

The „New Silk Road” in Central and Eastern Europe

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Abstract: The „New Silk Road” involves CEE countries, member of the 16 +1 group. The Chinese strategic project could help to overcome the economic difficulties there, while the EU is facing internal crisis. The project has to deal with the rivalry for the control over the region, incl. players such as the USA, Russia and the EU. There is also the rivalry among the Black Sea countries for the benefits of „the Third Eurasian Continental Bridge”. A key issue for Bulgaria will be the ability of the political elite to formulate the national interest and to act independently.

Index Terms: 16 + 1 group, Third Eurasian Continental Bridge, Sino-Russian strategy, rivalry for control, rivalry for benefits, logistig hubs, routes

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I. INTRODUCTION

The „New Silk Road” (or the „One Belt – One Road” initiative, OBOR) is a strategic project, aimed at involving many Eurasian countries. From Bulgarian point of view the variants of the project, concerning the Black Sea region (the „the Third Eurasian Continental Bridge”), deserve attention. The economic and political situation will determine the dimensions of the possible „Balkan Silk Road”, but its impact on the feeble Bulgarian economy will be perceptible. A key issue will be the ability of the Bulgarian political elite to formulate the national interest and to act independently, taking decisions of strategic importance. A difficult task, provided that the area of the Black Sea (part of Eastern Europe), is a field of geopolitical collision of the highest order.

During his entire history the Balkan Peninsula, being part of Eastern Europe, has played the role of land bridge between Central/Western Europe and the Middle East/Middle Asia. Major forces have kept fighting for this strategic point for centuries. Today the region links the large economies of the EU (mainly Germany) with Turkey (also Central Asia and the Middle East). The perspective of the region to become part of a large logistic network, connected to the vast economy of China, explains the endeavor of the influential countries and alliances to extend their control over the region, with all its infrastructure.

II. THE „NEW SILK ROAD” – A NEW OPPORTUNITY FOR CENTRAL AND EASTERN EUROPE

The EU, led by its core Germany, should also have the ambitions to control the region, but after 2008 the Union is confronted with several crises, threatening its entire foundation. During the last 8-9 years the EU seemed subordinated to the US strategy, unable to formulate and follows its own. In the foreseeable future the complicated relations with the new US-government and the solution of the internal crises would absorb its entire attention and energy.

For the time being the major economic initiative comes from the side of China and the EU has been hesitant in its reaction. China has long established good positions in the leading economies of the EU. Despite the economic crisis this position has been extended further, following the common dynamics of the bilateral exchange. During the last 5 years we witness an increasing Chinese presence in the countries of Central and Eastern Europe, some of which are also EU-members.

Although these countries differ widely among themselves in political and economic terms, the interaction with China is institutionalized on a common platform - the group 16 + 1, established in April 2012 in Warsaw. The group includes Lithuania, Latvia, Estonia, Poland, Hungary, Slovakia, the Czech Republic, Romania, Bulgaria, Croatia, Slovenia, Montenegro, Serbia, Macedonia, Bosnia and Herzegovina. Austria and Greece announced their desire to participate as observers.

Since 2012 there have several high level meetings to institutionalize the new business relations – in Warsaw, Bucharest, Belgrade and Riga. The foreign trade of China with this group for 2014 reached a record level of US\$ 60.2 billion. This is still less than the exchange of China with Italy only, but on the other hand the increase is by one third, compared with 2010. It must be taken into account that China maintains good relations with many of these countries for decades, given priority to projects with the most cooperative partners. (Some differences with the Czech Republic in the 1990s provoked the note: „Even countries, which previously had problems with China, such as the Czech Republic, are showing signs of improving bilateral relations.“)

The „One Belt – One Road” initiative is a project to unite this heterogeneous group in the long-term plans of China. Transit of goods would be the first stage. Along with the access to the major trading partners in the EU, the CEE-countries could develop to extended Chinese production centers, working in accordance with the standards of the Single market of the Union. The „New silk road” can facilitate the supply of finished goods, but also of semi-manufactured articles, spare parts etc. Drawing closer

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the labor costs in China to the labor costs in CEE, especially in Romania and Bulgaria, allows finding optimal solutions, as logistics and pricing are concerned.

From the Chinese perspective the different status of these countries allows a bigger choice: the countries of the 16 +1 group, which are not members of the EU (and will remain outside the Union in the next few years) give more opportunities for investment in infrastructure through direct negotiations with Chinese enterprises as contractors, without taking into account the requirements of the EU public procurement. In a later phase of developing the project more capital could be invested in production or/and in privatizing the available infrastructure. Besides, China is interested in the agricultural production potential of the region, which remains underdeveloped in the conditions of unequal competition with Western Europe within the EU Single market. Agricultural products could help solving one of the problems of the initiative: the majority of trains from Europe to China still travel empty because of the shortage of goods on the way back. So far Hungary has received US\$ 2 billion as investment, Romania - 741 million, Poland - 462 million and Bulgaria 222 million. The next step for Chinese enterprises will be to secure the CEE market of 120 million users when (if) the market will get sufficiently creditworthy.

The interests of these countries are not always in harmony with the Chinese interests: the CEE countries are keen for more „greenfield” investment to boost their exports to China and to level their overall negative trade balance, while the Chinese attention has so far focused mainly on infrastructure, but facing the declining since 2008 overall investment activity, there are good prospects for mutual acceptable projects. China's FDI in the 16 +1 group account for only 8% of the total Chinese investment in Europe. So far US\$ 11 billion loans for infrastructure projects (the „China - CEE Fund”) have been formally agreed, in case that Chinese contractors, materials and equipment are involved.

In 2016 the widely shared feeling among the 16 CEE countries is that of an unsatisfactory slow progress, given the urgency of the problems to be solved in most of the countries - stagnation, unemployment, depopulation. At the same time, the Chinese approach is characterized by prudence, patience and slowly building a base of long-term cooperation. (Not to be forgotten, that at the first phase of the project the economic activities are concentrated in the Chinese neighbor-countries, so the „Economic Belt” is expected to drift westwards slowly.)

In Brussels the Chinese activity does not provoke a serious reaction, although the Chinese approach to negotiate with each country separately could hinder the implementation of a common (and thus more powerful) policy on economic issues, particularly during the negotiations on the bilateral investment agreement, which last since 2012. Probably the reason is that the political and administrative centre of the alliance is too busy with overcoming the internal crises and the internal distribution mechanisms have reached their limits in supporting the less developed member countries.

Under such conditions any Chinese investment would be beneficial. Apart from this the major Chinese partners would gain additional benefits from the reduced logistics costs of the Chinese supplies. Chinese investment in sensitive sectors such as energy and steel, for instance, have been made with the implicit consent of the supranational institutions of the Union.

Moreover, China is already engaged (despite its modest share) with the EBRD, while many EU-countries participate in the Asian Bank for Infrastructure Investment. On Chinese aid relies also the „Plan Juncker”, promoting infrastructure investments in the economy of the Union. The relative weakness of the EU on trade issues is evident from the fact that China's finance, telecommunications, logistics and procurement sectors remain closed to foreign investors, but the same areas in the EU are open to Chinese enterprises.

III. THE „NEW SILK ROAD” AND THE RIVALRY IN THE „WIDER BLACK SEA” REGION

The „Wider Black Sea region” includes some of the 16 +1 countries, and its geopolitical significance goes beyond its regional dimensions. The third and fourth tracks of OBOR must pass through it and the success of the Chinese venture here will support the concept of a multipolar rather than of a unipolar world. According to the researcher Andrew Korybko (2015, „Hybrid Wars”) the global clash is already underway. According to him, Russia and China have a common, or at least coherent, strategy for the Wider Black Sea region (like for Central Asia), based on infrastructure projects, aimed at creating a huge „regional geopolitical transformation.”

Their design will be supported of on one hand by the strong historical and cultural ties between Russia and the Balkan and Black Sea countries, on the other hand – by the Chinese financial resources, that are essential for the badly developing countries in the region. The construction of large scale infrastructure (transport and energy) should integrate the relatively isolated from each other Balkan countries into a more robust economic community and to facilitate the interaction of Russia and China with continental Europe.

According to the analysis of Korybko the role of Russia in the Russo-Chinese strategic partnership is to spread all over the region a vast energy network (gas and oil supplies, electricity), while that of China would be to build the high-speed rail corridor (the „Balkan Silk Road”), connecting Turkey (via the Bosphorus), Greece (where to connect the „Maritime Silk Road”, using the Greek port of Piraeus), Macedonia, Serbia and Hungary. If both countries succeed in their intentions, the region may get out of control of the main geopolitical rival, the USA.

The coincidence of interests seems obvious: through OBOR China will offer economic (and possibly political) alternative to the Western domination, and the Russian support is necessary because of its ties to the political and economic elites and to the sympathy among the population.

As far as the Balkans are beyond the immediate reach of both countries (especially of China), the implementation of

these plans seems quite difficult. The majority of the region is controlled by the US directly (through NATO) or indirectly (through the EU). This allows the United States to block successfully most of the Russian energy projects in the last few years and the common strategy of China and Russia must rely heavily on the Chinese project.

However, it should be pointed out, that no open official sources confirm the existence of such a common strategy of China and Russia. The failed strategic energy project „South Stream”, for example, has been negotiated between Russian and Italian sides in 2006-2007, i.e. long before the deterioration of the relations between NATO and Russia (even before the famous Putin’s „Munich speech”, 2008). The same fate faced another failed Russian energy project in Bulgaria - the „Burgas – Alexandroupolis” oil pipeline. At the same time (short before the financial crisis of 2008) the relations between China and the US have been far from tense, moreover, the G-2 (or „Chimerika”) model have been openly disputed and promoted.

Given the subsequent development, the logic suggests some synergy between the two countries, but the presence of mutual obligations and pursue of a common strategy is yet to be proved by facts. At least such an interaction in the Wider Black Sea region seems quite likely, though surprises are not to be excluded. Much depends on the policy of the new US government there. Democratic administrations have been always very active in the region (beginning with the president Clinton), while Republicans seem generally less engaged. An isolationists, more business oriented, approach of the president Trum could alter significantly the constellation in the region.

In the western part of the Balkan Peninsula the control of the US and their allies seems so far undisputedable. Slovenia and Croatia are part of the EU. They both, together with Albania, are also NATO members. Regardless of the public mood, Montenegro is also drifting towards NATO, which would be a blow to the traditionally strong Russian influence there. Bosnia and Herzegovina is in fact a protectorate of the EU. The Serbian part of the federation faces numerous obstacles to a possible (and deisable) accession to Serbia. The population and the policy makers there are hostile to NATO and distrustful towards the EU. Through Albania and Croatia the United States are able to exert their influence outside their borders: in Kosovo and the western parts of Macedonia, also in Bosnia.

The middle of the peninsula, including Republika Srpska in Bosnia and Herzegovina, Serbia and Macedonia, still is not under the official control of NATO and the EU, but their influence on the ruling elites there is tangible. The Serbian political elite is divided into supporters of the western orientation (in search of economical and political stability) and of the traditional alliance with Russia. Facing the predominant antiwestern sentiment of the population, the politicians have to maneuver awkwardly between East and West. In this situation the closer cooperation with China offers to the country a vital alternative.

In Kosovo (protectorate of the United States) is situated the large US military base „Bondsteel”. In fact this military

base controls almost the whole peninsula, considering the weakness of the military forces of the Balkan countries. The geographical position of Macedonia allows the country to play the role of a bridge between the most important Greek ports and Central Europe. Similarly, the official prowestern orientation of the elite is not shared by large parts of the population, which prefer pragmatic and mutually beneficial relations with Russia. Facing no prospects of EU-membership soon, nearly half of the population shares the opinion that Macedonia should seek for an alternative development model outside of the EU. The cooperation with China offers to the country an alternative too, especially after the failed attempt to attract Taiwanese investors in the 90-es.

The Black Sea states Bulgaria and Romania are controlled entirely by the US (NATO) and the EU. Since 2014 they are used as a springboard for using pressure on Russia. While Romania has no hesitation (Russia is seen as the main obstacle to the accession of Moldova, which seems the large common dream of the Romanian society), the Bulgarian political elite is trying to maneuver (with little success) between external suggestions and mass pro-Russian sentiment, given the strong cultural and historical ties with Russia. Geographically Bulgaria offers the shortest link between Central Asia and Europe via the classical path Istanbul - Plovdiv - Sofia - Nis - Belgrade - Budapest, but using this connection requires autonomy in the decision making. In the last ten years the Bulgarian political elite

As far as the control over the region is concerned, crucial is the policy of Greece, which possesses the most favorable geographical conditions. Greece borders on three of aforementioned countries, it is the main mediator between the Mediterranean and the Balkans. Its ports give support to vital infrastructure projects between the southern and northern parts of the peninsula, enabling so the most convenient access to Central Europe. Because of its strategic importance Greece has long been used for spreading the Western influence in the region. However, Greece uses every opportunity to demonstrate independence – the Greek political elite has learned perfectly to take advantage of the relationships with partners and allies, it is a part of the Greek political culture.

However, currently the country is almost completely under external control - the financial crisis lead to complete loss of financial sovereignty, despite of the resistance of government and citizens. Besides, the refugee and immigrant crisis since the summer of 2015 focuses almost all the political resources for solving internal problems.

Greece and Bulgaria secure a convenient gateway to Central Europe and the United States have so far managed to restrict the Russian (and Chinese?) influence here. The Russian energy projects in the region have been successfully thwarted. (Even the prospects to the „Turkish Stream” gas pipeline still remain vague.) The „Balkan Silk Road“ seems nowadays the only feasible project in the region, able to change trade routes and volumina and to offer new specialization in the international division of labor through Chinese investments. Despite the already



(2014) announced Chinese intentions (See Liu Zuokui, „Central and Eastern Europe in Building the Silk Road Economic Belt“), there still lack visible reactions of the US. The questions, regarding the new US strategy, still prevail.

IV. VARIANTS OF THE „NEW SILK ROAD“ IN THE BLACK SEA REGION

According to the above mentioned documents, the Black Sea is a key point in China's plans to access markets in Europe. In 2013 the Chinese leadership included also Crimea into these plans. The peninsula has been visited by Chinese entrepreneurs, keen to explore the opportunities for building there a deep-water port, able to redistribute the westwards traveling cargo. The geographical location of the peninsula in the way of the Eurasian freight allows the construction of large scale logistics unit, solving so the problems of unemployment and poverty. During the visit of President Viktor Yanukovich in Beijing 2011 a preliminary agreement for the construction of a deep-sea port „Crimea“ and for the reconstruction of the fishing port of Sevastopol have been signed, totaling over US \$ 3 billion.

The projected annual traffic is about 150 million tons, while shortening the traditional routes could reach 6000 km. Given the ongoing development there, those plans will be apparently postponed until the settlement of the crisis in Ukraine (which can take a long time). The advantages of Crimea can not be ignored anyway.

These advantages could be linked with the intention of the Romania's government to develop together with several Chinese companies a high-speed (350 km per hour) rail connection from Bucharest via Iasi to Chisinau. According to these plans, the high-speed railroad should become a pilot project for the whole Central and Eastern Europe and Romania should become the leading country in this respect. The Bucharest – Chisinau route is actually part of the long disputed Black Sea Ring Highway, which would link all important black Sea ports, incl. Crimea. (The implementation of such plans, however, requires once again a lasting settlement of the crisis in Ukraine.) Romania is conscious of the importance of China's plans for its own development. At a conference, organized by the Aspen Institute in 2013, minister Constantin Nita announced plans for turning the country into „Strategic regional centre“, linking Europe with Asia, using its favourable geographical location.

For this purpose Romania should deepen the cooperation with China, India, Azerbaijan, Kazakhstan and Georgia, which still doesn't meet Romania's expectations. The country is aware of its advantages: they include the Danube-Black Sea channel and the port of Constanta, both built during the socialist rule. The capacity of the port is larger than the capacities of both Varna and Burgas together and enables the cargo to reach on water the economic center of the EU, Germany, through the channel mentioned. In the opposite direction operated till 2016 a high capacity ferry from Constanta to Istanbul (now

suspended due to technical problems), and the highway Budapest-Craiova-Bucharest-Constanta must divert shipments from Asian Georgian port of Poti on account of Burgas and Varna. (So the Romanian plans.)

The clash between the US and Russia in Ukraine (Moldova, Georgia), however, in which Romania actively supports its NATO ally, impedes or at least postpones the implementation of China's plans. Much depends on the status of the Crimea peninsula. Anyway, after 2014 there are no news, concerning the joint economic ventures already discussed. Romanian plans have stalled, as evidenced by the problems with the ferry mentioned.

Meanwhile, Ukraine is trying to revive the Chinese initiative and to build a new communication route to China, despite (or because) of the political and economic troubles. The route should become part of the „New Silk Road“ and to provide an alternative for cargo from Ukraine to Asian markets and vice-versa. The New Silk Road should run from Chornomorsk (formerly Illichivsk) near Odessa by ferry to Batumi, then by rail through Georgia and Azerbaijan, by ferry across the Caspian Sea to Aktau in Kazakhstan and then again by rail to the Kazakh-Chinese border. The full trip along the new route, is supposed to take a maximum of 14 days. (Michał Kozak, 2016).

All these plans require lowering the security risks. Moreover, the logistic scheme is too complicated because of the many rail-ferry changes. There is also the possibility of unfair competition (instead of cooperation) between the Black Sea countries. If there is some kind of agreement between Russia's and China's strategies, as Korybko suggests, the approach of China towards Romania and Ukraine should be monitored with increased interest. So far these plans are still more on paper. Since 2014 there are no important news on the subject.

V. THE „NEW SILK ROAD“ IN THE WIDER BLACK SEA REGION

As shown on the map (see above), the maritime variant of the major commercial link between China and Central and Western Europe includes countries, belonging to the Wider Black Sea region.

The foundation of this multilateral cooperation has been established in 2012 in Warsaw, the first joint conference of China and the states of Central and Eastern Europe. Two years later, at a meeting in Belgrade, the agreement on building the high-speed rail line between Budapest, Belgrade, Skopje and Athens, has been signed. This line should „act as a corridor between China and the Balkan countries“, according to Chinese Premier Li Keqiang. The project (worth US \$ 3.112 billion) is funded by China Development Bank and implemented by Chinese enterprises with Chinese workers. After finishing the construction of the Budapest-Belgrade line in 2017 the trip between the two capitals should be shortened from eight hours to two hours and 30 minutes. The overall plan involves building a connection of high speed high capacity line between the Greek port of Piraeus and Budapest,

where cargo could be distributed in all directions, as shown on the map.



Figure 1: The New Silk Road in the Black Sea

Source: <http://www.financialobserver.eu/cse-and-cis/ukraine/ukraine-joins-the-silk-road/>

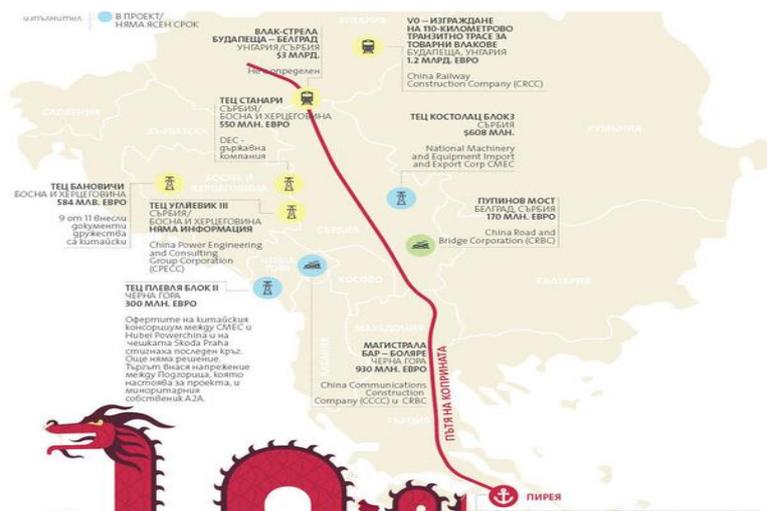


Figure 2: The Budapest-Piraeus line

Source: http://www.capital.bg/politika_i_ikonomika/vat/2015/01/16/2455246_godinata_na_balkanskiia_drakon

The aim is to shorten the way of Chinese cargo to Europe by seven days from 24 currently. The siding of this segment in Montenegro should connect Belgrade with the Adriatic port of Bar, enabling so direct access to Italy. The concrete result for Eastern Europe after the conference in Suzhou (2015) is a planned joint venture organization for the provision of credit and investment funds for this and other projects. Following these plans, in 2014 China started building new and upgrading existing rail infrastructure in Albania, Bosnia and Herzegovina, Macedonia, Serbia and Montenegro, delivering also locomotives, carriages and rails at a time when Europe is experiencing economic and

political crisis and thus unable to support financially the countries in the region.

The direct route to Central Europe through Macedonia and Serbia benefits from the inherited transport infrastructure of the former Yugoslavia. The choice of China was facilitated by the traditionally good relations with those countries since the Cold War, and the chronic shortage of capital in the region, which can be overcome through the credit line of US \$ 11 billion for the development of infrastructure, green energy and agriculture through implementing new technologies.

Besides funding (2-2.5% with a repayment term of 25 years and a five-year grace period), China provides contractors of the projects as well: Chinese state-owned construction companies build and renew roads, powerplants, logistics nodes and bridges. In these endeavors Serbia has emerged as the strategic partner and Belgrade could become the main logistics node of the „Balkan Silk Road“. Besides the high speed railroad to Budapest and the new bridge over the Danube, an agreement on investment of a total of € 2 billion in

„Elektroprivreda Srbije“ (EPS), the Serbian state-owned energy company, has been signed. This shows the serious intentions of the Chinese side. The deal includes also the reconstruction of the „Kostolac“ power plant, which produces 11 percent of the energy in the country. Bank of China, situated in Belgrade, should cover with its activities also the neighbouring countries – Greece, Bulgaria, Romania and Albania. The operations would be made easier by the planned new direct connection by air between Beijing and the capital of Serbia. Easily enough, Serbia is the only country in the region, offering visa free access to Chinese citizens.

The so-called „Western Balkans“ have vague prospects for EU-membership, but enjoy favourable trade regime with the Union and offer a direct access to its market. On the other hand the requirements of the Union, concerning public procurement, do not apply, and this benefits Chinese investments, particularly given that the investment activity of the United States and the EU in the region remains low. Taking advantage of this, China deepens its diplomatic, economic and institutional relations and within just four years became a serious factor in a region, which is located almost on the other side of the planet.

The inclusion of the countries of South-Eastern and Central Europe into the „Economic belt“ depends to a great extent and on their activity and the ability to combine the limitations, imposed by the Western influence, with the protection of national interests. If successful, they could become not just transit countries (alongside the route mentioned), but also parts of the Chinese production chain, aimed at the European market – production, distribution, marketing and imposing of overseas trademarks.

But despite the favourable (so far) positions of Serbia, crucial for the success is the attitude of Greece.

Greece is the starting point of this route. It offers the closest access to the Suez Canal ports. Besides it possesses the largest merchant fleet in the world (16.2% of all ships bearing the Greek flag), which supplies 60% of the Chinese fuel and raw materials imports. On the other hand Greece is the largest customer of the Chinese shipyards. Facing the insurmountable debt crisis, the Greek government relies also on Chinese investment - the Chinese state-owned enterprise COSCO paid in 2009 almost € 5 billion for two of the three container terminals at the Piraeus port, the „Gateway to Europe“. The concession has been awarded for a period of 35 years.

Realizing whole the project, COSCO seeks full control over the harbor, but for the privatization of OLP (the Greek state-owned operator of the harbour) the Chinese must compete with Maersk, Ports America Inc. and International Container Terminal Services. More of that, the competitor have to overcome the resistance from the trade unions and the new ruling Syriza party.

Given the strategic importance of the port, including for the „Maritime Silk Road“, it is logical to assume serious external interference by the United States and the European Commission (presumably under US control). The attempts for privatization continue, aimed also at the ports of Thessaloniki and Bar (Montenegro).

VI. BULGARIA AND THE „NEW SILK ROAD“

At first glance Bulgaria appears in a favorable position to take advantage of the opportunities, offered by the „New Silk Road“. Located in the center of the Balkan Peninsula, our country represents a crossroad between Europe and Asia. Through our territory pass five of the ten major pan-European corridors, incl.: №4 - Budapest - Sofia - Istanbul (Thessaloniki), №7 – the Danube waterway (with the possibility of direct connection to the Black Sea on the Ruse – Varna railroad) and №8 - Burgas (Varna) - Skopje - Tirana - Durrës (Vlora). In terms of air transport the center of Bulgaria is relatively equally distant from cities like Marseilles, Geneva, Frankfurt, Voronezh, Tbilisi, Cairo, Tripoli and Tunisia.

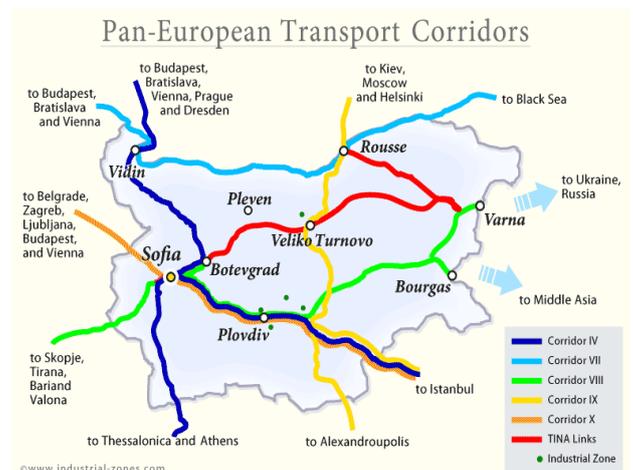


Figure 3: the Pan-European transport corridors and Bulgaria

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

With two Black Sea ports, several airports (the airport near Burgas is the sunniest in Europe) and the opportunities of the corridors mentioned, the country could become a significant logistics hub with the development of all ancillary activities - transport, warehousing, cargo processing. Facing the destroyed industry, inefficient agriculture and limited tourism, logistics could become the

only branche, ensuring a favourable specialization within the highly competitive Single market of the EU.

From the Chinese point of view, the direct commercial link between Central Europe and Central Asia via Turkey, Bulgaria and Serbia deserve the same attention, as the combined maritime-land route, mentioned above. In 2010 China invited Bulgaria to participate in a common project for high-speed rail that would connect it to Turkey, at the latest by 2025.

Unfortunately, the Bulgarian governments demonstrated during the past 27 years that they can not properly assess and assert the Bulgarian interests in the case of long-term international projects with significant economic effect. In the energy supply sector Bulgaria has lost completely the role of transit route and distribution center because of short-sighted (and dependend) policy. The inability to negotiate have resulted in the reallocation of major gas supplies to Turkey („Blue stream“, 2003-2005) and the EU („Turkish stream“, contracted in 2016), with respective losses of transit fees and (possible) preferential prices for Bulgaria. These failures form the image of Bulgaria as a dependent and unreliable partner. The same applies to the unrealized (though discussed for decades) transportation projects, parts of the Pan-European corridors.

As the restoration of the Silk Road is concerned, Bulgaria has missed or underestimated a lot of opportunities till now. At the „China - Central and Eastern Europe“ meeting in Belgrade (16 to 17 December 2014) Bulgaria remained partly isolated as the only country, represented not by its premier-minister, but by deputy prime-minister without portfolio (Rumyana Bachvarova).

Almost nothing has been done to build the Burgas-Vlora line, which should bring supplies along the Silk Road right to Italy, the third largest economy in the EU. The alternative to the Romanian intentions could be the Varna-Rousse line, but this does not seem feasible given the small capacity of both ports, as well as the poor condition of the railroad operator BDZ. So far no signs of serious discussions on these topics with Chinese partners - technical aid, financing and so on. In the case of corridor № 4, which should link the Danube with the Aegean Sea (Vidin - Sofia - Kulata - Thessalonica), there is also no strategy. The progress depends on conjunctural changes and does not include Chinese participation. According to estimates of logistic experts, completion and upgrading of the Pan-European corridors on Bulgarian territory requires about US \$ 5 bln, an amount that an active diplomacy should be able to provide.

This applies, however, more for the diplomacy of Bulgaria's neighboring countries, which succeeded during the last two decades to divert cargo flows to their more secure (in most cases) roads, ports, railway stations and warehouses of higher capacity. As mentioned above, Romania is trying to redirect corridor № 4 to Constanta. Serbia relies on the above mentioned option №10 (Thessaloniki and Piraeus), while continuing to defer the construction of the highway between Sofia and Nis because of the „difficult terrain“. The terrain is really difficult and the estimated costs are high. But the lack of good

connections between Bulgaria and Serbia means that the emerging large cargo flow through Istanbul simply can not be handled on our territory. With funds, provided by the EU, Greece builds the „Via Egnatia“ route, which duplicates the corridor № 8, but entirely on Greek territory. After finishing the Piraeus-Budapest land route (parallel to the Danube-Aegean Sea corridor) Bulgaria will be surrounded on all sides, not able to take advantage of its geographical location.

The most direct route from Istanbul to Central Europe (Vienna) is the old Roman road „Via Militaris“, but the current poor condition of the infrastructure and, more importantly, the incompetent political leadership of the country will probably let the main traffic from the already built „Marmaray“ tunnel under the Bosphorus pass the Greek territory via „Via Egnatia“ to join the Piraeus - Budapest route.

Having in mind the speed of the contemporary high speed trains, the detour would prolong the road with a few hours, which is negligible. We witness the paradox, the countries of the Wider Black Sea region to pull up freight flows, which do not pass through the Black Sea, while the Black Sea country Bulgaria remains isolated, despite its obvious geographical advantages.

The situations is changing, but very slowly. The Chinese proposal from 2010 mentioned above, has been discussed again in November 2015 during the official visit of the Bulgarian government delegation in Beijing and Shanghai. So far, the only concrete result was the announcement of Chinese plans to build in Plovdiv a logistics center for on the way to Europe. The project implementation would mean that the Bulgarian side has finally realized the importance of the OBOR project and is about to take concrete steps towards inclusion in the high speed transcontinental railroad. Building in Sofia an agrotrade center within the 16 +1 framework has been also contracted.

The still vague attempts to persuade the Chinese side to bet on the Budapest - Sofia - Istanbul route instead of „Via Egnatia“ have no guarantee of success because of the long delay. A real success would be, in fact, the development of the Istanbul-Sofia-Belgrade segment. In this case Belgrade would gathers two beams - from Piraeus (Thessaloniki) and Istanbul and would strengthens its logistics importance. The obstacles to Sofia-Nis section, set by the Serbian side, could be overcome most likely with Chinese assistance.

Another option - the modernization of the Ruse-Varna railway, together with the modernization of the port of Ruse (building so the connection from Central Asia via the Black Sea to the Danube) has not been discussed bilaterally. Above all, it requires removing the tension in the Black Sea basin, as noted above.

However, given the external dependence of the Bulgarian political elite (and the failed as a result of this energy projects with Russia), any undertaking can not be considered as guaranteed. The crisis of 2008 almost coincides with the entry of Bulgaria into the European Union. The Bulgarian professional politicians proved to be psychologically unprepared to formulate and defend national interests and to fight for favourable international



specialization of our country, both within the EU single market and on the emerging new economic map of the world, arranged by the same this crisis.

Bulgaria already failed in the attempt to become the „energy center of the Balkans“, without serious assessment of risks and opportunities. Discussing the possibility Bulgaria to become a logistics hub, located between Europe and Asia, requires much more, than the stereotypical spells, praising „our advantageous geographical location“.

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