

# INTRODUCTION:

On the Role of Central and Eastern Europe  
in the Belt and Road Initiative

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CHAPTER I

This paper aims to provide a brief examination of the Belt and Road Initiative (BRI) in four separate parts. First, we provide an overview of BRI, outlining the different types of projects that are proposed and those that are now under way. Second, we analyse the main political and economic characteristics of the Central and Eastern Europe (CEE). Third, we evaluate the prospects of cooperation in CEE. Finally, we discuss some obstacles to closer China-CEE relationships that have emerged in recent years.

## 1. The Belt and Road Initiative

Since the announcement of its concept in Kazakhstan in 2013, the Belt and Road Initiative has undergone major changes and development. The Initiative alludes to the ancient Silk Road, a network of merchant routes that date back to the Chinese Han Dynasty (206 BCE). The BRI includes two main concepts: the 'Silk Road Economic Belt' and the '21<sup>st</sup> Century Maritime Silk Road', which involves upwards of 60 countries and more than 60% of the world's population<sup>1</sup>. In its conception, the 'belt' and the 'road' spans across most of Asia, Africa, and Europe. In a 2015 policy brief issued jointly by the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China<sup>2</sup>, it was stated that the BRI remains 'open and inclusive' and welcomes all national, international, as well as regional organisations. Thus, it is most appropriate to interpret the two main horns of the BRI as a rough sketch of its implementation<sup>3</sup>.

A main vision of the BRI is to increase connectivity and cooperation between the involved countries. This may be specified into five major goals: policy co-ordination, facilities

1 | Campbell, C. (2017, May 12). China: 5 Facts on Xi Jinping's Belt & Road Initiative Summit. *Time*. Retrieved September 01, 2018, from <http://time.com/4776845/china-xi-jinping-belt-road-initiative-obor/>.

2 | The National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China. (2015, March). 推動共建絲綢之路經濟帶和21世紀海上絲綢之路的願景與行動。 *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road*.

3 | Ren, J. (2018, July 7). 正確定位‘一帶一路’實施。 Zhengque dingwei 'yi dai yi lu' changyi (The Proper Positioning of the Belt and Road Initiative). Chinese Academy of Social Sciences. Retrieved September 1, 2018, from [http://www.cssn.cn/index/xldg/201805/t20180507\\_4238444.shtml](http://www.cssn.cn/index/xldg/201805/t20180507_4238444.shtml).

4 | Shepard, W. (2017, July 15). The Real Role of the AIIB in China's New Silk Road. *Forbes*. Retrieved September 1, 2018, from <https://www.forbes.com/sites/wadeshepard/2017/07/15/the-real-role-of-the-aiib-in-chinas-new-silk-road/#dc6d00974727>.

connectivity, unimpeded trade, financial integration, and people-to-people bonds. Of these goals, financial integration is considered the primary objective to be attained. Two major institutions have arisen in the international society since the announcement of the Initiative in 2013: the Silk Road Fund and the Asian Infrastructure Investment Bank (AIIB). The former is a US\$40 billion medium-to-long-term investment fund that is the Chinese government's primary financial arm in support of BRI projects; the latter is a multilateral development bank with 87 country members that promises to address the severe shortage of infrastructure in Asia<sup>4</sup>.

Another important area is policy coordination that enhances intergovernmental partnership. This is symbolised by the signing of Memorandums of Understanding (MoUs) between the BRI related parties. The MoUs are important tools in showing commitment to the Initiative and agreeing upon common standards of cooperation. Currently, the majority of BRI projects focus on increasing infrastructure hardware. The wide variety of projects can be observed through a survey of the China-Pakistan Economic Corridor, which includes the building of railways, seaports, gas pipes, highways, etc. Beyond Pakistan, more projects are under way, such as the freight train links connecting East Asia to Europe through Central Asia via the Khorgos Gateway, the Mombasa–Nairobi Standard Gauge Railway in Kenya, as well as energy transport systems such as the Power of Siberia project and the crude oil pipe projects in Myanmar.

## 2. 'Central and Eastern Europe'

In this context, we turn to consider Central and Eastern Europe. Roughly, this is the region between Germany and Austria to the west, and Ukraine and Belarus to the east. In this book, we specify the region as the 16 countries composed of Central European states, the Baltic states, and the South-eastern European states. At first sight, this is a region that is easy to overlook, as it is not the first place one has in mind when thinking about infrastructure investment and international economic cooperation opportunities. In this section, we aim to present a Central and Eastern Europe (CEE) that is rich and diverse, in terms of its history, economy, and socio-political situation.

A unique historical trait of the CEE region is the communist legacy shared by the 16 countries. Each of these countries was either a former Soviet state or a satellite state in the Eastern Bloc that declared their independence, albeit via different routes, upon the collapse of the Soviet Union. Eight of the CEE countries restored their independence through referendums or through conducting democratic elections, whereas the other eight were borne from the dissolution of the former Czechoslovakia and former Yugoslavia. While some of the political shifts that brought an end to the Eastern Bloc and Czechoslovakia were non-peaceful,<sup>5</sup> none compared to the violence that ensued following the dissolution of the former Yugoslavia. The breakup of Yugoslavia was a process of political turmoil characterised by the Yugoslav wars and a long series of territories being drawn and redrawn, and states being formed and reformed. This is evident in the fact that Montenegro only declared its independence from the State Union of Serbia and Montenegro in 2006. This historical legacy plays a salient role in the modern social as well as political attitudes in the region. Besides, the fact that the independence wars in Croatia and, more severely so, in Bosnia & Herzegovina were marked by ethnic conflict entails crucial challenges to a multilateral project such as the BRI.

Before discussing the opportunities related to the BRI in the Central and Eastern Europe region, we need to have an overall understanding of the current socioeconomic status

5 | For instance, the independence movement in Romania in 1989, see Preface in Sztompka's *Society in Action: The Theory of Social Becoming* (1991).

6 | European Commission. (2018, February 6). European Commission - Fact Sheet Q&A: A Credible Enlargement Perspective for an Enhanced EU Engagement with the Western Balkans. *European Commission*. Retrieved September 1, 2018, from [http://europa.eu/rapid/press-release\\_MEMO-18-562\\_en.htm](http://europa.eu/rapid/press-release_MEMO-18-562_en.htm).

7 | The frontrunners of the accession process are generally recognised to be Serbia and Montenegro. According to a European Commission press release, both countries could be accepted into the EU by 2025. Source: European Commission. (2018, February 6). *European Commission - Fact Sheet Q&A: A Credible Enlargement Perspective for an Enhanced EU Engagement with the Western Balkans*. Retrieved from [http://europa.eu/rapid/press-release\\_MEMO-18-562\\_en.htm](http://europa.eu/rapid/press-release_MEMO-18-562_en.htm).

8 | Estonia, Latvia, Lithuania, Slovakia, and Slovenia.

9 | Bosnia & Herzegovina (Bosnia & Herzegovina convertible mark), Bulgaria (Bulgarian lev), and North Macedonia (Macedonian denar).

10 | Stone, J. (2018, February 6). Serbia and Montenegro Could Join EU by 2025, European Commission Says. *Independent*. Retrieved September 1, 2018, from <https://www.independent.co.uk/news/world/europe/enlargement-serbia-montenegro-macedonia-albania-kosovo-brexit-juncker-2025-a8197201.html>.

11 | European Commission. (2018, February 6). European Commission - Fact Sheet Q&A: A Credible Enlargement Perspective for an Enhanced EU Engagement with the Western Balkans. *European Commission*. Retrieved September 1, 2018, from [https://ec.europa.eu/commission/presscorner/detail/en/MEMO\\_18\\_562](https://ec.europa.eu/commission/presscorner/detail/en/MEMO_18_562).

12 | Stone, J. (2018, February 6). Serbia and Montenegro Could Join EU by 2025, European Commission Says. *Independent*. Retrieved September 1, 2018, from <https://www.independent.co.uk/news/world/europe/enlargement-serbia-montenegro-macedonia-albania-kosovo-brexit-juncker-2025-a8197201.html>.

13 | For instance, the naming dispute between Macedonia and Greece since the dissolution of the former Yugoslavia. A major, positive development has occurred upon the signing of the Prespa agreement in June 2018.

14 | Emmott, R. (2018, June 25). EU Divided Over Balkan Accession as NATO Says Macedonia Welcome. *Reuters*. Retrieved September 1, 2018, from <https://www.reuters.com/article/us-eu-balkans/eu-divided-over-balkan-accession-as-nato-says-macedonia-welcome-idUSKBN1JL0OL>.

15 | The HDI is a composite index based on a country's life expectancy, average educational level, and standard of living.

of the countries. Although all 16 countries share a common communist legacy, their post-independence economic development have greatly diverged. To begin with, there is the aspect of European integration. As of January 2018, 11 of the 16 countries are members of the European Union; the rest of them, the West Balkan states including Albania, Bosnia & Herzegovina, North Macedonia, Montenegro, and Serbia, are in an active process of seeking accession into the EU.<sup>6,7</sup> While only five of the 16 countries are in the Euro Zone,<sup>8</sup> several others have their currencies pegged to the Euro.<sup>9</sup> Evidently, the region maintains a close relationship with the rest of Europe. Generally, from the perspective of the countries seeking accession, the major benefits of joining the EU include the ability to access the common market as well as the vital reforms, in areas such as the rule of law, that will likely improve the post-war stability and maintain peace in the Balkan states. The major obstacles to successful accession may be characterised into two categories. First, there are internal obstacles, mainly manifesting as the gap between the EU standards of successful candidacy and the social conditions within the Balkan states. The main issues that raise attention are severe corruption and organised crime<sup>10</sup> as well as the lack of credible commitment in conducting the necessary reforms in areas such as the rule of law, independence of the judiciary, safeguarding private investment, and constitutional reforms<sup>11,12</sup>. Second, there are external obstacles catalysed between West Balkan states and other EU members.<sup>13</sup>

In addition, the more prosperous European members, such as France and Denmark<sup>14</sup>, fear that opening accession talks would strengthen the rhetoric of the domestic far-right political parties that are anti-immigration. Despite the hurdles on multiple dimensions, given the support by major EU member states such as Germany, we consider the expansion of the EU's membership as a likely occurrence over the next decades. Thus, it is crucial for long-term BRI projects to factor in the European integration process in their planning.

According to the Human Development Index country ranking in 2018,<sup>15</sup> 12 of the 16 countries are considered to have

'very high human development', the other have 'high human development'. Of the 16 countries, Slovenia is ranked the highest, performing better in all sub-categories other than the 'mean years of schooling'. Overall, based on the HDI alone, we may conclude that the Central and Eastern Europe region constitutes a relatively well-developed area of the globe. When it comes to other economic indices, the region presents a nuanced picture. For instance, according to the World Bank data on unemployment rates around the world in 2017<sup>16</sup>, six of the countries are above 10%,<sup>17</sup> two of these even exceed 20%.<sup>18</sup> In contrast, the developing economies in Asia have an average unemployment rate of around 5-6%. A similar predicament persists amongst the youth population, as indicated by the youth unemployment data published in the same year. This corresponds to numerous authors of this publication mentioning young people's lack of access to good labour opportunities in their countries. Combining this with the fact that a high percentage of the population is literate and educated, there remains a huge, untapped pool of quality labour in these markets.

On the whole, the region is more developed than many other countries in the world. Yet internally, it is an area that is unbalanced in the distribution of development. After the collapse of the USSR, economic development trends of the CEE countries have diverged. Some managed to prosper, while others lagged. To this day, there remains an evident developmental disparity between the Southeast European states, with the possible exception of Slovenia, and the rest of the CEE countries. For instance, the GDP per capita based on purchasing power parity (PPP) in the region ranges from US\$11,714 to US\$32,606 in 2017<sup>19</sup>, indicating a near three times difference between the lowest ranked (Bosnia) and highest ranked (Czech Republic) countries. Furthermore, this gap is also apparent in the infrastructure of these countries. The World Economic Forum publishes an annual Global Competitiveness Index, of which road quality is one of the sub-components. Using this data as a proxy, we will find that the Southeast European states have been consistently outperformed by the neighbouring countries<sup>20</sup>.

16 | World Bank. (2018). *Unemployment, Total (% of total labor force) (Modeled ILO Estimate)*. Retrieved September 1, 2018, from [https://data.worldbank.org/indicator/sluem.totl.zs?year\\_high\\_desc=true](https://data.worldbank.org/indicator/sluem.totl.zs?year_high_desc=true).

17 | Albania (15%), Bosnia & Herzegovina (25.8%), Croatia (11.5%), North Macedonia (24.4%), Montenegro (17.7%), and Serbia (14.4%).

18 | North Macedonia and Bosnia & Herzegovina.

19 | World Bank. (n.d.). *GDP Per Capita, PPP (Constant 2011 International \$)*. Retrieved September 1, 2018, from [https://data.worldbank.org/indicator/NY.GDPPCAP.PPKD?end=2017&start=2017&view=bar&year\\_high\\_desc=true](https://data.worldbank.org/indicator/NY.GDPPCAP.PPKD?end=2017&start=2017&view=bar&year_high_desc=true).

20 | World Economic Forum. (2018) *The Global Competitiveness Report 2017-2018, Executive Opinion Survey Appendix C*. Available at [http://reports.weforum.org/pdf/gci-2017-2018-scorecard/WEF\\_GCI\\_2017\\_2018\\_Scorecard\\_EOSQ057.pdf](http://reports.weforum.org/pdf/gci-2017-2018-scorecard/WEF_GCI_2017_2018_Scorecard_EOSQ057.pdf).

The region's diversity in political and socioeconomic development has deep implications for realising the BRI vision in the region.<sup>21</sup> Varied political development over the past decade led to varied political institutions, which then impacted the laws and regulations of a political system – including rules of trade, foreign investment, and foreign funds. Thus, extra attention should be paid towards the EU, for it is an entity that involves multiple countries and has the necessary mechanisms and bargaining power in place to efficaciously enforce its rules. The success of BRI projects, especially in EU member states, will be contingent upon the compliance of EU laws and regulations. Varied economic development leads to varied types of cooperation. For instance, while Balkan states may demand constructing and upgrading their infrastructure hardware in the short term, other more developed regions may prefer expanding the portfolios of exports.

21 | Adding to the complexity of the region, the foreign policy positions of these countries also diverge, especially pertaining to Russia. For example, Serbia has a positive relationship with Russia whereas the Baltic states perceive Russia as a security threat. See: McLaughlin, D. (2018, February 22). Serbia Says It Will Not Sacrifice Russia Ties for EU Membership. *Irish Times*. Retrieved September 1, 2018, from <https://www.irishtimes.com/news/world/europe/serbia-says-it-will-not-sacrifice-russia-ties-for-eu-membership-1.3401978>; and Ivanauskas, V., Keršanskas, V., & Kasčiūnas, L. (2017). Kaliningrad Factor in Lithuanian - Russian Relations: Implications to the Security Issues of Lithuania. *Lithuanian Annual Strategic Review*, 15(1), pp. 119-149. doi:10.1515/lasr-2017-0006.

Country	Human Development Index (Hdi)	Life Expectancy At Birth (Years)	Expected Years Of Schooling (Years)	Mean Years Of Schooling (Years)	Gross National Income (GNI) Per Capita (2011 PPP\$)	HDI Rank 2018	HDI Rank 2017
<b>VERY HIGH HUMAN DEVELOPMENT</b>							
SLOVENIA	0.902	81.2	17.4	12.3	32,143	24	24
CZECHIA (Czech Republic)	0.891	79.2	16.8	12.7	31,597	26	27
ESTONIA	0.882	78.6	16.1	13.0	30,379	30	30
POLAND	0.872	78.5	16.4	12.3	27,626	32	33
LITHUANIA	0.869	75.7	16.5	13.0	29,775	34	34
SLOVAKIA	0.857	77.4	14.5	12.6	30,672	36	37
LATVIA	0.854	75.2	16.0	12.8	26,301	39	39
HUNGARY	0.845	76.7	15.1	11.9	27,144	43	44
CROATIA	0.837	78.3	15.0	11.4	23,061	46	46
BULGARIA	0.816	74.9	14.8	11.8	19,646	52	51
MONTENEGRO	0.816	76.8	15.0	11.4	17,511	52	51
ROMANIA	0.816	75.9	14.3	11.0	23,906	52	51
<b>HIGH HUMAN DEVELOPMENT</b>							
SERBIA	0.799	75.8	14.8	11.2	15,218	63	65
ALBANIA	0.791	78.5	15.2	10.1	12,300	69	69
BOSNIA & HERZEGOVINA	0.769	77.3	13.8	9.7	12,690	75	75
NORTH MACEDONIA	0.759	75.7	13.5	9.7	12,874	82	81

Figure 1: HDI ranking of the 16 Central and Eastern European countries. Source: Human Development Reports. (2018). *Human Development Index and Its Components*. UNDP. Retrieved from <http://hdr.undp.org/en/content/table-1-human-development-index-and-its-components-1>.

### 3. Prospects for Cooperation in the CEE

22 | Buckley, N. (2017, May 7). Opportunities and Risks for Investors in Central and East Europe. *Financial Times*. Retrieved September 1, 2018, from <https://www.ft.com/content/4248a712-07da-11e7-ac5a-903b21361b43>.

23 | HKTDC Research. (2016, October 5). Belt and Road Opportunities in Central and Eastern Europe. *Hong Kong Trade Development Council Research*. Retrieved September 1, 2018, from <http://economists-pick-research.hktdc.com/business-news/article/Research-Articles/Belt-and-Road-Opportunities-in-Central-and-Eastern-Europe/tp/en/1/1X000000/1X0A7MSE.htm>.

24 | The State Council of The People's Republic of China. (2016). *The Riga Guidelines for Cooperation between China and Central and Eastern European Countries*. Retrieved 1 September 2018, from [http://english.gov.cn/news/international\\_exchanges/2016/11/06/content\\_281475484363051.htm](http://english.gov.cn/news/international_exchanges/2016/11/06/content_281475484363051.htm).

25 | Ministry of Foreign Affairs of The People's Republic of China. (2017). *The Budapest Guidelines for Cooperation between China and Central and Eastern European Countries*.

26 | The State Council of The People's Republic of China. (2018). *The Sofia Guidelines for Cooperation between China and Central and Eastern European Countries*. Retrieved 1 September 2018, from [http://english.gov.cn/news/international\\_exchanges/2018/07/16/content\\_281476224693086.htm](http://english.gov.cn/news/international_exchanges/2018/07/16/content_281476224693086.htm).

We move on to evaluate the region's various prospects of cooperation. To begin, the Central and Eastern European region contains some of the fastest growing markets in the world. The 'core nations' in the region, including Poland, Hungary, the Czech Republic, Slovakia, and Romania have emerged to be second only to the Asia-Pacific nations in terms of economic growth<sup>22</sup>. The geographical location of the 16 countries also means they are a significant connection point between Europe, Central Asia, and East Asia. Given that one of the main goals of the BRI is the commitment to creating a transcontinental economic corridor, the CEE nations will be crucial transport links joining with Western Europe as well as the Scandinavian countries. This will be especially important because of expanding cooperation with the EU market. As discussed above, much of the CEE region's modern history is conflict-ridden alongside economic downturns.

Especially in the Balkan papers of this publication, one finds the sincere yearning of the people towards a better future for their countries. The willingness to embrace international engagement paves the way for successful cooperation between these countries and China, which is evident given the exponential rise of Chinese investment in the region<sup>23</sup>. To facilitate high-level governmental coordination between China and the CEE countries, communication platforms have been set up. Since 2011, there has been an annual Summit of China and Central and Eastern European Countries, where heads of states, senior officials, and other representatives (including those from the EU and neighbouring countries) gather to review the ongoing projects and agree on the direction for future cooperation. The main outcomes of the summit are the Guidelines for Cooperation – the Riga Guidelines (2016)<sup>24</sup>, the Budapest Guidelines (2017)<sup>25</sup>, and the Sofia Guidelines (2018)<sup>26</sup> – that lay down the central principles and scope of the '16+1' format.

In the CEE region, the main economic opportunities are infrastructure and investment. We have already noted the lack of rail links and roads between and within these countries. The importance of infrastructure investment is an issue emphasised in nearly every paper submitted for this publication

project. Notwithstanding the existing European Union policies and institutions directed towards overhauling and upgrading outdated infrastructure in the region,<sup>27</sup> there are reasons to support the '16+1' framework. First and foremost, not all CEE countries are EU member states. The non-members, often those most in need of better infrastructure, are left with limited support from European institutions such as the European Bank for Reconstruction and Development. In these states, especially the 'cash-strapped, largely deindustrialised countries'<sup>28</sup>, foreign investment can be vital in infrastructure development. Second, even for CEE countries that are EU members, there is an imbalance in funds allocated to them<sup>29</sup>. Priority is often given to bringing CEE countries closer to Western Europe, which leaves the inter-connectivity between the CEE countries a severely neglected issue. This is evident from evaluating the 30 Priority Projects<sup>30</sup> included in the EU's Trans-European Transport Networks (TEN-T). Of the 30 projects, seven concern the CEE members,<sup>31</sup> of which four connect more than one CEE nation.<sup>32</sup> Among the four 'inter-connecting' projects, only two run from north to south.<sup>33</sup> On top of these factors, the EU's bureaucracy and delays are also perceived as barriers for development in the region<sup>34</sup>.

One of the key BRI projects in the region is the Budapest-Belgrade high speed railway, which could shorten travel time from eight hours to three hours between the capitals of Hungary and Serbia. The railway is part of a larger vision – the 'Budapest-Belgrade-Skopje-Athens railway' – that connects Hungary, Serbia, North Macedonia, and Greece. If completed, the future railway would serve as the one of the main transport pathways for goods that arrive at the Greek port of Piraeus to enter into the CEE market.

While the plan was first introduced by Hungary, Serbia, and China in 2013, the railway also resonates

with other, older European transport initiatives. For instance, it is part of Corridor X, one of the ten Pan-European Corridors that were defined in the Pan-European Transport Conferences in Crete (1994) and Helsinki (1997)<sup>35</sup>. In the 2013 Annual Report for the EU's TEN-T, the Coordinator of Priority Project 22 extended a brief consideration of the Balkan Route of Corridor X, which included the Budapest-Belgrade railway<sup>36</sup>. The report compared Priority Project 22 (one of the EU's aforementioned 30 Priority Projects) with the Balkan Route, stating several practical and technical advantages in favour of the latter's implementation, including the potential shorter distance of travel, higher proportions of electrified tracks, and higher travel speed, but cited the substantial upgrading costs as a factor that hampers government investment<sup>37</sup>.

Thus, it appears that projects carried out as part of the '16+1' are not necessarily 'new ones' introduced by China. Rather, China picked up on the existing plans of regional governments that never received the necessary support for them to be carried through.

Another example is the Belgrade-Bar highway, a project that envisions creating a highway route between Belgrade, the inland capital of Serbia, and Bar, a seaport of Montenegro. Montenegro bears the most expensive part of this project estimated to cost at least €2 billion, a section known as the Bar-Boljare highway, due to the rough and mountainous terrains<sup>38</sup>. From early 2009 to 2010, the Montenegrin government actively sought collaboration with Croatian, Greek, and Israeli parties, but these companies 'failed to provide obligatory banking guarantees for the contract'<sup>39,40</sup>.

Notwithstanding, the local government views the project as 'the most critical infrastructure project in Montenegro'<sup>41</sup>, notably because Montenegro is the

27 | Including the Trans-European Transport Networks (TEN-T), the Solidarity Fund, the European Regional Development Fund, the European Social Fund, European Agricultural Fund for Rural Development, and the European Maritime and Fisheries Fund.

28 | Kratz, A., & Pavličević, D. (2016, November 21). Belgrade-Budapest Via Beijing: A Case Study of Chinese Investment in Europe. *European Council on Foreign Relations*. Retrieved September 1, 2018, from [https://www.ecfr.eu/article/commentary\\_belgrade\\_budapest\\_via\\_beijing\\_a\\_case\\_study\\_of\\_chinese\\_7188](https://www.ecfr.eu/article/commentary_belgrade_budapest_via_beijing_a_case_study_of_chinese_7188).

29 | Chen, X. (2017, December 19). Europe Should Support China-CEE Cooperation. *Reconnecting Asia*. Retrieved September 1, 2018, from <https://reconnectingasia.csis.org/analysis/entries/europe-should-support-china-cee-cooperation/>.

30 | European Commission INEA. (n.d.) *TEN-T programme 2007-2013 30 Priority Projects*. Retrieved September 1, 2018, from <https://ec.europa.eu/inea/ten-t/ten-t-projects/projects-by-priority-project>.

31 | Railway axis Lyon-Trieste-Divača/Koper-Divača-Ljubljana-Budapest-Ukrainian border (Project 6), Motorway axis Igoumenitsa/Patra-Athina-Sofia-Budapest (Project 7), Railway axis Paris-Strasbourg-Stuttgart-Wien-Bratislava (Project 17), Railway axis Athina-Sofia-Budapest-Wien-Praha-Nürnberg/Dresden (Project 22), Railway axis Gdańsk-Warszawa-Bрно/Bratislava-Wien (Project 23), Motorway axis Gdańsk-Bрно/Bratislava-Vienna (Project 25), and 'Rail Baltica' axis: Warsaw-Kaunas-Riga-Tallinn-Helsinki (Project 27).

32 | Projects 6, 7, 22, and 27.

33 | Projects 22 and 27.

34 | Karnitschnig, M. (2017, July 18). Beijing's Balkan Backdoor. *Politico*. Retrieved September 1, 2018, from <https://www.politico.eu/article/china-serbia-montenegro-europe-investment-trade-beijing-balkan-backdoor/>.

35 | Miltiadou, M., Taxitaris, C., Mintsis, G., & Basbas, S. (2012). Pan-European Corridor X Development: Case of Literal Implementation of the European Transport Strategy Itself or of Change of the General Environment in the Region? *Procedia-Social and Behavioral Sciences*, 48, pp. 2361-2373.

36 | Savary, G. (2013). *Priority Project 22 Annual Report of the Coordinator*. European Commission.

37 | *Ibid.*

38 | GCR. (2018, July 18). *Montenegro a Crossroads with Expensive Chinese Motorway*. Retrieved September 1, 2018, from <http://www.globalconstructionreview.com/news/montenegro-crossroads-expensive-chinese-motorway/>.

39 | Podgorica (AFP). (2010, December 27). Montenegro Drops Greek-Israeli Consortium to Build Highway. *Terra Daily*. Retrieved September 1, 2018, from [http://www.terradaily.com/reports/Montenegro\\_drops\\_Greek-Israeli\\_consortium\\_to\\_build\\_highway\\_999.html](http://www.terradaily.com/reports/Montenegro_drops_Greek-Israeli_consortium_to_build_highway_999.html).

40 | The project also did not gain much support from Western Europe, possibly due to the perceived lack of economic benefit as a result of Montenegro's small population size. As of 2018, Montenegro has a population of around 620,000. World Bank. (n.d.). GDP per capita, PPP (constant 2011 international \$). Retrieved September 1, 2018, from <https://data.worldbank.org/indicator/SPPOPOTL>.

41 | Drobnjak, A. (2018, May 16). Bar-Boljare Highway to Improve Life Conditions for Northern Montenegro. *Total Montenegro News*. Retrieved September 1, 2018, from <https://www.total-montenegro-news.com/business/1130-montenegrin-highway-will-improve-life-conditions-for-northern-montenegro>.

only European country that does not have a highway. Ultimately, an agreement was reached between the Montenegrin government and Chinese companies in 2014,<sup>42</sup> aiming to complete the first section by 2019<sup>43</sup>. In July 2018, one of the longest tunnels in the project, the Vjeternik Tunnel, was broken through the mountains<sup>44</sup>. From such case studies, it is clear that Chinese companies have much to offer in terms of infrastructure construction experience, technological know-how and financial support. On the other hand, Chinese involvement can be critical to enabling countries to carry out crucial investments, particularly for smaller nations.

Another opportunity for investment in the region is its blossoming high-tech industry, demonstrable by the increasing number of tech-related companies that have arisen in CEE countries. Estonia is a world-renowned start-up hub with a dynamic free market economy that encourages foreign direct investment and is most famed for its being the breeding ground of the global telecommunication company, Skype<sup>45</sup>. The focus on digital technology permeates Estonian society – 99% of its government services, from filing for taxes to seeking public health services<sup>46,47</sup>, are digitalised, and, since 2012, children from the age of seven have been trained to code in schools<sup>48</sup>. In Slovakia, there is the ‘Danube valley’, which has developed advanced technologies in the mobility and energy industry<sup>49</sup>. AeroMobil, a Slovakian company, has surfaced as one of the major players in the flying car industry<sup>50</sup>. Polish computer engineers have consistently been ranked some of the best in the world, fostering world champions in international programming competitions such as The Topcoder Open (TCO)<sup>51</sup>. Romania has one of the highest quality IT infrastructures in the world and more than 15,000 specialised software companies, employed with skilled and diversified labour<sup>52</sup>. The Czech Republic is known for its cybersecurity companies,

such as Avast. Upcoming plans to set up a ‘I6+I Smart City Coordination Center’ in Romania & ‘I6+I Fintech Coordination Center’ in Lithuania were both mentioned in the recently published Sofia Guidelines (2018)<sup>53</sup>.

Digital and innovative technology is at the core of many of the CEE countries’ future objectives. Countries such as Slovenia, Hungary, Poland, the Czech Republic, and Estonia have been allocating a significant proportion of their public expenditure, around 1-2% of their GDP, on research and development, matching the levels of western European countries<sup>54</sup>. The combination of government support as well as the inherent underlying talent pool has fostered a vibrant ecosystem for innovation that is emerging and expanding within the CEE region.

Beyond infrastructure and digital technology, the region also offers a range of goods and services for trade. To begin with, food production is an area with strong interest within the Chinese consumer market – most probably in light of the persistent food safety problems that have arisen in China over the past decade. As many consumers in China now turn to imported food produce for safety guarantees, this has opened opportunities for Central and Eastern European countries, many of which are traditional agricultural powerhouses. Recently, Croatian companies have begun exporting canned sardines into China and have been showing a keen interest to expand into the dairy industry<sup>55</sup>. Hungary is another intriguing case study to bring up related to food quality; it is one of the only countries in the world that has ‘anti-Genetically-Modified-Organisms laws’ written into its constitution<sup>56</sup>. Regarding future development in the region’s agricultural industry, reports show that there is a huge potential for the expansion of regional crop yield that could come from the investment in improving land quality and training local farmers to

42 | The China Road and Bridge Corporation as well as the Export-Import Bank of China. The latter offered a loan of near €690 million with a six-year grace period, covering 85% of the €809 million construction cost.

43 | Drobnyak, A. (2018, May 16). Bar-Boljare Highway to Improve Life Conditions for Northern Montenegro. *Total Montenegro News*. Retrieved September 1, 2018, from <http://www.total-montenegro-news.com/business/1130-montenegrin-highway-will-improve-life-conditions-for-northern-montenegro>.

44 | Davis, A. (2018, July 23). The Longest Tunnel of the Bar-Boljare Highway Project in Montenegro Breaks Through. *Highways Today*. Retrieved September 1, 2018, from <https://www.highways.today/2018/07/23/the-longest-tunnel-of-the-bar-boljare-highway-project-in-montenegro-breaks-through/>.

45 | The Baltic Review. (2016, October 11). Skype - Estonia’s Greatest Contribution to the Global Telecommunication Industry. *The Baltic Review*. Retrieved September 1, 2018, from <https://baltic-review.com/estonia-skype/>.

46 | Heller, N. (2017, December 18). Estonia, the Digital Republic. *New Yorker*. Retrieved September 1, 2018, from <https://www.newyorker.com/magazine/2017/12/18/estonia-the-digital-republic>.

47 | McLean, A. (2018, August 13). E-Estonia: What is All the Fuss About? *ZDNet*. Retrieved September 1, 2018, from <https://www.zdnet.com/article/e-estonia-what-is-all-the-fuss-about/>.

48 | Olson, P. (2012, September 6). Why Estonia Has Started Teaching Its First-Graders to Code. *Forbes*. Retrieved September 1, 2018, from <https://www.forbes.com/sites/parmyolson/2012/09/06/why-estonia-has-started-teaching-its-first-graders-to-code/#24d71241aa3d>.

49 | GLOBSEC. (2017, December 1). The Danube Valley: From Manufacturers To Innovators Read. *GLOBSEC*. Retrieved September 1, 2018, from <https://www.globsec.org/danube-valley-manufacturers-innovators/>.

50 | O’Brien, C. (2018, March 21). AeroMobil Unveils New Concept for Flying Car that can Take Off Vertically and Drive on Roads. *Venture Beat*. Retrieved September 1, 2018, from <https://venturebeat.com/2018/03/21/aeromobil-unveils-new-concept-for-flying-car-that-can-takeoff-vertically-and-drive-on-roads/>.

51 | Cybercom Group. (n.d.). Polish Programmers Among Best in the World | Ranking of Developers. *Cybercom*. Retrieved September 1, 2018, from <https://www.cybercom.com/pl/Poland/Software-House/blog/ranking-of-developers/>.

52 | Gheorghe, G. (2017, December 11). Romanian IT sector Valued at EUR 5 Bln in 2016. *BR Business Review*. Retrieved September 1, 2018, from <http://business-review.eu/news/romanian-it-sector-valued-at-eur-5-billion-in-2017-154177>.

53 | The State Council of The People’s Republic of China. (2018). *The Sofia Guidelines for Cooperation between China and Central and Eastern European Countries*. Retrieved 1 September 2018, from [http://english.gov.cn/news/international\\_exchanges/2018/07/16/content\\_281476224693086.htm](http://english.gov.cn/news/international_exchanges/2018/07/16/content_281476224693086.htm).

54 | Spisak, A. (2017, June 06). Central and Eastern Europe Unveils Its Tech Ambitions. *Financial Times*. Retrieved September 1, 2018, from <https://www.ft.com/content/889422a8-09ad-11e7-ac5a-903b21361b43>.

55 | HINA. (2018, June 17). Croatia to Export Dairy Products, Tuna, and Poultry to China. *Total Croatia News*. Retrieved September 1, 2018, from <https://www.total-croatia-news.com/business/29147-croatia-to-export-dairy-products-tuna-and-poultry-to-china>.

56 | The Fundamental Law of Hungary. (2018). Article XX, paragraph 2.

adopt modern agronomic practices<sup>57</sup>.

Another area we should consider is tourism. The CEE region is known for its scenic beauty and rich cultural heritage, which has become the destination for an increasing number of Chinese tourists<sup>58</sup>. In recent years, more and more people are becoming aware of and interested in the CEE countries, an awareness which has been bolstered by increased exposure in international events as well as presence in popular TV-shows. For instance, after the 2018 World Cup semi-final (when Croatia beat England to reach the final), Qunar, a tourist booking website in China reported that flight ticket prices to Croatia had more than doubled, accompanied by a three-fold increase in online searches for hotels<sup>59</sup>. These trade and cultural aspects of the BRI have also received attention from governments, companies and the public. Since 2014, the annual China-CEEC Investment and Trade Expo has been held in Ningbo, China. In 2018, the 4<sup>th</sup> Expo featured hundreds of products from the CEE countries, alongside tourism and youth exchange sessions. Hence, beyond the infrastructure projects and digital-tech cooperation, there are other significant trade and cultural exchange opportunities that are arising in the region.

At the same time, an international, long-term cooperation vision such as the Belt and Road Initiative, that aims to bring together diverse parties, is likely to face some obstacles. Here, we shall limit our discussion to the ones which we consider the most significant. First, critics fear that the BRI projects may exacerbate local conditions, by introducing financial instability

57 | Smit, H. (2015, January 21). How Can Farmers in Central and Eastern Europe Close Yield Gap with West? *The Guardian*. Retrieved September 1, 2018, from <https://www.theguardian.com/sustainable-business/2015/jan/21/farmers-central-eastern-europe-grain-yield-gap>.

58 | Nielson. (2017). *2017 Outbound Chinese Tourism and Consumption Trends*. Nielsen Holdings.

59 | Zhu, W. (2018, July 18). Soccer Success Boosts Croatia Tourism. *China Daily*. Retrieved September 1, 2018, from <http://usa.chinadaily.com.cn/a/201807/18/WS5b4ead70a310796df4df727b.html>.

#### 4. Current Obstacles and Suggestions

in terms of debt risk as well as channeling domestic corruption. Major concerns have been raised over the Western Balkan states, particularly given their relatively high debt-to-GDP ratios. For example, returning to the aforementioned Bar-Belgrade motorway, the construction costs for phase I alone (estimated at €809 million) are equivalent to over 20% of Montenegro's GDP in 2017.<sup>60</sup> The dollar-denominated loan, covering 85% of the costs, that was financed by the Chinese Export and Import Bank in 2014 has a six-year grace period, with repayments set to begin in 2021. Accompanied by an appreciation of the dollar since 2014, the debt expanded to an estimated €1 billion<sup>61</sup>.

Red flags have been raised by the IMF with regards to Montenegro's medium-to long-run fiscal sustainability. Especially in light of the prospect of Montenegro's debt-to-GDP ratio reaching near 90% in 2019<sup>62</sup>. Since the benefits of infrastructure projects are unlikely to redound in the short-term, questions have been raised as to whether the Bar-Belgrade motorway will, as the Montenegrin government sees it, be a boon to its economic development, or whether it will be a bane driving the country into bankruptcy. Other than public debt, allegations of abetting corruption and enabling public officials to embezzle project money for private and political gain have also arisen<sup>63</sup>. Such concerns have been heightened by responses from other regions such as Malaysia<sup>64</sup>.

Second, in projects that involve EU countries, concerns over compliance with EU regulations have been raised. Take, for example, the Budapest-Belgrade high speed rail project. The agreement for the construction was reached between Hungary, Serbia, and China in 2013, a subsequent MoU between the three parties was signed in 2014<sup>65</sup>, and the railway was originally planned

60 | Montenegro's GDP in 2017 is estimated to be US\$4.774 billion, around €4.111 billion. See World Bank. (n.d.). *GDP (Current US\$)*. Retrieved September 1, 2018, from <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=ME&view=chart>; Global Construction Review. (2018, July 18). Montenegro At Crossroads with Expensive Chinese Motorway. *Global Construction Review*. Retrieved September 1, 2018, from <http://www.globalconstructionreview.com/news/montenegro-crossroads-expensive-chinese-motorway/>.

61 | Global Construction Review. (2018, July 18). Montenegro At Crossroads with Expensive Chinese Motorway. *Global Construction Review*. Retrieved September 1, 2018, from <http://www.globalconstructionreview.com/news/montenegro-crossroads-expensive-chinese-motorway/>; International Monetary Fund. (2017). *Montenegro Selected Issues*. International Monetary Fund, Washington D.C.

62 | International Monetary Fund. (2017). *Montenegro Selected Issues*. International Monetary Fund, Washington D.C.

63 | Ishikawa, J. (2018, May 25). China Unsettles EU with Belt and Road Moves in the Balkans. *Nikkei Asian Review*. Retrieved September 1, 2018, from <https://asia.nikkei.com/Politics/International-Relations/China-unsettles-EU-with-Belt-and-Road-moves-in-the-Balkans>.

64 | Ma, A. (2018, August 21). Malaysia Has Axed \$22 Billion of Chinese-Backed Projects, in a Blow to China's Grand Plan to Dominate World Trade. *Business Insider*. Retrieved September 1, 2018, from <http://uk.businessinsider.com/malaysia-axes-22-billion-of-belt-and-road-projects-blow-to-china-2018-8?r=US&IR=T>.

65 | Ralev, R. (2018, June 11). Hungary Hopes Belgrade-Budapest Rail Project to be Completed in 2023. *See News*. Retrieved September 1, 2018, from <https://scenews.com/news/hungary-hopes-belgrade-budapest-rail-project-to-be-completed-in-2023-615874>.

66 | The State Council of The People's Republic of China. (2015, December 23). 李克強致信祝賀匈塞鐵路項目塞爾維亞段正式啟動 Li Keqiang zhixin zhuhe aoxiongtieluxiangmu saierweiyaduan zhengshi qidong (Li Keqiang Sends Letter in Congratulation of the Official Launching of the Serbian Section of the Hungary-Serbia Railway). *Zhonguo zhengfu wang*. Retrieved 1 September 2018, from [http://www.gov.cn/guowuyuan/2015-12/23/content\\_5027075.htm](http://www.gov.cn/guowuyuan/2015-12/23/content_5027075.htm).

67 | Kyngé, J. (2017, February 20). EU Sets Collision Course with China Over 'Silk Road' Rail Project. *Financial Times*. Retrieved September 1, 2018, from <https://www.ft.com/content/003bad14-f52f-11e6-95ce-f14e55513608>.

68 | Belt and Road Advisory. (2017, November 11). Legal Quagmire Blocks Belt and Road Initiative in CEE?. *Belt and Road Advisory*. Retrieved September 1, 2018, from <https://beltandroad.ventures/belandroadblog/2017/11/11/legal-quagmire-blocks-belt-and-road-initiative-in-cee>.

69 | Kyngé, J. (2017, February 20). EU Sets Collision Course with China Over 'Silk Road' Rail Project. *Financial Times*. Retrieved September 1, 2018, from <https://www.ft.com/content/003bad14-f52f-11e6-95ce-f14e55513608>.

70 | Magyar Távirati Iroda (MTI). (2017, November 27). Tender for Budapest-Belgrade Rail Upgrade Published. *Budapest Business Journal*. Retrieved September 1, 2018, from [https://bbj.hu/economy/tender-for-budapest-belgrade-rail-upgrade-published\\_142131](https://bbj.hu/economy/tender-for-budapest-belgrade-rail-upgrade-published_142131).

71 | Railway Pro Communication Platform. (2018, June 18). Two JVs Compete for Hungarian Section on Budapest-Belgrade Line. *Railway Pro Communication Platform*. Retrieved September 1, 2018, from <https://www.railwaypro.com/wp/two-jvs-compete-for-hungarian-section-on-budapest-belgrade-line/>.

72 | Budapest Business Journal. (2019, April 29). Mészáros Firm Among Winners of Massive Rail Contract. *Budapest Business Journal*. Retrieved 29 June, 2019, from [https://bbj.hu/business/meszaros-firm-among-winners-of-massive-rail-contract\\_164893](https://bbj.hu/business/meszaros-firm-among-winners-of-massive-rail-contract_164893).

to begin operation by 2018<sup>66</sup>. Yet, at the time of writing, the construction of the Hungarian section of the railway still had not commenced. The stagnation stems from the fact that Hungary, as an EU member, is subject to the EU procurement regulations, which stipulate the requirement for public tenders to be offered for large-scale investment projects<sup>67</sup>. When China and Hungary agreed to partake in the construction of the railway, a few companies were selected to carry out the project, without subjecting the contract to public bidding, and thus arose the accusations of a breach of EU law<sup>68</sup>.

In February 2017, the European Commission launched a probe into the project, evaluating its financial viability and its compliance with EU law<sup>69</sup>. Nine months later, Hungary called for a two-phase tender that specifies the scope of the contract as well as the necessary qualifications for companies to attain the contract<sup>70</sup>. By June 2018, two Hungarian-Chinese joint ventures submitted valid applications for the tender<sup>71</sup>. In May 2019, the contract was awarded to a consortium including RM International Zrt., China Tiejiju Engineering & Construction Kft., and China Railway Electrification Engineering Group Kft.<sup>72,73</sup>. The new deadline for completion of the project is set at 2025<sup>74</sup> – a seven-year delay in one of China's key projects in the region. The initial non-compliance is probably fuelled by a combination of the want to accelerate 'I6+I' projects and the emphasis placed on the Budapest-Belgrade Railway as an integral part of the Eurasian Land-Sea Express Route<sup>75</sup>. To make matters worse, non-compliance cases also lend convenient ammunition for opponents to incite fear that the BRI is a Chinese stratagem to corrode existing orders and pacts between countries.

This leads us to what we believe is the central challenge for the BRI in the region: the skepticism surrounding Chinese presence in the CEE. In recent years, there has been an increased fear of what has

been coined, quite exaggeratedly, 'Chinese-hegemony', a sentiment which is reinforced by accusations about worsening local economies and EU non-compliance.

The phenomenon of skepticism can be divided into two branches of analysis. On one hand, there is economic skepticism, the concern that BRI projects remain China-centric. The BRI as a whole is perceived to be, in part, a global economic strategy from China to manage domestic problems such as its excess capacity and regional development inequality<sup>76</sup>. When that is coupled with the fact that government policy is turning towards reducing and downscaling domestic infrastructure projects<sup>77</sup>, the BRI is increasingly viewed as a means to sustain growth via infrastructure building in other countries.

Critics of the BRI point to other facts that further cast doubt on China's motivations. For example, around 89 per cent of contractors working on BRI-related projects are Chinese<sup>78</sup>. In addition to a lack of inclusion of the local labour force, concerns have been raised over the supposed 'win-win' principle.

On the other hand, there is political skepticism, the fear that the BRI may, intentionally or unintentionally, lead to a divide between European states. This originates from the fear that the BRI carries underlying political agendas obscured under the guise of an economic initiative. In early 2018, Germany raised such doubts with regards to the possible ulterior motives of Chinese investment in the Balkans<sup>79</sup>. Skeptics portray investments as a form of economic pampering, to gain political leverage via the CEE nations, which may even pave the way to their turning away from European interests and ideologies. Notably, Greece and Hungary have digressed from the majority EU members' position regarding the South China Sea<sup>80</sup>. These events spark worries over China's extending reach within the EU's internal

73 | Reuters. (2019, June 12). Hungary PM Orbán's Ally to Co-build Chinese Railway for \$2.1 billion. *Reuters*. Retrieved June 29, 2019, from <https://www.reuters.com/article/us-hungary-china-railways-opus-global-idUSKCN1TD1JG>.

74 | Budapest Business Journal. (2019, April 29). Mészáros Firm Among Winners of Massive Rail Contract. *Budapest Business Journal*. Retrieved 29 June, 2019, from [https://bbj.hu/business/meszaros-firm-among-winners-of-massive-rail-contract\\_164893](https://bbj.hu/business/meszaros-firm-among-winners-of-massive-rail-contract_164893).

75 | Belt and Road Advisory. (2017, November 11). Legal Quagmire Blocks Belt and Road Initiative in CEE?. *Belt and Road Advisory*. Retrieved September 1, 2018, from <https://beltandroad.ventures/belandroadblog/2017/11/11/legal-quagmire-blocks-belt-and-road-initiative-in-cee>.

76 | Cai, P. (2017, March). *Understanding China's Belt and Road Initiative*. Lowy Institute for International Policy, Sydney, Australia

77 | The Economist. (2018, September 20). Is China's Infrastructure Boom Past Its Peak?. *The Economist*. Retrieved September 21, 2018, from <https://www.economist.com/china/2018/09/22/is-chinas-infrastructure-boom-past-its-peak>.

78 | Kyngé, J. (2018, January 24). Chinese Contractors Grab Lion's Share of Silk Road Projects. *Financial Times*. Retrieved September 1, 2018, from <https://www.ft.com/content/76b1be0c-0113-11e8-9650-9c0ad2d7c5b5>.

79 | Agence France-Presse. (2018, February 22). Merkel Warns Against China's Influence in Balkans. *South China Morning Post*. Retrieved September 1, 2018, from <https://www.scmp.com/news/china/diplomacy-defence/article/2134196/merkel-warns-against-chinas-influence-balkans>.

80 | Emmott, R. (2016, July 15). EU's Statement on South China Sea Reflects Divisions. *Reuters*. Retrieved September 1, 2018, from <https://www.reuters.com/article/us-southchinassea-ruling-eu/eus-statement-on-south-china-sea-reflects-divisions-idUSKCN0ZVITS>.

politics. Furthermore, critics argue that the EU and China are incompatible rivals in a zero-sum political competition. For instance, one of the features of the Bar-Belgrade motorway investment that is being subject to critical circumspection is that it leads to a digression from Montenegro's path to EU accession. With most of its budget focused on highway construction, Montenegro's capital spending on other investments such as waste management and water treatment, which are related to EU accession, risk being crowded out<sup>81</sup>.

Echoing these opinions, some media outlets warn of the potential dangers of increased Chinese influence, especially in strategic industries such as internet infrastructure and maritime infrastructure<sup>82</sup>. These concerns are among the reasons behind the frequent obstacles that Chinese investments face in Europe, such as Germany's blocking the intended acquisition of Leifeld, a machine tool manufacturer, by Yantai Taihai Group<sup>83</sup>. The sentiment of wariness is best illustrated by the reactions of French President Emmanuel Macron and German Chancellor Angela Merkel towards the BRI, both of whom have expressed the view that the Initiative cannot be conceived as a 'one-way street' that solely churns advantages for China<sup>84</sup>.

The skepticism surrounding widened Chinese involvement is likely to negatively affect Belt and Road projects set to take place in Central and Eastern Europe. For one, the politicisation of the investment as a 'tug-of-war' between the EU and China may make governments and companies in the region hesitant to cooperate with the Chinese, given their conventional inclination to favour the European market. In the long run, this would attenuate the fledgling relationship between China and the CEE nations.

In view of these challenges, China, as the prime initiator of the BRI and '16+1' format, must make clear and firm responses. China must continuously and consistently maintain the position that it is not standing in the way of EU unity. A strong and amicable signal must be sent to Europe. In this regard, changes have occurred over the years. Comparing the three Guidelines, we can observe a shift towards more clarity in naming the related EU-China agreements and cooperative

81 | International Monetary Fund. (2017). *Montenegro Selected Issues*. International Monetary Fund, Washington D.C., p. 23.

82 | Asia News International. (2018, April 23). China's 'Belt Road Initiative' Exposes Its Ulterior Strategic Motives. *Financial Express*. Retrieved September 1, 2018, from <https://www.financialexpress.com/defence/chinas-belt-road-initiative-exposes-its-ulterior-strategic-motives/1141964/>

83 | Delfs, A. (2018, August 1). Germany Toughens Stance and Blocks China Deal. *Bloomberg*. Retrieved September 1, 2018, from <https://www.bloomberg.com/news/articles/2018-08-01/germany-said-to-block-company-purchase-by-chinese-for-first-time>.

84 | Elmer, K. (2018, July 16). EU Envoys Hit Out at China's 'Unfair' Belt and Road Plans. *South China Morning Post*. Retrieved September 1, 2018, from <https://www.scmp.com/news/china/diplomacy-defence/article/2142698/eu-presents-nearly-united-front-against-chinas-unfair>.

85 | The State Council of The People's Republic of China. (2018). *The Sofia Guidelines for Cooperation between China and Central and Eastern European Countries*. Retrieved 1 September 2018, from [http://english.gov.cn/news/international\\_exchanges/2018/07/16/content\\_281476224693086.htm](http://english.gov.cn/news/international_exchanges/2018/07/16/content_281476224693086.htm).

86 | The State Council of The People's Republic of China. (2016). *The Riga Guidelines for Cooperation between China and Central and Eastern European Countries*. Retrieved 1 September 2018, from [http://english.gov.cn/news/international\\_exchanges/2016/11/06/content\\_281475484363051.htm](http://english.gov.cn/news/international_exchanges/2016/11/06/content_281475484363051.htm).

87 | Scimia, E. (2018, June 01). Chinas Belt and Road A Dilemma for Germany. *Asia Times*. Retrieved September 1, 2018, from <http://www.atimes.com/chinas-belt-and-road-a-dilemma-for-germany/>.

88 | *Ibid*.

89 | United Nations Framework Convention on Climate Change. (2018, July 17). *China, EU Reaffirm Strong Commitment to Paris Agreement*. Retrieved September 1, 2018, from <https://unfccc.int/news/china-eu-reaffirm-strong-commitment-to-paris-agreement>.

90 | The Economist. (2018, March 15). China is Rapidly Developing Its Clean-Energy Technology. *The Economist*. Retrieved September 1, 2018, from <https://www.economist.com/special-report/2018/03/15/china-is-rapidly-developing-its-clean-energy-technology>.

91 | Timperley, J. (2018, January 10). China Leading on World's Clean Energy Investment, Says Report. *Carbon Brief*. Retrieved September 1, 2018, from <https://www.carbonbrief.org/china-leading-worlds-clean-energy-investment-says-report>.

frameworks. For instance, the Budapest and Sofia Guidelines both specifically mention that 'CEECs that are Member States of the EU will cooperate within the structures of the EU-China Agreement on Cooperation and Mutual Administrative Assistance in Customs Matters and of the EU-China Strategic Framework for Customs Cooperation'<sup>85</sup>. This contrasts with the vaguer phrasing of the earlier Riga Guidelines, which merely state their needing to conform to 'relevant EU legislation and regulations'<sup>86</sup>.

The articulation of these structures is helpful on two grounds. First, they are a clear indication that China and the related CEE countries are willing to operate under EU regulation. Second, they acknowledge the existing cooperative mechanisms that have been developed between the EU and China over the years, thus contextualising the '16+1' format within wider EU-China relations.

Furthermore, more can be done to highlight the shared interests between Europe and China – European priorities can be Chinese priorities, and vice versa. Prominent European powers and China share a common interest in 'safeguard[ing] free trade and promoting multilateralism'<sup>87</sup>, particularly in light of the protectionist digression the United States has taken during the Trump administration. This extends to matters of foreign policy as well, demonstrable by instances such as their joint support for retaining the Iran nuclear deal<sup>88</sup>. Especially on matters of combating climate change, arguably one of the gravest challenges of our century, Europe and China are deeply committed to the cause and have expressed strong support backing the Paris agreement<sup>89</sup>. Currently, China is leading in many areas of renewable energy development, both in terms of generating energy from renewables as well as manufacturing related components, such as wind turbines and solar panels<sup>90</sup>. As a case in point, Chinese factories now account for nearly 60% of global solar cell production<sup>91</sup>. BRI projects in Europe should align themselves with these common interests. For example, railway projects can emphasise more about their environmental impact. Railway transport is an environmentally friendlier 'middle-option', in between airfreight and maritime

shipping<sup>92</sup>, and such global public benefits should be put at the foreground of the promotion of railway projects. Given the general acceptance of the importance of sustainable development, a closer alignment of the BRI with this cause can reinforce the current, predominantly economic focused narratives, providing a more nuanced and complete picture of the BRI. Ultimately, this makes it more likely for BRI projects to be supported by people around the world.

Beyond involving European forces outside of the '16+1' in relatively passive roles,<sup>93</sup> they should be invited to engage in more active parts in promoting the format. In 2018, the Chinese Foreign Minister, Wang Yi, gestured to the potential of forming a tripartite cooperation between Germany, the CEE countries, and China<sup>94</sup>. We argue that such moves towards a more dynamic view of the '16+1' format are positive and encouraging. The '16+1' format should not be viewed as an isolated relationship between China and the CEE countries. Rather, it is one of the networks that overlaps and coexists amongst others within the BRI, and its success will be dependent upon the support of not only the 17 countries, but also from other neighbours that have close ties with these countries.

We should also recognise that a more substantial declaration of the cooperative framework is needed, one that expresses the proper intentions of Chinese investment and the rules and regulations of cooperation. Given that the chief goal of the BRI is to create long term 'win-win' relationships that benefit all participants, China needs to be sensitive about how negotiations are carried out and the terms of agreements. Where one party has far greater bargaining power, that party should be the main actor in ensuring the fair distribution of benefits.

Although the '16+1' format is promising to bring about economic development in the region, the impact will be reduced if China chiefly relies on domestic production networks and excludes local suppliers and labour<sup>95</sup>. To include local businesses, we may consider formally incorporating a 'joint venture' model

mandating all BRI-related projects to take the form of shared ownerships that are co-managed by foreign and local entities. The cooperative framework should resonate with EU regulation and outline a flowchart indicating how BRI-related investments are proposed, reviewed, and concluded, including, where necessary, public procurement procedures. A joint monitoring body, represented by all 17 nations as well as regional powers, can be formed to check on the projects and ensure quality standards are met. This could also enable a more transparent and systematic documentation of the progress of the projects.

Finally, there needs to be more international promotion of Chinese cooperation in a fairer light that counters the negative portrayal of their being low-quality outpours of excess capacity. This requires outreach to and interaction with the citizens around the world. Online media outlets, social media, and local celebrities need to be fully utilised to this end. Cultural activities, such as student exchanges, joint exhibitions between countries, translation of different countries' history and literary texts, should also be encouraged, which would help cultivate personal bonds and resonate with the central ideals of the BRI: connectivity, cultural exchange, peace, and sustainable development.

In summary, from an economic, political, social, and cultural perspective, the Central and Eastern European Region is one of the most important bridges between Asia and Europe. For the youth around the world, this region holds immense opportunity and development potential. Striving for new cooperative relationships will inevitably give rise to challenges, yet we believe that such challenges can be surmounted by close communication and coordination. At the same time, to enhance the benefits of BRI, the youth of different countries must increase their mutual understanding of one another. Thus, we strongly urge the continuous research into Central and Eastern Europe to understand the social conditions in the region, to grasp the needs of the youth thereof, and to promote international exchanges between young people. Ultimately, this would greatly contribute to the implementation of the Belt and Road Initiative.

92 | Hillman, J. E. (2018, March 6). *The Rise of China-Europe Railways*. Center for Strategic & International Studies. Retrieved September 1, 2018, from <https://www.csis.org/analysis/rise-china-europe-railways>.

93 | Austria, Switzerland, Greece, Belarus, and other European institutions such as the European Bank for Reconstruction and Development, are often invited as 'observers' at high-level meetings between China and CEE countries.

94 | Xinhuanet. (2018, May 31). 王毅回應歐洲對“16+1”合作的執法. Wang Yi Huiying Ouzhou dui '16+1' hezuo de danyiu. (Wang Yi in Response to Europe's Worries Concerning the '16+1 Cooperation'). *Xinhuanet*. Retrieved on 1 September, from [http://www.xinhuanet.com/world/2018-05/31/c\\_1122920711.htm](http://www.xinhuanet.com/world/2018-05/31/c_1122920711.htm).

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