The Chinese “One Belt, One Road” Initiative – new opportunities for the European Union and its neighbours in the Black Sea region

Georgi Georgiev[1]

Abstract **The Chinese “One Belt, One Road” Initiative offers good opportunities for economic development and security to the Eurasian counties. The project is on a large scale and bases on a solid economic, nut also political foundation. Part of the routes lead through the difficult to define Black Sea region. If the EU succeeds to coordinate the policies of its Black Sea member-states, it would be able to benefit from the participation in the project.**

Index Terms: **Black Sea region, “One Belt, One Road” Initiative, trade routes, Chinese export to the EU, Eurasian corridors, Maritime Silk road**

JEL: **F15, F35.**

I. Conceptualizing the Black Sea region

The first problem that emerges in the case of the Black Sea region is related to its definition. The term “region” has no standard definition – there are many different, if not opposing, point of view and interpretations. The problem of defining this region is extremely complex.[1]

Regarding its geography, the Black Sea region is a distinct geographical area rich in natural resources, strategically located at the crossroads of Europe, Central Asia and the Middle East. In terms of geography, the Black Sea region is a bridge of huge importance between the Euro-Atlantic community and the strategic zone of the Middle-East - Caspian Sea - Central Asia.

If common history and geographic proximity is considered, we should include all the countries along the Black sea coast: Turkey, Bulgaria, Romania, Ukraine, Russia and Georgia. Moldavia should be included too – formally the country is landlocked, but the river Dnjester enables it a limited access to the Black Sea.

At the same time, however, the geopolitical point of view requires the Black Sea region to be described as a “natural geopolitical center” or a new “geopolitical pivot”. It belongs to an important and sensitive area - with huge natural resources (raw material and energy) and major strategic transport roads and crossroads. This geopolitical importance of the region involves both neighboring countries (such as Armenia or Poland) and more remote (such as Germany) or even non-Eurasian (the USA) countries. Being part of the chain “China – Central Asia – Europe” the Black Sea region is described by Zbigniew Brzezinski as the gate to the “Eurasian Balkans” – an area to be controlled in order to prevent an opposed to the USA consolidation of the Eurasian powers with their resources.[2]

Regarding its own history, the region is known by various conflicts, whereby old tensions are able to undermine contemporary attempts to launch peace and security. Divided by conflicts, blockades and trade restrictions and characterized by complex causal relationships and correlations, one of the results so far is the absence of any strong institutional set-up.

Combining the interests of such states as Armenia and Azerbajdzan, Russia and Georgia, Turkey and Armenia is a very difficult task and shows the limits to encouraging regional cooperation. The task becomes more difficult if external forces, incl. other states, international organizations and multinationals companies would interfere.

The official definition of the European Union, i.e. of the European parliament[3], doesn’t pay much attention of these geopolitical considerations, but it adds Greece into the list instead. The still disputed oil pipeline “Bourgas – Alexandropulis” would be able to connect the country with the wide regional transportation set. This definition of the European Union appears first in 2007, as part of the “Black Sea synergy” program. The concept of the “extended (or wider) Black Sea region” should include also the whole region of the South Caucasus to the Caspian Sea.

Launching the concept of the “wider Black Sea region” the Organization of the Black Sea Economic Cooperation (BSEC) tries to prevent a geopolitical division between Western Europe and the Black Sea countries in the East. One can suppose, that this concept reflects also the desire of powerful external players to gain control over vital trade roads there, raw materials and energy supplies etc.

II. Revitalizing the trade roads - the “One Belt, One Road” Initiative

The economic ties still depend heavily on geography but their use as criterion for defining the region requires not only showing the amounts of wares and services traded, but also analyzing the directions and structure of trade and investment and henceforth the interdependence of the economies involved.

[1] Georgi Georgiev is with University of National and World Economy, Bulgaria

[1] See D. Triantaphillou, “The security context in the Black Sea region”, Routledge, 2010

[2] See Zbigniew Brzezinski, “The Grand Chessboard: American Primacy and Its Geostrategic Imperatives”, Basic Books, 1997

[3] See D. Triantaphillou, “The security context in the Black Sea region”, Routledge, 2010

From this point of view the Black Sea region could be defined as important transportation crossroad, connecting huge producers, suppliers and consumers of raw materials, goods and energy. In this conspectus the importance of Black Sea region is undisputed long before the economic conjuncture raises the importance of the heavily discussed gas and oil deliveries. Its most important role is the already mentioned trade connection between Asia and Europe, namely the famous Silk Road.

Commercial traffic between Europe and Asia along the Silk Road dates from the 2nd millennium BCE.

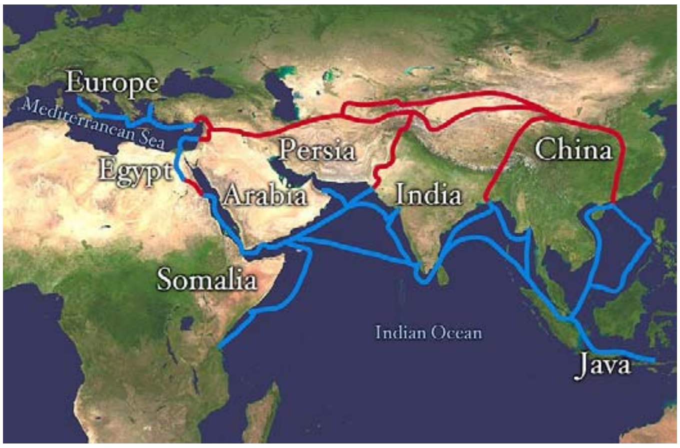

Figure 1: Main routes of the Silk Road

Source: https://en.wikipedia.org/wiki/Silk_Road

It is not a single route, but rather a combined net of land and sea roads, used by traders to travel between the two continents, mainly along the Eurasian Steppes through Central Asia and the Black Sea region. The 8,000 km long routes enabled the exchange of goods between China, India and the Mediterranean within the first single-world system of trade. Beginning in the 5th century CE, new land routes between Asia and Europe extended the net further. (See figure 1)

The Silk Road routes lost its importance after the fall of Constantinople (1453) and the following development of alternative sea technologies and routes around the Cape of Good Hope in the 16th century. The general crisis of South and East Asia during the colonial period and the supremacy of European technologies severely restricted the movement of goods along all land routes between West and East.

The rapid economic growth of China and other Asian countries during the last several decades revitalized the trade between West and East and gave a new meaning to the use of the so called Eurasian Land Bridge, the land transport route for moving freight and passengers overland from the Far East China to trade centers and seaports in Europe. Estimating the huge potential of the Eurasian Land Bridge several countries and international organizations launched recently their visions of the further development of the now existing transportations corridors. TRACECA, the international transport program, proposed by the EU in 1993 to link the Union through the Caucasus with Central Asia, was followed by similar incentives for regional development of the United Nations (2000 and 2005).

The United States in their turn are promoting the New Silk Road initiative for Central Asia and Afghanistan, aimed to integrate the region and boost its potential as a transit area between Europe and East Asia. Russia, Turkey and Kazakhstan develop their own projects, all of them involving EU neighbors and partners.

The most advanced of all that projects though proves to be the Chinese “One Belt, One Road” Initiative (abbreviated OBOR), also known as the “Belt and Road Initiative” or simply the “Silk Road 2.0”. OBOR is a development strategy and framework, proposed by the president of China Xi Jinping on a visit to Kazakhstan in 2013. The project focuses on connectivity and cooperation among countries in Eurasia, with two main components - the land-based "Silk Road Economic Belt" (SREB) and the "Maritime Silk Road" (MSR). (See figure 2) It aims at raising the efficiency of the logistic net, linking China with the huge European market, to reduce the dependence on the maritime trade roads (guarded primarily by the US Navy) and to secure the sources of raw materials and energy in Central Asia. If successful, the strategy should raise China's role in the global affairs.

To the countries involved it offers sharing the extra benefits of the enhanced economic ties with the West. The Silk Road Economic Belt initiative includes several countries situated on the original Silk Road routes through Central Asia, the Middle East, and the Black Sea region. (See map.) The initiative envisages the integration of a cohesive economic area through building infrastructure, broadening trade and setting a new specialization in the international division of labor. Apart from the zone of the historical Silk Road, an extension of this “Belt” to South Asia is also foreseen.

Serving primarily the Chinese interests, the project is based on the formidable economic performance of China. Its socialist market economy is the world's second largest economy by nominal GDP, and the world's largest economy by purchasing power parity according to the IMF. It is also the world's fastest-growing major economy, with growth rates averaging 10% over the past 30 years. Now China is a global hub for manufacturing, and is the largest manufacturing economy in the world as well as the largest exporter of goods in the world, exporting almost every single category of industrial products. Due to the raising living standard the country becomes the world's fastest growing consumer market and second largest importer of goods. China is the largest trading nation in the world and plays a vital role in international trade, being a member of the World Trade Organization since 2001. It also has free trade agreements with several nations, including Australia, South Korea, Switzerland, Iceland and Pakistan. Following the export oriented economic model, China is heavily dependent on open foreign sales markets, but also (due to its geography) on abundant and secure raw materials and energy supplies.

Figure 2: The Silk Road Economic Belt and the Maritime Silk Road

Source: https://www.google.bg/search?q=maritime+silk+road+map

China has no free trade agreement with the European Union. Nevertheless, the European Union and China are two of the biggest traders in the world. China is the EU's 2nd trading partner behind the United States and the EU is China's biggest trading partner. China is one of the EU's fastest growing export markets, while the EU becomes China's biggest source of imports. China and Europe now trade well over €1 billion a day.[4] The EU records a significant trade deficit with China, but this is about to change with the raising domestic demand in China, incl. for more expensive consumer good of high quality, offered by the EU. The Chinese export to the EU reached € 279.9 billion in 2013 г. 80% of the exported goods reached the European market by sea through the ports of Antwerp, Rotterdam, Hamburg and London.[5] Negotiations with the EU are on the way to regulate the bilateral investment and, possibly, the problem with the trade barriers.

I order to maintain and even widen these complex economic ties the European Union should direct its attention to this Chinese initiative and to study the opportunities for the best use of its logistic centers (harbors, railways etc.), incl. in the Black Sea region.

III. China's Eurasian Corridors and the Black Sea

China's attempt to develop its transport and communication capabilities through Central Asia to Europe is promoted through the construction of railway, highway, aviation, telecommunications, and electricity networks. (See figure 3.)

A railway from China to Europe, the New Eurasia Land Bridge or the Northern Eurasian corridor, is already operational. It starts at the Chinese port of Lianyungang, and then passes through Kazakhstan, Russia, Belarus (using partly the old, inherited from the former USSR and even from the Russian empire infrastructure), Poland, and Germany, and ends at the Dutch port of Rotterdam. Another similar route, a transcontinental railroad, the Trans-Siberian Railway, runs via Northeastern China and Mongolia through Russia in the same direction. Being fully electrified and double-tracked line, the Trans-Siberian Railway is capable of transporting around 100 million tons of freight annually. The line can handle up to 200,000 TEU of containerized international transit freight per year.

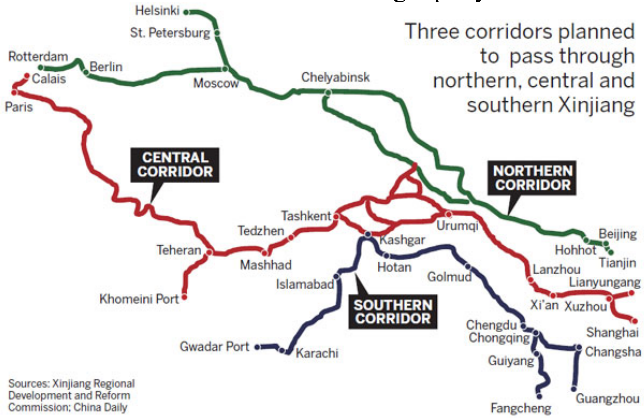

Figure 3: China's Eurasian Corridors

Source: China Daily, Zhang Xiaotong, "China's Eurasian Pivot"

As of November 2007, about 1% of the $ 600 billion in goods shipped from Asia to Europe each year were delivered by inland transport routes.[6] Developing the network should help to raise this share considerably. The 10,900 km long line has been extended in 2008 with other existing railway network to establish the "Chongqing-Xinjiang-Europe" trade channel, originating in Chongqing and ending at Duisburg, Germany. The trains, operated by DB Schenker (Germany), cover 10 800 km within 14 days, three times weekly, carrying up to 50 40-foot-long containers.[7]

More interesting for the Black Sea region is the land route through Central Asia, along with the "Maritime Silk Road". The so called "New Eurasian Land Bridge" (or the "New Eurasian Continental Bridge") should link China on land with Central Asia, reaching further Europe across the Bosphorus through the Marmaray link. (See figure 4.)

The planned route includes China's east-west railways which continue to Kazakhstan, Uzbekistan and ends at Türkmenbaşy, Turkmenistan, a port on the Caspian Sea. A branch railway across the Turkmenistan's border with Iran, established in 1996, enables the access to the ports on the Persian Gulf, but also alternative routes to the Caucasus and Turkey, bypassing so the Caspian Sea. Crucial for completing the whole route from Lianyungang to Rotterdam (a distance of 11,870 kilometers) is the opening of the Bosporus tunnel ("Marmaray") in October 2013. The map illustrates that the inland Silk Road begins in Xi'an.

[4] See Zbigniew Brzezinski, "The Grand Chessboard: American Primacy and Its Geostrategic Imperatives", Basic Books, 1997

[5] Communication from the commission to the council and the European parliament „Black sea synergy a new regional cooperation initiative" (COM(2007)160, 11.04.2007) http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2007:0160:FIN:EN:pdf

[6] http://ec.europa.eu/trade/policy/countries-and-regions/countries/china/

[7] Roberto Bendini, "Trade and economic relations with China 2014", http://www.europarl.europa.eu/RegData/etudes/briefing_note/join/2014/522342/EXPO-INTA_SP(2014)522342_EN.pdf

Then it runs to the west via Lanzhou, Urumqi, and Khorgas before swinging to the southwest and continuing through all five countries of Central Asia, the Middle East, and Turkey. From Istanbul, the Silk Road crosses the Bosporus Strait and heads northwest across Europe, including Bulgaria, Romania, the Czech Republic, and Germany. Reaching Duisburg in Germany, it swings north to Rotterdam in the Netherlands. Having reached Istanbul however, the route comes closer also to the Mediterranean harbors of the European Union to meet the Maritime Silk Road.

Due to longer distance, bad infrastructure and border crossings, this route has not been used for transports from China to Europe till now. But the “OBOR” incentive foresees investments for improving infrastructure and raising efficiency and the route should be given high priority. Since 2010 Turkey is working hard on completing the whole high speed railroad from Edirne to Kars (at the Georgian border). The distance of 1500 km must be covered within 8 hours. The $ 35 billion project also relies on Chinese assistance, both on financing and on delivering technology. In November 2014 the Chinese Ministry of Railway Transport announced, that it would guarantee the transportation of 10 million tons of cargo annually via the Baku-Tbilisi-Kars railway.

So far the Marmaray tunnel has its limits for freight trains due to dense public transport via tunnel and security concerns (dangerous goods for instance).The completion of the entire project (after 2016?) should extend its capacity, but there are alternative projects too. These alternatives should rather complement this route, instead of competing with it.

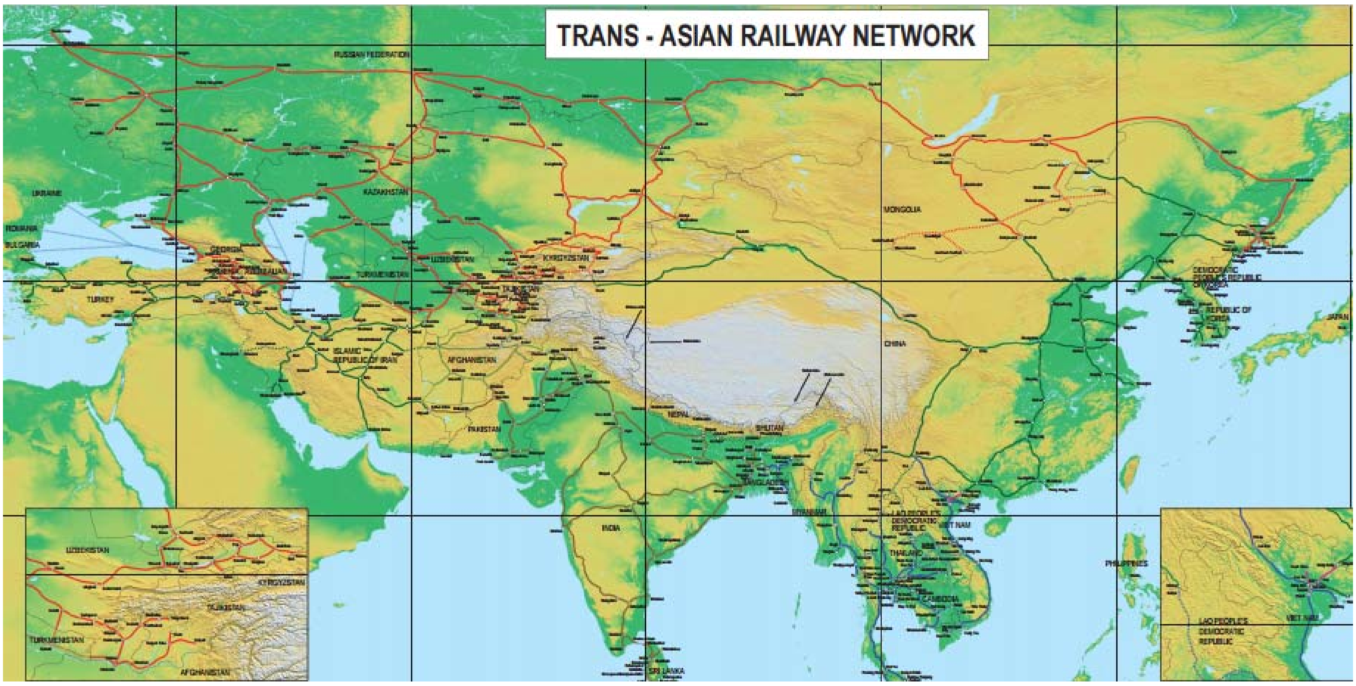

Figure 4: The New Eurasian Land Bridge (different colors for different wheel gauges)

Source: www.unescap.org/sites/default/files/TAR%20map_GIS.pdf

One alternative is the China–Kazakhstan–Azerbaijan–Georgia–Black Sea railway project, which will be able to shorten the route via the Caspian Sea by bypassing Iran. (See figure 5.) As seen on the map, this alternative includes the use of ferries across the Caspian Sea and the Black Sea, relying on the existing infrastructure (ports, stores etc.) and experience there. Their use requires considerable increase of their capacity either. (A demand the $40 billion “Silk Road fund” and the “Asian Infrastructure Investment Bank”, mentioned below, should be able to meet.) The problems across the Caspian Sea are already largely resolved. The State Caspian Marine Company of Azerbaijan (considerable oil and gas exporter) is a major ship operator on the Caspian, with a fleet of 85 vessels, which include 8 “Dagestan-class” marine rail cargo ferries, with a total deadweight of 316,000 tons.

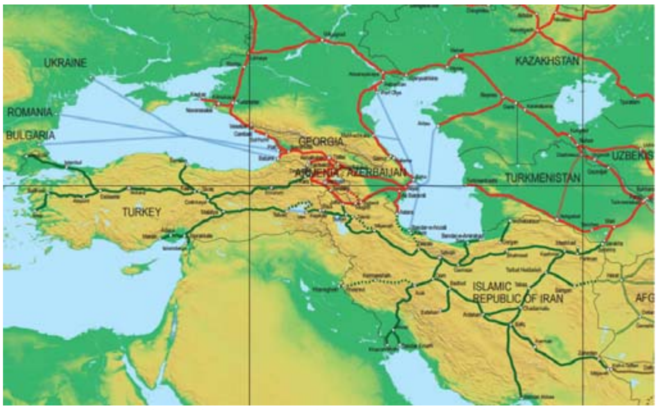

Figure 5: The China–Kazakhstan–Azerbaijan–Georgia–Black Sea line

Source: www.unescap.org/sites/default/files/TAR%20map_GIS.pdf

Between 2008 and 2012, the number of wagons almost doubled from 32,726 to 62,972, so the cargo tonnage from

2,089,000 tons to 3,873,000 tons. There are 13 vessels with wagon capacities up to 54 railcar units, operating on the Caspian between Baku, Aktau and Turkmenbashi.[8]

The Black Sea transportation network is still lagging behind. The ferry lines, linking the main Black Sea harbors (Constanta, Varna, Istanbul, Poti, Ilyichevsk) are feeble and still lacking economic perspectives. The war in the Ukraine worsens the situation considerably. The Chinese government examined in 2013 the possibility of building on the Crimea a large logistic center, including a deep waters port, stores, railway station etc. at the amount of $ 3 billion. The ongoing war discomfits so far these plans. (On the other hand, these plans could provoke Chinese efforts of mutual benefit to settle things into shape too. The crisis there is far from over, but the advantages of the peninsula are not to be neglected.) In addition to the ferries, a high-speed railroad, linking Bucharest with Chisinau (and Kyiv) is taken into consideration, once again relying on Chinese capital and technologies. Prolonging the line along the northern Black Sea coast to the Russian and Georgian transportation networks would complete the whole Black Sea transportation ring as a key section of the "New Eurasian Land Bridge". Once again, it requires peace and stability in the Ukraine, but not only there.

The missing section of the emerging Eurasian railway network (the so called "Iron Silk Road") is the much delayed Baku-Tbilisi-Kars railway (826 kilometers), to enter service after 2017. Turkey closed in 1993 its border with Armenia to support Azerbaijan after the Nagorno-Karabakh War, cutting off the existing Kars–Gyumri–Tbilisi railway line. This line remained unused due to the bad relations between Azerbaijan and Armenia following the Nagorno-Karabakh War. Azerbaijan, Turkey and Georgia launched the project mentioned instead. Lack of funding, the Russian-Georgian-Ossetian conflict (2008) and environmental problems delayed the project, planned to reach a capacity of 3 million passengers and over 15 million tons of freight. In total 105 kilometers of new line should be built between Kars and Akhalkalaki, and the existing railway should be modernized. The openly announced intention to bypass Armenia ("…until Armenia liberates the occupied Azerbaijani territories, all transportation projects will bypass [this] country", Azerbaijani President Ilham Aliyev[9]) provoke the opposition of the latter, relying on its lobbies in Washington and the West European capitals in order to hinder the undertaking. Once again, China (with its immense financial capacity and neutral political position) could help diminishing the tensions in the region to build a regional transportation network of complementary lines of mutual benefit.

IV. Economic and political considerations

There is always difficult to separate politics from economics. "OBOR" is both geopolitical and geo-economic project, so economic and political considerations should be linked together. As mentioned, about 1% of the $ 600 billion in goods shipped from Asia to Europe each year are being delivered by inland transport routes. This is not a significant amount. Due to the bad infrastructure the transportation costs and capacity of the land routes cannot match to these of the maritime routes. But the intention is not to avoid the latter; the role of the land routes is to complement them and to open new opportunities. Clever investment should rise capacity and reduce costs, while the anyway higher speed should rise considerably. Crucial here is the slow shift of the Chinese industry westwards to the heartland. (See figure 6.)

This shift of the Chinese industry westwards prolongs the trip to the European harbors up to 60 days. For expensive but small articles of higher demand on competitive markets (for instance electronics) this delay might be unacceptable. As mentioned above, the trains, operated by DB Schenker (Germany), cover the distance of 10 800 km between Chóngqìng to Duisburg in 14 days. Modernizing the line in Kazakhstan must reduce the trip to 10 days. After opening the Korgas railway the amount of standard 2-TEU containers is about to reach 10 000 per annum.

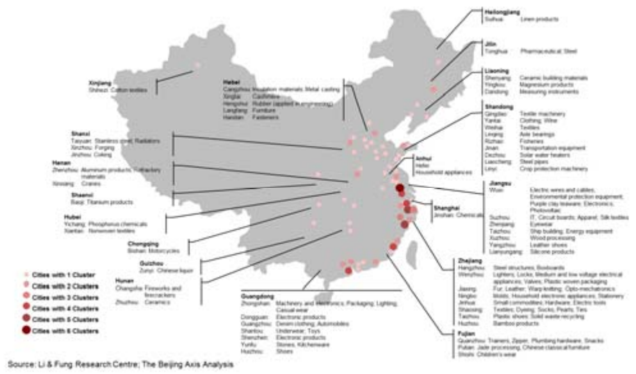

Figure 6: The shift of the Chinese industrial centers westwards

Source: www.chinasourcingblog.org/Industrial%20Clusters.png

It is not too much in comparison with a single "Maersk Triple E class" container ship (carrying up to 18 270 TEU), but on the other hand a Boeing 747-8 Freighter is able to carry the equivalent of 4 to 5 TEU containers or more than 500 000 pieces of smartphones.

This is less than 5% of the capacity of a single train. On sea the transportation of a single TEU container costs $ 4000, while the railroad operators require $ 9 000. New technologies are about to reduce this cost to less than $ 5 00010, while raising demand for European luxury articles in China should help to minimize the amount of empty containers, travelling back. It becomes obvious, that the transportation of goods on land has its serious economic foundation. The revival of the traditional and historic trade route between Asia and Europe (via Turkey) could lead to a $ 75 billion trade flow per annum.

[8] „Von Witte Association", „Joining Europe and Asia. Trans-Siberian Railroad", http://www.vonwitte.org/index.php/joining-europe-and-asia-trans-siberian-railroad

[9] „The Official Railway Guide", „Weekly service planned for Europe-China rail route", http://www.joc.com/rail-intermodal/weekly-service-planned-europe-china-rail-route_20140905.html.

[10] „Silk road reporters", „Waiting for the 'Iron Silk Road' Railway", http://www.silkroadreporters.com/2014/05/28/waiting-iron-silk-road-railway/

This should be taken into consideration. But the success of these long-term projects is linked also with the success of the Eurasian Union, established on 01.01.2015 г. According to the same source, after lifting the custom barriers on its territory, the number of briberies and protractions diminished sharply, the treatment of cargo accelerated and the time for travel has been shortened by 3 to 4 days.[11]

This capacity of this line alone might sounds overestimated, but the entire "OBOR" network, including the Maritime Silk Road route, will be able to change the map of the world economy. The choice among several routes will depend on both economic and political considerations. Redirecting a large amount of the cargo from the World Ocean (controlled by the US Navy) to land routes beyond US military control will diminish the vulnerability of the Chinese trade in case of confrontation with the USA. (Many US politicians are convinced of the inevitability of this confrontation. See Joseph Santolan, 2015.[12])

The shipping on the Maritime Silk road is focused on shortening the line – through the newly widened Suez channel to the Greek sea ports. (See figure 2.) Shortening the line foresees a transport corridor via Myanmar, India, and Bangladesh through which China should get access to the Indian Ocean, bypassing the Strait of Malacca and the tensions in the South China Sea. Helping Pakistan to build a 5deep-sea port at Gwadar, China plans to strengthen the communications with South Asia and the Persian Gulf, including attempts to ensure oil deliveries from the Middle East through this port to Xinjiang. The southern direction is also an important component of the Silk Road strategy and requires solving the long standing problems within the triangle "China – India – Pakistan".

Solving these problems might accompany crucial geopolitical and economic changes, provoked by the attempts of the BRICS-countries to gain better positions in the world economy and to diminish their dependence of the US-dominated financial institutions.

The announced on November 9, 2014, by the Chinese leader Xi Jinping "Silk Road fund" of $ 40 billion is planned to "drive investment in infrastructure, and speed industrial and financial cooperation in Central and South Asia."[13] As a fund, its role will be to invest direct in the infrastructure projects. Management of the project is ensured by very high Chinese functionaries, the so called Leading Group for Advancing the Development of One Belt One Road, reporting directly into the State Council of the Republic.

This move complements the newly established "Asian Infrastructure Investment Bank (AIIB)", initiated and led by China, with the participation of 56 other countries. This bank of $ 100 billion includes also 20 Asian countries, among them Russia, Kazakhstan and Uzbekistan. It is expected to foster the economic development of countries, not able or not willing to meet the requirement of the World Bank and the International Monetary Fund. Interesting enough, West European countries (both EU and NATO members, such as Great Britain) engaged in the undertaking, despite the objections of the USA. Obviously there are huge expectations, related to the economic potential of (Central) Asia, and the European Union shouldn't miss the new arising opportunities.

So far China is able to mobilize resources for such large scale projects. The Chinese public debt amounts to 22.4 % of GDP (2014), while China is the only major economy, holding considerable foreign currency reserves. (See figure 8.) The lion share of the reserves is nominated in USD. Hence their vulnerability and the cautious move of the Chinese government towards diversification and lowering the risks. Long term investment in large scale infrastructure objects is a good opportunity.

In summary: China is both able and interested to invest heavily in developing its trade infrastructure, primarily focused on the EU, its important trading partner. Chinas intentions to invest in European infrastructure have been confirmed during the meeting between the Chinese Prime minister Li Keqiang and the president of the European Commission Jean-Claude Juncker in June, 2015. Becoming mediator between the European Union and Japan, South Korea and other Asian developed economies, is another reason for launching the initiative mentioned. Gaining access to the raw material and the energy needed (according to the "Marching Westwards" strategy) is one more consideration to be taken into account. The EU neighboring countries in the Black Sea region are also involved, as envisaged in the variants of the "OBOR".

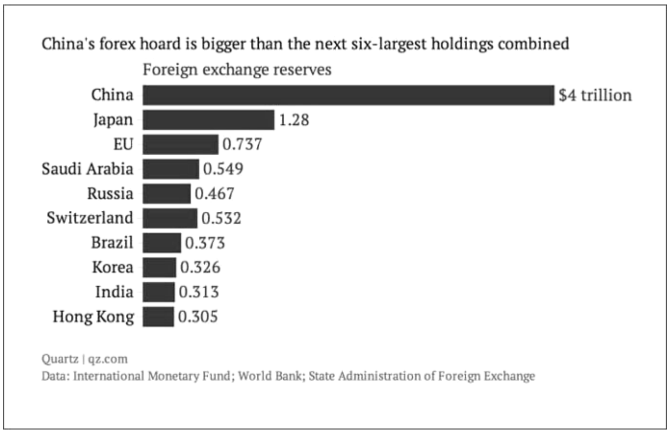

Figure 7: Foreign exchange reserves of major economies

Source: http://rt.com/business/221659-china-4-trillion-reserves

[11] Cited by Samuel Lussac, "The Baku-Tbilisi-Kars Railroad And Its Geopolitical Implications for the South Caucasus", http://www.cria-online.org/5_5.html

[12] „The Economist"|, „The New Silk Road. Hardly an oasis", Nov 15th 2014, http://www.economist.com/news/asia/21632595- kazakhstan-turnsgeography-advantage-china-builds-new-silkroad-hardly-oasis

[13] „The Economist"|, „The New Silk Road. Hardly an oasis", Nov 15th 2014, http://www.economist.com/news/asia/21632595- kazakhstan-turnsgeography-advantage-china-builds-new-silkroad-hardly-oasis

V. The Maritime Silk Road and the wider Black Sea region

As shown on the map (figure 2), the planned logistical net, linking China with Europe, involves also countries of the wider Black Sea region. The Chinese intentions are presented in the „Central and Eastern Europe in Building the Silk Road Economic Belt“[14], issued by the Chinese Academy of Social Sciences. In 2014 г. started building and renovating the railway infrastructure in Albania, Bosnia and Herzegovina, Macedonia, Serbia and Montenegro. The assistance includes financing, but also newest Chinese technologies. (Thanks to the cooperation with "Siemens", "Alstom", "Kawasaki Heavy Industries" and "Bombardier" the Chinese enterprises developed their own high speed trains and whole logistic systems.) These Chinese activities are welcome there, while the European Union lacks resources (maybe also political will) to support the countries in the region during the ongoing financial crisis.

The so called "Western Balkans" face vague prospects for EU-membership, but take the advantages of the free trade with the Union (so far the Chinese investors don't need to respects the European rules for public orders there), offering at the same time direct transportation access to its core. Their inclusion into the "OBOR" initiative depends both on their activity and their ability to conform the requirements of the possible membership and their national interests. If successful, they could become part of the value adding chain (production, marketing, distribution) along the trade route between China and Europe, which is in fact the essence of the "OBOR".

The outlines of the route are already visible. The prolongation of the Maritime Silk road envisages a high speed railroad of considerable capacity between the Greek harbors (Piraeus) and Budapest (foreseen as a large transportation hub).

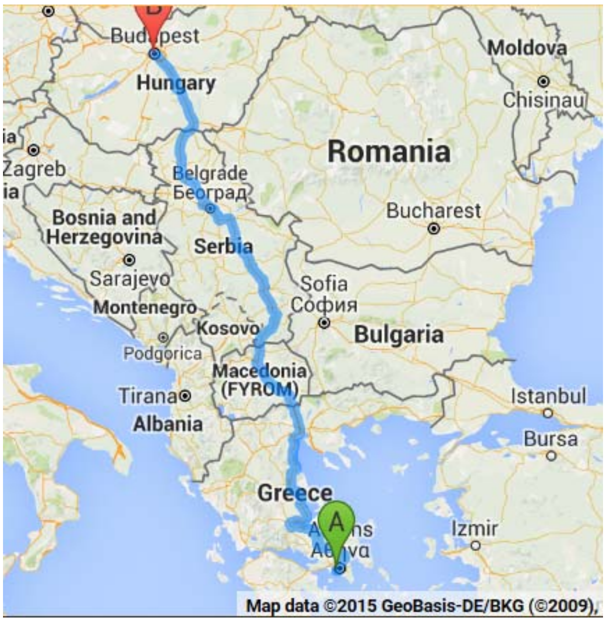

Figure 8: The route „Piraeus – Budapest“

Source: http://e-distance.com/Piraeus/Budapest

Greece has been chosen as a fulcrum. Its harbors are the closest to the renewed Suez Channel. Its merchant fleet is the largest in the world (16.2 % of all vessels) and delivers 60 % of the Chinese raw materials and energy imports.[15] In its turn, this fleet is the largest customer of the Chinese shipbuilders. Chinese capital could help Greece to overcome the current financial crisis – COSCO offered in 2009 г. almost € 5 billion for a 35-years partial concession of Piraeus harbor. According to the plans the high speed connection must shorten the travel of the Chinese cargo from 24 to 17 days.

Unlike the Western Balkans, Bulgaria and Romania prefer more on the Eurasian Corridors, mentioned above. Several important trade routes cross the Balkan Peninsula. The Pan-European transport corridor №4 (the ancient "Via militaris") is the shortest connection between Central Europe and Istanbul. The Russe-Varna route links the Paneuropean transport corridor №7 (the Danube River) with the black Sea with its ferry lines. Corridor №8 (Burgas - Durres) links the Black Sea with the Adriatic Sea and Italy, the fourth largest economy of the European Union.

The countries of the region are not keen to cooperate and to persuade their neighbors for launching common projects though. Lack of resources and of a common European conception on the subject makes things worse. There is a counterproductive competition among the countries concerned. Romania tries to redirect corridors №4 and 7 to the port of Constanza with its large capacity (larger than the capacity of Burgas and Varna together), while Serbia postpones for years the completion of the high speed connection between Belgrade and Sofia, preferring the "Piraeus – Belgrade – Budapest" link instead. Mismanagement of priorities and of public resources (incl. from European funds) leaves the infrastructure of Bulgaria (ports, railroads, railroad-operator etc.) in a bad condition. The link "Burgas – Durres" seems abandoned in favor of the newly finished "Via Ignatia" on Greek territory.

Due to this competition the countries in the region try separately to gain control over each possible trade route, instead of formulating their common interests and coordinating their policies, both with China and other interested EU-members.

[14] „US threatens military confrontation with China in South China Sea", https://www.wsws.org/en/articles/2015/05/14/scse-m14.html

[15] http://www.whuced.com/show/?id=165&siteid=3

[16] „Central and Eastern Europe in Building the Silk Road Economic Belt“, Institute of European Studies, Chinese Academy of Social Sciences, http://ies.cass.cn/en/UploadFiles_8765/201411/2014111312374725.pdf

[17] „Wall Street Journal“, 30.09.13, [14] „China Attracts Greek Ship Owners", https://en.wikipedia.org/wiki/Economy_of_Greece

Figure 9: Pan-European corridors on the Balkan Peninsula

http://bg.wikipedia.org/wiki/File:Paneuropetransport.png

"OBOR" is a long term, large scale project. It should stimulate the trade between China and Europe in both directions and to support the wholescale economic development of the countries involved. Among them are also EU-members of the wider Black Sea region. The European Union should consider its own interests and formulate a common policy (incl. goals, kind of participating, financing, etc.) and to cooperate with China and the countries along the routes proposed. This cooperation both requires and could contribute for settling down local conflicts in the Black Sea region, in the Caucasus or in Central Asia. Focusing on running, though acute, problems, such as the euro-crisis or the refugees from Syria, should not divert the attention from opportunities of strategic importance.

REFERENCES

Triantaphillou, D., *The security context in the Black Sea region*, Routledge, 2010

Zbigniew Brzezinski, *The Grand Chessboard: American Primacy and Its Geostrategic Imperatives*, Basic Books, 1997

Communication from the commission to the council and the European parliament, *Black sea synergy a new regional cooperation initiative*, (COM(2007)160, 11.04.2007) http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2007:0160:FIN:EN:pdf

http://ec.europa.eu/trade/policy/countries-and-regions/countries/china/

Roberto Bendini, *Trade and economic relations with China 2014*, http://www.europarl.europa.eu/RegData/etudes/briefing_note/join/2014/522342/EXPO-INTA_SP(2014)522342_EN.pdf

Von Witte Association, „Joining Europe and Asia. Trans-Siberian Railroad", http://www.vonwitte.org/index.php/joining-europe-and-asia-trans-siberian-railroad

The Official Railway Guide, „Weekly service planned for Europe-China rail route", http://www.joc.com/rail-intermodal/weekly-service-planned-europe-china-rail-route_20140905.html.

Silk road reporters, „Waiting for the 'Iron Silk Road' Railway", http://www.silkroadreporters.com/2014/05/28/waiting-iron-silk-road-railway/

Cited by Samuel Lussac, "The Baku-Tbilisi-Kars Railroad And Its Geopolitical Implications for the South Caucasus", http://www.cria-online.org/5_5.html

The Economist, „The New Silk Road. Hardly an oasis", Nov 15th 2014, http://www.economist.com/news/asia/21632595-kazakhstan-turnsgeography-advantage-china-builds-new-silkroad-hardly-oasis

The Economist, „The New Silk Road. Hardly an oasis", Nov 15th 2014, http://www.economist.com/news/asia/21632595-kazakhstan-turnsgeography-advantage-china-builds-new-silkroad-hardly-oasis

US threatens military confrontation with China in South China Sea, https://www.wsws.org/en/articles/2015/05/14/scse-m14.html

http://www.whuced.com/show/?id=165&siteid=3

Central and Eastern Europe in Building the Silk Road Economic Belt, Institute of European Studies, Chinese Academy of Social Sciences, http://ies.cass.cn/en/UploadFiles_8765/201411/2014111312374725.pdf

Wall Street Journal, 30.09.13, [14] „China Attracts Greek Ship Owners", https://en.wikipedia.org/wiki/Economy_of_Greece