purely quantitative approach based on counting investment, projects and bilateral and multilateral agreements. These are useful indicators, but they do not, by themselves, gauge the qualitative success of the initiatives. Chinese entities have engaged in hundreds of projects with positive externalities have enhanced trade with partner countries and facilitated trade within regions through “regional facilitators” such as transport infrastructure. The Chinese themselves are culturally predisposed towards quantitative approaches as measures for success and there is a profusion of documents touting the 6.47 trillion dollars in trade between China and BRI countries in the 2013-2018 period, the 14,000 freight trains between 50 Chinese cities and 15 European countries, the creation of 300,000 jobs for the countries hosting strategic projects, 1,023 sister city pairs formed by April 2018 between China and BRI countries and over 197 Belt and Road Initiative cooperation agreements with 137 countries and 30 international organizations.

Given the way in which prior Chinese initiatives and processes aimed at enhancing ties to the world have been subsumed into the BRI initiative as a “strategic umbrella”, it can be difficult to unbundle the enhanced ties that would have occurred anyway as a result of continuing globalization and Chinese companies going abroad and what is specifically the merit of mechanisms, institutions, ties and policy options that can be attributed to the BRI. For instance, BRA (2018) writes of the Ogun-Guangdong development zone in Nigeria which accounts for 1,000 enterprises and \$20 billion of investment with \$2.5 billion in yearly revenue and attributes its existence and success to the BRI.

However, we can systematize the achievements of the BRI thusly:

The BRI provides the opportunity for the development of infrastructure, that enhances industry, trade, and living standards. Some of these projects would have been developed anyway and the function of others would have been met through other projects. But there is no denying that there is a substantial number of infrastructure projects which exist as a result of the BRI and which will generate significant positive externalities in the future, regardless of their current status, just as the great transcontinental railroad builders of the US were mired in financial problems.

The BRI has provided an overarching framework for the mobilization of Chinese financial resources and production capacity in a systemic way that maximizes positive externalities by emphasizing regional and global dimensions of otherwise localized projects. The notion of capital seeking higher returns and engendering development is an old one, but the sheer scale of China's structural economic transformation into an exporter of capital, technology and innovations, has to be organized adequately and the BRI is emerging as the main mechanism. China itself was the beneficiary of a system of capital and know-how mobility that favored developed countries and the largest developing ones, like China, while neglecting others not by design, but by the combined results of numerous individual investment decisions on the part of risk-averse companies.

It has reduced the informational asymmetry between China and non-traditional, non-sophisticated partners. The emphasis on "win-win cooperation" and "people-to-people contacts" are reducing trade and investment frictions, by making various countries aware of Chinese business culture and practices, mechanisms, and opportunities, while Chinese businessmen, researchers and policymakers are revising their 'one-size-fits-all' approach to the world outside of the important partners of China. It has resulted in greater knowledge of languages, a greater presence of Chinese students in BRI countries and, conversely, a greater presence of BRI country students in China. It has also provided an impetus for Chinese Think-Tanks and municipalities to "go global" (in the authors' professional experience and estimation) and go outside of their comfort zones, by emphasizing foreign language skills, cultural sensitivity and a more cosmopolitan outlook as a result of their self-interest in accessing BRI opportunities, while engaging in a veritable competition with each other.

The BRI has increased the surface contact between China and the rest of the world. This is a double-edged sword, given the currently ongoing pandemic, but it has also provided for a greater number of interactions between people, companies, academics, and policymakers, of which more and more will not have to be mediated and encouraged through BRI fora and other mechanisms. This increases the natural rate of creation of cooperation opportunities, especially in economic matters.

At the same time, the institutional build-up under the BRI, such as the AIIB and bilateral initiatives involving the China Development Bank have provided a much-needed channel for development capital in a world that is hungry for it and will remain so for the foreseeable future. Chapter 1.1. further developed this view. OECD (2018) explains that "[i]nfrastructure

needs are significant (over USD 2 trillion per year) and are mostly unfunded, particularly in energy and water. Moreover, aggregate financing volumes hide the challenges the international community faces in filling these gaps in developing countries. If volumes alone were considered to measure efforts to finance infrastructure, attention would shift towards large-scale projects in large emerging economies, particularly China and India, rather than poorer countries, such as those in sub-Saharan Africa. However, while much smaller in volume, infrastructure needs in the poorest countries are more difficult to fill due to budget constraints of these countries and poor investment climates for private sector participation”. The fusionist approach of China, where state-enabled financing of private or state-owned companies drives capital-intensive investment, while much maligned, has served to mitigate the risk aversion that keeps private entities from investing in these countries. As such, the Chinese initiatives support a need for investment in “market functioning” (physical infrastructure, financial services) which the various multilateral development banks, including those of China, have publicized but have not managed to fully address. At the same time, we should notice the similarity between the Organization for Economic Co-operation and Development (OECD)’s recommendations on multilateral development finance (though focused on donorship and multilateral development banks) and what the BRI approach is intended to be within the documents of reference (OECD, 2018b)³:

- Increased predictability of funding through multi-annual commitments;
- Adopting whole-of-government approaches for defining the expected outcomes of multilateral partnerships and adequate coordination mechanisms;
- Fill gaps in underfunded areas through thematic windows (such as the BRI sectorial approaches on transport, energy, people-to-people, innovation);
- Promote harmonized working practices of initiatives and discussions on systemic gaps and division of labor;
- Strengthen the collective initiatives to assess performance, which is related to the governance improvement initiatives at the level of the AIIB through cooperation with the World Bank and players such as Germany.

We should not neglect the salutary effect of the rapid development of Chinese initiatives on Western and other players, who are being roused

³ The recommendations have been slightly adapted to fit the BRI.

from torpor by the increased competition in the various under-served regions and nations. Even the United States, which has staked much of its influence on a combination of hard and soft power, market access, and private initiative in narrow interest bands are now being driven to support regional platforms for strategic investment such as the Three Seas Initiative, as well as infrastructure scheme like the Blue Dot Network. It is no secret that many countries seek to play China off the West and vice versa in order to obtain better terms for investment and loans, and that the neglect perceived by such countries (whether real or not) is being reversed by the appearance of competition between the “Washington Consensus” and the “Beijing Consensus”. This has been the case also for the CEE region and the 17+1 mechanism, in the professional experience of the authors, with countries satisfied that the anxiety of Brussels and Western players enhances leverage in discussions and promotes more attention to their needs and priorities.

The BRI is also generating a diffusion matrix for innovation, as Chinese entities move towards cooperation in higher added-value fields such as the new fields of technology and developing financial and cooperation ties to start-ups and other underutilized resources. Huawei has been noted as being not a Chinese company, but a global one with over 50,000 foreign specialists in various countries, and the comprehensive approach of the strategic projects, while often maligned as susceptible to miscalculations and overreach offers new options for leapfrogging development to countries in areas such as infrastructure.

The 17+1 Cooperation has succeeded in building a good awareness of itself, both in the region and throughout the world, and an “identity” that can accumulate goodwill and social capital. It has also helped the CEE countries achieve a stronger sense of community among themselves. A platform was created where these small and relatively small states can discuss different issues and topics with China. The cooperation started in different areas; however, this is a cooperation between China and the region rather than among the countries of the region. The main achievement is the fact that China is interested in good and productive relations with the CEE region. The progress of tangible projects and investments under the 17+1 framework has been slower to materialize, leading to disappointment among some stakeholders in the CEE region. This disappointment stems from China’s initial success, in the early stages of the 16+1, in co-interesting the CEE countries in win-win cooperation and sharing the fruits of China’s peaceful rise. This represents an unalloyed “soft power” success story for China, as

the region's countries sought to diversify partnerships in a geopolitically innocuous way. Trade, economic cooperation, and investments should become the main focus for the future progress of the 17+1 Cooperation, in order to create tangible achievements in these areas and build up greater support for the 17+1 framework.

The BRI and the 17+1 Format are both still evolving initiatives. The former has more instruments, comprehensive plans, and achievements under its name, while the latter is more formalized as a cooperation formula, which placed it in a better position to respond to local specificities. While this report will often mention potential synergies with other initiatives, the larger synergies are between the BRI and the 17+1 Format, even as we debate the relation between them and the “mistake” of treating them separately.

1.5. A Critical Assessment of the Initiatives and their Implementation

The BRI and the other Chinese strategic initiatives have been extensively criticized. Part of this is the expected global debate on a rapidly shifting structural economy, where priorities such as climate change, equitable growth, fair trade, and sustainability have become mainstays of discourse and strategy-making. Another part is the reaction of actors threatened by China's rise for various reasons, even as they themselves experience mixed emotions by wanting to secure access to investment and trade opportunities.

Firstly, some of the BRI's weaknesses and mistakes stem from its success. For instance, in Chapter 1.4., we have written about the increased surface contact between China and the rest of the world, resulting in the development of new projects through previously unlikely interactions. However, these interactions also come new possibilities for accident, conflict, mischief, and misunderstanding. An increased number and geographic density of interactions will result in a larger quantity of these individual instances, which will affect the overall perceptions. China's efforts at reforming the BRI's governance and China's own involvement in it must generate positive results in excess of the increase in these negative occurrences.

As we will argue further into this report, the increased number of interactions also results in increased complexity and in unanticipated and ambiguous emergent phenomena which will challenge the mitigation capacity of authorities in both China and other countries. The distress of an important percentage of BRI projects during the pandemic, the potential over-exertion of China's financial capacity in the context of the pandemic and the trade war, the unexpected frailties of the global supply chains, especially to intentional disruptions, are all possibilities that must be taken into account.

Many of the challenges that China's strategic initiatives have faced are rooted in China's own development problems or at least its current stage of development, whether we are discussing macroeconomic and structural imbalances (Wang, 2017), the issue of corruption, the issue of economic governance of projects (including selection) and the conflict between the priorities set by China and the actual needs and desires of

partner countries (Xue, 2019). The sustainability of the BRI as a “century project” is a permanent concern. Xue Li, of the China Academy of Social Sciences (CASS), obliquely hints at the shortcomings of China’s approach so far, when he recommends that “[m]ore priority should be assigned to the quality of projects than the quantity when choosing them. When cooperating with countries on some projects, China needs to slow down or even suspend them” and “the cooperation pattern needs to be formed where the host countries take a major role and China, holding its veto power, plays a complementary one. China should show more respect for the host countries in terms of the way and speed of construction” (Xue, 2019).

Fang (2017), writing for the Center for Strategic and International Studies in the US, criticizes the implementation of some projects as being too hasty or focused on political motivations, rather than provable economic viability, especially where there is an over-reliance on government support and various safety-net policies. Another target of criticism is a focus on the part of implementing agents on China’s interests and those of its companies, while dismissing or minimizing the concerns of local governments, communities, and companies. At the same time, the unrealistic expectation generated by China’s own pronouncements in documents of reference have led to the pursuit of projects with inadequate partners who are either unable or unwilling to “make their own contributions”. In the end, this is also the fault of China and its selection of partners and projects, especially when those projects are ongoing.

Another point of criticism is the quality of China’s discourse in external communication regarding the BRI. Its occasional forays into ‘purple prose’ and intellectualizing, as compared to pragmatic reality, may affect the perception of its reliability (Fang, 2017). There is a significant visible confusion even on the current name of the Initiative and its various components, with many interpretations of Chinese pronouncements over the years, especially when they have been overly positive or aspirational. “Overselling” the BRI has led to situations where countries were disappointed by the gap between expectation and the reality, and where a narrative has developed about the fantastic gains of China from some project or another, when the reality is much more prosaic, which engenders resentment and feeds into exploitation narratives.

While making significant strides through regional and global stakeholder focused initiatives (such as the 17+1 Think-Tank Cooperation

and Exchange Network and the recently launched Global Partnership Center), China has consistently overvalued and overemphasized government stakeholders as discussion partners and main shapers of various agendas, as opposed to other categories of stakeholders, with different perspectives and interest – business, civil society associations, and local communities. Changing this would allow for targeted communication in support of new strategies and policies for effective implementation of the BRI. As the former President of the Shanghai Institutes for International Studies, Prof. Yang Jiemian, also remarked in a Bucharest Conference in 2016, China has been lagging in its capacity to communicate intentions, perspectives and opportunities, both at expert and non-expert level, ceding much of the ground of global discourse.

Shopov (2020), writing for the European Council on Foreign Relations, reiterates some of these points, showing that they are still current. He adds that one problem for initiatives such as the BRI is the extent to which their pull is based on “derived power” stemming from the “narratives and projections about China rather than from its actual footprint” in some regions. This global narrative affected expectations of local actors regarding “the ‘shift to Asia’ [as] a promise of emerging pools of Eastern riches and potential financial largesse”. While, for many countries, opening up to Asia and China became a political imperative, including for those in the Western Balkans, the “pull of opportunities have yet to materialize” which is also a root of complaints during meetings in the 17+1 formula.

A second issue he cites is the tendency towards disillusionment stemming from the messier and pragmatic reality of cooperation, as opposed to the projected benefits of aligning with China’s economic prowess – “With the exception of Serbia and the large footprint it enjoys there, China has emerged as an actor [in the Western Balkans] with a very uneven economic engagement, focusing on just a few sectors and appearing uninterested in wider ‘green-field’ type, longer-term and socially impactful investments. Local elites and publics alike are increasingly noting this lack of the economic breadth of approach, and murmurings are already audible” (Shopov, 2020). China risks becoming better known as a “lending power” fostering ambivalent feelings and perceptions even in populations not amenable to Western narratives of the “China peril”, which will limit the ability of decision makers to move forward on comprehensive agendas of cooperation. Certainly, China’s BRI and subordinate initiative have had some success stories and some failures, but most of their actions and projects reside in a muddier middle, where it is difficult to discern progress

in the short-term and to communicate it adequately, especially as a form of public diplomacy.

An interesting point is that China's preferred stakeholder approaches in certain regions have relied on key national institutional nodes, building relationships under a favorable geopolitical situation of an absent or ambivalent West and persistent regional development gaps, which have prevented it from creating "constituencies of interest" which can support the BRI and the relevant branch initiative for that particular region in the long term. While China has been rethinking its approaches, it has become obvious that it has consistently underestimated the attractiveness of the BRI in cases where there is an active oppositional Western influence, such as in countries with membership in the EU and NATO in the current row over 5G.

China has not managed to counter the growing global narrative of its "development capture" and "contract capture" of potential partner countries, since this relies on a more profound reform of project formulation, selection and implementation, involving a rules-based reform with Chinese companies.

Moving lower from the rarefied heights of grand strategy and public discourse, we find issues related to economic governance. Firstly, China's regional initiatives such as the 17+1 Format have underperformed because of an underlying lack of structural complementarity. This is a reason why the most often touted success stories of the BRI are in regions such as Central Asia and Africa, whose resource output fits the structure of the Chinese economy. The structure of the 17+1 economies are in many ways similar, so there are fewer natural trading options other than agriculture. Rather, success may come in time through the integration of supply chains involving China and countries in the CEE region to serve either market or a third one, such as the Western markets. This sort of rebalancing requires time and it fits the usual complaint of 17+1 stakeholders of uneven growth in economic relations and a lack of progress to a new level and dimension of economic cooperation, which will take time, patience, and the fruition of long-term projects that have proven difficult to implement.

At the same time, China or, rather, its agents for the various regions, have, in many cases, pursuing a "one-size-fits-all" catalogue of offers for cooperation with China which is based on prior successes or on a natural overemphasis on China's needs and priorities. An example in this regard is how the "China catalogue" for the CEE region accentuates the role of financing options for infrastructure in a comprehensive partnership project,

even though the EU Member States have important options for EU funding, much of it non-refundable. Even when a China financing option is a good fit, there may be issues with the public perception of the project, given that EU funding is a key benefit of membership. Unbundling China's vertically integrated comprehensive partnership offers would offer more flexibility for projects and co-interest other actors, such as national champions of other countries, which would result in easier implementation. But this has proven difficult to do, as China's successful implementation of this in Eastern Africa possibly created unrealistic expectation of a "design to funding to sourcing to delivery" model even in the CEE region. Meanwhile, China has only slowly been adapting to the obstacles that have kept it from consistently winning competitive bids for EU-funded projects, including issues related to labor practices. This has been a significant weakness, one that has also affected the general image of the country, but it is in the process of rapid improvement, as the recent victory in Croatia shows.

At the same time, the China "catalogue" needs to find common ground with the expectations of its partner countries, which, in the case of CEE states, have revolved around market access and other ways of balancing their persistent trade deficits and on requests for corporate investment in "greenfield" projects, which have not been forthcoming, despite the announcement of facilities for funding such projects.

China must also contend with a tendency for "gigantism" in preferred projects, whereas the CEE region generally features smaller projects. Firstly, there has led to an overemphasis, exacerbated by publicity-hungry local politicians, on Chinese participation in the largest and most complex projects, such as nuclear power plants, which are also subject in their formulation to (geo)political pressures. China's own estimation of the success of its projects is, at least from what can be ascertained from its public discourse, overly reliant on large projects as a marker of success. When those projects are not won or, worse, when they become an interminable political football, China will naturally feel frustrated and revise its estimation of regional success in an overly-pessimistic manner. Another example in this regard is its preference, cemented by experience in Africa and elsewhere, for developing large projects by itself. The routine practice of "salami-slicing" highways into segments for separate bids may rightly be seen as inefficient and irksome and deter Chinese companies from establishing the presence required to try to win such projects. There is a pragmatic component to this as well – the well-established companies, many of them Western, have already amortized their costs and are more

flexible in dealing with piecemeal work whereas Chinese companies may hesitate out of a corporate culture aversion to such business as being inherently risky.

These tendencies have also resulted in the failure of China to capitalize even on smaller and concrete successes to craft a narrative that communicates the BRI and 17+1 Format success and potential to a non-expert audience, since Chinese decisionmakers themselves may not value them properly.

These missteps are partly caused by a still-existing asymmetry of information and specific knowledge about local conditions, which applies not only to countries in the CEE region, but also to Brussels, which can only be rectified through long-term contacts not just between political and policy decisionmakers (and not just as rigidly organized and scheduled delegations), but on permanent contact between Think-Tankers, businesses, academia, municipalities, and civil society groups. This must also be accompanied by improvements in the Chinese authorities' capacity to aggregate such knowledge and turn it into actionable information. One possible cooperation trend in the future will be to have educational opportunities for experts and businessmen on the BRI itself, so they may "speak the same language" and draw from the same accepted background knowledge and a homogenized terminology and description of the BRI.

This is one subset of governance. Another subset is the higher level of governance, regarding the selection process for projects, especially when done through an institution such as the AIIB where there is added complexity in funding, implementation, and supervision. The efforts of China to ensure adequate capacity through cooperation with the World Bank are salutary, since the results of project failures can have an outsized impact on the perception of the viability of the strategic initiatives.

The strategic level also requires adjustment. While indicative of China's interest and vision, there will, in the future, be a growing need to restructure the complex structure of the BRI and its attendant initiatives and mechanisms. There are significant overlaps, redundancies in work, and unproductive complexity that hinders rather than aids in the task of improving cooperation through concrete results. For instance, we described the BRI and the 17+1 Format in Chapter 1.2. and described how the countries of the CEE region are included in different BRI corridors while being together in the 17+1 Format and also covered by a growing array of accords and conventions for some, but not others (like the planned China-EU Investment Treaty, that would not apply to the non-EU members of the 17+1 Format). Then, there is also the complexity of

bilateral agreements and ties, some of them present also in profusion and on a sectorial basis.

To this we add the entrepreneurship of Chinese entities in embedding themselves in mechanisms to facilitate the BRI and initiatives such as the 17+1 Format, but in a way which possibly accentuates the redundancies, leads to more overlaps and repeated work. For instance, there is a 17+1 Think Tank Cooperation and Exchange Network coordinated by the China Academy of Social Sciences, which is a worthy endeavor. Since, 2019, there is also a Global Partnership Center coordinated jointly by China and Bulgaria, with China represented by China Institutes for International Studies. Both of these entities bring together representatives from academia and Think Tanks, and they must struggle significantly to delineate areas of interest and activity in order to avoid overlaps. The 17+1 Format also features a series of 17+1 Cooperation and Coordination Centers, located in different countries and with different sectorial coverage, which have not had a visible contribution to its functioning, possibly on account of mismatches.

In the future, we consider that the Chinese authorities themselves will consider a pruning of the BRI's jungle of agreements and cooperation formulas, as well as supporting mechanisms, starting from the evaluation of the contribution they have made to the success of the project and keeping in mind the increasing need for coherence and structure in BRI, given its rate of growth. Otherwise, the first application for China's developing Artificial intelligence (AI) industry will not be in finance, education or driverless cars, but in managing the complexity of the BRI.

Lastly and, as an overall conclusion, Fang (2017) criticized the "community of shared destiny" rhetoric of the BRI and claimed that a "community of shared interest" must first be constructed, followed by a "community of shared responsibility". This formula neatly sums up many of the criticisms addressed to the strategic initiatives and their implementation. The Chinese policymakers understand the latter, as seen by the attempt to introduce green principles into the BRI, and also the former, through new initiatives aimed at aggregating expert and non-expert opinion to improve project formulation, selection, and implementation.

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Part II:

**The Current Context's Influence
on the Belt and Road Initiative
and 17+1 Cooperation**

CHAPTER 2.

EVOLUTION OF THE WIDER SECURITY AND ECONOMIC ENVIRONMENT

2.1. The Current Systemic View

This chapter deals with a high-level view of the systemic changes that are taking place and how they are reflected in the security and economic environment in which China and all of the other actors find themselves pursuing their various interests. The future of the Chinese strategic initiatives, as well as their end results, will also be determined by systemic changes in technology, economics and governance, as well in the players themselves. A full accounting of the elements which will impact the ultimate outcomes of the initiatives are beyond the scope of this report, but it is important to note the extent to which non-deliberate factors influence the overall results, and the role of Black Swans like the 2008 Great Financial Crisis and the “Gray Rhinos” like the 2020 SARS-CoV-2 epidemic in precipitating lasting systemic change previously thought unlikely.

The Chinese-backed initiatives reunited under the umbrella of the Belt and Road Initiative but encompassing both geographic (17+1 Format, the various Economic Corridors) and sectoral formulas (digital and health) for cooperation represent an attempt to leverage China’s comparative advantage in relation to other global players in order to effect systemic change. China’s advantages are its size, its unified leadership, its ability to mobilize resources of all kinds and to credibly announce long-term commitments to various plans that are not subject to electoral and successional uncertainties.

The Belt and Road Initiative, in a perspective that will be further developed in Chapter 4, is mainly concerned with the development of the infrastructure of all types (not only physical but also digital and

institutional) which serves as the foundation of intensifying links between regions and greater surface contact between their economies, societies and idea-space. Contessi (2017) argued that every Eurasian integration initiative, no matter how modest and whether started by the Russian Federation, South Korea or China or at least considered in official declarations by the US¹ is ultimately about creating the “path dependencies” that ensure a systemic impact of the main sponsor nation. The BRI is a modern-day attempt by China to reproduce the “all roads lead to Rome” phenomenon, and this applies not only to transportation, but also to manufacturing, consumption, finance, and innovation. Whatever the minutiae of day-to-day relations between states, the existence of the infrastructure of all types provides for a reduction in the costs and other frictions of contact between stakeholders, generating new economic and even social activity (for good or worse, given the migration crises), as well as new opportunities for added value creation, capture, and distribution.

China’s ambitious ‘project-of-projects’ is hindered by several underlying realities. The first is that the countries it purportedly wishes to integrate and which evince the greatest opportunities for Chinese companies are a heterogeneous group, in which the status of race, ethnicity, religion, local conflict, local history, power relations, modes of governance, levels of wealth, productivity, and know-how vary a great deal. At the same time, many of these actors and their wider region are beset by persistent inter-state and intra-state conflict in a vicious feedback loop with weak institutions, regulatory and political uncertainty, and underdevelopment. Even the most basic form of Eurasian integration, the connecting of Western Europe and East Asia by land and sea routes requires passage through dangerous and unstable areas, lacking properly institutionalized security architectures and prone to recurring issues (extremism and state failure) as well as novel ones (the so-called Islamic State’s drive for territorial acquisition). This reality is a source of inevitable setbacks for Chinese projects and sunk costs, but also the source of China’s opportunity in promoting a new approach towards development partnerships, which is less ideological and more pragmatic than what the West, with its historical baggage and gradual revolution in ideological affairs, can manage.

The second underlying reality is the accelerated change in the technological realm, which leads to a new form of competition as

¹ With Hillary Clinton, then Secretary of State, using the rhetoric of the Silk Road as an argument for interconnectivity in Central Asia in 2011 to support stabilization and development.

old comparative advantages are no longer relevant to the new field of competition between states. The drive to ensure the integration of supply and production chains for high-technology products in one's sphere of influence (or safety of supply), especially those with dual-use applications, leads to confrontation and a reversal of the logic which has governed the globalization process in recent decades. The future sources of strength, once economic strength, soft power, and conventional deterrence are taken care of, will be the ability to wield high-performance weapon systems and intelligence gathering, to deny the same to rivals and to control or influence the underlying standards and norms governing the technological edifice on which the world functions. Innovation and the sustainability of its production, its translation into products that reinforce the strategic power of a state, and the ability to capture the added value it produces will become key items of inter-state competition, to which the rest of the world will be mostly passive.

The transformation in technology favors countries without sunk costs and previously amortized specific infrastructures belonging to past technological generations (communications, energy generation, etc.). These countries can build the latest forms of infrastructure from the ground up without having to worry about the burden of the maintenance of pre-existing infrastructure, the associated risks of breakdown and inadequacy, the distorting effects of the lobbying of associated interest groups and the prospect of economic growth being lower than the growth of infrastructure maintenance costs. This is a significant problem in both the West and in post-Communist Eastern Europe. The transformation also renders moot previous competencies and comparative advantages regarding high performance in one strategic sector or another.

The third underlying reality is the extent to which decades of accumulated and deepening interconnections at global levels have resulted in the heightening of the transmission of risks, vulnerabilities and threats from one part of the world to another, leading an escalation in the crisis situations and unexpected secondary disruptions, such as the financial contagion of the post-2009 period. The current pandemic at the time of the writing of the report highlights the epidemiological risks of these interconnections. The two key dimensions to be taken into account are the scope and severity of crisis manifestation and transmission, which are also related to the speed and intensity with which the disruptions pass through the global networks for transport, communication, finance, etc. This results in a challenge for the prevention, preparation, and mitigation

for these events, as the complexity of the system producing and sustaining them exceeds the visualization, analysis, and policy-making capabilities and resources of any one state. Collective action would be a natural response and one that suits the BRI and its goals, but the result may also be a partial withdrawal or a closing off of ties in order to reduce the complexity of the security environment and the scope of action for state authorities trying to regain certainty in the face of disruptive events and credibility in the face of citizens and investors.

The fourth issue is the growing instability in the world, resulting from the hollowing out of various national and global institutions and the destruction of important accumulated social and political capital. The absolute decline of the West is also joined by a relative decline, as growing populations and economies elsewhere generate new power ratios and would require an increase in resource allocation for the maintenance of prior power differentials which are no longer politically, socially, and economically tenable. This uncertainty is viewed with concern in many of the smaller states, regardless of ideological affinity, as they are the main beneficiaries of a predictable and rules-based international environment. It is an opportunity for rising powers seeking to remake the system(s) into something that suits their preferences, perspectives and ambitions. This instability has already resulted in rapid shifts in moods and attitudes which had previously been thought unlikely, such as the mainstreaming of anti-globalization forces, the willingness to embrace economic pain for decoupling, the reassertion of a zero-sum perspective on world affairs, especially in security. Moving forward, countries such as China may be surprised to notice an institutionalized nostalgia and conservatism for the global governance systems undergoing the transformation, even from countries which had previously been significant critics.

Lastly, we should not neglect the reality of a changing China as a driver for state policy making and for changing perceptions and priorities regarding the desirability of certain outcomes as compared to their cost. China is undergoing a significant transformation, only partly based on willful design, which has already informed the BRI policy formulation, priorities, and resource allocation. Among these trends, we count the continued urbanization of the country, which had recently become the majority urban, the demographic changeover as its workforce begins to shrink and the prospect of social protection expenditure starts to loom large, the movement of the workforce from the primary economic sectors to the secondary and tertiary levels, which can generate more added value.

The rapidity in economic shifts is not without confusion and pain for individuals, the local community as well as the nation. The country is also preparing to transform from a destination for investment into a source of it, from a prime destination for development aid into a source of funding for other countries, from a consumer of innovation and technology produced elsewhere to a producer and exporter in its own right, and from a factory of the world into a consumer market of the world. This latter element mirrors, in an accelerated timeframe, the transformation of the US following the end of the Second World War, when economic recovery in Europe and the dollar's status as a global reserve currency led to the US becoming a debtor nation and a critical market for goods of other countries which were growing in added value, sophistication and technological content.

These transformations are not without costs. China is suffering from self-inflicted environmental degradation with economic and health impact, as well as growing discontent among the segments of its population whose economic emancipation has enabled them to consider aspects of quality of life such as air and water pollution and the degradation of natural heritage. At the same time, China's unprecedented raising of hundreds of millions of people from poverty was incomplete, with further hundreds of million left, as well as significant disparities between provinces. China faces the prospect of having to maintain an adequate rhythm of growth to enable the rise from poverty of the rest of the population, while struggling with economic transformation towards new models of sustainable growth which will bypass the "middle-income trap" the growing countries face. China must prioritize harmony within a large nation with significant disparities between coastal areas and the interior and Western portions, as well as the natural tensions of growing inequality within society. At the same time, the rise of a middle class and other social classes have led and will further lead to a divergence in policy preferences in economics, environmentalism, urbanization, and other areas between the winners of China's rise and those still waiting their turn. The government must "thread the needle" in order to appease both groups, even when their policy preferences are mutually exclusive.

The BRI is a way of not only fulfilling Chinese ambitions regarding the resumption of a natural and historically continuous the leading role, but also an outlet for the energies that the qualitative and systemic transformation of China towards the next step of sustainable development will release. The specialty literature has significant examples, including

the extension of China's internal political economy to the outside through the export of SOE overcapacity, especially in the infrastructure realm, the need to access new markets for delivering higher added value goods and services and the need to accede to a new model of development that is less reliant on growth in saturated and politically reticent markets.

Ultimately, the BRI, as a “project of the century”, has the potential to be a gamechanger and its functioning and results must be analyzed not just from the perspective of the Chinese leadership's goals and policy options, or those of the BRI partner states, but also with regard to a systemic transformation which will not take into account the wishes of policy and decision-makers, and may result in unanticipated consequences.

2.2. Strategic Trends

This section will present some of the strategic trends which generate the challenging and changing environment in which the BRI is being implemented, and which will determine not just the eventual outcome of the project, but also the necessity for adaptation along the way to better fit changing circumstances. Many of these trends take the form of gradual changes and accumulation of effects which reach critical thresholds that change either the environment or the paradigm in such a way as to trigger a repositioning of stakeholders and a reevaluation of projects, their priorities, and their means of execution. The BRI and its component initiatives such as the 17+1 Format are no exception. There is a rich literature purporting to analyze and highlight the most significant trends affecting the world and this section is distilled from these reports and from the authors' perspectives.

2.2.1. Technological Trends

The previous section offered a succinct argument in favor of the primordial role of technology in the formation and sustainability of state power and influence. It also hinted at the developing competition for the maintenance of leading positions on technological capacity, their translation into influence maximizing tools such as weaponry and economic growth, and their permanentizing through influence over standards and regulations.

Among the trends we find:

1. Automation and Industry 4.0

The continuous development of labor-saving devices in terms of capability, finesse, degree of required supervision, and scope of implementation has changed the calculus of international investment, as labor costs become an ever-lower portion of the cost structure of products. Automation is becoming an industry generating significant added value and efficiencies, but also a liability in the form of the redundancy of vast swathes of the working populations, whose ability to be retrained in other jobs is as doubtful as to the actual generation of those jobs, as well as whether these will afford an increase in the standard of living, economic security, and well-being. In this reading of the phenomenon, automation is both preordained by the drive for efficiency and the pressure of competition, as well as a source of social

tensions and conflict and a driver for policy upheavals in term of support for free trade, for immigration, and for lower taxation of capital. Nevertheless, automation presents the opportunity of reshoring productive capabilities from countries that have not managed to generate sufficient added value through an industrial concentration in order to retain enterprises once the labor cost advantage has been eroded and protectionist policies raise the specter of neutralizing cost advantages from producing in another country than the one which consumes the product. Automation, in one way or another, has been undergoing implementation for decades (thinking of the clerical jobs eliminated by the advent of the word processing software), but it now threatens significant employment providers, such as drivers, retail workers and clerical workers. An interesting development is the advent of Construction 4.0, the automation and digitization of the AECO industry (architecture, engineering, construction and facility operation), which is another main economic sector of any country and the main provider of employment at all levels of training (Garcia de Soto et al., 2020).

2. The Internet-of-Things and increased surface contact between physical systems and processes with the cyber realm

The permeation of every infrastructure system and the economic process by cyber elements is increasing the surface contact with the cyber realm which is increasingly inhabited by a wide assortment of hostile actors with a different motivation and an increasingly sophisticated toolkit at their disposal. At the same time, this increased exposure to cyber risks also results in non-deliberate threats stemming from the increased complexity of interconnected and interdependent systems. The Internet-of-Things, which is the drive to network and digitize every item and component in order to create new synergies and sources of useful data for product and service development will lead to a total breakdown of the dividing barriers between physical reality and cyberspace in terms of security and operations. Whether we are discussing the trillions of new sensors to be introduced, the vast amounts of new data to be generated and the potential for malicious actors to wreak unanticipated harm in systems whose complexity defies proper analysis and certainty, one thing is for certain – the virtual is as real as the physical in terms of disruptive capacity. Even without an expressly formulated Digital Silk Road, the BRI would have been dependent on cyberspace as a medium for

command, control, coordination, and data gathering for the management of transborder infrastructure systems, for instance in logistics, financial markets, and so on. The BRI is made possible by cyberization, but is also increasingly vulnerable because of it.

China's rise and the growth of hybrid warfare, gray zone actions and measures short of war as the new normal in inter-state competition will require it to pursue a limitation of the proliferation and use of significant state-sponsored cyber weaponry, the development of rules and norms regarding intelligence gathering and the use of hard exploits in vulnerable equipment, and the means for common governance of a cyber system in which participants are reluctant to reveal that they have been attacked even when they are treaty allies.

3. Disruptive technologies

It is already a cliché to speak about the rapid advancement of technology and the disruptions they engender to established markets, product lines, and ways of doing business. However, even as researchers fret about the possibility of stagnation, we are entering the phase of widespread implementation of disruptive technologies with the possibility of significantly changing business processes, the organization of economic life and the distribution of the value-added in an economy. Therefore, they will have an impact on every country and, ultimately, on the BRI.

Firstly, we should mention Artificial Intelligence as the next step in automation and the uncertain benefits that this will bring depending on the sophistication of the solutions and on the ease and liabilities of widespread adoption.

Another important technology is 3D printing, which aims to revolutionize prototyping cycles, to decentralize production, and to make possible a revolution in small-batch manufacturing, extreme personalization and flexible localism. It is also possible for it to prove disruptive in other fields, such as medicine, through the 3D printing of precise doses of medicine, of personalized prosthetics, and even of organs for transplant.

Lastly, we would mention the appearance of Blockchain, or distributed ledger technology (further explained in section 5.7.1.), which has the potential to disintermediate numerous processes which relied on a third party to ensure trust and integrity, whether we are discussing supply

chain management, data validation while maintaining privacy or financial transactions.

There are also other disruptive technologies, with an impact not only on consumer welfare but also on the form of organization of an economic sector.

2.2.2. Economic Trends

Significant economic trends are also being registered with the potential to impact BRI evolution, implementation and results. The following is a non-exhaustive list of the most important of these trends.

1. The turn towards protectionism

The election of Donald Trump as President of the United States on a platform of economic nationalism on the basis of perceived unfairness in international trade dynamics, especially with China, but also Japan, South Korea, and Germany, was the culmination of a trend long under the formation which was skeptical of globalization and of free trade, even under the auspices of American built and supported institutional frameworks, such as World Trade Organizations. The 2016 election simply saw this position enter mainstream debate and become more or less accepted by both major US parties, regardless of public rhetoric.

It is too early to tell whether this turn towards protectionism will be limited and reach an acceptable early equilibrium early on. Overall, trade barriers are still much lower than the historical norm, regardless of unilateral and then punitive actions in high profile trade elements for tactical and strategic purposes. The future negotiations between China and the US will set the tone for the development of the “new normal” on trade, but, either way, we should expect a refinement and an increase in the use of non-tariff trade barriers, as well as the exploitation of trade issues to serve the logic of confrontation and compromise in another realm, which renders a workable trade agreement on the basis of strictly economic considerations very unlikely.

Meanwhile, the ongoing pandemic and the shortages of necessary or thought to be necessary equipment and substances has accentuated anti-globalization discussions, by reviving strategic industrial policy in non-military areas as a concern in the United States and elsewhere. It is too early

to tell what form it will take (coercive or non-coercive, based on transfer of capacity or of market share), but it is likely that areas deemed of critical importance for the fight against crisis and emergency situations, including pandemics and other health crises, will be pursued for repatriation of production, at least partly. The normalization of the national security discourse in economic relations will likely lead to its stretching to encompass and ever wider spectrum of products, as protectionist forces not only gain the ground in national parliaments but also modify the viewpoints of existing parties seeking to adapt to the new normal.

China has become, like Japan before, an especially useful foil for protectionist rhetoric centered on national security discourse. An example is the Henry Jackson Society report on “Breaking the China Supply Chain: How the “Five Eyes” can Decouple from Strategic Dependency” which identifies 424 categories of goods for which the US is strategically dependent on China, 114 of which having applications in critical national infrastructure (229 and 57, respectively, for the UK) (Rogers et al., 2020). The argument of strategic vulnerability stemming from dependence which endangers not just a particular nation, but the activity of an entire coalition, will become more and more prevalent. The transformations envisioned by the promoters of these new perspectives will also lead to transformations in education, financing, the links between state and economy and state and industry and will entail the development of new political constituencies.

2. The COTS-ification of critical technology domains

Commercial-off-the-shelf is a term for the use of commercially available hardware and software, as opposed to proprietary or bespoke elements. The former is often more capable, more efficient, and cheaper, but the latter is more secure, usually through “security by obscurity”, such as the lack of familiarity of an attacker with such systems.

The COTS-ification of critical technology domains represents a trend favoring higher performance and lower cost at the price of increased insecurity. This dynamic is exacerbated by the nature of the system undergoing a transformation. For instance, one such area is that of industrial control systems, such as supervisory control and data acquisition. Before, these systems ran on proprietary hardware and software, with their own communication lines and protocols. Increasing cost pressures and the difficulty of ensuring the same level of functionality for a bespoke system

as compared to a continuously improved commercial system has led to the gradual switch towards Internet communication and commercially available sensors, computers, standardized parts, and so on (Nazir et al., 2017). The result was the loss of opacity which had created greater barriers for attackers. In addition, the mismatch between product timeframes accentuates insecurity. Industrial control systems are installed for a facility that will operate for decades and prioritizes availability and integrity over the confidentiality of data. By contrast, commercially available hardware and software are meant for systems with lower lifespans and more frequent total upgrades, featuring design philosophies based on minimum viable products which may be continuously improved over time. Installing them on long-lived systems generates significant risks. At the same time, much of the software in question will never be upgraded, as the Internet-of-Things (IoT) creates the premise for trillions of low-cost devices to operate collectively. Just as no one will bother to update the software of an LED light or of a smart kitchen device, expecting that they will be replaced relatively frequently, the integration of the IoT into industrial control systems will generate unpatchable and unsolvable security vulnerabilities. Even when upgraded, the long shelf life of industrial control systems results in the sedimentation of several layers of technology generations, whose interactions are ambiguous and uncertain, producing unforeseen and worrisome events.

An example in this sense can be seen in the increasing popularity of cubesat and smallsat satellite architecture that allow new categories of stakeholders to become space services providers. These systems are smaller, feature lower performance, and rely as much as possible and efficiently priced commercial-off-the-shelf hardware and software. The contrast with traditional satellite systems, involving bespoke systems exhaustively tested and which are meant to stay in orbit for decades, rather than a few months or years, highlights this issue (Falco, 2018). An ever-greater extent of yearly satellite launches are comprised of these systems, and the ingenuity of those trying to lower the cost barrier of access to space has resulted in satellites using mobile phone electronics or Arduino sets (Rahman Laskar et al., 2016) and running older versions of the Android operating system (Pignol, 2010). According to Bryce (2019), 1,300 smallsats of up to 600 kg were launched in the period of 2012-2018. 961 of these were cubesats, while half of all launches in 2018 qualified as cubesats. In addition to the hardware and software, COTS-ification also involves the use of open source materials and broad library reuse, leading to vulnerability not only to sophisticated attackers but also from commodity malware, script kiddies, etc.

This discussion is relevant to the subject matter of this chapter because the BRI and the attendant “going global” process for Chinese companies will lead to the homogenization of markets and of offered solutions in complex fields. This will encourage COTS-ification, especially as efficiencies are pursued with greater vigor but at the cost of generating systemic risks which may propagate through the interdependencies engendered by the BRI itself, thereby affecting its outcomes and image. Section 4.3. briefly outlines a policy of security-oriented development which complements the focus on complex infrastructure systems at 4.2.

3. The commodification and professionalization of cybercrime

Given all that has been said in prior sections about the increased surface contact with the cyber realm and the systemic issues resulting from the profusion of hostile actors, it is important to note two significant trends that accentuate this. The first is that, more and more, one does not require specialized knowledge in order to conduct a cyber-attack. The commodification of malware has turned it into a service or a product that one buys and then deploys by following attached instructions (Garcia de Soto et al., 2020). This has led to a significant increase in the number of potentially disruptive adversaries. This is part of a wider trend regarding the professionalization of cybercrime by mirroring legitimate business processes. Some may develop and market malware, others offer password cracking services, denial of service attacks, or intermediate the sale of stolen information. At the same time, even state-sponsored actors are supposedly increasingly motivated by financial gain (Coburn et al., 2019). This adds to the worsening security environment for complex projects that require digital coordination and integration for proper functioning, especially when considering that 2018 to 2019 increase for supply chain attacks was 78% (O’Gorman et al., 2019).

4. The histrionic market

While the ultimate consequences are uncertain, it must be noted that an important element of the economic crises of the last few decades has been the significant reactions of markets to positive or negative news, often a reaction out of lockstep with the real economy. Part of the reason is the excessive financialization of the real economy. Another part of the effect of long-term

liquidity injection into markets which, instead of stimulating demand, end up being reflected in asset prices which are then less correlated with real economic health. Without such a basis, markets indulge in histrionic behavior, overreacting to news and other trivial stimuli in a period of marked uncertainty. These market movements have an important impact on the fate and fortune of real-world projects, and should therefore be considered carefully as the role of markets in aggregating information also makes them the perfect medium for the transmission of risk and uncertainty, just like humans are a medium for the transmission of disease. It is quite feasible that the materialization of a crisis event will precipitate a larger downturn and subsequent loss in equity markets than in the event itself, regardless of material damage. And this rapid shift in outlook also leads to contagion in related sectors, precipitating a general downturn.

5. The unsustainability of Western consumption capacity

The reality of the populist critique of the economic policies of Western governments centers not only on deindustrialization but also on the stagnation or regression of real incomes for a vulnerable class of people – working poor, working-class or middle class. The erosion of their capacity to consume, even as more and more of the national GDP stems from consumption, must be made up through various forms of state transfers. The situation is, in large part, unsustainable and may precipitate a crisis of demand with an impact on China's decision to invest in BRI projects and on the continuity of infrastructure investment. On the occasion of the pandemic, the US Congress passed a stimulus bill that tried to make up for affected incomes by providing a sum of money to all families, in addition to disbursements to companies in general and to companies seeking to continue paying their employees. The purpose is to avoid a vicious cycle that would start through a collapse in consumption that contracts the economy and starves the state of tax revenue. This was in response to the shock caused by heavy social distancing measures that addressed the current pandemic, not from an endogenous shock due to a malfunctioning economy. However, there have been decades of secular stagnation for incomes, as expressed vividly through the rise of inequality and the statistics regarding the apportionment of the national income between the 1% and various grouping of the rest. Lebowitz (2016) emphasizes this as an important reason for Donald Trump's victory, noting not only the real stagnation of incomes, but

also the decline of the ten-year average growth rate of wages. Lebowitz (2016) also notes that credit and transfer payments as a percentage of personal consumption in the US had increased from 8% of the total in 1959 to 50% by 2016. This means that the illusion of prosperity was maintained, for a significant slice of the population, through borrowing and through state aid, introducing another layer of financial complexity. This also explains the growing support, at least among public intellectuals, for Universal Basic Income policies, which would smooth over consumption regardless of the duration of the jobless status or even an exit altogether from the workforce.

China must accelerate its structural transformation towards consumption as a greater determinant of growth, because the long-term perspectives of the incomes of consumers from its traditional large markets are uncertain and the difference cannot be made up through investment in the BRI countries, since they do not possess the same capacity for consumption, by definition.

2.2.3. Political Trends

The strategic trends' list also includes political trends, which emphasize the transformations in the political environment in which China is pursuing its strategic initiatives. As for the other sections, the elements below represent just a single set of representative trends, not an exhaustive list.

1. Political and regulatory decisions as obstacles to investment

The year 2018 saw a new phase in the trade conflict between China and the US, as the battlefield was enlarged to include Europe, as well as Chinese overseas direct investment into Western countries. The main element was the blocking of 21 takeovers by Chinese companies on the part of national regulators in the US (14 cases) and in the EU Member States (7 cases). Overall, global foreign direct investment fell by 40% in that year. Overseas direct investment into developed markets fell by 73%, only \$30 billion as compared to \$111 billion in 2017. The greatest fall was in the US, over 83%. This way of interacting will likely continue, as several EU countries have tightened controls on investment in strategic companies and there is a European Directive in development scrutinizing non-European investment.

Investment in BRI partner countries already accounts for 40% of China's overseas direct investment, though not all of it should be attributable to the

BRI. However, the overall investment value coming from China was, even with a yearly increase of 4.2% to \$130 billion, still far below the maximum of \$170 billion in 2016. The subsequent drop was not due to Western complaints, but to increased prudence on the part of China to reduce the takeovers of low performing assets and to avoid the situations of previous years, when China has overpaid through its generous help to SOEs.

Even if the pandemic had not taken place, it would have been exceedingly unlikely that a swift comeback to prior levels would have been possible, given Western obstruction, Eastern European indecisiveness and limited commercial opportunities in developing states and China's need to improve the quality of the project in which it invests ultimately scarce funding.

2. Changes in the interactions within the international community

This trend is significantly lamented in the media as it has both formal and informal aspects and involves the destruction of the social capital associated with the accumulated experience of interaction under a constant set of rules, presumptions, and attitudes.

It was Donald Trump, among the leaders of the most powerful nations, who began the trend of expressing doubt at the highest level regarding the desirability of US membership into various organizations that present it with binding constraints, but also significant advantages in terms of influence. The Paris Agreement on Climate Change was one such case.

At the same time, minilateralism, bilateralism, and even unilateralism began to appear in the US behavior, spurred on by an iconoclastic President. It has also led to transactionalism in relations between states, as opposed to confidence and trust-building within an organized and structured setting. Transactionalism demands a method of accounting the benefits which, unless addressed quickly, ends up influencing the behaviors of the other participants in the game, undermining the possibility of return to the prior institutional situation.

3. Unrest in Western states

Under the influence of several factors resulting from long-standing policies in immigration, assimilation, nation-building, economic and cultural governance, Western states have developed a problem with periodic and persistent low-intensity conflict which is, nevertheless, significantly disruptive to the normal course of life in any nation. The resulting uncertainty has a chilling effect on public policy affecting these issues. At the same time, the social and political capital of these nations is affected, which also impacts their ability to enact pragmatic reform in order to return to sustainable growth in the future and make less likely the occurrence of disruptive events.

This will affect the BRI by impacting the growth potential of China's Western partners, on which it is still systemically dependent. At the same time, internal conflict has the potential to generate unexpected and negative policy preferences, including towards China, that may then become mainstream. While there is an argument to be made for China's interest in pursuing a foreign affairs agenda while the Western states are significantly distracted by internal issues, it would be far better for China and its projects for the situation to be ameliorated in order to reduce the policy uncertainty and paralysis with regards to strategic cooperation, in addition to the economic benefits of redressal after a disruptive event.

4. The reappearance of "club" models

The reaction of the US to China's lead in 5G infrastructure and capacity to build it has been to work tirelessly to lobby allies against signing these deals. Eventually, this will result in "climate club" models.

These are clubs, usually of developed states, which have harmonized their perception of an issue and their policy preferences and are ready to act in concert to impose opportunity costs to outside players in order to coerce a change a behavior. It is different from sanctions, which are applied also punitively and are aimed at undermining relations between a government and its people, who bring added pressure. Usually, becoming part of an out-group has costs that can be eliminated through compliance in order to obtain a benefit that the in-group already enjoys.

This model has been applied in environmental protection and the best example of it was the Montreal Convention on reducing chlorofluorocarbon (CFC) gases which destroy the ozone layer. The countries in question banded together agreed to reduce their emission and imposed trade sanctions on CFC emitting countries, such as China and others. The initiative succeeded.

Today, a similar model can be implemented on an ad-hoc basis to coerce a compromise on governance issues or to permanently close off certain markets to China, as long as there is an alternative provider waiting to supply club members. Carraro (2016) considers that the negative approach discourages the formation of “clubs” and that the emphasis should be on benefits from being inside the “club”, such as research and development funding and the partial underwriting of investment. The warning that the US sent to allies, in general, and the Five Eyes intelligence cooperation group, in particular, can also be considered a form of “club” building but based also on internal coercion. As ambassador Robert Strayer, chief US cyber diplomat said, “if other countries insert and allow untrusted vendors to build out and become the vendors for their 5G networks we will have to reassess the ability for us to share information and be connected with them in the ways that we are today” (Seely et al., 2019).

We consider that, more and more, formulas such as this can create the coordinating capacity required for the soft containment efforts which American policymakers reflexively reach for on the basis of Cold War experience.

2.3. The Impact of the SARS-CoV-2 Pandemic on China's Initiatives

In a Council on Foreign Relations report titled “The End of the World Order and American Foreign Policy”, the SARS-CoV-2 pandemic is placed in a context of ongoing meaningful and deep changes of “[t]he means of production, the delivery of services, the nature of education, the rules and practices of international trade, the threats to public order, the character of energy and environmental issues, and the entire meaning of balance of power” which traumas further catalyze or accelerate, changing societies in unexpected ways and at all levels (Blackwill and Wright, 2020). This is presented as an accelerant of the shift in the world order rooted in US postwar preferences, which is not so much challenged by China's strategic initiatives as they exist in parallel with the structures of that order and are themselves affected by the pandemic.

The true impact of the SARS-CoV-2 pandemic is impossible to gauge at the moment, because of the far-reaching implications not just of the disease itself, about which little is known for certain, but also because of the complexity engendered by myriad national approaches, the distorting effects social distancing measures on the economy and the uncertainty regarding recovery patterns and future infection waves.

China's initiatives were, more or less, put on hold so China may respond to its internal crisis, and then for the individual partner nations to handle the crisis as best, they could, despite the initial assurance of Chinese leadership that BRI projects would not be affected. Russel (2020) wrote that “[i]n Bangladesh, the transport minister warned that a billion-dollar bridge project was under threat. In Nigeria, a major rail project was put on hold. Pakistan's planning and development minister said the US\$62 billion China-Pakistan Economic Corridor faced delays. Indonesia's investment minister has also announced delays for the Jakarta-Bandung high-speed rail project”. China responded to the situation with low-cost loans through the China Development Bank for companies working on distressed BRI projects, as well as a “coronavirus diplomacy” seeking to fulfill a need while also emphasizing the preparedness and governance capacity of the Chinese leadership and generating goodwill towards China on the part of the beneficiary populations.

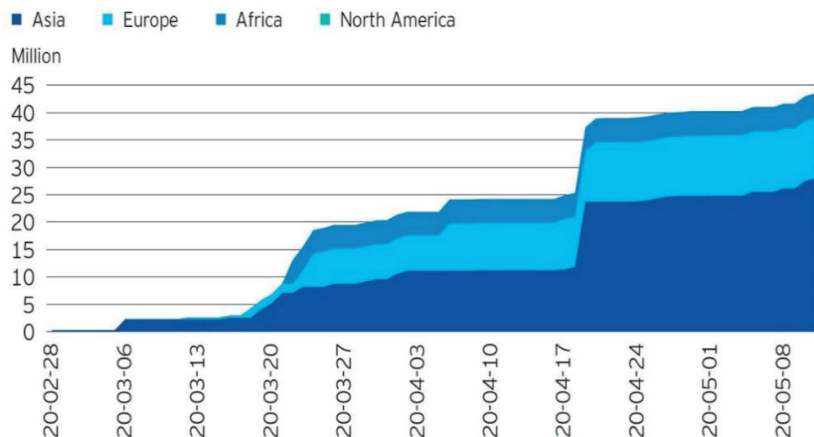


Figure 8: Number of masks sent abroad by China as part of “coronavirus diplomacy” (Source: Ding et al., 2020)

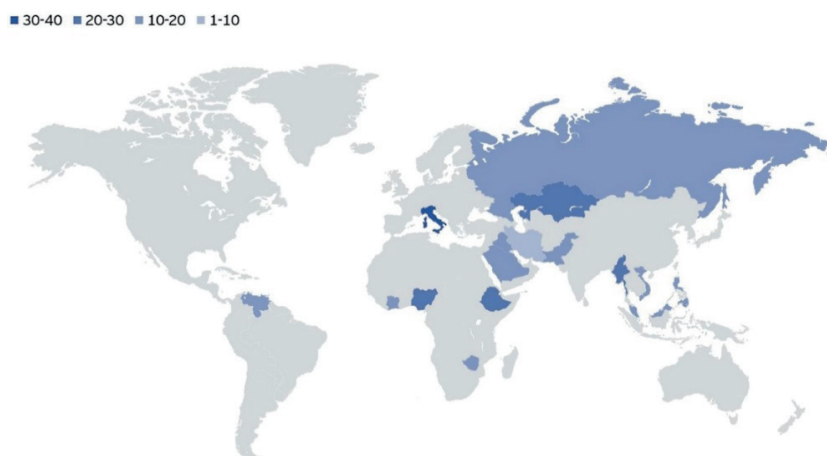


Figure 9: Number of medical personnel sent abroad by China as part of “coronavirus diplomacy” (Source: Ding et al., 2020)

The coronavirus-diplomacy became an argument for strengthening cooperation in the face of prior reluctance. A case study in this regard, without being necessarily the most comprehensive example, is offered by Romania. The Embassy of the People’s Republic of China in Romania has been quite active and organized the participation of the Romanian authorities at the 17+1 videoconference on March 13, 2020 (MH, 2020), in which the Chinese side presented its experience in prevention and control of the pandemic. Ambassador Jiang Yu, along with representatives of the

Chinese enterprises in Romania and the local Chinese community donated materials to address the then-epidemic in Bucharest on March 21st (MFA, 2020) Ambassador Jiang Yu offered epidemic prevention materials on behalf of the local authorities of Gansu province to the twin county Alba on April 3rd (MFAb, 2020). On that occasion, it was announced that more than 10 provinces and cities in China were actively preparing medical supplies for the twin cities of Romania. One can remark that cooperation is also strong at the level of Chinese and Romanian local authorities.

China's economy was significantly affected by the measures which were implemented even before significant crises started abroad. The apparent speed and thoroughness of its recovery led some to proclaim May 2020 as the date when China assumed its mantle and the Asian century truly began (Goldman, 2020). The October 2020 economic update of the World Bank for East Asia and the Pacific noted the resumption of growth in China on the basis of strong internal dynamics, including tourism, and forecasted strong growth for 2021 (WB, 2020).

However, the anticipated recovery in China's productive capacity did not correlate with a recovery in the consumption capacity of its trading partners, which have experienced significant economic downturns and widespread hardship, with over 40 million people unemployed in the US at one point in the crisis. Therefore, a perfect storm of factors took place, in which a seemingly open-ended crisis leads to a downturn which not only affects existing trade, but puts many projects on indefinite hold pending a return to normality and an assessment of the capacity to continue the project. At the same time, some BRI partner countries were not significantly affected in the opening stages of the crisis, but have become focal points for significant growth in SARS-CoV-2 spread at the time of the drafting of this report, such as India. The long-term vision that supposedly guides BRI projects does not obviate the need for sound finance and sustainability in the short and medium-term. Several issues can be discerned, which are rooted in either the pandemic, or in the response to mitigate its effects (Lancaster et al., 2020):

- The disruption of long supply chains for BRI project implementation, including those involving Chinese manufacturing in the initial stages of the pandemic, when China's lockdown was at its strongest;
- The repatriation of Chinese workers from construction sites and the difficulty and risk of travel for Chinese labor and expertise;

- The unlikelihood of advance in projects which had previously stalled due to other uncertainties, including disagreements on funding, project terms, etc., and which are unlikely to be a priority on bilateral and multilateral agendas in the context of pandemic-induced priorities;
- The uncertainty of project financing, especially where viability was predicated on generous conditions which a tightening of China's financial possibilities makes unlikely;
- The difficulties of anti-Chinese sentiment and outright Sinophobia catalyzed by association with the pandemic.

The impact will be felt differently from region to the region in accordance with the regional specificities and the characteristics of the BRI projects present (Chaziza, 2020).

The Sino-European relations are complex and fraught with additional challenges in the context of the pandemic (Cui, 2020b). The Health Silk Road proposed to Italy was a step in the right direction for reengagement, but China soon found itself facing significant counter-narratives from the US and from detractor groups in partner countries regarding the type of aid which was rendered and, more importantly, the veracity of China's claims to have presented accurate data regarding its own crisis and to have resolved it. More importantly, a morality play was formulated, similar in style to the one about Greece during the sovereign debt crisis, which emphasized China's moral culpability in the appearance and spread of the novel coronavirus, accompanied by unproven allegations of deliberate spread. Morality plays are based on posturing, not argumentation, and they represented, both in the US and Europe, a useful distraction from their internal difficulties in responding to the crisis, but also a useful argument to build the case for the reopening of trade disputes in the period after the crisis will have subsided. It was also meant to counter the possibility that China, through its previous formulas of a "Chinese dream" and through its BRI projects, may start being considered a "normative power" (Abis, 2020). Normative powers utilize legitimate principles persuasively to enact change through normative justifications rather than threats of violence or material incentives (Manners, 2009). The materialistic aspects of the BRI are obvious, but China's efforts directed towards growing it beyond the sum of its parts are gradually establishing another perspective of BRI which is indeed ideational and flows from the various local interpretations of Chinese formulas such as "win-win cooperation" and "community of shared future for mankind".

Small (2020) argued that “Beijing’s handling of the pandemic has changed long-standing European assumptions about its reliability as a crisis actor and its approach to the European project” and contrasted the goodwill that China gained with its aid during the aftermath of the 2008 crisis with the distrust that met interactions on the occasion of the SARS-CoV-2 crisis. China has tried to deflect various forms of criticism by promoting a focus on surpassing the present crisis through the support of weak economies, while emphasizing that “relations between big powers should serve as a stabilizer of international operating systems” (Yue, 2020). Having declared China as a “systemic rival promoting alternative models of governance”, European leaders now find that the pandemic has vastly increased the scope of public interest in China, with its leadership finding itself in difficult positions on the continuously argued and deferred decisions regarding 5G. Small (2020) claims that, though Europe is not “united” in its thinking about China, it may become obvious soon whether there is a center of gravity shifting in the direction of a greater spectrum of European policies towards China, especially regarding reciprocity instruments – “Yet European leaders should be aware of the risks of exacerbating the same problematic dynamics with China that have been evident throughout the crisis. They have already been debating whether the EU’s economic recovery plans adequately serve their climate, digital, industrial, and long-term political goals. These questions apply with equal force to China. A few years ago, had European countries been consumed by a simultaneous health and economic crisis, they would have kicked those questions into the long grass. China is now too bound up with virtually all their most important political and economic choices for that to be possible”.

The ambiguity of the European Union can be contrasted with the intensification of US perspectives of China as a rival, beginning with rhetorical attacks on China for the virus and continuing with the ignition of a public debate on the need to decouple economically from China and especially ensure the repatriation of totemic manufacturing capabilities, such as medicine, personal protective equipment, and others. The crisis saw the definitive bipartisan position on China, with presumptive Democratic nominee Joe Biden shifting gears in order to aggressively posture against Beijing for an electorate that is at least partly under the spell of the economic nationalist rhetoric of the Trump White House. The stage will be set for a continuation and an escalation of the confrontation with China on multiple levels, including military maneuvers and partnerships and technology issues. However, this all depends on the extent to which internal issues,

including the electioneering, will manage to distract the American political class in the next period.

As for the actual impact of the pandemic, so far, on the Chinese initiatives, we see that they have mostly entered a programmatic stasis until some semblance of normality returns. One example in this sense is the Global Partnership Center launched in Beijing in December 2019, just before the crisis started, and which has, at least in relation to the non-core group, been dormant. At the same time, in areas where the main powers have expressed significant anxiety regarding a greater Chinese presence, such as the CEE region, we may discern a temporary cooling of attitudes under the gaze of Brussels, made even easier by an inability to communicate to the general public any worthwhile achievements of the 17+1 formula. Ultimately, nothing will change about the desire to engage with China economically without being seen to engage in a realm of values, especially since the cooperation with China provides useful leverage to attract the attention of Brussels to a region which some have considered neglected.

China may find it difficult to recover the tempo of its cooperation with other partners since the debilitating economic effects of the lockdowns implemented by the authorities are both persistent and contagious given economic interconnections. This means that a general slowdown of economic activity is very likely and, rather than starting new projects, China may be faced with difficulties in existing ones in states with marginal capacity for governance or absorbing economic shocks. Continuing this idea, it may even be possible for China to find that some of its loans have become non-performing and to have to write them off or renegotiate them, as it has done before (Kratz et al., 2019). Chang (2020) also advances arguments in the vein, claiming that lack of demand is one of the most significant threats to the BRI and that, in the context of a weakened global economy, “Beijing will have to shoulder more financial costs if it wants to the BRI to make significant headway in the near term. Rather than only allowing borrowing countries to defer payments on their BRI loans, it may have to restructure or forgive far more of them”. This is especially true in Africa, where Wilson (2020) notes that “China accounts for 10% of Nigeria’s external debt servicing. That share rises to 17% in Ethiopia, 33% in Kenya, and 70% in Djibouti”.

However, with the exception of Ukraine, none of the deferred or written-off loans identified by Kratz et al. (2019) were located in the former Soviet space. Indeed, Bugaenko (2020) claims that “China is compelled to make advances in Central Asia. It won’t provide debt relief due to financial records of the lenders but at the same time won’t stop lending”. Chaziza (2020)

emphasizes that the BRI nodal points in the Middle East (Iran and the Levant) have been significantly affected by the pandemic, forcing Beijing to extract its workers from the region, but also delaying work on projects, some of which had been confronted with uncertainty since before the crisis.

But what of China's attitudes? Boo et al. (2020) argue that "the reduced flow of Chinese capital and the economic fallout for the country's financially challenged Small and Medium-sized Enterprise (SME) sector may bring about a less enthusiastic attitude towards the BRI over the next 12 to 24 months as China's priorities shift to delivering results at home rather than abroad. This may mean reduced investments into BRI's smaller, less critical markets where there are limited opportunities to connect such investments to the global supply. Central Asia, sub-Saharan Africa, and Eastern Europe will accordingly see a short-term dip in BRI related activity, relative to Southeast Asia". Wilson (2020) writes that the risk of incurring balance-sheet losses as a result of BRI projects running into troubles will be outweighed by the risk of not incurring them and not driving ahead on the long-term goals of the BRI; at the same time, there will be a retrenchment in which the most viable projects continue and the others stagnate waiting for better times.

In the long-term, there are no reasons why the Initiatives should not strive to reach their full growth potential. Infrastructure is still needed, both in developing and in developed countries. China's market is still attractive and growing and significant European interest groups are invested in deepening ties to China, even over the objections of the US, though there is a limit to the rupture with the US which the EU Member States are willing to entertain. The crisis provides an opportunity to reevaluate the Belt and Road Initiative and its constituent formulas in order to reform them for a new set of global circumstances and a membership that is far larger and more diverse than just a few years ago (Ding et al., 2020). The potential positive outcomes of the pandemic include:

- China adopting a "wider range of financing options and more multilateral projects under the BRI. Various financing options involving multiple stakeholders in BRI projects could improve project management and decrease dependence on Chinese capital" (Ding et al., 2020). The balance is currently at 27% private and 46% public government funding (Refinitiv, 2019);
- More and more of the funding for BRI projects will come from financial markets and multilateral initiatives such as the AIIB, which reduces the

likelihood of single point failures in project financing, By the end of 2019, the London Stock Exchange had already mediated the raising of 80 billion dollars in equity and 170 billion dollars in debt for BRI projects;

- Ding et al. (2020) expect greater “transparency, efficiency, and sustainability to BRI projects” as a result of multilateralization of new projects;
- The Debt Sustainability Framework adopted by China will become even more important moving forward in order to alleviate the impact of the pandemic on the BRI partner countries’ capacity to service BRI related debts and others. A useful parallel is to see the countries that are already receiving assistance through various mechanisms of the IMF and correlate with the BRI partner country list (see figure 10);

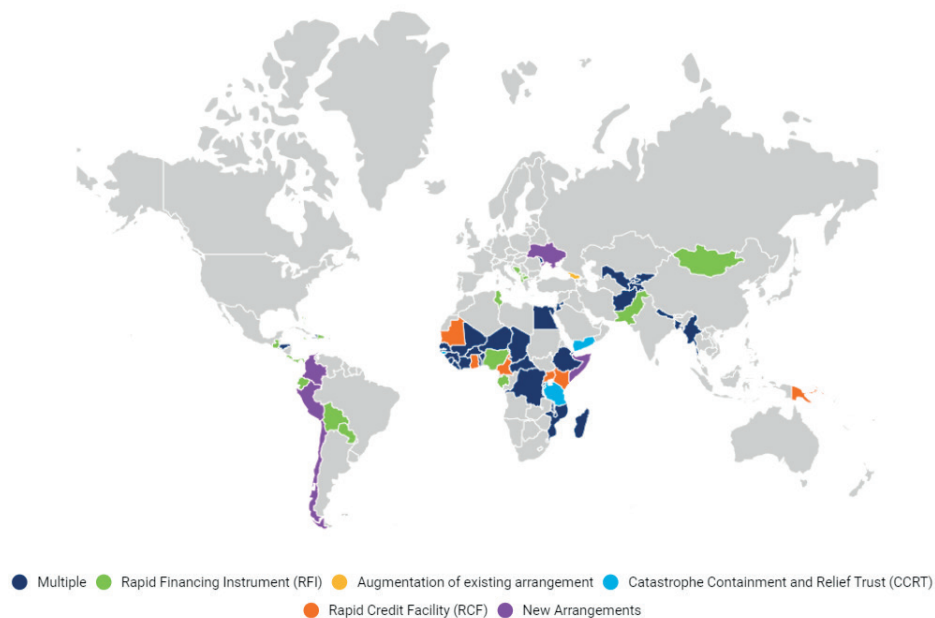


Figure 10: A map of countries receiving debt relief and emergency financing from the International Monetary Fund (data as of 22 July 2020) (Source: IMF, 2020)

- The acceleration of China’s adoption of new governance mechanisms for the selection and management of projects based on accessible existing multilateral experience, for instance, that of the EU or that of financial institutions such as the World Bank (Roctus, 2020);
- A greater need for BRI investment in infrastructure in order to generate the premises for resuming economic growth in the wake of the pandemic

and tighter fiscal space on the part of individual nations for funding infrastructure themselves or through contributions to multilateral institutions.

Zhang (2020) emphasized that the coronavirus will not reverse globalization, but rather change it by restructuring global production chains towards making them multi-directional and less fragile based on myopic considerations of cost-efficiency over any other concerns. However, in concluding that “[t]he previous wave of globalization driven by cost-efficiency has delivered extraordinary benefits to humanity, but it has also created winners and losers. The ongoing pandemic is a stark reminder that we must heed the needs of the losers; otherwise, we will all lose” shifts the debate from the realm of expertise and conscious design into that of (internal) politics, where there will always be room for surprises.

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CHAPTER 3.

THE CHALLENGES OF GOING GLOBAL – THE BELT AND ROAD INITIATIVE PERSPECTIVE

3.1. China in the World

China's BRI has the potential to be a transformational project for China's relations to the rest of the world, in line with the transformation that China itself is undergoing. A key long-term trend for China is to translate its growing economic might into political, military, and cultural power as indispensable accoutrements of a superpower. This will naturally lead to a deepening and a broadening of relations with other countries, as they begin to consume Chinese media, to be the target of Chinese military diplomacy (like the presence of Chinese naval vessels in the Black Sea in 2012 and 2014) and to find new projects with China outside the purely economic ones.

The perceptions of the world regarding China's rise are naturally heterogenous. Its near abroad is covetous, but also anxious at China's reach towards regional hegemony and the prospect of irredentism and revanchism. The West is experiencing a drawn-out decline and is trapped between admiration of China's achievements and anxiety regarding its growing power and the uncertainty of the emerging world order.

For the countries in the middle, China represents several things:

- And alternative mode of economic development, perceived as lacking the flaws and excesses of the Western model, despite having its own and being currently linked specifically to the structural imbalances of the Western model (such as permanent deficits that allow for permanent surpluses in exporter nations);
- This model is also not linked to a moral and political one is therefore more palatable to a wider variety of elites and inherited governance systems in Africa and elsewhere;

-
- The hunger for capital and for infrastructure, as expressed in documents by the United Nations Conference on Trade, Agriculture and Development, makes China's initiatives especially welcome. At the same time, neither China nor the West can fully account for the investment needs of third countries to achieve convergence, so the thought of China's AIIB (or the Exim Bank and China Development Bank) replacing the World Bank is simply a political scenario. All of the capital in all of the development banks, from China's to the West's, still leave an investment deficit;
 - The culturally rooted pretenses at the universality of the Western system of morality and governance have turned much of its energy from development to proselytism, even where inappropriate. This "pragmatic" niche is something that China is adroit at exploiting, as seen in its African development aid;
 - China is also seen as a viable partner for a comprehensive partnership that jumpstarts a nation's economy, involving finance, technology, cheap imports and a very large export market. The situation is more complicated than that but it is in the nature of a superpower for the idea of it to overshadow the actual country;
 - China is also seen as a useful offset against other powers, by having the strength and the political culture to maintain independence from other structural powers. As such, countries conspire to involve China in their geopolitical problems, especially of an economic nature, by negotiating a privileged status for Chinese businesses that would be infeasible in a structured transborder regulatory regime like that of the EU;
 - While the reality has shifted, China is still seen as potentially exuberant and having an appetite for risk that makes it amenable to projects and pricing that may seem unrealistic. This tendency is disappearing, as tighter controls of investment plans abroad and on financing, along with the prudence which is natural in prolonged crisis periods mean that China will stop "overpaying" for assets and will be more oriented towards ensuring the sustainable profitability of investment;
 - There is a growing expectation of China assuming part of the costs of global leadership, which it is meeting through anti-piracy efforts, foreign aid and, gradually, a better sharing of the costs of the international system;
 - There is a growing fear, accompanied by Western backed narratives and selective experience, of "debt traps" or uneconomic projects. This must be countered by China both through reforms and through engagement in dialogue by increasing the transparency of BRI projects;

- The world is divided between those who will welcome the change represented by the ascent of the BRICS (Brazil, Russia, India, China, and South Africa) and the erosion of the Western-led order, and those who view their main interest as residing in the predictability and guarantees of that order and who, therefore, view China's rise with trepidation, despite an admiration of its success.

Ross (2020) writes that “[i]rrespective of the economic outcomes, the BRI is currently proving to be a geostrategic masterstroke for China”. China will transform the core-periphery relationship in the world, currently, transferring its locus from West to East, leading to significant geopolitical gains.

According to the World Bank, for the 70 BRI “corridor economies” (excluding China), projects in all sectors that are already executed, in implementation, or planned are estimated to amount to US\$575 billion. If completed, BRI transport projects could reduce travel times along economic corridors by 12%, increase trade between 2.7% and 9.7%, increase income by up to 3.4% and lift 7.6 million people from extreme poverty.

According to CIOB (2019), “[t]he BRI is likely to boost world GDP by 2040 by US\$7.1 trillion per annum. This raises world GDP by 4.2% of likely GDP in 2040 (or 8.3% of GDP in 2019)”. This will not be an evenly distributed growth, with certain regions benefiting more, usually through proximity to China and by starting from a lower base. In all, 56 countries will have boosted their GDP by more than 10 billion by 2040 through BRI, among which we may find Romania, as well, with 22 billion dollars added to GDP or 10% of 2019 GDP.

Table 5: *Impact of the Belt and Road Initiative on Gross Domestic Product by 2040, according to region (Source: CIOB, 2019)*

Region	Percentage Impact on GDP from BRI 2040
South Asia	4.1%
Central and Eastern Europe	6.2%
Middle East and North Africa	1.5%
Sub-Saharan Africa	2.3%
Latin America and the Caribbean	3.5%
Central Asia	17.8%
Pacific	5.8%
Western Europe and Scandinavia	5.3%
East Asia	5.3%
North America	1.6%

We can see that Central Asia is the largest beneficiary outside of China though, in absolute terms, that would be Western Europe since it has a much higher base.

Lall and Lebrand (2019), in a World Bank report, argue that there will not only be differences between regions and between countries, but also within countries, given differences in existing rates of development and the unequal distribution of economic activity and populations. Urban hubs near border crossings will experience the most growth, and “[c]omplementary investments in trade facilitation accentuate economic gains around hubs while investments in domestic transport networks help in spatially spreading the benefits”. Countries with low internal labor mobility will see rising inter-regional inequality. Therefore, the BRI, even if it succeeds in its main goals, will still produce benefits in accordance with the characteristics and preparedness of each country.

Bandiera and Tsiropoulos (2019), in a World Bank report, estimated the debt impact of BRI investment on 43 countries and concluded that 28% of recipients, of which 7 are low-income developing countries and 5 emerging markets would experience increased vulnerability in the medium term as a result of BRI activities. Five low-income developing countries and seven emerging economies would experience an increase in their debt-to GDP ratio, leaving eight of these countries vulnerable to changes in the cost of financing. These countries already have a high level of debt vulnerability, with only a few being considered low risk. Kratz et al. (2019) analyzed the “debt trap” question from the perspective of government-to-government loans and found that China’s behavior has been far from predatory, though the amount of distressed loans points towards the need to improve the economic decision making and the sustainability of projects. According to Kratz et al. (2019):

- Debt renegotiations and distress among borrowing countries are common;
- Asset seizures are a rare occurrence, and the most common results are debt forgiveness (partial or total), refinancing, and rescheduling (see figure 11);
- Despite its economic weight, China’s leverage in negotiations is limited and countries often use third parties as intercessors to obtain better terms;
- “More fundamentally, Chinese external lending will probably slow from current levels rather than accelerate, given the financial stress highlighted by this pattern of Chinese debt renegotiations”.

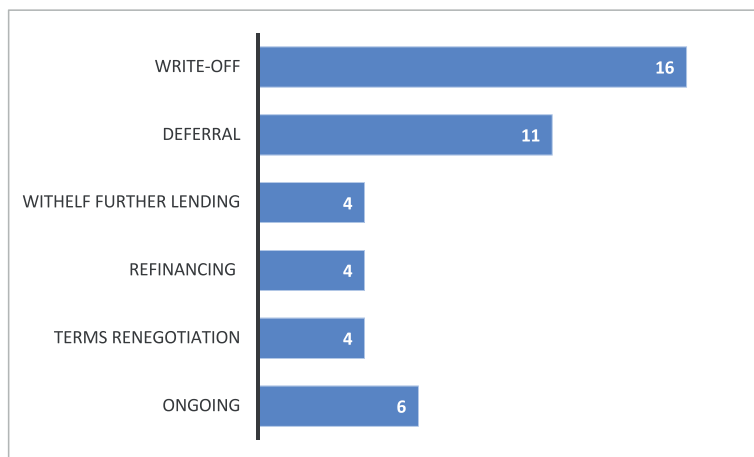


Figure 11: *The results of distressed loan negotiations in the researched sample* (Source: Kratz et al., 2019)

At the same time, as reported in the Western press, a report from the China Institutes for Contemporary International Relations claimed that “global anti-China sentiment is at its highest since the 1989 Tiananmen Square crackdown”, giving ample leverage to countries seeking to counter China’s strategic initiatives and to lessen the deepening economic ties which would result in more Chinese systemic influence and considerations for its non-economic agenda (Haenle & Tcheyan, 2020).

At the same time, China’s rise will increasingly be countered by the US in all relevant geopolitical space, with confrontation often taking place through proxy subjects (IP theft, counterfeit goods, climate change), as well as proxy actors. The main powers of the world declaratively accept the need for political synchronizations and do not hesitate to launch persuasive messages, trying to capture the goodwill of the other party. These are packed with subliminal ideas that try to manipulate the other side and bystander entities. In this more or less masked effort, the party that wants to manipulate seeks to obtain the tacit support of others, as a third part.

In this way, the concept of confrontations through proxies acquires a new type of relevance in Great Power politics. Sometimes a great actor, in the position of a third party, is placed in the position of proxy – persuaded and/or manipulated – by another global actor in a confrontation with another global actor. All manipulative, manipulated, or persuaded actors seek to synergistically achieve their own global, regional, or national interests. In order to achieve these goals, they can approach or distance themselves from any of those who participate in the competition for power, depending on the

requirements of behavioral dominance at a given time. They can use the so-called dynamic geography of colors that allows them to approach one actor or another, depending on the moments of opportunity or threats offered by concrete situations. If we accept that this inter-relational dynamic is present among the major global actors, then this logic could also characterize the behavior of smaller actors.

3.2. China and the United States

In his 2018 book, “Has the West Lost It?: A Provocation”, Singaporean academic Kishore Mahbubani writes that “[t]he West has been at the forefront of world history for almost 200 years. Now it has to learn to share, even abandon, that position and adapt to a world it can no longer dominate”. Nowhere is the tension of transition to a new and uncomfortable situation, where old certainties and hierarchies no longer apply, more apparent than in the tribulations of the US after its short unipolar moment.

Fifty years ago, President Richard Nixon initiated the dialogue United States with China and, according to official documents, Henry Kissinger, his National Security Advisor and later Secretary of State recalled Romania’s significant role in establishing these “first contacts, from the very beginning” (Ecobescu, 2019, p. 93).

Geopolitical concerns significantly frame Americans’ views of BRI. The initiative is sometimes viewed a deliberate attempt to economically marginalize the United States, to create a Eurasian sphere of influence, or as a pretext for expanding China’s overseas military presence. At the very least, perceptions that China is embarking on a new, “assertive” phase of statecraft elevate the scrutiny for the BRI. In recent years, the Trump administration has clearly regarded China as a “strategic competitor”, and the Belt and Road Initiative has gradually become the new focus of the Sino-US strategic game. It has defined a narrative of challenges to the rules-based liberal world order, which Lo (2020) argues that “has become increasingly devoid of substance. It is no longer clear what the rules are, who sets them, what moral authority underpins them, and, most important, who follows them. It is questionable whether a single rules-based order exists, or even that it is liberal. For large parts of the planet, this was always a Western conceit, contingent on the realities of power. In the immediate aftermath of the Cold War, China and Russia were in no position to challenge the authority of the United States as the sole superpower and guarantor of this order. But many in the West mistook acquiescence for conversion. Subsequently, the illusion of consensus was revealed by the relative decline of American power, the extraordinary rise of China, and the return of Russia as a significant international actor.” The mismatch between rhetoric and reality, as well as the frayed underpinnings of the solidarity between Western countries, affects the US’ ability to ensure continuity of the order it created after the

Second World War. However, Lo (2020) also states that “if the liberal order is in crisis, there is little sign of a new world order emerging in its place. The non-Western powers have not demonstrated a capacity to develop post-Western norms and effective institutions. “Multipolarity” is largely a slogan, one that signifies very different things depending on whether you sit in Beijing, Moscow, New Delhi, Brussels, or Canberra. The international environment is more fluid than at any time since the end of the Cold War. We are moving into a post-American era, but no one knows what this will look like. We are lost in transition. The result is a growing strategic, political, and normative void — a new world disorder. This is characterized primarily by a lack of clarity (or agreement) about the rules of the international system. We are witnessing the steady de-universalization of norms, as great powers and small states alike interpret laudable principles in self-serving ways. Meanwhile, those same great powers have rarely been less able to bend others to their will. For all the talk about models, either democratic or authoritarian, few countries are willing to be bound by them.”

The US-China relationship has become the defining dynamic for the global economic and geopolitical landscape. The deep economic cooperation between the two, sometimes described as “Chimerica”, has facilitated China’s rise, by mediating the technology and capital flows, and ensuring the market access which the Chinese leadership used to supercharge growth and development rates. This relationship is now in the process of being redefined, not just as the result of the election of Donald Trump, which the unwary may dismiss as a fluke bringing random policy shifts, but as a result of the accumulation of significant tensions, which have only lately found a significant expression in the Trump Administration’s “trade war”.

In truth, the trade disputes with China have been present from the start, including with accusations of intellectual property theft. China’s entrance into the World Trade Organization (WTO) in 2001 began a pattern of US complaints against it for dumping and IP theft and the imposition of “countervailing duties” and Chinese tariffs in reply. This was also evident in the maintenance of China’s status as a non-market economy (NME), which had significant procedural effects on how trade disputes were managed in the WTO, meaning that countries could use alternative methodologies to determine the “normal” price for goods, resulting in higher anti-dumping duties (Puccio, 2015). Bown (2016) highlighted that 7% of Chinese exports to the US, pre-trade war, were under a different tariff than the WTO standards, as well as 8% of US exports to China. The Obama Administration filed suits in steel, hydrofluorocarbon (HFC) gases, solar panels, wind turbines,

and so on, with China retaliating on American poultry, cars, etc. Between 2009 and 2015, the Obama Administration won all its 19 suits brought to the WTO. An incipient dispute that presaged Western strategic anxieties regarding China was the restriction of “rare earth metals”, which are vital in electronics and green technologies manufacturing. Given significant internal opposition, the Obama Administration deferred making a decision on China’s NME status until immediately after the Trump inauguration, which led to it becoming an object of negotiation between China and the US that is unresolved to this day. Anticipating the possibility that China might obtain market economy status, the US had already begun to use “countervailing duties” (CVD) against Chinese exports, which China attacked in the WTO starting in 2005 without result. Of course, even if tariff wars were to be eliminated as a battleground in trade wars, the non-tariff barriers would still be utilized, both by the US and by others pursuing protectionist agendas, accompanied by rhetoric on consumer health and counterfeit goods, for example. The pandemic offers a perfect opportunity for such escalation since it has reintroduced the re- and near-shoring of critical supply chains on the agenda of all major actors, giving national security and public health rationale to trade barriers. Ultimately, the differences between the current US-China trade war and prior conflicts lie in the very public nature of the dispute, the significant press attention to it and to the Trump Administration (whether desired or not by Donald Trump) and the tendency it has had to escalate to encompass a majority of trade. For the first time since the 1990s, the US-China hawks have the upper hand in setting the internal agenda on trade, relying on the populist and anti-globalization wave felt everywhere, not just in the US.

These aforementioned tensions include, but are not limited to:

- The deindustrialization of segments of the US, with attendant effects on employment and incomes;
- The decline of the American middle class, both in number and as a result of real income stagnation since the 1970s which is partly attributable to patterns such as outsourcing and offshoring (not just to China) and only partly offset through greater consumer welfare via globalization;
- The large structural trade deficit of the US with the rest of the world, as a result of the dollar’s reserve currency status, which has become the basis for ideologies focusing on “fairness” in trade, lack of reciprocity, export supremacy, and perceived exploitation;

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- The persistence of an anti-Communist and anti-Chinese political segment, with presence in the public space, which has waxed and waned in influence;
 - The “decline syndrome” of the US as a result of the relative and absolute decline, not just attributable to the economic rise of other countries;
 - “The eruption of the global financial crisis called into question the liberal international economic system” leading to economic problems spilling into social, and political crises (He and Ye, 2017);
 - The internal conflict in American politics, between broadly liberal and conservative political traditions and factions, as well as between rural and urban areas, coastal and inner areas, ethnic and racial groups, and between the winners and losers of globalization. This conflict has a partly economic backdrop, but is also of a cultural, political and social nature and was once alleviated by shared prosperity and relative equality or legitimate inequality. This is why we could trace the current protectionist surge to the 2008 Global Financial Crisis, just as the Reagan protectionist stance against Japan, the rising economic challenges of the day, came after the late 1970s economic malaise and domestic upheaval;
 - The security perceptions of American allies in China’s near abroad, as a result of territorial disputes, their own relative military, and economic decline, the greater economic dependency on China and the long-term, pre-existing US commitment to the region, especially as expressed to Japan, South Korea, and Taiwan;
 - The persistence of traditional geopolitical considerations among American elites regarding the control of the Eurasian heartland, which both the Chinese and the Russian Eurasian integration initiatives are seen as an example of;
 - The calls across the US political spectrum for America to adopt a transformational foreign policy in tune with shifting preferences regarding not just foreign policy, but also military spending and the promotion of value systems (Hartung, 2020);
 - The understanding that “severe” globalization has also affected the military supply chain, the innovation ecosystem, and the industrial capacity which the US requires to remain the preeminent military power in the long-term, as defined not only by the capacity to maintain significant standing forces and power projection capability, but also vulnerability to rising players like China and Russia which can challenge the US on a regional basis;

- The understanding that, through globalization and networking effects, the competition in the area of cutting edge technology and new standards will likely be a “winner takes it all” situation, with significant impact on the strategic industries which will be a source of power and influence, as well as on the military, cyberwarfare, and signals intelligence capacity of the eventual winner in this otherwise economic race.

The last example on the list describes the 5G dispute. In a US Department of Defense report, Medin and Louie (2019) write that “China is on a track to repeat in 5G what happened with the United States in 4G” which is that its lead in the 5G rollout will enable its preferred architectures, standards and spectrum to become the norm and be adopted by all other market entrants. This has an impact on the creation of new products and services and achieving market dominance – “Chinese internet companies will be well-positioned to develop services and applications for their home market that take advantage of 5G speed and low latency. As 5G is deployed across the globe in similar bands of spectrum, China’s handset and internet applications and services are likely to become dominant, even if they are excluded from the US”. It is not enough for the US to exclude China from its market. Seely et al. (2019) also make this point – the 5G market will likely cleave to a single main winner. Should China be that winner, the US cannot, on its own, maintain a supply ecosystem with high research and development (R&D) investment for it to maintain capabilities and alleviate the perceived costs and risks of Chinese dominance – “manufacturers indicated there was not enough demand to justify re-establishing manufacturing capacity in the West”.

This was one of the reasons for the constant pilgrimages of US policymakers through Europe, exhorting its European allies to shun China in the development of their own 5G networks. We can give as examples State Secretary Mike Pompeo’s warning that intelligence exchanges, especially in the “Five Eyes” and NATO, are imperiled by the integration of Chinese-manufactured 5G equipment, prompting a reduction in cooperation between the US and offending countries, or the July 13th tour of four major European power by the National Security Advisor Robert O’Brien and his outspoken Deputy, Matthew Pottinger. It was probably thought that, even as the European held an online Summit with China, the personal diplomacy of the US could result in additional sway (Lipmann, 2020). It is a cause of significant frustration for the US that, as in the Russian sanctions event, its European allies are trying to play both sides and eyeing better economic

cooperation with China at what it perceives to be the expense of their and the US' national security. Both the United Kingdom (UK) and Germany have come under fire for their seeming unwillingness to outright exclude Huawei and ZTE, though both have acrimonious internal debates on the subject and the UK is leaning towards phasing out Huawei completely by 2023. Where these two countries lead, others will follow, and the cost advantage of cooperation with China will make inevitable the scenarios presented by Medin and Louie (2019) and Seely et al. (2019). Yule-Smith (2020) emphasizes, with regard to the Anglo-American special relationship, that "[i]n major decisions relating to China policy, Washington and London have historically diverged significantly [...] Policymakers in London and Washington should accept that cooperation on China will be fraught, inconsistent, and uneven. It will behave unlike any other foreign policy question between these two powers, and it will truly test the "specialness" of the special relationship. Yet disagreement and divergence does not spell the end of this relationship; it merely recognizes the long historical lineage of Anglo-American China policy". This may be said of the US relationship to other important European partners, with whom differences in perspectives on all manners of issues have been grudgingly managed over the years.

In a recent article, the Prime Minister of Singapore quotes Deng Xiaoping's skepticism regarding the possibility of an "Asian century". He notes that the rise of Asia, including that of China, came as a result of favorable strategic context due to the very Pax Americana which is under threat by the relative decline of the US and the West and the impact which projects by countries such as China will have on an emerging world order (Lee, 2020). He writes that "the Asian century is neither inevitable nor foreordained" and the confrontation between the US and China imperils the prospects of Asia and creates a climate of uncertainty for his region, which is at the intersection of Great Power interests.

The overriding strategic considerations make a compromise between the US and China which is acceptable to both sides extremely unlikely. Even as a 2015 Trump Campaign gave signals that it is looking to cooperate with China on this issue and even the US prestige media sometimes opined that it would be better for the US to be in this initiative than outside it, the purely economic considerations cannot hold full sway anymore in the US-China relations. CIOB (2019) estimated that, with no direct involvement of the US in the BRI, the impact of the project on the US by 2040 will amount to an extra 1.4% in GDP growth, or over 400 billion dollars higher. The US decision-makers will surely place a different value on the loss of intangible

value through the erosion of US primacy and assume opportunity costs elsewhere from the lower ability of the US to influence global economic policy and to mediate high added value global business. Relying on Henry Kissinger's thoughts on the nature of a "world order", Blackwill and Wright (2020) argue that China's strategic initiatives are an important example among many of the erosion of the two main components of the American-designed world order: a set of commonly agreed rules and a balance of power that permits the enforcement of those particular rules, directly or indirectly, when actors dissent from them. The world order, as a framework of just distribution of power and governance arrangements, requires legitimacy to function, which is the acquiescence especially of other major powers of the working patterns of international life and the "permissible aims of foreign policy". Americans are losing much more from the passing of this order than they gain in a strictly financial way from the BRI, and the impact of the transition to an uncertain new status quo goes beyond the BRI and means that "supporters of the old order, including many Americans, should grapple with the implications of shifting balances of power and the transformation of societies".

The most important thing to note is that the "trade war" is now firmly set into the DNA of American politics, regardless of whether Donald Trump wins reelection in November 2020. The issues are too popular to neglect and, behind the backdrop of internal US political conflict and partisanship, there is a growing bipartisan consensus on this issue, though differing in details, as a result of the activities of US experts and policy thinkers. This can be seen in the initial vitriol against President Trump's escalation of the trade war, then resolving in sullen acquiescence, as well as the campaign of the presumptive Democratic nominee for President, Joe Biden, which switched tack from attacking the trade war and the deterioration in economic relations with China to trying to out-hawk Trump on China, discussing the importance of "buying American" and other standbys of protectionist rhetoric. It seems that, as opposed to the "culture wars", a trade dispute with a "nationally rejuvenated" China entering its strategic power consolidation phase with projects such as the BRI or the rapid advances in fields such as 5G, AI, quantum computing, will animate both sides of the aisle in US politics for the foreseeable future.

One likely future tension point between the US and China will be China's forays into the Arctic Area with the Arctic\Polar Silk Road and possibly supporting Russian ambitions there both to present challenges to the US and its Allies, but also to secure Russian cooperation on a potentially very

profitable Northeastern route (Smotrytska, 2020). The Arctic is becoming a geopolitical hotspot, not only as a result of expected trade on the three routes, but also due to considerations regarding the delineation of exclusive economic zones and territorial waters. The US is becoming involved not just from its own narrow interest, in addition to its hyperpower interest in the maintenance of a rules-based order based on institutions and mechanisms it supported even in this region, but also on behalf of allies like Canada, Denmark and Norway. We may say that the new Arctic race began with COSCO Shipping's Yong Sheng managing a commercial voyage through the Northeastern passage hugging Russia's shore. In September 2017, the Xue Long, a research vessel, took the Northwestern Passage, which Canada claims as territorial waters, and shortened the Shanghai to New York route by 7 days (see figure 12).

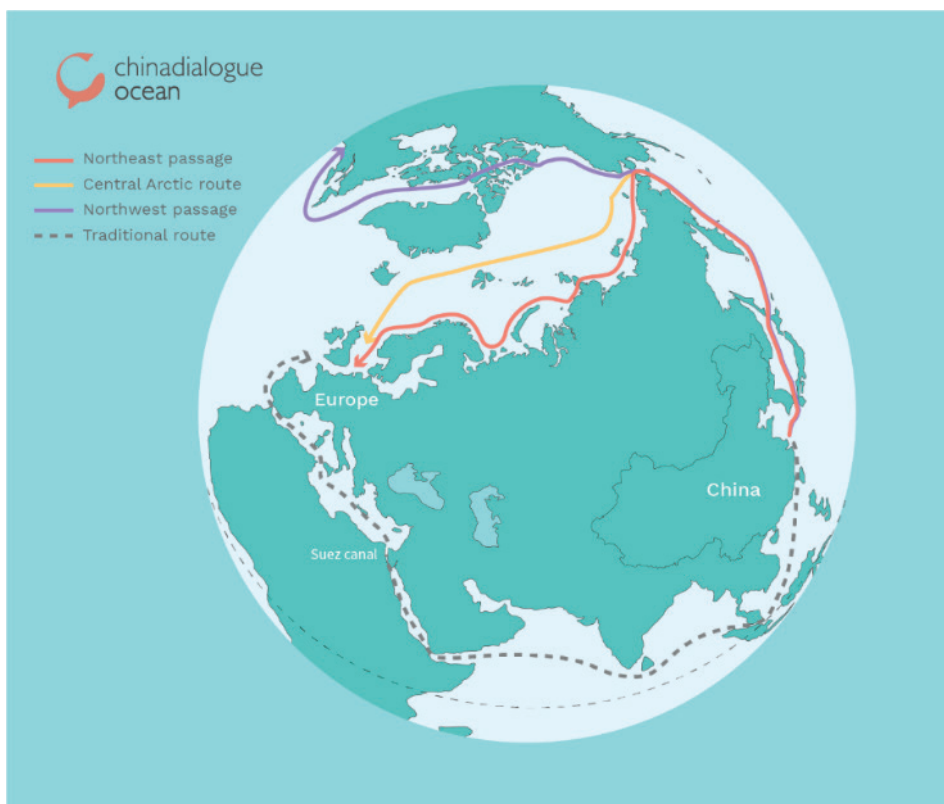


Figure 12: *The three Arctic sea routes* (Source: Zhang, 2020)

The declaration of an Arctic Silk Road by China (Zhang, 2020) results in significant potential projects, both in trade, energy, and other fields. The reduction in travel times to European and American markets and,

eventually, in costs as well, is an important logistical boost to the BRI. 90% of Beijing's trade is maritime, so the Arctic/Polar Silk Road promises significant cost savings (20-30% reduction in travel times) and diversification away from critical bottlenecks like the Malacca Strait and the Suez Canal, and unstable areas such as the Bab el-Mandeb Strait and the Middle East and North Africa (MENA) area. The Council of China published the first "White paper on China's Arctic policy" in 2018 (CC, 2018) highlighting Chinese interest in the region, also proven by China's observer status in the Arctic Council, which will likely result in a bid for full membership. From the start, China's vision for the BRI included the Arctic, as explained in the "Concept of cooperation at sea within the framework of the BRI" in the reference document "Building the Belt and Road: Concept, Practice, and China's Contribution" (OLG, 2017).

For the US, China's growing presence in the Arctic enhances Russia's and leads to an erosion of its preeminent position which was long in the making, if measured unconventionally, such as through the number of icebreakers (including the nuclear ones of Russia) and the lack of investment in new ones. Over time, the Arctic will become a contested security space which will draw NATO in, as well, and will present significant difficulties, such as the relative lack of space surveillance over the area, which will change in the coming years.

Another important breaking point is China's Comprehensive Partnership with Iran, which not only undermines the US non-military coercive capabilities towards Tehran, but also relieves some of the geopolitical pressure points of China on which the US could reasonably expect to rely on setting an acceptable new relationship with "China-as-rival". The accord between China and Iran was fraught with rumors of Chinese military presence which appears to not be borne out. However, the 400 billion dollars invested over 25 years, of which 228 billion in infrastructure, will have regional implications. Firstly, it provides a basis for the further erosion of the petrodollar, by having trade be, as much as possible, conducted in yuan or a possible basket of currencies. Secondly, it fulfils a supreme national interest of China (Escobar, 2020), a bypass of the bottleneck of the Malacca Strait, especially in energy which the agreement also makes cheaper. The rest of the elements are welcome additions, such as electric rail from Tehran to Mashhad, high-speed rail between Tehran, Qom, and Isfahan, with extension to Tabriz, an important energy node as the starting point of the Tabriz-Ankara pipeline. The cooperation will not only strengthen China's economic presence in the Gulf region, but also a

military one which was on display with common naval exercises between China, Russia, and Iran, as well as between China and Saudi Arabia. There are also dissenting views, such as Scita (2020), who argues that Beijing's approach to Tehran was slower and less impactful than it could have been, an "unresolved divergence between ambition and implementation" specifically because of the growing Chinese footprint in the Persian Gulf region and thereby a need to build "a presence that is based on non-alienating regional actors, and more broadly, with the global confrontation with the United States". At the same time, one should not discount the possibility of Iran hedging its bets with China through its own regional connectivity schemes that give it leverage in discussions, such as the International North-South Transport Corridor (INSTC) between Iran, India, and Russia, first proposed 20 years ago – from Jawaharlal Nehru Port, the largest container port East of Mumbai, through Chabahar on the Gulf of Oman, bypassing Pakistan. The route travels from Iran's port of Bandar-e-Anzali on the Caspian Sea to Russia's Astrakhan on the Volga River and, from then on, to Europe by rail (Dorsey, 2020). Therefore, there are complexities in the relationship even when the US worldview is at its most monochromatic.

The Indian Ocean region, which is also accessed through the China-Pakistan Economic Corridor and various other Chinese initiatives, is likely to also become a significant point of contention between the US and China. Firstly, we have evidence of recurring outbreaks of tensions between China and India, even though the two are partners in BRICS and the Shanghai Cooperation Organization, as well as in the associated institutions. India will try to enhance economic cooperation with China while relying on a security relationship with the US to offset its security anxieties regarding China and the "string of pearls" in the Indian Ocean. The announcement and use by the US of an Indo-Pacific Region concept, which also received a US Strategy for the Indo-Pacific Document, represents a significant shift, as it acknowledges the link between the Western Pacific and the Indian Ocean which is self-evident, but also enhances the scope for strategic cooperation between countries like India, Japan, and Australia (forming a quadrilateral with the US) to try to "contain China".

Avdaliani (2020) writes that "the shift from the Asia-Pacific to the Indo-Pacific is not just a matter of realpolitik. It reflects tectonic geopolitical shifts that have occurred in the world over the past two decades or so", both in trade patterns and in military cooperation, as we may see from the military cooperation between India, Malaysia, and Vietnam. But we cannot cast it as simply a new version of the US containment strategy towards the

Soviet Union. This is because China is not primarily a military player, it is an economic one, and it has to be engaged with, not cut off from a region which is vital for its transit of goods and energy supplies. As China is an integral part of the world economy, containment rhetoric from the US ends up being weakly analogous to the Cold War version and not sensible policy to bring about desired changes. Even the Chinese vision for the wider region, in the context of the BRI, should be amenable to the Indo-Pacific concept (Avdaliani, 2020) – “[i]n fact, abandoning the Asia-Pacific concept could allow China to better justify its deep involvement in the Indian Ocean, which is so much feared by India and other states”.

The US will make the Indo-Pacific a centerpiece of its global politics, to the chagrin of certain actors in Europe, and will pursue new cooperation platforms with the main states, such as India, Australia, and Japan and others, involving not only military development, but also the economic development it needs to foster in order to present itself as a credible alternative to China and its BRI. One modest example in this regard is the “Blue Dot Network”, which is a system of certification for infrastructure projects which “exemplify quality infrastructure principles as set out in the G20 Principles for Quality Infrastructure Investment, the G7 Charlevoix Commitment to Innovative Financing for Development and the Equator Principles. The Blue Dot Network aims to promote quality infrastructure investment that is open and inclusive, transparent, economically viable, financially, environmentally and socially sustainable, and compliant with international standards, laws, and regulations” (USDS, 2020).

China will also become a further wedge between the US and the EU or the EU-NATO Member States. NATO Secretary-General Jens Stoltenberg said, in a 2020 interview with BBC Radio, that “China is coming closer to us, we see that in the Arctic, we see they are heavily investing in critical infrastructure in Europe, and we see of course China also operating in cyberspace”. The differences in the actual perspectives on China’s rise are not so significant, but the structural issues, including the strategic options, the policy preferences and the economic perspectives of individual nations, lead to a divergence between the US and Europe on the subject of China, even as the EU will try to ride the coattails of US negotiations with China, hoping that it will resolve some of its longstanding issues with it.

The difficulties in the relationship between the US and the EU were heightened not just by the German Foreign Minister’s declaration that the relations cannot go back to the pre-Trump era even with a prospective defeat of Donald Trump in the 2020 elections, but also on the basis of individual

gestures, such as the perceived “beggar thy neighbor” policies of the US with regards to shipments of medical supplies and drug stocks which mean that the “Atlantic Ocean is getting wider” (Wu, 2020). This growing gulf adds to other issues and may lead to harsher rhetoric towards NATO or simply a gradual US abstention from a leadership role in security matters in Europe, which Eastern European countries would perceive as disastrous.

By our estimation, the current course of US-China relations will remain unchanged by any electoral result in the US, both for the White House and for Congress. The dossiers of contention between the two will worsen because third parties seek to play the two powers off each other in order to achieve a local balance between economic and security interests. We estimate that, in addition to the areas presented above, which are not an exhaustive list of the issues between the countries, since they cover every geopolitical area, one of the impending areas of confrontation between China and the US will be in space, especially as there is already a separation between the US and its allies, on the one hand, and China on the other on space issues, the aerospace industry and the critical reliance on space services. This confrontation will be precipitated by China’s rapid advance in closing the achievement and technology gap with the US and by the US’ development of its Space Force, necessitating counter space development by other powers.

By necessity, the changing of US inertia away from free (but ‘unfair’) trade and towards a more confrontational stance with China requires a vocal global discourse, which is heightened by Donald Trump’s preference for bombastic rhetoric, which is in itself symptomatic of a populist era of reemergence of “great personalities” as charismatic leaders. This has resulted in the opportunity for China to adopt a conciliatory tone, which is even more important as its deviations from this tone, for instance during exchanges on the coronavirus, are judged globally in a harsh light. For instance, Le Yucheng, the Deputy Foreign Minister of China, said this in an interview on NBC on 28 April 2020:

“Now at this critical and trying moment, China and the US must put aside all the differences, all the disagreements, just forget them, and join hands to confront our common enemy, the virus. I believe that together we will win and together we will make a big difference for the world”.

He continued by saying that:

“We need to step forward in three areas and reject three ill tendencies. We need to step forward to: first, maintain frequent communication between our leaders, as well as dialogue and coordination between the

relevant departments on both sides; second, advance practical cooperation in all areas; and, third, promote international cooperation on COVID 19 at multilateral platforms. We must reject: no 1. stigmatizing China and politicizing the virus issue; no. 2 disruptions or damage of bilateral cooperation; no.3 a zero-sum game in the context of COVID-19”.

The globalized world means that, unlike previous eras, rivals can be indissolubly linked by economic, social, and political ties. The US and China are “condemned to cooperate” on global governance issues, as evidenced by the background to the fight against the pandemic, with companies and research groups working globally to find and test vaccines. Even in the Arctic region, as an example, China’s Oceanographic Authority has signed a memorandum of understanding with its US counterpart. Even with the influence-enhancing effect of the BRI on behalf of China, Haider (2017) writes that the US and China have a common interest in “mitigating the socioeconomic and security risks associated with the current global infrastructure deficit” and cooperation on this issue through bilateral and multilateral channels are not just a source of common benefit and risk reduction, but also an “important ballast to the relationship”.

This reality is both welcome as an upper limit on the feasible deterioration of relations between the two powers, but also worrying because political conflict disturbs critical governance processes, whether we are discussing climate change, blockchain regulation, economic fragility in third countries or any of the thousand other issues that a rapidly changing world places on the agenda.

The US establishment’s obsessions with its own decline, whether relative or absolute, is reflected obliquely in formulas such as the potential “Thucydides’ Trap” guaranteeing conflict between the two powers, with differing opinions for or against either side. The most accommodating version of the US establishment is the one that has reached the conclusion of Friedman (2020) when he states that “China is not pressing the United States in any dimension, and for this reason, American rhetoric is not matched by the frenzied production the U.S. puts in motion when it is concerned”. One memorable formulation of the same by a Chinese expert said that “qualitatively, the essence of Sino-U.S. relations remains the same and the United States is China’s competitor rather than its enemy. Therefore, “decoupling” and “comprehensive confrontation” are not within options. However, wrestling with it is a better alternative” (Xue, 2019).

Whether this can translate into a gradual accommodation between transformative Chinese strategic initiatives in Eurasia and a “legacy

superpower” US remains to be seen, especially since China’s acquiescence of a global financial and trade systems that is acceptable to the US in a post-Trump era would likely involve intolerable interference in internal affairs as a result of the innate intrusiveness of global economic governance mechanisms.

Certainly, with the recent publication of the White House’s “United States Strategic Approach to the People’s Republic of China” (NSC, 2020), we can accept that the gloves have come off in the US. The last element of uncertainty for the US is how its putative allies will act – “the near future will show their reliability or, conversely, fragility in the face of the new competition of large players” (Timofeev, 2020). The closure of China’s consulate in Houston and the retaliatory closure of the US consulate in Chengdu represents a limited escalation as we approach the US Presidential elections. Blackwill and Wright (2020) conclude that “[t]he next administration’s most important task will be to craft and shepherd a cooperative international response on the production of a vaccine and treatments, coordinate the rebuilding of national economies so they reinforce a mutually beneficial global economy, assist developing countries disproportionately weakened by the virus, and reform global institutions and infrastructure so they are better positioned to deal with the next pandemic and international challenges as a whole” and list the following recommendations for the US, of which the majority can be viewed as a response to the perceived challenge of China’s strategic initiatives as vectors of its emerging preferences for the next global system:

- Create a persuasive model of competent US governance, which will in turn reinforce America’s leadership;
- Reanimate American diplomacy by wielding leverage more effectively;
- Revitalize North American collaboration;
- Fundamentally reform the way in which the United States deals with its treaty allies and partners – “Washington should on occasion accept “no” or “do it another way” as an answer from allies, difficult as that can be. For example, the United States should welcome the EU’s initiative to deepen its defense cooperation; recognize that NATO enlargement to Georgia and Ukraine will not happen in the next four years, while keeping the door open for Sweden and Finland to join immediately should they wish to do so, and listen sympathetically to allied strategies regarding relations with Iran” (Blackwill and Wright, 2020, p.18);
- Increase ambitions with Europe;
- Strengthen relations with India;

- Advance international cooperation on SARS-CoV-2 treatments and vaccines;
- Invest in international institutions;
- Compartmentalize transnational challenges such as climate change, pandemics, and international terrorism, which are shared interests jeopardized by geopolitical competition or even confrontation between the US and China;
- Stop deterioration in the balance of power with China;
- Compete with China, while rejecting the Trump Administration's approach of "full-throated permanent confrontation with China, with a little diplomacy, constraints, limits, or prospects of cooperation", optimistic in the view that "[w]ith the proper policies, the United States and its allies can successfully compete with China while avoiding combustible competition and defending alliance national interests and values";
- Reduce engagement in the Middle East;
- Condition engagement with Russia;
- Rebuild but reform the global economy.

3.3. China and Europe

The EU and China have a complex relationship, not least because of the EU's fractiousness and inability to harmonize competing trends in order to produce a coherent collective policy and attitude towards China. We may mention the EU, but we are still discussing a Europe of nations of individual interests and aspirations, which are only partly affected by the feasible EU regulations regarding and China and almost not at all by non-binding documents trying to establish a common European approach.

The EU is China's largest trading partner, but China is not the EU's largest trading partner. These dynamic colors the ambitions of China in the region, as well as the reality of the two being the opposite anchor points for the BRI as a Eurasian connectivity scheme.

The EU's relationship with China is characterized by the following points:

- The alternation between multilateralism and bilateralism, in accordance with the interest as a stake, undermining the possibility of the EU having and implementing a coherent China policy;
- Hellendorf and Rühlig (2020) write that “[c]ertainties that have been long held in Brussels are eroding. Intensifying great power rivalry makes the EU a pivotal partner for both the US and China and both are stepping up their pressure vis-à-vis Brussels on issues and policies they consider vital for international order [...] the EU oscillates between working with the US on issues that antagonize China and working with China on issues that antagonize the US”;
- The lackluster performance of European institutions, hobbled by individual state action and policies, as well as by a lack of follow-through on important agreements such as the involvement of China in the Juncker Plan, discussed during the China-EU Summit in Shanghai in November 2015;
- The relationship, which is mostly economic, is dominated by Germany, with around half of the EU's exports to China;
- There are significant differences between country relations to China, especially because of European heterogeneity, seen in discrepancies between North and South and between West and East;

- The heaviest differences are between West and East, with the 17+1 formula registering rapid advancement by starting from a low base;
- The tendency of the EU to revert into the moralistic discourse in relation to China, for instance on climate change;
- The Western EU Member States are also trying to rebalance the relationship with China to take into account the security of critical supply chains, as well as the control over intellectual property and know-how in order to maintain their fast eroding lead on China;
- There is a wish for a European approach, but a lack of consensus on what that should entail;
- A developing internal competition within the EU for strategic products, where European state champions leverage national political ties and influence to gain an advantage in third countries, such as in the CEE region, over Chinese competitors. Discourses in this area have begun to revolve more and more around security;
- China's economic interests, in the sense of reducing trade frictions to facilitate commerce and investment, point it towards supporting greater European integration and cohesion, if not at political levels. The profusion of actors which Chinese companies have to deal with in a fragmented Europe, with local regulations, priorities, perceptions, and idiosyncrasies, is a natural though not insurmountable barrier, to greater cooperation. This is especially true for the smaller and poorer members in Eastern Europe, as well as the aspiring members in the Western Balkans;

Since their beginning in 1975, EU-China relations have developed into a “comprehensive strategic partnership” with an annual summit, two high-level strategic dialogues and over 60 sectoral dialogues in different policy areas. The EU's 2003 China Strategy (EC, 2003) writes that the EU's priorities in this relationship were:

- To “raise the efficiency of the political dialogue” with regards to global issues;
- To “promote the economic opening of China”;
- To “assist China in its internal reform process”.

Anthony et al. (2020), in a SIPRI Insights Paper, write that an “important shift in the relations between the European Union and China is underway” and that it is primarily derived from challenges and risks associated with growing interconnectivity which must be managed in order to achieve

sustainability in EU-China relations. While the EU-China Connectivity Platform explores synergies between the separate connectivity initiatives of China and the EU, significant developments take place qualitatively in EU-China relations, as evidenced by President Macron's 2019 declaration that "the relationship between the EU and China must not be first and foremost a trading one, but a geopolitical and strategic relationship" which hints at approaches towards China being under revision. These synergies are likely numerous, involving, in the area of connectivity, the EU Connecting Europe program, under whose umbrella one finds initiatives in transport, energy, and digital, such as the Trans-European Transport Network (TEN-T) and the Digital Single Market Strategy of 2015. The achievement of greater connectivity will, itself, drive a change in EU-China relations which must be reflected at the policy level (Anthony et al., 2020).

The negative dimension of this shift features three components, starting in 2016, according to Hellendorf and Rühlig (2020):

- The increasing perception within the EU of China as an unfair competitor, reversing the traditional Sino-European business optimism;
- European assessments of political developments in China have become negative and homogeneously so;
- EU officials started to perceive Chinese diplomacy as undermining European unity, for instance through the 17+1 Format.

Feng Zhongping, Vice-President of the China Institutes for Contemporary International Relations, expressed the complexity of EU-China relations thusly: "Europe's China policy differs from that of the United States, its traditional ally. The difference has been quite visible in trade in general and with regard to specific cases, such as Huawei and 5G. Europe and China are also working together to support multilateralism and counter U.S. President Donald Trump's "America first" unilateralist strategy. Facing the pandemic, the two sides have maintained mutual assistance and cooperation and jointly facilitated the G20 leaders' special summit". He concludes that "with different interests and a common need for cooperation and unity, EU countries can only subject themselves to difficult and patient negotiations to achieve compromise through mutual concessions" (Feng, 2020).

According to CIOB (2019), some of the biggest winners from the BRI, owing to their capacity to make the most of the opportunities presented by the new infrastructure, will be European countries, with the UK (no longer in the EU) gaining 178 billion dollars in GDP by 2040, Germany

80 billion, France 54 billion, and Poland 48 billion dollars. Whether these figures are realistic, given the interesting disparities in predictions between the UK and Germany, in particular, but also the apparent equal benefits of France and Poland, remains to be seen. It is no coincidence that some of the biggest potential winners of the BRI were also among those who, despite their rhetoric, were among the first to sit at China's table, for instance by becoming Founding Members of the Asian Infrastructure Investment Bank. Germany is one such country, which rejected the US admonitions against joining by offering up its institutional expertise in the management of development portfolios to improve AIIB governance.

Some inkling of the potential gains drives the impetus for individual countries to negotiate bilateral enhancements of economic relations with China at the expense of a unified, European approach. In 2019, the EU published the document "The EU and China: A Strategy Outlook", stating that "China is, simultaneously, in different policy areas, a cooperation partner with whom the EU has closely aligned objectives, a negotiating partner with whom the EU needs to find a balance of interests, an economic competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance" (EC, 2019). Wright (2020) described this as "Europe changed its mind on China" but, in actuality, it was a longer-term shift which is incomplete, leaving important strategic differences in place across Europe, resulting in it being "still divided on China" and that "policy coordination on a balancing effort will be extremely difficult". The balance should be not just between the temptation of economic cooperation with China and the perceived risks of ever-closer ties (not least with regards to the influence of the major European players in the other countries), but also between the US and China, with the former adopting an increasingly aggressive rhetoric to force a choice on the European partners.

German Chancellor Angela Merkel's assertion that "Europe is a living entity that we can shape and transform" presages such a balancing attempt, which has been visible in a recalibration of the European global strategy, starting with the downgrade of the US from the indispensable partner of Europe to just one among many and continuing with the assertion of a "geopolitical Commission" that would try to have Europe punching at or above its weight in world affairs, under a political formula, according to Chancellor Merkel, of "an advocate of an order of justice, of innovation and sustainability. That is the vision for Europe".

Lo (2020) advances a more pessimistic view, stating that "[t]ransatlantic relations are at their lowest point since the Suez Crisis in 1956. But we are

witnessing a crisis in Europe no less severe. This is evident not just in the conflict between authoritarian and liberal tendencies, but also in the alienation between different parts of Europe. The Eurozone crisis reinforced a north-south divide between fiscally conservative EU member states led by Germany, and allegedly feckless countries, such as Greece and Italy. The Brexit debate became polarized in large part because of popular resentment in the United Kingdom against migrant workers from Eastern Europe.”

In the context of the German Presidency of the EU Council in the first half of 2020, the Chancellor stated that “[t]he German Presidency’s top priority is for Europe to emerge from the crisis united and stronger. But we don’t merely want to stabilize Europe for the short term. That would be too little. What we want is a Europe that gives grounds for hope. We want a Europe that tackles the tasks at hand courageously and with self-assurance. We want a Europe that is capable of coping with the future, that holds its own in the world in an innovative and sustainable manner. We want a new beginning for Europe”. To a certain extent, China’s travails in Europe are not just the result of its policies and goals, but it is also an observer of the continuous “making and unmaking” of Europe, trying to create a competent unitary actor out of a disparate and heterogenous constituency.

On the topic of China, Angela Merkel described the situation thusly: “[w]e will be addressing our strategic relations with China, which are characterized by close trade links but equally by very different approaches to social policy, particularly respect for human rights and the rule of law. Even if the EU–China Summit, unfortunately, cannot take place in September, we want to continue the open dialogue with China”. The affirmation is heavy with subtext, because the “different approaches” are also invoked as arguments against China’s cooperation with the CEE region, on the unspoken assumption of the innate vulnerability to the subversion of the regional actors, including ones like Serbia, which are viewed as future EU members having a privileged relationship with China within the 17+1 Format specifically because they are not yet members. Brussels has reacted with undisguised concern and anxiety to the 17+1 Format, despite its lackluster impact and China refraining from intergovernmental institution building in the CEE region. This anxiety is also expressed as a result of tensions between Western EU members in competition for Chinese investment and the implied security risks unfailingly pointed out by the United States in this period, but also by an increasingly acrimonious internal debate within these countries (such as the UK on 5G).

German leadership is especially important, as one of the drivers of European adjustment to China as “systemic rival”, through support for various measures limiting Chinese activities in Europe and through its own wide-ranging strategies in various regions and with partners such as India. Germany is also a sort of bellwether for the European relationship to the US. Bordachev (2020) quotes a Pew Institute and Kerber Foundation survey in Germany that showed how only 37% of Germans believe that relations with the US matter more than those with China, a decrease of 13 percentage points compared to 2019, when fully half felt this way. At the same time, 36% of respondents would like to have closer relations with China, a year-on-year growth of 12 percentage points.

As an actor in the larger West-China rebalancing, the EU opts for a moderate and conciliatory approach. The allure of the BRI and the growth potential it would bring to anemic economies beset with structural issues including the effects on individual countries of the Eurozone’s unified monetary policies is irresistible, as seen during President Xi Jinping’s visit to Italy and France on 21-26 March 2020, when Italy signed an MoU to join the BRI and France signed a contract to sell a significant number of Airbus planes to China.

There are three main dynamics to keep in mind for the future of relations between the EU and China.

Firstly, the pandemic is bringing the EU over to the American perspective on unbundling fragile global supply and production chains. Gehrke (2020) notes that the EU’s new industrial strategy is taking the EU in the direction of reevaluating its critical dependencies, not just in terms of raw materials, but also food, infrastructure, and other strategic areas. The EU may not yet be able to approve or reject takeovers, but there is an emerging toolbox composed of EU investment screening regulation, the EU 5G toolbox, and several other new financial and regulatory instruments, which they should use to “make full use of tools available to them [...] to preserve EU companies and critical assets [...] that are essential for our security and public order.”. Additionally, individual countries are implementing their own measures which may be copied by others, such as Germany’s bailout fund that gives struggling companies more flexibility before looking for a foreign buyer. Ultimately, supply chain resilience will become an increasingly important pillar of EU policy and it will be achieved not through ‘one size fits all’ policies such as re-shoring but through partnerships based on trust with “connectivity partners” distinguished by their reliability during crises. This means that “economic security will become a staple of political cooperation”

(Gehrke, 2020). While the EU is still lacking in an overarching geopolitical narrative to present initiatives such as the EU-Asia Connectivity Strategy, there is a definite evolution which China must factor into consideration if it seeks to alleviate anxieties and improve ties. While the EU remains committed to globalization, its course will run differently, with economic integration being accompanied by resilient design which will lead not only to different policy choices but also to political action with EU's partners. China may have to rethink its approach towards the globalization of its companies, as discussed in section 5.4.

Secondly, China and Europe are, in fact, a “geopolitical ménage à trois”, because they also feature the US as an established European power aiming to hinder Chinese strategic initiatives and deepening relations. A Brookings report notes that “[t]he U.S.-China debate is particularly salient across the entire European digital landscape” and that “Europeans find that Washington’s current approach to China is overly aggressive, and they do not want to be squeezed between the United States and China” (Hill et al., 2020). Bordachev (2020) directly warns that Europe may be the worst-affected party in this conflict, despite significant uncertainties that a new “cold” confrontation will not retread the patterns of the Cold War era, since China, unlike the Soviet Union, is not a “perfect adversary” that is both threatening and conducive to development and “poses neither an ideological alternative to Europe nor an existential threat”. The EU’s reactive policy approach to the emerging geopolitical tensions between the US and China is augmented by policy initiatives such as the Joint Communication on China (“strategic outlook”) and the foreign investments screening mechanism, developments which, like the EU emphasis on partnerships with third countries (Japan, Canada, or South Korea), argue that the perception of European elites is that the situation of Sino-American pressure on the EU will continue and be enhanced (Hellendorf and Rühlig, 2020).

There have been signs of a gradual crystallization of a European approach towards China that is distinct from Washington’s but not incompatible except in rejecting escalating tensions with China – the Agenda 2025 that is meant to codify the strategic relationship between the EU and China was also part of discussions for the June 9th High-Level EU-China Strategic Dialogue, which was followed by the June 15th meeting between Secretary of State Mike Pompeo and EU Foreign Ministers where Josep Borrell suggested that the US and the EU pursue a “distinct, bilateral dialogue focusing on China”, while the German Presidency of the Council of the EU drafted policy documents stressing reciprocity in relations with China and the EU

pursuing its own “interests and values”. Bordachev (2020) compares Russia and the leading EU states and finds them similar in their likely attempts to pose as independent balancers between China and the US as part of an emerging system of “speculative bipolarity”.

The 5G debate is especially revealing, with the significant pressure placed by US representatives (official or in the larger academic and public debate) to exclude Huawei and ZTE from consideration for the building of 5G networks, despite the lack of an equivalent Western player that can provide similar costs and project capacity. The latent anti-Americanism of the European elites that grew into full bloom with the election of Donald Trump has been sharpened by perceived “bullying” on military budgeting for NATO and now on 5G and other issues, prompting the Europeans to pick up on the original American idea of “strategic autonomy” and the creation, for instance, of a European Army. It was in this context that President Macron of France memorably said that “[w]e have to protect ourselves with respect to China, Russia, and even the United States of America”. The Europeans are indelibly linked to the US through NATO and through economic ties greater than those with China so this acrimony does not prevent the significant US influence, whether by “carrot” or by “stick”. An example in this regard is Germany – Hill et al. (2020) argue that “Germany is the fulcrum of U.S.-China competition, due to its deep economic ties with China and political and economic ties with the United States”. While the reports of the US passing the baton of leadership of the free world to Germany were exaggerated, it is obvious that the partnership between Chancellor Merkel and President Obama has turned into its opposite for President Trump, with the US deciding to withdraw troops from the country praised in military mobility analyses as the “turntable of Europe”, from where mobile forces may be quickly sent to wherever a tripwire has been triggered.

China can also look towards the other significant “geopolitical ménage à trois” in Europe, between the Europeans, American, and Russia, where economic interest has, on the whole, won out overstated principle and the objections of both the US and the Eastern EU members. At the same time, a countervailing effort was started at the EU to utilize, for instance, the unbundling of energy assets as a means of limiting the behaviors of Russia that Western Europeans also perceived as troublesome.

Despite this vexing situation, the Europeans are neither opposed to nor appalled by the American dispute with China. Rather, they view it opportunistically, not willing to enter the confrontation on their own

account, but waiting to see whether the US will manage to reach an agreeable accommodation with China on issues related to market access and verifiable security of intellectual property which can then provide a wedge for the European powers to claim the same for themselves. European efforts at rebalancing with China have been more discrete. One possible indicator is the fact that, in 2018, when China's outward direct investment in the West first registered a significant fall, only seven takeovers of companies by Chinese entities were cancelled by regulators in the EU, as opposed to 14 in North America (BRA, 2019).

It is possible that just as the protectionist and anti-China current in US politics resurfaced and entered the mainstream, so will the anti-European one do the same, centered on NATO through a moralistic discourse of rich Western countries not paying for their own security. If a tipping point of American frustration with Europe and their differing perceptions on security and approaches towards China and Russia is reached, then we may see real US disengagement in favor of the Indo-Pacific, where the perspectives of further countering China are better. Avdaliani (2020) writes that "[t]he emergence of the Indo-Pacific region will have wider repercussions as well. Global trade and subsequent growth in China's military presence at the confluence of the two oceans will shift American and European attention away from the depths of Eurasia and the possibility of a confrontation with Russia toward China". This would worsen the security perceptions of the Eastern NATO members and threaten the 17+1 Format, as China's natural position is that tensions and insecurities in their relationship with Russia must be resolved with it, regardless of what worsening risk perceptions will do to economic prospects for China-CEE cooperation as well.

The strangest possible reconfiguration in Europe would be a rapprochement between Russia and the US (dal Santo, 2020) which would render moot the conflict on European dependence on Russian energy. The Eastern Member States, with their differing security perceptions, would require significant guarantees of their security which might not be believed. The US-Russia partnership would then be able to pressure the EU, in a pincer movement, to reduce ties to China, which they might do, because of the combined strength of the two superpowers. Another possibility is that the American-Chinese trade dispute is somehow resolved, making the European Union the next target of the trade repositioning of Washington as old issues will reemerge: the different tax system between the two Western economic powers (the impact of Value-Added Tax on bilateral trade) as well

as European subsidies across different industries. It has not been forgotten in European chanceries that Donald Trump's protectionist rhetoric targeted not just China, but also Germany, with opening salvoes in the trade war landing also on European shores.

These scenarios are unlikely. Rather, in the next period, we may see some of the following:

- Greater individual country initiatives at reducing politically and strategically problematic Chinese investment, acquisition or implementation of a project;
- A steady evolution towards an EU framework aimed at limiting China's options for strategic cooperation, especially in the CEE region. Trade will still grow, especially as China's consumption sector increases, but it will not be in politicized/strategic economic sectors;
- A greater rhetorical emphasis on decoupling which will be found to be much more difficult than anticipated. This either becomes a perpetual "political football" for the EU or it will be quietly shelved in favor of limited initiatives such as strategic reserves;
- The social and political pressure on low-growth countries will lead to a search for sources of investment and growth. The BRI can be one such source, or the US may reform its toolbox to include wider scale development assistance, especially for strategic infrastructure projects;
- Any solution to the US-China trade war will become the new status quo in organizing the West's economic relations with China, regardless of intra-Western relations;
- Depending on the evolution of the coronavirus, self-interest will lead to a grudging support for the Health Silk Road, which would lead to an amelioration of public perception regarding China, provided that the cooperation is not tainted by a scandal which then affects economic cooperation perspectives.

It is important to note that many of the EU's fears regarding China's activities in the CEE region have not come to pass and so we are at a turning point where either the perception of China's success or lack thereof through the 17+1 Format changes or China manages to ascend to a new level of cooperation that would be seen to justify anxieties in Brussels. Petkova and van der Putten (2020) have pointed out that there are only three important infrastructure projects undertaken by Chinese companies in the CEE region – "[d]espite concerns about Chinese involvement in the EU's infrastructure sector, up to early 2020 the three cases [...] are the sole major China-involved

construction projects in the EU that have gone beyond signing and reached the construction phase”. The three projects are the A2 motorway between Warsaw and Lodz, in Poland, the Hungarian section of the Belgrade–Budapest railway, and Pelješac Bridge in Croatia, the latter of which is novel for being the first project with EU funding. It was actually a Western European country, Portugal, that was the first country in the EU issuing public debt in renminbi (also called “Panda Bonds”) and Portuguese private bank Millennium BCP became the first European bank to issue Union Pay credit cards, an electronic payment the company from China (Jornal de Negócios 2019). At the same time, Portugal is just one of the Western EU countries with a Golden Visa scheme that fast tracks Chinese investors for citizenship.

The only completed infrastructure project by a Chinese company in mainland Europe is not in an EU Member State, but in Serbia – the Pupin Bridge in Belgrade – “[t]he project met a longstanding need of the city of Belgrade, as it is the city’s second bridge across the Danube river. The loan was provided by the Export-Import Bank of China, with construction, carried out by China Road and Bridge Corporation (CRBC), the contractor that later won the bid for the Pelješac Bridge in Croatia” (Petkova and van der Putten, 2020). Overall, the Chinese approach in transport infrastructure projects rely on three priorities, at least two of which must be met for a project to move forward: acquiring new knowledge, such as that which enables the spread into similar neighboring countries, strategic opportunities, and commercial prospects. Petkova and van der Putten (2020) argue that this systematic approach is what triggers negative reactions from the EU:

- EU companies are 99% of small and medium-size and are supported abroad by home country incentives, not by “export credit agencies or financing for projects outside of Europe from institutions like the European Commission or the European Investment Bank”. This sets up an asymmetry since no European country can match, even for national giants, the levels of support that China can make available to its champions;
- The EU is only in the initial stages of a coherent and effective industrial strategy. With regards to the constructions sector, the European Commission launched the strategic policy agenda “Construction 2020” in 2012, prioritizing also competitiveness, but has not developed tools to counter perceived disloyal competition on the part of China, since construction projects are considered services and do not benefit from

the developed framework that gives recourse against price dumping in goods;

- The focus of the European Commission on Chinese takeovers of strategic firms in areas such as robotics or telecommunications, rather than developing a satisfactory EU procurement law that addresses perceived risks in transport infrastructure projects, such as risks of non-completion or disloyal competition through abnormally low tenders.

In contrast to the mainly negative or adversarial mindset of most policy documents covering EU-China relations, Roctus (2020) radically argues that “the pragmatic stance [of China] provides adjustment opportunities for willing assertive international actors to (re)mold BRI into a more “desirable” form”. The EU is no stranger to ambitions of *realpolitik* and it had previously declared, in 2016, “principled pragmatism” to be a guiding principle for its foreign and security policy. Jasper Roctus argues that the EU “could step up to the plate and actively engage with BRI in order to change it”, profiting from the opportunities stemming from China’s “deliberate “adjusting while doing” attitude, especially in regards to cooperation with developed countries” which he contends has resulted in a strategic lack of depth for the BRI. This would be a change from the EU’s previously exclusive appeal to “values-based diplomacy”, which has entailed sacrifices in several important global dossiers.

The EU’s experience in multilateralism provides useful leverage for a new relationship with China, in which revisions to behaviors considered problematic by the EU (the perceived “divide and conquer” tactics) are accompanied by cooperation on multilateral governance to the benefit of the BRI, as “Chinese scholars have, for instance, examined whether the EU’s regulations on tax collection, as well as its dispute settlement mechanisms, could be applied to the BRI countries” and “how the EU’s treaties maintain both binding force while still recognizing cross-country cultural and developmental differences” (Roctus, 2020). Transactionality is a mainstay of EU approaches in other fields, but not in Great Power relations and it remains to be seen if the “geopolitical Commission” has what it takes to leverage its advantages to re-mold the Chinese strategic initiatives, including the 17+1 Format. This would involve not only harmonizing EU Member States views and policies with regards to China but also “threading the needle” in the important relationship with the US. Cui Hongjian of the China Institutes of International Studies, as well, speaks of reaching “a new contract for cooperation on condition that such cooperation is not

premised on changing the fundamental political system of the other parties” and “harness[ing] measures to turn political confrontation into technical competition and foster the concept of competition-for-cooperation, rather than competition-instead-of-cooperation, which is the way to go to keep abreast of the altered balance of interests in a time of seismic change”.

Ultimately, China’s 2020 “year of Europe” has been completely derailed by the pandemic which “will have massive negative consequences for China-EU economic development” (Cui, 2020a). At the same time, there is evidence that the EU is trying to chart its own course regarding China, though it is still far from Jose Borrell’s “Sinatra Doctrine” of European doing it “its own way”. Von Hippel (2020) strengthens the conclusion by writing that “[w]hat is clear is that bespoke engagement policies are required, even in the face of pressure from the Trump administration to make what in reality is a false choice between partnering with China or the US. Angela Merkel’s oft-repeated remark, that “we are not just partners, but also competitors”, applies to both Russia and China”.

3.3.1. The European Union, China, and Environmentalism

Climate change is among the priorities of the EU-China relationship as emphasized also in the videoconference summit on June 22nd, 2020, and in numerous documents of reference.

Martin & van der Putten (2020) underscore the efforts that have been made to reorient the infrastructure investment under the BRI towards environmental sustainability, both as a result of the awareness of the costs of the Chinese model of development to the health and environment of China, as well as to preempt accusations of “exporting pollution abroad” which had previously been leveled at Western countries. The European Union’s focus on environmental issues as a pillar of internal development and external partnerships made such an evolution of the BRI necessary and may bridge some of the gaps between the EU and China. However, as Martin & van der Putten (2020) and others note (de Villiers et al., 2020, Carey and Ladislav, 2019), the Green Investment Principles of 2019 and the Everbright Belt & Road Green Investment Fund delivering “green environment, green energy, green manufacturing and green living” along the Belt and Road had not translated into extensive success. Rather, “Chinese investment continues to flow to coal-based projects despite the [...] green finance” and “the reality on the ground is that most Chinese investments in energy infrastructure still flow to environmentally unsustainable projects”, also as a result of the

coordination challenges of the BRI which are exacerbated by the effects of the pandemic. With green/sustainable investment occupying also part of the agenda of the EU-China Summit on 22 June 2020, this issue, depending on how it is managed in the next period, can exert a significant influence on the quality of EU-China cooperation.

As a risk, we can mention the use of BRI investment which can be categorized as “unsustainable” as a rhetorical weapon against Chinese strategic initiatives, while also labeling Chinese efforts towards resolving this complex and difficult issue as “greenwashing”, a term which implies a purely superficial reform attempting to deceive observers as to the true state of facts. In the future, we may witness European rhetoric against China and its strategic initiatives on the basis of environmental concerns and putative differences in sensibility towards environmental issues becoming a deciding factor between pursuing projects with China or with other actors, especially when it comes to the highly competitive global market for infrastructure development.

At the same time, it is no secret that the West, most vocally the US, had embraced a very liberal trade and technology transfer regime to China on the unmet expectation of institutional and political change towards a more Western form of government. It is possible that a wider acceptance of the BRI in the West will take place in exchange for growing influence over the nature of the project and its investments, especially in strategic areas, such as infrastructure. One example is the 266 civil society groups which joined together to call on China to “ensure that COVID-19 related financial relief for struggling Belt and Road projects flows only to high quality overseas investments that meet stringent criteria aimed at protecting people and safeguarding the environment [...] to avoid bailing out projects already mired in environmental, social, biodiversity, climate, or financial risks prior to the onset of COVID-19” (IDI, 2020). Martin & van der Putten (2020) noted that the “COVID-19 endangers green finance as a priority for the BRI, but could also be used as a chance to reset the initiative”. Whether China will see this sort of activist lobbyism from the West, which is also pursued on numerous social issues inside and outside its borders, as an asset or a hindrance, remains to be seen. It might be useful for public validation, but may also pose burdens in the future, resulting also in an irritating (for the Chinese authorities) entitlement towards intrusion in Chinese projects and (bi/mini) lateral negotiations.

3.4. China and Russia

The China-Russia relationship is a pivotal one for Eurasia, providing the basis for the control of the entire “heartland” described by Mackinder. It is, however, a fraught relationship, both prolific and uneasy. In the authors’ experience, Moscow has been described by Chinese experts as the most important diplomatic posting for Beijing. Russia is a main player for the BRI, whose main land route, the initial New Silk Road with effective assets such as the Yu’Xin’Ou railway, passes through Russian territory on its way to Europe. Russia and China are together in the BRICS group, in the Shanghai Cooperation Organization and in the BRI, as well as all attendant institutions, such as the Asian Infrastructure Investment Bank, the New Development Bank, the Chiang Mai Initiative, and so on.

According to CIOB (2019), Russia would be the third largest winner from the BRI by 2040, gaining 377 billion dollars in yearly GDP from BRI related activities, surpassed only by the US, with 401 billion and China itself, with 1.777 trillion dollars.

The two countries have established extensive ties related to China’s strategic initiatives. A full accounting of the economic ties between the two countries is beyond the scope of this report. Just as an example, however, we mention the Arctic Silk Road of China which, in addition to its use of the Northeastern Passage near Russia’s shores, has also resulted in significant infrastructure development (Zhang, 2020):

- The China – Russia Yamal Liquefied Natural Gas facility with deliveries starting in 2018 and an extension on the Gydan Peninsula due to open in 2023 (China is due to become the largest LNG importer in the world, superseding Japan);
- The Payakha Oil field on the Taymyr Peninsula in the Krasnoyarsk region involving an oil port, processing facilities, and 400 km of the pipeline;
- The Zerubino deep-water port near Vladivostok, which is ice-free all year round and which will be turned into Northeast Asia’s largest port in the next 15 years, with a capacity of 60 million tons of goods per year. A shipping route was inaugurated in 2018 from Hunchun on the Tumen river in Jilin to Zarubino and then on to Zhoushan in Zhejiang province, and the port will also be an important stop on the Northeastern Passage;
- The Arkhangelsk deep-water port, in Russia’s largest Northern city.

In addition, Russia and China are cooperating on space issues. Both countries offer their partners comprehensive deals involving finance, training, design, manufacturing, launch, and services with regards to space, but Robinson et al. (2019) have also identified five cases in which both countries partnered on the same project.

Russia is developing significant infrastructure to service China's energy needs, like the "Power of Siberia" pipeline deal signed in 2014 and is receiving significant Chinese investment. That deal is the centerpiece of Sino-Russian economic relations and truly represented an economic pivot of Moscow towards Beijing and vice versa, involving not only energy but also an investment in previously inaccessible areas of the Russian economy.

The two countries also have a relatively close military relationship, as founding members of the Shanghai Cooperation Organization and having a military-industrial relationship, with China as a main client for Russian arms. China eschews formal military alliances, but it is unmistakable that it has grown closer to Russia, possibly on the basis of their commonalities in conflict with the West. Kuczyński (2020) highlights the joint 2019 airborne patrol as a new level of cooperation, with the Beijing Ministry of Defense publishing a document soon afterwards titled Ministry of Defense "China's National Defense in the New Era" in which military cooperation with Russia is described as enriching "the strategic partnership between China and Russia in the new era by playing a significant role in maintaining global strategic stability".

Joint exercises are also an important component of this cooperation – following the SCO's "Peace Exercise" in 2005, the two sides, never referring to each other as allies, have engaged in significant and varied exercises. An important example is the naval exercises near Guangdong in 2016, involving also a landing and occupation component, which was repeated in July 2017 in the Baltic. China was also invited for the first time to Russia's Vostok exercises in 2018. Other exercises and wargames include Clear Sky 2019, Aviadarts 2019, Tank Biathlon 2019, Army 2019, Tsentr 2019. Kuczyński (2019) emphasizes the perception, as expressed by US Director of Intelligence, Dan Coats, that "China and Russia are more aligned than at any point since the mid-1950s" and quotes Zbigniew Brzezinski, counselor to President Johnson and National Security Advisor to President Jimmy Carter in saying "analyzing threats to American interest, the most dangerous scenario would be a grand coalition of China and Russia, united not by ideology, but by complementary grievances". Cooperation will increase on military issues, with significant high technology military acquisitions by

China from Russia, after a drop from acquiring 60% of Russia's military exports in 2005 to acquiring 8.7% in 2012 (Blank, 2019).

On paper, then, the relation seems to have developed spectacularly and should have the same dynamic, especially in the economic domain, in the short and medium-term. However, a growing segment of American policy elites support the idea of a rapprochement with Russia to contain China – bring in Russia “from the cold”, to break the “axis of convenience” between it and China, on the basis of Sino-Russian differences (dal Santo, 2020).

The two countries are uneasy partners and their differences are significant and much analyzed by Europe, the US, and other actors.

A main difference is the significant inroads China has made into Central Asia, primarily as a source of energy, but also as markets, targets for investment and potential partners in the BRI, including as transit areas towards Western Eurasia. For Russia, this area is its definitive sphere of influence, and regional integration efforts such as the Eurasian Economic Community are meant to limit not only the influence of the EU, which is cited in conjunction with Armenia, but also the influence of China. At the same time, Russia has been resisting China's inclination towards developing a more comprehensive partnership under the SCO, not just a military/security one, since it would automatically entail a dilution of its control over Central Asia.

The extent of Chinese expansion abroad is also worrying, since it enhances China's power and prestige while also creating the conditions for an unequal partnership between it and Russia. A BRI which is just another Eurasian integration scheme, similar to that promoted by Russia and even South Korea, and meant to park Chinese capital in productive projects, is one thing. A BRI as “project of the century” redefining a “community of shared destiny for all mankind” and with near-global reach is another, and Russia's engagement is probably just as much about remaining in a position to influence things as it is about national gain. An example of the uneasy link is the Siberian development project, where China becomes, in fact, the sole consumer of Russian Siberian energy production, allowing it, in a state of monopsony, to dictate prices and denying the sort of energy leverage Russia has grown accustomed to having over its energy-hungry partners in Europe. At the same time, while certainly profitable, the opening up of previously inaccessible segments of the Russian economy to Chinese actors was as much a concession to China for the Siberian energy deal, as it was good business. Given the size disparity between the two countries in population and economy, especially in the Far East, there is an optimal

degree of separation which Russia must maintain from the Chinese economy in order to preserve its vertically integrated internal economic structure and its comparative advantages in military technology and other areas.

The most important, however, aside from any currently unrealistic territorial integrity threat, is the fear, on the part of the Russian Federation, that it will become a junior partner to Chinese projects, instead of a full and equal partner. It is both a concern of strategic influence, and also one of national pride, keeping in mind the situation decades ago. Baev (2020) writes that China and Russia “find it convenient to advertise the strength of their partnership, but in fact, mutual suspicions and disapproval run deep and have been reinforced by coronavirus-generated tensions”.

We see on the part of China an emphasis on equal standing between President Xi Jinping and President Vladimir Putin in joint events, and also careful consideration of Russian sensibilities in other areas viewed as its sphere of influence. We can theorize that it is for these reasons that the 17+1 Format did not have Belarus, Ukraine, and the Republic of Moldova as members, though Belarus has since become an observer. China has refrained from condemning Russia for its actions in Ukraine and the South Caucasus, while nevertheless neither formally accepting the takeover of Crimea. This is despite the fact that China has suffered significant losses in its plans to invest 30 billion euros in Ukraine, especially in agriculture, but also other fields, because of the effects of the ‘freezing’ civil war in Eastern Ukraine. Russia, on its part, has not commented on the tensions in the South China Sea. Both countries try to not get involved in conflicts with third parties on each other’s behalf.

Russia’s actions in South and South-East Asia are also of significant concern for China. It has developed military partnerships with countries such as Vietnam (including the use of the military base in Cam Ranh Bay) and India, which have an increasingly negative security perception regarding China. India and many of the other countries in the region are significant buyers of Russian military exports and the interoperability between India, Vietnam, and Malaysia previously alluded to, which includes a school for submariners in India and a school for fighter pilots in Malaysia, along with a great number of exercises, is founded on them having Soviet/Russian equipment. Between 2012 and 2017, India purchased 35% of Russia’s military exports, as opposed to China’s average of 12%. The military acquisitions, including the latest technologies, are all meant by the purchasers to be part of a conventional deterrent against China (for instance, submarines bought by Vietnam to counteract China’s surface fleet).

Russia's own geopolitical movements are also troublesome from the perspective of a long-term partnership with China. An example in this regard was Russia's declaration of the Okhotsk Sea as being an extension of its continental shelf and thereby open to exploitation only by Russia (for energy prospecting, fishing), even though Japan, China, and South Korea all utilize this area. For Russia, this was a trial run for the arguments it would use in pressing its Arctic claims. China, however, did not accept it and ran a fleet of ships through the sea accompanied by an icebreaker on a tour that looped around Japan, whereupon Russia organized an anti-naval exercise in the Kuriles. These divisive gestures accompany a relationship that, to the outside world, seems poised to take on the world order built by the West in the last few decades.

Among other differences, we count, for instance, Russian unease over China's growing Arctic presence, with Russia not supporting China's bid for membership in the Arctic Council, despite their growing cooperation in the region.

Ultimately, the two countries have significant reasons to stick together so long as they have a common perception of a hostile West ready to coerce them, threaten their interest abroad, and involve itself (illegitimately) in their internal affairs. The occasional ideas in the West of detaching Russia from China on the basis of underlying differences would require significant compromise on the part of the West and trigger vociferous protest in Eastern Europe. There is also the lack of credibility of Western commitments in the eyes of Russia, given its often stated grievances regarding the expansion of NATO despite assurances to the contrary. On the contrary, Bordachev (2020) sees Russia as an emerging "balancer" between the US and China – "acting as a friend of China, [Russia] will try to play the role of an intermediary toward the other side. If Moscow accepts Trump's invitation to the September meeting of "G7 + Russia, Australia, South Korea, and India," it will justify this with the need to prevent this summit from turning into an anti-Chinese meeting".

In the next period, China and Russia will continue to cooperate, while managing the effects of Russia's relative decline and the widening gap between the two countries in the context of a supposedly equal partnership. This gap is not just economic, but also in the area of technology and its use – "China is emerging as a cyber superpower, while Russia is lagging far behind in the development of high-tech capabilities — but tries to claim an oversized role in the cyber domain by deploying them brashly and recklessly" (Baev, 2020). Win-win cooperation may not mean as much to

Russia when it is not a 50-50 win. Unless there are significant changes in the trajectory of the West, Russia will not countenance the abandonment of currently advantageous cooperation with China, which is a fact not just across sectors, but also across geographic regions, such as in Venezuela.

For the time being, the Dragon-Bear represents an “unprecedented mode of shaping the global system” based on a shared understanding that the world is undergoing a transformation with uncertain results that may yield benefits not just of an economic nature, but also of a strategic one – the disruption of US power and the creation of a Eurasian land connectivity that partially neutralizes the capacity of US sea power to coerce through the imposition of blockades (Tchakarova, 2020). The partnership is extensive, from regional to institutional, from energy to industry, from monetary to financial. However, as Tchakarova (2020) notes, “there are economic, financial and trade setbacks affecting the relationship, and bottom-up pressure along conflicting interests in particular fields of policy and regional areas [...] Potential friction between Russia and China lies in the geographic prioritization and the overlapping geopolitical interests in third countries”.

The prospect of the pandemic accelerating the centrifugal tendencies of the world order will serve to keep China and Russia linked by a common interest in achieving an advantageous new repositioning. The likely the inflection point for the surreptitious alliance will be the security perceptions on the part of Russia, with Western observers arguing that Russia’s behavior in relation to the Intermediate Nuclear Forces Treaty starting in 2007 can be explained, just like the US retreat from the Anti-Ballistic Missile Treaty in 2001, as a response to China not being constrained by either of these treaties (Kuczyński, 2020). Despite this, military cooperation will only grow as China seeks military access to the Arctic and a counter to US forces in Alaska, as well as becoming the third country in the world to have a missile detection system (Aliyev, 2020).

3.5. The Perceptions of Central Eastern European Countries on the 17+1 Format, in the New International Context

The present-day CEECs views towards the BRI and the 17+1 Format should be perceived in close relation to the recent developments on the international scene. Firstly, regarding the impact of the trade conflict between Washington and Beijing as well as the state of affairs concerning the worsening bilateral relations between the US and China. For the majority of the CEECs, especially those who are NATO members, the US is regarded as the most important security provider for the region (Pendrakowska, 2020). Thus, the CEECs in shaping their foreign policy and relations with Beijing are discussing and adhering their policies to the interest of the US, especially concerning the investments in critical infrastructure such as i.e. the 5G. The question if 5G infrastructure should be provided by a Chinese company – Huawei became a bone of content not only for the CEECs but also for several countries across the world.

Another phenomenon shaping the CEECs views towards the BRI and 17+1 Format has been the SARS-CoV-2 pandemic. It is difficult to assess the situation as the epidemic seems to be unfolding and developing in the ways we cannot predict. However, it became clear that China became an even active player in the international arena, not only as a partner offering donations and proposing purchases of medical equipment but also developing its networking capabilities to spread the Chinese expertise on combating the virus.

Moreover, China proposed and fostered a new dimension of the BRI – the Health Silk Road (Shepard 2020). The new dimension of the initiative was perceived by some parties as Beijing's attempt to position itself as a global leader in healthcare. On the other hand, the governments of some other countries praised China for its help in combating the healthcare crisis. And Chinese-friendly Serbia is just a case in point. Yet, it seems that the example of Belgrade is rather an exception than an evolving trend in the 17+1 Format.

Thirdly, the Chinese diplomacy and the emergence of the so-called Twitter diplomacy will be analyzed in this section as the CEECs became part of the several diplomatic spats scenery. As a result, countries like

Poland became an eyewitness of the clash of China and the US through countless spars. Such experiences are only reinforcing the apprehension of the worsening relations between Beijing and Washington.

The examples mentioned in this section suggest that the CEEC view on the BRI and 17+1 Format is not only very diverse but also separates the countries more than before. As decisive answers must be given to challenges such as the 5G network the single countries must decide whether they stand on the side of Beijing or the side of the pro-liberal western world. As a matter of fact, tightening relations with China becomes a civilization choice. On the one hand, countries like Serbia and Hungary seem to lean towards Beijing in the case of 5G and deepening cooperation on combating the SARS-CoV-2 pandemic. On the other hand, countries like Poland, Romania, Estonia, and the Czech Republic among the others, seem to pick the side of the US declaring willingness to enhance cooperation on the 5G to the benefit of national security. They are also more reticent about China's mask and medical equipment diplomacy.

3.5.1. The US-China Rivalry and the US as a Security Provider

The China threat discourse has been present in the global discourse already at the beginning of the 21st century (Wang 2008). However, the consolidation of power by President Xi Jinping and the ambitions of China's foreign diplomacy added fuel to the fire. In the past years the trade conflict, technological rivalry as well as the US critique of China's initiatives such as the BRI, posed an essential challenge for the foreign and domestic policies of European countries.

As the European Think Tank Network on China (ETNC) report concludes all EU countries are in a similar position as they are striving for doing as much business as possible with China. At the same time, they perceive the US as their most important ally and security provider. Moreover, the ETNC report claims that the US unilateralism and Chinese assertiveness have triggered a rethinking of the EU's strategic landscape (ETNC, 2020). It has also led to a reimagining and evaluation of the CEECs strategic landscape, especially in the Western Balkans which are bound to the Berlin Process. Moreover, countries like Montenegro have taken loans for developing their infrastructure with the help of Chinese companies (i.e. Montenegro highway).

The US and Chinese politics have also significantly influenced the views of the CEECs toward the 17+1 Format and the BRI. For some CEECs like

i.e., Latvia engaging in Beijing led initiatives is acceptable as long as they are in line with the national security (Pendrakowska 2020)¹. And national security definition of the CEECs, which perceive themselves as the US allies, is co-defined by Washington. During the intensification of rivalry as well as the emergence of the so-called *blame game* between the US politicians and Chinese representatives, the pressure on picking up the right side became even more visible.

3.5.2. The 5G Dilemma

In the past two years, the 5G rivalry became the topic of heated debates in the CEECs. On the one hand, public opinion claims that purchasing 5G technology from Chinese companies poses a risk to national security. On the other hand, supporters claim that Chinese companies have already build a significant number of 3G and 4G related infrastructure, and the cost of Chinese technologies is remarkably cheaper.

In September 2020 the Prime Minister of Poland Mateusz Morawiecki signed a joint declaration with the US vice president Mike Pence on the importance of implementing a secure 5G network to the benefit of national security in the close future. Moreover, both parties declared to strengthen cooperation. This decision has triggered a set of reactions from the side of the Chinese Embassy in Warsaw. It has criticized the US politicians as well as media of trying to bring chaos to the world through mixing the Huawei company with the Chinese state (Onet, 2019).

Similar debates and situations are unfolding in other CEECs. For example, on May 6 Prague declared to work with the US on its 5G network. However, this view was preceded by a discussion followed by a report which argued that excluding Huawei would mean a significant rise in costs.

The 5G dilemma more than ever becomes not only a technological choice but also a civilization challenge. Some analysts like Tim Gosling (2020) claim that Chinese lobbying is effective in countries with illiberal governments. Thus, if one takes this perspective for granted, one could claim

¹ This argument is based i.e. from a 17+1 Think-Tank Network webinar from May 20, 2020 that was organized by the Chinese Academy of Social Sciences. During this webinar several Chinese and CEECs scholars presented their viewpoints and standpoints on the current evolution of relations with China under the 17+1 Format in the wake of SARS-CoV-2 pandemic. In conclusion, the US policy considering 5G has been quite successful in the CEECs, as Romania, Poland, the Czech Republic, Latvia, and Estonia signed joint statements with Washington regarding 5G security.

that the countries, which are perceived as less liberal, are more confident to build their relations in China.

On the other hand, if we take into consideration the value of FDI and trade volumes, it seems that the Western European countries are the ones with the closest ties with Beijing. They are also much more dependent on Beijing from the economical point of view. The CEECs are still on the periphery of the Chinese investment (Merics, 2018). Moreover, the EU western countries are also much more experienced in investing in China. Especially, if one takes into consideration the expansion of some Western companies in China, i.e. Volkswagen Group.

In conclusion, the US policy considering 5G has been quite successful in the CEECs, like Romania, Poland, the Czech Republic, Latvia, and Estonia signed joint statements with Washington regarding 5G security. On the other hand, Hungary pledges that it has not found proof that Huawei equipment poses a security threat. The Hungarian government does not seem to be willing to exclude Huawei from its national 5G network (Wintour 2020).

3.5.3. SARS-CoV-2

During the pandemic, the 17+1 Meeting of Heads of the Government has been postponed. However, the 17+1 format remained active as the 17+1 Think-Tank network initiated a program on sharing knowledge and experiences on the way the CEECs are dealing with the consequences of the pandemic (Pendrakowska, 2020). During the webinar organized by the China Academy of Social Sciences on May 20, Yang Jiemian – former President of the Shanghai Institutes of International Studies – highlighted that the world during and after coronavirus will be chaotic, as the pandemic became politicized. He also admitted that Washington and Beijing missed a chance to work together on counteracting the effects of the pandemic. Moreover, he stated that China must accept that regarding political issues Europe is closer to the US than China (Pendrakowska, 2020).

This asymmetry can be also diagnosed within the 17+1 Format. One could formulate a hypothesis that the non-member countries of the EU were more eager to cooperate with China and promote Beijing's help and engagement. On the other hand, the 17+1 Format EU member countries were rather cool-headed and cautious about cooperating with China on combating the novel Coronavirus. However, this hypothesis still needs time to be verified (as the situation is unfolding) as well as more in-depth

research. However, the following examples might prove to be useful in building a general perspective on the status quo.

Serbia serves as a very good example as the Chinese medical experts working in Serbia were awarded a military memorial medal by the Serbian Defense Minister Aleksandar Vulin (Global Times 2020). Moreover, the Serbian Prime Minister cooperated with the Chinese partners on opening two Fire Eye laboratories for detecting SARS-CoV-2. One of the test labs is placed in Belgrade and the other one in Nis. For example, the opening ceremony at the Clinical Center of Nis was attended among the others by the Serbian Prime Minister Ana Brnabic, Chinese Ambassador to Serbia Chen Bo and the Serbian Health Minister Zlatibor Loncar. This is a clear signal for the rest of the CEECs, that the relations between Belgrade and Beijing are flourishing.

On the contrary, the Czech Republic proves that the relations with Beijing in the SARS-CoV-2 era might pose several challenges. It also seems that the political elites in the Czech Republic share different opinions on relations with China, as some politicians are critical about Chinese rising influences and consider a shift in Czech policy towards China (Gosling 2020). For example, Foreign Minister Tomas Petricek warned against the dependence on the Chinese medical supply.

China has also launched numerous programs of sharing knowledge and experiences on the pandemic. Not only did the 17+1 Think Tank Network organized sessions on the situation in the CEEC, also other networks such as Sironet were disseminating information and building a platform for discussions through a WeChat group. Moreover, Chinese giants such as Alibaba, constantly share knowledge on how new technologies and innovations could benefit the fight against the widespread of SARS-CoV-2.

3.5.4. Twitter Diplomacy

In some of the CEECs, the US and Chinese ambassadors have gotten into Twitter spats. A long-lasting Twitter discussion between the US and Chinese ambassadors has been unfolding in spring 2020 in Poland. However, it should be emphasized that China's confrontational Twitter diplomacy is a wider phenomenon playing out with Chinese politicians and government representatives and various stakeholders from several countries across the globe.

A fierce debate between the ambassadors has unfolded in both English and Polish in the Polish corner of Twitter, although none of the ambassadors

speak Polish. The diplomatic spat seemed to be a rivalry between two civilizations that share different political values and compete for the recognition and acknowledgment of third parties. As a result, the Polish public opinion eye-witnessed a demonstration of a political dispute that resembled a battleground².

The Chinese Ambassador Liu commented that the US government is “spreading political viruses”, “hallucination of sinophobia” as well as underlined that “blaming others will not make America great again” (Uznanska, Fila 2020). On the other hand, the US Ambassador to Poland Mosbacher argued that Beijing is mostly “focused on its own political survival rather than helping the Chinese people” (Uznanska, Fila 2020).

The Chinese Twitter diplomacy and its controversies should not be underestimated as they are closely observed by public opinion in the CEECs. As a result, Beijing and its initiatives cease to be interpreted only as neutral multilateral but are perceived as tools of building regional impact. They also show that China is very assertive about the way it projects its power (even if it is a power of narration). Throughout the years Beijing worked on its image of a country that does not interfere in the domestic affairs of third countries, promotes win-win cooperation, globalization, and sustainable cooperation. On Twitter it changes its image, portraying itself as an ambitious global power that safeguards its national interests and does not accept criticism.

3.5.5. Conclusions

In conclusion, it might become more difficult for the 17+1 format and countries engaged in the BRI to elaborate a common ground on cooperation with Beijing. This is a result of an inflaming situation between the US and China which affects the way the CEECs perceives and treats its engagement in the cooperation mechanism and initiative. In this first case scenario, the 17+1 format will become more polarized and separated, i.e. the Czech Republic and Poland could lean much more heavily towards the Western camp. And countries like Hungary and Serbia could potentially lean more to Beijing. This would lead to a deeper fragmentation of the 17+1 format but does not need to be the case.

On the other hand, the situation could potentially calm down after the US presidential elections will take place in autumn 2020. Bettering relations with China could give an extra boost to the US economy which

² The following statement is based on participatory observation in the above-mentioned Twitter diplomatic spat.

is currently heavily affected by the pandemic. In this second case scenario, the 17+1 format could become less polarized on their stance towards Beijing and Washington as the CEECs would be less pushed to take strategic and geopolitical decisions. In this variation more CEECs could benefit from the position of “wait and see”, without the need to choose between the US and China.

However, due to the pending pressure from Washington and Beijing regarding the 5G dilemma, the answers towards the general framework of cooperating with China are not homogenous. For instance, some of the CEECs seem to vote in favor of deepening relations with China in the sector of connectivity and infrastructural development i.e. railway connections and logistical investments. As a result, the CEECs would try to expand their economic ties with China promoting a business type of a relation (ETNC 2020).

Simultaneously, the same countries are also voting in favor of limiting relations in the framework of critical infrastructure, i.e. 5G. In consequence, Beijing will need to take into consideration that it has low chances of exercising its political influences within the CEECs EU member states as well as selling its 5G equipment. Shortly, also Chinese applications such as TikTok might potentially face restrictions from the CEE/EU countries if the West will follow the example of India. One thing is certain, the consciousness of threats regarding the digital world is constantly deepening and policymakers are pressured to make decisions about their implementation concerning national security challenges.

Taking clear-cut decisions seem to be risky these days. Thus, it seems that many CEECs are trying to maintain a position of *wait and see*, trying to practice waving around Beijing, Brussels, and Washington. In many cases, the CEECs political elites are buying time, observing the turn of events, and keeping a close eye on their neighbors.

3.6. Challenges to Cooperation between China and its Central and Eastern European Partners

The 17+1 China-CEEC Platform has reached its 18 years of existence. Conceived in 2011-2012 as a relatively modest Chinese multilateral initiative for development of the relationship between China and the CEE countries, the 17+1 has gradually evolved by 2020 in an ambitious China-driven cooperation platform with the countries of the Central and Eastern European region, covering a wide spectrum of areas (foreign trade and investment, finance, infrastructure development, industrial capacity building, agriculture, forestry, health, environmental protection to culture, education, science, cooperation at a level of regions and municipalities, to name a few). 17+1 summits (at the level of heads of government), with nine such summits held so far in China and eight in CEE countries have been the ultimate decision-making platform. The adopted summit documents during the 17+1 leaders' summits (in the form of guidelines, declarations, agendas) have served as necessary policy tools for structuring 17+1 modes/mechanisms and areas of cooperation.

There are several strategic challenges to the 17+1 Format, which have become more acute in the wake of the ongoing pandemic.

Structural/Institutional Challenges

The 17+1 will remain a cooperation platform and will not turn into an institutionalized form of the international organization. However, even in its current organizational format it has sought to develop some features of loose institutionalization. 17+1 Format got structured alongside associations/centers of sectoral cooperation. Associations constitute mechanisms for policy coordination in respective cooperation sectors. However, further study is required on the effectiveness of sectoral associations in 17+1 policy-making. So far, 17+1 Format has developed as an event-based initiative (an increasing number of high-level conferences and meetings have been hosted in the countries participating in the 17+1 platform). It is questionable to what extent such mechanisms and such format of policy coordination

bring necessary coherence to the 17+1 Format. Perhaps, the format of sectoral dialogues on a number of priority areas of cooperation could be experimented with, to be emulated from EU-China strategic cooperation.

An Institutional Reform of the Observer Status

Third parties with an interest in the 17+1 Format deliberations and outcomes have attended the leaders' summits as 'invited guests' (these include countries from the post-Soviet space and the European countries – Austria and Switzerland, with a particular economic presence in the CEE region). For instance, Greece, before becoming a full member, participated in the 16+1 summits as "invited guest". In view of possible further geographical expansion of the 17+1 Format, institutional reform of observer status (including modalities of engagement with third state partners to the initiative) will become inevitable. This will also include regulation of the observer status of the invited EU institutions (e.g. the EU Commission, the European Investment Bank, etc.)

The Challenge of Heterogeneity (lack of common purpose of the 17+1 Format)

16/17+1 Format was envisaged to promote multilateral cooperation projects under China's leadership in Central and Eastern Europe (most notably to promote regional connectivity through joint building, for instance, of transborder transport infrastructure). But, in practice, Beijing seeks to utilize the 17+1 Format as a diplomatic track for strengthening its bilateral relations with individual CEE countries. In turn, CEE countries have chosen to host a 16/17+1 leaders' summit utilize the multilateral forum to boost their bilateral ties with Beijing. To a greater extent, the participating CEE countries in the 17+1 Format individually compete for Beijing's attention and investment (often pursuing their national interest at the expense of other partners in the initiative). Thus, the multilateral dimension of 17+1 Format has been missing.

The geo-economic challenge

Despite the increase of trade volumes between China and individual CEE countries, all of them run substantial trade deficits with Beijing. There are growing voices in the EU that despite declarative openness of the Chinese market to investments from European companies (including from the CEE region), China pursues a policy of selective protectionism. Chinese investments in the CEE region are uneven (and differ widely from country to country). In addition, most of the EU-China trade happens in the bigger markets of Western Europe.

In the Brussels perspective, the economic exchange between China and the CEE countries has resulted in an asymmetrical relationship (of unequal economic interdependence) which may be used by China to exert growing political and strategic influence of the region of CEE. This view was heightened by Chinese coronavirus diplomacy in the CEE region and beyond.

Future Chinese investment under the 17+1 Format is expected to be impacted by the finalization of the EU-China Bilateral Investment Comprehensive Agreement (one of the key policy tools in the future EU-China economic relations). Brussels will seek resolution of the issues of market reciprocity (including access to restricted market sectors) and agreement on a regulatory framework for operation state-owned companies (including avoidance of non-transparent subsidy regime and administrative backing). In view of that, the EU Commission has produced a white paper articulating measures to protect EU internal market from subsidized products originating from the Member States and from third states foreign companies. The strategic document also aims at placing tougher checks on foreign takeovers.

External Geopolitical Challenges

It is expected that the emerging geopolitical and geo-economic triangle China-EU-US will have a serious impact on the development of the 17+1 Format. In a global, increasing hostile trading and investment environment, the EU is moving towards developing “strategic autonomy” from China and the US in an effort to articulate and defend its economic interest.

Brussels' emerging policy on China greatly impacts the 17+1 dynamics and future prospects. In the formation of an EU strategic culture, China has been placed in the category of both a strategic partner and an economic competitor. Brussels has opposed the 16/17+1 initiative from its inception and accused China of working against EU unity. The EU Think Tank community, alongside leading European political leaders and public officials, have voiced their concerns over the Chinese economic expansion in Europe (which has materialized in taking over/buying out of some European critical industrial and technological assets). Beijing's state-owned companies have also been investing in critical EU sectors – transport and energy infrastructure. This, in Brussels terms, has undermined the Union's economic and technological sovereignty. As a way of countering Chinese economic activities on the Single European Market, the European Commission has pushed through the adoption of an FDI investment screening regime (quite controversial and hostile from a Chinese point of view) aimed at curbing Chinese takeovers of critical infrastructure and cutting-edge technology companies. Simultaneously, Brussels continues to question the environmental and economic sustainability of Chinese investments in the CEE countries which are part of the 17+1 Format, asking that they comply with EU procurement law.

China has responded by placing the 17+1 v firmly within the EU-China strategic partnership (seeking synergies with the EU-China 2020 Strategic Agenda, EU Connectivity Platform, European Investment Plan). It has reiterated its readiness to operate on the European single market in line with the EU regulations and laws. Beijing has repeatedly sought to engage the EU Commission as a third-party partner in the 17+1 Format. So far, the discussion of the 17+1 Format has been excluded from the EU-China summits agenda. China's argument is that, as long as the projects implemented under the 17+1 platform help narrow the economic gaps between Western and Eastern parts of the EU and are in line with the EU cohesion policy goals, then they should be welcomed and not opposed by Brussels.

The Trump administration's course of deepening geo-economic and geopolitical confrontation with China may to some extent affect the future of the 17+1 Format as well. The majority of the CEE countries may be pressured by Washington to reassess their relations with Beijing. Most of them are intertwined with the US via the NATO security framework and bilateral defense agreements.

The EU and China's conflicting interests in the Western Balkans

Brussels has also been worried about the Chinese growing Chinese influence in the Western Balkans, which it considers an integral part of the Union's common political and economic space. The EU integration of the region has been set as an ultimate strategic goal as a way of countering external influences (presumably Chinese and Russian and to a certain extent Turkish ones).

Geopolitical Challenge to Further 17+1 Enlargement

With the inclusion of Greece, the 17+1 Format has gone beyond its designed geographical scope of the Central and Eastern European region. At a certain point, the issue of further enlargement of 17+1 Format will be brought to the agenda of the China-CEEC summits. The countries such as Belarus, Ukraine, Moldova, Armenia, Georgia, and Azerbaijan show a particular interest in joining the initiative. These countries also enjoy a productive and promising relationship with China. This geographical area has been a battleground between the Russian Federation (via the Eurasian Union) and the EU (via the Eastern Partnership initiative). While Moscow still defines the region in geopolitical terms as a "post-Soviet space", the EU seeks to geopolitically rebrand the region, making it a part of the Eastern Europe (working for an inclusion of this set of countries in the common EU political and economic space via association and partnership agreements).

The global pandemic is both a challenge and opportunity for the development of the EU-China strategic relationship and China-CEECs relations within the 17+1 cooperation platform.

It poses a challenge because it tests the level of trust and the spirit of cooperation between Europe and China at critical times of the world's development.

Countries have retreated inwards, enacted unilateral travel and trade restrictions, and sought to protect their citizens and territory in a way not seen in modern history. As a result, regional and global production and supply chains have been disrupted. Trade wars have also intensified. The survivability of economic globalization in its current forms and modes of connectivity has been questioned. This also includes re-assessment of the extent to which the current pandemic will impact China's BRI (based on global connectivity and shared development).

It represents an opportunity because the current global challenges (security, humanitarian, health-related, economic, etc.) can be tackled successfully only through cooperation and balance of mutual interests.

The EU and China (both through the EU-China strategic framework and through the 17+1 China-CEECs format) can work together in addressing the humanitarian and socio-economic consequences of the SARS-CoV-2 pandemic. The EU and China can work to develop new multilateral health security mechanisms on how to collectively manage, mitigate and respond to global pandemics (including public health emergencies of global scope). Governments (Health Authorities, national centers for disease control) in the 17+1 Format could initiate cooperation on health and biological security issues (to complement the technical World Health Organization (WHO) activities and regulations). The International Health Regulations regime needs to be reformed and strengthened in the context in the current strategic challenges.

3.7. China and the Black Sea – Eastern Mediterranean Sea Perspective

China's development of a Maritime Belt and Southern Silk Road will require it to adopt a Black Sea-Mediterranean Sea perspective on development. The two regions are a complex system with a challenging security environment (both natural and man-made), rising tensions and deficiencies in the institutional security architecture which allows actors to pursue revisionist interests that may lead to conflict. At the same time, the region is an invaluable source of diversification of trade for China and its BRI, with significant commercial and energy potential, as well as valuable markets and investment opportunities. President Vladimir Putin has already spoken of a Caspian Sea – Black Sea – Eastern Mediterranean axis which circumscribes Russia's efforts in this region of strategic importance.

Its variety of peoples, cultures, and governance the arrangement, as well as the presence of several civilizational fault lines and simmering conflicts, make this region an important source of disorder for Eurasia and a locus for conflict which draws in disparate actors. The region acts as a vector for risks, channeling them from its Levantine core to Europe, to North Africa, and to Central Asia, as evidenced by the spread of radical Islamic groups in the wake of the so-called Islamic State.

A perspective that is only focused on the Black Sea or on the Eastern Mediterranean does not suffice to encompass the possibilities opened up by the extreme mutability of the region. In the last months, we have seen higher levels of engagement on the part of multiple actors, including European ones, in the Libyan Civil War, an attempt on the part of Turkey to redraw exclusive economic zones that attracted Greece into the fray, and a growing possibility of conflict over potential energy resources around Cyprus. Given the importance of the Suez Canal trade for the BRI, as well as the growing role of the Black Sea in China's trade with the CEE region, through the Romanian port of Constanța, China should carefully monitor the intricacies of regional conflicts and maneuverings, such as the growing partnership between Greece and Israel on energy issues.

Ultimately, as will also be evidenced in section 4.2, of this report, the area presents unique challenges and opportunities, such as:

- Variable, insufficient, and decaying infrastructure in many places;
- The persistence of conflict, either high or low intensity;
- The need for actual systemic reconstruction in places like Syria and Libya;
- Adverse dynamics, such as population growth outstripping economic growth, or water, food and energy insecurity;
- The large-scale presence of foreign actors and their proxies pursuing “winner-takes-it-all” regional strategies that prolong conflicts, prevent settlement, and are amenable to tactical disruptions in a fragile peace;
- An intense need for investment to tap into significantly underutilized resources, such as workers or agricultural potential.

The area features significant opportunities for development, both through the 17+1 Format (the presence of Greece and of other members) and future multilateral cooperation and coordination initiatives (such as a 17+1 Format for the Adriatic region) and through bilateral partnerships such as the one between China and Israel. This particular relationship surpasses the regional trend of energy, industry and agriculture, and encompasses a high tech and intellectual property trade, which has also come to the attention of the United States as a source of irritation and anxiety (Efron et al., 2019).

3.8. The Middle East – a Linchpin between the Belt and Road Initiative and 17+1 Format

The traditional Silk Road was the first economic corridor that established commercial and trade connections between China and the contemporary Middle East. The essential idea behind economic corridors is to enhance economic cooperation and connect markets across regions.

According to Dorsey (2019), China's Maritime Silk Road and the "string of pearls" – a phrase acknowledged by defense consultancy Booz Allen Hamilton in 2004 in a report to US Secretary of Defense Donald H. Rumsfeld – (Macdonald et al., 2004), consists of ports across the Indian Ocean and the Arabian Sea marking half the maritime transports of petroleum.

Currently, the Chinese-funded transportation links connecting China to the Atlantic coast of Europe coupled with the ports stretching from the South China Sea along the Indian Ocean and the Arabian Sea into the Mediterranean are basically reconfiguring Eurasia. In the wake of the US brake on globalization patterns and the West showing financial fatigue, China can bring in new ideas for connectivity, the most important being its BRI with its various dimensions across regions. This part of the analysis focuses on the broader Middle East, a theme which is continued in section 5.1 on the synergies between the Middle East and the 17+1 platform.

The Eurasian-centered world can be interpreted, according to Dorsey (2019) as a 21st century recreation of the Great Game between Powers of the 19th century. It features China, the United States, Russia, India, Japan, and Europe in the playground of power struggles. In addition to these players, we have intertwined Middle Eastern rivals, Saudi Arabia, and Iran (as key players in the Eurasian plan), and Israel and Turkey, as the non-Arab Middle Eastern States with regional influence. The competition between powers ultimately regards the future architecture of Eurasia's energy landscape, oil and gas market shares, and key positioning as transportation hubs.

The stakes for the United States and China are the highest, given their economic power. For other players, such as those from Europe, as well as Russia, and Japan, the efforts are channeled in guaranteeing that they remain influential during the game.

China's financial and commercial power gives it a significant advantage in both economic and geopolitical projects. However, caution should be exercised in such a project. A Financial Times study (Financial Times, 2018)

concluded that 78 countries targeted for project development are among the world's riskiest economies (developing countries at best), according to Moody ratings. According to the same study, there were reports that the Chinese engineering and construction companies were almost four times stronger than their non-Chinese competitors that scored much lower. The government decided to exercise caution as such were worries about the fiscal impact that Chinese-backed mega projects also had on their host countries. Setbacks took place in Sri Lanka, the Maldives requested debt relief, projects were cancelled in Malaysia and Myanmar and the ongoing crisis in Venezuela affects regional investment. President Xi expressed support for flexibility with China's debtors in the name of debt sustainability, despite clashes with the goal of domestic financial sustainability. However, despite problems in other parts of the world and the troubled waters of the Middle East, the BRI can enable good opportunities for the extended region lying between Europe and Asia, connecting Africa. This influential positioning of the Middle East attaches it an added value in the broader framework of the BRI, being considered the backbone of the platform from where the projects are moving further towards Europe and Africa.

China intends to present its strategic arrival as a global player that is non-threatening, presenting a sum of opportunities to the developing world. China should garner efforts to affirm itself away from neo-colonialism and hegemonic thoughts, because the states directly interested by the BRI are particularly attracted by China's politics of non-intervention. For the low-income and developing economies in the BRI atlas – which stretch from Southeast Asia to South and Central Asia; to the Middle East and Africa; and to Eastern and Central Europe – China's focus on hard infrastructure was welcome given the turn away from such projects by the multilateral development banks and Western state and non-state donors, and the fact that Chinese projects did not come attached with the typical conditionality of the development banks. BRI is meant to create a mechanism that would facilitate China's global economic footprint expanding beyond trade and direct investment, to international finance and global rules- and norm-setting. China is to create hard infrastructure abroad in a way that helps creating new market demand for heavy industries in China (Gordon et al., 2020), symbolizing its outward strategy.

China's global economic power has facilitated the extension of wide links across Asia – from Central Asia to West Asia and could continue to enhance them through the proposed synergy between the extended Middle East and Central-Eastern Europe.

3.8.1. Opportunities

The growing economic ties between China and the Middle East are meant to be mutually beneficial. For example, in terms of connectivity, the China-Pakistan Economic Corridor, as part of the Belt and Road Initiative, could shorten access to China, Pakistan, and the Middle Eastern markets, given that the Gwadar Port (on the Arabian Sea in Pakistan) shares geographical proximity with the Saudi, Qatari, UAE, and Omani ports (Hussain, 2020). This translates into averting chokepoints and obstacles for navigation in the South China Sea and cheaper routes for energy supplies. Moreover, economic interdependence is likely to attenuate political tensions, ensure sustainable development and result in economic partnerships across the regions.

As such, the important countries in the Middle East for the BRI strategy are Bahrain, Oman, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Palestine, Syria, the United Arab Emirates (UAE), and Yemen (Pencea, 2017). Figure 13 provides details on how China classifies its relationships with the main Gulf region states.



Figure 13: *China's Foreign Relations in the Gulf region* (Source: Peter Wood, public)

Most of the important dots on the map of BRI are chosen exactly for the reason of strong connectivity to Europe, the important market for Chinese goods and transfer of know-how. Thus, we highlight the importance of Egypt (increasingly important with the discovery of oil and gas in the Eastern Mediterranean), Dubai of the UAE – as aviation and maritime hub and the port of Haifa in Israel for the same reasons as Egypt. Israel, which is considered already the most diversified economy of the Middle East, exports over 40 percent of its output to Asia (13 percent to China) and draws around 50 percent of its imports from Asia (12 percent from China) (Evron, 2018). In addition, China enjoys good relations with Turkey, a country at the gates of Europe which offers logistical advantages. Most likely, the Middle East could also connect with those countries gathered under the 17+1 Format, since both are regions undergoing development.

First, the extended Middle East region presents potential by the size of the region's population which amounts currently to over 400 million people, mainly young, with a lot of demands for employment opportunities. The market potential is there and, to a certain extent, also the human resources. Yet, the region needs external help in order to develop. It is Asia's economic dynamic which will drive global growth for the near future, and it will be these countries' enterprises that can ensure investment and development plans in the Middle East and the wider Arab region (Ehteshami et al., 2017). For the Middle East as a whole, the BRI represents an economic safeguard – a needed help for trade and investments, which will prompt growth and fill employment gaps. For the oil states mainly, but also to Israel and Turkey, the BRI offers the opportunity to strengthen their bilateral cooperation in China and wider Asia, in order to diversify economic activity. If one couple the Middle East's advantageous position with the 17+1 platform, it increases the stakes and gains for the BRI itself.

In addition, the BRI can better connect its Middle East plans with the projects already enabled on the African continent. It could serve the goals of the Exim Bank of China in establishing railway systems connecting Addis Ababa to Djibouti and Central Africa.

Through BRI in the Middle East, China aims for energy security, integrated transport network, more trade, and investment with Middle Eastern countries, together with the promotion of the Chinese currency in preference to the dollar (ESCAP, 2017; Kamel, 2018). Thus, we could even be witnesses of a paradigm change in the hard currencies underlying global trade and other transactions.

There are estimates that, by 2030, Beijing is expected to meet 70 percent of its energy needs from this region (currently at 60%) (Hussain, 2020). Under these circumstances, the aforementioned China-Pakistan corridor works as a connector for trans-regional connectivity at a comparatively lower cost and reduced timeframe (Hussain, 2017), because of the challenges in navigation, especially in the South China Sea. Hence, the construction of this BRI corridor would shorten the distance between China and the Middle Eastern countries and ensure oil supply at a reduced price.

On the other hand, there are cultural and social differences between China and the Middle East and North Africa, but the engagement of China in developing a sustainable relationship with the region prevails – especially with Saudi Arabia and Iran, noting their prominence at the regional level, avoiding rivalries (not only with Saudi Arabia-Iran but also with Israel-Arab world).

3.8.2. Challenges

The aforementioned prospects for economic cooperation are not spared by certain geopolitical challenges that took over the extended Middle East. Hereby, one could mention (civil) wars, terrorism, economic meltdown, political instability, and social unrest. The persistence of the Syrian long civil war has prevented much of the foreign investment in that specific part of the region. Moreover, the Israel-Palestine conflict has hindered economic growth within the Arab world. The Yemen crisis, too, has damaged a frail line of integration and regional economic cooperation, creating breaches in the Gulf area. Egypt and Iraq have known already several years of political and social unrest. Iraq is ground zero for the recent stand-off between Iran and the US in the wake of the killing of Iranian commander, Qasem Soleimani, in an American drone attack (January 2020). Fortunately, however, rational calculations on both sides prevented an all-out war. However, the risks are there and the current situation was aggravated by the losses with the lockdown created by the SARS-CoV-2 pandemic. China remains endowed with the means to plead for peace and regional stability in the Middle East, without involving itself too much in the regional conflicts, while, for example, the Iran-US rivalry is grounded in four decades of mistrust.

Overall, there is a rebalancing strategy taking place worldwide and being played out in the Middle Eastern arena. According to Dorsey (2019), Chinese military interest stems from the fact that Central Asia is a key buffer zone between Xinjiang and the Middle East wracked by conflict and volatile

political transitions and has to consolidate presence there in order to avoid chaos. The Chinese bases would however, potentially challenge a Russian-Chinese arrangement that engaged China into economic development in Central Asia without threatening the Russian military and security dominance of the region and, in exchange, China is not averting to Russia's extension in Syria. In a reverse scenario, matters could get worse and disturb China's strategic policy for ensuring a tranquil vicinity.

In the meantime, Iranian scholar Hamidreza Azizi (2016) argues that Russian efforts to have a significant stake in sectors of the Central Asian economy, including energy and transportation, bring Russia and Iran at odds in their competition to be the key nodes that deliver oil and gas to Europe. Russia has certainly benefited from diminished US interest in the Middle East, as, in the absence of active America, Russia can easily appear as a power broker in the Middle East.

In this entanglement of powers, we acknowledge the shift of the contemporary Middle East out of being a US-centric space. Europe can respond in several ways: proceed with its largely ad-hoc, crisis-driven policies of recent years that present no continuity; allow only a French-German involvement in the peace process for Syria; or craft a more coherent policy towards the region. In the absence of a plan for the region as Russia and China envisage for strategic needs, Europe will feel the repercussions of radicalism, refugees, terrorism, xenophobia, and populism.

Notwithstanding such provocations, which are important for other stakeholders too, the geo-economically oriented BRI can serve as a catalyst for realizing (economic) cooperation by generating stakes for a variety of regional rivals. For instance, China cooperates equally with Saudi Arabia and Iran, Israeli and Arab partners, and this model could be applied in synergy with the 17+1 Format. Multilateral policies can be encouraged (Hussain, 2020) and should continue to be an emblem for BRI. Moreover, it ought to project the BRI as means to develop trans-regional trade and commercial incentives for the (non-) BRI world so that they would choose stability over war and conflict. Pakistan, one of the prior BRI nodes, can also play a crucial role through the China-Pakistan corridor to other South Asian and Gulf countries especially India, Afghanistan, and Iran as an economic opportunity window, with the potential to generate cooperation and trust, which is much needed in this area. The complex relations emerging in South Asia following the launch of the BRI represents a complex geostrategic puzzle, which locks into a fluid relationship between Asia's two giant powers and potential rivals – China and India and the regional/middle powers. On

the other hand, the dangers of beneficial China-Pakistan relations pushing India to cultivate economic and security links with Iran (one of China's strategic partners in the Middle East) can destabilize the Central, South, and West Asian region and can spur mistrust into Indian-Chinese relations (Ruff, 2017).

In terms of geo-economic shifts, in a post-globalized world, one could witness new patterns of cooperation in the Middle East, with a more Asian / Eastern inclination, while the Persian Gulf has emerged as the most Asian-inclined part of this region, followed by Israel and Turkey. There are new clusters of connectivity – BRI included – pushing Asian borders closer for a new wave of globalized trade and regionalization. These are the new boundaries of globalization. Asia's regional systems are now increasingly interactive and the BRI is going to accelerate the interaction between these states, as it pushes regions towards a process of integration. However, there are discrepancies that persist in Asia (in terms of GDP and population size, economic sophistication, economic capacity, and convenience to access to raw materials) that will likely affect the flux of globalization. The relationships which have emerged are a product of modern industrialization, they converge from the commercial fluxes and they are dictated by the energy consumption of India and East Asia (ECSSR, 2008). In this cycle of global transition, the Persian Gulf oil puts the industrial engine in motion in Asia.

3.8.3. Prospects

Beijing is increasingly searching for stable sources of energy to power its growing economy. This has meant that China's relations with resource-rich Persian Gulf states have been intensified, while Beijing has become more pragmatic in its approach to the region. (Wakefield, 2011, p. 2). The bilateral economic relationship has known a boost since the 1990s (Janardhan, 2011) and energy represents a salient aspect of the strategy (Liao, 2015). Energy partnerships became particularly significant when demand for imported oil from the US and EU plateaued into the 2000s (Horesh, 2016). Thus, "between 2000 and 2014, Sino-Middle East trade volume increased 17-fold from \$18 billion to \$312 billion". It was the year 2010 when China replaced the US as the region's largest trading partner. Bilateral economic ties are still defined by China's enormous energy demands, so that Beijing has ensured its supply by signing bilateral memoranda of understanding (MoUs) with all major crude oil supplying countries in the region. The MoUs come accompanied by

different business arrangements accompanying the oil sector (Hornschild, 2016, p. 1). The Middle East becomes self-evidently an important platform in the BRI for its oil and gas reserves. Looking at the other perspective, South and East Asia are the economic powerhouses which keep the oil in the tanks for globalization (Chu, 2017). Moreover, China is looking to gain new places of influence, while the Middle East is comprised of important spheres of influence. So, it does not come as a surprise that China raised the status of the Middle East in its diplomatic thinking (Jiadong, 2016, p. 25) and the region is having a more prominent status in China's foreign relations (Quero, 2017).

An Eastward drift is possible for the Middle East. When it comes to Middle Eastern countries that have flexible and/or limited ties with the West – like Egypt, Iran, Israel, Turkey – enhanced relations with China, and the other Asian powers, become an attractive possibility in the current context. Even those with powerful Western connections – Kuwait, Qatar, Saudi Arabia, and the UAE have increasingly considered going Eastward. The BRI's maritime, energy and transport corridors will automatically enhance China's presence and ties with Middle Eastern states. Concomitantly, the same process will also encourage broader regional cooperation, if not integration, as interdependencies along the Belt and Road Initiative are inevitable in this grand connectivity plan. Lasting relations will be a significant change for the region, as the Middle Eastern alliances are momentary, driven by short-term interests (Fawcett, 2016).

The prospects of China doubling its investments in the Arab region to \$60 billion by 2023 provides a concrete incentive for the involvement of countries in the BRI, boosting the chances for cooperation, as the Middle Eastern countries are pursuing for infusions of capital, technology transfers, and goods and services from China (Ehteshami, 2018). President Xi Jinping's call for raising Arab-Chinese trade from \$240 billion in 2014 to almost triple (\$600 billion) in ten years highlights the seriousness of the plan for the Arab region. China clearly stated its aims for a win-win partnership with the region, coordinating different strategies with Arab states, notably in the fields of production capacity, infrastructure construction, trade and investment facilitation, nuclear power, space exploitation, new energy, agriculture, and finance (Xinhua, 2016).

The comprehensive strategic partnership between China and Iran was first proposed by President Xi Jinping of China during a visit to Iran where he met his Iranian counterpart, Hassan Rouhani, in 2016. Iran fully understands the implications of China's swift rise as a global power. China,

meanwhile, understands that Iran is a major regional power situated at the crossroads of the Middle East and Central Asia – an important area to the Belt and Road Initiative. This 25-year partnership – which has political, economic, and security dimensions – and the negotiations around it have important economic and geopolitical implications. Based on this agreement, Iran could receive almost \$400 billion in Chinese investment over the next quarter of a century. The investment and security pact would vastly extend China's influence in the Middle East, throwing Iran an economic salvation and creating new breaking points with the United States. The sanctions regime envisioned by the US and the application of constant pressure to coerce the Iranian leadership into its preferred policies are undermined, in effectiveness, by the deepening ties with China through channels which the US and its allies cannot easily disrupt (Asian land routes etc.) (Caba-Maria and Muşetescu, 2020).

China-GCC economic relations are consistent and increasingly diversified, based largely on trade, but increasingly significant when it comes to investment and finance as well (Fulton, 2019). China-GCC relations have developed in a manner consistent with the five BRI cooperation priorities of policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bonds (UNDP, 2020). In the initial list of BRI economic corridors announced in 2015, the Arabian Peninsula was overlooked. Since then, Chinese and Gulf leaders have emphasized the BRI as an important element for bilateral relations. The strategic importance that Chinese leaders attached to the Persian Gulf and Arabian Peninsula is made obvious because it goes beyond strict development projects, and underlines intra-regional connectivity (Fulton, 2019). In this sense, the Ministers' Meeting of the China-Arab States Cooperation Forum in Beijing, announced the "Industrial Park — Port Interconnection, Two-Wheel and Two-Wing Approach" strategy meaning that Chinese-built industrial parks will be arranged in key GCC cities with regional ports, creating a regional network and establishing a hub that links other maritime silk route regions such as South Asia and East Africa (Fulton, 2019). On the other hand, the Gulf monarchies have their own reasons (the need for economic diversification, looking to commerce with Asia, decline in the oil price to name a few) to accelerate the processes related to BRI. Including in the most recent global crisis (whose effects are yet to be assessed) generated by the pandemic, the leading Gulf Cooperation Council States were interested in obtaining answers via China that could enable them to swiftly re-engage economic activity (Al Monitor, 2020).

3.8.4. Conclusions

The BRI can transform the Middle East's and the extended region's economy by enabling strong networks across Asia, Europe, and Africa. The Middle East is pivotally located in the middle of the Eurasian landmass, which can connect both ways – to Africa and Asia. As such, the Middle East can play a key role in the BRI framework. After the recession of 2008, the nations in the Middle East have reoriented themselves to economic diversification and growth (Fardoust, 2016), but unfortunately, it was hindered by political instability. The BRI could help the Middle East economies in their goals, especially given a re-structuring of priorities in the region. Since China announced the BRI in 2013, the Middle Eastern states – notably in the Persian Gulf region and in Israel and Turkey – have regarded it as a potential driver in order to enhance bilateral cooperation needed for economic flourishing. BRI induces trans-regional synergies that differ from traditional globalized commerce. Cross-country synergy could be factor-driven, efficiency-driven, technology-driven, or wealth driven (Namaki, 2017).

At the outset, China has heavily invested in the energy sector – crucial to its demands, both in traditional and renewable energy. China plans to focus on three areas of cooperation with the Arab countries (Al Fazari & Teng, 2019). First, comes the energy sector – a key driver for the industry of China. The second area is infrastructure construction and trade and investment facilities. The third area is in the field of more sophisticated industries, such as nuclear energy, space satellite, and renewable energy – the amount for each industry could be read in Figure 14. In time, we may observe the extension of the BRI and its Middle East infrastructure system towards North Africa, providing further opportunities for integration and synergistic development.

Ultimately, the correlated boost of commercial activity with the GCC, which has more financial resources than other regions in the Middle East can effectively protect China's political and economic interests in the Middle East³ (Caba-Maria, 2019). One should note that Saudi Arabia, Kuwait, and Qatar are also the core members of the OPEC. Thus, upgrading relations with this specific part of the Middle East will boost China's influence in the

³ Also argued by the authors during participation in the 5th China and The Middle East and North Africa Conference on May 17 and 18, 2019, organized by the Institute of Global Studies of the University of Shanghai.

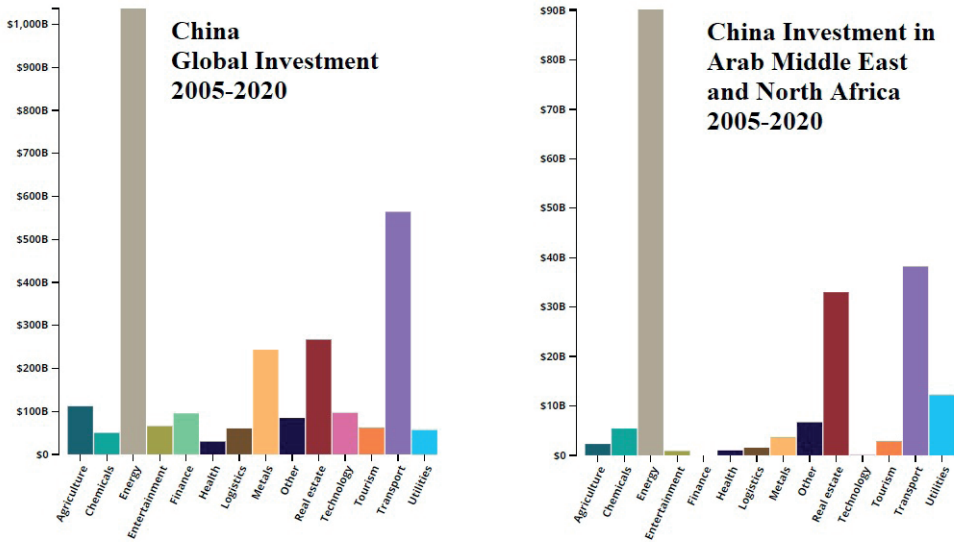


Figure 14: China's trade with the World (left) and the Arab Middle East and North Africa (right) (Source: aei.org)

international energy system and enable new strategies for ensuring energy security. If a free trade zone with China is implemented in the GCC (Qian and Fulton, 2017), China may combine Shanghai Cooperation Organization goals and free trade ambitions, underscoring that geo-economic interests that are at stake in the BRI (Dorsey, 2019).

It becomes clear that BRI is not only about the economy – it can increase receptiveness to the influence of public diplomacy. In recent attempts to gain soft power, China increased financial support for humanitarian aid and relief in the Middle East (Zambelis, 2015), with the most recent proof during the pandemic.

Overall, China maintains a balancing act in Eurasia. One could notice in this sense that China upgraded its cooperation with Iran to a strategic status – noting Iran's connectivity power to Central and South Asia, while avoiding troubles with Israel and Saudi Arabia for that reason and keep at bay tensions with other players, such as the Russian Federation and the European Union. In addition, BRI could provide us with answers about connectivity models, hereby offering a model to European countries when dealing with the Middle East (necessitating the rethinking of strategies generated within the European Union). Beyond an enormous financial capital meant to boost economic development, BRI carries relational benefits

that could help generate the stability needed in a much-troubled region like the Middle East. It is not only the impetus for the economy that matters but also the possible implications for security and multilateral diplomacy.

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Part III:
Towards a Belt and Road
Initiative 2.0 (BRI 2.0)

CHAPTER 4.

POTENTIAL PROJECTS WITH EXPANDING DIMENSIONS

4.1. The Opportunities for Sub-Regional Cooperation

Macro-regional cooperation is a new form of European governance (Ganzle and Kern, 2015) focusing on areas which incorporate (wholly or partially) the territories of multiple countries framed around common challenges and features, common identities, historical or cultural commonalities, as a discursive underpinning of functional cooperation and territorial cohesion in areas such as transport, infrastructure, and environmental policy.

Macro-regions are a new take on the sub-regional cooperation in the EU. They impact the governance architecture of the area, encompassing the relationship of national, regional and local actors, and may also develop into an intermediate layer of governance between the EU, Member States and Partner Countries.

The EU has claimed that its Strategies for the Baltic Sea and the Danube Macro-regions will not be characterized by the establishment of new institutions, legislation, and funding (the three 'No's'), but the strategies will influence existing institutions, the implementation of EU legislation and will require the alignment of projects funded through the EU Structural Funds. In essence, to an outside observer, the macro-regional strategies are a roadmap for how the EU will reorganize its existing activities to highlight key priorities.

The first Macro-regional Strategy was for the Baltic Region and the next one for the Danube. Since then, there have been proposals for new strategies (see figure 15), mostly centered around the already developed Member States and privileged partners, with varying levels of advancement:

- An EU Strategy for the Ionian-Adriatic Region (EUSAIR) (2014);
- An EU Strategy for the Alpine Region (EUSAR) (2015);
- An EU Strategy for the North Sea Region (proposed);
- And an EU Strategy for the Carpathian Region (which is the only one to be almost exclusive to developing Eastern EU members) (proposed).



Figure 15: *The European Union Macro-regional strategies, existing and proposed (Source: Ganzle and Kern, 2015)*

It is useful for China to understand the philosophy and practice of macro-regions at the level of EU governance, on the basis of existing literature in the field and other assessments.

Firstly, macro-regional strategies filled a need within the EU because of:

- The objectives underlined by the Treaty of Lisbon (Art. 174) to achieve territorial cohesion, pursue social and economic cohesion, required the

mainstreaming of the territorial dimension in future EU policy-making and implementation;

- The still extant economic and social crises in Europe demand a new model for allocating the scarce resources of the EU to maximum effect, thereby shoring up the EU's perceived usefulness and mitigate centrifugal tendencies;
- The waves of accession to the EU have increased the body's heterogeneity, diversifying the needs and the policies required for the development and convergence. Macro-regions are a way for the EU to "think smaller". A more extreme version of this attitude is evident in the multi-speed Europe debate that has proven controversial;
- The EU heterogeneity at socio-economic levels demands new ways of strengthening ties between various categories of European, national and subnational stakeholders and various EU actors;
- They provide a vision for development which takes into account various commonalities for arranging synergistic groups which, because of geographical features (mountain ranges, river systems, etc.), cultural heritage and historical commonalities and existing interdependencies, would have gravitated towards each other eventually.

Secondly, macro-regional strategies potentially increase the transparency and predictability of the EU and its interactions with its near abroad by guiding policies in accordance with key elements like geography. The strategies also try to add some much-needed structure to disparate EU efforts and projects, as well as the interactions between various stakeholders.

Thirdly, the macro-regional strategies allow China to anticipate and plan its continuing engagement with certain areas of the EU, such as the CEE region in the case of the Danube Strategy and other functional EU regions. There are synergies that may be achieved by coordinating Chinese-led initiatives with other regional initiatives, through commonalities in priorities and investment schedules. Investment needs may be better identified and the amelioration of regional difficulties like multimodal transport deficiencies and coordination or governmental coordination would also heighten the impact of Chinese initiatives.

Lastly, China's efforts such as the 17+1 Format and the BRI are, in themselves, an example of macro-regional strategies. China may learn from the successes, failures, and difficulties encountered by the Danube Strategy and other macro-regional initiatives since they parallel the difficulties inherent in China's cooperation within the BRI and 16+1 framework.

These initiatives, too, require flagship projects and the designation and implementation of priority areas. Macro-regions are the result of the creation of functional regions that overlap the territories of several sovereigns, permitting subnational actors to cooperate transnationally to achieve synergies. These actors are, for instance, Chinese companies “going global” or Chinese municipalities promoting themselves and their legitimate interests in trade, research, competitiveness, etc.

Sielker (2016) argues that the current experience reveals a critical dependence on relatively strong stakeholders to maintain coherence and momentum in the cooperation and the agenda-setting. This conclusion would be of interest to China since its primordial role in its initiatives is mirrored in that of Germany in the currently operational European Macro-regions. This importance grows as the macro-region develops since more stakeholders are attracted to get involved in a successful initiative for the opportunity to engage in agenda-setting, and the intention to evoke changes in debates and in other stakeholders’ influence. While not acknowledged as such publicly, this is a dynamic that will surely become visible in the BRI and the 17+1 Format.

Ganzle and Kern (2015, p.140) argue that “macro-regional cooperation provides new political opportunities for subnational authorities and civil society. If subnational authorities establish transnational networks, for example, they can develop into constitutive elements of macro-regions. [...] Moreover, macro-regional cooperation is underwritten by a trend toward transnationalization of civil society. The Baltic Sea region for example has developed into a highly dynamic area of both cross-border cooperation and transnational networking that includes not only cities and subnational regions but also non-governmental organizations covering the whole macro-region. As macro-regional governance is not restricted to the nation-states, this requires the institutionalization of new forms of cooperation and collaboration at macro-regional scale”.

The European Commission noted that the EUSBR (but macro-regional strategies in general) “is fostering the development of new inclusive networks, as well as increased cooperation and a better division of labor for existing networks” and “provides a common reference point for the many organizations in the Baltic Sea Region” (EC, 2011).

From the BRI perspective, sub-regional cooperation based on macro-regional development initiatives fits with a need to involve a wide variety of actors in to BRI processes (municipalities, counties, provinces, civil society associations, and universities) while avoiding encumbering cooperation

between central governments with planning in too fine details, which may lead to mistakes, to waste, and to delays. The most important elements are:

- To identify the functional zones on the basis of geography, history, economic geography, infrastructure, etc.;
- To establish the proper cooperation between sovereigns that allows for sub-regional cooperation without issues of politics and perception endangering the initiative, such as the “three evils”;
- To establish the resources and the resource delivery mechanisms that can be employed;
- To establish clear mechanisms and metrics for assessing the performance of cooperation on a bilateral or multilateral basis, on a case by case basis.

The three NOs with which the EU Strategy for the Danube Region was faced were, in hindsight, mistakes, and macro-regional cooperation is not just a form of reorganization of existing efforts, it should also be a path of increased efforts, moving forward. The three NOs acted as a brake on the initiative. In an age in which the communication between governments has become much more sensitive and anxiety-inducing, sub-regional cooperation allows for the discovery of new opportunities by the direct beneficiaries and in a less geopolitically-fraught way. Of course, this does not mean that sub-regional cooperation does not often include whole countries, as long as the functional region that is defined allows for this.

The disadvantages of sub-regional cooperation are the same as in any form of international cooperation, especially those related to the heterogeneity of partners and frictions resulting from differences in culture and relative interest in different topics:

- The heterogeneity and fragmentary nature of the regional development;
- The heterogeneity of product quality;
- The usual lack of true pre-existing intra-regional cooperation;
- The possibly high disparities in wealth, with imbalances in preferred policies and projects and conflicts should less wealthy regions outweigh the wealthier ones or the other way around;
- Inadequate public support capacity for the types of projects that require public support, especially at the sub-national level. Administrations of territorial units seldom compare favourably to national authorities. Projects may not be well planned out and end up braking development rather than aiding it;
- Lack of coordination in implementation and unreliability of partners;

- The attraction of the short-term view and unrealistic expectations prevalent on the part of all actors, which may lead to diminishing interest in the long-term or stagnation of cooperation.

The BRI could consider first implementing such cooperation by encouraging an “Old Silk Road” city association, starting in China, for the purpose of smoothing cultural tourism by Chinese citizens (but also others) exploring the ancient route. This enables a natural experiment in multilateral cooperation trickling down to sub-regional cooperation between municipalities/provinces, as well as between tourism-specific industry associations. The experience gained can then be applied to other areas, such as critical infrastructure protection coordination, resource-sharing in areas of endemic natural disasters and graduating to industrial cooperation and innovation networks.

4.2. Critical Infrastructure Protection – the Key for Cooperation

Following in the vein of the prior proposal, which is an organizational one, is a more conceptual proposal stemming from a generalization of the principles and priorities outlined in the prior section. The proposal is to make Critical Infrastructure Protection (CIP) into a key argument for non-politicized cooperation between states within the BRI (Mureşan and Georgescu, 2019), a view which has been made by the authors of this section before in BRI related publications and events.

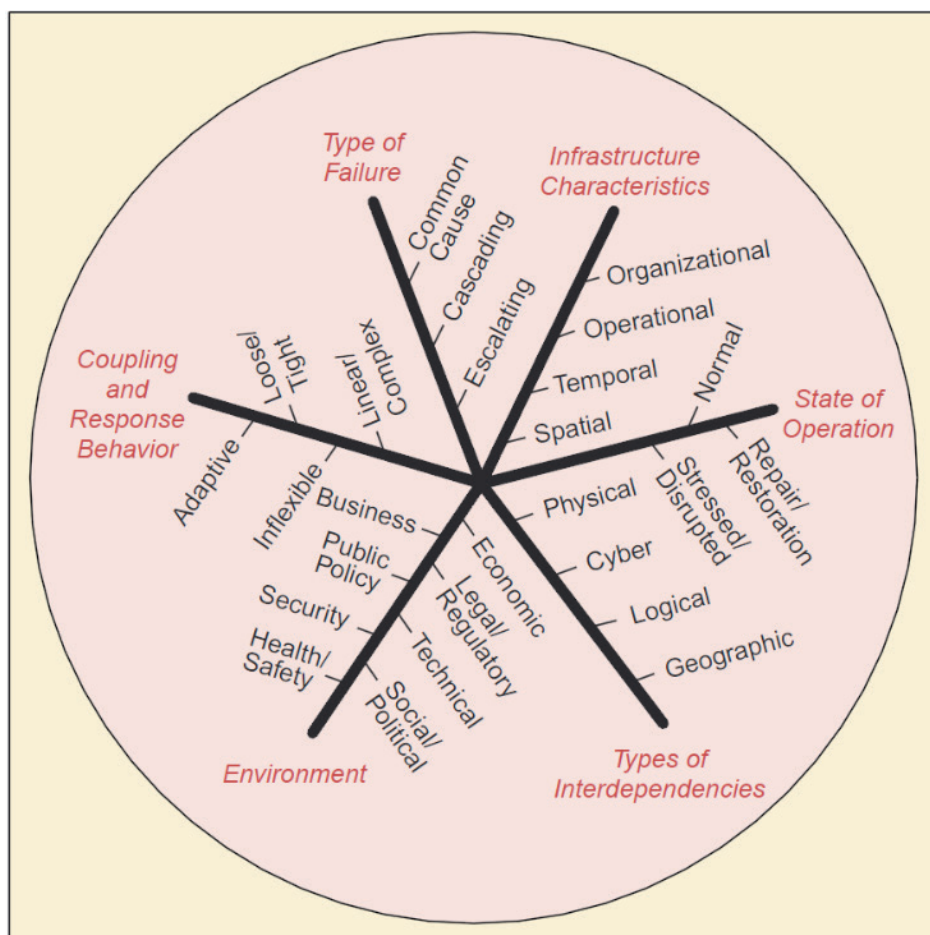


Figure 16: Conceptual categories and breakdown to assess critical infrastructures (Source: Rinaldi et al., 2001)

Infrastructures are socio-technical systems comprising also key assets and key resources which provide goods and services on which our societies are built and maintained. Critical Infrastructures are those systems whose disruption or destruction would cause significant loss of human life, material damage, or loss of prestige (Moteff et al., 2002). Therefore, starting in the US and the European Union, CIP has emerged as a conceptual framework that allows for the identification and designation of critical infrastructures, provides a toolbox for assessing and countering risks, vulnerabilities and threats, and utilizes methodologies to determine the best allocation of scarce security resources. A country is only as safe and as prosperous as its critical infrastructures will allow and the story of a country's development is, in fact, the story of the development in quality and quantity of its infrastructures. The critical infrastructures must be protected both from deliberate threats (sabotage, hybrid warfare, etc.), as well as non-deliberate threats, including artificial and natural ones. There are also threats arising randomly from the malfunctions in the operation of complex, interlinked systems (Gheorghe & Schlapfer, 2006). Figure 16 exemplifies many of the considerations relevant to critical infrastructure protection.

Critical Infrastructure Protection, as a framework, is distinguished from other efforts through a system-of-systems view, in which critical goods and services are provided by interdependent systems, in which changes in the status of one component/system will affect others through discoverable and measurable relationships. These interdependencies are based on geographic links, physical links, logical links, cybernetic/informational, policy/political, or others (Gheorghe & Schlapfer, 2006), depending on the various theoretical perspective one takes. The links ensure that the disruption in one part of a system is transmitted to another and then another, escalating a crisis beyond what a leadership might have expected. Cascading disruptions may result, in which key breakage points are aligned, resulting in disruptions not only inside a country but outside of it (as the recent pandemic shows), leading to a prolonged and more damaging crisis. Critical Infrastructures need to be protected not only inside a country, with national programs such as those in the US and in all EU Member States, but also transnationally. In the case of the EU, there is a European Programme for Critical Infrastructure Protection which has, under its purview, the identification, designation and protection, in cooperation with the Member States, of an "asset, system or part thereof located in the Member States which is essential for the maintenance of vital societal functions, health, safety, security, economic or social well-being of people, and the disruption or destruction of which

would have a significant impact on a Member State as a result of the failure to maintain those functions” (European Commission, 2011).

In accordance with this view and backed up by reality, the “peaceful rise” of China is also the story of its accumulation of infrastructures allowing its vast and hardworking people to increase productivity, decrease economic frictions and tap into new modes of division of labour and creation of added value. At the same time, China and its companies “going global” and now presenting a uniquely Chinese vision of inclusive growth through the BRI can also be described as the exploitation of underutilized international infrastructure assets and the ongoing building of new infrastructures of all types to support an increase in cross-border trade, investment, and people-to-people contacts, as in figure 17.

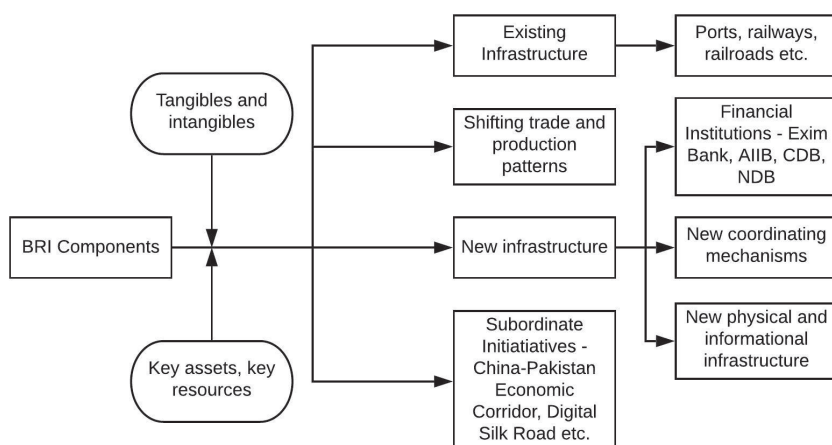


Figure 17: *The Belt and Road Initiative from a critical infrastructure perspective* (Source: Georgescu, 2018)

Mureşan & Georgescu (2019) also divided the BRI infrastructure into:

- Main infrastructure – transport, production;
- Facilitating infrastructure – markets, finance institutions, decision support structures;
- Resilience infrastructures – systems for risk governance, crisis and emergency management situations and for post-crisis feedback and system adaptation.

The latter is what a CIP component of the BRI strategic program would entail and continuously build. It would focus on:

- An awareness of systemically relevant issues, especially of security in an interdependent world;
- A better system of security governance aiming to ensure resilience, business continuity and quality of life in the face a greater risks, vulnerabilities and threats;
- An additional avenue for cooperation and dialogue, as an alternative to the sometimes-adversarial narratives promoted in world media;
- And, finally, new realms of development, innovation, and trade, as the security industry is an area for competitive growth and “security as a service” is an important part of it.

Figure 18 underscores the main priorities of the BRI CIP components efforts. It especially emphasizes business continuity and quality of life in a disruptive the situation as being of the utmost importance and a result of CIP efforts which reinforces public and investor support for their respective governments.

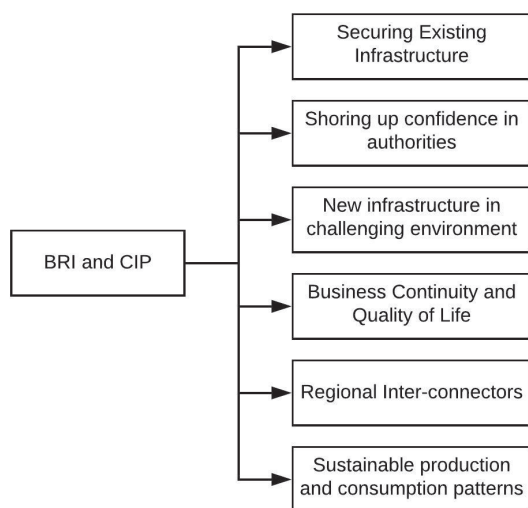


Figure 18: *Critical Infrastructure Protection priorities within the Belt and Road Initiative* (Source: Georgescu, 2018)

CIP efforts within the BRI would be a natural progression for deepening non-politicized cooperation between partner states. The advancement of trade and investment will automatically create states of interdependencies which would call for coordinated management of transborder infrastructures, distributed across numerous jurisdictions and sectors. This requires not just cooperation between government, but also between universities, and specialists within the companies owning and

operating these systems. Moreover, this is an opportunity for the creation of a multi-stakeholder process than can only thrive through the fostering of a trusted network based on “win-win dynamics”. As said in Mureşan and Georgescu (2019), “governments must agree on the need for cooperation, the maintenance of dialogue regardless of transient political difficulties, the existence of collective responsibility, and the importance of burden-sharing to ensure minimum protection levels throughout the entire BRI system-of-systems”.

The reason is that complex systems-of-systems which are distributed geographically, sectorally, and jurisdictionally are intrinsically vulnerable to all manner of disruptions and to the appearance and propagation of cascading events. At the same time, the distribution of infrastructures creates a layer of opacity that only cooperation and information sharing can resolve, in order to anticipate and correct systemic vulnerabilities. But we should not forget that the BRI, as a (multiple) continent-spanning initiatives, automatically include areas with challenging security environments featuring risks, vulnerabilities, and threats which may endanger security outcomes for the entire critical infrastructure chain. Figure 19 details the Black Sea region and highlights some of the keys systemic flaws which require CIP efforts from any initiative to connect this region to others.

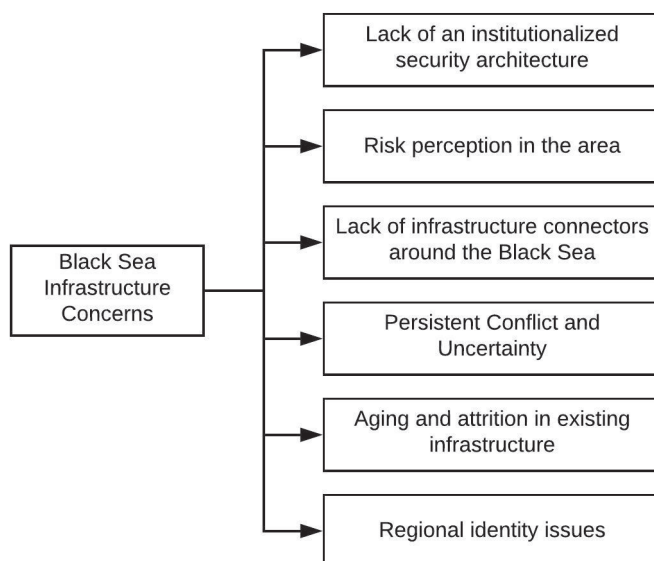


Figure 19: *A Critical Infrastructure Protection perspective on the Black Sea, justifying inclusion in the Belt and Road Initiative (Source: Georgescu, 2017)*

As we may see from the figure, the aging and attrition of existing infrastructure is one factor facing rapid expansion of trade and investment, as is the lack of an institutionalized security architecture, which leads to and is aggravated by persistent conflict which drives away investors. This is a situation which, in one form or another, repeats itself throughout Eurasia and Africa.

At the same time, we should not discount the importance of the CIP conceptual framework in informing the design of new infrastructures and decision making with regards to investment in infrastructure and its exploitation. Resilience by design is an important desideratum, which pays off over the lifetime of an infrastructure, which may last the better part of a century and influence in the geopolitics and geo-economics of its region for that entire period.

We believe that the gradual implementation of a CIP component within the BRI can be informed through observation and exchanges with the EU, which has the most extensive experience in multilateral cooperation for CIP efforts in such areas as coordination, dissemination of best practices and technocratic, non-politicized security cooperation in the infrastructure protection field.

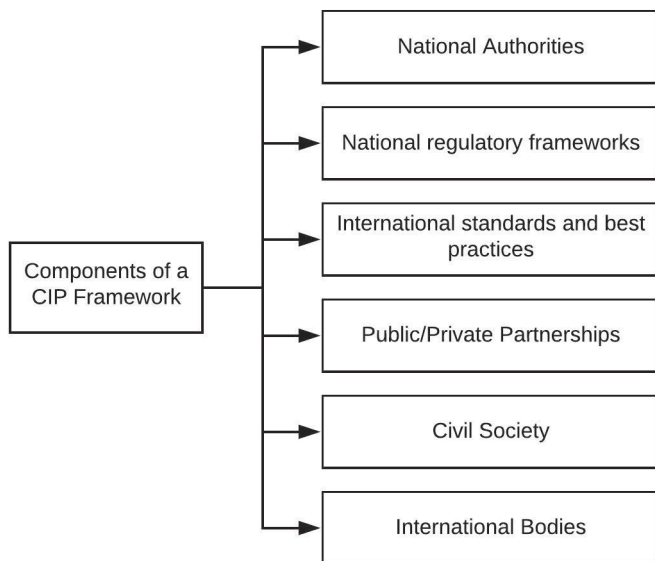


Figure 20: *Components of a Critical Infrastructure Protection framework acknowledging transborder infrastructure challenges* (Source: Georgescu, 2017)

A CIP framework for BRI will have to take into account the possible components highlighted in figure 20. At the same time, it must be adapted

to challenges that outstrip those of the EU in terms of heterogeneity of state resources and security capacity, differences in cultures and organizations cultures, differences in economic systems and state organization, as well as differences in existing levels of CIP expertise. At the same time, care must be taken with the manner in which the CIP efforts would be organized in order to avoid, for instance, the appearance of bloc building or of permanent institutionalization. This would be obviated, in theory, by an effort to create a framework within the context of the UN which is universal.

A BRI CIP framework may start out by taking inspiration from the European Programme for CIP and by its application in areas outside the EU, given the existing EU security governance arrangement. We would envision the following steps:

- The creation of an apolitical CIP Advisory Board covering only projects financed and built as BRI initiatives;
- Making project approval and funding contingent on operation on resilience-based principles inspired by the general CIP practice;
- These practices include filing operator's security plans with each government on whose territory the infrastructure is present by the respective operator of the infrastructure and the involvement of the Board in an advisory role providing funding and access to expertise on recognized standards in the field;
- Another useful practice is for the Security Departments of the operators to have Security Liaison Officers reporting to their head offices and their government and passing and receiving information regarding possible disruptions. In the EU, this is done through the Critical Infrastructure Warning Information Network (CIWIN) for transborder CIP communications;
- This may also be an area where sub-regional cooperation may come into play, as described in a prior section. A municipal association of BRI port cities is one possibility;
- Over time, negotiations can be fostered for countries to adopt the CIP model in their own way, profiting from the experience and best practices of other countries, a process which would have eventually happened on its own on a much longer timeline, given the predominance of CIP efforts in the developed world;
- The efforts are made easier by the role of multinational and large companies in the operation and administration many types of critical

infrastructures, as they can be induced to comply with security requirements;

- In addition to a permanent Advisory Board, there would be a yearly CIP Forum and Security Expo, to be organized in a different country each time, as well as mechanisms for academic exchanges relating to this topic between BRI countries;
- It would also be useful to consider a yearly Critical Infrastructure Security Summit between the Ministers of Interior of the BRI CIP initiative participant countries.

Fundamentally, there are a few key elements necessary for governance that are feasible and effective even in the absence of institution building at the BRI level. Such instances include private-public and private-private cooperation, academic cooperation, civil society, bilateral ties between China and any one individual nation. The Think Tank Exchange and Coordination network at the level of 17+1 Format, coordinated by the China Academy of Social Sciences, is also a possible vector for critical infrastructure coordination and exchanges. According to Georgescu (2018), these include:

- Common studies and risk assessment;
- Harmonizing CIP elements and practices;
- Exchanges and dissemination of knowledge and best practices;
- Advocacy for integrated CIP processes;
- Advising national leaders on the best way to manage Belt and Road Infrastructure risk exposure;
- Advising national leaders on aspects of building a resilient system-of-systems;
- Bridge between private and public actors with security interests;
- Disseminating best practices through transnational companies.

4.3. Security Oriented Development

Following on the previous section, it is important for the BRI and its ancillary initiatives and projects to be designed with security in mind. In the case of critical infrastructures, it starts with resilient design and a realistic assessment of the impact which new systems will have on the security landscape, the various national interdependencies and the cross-border interdependencies.

Security oriented development is necessary for the following reasons:

- To prevent the loss of prestige and confidence in China's initiatives that would result from the materialization of a negative event with significant impact;
- To minimize the damage of these events and the likelihood of their appearing;
- To minimize the costs of later rectification of in-built vulnerabilities and fragility from a non-resilience design;
- To prevent cascading disruptions within the BRI cross-border infrastructure chain starting from one or multiple points, escalating with subsequent disruptions and creating a dangerous feedback loop.

China should also generate comprehensive partnerships regarding the fight against organized crime and against the "three evils", since they may spread their influence through existing interdependencies in BRI countries.

Security oriented development is especially important for countries facing a challenging security environment without a proper internal or regional architecture that prevents the escalation of crises. Because of the global nature of certain interdependencies and the psychology of markets, local and regional crises may quickly mutate into global counterparts. Security oriented development serves to reinforce trust and contain a crisis event.

This development would also imply the inclusion of security considerations into purely economic planning initiatives. For instance, the world dependence on China for personal protective equipment and for pharmaceutical precursor drugs had been identified, early on, as a vulnerability. In this and other cases, security-oriented development would have necessitated a frank compromise between economic concentration and public safety, which would have led to incentives for Chinese producers

of critical goods to relocate some productive capacities in other countries, possibly under a special arrangement for reimbursement of extra costs or subsidizing the product for the consumer.

Learning from the current experience, China may initiate and emphasize a security-conscious model of sustainable development of productive ties with other countries, involving national and regional localization of production for certain goods in certain proportions, policies regarding the maintenance of redundant productive capacity or policies for maintain excess inventory of raw materials and spare parts to cope with a short-term supply shock that would affect the production of critical goods and services. This would entail a sacrifice of a part of the cost advantage and economies of scale of certain Chinese companies. In exchange, however, China receives a powerful argument in favour of sustainability of relations with it, which would become evident through the lessened impact of a future crisis and through the markets' reactions to this result.

4.4. Partnerships for Crisis and Emergency Situations

One area of importance is sometimes treated as an afterthought to deepening economic ties is the issue of responding to the materialization of a threat, especially an accidental or natural one. Cooperation between countries on these issues can serve to generate significant political capital and trust, as well as new markets for goods and services.

Crises and emergency situations are emerging as a key area for international cooperation. More and more, these crises are caused by transborder risks, vulnerabilities and threats with impact at regional and global levels. They cannot be adequately prevented by any one country and they may not even be properly mitigated and addressed without the cooperation of multiple countries. As section 4.2. highlighted, interdependencies between nations ensure that countries are “condemned to cooperate”, while the BRI is an exercise in the creation of new such interdependencies to generate opportunity and prosperity. Whether the crises derive from BRI systems, or from unrelated factors which then pass on their disruptions through the BRI infrastructure vector, it is reasonable to assume that China will eventually have to consider the crisis and emergency situation management as a core competency of a leading nation, whether it likes it or not. It is this solidarity that enables the continuation of deepening ties even after the harmful impact of such regional interdependencies is made clear.

It will also become a valuable source of prestige and soft power for China to become involved in such processes. It has already demonstrated such thinking through its “Coronavirus Diplomacy”, involving the transmission of personal protective equipment and other equipment to the countries most affected by the novel Coronavirus in 2020. Its willingness to also share the experience of its apparently successful fight against the epidemic also belongs in this category. However, these are ad-hoc reactions to unexpected events, based on the limited availability of specific resources and a lack of systemic impact.

In the future, it would be wise for BRI countries to develop systems of neighbourly support to lessen the impact of crisis and emergency situations which may disrupt an entire region or threaten cooperation. Through its

membership in the International Disaster Charter, which gives countries access to satellite data in the eventuality of a disaster, China has proven that it has an appetite and the resources for systemic contributions.

Another contribution would be to leverage its experience fighting earthquakes, mobilizing resources, institutions, and masses of people for disaster relief, creating technological solutions to such events etc. and develop a product which can be the basis of a partnership with individual BRI countries with significant deficiencies in the area of civil protection possible role model in this regard is the cooperation between the Islamic Republic of Iran and Japan, in which Japan provided technology and funding for the Tehran Disaster Management and Mitigation Organization, a control centre for responding mainly to earthquakes. Similar initiatives on the part of China could be a useful element of soft power and of capacity building in partner nations to increase their resilience.

China's cooperation in education with partner nations can also take place in the area of safety studies. At the same time, Chinese outreach to the populations of partner nations can also take the form of improving security culture, whether for surviving earthquakes, fighting unsanitary conditions or improving cybersecurity.

In time, this may translate into demand for Chinese security products and services, as a responsible nation with a growing awareness of its vulnerability will generate demand for such.

Finally, it would be useful for China to assess developments in places such as the EU for opportunities to promote security synergies within the Belt and Road Initiative framework. For instance, drawing on the information presented in section 4.2, on Critical Infrastructure Protection, there is the possibility of developing the Health Silk Road cooperation on a CIP basis, where critical health infrastructures must be protected from accidental and deliberate threats and must also be able to respond to crisis and emergency situations. Several of the authors of this report contributed to a May 2020 White Paper on Critical European Health Infrastructures which was widely circulated, and which advocated for a CIP formula for European cooperation on epidemiological and public health crises (Diplomat Magazine, 2020, Sánchez Nicolás, 2020).

4.5. Space Cooperation as a New Dimension for Belt and Road Initiative

The announcement of a Space Silk Road took observers by surprise. However, the motion was justified by the growing importance of space systems in our lives. They provide critical capabilities in command, control, coordination, communication, navigation, positioning, synchronization and data gathering which allows for the functioning of a significant number of applications at a quality and availability which has led to them becoming embedded in almost every critical infrastructure sector of a developing and a developed country, from transport to electricity grids, and from banking to telecommunications.

Figure 21 emphasizes the numerous applications of space systems.

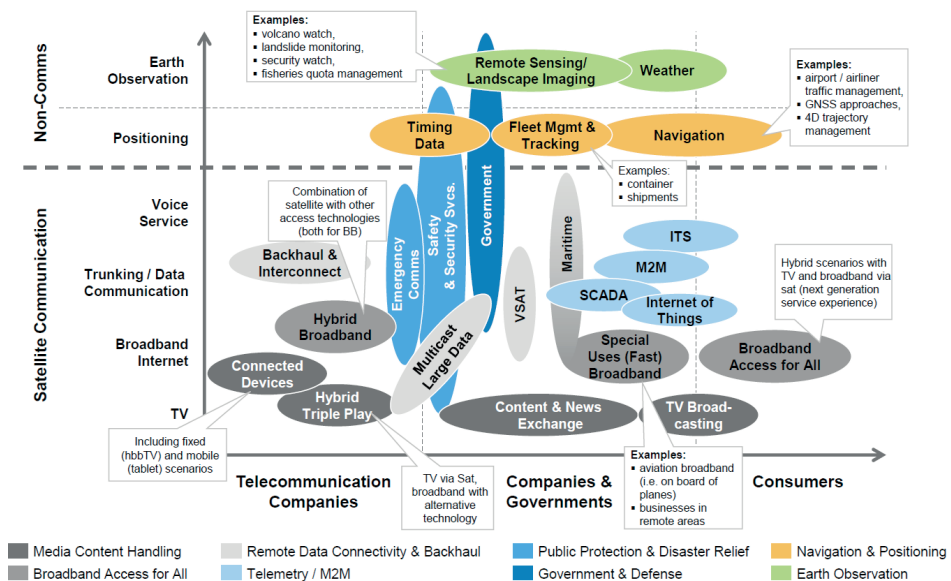


Figure 21: Applications of space satellite capabilities (Source: Acker et al., 2013)

Having become one of only three countries in the world with a full spectrum of space capabilities including high-tech Earth Observation and global navigation satellite systems, China has turned its growing space power into an argument for cooperation on the part of non-spacefaring nations wishing to take their own steps in the field or simply secure access to critical services for their economy.

Table 6: *Description of inventory of satellites around Earth, from open source intelligence (Source: UCS, 2020)*

Total Number of Satellites = 2,787 by July 31 st , 2020				
By Country	United States 1,425	China 382	Russia 172	Other 808
By Orbit	Low 2,032	Medium 137	Geostationary 560	Elliptical 58
Total Estimated Number of US Satellites = 1,425				
By Character of Owner	Civil 33	Commercial 1,011	Government 173	Military 208

The contrast is not as great as suggested by the raw disparity. The number of US satellites has increased significantly (30% since March 2019) because of a revolution in cost and accessibility driven by miniaturization and standardization for smaller satellites. For instance, the Starlink constellation of communication satellites is launched by SpaceX 60 at a time, with each unit weighing around 200 kg. The number of Low Earth Orbit satellites, which have the lowest lifespan, though also important capabilities, is increasing greatly on a yearly basis, while the number of expensive and large, but capable, geostationary satellites is relatively stagnant.

China has developed important comprehensive partnerships in space, especially with developing countries, both to enhance its space operations by taking advantage of their geographic positions, and also to provide space services. By 2018, China had signed 121 space cooperation agreements with 37 countries and four international organizations, according to Xinhua. Robinson et al. (2019) had identified partnerships with 49 countries. Most of these partnerships involve ground stations and access to Chinese satellites, including the Beidou GNSS (Global Navigation Satellite Systems). Among the countries partnering with China on the Space Silk Road are Pakistan, Argentina, Bolivia, Nigeria, but also Germany, Norway, the United Kingdom, and others.

One example in Western Europe is the Starlab venture in which Portugal and China join efforts to produce microsatellites as well as to develop ocean monitoring. This cooperation is against the European trend of limiting space cooperation with China on the part of Brussels and the European Space Agency. It is worth mentioning that Portugal has the third largest Exclusive Economic Zone in the EU and Lisbon has an initiative (submitted to the UN in 2009) to almost double its maritime platform and its exclusive economic zone, which hints at the potential impact of the Starlab and ocean

cooperation in terms of information, surveillance, access to resources, among others.

The main vehicle for China's BRI space cooperation is the Asia-Pacific Space Cooperation Organization (APSCO) inaugurated in Beijing in 2008, with resource sharing in space science, space technology and space application, and promoting multilateral cooperation to facilitate the capacity building of members, which include Bangladesh, Iran, Mongolia, Pakistan, Peru, Thailand, Turkey, Indonesia, and Mexico as an observer. APSCO has become a vehicle for knowledge sharing and for international cooperation with other organizations such as the European Space Agency, while allowing China to promote its comprehensive space capabilities to potential users. APSCO, therefore, features a: Data Sharing Network, Space Segment Network and Interconnection of Ground Systems, Ground-Based Space Object Observation (APOSOS) Network, Disaster Monitoring Network, Space Application Network, and an Education and Training Center Network. The main regional competitor to APSCO is the Asia-Pacific Regional Space Agency Forum (APSRAF) coordinated by Japan. The situation is such that few Asian states are formally part of both organizations. APSRAF has projects such as the Sentinel Asia for disaster management, SAFE (Space Applications for Environment) for environmental issues, Climate R³ (Regional Readiness Review for Key Climate Missions) and Kibo-ABC (Asian Beneficial Collaboration through "Kibo" Utilization).

The United Nations Office for Outer Space Affairs and the Committee on the Peaceful Uses of Outer Space have become the main vector for the increase in space partnerships for China, with eventual links to the Belt and Road Initiative, with the signing of a Framework Agreement and a Funding Agreement in 2016 (UNOOSA, 2016) and a joint invitation in 2018 from UNOOSA and the China Manned Space Agency (CMSA) for UN Member States (particularly the G77) to utilize the China Space Station (UNOOSA, 2018).

China has developed partnerships with, among others, Serbia (common satellite development), Italy (the scientific mission CSES 1 and 2) and has organized, for instance, a United Nations/China Forum on Space Solutions in support of the sustainable development goals (SDG), in Changsha on 24-27 April 2019, thereby adapting to criticism regarding its neglect of SDGs in its international initiatives.

Figure 22 presents a Chinese perspective on the BRI countries which may participate in its planned Belt and Road Initiative Spatial Information Corridor.

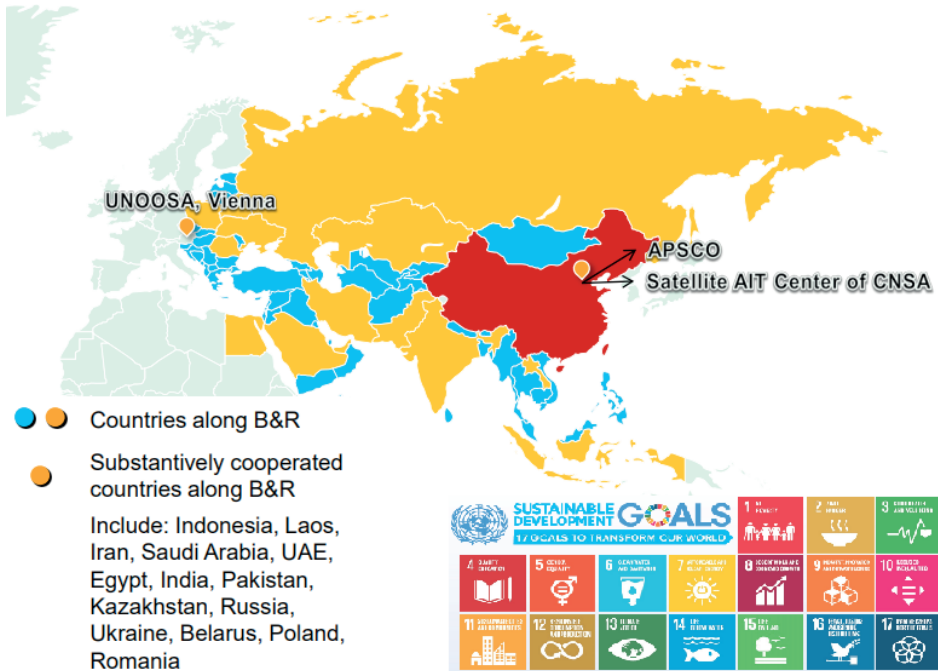


Figure 22: *The Belt and Road Initiative and the planned Belt and Road Initiative Spatial Information Corridor* (Source: Jiang, 2018)

This initiative proposes an ambitious long-term agenda for cooperation with third countries, especially developing ones with limited or no space capabilities of their own (Jiang, 2018):

- Construction of the Belt and Road Initiative Space Information Corridor, including earth observation, communications and broadcasting, navigation and positioning, and other types of satellite-related development; ground and application system construction; and application product development;
- Construction of the BRICS remote-sensing satellite constellation;
- Construction of the APSCO Joint Small Multi-Mission Satellite Constellation Program and University Small Satellite Project Development;
- The Moon, Mars and other deep space exploration programs and technical cooperation;
- Inclusion of a space laboratory and a space station in China's manned spaceflight program;
- Research and development of a space science satellite, a remote-sensing satellite, payloads, etc.;

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- Construction of ground infrastructures such as data receiving stations and communications gateway stations;
 - Satellite applications, including earth observation, communications, and broadcasting, navigation and positioning;
 - Exploration and research on space science;
 - Launching and carrying services;
 - Space TT&C support;
 - Space debris monitoring, early warning, mitigation, and protection;
 - Space weather cooperation;
 - Import and export of and technical cooperation in the field of whole satellites, sub-systems, spare parts, and electronic components of satellites and launch vehicles, ground facilities and equipment, and related items;
 - Research on space law, policy and standards;
 - Personnel exchanges and training in the space field.

This section offers the following suggestions to expand the potential of the Space Silk Road.

Firstly, to the extent which the current Chinese industrial strategy for space allows it, China could copy some of the elements of the European Space Agency practices for improved cooperation with its Member States. One element is the possibility of establishing some level of free or very cheap access to Earth Observation data from Chinese satellites, similar to the practices for the European Copernicus satellites. This encourages industry to develop applications and services based on their information and raises the productivity and sophistication of the economy using these services. Another useful approach would be to define an area of activity in which China would provide free access to data, similar to various World Bank programmes related to Earth Observation for monitoring fisheries, environmental health, and water use. An example in this regard would be to create a BRI program for space monitoring of natural disasters like wildfires and flooding, accessible to partner countries at no or minimal cost.

China can also commit to never shutting down or degrading access to Beidou navigation, positioning, and timing for legitimate civilian users, just like the Galileo GNSS system. Smaller countries live with the political risk of losing access to space services because of the exercise of control privileges on the part of the space power operating the system, ostensibly for security purposes. A credible commitment would generate confidence in the Space Silk Road.

In the future, as it develops its space station and manned spaceflight capability, China should bring to fruition partnerships (such as the one announced in UNOOSA, 2018) to bring “taikonauts” of other countries onboard, similar to the programs run by the former Soviet Union and by the International Space Station Consortium. Other forms of cooperation are possible, including industrial and scientific, though it is likely that China will want to limit its dependency on third parties.

Lastly, while there is a heavy dual-use component to space technology development and implementation, and while China is one of the countries which have tested anti-satellite weaponry, it should engage with the US, Russia, India, and other players to prevent the overt militarization of space and threats to space assets on which many third parties are also reliant, in addition to these countries.

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CHAPTER 5.

PROPOSALS ON ECONOMIC COOPERATION

5.1. The Synergy between 17+1 Format and the Middle East under the Grand Plan of Belt and Road Initiative

Synergy could also be viewed as the creation of a whole that is greater than the simple sum of its parts. Synergy could deliver performance efficiencies, capital utilization opportunities or revenue enhancement initiatives. Synergy connotes interaction between two or more forces in a way that leads to a combined output that is greater than the sum of the individual components. Some authors coined the concept of dynamic synergy (Namaki, 2012; 2016). A cross-country dynamic synergy is a concept based on conducive partnership and collective added-value.

Synergy presents more than one feature in the context of BRI, meaning it has a strategic one, an energy-related (Shahab Uddin, 2019) one and ultimately a diplomatic aspect.

The synergy ensures land, air, and sea interconnectivity (e.g. Luxembourg-Chengdu direct international freight rail connection, and the port of Piraeus/Greece), through which achievement of strategic goals is pursued. It is also strategic since it could represent an option to minimize losses and improve sustainability is the incorporation of more international partners (i.e. involving 17+1 Format in the Middle East) across public and private initiatives under BRI.

China should upgrade the BRI's status, to transform the BRI from a mechanism based on bilateral relations between China and each country along the BRI, to a community where other countries can interact without their relationship being mediated by China (Brînză, 2019a). This is the model being pioneered by China with the AIIB model and the internationalization will result in the BRI becoming truly global and beyond certain forms of

criticisms that have proven persistent and hard to address on the part of China (Brînză, 2019b).

Internationally, working with bilateral and multilateral partners to shape, finance, and implement BRI projects could boost confidence and transparency, while also limiting the possibility for corruption. BRI can use this occasion to mend its problems emerging from a lack of credibility in financing and tenders.

The synergy between BRI and 17+1 Format could contribute to the stability of the situation in the Middle East by increasing the economic development of the connected regions and upgrading their living standards. Trade exchanges could be made using Euro, as well, which represents an incentive to Europeans.

The President of China, Xi Jinping, increasingly mentions partnerships as an effort to multi-lateralize the BRI, and to expand the range of stakeholders, implying a win-win dynamic of the program. China will eventually loosen its stance in order to convene favorable outcomes for the borrowers (concessions and debt forgiveness).

In the case of trade disputes or cross-border transportation problems, China and its BRI members will be in need of an authorized body to resolve these problems. Unfortunately, the BRI countries lack a transnational legal framework. However, in a synergy strategy, with two-way capital markets involvements, one could reach a strategy of partial or total integration between key institutional players and harmonization of policy guidelines.

BRI is conceived also as a way to resolve the quest for the energy of China. When it comes to energy, the Persian Gulf and Arabian Peninsula represent key nodes of the BRI and so it is the Eastern Mediterranean, more recently. Concomitantly, the European countries are trying to improve their energy security by bringing natural gas from the Caspian region and reducing dependency on Russian energy. One could pursue a link here and make the two regions (extended Middle East and 17+1 Format) intertwine.

If we take into account different Eastern and Central European States' experience with the Middle East, we can increase the partnerships and viability of the BRI framework. For instance, Romania enjoys traditional recognition in the Middle East and China could use Romanian expertise in different fields/know-how (for example oil and gas) for future partnerships.

Moreover, the Eastern and Central European states are not perceived as threatening in the Middle East, in the absence of a colonial past. The GCC was mentioned as a strategic node in the BRI, its economic status being also attractive for Eastern countries – Bulgaria and Romania already increased

their stakes in commerce with the region and China could meet their needs in potential future projects. The GCC monarchies are the most active in the international commercial circuit and their financial wealth (capitalized in their sovereign wealth funds) have empowered them on Western and other Asian markets (Bazoobandi, 2013). Investment-rooted synergies could lead to a strategy of enhancing FDI flows in order to acquire a lasting interest or effective control over a business entity or an industry operating within a synergy domain.

One could mention that Romania in particular could present the opportunity of enabling a trilateral relationship – including Iran and Turkey for access to the European markets (via its Black Sea ports, but also other ways) – Turkey being the transit territory (a strategic partner of Romania and of China in the BRI).

Where the most sensitive points of the Middle East are concerned, there is an opportunity to bring some Eastern partners from the 17+1 Format at the table with Chinese projects, for the reconstruction of Syria after its damaging war. As a result of the geographic proximity of Romania's territory to the Middle East region, there had historically been interferences ever since the Roman conquest, continuing with the Byzantine and Ottoman influences. These historical ties have materialized through the development of economic exchanges and mutual knowledge. Romania has built numerous major economic assets in Syria (especially in the period before 1989). In addition, Romania was a critical point for maintaining diplomatic contacts with the European Union (EU), being one of the few EU Member States to keep its Embassy in Damascus open during the war in Syria (along with the Czech Republic). It could support the traditional links and protect the interests of Romanian citizens live in Syria. The prestige and respect that Romania's policy and approach have generated cannot be underestimated. The Syrian side also considers that Romania is a well-known country in Syria, representing a competitive advantage in relation to other foreign countries, based on historical relations and privileged positions. This China-Romania-Syria trilateral formula is another potential example of the pattern that was highlighted in section 1.3, where the China-Estonia-Jordan cooperation was mentioned. At the same time, in the experience of the authors, there have also been discussions at the Think-Tank level of a China-Iran-Romania formula (and also other CEE countries).

In a broader geopolitical vision, with diplomatic implications, China wants to contribute to sound regional stability around itself. The Chinese leadership is convinced that economic prosperity is the only way to maintain

peace in its fragile neighborhood. (Loesekrug-Pietri, 2015). This implication is obviously very important for the Middle East but also resonates with multilateral policies and diplomacy that could garner the interest of small and medium powers from Central and Eastern Europe.



Figure 23: *The complexities of connecting China to Europe* (Source: authors)

As in figure 23, China's two bridges towards Europe present their own challenges and advantages. The Chinese leadership, including in academia, should make a priority of exploring the complexities of Eurasian interconnection. They require careful thought and planning as the BRI is another source of complexity in the regional games, whose potential stabilizing influence should be valued, but which may also lead to unforeseen consequences.

5.2. Pursuing Synergies with Other Regional Initiatives

The BRI and its components initiatives are the most important and well resources and supported cooperation initiatives currently extant. However, there are also other initiatives which, given the extensive partnerships of the BRI until now, will result in overlaps. Rather than see them as “rival initiatives” or as less relevant parallel efforts, it would be of interest for the BRI or the applicable regional initiative (such as the 17+1 in the case of Central and Eastern Europe) to pursue synergistic development in concert with the other initiative.

Synergy is an effect where the individual pursuit of converging objectives by each Initiative leads to greater gains on the whole through the interplay between policies, through the leveraging of investment and coordination and through the accumulation of benefits. Identifying synergies and explicitly targeting them can lead to the enhancement of such beneficial effects.

The synergies which are the useful exhibit one or more of the following results:

- Increased bilateral trade;
- Increased bilateral investment;
- Increased trust between governments;
- Increased contact between peoples;
- Increased familiarity and ease of doing business;
- Increased resilience of societies and of critical infrastructures;
- Increased cultural exchanges;
- Increased cooperation for alleviating security concerns (“the three evils”, as well as complex system risk);
- Decreased costs of doing business – transport, risk, uncertainty;
- Decreased informational asymmetry between businesses seeking to invest cross-border;
- Decreased environmental impact;
- Decreased security concerns related to the greater activities for cooperation.

The effects of synergies are felt at the level of:

- National government;
- Local government;
- Companies;
- People.

A synergistic focus will require a higher commitment on the part of China to expanding expertise in the policy realm of its partners, a higher research presence of Chinese experts in key regions, possibly on a permanent and institutionalized basis, and the cultivation of a strategic awareness of directions of regional cooperation beyond what has been practiced so far. The potential rewards are significant, since Chinese entities can better align their planning with that of governments and regional partnerships between authorities, and also contribute to the realization of those plans.



THE FOUR PILLARS

Connecting the Region			Protecting the Environment			Building Prosperity			Strengthening the Region	
Mobility and multimodality	Sustainable energy	Culture and tourism, People to People	Water quality	Environmental risks	Biodiversity, landscapes, air and soil quality	Knowledge society	Competitiveness	People and skills	Institutional capacity and cooperation	Security

Figure 24: The Danube Macroregion with the four pillars and 11 domains of the Danube Strategy (Source: Hasenbichler, 2013)

5.2.1. Synergies with the Danube Macroregional Strategy

In the past, there have been proposals for connecting the 17+1 Format (or 16+1, as it was then) to the European Union Strategy for the Danube Region (figure 24), on the basis of the significant overlap between countries included (both EU and non-EU) and overlap in the overarching objectives for the envisioned projects – regional mobility, innovation, trade, energy sector development, etc.

Table 7 juxtaposes the agenda of three initiatives – the BRI (with 17+1 Format), the EU Strategy for the Danube Region and the European Programme for Critical Infrastructure Protection (relevant in a future section).

Table 7: *A juxtaposition of agendas and priorities for three regional programmes* (Source: authors)

EPCIP – European Programme for CIP	Danube Strategy (also extendable to the Black Sea)	Belt and Road Initiative & 17+1 Format
Energy Infrastructure	Connecting the Danube Region	New transport infrastructure
ICT Infrastructure	Mobility, multimodality	New institutions
Water Supply	Sustainable energy, culture	New financial opportunities
Food Supply	Protecting the Environment in the Danube Region	Innovation and competitiveness
Health Infrastructure	Quality of waters, eco-risks	Win-win cooperation
Finance Infrastructure	Biodiversity, air, soil	Security and sustainability
Defense, Public Order	Building Prosperity in the Danube Region	Combating the three evils
Administration	Knowledge, Competitiveness	Stabilizing the Eurasian interior
Transport	Skills, Infrastructure	People to people contacts
Chemicals and Nuclear	Security and Sustainability	Respect for sovereignty
Space	Strengthening the Danube Region	Respect for cultures and internal issues

The other “X+1” formulas of cooperation between China and European partners, such as the proposed 5+1 in Scandinavia or a formula for the Adriatic region, also overlap partly with EU macro-regional strategies, presenting opportunities for synergies.

5.2.2. Synergies with the Three Seas Initiative

Other examples include the Three Seas Initiative, which coincides almost exactly with the 17+1 Format, which feature Greece and the Western Balkans as well, aside from Croatia, which is in both. Żurawski vel Grajewski (2017) argues that “today’s Trimarium is not primarily about security but about



Figure 25: Chart with Three Seas Initiative project (Source: Mureşan & Georgescu, 2017, chart by Laura Canali)

infrastructure”. After decades of underinvestment and malinvestment in a region that accounts for 28% of the EU’s territory and 22% of its population, but only 10% of its GDP, a North-South infrastructure focus was required (Zdrojowy et al., 2015). This makes the Three Seas Initiative compatible with the 17+1 Format.

Mureşan & Georgescu (2017) argued that “while the American presence during the Warsaw Summit of the Three Seas Initiative was an important factor in the validation of the Three Seas Initiative, also present was a Chinese government representative who discussed the compatibilities with China’s initiatives. There is a significant degree of overlap between the Three Seas Initiative and the 16+1 Initiative between China and its Central and Eastern European Partners [...] The future launch of a 5+1 formula for Scandinavian countries also dovetails with the aforementioned Three Seas Initiative expansion possibilities. China’s pursuit of structural economic change and enhanced relations with Eastern Europe as a logical addendum to the already significant Western European relations places it in a position to support the Three Seas Initiative, through coordination primarily on infrastructure construction in transport and energy, though other avenues may become apparent” (figure 25).

5.2.3. The South-East European Connector for the Belt and Road Initiative

While the Arctic Maritime Belt has garnered significant attention for its potential to reduce the transport times of goods from Shanghai to Rotterdam by a significant percentage, we would argue that the single most significant gamechanger for the BRI will be the establishment of South-East European Connector for the Southern New Silk Road, which does not pass through Russia, but instead passes through Iran and through the Middle and Near East, reaching Turkey and then passing through the Balkans to connects with the other routes in the region. This strategic transport corridor requires not just infrastructure being built through Central Asia and the Middle East, both for goods and energy, but also a significant dedication towards stabilizing a region which lacks an institutionalized security architecture, is riven by latent animosities and beset by the current conflict, especially through proxy forces. Yet, China has made significant declarations of intent regarding the rebuilding of Syria and has also mobilized significant resources in the Middle East, where it has developed various degrees of comprehensive, strategic and all-weather partnerships.

Section 3.6. further develops this approach, but the natural conclusion of these efforts is that the region becomes a safer transit area for goods, energy, and capital, in addition to a prize in itself as a source for growth and opportunity. What the South-East European Connector requires is a strategic continuity of infrastructure projects and efforts in the direction of uniting fragmented existing infrastructure, ensuring operational safety and performing logistical and bureaucratic optimizations to ensure that borders pose as little delay as possible. Such a process was already performed on the Wu'Xin'Ou railway, but its main challenges were the railway track gauges (from European to Soviet and then to European gauges again), not a challenging and unstable security environment. Ultimately the effort should serve at reducing the uncertainty of infrastructure operation and security in the region, leading other investors towards it and making the Connector inevitable.

5.3. Leveraging China's Internal Economic Reform and the Impact on the Belt and Road Initiative

The economic transformation engendered by Chinese policies such as “Made in China 2025” and the general notion of building a moderately prosperous country by that time will require significant structural change in China. This change is necessary, as well as risky, involving a shift in the logic of economic policies that will upend existing economic hierarchies and priorities which, as every other political decision does, will create relative winners and losers, even though the entire country stands to ultimately win.

Regardless of the internal logic of the “Westward Development Policy” and other strategies that are made to synergize with the Belt and Road Initiative, China should not neglect the possibilities that this change offers in relation to other states.

It has already been noted that the Chinese market is a factor of attraction to foreign investment and entities wishing to do business with China. But China will also become an exporter of capital/investment and of technology and know-how. Its development will go in parallel, by necessity, with the development of academia, turning some of its universities into leading establishments and fueling a gradual shift from a net exporter of students to an importer.

All of these new possibilities should be leveraged in relations with partner countries, not only as a result of centrally administered development policies, but also in the course of individual initiative on the part of its universities, provinces, municipalities, companies and so on.

5.4. New Models for “Going Global”

An analysis performed in prior sections identified key trends in the global economic, political, and security environment. Some of these trends include a relative increase in protectionism, the rising association between research and technology policy and trade and security policy, explicit policies against majority or plural foreign ownership of strategic companies and transactional managed trade instead of free trade.

In this regard, China may need to adjust its model for “going global” to account for the “new normal”. The recent collapse in investment sums in Western Europe and the United States came on the back of regulators rejecting takeover bids by Chinese companies, while increases in the BRI nations did not offset this.

With these and other considerations in mind, new models for Chinese companies going global should be explored, which take into account Chinese experiences, the changes in the environment and the persistent criticism emerging from the exchanges between China and some of its partners.

Firstly, Chinese companies may refocus some of their attention on unsaturated markets in Eastern Europe and other developing regions. A growing portion of this cooperation should take place through greenfield investment in these countries, creating jobs locally, and establishing Chinese companies as long-term investors in the economy. At the same time, the establishment of Chinese companies in competitive areas within trading blocs such as the EU can bypass protectionist impulses and maintain, if not grow established markets.

China’s internal economic transformation can result in higher added value for its exports and higher capital and innovation contents in its products. At the same time, China should pursue a policy of encouraging a reduction of trade imbalances with its smaller, but more numerous, partner cohorts, such as the countries of the 17+1 Format. It may achieve this by facilitating these countries’ trade with China and implantation of their companies, especially in areas such as agriculture, but also other sectors, to the extent this is practicable given complementarities within economic structures.

China’s initiatives such as the Asian Infrastructure Investment Bank and the New Development Bank should focus on rapid build-up of expertise and

assimilation of best practices in project management in order to maximize the worth and the impact of the contributed capital.

In general, China's investment patterns have been changing with its increase in sophistication and the decrease in the relative abundance of resources for foreign acquisitions. Profitability and long-term growth perspectives will always win out, eventually, over symbolic acquisitions and the purchase of "crown jewels".

Chinese companies will also become much more sensitive and responsive to criticism, while being mindful of elements that may affect goodwill in foreign countries or may derail bids for important projects, such as local labor policies and the content of negotiation packages.

With some exceptions, the world is also becoming less amenable to large scale projects being handled by single contractors. In the opinion of several contributors to the study, Chinese companies, especially working in Central and Eastern Europe, will have to contend with having a larger number of smaller projects due to how they are budgeted and funded, as well as the intricacies of public tender systems. This will drive them to be nimbler and more adaptable to market opportunities, through mega-projects, will still remain possible in place like Africa.

We shall also see more projects run by global companies with partly Chinese ownership, as a way of alleviating anxiety in Western countries which see themselves as systemic competitors. Another possibility, and one that is already taking shape, is the intentional loosening of the vertical chain of integration almost for Chinese-only entities in project implementation. For instance, Wang (2020) notes that "[t]he flows of capital and technology in Europe and China's experience can be combined for work on new projects such as the Pelješac Bridge in Croatia. The funds are from the EU, the technology is German, the labor force is from Croatia and construction is Chinese. We know that although China is exceptionally capable at building infrastructure, its ability to provide supervision and consultant services is relatively weak, and many rules have been set by Europe. Therefore, such cooperation is an ideal model. This is also the reason why China has signed memoranda with many financial and multilateral organizations to perfect the BRI".

We may also see changes in the "national catalogue" of China's offers, as they continue to be tailored to local conditions on the basis of greater knowledge of local specificities and greater cultural fluency. For instance, Chinese offers of funding for large scale projects are less attractive in the Eastern EU Member States because of the continuing provision for EU funding of infrastructure.

While the state-supported model of strategic development of cooperation between states will continue to be important in high-risk, capital intensive sectors, an increasing proportion of the globalizing Chinese companies will come from non-strategic sectors walking in the footprints of “trailblazing” companies. Important among these will be companies in the service economy and companies specializing in high-value-added products with important intellectual property components, such as entertainment (movies, music, and entertainment) or, at some point, even luxury goods manufacturers.

Another trend that was noted was the ebb and flow of state-owned enterprises (SOE) in China’s outward direct investment, given the natural political dimension of high stakes takeovers of “crown jewel companies”. With growing reticence towards Chinese investment in strategic sectors in Western countries, under the guise of security, the maintenance of strategic industrial capacity or of a particular technological edge, the growth of China in the world economy may end up being driven by purely private companies. In 2018, private companies made up 44% of China’s outward direct investment, as opposed to 31% in 2017 (BRA, 2019). This coincided with the “retreat” of SOEs, as Western regulators cancelled takeover bids and applied increasing pressure on Chinese companies on a whole the host of issues, many beyond the company’s control, such as governance models, consideration of ties to China’s institutional milieu and security issues. This has also been reflected in the wider trend of Chinese outward direct investment (ODI) moving from resource acquisition to areas such as retail and wholesale, leasing and business services. After the most distorting effects of the global shutdown over the SARS-CoV-2 pandemic will have been eliminated, enabling business travel and a resumption of normality in affairs that allows for long-term planning, we may find that China’s ODI will have permanently switched to private companies as main actors, driven also by structural reform in China’s banking sector which had previously been funneling Chinese savings towards SOEs, rather than private companies.

Lastly, this report would theorize a new model for Chinese companies “going global”, one that accentuates the Chinese advantage of resource mobilization and comprehensive project development, but in another direction. Currently, strategic projects on offer by Chinese entities in Central and Eastern Europe and elsewhere focus on an integrated top to bottom approach within a single sector. The building of a strategic infrastructure of any type, for instance, can take place with Chinese building materials providers, Chinese designers, Chinese builders, Chinese technology and

maybe also equipment provision, as well as training, maintenance, upgrade, not to mention financing. This is a vertically integrated system which also produces difficulties in negotiations regarding the use of local labor and suppliers. But there can also be a horizontal integration of Chinese projects that acknowledges the reality that, historically, infrastructure has rarely ever been profitable on its own, through use fees, and that its value is felt through the wider economy in the form of positive externalities which are not captured by traditional business models and practices. This is why Private-Public Partnerships in infrastructure building have rarely worked to everybody's satisfaction and why many companies building transcontinental railroads, canals, and other infrastructure works in, for instance, the US, have gone bankrupt or have needed state support or takeover. This phenomenon may take place also with comprehensive Chinese investment in infrastructure, like the roads or railroads in question, become vitally important but not necessarily as profitable as expected or desired, leading to difficult relationships with the various governments in the case of joint ventures, especially if the negotiated profit guarantees come to be seen as onerous by incoming administrations, which are also eager to attack the legacy of outgoing ones.

China may, in certain instances, avoid this through another form of comprehensive partnership, which is cross-sector. For instance, another historical fact is that, for transport infrastructure, the greatest positive externalities take place through the increase in property values in the areas adjacent to the road network or multi-modal transport hub. China's capacity for resource mobilization and long-term planning can allow for integrated project design which Western entities could not countenance. Building a highway could be partially funded by the host country through land deals in the vicinity of an important highway hub, including in urban areas, where Chinese companies in other fields may choose to locate factories or to develop residential or office properties. In this way, a Chinese consortium can profit from the positive externalities of the infrastructure is built, while also deepening economic ties with the country in question, extending the relationship into an unspecified future timeframe, while also generating more added value for all sides. At the same time, Chinese companies will become more adaptable to local conditions and amenable towards efforts relating to a good relationship with the general public since they will have "skin in the game" beyond the completion of the actual infrastructure project. This is something that the partner country will also appreciate. Such an approach is perfectly in tune with the planning, spirit, and practice

of the BRI, given its initial focus on Eurasian transport integration and its compatibility with the basic model outlined above. Functionally, this model is related to the “overseas cooperation zones” established, for instance, in Africa, where initiatives like the Ogun-Guangdong zone in Nigeria had attracted, by the end of 2018, almost 1,000 enterprises and resulted in over \$20 billion of investment with \$2.5 billion in revenue (BRA, 2018).

5.4.1. The Danube-Black Sea Canal as an Industrial and Logistics Hub

There are already Chinese companies that have significant assets and which operate in Romania and which invested and have an important number of employees. Without being exhaustive, here are some examples:

- **Smithfield Romania.** Smithfield is the largest pig farm in Romania with the largest modern pig slaughterhouse in the South-Eastern Europe (SEE). The company expanded also downstream by buying Elite (which owns Vericom) and Maier Com, both meat processors. Since 2013 Smithfield is controlled by Wanzhou International (WH International) a company listed on the Hong Kong Stock Exchange. WH is the world’s largest pork food company and is a leader and promoter of the industry in China, the United States, and Europe. The largest shareholders are two Chinese funds and several Western ones, with the Chinese ones being the majority. In Romania, Smithfield has 3.500 employees.
- **China CEE Fund** is a private equity fund very active in CEE and SEE countries with investments in Romania, Czech Republic, Poland, Bulgaria, and Hungary. In Romania they bought the storage and logistics part Brise Group, a company with various activities in agriculture. Also, recently they bought Farmavet and Pasteur Filipești and some related assets becoming the leader of the veterinary production and distribution of products in Romania. They also control Flash Lightings Services, a service company specialized in public lighting.
- Since 2017, ChemChina took over Syngenta, a Swiss company that specialized in seed production and chemical products used in agriculture. Syngenta’s subsidiary in Romania has a turnover of about 100 million EUR;
- **Cofco International Romania** (formerly Nidera Romania) is the largest trader of soft commodities in Romania and the largest exporter of

grains; its turnover is almost 1 bn EUR. In the Constanța Port owns one of the largest silo capacities.

What is missing is a significant strategic project that ties the multi-sectorial presence of China in Romania and in the region together and create synergies that generate significant added value for all participating nations.

The Danube is the navigable river in Europe that crosses most countries, offering the possibility of efficient transport between the Black Sea region and in Central Europe. The Danube-Black Sea Canal (DMN Canal – see figure 26) is a navigable man-made canal in Romania, which runs from Cernavodă, on the Danube River, to Constanța (the Southern arm with a length of 64 km or 40 miles as the main branch), and to Năvodari (Northern arm) with a length of 31 km – 19 miles – on the Black Sea (see map). The Southern branch ends in the Constanța South Port which was aggressively extended in the 1980s when the DMN Canal itself was also inaugurated; currently, DP World successfully operates Constanța South Container Terminal responsible for an important part of Constanța Port operations. The Constanța Port also hosts large soft commodities storage facilities and oil terminals being connected by pipes with several important refineries; the Midia Port is close to the Rompetrol refinery (a KazMunaiGas subsidiary), one of the largest in Romania.



Figure 26: *The Danube-Black Sea Canal* (Source: Wikimedia, Simionov & Dului, 2013)

The canal became part of the European Canal System that links the North Sea (through the Rhine–Main–Danube Canal) to the Black Sea. The DMN can be used also as a direct connection between the Russian Volga – Don Canal and Central Europe. The DMN, therefore, offers a navigable connection between the North Sea and the Atlantic Ocean to the Black Sea and the Volga region. The canal shortens by 400 km the access from most of the Danube ports and the Black Sea and avoids the technical difficulties of navigating through the Danube Delta. The canal is part of the VIIth Pan European Corridor while Constanța is the terminus point of the IVth Pan European Corridor and also part of the TRACECA Corridor – Transport Corridor Europe-Caucasus – Asia between the EU and 12 other states of the European, Caucasian, and Central Asian regions.

The design of the canal took into consideration the use of the barges from Constanța to Rotterdam and the possibility for the Galați and Călărași steel mills to efficiently use this waterway for their needs. The canal has four locks: Cernavodă and Agigea for the Southern branch and two others on the Northern branch. The maximum a convoy transiting the canal can have is six towed 3,000 tones barges up to 296 m (971 feet) in length and 22.8 m (75 feet) wide. Two inland ports were developed in Medgidia and Murfatlar, with the first being the larger one.

The proposed projects would see significant investment being made in the Danube-Black Sea Canal and in multimodal infrastructure to support the establishment of a logistics and industrial hub in the adjacent region that can take advantage of the unique river access into the heart of Europe and the Black Sea. A feasibility study would have to be conducted to test the appetite of some interested states and large regional and international investors (large state or private companies, sovereign wealth funds, etc.) to build production and/or logistics facilities along the Danube – Black Sea Canal; on the other hand, it will also indicate the type and the amount of resources needed.

In order to have a chance at being successful, such a project must meet a set of specific conditions. The required minimum set of conditions, which should be met by the project to make it attractive to investors, will result from the preliminary interaction with the potential interested investors; in other words, the final form of the project will be made after the interaction with the future beneficiaries. An example of a potential hosted project could be the building of a new petrochemical plant as a joint venture of several companies from different countries to create synergies. Supplying it

would be done from existing gas deposits in Black Sea or through gas swap arrangements with interesting gas exporting countries.

Such a large infrastructure project could be the centerpiece of the BRI and the 17+1 Format in a multilateral approach, involving not just the Romanian Government but also international financial institutions and partner countries, including China. The implementation of such a project will make the area of the Port of Constanța and the Danube-Black Sea Canal an important industrial and logistical area that will create jobs not only in Romania but, indirectly, in other countries in Central Europe and even elsewhere. The potentially indisputable advantages of the Port of Constanta compared to Burgas, Plovdiv, and Piraeus are its connection with the Danube through the Danube-Black Sea Canal and also the availability of EU funds for such a project.

It would serve in the reindustrialization of Europe, the gradual rebalancing of regional economic and investment flows and the generation of a success story for the 17+1 Format, the BRI, and the EU-China economic cooperation. The process of reindustrializing the EU is necessary and will become a priority. It remained to be analyzed to which extent a direct participation of the Chinese companies to this process, alone or in joint ventures with appropriate partners, will contribute both to the respective companies' expansion plans and to China's future strategic interests in the CEE region.

5.5. Towards an Organization of Energy Transit Countries

Another possibility for a sector-specific project to add under the wider umbrella of the BRI would be the organization of an Organization of Energy Transit Countries (OETC)¹, headquartered in Vienna, in the vein of the Organization of Petroleum Exporting Countries (OPEC). This organization would have, as its members, states which host infrastructure (pipelines, LNG terminals) pertaining to the transit of energy resources (gas, oil, or even electricity) between energy-producing nations and consuming nations. This idea is not much present in specialty literature on institutional constructivism, but it is becoming increasingly relevant to the geopolitics and geo-economics of today, in which not just key resources, but also infrastructure becomes a vector for the exertion of Great Power influence. We have seen in the Russia-Ukraine dispute of 2009 and the planning of projects such as Nord Stream 2, which bypasses Eastern European states in favor of establishing a direct tie between Russia and the main European consumer of the pipeline's gas, Germany, that consideration on energy transit is a key factor in geopolitical planning. We believe that it is in the interest of China to set up such an organization, even if it is an energy-destination country, not an energy transit one, in order to contribute to a framework that would lessen the use of energy transit as a political weapon, something which is of vital importance to China's national security.

The basis of such an organization would be ensuring the safety, security, and the integrity of energy transit, the financing and sustainable building of new infrastructure and, last but not least, the creation of a forum for inter-state transit-related discussions. This may involve the regulation of disputes over transit fees and, through a constructive approach to building trust through dialogue and compromise, the gradual reduction in the temptation and risk of the use of transit infrastructure as a bargaining chip or, worse, an actual weapon in inter-state conflict.

In the beginning, this organization would function across the Eurasian landmass but would, by necessity, end up being organized along with strategic energy transit corridors, both existing and future. OPEC and its variations such as OPEC+ deals in the aggregation of regional, but interconnected

¹ First discussed in 2009, in Bucharest, under the World Security Forum.

energy market, into a fictional global market for energy whose supply is regulated by the member state and their partners. It usually disregards the path dependency on energy supply which infrastructure creates, as well as the heterogeneity of petroleum, because it is assumed that regional oil prices are relatively convergent through market participant expectations and entities arbitraging differences. The OETC cannot, by design, ignore the infrastructure issue and that closer cooperation is required between countries in the same energy transit infrastructure chain than between countries in different energy transit infrastructure chains. There is a scope, however, for collective action and regulation which required the credibility, resources, and commitment of a far-seeing actor.

There are interesting possibilities for OETC functions and governance given the realities of energy transit infrastructure. It can easily become a tool for international regulatory coordination and harmonization, it can integrate into its workings the large private and state-owned companies which generally own and operate these infrastructures and it may assume a role in researching, planning and funding for resilience in transnational infrastructure networks, which generate and are exposed to globally networked risks (Helbing, 2013).

An interesting case in point would be the energy corridor leading from Central Asia to Western Europe through existing and planned future infrastructure routes. This example shows the usefulness of the OETC – a challenging security the environment in transit countries, multiple failed or stalled infrastructure initiatives, and opportunity for increasing sustainability and security through diversification of supply, in the case of Europe, which leads to a commercial opportunity in developing these corridors and ensuring adequate governance at multiple levels, from security to economic. Since this area overlaps quite well with the intended infrastructure corridors for the transport of goods, people and capital throughout Eurasia, it is obvious how, in this instance, the OETC is aligned with the strategic concept of the BRI and how it supports its objectives.

Figure 27 shows a simplified situation of existing and future oil and gas infrastructure in the region. Complete maps are difficult to source, and the above map lacks the pipelines from Baku to Supsa, from Baku to Batumi (alongside rail), Baku to Novorossiysk, Tengiz to Novorossiysk, Karachaganak to Atyrau (connecting with the prior one), and other planned routes. It paints a complex image of the infrastructure realities in a region without an institutionalized and workable security architecture, including the necessity of crossing areas lacking in institutional capacity for guaranteeing security.

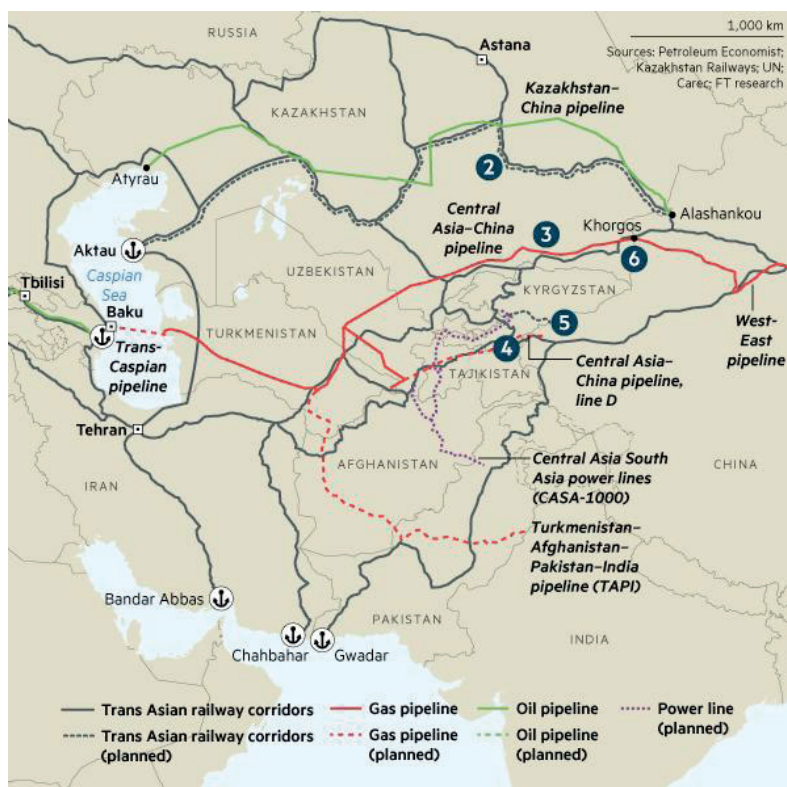


Figure 27: *Central Asian infrastructure connectors, incomplete.*
 Item no. 1 is a railway between Moscow and Kazan and is not shown on this map (Source: Farchy & Kynge, 2016)

Chinese policymakers and scholars have hinted that the BRI's development potential extends not just to commercial and industrial matters, but also institutional ones in an indirect manner, through the effects of China's outward direct investment. In this way, China's strategic initiatives, such as the BRI, may contribute to regional stabilization, enhancing China's assumption of responsibilities as a global player (Pan et al., 2020).

Humbatov and Sari (2017, p.77) emphasize that individual countries with high internal governance capacity, such as Kazakhstan, are developing infrastructure ties to both East and West to pursue an implicit "gateway" status. An example in this regard is the West Europe-West China International Transit Corridor under development by Kazakhstan, also in cooperation with both Chinese and European entities. This points towards pre-existing will and resources and creates an opportunity for wider regional cooperation, given that transit security and sustainability depend on each linking country.

5.6. Further Developing the 17+1 Format

The 17+1 Format between China and its Central and Eastern European partners needs to be further developed. The addition of Greece to the 16+1 is a welcome inclusion, as it strengthens the Mediterranean the dimension of the 17+1 Format and its role as the interface between Western and Central Europe and the rest of Eurasia. Performance has been significant, in terms of increasing trade and investment but starting from a low base and with persistent unresolved issues with the 17+1 countries and the attitudes of regional stakeholders in Brussels, Berlin, and Washington.

The 17+1 Format should be viewed as a vital component of the Belt and Road Initiative, moving forwards, due to its strategic position in the transit from Asia to the rich, Western markets of the European Union, as well as its own potential, as a region of 110 million people with significant catch-up growth potential and unsated demand for goods, services, and infrastructure. The EU is China's largest trading partner, but China is not the EU's largest trading partner. With the saturation of Western European markets and increasing reticence with regards to Chinese outward direct investment or trade dependence in strategic sectors, the 17 countries of the CEE group with which China is cooperating, both the EU Member States and candidate countries, become the basis for a strategy of strengthening Chinese ties to the European Union as a whole. This is especially true since the "systemic rivalry" status of the relationship spoken of in EU basic documents represents a much more benign approach than the adversarial one pursued by the US, with studies showing an increasing divergence between the EU Member States and the US on the topic of perspectives and perceptions of China.

Many of the important elements were discussed in Chapters 1 and 3, so this section is dedicated to proposals for enhancing the 17+1 formula. Part III of this report has several other sections which are applicable since the proposals are formulated on the basis of sectors and strategies. In particular, the sub-regional cooperation (section 4.1.), and the synergies with other regional initiatives (sector 5.1.) should be highlighted. Section 5.1. also discusses the potential of synergies between the 17+1 Format, the BRI, and the Middle East region.

The main first proposal for the 17+1 Format is an increased attention paid to the politically contentious issue of the commercial deficit between

the countries in the CEE region and China itself. This has been frequently raised in 17+1 Format themed events, such as those organized under the auspices of the Think Tank Cooperation and Exchange Network, with specialists and diplomats in attendance. Progress can be registered in several ways, some of them blunt and others less so.

Firstly, the structural transformation of the Chinese economy may increase the complementarity of the Chinese economy and the CEE ones, beyond the issue of agriculture, thereby providing the basis for a general increase in trade. Frequent contacts between the business sectors and academia should be pursued in order to identify opportunities for trade, especially from CEE countries to China. Other methods may be employed to attenuate the largest deficits, in relative terms, such as import subsidies.

At the same time, China should consider the removal of non-tariff barriers limiting CEE exports to China, especially in the agricultural field, whether it is Latvian milk or cheese or Romanian pork products. Safety is, of course, paramount, but the most important barriers to remove are not those for raw materials, but for processed goods, which also have the highest added value and thereby reduce the deficit the most. China may also act in the direction of facilitating CEE company implantation in China and argue that the persistence of deficits in the relationship is offset by the increasing presence of CEE companies accessing Chinese markets through direct investment.

Thirdly, one other important route is for a higher added value Chinese economy to increase its imports from the CEE region through producers' goods and intermediary products in large scale production chains for products such as cars. The CEE region features important capabilities in manufacturing for areas such as automobiles, and several countries, including Romania, count equipment and intermediary components among their most important exports to China. China should not discount the possibility of further integrating CEE countries into its National supply and production chain, building on existing capabilities and also through a higher presence of Chinese companies in the CEE region. The increase in trade and trade complexity which this transformation provides is a sure way of gradually increasing contentment in relations between China and its CEE partners. At the same time, this is an important approach to the viability of increased trade along with strategic New Silk Road routes, such as the Yu'Xin'Ou railway which, in its early phases, was limited in viability and size because the trains ran full towards Europe and empty on their way back to China.

China already understand the potential of the region as a gateway for Chinese products to gain the “made in Europe” label and to sell to the wealthier Western markets and this has been a part of the argument which CEE countries bring to the table in Beijing. This process should be accelerated through a comprehensive approach that smooths over the rougher edges of China-CEE cooperation by reducing the informational asymmetries regarding culture, business culture, language, labor relations, contacts with local communities, and so on. While the Chinese messaging to the West has been quick to complain about double standards and exclusionary practices, it should integrate into its calculus the reality of greater scrutiny of its companies, policies and projects elsewhere, as its ascent triggers “soft power” containment approaches from Washington and the Western European capitals. The models proposed in section 5.3. can also provide a useful approach.

Overall, it becomes important for China to understand that, at least in its state – and policy – directed projects for increase cooperation, its “catalogue” and “menu” must evolve not only with China’s transforming capabilities and priorities, but also with the specificities of the regions it approaches. For instance, its focus on financing opportunities as part of comprehensive deals is important in the context of China’s transformation into a source of funding, but it will have better success in Africa and other funding-poor areas. With most CEE countries already members of the EU, the access to EU funding for infrastructure, for the moment, precludes large scale accessing of Chinese funding for states to deliver strategic projects. The nature of EU funding, with its very low overall cost, makes it attractive despite the numerous hurdles that have to be cleared to access it, and any government desire to proceed with a project on the basis of Chinese financing in an area where EU funding would be available is bound to be attacked due to the sizable differential in cost. Cooperation in the CEE region should be focused on transforming local subsidiaries of Chinese companies into entities capable of winning tenders for EU projects, on deepening investment ties of all types and on people-to-people contacts to generate a bridge between China and the region.

Furthermore, China should consider diversifying its strategic approach towards trade with CEE markets. In addition to its investment in Greek port facilities and its ongoing agreements for Italian ports, Chinese strategic planners should not neglect the Black Sea ports, where Constanța in Romania is the largest contains port (where Cosco is already located, for bulk goods like cereals) and Burgas in Bulgaria is the largest energy port. Increased

trade in and through the Black Sea as a way of diversifying routes is an important approach, especially since the Danube River is part of a European strategic transport corridor and has the potential to act as a highway into the heart of Europe for goods, while accessing other multimodal nodes for transport into the Republic of Moldova and Ukraine, as well as elsewhere. Figure 28 gives an example of a CEE company promoting this approach to attract investors, clients, and partners, including from China, and is illustrative of what the local companies think of the leverage they have because of the strategic positioning of the region.



Figure 28: Example of a company-produced brochure highlighting multimodal transport opportunities to attract investors (Source: Metaltrade, Galați New Port owners)

At the same time, China must strive to improve its relations with the European Union and in Brussels. All of the 17+1 participating countries which are not already in the EU are slated to become members at some point. This is fundamentally a positive perspective for China, since the EU structural and cohesion funding serves to develop the region, homogenize it economically and create the premises for faster growth. However, the existing anxieties over China's developing cooperation with the CEE region, even as it refrains from pursuing permanent institutional and political development, can act, in time, to put a brake on the 17+1 Format.

The fundamental question regarding cooperation under the 17+1 Format, as well as the Belt and Road Initiative, is how China frames and defines its public diplomacy and its activities around the globe. One of the main obstacles to fruitful cooperation (besides the connections of private enterprises) is differences in policymaking and the communication of political targets. It is highly improbable that European institutions will adapt to the Chinese standards of communication. First, European countries are predominantly based on liberal institutions, whereas the Chinese system is based on Marxian and Neo-authoritarian norms. It might be difficult to build a consensus or a slight compromise over political and communication differences. Moreover, it might happen that a wide part of the spectrum of possibly fruitful cooperation opportunities will be met with backlash, because of ideological reasons. Although China will lead a rational policy with the CEE, it will face a backlash because of its lack of adherence to the liberal norms within its regional ambitions. A more assertive dialogue is needed from both sides. The development and acceleration of economic ties without proper understanding of domestic conditions led us into these situations and may lead to a decoupling sooner or later.

China should pre-empt this not just through diplomatic channels, charm offensives, and developing bilateral relationships with partner countries, but also through a deepening Think Tank presence in Europe and especially in Brussels. More and more, as Georgescu (2015) pointed out, “the complexity of the international environment, coupled with the complexity of governance processes, demand an objective, pragmatic, and rational measuring of a sometimes-irrational world and candid exploration of possible solutions. Think-Tanks today, to a greater degree than Universities, are emerging as a concentration of talent for analysis, policy formulation, and innovation that is vital for the decision-makers using their services.” Kaimin (2014) noted, however, that the “the international status of China’s Think-Tanks is not commensurate with the country’s current status”. Many improvements have been made since then, but the basic gist of the remark still stands, especially as it relates to contacts with European Think-Tanks and policymakers, especially in Brussels. The existing technique, of organizing study and fact-finding missions for Chinese think tankers along a European Grand Tour, or of embedding researchers in embassies, is welcome but insufficient given the level of contact and candid discussions necessary today. A possibility, which has been frequently raised, in Think-Tank meetings at the 17+1 level, is for China to explore the possibility of a permanent Think-Tank center in Brussels, with members drawn from numerous Chinese Think-Tanks of

note, either affiliated with the central government, the municipalities, or the largest SOEs. They would have a long-term presence in Brussels and will be able to generate the on-the-ground presence required for frequent contacts with European Think Tankers in all fields, with European decision-makers, and to engage in the life of the policy world in the EU capital, with its frequent meetings, dinners, lunches and opportunities for candid, non-political conversation and relation building.

In doing this, China would not be breaking new ground, but rather repeating well-trod techniques for soft power that the US, Germany and others have utilized to great effect.

The last proposal in this section deals with a more speculative issue. Beyond the examples of military diplomacy, such as the People's Liberation Army Navy visiting the Black Sea ports of Constanța and Odessa in 2012 and 2015, China has been content to play an exclusively economic role in the region, which it perceives as being a fault line for geopolitical interests and influences. However, the greater involvement of China in anti-piracy operations, its establishment of a first overseas base in Djibouti, its contribution to peacekeeping operations, speak not only of its inclination for its rise to encompass the military and political field as a responsible superpower, but also the reality of its growing surface contact with unstable and disorder-producing regions. The general rise of tensions in Eastern Europe because of Russian assertiveness and the diminishment of its institutionalized cooperation with NATO and the EU will impact investor and consumer sentiment in the CEE region. This is heightened by regional issues such as the lack of institutionalized security architecture in the Black Sea. Because of this, China has a choice. It can either acquiesce to a hard limit on its role in the region because of its disinclination towards supporting a stabilization which gives established security providers significant leverage over European politics, including in unrelated matters pertaining to China. Conversely, it can choose to recognize that the Black Sea Region is a border area between NATO and the growing Shanghai Cooperation Organization, and that it is in its interest to use its growing diplomatic clout and resources to promote an improvement of regional security perceptions, at least to the extent to which they hinder the New Silk Road and the Maritime Belt.

Finally, the 17+1 Format itself could be improved. Given the self-imposed restrictions on institutional development in order to avoid the appearance of block-building in the CEE region, the best approach would be to make use of already existing tools which are, for the most part, underutilized. For example, the Cooperation and Coordination Centers for Energy, Agriculture,

People-to-People contacts, Investment, Multimodal Transport, and others were created in various CEE countries starting with the Belgrade Summit in 2014 to better manage these issues. The centers have not had any appreciable contact, but their existence presents an opportunity to focus more attention on making them into functional tools for enhancing 17+1 cooperation. At the same time, there are other tools such as the Think Tank Cooperation and Exchange network administered by the China Academy of Social Sciences and the Global Partnership Center of China Institutes for International Studies which provide ready-made vectors for 17+1 coordination of business research, training, and so on. Alternatively, there is a danger of overlap and redundancy in having too many initiatives with too little differentiation, especially if they do not register an immediate and visible impact that can be presented to the decision-makers and to the public. Ultimately, almost every suggestion presented here has to lead to a success story that can be publicized to a public confused about China's rise and to decision-makers facing pressures from several directions as a validation of the decision to enhance economic ties with China through the 17+1 Format.

The following list of ideas condenses the main points of the section and adds other proposals for improving the 17+1 Format:

- Further update of the existent 17+1 institutional and policy coordination set-up with new institutional adjustments/innovations to make the 17+1 Format more efficient and result-oriented;
- Further adaptation of 17+1 Format to the internal and external geopolitical and geo-economic factors, including balancing the China-led initiative with the EU-China-US triangle of interdependence and asymmetry;
- Assessment of the future scenarios for further development of 17+1 in the evolving the international system, including the impact of the paradigm shifts such as the anticipated de-globalization trend on the 17+1 Format;
- Identifying new prospective areas of cooperation in the 17+1 framework and offer practical models/ways for developing such cooperation;
- Revamp China's strategy for strategic communication of 17+1 opportunities, successes and difficulties;
- A focus on tangible projects, especially not in the strategic sectors, in order to generate tangible benefits that offset the Sinosceptic narratives being promoted throughout the region;

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- Multilateralize the 17+1 Format and bring the EU authorities into the mechanism, regardless of the discomfort this may produce;
 - Make people-to-people contacts a greater priority in discussions with the CEE countries – visa accessibility, opportunities for education in China, especially in hard sciences, and, if necessary, the subsidy of direct flights to China from all countries in the region;
 - Promote a focus on greenfield investment among Chinese companies wishing to do business in the CEE region;
 - Source new ideas for platforms for business to business cooperation from the business sector itself. For instance, the last 17+1 business event that took place before the launch of this report was the 16th of June, 2020, in a videoconference format – the Information Exchange and Matchmaking Conference between China and CEEC SMEs on Resuming Work and Production. The theme was “Enhance Information Exchange, Activate Business Cooperation”, and the conference was hosted by the China-CEEC Cooperation Secretariat and the China-CEEC Cooperation and Coordination Mechanism for SMEs (led by Croatia), and jointly organized by MIIT SME Development Promotion Center, Cangzhou Municipal Government, China-CEEC SME Cooperation Zone in Cangzhou. 292 companies participated, 137 of which were from the CEE region, representing every 17+1 member. The event developed ideas regarding a more rapid resumption of normal business activities, improved business communication for transborder trade and new mechanisms for business coordination;
 - Strengthen the position of private enterprises, especially small and medium-sized enterprises in the 17+1 cooperation. China’s small and medium-sized enterprises should participate more in relevant investment cooperation, which can not only meet the investment objectives, but also help ease the doubts of the European side;
 - Further promote the development of local cooperation, which is also more acceptable for Central and Eastern European countries. China is too big to promote local participation in exchanges and cooperation as the main body while local cooperation is more grounded and has more stamina. China is a large and diverse country, and the advantages and characteristics of various regions are very different. It is more in line with the conditions of CEECs to promote cooperation based on their own characteristics;
 - In the area of investment and financing tools, China can consider appropriate capital injections into local financial institutions in Europe.

In the 17+1 cooperation, openness should be the first principle. It is necessary to further promote the active participation of Europe in the construction of related projects, which can also alleviate the worries of European powers about China's export influence. China can also explore novel methods of employing its capital. For instance, we could see the rise in the future of growth-linked state bonds or of perpetual bonds as a common financial instrument;

- China should always keep in mind, in the CEE region, the “Russian factor” (Brînză, 2020). The CEE region is very dependent on NATO and the US, because of the securities guarantees it offers in the region. Russia is the biggest fear of many of the CEE countries. China's relation with Russia, which has improved a lot over the last decade, will not help China very much in the region. China cannot and will not substitute NATO in subsidizing and guaranteeing regional security, so most CEE countries will always default towards the US preference (see 5G implementation, Huawei scandal and the Cernavodă Nuclear Power Plant in Romania) over the Chinese one, especially given the unfulfillment of expected, even if unrealistic, 17+1 goals.

The “elephant in the room” is the issue of enlargement. The current difficulties of the 17+1 Format hint at the fact that the initiative has entered a consolidation in phase, in which more emphasis should be placed on concrete projects, with visible deliverables and success stories that can be disseminated in the CEE region and beyond. The suggestions in this section and throughout the report can go a long way towards achieving success in this consolidation phase to set the stage for future sustainable and inclusive growth in relations within the 17+1 Format. Some would see enlargement as a possibility to promote new dynamics within the 17+1 Format and explore new synergies, as was undoubtedly the case with the addition of Greece. However, because of the wariness with which Western European countries and the European Union perceive the 17+1 Format, it may be premature to enlarge the framework, especially with EU Member States, as it would be seen as an attempt to further undermine European unity.

There is also the problem of geography, as adding new members from outside the CEE region would dampen its coherence, increase internal inequalities and expose the 17+1 Format to geopolitical tensions that would hinder its ability to achieve consensus. From this point of view, the only possible choices would be the Republic of Moldova, Ukraine or Belarus, the latter being also a member of the Eurasian Economic Union, internally

unstable and engaged in a political and diplomatic conflict with the EU and European countries, which include many of the members of the 17+1 Format as a result of the dynamics of the recent election. There would be opposition among current 17+1 members to enlarging the framework to Belarus, but also from Western governments, and it would affect the 17+1 Format's image. The Republic of Moldova is the only possible candidate, but its admission would also create fears and spark discussions of an attempt by China to court EU candidate countries and extend its influence in the EU's neighborhood. Western expansion is also fraught with difficulties, given the fact that it would undoubtedly mean admitting countries that are already heavy investors in the CEE region and already influential regionally. The main potential candidate would be Austria, which has nevertheless not expressed a public interest in upgrading its observer status. At the same time, one cannot deny that enlargement would provide the 17+1 Format with new opportunities for coordination not just among countries, but also with strategic initiatives such as the Danube Strategy. Ultimately, the best "enlargement option" is to provide the European Union with greater involvement in the 17+1 Format, in order to assuage its worries about the framework. Adding the EU to the 17+1 Format with representation by an EU Commissioner or Vice-President of the Commission would go a long way in this direction and would prove constructive to the 17+1 Format's long-term sustainability. The inclusion of the 17+1 Format on the agenda of the EU-China Strategic Partnership for the post-2020 period would also legitimize the 17+1 Format in the Western capitals.

5.7. New Dimensions of Digital Cooperation

China's Digital Silk Road is gaining new dimensions on the account of the significant technological changes we are undergoing, such as quantum computing, distributed ledger techniques (blockchain), and the growth of Artificial Intelligence.

This presents useful opportunities for cooperation within one of the most important, yet least acknowledged elements of the Chinese strategic initiatives. The Digital Silk Road has four main components (Cheney, 2019):

- The creation of infrastructure for digital connectivity (see figure 29);
- The research of advanced technology;
- The promotion of free digital trade;
- The use of multilateralism and governance initiatives to develop and promote standards, norms, and codes of practice.

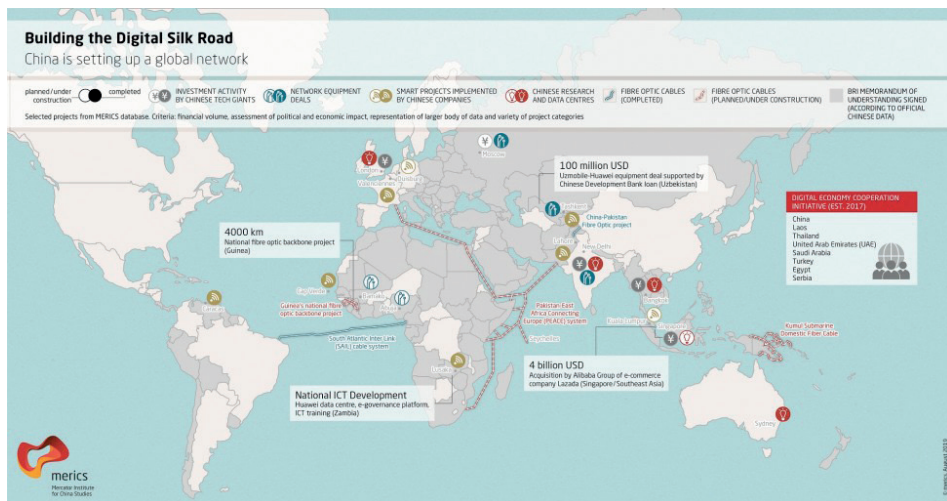


Figure 29: Building the Digital Silk Road (Source: Eder et al., 2019)

Cheney (2019) and Triolo et al. (2018) argue that the Digital Silk Road is a multifaceted initiative which can become a cause for conflict in an interconnected world in which a country with the prime mover advantage, such as the US had at various points in its history, will gain inordinate amounts of influence and power over critical systems. 5G technology is given as an example. However, they also note the importance of cooperation and

coordination for a sustainable security environment governed by norms and multilateral agreements limiting the scope of hybrid conflicts and mutually perilous provocation, while promoting the “inclusive globalization” touted by China (Shen, 2018).

The Digital Silk Road has the capacity to be a leading element in the catch-up growth of the developing world, but its form is constantly mutating because of technological advancement, the uneven rate of adoption and the increasing primacy of political, and security considerations over economic ones, as countries realize the nullification effect that the cyber realm has on geography and a state’s ability to defend its infrastructure in-depth.

China should find ways to counter-narratives of digital exploitation and vulnerability through its digital expansions and to reassure partners of the safety of data and of legitimate business interests. Ultimately, its leading edge in areas such as 5G, both in price but especially in technology, maybe eroded over time, so it must focus on a series of measures to enhance security-conscious connectivity in the short and medium term.

Firstly, it must accelerate 5G implementation internally in China to create a fertile field for new applications and services which can then be internationalized. Secondly, it should consider the internationalization of the production of 5G equipment and other sensitive electronics in a way which reassures customers regarding the existence of backdoors and the long-term safety of the equipment to third parties. This applies to more than just 5G equipment. Thirdly, it should strive to replicate, within the constraints of its system, the open nature of the Western digital ecosystems to foster innovation and it must also rely on transparency to erode opposition to cooperation within the Digital Silk Road.

The development of new technologies also presents further opportunities for enhancing cooperation. For instance, China should consider freely offering supercomputer time to partner universities in the 17+1 countries group and elsewhere. It can also take advantage of its capacity to centrally direct development in order to precipitate making available technology and other forms of intellectual property which would be considered proprietary in the West in order to ensure that, for a given domain, its standards and preferences will win out through rapidity of adoption. AI or AI surrogates can be one such field. The stakes are large, since China is attempting to create more added value which, increasingly, will come from the digital portion of a product, whether it is through connectivity, security, software capabilities, or some combination of the three.

Special attention should be paid to Chinese competitiveness and trustworthiness in the production, use and sale of cyber-physical systems. Strategies should be developed on a sector by sector basis. One example is Construction 4.0, the digitization and automation of the construction sector resulting in new efficiencies and new capabilities. This is an underdeveloped area in many of China's partner countries within the BRI, and an important economic sector which will, in time, be able to generate significant demand for the equipment, tools, and software which make Construction 4.0 possible and necessary in a rapidly urbanizing world.

Overall, China must exploit its prime mover advantage in several technological realms while reducing the difficult choices faced by third party countries in the context of policies such as "country-of-origin" restrictions for equipment acquisitions imposed by China's competitors.

Lastly, China must hold to its announced principles and work with other nations to reduce tensions, create trust and prevent debilitating conflict. Cheney (2019) writes that China and the US "should increase efforts to establish international norms and governance structures that regulate emerging technologies, especially those with civilian and military uses. Multilateral institutions would be the appropriate forums to pursue such norms and governance structure [...] regional multilateral institutions or groups of allied nations should begin the process of establishing governance structures and institutions that create "rules of the road" for ungoverned and under-governed technological spaces." China has an interest not only in establishing norms that serve its own interests in maintaining sovereignty and policy space for national decision making with regards to the management and use of data and information, but also in managing the increasingly dire expectations for cyber vulnerabilities to materialize with the devastating effect, which discourages the rapid digitization which generates new opportunities for Chinese companies. China should get out in front of the process and establish itself as a leading player in specific fields for discussions, before that process is taken over by an adversarial mindset which sees nations and their conflicts, rather than systemic issues, as the main threat.

Measures to increase China's credibility in this field are also required, including a calculated liberalization of its domestic digital services market and exemplary compliance with the national rules of its partner states. China may also adopt an explicit "data sovereignty" policy for its partners, where partnership agreements for the Digital Silk Road also "address data and

cross-border data flows as part of their terms, with the goal of preventing data localization policies that governments can exploit” (Cheney, 2019).

5.7.1. The Belt and Road Initiative and Blockchain

An example of a recent area with high potential is that of blockchain, Distributed ledger technology gained notoriety through applications in cryptocurrencies, but it represents a valuable tool for disintermediating larger numbers of processes. In the next period, the country which creates an appropriate regulatory regime which fosters innovation and reduces crime, which gains the efficiencies possible through the implementation of blockchain and which translates that lead to services provisioning for partner states will be the true winner in this race.

Distributed ledger technology can be used in almost any field which can be reduced to a controlled transaction, from banking, to smart insurance contracts and from supply chain control to origin control for sustainable sourcing. We have only begun to scratch the surface of what is possible, and China established itself early on as a leader and also as a country with the vision to use Blockchain to pursue strategic objectives, such as the introduction of the national currency in crypto-currency form.

In our opinion, Blockchain can be an important support technology for the Belt and Road Initiative. This is because its primary use is to provide trust and thereby allows for disintermediation in simple systems and for coordination in complex ones. Section 4.2. developed the perspective of BRI as an agglomeration of transborder critical infrastructure projects in various fields. The table below presents the compatibility between the Belt and Road Initiative and Blockchain. The complexity of BRI is a main limiting factor in its development because it poses important coordination and governance problems. Blockchain can have an important contribution, even though it is not a “silver bullet” for the difficulties of coordinating trade and investment across tens of countries, some in challenging security environments and with important informational asymmetries.

Table 8: *Goals of Belt and Road Initiative and features of blockchain use*
(Source: presentation by Prof. Adrian Gheorghe, Old Dominion University, apud Georgescu & Cîrnu, 2019)

Blockchain is compatible with BRI priorities	
Belt and Road Initiative	Blockchain
Five Major Goals: P olicy coordination F acility c onnectivity U nimpeded t rade F inancial i ntegration P eople to people b onds	Five major Features: T rust in trustless world S upply chain m anagement D ecentralized Network trade F inancial i ntegration P eer to peer transactions
Good Governance Smart Security Critical Infrastructure Protection	

While we are currently discussing Industry 4.0, through the automation of factory, other authors are discussing a concept of Industry 5.0, through the union of man and machine generating better outcomes than either of them working alone. With the added dimension of security, we get the concept of Industry 6.0, pioneered by Prof. Adrian Gheorghe of Old Dominion University (Norfolk, Virginia, USA), where Blockchain can contribute through the element of trust, as in figure 30.

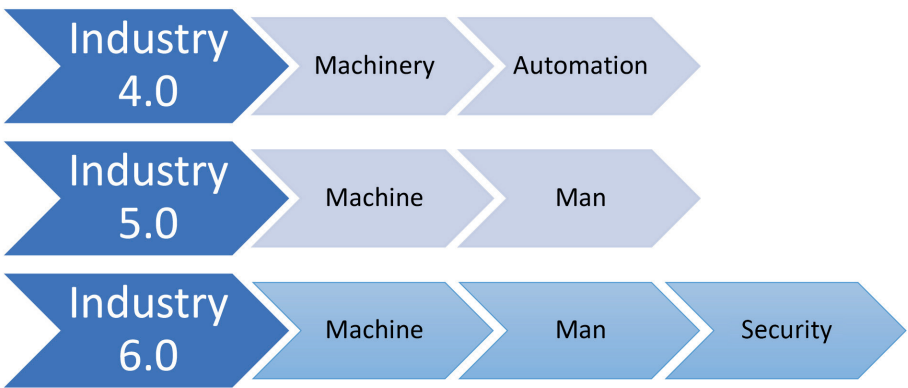


Figure 30: *Industry 6.0 explanatory chart* (Source: presentation by Prof. Adrian Gheorghe, Old Dominion University, apud Georgescu & Cîrnu, 2019)

Industry 6.0 is a natural reaction to the development of a globalized world, in which the interactions between stakeholders from different countries, different political and social systems, different jurisdictions and different cultures generate the need for a better mediating mechanism to ensure the trust that is the lubricant of commerce. Interconnected but

independent agents like countries and businesses must ensure trust in complex systems-of-systems, across socio-political-economic systems. This is, first and foremost, a security issue that is at the heart of change within the industry value chain for services and goods. Ultimately, the complex networks engendered by today's transformations and initiatives such as the BRI rely for their resilience on the security and trust invested in their critical nodes and processes.

China should strive to contribute to global Blockchain regulation initiatives in a way which normalizes its use, but maintains freedom of innovation. At the same time, it must connect with academia and private industry in other countries, such as those in the CEE region, to foster partnerships allowing for rapid diffusion of innovative products. It should also establish a Belt and Road Initiative Blockchain Conference, specifically to gauge the possibility of enhancing cooperation through Blockchain, such as in transport logistics, supply chain control for countries of origin in order to assess the authenticity of goods, the prevention of fraud and corruption and so on.

China should also strive to end its regulatory uncertainty in order to foster a localization of global blockchain business growth in its major financial centers, such as Shanghai, as a precondition for the applications which can ensure global weight in this industry.

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CONCLUSIONS

The President of the China Institutes for Contemporary International Relations, Yuan Ping, said in a speech on 17 July 2020 that “[t]he coronavirus pandemic has not changed the fact the world is experiencing a one-in-a-century change, but has simply made that change a bit quicker and a bit more abrupt. It has not changed the basic shape of China’s relations with the world, but instead has made these relations more complex and multi-faceted”.

This report has striven to present a CEE perspective on these issues and to advance a series of proposals for improving the cooperation within the BRI, keeping in mind its strengths, its structural flaws, and the challenging political and the security environment in which it is being implemented and which will remain so for the foreseeable future.

These proposals are of both economic and non-economic nature and they seek not only to address criticism, but also to explore new dimensions of BRI cooperation made possible and necessary by technological advancement, by collective challenges and by the uncertainty of a rapidly changing world.

Among them, we mention the following:

- The multilateralization of the BRI and the improvement of governance mechanisms for project selection, financing, and sustainable implementation. From a multilateral perspective, the best way forward for the Belt and Road Initiative is for it to become an international organization, so that other countries would feel more involved and could cooperate better to implement its projects;
- The development of sub-regional cooperation and the pursuit of synergies with other regional cooperation and coordination initiatives and mechanisms;
- A renewed emphasis on cooperation to ensure resilience in the face of crisis and emergency situations which may disrupt transborder infrastructure operation;
- An emphasis on new dimensions and sectors for cooperation – space, cyber, and new technologies;

- The development of new business models for Chinese companies going abroad, that address the criticism articulated by BRI partner countries;
- The improvement of the 17+1 Format and the exploration of new avenues for development, such as a 17+1 Format and the Middle East synergy;
- The triangulation and the development of common projects in third countries and the multilateralization of the 17+1 Format, while also including actors such as the EU to alleviate anxieties;
- The establishment of an Organization for Energy Transit Countries to address important factors in the sustainability, accessibility, and affordability of energy.

From all of these issues, we would like to stress that the exuberance of the support for the BRI in what is still an initial phase has resulted in the development of new and unanticipated dimensions with significant potential for systemic change – an Arctic Silk Road, a Health Silk Road, a Digital one. Figure 31 expresses the resulting diversity, which is both a source of opportunity, but also one of the risks, especially regarding the diversion of resources or attention through the over-proliferation of individual, uncoordinated sectorial and regional visions.

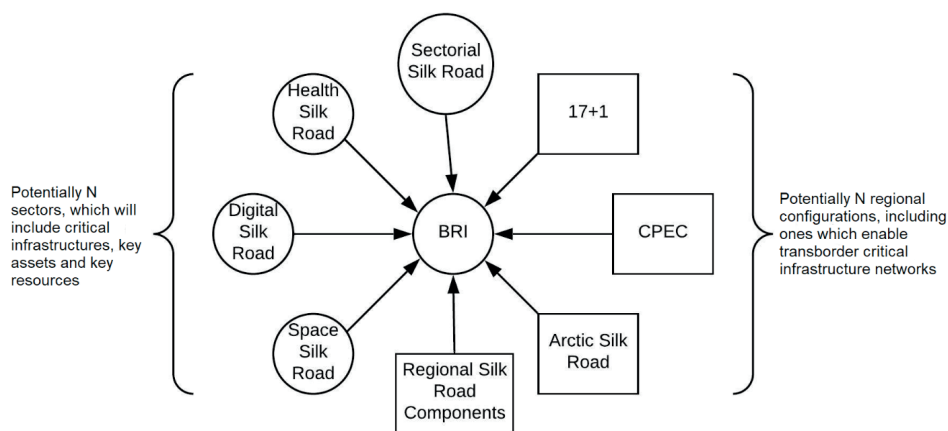


Figure 31: *The BRI and its sectorial and regional dimensions* (Source: authors)

The report noted that the rise of the developing world, in general, and that of China, in particular, is generating significant systemic effects on the framework of international relations, global business and cross-border investment. The opportunities are significant, but so are the uncertainties, especially related to the “interregnum” before a new equilibrium is reached in the world order. The prevention of conflict and of systemic disruptions,

in the context of generalized crises such as the SARS-CoV-2 pandemic or the US-China trade war, is vital.

The November 2020 US Presidential elections are unlikely to change anything in the current trajectory of confrontation. The new trends in the US political system favor such a confrontation, although the details of strategies and engagement will vary in accordance with the alternation of the US parties in the institutions with policy levers for foreign relations, industry, and so on. A more comprehensive factor of change, one way or the other, will be the decision-making process within the Central Committee of the Communist Party of China, which will deliver results in the next few months. The fallout from the deterioration in US-China relations can be felt everywhere and requires significant balancing on the part of countries with complex economic and security structures and partnerships. The EU is in just such a situation, and so are many of the countries in the CEE region.

Three recommendations for the BRI also stand out:

- In the process of “going out” in the past, Chinese state-owned enterprises often needed to consider political factors, but did not take into account the economic and environmental factors of cooperative projects. In countries along the route, the BRI is often mistaken for China’s national actions rather than corporate actions. Therefore, China should pay attention to the low proportion of private enterprises in the public-private joint venture (PPP) model promoted by the Belt and Road Initiative;
- The European Connectivity Strategy reflects a certain extent that the European Union has its own geostrategic considerations in its perception of China’s BRI. The development levels of the EU Member States and their respective geostrategic considerations are different, and thus the interests and needs of the BRI are different. Taking the characteristics of such multiple perceptions and differences into consideration, China needs to carry out multi-faceted and multi-fold cooperation with the EU on the BRI, that is, to promote the multi-level participation of EU institutions, EU member states, local governments, and EU companies;
- To promote multi-faceted cooperation between China and Europe through the BRI combined with third-party market cooperation and long-term exchanges and cooperation in the fields of education and humanities. For example, enterprises, especially Chinese state-owned enterprises in Central and Eastern Europe should strengthen their own quality and social responsibility, establish a good corporate image,

take actions to reduce EU accusations against Chinese state-owned enterprises, and eliminate the misunderstanding of the EU public and political circles towards the BRI through the positive spillover effects and externalities of projects.

The Belt and Road Initiative is not necessarily compatible with the geostrategic interests of other countries in the established geopolitical structure, and there is even a certain degree of confrontation, if their interests are touched by continued BRI entrenchment. So far, the United States, Russia, the European Union, and India have all put forward strategies or initiatives for Eurasian connectivity, which are aimed at effectively expanding their own economic influence circles and ensuring their own energy security.

There are varying degrees of competition with the BRI. At the beginning of the 21st century, China (the Belt and Road Initiative), the United States (the New Silk Road), Russia (the Eurasian Economic Union), Countries and organizations such as the European Union (Pan-European Corridor, INOGATE Project), India, Turkey, Iran etc. all compete, cooperate and even clash in the historical space of the Pan-Silk Road.

With the rapid rise of domestic and international strategic pressure facing China, the countries and regions along the BRI have become more important in China's foreign strategy. In the construction of the Belt and Road, it is necessary to understand the strategic intentions of the BRI based on the geopolitical and economic interests of the major countries along the route, so as to increase strategic mutual trust and avoid misjudgments. Experts contributing to the report consider it necessary for the BRI and the US version of it (New Silk Road and C5+1 mechanism), Russia's Eurasian Economic Union, the European Connectivity Strategy, India's Indo-Pacific Concept and other peripheral interconnection strategies to develop interactive relations. The various Eurasian geostrategies of other powers must be analyzed based on their respective geopolitical and economic interests and in accordance with the development of the situation (Li and Liu, 2020).

At the same time, China must strive, along with its partners, to develop a semiotics of the BRI, its own language, and symbology to anchor it in the minds of the global audience. Though it was not in the scope of the report to delve more deeply into this issue, there are multiple references to the confusion surrounding the BRI terminology, its constituent components, its goals, and its methods. This confusion arises from the pluralism of the initiative, even within China itself, where companies, provinces,

municipalities and universities strive to become involved and put their own spin on the development. Efforts should be made to make the BRI not only more transparent, but also more “legible”, to not add to a world ‘lost in transition’ by ‘losing it in translation’. While the report touched on this more obliquely, this issue is related to the development of BRI management, involving aspects of governance but also a new *modus operandi* for global cooperation. Whenever there are criticisms of Chinese bilateralism or modes of financing projects, these reports trace, in fact, an emerging BRI style of management, that needs to be refined and to borrow from the professional governance of established multilateral financial institutions that select and fund complex projects. This management pattern is evolving in parallel with digitalization, which the pandemic may also accelerate. The impact of the ubiquity of digitalization will be felt in the management, governance, and the future consistency of the BRI and will end up defining how its (physical and digital) infrastructure will coalesce into a new system-of-systems architecture for global trade and other exchanges.

In lieu of definitive conclusions, which are unlikely for a fluid and mutable project such as the BRI, we end this report with a recommendation for policymakers to view the systemic impact of policy positions and proposals, based on interdependencies and factors beyond the control of any one country, and to compartmentalize many of the global issues which require collective responses and would otherwise be neglected in the current environment.

The BRI is not a mere infrastructural development project, but a vision for a new world order, and as such, it does not speak for a world to be built by China, as the present world was built by the US (at least in accordance to some American scholars’ opinion), but for a joint endeavor leading us to a harmonious coexistence in a global environment designed, shaped, and exploited by all nations ready to involve themselves in the process. Therefore, BRI could and should be moved ahead only by combining bilateral and multilateral formats of consultation, coordination, and cooperation, involving state and non-state actors (political parties, academic forums, nongovernmental organizations, and so on) and having both a theoretical and a pragmatic character (commercial, economic, and security).

Being more than an industrial engineering exercise, BRI should develop its human and intellectual dimension. One has to raise awareness that this is about changing ways of thinking, perceiving, and coexisting, and thus transforming the *modus operandi* within the global community. It is not enough for BRI to point out the physical infrastructure advancing on the ground or in the sky, but it should win the minds and hearts of the ordinary people.

This could be part of the upcoming debates on the new world order after the SARS-Cov-2 pandemic. Thirty years ago, after the collapse of the bipolar world order, countless conferences, seminars, round tables, etc. were convened to bring together people from different parts of the world to discuss the future and especially on how one could make globalization work for all. This is the right time to do the same on the subject of the BRI.

In a written Message to the High-level Video Conference on the “Belt and Road International Cooperation: Combating COVID-19 with Solidarity” on 18 June 2020, President Xi Jinping wrote the following: “COVID-19 has made many things clear to mankind. For one thing, all nations have their destinies closer connected and humanity is in fact a community with a shared future. Be it taming the virus or achieving economic recovery, humanity cannot succeed without solidarity, cooperation, and multilateralism. The right approach to tackling the global crisis and realizing long-term development is through greater connectivity, openness, and inclusiveness. This is where Belt and Road international cooperation can make a big difference”.

While the BRI is based on a concept which embraces the whole world, its implementation starts at local levels. Without successful stories at the local level, highlighting benefits and countering or appeasing criticism, it will not advance.

Acting locally means acting regionally too, and that approach requires either splitting the whole project into regional initiatives (like 17+1 Format) or attaching it to regional cooperative arrangements already in place (such as the “Three Seas Initiative”, the European Union’s Strategy for the Danube Region), which could become supportive carriers for the entire idea, allowing it to insert smoothly and effectively into areas like the EU, Central Asia, or the Middle East, where it is not necessarily welcomed by everybody.

China alone could not cope with all challenges of the BRI, certainly not with the need to properly fund it. Such a project with a strategic global significance requires a global mobilization of financial resources both in the public and private sectors. Therefore, the development of a “BRI financial market” or of a “BRI financial network” with more dedicated financial institutions, including an exchange market of the investments linked to the implementation of the BRI, is going to be of paramount importance.

For many, BRI might look utopian. From that perspective, one should remember that all great ideas which eventually changed history were received with reservations. Yet, almost all major achievements today were the utopias of yesterday. Approached wisely and boldly, BRI has all the chances of being a key achievement of tomorrow.

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