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Chinese One Belt, One Road and the European Countries

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Summary

This report covers the role of Chinese New Silk Road (OBOR) in the relations between China and Western and Central Europe, CEECs and Balticsas the bridge connecting Asia, Europe, the Mediterranean and the Baltic States.One goal of OBOR is to cooperate to integrate European and Asian markets and to make China and the EU, especially CEECs the twin engines for global economic growth.While China hopes that cooperation with EU will facilitate the transfer of advanced technology eastward, the EU can also expect that European countries will benefit from OBOR as recipients of investment and expertise.

Key words: Chinese OBOR, EU member states, Central and Eastern European countries, Baltics.

The Development Of The Sino-European Bilateral Relations

Many West European countries opened up diplomatic relations with People's Republic of China (PRC) much earlier than the US (United States) – for example, Denmark, Finland, Sweden, and the United Kingdom (U.K.) in 1950, Norway in 1954, and France in 1964 – but many others, especially those in Eastern Europe, did not, especially after the Sino-Soviet split in 1960. The EU (then the European Community) and China established formal diplomatic relations only in 1975 (Gill, Murphy 2008: 17). Despite significant ideological differences in the midst of contention between the US and the USSR, both sides managed to find room for cooperation during the Cold War years (Haiyang 14.05.2015).

After 1989, when Central and Eastern European countries (CEE countries/CEECs)[1] took the road from socialism to democracy, political relations with PRC were tempered accordingly. In 1991, Foreign Minister Qian Qichen visited Hungary, Poland, and Czechoslovakia to attract high-level political contacts and establish "relations based on new principles", that is, leaving behind the ideological divide (Kowalski 27.08.2018).

Since 1975, development of the Sino-European bilateral relations based on practical cooperation and have gone through three stages – from constructive partnership to comprehensive partnership and then to a comprehensive strategic partnership (China. Questions and Answers 2008: 152–153). In 2001, China and EU formally declared their intention to create a “comprehensive strategic partnership” (Gill, Murphy 2008: 17), and in 2003, both sides agreed to upgrade the Comprehensive Partnership to the Comprehensive Strategic Partnership. After that, China and the EU positively conducted coordination and cooperation from strategic and forward-looking perspectives. Since 2009, more and more EU intellectual elites and China experts have begun to query openly the Comprehensive Strategic Partnership between China and the EU (Jiang 2001: 40). In 2013, the EU and China again confirmed their ‘strategic partnership’ by adopting the “EU–China 2020 Strategic Agenda for Cooperation” (Berkofsky 2015: 79–80).

China and the EU are not engaged in any disputes concerning core interests, and Sino-European competition is not a strategic battle between an emerging and status quo power (Zhongping 2012: 27). The EU and China regularly issue joint statements commenting on a range of global and regional developments in Asia and beyond, often associated with the regular vice-ministerial level dialogue on international and regional security issues that the two sides agreed to establish beginning in late 2005 (Gill, Murphy 2008: 16).

Since people-to-people exchange is one of the pillars of EU–China relations, in 2012, the EU and China established the High-Level People-to-People Dialogue as an overarching mechanism to promote trust and intercultural understanding between the two sides (Yan 2015).

Amid increasing exchanges and widening cooperation, there are some problems between the EU and China. Differences in values such as human rights and democracy are one of the most sensitive issues in China-EU relations. Members of the European Parliament (EP) continue to urge EU leaders to push Beijing more forcefully on human rights, the rule of law, and the protection of minority rights in China (Gill, Murphy 2008: 16). EU has not satisfied with the outcome of the EU's Human Rights Dialogue with China (Haiyang 2015). It is not casual, that at the Sino-German government consultations in Berlin on July 9, 2018, Chinese Prime Minister Li Keqiang flattered German Chancellor Angela Merkel and his government made a symbolic concession by letting Liu Xia, the widow of Nobel Peace laureate Liu Xiaobo, who died in Chinese detention, emigrate to Germany (China File 2018).

Another problem is the arms embargo against China, that has yet to be lifted. The EU has also grown wary of China's expanding presence in Africa, while the China-led cooperation between China and CEE countries has ignited doubts and suspicions (Haiyang 14.05.2015).

China-Europe Trade-Economic Cooperations

However, thanks to the successful reforms and opening-up policy, the European perception of China has changed profoundly (Gill, Murphy 2008: 16). Four decades of economic exchange have made China and Europe each other's most important trade partner. China is the EU's largest source of imports and second largest two-way trading partner, after the US (Xinhua.english.news.cn, 02.04.2017).

Between 2002 and 2016, total EU-China trade has risen dramatically, from €125 bln to roughly €515 bln, and total bilateral trade in 2016 was €514.6 bln (RMB 3.61 trillion (US$523.73 bln), an increase of 3% over the 2015) (Casarini 06.06. 2017). The trade balance is in favor of China (+ US $174 bln) (Шевырев 2017). In 2017, China and the EU trade more than €1.5 bln in goods each day (Casarini 2017).

China's influence is gradually growing in CEE as well. The highest growth rates were demonstrated at the initial stage, in 2009– 2012, when the trade turnover between China and CEE rose from US$32 to US $52 bln. In 2016, trade with the CEE countries amounted to US $58 bln. Thus, the first target of US $100 bln by 2020 will become quite tangible. Exports to CEE countries are on the rise, the aggregate trade balance is also in favor of China. Inside CEE the Chinese influence is unbalanced: 80% of trade falls on only five countries (Poland, Czech Republic, Hungary, Slovakia, and Romania) (Шевырев 2017).

Europe is now the top destination for Chinese foreign investments, surpassing the USA. In just one year, representatives of business from China, in full or in large shares, acquired 309 large European companies. Including 68 German, 47 British and 34 in France and Italy. Whereas just ten years ago, in 2007, China throughout Europe as a whole invested only 51 enterprises (Запольскис 2018).

China invested nearly US $164 bln in Europe between 2005 and 2016 (Casarini 2017).In total, over the past 10 years, the EU countries received about US $318 bln from China, and most of these funds went to the U.K., Germany, Italy, and France (Мейзер 2018). Sweden was the top European destination for Chinese investment in the first half of 2018 with US $3.6 bln, followed by the U.K. at US $1.6 bln, Germany at US $1.5 bln and France at US $1.4 bln (Turak 2018). Mergers and acquisitions in Germany by mainland Chinese and Hong Kong companies reached an all-time high of 69 deals in 2017, up from 18 in 2011. The value of Chinese investments in German companies shot up from just €690 million (US $800 million) in 2011 to peak at €7 bln in 2016 (Fernández 2018). China has imported US 470-billion-dollar worth of German products in the past five years alone (People's Daily 2018).

Chinese investments in Britain last year more than doubled to over US $20 bln (Bestic 2018). The scale of direct investment of non-financial type of PRC in the UK amounted to US $1.53 bln. In 2017, the Sino-British trade reached US $79.30 bln. China's exports to the UK totaled US $56.72 bln (Жэньминь Жибао 2018). During her 2018 visit (from 31 January to 2 February) to China, Britain Premier Minister Theresa May said that £9 bln in business deals would be signed on her trip and that UK will be free to strike their own trade deals after leaving the EU (Kuenssberg 2018). China has become Spain's largest non-EU trading partner. Bilateral trade volume rose from US $12 million in 1973 to a record US $30.9 billion in 2017 (Xinhuanet 19.05.2018).

The accumulated Chinese investments in the countries of CEE over the past 10 years amounted to about US $8 bln, which, in turn, is only 0.7% of the region's GDP (Мейзер 2018). The Industrial and Commercial Bank of China (ICBC), the country's biggest lender, announced in November 2016 to initiate a Sino-CEE fund via a newly-established subsidiary in order to provide financial support for industrial cooperation between China and CEECs. The fund would focus on investment cooperation in infrastructure, high-tech manufacturing, and mass consumption industries. The size of the fund is expected to reach €10 bln (around US $11 bln) (China 2016).

A study by the Bertelsmann Stiffung foundation analyzing Chinese mergers and acquisitions between 2014 and 2017 found almost two-thirds of the investments took place in the 10 sectors outlined by Beijing's "Made in China 2025" drive, which aims to transform the country into a leading industrial powerhouse. New-energy vehicles, robotics, medical, aerospace equipment, and new materials are among the target industries (Fernández 2018). China is showing interest in bilateral investment and FTA (Free Trade Agreement) negotiations and has signed FTA agreements with Switzerland and Iceland (Zuokui 2014: 25).

European companies also significantly increased their investments in China especially in the years 2011 (€20.1 bln) and 2012 (€15.5 bln) with the EU respectively being China's top trading partner since 2004 (€429 bln /13.4% of total share), closely followed by the US (€396 bln /12.4%) (Business Europe 2015: 3).

The volume of imports from Britain to China was US $22.31 bln, an increase of 19.4%. The volume of British investment in China reached US $1.5 bln (Жэньминь Жибао 2018).

However, market access in China to [foreign direct investment] from the EU is still highly restricted. There is a common complaint about opaque connections between Beijing and Chinese enterprises, and the lack of reciprocal market access in China. Beijing has repeatedly expressed its commitment to further open its domestic market to foreign competition and has shown signs of offering concessions (Fernández 2018).

One of the areas in which China and the EU have developed strong ties is in the monetary field. Beijing has traditionally supported the euro, which is the only serious alternative to the dollar, and has diversified its foreign exchange reserves – the world's largest – so that it now holds over one-third in euros and just slightly more than half in dollars, a decrease of around 30% since 1999, when the European common currency came into circulation. What this means is that in the last several years, Beijing has swapped dollars for euros (Casarini 2017).

However, the EU protectionist measures cause frequent disagreement over issues concerning China's government procurement and the recognition of the market status of Chinese state-owned enterprises (Haiyang 2015). The EU is joining hands with the US, pressing China to open its banking and financial sectors, end state subsidies to industries, and grant foreign firms a level playing field (Huang 2018). In 2016, growing protectionism in Europe has resulted in mounting EU anti-dumping and anti-subsidy investigations against Chinese products, with spillover to Chinese investment (Xinhua.english.news.cn02.04. 2017). By October 2016, definitive anti-dumping duties against more than 50 different Chinese products were in place. Moreover, in August 2017, the European Commission (EC), after detailed investigation, imposed tariffs on Chinese steel products that were benefiting from unfair subsidies. During its plenary session in Strasbourg on November 15, 2017, the EP passed new anti-dumping rules. The European members' primary target is to safeguard their producers from unfair trade practices with respect to the EU's WTO (World Trade Organization) obligations (Tsakalidou 2017).

The EU decisions threatened to overshadow the whole picture of bilateral trade ties. The move forced Beijing to launch dispute settlement procedures at the WTO (Xinhua.english.news.cn 02.04.2017). Beijing is taking the EU to the WTO court over the bloc's failure to grant China market economy status (Huang 2018). China urged the EU to abide by its WTO commitments and abstain from policies that violate its obligations and encourage protectionist trends (Tsakalidou 2017).

In early July 2018, Brussels and Beijing submitted market access offers for the first time as part of investment treaty talks, and agreed to create a working group on WTO reforms. China is actively courting the EU with offers of reciprocal market access in an attempt to show foreign investment is not a one-way street (Turak 2018).

At the annual China-EU summit in Beijing on July 16–17, 2018, the EU has rejected the idea of allying with Beijing against Washington to launch joint action against the US at the WTO (Emmott 2018). China and the EU pledged to work more closely to defend the global trading system, although both sides said they were not seeking a coalition to counter Washington. Beijing and Brussels issued a joint statement after the summit, saying they were "strongly" committed to resisting protectionism and unilateralism and "firmly supported" the rules-based multilateral trading system centered on the WTO (Wu 2018).

However, there is an opinion that as the EU still opposes granting China market economy status at the WTO, Beijing understandably seems to prefer dealing with Berlin rather than Brussels (Tharoor 2017).

Attractiveness Of One Belt, One Road To The Western European Economies

The New Silk Road (NSR) or "One Belt and One Road" is an initiative by the China, which involves the unification of two projects: the "Silk Road Economic Belt" (SREB, i.e. the "Belt") and the "21stCentury Maritime Silk Road" " (MSR, i.e., the "Road"). Hence it is also referred to as the "Belt and Road Initiative" (BRI or B&R). The idea was first announced by Chinese President Xi Jinping in his speech at the Nazarbayev University in Astana (Kazakhstan) in September 2013. The BRI envisages the creation of two corridors: the land-based "Belt" corridor – through the countries of Central Asia and the Middle East (ME) to gain access to Eastern and Western Europe; and the maritime Silk "Road" – through the Pacific and Indian Oceans and the Mediterranean Sea.

China's total trade with countries along the B&R in the past 5 years exceeded US $5 trillion, with an annual average growth of 1.1%, in contrast to falling world trade. China has become the largest trade partner for 25 of these countries. During the period, China's combined direct investment in countries along the B&R has grown by 7.2% annually on average. 82 overseas economic and trade cooperation zones have been established in countries along the B&R, with an accumulated investment of US $28.9 bln. The zones attracted nearly 4, 000 enterprises, creating US $2 bln of tax revenue for these countries and providing 244, 000 local jobs. China has also signed or upgraded 5 free trade agreements with 13 of these countries. China has signed 118 cooperation agreements with 103 countries, regions, and international organizations on developing the B&R (CCTV 08.2018).

Many Chinese analysts argue that Xi Jinping's visit to Europe in March 2014, was a turning point in the recent history of EU-China relations, pointing out that the visit has weakened "the discourse on China's overlooking the importance of Europe." The main purpose of Xi's visit was to set the strategic direction for EU-China relations in the next ten years and create a momentum to advance cooperation (Duchatel 2014). It was only during this visit the Chinese leadership sought formally to include the EU in its BRI. Later, at the bilateral summit, Chinese and EU leaders agreed to 'develop synergies between EU transport policies and China's BRI even though the EU proposal for a dedicated Connectivity Platform was not embraced by the Chinese side (ETNC 2016: 67). Xi Jinping urged the EU and China to work together to combine EU policies with China's B&R (Tezzi 06. 2015). He indicated that one goal of OBOR was to cooperate to integrate European and Asian markets and to make China and the EU the twin engines for global economic growth (Takes 2016: 4).

The visits to Europe by Chinese Vice-Premier Zhang Gaoli – Chairman of the OBOR Small Leading Group, and Chinese Premier Li Keqiang in 2015 were largely to promote OBOR and mobilize European policymakers to engage with China's initiative (Pavlićević 2015). China and the EU decided to integrate China's BRI with the Investment Plan for Europe (IPE)[2] and establish a China-EU joint investment fund at the 17th China-EU Leaders' Meeting held in Brussels between June 28 and July 2, 2015. The two economic giants also expressed interest in linking the European Fund for Strategic Investments (EFSI), known as the Juncker Plan, with an international production capacity cooperation plan championed by Premier Li. The latter suggested combining China's comparative advantages in production capacity and equipment manufacturing with the advanced technology of European economies (CCTV 03.2015).

However, some experts assessed that significant overlap exists between the pillars and objectives of the IPE and OBOR-related investment in infrastructure, improved connectivity and development of advanced technology. In particular, the domains of digital technology and clean energy are at the heart of both initiatives. Importantly, the IPE is driven by the EFSI, which aims to enlist contributions from non-EU and private sector sources (Pavlićević 2015).

In fact, the OBOR is a "Digital Silk Road" (DSR) proposed by China in 2015. Introduced by China's Cyberspace Administration's director Lu Wei, the DSR seeks cooperation in 5G, cloud computing, the Internet of Things, big data, e-commerce, digital investment, smart cities, and smart energy. The DSR was the subject of a high-level meeting in Brussels in July 2015, where Chinese and European officials and representatives of leading digital hardware, software, and platform companies from both Europe and China held discussions about cooperation in cyberspace (Takes 2016: 3–4).

Beijing also intends to promote the idea of "trilateral cooperation" between the EU, China, and third parties, as well as to integrate China's BRI with the EU's own developmental agenda, both with a view of joint development of projects in OBOR countries (Pavlićević 2015). The Chinese government has shown an interest in cooperating with mainly Western European countries – such as the UK, France, Portugal, and Spain – on OBOR projects in 'third countries' – that is, countries in Asia, Africa, and even Latin America. China shows active willingness to cooperate with Spain in Spanish-speaking countries in Latin America, and with Portugal in Portuguese-speaking countries in Africa and Brazil, with France in francophone Africa (ETNC 2016: 7). While visiting France, Li said that the two countries should deepen financial cooperation to provide support for exploring third-party markets and interact in the field of trilateral cooperation (CCTV 03.2015).

Western European Economies As A Prospective Founding Member Of The Chinese-Led Financial Institutes

The BRI will be implemented mainly thanks to the Chinese-led Asian Investment Infrastructure Bank (AIIB), Chinese Silk Road Fund (SRF) and New Development Bank (NDB) of BRICS (Brazil, Russia, India, China, and South Africa) (CCTV05. 2015). AIIB, headquartered in Beijing was founded in October 2014, by Chinaand20 other countries in Asia (Вести 2015). The AIIB was created to fill a real need in terms of infrastructure financing and Presiden tXi Jinping pledged to assist and finance countries (especially the poorest regions of Asia), included in these areas of cooperation in the construction of infrastructure, including transport network, power supply facilities and telecommunications (Nur.KZ 2014). Founding members have a priority over nations that sign up later because they will have the right to set the rules for the bank (Huang 2015). The AIIB is a multilateral institution; each member country has a proportion of the votes approximately proportional to its subscribed capital. China is the largest shareholder; its operations are likely to extend to traditional loans and credit assurance. It is expected to use bond financing and to absorb private capital through PPP (Purchasing Power Parity) ventures. The main objective is to provide funding for infrastructure projects in member countries (Woodward, Phillips 2015: 17).

Worth to note, that the AIIB is viewed as a rival to the IMF (International Monetary Fund), the WB (World Bank) and the ADB (Asian Development Bank), since the AIIB is independent of the Bretton Woods system while the others are in the system and dominated by either US or Japan (Huang 2015; Hong 2015).

The AIIB has great representation in Europe. Nearly all of Western Europe officially signed up for the new bank. But the glut of Western European countries involved in AIIB doesn't mean that Europe will be able to play a major role in the bank's governance. The non-Asian countries will be limited to holding a total of 25% of AIIB shares. That means China can claim all of the prestige of having Western Europe join its new project without actually have to share control. It also means that Asian countries with governance concerns (including Australia and South Korea) will have to be more vocal about these issues to ensure AIIB actually lives up to international standards. Meanwhile, the interest in AIIB from Western Europe marks a stark contrast between that region and North America (Tezzi 04. 2015). The EU has reacted to China's recent participation in global governance and interacts with Beijing in a totally different way from Washington. This represents a new difference between the EU and the US in dealing with China (Zhongying 2015: 48–49).

Remarkably Beijing has received support for AIIB from the side –the EU, from which Washington was not awaited. An"unexpected" declaration by Britain's Chancellor George Osborne on 12 March 2015, that the UK wished to join the bank as a founding member provoked an "avalanche-like wave of additions", including Germany, France, Italy, and later on, Luxembourg, Denmark, and Switzerland. This "European diplomatic turnaround" represents an "undeniable and severe defeat" for the US. China had in fact always been optimistic that the UK would join, like the UK, and China had been in touch regarding the bank since the summer of 2014, following discussions with Li Keqiang during his visit to the UK in June (Godement 2015: 15).

The US criticized the UK, a senior official of the American administration then told the British decision was made "practically without consultation with the US" and in spite of the fears of Washington for a new financial structure (Тодоров 2015). Meanwhile, British finance minister George Osborne stressed the opportunities for British business in a pre-election budget speech to parliament. After rebuffing a telephone plea from US Treasury Secretary Jack Lew to hold off George Osborne said: "We have decided to become the first major western nation to be a prospective founding member of the new AIIB, because we think you should be present at the creation of these new international institutions" (Taylor, James 2015). Following a UK membership application, one US official said: "We are wary about a trend of constant accommodation of China, which is not the best way to engage a rising power" (Khan 2015).

The G-7 (Group of Seven) summit of 7–8 June 2015, in Bavaria brought together leaders of the countries supporting the Chinese initiative. The European countries' decision to join the bank is not irrational. Germany and the UK decided to join the AIIB since global economic development shifted to Asia. GDP growth in the G-7 countries amounts to less than 2%, while some countries in Asia are developing at nearly 7% rate (Sputnik 2015). Europe has experienced economic difficulties over the past few years, and it is looking to benefit from Asia's impressive growth. Since China's influence in the world is growing fast, the G-7 countries see the AIIB as an opportunity to deepen their relations with China, to promote their own interests in the region and participate in large infrastructure projects in Asia (Ведомости 2015).

However, despite the depressed economic environment, EU member states have plenty of funds available for investment, and they are looking for more profitable opportunities than those available in Europe. France and Germany especially could easily lever their companies' significant experience, impressive technologies and operational knowledge in the context of infrastructure building in Asia, and accordingly, reap the benefits of the planned infrastructure projects. Investing in the AIIB is "profitable" and "in line with the countries' national interests" (Godement 2015: 15).

German Ambassador to China, Michael Clauss said on this occasion: "For us, it is important that the [AIIB]standards do not differ too much from those adopted by the IMF, WB and the ADB. Our feeling is that Beijing does respect that it has to adhere to international standards and procedures" (Fensom 2015).

It is remarkable the Chancellor of Germany Angela Merkel 's announcement during the joint press conference at the German Chancellery in Berlin (June 2017), saying that EU supports the WTO obligations and is committed to seeking solutions in line with the rules. She said, adding that the solutions should offer equal treatments to all countries and treat Chinese enterprises in a non-discriminatory way (Xinhuanet 02.06.2017).

Moreover, Britain assured its support to the inclusion of RMB into the IMF special drawing rights (SDR) basket. In October 2015, China and Britain issued a joint declaration on building a "global comprehensive strategic partnership for the 21stCentury." The declaration specified the bilateral relations with pledges of joint efforts in fields ranging from the internationalization of China's official currency RMB (renminbi) and China-European Union free trade to cybersecurity and climate change (Xinhua. China Daily 23.10.2015). The Bank of China joined the pricing process on the London Stock Exchange. British businesses are satisfied with China's reforms in the area of yuan's liberalization. They even hint that Beijing may soon begin to trade in currency, synchronizing time with European markets (Цатурян 2015). Beijing and London have a strong interest in cooperating on each other's major initiatives, namely BRI and Britain's National Infrastructure Plan and the Northern Powerhouse (Xinhua. China Daily 23.10.2015). In July 2017, Hong Kong and China opened the market for Chinese bonds to the West, whose potential is estimated at US $9 trillion (Колеров 2017). It is noteworthy that in the G-20 (Group ofTwenty) meeting in Hangzhou in 2018, British Prime Minister Theresa May made it clear that the so-called “Golden Era” between the U.K. and China, announced during Xi’s visit to Britain in 2015, is still ongoing–it might be about to get even more golden (Brown 2018).

In an effort to get Switzerland involved in the process of the internationalization of yuan, Beijing hopes that the Swiss can offer help to facilitate Chinese banks opening branches in Switzerland. The leaders of two states pledged (January 2015) closer bilateral financial cooperation and agreed to support the establishment of the offshore RMB market in Switzerland, which analysts say marks a crucial step in the internationalization of the Chinese currency, especially in Europe. China will give Switzerland an investment quota of RMB50 bln (US $8.05 bln) under its Qualified Foreign Institutional Investors (QFII) scheme to support the establishment of the Zurich offshore renminbi market. In July 2014, Chinese and Swiss central banks signed a bilateral currency swap agreement worth RMB 150 bln (US $24 bln) in a bid to provide liquidity support for bilateral trade and economic cooperation (Xinhua.english.gov.cn 22.01.2015).[3]

Apparently, the main western nations’ eagerness to become founding members of the AIIB reflects their desire to land lucrative contracts for the construction of infrastructure facilities on expectations of increased use of China’s yuan in international business transactions (Sputnik 2015). Certainly, for China, which has the world's largest foreign exchange reserves, it is logical to invest the reserves on its own terms, increasing the leverage of international influence – "transiting from a large to a strong state" (Ведомости 2015).

In fact, European leading countries’support for the AIIB, despite theUS effort to discourage them, demonstrates the “victory of pragmatism over geopolitics” (Ведомости 2015). That is to say European countries, "disappointed in US behavior" in the IMF and the WB (Harutyunyan 2015: 246), “came to the conclusion” that US-led international order might no longer be in their favor. The

EU started to lose confidence in the US during the 2008 crisis, when the US showed only limited support for the EU – it did not buy EU bonds, it downgraded EU countries (via US rating agencies), and later on it made intensive use of quantitative easing despite the fact that it hurt EU interests. Probably because of this, just like emerging countries, the EU may be interested both in building space for itself beyond the influence of the US and in increasing its "speaking rights" in the international order (Godement 2015: 15).

Thereby, Europe has taken the first step by "turning East" focusing more and more on Asia for economic reasons and "disengaging" from the US-Europe alliance. In response, China is promoting the OBOR to overcome the obstacle of distance and to connect Europe and Asia (Godement 2015: 7).

However, the EU has dealt a blow to Chinese president Xi Jinping's bid to lead a global infrastructure revolution, after its members (representatives of Belgium, Estonia, Germany, Hungary, Italy and Spain) refused to endorse part of the OBOR plan, because it did not include commitments to social and environmental sustainability and transparency. Xi made his bid for global leadership at the high-profile summit in Beijing (May 2017) about BRI, telling leaders that the world should reject protectionism, embrace globalization and pull together like a skein of geese (The Guardian 2017).

In this regard, it is remarkable the German Foreign Minister Sigmar Gabriel's expressed view that the EU underestimates the role of China. "The Chinese have a geopolitical strategy, while Germany and Europe are not in a position to support the world's liberal order alone." The release of US President Donald Trump from the Trans-Pacific Partnership Agreement (TTP), the possible withdrawal from the WTO, the revision of the North American Free Trade Agreement (NAFTA), the reduction of US participation in European security, and the withdrawal from the Paris climate agreement–all this indicates that the world is gradually creating "Leadership vacuum" (ИAREGNUM 2017). Sigmar Gabriel has rejected OBOR, warning that the Chinese multi-trillion-dollar initiative is against democracy or freedom, it is promoting a new value system different from the West, and that EU nations need to come up with an alternative to OBOR (The Indian Express 2018).

There is an opinion that the US and the EU could agree to work together and avert a trade war through the US-led "Indo-Pacific Economic Vision" to counter China's BRI and contain China economically and diplomatically. But Trump's approach now appears to be re-establishing US hegemony over Europe, with European promises to improve trade, spend more on defense and move against China as early victories (Mahoney 2018).

Obor Infrustructure Projects In The Countries Of European Union

One of the most important sites in the entire system of international trade sea routes in the Mediterranean Sea, which is the central part of the sea trade routes and it represents the western extremity of the BRI. Beijing intends to take advantage of the geographical proximity of the Mediterranean Sea to Europe, to turn it into a major distribution hub for Chinese goods destined for the EU –China's largest trading partner (Чазиза 2018). Beijing's long-term goal is to create its own industrial and production base to serve not only the European market but also emerging Eurasian markets from the Eastern Mediterranean to the ME and India. To this end, China not only repairs the railways, which remained untouched since its construction in the XIX century but is gradually being integrated into the local industry (newscdn.newsrep.net 2017).

The growth of direct China-Europe railway services in recent years is particularly dramatic. Trade between China and the EU is worth well over €1 bln each day, with thousands of tons of goods being carried from one end of the Eurasian continent to the other – mostly by sea, along with the vital lanes that connect Suez and Shanghai. But because of the sheer volume of trade, Chinese ports are increasingly clogged by an excess of outbound cargo destined for Europe. On top of putting pressure on Chinese infrastructure, goods traveling to Europe via the maritime route take a relatively long time to reach their destinations: anywhere between 20 and 40 days. In contrast, an inland trade route spanning from Xinjiang to Eastern Europe is expected to allow Chinese products to reach the European market in 11 days (Brugier 2014: 1). The NSR is an opportunity to cover the main Central and Western European markets that contain over 750 million users (Vochra 2005: 61–62).

China-Europe freight trains, passing through 28 cities in 11 European countries, have been gaining steam, as Europe seeks more convenient and affordable ways to tap into the world's largest consumer market (Xinhuanet14.05. 2017). Since March 2011, more than 3, 500 trips have been made. The figure should rise to 5, 000 by 2020 (Xinhuanet 29.04.2017). By June 2016, 1, 881 trains had come from China to Europe and sent in the opposite direction. From Europe to China 502 trains trips have been made in 2016. From Germany, they brought meat products, from France –wine, and from Russia - wood. In total, trains from China use 40 railway routes to different European cities (Прохвалитов 2017).

The main obstacle for the development of "European" train routes of NSR is their low demand at the moment by the Chinese manufacturers. Most of the cargo (two million per year) of rail container traffic in the direction of China–Europe is transported via the Russian Trans-Siberian Railway (TSR). And the attracted flow of China–Europe through Kazakhstan amounted to about 200, 000 tons in 2014, that is, only 10% of the total freight traffic in this direction. In practice, these routes are focused mainly on the transportation of goods from the western regions of China to Russia and the countries of CA, and only partially to Europe (Прохвалитов 2017). Beijing is interested not only in obtaining a basis for increasing transit operations and the transporting of Chinese goods to Europe and theCommonwealth of Independent States (CIS) but also in the development of the north-eastern region of the PRC (Гузенкова, Сытин 2013: 151). But the TSR transit times were slower and less predictable. At change-of-gauge stations, it took longer to transfer cargo from one train to another. Delays also raised the risk of theft and made it impractical to transport refrigerated goods (Hillman 2018).

Therefore, China now wants to create an alternative inland transport route for its goods to the European market – substitute to the one through Russia (Brugier 2014: 1). One B&R project expected to offer an alternate route from China to Western Europe bypassing Russia, instead of going from China through Kazakhstan, Uzbekistan, Turkmenistan, Iran, Turkey, Bulgaria, Romania, Hungary, Austria, Germany, Belgium, and France before reaching the UK. This would be a US $150 bln project, to be finished between 2020 and 2025 (Takes 2016: 7). Kazakhstan will play a key role in the B&R project with regard to the trade with Europe. In this way, Beijing should use the Russian Transsib mainly for trade with Russia in the future (Прохвалитов 2017).

Other projects could potentially expand China's high-speed rail network to most of Asia. There are some connections that have included Wuhan to Pardubice (the Czech Republic, 2012), Chengdu to Lodz (2013), Zhengzhou to Hamburg (2013), Suzhou to Warsaw (2013), Yiwu to Madrid (2014) and Wuhan to Hamburg (2015). These routes can be extended through the existing rail system in Europe, and they can cut 2–3 weeks off of the time it would take by sea (Takes 2016: 7).

The United Kingdom. London is the 15thcity in Europe added to China–Europe freight train services (Xinhuanet 29.04. 2017). The China Railway Corporation's freight train arrived for the first time in London from Jiva West station (Zhejiang province) with the symbolic designation "East Wind" on January 18, 2017. Having overcome 11, 930-km with goods worth US $5 million, the train crossed the borders of Kazakhstan, Russia, Belarus, Poland, Germany, Belgium, and France before reaching Great Britain (Прохвалитов 2017).

The first trans-continental freight train, loaded with 32 containers, mainly carrying maternity products and soft drinks, departed from London on April 10, 2017

(Xinhuanet 29.04. 2017). Traveling from Britain back to China 7, 500-miles (12, 070-km) through France, Belgium and Germany, it passed from a DB World locomotive to the InterRail, and continued via Poland, Belarus, Russia and Kazakhstan (Sala 2017). Freight train reached its destination in eastern China's Yiwu city in late April 2017, after a 19-day journey (Xinhuanet14.05. 2017). The Yiwu city is a Chinese manufacturing and trade hub, where small goods such as homeware, garments, and souvenirs are made (Sala 2017). As a major outcome reached at the recent China-UK Economic and Financial Dialogue (EFD), China and Britain proposed a bilateral investment fund with the first round of US $1 bln to support the initiative. In a bid to support British businesses' involvement in the initiative, the British government pledged up to £25 bln (US $33.3 bln) worth of financial support for companies participating in the B&R projects in Asia (Xinhua.english.news.cn 29.01. 2018).In 2018 UK Department for Export Finance has announced the allocation of £25 bln to support projects under the OBOR in Asia (Жэньминь Жибао 2018).

Thus, British companies can take advantage of new routes to market to sell products and services to the third economies more cheaply and efficiently.

Germany. Another train has been running between Chinese Chongqing and Duisburg (Germany) since 2011. This train crosses Western China, Kazakhstan, Russia, Belarus, and Poland before reaching Germany (Takes 2016: 7). Chongqing to Duisburg freight railway has cut the time between Europe and China to 12–13 days, compared with an average of five weeks for container shipping (Woodward, Phillips 2015: 21).

The route's opening follows Chinese-German plans announced in March 2016, for building a large trade and logistics park in Urumqi. With the goal of making Xinjiang part of the European logistical network, it will be built close to Urumqi's high-speed rail terminal and airport by Urumqi Economic and Technological Development Zone (UETDZ) and to the Port of Duisburg. The park will be run by Xinjiang International Railway Port Limited Liability, a newly established company with registered capital of RMB 200 million (US $31 million). The Port of Duisburg will have a 20% stake in the company while UETDZ and associates will own the rest. Although rail freight from China accounted for less than 1% of all cargo handled in Duisburg in 2015, the companies expect annual rail cargo between Xinjiang and Germany to reach 20 million tonnes in 2020 and 50 million tonnes in the long term (Gbtimes 2016).

Actually, the shortest cargo train route to date between Europe and China began operations in late May 2016. Now it takes just 10 days for trains from Urumqi to reach the world's largest inland port in Germany's Duisburg. The cargo train route, which will see regular weekly service, shortens the distance between China and Europe by at least to 2, 000 km and saves up to 3 days in time. By comparison, it takes about a month to ship cargo from China to Europe. Trains traveling the 8, 000-km route, which goes through Kazakhstan, Russia, and Poland, will carry chemical products, tomato sauce, and textiles from Xinjiang to Germany and bring back food, furniture, mechanical and electrical products (Suokas 2016).

France. Sino–French cooperation under the banner of B&R remains a largely theoretical endeavor for the time being, but some concrete interaction has begun to emerge. An international freight train departed from Wuhan, the provincial capital of central China's Hubei Province heading for Lyon in France in July 2016. The railway line directly connects China and France and is a part of the Wuhan-Xinjiang-Europe railway service. The train was loaded with China-made machinery, electronic products, chemical products, and other goods. It passes some 11, 000 km through Xinjiang, Kazakhstan, and Russia, and arrives in Lyon in 15 days later. In the past, cargos from Wuhan to France were usually carried via sea transportation, and took around 50 to 60 days, while the new railway service only takes about half a month. The first major goods to be transported back to China will be wine and agricultural goods (CCTVNEWS 2016[4].

In addition to the mileage, the train has also expanded Wuhan's **influential ranges** to a large extent. Before, there are already 231 regular trains between Wuhan and Central Europe Area including **Wuhan-German route, Wuhan-Czech route, Wuhan-Poland route, Wuhan-Russia route, Wuhan-Belarus route**, etc. Based on that network, more than **20**Asian and European countries can be easily reached starting from Wuhan. Now with this train, countries around France like **Spain, Portugal, Italy and Sweden** can all get covered, therefore increases the number to around **30** (CTUAS 2016).

Chinese investments that have taken place in France, in sectors, that fall under the B&R (transport and telecommunications), include a 49.9% stake in the operator of the Toulouse Blagnac airport (home to European conglomerate Airbus) by the conglomerate Symbiose in late 2014, or heavy investments in the tourism industry, such as Club Med or Louvre Hotels (ETNC 2016: 21).

Portugal. Chinese officials acknowledge Portugal'sports relevance for enhancing connections between China, Western Europe and Africa (ETNC 2016: 51). Portugal has been pushing for the land-based belt, currently projected to run from Southwest China's Chongqing to Madrid, and then to be later extended to Portugal, specifically as far as the Port of Sines, so that the port can be included into the MSR (Global

Times 2018). The (re)launching of a project conceived more than a decade ago, aiming to connect the port of Sines and the Spanish border by railway, can bring increased competitive capacity to the infrastructure and would fit with OBOR in its rationale (namely when acknowledging that the Spanish capital Madrid, approximately 400 km from the Portuguese border, has been connected by train with the Chinese city of Yuwu since December 2014 (ETNC 2016: 51).

In September 2017, Portugal and China signed a bilateral agreement aimed at speeding up customs procedures for shipments traveling between Sines (the only deep-water port – and indeed one of the few in Europe with no restrictions on any type of ships) and Chinese ports (Global Times 2018). In November 2017, Portugal's Minister of the Sea, accompanied by representatives of 39 Portuguese port and related companies and industries, visited China to concretize Portugal's participation in the MSR. That includes hopes for some US $2.5 blnin Chinese investments in expanding container and other facilities in the Portuguese ports of Sines (towards the south), Lisbon (in the center), and Leixoes (towards the north), as well as in areas of "blue biotechnology", oceanic aquaculture, and marine industry (Strasunkas 2017).

Portugal is also promoting the viability of Setubal, an under-used port north of Sines and south of Lisbon, and the Beja airbase, an airport 100 km east of Sines (Global Times 2018).

Spain. The first train to complete a journey on the world's longest railway line, connecting Spain and China, returned home in February 2015. The new 82-container Yixin'ou cargo train began its journey in November 2014, in the eastern Chinese city of Yiwu. The 16, 156-mile round trip on the Yixin'ou cargo line through China, Kazakhstan, Belarus, Poland, Germany, France and Spain took four months. The train arrived laden with cheap goods and returned to China with expensive olive oil (Independent 2015).

Before the Yixin'ou line was opened, goods traded between Europe and China depended on inefficient sea or air transport, meaning higher prices in Europe. The cargo train will boost economic exchange between Yiwu, the world's largest small commodity market, and Madrid, Europe's largest small commodity market. The line is 450 miles longer than the previous record holder, the Transsib which connects Vladivostok in the east of Russia, to Moscow. Some experts consider the line will provide a vastly faster service than seaborne goods and is substantially cheaper than air cargo (Independent 2015).

However Spanish olive and wine producers have criticized the new train route for its costliness. While NSR is a much faster connection than the usual 30-day trip at sea between Western Europe and China, there are some opinions thatmarine shipping remains much cheaper (Sala 2017).

Netherlands. Amsterdam has grown more interested in Chinese investment but remains cautious about the openness and transparency of the NSR. Many companies from the Netherlands "would love to participate" in China's BRI", if China was willing to open up the tendering process for its projects to foreign companies (Lo 2018).

Until recently, the nearest rail links to the Netherlands were via stations in Duisburg and Hamburg. For a large part of the Netherlands, time and cost savings achievable by rail were minimal, making this a less interesting option. With Tilburg as an additional end terminal however, rail transport from China now becomes an attractive alternative (Ritra Cargo 2017).

In 2016, 460 trains ran between Chengdu (capital of southwest China's Sichuan Province), Tilburg in the Netherlands, and Nuremberg, **Germany** (Xinhuanet14.05. 2017). The service was launched by the Chinese rail operator CDiRS in June 2016, and now the Chengdu–Tilburg–Rotterdam–Express is in full operation (Port of Rotterdam 2017).

It took 16 days for 26 tonnes of frozen pork to travel by freight train from the Netherlands to arrive in Chengdu, in May 2017. The freight trains slash about 40 days off the travel time compared to shipping and are about RMB 10, 000 (US $1, 450) cheaper per tonne air freight. In the first four months of 2017, 91 trains have brought about US $150 million worth of European goods to Chengdu. The Netherlands is the most important logistical center in Europe, and Chengdu, in China's west, has huge potential, which means great opportunities for European countries (Xinhuanet14.05. 2017)..

Goods train connection with China opened in March, 2018, linking Yiwu outside Shanghai to Amsterdam's Amerikahaven port in 16 days. The railway forms part of an 11, 000-km route between China and Europe through Mongolia and Russia (Lo 2018).

Italy. Italian ports and rail connections to the markets in Central, Eastern and Northern Europe have become the focus of attention for the Italian government, and the Chinese are keen to exploit opportunities in the logistics and infrastructure sectors to promote the MSR (ETNC 2016: 38).The Italian government presented the five-port project to its Chinese counterpart during bilateral summit in 2016, that involves the Italian ports of Venice, Trieste and Ravenna, plus Capodistria (in Slovenia, where the city is called Koper) and Rijeka/Fiume (in Croatia), linked together in the North Adriatic Port Association (NAPA).[5] The consortium aims to attract – and service – China's huge cargo ships that reach the Mediterranean Sea via the Suez Canal (Xinhuanet 18.05. 2017). The plan is to create an offshore/onshore docking system by building a giant multimodal platform off the shore of the city-port of Malamocco, near Venice. The platform, eight miles from the coast where the sea is at least 20 metres deep, is designed to allow the giant cargo ships to dock. Once operational, the platform is expected to handle between 1.8 and 3 million TEU (twenty-foot equivalent unit) per year. As a comparison, today all of the Italian ports combined can handle 6 million TEU (ETNC 2016: 39).

While the immediate effects of the BRI will be on the logistical and ports sector–in which 160, 000 Italian companies worth an estimated €220 bln operate–it will inevitably have "a cascade effect" on other types of businesses such as shipbuilding, construction and transportation manufacturing. If Italian ports become strategic, it will make them more competitive. This will work both ways, with Italian companies having better access to China. However, the region's exports to China– principally industrial equipment– dropped by 18.1% in 2016 (Xinhuanet 18.05. 2017).

Finland. Recent climate changes have made the prospects of a northern shipping route from China to Europe far more interesting than ever before. While Finland is peripheral geographically to most of the existing OBOR scheme, it would not be peripheral to a "One Belt Two Roads" (OBTR) strategy, in which the second "Road" is an Arctic shipping route. Finland, or more likely Finland in conjunction with other Scandinavian countries, could be far more central to OBTR strategy.

Chinese cargo-shipping giant China Ocean Shipping (Group) Co. (Cosco) is already planning regular services on an Arctic route to Europe. This route will require new ships and services, and will present numerous technical challenges of the sort that the Scandinavian countries have been dealing with for decades. It could also present opportunities for potentially very cheap backhaul of goods from Europe to China, providing potential advantages to Nordic manufactures (Takes 2016: 15).

Luxembourg. China also supports the construction of an "Air Silk Road" between China's Zhengzhou (Henan Province)and Luxembourg (Xinhua News Agency 14.06. 2017).*Zhengzhou Airport* is one of China's eight major air transport hubs, and Luxembourg*Airport* is the sixth largest air cargo terminal in Europe.Luxembourg, at the other end of the*Air Silk Road*, lies at the heart of

Europe, next to Germany, France and Belgium. It enjoys natural geographical advantages, with 4 major financial centers (London, Paris, Frankfurt and Zurich) in close proximity (HKTDC 2018).

Belgium. China welcomesBelgium to join the unfolding BRI. Beijing invited Brussels to back Chinese enterprises join the investment plan for Europe and participate in the construction of a railway network across the continent (Shengnan 24.06. 2015).The port of Antwerp in Belgium has signed a collaboration agreement with the China Development Bank and set up a special task force to enable it to benefit from the MSR (Economywatch 2015).

In 12 May, 2018, the first Silk Road (SR) train exclusively destined for Antwerp has arrived. The train left the Chinese port of Tangshan on 26 April and travelled via the border crossing of Alashankou, Kazakhstan, Belarus, Poland and Germany to reach its final destination, the port of Antwerp, after 16 days and having covered a distance of 11.000 km. The service is an initiative of Tangshan City & Tangshan Port, in collaboration with the Chinese state-owned shipping company Cosco Shipping Lines and the Chinese Railways (CRCT).The consignee is Cosco Shipping Belgium, which will ensure the forwarding to the end customers. The train is loaded with a total of 34 containers, containing industrial minerals for use in various industries and productions such as paper and ceramics, toothpaste and cosmetics. They are unloaded at Euroports, which should transport them to their bulk terminal for subsequent distribution in Europe (Port of Antwerp 2018).

"16+1 Platform" And Chinese "Great Neighbourhood" Strategy In The Cee Region

The OBOR will be incomplete without CEECs, whichare increasingly perceived as a part of China's "great neighborhood", and have a special role to play in it (Duchatel 2014). CEECs are located either on the periphery of the EU or in the center of the EU, some boast key ports, and others are overland hubs (Zuokui 2014: 26). CEECs act as the bridge connecting Asia, Europe, the Mediterranean and the Baltic States, which is true in both a political and logistical sense (CCTV06. 2015). Beijing wants to work with CEECs "to build the China–Europe land-sea express line and promote connectivity in Europe." China hopes that building up better relations with the CEECs can help push forward its overall relations with the EU, they will play a crucial role in making sure China's OBOR reaches its final destination– Western Europe (Tezzi 11. 2015). China's long-standing idea is to create a significant support in the CEECs and strengthens its influence in the countries that are likely to soon become EU full members of the (newscdn.newsrep.net 2017).

CEE region could serve as a center for Chinese products' upgrading and marketing. The production, distribution, marketing and branding of Chinese products could be first localized in CEE before fully Europeanized. CEECs, which have open markets, are expected to be the driving force in pushing forward the talks over bilateral investment accord and the building of an FTA between China and Europe (Zuokui 2014: 26).

In order to integrate into the EU and thus to build a geo-economic bridge for Chinese companies to the main EU markets, Chinese Premier Wen Jiabao met with his 16 counterparts from the CEECs in Warsaw (Poland) in April 2012, where the "16+1 platform" was formally created. "16+1 platform" also aims at intensifying China's cooperation with 11 EU Member States– Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia– and five Balkan non-EU Member States –Albania, Bosnia and Herzegovina, FYR Macedonia (the Former Yugoslav Republic of Macedoniawill change its name to "Republic of North Macedonia" after the October 2018), Montenegro and Serbia– in the fields of transport, finance, science, education and culture (Barisitz, Radzyner 2018: 2).

During his visit, Wen Jiabao announced several measures for promoting friendship and cooperation entitled "China's 12 Measures for Promoting Friendly Cooperation with Central and Eastern European Countries". The document was inaugurated as a new Chinese engagement strategy in the CEE region (Simurina 2014: 4). Worth to note, that ASEM[6] is among the mechanisms for the involvement of CEECs in BRI (Zuokui 2014: 21).

Chinese Premier Minister Li Keqiang extended the B&R all the way to Europe during a visit to Romania in November 2013. At the CEE leaders'summitin Belgrade (Serbia) in December 2014, Li Keqiang stressed that Europe should play a role in B&R, and China should play a role in completing the infrastructure and energy projects in CEE under the auspices of this initiative (Tezzi 06. 2015). In 24–25 November, 2015, Chinese Premier Li Keqiang hosted in Suhzou 16 CEE leaders for the fourth China-CEE summit (CCTV 11.2015). The summit was announced as "new beginning, new domains, and new visions." Chinese politicians, scholars, and media casually refer to the "16+1 platform" as "South-South" cooperation (Turcsányi 2015). Chinese media described it as a "golden opportunity" to deepen cooperation with CEECs (Tezzi 11. 2015). Beijing offers 16 visiting state leaders to build ports, highway, and high-speed railways using a newly proposed multilateral financial firm (Turcsányi 2015).

During the Suzhou summit, Croatia, Slovenia, Poland, Latvia and Bulgaria proposed to strengthen the cooperation on port development. Beijing expressed its readiness to make investments in the construction and modernization of port facilities in the Baltic, Adriatic and Black Seas, paying special attention to the cooperation in the field of production capacities of ports and industrial parks of coastal areas. Beijing expects Chinese companies to become the main players in these projects and provide preferential financial support (US $10 bln loan) for those projects that will use Chinese products and equipment in cooperation with production facilities. China offered to create a new "16 + 1 financial company" specifically for financial support of such projects "through business means" – thereby avoiding violation of EU restrictions on sovereign debt (Tezzi 11. 2015).

A two-day meeting of China-CEEC transport ministers in Warsaw in October 2017, led to the creation of a "16+1 Coordinating Secretariat on Maritime Issues."The "16+1 format" now involves regular ministerial conferences such as thefirst **China-CEEC Ministerial conference on energy cooperation** that was held in Bucharest on November8, 2017 (Poggetti 17).In the Budapest summit of "16+1 premiers", which concluded on November 27, 2017, China promised to invest €3 bln in infrastructure projects in the region – something which China has been consistently saying since at least **2014** (Turcsanyi 2017).

In reality, Chinese investments benefit candidate countries, which cannot access large EU structural funds until they join the EU, but which are aware that their national and international infrastructure and transport links must be improved in order to make progress toward EU accession. Compared with the relatively slow process of project preparation and other institutional obstacles that must be overcome when applying for EU funding, Chinese investments appear to be a competitive alternative, as they come with streamlined approval processes, state-backed financing and rapid implementation (Barisitz, Radzyner 2018: 2).

On the other hand, Chinese loans are not attractive for the eleven CEE countries that are EU members, since they have access to more favorable financing from the European Central Bank and other financial institutions. Thus, it is not likely that Chinese 'aid' is a major factor in internal economic development for these nations. Indeed, Chinese investment, by all statistical measures, has up to now been far greater in the largest Western European economies (Germany, France, and the UK) than in CEE (Garlick 2018).

In any case, the Chinese credit line was one of the main reasons for concern in Brussels that China could go against EU rules, especially whenit has never been clarified how the credit line should be used (Turcsányi 2015). Thereby China-CEE

Cooperation initiative was assessed as an assault on the EU foreign policy unity and part of the Chinese plan for the expansion of its influence in Europe. There are even some European fears that the Chinese are exploiting EU member-states from the region as a kind of a “China lobby” (Habova 2015: 252).

But the main reasons, for OBOR, has not succeeded in getting many takers in Europe, are the ambiguity and secrecy surrounding the Chinese projects. Countries are also worried as several Chinese initiatives in Asia [Malaysia, Sri-Lanka, Pakistan, Nepal] have failed in leading to a “win-win” situation for the recipient countries. Several countries have found themselves in deep debt to Chinese bankers. Eleven countries in the “16+1” are EU members, and there is a concern that the attempt to bilateral relations in this framework could affect the internal cohesion of the EU and risk divisions among members that compete for Chinese attention (The Indian Express 2018).

OBOR Infrustructure Projects In The Cee Countries

Since late 2013, the Chinese government has announced plans to construct high-speed railways from Piraeus (Greece) via Skopje (Macedonia) and Belgrade (Serbia) to Budapest (Hungary) and from the Black Sea port of Constanta (Romania) via Bucharest (Romania) and Budapest to Vienna (Austria) (Putten, Meijnders 2015: 28). This express passage extends from the Piraeus Port of Greece in the south toBudapest of Hungary in the north via Skopje of Macedonia and Belgrade of Serbia.

Hungary and Serbia. Budapest has launched a ‘Look East’ campaign marking China as its prominent Asian partner and seeking to become the premier economic player in the Central European region (CCTV06. 2015). Serbia, with its long-term ties with China in combination with its geographical location, is placed at the center of the Balkan policy of Beijing. Serbia needs investment in the economy and infrastructure (newscdn.newsrep.net 2017). The project for the modernization of the Belgrade-Budapest railway was initially agreed on in 2013, at the CEE countries leaders' meeting in Bucharest (People's Daily Online 2015). During the CEE leaders'summitin Belgrade (2014), China has signed the first BRI document with EU countries – deal with Hungaryand Serbia to build a high-speed rail line between their respective capitals, Budapest and Belgrade (Szczudlik-Tatar 2015: 2; CCTV06. 2015). The cooperation plan for the construction of the railway was signed on early June of 2015, in Belgrade at the meeting of the Trilateral Group of China, Hungary and Serbia for Traffic and Infrastructure Cooperation, setting dates for certain phases of the project (People's Daily Online 2015).

The Hungary-Serbia high-speed railway will be just one part of a larger project, a fast lane for the import and export of products between China and Europe, as well as the "land-sea express passage" linking China and Europe (Tezzi 11. 2015). These new lines can also be connected to the high-speed line across Turkey that China is currently helping to build. This regional network could potentially be extended east to link to China's national rail system, and west to cover more parts of Europe (Putten, Meijnders 2015: 28). After completion of the Belgrade-Budapest railway, a double route along the route between the Mediterranean and the Danube, it will help trains to travel at a speed of 200 km per hour, allowing the China's land and sea corridor to become a new convenient channel for trade (People's Daily Online 2015).The Hungary-Serbia railway will connect Budapest with Belgrade, with a total length of 350/370 km, reducing traveling time between the two capitals from eight hours to three hours. The Serbian part of the Hungary-Serbia railway consisted of three parts, namely from Belgrade to Stara Pazova, from Stara Pazova to Novi Sad, and from Novi Sad to Subotica, with a total length of 184 km (Xinhua.english.news.cn 28.11. 2018).

In November 2015, a consortium led by China Railway Group (CRG) has been awarded a RMB 10 bln (US $1.57 bln) contract to build the 160-kmHungarian section of a railway linking Budapest with Belgrade (Reuters 2015). It will also be responsible for the general management of the project. In addition to CRG, the consortium includes CRG's China Railway International Group (CRIG), China Railway International (CRI), a subsidiary of national operator China Railway Corporation and Hungarian State Railways. Both CRI and CRIG will jointly hold an 85% stake in the consortium. The Chinese firms will finance 85% of the project, while the remaining 15% will come from Hungary (Railway Technology26.11. 2015).

In the Budapest summit of "16+1 premiers", held in November 27, 2017, there was an announcement that the construction deal for the Budapest-Belgrade railway will be offered in a public tender. This was clearly a response to the EU objections (Turcsanyi 2017). The fact is that, the ideologist of this initiative, Hungarian Prime Minister Viktor Orban expected to give the contract to the Chinese side without a tender, simply as a sign of strengthening relations. The construction of a branch worth US $2.89 bln with the help of Chinese contractors was to begin in 2014, but theECopened proceedings against Budapest for ignoring the tender legislation of the EU and ordering it without a competition to Beijing. In October 2017, Hungary still forced to cancel the deal and open a tender, the end of which is scheduled for September 2018. According to the original plan, the construction of the branch was to be completed in 2017, but is now scheduled for 2023. Here, the calculations of the Chinese authorities to obtain a major prestigious contract in Europe came across institutional constraints, which, apparently, were not taken into account in the original version (Коростиков 2018).

Poland. China views Poland as an important partner for cooperation in CEE and within the EU, as the regional center of trade exchange between China and Central–Southeast Europe, and also as a "gate to Europe" in the context of BRI (Xinhuanet 12.05. 2017).[7] In June 2016, President Xi Jinping, during his state visit in Poland, held a forum on the "Economic Belt of the Silk Road, " and the sides signed 40 trade and bilateral agreements in the field of civil aviation, energy, finance and science (GbtimesРоссия 2016).

In 2012, the Polish Government launched the *"Go China"* project for Polish enterprises, and thereafter, launched the *" Go Poland"* project for Chinese enterprises with a view to pushing forward bilateral economic, trade and investment cooperation. In order for Poland to become a springboard for Chinese enterprises entering Europe, Warsaw is trying to attract more Chinese enterprises, especially from Chongqing, to invest in Poland through the Chongqing-Xinjiang-Europe railway (Zuokui 2014: 22).

Poland's Strategy for Responsible Development (SRD) highlights one area for potential Chinese investment. According to the plan, the country seeks to invest more than 1.5 trillion zloty (US $442 bln) from public funds and about 600 bln zloty from private sources in infrastructure and industry projects by 2020s. Nearly half of the investments were expected to come from EU funds, which are expected to decrease with the new EU budget, leaving the door open for potential investment from China. One of the SRD initiatives that could attract Chinese investors is a proposal to create a transportation hub combining several forms of transport such as air, rail and road (Bisenov 2018).[8]

Currently Poland has become an NSR country with two cargo railway connections, linking Chengdu (China) and Łódź and Suzhou and Warsaw in operation since 2013 (Szczudlik-Tatar 2015: 2). Between April 2013 and January 2014, 33 trains arrived in Lodz from Chengdu, with the value of the freight transported reaching US $90 million (Zuokui 2014: 22). In June 2016, shipping containers in Chengdu leave for Europe, covering a distance of 9, 800 km (6, 089 miles) until they arrive in the Polish city of Ludz in two weeks. Dozens of shipping containers leave this Chengdu station every day, packed with electronics, heavy machinery, shoes, and clothes, and taking back mostly food and drinks (CCTV America 2016).

In 2015, the Polish railway company PKP Cargo launched operations on the Henan–Hamburg (Germany) railway connections. The company has already signed a memorandum with the Zhengzhou International Hub Company, to set up a joint venture to build a dry logistic hub in Małaszewicze on the Polish–Belarusian border as a main hub for the shipment of containers between China and Europe (Szczudlik-Tatar 2015: 2).

The Czech Republic. In November, 2015, China and the Czech Republic signed a memorandum of understanding to jointly promote the BRI. In November, the memorandum was transformed into the "Belt and Road Initiative Work Program" (Jing 10.05. 2017).

The example of an OBOR-related investment is the plan to build a canal on Czech territory that would connect three rivers – the Danube, the Oder and the Elbe. This huge transcontinental project, linking the Black, Baltic and North Seas and their main river ports – Hamburg, Szczecin and Constanța – appealed to Chinese investment circles, and received backing from Czech political and business lobbies. Among several interested Chinese companies are those that took part in CIS construction of the Three Gorges dam (ETNC 2016: 13).

The Czech Republic does not have a common border with the*CIS* area, thereby cannot profit directly from serving as a major railway junction for the trans-shipment of containers between the broad-gauge (1, 520mm) trains used in former Soviet countries, such as Russia, Kazakhstan and Belarus, and the standard-gauge (1, 435mm) trains used in China and the EU.But the Czech Republic has overcome the disadvantage of being a landlocked country by developing one of the best, if not the best, air transport links with Asia of any of the CEECs (HKTDC 2017)[9].Three direct flights between China and the Czech Republic now connect Prague with Beijing (Hainan Airlines, since September 2015), Shanghai (China Eastern Airlines, since June 2016), and Chengdu (China's Sichuan Airlines, since August 2016) (ETNC 2016: 14).

As a result, many multinational companies have set up regional logistics centers there. It has some of the best, if not the best, passenger flight connections of any CEEC with the Chinese mainland – and the increased belly cargo capacities, plus the new all-cargo flights between Hong Kong and the Czech capital Prague, have further improved the country's competitive advantage in the eyes of Asian traders and investors (HKTDC 2017).

Slovakia. The involvement of Slovakia in China's BRI has been minimal until now. Although both Slovak and Chinese authorities have signaled their interest in developing cooperation under China's NSR plan, it appears that Slovakia has no major projects to contribute. This is largely because Slovakia is located outside the main corridors that China is planning to develop as part of the SR project. Both of the major railway links – Duisburg to Xiamen and Budapest to Belgrade – that China intends to upgrade, to allow faster and cheaper transport of Chinese products to Europe, circumvent Slovakia. The use of railway connections that run from China through Russia and Ukraine is hindered by the conflict in Ukraine. As a reaction to China's BRI, Slovakia has offered Chinese partners constructing a terminal at Bratislava airport that could be used for combined transport, and extending the express rail line from Belgrade–Budapest up to Slovakia and beyond (ETNC 2016: 53).

Greek Piraeus. In 2013, at the CEE countries leaders' meetings in Hungary, Macedonia and Greece both expressed willingness to partake in the project that is planned to turn Piraeus, the main port of Greece, into a Chinese hub for trade with Europe (People's Daily Online 24.06. 2015).In June 2014, China's Prime Minister Li Keqiang attended the China–Greece Marine Cooperation Forum and visited the Greek largest port Piraeus, which is partly operated by the China Ocean Shipping Company (COSCO). Li referred to COSCO's involvement in Piraeus as a 'pearl' in Sino–Greek cooperation, and stated China's ambition to help turn Piraeus into 'China's gateway into Europe, ' to make it into one of the most competitive ports in the world and to strengthen the port's inland railway links. From the perspective of the Chinese government, Greece is attractive as the European 'bridgehead' for the MSR – even though Greece is in a difficult economic position and consequently politically less stable (Putten, Meijnders 2015: 9).

In 2017, the Chinese shipping giant COSCO completed a deal to acquire a controlling stake in the port Piraeus (newscdn.newsrep.net 2017). COSCO has invested US $4.3 bln in harbor facilities and has recently acquired a controlling share in the port authority. Chinese officials are aiming to increase the port's container throughput to some 5 million 20ft container units by 2018, which would turn Piraeus into Europe's fifth-largest port (Tonchev 2017: 3). For Chinese ships going to Europe via the Suez Canal, the relatively close Piraeus is a much more attractive option. And if to provide the Balkans with a modern infrastructure for cargo transportation, the volumes of trade will grow every year (newscdn.newsrep.net 2017).

Bulgaria. Beijing has already offered Bulgaria to use Chinese high-speed rail technology (Putten, Meijnders 2015: 28). Bulgaria's cities of Sofia, Plovdiv, Burgas, Varna, and Rousse could serve as logistic centers of the modern SR. This section can be called "Rose Road", because Bulgaria is famous for its "Valley of Roses" and is among the leading countries in rose oil production worldwide, a high-quality export product. The "Rose Road" section of the SR is crucial since geo-politically Bulgaria can be considered as a southeast gateway of the EU. Bulgaria's two big Black Sea ports of Burgas and Varna have maritime connections to big Chinese sea ports like Ningbo. On the other hand, they have a direct ground connection to central Europe via cities like Burgas, Plovdiv, Varna, Rousse and Sofia (Xinhuanet 27.06. 2018).

Thanks to its strategic geographic location, Bulgaria could become a bridge for Chinese cargo and open the BRI to Central and Western Europe. From the beginning of 2016, BDŽ– Freight Transports Ltd. (part of Bulgaria’s state railway company) has been negotiating to join the project for the development of the Trans-Caspian International Transport Route (TITR) (Sofia News Agency Novinite.com 29.04. 2018), that circumvents Russia and was initiated by transport companies from China, Kazakhstan, Azerbaijan, Georgia and Turkey (Stanev 2018).

The Republic of Croatia. In Croatia, a Chinese enterprise is building the Peljesac bridge, a historic infrastructure project, by connecting the port city Dubrovnik to the mainland bypassing Bosnia–Herzegovina. According to the Croatian Government statement of April 2018, the Chinese-contracted Peljesac bridge project is of long-term strategic importance, and its bidding was in accordance with Croatia's public procurement procedures and EU standards (CCTV08. 2018).

Western Balkans Six (WB6). While the region is ringed by EU member states (Bulgaria, Croatia, Greece, Hungary, Italy, Romania, and Slovenia), none of the so-called Western Balkans Six (WB6) – Albania, Kosovo, the former Yugoslav Republic of Macedonia, Serbia, Montenegro, and Bosnia and Herzegovina – are part of the Union (Tonchev 2017: 1). Beijing maintains diplomatic relations with all the WB6 members except for Kosovo (Tonchev 2017: 2).[10]

Macedonia. Macedonia is the first European country to operate a high-speed train that was made in China, intends to buy more high-speed trains from China (CNS 2015).Chinese companies supported the construction of Macedonian new highways between Skopje and Stip and between Kicevo and Ohrid (Velkovski 2017).

In the framework of China’s BRI, Macedonia may become as a strategic connectivity asset between Europe and Eurasia. To some extent, this is helped by the fact that Northern Macedonia borders on Greece. The Northern Greek seaport at Thessaloniki can be used to receive goods from the main seaport of Piraeus near the Greek capital of Athens. Chinese goods would travel along a new network of railways and roads fanning out among the Balkans. From there shipping can be forwarded to Thessaloniki, then transit via road and rail further north to Northern Macedonia and into Kosovo, Albania, Montenegro, and the EU's Bulgaria. Further afield lie Bosnia, Serbia, and another EU prize in Romania. Opportunities then will begin to appear in Thessaloniki as well as Northern Macedonia, Albania and beyond (Silk Road Briefing 2018)[11].

Slovenia. In October 2017, during the "16+1" meeting of transport ministers in Warsaw, Slovenia's infrastructure minister promoted his country as a major logistics hub in Central Europe, with logistics centers in Ljubljana, Maribor, and Koper, and the Port of Koper connecting commercial ports in the Northern Adriatic (Poggetti 2017).

Bosnia and Herzegovina (BiH). The construction of a motorway in Bosnia and Herzegovinais being funded through Exim Bank loans, and Chinese companies are currently developing two coal-fired thermal power plants, one in Stanari in the Republic of Srpska, and the other in Tuzla in the Federation of Bosnia and Herzegovina (Tonchev 2017: 3). The China-built Stanari power plant in BiH, which was officially launched last year, is one of the early achievements of the initiative (Xinhua.english.news.cn21.03. 2017).

Montenegro. The China Civil Engineering Construction Corporation is upgrading in Montenegro a 10-km segment of the railway track connecting the port city of Bar on the Montenegrin coast with Belgrade, while the China Pacific Construction Group has signed a deal to construct a highway between Montenegro and Albania (Tonchev 2017: 2).

Albania is an important piece of the Western Balkans puzzle for China, largely thanks to its location on the Adriatic coast – with a key position on the MSR – and its considerable energy resources. For instance, the Shanghai-based Geo-Jade Petroleum Corporation has bought the controlling rights to two Albanian oil fields from a Canadian company for US $442 million. In addition, Albania occupies a key spot along the Trans-Adriatic Pipeline, which is currently under construction. Once completed, it is to carry Caspian gas through Turkey, Greece, and Albania to Italy and the rest of western Europe (Tonchev 2017: 3).

In December 2014, the Albanian government and the Exim Bank agreed to terms on the construction of the Arber motorway, a stretch of road running to the Macedonia and on to Bulgaria, thus linking the Ionian Sea and the Bulgarian part of the Black Sea coast. Last but not least, two Chinese companies, China Everbright and Friedmann Pacific Asset Management, have announced the acquisition of Tirana International Airport SHPK, which operates the Albanian capital's airport. The group will run the facility until 2025, with a two-year extension to 2027, subject to approval by the Albanian government (Tonchev 2017: 3).

Baltic States As A Transit Point For Chinese Exports To The Countries Of Eastern And Northern Europe

China's presence in the Baltic States– Latvia, Lithuania, and Estonia– is relatively small. China started look closely to the Baltic States from the middle of the last decade, after Latvia, Lithuania and Estonia became EU member-state. Beijing has a certain economic interest in the Baltic States, primarily in their transport and port infrastructures, and partly to advanced, especially information technology. The Baltic States are interested in using their geographical positions to become an important transit point for Chinese exports to the countries of Eastern and Northern Europe (Гузенкова, Сытин 2013: 145).

This can be done by creating a transport hub and by upgrading the port of Tallinn (Estonia) or by increasing the activity of major companies such as China Shipping Group and COSCO, China Roads and Bridges Company to modernize the ports of Riga (Latvia) and Klaipeda (Lithuania) (Гузенкова, Сытин 2013: 156–157). Until recently, the Baltic States and China used the Northern Distribution Network, which was originally created by Russia and NATO to transfer supplies for the armed forces in Afghanistan (Vochra 2005: 62).

Latvia. China and Latvia have common interests in the implementation of BRI, especially in the sphere of a transport and logistics (LatvijasValstsprezidentakanceleja 2014). Latvia can serve as a transit corridor for the effective distribution of Chinese goods in the Baltic Sea region.

Chinese companies had negotiations to establish direct contacts with the Latvian ports of Riga, Ventspils, and Liepaja. The China Merchants Group, China Railway Group Limited, and other Chinese companies showed an interest in the cooperation with the Latvianrailwaystate companyLatvijas dzelzceļš. Latvia can carry out cargo transportation from/to the Chinese-Belarusian Industrial Park "Great Stone, " offering the Minsk an entrance from Latvian ports to the Northern Europe ports (**ИAREGNUM 2015**).

Latvia also sees good prospects for deepening its cooperation with Ukraine within the framework of the BRI. They are focusing on the cooperation to develop links between the Baltic Sea, the Black Sea, and the Caspian Sea within the TCITR (the Trans-Caspian International Transport Route). Ukraine, which has a freight train connection with Latvia, plans to launch a cargo train to China via the TCITR on 2017, traversing Georgia, Azerbaijan, and Kazakhstan (Xinhuanet 14.12. 2016).

Latvia became the first in the Baltic region to launch the trans-Eurasia railway operation, which connects it with China. On November 5, 2016, a train entered Riga’s Central Station, after traveling over 10, 000 km from east China's Yiwu, the sixth freight train route from the city to Europe (Xinhua.english.news.cn24.02. 2017).

Latvia hopes to join a new multimodal route, that will be established between India, Iran, Azerbaijan, Russia, and Latvia to ensure regular container traffic between countries. This route will operate within the existing international transport corridor "North-South." It is assumed that the proposed logistics solution will ensure an efficient, reliable and fast flow of goods from India to Europe. Using the advantages and logistics services of Latvia towards the international transport corridor "North-South, " there is access to the Baltic region and the countries of Northern Europe, as well as to Eastern and Western Europe." Latvia pins special hopes on cooperation in the framework of a new transit route in the Eurasian space to Azerbaijan. The matter is that two very important international transport corridors pass through Azerbaijan: "North-South, " which connects India, Iran, Azerbaijan, the north-west of Russia and the Baltic Sea region. The international Transcaucasian transport route also included in the NSR and creates a strategic link between the Caspian and Black Seas (Мейзер 2018).

Besides hosting an EU-Asia summit in April 2015, Latvia has started cooperating with China across other fields. Furthermore, the China Harbour Engineering Company and the Riga Coal Terminal signed an expansion capacity contract in the autumn of 2014 (Vochra 2005: 61).

Lithuania. Vilnius welcomes China's efforts to enhance the connectivity between Asia and Europe by implementing the BRI. Lithuania seeks to be integrated into transcontinental logistic nets of OBOR and needs to broaden its transport sector closer to the transportation and logistics services in the global (trade axis between Europe and Asia) and regional (Baltic Sea) markets. Lithuania adopted a long-term strategy of a transport system that needs to become an integral and important part of the Baltic Sea regional transportation system in the context of the East-West system (Гузенкова, Сытин 2013: 149). Lithuania and China aim to strengthen the bilateral economic relations, particularly in high-tech sectors, calling for increased investments from China in new technology and innovation. Sino-Lithuanianbilateral trade has been growing steadily, with turnover rising to EUR 831.4 million in 2016, marked in part by continuously increasing Lithuania's exports to China (Xinhua.english.news.cn 15.04. 2017).

Lithuania, sitting at the gateway between Eastern and Western Europe, boasts well-developed infrastructure in railway, road and air transport. So, the cooperation within OBOR may strengthen Lithuania's role as an attractive transit country and a crucial link in the global logistics chain. Moreover, its northernmost ice-free seaport Klaipeda can serve as a springboard for Chinese businesses to reach other European countries and regions (Xinhua.english.news.cn 15.04. 2017).[12]

Since 2009, Lithuania participates together with Sweden, Germany, Russia, Italy, China and Denmark in the development and modernization of the trans-European East West Transport Corridors (EWTC) and East West II (EWTC II). The railway project Rail Baltic (Warsaw–Kaunas–Riga–Tallinn–Helsinki) provides for a new electrified railway line with a European standard railway gauge from Kaunas (Lithuania) to the Lithuanian-Polish border with the Kaunas. It can be used as a logistics center in transcontinental transit (Гузенкова, Сытин 2013: 156–157).

Chinese Industrial Corporation China Merchants Group (CMG) and Lithuanian Klaipėda Free Economic Zone, also the Klaipėda State Seaport Authority and CMG signed agreements in 2015 (Delfi 2017). The *CMG* became one of the controlling shareholders of the terminals and a potential partner for further port development. The *CMG* is committed to making investments in the *Klaipėda port (Klaipėdos jūrų uostas)*. The *logistics park in Klaipėda* will help Lithuania to become a hub and a distribution center for Chinese merchants and manufacturers on their way to the European market. Another agreement was signedbetweenthe*China Merchants Logistics* (an affiliate of *CMG*) and *Lithuanian Railways (Lietuvos Geležinkeliai)* to create a logistics channel between Lithuania, Belarus, and other European countries. *China Merchant Logistics* will take 51% in venture (**ИAREGNUM 2015**).

Estonia. Estonia’s road to cooperation with China seems to be a little bit rockier. In 2011, China froze its economic relations with Estonians, when the Dalai Lama was welcomed to the country. Tallinn officially apologized in 2014, which led to signing a cooperation agreement between agriculture ministers of both countries (Vochra 2005: 61).

Tallin supports participation in the BRI and shows a significant interest in the development of transport and logistics relations with China (Xinhua.english.news.cn 15.04. 2017). Estonia’s geographical location is an ideal base for the production and distribution of Chinese goods. It can serve as a major transit and transport hub in the intercontinental Eurasian communication. The

Estonian railway track width complies with the standards of Latvia, Lithuania, Russia, and CIS countries, thus providing indisputable advantages in the transportation of Far Eastern cargo into the Estonian ports via the post-Soviet space (Гузенкова, Сытин 2013: 151).

In 2014, a cooperation agreement was signed between agriculture ministers of both countries. Estonia will send its farm products to China and the Port of Tallinn, thanks to Chinese funds, will be expanded and modernized (incl. e.g. a deal on industrial parks facilitation for Chinese exporting companies signed between the port authority and the China National Corporation for Overseas Economic Cooperation in November 2012) (Vochra 2005: 61).

Some experts believe, it is not profitable for China to give transit to the Baltic countries. The most important potential partners in the matter of cargo transportation Beijing considers, first of all, Russia and Finland. Now more and more popular are cargo transportation along the route China–Europe through Russia. For example, the volume of rail container traffic in this direction for 2017 increased by more than 55%.

Conclusion

As part of the strategy of the BRI, China developed and operated a network of sea, air and land routes stretching from the Asia to the ME, Africa, Europe and even South America. To expand these networks, China has spent billions of dollars in order to secure a system of routes and establish itself as a global power. Beijing has not only achieved success on the EU territory, but has consolidated itself in the areas to which the EU, Russia and US claimed. Moreover, the growth of economic power and the expansion of Chinese investments in Europe gradually exacerbate the problem of traditional US influence in Europe in the context of the progressive divergence of vectors of geopolitical and economic interests of the US and the EU. It turned out that China more skillfully uses the contradictions between other powers and, being entrenched outside the EU, expects to achieve over time more within the EU itself.

However, the US-EU discrepancy could promote the rapprochement of relations between China and Europe and the formation of a new China-EU axis in global politics. But the accumulation of Chinese investment in CEE region, that has become the most competitive investment environment on the continent, gradually makes it difficult for Brussels and Berlin to form their own geopolitical subjectivity. Some EU countries are already preventing the "notorious seizure of the Chinese" in Europe, which could crush the EU in the near future. Some EU institutions see

Chinese activities in the CEE region as affecting the unity of the EU, undermining high-level standards, and exercising negative influence over EU members and potential members' strategic choices. There are opinions that the EU does not need China's portfolio investment since they weaken local business and can put production in dependence on Chinese parent companies.

There is also an opportunity to transfer the practice of labor exploitation of China to Europe and also the danger of corruption of governments of poor countries, which China can "buy" from the Western economies or through loans. Thus, China with its huge financial resources has the opportunity to use the weaknesses or shortcomings of the European "common home." That is the blurring of the EU structure–the presence here of a strong center and a weak periphery, long devoid of hope for development.

But Beijing, for its part, stressed that it gradually increasing presence in Europe and the "16+1" cooperation does not go against the EU, but it corresponds to the agenda of the "strategic partnership between the EU and China." Although the reality is that Chinese economic presence in the region is minimal from the perspective of both FDI (Foreign trade investment) and CEE exports, and little has changed in these regards since the founding of the "16+1 platform." Together, China's trade with the four largest economies of the EU (Germany, Britain, France, and Italy) outweighs the corresponding turnover figures with the CEE countries.

Anyhow, European integration can be at stake when CEE governments use their relations with China to gain leverage over Brussels. It became evident when some leaders of CEE countries stated that the EU's disregard for their accession to the EU compelled these candidate countries to apply to China for investment.

In any case, China and CEE should take into account Western Europe's concern – it is not in the interests of any of the three to have a divided region. Western Europe should acknowledge that the CEE countries have a legitimate right to develop separate relations with China. Naturally, these separate relations should follow the EU's common approach to China, in the same way as any Western European country should do in its independent dealing with China. China is a hugely important partner for the EU in a whole and can be an important *complementary* partner of the CEE countries as well.

Notes

1 The CEE region includes the following 16 countries: **Albania**, **Bosnia and Herzegovina**, **Bulgaria**, **Croatia**, **the Czech Republic**, **Hungary**, **Latvia**, **Lithuania**, **Macedonia**, **Montenegro**, **Estonia**, **Poland**, **Romania**, **Serbia**, **Slovakia**, **Slovenia**. Eleven of the sixteen nations are members of the European Union (Poland, the Czech Republic, Hungary, Slovakia, Romania, Bulgaria, Croatia, Slovenia, Estonia, Latvia, and Lithuania), while 5 (Serbia, Montenegro, Albania, Macedonia, and Bosnia & Herzegovina) are not.

2 The IPE is a 315-billion-euro (US $ 352 bln) plan (from 2015– 2017) initiated by ECPresident Jean-Claude Juncker to boost the European economy.

3 As the RMB, also known as yuan, is rapidly gaining traction in international transactions, China has established offshore RMB markets in Hong Kong and London, among other places.

4 The China-Europe railway service was launched in the April of 2014. It transports goods from China's Wuhan to some 20 countries in Europe along the OBOR initiative. In 2016, the frequency of the train increased 6 times over 2015, carrying 15, 000 cargoes, making it one of the fastest growing railway services in the country.

5 NAPA has begun working on a €2.2 bln (US $ 2.44 bln) offshore platform off Venice with the capacity to receive large cargo ships coming from the Suez Canal.

6 TheAsia–Europe Meeting (ASEM): an informal Asian-European forum to enhance relations and various forms of cooperation regarding political, economic and cultural issues among the 28 EU member states, two other European countries and the EU along with 21 Asian countries and the Secretariat of the Associatio of South-East Asian Nations.

7 Between 2013 and 2016, Chinese-Polish trade volume rose from US $ 14.8 bln up to US $ 17.6 bln, with a 6% average annual growth rate.

8 This hub is to be built around a new airport, which might be located in Stanislawow, 40 km from Warsaw. The government further seeks to reconstruct several seaports in its quest to turn Poland into a key European logistics center. A second multibillion-dollar project, which the government will seek to finance, is the construction of the country's first nuclear power plant.

9 Many Czech companies are heavily involved in the rapid expansion of railway systems worldwide. One such company is the wheelset manufacturer*GHH-Bonatrans*. As the largest European producer of railway wheelsets and a premium supplier of rail-bound transportation worldwide, *GHH-Bonatrans* won a*MTRC* contract to supply wheels for passenger trains in 2015 and established its first Asia presence –*Bonatrans Asia Limited* – in Hong Kong last year.

10 China opposed Kosovo's declaration of independence in 2008. China's effective support for Serbia's position has been reciprocated, with Belgrade remaining strictly faithful to the One China policy.

11 China has transformed Piraeus into the Mediterranean's busiest port, investing nearly half a billioneuros through the state-backed shipping conglomerate Cosco. It intends to make Piraeus the entry point to Europe under its BRI. Chinese goods would travel along a new network of railways and roads fanning out among the Balkans. Cosco incidentally now controls the entire Pireaus waterfront through a 67% stake.

12 There are great opportunities for developing bilateral cooperation in the fields of engineering, electronics and biotech, while Lithuania offers attractive investment packages for Chinese investors in establishing manufacturing and services companies in the country.

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